

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

*For the Fiscal Year Ended
June 30, 2014*

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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, 2014, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

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, 2014, 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 63 through 82 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 December 30, 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. That 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
December 30, 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, 2014. 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 \$14,119,131 or 20.97% of total 2014 budgeted revenues of \$67,337,661. This is an increase of \$1,762,292 from the prior year total fund balance.
- The total unassigned fund balance of the General Fund is \$11,288,084 or 16.76% of total 2014 budgeted revenues.
- The total assigned and nonspendable fund balance of the General Fund is \$2,831,047. This is a decrease of \$1,076,205 from the prior year. The total assigned and nonspendable fund balance includes a nonspendable fund balance of \$1,458,976 for advances to other funds, which is down \$1,054,500 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 2014 with a budgetary operating surplus of \$1,815,363 and the School Unrestricted Fund ended with a budgetary operating surplus of \$620,318.
- The total debt amount of the Town of Cumberland decreased by \$1,648,947.
- As reported in the government wide financial statements, the assets and deferred outflows of resources of the Town of Cumberland exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$115,600,824. 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 \$6,601,416 for the fiscal year ended June 30, 2014.

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, the Town has included a section with combining statements that provide details about the Town’s 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

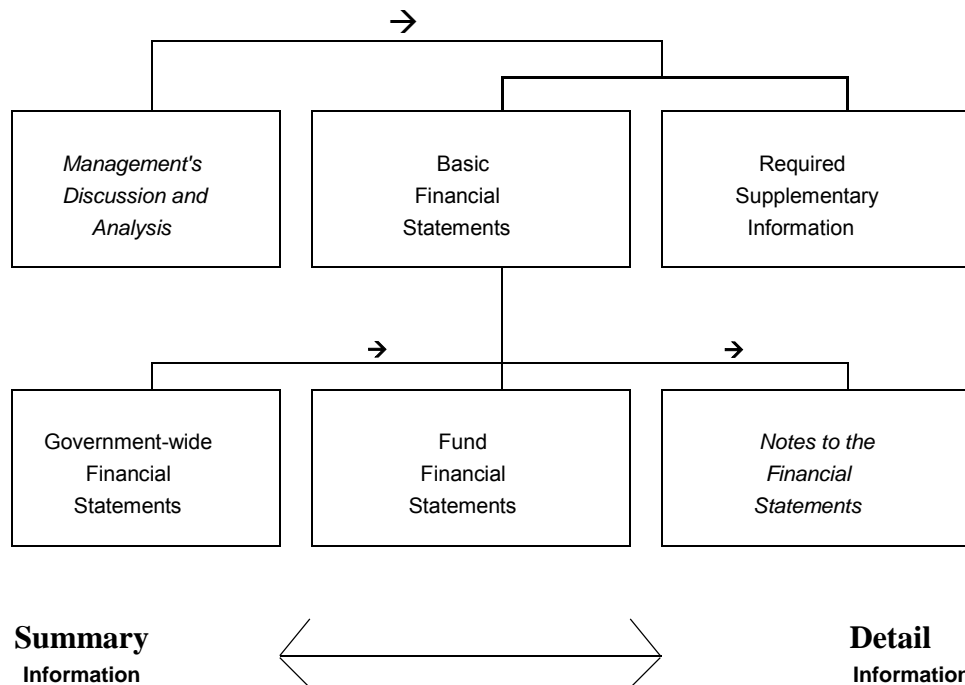


Figure A- 2

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 deferred outflows of resources and liabilities and deferred inflows of resources. 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 deferred outflows of resources and liabilities and deferred inflows of resources – 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 62.

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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$115,600,824 as of June 30, 2014, an increase over the prior year of \$6,601,416.

In regard to the Town's net position, 67% (\$77,195,323) 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	
	2014	2013	2014	2013	2014	2013
Current Assets	\$63,861,514	\$56,264,253	\$1,725,969	\$809,901	\$65,587,483	\$57,074,154
Capital Assets	101,478,841	102,222,005	28,511,308	29,019,256	129,990,149	131,241,261
Other Non-current Assets	1,833,790	2,011,903			1,833,790	2,011,903
Total Assets	167,174,145	160,498,161	30,237,277	29,829,157	197,411,422	190,327,318
Deferred outflows of resources	251,021	294,105	7,587	10,116	258,608	304,221
Current Liabilities	12,545,940	9,672,599	808,087	617,254	13,354,027	10,289,853
Long-term Liabilities	62,978,790	65,147,517	4,068,358	4,355,217	67,047,148	69,502,734
Total Liabilities	75,524,730	74,820,116	4,876,445	4,972,471	80,401,175	79,792,587
Deferred inflows of resources	1,668,031	1,839,544			1,668,031	1,839,544
Net Position:						
Net Investment in Capital Assets	52,633,161	50,539,453	24,562,162	24,790,800	77,195,323	75,330,253
Restricted	4,895,674	4,207,555			4,895,674	4,207,555
Unrestricted	32,703,570	29,385,598	806,257	76,002	33,509,827	29,461,600
Total Net Position	\$90,232,405	\$84,132,606	\$25,368,419	\$24,866,802	\$115,600,824	\$108,999,408

An additional portion of the Town's net position \$4,895,674 (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 \$33,509,827 (29%) 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 \$6,601,416 during fiscal year 2013-2014.

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, 2014. Governmental activities increased the Town's net position by \$6,099,799 accounting for 92% of the Town's total increase in net position, while business type activities increased the Town's net position by \$501,617 accounting for 8% of the Town's total increase in net position.

TOWN OF CUMBERLAND'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program						
Charges for Services	\$6,144,032	\$5,086,882	\$4,794,265	\$4,727,332	\$10,938,297	\$9,814,214
Operating Grants & Contributions	23,280,433	22,060,660			23,280,433	22,060,660
Capital Grants & Contributions	377,890	208,186	22,000	139,590	399,890	347,776
General Revenues						
Property Taxes	61,548,176	60,445,456			61,548,176	60,445,456
State Aid	1,281,608	1,054,401			1,281,608	1,054,401
Investment Earnings	48,114	70,186	2	16	48,116	70,202
Gain on Sale of Capital Assets	198,033	278,511		1,975	198,033	280,486
Miscellaneous	95,593	56,153			95,593	56,153
Change in Net OPEB Obligation	864,982				864,982	
Total Revenues	93,838,861	89,260,435	4,816,267	4,868,913	98,655,128	94,129,348
Program Expenses						
General Government	4,284,515	4,016,635			4,284,515	4,016,635
Community Development	624,177	408,181			624,177	408,181
Public Safety	9,996,783	9,881,200			9,996,783	9,881,200
Public Works	7,365,119	7,503,670			7,365,119	7,503,670
Social Services	2,312,506	2,195,188			2,312,506	2,195,188
Education	60,715,289	60,231,852			60,715,289	60,231,852
Interest on Long-Term Debt	2,440,673	2,218,084			2,440,673	2,218,084
Water Fund			4,314,650	3,927,762	4,314,650	3,927,762
Total Expenses	87,739,062	86,454,810	4,314,650	3,927,762	92,053,712	90,382,572
Increase in Net Position	6,099,799	2,805,625	501,617	941,151	6,601,416	3,746,776
Net Position Beginning of Year	84,132,606	81,326,981	24,866,802	23,925,651	108,999,408	105,252,632
Net Position End of Year	\$90,232,405	\$84,132,606	\$25,368,419	\$24,866,802	\$115,600,824	\$108,999,408

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 \$20,639,194. The General Fund reported an unassigned fund balance of \$11,288,084 representing approximately (54.7%) of total fund balance of all governmental funds.

Nonspendable & Assigned General Fund fund balances:

Assigned balances	\$1,372,071
Advances to Other Funds	1,458,976
Total Nonspendable and Assigned Fund Balance	\$ 2,831,047

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 \$806,257.

The Town of Cumberland's General Fund Budgetary Highlights

Nonspendable and assigned fund balance as of June 30, 2014 include:

- Assigned in the amount of \$1,372,071, 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 \$1,458,976.

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 \$68,743,822. The fund balance amount of \$14,119,131 equals 20.54% 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 \$129,990,149 net of accumulated depreciation at June 30, 2014. Included are land, building and improvements, construction in progress, motor vehicles, furniture and equipment, and infrastructure.

Major capital events during the fiscal year 2013-2014:

The major capital projects in 2013-2014 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	
	2014	2013	2014	2013	2014	2013
Land	\$19,882,983	\$19,770,057	\$280,974	\$280,974	\$20,163,957	\$20,051,031
Land Improvements	2,768,543	1,787,736			2,768,543	1,787,736
Building and Improvement	61,525,778	63,218,392	1,627,852	1,668,283	63,153,630	64,886,675
Construction in Progress	630,119	70,911	767,419	715,372	1,397,538	786,283
Motor Vehicles	1,031,684	986,545	74,041	40,799	1,105,725	1,027,344
Machinery and Equipment	1,951,321	2,186,577			1,951,321	2,186,577
Infrastructure	13,688,413	14,201,787	25,761,022	26,313,828	39,449,435	40,515,615
Total	\$101,478,841	\$102,222,005	\$28,511,308	\$29,019,256	\$129,990,149	\$131,241,261

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 \$25,610,000. Of this amount, \$350,000 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 2014</u>	<u>Business-type Activities 2014</u>	<u>Total</u>
General obligation bonds Payable	\$25,260,000	\$350,000	\$25,610,000
Capital leases payable	554,292	0	554,292
Notes and loans payable	25,124,939	3,917,029	29,041,968
Totals	\$50,939,231	\$4,267,029	\$55,206,260

The Town's general obligation bond rating was upgraded by Moody's Investors Service in July of 2014 to Aa3 (Stable). Standard & Poor's, reaffirmed their rating of the Town's general obligation bond rating of AA (Stable) in July of 2014.

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 \$103,728,828 at year-end. The Town's outstanding general obligation debt subject to the limit is \$2,668,500 at year-end, which is \$101,060,328 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 2014-2015 Budget and Tax Rates

The Town of Cumberland's total general fund budget for fiscal year 2015 is \$88,032,456; which reflects an increase of \$1,993,022 over the fiscal 2014 budget. In the Town's 2015 amended budget, \$58,484,710 or 66.44% is allocated for educational purposes and \$29,547,746, or 33.56% is budgeted for other purposes.

Of the \$58,484,710 budgeted for educational purposes, the State of Rhode Island is budgeted for fiscal year 2015 to contribute \$15,732,748 to the Town's education department and the Town is budgeted to contribute \$39,587,082. The budget this year also includes a school capital purchases account on the Town's portion of the budget in the amount of \$651,114. These funds will go towards the purchase of chrome books and new text books. The budget also appropriates \$525,000 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 2014 was \$17.08 per thousand for real estate, \$29.53 per thousand for tangible personal property, \$19.87 per hundred for motor vehicles. Of the total taxes billed, 33.33% was allocated for general government and 66.67% 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, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 21,360,517	\$ 1,423,262	\$ 22,783,779
Restricted cash and cash equivalents	-	318,899	318,899
Real estate and personal property tax receivable, net	37,049,940	-	37,049,940
Water and sewer use fees receivable, net	113,200	1,944,171	2,057,371
Sewer assessments receivable	142,898	-	142,898
Due from federal and state government	2,150,260	-	2,150,260
Internal balances	1,964,284	(1,964,284)	-
Other receivables, net	1,080,415	3,921	1,084,336
Total current assets	<u>63,861,514</u>	<u>1,725,969</u>	<u>65,587,483</u>
Noncurrent assets:			
Sewer assessments receivable	1,528,840	-	1,528,840
Capital assets: (Note 2)			
Land	19,882,983	280,974	20,163,957
Depreciable buildings, property, equipment, infrastructure, net	80,965,739	27,462,915	108,428,654
Construction in progress	630,119	767,419	1,397,538
Capital assets, net	101,478,841	28,511,308	129,990,149
Other assets, net	304,950	-	304,950
Total noncurrent assets	<u>103,312,631</u>	<u>28,511,308</u>	<u>131,823,939</u>
Total assets	<u>167,174,145</u>	<u>30,237,277</u>	<u>197,411,422</u>
Deferred outflows of resources:			
Deferred amounts on refunding	251,021	7,587	258,608
Total deferred outflows of resources	<u>251,021</u>	<u>7,587</u>	<u>258,608</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	6,873,689	470,483	7,344,172
Accrued interest payable	667,650	54,794	722,444
Deferred salary - due within one year	48,479	-	48,479
Other commitments - due within one year	17,850	-	17,850
Long-term debt - due within one year (Note 7)	4,938,272	282,810	5,221,082
Total current liabilities	<u>12,545,940</u>	<u>808,087</u>	<u>13,354,027</u>
Noncurrent liabilities:			
Long-term debt - due in more than one year (Note 7)	46,773,508	3,992,821	50,766,329
Accrued compensated absences	2,275,382	75,537	2,350,919
Deferred salary - due within more than one year	817,892	-	817,892
Other commitments - due in more than one year	232,050	-	232,050
Net pension obligation	2,149,526	-	2,149,526
Net other post employment benefit obligation	10,730,432	-	10,730,432
Total noncurrent liabilities	<u>62,978,790</u>	<u>4,068,358</u>	<u>67,047,148</u>
Total liabilities	<u>75,524,730</u>	<u>4,876,445</u>	<u>80,401,175</u>
Deferred Inflows of Resources:			
Deferred property taxes	139,191	-	139,191
Deferred sewer use fees and assessments	1,528,840	-	1,528,840
Total deferred inflows of resources	<u>1,668,031</u>	<u>-</u>	<u>1,668,031</u>
Net Position:			
Net investment in capital assets	52,633,161	24,562,162	77,195,323
Restricted for:			
Education programs	4,335,558	-	4,335,558
Public safety programs	71,008	-	71,008
Historical records preservation	237,911	-	237,911
Community service programs	206,042	-	206,042
Other programs	45,155	-	45,155
Unrestricted	32,703,570	806,257	33,509,827
Total net position	<u>\$ 90,232,405</u>	<u>\$ 25,368,419</u>	<u>\$ 115,600,824</u>

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

TOWN OF CUMBERLAND, RHODE ISLAND
Statement of Activities
For the Fiscal Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 4,284,515	\$ 1,272,899	\$ -	\$ -	\$ (3,011,616)	\$ -	\$ (3,011,616)
Community development	624,177	23,572	285,025	159,152	(156,428)	-	(156,428)
Public safety	9,996,783	1,662,276	45,759	12,882	(8,275,866)	-	(8,275,866)
Public works	7,365,119	1,193,430	92,486	205,856	(5,873,347)	-	(5,873,347)
Social services	2,312,506	125,397	319,592	-	(1,867,517)	-	(1,867,517)
Education	60,715,289	1,591,234	20,354,438	-	(38,769,617)	-	(38,769,617)
Interest on long-term debt	2,440,673	275,224	2,183,133	-	17,684	-	17,684
Total governmental activities	87,739,062	6,144,032	23,280,433	377,890	(57,936,707)	-	(57,936,707)
Business-Type Activities:							
Water	4,314,650	4,794,265	-	22,000	-	501,615	501,615
Total business-type activities	4,314,650	4,794,265	-	22,000	-	501,615	501,615
Total	\$ 92,053,712	\$ 10,938,297	\$ 23,280,433	\$ 399,890	(57,936,707)	501,615	(57,435,092)
General Revenues:							
Taxes:							
Property taxes					61,548,176	-	61,548,176
State aid and in lieu of taxes, unrestricted					1,281,608	-	1,281,608
Investment earnings					48,114	2	48,116
Gain on sale of capital asset					198,033	-	198,033
Miscellaneous					95,593	-	95,593
Special Item - Change in net OPEB obligation					864,982	-	864,982
Total general revenues and special items					64,036,506	2	64,036,508
Change in net position					6,099,799	501,617	6,601,416
Net position - beginning of year, restated					84,132,606	24,866,802	108,999,408
Net position - end of year					\$ 90,232,405	\$ 25,368,419	\$ 115,600,824

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

TOWN OF CUMBERLAND, RHODE ISLAND
Balance Sheet
Governmental Funds
June 30, 2014

	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Sewer Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Assets					
Cash and cash equivalents	\$ 16,732,108	\$ 1,899,786	\$ -	\$ 2,728,623	\$ 21,360,517
Real estate and personal property tax receivable (net)	36,685,931	-	-	-	36,685,931
Sewer use and assessment receivable	-	-	1,485,932	299,006	1,784,938
Due from federal and state governments	530,347	145,700	-	1,474,213	2,150,260
Due from other funds	2,875,614	5,108,849	-	3,038,379	11,022,842
Advances to other funds	1,458,976	-	-	-	1,458,976
Other receivables	445,953	523,312	-	6,757	976,022
Other assets	170,550	134,400	-	-	304,950
Total assets	<u>\$ 58,899,479</u>	<u>\$ 7,812,047</u>	<u>\$ 1,485,932</u>	<u>\$ 7,546,978</u>	<u>\$ 75,744,436</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable and accrued expenditures	\$ 1,888,723	\$ 3,686,096	\$ 10,372	\$ 941,482	\$ 6,526,673
Due to federal and state governments	33,527	-	-	-	33,527
Due to other funds	6,511,740	322,654	-	2,120,376	8,954,770
Advances from other funds	-	-	1,366,056	92,920	1,458,976
Other liabilities	312,884	-	-	-	312,884
Total liabilities	<u>8,746,874</u>	<u>4,008,750</u>	<u>1,376,428</u>	<u>3,154,778</u>	<u>17,286,830</u>
Deferred Inflows of Resources:					
Deferred property taxes	35,609,219	-	-	-	35,609,219
Other deferred revenues	424,255	-	-	-	424,255
Deferred sewer use fees and assessments	-	-	1,485,932	299,006	1,784,938
Total deferred inflows of resources	<u>36,033,474</u>	<u>-</u>	<u>1,485,932</u>	<u>299,006</u>	<u>37,818,412</u>
Fund Balances (Deficits):					
Nonspendable:					
Advances to other funds	1,458,976	-	-	-	1,458,976
Restricted for:					
Education programs	-	3,803,297	-	532,261	4,335,558
Public safety programs	-	-	-	71,008	71,008
Historical records preservation	-	-	-	237,911	237,911
Community service programs	-	-	-	206,042	206,042
Capital projects	-	-	-	2,294,980	2,294,980
Other programs	-	-	-	45,155	45,155
Committed for:					
Public facilities	-	-	-	728,532	728,532
Assigned to:					
Capital projects	-	-	-	70,225	70,225
Education programs and supplies	11,898	-	-	-	11,898
Office of Children, Youth, and Learning	145,568	-	-	-	145,568
Recreation programs	169,420	-	-	-	169,420
Town properties	15,727	-	-	-	15,727
Community and economic development programs	1,024,010	-	-	-	1,024,010
Senior citizens center programs	5,448	-	-	-	5,448
Unassigned	11,288,084	-	(1,376,428)	(92,920)	9,818,736
Total fund balances (deficits)	<u>14,119,131</u>	<u>3,803,297</u>	<u>(1,376,428)</u>	<u>4,093,194</u>	<u>20,639,194</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 58,899,479</u>	<u>\$ 7,812,047</u>	<u>\$ 1,485,932</u>	<u>\$ 7,546,978</u>	<u>\$ 75,744,436</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, 2014

Total Fund Balances - Total Governmental Funds	\$ 20,639,194
 <i>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. See note 2 to the financial statements.	101,478,841
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.	364,009
Other long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in Governmental Funds financial statements.	424,255
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.	256,098
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.	35,470,028
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.	(667,649)
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.	(67,983,392)
Deferred amounts on refunding are not reported in the Governmental Funds financial statements, but are reported net of accumulated amortization as deferred outflows of resources in the Government-Wide financial statements.	<u>251,021</u>
 Net Position of Governmental Activities	 <u><u>\$ 90,232,405</u></u>

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

TOWN OF CUMBERLAND, RHODE ISLAND
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Sewer Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:					
General property taxes and interest	\$ 62,110,065	\$ -	\$ -	\$ -	\$ 62,110,065
Investment and interest income	48,111	-	-	3	48,114
Other local and departmental revenue	3,328,923	776,622	982,348	966,841	6,054,734
Federal and State aid and grants	3,694,481	16,931,827	-	4,138,486	24,764,794
Other revenues	99,633	-	-	93,559	193,192
Total revenues	<u>69,281,213</u>	<u>17,708,449</u>	<u>982,348</u>	<u>5,198,889</u>	<u>93,170,899</u>
Expenditures:					
<i>Current:</i>					
General government	1,334,682	-	-	13,195	1,347,877
Community development	210,944	-	-	452,669	663,613
Public safety	5,966,584	-	-	61,829	6,028,413
Public works	5,396,591	-	201,361	1,065,853	6,663,805
Social services	1,898,757	-	-	29,380	1,928,137
Other	1,368,104	-	-	-	1,368,104
Employee benefits	6,529,680	-	-	-	6,529,680
Education	49,207	56,306,649	-	2,243,790	58,599,646
Cafeteria	-	-	-	1,940,235	1,940,235
Debt service	6,329,210	-	549,330	29,142	6,907,682
Capital outlay	160,577	-	-	-	160,577
Total expenditures	<u>29,244,336</u>	<u>56,306,649</u>	<u>750,691</u>	<u>5,836,093</u>	<u>92,137,769</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>40,036,877</u>	<u>(38,598,200)</u>	<u>231,657</u>	<u>(637,204)</u>	<u>1,033,130</u>
Other financing sources (uses):					
Refunding bonds issued	2,370,000	-	-	-	2,370,000
Premium on bonds and notes issued	260,044	-	-	-	260,044
Capital related debt issued	35,019	527,945	-	3,500,000	4,062,964
Proceeds from land sale	244,020	-	-	-	244,020
Payment to refunding bond escrow agent	(2,517,239)	-	-	-	(2,517,239)
Transfers from other funds	30,000	38,690,573	-	5,856	38,726,429
Transfers to other funds	(38,696,429)	-	(30,000)	-	(38,726,429)
Total other financing sources (uses)	<u>(38,274,585)</u>	<u>39,218,518</u>	<u>(30,000)</u>	<u>3,505,856</u>	<u>4,419,789</u>
Net change in fund balances	1,762,292	620,318	201,657	2,868,652	5,452,919
Fund balances (deficits) - beginning of year, restated	<u>12,356,839</u>	<u>3,182,979</u>	<u>(1,578,085)</u>	<u>1,224,542</u>	<u>15,186,275</u>
Fund balances (deficits) - end of year	<u>\$ 14,119,131</u>	<u>\$ 3,803,297</u>	<u>\$ (1,376,428)</u>	<u>\$ 4,093,194</u>	<u>\$ 20,639,194</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, 2014

Net Changes in Fund Balances - Total Governmental Funds	\$ 5,452,919
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
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.	2,365,905
Net book value of capital assets sold is not netted against sales proceeds to arrive at gain or loss on disposal of capital assets in the Governmental Funds financial statements, but net book value of capital assets sold is netted against sales proceeds to arrive at gain or loss on disposal of capital assets in the Government-Wide Statement of Activities.	
This amount represents net book value of capital assets sold during the current period.	(45,987)
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.	(3,063,084)
Long-term compensated absences, deferred salary, net pension obligation and net other post employment 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.	677,568
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 bond and capital lease issues during the current period.	(6,432,964)
This amount represents payments to refunding bond escrow agent.	2,517,239
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.	5,302,941
Accrued interest expense on long-term debt is reported in the Government-Wide Statement of Activities 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.	(65,273)
Debt issued at a premium provide current financial resources to Governmental Funds, but increase the long-term liabilities in the Government-Wide Statement of Net Position. Deferred amounts on refunding are expenditures in the Governmental Funds, but are deferred and amortized in the Government-Wide financial statements.	
This amount represents amortization of deferred amounts on refunding during the current period.	(60,323)
This amount represents amortization of premium during the current period.	88,105
This amount represents premium on debt issued in the current period	(237,339)
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.	(417,758)
Change in Net Position of Governmental Activities	\$ 6,099,799

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, 2014

	<i>Enterprise Funds</i>
	<i>Water Fund</i>
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,423,262
Restricted cash and cash equivalents	318,899
Accounts receivable:	
Water user fees, less allowance for uncollectible accounts of \$62,154	1,944,171
Other	3,921
Total current assets	3,690,253
Noncurrent assets:	
Capital assets:	
Non-depreciable assets	1,048,393
Depreciable assets - net	27,462,915
Total noncurrent assets	28,511,308
Total assets	32,201,561
Deferred outflows of resources	
Deferred amounts on refunding	7,587
Total deferred outflows of resources	7,587
Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	470,483
Accrued interest payable	54,794
Due to other funds	1,964,284
Current portion of long term debt	282,810
Total current liabilities	2,772,371
Noncurrent liabilities:	
Accrued compensated absences	75,537
Loan payable	3,744,219
General obligation bonds payable	248,602
Total noncurrent liabilities	4,068,358
Total liabilities	6,840,729
Net position	
Net investment in capital assets	24,562,162
Unrestricted	806,257
Total net position	\$ 25,368,419

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, 2014

	<i>Enterprise Funds</i>
	<i>Water Fund</i>
<i>Operating revenues</i>	
User fees and charges	\$ 4,653,125
Other revenues	141,140
<i>Total operating revenues</i>	4,794,265
 <i>Operating expenses</i>	
Personnel services	1,396,462
Maintenance and servicing	596,378
Operating supplies	285,928
Fixed and general charges	1,186,387
Depreciation and amortization	658,973
<i>Total operating expenses</i>	4,124,128
 <i>Operating income</i>	670,137
 <i>Nonoperating revenues (expenses)</i>	
Interest income	2
Interest expense	(190,522)
<i>Total nonoperating revenues (expenses)</i>	(190,520)
 <i>Income before contributions</i>	479,617
Capital contributions	22,000
 <i>Change in net position</i>	501,617
 <i>Total net position - beginning of year, restated</i>	24,866,802
 <i>Total net position - end of year</i>	\$ 25,368,419

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, 2014

	<i>Enterprise Funds</i>
	<i>Water Fund</i>
<i>Cash flows from operating activities</i>	
Cash received from customers	\$ 4,970,948
Cash payments to suppliers for goods and services	(1,890,890)
Cash payments to employees for services	(1,399,980)
<i>Net cash provided by operating activities</i>	1,680,078
<i>Cash flows from non-capital financing activities</i>	
Interfund transactions	(757,225)
Interest paid on interfund balance	(29,104)
<i>Net cash used for non-capital financing activities</i>	(786,329)
<i>Cash flows from capital and related financing activities</i>	
Acquisition and construction of capital assets	(143,658)
Principal paid on bonds and loans	(278,970)
Interest paid on bonds and loans	(164,459)
<i>Net cash used for capital and related financing activities</i>	(587,087)
<i>Cash flows from investing activities</i>	
Investment income	2
<i>Net cash provided by investing activities</i>	2
<i>Net increase in cash and cash equivalents</i>	306,664
<i>Cash and cash equivalents, beginning of year</i>	1,435,497
<i>Cash and cash equivalents, end of year</i>	\$ 1,742,161
<i>Noncash capital and related financing activities:</i>	
Increase in capital assets	\$ 22,000

(Continued)

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

TOWN OF CUMBERLAND, RHODE ISLAND
Statement of Cash Flows (Continued)
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	<i>Enterprise Funds</i>
	<i>Water Fund</i>
<i>Reconciliation of operating income to net cash provided by operating activities</i>	
Operating income	\$ 670,137
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>	
Depreciation and amortization	658,973
Change in allowance for uncollectible accounts	(4,350)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	150,971
(Increase) decrease in other receivables	1,200
Increase (decrease) in accounts payable and accrued expenses	204,328
Increase (decrease) in compensated absences	(1,181)
<i>Net cash provided by operating activities</i>	<i>\$ 1,680,078</i>

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, 2014

	<i>Pension Trust Fund</i>	<i>Other Post Employment Benefits Trust Fund</i>	<i>Private- Purpose Trust Funds</i>	<i>Agency Funds</i>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets				
Cash and cash equivalents	\$ 405,765	\$ -	\$ 311,854	\$ 538,084
Investments at fair value:				
U.S. government obligations	190,333	-	-	-
Municipal obligations	385,607	-	-	-
Corporate bonds	3,634,737	-	-	-
Common stock	6,507,931	-	-	-
Mutual funds - equity	698,469	-	-	-
Mutual funds - balanced	143,280	-	-	-
Mutual funds - fixed income	209,114	-	-	-
Rights and warrants	7,628	-	-	-
Accrued interest receivable	41,523	-	-	-
Contribution receivable	-	581,200	-	-
Due from other funds	-	-	-	605
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>12,224,387</u>	<u>581,200</u>	<u>311,854</u>	<u>538,689</u>
 Liabilities				
Accounts payable	-	-	-	3,112
Due to other funds	9,955	-	-	94,438
Deposits held in custody for others	-	-	-	441,139
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>9,955</u>	<u>-</u>	<u>-</u>	<u>538,689</u>
 Net Position				
Restricted for pension and other post employment benefits and other purposes	<u>\$ 12,214,432</u>	<u>\$ 581,200</u>	<u>\$ 311,854</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, 2014

	<i>Pension Trust Funds</i>	<i>Other Post Employment Benefits Trust Fund</i>	<i>Private- Purpose Trust Funds</i>
<i>Additions</i>			
Contributions:			
Employer	\$ 2,064,871	\$ 1,320,001	\$ -
Plan member	185,877	269,664	-
Total contributions	<u>2,250,748</u>	<u>1,589,665</u>	<u>-</u>
Investment income:			
Net appreciation in fair value of investments	1,051,716	-	-
Interest and dividends	334,182	-	963
Less: investment expense	(65,117)	-	-
Net investment income	<u>1,320,781</u>	<u>-</u>	<u>963</u>
Other revenue	<u>-</u>	<u>-</u>	<u>66,122</u>
<i>Total additions</i>	<u>3,571,529</u>	<u>1,589,665</u>	<u>67,085</u>
<i>Deductions</i>			
Benefits	1,656,011	1,042,015	-
Administrative expense	9,955	66,450	-
Scholarships	-	-	43,406
<i>Total deductions</i>	<u>1,665,966</u>	<u>1,108,465</u>	<u>43,406</u>
<i>Change in net position</i>	1,905,563	481,200	23,679
<i>Net position - beginning of year</i>	<u>10,308,869</u>	<u>100,000</u>	<u>288,175</u>
<i>Net position - end of year</i>	<u>\$ 12,214,432</u>	<u>\$ 581,200</u>	<u>\$ 311,854</u>

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

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2014

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, 2014

B. BASIS OF PRESENTATION AND ACCOUNTING

Government-Wide Financial Statements

The Town's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements report information about the reporting entity as a whole. Fiduciary activities of the Town are not included in these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through property taxes, intergovernmental revenue, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services rendered.

The Statement of Activities presents a comparison between direct expenses and program revenue for the business-type activities and for each function of the Town's governmental activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including property taxes and general state aid, are presented as general revenues.

These statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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 earned while expenses are recognized in the period the liability is incurred.

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.

Fund Financial Statements

The Fund Financial Statements of the Town are organized into funds, each of which is considered to be a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Town functions or activities. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three categories: governmental, proprietary, and fiduciary. Major individual governmental funds and enterprise funds are reported as separate columns in the Fund Financial Statements.

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2014

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, deferred outflows of resources, current liabilities and deferred inflows of resources are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally collected 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, except for principal and interest on long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured.

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 and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted or reported in another fund.

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 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, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in 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 the liability is incurred.

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2014

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 Fiduciary Net Position and a Statement of Fiduciary Changes in Net Position. The Town’s Fiduciary Funds include a Pension Trust Fund, an Other 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, 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.

Other 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. RECENTLY ISSUED ACCOUNTING STANDARDS

The Town has implemented the following new accounting pronouncements:

- GASB Statement No. 65 - Items Previously Reported as Assets and Liabilities, effective for the Town's fiscal year ending June 30, 2014.
- GASB Statement No. 66 - Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62, effective for the Town's fiscal year ending June 30, 2014.
- GASB Statement No. 67 - Financial Reporting for Pensions Plans - an amendment of GASB Statement No. 25, effective for the Town's fiscal year ending June 30, 2014.

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2014

- GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees, effective for the Town’s fiscal year ending June 30, 2014.

The adoption of these Statements did not have an impact on the Town’s financial position or results of operations, except as follows:

The implementation of GASB Statement No. 65 - Items Previously Reported as Assets and Liabilities resulted in restatements of net position in the Governmental Activities, Business-Type Activities and Water Fund to remove debt issuance costs previously reported as other assets.

The Town will adopt the following new accounting pronouncements in future years:

- GASB Statement No. 68 – Financial Reporting for Pensions - an amendment of GASB Statement No. 27, effective for the Town's fiscal year ending June 30, 2015.
- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations, effective for the Town’s fiscal year ending June 30, 2015.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date, effective for the Town’s fiscal year ending June 30, 2015.

The impact of these pronouncements on the Town's financial statements has not been determined.

D. CASH EQUIVALENTS

The Town considers cash and cash equivalents in the Proprietary Funds to include cash on hand, time and demand deposits, and short-term investments maturing within three months from the date of acquisition.

E. INVESTMENTS

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

F. 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 2014 and other delinquent balances are recorded as receivables.

G. 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.

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2014

H. CAPITAL ASSETS AND DEPRECIATION

Capital assets are reported in the Government-Wide Statement of Net Position.

In the Fund Financial Statements, capital assets used in governmental fund activities are accounted for as capital expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for in the same manner as in the Government-Wide Financial Statements.

All capital assets are capitalized at cost (or estimated historical cost). Donated capital assets are recorded at estimated 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</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

I. DEBT PREMIUMS

In the Governmental Fund Financial Statements, debt premiums are reported as an “other financing source”. In the Government-Wide Statements, debt premiums are deferred and amortized over the term of the debt. Debt premiums are presented as an addition to the face amount of the debt payable.

J. DEFERRED INFLOWS OF RESOURCES

In the Governmental Fund Financial Statements, deferred inflows of resources is reported for receivables recorded in the Governmental Fund Financial Statements for which the revenue is not available or amounts received before the period for which property taxes are levied. In the Government-Wide Financial Statements, deferred inflows of resources is reported for amounts received before the period for which property taxes are levied.

K. PROPERTY TAXES

The Town is permitted by State Law to levy property taxes. The Town's fiscal 2013-2014 property taxes were levied in April 2014 on assessed valuation as of December 31, 2013. 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, 2014

L. 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, 2014.

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.

M. 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 Governmental 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 Governmental Fund Financial Statements until due.

N. 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, 2014

NOTE 2 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June, 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Nondepreciable assets:				
Land	\$ 19,770,057	\$ 158,913	\$ 45,987	\$ 19,882,983
Construction in progress	70,911	599,433	40,225	630,119
	<u>19,840,968</u>	<u>758,346</u>	<u>86,212</u>	<u>20,513,102</u>
Depreciable assets:				
Land improvements	2,650,002	1,096,154	-	3,746,156
Infrastructure	28,843,079	118,800	-	28,961,879
Buildings and improvements	84,868,669	-	17,626	84,851,043
Machinery and equipment	5,387,328	135,203	-	5,522,531
Vehicles	4,781,699	297,629	1,007,111	4,072,217
	<u>126,530,777</u>	<u>1,647,786</u>	<u>1,024,737</u>	<u>127,153,826</u>
Total Capital Assets	<u>146,371,745</u>	<u>2,406,132</u>	<u>1,110,949</u>	<u>147,666,928</u>
Less accumulated depreciation for:				
Land improvements	862,266	115,347	-	977,613
Infrastructure	14,641,292	632,174	-	15,273,466
Buildings and improvements	21,650,277	1,692,614	17,626	23,325,265
Machinery and equipment	3,200,751	370,459	-	3,571,210
Vehicles	3,795,154	252,490	1,007,111	3,040,533
Total Accumulated Depreciation	<u>44,149,740</u>	<u>3,063,084</u>	<u>1,024,737</u>	<u>46,188,087</u>
Governmental Activities Capital Assets, Net	<u>\$102,222,005</u>	<u>\$ (656,952)</u>	<u>\$ 86,212</u>	<u>\$ 101,478,841</u>
Business-Type Activities				
Nondepreciable assets:				
Land	\$ 280,974	\$ -	\$ -	\$ 280,974
Construction in progress	715,372	52,047	-	767,419
	<u>996,346</u>	<u>52,047</u>	<u>-</u>	<u>1,048,393</u>
Depreciable assets:				
Buildings	2,451,934	-	-	2,451,934
Mains, laterals, standpipes and other	38,126,870	39,377	-	38,166,247
Vehicles	376,771	59,600	-	436,371
	<u>40,955,575</u>	<u>98,977</u>	<u>-</u>	<u>41,054,552</u>
Total Capital Assets	<u>41,951,921</u>	<u>151,024</u>	<u>-</u>	<u>42,102,945</u>
Less accumulated depreciation for:				
Buildings	783,651	40,431	-	824,082
Mains, laterals, standpipes and other	11,813,042	592,183	-	12,405,225
Vehicles	335,972	26,358	-	362,330
Total Accumulated Depreciation	<u>12,932,665</u>	<u>658,972</u>	<u>-</u>	<u>13,591,637</u>
Business-Type Activities Capital Assets, Net	<u>\$ 29,019,256</u>	<u>\$ (507,948)</u>	<u>\$ -</u>	<u>\$ 28,511,308</u>

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2014

Depreciation expense was charged to functions as follows:

General government	\$ 18,001
Public safety	264,493
Public works	828,273
Social services	156,358
Education	1,795,959
Total Depreciation Expense	\$ 3,063,084

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 \$103,728,828. As of June 30, 2014, the Town’s debt subject to the debt limit is \$2,668,500 and the Town is under the debt limit by \$101,060,328. 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, 2014:

Sewer Fund	\$ (1,376,428)
Sewer – Ferncrest & Willow	(92,920)

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.”

	<u>Carrying Amount</u>
Total Deposits	\$23,634,763
Add: Investments classified as cash equivalents	<u>723,618</u>
Total Cash and Cash Equivalents Reported in the Financial Statements	<u>\$24,358,381</u>

Water Fund cash and cash equivalents of \$318,899 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, 2014

As of June 30, 2014, \$22,273,553 of the Town's bank balance of \$23,909,666 was exposed to custodial credit risk as follows:

	<u>Bank Balance</u>
Insured (Federal depository insurance funds)	\$ 1,636,113
Collateralized with securities held by pledging financial institution or its agent in the Town's name	9,496,916
Uninsured and uncollateralized	<u>12,776,637</u>
Total	<u>\$23,909,666</u>

Under Rhode Island general laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits which are time deposits with maturities greater than sixty (60) days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity. At June 30, 2014 the Town's uncollateralized deposits with an institution was \$12,776,637.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

NOTE 5 – INVESTMENTS

As of June 30, 2014, the Town had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Moody's Rating</u>
Fidelity Governmental Fund	Average 54 days	\$ 318,899	Not rated
Prime Obligation Fund	N/A	404,719	Not rated
US Government Obligation – FFCB	11/21/2024	93,603	Aaa
US Government Obligation – FHLMC	06/12/2023	96,730	Aaa
Municipal Bond	06/01/2030	55,527	Aa2
Municipal Bond	05/01/2024	103,418	A1
Municipal Bond	04/01/2023	56,595	Aa3
Municipal Bond	09/01/2019	55,832	Aa1
Municipal Bond	08/01/2023	114,235	Aaa
Corporate Bond	05/15/2021	109,807	A3
Corporate Bond	05/27/2020	76,973	A1
Corporate Bond	06/01/2020	100,818	A1
Corporate Bond	09/15/2014	70,684	WR
Corporate Bond	01/15/2020	110,788	A1
Corporate Bond	12/15/2022	48,610	A1
Corporate Bond	05/15/2017	224,614	A2
Corporate Bond	12/06/2017	225,648	Aa3
Corporate Bond	04/01/2018	258,034	Baa1
Corporate Bond	05/01/2015	519,370	Baa1
Corporate Bond	07/15/2018	79,852	Aaa
Corporate Bond	01/15/2016	107,140	A1
Corporate Bond	06/01/2018	338,364	A1
Corporate Bond	03/08/2022	103,363	A2
Corporate Bond	12/15/2017	113,553	A2
Corporate Bond	04/01/2021	55,152	Baa1
Corporate Bond	04/15/2020	100,226	A1
Corporate Bond	11/30/2022	49,594	A2
Corporate Bond	09/30/2016	110,281	A3
Corporate Bond	09/10/2018	51,166	A2
Corporate Bond	10/15/2018	101,894	A1
Corporate Bond	05/20/2020	84,281	A1
Corporate Bond	07/08/2020	107,431	Aa2
Corporate Bond	08/09/2020	114,594	Baa2
Corporate Bond	09/17/2020	66,233	WR
Corporate Bond	11/01/2020	48,585	A2
Corporate Bond	05/19/2021	53,594	Aa2
Corporate Bond	02/15/2022	99,553	A3
Corporate Bond	12/15/2023	104,535	Aaa
Mutual Funds - Fixed Income	Average 6.7 years	209,114	Average B
Common Stock	N/A	6,507,931	Not rated
Mutual Funds - Balanced	N/A	143,280	Not rated
Mutual Funds - Equity	N/A	698,469	Not rated
Rights and Warrants	N/A	7,628	Not rated
		<u>12,500,717</u>	
Less: Investments classified as cash equivalents		<u>(723,618)</u>	
Total Investments Reported in the Financial Statements		<u><u>\$11,777,099</u></u>	

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2014

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

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

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

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

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

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 had no investments in issuers that represent more than 5% of total investments.

Custodial Credit Risk – Custodial credit risk for investments is the risk that in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments in corporate bonds, U.S government obligations, municipal bonds, and common stock are held by the investment counterparty in the counterparty's name. The Town does not have a formal policy relative to custodial credit risk.

Foreign Currency Risk – The Town has policies related to foreign investments for its Police Pension Plan as described above. The Town does not have a formal policy related to foreign investments in the other funds. The Town's exposure to foreign currency risk was made up of common stock with a fair value of \$130,191 at June 30, 2014. The currency that the foreign common stock is denominated in is the European euro.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

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, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
General obligation tax anticipation notes	\$ -	\$9,500,000	\$9,500,000	\$ -

NOTE 7 – LONG-TERM LIABILITIES

A. Long-term liability activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds, notes, loans, and capital leases payable:					
Bonds payable	\$ 24,900,000	\$ 5,870,000	\$ 5,510,000	\$ 25,260,000	\$ 3,145,000
Notes and loans payable	26,619,439	-	1,494,500	25,124,939	1,548,222
Capital lease payable	789,769	562,965	798,442	554,292	245,050
Plus amortized premium bonds and loans	623,314	237,340	88,105	772,549	-
Total bonds, notes, loans, and capital leases payable	52,932,522	6,670,305	7,891,047	51,711,780	4,938,272
Other liabilities:					
Deferred salary	998,387	-	132,016	866,371	48,479
Compensated absences	2,357,538	-	82,156	2,275,382	-
Net other post employment benefit obligation	11,120,706	-	390,274	10,730,432	-
Net pension obligation	2,222,648	-	73,122	2,149,526	-
Other commitments	267,750	-	17,850	249,900	17,850
Governmental activities Long-term liabilities	\$ 69,899,551	\$ 6,670,305	\$ 8,586,465	\$ 67,983,391	\$ 5,004,601
Business-Type Activities:					
Bonds payable	\$ 460,000	\$ -	\$ 110,000	\$ 350,000	\$ 110,000
Loan payable	4,085,999	-	168,970	3,917,029	172,810
Plus amortized premium bonds	11,470	-	2,868	8,602	-
Total bonds and loans payable	4,557,469	-	281,838	4,275,631	282,810
Compensated absences	76,718	-	1,181	75,537	-
Business-type activities Long-term liabilities	\$ 4,634,187	\$ -	\$ 283,019	\$ 4,351,168	\$ 282,810

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2014

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, 2014 were as follows:

<i>Fiscal Year Ended June 30,</i>	<i>Governmental Activities Lease Payment Requirements</i>
2015	\$261,067
2016	261,067
2017	252,394
2018	252,394
2019	252,394
Total minimum lease payments	1,279,316
Funds not drawn down at June 30, 2014	(652,897)
Less: Amount representing interest cost	(72,127)
Present value of minimum lease payments	\$554,292

Equipment and vehicles are reported as machinery and equipment or vehicles in the statement of net position at a cost of \$562,965. Amortization of assets acquired under capital leases is included in depreciation expense for the year ended June 30, 2014.

C. GENERAL OBLIGATION BONDS DEBT SERVICE REQUIREMENTS

The debt service requirements at June 30, 2014, were as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Governmental Activities General Obligation Bonds</i>		<i>Business Type Activities General Obligation Bonds</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2015	\$3,145,000	\$1,006,532	\$110,000	\$13,201
2016	2,665,000	898,163	115,000	8,600
2017	2,750,000	786,302	125,000	2,938
2018	2,765,000	672,882	-	-
2019	2,770,000	555,324	-	-
2020-2024	7,715,000	1,663,848	-	-
2025-2029	2,090,000	564,424	-	-
2030-2033	1,360,000	145,714	-	-
	\$25,260,000	\$6,293,189	\$350,000	\$24,739

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

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, 2013</u>	<u>New Issues</u>	<u>Maturities During Year</u>	<u>Outstanding June 30, 2014</u>
Governmental Activities:								
School Bond (Refunding)	06/10/08	2.00%-3.45%	08/01/14	\$ 3,570,000	\$ 1,120,000	\$ -	\$ 550,000	\$ 570,000
Library Bond (Refunding)	06/10/08	2.00%-4.76%	08/01/18	2,850,000	1,730,000	-	260,000	1,470,000
School Bond (Refunding)	06/10/08	2.00%-4.75%	08/01/18	5,740,000	3,480,000	-	520,000	2,960,000
Open Space Bond (Refunding)	11/30/11	3.00%-3.50%	10/01/21	1,000,000	915,000	-	85,000	830,000
Open Space/Recreation Bond	08/28/13	3.00%-5.00%	02/01/33	3,500,000	-	3,500,000	50,000	3,450,000
School Bond (Refunding)	11/30/11	3.00%-3.50%	10/01/21	2,010,000	1,830,000	-	185,000	1,645,000
School Bond (Refunding)	08/28/13	3.00%-5.00%	02/01/23	\$ 3,570,000	\$ -	\$ 2,370,000	\$ 255,000	\$ 2,115,000
Judgment Bond (Refunding)	11/30/11	3.00%	10/01/16	205,000	170,000	-	40,000	130,000
Judgment Bond	06/10/08	5.14%	06/01/18	1,130,000	555,000	-	115,000	440,000
School Bond	02/01/03	2.30%-4.50%	02/01/23	5,000,000	2,500,000	-	2,500,000	-
High School Improvements	03/15/04	3.50%-5.00%	03/15/24	5,500,000	4,260,000	-	305,000	3,955,000
Road Improvements	03/15/04	3.50%-5.00%	03/15/24	2,000,000	1,545,000	-	110,000	1,435,000
Road Improvements	11/30/11	3.00%-6.25%	11/01/31	2,500,000	2,375,000	-	125,000	2,250,000
Library Bond	03/15/04	3.50%-5.00%	03/15/24	400,000	310,000	-	25,000	285,000
School Bond	03/15/04	3.50%-5.00%	03/15/24	500,000	395,000	-	30,000	365,000
School Bond	05/01/06	4.00%-5.00%	05/01/26	3,000,000	2,340,000	-	135,000	2,205,000
Sewer Bond (Refunding)	06/10/08	2.00%-4.77%	08/01/18	2,015,000	1,225,000	-	185,000	1,040,000
Sewer Bond (Refunding)	06/10/08	2.00%-4.81%	08/01/16	285,000	150,000	-	35,000	115,000
Total Governmental Activities				<u>44,775,000</u>	<u>24,900,000</u>	<u>5,870,000</u>	<u>5,510,000</u>	<u>25,260,000</u>
Business Type Activities:								
Water Bond (Refunding)	06/10/08	2.00%-4.74%	08/01/16	915,000	460,000	-	110,000	350,000
Total Business Type Activities				<u>915,000</u>	<u>460,000</u>	<u>-</u>	<u>110,000</u>	<u>350,000</u>
Total Bonds Payable				<u>\$ 45,690,000</u>	<u>\$ 25,360,000</u>	<u>\$ 5,870,000</u>	<u>\$ 5,620,000</u>	<u>\$ 25,610,000</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

E. NOTES AND LOANS PAYABLE

The Town of Cumberland has entered into five 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
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, 2014 a loan payable of \$3,917,029 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, 2014 were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	1,564,581	853,732	195,083	120,240
2020-2024	8,896,943	3,201,772	1,086,016	486,965
2025-2029	8,550,000	1,028,150	1,312,589	256,033
2030-2031	-	-	602,147	24,590
	<u>\$25,124,939</u>	<u>\$9,199,219</u>	<u>\$3,917,029</u>	<u>\$1,429,625</u>

F. REFUNDINGS OF LONG-TERM DEBT

On August 28, 2013, the Town issued \$2,370,000 in general obligation bonds with an average interest rate of 4.59% to advance refund the following outstanding bonds: \$2,500,000 in 2003 Series bonds with an average interest rate of 4.31%. The net proceeds of \$2,517,239 (after payment of \$35,610 in underwriter's fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited to an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2003 Series bonds. As a result, the 2003 Series bonds are considered to be defeased and the liability of those bonds has been removed from the Government-Wide Statement of Net Position.

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2014

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$17,239 for Governmental Activities. The difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through fiscal years 2014-2023 using the straight-line method. The Town completed the advance refunding to reduce its total debt service payments over the next 10 years by \$135,706 and obtain an economic gain (difference between the present values of the old and new debt service payments) of \$110,528.

G. DEFERRED SALARY

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

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

H. 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.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

NOTE 8 – 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>Pension Trust Fund</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	\$ -	\$ 8,348	\$ 1,366,056	\$ 891,509	\$ 1,964,284	\$ 94,438	\$ 9,955	\$ 4,334,590
School Unrestricted	3,787,064	-	-	1,321,785	-	-	-	5,108,849
Nonmajor Governmental Funds	2,724,676	313,701	-	2	-	-	-	3,038,379
Agency Funds	-	605	-	-	-	-	-	605
<i>Total</i>	<u>\$ 6,511,740</u>	<u>\$ 322,654</u>	<u>\$ 1,366,056</u>	<u>\$ 2,213,296</u>	<u>\$ 1,964,284</u>	<u>\$ 94,438</u>	<u>\$ 9,955</u>	<u>\$ 12,482,423</u>

Included above are loans made to provide financing resources to the following funds: \$1,366,056 Sewer and \$92,920 Sewer - Ferncrest & Willow. 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 9 – INTERFUND TRANSFERS

	<i>Transfer From:</i>		<i>Total</i>
	<i>General Fund</i>	<i>Sewer Fund</i>	
<i>Transfer To:</i>			
General Fund	\$ -	\$ 30,000	\$ 30,000
Unrestricted Fund	38,690,573	-	38,690,573
Nonmajor Governmental Funds	5,856	-	5,856
<i>Total</i>	<u>\$ 38,696,429</u>	<u>\$ 30,000</u>	<u>\$ 38,726,429</u>

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 \$38,690,573 is the School appropriation that is budgeted in the General Fund as a revenue source to be transferred to the School Unrestricted Fund and expended.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

NOTE 10 – 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
Notes to Financial Statements
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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 11 – 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><i>Fund/Description</i></u>	<u><i>Allowance For Doubtful Accounts</i></u>
General Fund – Real estate and personal property tax receivable	\$1,618,447
General Fund – Police detail receivable	91,163
General Fund – Rescue billing	1,241,628
Water Fund – Water use fees receivable	62,154

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities at June 30, 2014, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General Fund	\$ 791,105	\$ 516,418	\$ 581,200	\$ 1,888,723
School Unrestricted Fund	3,065,208	620,888	-	3,686,096
Sewer Fund	10,180	192	-	10,372
Other Governmental Funds	938,139	3,343	-	941,482
Reconciliation of balances in fund financial statements to government- wide financial statements	-	-	347,016	347,016
Total Governmental Activities	<u>\$ 4,804,632</u>	<u>\$ 1,140,841</u>	<u>\$ 928,216</u>	<u>\$ 6,873,689</u>
Business-Type Activities:				
Water Fund	\$ 453,255	\$ 17,228	\$ -	\$ 470,483
Total Business-Type Activities	<u>\$ 453,255</u>	<u>\$ 17,228</u>	<u>\$ -</u>	<u>\$ 470,483</u>

NOTE 12 – 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.

TOWN OF CUMBERLAND, RHODE ISLAND
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- 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, 2012 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, 2014, 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, 2014, the Town contributed \$1,320,001 to the plan, which is 83.6% of the annual required contribution.

Summary of Significant Accounting Policies

Basis of Accounting – The Other 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 table shows the components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Town’s net OPEB obligation:

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

Annual required contribution (ARC)	\$ 1,578,750
Interest on net OPEB obligation	802,981
Adjustment to annual required contribution	<u>(587,022)</u>
Annual OPEB cost	1,794,709
Contributions made	<u>(1,320,001)</u>
Increase in net OPEB obligation	474,708
Change as result of amendment to plan terms	(864,982)
Net OPEB obligation, beginning of year	<u>11,120,706</u>
Net OPEB obligation, end of year	<u>\$10,730,432</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/12	\$3,467,580	45.14%	\$10,571,268
6/30/13	\$1,860,604	70.47%	\$11,120,706
6/30/14	\$1,794,709	73.55%	\$10,730,432

Funded Status and Funding Progress

The funded status of the Town's plan as of July 1, 2013 (rolled forward from July 1, 2012 valuation) is as follows:

Actuarial Accrued Liability (AAL)	\$20,374,644
Actuarial Value of Plan Assets	<u>100,000</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$20,274,644</u>

The breakout of the AAL by group is as follows: Police employees - \$20,374,644 and School employees - \$0.

Funded ratio (Actuarial Value of Plan Assets/AAL)	0.5%
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 information following the notes to the financial statements, presents multiyear trend information

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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 2014 was determined as part of the July 1, 2013 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, 2013 is being amortized as a level percent of pay based on a closed group.

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 13 – 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, 2014 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 14 – 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, 2014 are estimated to be \$396,093. The Town has provided a required deposit in the amount of \$304,200 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><u>Beginning Fiscal Year Liability</u></i>	<i><u>Current Year Claims and Changes In Estimate</u></i>	<i><u>Claims Payments</u></i>	<i><u>Balance Fiscal Year End</u></i>
2013-2014	\$481,174	\$6,329,123	\$6,414,204	\$396,093
2012-2013	\$403,926	\$8,118,679	\$8,041,431	\$481,174

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

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both the Trust and the Town. The agreement states that for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its members. The Town purchases commercial insurance which provides coverage for workers' compensation claims. Settled claims resulting from these risks have not exceeded Trust or commercial coverage in any of the past three fiscal years.

The Town is self-insured for unemployment benefits. There were no "incurred but not reported" claims as of June 30, 2014.

NOTE 15 – SUBSEQUENT EVENTS

- A. In August 2014, the Town entered into a loan agreement for \$500,000. The loan bears interest of 0.12 – 2.55% and matures September 1, 2015 – 2034.
- B. In August 2014, the Town issued \$7,630,000 in general obligation refunding bonds. The bonds bear interest of 2 – 4% and mature March 15, 2015 – 2026.
- C. In October 2014, the Town entered into a capital lease agreement for \$631,583. The lease bears interest of 3.29% and matures in July 2019.
- D. In December 2014, the Town issued \$8,500,000 in tax anticipation notes. The notes bear interest of 1.25% and mature June 11, 2015.

NOTE 16 – RESTATEMENTS

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

	<u><i>Governmental Activities</i></u>	<u><i>Other Governmental Funds</i></u>	<u><i>Business-Type Activities/ Water Fund</i></u>
Fund balances/net position - June 30, 2013 as previously reported	\$84,782,640	\$1,251,877	\$24,941,626
Remove debt issuance costs	(622,699)	-	(74,824)
Reclassification of special revenue fund to agency fund	(27,335)	(27,335)	-
<i>Fund balances/net position - June 30, 2013 as restated</i>	<u><u>\$84,132,606</u></u>	<u><u>\$1,224,542</u></u>	<u><u>\$24,866,802</u></u>

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NOTE 17 – SPECIAL ITEM

Due to a change in benefit terms, effective July 1, 2013, School employee retirees are no longer allowed to purchase health coverage from the School's group plan at blended active/retiree rates. This led to a reduction in the net OPEB obligation of \$864,982.

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 2014, the total employer rate is 20.68% (8.42% State share and 12.26% local share). The State share of the employer contribution rate includes the total cost of prior contribution deferrals which was .24% for fiscal 2014.

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The Cumberland School Department contributed \$3,366,815, \$3,189,760, and \$3,505,366 during the fiscal years 2014, 2013 and 2012, respectively, equal to 100% of the actuarially required contributions for those respective years. For financial reporting purposes, the State's share of contributions totaling \$2,192,253 for fiscal year 2014 are reflected as on behalf-payments and are included as both revenue and expenditures in the accompanying financial statements.

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 \$39,753, \$39,076, and \$38,017 during the fiscal years 2014, 2013 and 2012, 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 2014, the total employer rate of 3% was split as follows: 0.40% State share and 2.60% local share.

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The plan members and Cumberland School Department contributed \$1,882,028 and \$806,581, respectively, during the fiscal year ended June 30, 2014. For financial reporting purposes, the State's share of contributions totaling \$104,021 for fiscal year 2014 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.

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

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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 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 2014 were as follows: general employees 13.26% and rescue 7.18%.

Annual Pension Cost

The Town’s annual pension cost of \$1,178,982 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>
2012	\$775,682	100%	\$ -
2013	\$1,055,097	100%	\$ -
2014	\$1,106,485	100%	\$ -

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RESCUE EMPLOYEES

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	\$72,932	100%	\$ -
2013	\$57,451	100%	\$ -
2014	\$72,497	100%	\$ -

The required contribution for fiscal 2014 was determined as part of the actuarial valuation performed as of June 30, 2011. The most recent valuation of the plans within the system was performed as of June 30, 2013. The actuarial methods and assumptions used in those valuations are summarized in the following table.

Summary of Actuarial Assumptions Used in the MERS
June 30, 2011 and June 30, 2013 Valuations

Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.	
Amortization Method	Level Percent of Payroll – Closed	
Equivalent Single Remaining Amortization Period	24 years as of June 30, 2011 22 years as of June 30, 2013	
Asset Valuation Method	5 Year Smoothed Market	
Actuarial Assumptions:		
Investment Rate of Return	7.50%	
Projected Salary Increases	<u>General Employees</u>	<u>Rescue Employees</u>
	4.00% to 8.00%	4.25% to 14.25%
Inflation	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. It is known the COLA for calendar years 2013 and 2014 will be 0% and 0.67% respectively, and this is reflected in the June 30, 2013 valuation.

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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>June 30, 2013</i>	<i>Actuarial Value of Assets</i> <i>(a)</i>	<i>Actuarial Liability (AAL) – Entry Age</i> <i>(b)</i>	<i>Unfunded AAL (UAAL)</i> <i>(b-a)</i>	<i>Funded Ratio</i> <i>(a/b)</i>	<i>Covered Payroll</i> <i>(c)</i>	<i>UAAL as a Percentage of Covered Payroll</i> <i>((b-a)/c)</i>
General Employees	\$21,087,232	\$28,658,045	\$7,570,813	73.6%	\$8,033,273	94.2%
Rescue	\$4,809,494	\$4,971,837	\$162,343	96.7%	\$992,338	16.4%

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 \$418,149 and \$83,827, respectively, during the fiscal year ended June 30, 2014.

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.

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C. TOWN ADMINISTERED PENSION PLAN

Plan Description

Plan Administration – All full-time police officers and certain other former employees are covered by the Town of Cumberland’s Pension Plan which is administered by the Town of Cumberland Pension Board. The Pension Board consists of three members nominated and appointed by the Town Council. 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 Town Council has the authority to establish and amend the benefits terms through the adoption of an ordinance. 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.

Plan Membership – As of July 1, 2014, membership data related to the pension plan was as follows:

Active members	43
Retired and beneficiaries	72
Terminated vested	–
	<u>115</u>

Benefit Provided – The pension plan provides retirement, disability and survivorship benefits.

Police officers hired on or before July 1, 2013:

- Normal retirement date – Participants may retire upon completion of 20 years of service regardless of age.
- Normal retirement benefit – For credited service prior to July 1, 2013, 2.75% of average annual earnings for the first 20 years plus 1% for the next 5 years. For credited service after July 1, 2013, 2.50% of average annual earnings for the first 20 years plus 1% for the next 10 years. The maximum retirement benefit is 60% of average annual earnings.
- Average annual earnings – Average of final 36 months of base salary, overtime, holiday, shift differential, and accreditation earnings.

Police officers hired after July 1, 2013:

- Normal retirement date – Participants may retire upon reaching age 55 and the completion of 25 years of service.
- Normal retirement benefit – 2% of average annual earnings for each year of credited service up to 30 years.
- Average annual earnings – Average over working career of base salary, holiday, and longevity earnings.

TOWN OF CUMBERLAND, RHODE ISLAND
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Police officers are eligible for non-duty disability benefits after 12 years of service and for duty-related disability benefits upon hire. The duty-related disability retirement benefit is 66.67% of average compensation. The non-duty disability retirement benefit is 60% of average compensation at 12 years of service, increased 5% for each year up to 17 years to 100% at 18 years of service. Upon a participant's death after retirement, 67.5% of the pension benefits are payable to a surviving spouse until death or remarriage, or to surviving dependent children under the age of eighteen. If a police officer dies prior to retirement, after 15 years of service, and while married, the surviving spouse will receive a pension benefit equal to the amount payable if the officer had retired with a 67.5% joint and survivor annuity. For those with less than 15 years of service, the beneficiary will receive a refund of the participant's contributions with 5% interest.

Benefit terms provide for a 3% non-compounded, annual cost-of-living adjustment (COLA) to a participant's retirement benefit from age 57 for participant's who retired on or after July 1, 1992. Participants who retired prior to July 1, 1992 do not receive COLA adjustments.

Contributions – Contribution requirements for the plan are established and may be amended by Town ordinance or union contract. Police officers hired on or before July 1, 2013 are required to contribute 8% of annual earnings by union contract. Police officers hired after July 1, 2013 are required to contribute 11% of annual earnings by union contract. The Town contribution is an actuarially determined amount recommended by an independent actuary. The actuarially determined amount is the estimated amount to finance the costs of benefits earned by plan members during the year, with an additional amount to finance the unfunded accrued liability. The Town contribution for the year ended June 30, 2014 was \$2,064,871.

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. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Investments

Investment Policy – The pension plan's policy is described in Note 5 – Investments.

Concentrations – The pension plan's investment in JP Morgan Chase & Co. represented 5.10% of the plan's fiduciary net position as of June 30, 2014.

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Rate of Return – For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.54%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Town

The components of the net pension liability of the Town at June 30, 2014 were as follows:

Total Pension Liability	\$31,046,330
Plan Fiduciary Net Position	<u>(12,214,432)</u>
Town’s Net Pension Liability	<u>\$18,831,898</u>
Plan fiduciary net position as a percentage of the total pension liability	39.34%

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2%	
Salary Increases	3.50%	
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation	

Mortality rates were based on the RP-2000 Combined Mortality Tables for males and females with generational mortality projections per Scale AA.

Given the size of the plan, there is not enough data available to conduct a credible experience study. The assumptions are not anticipated to produce significant cumulative actuarial gains or losses over time. The liabilities and data are analyzed each year in order to identify any trends of experience deviating from the actuarial assumptions.

Ad-hoc cost of living increase assumption was 3% non-compounded from age 57 for retirement on or after July 1, 1992. No cost of living increase for retirement before July 1, 1992.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate of ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2014 (see the discussion of the pension plan’s investment policy in Note 5 – Investments) are summarized in the following table:

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<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Fixed Income	2.20%
Domestic Equity	7.40%
International Equity	7.80%
Cash	0.20%

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Town, calculated using the discount rate of 7.50%, as well as what the Town’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$22,603,883	\$18,831,898	\$15,450,677

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>
<i>Municipal Employees Retirement</i>							
<i>System (General Employees) (3) (4)</i>	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%
	6/30/2013	\$21,087,232	\$28,658,045	\$7,570,813	73.6%	\$8,033,273	94.2%
<i>Municipal Employees Retirement</i>							
<i>System (Rescue) (3) (4)</i>	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%
	6/30/2013	\$4,809,494	\$4,971,837	\$162,343	96.7%	\$992,338	16.4%
<i>Other Post Employment</i>							
<i>Benefit Plan</i>	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
	7/1/2013	\$100,000	\$20,374,644	\$20,274,644	0.5%	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, 2011 actuarial valuation amounts reflect the comprehensive pension reform changes as enacted by the Rhode Island General Assembly in November 2011.
- (4) The assumptions used in the June 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.

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

Other Post Employment Benefit Plan

<i>Fiscal Year</i> <i>Ending</i> <i>June 30</i>	<i>Annual</i> <i>Required</i> <i>Contribution</i>	<i>Actual</i> <i>Contribution</i>	<i>Percent</i> <i>Funded</i>
2013	\$1,657,531	\$1,311,166	79%
2014	1,578,750	1,320,001	84%

TOWN OF CUMBERLAND, RHODE ISLAND
Required Supplementary Information - Police Pension Plan
Schedule of Changes in the Town's Net Pension Liability and Related Ratios
"Unaudited"

	2014
<i>Total pension liability:</i>	
Service cost	\$ 625,409
Interest	2,203,726
Changes of benefit terms	-
Differences between expected and actual experience	287,596
Changes of assumptions	-
Benefits payments, including refunds of member contributions	(1,656,011)
<i>Net change in total pension liability</i>	1,460,720
<i>Total pension liability - beginning</i>	29,585,610
<i>Total pension liability - ending (a)</i>	\$31,046,330
<i>Plan fiduciary net position:</i>	
Contributions - employer	\$ 2,064,871
Contributions - employee	185,877
Net investment income	1,320,781
Benefits payments, including refunds of member contributions	(1,656,011)
Administrative expense	(9,955)
Other	-
<i>Net change in plan fiduciary net position</i>	1,905,563
<i>Plan fiduciary net position - beginning</i>	10,308,869
<i>Plan fiduciary net position - ending (b)</i>	\$12,214,432
 <i>Town's net pension liability - ending (a) - (b)</i>	 \$18,831,898
<i>Plan fiduciary net position as a percentage of the total pension liability</i>	 39.34%
 <i>Covered employee payroll</i>	 \$ 2,633,451
 <i>Town's net pension liability as a percentage of covered employee payroll</i>	 715.10%

TOWN OF CUMBERLAND, RHODE ISLAND
Required Supplementary Information - Police Pension Plan
Schedule of Town Contributions
Last Ten Fiscal Years
"Unaudited"

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Actuarially determined contribution	\$ 1,980,631	\$ 1,986,232	\$ 1,650,489	\$ 1,507,130	\$ 1,315,293	\$ 1,135,722	\$ 923,078	\$ 737,697	\$ 806,797	\$ 763,015
Contributions in relation to the actuarially determined contribution	2,064,871	1,650,000	1,400,000	1,000,000	211,425	1,135,722	923,078	737,697	811,871	763,015
Contribution deficiency (excess)	<u>\$ (84,240)</u>	<u>\$ 336,232</u>	<u>\$ 250,489</u>	<u>\$ 507,130</u>	<u>\$ 1,103,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,074)</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,633,451	\$ 2,651,185	\$ 2,511,260	\$ 2,538,594	\$ 2,839,887	\$ 2,873,991	\$ 2,586,734	\$ 2,580,899	\$ 2,445,466	\$ 2,321,689
Contributions as a percentage of covered employee payroll	78.41%	62.24%	55.75%	39.39%	7.44%	39.52%	35.69%	28.58%	33.20%	32.86%

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

	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	<u>12.54%</u>

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
General property taxes and interest	\$ 60,296,049	\$ 60,296,049	\$ 62,110,065	\$ 1,814,016
Investment and interest income	118,000	118,000	48,111	(69,889)
Other local and departmental revenue	1,447,000	1,447,000	1,651,041	204,041
Federal and State aid and grants	3,722,565	3,722,565	3,685,576	(36,989)
Rescue service revenue	914,576	914,576	914,576	-
Appropriation of surplus	498,471	498,471	-	(498,471)
Other revenues	341,000	341,000	334,453	(6,547)
Total revenues	<u>67,337,661</u>	<u>67,337,661</u>	<u>68,743,822</u>	<u>1,406,161</u>
Expenditures				
General Government:				
Mayor's office	169,923	169,923	168,457	1,466
Town Clerk	227,288	227,288	219,810	7,478
Town Council	32,301	32,301	24,007	8,294
Town Solicitor	204,622	204,622	170,273	34,349
Municipal court	48,696	48,696	47,598	1,098
Town officers	12,153	12,153	11,923	230
Boards and commissions	3,250	3,250	1,835	1,415
Board of canvassers	45,268	45,268	41,998	3,270
Finance office	491,341	491,341	496,278	(4,937)
Tax Assessor	205,802	205,802	152,503	53,299
	<u>1,440,644</u>	<u>1,440,644</u>	<u>1,334,682</u>	<u>105,962</u>
Community Development:				
Planning	207,208	207,208	190,467	16,741
Zoning	14,800	14,800	20,477	(5,677)
	<u>222,008</u>	<u>222,008</u>	<u>210,944</u>	<u>11,064</u>
Public Safety:				
Police department	3,823,517	3,823,517	3,578,673	244,844
Telecommunication	325,218	325,218	323,033	2,185
Rescue service	1,566,565	1,566,565	1,565,507	1,058
Animal control	136,459	136,459	159,124	(22,665)
	<u>5,851,759</u>	<u>5,851,759</u>	<u>5,626,337</u>	<u>225,422</u>
Public Works:				
Inspection	185,868	185,868	185,602	266
Public works	2,614,319	2,614,319	2,554,827	59,492
Highway	1,975,034	1,975,034	1,966,456	8,578
Recreation	174,460	174,460	174,182	278
Town Hall	169,710	169,710	191,919	(22,209)
	<u>5,119,391</u>	<u>5,119,391</u>	<u>5,072,986</u>	<u>46,405</u>
Social Services:				
Library	1,492,177	1,492,177	1,480,836	11,341
Children and learning	177,307	177,307	174,027	3,280
Senior services	128,713	128,713	173,721	(45,008)
	<u>1,798,197</u>	<u>1,798,197</u>	<u>1,828,584</u>	<u>(30,387)</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Other Expenditures:				
Outside agencies	58,400	58,400	52,000	6,400
Veteran services	250	250	-	250
Adult literacy	2,500	2,500	-	2,500
Emergency management	10,000	10,000	11,620	(1,620)
Mason building improvements	10,000	10,000	10,000	-
Economic development	15,000	15,000	11,408	3,592
Contingencies	111,000	111,000	84,861	26,139
Information technology	125,500	125,500	122,783	2,717
US Conference of Mayors	-	-	6,978	(6,978)
Police negotiations	75,000	75,000	356,960	(281,960)
STRESS	5,000	5,000	-	5,000
Litter control	5,000	5,000	-	5,000
Traffic calming plan	5,000	5,000	3,330	1,670
Property revaluation	350,000	350,000	308,722	41,278
Franklin Farm	5,000	5,000	5,000	-
Property and liability insurance	425,000	425,000	401,456	23,544
Municipal dues	13,476	13,476	12,676	800
	<u>1,216,126</u>	<u>1,216,126</u>	<u>1,387,794</u>	<u>(171,668)</u>
Employee Benefits	<u>6,656,437</u>	<u>6,656,437</u>	<u>6,529,680</u>	<u>126,757</u>
Debt Service:				
Town debt service	1,172,681	1,172,681	1,238,400	(65,719)
School debt service	4,778,193	4,778,193	4,974,263	(196,070)
Master lease	261,652	261,652	3,741	257,911
	<u>6,212,526</u>	<u>6,212,526</u>	<u>6,216,404</u>	<u>(3,878)</u>
Capital Outlay and Reserves:				
Capital improvements	160,000	160,000	54,619	105,381
	<u>160,000</u>	<u>160,000</u>	<u>54,619</u>	<u>105,381</u>
Total expenditures	<u>28,677,088</u>	<u>28,677,088</u>	<u>28,262,030</u>	<u>415,058</u>
Excess of revenues over expenditures before other financing sources and uses	<u>38,660,573</u>	<u>38,660,573</u>	<u>40,481,792</u>	<u>1,821,219</u>
Other financing sources and uses:				
Transfers from other funds				
Special revenue funds	30,000	30,000	30,000	-
Transfers to other funds				
School unrestricted fund	(38,690,573)	(38,690,573)	(38,690,573)	-
Special revenue funds	-	-	(5,856)	(5,856)
Total other financing sources and uses	<u>(38,660,573)</u>	<u>(38,660,573)</u>	<u>(38,666,429)</u>	<u>(5,856)</u>
Net change in fund balance, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,815,363</u>	<u>\$ 1,815,363</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local Appropriation	\$38,690,573	\$38,690,573	\$38,690,573	\$ -
Lease Proceeds	957,430	957,430	527,945	(429,485)
State Aid	14,705,457	14,705,457	14,635,553	(69,904)
Article 31 Technology	78,442	78,442	-	(78,442)
Medicaid	400,000	400,000	416,034	16,034
Section 125 Co-Pays (1)	1,350,000	1,350,000	-	(1,350,000)
Retiree & COBRA Health, Dental, Life Insurance (2)	250,000	250,000	-	(250,000)
Building/Pool Rentals	166,000	166,000	146,886	(19,114)
Middle School Booster Clubs	30,000	30,000	27,200	(2,800)
Preschool Tuitions/Transportation	84,000	84,000	98,061	14,061
Summer School Tuitions	30,200	30,200	32,350	2,150
Miscellaneous	50,000	50,000	28,131	(21,869)
Reimb Food Service Account	30,600	30,600	-	(30,600)
Literacy Reimbursement	146,206	146,206	-	(146,206)
Indirect Cost	-	-	27,960	27,960
Fund Balance	603,940	603,940	-	(603,940)
Total revenues	<u>57,572,848</u>	<u>57,572,848</u>	<u>54,630,693</u>	<u>(2,942,155)</u>
Expenditures				
<u>Ashton</u>				
Salaries Yr Round Employees	215,826	215,826	216,368	(542)
Salaries-Certified Teachers	1,325,126	1,348,537	1,377,112	(28,575)
Salaries-Para/Aides	56,719	56,719	54,918	1,801
Services/Postage/Volunteers	8,890	11,290	9,911	1,379
Maint & Repairs	5,000	5,000	7,684	(2,684)
Materials & Supplies	39,621	78,976	74,083	4,893
Dues	600	600	585	15
Capital	12,618	12,618	11,246	1,372
	<u>1,664,400</u>	<u>1,729,566</u>	<u>1,751,907</u>	<u>(22,341)</u>
<u>Community</u>				
Salaries- Yr Round Employees	286,286	286,286	281,187	5,099
Salaries-Certified Teachers	2,983,353	2,975,142	2,966,129	9,013
Salaries-Para/Aides	251,964	251,964	243,392	8,572
Services/Postage/Volunteers	12,282	14,682	13,777	905
Maint & Repairs	7,700	7,700	13,093	(5,393)
Materials & Supplies	70,947	150,791	156,237	(5,446)
Dues	600	600	585	15
Capital	22,400	22,400	16,468	5,932
	<u>3,635,532</u>	<u>3,709,565</u>	<u>3,690,868</u>	<u>18,697</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Cumberland Hill</u>				
Salaries- Yr Round Employees	\$ 234,806	\$ 234,806	\$ 230,918	\$ 3,888
Salaries-Certified Teachers	2,058,117	2,002,553	2,055,848	(53,295)
Salaries-Para/Aides	190,929	190,929	182,600	8,329
Services/Postage/Volunteers	9,511	11,911	10,985	926
Maint & Repairs	5,200	5,200	12,117	(6,917)
Materials & Supplies	45,234	104,680	106,723	(2,043)
Dues	600	600	585	15
Capital	12,200	12,200	11,120	1,080
	<u>2,556,597</u>	<u>2,562,879</u>	<u>2,610,896</u>	<u>(48,017)</u>
<u>Garvin</u>				
Salaries- Yr Round Employees	214,326	214,326	193,661	20,665
Salaries-Certified Teachers	2,098,771	2,075,710	2,030,425	45,285
Salaries-Para/Aides	96,881	96,881	88,886	7,995
Services/Postage/Volunteers	10,197	12,597	11,360	1,237
Maint & Repairs	5,000	5,000	8,061	(3,061)
Materials & Supplies	48,208	99,745	96,806	2,939
Dues	600	600	585	15
Capital	12,200	12,200	11,120	1,080
	<u>2,486,183</u>	<u>2,517,059</u>	<u>2,440,904</u>	<u>76,155</u>
<u>BF Norton</u>				
Salaries Yr Round Employees	232,526	232,526	226,852	5,674
Salaries-Certified Teachers	2,022,641	2,003,891	1,993,752	10,139
Salaries-Para/Aides	228,751	228,751	242,604	(13,853)
Services/Postage/Volunteers	10,223	12,623	10,025	2,598
Maint & Repairs	5,000	5,000	12,918	(7,918)
Materials & Supplies	46,759	112,402	130,713	(18,311)
Dues	600	600	585	15
Capital	22,550	22,550	15,093	7,457
	<u>2,569,050</u>	<u>2,618,343</u>	<u>2,632,542</u>	<u>(14,199)</u>
<u>Pre-School</u>				
Salaries- Year Round	77,886	77,886	77,212	674
Salaries-Certified Teachers	318,103	333,721	305,896	27,825
Salaries-Para/Aides	67,469	67,469	71,875	(4,406)
Child Outreach Salaries	18,000	18,000	17,989	11
Services/Postage	500	500	138	362
Maint & Repairs	500	500	-	500
Materials & Supplies	4,000	4,000	522	3,478
Dues	600	600	585	15
	<u>487,058</u>	<u>502,676</u>	<u>474,217</u>	<u>28,459</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>McCourt</u>				
Salaries- Year Round	\$ 379,862	\$ 379,862	\$ 338,964	\$ 40,898
Salaries-Certified Teachers	2,960,061	2,927,859	2,870,199	57,660
Salaries-Para/Aides	190,570	190,570	211,154	(20,584)
Services/Postage	20,190	20,190	25,055	(4,865)
Maint & Repairs	6,800	6,800	8,913	(2,113)
Materials & Supplies	38,300	38,300	35,264	3,036
Student Travel	3,000	3,000	17,605	(14,605)
Dues	1,150	1,150	1,170	(20)
Capital	20,200	20,200	-	20,200
	<u>3,620,133</u>	<u>3,587,931</u>	<u>3,508,324</u>	<u>79,607</u>
<u>NCM School</u>				
Salaries- Year Round	380,362	380,362	333,533	46,829
Salaries-Certified Teachers	2,983,420	3,082,602	3,102,551	(19,949)
Salaries-Para/Aides	125,982	125,982	143,517	(17,535)
Services/Postage	16,635	16,635	30,444	(13,809)
Maint & Repairs	6,800	6,800	6,685	115
Materials & Supplies	48,500	48,500	40,747	7,753
Student Travel	2,800	2,800	13,977	(11,177)
Dues	1,150	1,150	1,170	(20)
Capital	20,000	20,000	1,152	18,848
	<u>3,585,649</u>	<u>3,684,831</u>	<u>3,673,776</u>	<u>11,055</u>
<u>Cumberland High School</u>				
Salaries- Yr Round Employees	847,370	847,370	872,873	(25,503)
Salaries-Certified Teachers	8,204,157	8,046,564	7,868,855	177,709
Salaries-Para/Aides	370,026	370,026	412,982	(42,956)
Services/Postage	182,622	178,058	171,844	6,214
Maint & Repairs, Rentals	36,600	36,600	32,294	4,306
Student Travel	12,000	12,000	82,860	(70,860)
Materials & Supplies	86,936	126,350	139,750	(13,400)
Dues	20,375	20,375	6,760	13,615
Capital	27,180	27,180	27,798	(618)
	<u>9,787,266</u>	<u>9,664,523</u>	<u>9,616,016</u>	<u>48,507</u>
<u>Summer School (ALL)</u>				
Salaries Remedial	30,200	30,200	26,820	3,380
Salaries-Certified ESY	70,552	70,552	56,415	14,137
Salaries-Para ESY	40,000	40,000	47,756	(7,756)
Services	1,000	1,000	8,084	(7,084)
Supplies, Maintenance & Repairs	-	-	5,270	(5,270)
	<u>141,752</u>	<u>141,752</u>	<u>144,345</u>	<u>(2,593)</u>
<u>Elem Cord/Attrition</u>				
Salaries-Certified Cord	160,714	160,714	160,400	314

(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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Special Education/Adaptive Phys Ed./Speech, Mercy Mount</u>				
Salaries- Year Round	\$ 295,575	\$ 295,575	\$ 298,772	\$ (3,197)
Salaries-Certified Teachers/Tutors	48,506	98,132	111,195	(13,063)
Services & Repairs	686,816	686,816	678,945	7,871
Tuitions	1,570,000	1,470,000	1,426,036	43,964
Materials & Supplies	11,000	11,000	22,982	(11,982)
Student Travel	18,500	18,500	13,200	5,300
Travel	9,000	9,000	9,786	(786)
Dues	2,200	2,200	1,727	473
Capital	15,000	15,000	18,585	(3,585)
	<u>2,656,597</u>	<u>2,606,223</u>	<u>2,581,228</u>	<u>24,995</u>
<u>Superintendent & School Committee</u>				
Salaries	207,131	209,631	212,756	(3,125)
School Committee Stipends	16,200	16,200	16,200	-
Services/Legal	78,005	85,505	145,346	(59,841)
Materials & Supplies	2,000	2,000	12,901	(10,901)
Travel	6,000	6,000	10,607	(4,607)
Dues	13,000	13,000	18,244	(5,244)
Equipment SC	-	-	3,159	(3,159)
	<u>322,336</u>	<u>332,336</u>	<u>419,213</u>	<u>(86,877)</u>
<u>Asst Superintendent</u>				
Salaries	180,128	180,128	188,121	(7,993)
Services	107,480	124,280	100,374	23,906
Maint & Repairs	1,000	1,000	2,228	(1,228)
Travel	4,800	4,800	6,500	(1,700)
Materials & Supplies	400	80,400	7,845	72,555
Dues	1,200	1,200	1,081	119
	<u>295,008</u>	<u>391,808</u>	<u>306,149</u>	<u>85,659</u>
<u>Human Resources/Legal</u>				
Salaries	133,960	166,456	182,223	(15,767)
Services	25,000	25,000	12,437	12,563
Materials & Supplies	2,000	2,000	1,913	87
Travel	100	100	26	74
Dues	200	200	345	(145)
	<u>161,260</u>	<u>193,756</u>	<u>196,944</u>	<u>(3,188)</u>
<u>Technology</u>				
Salaries	359,001	341,458	309,701	31,757
Services	240,201	240,201	165,017	75,184
Maint & Repairs	10,000	21,922	31,481	(9,559)
Materials & Supplies	16,340	16,340	13,003	3,337
Travel	9,000	9,000	8,400	600
Dues	399	399	350	49
Leases	237,194	237,194	-	237,194
Capital	249,966	865,966	1,169,663	(303,697)
	<u>1,122,101</u>	<u>1,732,480</u>	<u>1,697,615</u>	<u>34,865</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Business Office</u>				
Salaries	\$ 330,392	\$ 330,392	\$ 344,953	\$ (14,561)
Services	61,468	61,468	64,662	(3,194)
Debt service	80,000	80,000	-	80,000
Postage/Supplies	14,000	14,000	8,040	5,960
Travel	100	100	25	75
Dues	500	500	425	75
	<u>486,460</u>	<u>486,460</u>	<u>418,105</u>	<u>68,355</u>
<u>Facilities</u>				
Salaries	243,398	243,398	232,071	11,327
Services/Maintenance	960,000	960,000	906,859	53,141
Utilities	1,068,000	1,068,000	1,100,836	(32,836)
Materials & Supplies	32,300	32,300	32,247	53
Travel	-	-	4,072	(4,072)
Dues	750	750	-	750
Capital	625,836	648,836	533,410	115,426
	<u>2,930,284</u>	<u>2,953,284</u>	<u>2,809,495</u>	<u>143,789</u>
<u>Athletics & Pool</u>				
Salaries Pool	-	-	45	(45)
Salaries - Athletics Director	27,500	27,500	26,480	1,020
Stipends - Coaches	158,067	158,067	158,919	(852)
Services /Rentals	46,440	46,440	32,256	14,184
Materials & Supplies	30,900	30,900	433	30,467
Transportation	60,000	60,000	-	60,000
Dues	9,800	9,800	8,105	1,695
	<u>332,707</u>	<u>332,707</u>	<u>226,238</u>	<u>106,469</u>
<u>Health Services</u>				
Salaries	-	-	510	(510)
Services	6,000	6,000	6,449	(449)
Materials & Supplies/Travel	1,000	1,000	260	740
	<u>7,000</u>	<u>7,000</u>	<u>7,219</u>	<u>(219)</u>
<u>School Safety</u>				
Salaries Truant Officer	30,700	30,700	30,700	-
Salaries Bus Monitors Thru	175,000	175,000	153,323	21,677
	<u>205,700</u>	<u>205,700</u>	<u>184,023</u>	<u>21,677</u>
<u>Transportation/Travel</u>				
Services State	575,000	575,000	451,644	123,356
Summer School State & Durham	120,000	120,000	87,505	32,495
Services Durham	2,349,317	2,554,317	2,602,731	(48,414)
	<u>3,044,317</u>	<u>3,249,317</u>	<u>3,141,880</u>	<u>107,437</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Advertising</u>				
Services	15,000	15,000	12,697	2,303
<u>Other Tuitions - Charter Schools</u>				
Services	2,318,474	2,318,474	2,180,743	137,731
<u>Area Voc Tuitions & Met School</u>				
Services	350,000	250,000	259,771	(9,771)
<u>Non-Public School Textbooks</u>				
Materials & Supplies	17,500	17,500	4,351	13,149
<u>Benefits</u>				
CTA 3% All Employee Severance	135,139	135,139	38,995	96,144
Tuitions/Travel	19,000	19,000	9,992	9,008
ICSE Longevity	67,000	67,000	62,642	4,358
Health Insurance Admin & Claims (1)	5,661,203	4,836,567	2,811,420	2,025,147
Dental (2)	570,000	539,000	434,082	104,918
Social Security	368,795	377,094	318,443	58,651
Medicare	456,968	455,771	432,532	23,239
Life Insurance	200,000	200,000	103,061	96,939
Workers Compensation	107,500	107,500	100,217	7,283
Unemployment Compensation	125,000	125,000	102,346	22,654
Survivors Benefits	39,000	39,000	38,386	614
Certified Retirement	4,205,390	4,019,610	3,867,099	152,511
Non-Certified Retirement	658,775	680,283	541,294	138,989
	<u>12,613,770</u>	<u>11,600,964</u>	<u>8,860,509</u>	<u>2,740,455</u>
<i>Total expenditures</i>	<i>57,572,848</i>	<i>57,572,848</i>	<i>54,010,375</i>	<i>3,562,473</i>
<i>Net change in fund balance, budgetary basis</i>	<i>\$ -</i>	<i>\$ -</i>	<i>620,318</i>	<i>\$ 620,318</i>
<i>Fund balance - beginning of year</i>			<i>3,182,979</i>	
<i>Fund balance - end of year</i>			<i>\$ 3,803,297</i>	

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 70. 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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues				
Other local and departmental revenue	\$ 865,997	\$ 865,997	\$ 982,348	\$ 116,351
Total revenues	<u>865,997</u>	<u>865,997</u>	<u>982,348</u>	<u>116,351</u>
Expenditures				
Public works	212,000	212,000	201,361	10,639
Debt service	633,997	633,997	549,330	84,667
Total expenditures	<u>845,997</u>	<u>845,997</u>	<u>750,691</u>	<u>95,306</u>
Excess of revenues over expenditures before other financing uses	<u>20,000</u>	<u>20,000</u>	<u>231,657</u>	<u>211,657</u>
Other financing uses				
Transfers to other funds	(20,000)	(20,000)	(30,000)	(10,000)
Total other financing uses	<u>(20,000)</u>	<u>(20,000)</u>	<u>(30,000)</u>	<u>(10,000)</u>
Net change in fund balance, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	201,657	<u>\$ 201,657</u>
Fund balance (deficit), beginning of year			<u>(1,578,085)</u>	
Fund balance (deficit), end of year			<u><u>\$ (1,376,428)</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

June 30, 2014

"Unaudited"

NOTE 1 - SCHEDULE OF FUNDING PROGRESS

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

	<i>General Municipal Employees Pension Plan</i>	<i>Municipal Rescue Pension Plan</i>
Valuation date	6/30/2013	6/30/2013
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 22 years remaining as of the valuation date	25 years from June 30, 2010 or 22 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 227 Retirees and beneficiaries 165 <u>392</u>	Active employees 18 Retirees and beneficiaries 6 <u>24</u>

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Required Supplementary Information

June 30, 2014

"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>Other Post Employment Benefit Plan</i></u>	
Valuation date	7/1/2013 (1)	
Actuarial cost method	Projected Unit Credit with linear proration to decrement	
Amortization method	Level percent of payroll over an closed period	
Average amortization period	30 years	
Asset valuation method	Not applicable - the plan has no assets	
Actuarial assumptions:		
Investment rate of return	Not applicable	
Discount rate	7.5%	
Projected salary increases	4.5% per year	
Cost-of-living adjustments	Not applicable	
Participant information	Active employees	44
	Retirees and beneficiaries	61
		<u>105</u>

(1) Rolled forward from July 1, 2012 valuation

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2014
"Unaudited"

NOTE 2 - SCHEDULE OF TOWN CONTRIBUTIONS

Police Pension

Valuation date:

July 1, 2013 - Actuarially determined contribution rates are calculated as of July 1 of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost												
Amortization method	Level percent of payroll over a closed period												
Remaining amortization period	20 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												
Projected salary increases	3.50% compounded annually												
Investment rate of return	7.50%												
Retirement rates/age	<p>Police officers hired on or before July 1, 2013:</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Service (in years)</u></th> <th style="text-align: left;"><u>Rate</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">20</td> <td style="text-align: center;">70%</td> </tr> <tr> <td style="text-align: center;">21-24</td> <td style="text-align: center;">10%</td> </tr> <tr> <td style="text-align: center;">25</td> <td style="text-align: center;">70%</td> </tr> <tr> <td style="text-align: center;">26-29</td> <td style="text-align: center;">10%</td> </tr> <tr> <td style="text-align: center;">30</td> <td style="text-align: center;">100%</td> </tr> </tbody> </table> <p>Police officers hired after July 1, 2013: 100% at age 55 with 25 years of service</p>	<u>Service (in years)</u>	<u>Rate</u>	20	70%	21-24	10%	25	70%	26-29	10%	30	100%
<u>Service (in years)</u>	<u>Rate</u>												
20	70%												
21-24	10%												
25	70%												
26-29	10%												
30	100%												
Mortality	RP-2000 Combined Healthy Mortality Table for males and females with generational mortality projection per Scale AA												

Other Information:

Plan changes were effective July 1, 2013. For officers hired on or before July 1, 2013, changes were made to the benefit formula and employee contribution rate. For officers hired after July 1, 2013, changes were made to the benefit formula, retirement age, pay definition, and employee contribution rate. Early retirement was eliminated for officers hired after July 1, 2013. As a result of the plan changes, changes were also made to the retirement rates assumption.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2014

NOTE 3 - 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 2014 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	\$281,960
Finance	General	4,937
Zoning	General	5,677
Emergency Management	General	1,620
Animal Control	General	22,665
Senior Services	General	45,008
Town Hall	General	22,209
School Debt Service	General	196,070
US Conference of Mayors	General	6,978
Town Debt Service	General	65,719

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2014

Explanation of Differences Between Budgetary Revenues and Other Financing Sources and Expenditures and Other Financing Uses and GAAP Revenues and Other Financing Sources and Expenditures and Other Financing Uses

<u>Revenues and Other Financing Sources</u>	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Sewer Fund</u>
Actual amounts (budgetary basis)	\$68,773,822	\$54,630,693	\$982,348
Differences – budget to GAAP:			
Unbudgeted revenues are not reported as budgetary revenues, but are current year revenues for financial reporting purposes.	781,411	-	-
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.	-	2,296,274	-
Proceeds from bond refunding are not reported as budgetary other financing sources, but are other financing sources for financial reporting purposes.	2,370,000	-	-
Bond premium not reported as budgetary other financing source, but is reported as other financing source for financial reporting purposes.	260,044	-	-
Capital lease proceeds are not reported as budgetary other financing sources, but are reported as other financing sources for financial reporting purposes.	35,019	-	-
<i>Total revenues and Other Financing Sources as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$72,220,296</u>	<u>\$56,926,697</u>	<u>\$982,348</u>

Expenditures and Other Financing Sources

Actual amounts (budgetary basis)	\$66,958,459	\$54,010,375	\$750,691
Differences – budget to GAAP:			
Unbudgeted expenditures are not reported as budgetary expenditures, but are current year expenditures for financial reporting purposes.	809,308	-	-
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.	-	2,296,274	-

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2014

<u>Expenditures and Other Financing Sources (Continued)</u>	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Sewer Fund</u>
Capital assets acquired by a capital lease are not reported as budgetary expenditures, but are current year expenditures for financial reporting purposes.	35,019	-	-
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	-	-
Payment to refunding agent is not reported as a budgetary other financing use, but is reported as other financing use for financial reporting purposes.	<u>2,517,239</u>	<u>-</u>	<u>-</u>
<i>Total expenditures and Other Financing Uses as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u><u>\$70,458,004</u></u>	<u><u>\$56,306,649</u></u>	<u><u>\$750,691</u></u>

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	<i>Special Revenue Funds</i>					
	<i>School Restricted Fund</i>	<i>School Lunch Fund</i>	<i>Sewer Ferncrest & Willow</i>	<i>Animal Control</i>	<i>DARE</i>	<i>Police Grants</i>
ASSETS						
Cash	\$ 67,402	\$ 1,193,355	\$ -	\$ 9,856	\$ 4,283	\$ -
Due from federal and state governments	829,277	86,356	-	-	-	3,825
Due from other funds	313,701	136,187	-	-	195	3,008
Sewer assessments receivable	-	-	299,006	-	-	-
Other receivables	-	6,757	-	-	-	-
Total assets	\$ 1,210,380	\$ 1,422,655	\$ 299,006	\$ 9,856	\$ 4,478	\$ 6,833
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenditures	\$ 208,183	\$ 570,803	\$ -	\$ 1,000	\$ -	\$ 2,591
Due to other funds	636,973	684,815	-	-	-	-
Advances from other funds	-	-	92,920	-	-	-
Total liabilities	845,156	1,255,618	92,920	1,000	-	2,591
Deferred Inflows of Resources:						
Deferred sewer assessments	-	-	299,006	-	-	-
Total deferred inflows of resources	-	-	299,006	-	-	-
Fund balances (deficits)						
Restricted for:						
Education programs	365,224	167,037	-	-	-	-
Public safety programs	-	-	-	8,856	-	4,242
Historical records preservation	-	-	-	-	-	-
Community service programs	-	-	-	-	4,478	-
Capital projects	-	-	-	-	-	-
Other programs	-	-	-	-	-	-
Committed for:						
Public facilities	-	-	-	-	-	-
Assigned to:						
Capital projects	-	-	-	-	-	-
Unassigned	-	-	(92,920)	-	-	-
Total fund balances (deficits)	365,224	167,037	(92,920)	8,856	4,478	4,242
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,210,380	\$ 1,422,655	\$ 299,006	\$ 9,856	\$ 4,478	\$ 6,833

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Balance Sheet (Continued)

Nonmajor Governmental Funds

June 30, 2014

	<i>Special Revenue Funds</i>					
	<i>Emergency Management Performance</i>	<i>Police Forfeiture</i>	<i>Byrne/ JAG 2007/2008</i>	<i>Heritage Park DEM Grant</i>	<i>Revolving Loan</i>	<i>Impact Fees</i>
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 596,871
Due from federal and state governments	-	-	-	36,631	-	-
Due from other funds	1,294	18,440	1,868	-	50,047	131,661
Sewer assessments receivable	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total assets	<u>\$ 1,294</u>	<u>\$ 18,440</u>	<u>\$ 1,868</u>	<u>\$ 36,631</u>	<u>\$ 50,047</u>	<u>\$ 728,532</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	36,631	-	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,631</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:						
Deferred sewer assessments	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits)						
Restricted for:						
Education programs	-	-	-	-	-	-
Public safety programs	1,294	18,440	1,868	-	-	-
Historical records preservation	-	-	-	-	-	-
Community service programs	-	-	-	-	50,047	-
Capital projects	-	-	-	-	-	-
Other programs	-	-	-	-	-	-
Committed for:						
Public facilities	-	-	-	-	-	728,532
Assigned to:						
Capital projects	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances (deficits)	<u>1,294</u>	<u>18,440</u>	<u>1,868</u>	<u>-</u>	<u>50,047</u>	<u>728,532</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,294</u>	<u>\$ 18,440</u>	<u>\$ 1,868</u>	<u>\$ 36,631</u>	<u>\$ 50,047</u>	<u>\$ 728,532</u>

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Balance Sheet (Continued)

Nonmajor Governmental Funds

June 30, 2014

	<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>
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ 985	\$ -	\$ -
Due from federal and state governments	40,393	142,571	-	-	6,988	-
Due from other funds	-	-	-	-	-	8,615
Sewer assessments receivable	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total assets	\$ 40,393	\$ 142,571	\$ -	\$ 985	\$ 6,988	\$ 8,615
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenditures	\$ -	\$ 6,712	\$ -	\$ -	\$ 297	\$ -
Due to other funds	40,393	2,683	-	-	755	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	40,393	9,395	-	-	1,052	-
Deferred Inflows of Resources:						
Deferred sewer assessments	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-
Fund balances (deficits)						
Restricted for:						
Education programs	-	-	-	-	-	-
Public safety programs	-	-	-	985	-	-
Historical records preservation	-	-	-	-	-	-
Community service programs	-	133,176	-	-	5,936	-
Capital projects	-	-	-	-	-	-
Other programs	-	-	-	-	-	8,615
Committed for:						
Public facilities	-	-	-	-	-	-
Assigned to:						
Capital projects	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances (deficits)	-	133,176	-	985	5,936	8,615
Total liabilities, deferred inflows of resources, and fund balances	\$ 40,393	\$ 142,571	\$ -	\$ 985	\$ 6,988	\$ 8,615

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Balance Sheet (Continued)

Nonmajor Governmental Funds

June 30, 2014

	<i>Special Revenue Funds</i>				
	<i>Kennedy Cop Grant</i>	<i>DPH Homeland Security</i>	<i>RIPTIDE DUI</i>	<i>RIPTIDE Speed</i>	<i>Hazard Mitigation</i>
ASSETS					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments	-	500	8,110	491	119,364
Due from other funds	-	34,767	-	-	-
Sewer assessments receivable	-	-	-	-	-
Other receivables	-	-	-	-	-
Total assets	\$ -	\$ 35,267	\$ 8,110	\$ 491	\$ 119,364
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
<i>Liabilities</i>					
Accounts payable and accrued expenditures	\$ -	\$ -	\$ 164	\$ 327	\$ -
Due to other funds	-	-	7,946	164	119,364
Advances from other funds	-	-	-	-	-
Total liabilities	-	-	8,110	491	119,364
<i>Deferred Inflows of Resources:</i>					
Deferred sewer assessments	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
<i>Fund balances (deficits)</i>					
<i>Restricted for:</i>					
Education programs	-	-	-	-	-
Public safety programs	-	35,267	-	-	-
Historical records preservation	-	-	-	-	-
Community service programs	-	-	-	-	-
Capital projects	-	-	-	-	-
Other programs	-	-	-	-	-
<i>Committed for:</i>					
Public facilities	-	-	-	-	-
<i>Assigned to:</i>					
Capital projects	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficits)	-	35,267	-	-	-
Total liabilities, deferred inflows of resources, and fund balances	\$ -	\$ 35,267	\$ 8,110	\$ 491	\$ 119,364

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2014

	<i>Special Revenue Funds</i>				
	<i>Champlin</i>	<i>Certified Local Government</i>	<i>2011 Byrne/ JAG</i>	<i>United Way Hasbro</i>	<i>Child Passenger Safety</i>
ASSETS					
Cash	\$ 40,000	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments	-	153	530	-	491
Due from other funds	-	-	-	12,405	-
Sewer assessments receivable	-	-	-	-	-
Other receivables	-	-	-	-	-
Total assets	\$ 40,000	\$ 153	\$ 530	\$ 12,405	\$ 491
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenditures	\$ 350	\$ 153	\$ -	\$ -	\$ 164
Due to other funds	3,110	-	530	-	271
Advances from other funds	-	-	-	-	-
Total liabilities	3,460	153	530	-	435
Deferred Inflows of Resources:					
Deferred sewer assessments	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund balances (deficits)					
Restricted for:					
Education programs	-	-	-	-	-
Public safety programs	-	-	-	-	56
Historical records preservation	-	-	-	-	-
Community service programs	-	-	-	12,405	-
Capital projects	-	-	-	-	-
Other programs	36,540	-	-	-	-
Committed for:					
Public facilities	-	-	-	-	-
Assigned to:					
Capital projects	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficits)	36,540	-	-	12,405	56
Total liabilities, deferred inflows of resources, and fund balances	\$ 40,000	\$ 153	\$ 530	\$ 12,405	\$ 491

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Balance Sheet (Continued)

Nonmajor Governmental Funds

June 30, 2014

	<i>Special Revenue Funds</i>				<i>Total Special Revenue Funds</i>
	<i>Click it or Ticket</i>	<i>Town Clerk Special</i>	<i>Recreation Small Grant</i>	<i>Historical</i>	
ASSETS					
Cash	\$ -	\$ -	\$ -	\$ -	\$ 1,912,752
Due from federal and state governments	-	-	21,198	-	1,296,878
Due from other funds	-	188,555	-	49,356	950,099
Sewer assessments receivable	-	-	-	-	299,006
Other receivables	-	-	-	-	6,757
Total assets	\$ -	\$ 188,555	\$ 21,198	\$ 49,356	\$ 4,465,492
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
<i>Liabilities</i>					
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ 790,744
Due to other funds	-	-	21,198	-	1,554,833
Advances from other funds	-	-	-	-	92,920
Total liabilities	-	-	21,198	-	2,438,497
<i>Deferred Inflows of Resources:</i>					
Deferred sewer assessments	-	-	-	-	299,006
Total deferred inflows of resources	-	-	-	-	299,006
<i>Fund balances (deficits)</i>					
Restricted for:					
Education programs	-	-	-	-	532,261
Public safety programs	-	-	-	-	71,008
Historical records preservation	-	188,555	-	49,356	237,911
Community service programs	-	-	-	-	206,042
Capital projects	-	-	-	-	-
Other programs	-	-	-	-	45,155
Committed for:					
Public facilities	-	-	-	-	728,532
Assigned to:					
Capital projects	-	-	-	-	-
Unassigned	-	-	-	-	(92,920)
Total fund balances (deficits)	-	188,555	-	49,356	1,727,989
Total liabilities, deferred inflows of resources, and fund balances	\$ -	\$ 188,555	\$ 21,198	\$ 49,356	\$ 4,465,492

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Balance Sheet (Continued)

Nonmajor Governmental Funds

June 30, 2014

	<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>Recreation Bond</i>	<i>Drainage</i>		
ASSETS								
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 815,871	\$ 815,871	\$ 2,728,623
Due from federal and state governments	-	-	177,335	-	-	-	177,335	1,474,213
Due from other funds	30,464	1,127,816	-	30,000	900,000	-	2,088,280	3,038,379
Sewer assessments receivable	-	-	-	-	-	-	-	299,006
Other receivables	-	-	-	-	-	-	-	6,757
Total assets	\$ 30,464	\$ 1,127,816	\$ 177,335	\$ 30,000	\$ 900,000	\$ 815,871	\$ 3,081,486	\$ 7,546,978
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
Liabilities								
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ 350	\$ 150,388	\$ 150,738	\$ 941,482
Due to other funds	-	-	137,110	-	-	428,433	565,543	2,120,376
Advances from other funds	-	-	-	-	-	-	-	92,920
Total liabilities	-	-	137,110	-	350	578,821	716,281	3,154,778
Deferred Inflows of Resources:								
Deferred sewer assessments	-	-	-	-	-	-	-	299,006
Total deferred inflows of resources	-	-	-	-	-	-	-	299,006
Fund balances (deficits)								
Restricted for:								
Education programs	-	-	-	-	-	-	-	532,261
Public safety programs	-	-	-	-	-	-	-	71,008
Historical records preservation	-	-	-	-	-	-	-	237,911
Community service programs	-	-	-	-	-	-	-	206,042
Capital projects	30,464	1,127,816	-	-	899,650	237,050	2,294,980	2,294,980
Other programs	-	-	-	-	-	-	-	45,155
Committed for:								
Public facilities	-	-	-	-	-	-	-	728,532
Assigned to:								
Capital projects	-	-	40,225	30,000	-	-	70,225	70,225
Unassigned	-	-	-	-	-	-	-	(92,920)
Total fund balances (deficits)	30,464	1,127,816	40,225	30,000	899,650	237,050	2,365,205	4,093,194
Total liabilities, deferred inflows of resources, and fund balances	\$ 30,464	\$ 1,127,816	\$ 177,335	\$ 30,000	\$ 900,000	\$ 815,871	\$ 3,081,486	\$ 7,546,978

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, 2014

	<i>Special Revenue Funds</i>					
	<i>School Restricted Fund</i>	<i>School Lunch Fund</i>	<i>Sewer Ferncrest & Willow</i>	<i>Animal Control</i>	<i>DARE</i>	<i>Police Grants</i>
Revenues						
Investment and interest income	\$ -	\$ -	\$ -	\$ 2	\$ 1	\$ -
Other local and departmental revenue	-	764,339	30,609	-	-	-
Federal and State aid and grants	2,230,913	1,155,217	-	-	-	5,846
Other revenue	36,481	-	-	-	1,078	-
Total revenues	<u>2,267,394</u>	<u>1,919,556</u>	<u>30,609</u>	<u>2</u>	<u>1,079</u>	<u>5,846</u>
Expenditures						
Current:						
General government	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Public safety	-	-	-	1,300	-	5,846
Public works	-	-	17,850	-	-	-
Social services	-	-	-	-	-	-
Education	2,243,790	-	-	-	-	-
Cafeteria	-	1,940,235	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	<u>2,243,790</u>	<u>1,940,235</u>	<u>17,850</u>	<u>1,300</u>	<u>-</u>	<u>5,846</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>23,604</u>	<u>(20,679)</u>	<u>12,759</u>	<u>(1,298)</u>	<u>1,079</u>	<u>-</u>
Other financing sources						
Bond proceeds	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	23,604	(20,679)	12,759	(1,298)	1,079	-
Fund balances (deficits) - beginning of year, restated	<u>341,620</u>	<u>187,716</u>	<u>(105,679)</u>	<u>10,154</u>	<u>3,399</u>	<u>4,242</u>
Fund balances (deficits) - end of year	<u>\$ 365,224</u>	<u>\$ 167,037</u>	<u>\$ (92,920)</u>	<u>\$ 8,856</u>	<u>\$ 4,478</u>	<u>\$ 4,242</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, 2014

	<i>Special Revenue Funds</i>					
	<i>Emergency Management Performance</i>	<i>Police Forfeiture</i>	<i>Byrne/ JAG 2007/2008</i>	<i>Heritage Park DEM Grant</i>	<i>Revolving Loan</i>	<i>Impact Fees</i>
Revenues						
Investment and interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other local and departmental revenue	-	-	-	-	-	131,661
Federal and State aid and grants	-	374	-	18,404	-	-
Other revenue	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>374</u>	<u>-</u>	<u>18,404</u>	<u>-</u>	<u>131,661</u>
Expenditures						
Current:						
General government	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Public safety	-	2,500	-	-	-	-
Public works	-	-	-	18,404	-	-
Social services	-	-	-	-	-	-
Education	-	-	-	-	-	-
Cafeteria	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>2,500</u>	<u>-</u>	<u>18,404</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>-</u>	<u>(2,126)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,661</u>
Other financing sources						
Bond proceeds	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(2,126)	-	-	-	131,661
Fund balances (deficits) - beginning of year, restated	<u>1,294</u>	<u>20,566</u>	<u>1,868</u>	<u>-</u>	<u>50,047</u>	<u>596,871</u>
Fund balances (deficits) - end of year	<u>\$ 1,294</u>	<u>\$ 18,440</u>	<u>\$ 1,868</u>	<u>\$ -</u>	<u>\$ 50,047</u>	<u>\$ 728,532</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, 2014

	<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>
Revenues						
Investment and interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other local and departmental revenue	-	-	-	-	-	1,168
Federal and State aid and grants	39,788	284,872	2,000	-	24,278	-
Other revenue	-	-	-	1,000	-	-
Total revenues	<u>39,788</u>	<u>284,872</u>	<u>2,000</u>	<u>1,000</u>	<u>24,278</u>	<u>1,168</u>
Expenditures						
Current:						
General government	-	-	-	-	-	-
Community development	39,788	293,364	-	-	-	-
Public safety	-	-	-	63	-	-
Public works	-	-	-	-	-	-
Social services	-	-	2,000	-	24,785	-
Education	-	-	-	-	-	-
Cafeteria	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	<u>39,788</u>	<u>293,364</u>	<u>2,000</u>	<u>63</u>	<u>24,785</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>-</u>	<u>(8,492)</u>	<u>-</u>	<u>937</u>	<u>(507)</u>	<u>1,168</u>
Other financing sources						
Bond proceeds	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>(8,492)</u>	<u>-</u>	<u>937</u>	<u>(507)</u>	<u>1,168</u>
Fund balances (deficits) - beginning of year, restated	<u>-</u>	<u>141,668</u>	<u>-</u>	<u>48</u>	<u>6,443</u>	<u>7,447</u>
Fund balances (deficits) - end of year	<u>\$ -</u>	<u>\$ 133,176</u>	<u>\$ -</u>	<u>\$ 985</u>	<u>\$ 5,936</u>	<u>\$ 8,615</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, 2014

	<i>Special Revenue Funds</i>				
	<i>Kennedy Cop Grant</i>	<i>DPH Homeland Security</i>	<i>RIPTIDE DUI</i>	<i>RIPTIDE Speed</i>	<i>Hazard Mitigation</i>
Revenues					
Investment and interest income	\$ -	\$ -	\$ -	\$ -	\$ -
Other local and departmental revenue	-	-	-	-	-
Federal and State aid and grants	2,176	4,000	9,583	7,227	119,364
Other revenue	-	-	-	-	-
Total revenues	<u>2,176</u>	<u>4,000</u>	<u>9,583</u>	<u>7,227</u>	<u>119,364</u>
Expenditures					
Current:					
General government	-	-	-	-	-
Community development	-	-	-	-	119,364
Public safety	2,176	4,699	9,583	7,227	-
Public works	-	-	-	-	-
Social services	-	-	-	-	-
Education	-	-	-	-	-
Cafeteria	-	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	<u>2,176</u>	<u>4,699</u>	<u>9,583</u>	<u>7,227</u>	<u>119,364</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>-</u>	<u>(699)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources					
Bond proceeds	-	-	-	-	-
Transfers from other funds	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(699)	-	-	-
Fund balances (deficits) - beginning of year, restated	<u>-</u>	<u>35,966</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits) - end of year	<u>\$ -</u>	<u>\$ 35,267</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, 2014

	<i>Special Revenue Funds</i>				
	<i>Champlin</i>	<i>Certified Local Government</i>	<i>2011 Byrne/JAG ARRA</i>	<i>United Way Hasbro</i>	<i>Child Passenger Safety</i>
Revenues					
Investment and interest income	\$ -	\$ -	\$ -	\$ -	\$ -
Other local and departmental revenue	-	-	-	-	-
Federal and State aid and grants	-	153	16,888	-	5,820
Other revenue	40,000	-	-	15,000	-
Total revenues	<u>40,000</u>	<u>153</u>	<u>16,888</u>	<u>15,000</u>	<u>5,820</u>
Expenditures					
Current:					
General government	-	-	-	-	-
Community development	-	153	-	-	-
Public safety	-	-	16,888	-	5,820
Public works	3,460	-	-	-	-
Social services	-	-	-	2,595	-
Education	-	-	-	-	-
Cafeteria	-	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	<u>3,460</u>	<u>153</u>	<u>16,888</u>	<u>2,595</u>	<u>5,820</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>36,540</u>	<u>-</u>	<u>-</u>	<u>12,405</u>	<u>-</u>
Other financing sources					
Bond proceeds	-	-	-	-	-
Transfers from other funds	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	36,540	-	-	12,405	-
Fund balances (deficits) - beginning of year, restated	-	-	-	-	56
Fund balances (deficits) - end of year	<u>\$ 36,540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,405</u>	<u>\$ 56</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, 2014

	<i>Special Revenue Funds</i>				<i>Total Special Revenue Funds</i>
	<i>Click it or Ticket</i>	<i>Town Clerk Special</i>	<i>Recreation Small Grant</i>	<i>Historical</i>	
Revenues					
Investment and interest income	\$ -	\$ -	\$ -	\$ -	\$ 3
Other local and departmental revenue	-	33,432	-	5,632	966,841
Federal and State aid and grants	5,727	-	5,856	-	3,938,486
Other revenue	-	-	-	-	93,559
Total revenues	<u>5,727</u>	<u>33,432</u>	<u>5,856</u>	<u>5,632</u>	<u>4,998,889</u>
Expenditures					
Current:					
General government	-	13,195	-	-	13,195
Community development	-	-	-	-	452,669
Public safety	5,727	-	-	-	61,829
Public works	-	-	11,712	-	51,426
Social services	-	-	-	-	29,380
Education	-	-	-	-	2,243,790
Cafeteria	-	-	-	-	1,940,235
Debt service	-	-	-	-	-
Total expenditures	<u>5,727</u>	<u>13,195</u>	<u>11,712</u>	<u>-</u>	<u>4,792,524</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>-</u>	<u>20,237</u>	<u>(5,856)</u>	<u>5,632</u>	<u>206,365</u>
Other financing sources					
Bond proceeds	-	-	-	-	-
Transfers from other funds	-	-	5,856	-	5,856
Total other financing sources	<u>-</u>	<u>-</u>	<u>5,856</u>	<u>-</u>	<u>5,856</u>
Net change in fund balances	<u>-</u>	<u>20,237</u>	<u>-</u>	<u>5,632</u>	<u>212,221</u>
Fund balances (deficits) - beginning of year, restated	<u>-</u>	<u>168,318</u>	<u>-</u>	<u>43,724</u>	<u>1,515,768</u>
Fund balances (deficits) - end of year	<u>\$ -</u>	<u>\$ 188,555</u>	<u>\$ -</u>	<u>\$ 49,356</u>	<u>\$ 1,727,989</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, 2014

	<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>Recreation Bond</i>	<i>Drainage</i>		
Revenues								
Investment and interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3
Other local and departmental revenue	-	-	-	-	-	-	-	966,841
Federal and State aid and grants	-	-	200,000	-	-	-	200,000	4,138,486
Other revenue	-	-	-	-	-	-	-	93,559
Total revenues	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>5,198,889</u>
Expenditures								
Current:								
General government	-	-	-	-	-	-	-	13,195
Community development	-	-	-	-	-	-	-	452,669
Public safety	-	-	-	-	-	-	-	61,829
Public works	-	-	400,530	-	600,350	13,547	1,014,427	1,065,853
Social services	-	-	-	-	-	-	-	29,380
Education	-	-	-	-	-	-	-	2,243,790
Cafeteria	-	-	-	-	-	-	-	1,940,235
Debt service	-	29,142	-	-	-	-	29,142	29,142
Total expenditures	<u>-</u>	<u>29,142</u>	<u>400,530</u>	<u>-</u>	<u>600,350</u>	<u>13,547</u>	<u>1,043,569</u>	<u>5,836,093</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>-</u>	<u>(29,142)</u>	<u>(200,530)</u>	<u>-</u>	<u>(600,350)</u>	<u>(13,547)</u>	<u>(843,569)</u>	<u>(637,204)</u>
Other financing sources								
Bond proceeds	-	2,000,000	-	-	1,500,000	-	3,500,000	3,500,000
Transfers from other funds	-	-	-	-	-	-	-	5,856
Total other financing sources	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>1,500,000</u>	<u>-</u>	<u>3,500,000</u>	<u>3,505,856</u>
Net change in fund balances	<u>-</u>	<u>1,970,858</u>	<u>(200,530)</u>	<u>-</u>	<u>899,650</u>	<u>(13,547)</u>	<u>2,656,431</u>	<u>2,868,652</u>
Fund balances (deficits) - beginning of year, restated	<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>1,224,542</u>
Fund balances (deficits) - end of year	<u>\$ 30,464</u>	<u>\$ 1,127,816</u>	<u>\$ 40,225</u>	<u>\$ 30,000</u>	<u>\$ 899,650</u>	<u>\$ 237,050</u>	<u>\$ 2,365,205</u>	<u>\$ 4,093,194</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet
Special Revenue Funds - School Restricted Fund
June 30, 2014

	<i>Title I</i>	<i>Title II Professional Development</i>	<i>Literacy</i>	<i>Professional Development</i>	<i>Technology</i>
ASSETS					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Due from the federal and state governments	189,251	61,149	-	-	-
Due from other funds	-	-	146,207	1,094	139,039
	<u>189,251</u>	<u>61,149</u>	<u>146,207</u>	<u>1,094</u>	<u>139,039</u>
Total assets	<u>\$ 189,251</u>	<u>\$ 61,149</u>	<u>\$ 146,207</u>	<u>\$ 1,094</u>	<u>\$ 139,039</u>
 LIABILITIES AND FUND BALANCES					
Liabilities					
Account payable and accrued expenditures	\$ 839	\$ 470	\$ -	\$ 1,094	\$ -
Due to other funds	188,412	60,679	-	-	-
	<u>189,251</u>	<u>61,149</u>	<u>-</u>	<u>1,094</u>	<u>-</u>
Total liabilities	<u>189,251</u>	<u>61,149</u>	<u>-</u>	<u>1,094</u>	<u>-</u>
 Fund balances - restricted	<u>-</u>	<u>-</u>	<u>146,207</u>	<u>-</u>	<u>139,039</u>
Total liabilities and fund balances	<u>\$ 189,251</u>	<u>\$ 61,149</u>	<u>\$ 146,207</u>	<u>\$ 1,094</u>	<u>\$ 139,039</u>

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet (Continued)
Special Revenue Funds - School Restricted Fund
June 30, 2014

	<i>Project IDEA</i>	<i>Preschool Section 619</i>	<i>Instructional Improvement Systems</i>	<i>RTTT Set Aside Human Capital Development</i>	<i>RTTT Set Aside Educator Effectiveness</i>
ASSETS					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Due from the federal and state governments	398,836	8,895	1,647	-	-
Due from other funds	-	-	-	-	-
	Total assets	\$ 8,895	\$ 1,647	\$ -	\$ -
 LIABILITIES AND FUND BALANCES					
<i>Liabilities</i>					
Account payable and accrued expenditures	\$ 22,337	\$ -	\$ -	\$ -	\$ -
Due to other funds	376,499	8,895	1,647	-	-
	Total liabilities	8,895	1,647	-	-
 <i>Fund balances - restricted</i>	-	-	-	-	-
	Total liabilities and fund balances	\$ 8,895	\$ 1,647	\$ -	\$ -

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet (Continued)
Special Revenue Funds - School Restricted Fund
June 30, 2014

	<i>USDA Fresh Food & Vegetables</i>	<i>RTTT Set Aside Instructional Improvement Systems</i>	<i>RTTT Early Childhood</i>	<i>RTTT Educator Effectiveness</i>	<i>RTTT Standards & Curriculum</i>	<i>Title III</i>
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from the federal and state governments	9,223	-	-	1,188	-	12,795
Due from other funds	1,554	-	3,904	250	1,000	-
Total assets	<u>\$ 10,777</u>	<u>\$ -</u>	<u>\$ 3,904</u>	<u>\$ 1,438</u>	<u>\$ 1,000</u>	<u>\$ 12,795</u>
LIABILITIES AND FUND BALANCES						
<i>Liabilities</i>						
Account payable and accrued expenditures	\$ 10,777	\$ -	\$ 2,961	\$ 1,438	\$ 1,000	\$ 11,954
Due to other funds	-	-	-	-	-	841
Total liabilities	<u>10,777</u>	<u>-</u>	<u>2,961</u>	<u>1,438</u>	<u>1,000</u>	<u>12,795</u>
Fund balances - restricted	<u>-</u>	<u>-</u>	<u>943</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 10,777</u>	<u>\$ -</u>	<u>\$ 3,904</u>	<u>\$ 1,438</u>	<u>\$ 1,000</u>	<u>\$ 12,795</u>

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet (Continued)
Special Revenue Funds - School Restricted Fund
June 30, 2014

	<u>State Breakfast</u>	<u>US Dept. of Health</u>	<u>CTE Categorical</u>	<u>Wireless Classroom Initiative</u>	<u>Secure Our Schools</u>	<u>Other Miscellaneous Grants</u>	<u>Total</u>
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,402	\$ 67,402
Due from the federal and state governments	-	3,745	-	142,548	-	-	829,277
Due from other funds	380	-	19,718	-	-	555	313,701
Total assets	<u>\$ 380</u>	<u>\$ 3,745</u>	<u>\$ 19,718</u>	<u>\$ 142,548</u>	<u>\$ -</u>	<u>\$ 67,957</u>	<u>\$ 1,210,380</u>
 LIABILITIES AND FUND BALANCES							
Liabilities							
Account payable and accrued expenditures	\$ -	\$ 3,745	\$ 3,800	\$ 142,548	\$ -	\$ 5,220	\$ 208,183
Due to other funds	-	-	-	-	-	-	636,973
Total liabilities	<u>-</u>	<u>3,745</u>	<u>3,800</u>	<u>142,548</u>	<u>-</u>	<u>5,220</u>	<u>845,156</u>
 Fund balances - restricted	 <u>380</u>	 <u>-</u>	 <u>15,918</u>	 <u>-</u>	 <u>-</u>	 <u>62,737</u>	 <u>365,224</u>
Total liabilities and fund balances	<u>\$ 380</u>	<u>\$ 3,745</u>	<u>\$ 19,718</u>	<u>\$ 142,548</u>	<u>\$ -</u>	<u>\$ 67,957</u>	<u>\$ 1,210,380</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Statement of Revenues, Expenditure and Changes in Fund Balances
Special Revenue Funds - School Restricted Fund
For the Fiscal Year Ended June 30, 2014

	<i>Title I</i>	<i>Title II Professional Development</i>	<i>Literacy</i>	<i>Professional Development</i>	<i>Technology</i>
Revenues					
Federal and State aid and grants	\$ 479,063	\$ 159,084	\$ -	\$ -	\$ -
Other revenue	-	-	-	-	-
Total revenues	479,063	159,084	-	-	-
Expenditures					
Education	479,063	159,084	-	16,594	-
Total expenditures	479,063	159,084	-	16,594	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	(16,594)	-
Fund balances - beginning of year	-	-	146,207	16,594	139,039
Fund balances - end of year	\$ -	\$ -	\$ 146,207	\$ -	\$ 139,039

(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, 2014

	<i>Project IDEA</i>	<i>Preschool Section 619</i>	<i>Instructional Improvement Systems</i>	<i>RTTT Set Aside Human Capital Development</i>	<i>RTTT Set Aside Educator Effectiveness</i>
Revenues					
Federal and State aid and grants	\$ 1,120,636	\$ 39,292	\$ 18,732	\$ 68,027	\$ 4,898
Other revenue	-	-	-	-	-
Total revenues	<u>1,120,636</u>	<u>39,292</u>	<u>18,732</u>	<u>68,027</u>	<u>4,898</u>
Expenditures					
Education	<u>1,120,636</u>	<u>39,292</u>	<u>18,732</u>	<u>68,027</u>	<u>4,898</u>
Total expenditures	<u>1,120,636</u>	<u>39,292</u>	<u>18,732</u>	<u>68,027</u>	<u>4,898</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - end of year	<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, 2014

	<i>USDA Fresh Food & Vegetables</i>	<i>RTTT Set Aside Instructional Improvement Systems</i>	<i>RTTT Early Childhood</i>	<i>RTTT Educator Effectiveness</i>	<i>RTTT Standards & Curriculum</i>	<i>Title III</i>
Revenues						
Federal and State aid and grants	\$ 44,918	\$ 18,935	\$ 4,776	\$ 8,148	\$ 48,379	\$ 16,314
Other revenue	-	-	-	-	-	-
Total revenues	<u>44,918</u>	<u>18,935</u>	<u>4,776</u>	<u>8,148</u>	<u>48,379</u>	<u>16,314</u>
Expenditures						
Education	44,918	18,935	3,833	8,148	48,379	16,314
Total expenditures	<u>44,918</u>	<u>18,935</u>	<u>3,833</u>	<u>8,148</u>	<u>48,379</u>	<u>16,314</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>943</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 943</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, 2014

	<u>State Breakfast</u>	<u>US Dept. of Health</u>	<u>CTE Categorical</u>	<u>Wireless Classroom Initiative</u>	<u>Secure Our Schools</u>	<u>Other Miscellaneous Grants</u>	<u>Total</u>
Revenues							
Federal and State aid and grants	\$ -	\$ 3,745	\$ 45,000	\$ 142,548	\$ 5,418	\$ 3,000	\$ 2,230,913
Other revenue	-	-	-	-	-	36,481	36,481
Total revenues	<u>-</u>	<u>3,745</u>	<u>45,000</u>	<u>142,548</u>	<u>5,418</u>	<u>39,481</u>	<u>2,267,394</u>
Expenditures							
Education	-	3,745	29,082	142,548	5,418	16,144	2,243,790
Total expenditures	<u>-</u>	<u>3,745</u>	<u>29,082</u>	<u>142,548</u>	<u>5,418</u>	<u>16,144</u>	<u>2,243,790</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>15,918</u>	<u>-</u>	<u>-</u>	<u>23,337</u>	<u>23,604</u>
Fund balances - beginning of year	<u>380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,400</u>	<u>341,620</u>
Fund balances - end of year	<u>\$ 380</u>	<u>\$ -</u>	<u>\$ 15,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,737</u>	<u>\$ 365,224</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Statement of Fiduciary Net Position
Private-Purpose Trusts
June 30, 2014

	<u>Burial</u>	<u>High School Scholarship</u>	<u>Scholarship</u>	<u>Total Private- Purpose Trusts</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 221,967	\$ 10,464	\$ 79,423	\$ 311,854
Total assets	<u>221,967</u>	<u>10,464</u>	<u>79,423</u>	<u>311,854</u>
<i>Net Position</i>				
Restricted for other purposes	<u>\$ 221,967</u>	<u>\$ 10,464</u>	<u>\$ 79,423</u>	<u>\$ 311,854</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Statement of Changes in Fiduciary Net Position
Private-Purpose Trusts
For the Fiscal Year Ended June 30, 2014

	<u>Burial</u>	<u>High School Scholarship</u>	<u>Scholarship</u>	<u>Total Private- Purpose Trusts</u>
Additions				
Donations	\$ -	\$ -	\$ 66,122	\$ 66,122
Interest	950	13	-	963
Total additions	<u>950</u>	<u>13</u>	<u>66,122</u>	<u>67,085</u>
Deductions				
Scholarships	-	-	43,406	43,406
Total deductions	<u>-</u>	<u>-</u>	<u>43,406</u>	<u>43,406</u>
Change in net position	950	13	22,716	23,679
Net position - beginning of year	<u>221,017</u>	<u>10,451</u>	<u>56,707</u>	<u>288,175</u>
Net position - end of year	<u>\$ 221,967</u>	<u>\$ 10,464</u>	<u>\$ 79,423</u>	<u>\$ 311,854</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2014

	<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>Police Evidence</u>	<u>Total Agency Funds</u>
Assets									
Cash	\$ 241,095	\$ 176,362	\$ 1,372	\$ 37,135	\$ 7,365	\$ 25,007	\$ 30	\$ 49,718	\$ 538,084
Due from other funds	-	-	-	-	-	605	-	-	605
Total assets	<u>\$ 241,095</u>	<u>\$ 176,362</u>	<u>\$ 1,372</u>	<u>\$ 37,135</u>	<u>\$ 7,365</u>	<u>\$ 25,612</u>	<u>\$ 30</u>	<u>\$ 49,718</u>	<u>\$ 538,689</u>
Liabilities									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,112	\$ -	\$ -	\$ 3,112
Due to other funds	-	87,051	-	-	7,363	-	24	-	94,438
Deposits held in custody for others	241,095	89,311	1,372	37,135	2	22,500	6	49,718	441,139
Total liabilities	<u>\$ 241,095</u>	<u>\$ 176,362</u>	<u>\$ 1,372</u>	<u>\$ 37,135</u>	<u>\$ 7,365</u>	<u>\$ 25,612</u>	<u>\$ 30</u>	<u>\$ 49,718</u>	<u>\$ 538,689</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Tax Collector's Annual Report
For the Fiscal Year Ending June 30, 2014

Real Estate and Personal Property Taxes

<u>Year</u>	<u>Balance June 30, 2013</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 June 30, 2014</u>
2014	\$ -	\$ 61,422,100	\$ 31,338	\$ (389,124)	\$ 61,064,314	\$ 26,515,303	\$ 34,549,011
2013	34,598,904	-	34,444	103,178	34,736,526	33,343,453	1,393,073
2012	1,798,222	-	371	(22,388)	1,776,205	1,287,953	488,252
2011	660,013	-	595	8,920	669,528	413,933	255,595
2010	356,114	-	26,244	(8,419)	373,939	132,775	241,164
2009	130,606	-	70	278	130,954	32,021	98,933
2008	114,235	-	-	2,502	116,737	19,840	96,897
2007	81,875	-	-	769	82,644	1,548	81,096
2006	85,027	-	-	361	85,388	-	85,388
2005	84,297	-	-	(256)	84,041	52	83,989
2004	83,418	-	-	982	84,400	-	84,400
2003	219	-	-	188	407	-	407
2002	9,893	-	-	979	10,872	63	10,809
2001	41,506	-	-	1,936	43,442	43	43,399
2000 and prior	791,980	-	-	(15)	791,965	-	791,965
	<u>\$ 38,836,309</u>	<u>\$ 61,422,100</u>	<u>\$ 93,062</u>	<u>\$ (300,109)</u>	<u>\$ 100,051,362</u>	<u>\$ 61,746,984</u>	<u>38,304,378</u>
						<i>Allowance for Uncollectible Accounts</i>	<u>(1,618,447)</u>
						<i>Net Property Tax Receivable</i>	<u>\$ 36,685,931</u>

Schedule of Most Recent Net Assessed Property Value by Category

<u>Description of Property</u>	<u>Valuation</u>
Real property	\$ 3,211,477,330
Motor vehicles	317,630,357
Tangible personal property	141,247,103
Total	<u>3,670,354,790</u>
Exemptions	212,727,175
Net assessed value	<u>\$ 3,457,627,615</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Schedule of Unrestricted Fund - Fund Balance - Restricted for Education Programs
June 30, 2014

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	525,000
(1) Undesignated	<u>2,170,661</u>
<i>Total</i>	<u><u>\$ 3,803,297</u></u>

(1) The School Committee requires an undesignated fund balance of no less than 2 - 4% of the total School Unrestricted Fund budgeted operating expenditures of the current fiscal year. The School Unrestricted Fund undesignated fund balance is 3.77% of the total budgeted operating expenditures for the year-end June 30, 2014 and within the range required by the School Committee policy.



CERTIFIED PUBLIC ACCOUNTANTS

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***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, 2014, 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 December 30, 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 2014-001 and 2014-002 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 deficiency described in the accompanying schedule of findings and responses as item 2014-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Cumberland, Rhode Island's financial statements are free from 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 response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town of Cumberland, Rhode Island's response was 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
December 30, 2014

TOWN OF CUMBERLAND, RHODE ISLAND
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2014

Water Fund Financial Reporting

2014-001 Material Weakness – Certain internal controls over the Water Fund financial reporting are not designed or operating effectively to allow for the prevention, detection and correction of misstatements of the financial statements. The Town is not performing certain reconciliation and review procedures that resulted in the misstatements going undetected. During the performance of audit procedures for the year ended June 30, 2014, we proposed audit adjustments to correct misstatements, including several that were considered material misstatements, including unrecorded accounts receivables and revenue. In addition, the Town did not record the transactions related to capital assets and depreciation expense, which resulted in misstatements to the financial statements.

Recommendation – We recommend that the Town implement formal reconciliation and review procedures to ensure all financial transactions are recorded properly to the Water Fund, including all capital asset related transactions.

Management's Response – The Town has greatly reduced the amount of year end audit entries for the Water Department in recent years, through the continued and improved reconciliation of the Water Fund. Given that the Town began having access to live Water Fund data by the end of fiscal year 2014, the goal is to improve the reconciliation procedures of the Water Fund in Fiscal Year 2015 and beyond.

Capital Assets – Governmental Funds and Water Fund

2014-002 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, 2014, the schedules were prepared after year-end and several audit adjustments were proposed to correct the depreciation expense and accumulated depreciation. In addition, the documentation to support the infrastructure capital assets is insufficient. The governmental infrastructure assets are only reported in total by category.

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

TOWN OF CUMBERLAND, RHODE ISLAND
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2014

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 current procedures in place which call for the Accounts Payable Clerk to give a copy of all fixed asset purchases to the Accountant, to be entered and maintained within the Town's fixed asset system. The goal is to begin to implement a physical inventory protocol within fiscal year 2015 and prepare and implement a fixed asset procedure to incorporate the physical inventories and maintenance of the fixed asset system.

CDBG Grant Administration

2014-003 Significant Deficiency – The CDBG Program should operate on a reimbursement basis, but the fund has a cumulative fund balance of \$133,176 as of June 30, 2014. It appears that over time funds were requested prior to incurring expenditures or program income was received and not applied to future grant reimbursements. The Town has implemented procedures to properly administer requests for reimbursement related to the most current Community Development Block Grant (2013), but has not addressed the prior year balance that has accumulated in the fund.

Recommendation – We recommend that the Town reconcile prior year requests for reimbursements to the actual amounts received. The Town should also contact the State of Rhode Island Department of Planning, Office of Housing and Community Development to reconcile the Town's receipts to the State's records. The Town should then drawdown funds not requested or return to the State of Rhode Island any excess funds requested.

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