

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

*For the Fiscal Year Ended
June 30, 2012*

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cumberland, Rhode Island, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town of Cumberland, Rhode Island's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2013 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* and should be considered in assessing the results of our audit.

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 postemployment benefit information on pages 3 through 13 and 58 through 67 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Cumberland, Rhode Island's basic financial statements. The combining nonmajor fund financial statements, the combining fiduciary fund financial statements, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 other supplementary information are fairly stated in all material respects in relation to the financial statements as a whole.

Bacon & Company, LLC

Warwick, Rhode Island

January 16, 2013

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, 2012. 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 \$9,761,971 or 15.5% of total 2012 budgeted revenues of \$62,911,658. This is an increase of \$1,231,521 from the prior year total fund balance.
- The total unassigned fund balance of the General Fund is \$5,202,938 or 8.3% of total 2012 budgeted revenues.
- The total assigned and nonspendable fund balance of the General Fund is \$4,559,033. This is a decrease of \$921,236 from the prior year. The total assigned and nonspendable fund balance includes a nonspendable fund balance of \$3,135,635 for advances to other funds. The Town has payment plans in place to repay the General Fund for these advances.
- The Town General Fund ended fiscal year 2012 with a budgetary operating surplus of \$1,081,281 and the School Unrestricted Fund ended with a budgetary operating surplus of \$975,293.
- The total debt amount of the Town of Cumberland decreased by \$1,981,113.
- As reported in the government wide financial statements, the assets of the Town of Cumberland exceeded its liabilities at the close of the most recent fiscal year by \$104,922,868. The Town has chosen conservative fiscal policy whereby it has developed its capital asset base from current operations rather than debt.
- The Town's total net assets increased by \$3,685,459 for the fiscal year ended June 30, 2012.

Overview of the Financial Statements

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

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

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

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

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

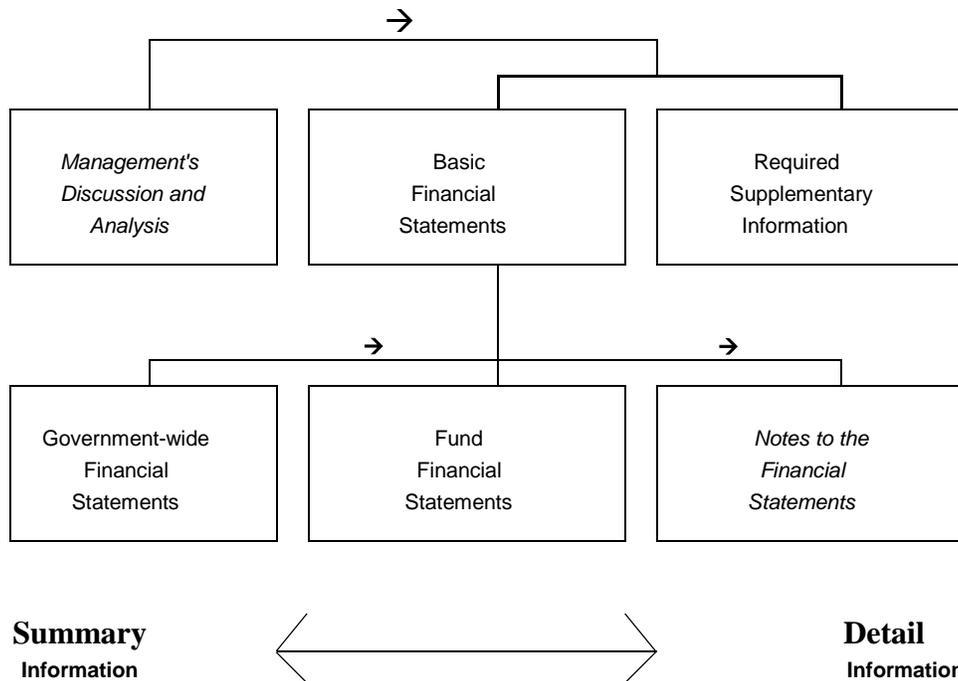


Figure A- 2

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The notes of the financial statements are presented on pages 26 through 57.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of the Town of Cumberland's Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Cumberland, assets exceeded liabilities by \$104,922,868 as of June 30, 2012.

In regard to the Town's net assets (71%) consists of its investments in capital assets such as land, buildings and improvements, motor vehicles, furniture and equipment and infrastructure, less any debt used to acquire these assets which is still outstanding. The town uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are highly unlikely to be used to liquidate these liabilities.

TOWN OF CUMBERLAND'S NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current Assets	\$55,879,019	\$51,143,544	\$73,226	\$467,724	\$55,952,245	\$51,611,268
Capital Assets	103,909,177	104,253,748	29,347,835	29,082,726	133,257,012	133,336,474
Other Non-current Assets	2,869,382	3,058,185	80,522	85,890	2,949,904	3,144,075
Total Assets	<u>162,657,578</u>	<u>158,455,477</u>	<u>29,501,583</u>	<u>29,636,340</u>	<u>192,159,161</u>	<u>188,091,817</u>
Current Liabilities	10,608,858	9,088,463	885,202	1,566,074	11,494,060	10,654,537
Long-term Liabilities	71,132,025	71,152,979	4,610,208	5,046,892	75,742,233	76,199,871
Total Liabilities	<u>81,740,883</u>	<u>80,241,442</u>	<u>5,495,410</u>	<u>6,612,966</u>	<u>87,236,293</u>	<u>86,854,408</u>
Net Assets:						
Invested in Capital Assets Net of Related Debt	49,403,348	48,030,860	24,770,348	24,714,295	74,173,696	72,745,155
Restricted	4,605,863	5,434,909	0	0	4,605,863	5,434,909
Unrestricted	26,907,484	24,748,266	(764,175)	(1,690,921)	26,143,309	23,057,345
Total Net Assets	<u>\$80,916,695</u>	<u>\$78,214,035</u>	<u>\$24,006,173</u>	<u>\$23,023,374</u>	<u>\$104,922,868</u>	<u>\$101,237,409</u>

An additional portion of the Town's net assets \$4,605,863 (4%) represents resources that are subject to external restriction on how they may be used. This leaves a remaining balance for unrestricted net assets of \$26,143,309 (25%) which the Town may use to meet ongoing obligations to its citizens and creditors.

Change in Net Assets

The total net assets of the Town of Cumberland increased by \$3,685,459 during fiscal year 2011-2012.

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, 2012.

Governmental activities increased the Town's net assets by \$2,702,660 accounting for 73% of the Town's total increase in net assets, while business type activities increased the Town's net assets by \$982,799 accounting for 27% of the Town's total increase in net assets.

TOWN OF CUMBERLAND'S CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program						
Charges for Services	\$6,088,472	\$5,490,765	\$4,893,326	\$4,417,892	\$10,981,798	\$9,908,657
Operating Grants & Contributions	21,183,814	20,393,270			21,183,814	20,393,270
Capital Grants & Contributions	1,271,294	557,623	47,250	602,639	1,318,544	1,160,262
General Revenues						
Property Taxes	59,431,920	62,816,354			59,431,920	62,816,354
State Aid	1,035,779	998,721			1,035,779	998,721
Investment Earnings	123,422	125,576	32	144	123,454	125,720
Miscellaneous	97,024	646,911			97,024	646,911
Total Revenues	89,231,725	91,029,220	4,940,608	5,020,675	94,172,333	96,049,895
Program Expenses						
General Government	3,545,559	3,066,459			3,545,559	3,066,459
Community Development	427,057	344,883			427,057	344,883
Public Safety	10,932,453	11,770,458			10,932,453	11,770,458
Public Works	8,505,270	6,563,887			8,505,270	6,563,887
Social Services	2,175,578	2,008,335			2,175,578	2,008,335
Education	58,397,946	56,798,576			58,397,946	56,798,576
Interest on Long-Term Debt	2,545,202	2,738,944			2,545,202	2,738,944
Water Fund			3,957,809	4,300,210	3,957,809	4,300,210
Total Expenses	86,529,065	83,291,542	3,957,809	4,300,210	90,486,874	87,591,752
Increase in Net Assets	2,702,660	7,737,678	982,799	720,465	3,685,459	8,458,143
Net Assets Beginning of Year	78,214,035	70,476,357	23,023,374	22,302,909	101,237,409	92,779,266
Net Assets End of Year	<u>\$80,916,695</u>	<u>\$78,214,035</u>	<u>\$24,006,173</u>	<u>\$23,023,374</u>	<u>\$104,922,868</u>	<u>\$101,237,409</u>

Financial Analysis of the Town of Cumberland's Funds

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$13,151,121. The General Fund reported an unassigned fund balance of \$5,202,938 representing approximately (39.6%) of total fund balance of all governmental funds.

Nonspendable & Assigned General Fund fund balances:

Assigned balances	\$1,423,398
Advances to Other Funds	<u>3,135,635</u>
Total Nonspendable and Assigned Fund Balance	\$ 4,559,033

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

Unrestricted net assets of the respective proprietary fund are the Cumberland Water Fund (\$764,175).

The Town of Cumberland's General Fund Budgetary Highlights

Nonspendable and assigned fund balance as of June 30, 2012 include:

- Assigned in the amount of \$1,423,398, with \$1,079,502 of the total being assigned to economic and community development, and
- Nonspendable for advances to other funds in the amount of \$3,135,635.

Please note that in 2004, the Town adopted by ordinance a fund balance policy, which will require that the fund balance amount be maintained at a minimum of 10% of operating revenues. Operating revenues, which do not include General and Educational Aid from the State of Rhode Island, total \$63,808,222. The fund balance amount of \$9,761,971 equals 15.3 % of the total operating revenues.

The Town of Cumberland's Capital Assets

The Town of Cumberland's investment in capital assets for its governmental and business-type activities amounts to \$133,257,012 net of accumulated depreciation at June 30, 2012. Included are land, building and improvements, construction in progress, motor vehicles, furniture and equipment, and infrastructure.

Major capital events during the fiscal year 2011-2012:

The major capital projects in 2011-2012 were the water fund improvements of \$910,702, the land purchases totaling \$775,000, the road infrastructure improvements of \$535,665, and the Manville Landing improvement project which cost approximately \$600,000. 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	
	2012	2011	2012	2011	2012	2011
Land	\$19,770,057	\$18,995,057	\$280,974	\$196,599	\$20,051,031	\$19,191,656
Land Improvements	1,243,578	1,332,945			1,243,578	1,332,945
Building and Improvement	64,767,089	66,122,405	1,701,400	1,741,810	66,468,489	67,864,215
Construction in Progress	639,611	0	688,380	4,446,250	1,327,991	4,446,250
Motor Vehicles	934,533	911,775	40,458	63,957	974,991	975,732
Machinery and Equipment	1,720,348	1,978,951			1,720,348	1,978,951
Infrastructure	14,833,961	14,912,615	26,636,623	22,634,110	41,470,584	37,546,725
Total	<u>\$103,909,177</u>	<u>\$104,253,748</u>	<u>\$29,347,835</u>	<u>\$29,082,726</u>	<u>\$133,257,012</u>	<u>\$133,336,474</u>

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

The Town of Cumberland's Debt Administration

At the end of the current fiscal year, the Town of Cumberland had a total bonded debt of \$28,505,000. Of this amount, \$740,000 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 2012</u>	<u>Business-type Activities 2012</u>	<u>Total</u>
General obligation bonds			
Payable	\$27,765,000	\$740,000	\$28,505,000
Capital leases payable	556,448	0	556,448
Notes and loans payable	28,061,150	4,251,897	32,313,047
Totals	<u>\$56,382,598</u>	<u>\$4,991,897</u>	<u>\$61,374,495</u>

The Town's general obligation bond rating as reaffirmed by Moody's Investors Service in May of 2010 is A1. By Standard & Poor's, the Town's general obligation bond rating was reaffirmed as A in July of 2011.

The State of Rhode Island imposes a limit of 3 percent of the fair market value of all taxable town property on the general obligation debt that a municipality can issue. The Town of Cumberland's limit is \$109,449,200 at year-end. The Town's outstanding general obligation debt subject to the limit is \$3,429,500 at year-end, which is \$106,019,700 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 2012-2013 Budget and Tax Rates

The Town of Cumberland's total general fund budget for fiscal year 2013 is \$82,882,869; which reflects an increase of \$3,736,081 over the fiscal 2012 budget. In the Town's 2013 amended budget, \$55,072,830 or 66.5% is allocated for educational purposes and \$27,810,039, or 33.5% is budgeted for other purposes.

Of the \$55,072,830 budgeted for educational purposes, the State of Rhode Island is budgeted for fiscal year 2013 to contribute \$13,788,120 to the Town's education department and the Town is budgeted to contribute \$36,912,749. The budget also appropriates \$957,051 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 2012 was \$15.61 per thousand for real estate, \$27.97 per thousand for tangible personal property, \$19.87 per hundred for motor vehicles. Of the total taxes billed, 39.3% was allocated for general government and 60.7% 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.

TOWN OF CUMBERLAND, RHODE ISLAND

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 12,365,451	\$ 631,316	\$ 12,996,767
Restricted cash and cash equivalents	-	319,150	319,150
Real estate and personal property tax receivable, net	36,343,197	-	36,343,197
Water and sewer use fees receivable, net	165,503	2,385,396	2,550,899
Sewer assessments receivable	193,485	-	193,485
Due from federal and state government	2,753,439	16,429	2,769,868
Internal balances	3,285,298	(3,285,298)	-
Other receivables, net	772,646	6,233	778,879
Total current assets	<u>55,879,019</u>	<u>73,226</u>	<u>55,952,245</u>
Noncurrent assets:			
Sewer assessments receivable	1,870,594	-	1,870,594
Capital assets: (Note 2)			
Land	19,770,057	280,974	20,051,031
Depreciable buildings, property, equipment, infrastructure, net	83,499,509	28,378,481	111,877,990
Construction in progress	639,611	688,380	1,327,991
Capital assets, net	<u>103,909,177</u>	<u>29,347,835</u>	<u>133,257,012</u>
Other assets, net	998,788	80,522	1,079,310
Total noncurrent assets	<u>106,778,559</u>	<u>29,428,357</u>	<u>136,206,916</u>
Total assets	<u>162,657,578</u>	<u>29,501,583</u>	<u>192,159,161</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	5,117,147	378,175	5,495,322
Accrued interest payable	652,728	61,129	713,857
Deferred salary - due within one year	50,528	-	50,528
Note payable	125,000	-	125,000
Other commitments - due within one year	17,850	-	17,850
Long-term debt - due within one year (Note 7)	4,645,605	445,898	5,091,503
Total current liabilities	<u>10,608,858</u>	<u>885,202</u>	<u>11,494,060</u>
Noncurrent liabilities:			
Accrued liabilities - due in more than one year	1,163,837	-	1,163,837
Unearned revenue	1,870,594	-	1,870,594
Long-term debt - due in more than one year (Note 7)	52,074,699	4,547,691	56,622,390
Accrued compensated absences	2,286,139	62,517	2,348,656
Deferred salary - due within more than one year	1,024,852	-	1,024,852
Other commitments - due in more than one year	267,750	-	267,750
Net pension obligation	1,872,886	-	1,872,886
Net other post employment benefit obligation	10,571,268	-	10,571,268
Total noncurrent liabilities	<u>71,132,025</u>	<u>4,610,208</u>	<u>75,742,233</u>
Total liabilities	<u>81,740,883</u>	<u>5,495,410</u>	<u>87,236,293</u>
Net Assets:			
Invested in capital assets, net of related debt	49,403,348	24,770,348	74,173,696
Restricted for:			
Education programs	4,225,057	-	4,225,057
Public safety programs	100,353	-	100,353
Historical records preservation	177,894	-	177,894
Community service programs	95,753	-	95,753
Other programs	6,806	-	6,806
Unrestricted	<u>26,907,484</u>	<u>(764,175)</u>	<u>26,143,309</u>
Total net assets	<u>\$ 80,916,695</u>	<u>\$ 24,006,173</u>	<u>\$ 104,922,868</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, 2012

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Program Revenues</i>			<i>Net (Expense) Revenue and Changes in Net Assets</i>			
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	
Governmental Activities:								
General government	\$ 3,545,559	\$ 1,054,576	\$ 61,500	\$ 1,089,611	\$ (1,339,872)	\$ -	\$ (1,339,872)	
Community development	427,057	13,465	75,947	-	(337,645)	-	(337,645)	
Public safety	10,932,453	1,600,208	141,324	47,883	(9,143,038)	-	(9,143,038)	
Public works	8,505,270	1,202,323	321,214	-	(6,981,733)	-	(6,981,733)	
Social services	2,175,578	167,638	323,755	-	(1,684,185)	-	(1,684,185)	
Education	58,397,946	1,738,000	18,131,673	133,800	(38,394,473)	-	(38,394,473)	
Interest on long-term debt	2,545,202	312,262	2,128,401	-	(104,539)	-	(104,539)	
Total governmental activities	86,529,065	6,088,472	21,183,814	1,271,294	(57,985,485)	-	(57,985,485)	
Business-Type Activities:								
Water	3,957,809	4,893,326	-	47,250	-	982,767	982,767	
Total business-type activities	3,957,809	4,893,326	-	47,250	-	982,767	982,767	
Total	\$ 90,486,874	\$ 10,981,798	\$ 21,183,814	\$ 1,318,544	(57,985,485)	982,767	(57,002,718)	
General Revenues:								
Taxes:								
Property taxes					59,431,920	-	59,431,920	
State aid and in lieu of taxes, unrestricted					1,035,779	-	1,035,779	
Investment earnings					123,422	32	123,454	
Miscellaneous					97,024	-	97,024	
					60,688,145	32	60,688,177	
					Change in net assets	2,702,660	982,799	3,685,459
					Net assets - beginning of year, restated	78,214,035	23,023,374	101,237,409
					Net assets - end of year	\$ 80,916,695	\$ 24,006,173	\$ 104,922,868

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

TOWN OF CUMBERLAND, RHODE ISLAND
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Sewer Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 12,431,467	\$ -	\$ -	\$ 1,825,843	\$ 14,257,310
Real estate and personal property tax receivable (net)	36,046,519	-	-	-	36,046,519
Sewer use and assessment receivable	-	-	1,879,537	350,045	2,229,582
Due from federal and state governments	72,351	103,443	-	2,577,645	2,753,439
Due from other funds	3,787,060	7,789,738	-	1,903,107	13,479,905
Advances to other funds	3,135,635	-	-	-	3,135,635
Other receivables	667,953	4,042	-	-	671,995
Other assets	172,201	139,350	-	-	311,551
Total assets	<u>\$ 56,313,186</u>	<u>\$ 8,036,573</u>	<u>\$ 1,879,537</u>	<u>\$ 6,656,640</u>	<u>\$ 72,885,936</u>
Liabilities and Fund Balances					
Liabilities:					
Cash overdraft	\$ -	\$ 1,891,859	\$ -	\$ -	\$ 1,891,859
Accounts payable and accrued expenditures	1,111,641	2,058,237	59,944	1,538,002	4,767,824
Due to federal and state governments	20,058	-	-	-	20,058
Due to other funds	7,948,615	538,527	-	2,370,989	10,858,131
Advances from other funds	-	-	1,579,096	792,364	2,371,460
Advance from pension trust fund	1,163,837	-	-	-	1,163,837
Note payable	-	-	-	125,000	125,000
Deferred revenues	35,977,799	-	1,879,537	350,045	38,207,381
Other liabilities	329,265	-	-	-	329,265
Total liabilities	<u>46,551,215</u>	<u>4,488,623</u>	<u>3,518,577</u>	<u>5,176,400</u>	<u>59,734,815</u>
Fund Balances (Deficits):					
Nonspendable:					
Advances to other funds	3,135,635	-	-	-	3,135,635
Restricted for:					
Education programs	-	3,547,950	-	677,107	4,225,057
Public safety programs	-	-	-	100,353	100,353
Historical records preservation	-	-	-	177,894	177,894
Community service programs	-	-	-	95,753	95,753
Capital projects	-	-	-	777,917	777,917
Other programs	-	-	-	6,806	6,806
Committed for:					
Public facilities	-	-	-	449,972	449,972
Assigned to:					
Capital projects	-	-	-	111,802	111,802
Education programs and supplies	10,323	-	-	-	10,323
Office of Children, Youth, and Learning	75,199	-	-	-	75,199
Recreation programs	178,318	-	-	-	178,318
Town properties	15,724	-	-	-	15,724
Community and economic development programs	1,079,502	-	-	-	1,079,502
Senior citizens center programs	64,332	-	-	-	64,332
Unassigned	5,202,938	-	(1,639,040)	(917,364)	2,646,534
Total fund balances (deficits)	<u>9,761,971</u>	<u>3,547,950</u>	<u>(1,639,040)</u>	<u>1,480,240</u>	<u>13,151,121</u>
Total liabilities and fund balances	<u>\$ 56,313,186</u>	<u>\$ 8,036,573</u>	<u>\$ 1,879,537</u>	<u>\$ 6,656,640</u>	<u>\$ 72,885,936</u>

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

TOWN OF CUMBERLAND, RHODE ISLAND
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2012

Total Fund Balances - Total Governmental Funds	\$ 13,151,121
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. See note 2 to the financial statements.	103,909,177
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.	296,678
Other long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in Governmental Funds financial statements.	649,891
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.	358,988
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.	35,327,908
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.	(652,728)
Long-term liabilities (including bonds and notes payable, capital leases, legal settlements, compensated absences, net other post employment benefit obligations, deferred salary, other commitments, and net pension obligations) are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. See Note 7 to the financial statements.	(72,811,577)
Bond issue costs are reported as expenditures in the Governmental Funds financial statements. The cost and related accumulated amortization is reflected as an other asset on the Government-Wide financial statements.	<u>687,237</u>
Net Assets of Governmental Activities	<u><u>\$ 80,916,695</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, 2012

	General Fund	School Unrestricted Fund	Sewer Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
General property taxes and interest	\$ 56,885,442	\$ -	\$ -	\$ -	\$ 56,885,442
Investment and interest income	123,395	-	-	27	123,422
Other local and departmental revenue	3,196,083	-	1,046,130	876,280	5,118,493
Federal and State aid and grants	3,471,533	14,337,802	-	5,379,671	23,189,006
Other revenues	131,769	1,013,595	-	190,838	1,336,202
Total revenues	63,808,222	15,351,397	1,046,130	6,446,816	86,652,565
Expenditures:					
<i>Current:</i>					
General government	1,378,178	-	-	1,443,403	2,821,581
Community development	232,432	-	-	101,243	333,675
Public safety	5,886,240	-	-	193,767	6,080,007
Public works	4,911,749	-	221,020	2,661,169	7,793,938
Social services	1,858,269	-	-	36,218	1,894,487
Other	687,899	-	-	-	687,899
Employee benefits	5,019,705	-	-	-	5,019,705
Education	52,087	51,924,897	-	3,526,157	55,503,141
Cafeteria	-	-	-	1,590,358	1,590,358
Debt service	6,355,812	-	542,744	131,975	7,030,531
Capital outlay	4,974	-	-	-	4,974
Total expenditures	26,387,345	51,924,897	763,764	9,684,290	88,760,296
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	37,420,877	(36,573,500)	282,366	(3,237,474)	(2,107,731)
Other financing sources (uses):					
Premium on debt issuance	84,348	-	-	-	84,348
Capital related debt issued	-	362,914	-	2,500,000	2,862,914
Refunding bonds issued	3,215,000	-	-	-	3,215,000
Payments to refunded bond escrow agent	(3,183,677)	-	-	-	(3,183,677)
Transfers from other funds	30,000	36,202,449	-	132,578	36,365,027
Transfers to other funds	(36,335,027)	-	(30,000)	-	(36,365,027)
Total other financing sources (uses)	(36,189,356)	36,565,363	(30,000)	2,632,578	2,978,585
Net change in fund balances	1,231,521	(8,137)	252,366	(604,896)	870,854
Fund balances (deficits) - beginning of year, restated	8,530,450	3,556,087	(1,891,406)	2,085,136	12,280,267
Fund balances (deficits) - end of year	\$ 9,761,971	\$ 3,547,950	\$ (1,639,040)	\$ 1,480,240	\$ 13,151,121

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, 2012

Net Changes in Fund Balances - Total Governmental Funds \$ 870,854

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.	2,764,148
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.	(3,108,719)
Long-term compensated absences, deferred salary, net pension obligation and net other post employee benefit (OPEB) obligation are reported in the Government-Wide financial statements, but do not require the use of current financial resources. Therefore, compensated absences, deferred salary, net pension obligation and net OPEB obligation are not reported as expenditures in Governmental Funds financial statements. This amount represents the change in these long-term liabilities from the prior year.	(2,054,749)
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 Assets.	
This amount represents new bond and capital lease issues during the current period.	(2,862,914)
This amount represents refunding bonds issued during the current period.	(3,215,000)
This amount represents payments to refund bonds during the current period.	3,183,677
Bond, lease and loan proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of debt principal is an expenditure in Government Funds, but the payments reduce long-term liabilities in the Government-Wide Statement of Net Assets.	
This amount represents long-term debt payments.	4,459,990
Accrued interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in Governmental Funds financial statements. The following amount represents the change in accrued interest from prior year.	38,736
Debt issued at a premium provide current financial resources to Governmental Funds, but increase the long-term liabilities in the Statement of Net Assets. Bond issuance costs and loss on refunding are expenditures in the Governmental Funds, but are deferred and amortized in the Government-Wide Statement of Net Assets.	
This amount represents current year amortization of premium and issuance costs.	(46,558)
This amount represents debt issuance costs incurred during the current period.	103,938
This amount represents premiums on debt issuance during the current period.	(27,753)
Payments of other commitments are expenditures in the Governmental Funds, but reduce long-term liabilities in the Government-Wide Statement of Net Assets.	17,850
Revenues in the Statement of Activities that are not available in Governmental Funds are not reported as revenue in the Governmental Funds.	2,579,160
<i>Change in Net Assets of Governmental Activities</i>	<u>\$ 2,702,660</u>

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

TOWN OF CUMBERLAND, RHODE ISLAND

Statement of Net Assets

Proprietary Funds

June 30, 2012

	<u><i>Enterprise Funds</i></u>
	<u><i>Water Fund</i></u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 631,316
Restricted cash and cash equivalents	319,150
Accounts receivable:	
Water user fees, less allowance for uncollectible accounts of \$135,626	2,385,396
Other	6,233
Due from state government	16,429
Total current assets	<u>3,358,524</u>
Noncurrent assets:	
Capital assets:	
Non-depreciable assets	969,354
Depreciable assets - net	28,378,481
Other assets - net	80,522
Total noncurrent assets	<u>29,428,357</u>
Total assets	<u>32,786,881</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	378,175
Accrued interest payable	61,129
Due to other funds	2,521,123
Current portion of long term debt	445,898
Total current liabilities	<u>3,406,325</u>
Noncurrent liabilities:	
Advances from other funds	764,175
Accrued compensated absences	62,517
Loan payable	4,085,999
General obligation bonds payable	461,692
Total noncurrent liabilities	<u>5,374,383</u>
Total liabilities	<u>8,780,708</u>
Net assets	
Investment in capital assets, net of related debt	24,770,348
Unrestricted	(764,175)
Total net assets	<u>\$ 24,006,173</u>

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

TOWN OF CUMBERLAND, RHODE ISLAND
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Enterprise Funds
	Water Fund
Operating revenues	
User fees and charges	\$ 4,741,392
Other revenues	151,934
Total operating revenues	4,893,326
 Operating expenses	
Personnel services	1,369,961
Maintenance and servicing	277,139
Operating supplies	412,295
Fixed and general charges	979,836
Depreciation and amortization	654,846
Total operating expenses	3,694,077
 Operating income	1,199,249
 Nonoperating revenues (expenses)	
Interest income	32
Interest expense	(263,732)
Total nonoperating revenues (expenses)	(263,700)
 Income before contributions	935,549
Capital contributions and grants	47,250
 Change in net assets	982,799
 Total net assets - beginning of year	23,023,374
 Total net assets - end of year	\$ 24,006,173

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, 2012

	<i>Enterprise Funds</i>
	<i>Water Fund</i>
<i>Cash flows from operating activities</i>	
Cash received from customers	\$ 6,278,015
Cash payments to suppliers for goods and services	(1,821,659)
Cash payments to employees for services	(1,353,612)
<i>Net cash provided by operating activities</i>	3,102,744
<i>Cash flows from non-capital financing activities</i>	
Interfund transactions	(1,721,300)
<i>Net cash used for non-capital financing activities</i>	(1,721,300)
<i>Cash flows from capital and related financing activities</i>	
Acquisition and construction of capital assets	(277,404)
Proceeds from loans	225,009
Capital contributions	8,250
Principal paid on bonds and loans	(433,594)
Interest paid on bonds, loans, and interfund balance	(272,982)
<i>Net cash used for capital and related financing activities</i>	(750,721)
<i>Cash flows from investing activities</i>	
Investment income	32
<i>Net cash provided by investing activities</i>	32
<i>Net increase in cash and cash equivalents</i>	630,755
<i>Cash and cash equivalents, beginning of year</i>	319,711
<i>Cash and cash equivalents, end of year</i>	\$ 950,466
<i>Noncash capital and related financing activities:</i>	
Increase in capital assets	\$ 607,774
Decrease in due from state government	1,065,488

(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, 2012

	<i>Enterprise Funds</i>
	<i>Water Fund</i>
<i>Reconciliation of operating income to net cash provided by operating activities</i>	
Operating income	\$ 1,199,249
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>	
Depreciation and amortization	654,846
Bad debt recovery	(14,097)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	1,474,482
(Increase) decrease in other receivables	(4,330)
Increase (decrease) in accounts payable and accrued expenses	(216,957)
Increase (decrease) in compensated absences	9,551
	\$ 3,102,744
<i>Net cash provided by operating activities</i>	

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

TOWN OF CUMBERLAND, RHODE ISLAND
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	<u>Pension Trust Fund</u>	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets			
Cash and cash equivalents	\$ 377,145	\$ 285,477	\$ 436,284
Investments at fair value:			
U.S. government obligations	106,175	-	-
Municipal obligations	224,350	-	-
Corporate bonds	2,664,688	-	-
Common stock	4,685,894	-	-
Mutual funds - equity	776,171	-	-
Mutual funds - fixed income	150,067	-	-
Accrued interest receivable	32,717	-	-
Advance to General Fund	1,163,837	-	-
Other receivables	-	-	1,747
	<u>10,181,044</u>	<u>285,477</u>	<u>438,031</u>
Total assets			
Liabilities			
Due to other funds	-	-	100,651
Deposits held in custody for others	-	-	337,380
	<u>-</u>	<u>-</u>	<u>438,031</u>
Total liabilities			
Net Assets			
Held in trust for pension benefits and other purposes	<u>\$ 10,181,044</u>	<u>\$ 285,477</u>	<u>\$ -</u>

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

TOWN OF CUMBERLAND, RHODE ISLAND
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2012

	<u><i>Pension Trust Funds</i></u>	<u><i>Private- Purpose Trust Funds</i></u>
<i>Additions</i>		
Contributions:		
Employer	\$ 1,400,000	\$ -
Plan member	183,581	-
Total contributions	<u>1,583,581</u>	<u>-</u>
Investment income:		
Net appreciation in fair value of investments	64,156	-
Interest and dividends	254,975	805
Less: investment expense	(55,272)	-
Net investment income	<u>263,859</u>	<u>805</u>
Other revenue	<u>-</u>	<u>46,555</u>
<i>Total additions</i>	<u>1,847,440</u>	<u>47,360</u>
<i>Deductions</i>		
Benefits	1,442,523	-
Administrative expense	10,031	-
Scholarships	-	37,855
<i>Total deductions</i>	<u>1,452,554</u>	<u>37,855</u>
<i>Change in net assets</i>	394,886	9,505
<i>Net assets - beginning of year</i>	<u>9,786,158</u>	<u>275,972</u>
<i>Net assets - end of year</i>	<u>\$ 10,181,044</u>	<u>\$ 285,477</u>

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

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2012

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

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

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

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

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2012

B. BASIS OF PRESENTATION AND ACCOUNTING

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

Government-Wide Financial Statements

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

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

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

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

Governmental Fund Financial Statements

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

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2012

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

Major Governmental Funds:

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

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

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

Proprietary Fund Financial Statements

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

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

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

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

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2012

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

Fiduciary Fund Financial Statements

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

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

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

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

C. CASH AND CASH EQUIVALENTS

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

D. INVESTMENTS

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

E. ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE

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

Property taxes which were levied in April 2012 and other delinquent balances are recorded as receivables.

F. UNBILLED SERVICES RECEIVABLE

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

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2012

G. CAPITAL ASSETS AND DEPRECIATION

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

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

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

<u>Description</u>	<u>Useful Life</u>
Buildings and improvements	20-50 years
Mains, valves and laterals	50-100 years
Standpipes and wells	10-50 years
Equipment and vehicles	5-25 years
Infrastructure	30-50 years
Land improvements	15-30 years

H. DEBT PREMIUMS AND ISSUANCE COSTS

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

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

I. DEFERRED REVENUE

In the governmental fund financial statements deferred revenue represents funds received in advance of being owed or receivables which will be collected and included in revenues of future fiscal years. In the General Fund, deferred revenues relate to uncollected property taxes which were levied during the fiscal year, plus delinquent balances less property tax amounts due as of June 30, 2012 and received sixty days after. In the General Fund, deferred revenue also relates to rescue billings and police detail receivables due as of June 30, 2012. In the Sewer Fund and Sewer – Ferncrest & Willow Fund, deferred revenue relates to the current and long-term portion of the sewer assessment receivables and the sewer use receivable.

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2012

J. PROPERTY TAXES

The Town is permitted by State Law to levy property taxes. The Town's fiscal 2011-2012 property taxes were levied in April 2012 on assessed valuation as of December 31, 2011. Upon levy these taxes are payable quarterly and are due in May, August, November and February. Failure to mail payments by due dates will result in a lien on the taxpayer's property. Assessed values are established by Tax Assessor's Office.

K. COMPENSATED ABSENCES

Under the terms of various contracts and agreements, Town employees are granted vacation and sick leave in varying amounts based on length of service. Vacation benefits are accrued as a liability based on the accumulated benefits earned at June 30. Sick leave benefits are based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The liability is calculated at the rate of pay in effect at June 30, 2012.

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

L. ACCRUED LIABILITIES AND LONG-TERM DEBT

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

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

M. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

NOTE 2 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June, 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Nondepreciable assets:				
Land	\$ 18,995,057	\$ 775,000	\$ -	\$ 19,770,057
Construction in progress	-	639,611	-	639,611
	<u>18,995,057</u>	<u>1,414,611</u>	<u>-</u>	<u>20,409,668</u>
Depreciable assets:				
Land improvements	2,004,595	5,796	-	2,010,391
Infrastructure	28,307,414	535,665	-	28,843,079
Buildings and improvements	84,394,160	343,398	-	84,737,558
Machinery and equipment	4,168,700	233,858	-	4,402,558
Vehicles	4,249,384	230,820	-	4,480,204
	<u>123,124,253</u>	<u>1,349,537</u>	<u>-</u>	<u>124,473,790</u>
Total Capital Assets	<u>142,119,310</u>	<u>2,764,148</u>	<u>-</u>	<u>144,883,458</u>
Less accumulated depreciation for:				
Land improvements	671,650	95,163	-	766,813
Infrastructure	13,394,799	614,319	-	14,009,118
Buildings and improvements	18,271,755	1,698,714	-	19,970,469
Machinery and equipment	2,189,749	492,461	-	2,682,210
Vehicles	3,337,609	208,062	-	3,545,671
Total Accumulated Depreciation	<u>37,865,562</u>	<u>3,108,719</u>	<u>-</u>	<u>40,974,281</u>
Governmental Activities Capital Assets, Net	<u>\$104,253,748</u>	<u>\$ (344,571)</u>	<u>\$ -</u>	<u>\$ 103,909,177</u>
Business-Type Activities				
Nondepreciable assets:				
Land	\$ 196,599	\$ 84,375	\$ -	\$ 280,974
Construction in progress	4,446,250	646,693	4,404,563	688,380
	<u>4,642,849</u>	<u>731,068</u>	<u>4,404,563</u>	<u>969,354</u>
Depreciable assets:				
Buildings	2,444,492	-	-	2,444,492
Mains, laterals, standpipes and other	33,273,584	4,584,197	-	37,857,781
Vehicles	400,315	-	-	400,315
	<u>36,118,391</u>	<u>4,584,197</u>	<u>-</u>	<u>40,702,588</u>
Total Capital Assets	<u>40,761,240</u>	<u>5,315,265</u>	<u>4,404,563</u>	<u>41,671,942</u>
Less accumulated depreciation for:				
Buildings	702,682	40,410	-	743,092
Mains, laterals, standpipes and other	10,639,474	581,684	-	11,221,158
Vehicles	336,358	23,499	-	359,857
Total Accumulated Depreciation	<u>11,678,514</u>	<u>645,593</u>	<u>-</u>	<u>12,324,107</u>
Business-Type Activities Capital Assets, Net	<u>\$ 29,082,726</u>	<u>\$ 4,669,672</u>	<u>\$ 4,404,563</u>	<u>\$ 29,347,835</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

Depreciation expense was charged to functions as follows:

General government	\$ 14,332
Public safety	240,438
Public works	758,801
Social services	122,537
Education	1,972,611
Total Depreciation Expense	<u><u>\$ 3,108,719</u></u>

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. LEGAL DEBT MARGIN – The Town’s legal debt margin as set forth by State Statute is limited to three percent of the total taxable assessed value which approximates \$109,449,200. As of June 30, 2012, the Town’s debt subject to the debt limit is \$3,429,500 and the Town is under the debt limit by \$106,019,700. 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/unrestricted net assets in the fund financial statements at June 30, 2012:

Open Space	\$(807,850)
Water Fund	(764,175)
Sewer Fund	(1,639,040)
Sewer – Ferncrest & Willow	(109,505)
Revaluation Fund	(9)

NOTE 4 – CASH DEPOSITS

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

	<u><i>Carrying Amount</i></u>
Total Deposits	\$13,719,342
Add: Investments classified as cash equivalents	<u>695,481</u>
Total Cash and Cash Equivalents Reported in the Financial Statements	<u><u>\$14,414,823</u></u>

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2012

Water Fund cash and cash equivalents of \$319,150 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.

As of June 30, 2012, \$6,677,444 of the Town’s bank balance of \$15,661,677 was exposed to custodial credit risk as follows:

	<u>Bank Balance</u>
Insured (Federal depository insurance funds)	\$ 8,984,233
Collateralized with securities held by pledging financial institution or its agent in the Town’s name	<u>6,677,444</u>
Total	<u>\$15,661,677</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, 2012 the Town's uncollateralized deposits with an institution was \$0.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

NOTE 5 – INVESTMENTS

As of June 30, 2012, the Town had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Moody's Rating</u>
Prime Obligation Fund	N/A	\$376,331	Not rated
Fidelity Governmental Fund	N/A	319,150	Not rated
US Government Obligation - FNMA	10/02/2013	106,175	Aaa
Municipal Bond	06/01/2030	58,071	Aa2
Municipal Bond	05/01/2024	106,546	Aa3
Municipal Bond	04/01/2023	59,733	Aa3
Corporate Bond	05/15/2021	113,201	A2
Corporate Bond	05/27/2020	79,227	A1
Corporate Bond	09/15/2012	100,600	Baa2
Corporate Bond	09/15/2014	76,179	WR
Corporate Bond	01/15/2020	115,455	A1
Corporate Bond	03/08/2022	102,896	A2
Corporate Bond	05/15/2017	230,215	A2
Corporate Bond	12/06/2017	233,548	Aa3
Corporate Bond	04/01/2018	243,918	A3
Corporate Bond	05/01/2015	539,015	A3
Corporate Bond	07/15/2018	84,803	Aaa
Corporate Bond	01/15/2016	114,654	A1
Corporate Bond	06/01/2018	350,418	Aa3
Corporate Bond	05/16/2013	103,707	A2
Corporate Bond	12/15/2017	119,544	A2
Corporate Bond	04/01/2021	57,308	A3
Mutual Funds - Fixed Income	Average 7.5 years	150,067	Average B
Common Stock	N/A	4,685,894	Not rated
Mutual Funds - Equity	N/A	776,171	Not rated
		<u>9,302,826</u>	
Less: Investments classified as cash equivalents		<u>(695,481)</u>	
<i>Total Investments Reported in the Financial Statements</i>		<u><u>\$8,607,345</u></u>	

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

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

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2012

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

<u>Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
JP Morgan Chase	\$611,190 (\$539,015 bonds and \$72,175 stock)	6.57%

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.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

NOTE 6 – SHORT TERM DEBT

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

The Town issued a note for purchase of real property.

Short-term debt activity for the year ended June 30, 2012, was as follows:

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

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

NOTE 7 – LONG-TERM LIABILITIES

A. Long-term liability activity for the year ended June 30, 2012 was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>	<i>Amounts Due Within One Year</i>
Governmental Activities:					
Bonds, notes, loans, and capital leases payable:					
Bonds payable	\$ 27,815,000	\$ 5,715,000	\$ 5,765,000	\$ 27,765,000	\$ 2,865,000
Notes and loans payable	29,534,174	-	1,473,024	28,061,150	1,441,711
Capital lease payable	560,500	362,914	366,966	556,448	338,894
Plus amortized premium bonds and loans	726,323	27,753	63,666	690,410	-
Less deferred amounts on refunding	(368,511)	(38,678)	(54,485)	(352,704)	-
Total bonds, notes, loans, and capital leases payable	58,267,486	6,066,989	7,614,171	56,720,304	4,645,605
Other liabilities:					
Deferred salary	1,146,312	-	70,932	1,075,380	50,528
Compensated absences	2,331,588	-	45,449	2,286,139	-
Net other post employment benefit obligation	8,669,010	1,902,258	-	10,571,268	-
Net pension obligation	1,604,013	268,873	-	1,872,886	-
Other commitments	303,450	-	17,850	285,600	17,850
Governmental activities Long-term liabilities	\$ 72,321,859	\$ 8,238,120	\$ 7,748,402	\$ 72,811,577	\$ 4,713,983
Business-Type Activities:					
Bonds payable	\$ 1,010,000	\$ 175,000	\$ 445,000	\$ 740,000	\$ 280,000
Loan payable	4,415,490	-	163,593	4,251,897	165,898
Plus amortized premium bonds	17,204	-	2,867	14,337	-
Less deferred amounts on refunding	(15,174)	-	(2,529)	(12,645)	-
Total bonds and loans payable	5,427,520	-	433,931	4,993,589	445,898
Compensated absences	52,966	9,551	-	62,517	-
Business-type activities Long-term liabilities	\$ 5,480,486	\$ 9,551	\$ 433,931	\$ 5,056,106	\$ 445,898

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2012

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, 2012 were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Governmental Activities Lease Payment Requirements</u>
2013	\$357,395
2014	77,994
2015	77,994
2016	77,994
Total minimum lease payments	<u>591,377</u>
Less: Amount representing interest cost	<u>(34,929)</u>
Present value of minimum lease payments	<u><u>\$556,448</u></u>

Equipment and vehicles are reported as machinery and equipment or vehicles in the statement of net assets at a cost of \$1,273,819. Amortization of assets acquired under capital leases is included in depreciation expense for the year ended June 30, 2012.

C. GENERAL OBLIGATION BONDS DEBT SERVICE REQUIREMENTS

The debt service requirements at June 30, 2012, were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities General Obligation Bonds</u>		<u>Business Type Activities General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$2,865,000	\$1,049,842	\$280,000	\$22,750
2014	2,955,000	953,602	110,000	16,813
2015	3,040,000	849,744	110,000	13,201
2016	2,555,000	742,025	115,000	8,600
2017	2,645,000	634,564	125,000	2,938
2018-2022	9,895,000	1,783,375	-	-
2023-2027	3,185,000	409,770	-	-
2028-2032	625,000	72,031	-	-
	<u>\$27,765,000</u>	<u>\$6,494,953</u>	<u>\$740,000</u>	<u>\$64,302</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
 June 30, 2012

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, 2011</u>	<u>New Issues</u>	<u>Maturities During Year</u>	<u>Outstanding June 30, 2012</u>
Governmental Activities:								
School Bond (Refunding)	06/10/08	2.00%-3.45%	08/01/14	\$ 3,570,000	\$ 2,165,000	\$ -	\$ 515,000	\$ 1,650,000
Library Bond (Refunding)	06/10/08	2.00%-4.76%	08/01/18	2,850,000	2,225,000	-	240,000	1,985,000
School Bond (Refunding)	06/10/08	2.00%-4.75%	08/01/18	5,740,000	4,480,000	-	495,000	3,985,000
Open Space Bond	03/15/02	4.00%-5.50%	10/01/21	1,500,000	1,060,000	-	1,060,000	-
Open Space Bond (Refunding)	11/30/11	3.00%-3.50%	10/01/21	1,000,000	-	1,000,000	-	1,000,000
School Bond	03/15/02	4.00%-5.50%	10/01/21	3,000,000	2,100,000	-	2,100,000	-
School Bond (Refunding)	11/30/11	3.00%-3.50%	10/01/21	2,010,000	-	2,010,000	-	2,010,000
Judgment Bond	03/15/02	4.00%-5.50%	10/01/16	500,000	240,000	-	240,000	-
Judgment Bond (Refunding)	11/30/11	4.00%-5.50%	10/01/16	205,000	-	205,000	-	205,000
Judgment Bond	06/10/08	5.14%	06/01/18	1,130,000	785,000	-	115,000	670,000
School Bond	02/01/03	2.30%-4.50%	02/01/23	5,000,000	3,000,000	-	250,000	2,750,000
High School Improvements	03/15/04	3.50%-5.00%	03/15/24	5,500,000	4,845,000	-	285,000	4,560,000
Road Improvements	03/15/04	3.50%-5.00%	03/15/24	2,000,000	1,750,000	-	100,000	1,650,000
Road Improvements	11/30/11	3.00%-6.25%	11/01/31	2,500,000	-	2,500,000	-	2,500,000
Library Bond	03/15/04	3.50%-5.00%	03/15/24	400,000	350,000	-	20,000	330,000
School Bond	03/15/04	3.50%-5.00%	03/15/24	500,000	445,000	-	25,000	420,000
School Bond	05/01/06	4.00%-5.00%	05/01/26	3,000,000	2,590,000	-	120,000	2,470,000
Sewer Bond (Refunding)	06/10/08	2.00%-4.77%	08/01/18	2,015,000	1,570,000	-	170,000	1,400,000
Sewer Bond (Refunding)	06/10/08	2.00%-4.81%	08/01/16	285,000	210,000	-	30,000	180,000
Total Governmental Activities				<u>42,705,000</u>	<u>27,815,000</u>	<u>5,715,000</u>	<u>5,765,000</u>	<u>27,765,000</u>
Business Type Activities:								
Water Bond (Refunding)	03/15/02	4.00%-5.50%	10/01/12	1,512,000	340,000	-	340,000	-
Water Bond (Refunding)	11/30/11	3.00%	10/01/12	175,000	-	175,000	-	175,000
Water Bond (Refunding)	06/10/08	2.00%-4.74%	08/01/16	915,000	670,000	-	105,000	565,000
Total Business Type Activities				<u>2,602,000</u>	<u>1,010,000</u>	<u>175,000</u>	<u>445,000</u>	<u>740,000</u>
Total Bonds Payable				<u>\$45,307,000</u>	<u>\$28,825,000</u>	<u>\$5,890,000</u>	<u>\$ 6,210,000</u>	<u>\$ 28,505,000</u>

TOWN OF CUMBERLAND, RHODE ISLAND
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June 30, 2012

E. NOTES AND LOANS PAYABLE

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

<i>Description</i>	<i>Note Date</i>	<i>Original Amount</i>	<i>Interest Rate</i>	<i>Matures</i>
RIHBEC School Loan	05/01/2008	\$30,000,000	4.125-5%	05/15/2010-2028
RI Clean Water Sewer Loan	03/10/1993	3,000,000	3.56%	09/01/1996-2015
RI Clean Water Sewer Loan	12/28/1995	1,000,000	3.33%	09/01/1997-2016
Lambert Property Note	05/01/1997	190,000	2.59%	06/01/1998-2023
McGrath Note	07/30/2008	100,000	2.5%	07/30/2009-2013
RI Clean Water Loan	11/19/2009	5,750,000	1.15-4.04%	09/01/2010-2030

On November 19, 2009 the Town entered into a loan agreement with Rhode Island Clean Water Finance Agency in the amount of \$5,750,000. The loan agreement includes ARRA principal forgiveness of \$1,333,742 for a net loan amount of \$4,416,258 that will be repaid by the Town. The loan proceeds are to be used by the Town for various water system projects. The Agency pays project invoices certified by the Town directly to the contractors or reimburses the Town for costs incurred on the projects. As of June 30, 2012 a loan payable of \$4,251,897 is reflected in the Water Fund. A due from the Rhode Island Clean Water Finance Agency of \$16,429 is shown for that portion of the \$4,416,258 net loan which has not been advanced as of June 30, 2012. 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, 2012 were as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Governmental Activities</i>		<i>Business-Type Activities</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2013	\$ 1,441,711	\$ 1,260,580	\$ 165,898	\$ 151,137
2014	1,494,500	1,201,686	168,970	147,677
2015	1,548,222	1,131,118	172,810	143,478
2016	1,617,049	1,062,558	177,418	138,535
2017	1,473,679	944,531	782,795	132,949
2018-2022	8,098,513	3,929,014	1,010,747	563,795
2023-2027	10,102,476	1,973,450	1,215,815	355,239
2028-2031	2,285,000	108,538	1,157,444	95,629
	<u>\$28,061,150</u>	<u>\$11,611,475</u>	<u>\$4,851,897</u>	<u>\$1,728,439</u>

F. REFUNDINGS OF LONG-TERM DEBT

On November 30, 2011, the Town issued \$3,390,000 in general obligation bonds with an average interest rate of 3.18% to advance refund the following outstanding bonds: \$3,320,000 in 2002 Series bonds with an average interest rate of 5.08%. The net proceeds of \$3,360,791 (after payment of \$67,450 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 2002 Series bonds. As a result, the 2002 Series

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2012

bonds are considered to be defeased and the liability of those bonds has been removed from the Government-Wide Statement of Net Assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$38,677 for Governmental Activities and \$2,114 for Business-Type Activities. The difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through fiscal years 2012-2022 using the straight-line method. The Town completed the advance refunding to reduce its total debt service payments over the next 11 years by \$295,397 and obtain an economic gain (difference between the present values of the old and new debt service payments) of \$251,964.

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.

NOTE 8 – OPERATING LEASES

As of June 30, 2012, the Town is committed for the lease of office equipment. The lease is considered an operating lease. Rental expenditures for the year ended June 30, 2012 amounted to approximately \$1,014.

Future minimum lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	
2013	\$ 929
	<u>\$ 929</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

NOTE 9 – INTERFUND BALANCES

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

	<i>Due From:</i>						<i>Total</i>
	<i>General Fund</i>	<i>Unrestricted Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Agency Funds</i>	
<i>Due To:</i>							
General Fund	\$ -	\$ 18,435	\$ 1,939,215	\$ 3,285,298	\$ 1,579,096	\$ 100,651	\$ 6,922,695
School Unrestricted	6,565,600	-	1,224,138	-	-	-	7,789,738
Nonmajor Governmental Funds	1,383,015	520,092	-	-	-	-	1,903,107
Pension Trust Fund	1,163,837	-	-	-	-	-	1,163,837
Total	\$ 9,112,452	\$ 538,527	\$ 3,163,353	\$ 3,285,298	\$ 1,579,096	\$ 100,651	\$ 17,779,377

Included above are loans made to provide financing resources to the following funds: \$1,579,096 Sewer; \$764,175 Water; \$109,505 Sewer - Ferncrest & Willow; \$682,850 Open Space; \$9 Revaluation; and \$1,163,837 General Fund. All remaining interfund balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

NOTE 10 – INTERFUND TRANSFERS

	<i>Transfer From:</i>		
	<i>General Fund</i>	<i>Sewer Fund</i>	<i>Total</i>
<i>Transfer To:</i>			
General Fund	\$ -	\$ 30,000	\$ 30,000
Unrestricted Fund	36,202,449	-	36,202,449
Nonmajor Governmental Funds	132,578	-	132,578
Total	\$ 36,335,027	\$ 30,000	\$ 36,365,027

Transfers are used to (1) move revenues from the fund that the budget requires to collect them, to the funds that the budget requires to expend them. For example, the \$36,202,449 is the School appropriation that is budgeted in the General Fund as a revenue source to be transferred to the School Unrestricted Fund and expended.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

NOTE 11 – NET ASSETS/FUND BALANCES

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

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

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

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

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

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

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

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

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

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

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

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

The Town has the following minimum fund balance policies:

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

NOTE 12 – DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

A. ACCOUNTS RECEIVABLE

The Town disaggregates significant components of receivables in the financial statements. The Town expects to receive all receivables within the subsequent year, except for sewer assessments receivable which are payable over 20 years. The following allowances for doubtful accounts are included in the financial statements:

<u><i>Fund/Description</i></u>	<u><i>Allowance For Doubtful Accounts</i></u>
General Fund – Real estate and personal property tax receivable	\$1,294,793
General Fund – Police detail receivable	89,946
General Fund – Rescue Billing	1,150,468
Water Fund – Water use fees receivable	135,626

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
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B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities at June 30, 2012, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General Fund	\$ 888,399	\$ 223,242	\$ -	\$ 1,111,641
School Unrestricted Fund	1,705,327	352,910	-	\$ 2,058,237
Sewer Fund	59,117	827	-	59,944
Other Governmental Funds	1,520,152	-	17,850	1,538,002
Reconciliation of balances in fund financial statements to government wide financial statements	-	-	349,323	349,323
Total Governmental Activities	<u>\$ 4,172,995</u>	<u>\$ 576,979</u>	<u>\$ 367,173</u>	<u>\$ 5,117,147</u>
Business-Type Activities:				
Water Fund	\$ 331,926	\$ 18,182	\$ 28,067	\$ 378,175
Total Business-Type Activities	<u>\$ 331,926</u>	<u>\$ 18,182</u>	<u>\$ 28,067</u>	<u>\$ 378,175</u>

NOTE 13 – POST EMPLOYMENT BENEFITS

Plan Description

The Town of Cumberland administers a single-employer, defined benefit post-employment health insurance plan. This plan does not include the pension benefits discussed in Note 18. The plan provides medical and dental insurance for eligible retirees and their dependents through the Town’s group health and dental insurance plans, which cover both active and retired members. Benefit provisions are established and amended by the union contracts through negotiations between the Town and the respective unions. The plan does not issue a publicly available financial report. The Town implemented GASB Statement No. 45 in fiscal year 2009 on a prospective basis.

The plan provides the following benefits based on employee group:

- Police – lifetime health insurance (medical and dental) for officers retiring with at least 15 years of service. Officers who retire with less than 20 years of service must contribute the full cost of coverage until they would have had 20 years of service. The Town pays the full cost of coverage for officers once they have (or would have had) 20 years of service at retirement. Officers with a duty disability pension receive the same benefits as retirees.
- All Other Town Employees – COBRA coverage at retirement.
- Teachers and School Administrators – lifetime health insurance upon retirement to the Employees’ Retirement System. Retirees pay 100% of the working rate for health insurance.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

- All Other School Employees – lifetime health insurance for members retiring who are at least age 58 with 10 years of service or after 30 years of service regardless of age. Retirees pay 100% of the working rate for health insurance.

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

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, 2012, 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, 2012, the Town contributed \$1,565,322 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The Town’s annual other post-employment benefit (OPEB) cost for the plan is calculated based on the annual required contribution (ARC) for the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Town’s net OPEB obligation:

Annual required contribution (ARC)	\$ 3,521,332
Interest on net OPEB obligation	346,760
Adjustment to annual required contribution	<u>(400,512)</u>
Annual OPEB cost	3,467,580
Contributions made	<u>(1,565,322)</u>
Increase in net OPEB obligation	1,902,258
Net OPEB obligation, beginning of year	<u>8,669,010</u>
Net OPEB obligation, end of year	<u><u>\$10,571,268</u></u>

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

<i>Fiscal Year Ended</i>	<i>Annual OPEB Cost</i>	<i>Percentage of Annual OPEB Cost Contributed</i>	<i>Net OPEB Obligation</i>
6/30/10	\$3,971,324	29.37%	\$5,160,269
6/30/11	\$4,366,134	19.64%	\$8,669,010
6/30/12	\$3,467,580	45.14%	\$10,571,268

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

Funded Status and Funding Progress

The funded status of the Town’s plan as of July 1, 2011, the most recent actuarial valuation, is as follows:

Actuarial Accrued Liability (AAL)	\$39,386,221
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$39,386,221

The breakout of the AAL by group is as follows: Police employees - \$38,363,860 and School employees - \$1,022,361.

Funded ratio (Actuarial Value of Plan Assets/AAL)	0%
Annual Covered Payroll (Active Plan Members)	\$32,459,010
UAAL as a Percentage of Covered Payroll	121.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

The annual required contribution for fiscal 2012 was determined as part of the July 1, 2011 actuarial valuation using the projected unit credit actuarial cost method. Under this funding method, the recommended annual contributions consist of two pieces: normal cost plus a payment towards the unfunded accrued liability. The accrued liability is determined directly as the present value of benefits accrued to date, where the accrued benefit for each member is the pro-rata portion (based on service to date) of the projected benefit payable at death, disability, retirement or termination. The normal cost is similarly determined as the present value of the portion of the projected benefit attributable to the current year. The actuarial assumptions included: a) 4% discount rate; b) medical trend rate – initial rate of 10% decreasing .5% per year to an ultimate rate of 5% over 10 years; c)

TOWN OF CUMBERLAND, RHODE ISLAND
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dental trend rate – initial rate of 5% decreasing .25% per year to an ultimate rate of 3 % over 8 years; d) inflation rate – 3%; and e) payroll growth – 3% for school employees and 4.5% for police officers (used for amortization only). The unfunded actuarial accrued liability as of the July 1, 2011 is being amortized as a level percent of pay based on a closed group. The remaining amortization period as of July 1, 2011 is 22 years. The medical and dental trend rate assumptions have changed since the last valuation.

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

NOTE 14 – SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

A. LITIGATION

The Town has several tax appeal cases that relate to tax years 2005 through 2011 that are pending in Providence Superior Court. The potential liability to the Town, if any or an evaluation of the outcome of these matters cannot be made at the present time.

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

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, 2012 were audited in connection with the accompanying financial statements under the Single Audit concept and the auditor's reports thereon are presented in a separate Single Audit Report. The amount, if any, of expenditures which may be disallowed will not be material to the financial position of the Town.

NOTE 15 – RISK MANAGEMENT

A. HEALTH CARE

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

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

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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, 2012 are estimated to be \$403,926. The Town has provided a required deposit in the amount of \$310,800 to Blue Cross.

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

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

	<i>Beginning Fiscal Year Liability</i>	<i>Current Year Claims and Changes In Estimate</i>	<i>Claims Payments</i>	<i>Balance Fiscal Year End</i>
2010-2011	\$383,830	\$8,078,105	\$8,088,733	\$373,202
2011-2012	\$373,202	\$8,850,378	\$8,819,654	\$403,926

B. OTHER INSURANCE

The Town of Cumberland is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. As a result, the Town participates in a non-profit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) which provides coverage for property/liability claims. Upon joining the Trust, the Town signed a participation agreement which outlines the rights and responsibilities of both the Trust and the Town. The agreement states that for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the 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, 2012.

NOTE 16 – SUBSEQUENT EVENTS

- In August 2012 the Town entered into a capital lease agreement totaling \$260,088. The capital lease bears an implicit interest rate of 3.56%. The lease matures in August 2017.
- On December 28, 2012 the Town issued \$10,500,000 of general obligation tax anticipation notes which bear interest of 1.25% and mature June 13, 2013.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

NOTE 17 – RESTATEMENTS

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

	<i>Other Governmental Funds</i>
Fund balances - June 30, 2011, as previously reported	\$2,104,702
Reclassification of funds due to implementation of GASB Statement No. 54	(19,566)
Fund balances - June 30, 2011, as restated	\$2,085,136

NOTE 18 – PENSION PLANS

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

All Town of Cumberland certified school personnel participate in the Employees' Retirement System of the State of Rhode Island ("ERS"), a cost-sharing multiple-employer defined benefit plan administered by the State of Rhode Island. The payroll for employees covered by the ERS for the year ended June 30, 2012 was \$25,723,983 which consisted of \$1,123,026 for employees charged to federal programs and \$24,600,957 for all other employees.

The State of Rhode Island Employees' Retirement System issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Avenue, Warwick, Rhode Island 02886 or at www.ersi.org.

Plan Description

Eligibility and benefit provisions are established by Rhode Island General Laws, Title 16, Chapter 16-16, which are subject to amendment by the General Assembly. All Cumberland School Department certified school personnel are eligible to participate in the System if they are certified by the Board of Regents, engaged in teaching as principal occupation and are regularly employed on at least a half time basis. Superintendents, principals, business agents and other administrators participate as teachers. The Plan provides retirement and disability benefits, annual cost-of-living adjustments (COLAs), and death benefits to Plan members and beneficiaries.

Funding Policy

The funding policy is established by Rhode Island General Laws, Title 16, Chapter 16-16, which are subject to amendment by the General Assembly. Covered employees are required by State Statute to

TOWN OF CUMBERLAND, RHODE ISLAND
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contribute 9.5% of their salary to the plan. The State and the School Department are required to contribute an amount determined annually by the actuary and as provided by State Statute. The split between State and the School Department is specified by State Statute. The contribution requirement for fiscal year ended June 30, 2012 is 22.32%. The Teachers' Plan cost is paid 60% by the School Department and 40% by the State. However, the State will pay the total cost of the contribution deferrals which were .27% for the year ended June 30, 2012. This results in a contribution requirement for the School of 13.23% and a contribution requirement for the State of 9.09%.

The State contribution for the cut-off year ended June 30, 2012 was \$2,236,227 which represented 8.70% of covered payroll. The payments made by the State to the Employees' Retirement System are considered on-behalf payments and are reported as a revenue and as an expenditure in the financial statements. The School's contribution requirement for the cut-off year ended June 30, 2012 was \$5,949,144 which consisted of \$3,505,366 from the School Department (\$250,659 for federal employees and \$3,254,707 for other employees), and \$2,443,778 from employees. These contributions represented 13.63% and 9.5% of covered payroll respectively. The annual required contribution was determined as part of the June 30, 2009 actuarial valuation.

The School Department does not have any investments or related party investments with the ERS. The School Department contribution represented 2.40% of total contributions required of all participating entities.

Three-Year Trend Information

<i><u>Fiscal Year</u></i>	<i><u>Annual Required Contribution</u></i>	<i><u>Percentage Contributed</u></i>
2010	\$2,893,462	100%
2011	2,862,929	100%
2012	3,505,366	100%

Pension Reform Impacting Future Periods

In November 2011, the Rhode Island General Assembly enacted comprehensive pension reform legislation which included implementing a supplemental defined contribution plan and other benefit and eligibility changes including changes in the automatic COLA, including suspension/reduction of COLAs. The above changes and other provisions of the reform enacted are effective July 1, 2012.

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

The Town of Cumberland participates in the Municipal Employees' Retirement System ("MERS"), an agent multiple employer defined benefit plan administered by the State of Rhode Island. All Town employees except for certified school personnel and police officers participate in the MERS. The payroll for employees covered by the MERS for the year ended June 30, 2012 was \$8,965,369 (general employees - \$8,013,252 and rescue employees - \$952,117).

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June 30, 2012

The State of Rhode Island Municipal Employees' Retirement System issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Avenue, Warwick, Rhode Island 02886 or at www.ersi.com.

Plan Description

The following eligibility and benefit provisions are established by Rhode Island General Laws, Title 45, Chapter 19, 19.1, 21, 21.1, 21.2 and 21.3 and may be amended by State Statute. The MERS generally provides retirement benefits equal to 2% of a member's final average compensation multiplied by the number years of service up to 37.5 years, with a maximum benefit of 75% of final average compensation exclusive of overtime, bonuses, or severance pay. Final average compensation is the average of the three highest consecutive years of earned compensation exclusive of overtime, bonuses or severance. Such benefits are available to members at least age 58 with 10 years of service or after 30 years regardless of age. Under the 25-year service normal plan, police and firefighters may retire with unreduced accrued benefits at age 55 with 10 years of service or after 25 years regardless of age. The benefit accrual rate is 2% of final average compensation per year of service. If the municipality elects the 20-year retirement provisions, police and firefighters may retire at any age after 20 years of service. This optional plan provides a benefit equal to 2.5% of final average compensation per year of service up to 30 years. The maximum benefit is 75% of final average compensation under both the normal plan and the optional plan. Early retirement is only available to police and firefighters under the normal plan. The plan also provides non-service connected disability benefits after 5 years of service, service connected disability benefits with no minimum service requirement, survivors' benefits, and certain lump sum death benefits. Employees are vested in their retirement benefits upon the completion of 10 years of service. Members employed by municipalities who elect one of the optional COLA provisions receive an increase equal to 3% of the original retirement benefit each year beginning January 1 following the member's retirement. The Town has elected COLA provision C and the 20-year retirement plan for its rescue employees.

Funding Policy

General employees are required by State Statute to contribute 6% of their annual earnings. The contribution rate is increased to 7% with the optional cost-of-living provision. Police and firefighters are required by State Statute to contribute 7%. The contribution rate is increased to 8% with the optional cost-of-living provision. The contribution rate is increased by an additional 1% for the 20-year service plan. The Town is required to contribute based on an actuarially determined amount and as provided by State Statute for each participating municipality. The Town's rate for fiscal year 2011-2012 was 9.68% for general employees and 7.66% for rescue employees.

Annual Pension Cost

For fiscal year 2011-2012, the Town's annual pension cost of \$848,614 for the MERS was equal to the Town's required and actual contributions.

TOWN OF CUMBERLAND, RHODE ISLAND
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Three-Year Trend Information

General Municipal Employees

<i>Fiscal Year</i>	<i>Annual Pension Cost</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
2010	\$774,610	100%	\$ -
2011	675,004	100%	-
2012	775,682	100%	-

Rescue Employees

<i>Fiscal Year</i>	<i>Annual Pension Cost</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
2010	\$85,214	100%	\$ -
2011	67,076	100%	-
2012	72,932	100%	-

The required contribution was determined as part of the June 30, 2009 actuarial valuation. The actuarial method used is the entry age actuarial cost method. Under this method, the employer contribution rate is the sum of (i) the employer normal cost rate, and (ii) a rate that will amortize the unfunded actuarial accrued liability. Significant actuarial assumptions used in the June 30, 2009 valuation include the following:

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

The actuarial value of assets is based on market value of assets with a five year phase-in of actual investment return in excess of (less than) expected investment income. The MERS' unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of payroll on a closed basis. The remaining amortization period at June 30, 2009 was 20 years.

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Notes to Financial Statements
June 30, 2012

Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the general employees plan was 73.4% funded. The actuarial accrued liability for benefits was \$26,884,532, and the actuarial value of assets was \$19,720,856, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,163,676. The covered payroll (annual payroll of active employees covered by the plan) was \$8,190,324, and the ratio of the UAAL to the covered payroll was 87.5%. As of June 30, 2011, the rescue employees plan was 104.2% funded. The actuarial accrued liability for benefits was \$4,093,459, and the actuarial value of assets was \$4,266,783, resulting in funding excess of \$(173,324). The covered payroll was \$926,673, and the ratio of the UAAL to the covered payroll was (18.7%). The June 30, 2011 actuarial valuation used the same methods and assumptions described above under annual pension cost, except the investment rate of return was lowered to 7.5% per year and projected compensation increases were changed to 4% for general employees and 4.25% for rescue employees plus a service-related component. The amortization period for the UAAL has been changed to 25 years from June 30, 2010.

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

Pension Reform Impacting Future Periods

In November 2011, the Rhode Island General Assembly enacted comprehensive pension reform legislation which included implementing a supplemental defined contribution plan and other benefit and eligibility changes including changes in the automatic COLA, including suspension/reduction of COLAs. The above changes and other provisions of the reform enacted are effective July 1, 2012.

C. TOWN ADMINISTERED PENSION PLAN

Plan Description

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

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

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

TOWN OF CUMBERLAND, RHODE ISLAND
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Benefit Provisions

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

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

Upon death after retirement, 67.5% of the pension benefits are paid to a surviving spouse until death or remarriage or to surviving dependent children under the age of eighteen.

Summary of Significant Accounting Policies:

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

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

Funding Policy

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

Annual Pension Cost and Net Pension Obligation

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

Annual required contribution (ARC)	\$1,650,489
Interest on NPO	128,321
Adjustment to ARC	(109,937)
Annual pension cost	<u>1,668,873</u>
Contributions made	(1,400,000)
Increase in net pension obligation	<u>268,873</u>
Net pension obligation, beginning of year	1,604,013
Net pension obligation, end of year	<u><u>\$ 1,872,886</u></u>

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

The Town's annual contribution to the plan was determined as part of the July 1, 2010 actuarial valuation using the Entry Age Normal actuarial cost method and is based upon a funding policy which provides for the payment of the normal cost plus a 22 year amortization of the unfunded actuarial accrued liability, beginning July 1, 2010 as a level percentage of payroll. The actuarial assumptions included a) 8% investment rate of return (net of investment expenses), and b) projected compensation increases of 3.5% per year. The cost of living adjustment is 3%, non-compounded, from age 57 for retirement on or after July 1, 1992. No COLA for retirement before July 1, 1992. For valuation purposes a smoothed, actuarial value of assets was used to dampen the effect of market swings by gradually recognizing market gains or losses over a five year period, constrained to within +/- 20% of market value.

Three-Year Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010	\$1,315,293	16%	1,098,662
2011	1,505,351	66%	1,604,013
2012	1,668,873	84%	1,872,886

Funded Status and Fund Progress

As of July 1, 2012, the most recent actuarial valuation, the plan was 31.9% funded. The actuarial accrued liability for benefits was \$28,794,861, and the actuarial value of assets was \$9,182,768, resulting in an unfunded actuarial accrued liability (UAAL) of \$19,612,093. The covered payroll (annual payroll of active employees covered by the plan) was \$2,511,260, and the ratio of the UAAL to the covered payroll was 781.0%. The July 1, 2012 actuarial valuation used the same methods and assumptions described above under annual pension cost and net pension obligation, except the investment rate of return was changed to 7.5%.

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

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

	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) (2)</u>	<u>Unfunded Liability/ (Funding Excess)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability/ (Funding Excess) as a Percentage of Covered Payroll</u>
Municipal Employees Retirement System (General Employees)							
	6/30/2009	\$19,203,157	\$24,970,902	\$5,767,745	76.9%	\$8,343,966	69.1%
	6/30/2010	\$19,349,375	\$25,582,577	\$6,233,202	75.6%	\$8,277,596	75.3%
	6/30/2011	\$19,720,856	\$26,884,532	\$7,163,676	73.4%	\$8,190,324	87.5%
Municipal Employees Retirement System (Rescue)							
	6/30/2009	\$4,040,881	\$3,451,531	(\$589,350)	117.1%	\$891,927	(66.1%)
	6/30/2010	\$4,101,879	\$3,579,752	(\$522,127)	114.6%	\$933,687	(55.9%)
	6/30/2011	\$4,266,783	\$4,093,459	(\$173,324)	104.2%	\$926,673	(18.7%)
Town Police Pension Plan							
	7/1/2006	\$9,548,804	\$17,254,197	\$7,705,393	55.3%	\$2,445,466	315.1%
	7/1/2007	\$9,901,410	\$19,688,480	\$9,787,070	50.3%	\$2,580,899	379.2%
	7/1/2008	\$10,221,370	\$21,462,122	\$11,240,752	47.6%	\$2,586,734	434.6%
	7/1/2009	\$10,122,643	\$22,683,424	\$12,560,781	44.6%	\$2,873,991	437.1%
	7/1/2010	\$9,807,821	\$25,239,221	\$15,431,400	38.9%	\$2,839,887	543.4%
	7/1/2012	\$9,182,768	\$28,794,861	\$19,612,093	31.9%	\$2,511,260	781.0%
Other Post Employment Benefit Plan							
	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%

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

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

(3) The June 30, 2010 and 2011 actuarial valuation amounts for the "MERS" - General and Rescue Employees reflect the comprehensive pension reform changes enacted by the Rhode Island General Assembly in November 2011. The original June 30, 2010 actuarial valuation amounts were revised to reflect the pension reform changes.

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

<i>Fiscal Year</i> <i>Ending</i> <i>June 30</i>	<i>Annual</i> <i>Required</i> <i>Contribution</i>	<i>Actual</i> <i>Contribution</i>	<i>Percent</i> <i>Funded</i>
2007	\$ 737,697	\$ 737,697	100%
2008	923,078	923,078	100%
2009	1,135,722	1,135,722	100%
2010	1,315,293	211,425	16%
2011	1,507,130	1,000,000	66%
2012	1,650,489	1,400,000	85%

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, 2012

	<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	\$ 57,557,159	\$ 57,557,159	\$ 56,885,442	\$ (671,717)
Investment and interest income	70,000	70,000	123,389	53,389
Other local and departmental revenue	1,364,500	1,364,500	1,513,753	149,253
Federal and State aid and grants	3,023,423	3,023,423	3,386,927	363,504
Rescue service revenue	814,576	814,576	805,971	(8,605)
Other revenues	52,000	52,000	116,011	64,011
Total revenues	<u>62,881,658</u>	<u>62,881,658</u>	<u>62,831,493</u>	<u>(50,165)</u>
Expenditures				
General Government:				
Mayor's office	166,021	166,021	162,822	3,199
Town Clerk	202,329	202,329	181,336	20,993
Town Council	33,900	33,900	25,087	8,813
Town Solicitor	202,023	202,023	173,403	28,620
Municipal court	44,812	44,812	46,414	(1,602)
Town officers	3,901	3,901	4,437	(536)
Boards and commissions	3,250	3,250	2,524	726
Probate court	8,252	8,252	7,867	385
Board of canvassers	79,318	79,318	64,786	14,532
Finance office	492,672	492,672	539,531	(46,859)
Tax Assessor	187,244	187,244	157,316	29,928
	<u>1,423,722</u>	<u>1,423,722</u>	<u>1,365,523</u>	<u>58,199</u>
Community Development:				
Planning	173,498	173,498	181,004	(7,506)
Zoning	44,594	44,594	51,428	(6,834)
	<u>218,092</u>	<u>218,092</u>	<u>232,432</u>	<u>(14,340)</u>
Public Safety:				
Police department	3,656,268	3,656,268	3,537,477	118,791
Telecommunication	327,774	327,774	310,599	17,175
Rescue service	1,377,846	1,377,846	1,524,050	(146,204)
Animal control	132,234	132,234	129,510	2,724
	<u>5,494,122</u>	<u>5,494,122</u>	<u>5,501,636</u>	<u>(7,514)</u>
Public Works:				
Inspection	183,660	183,660	134,099	49,561
Public works	2,655,944	2,655,944	2,631,001	24,943
Highway	1,797,609	1,797,609	1,624,901	172,708
Recreation	172,759	172,759	154,773	17,986
Town Hall	170,710	170,710	161,481	9,229
	<u>4,980,682</u>	<u>4,980,682</u>	<u>4,706,255</u>	<u>274,427</u>
Social Services:				
Library	1,457,386	1,457,386	1,455,293	2,093
Children and learning	147,378	147,378	147,556	(178)
Senior services	117,405	117,405	130,550	(13,145)
	<u>1,722,169</u>	<u>1,722,169</u>	<u>1,733,399</u>	<u>(11,230)</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, 2012

	<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	61,900	61,900	52,500	9,400
Veteran services	250	250	-	250
Adult literacy	2,500	2,500	-	2,500
Emergency management	10,000	10,000	5,477	4,523
Mason building improvements	10,000	10,000	10,000	-
Economic development	75,000	75,000	13,250	61,750
Contingencies	108,500	108,500	21,991	86,509
Information technology	93,027	93,027	75,322	17,705
FEMA expenses	-	-	11,001	(11,001)
STRESS	5,000	5,000	2,740	2,260
Litter control	10,000	10,000	-	10,000
Traffic calming plan	10,000	10,000	10,703	(703)
Fire consolidation study	35,000	35,000	14,500	20,500
Franklin Farm	5,000	5,000	332	4,668
Property and liability insurance	347,850	347,850	409,828	(61,978)
Municipal dues	13,476	13,476	13,476	-
	<u>787,503</u>	<u>787,503</u>	<u>641,120</u>	<u>146,383</u>
Employee Benefits	<u>5,279,458</u>	<u>5,279,458</u>	<u>5,019,705</u>	<u>259,753</u>
Debt Service:				
Town debt service	1,233,556	1,233,556	1,051,954	181,602
School debt service	5,004,713	5,004,713	4,976,847	27,866
Master lease	255,192	255,192	255,152	40
	<u>6,493,461</u>	<u>6,493,461</u>	<u>6,283,953</u>	<u>209,508</u>
Capital Outlay and Reserves:				
Capital improvements	185,000	185,000	4,974	180,026
	<u>185,000</u>	<u>185,000</u>	<u>4,974</u>	<u>180,026</u>
Total expenditures	<u>26,584,209</u>	<u>26,584,209</u>	<u>25,488,997</u>	<u>1,095,212</u>
Excess of revenues over expenditures before other financing sources and uses	<u>36,297,449</u>	<u>36,297,449</u>	<u>37,342,496</u>	<u>1,045,047</u>
Other financing sources and uses:				
Premium on bonds and notes	-	-	43,812	43,812
Transfers from other funds				
Special revenue funds	30,000	30,000	30,000	-
Transfers to other funds				
School unrestricted fund	(36,202,449)	(36,202,449)	(36,202,449)	-
Special revenue funds	-	-	(7,578)	(7,578)
Tucker Field fund	(125,000)	(125,000)	(125,000)	-
Total other financing sources and uses	<u>(36,297,449)</u>	<u>(36,297,449)</u>	<u>(36,261,215)</u>	<u>36,234</u>
Net change in fund balance, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,081,281</u>	<u>\$ 1,081,281</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, 2012

	<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				
Federal and state aid and grants	\$ 12,310,369	\$ 12,310,369	\$ 12,101,575	\$ (208,794)
Other revenues	877,372	877,372	1,013,595	136,223
Budgeted fund balance	890,167	1,034,751	983,430	(51,321)
Total revenues	<u>14,077,908</u>	<u>14,222,492</u>	<u>14,098,600</u>	<u>(123,892)</u>
Expenditures				
Education	50,641,732	50,424,966	49,325,756	1,099,210
Total expenditures	<u>50,641,732</u>	<u>50,424,966</u>	<u>49,325,756</u>	<u>1,099,210</u>
Deficiency of revenues under expenditures before other financing sources	<u>(36,563,824)</u>	<u>(36,202,474)</u>	<u>(35,227,156)</u>	<u>975,318</u>
Other financing sources				
Town appropriation	36,563,824	36,202,474	36,202,449	(25)
Total other financing sources	<u>36,563,824</u>	<u>36,202,474</u>	<u>36,202,449</u>	<u>(25)</u>
Net change in fund balance, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	975,293	<u>\$ 975,293</u>
Adjustment of budgetary basis to GAAP basis: Use of fund balance			<u>(983,430)</u>	
Net change in fund balance, GAAP basis			(8,137)	
Fund balance - beginning of year			<u>3,556,087</u>	
Fund balance - end of year			<u>\$ 3,547,950</u>	

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

TOWN OF CUMBERLAND, RHODE ISLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Sewer Fund
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <i>(Budgetary Basis)</i>	<u>Final Budget</u> <i>Positive</i> <i>(Negative)</i>
Revenues				
Other local and departmental revenue	\$ 882,622	\$ 882,622	\$ 1,046,130	\$ 163,508
Total revenues	<u>882,622</u>	<u>882,622</u>	<u>1,046,130</u>	<u>163,508</u>
Expenditures				
Public works	246,249	246,249	221,020	25,229
Debt service	542,744	542,744	542,744	-
Total expenditures	<u>788,993</u>	<u>788,993</u>	<u>763,764</u>	<u>25,229</u>
Excess of revenues over expenditures before other financing uses	<u>93,629</u>	<u>93,629</u>	<u>282,366</u>	<u>188,737</u>
Other financing uses				
Transfers to other funds	(30,000)	(30,000)	(30,000)	-
Total other financing uses	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Net change in fund balance, budgetary basis	<u>\$ 63,629</u>	<u>\$ 63,629</u>	252,366	<u>\$ 188,737</u>
Fund balance (deficit), beginning of year			<u>(1,891,406)</u>	
Fund balance (deficit), end of year			<u>\$ (1,639,040)</u>	

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

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

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

	<u>Town Police Pension</u>		<u>Other Postemployment Benefit Plan</u>	
Valuation date	7/1/2012		7/1/2011	
Actuarial cost method	Entry Age Normal		Projected Unit Credit	
Amortization method	Level percent of payroll over a closed period		Level percent of payroll over an closed period	
Average amortization period	20 years		30 years or 22 years remaining at the valuation date	
Asset valuation method	Fair market value of assets on the valuation date adjusted for a 5 year phase in of gains and losses on fair market value of assets.		Not applicable - the plan has no assets	
Actuarial assumptions:				
Investment rate of return	7.5%, per annum		Not applicable	
Discount rate	Not applicable		4%	
Projected salary increases	3.5% compounded annually		Town - 4.5%; School - 3%	
Cost-of-living adjustments	3%, not compounded, from age 57 for retirement on or after 7/1/1992		Not applicable	
Participant information	Active employees	45	Active employees	561
	Retirees and beneficiaries	64	Retirees and beneficiaries	<u>155</u>
	Terminated vested	<u>1</u>		<u>716</u>
		<u>110</u>		

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2012

NOTE 2 - BUDGETARY DATA AND BUDGETARY COMPLIANCE

Annual budgets are adopted for the Town’s General Fund, the School Unrestricted Fund and the Sewer Fund. Annual budgets are adopted on a budgetary basis that differs from generally accepted accounting principles (GAAP). The budget to actual presentations in the financial statements are reflected on the appropriate basis of accounting. A reconciliation between the budgetary basis and GAAP basis of accounting is presented below.

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

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

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

The table below shows the amounts by which certain municipal department expenditures exceeded fiscal year 2012 appropriations:

<u>Department</u>	<u>Fund or Fund Type</u>	<u>Expenditures in Excess of Budget</u>
Municipal court	General	\$1,602
Town officers	General	536
Finance office	General	46,859
Planning	General	7,506
Zoning	General	6,834
Rescue service	General	146,204
Children and learning	General	178
Senior services	General	13,145
FEMA	General	11,001
Traffic calming plan	General	703
Property liability insurance	General	61,978

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2012

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

<u>Revenues</u>	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Sewer Fund</u>
Actual amounts (budgetary basis)	\$62,831,493	\$14,098,600	\$1,046,130
Differences – budget to GAAP:			
Prior year budgeted surplus is a budgetary revenue, but is not current year revenue for financial reporting purposes.	-	(983,430)	-
Unbudgeted revenues are not reported as budgetary revenues, but are current year revenues for financial reporting purposes.	976,729	-	-
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.	-	2,236,227	-
<i>Total revenues as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$63,808,222</u>	<u>\$15,351,397</u>	<u>\$1,046,130</u>
<u>Expenditures</u>			
Actual amounts (budgetary basis)	\$25,488,997	\$49,325,756	\$763,764
Differences – budget to GAAP:			
Unbudgeted expenditures are not reported as budgetary expenditures, but are current year expenditures for financial reporting purposes.	898,348	-	-
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.	-	2,236,227	-
Capital assets acquired by a capital lease are not reported as budgetary expenditures, but are current year expenditures for financial reporting purposes.	-	362,914	-
<i>Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$26,387,345</u>	<u>\$51,924,897</u>	<u>\$763,764</u>

TOWN OF CUMBERLAND, RHODE ISLAND

*Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012*

	<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>	<i>Emergency Management Performance</i>
ASSETS							
Cash	\$ 51,184	\$ 725,481	\$ -	\$ 10,452	\$ 5,331	\$ 28,945	\$ -
Due from federal and state governments	1,125,566	76,059	-	-	-	1,731	-
Due from other funds	520,092	-	-	-	195	3,779	1,294
Sewer assessments receivable	-	-	350,045	-	-	-	-
Total assets	\$ 1,696,842	\$ 801,540	\$ 350,045	\$ 10,452	\$ 5,526	\$ 34,455	\$ 1,294
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued expenditures	\$ 169,885	\$ 427,253	\$ -	\$ -	\$ -	\$ 1,268	\$ -
Due to other funds	1,059,482	164,655	-	-	-	-	-
Advances from other funds	-	-	109,505	-	-	-	-
Note payable	-	-	-	-	-	-	-
Deferred revenue	-	-	350,045	-	-	-	-
Total liabilities	1,229,367	591,908	459,550	-	-	1,268	-
Fund balances (deficits)							
Restricted for:							
Education programs	467,475	209,632	-	-	-	-	-
Public safety programs	-	-	-	10,452	-	33,187	1,294
Historical records preservation	-	-	-	-	-	-	-
Community service programs	-	-	-	-	5,526	-	-
Capital projects	-	-	-	-	-	-	-
Other programs	-	-	-	-	-	-	-
Committed for:							
Public facilities	-	-	-	-	-	-	-
Assigned to:							
Capital projects	-	-	-	-	-	-	-
Unassigned	-	-	(109,505)	-	-	-	-
Total fund balances (deficits)	467,475	209,632	(109,505)	10,452	5,526	33,187	1,294
Total liabilities and fund balances	\$ 1,696,842	\$ 801,540	\$ 350,045	\$ 10,452	\$ 5,526	\$ 34,455	\$ 1,294

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2012

	<i>Special Revenue Funds</i>						
	<i>Police Forfeiture</i>	<i>Byrne/ JAG 2007/2008</i>	<i>Revaluation Fund</i>	<i>Manville Hill Landing</i>	<i>Revolving Loan</i>	<i>Impact Fees</i>	<i>Community Development Block Grant</i>
ASSETS							
Cash	\$ -	\$ -	\$ 1,164	\$ -	\$ 271	\$ 177,545	\$ -
Due from federal and state governments	-	-	-	639,611	-	-	22,595
Due from other funds	18,786	1,868	-	-	49,776	272,427	20,802
Sewer assessments receivable	-	-	-	-	-	-	-
Total assets	\$ 18,786	\$ 1,868	\$ 1,164	\$ 639,611	\$ 50,047	\$ 449,972	\$ 43,397
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ 49,674	\$ -	\$ -	\$ 9,127
Due to other funds	-	-	1,164	589,937	-	-	-
Advances from other funds	-	-	9	-	-	-	-
Note payable	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	-	-	1,173	639,611	-	-	9,127
Fund balances (deficits)							
Restricted for:							
Education programs	-	-	-	-	-	-	-
Public safety programs	18,786	1,868	-	-	-	-	-
Historical records preservation	-	-	-	-	-	-	-
Community service programs	-	-	-	-	50,047	-	34,270
Capital projects	-	-	-	-	-	-	-
Other programs	-	-	-	-	-	-	-
Committed for:							
Public facilities	-	-	-	-	-	449,972	-
Assigned to:							
Capital projects	-	-	-	-	-	-	-
Unassigned	-	-	(9)	-	-	-	-
Total fund balances (deficits)	18,786	1,868	(9)	-	50,047	449,972	34,270
Total liabilities and fund balances	\$ 18,786	\$ 1,868	\$ 1,164	\$ 639,611	\$ 50,047	\$ 449,972	\$ 43,397

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2012

	<i>Special Revenue Funds</i>						
	<i>Library Legislative Grant</i>	<i>Rescue Fund</i>	<i>Substance Abuse Prevention</i>	<i>Animal Husbandry</i>	<i>Kennedy Cop Grant</i>	<i>DPH Homeland Security</i>	<i>RIPTIDE DUI</i>
ASSETS							
Cash	\$ -	\$ 9,599	\$ -	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments	-	-	2,715	-	79,482	1,000	491
Due from other funds	-	-	1,868	6,806	-	33,680	-
Sewer assessments receivable	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 9,599</u>	<u>\$ 4,583</u>	<u>\$ 6,806</u>	<u>\$ 79,482</u>	<u>\$ 34,680</u>	<u>\$ 491</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued expenditures	\$ -	\$ 7,489	\$ -	\$ -	\$ -	\$ -	\$ 164
Due to other funds	-	2,080	-	-	79,482	-	327
Advances from other funds	-	-	-	-	-	-	-
Note payable	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>9,569</u>	<u>-</u>	<u>-</u>	<u>79,482</u>	<u>-</u>	<u>491</u>
Fund balances (deficits)							
Restricted for:							
Education programs	-	-	-	-	-	-	-
Public safety programs	-	30	-	-	-	34,680	-
Historical records preservation	-	-	-	-	-	-	-
Community service programs	-	-	4,583	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Other programs	-	-	-	6,806	-	-	-
Committed for:							
Public facilities	-	-	-	-	-	-	-
Assigned to:							
Capital projects	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances (deficits)	<u>-</u>	<u>30</u>	<u>4,583</u>	<u>6,806</u>	<u>-</u>	<u>34,680</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 9,599</u>	<u>\$ 4,583</u>	<u>\$ 6,806</u>	<u>\$ 79,482</u>	<u>\$ 34,680</u>	<u>\$ 491</u>

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2012

	<i>Special Revenue Funds</i>					
	<i>RIPTIDE Speed</i>	<i>LEAP Grant</i>	<i>EECBG Energy Grant</i>	<i>2009 JAG ARRA</i>	<i>2009 JAG</i>	<i>2010 JAG</i>
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments	-	236,000	81,673	3,001	-	-
Due from other funds	-	-	-	-	-	-
Sewer assessments receivable	-	-	-	-	-	-
Total assets	\$ -	\$ 236,000	\$ 81,673	\$ 3,001	\$ -	\$ -
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenditures	\$ -	\$ 60,955	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	175,045	81,673	3,001	-	-
Advances from other funds	-	-	-	-	-	-
Note payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	-	236,000	81,673	3,001	-	-
Fund balances (deficits)						
Restricted for:						
Education programs	-	-	-	-	-	-
Public safety programs	-	-	-	-	-	-
Historical records preservation	-	-	-	-	-	-
Community service programs	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Other programs	-	-	-	-	-	-
Committed for:						
Public facilities	-	-	-	-	-	-
Assigned to:						
Capital projects	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances (deficits)	-	-	-	-	-	-
Total liabilities and fund balances	\$ -	\$ 236,000	\$ 81,673	\$ 3,001	\$ -	\$ -

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2012

	<i>Special Revenue Funds</i>						<i>Total Special Revenue Funds</i>
	<i>Child Passenger Safety</i>	<i>Click it or Ticket</i>	<i>Town Clerk Special</i>	<i>Bullet Proof Vest</i>	<i>Santa Hat Fund</i>	<i>Historical</i>	
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,009,972
Due from federal and state governments	164	-	-	7,557	-	-	2,277,645
Due from other funds	-	-	141,099	-	1,327	36,795	1,110,594
Sewer assessments receivable	-	-	-	-	-	-	350,045
Total assets	\$ 164	\$ -	\$ 141,099	\$ 7,557	\$ 1,327	\$ 36,795	\$ 4,748,256
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 725,815
Due to other funds	108	-	-	7,557	-	-	2,164,511
Advances from other funds	-	-	-	-	-	-	109,514
Note payable	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	350,045
Total liabilities	108	-	-	7,557	-	-	3,349,885
Fund balances (deficits)							
Restricted for:							
Education programs	-	-	-	-	-	-	677,107
Public safety programs	56	-	-	-	-	-	100,353
Historical records preservation	-	-	141,099	-	-	36,795	177,894
Community service programs	-	-	-	-	1,327	-	95,753
Capital projects	-	-	-	-	-	-	-
Other programs	-	-	-	-	-	-	6,806
Committed for:							
Public facilities	-	-	-	-	-	-	449,972
Assigned to:							
Capital projects	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(109,514)
Total fund balances (deficits)	56	-	141,099	-	1,327	36,795	1,398,371
Total liabilities and fund balances	\$ 164	\$ -	\$ 141,099	\$ 7,557	\$ 1,327	\$ 36,795	\$ 4,748,256

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2012

	<i>Capital Project Funds</i>					<i>Total Capital Project Funds</i>	<i>Total All Nonmajor Governmental Funds</i>
	<i>Capital Lease Fund</i>	<i>Open Space</i>	<i>Tucker Field Phase II</i>	<i>Capital Reserve Library</i>	<i>Highway Improvement Bond</i>		
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 815,871	\$ 815,871
Due from federal and state governments	-	-	300,000	-	-	-	300,000
Due from other funds	30,464	-	-	30,000	732,049	-	792,513
Sewer assessments receivable	-	-	-	-	-	-	-
Total assets	<u>\$ 30,464</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 30,000</u>	<u>\$ 732,049</u>	<u>\$ 815,871</u>	<u>\$ 1,908,384</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued expenditures	\$ -	\$ -	\$ 191,650	\$ -	\$ 618,271	\$ 2,266	\$ 812,187
Due to other funds	-	-	26,548	-	-	179,930	206,478
Advances from other funds	-	682,850	-	-	-	-	682,850
Note payable	-	125,000	-	-	-	-	125,000
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>807,850</u>	<u>218,198</u>	<u>-</u>	<u>618,271</u>	<u>182,196</u>	<u>1,826,515</u>
Fund balances (deficits)							
Restricted for:							
Education programs	-	-	-	-	-	-	677,107
Public safety programs	-	-	-	-	-	-	100,353
Historical records preservation	-	-	-	-	-	-	177,894
Community service programs	-	-	-	-	-	-	95,753
Capital projects	30,464	-	-	-	113,778	633,675	777,917
Other programs	-	-	-	-	-	-	6,806
Committed for:							
Public facilities	-	-	-	-	-	-	449,972
Assigned to:							
Capital projects	-	-	81,802	30,000	-	-	111,802
Unassigned	-	(807,850)	-	-	-	-	(807,850)
Total fund balances (deficits)	<u>30,464</u>	<u>(807,850)</u>	<u>81,802</u>	<u>30,000</u>	<u>113,778</u>	<u>633,675</u>	<u>81,869</u>
Total liabilities and fund balances	<u>\$ 30,464</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 30,000</u>	<u>\$ 732,049</u>	<u>\$ 815,871</u>	<u>\$ 1,908,384</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012

	<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>	<i>Emergency Management Performance</i>
Revenues							
Investment and interest income	\$ -	\$ -	\$ -	\$ 2	\$ -	\$ -	\$ -
Other local and departmental revenue	-	673,245	24,489	150	-	-	-
Federal and State aid and grants	2,903,991	865,812	-	-	-	5,285	-
Other revenue	24,068	-	-	-	6,510	3,933	-
Total revenues	<u>2,928,059</u>	<u>1,539,057</u>	<u>24,489</u>	<u>152</u>	<u>6,510</u>	<u>9,218</u>	<u>-</u>
Expenditures							
Current:							
General government	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
Public safety	-	-	-	150	-	6,916	-
Public works	-	-	17,850	-	-	-	-
Social services	-	-	-	-	1,091	-	-
Education	3,392,357	-	-	-	-	-	-
Cafeteria	-	1,590,358	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	<u>3,392,357</u>	<u>1,590,358</u>	<u>17,850</u>	<u>150</u>	<u>1,091</u>	<u>6,916</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>(464,298)</u>	<u>(51,301)</u>	<u>6,639</u>	<u>2</u>	<u>5,419</u>	<u>2,302</u>	<u>-</u>
Other financing sources							
Capital related debt issued	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(464,298)	(51,301)	6,639	2	5,419	2,302	-
Fund balances (deficits) - beginning of year, restated	<u>931,773</u>	<u>260,933</u>	<u>(116,144)</u>	<u>10,450</u>	<u>107</u>	<u>30,885</u>	<u>1,294</u>
Fund balances (deficits), end of year	<u>\$ 467,475</u>	<u>\$ 209,632</u>	<u>\$ (109,505)</u>	<u>\$ 10,452</u>	<u>\$ 5,526</u>	<u>\$ 33,187</u>	<u>\$ 1,294</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, 2012

	<i>Special Revenue Funds</i>						
	<i>Police Forfeiture</i>	<i>Byrne/ JAG 2007/2008</i>	<i>Revaluation Fund</i>	<i>Manville Hill Landing</i>	<i>Revolving Loan</i>	<i>Impact Fees</i>	<i>Community Development Block Grant</i>
Revenues							
Investment and interest income	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -
Other local and departmental revenue	-	-	-	-	-	136,467	-
Federal and State aid and grants	-	-	-	639,611	-	-	75,947
Other revenue	-	-	-	-	-	-	5,000
Total revenues	<u>-</u>	<u>-</u>	<u>1</u>	<u>639,611</u>	<u>-</u>	<u>136,467</u>	<u>80,947</u>
Expenditures							
Current:							
General government	-	-	10	639,611	-	-	-
Community development	-	-	-	-	-	-	101,243
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Cafeteria	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>10</u>	<u>639,611</u>	<u>-</u>	<u>-</u>	<u>101,243</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>-</u>	<u>-</u>	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>136,467</u>	<u>(20,296)</u>
Other financing sources							
Capital related debt issued	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	(9)	-	-	136,467	(20,296)
Fund balances (deficits) - beginning of year, restated	<u>18,786</u>	<u>1,868</u>	<u>-</u>	<u>-</u>	<u>50,047</u>	<u>313,505</u>	<u>54,566</u>
Fund balances (deficits), end of year	<u>\$ 18,786</u>	<u>\$ 1,868</u>	<u>\$ (9)</u>	<u>\$ -</u>	<u>\$ 50,047</u>	<u>\$ 449,972</u>	<u>\$ 34,270</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, 2012

	<i>Special Revenue Funds</i>						
	<i>Library Legislative Grant</i>	<i>Rescue Fund</i>	<i>Substance Abuse Prevention</i>	<i>Animal Husbandry</i>	<i>Kennedy Cop Grant</i>	<i>DPH Homeland Security</i>	<i>RIPTIDE DUI</i>
Revenues							
Investment and interest income	\$ -	\$ 24	\$ -	\$ -	\$ -	\$ -	\$ -
Other local and departmental revenue	-	-	-	1,120	-	-	-
Federal and State aid and grants	2,250	-	32,581	-	79,482	3,500	5,075
Other revenue	-	-	-	-	-	-	-
Total revenues	<u>2,250</u>	<u>24</u>	<u>32,581</u>	<u>1,120</u>	<u>79,482</u>	<u>3,500</u>	<u>5,075</u>
Expenditures							
Current:							
General government	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
Public safety	-	9,569	-	-	79,482	1,014	5,075
Public works	-	-	-	-	-	-	-
Social services	2,250	-	32,877	-	-	-	-
Education	-	-	-	-	-	-	-
Cafeteria	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	<u>2,250</u>	<u>9,569</u>	<u>32,877</u>	<u>-</u>	<u>79,482</u>	<u>1,014</u>	<u>5,075</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>-</u>	<u>(9,545)</u>	<u>(296)</u>	<u>1,120</u>	<u>-</u>	<u>2,486</u>	<u>-</u>
Other financing sources							
Capital related debt issued	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(9,545)	(296)	1,120	-	2,486	-
Fund balances (deficits) - beginning of year, restated	<u>-</u>	<u>9,575</u>	<u>4,879</u>	<u>5,686</u>	<u>-</u>	<u>32,194</u>	<u>-</u>
Fund balances (deficits), end of year	<u>\$ -</u>	<u>\$ 30</u>	<u>\$ 4,583</u>	<u>\$ 6,806</u>	<u>\$ -</u>	<u>\$ 34,680</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, 2012

	<i>Special Revenue Funds</i>					
	<i>RIPTIDE Speed</i>	<i>LEAP Grant</i>	<i>EECBG Energy Grant</i>	<i>2009 JAG ARRA</i>	<i>2009 JAG</i>	<i>2010 JAG</i>
Revenues						
Investment and interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other local and departmental revenue	-	-	-	-	-	-
Federal and State aid and grants	4,909	236,000	179,360	176	7,747	21,225
Other revenue	-	-	-	-	-	-
Total revenues	<u>4,909</u>	<u>236,000</u>	<u>179,360</u>	<u>176</u>	<u>7,747</u>	<u>21,225</u>
Expenditures						
Current:						
General government	-	-	12,354	-	-	-
Community development	-	-	-	-	-	-
Public safety	4,909	-	33,206	176	7,747	21,225
Public works	-	236,000	-	-	-	-
Social services	-	-	-	-	-	-
Education	-	-	133,800	-	-	-
Cafeteria	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	<u>4,909</u>	<u>236,000</u>	<u>179,360</u>	<u>176</u>	<u>7,747</u>	<u>21,225</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources						
Capital related debt issued	-	-	-	-	-	-
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	-	-	-	-	-	-
Fund balances (deficits) - beginning of year, restated	-	-	-	-	-	-
Fund balances (deficits), end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012

	<i>Special Revenue Funds</i>						<i>Total Special Revenue Funds</i>
	<i>Child Passenger Safety</i>	<i>Click it or Ticket</i>	<i>Town Clerk Special</i>	<i>Bullet Proof Vest</i>	<i>Santa Hat Fund</i>	<i>Historical</i>	
Revenues							
Investment and interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27
Other local and departmental revenue	-	-	34,977	-	-	5,832	876,280
Federal and State aid and grants	2,454	6,709	-	7,557	-	-	5,079,671
Other revenue	-	-	-	-	1,327	-	40,838
Total revenues	<u>2,454</u>	<u>6,709</u>	<u>34,977</u>	<u>7,557</u>	<u>1,327</u>	<u>5,832</u>	<u>5,996,816</u>
Expenditures							
Current:							
General government	-	-	15,133	-	-	-	667,108
Community development	-	-	-	-	-	-	101,243
Public safety	2,454	6,709	-	15,135	-	-	193,767
Public works	-	-	-	-	-	-	253,850
Social services	-	-	-	-	-	-	36,218
Education	-	-	-	-	-	-	3,526,157
Cafeteria	-	-	-	-	-	-	1,590,358
Debt service	-	-	-	-	-	-	-
Total expenditures	<u>2,454</u>	<u>6,709</u>	<u>15,133</u>	<u>15,135</u>	<u>-</u>	<u>-</u>	<u>6,368,701</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>-</u>	<u>-</u>	<u>19,844</u>	<u>(7,578)</u>	<u>1,327</u>	<u>5,832</u>	<u>(371,885)</u>
Other financing sources							
Capital related debt issued	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	7,578	-	-	7,578
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,578</u>	<u>-</u>	<u>-</u>	<u>7,578</u>
Net change in fund balances	-	-	19,844	-	1,327	5,832	(364,307)
Fund balances (deficits) - beginning of year, restated	<u>56</u>	<u>-</u>	<u>121,255</u>	<u>-</u>	<u>-</u>	<u>30,963</u>	<u>1,762,678</u>
Fund balances (deficits), end of year	<u>\$ 56</u>	<u>\$ -</u>	<u>\$ 141,099</u>	<u>\$ -</u>	<u>\$ 1,327</u>	<u>\$ 36,795</u>	<u>\$ 1,398,371</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, 2012

	<i>Capital Project Funds</i>						<i>Total Capital Project Funds</i>	<i>Total All Nonmajor Governmental Funds</i>
	<i>Capital Lease Fund</i>	<i>Open Space</i>	<i>Tucker Field Phase II</i>	<i>Capital Reserve Library</i>	<i>Highway Improvement Bond</i>	<i>Drainage</i>		
Revenues								
Investment and interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27
Other local and departmental revenue	-	-	-	-	-	-	-	876,280
Federal and State aid and grants	-	300,000	-	-	-	-	300,000	5,379,671
Other revenue	-	150,000	-	-	-	-	150,000	190,838
Total revenues	<u>-</u>	<u>450,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>450,000</u>	<u>6,446,816</u>
Expenditures								
Current:								
General government	-	776,295	-	-	-	-	776,295	1,443,403
Community development	-	-	-	-	-	-	-	101,243
Public safety	-	-	-	-	-	-	-	193,767
Public works	-	-	1,226	-	2,386,222	19,871	2,407,319	2,661,169
Social services	-	-	-	-	-	-	-	36,218
Education	-	-	-	-	-	-	-	3,526,157
Cafeteria	-	-	-	-	-	-	-	1,590,358
Debt service	-	131,975	-	-	-	-	131,975	131,975
Total expenditures	<u>-</u>	<u>908,270</u>	<u>1,226</u>	<u>-</u>	<u>2,386,222</u>	<u>19,871</u>	<u>3,315,589</u>	<u>9,684,290</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>-</u>	<u>(458,270)</u>	<u>(1,226)</u>	<u>-</u>	<u>(2,386,222)</u>	<u>(19,871)</u>	<u>(2,865,589)</u>	<u>(3,237,474)</u>
Other financing sources								
Capital related debt issued	-	-	-	-	2,500,000	-	2,500,000	2,500,000
Transfers from other funds	-	-	125,000	-	-	-	125,000	132,578
Total other financing sources	<u>-</u>	<u>-</u>	<u>125,000</u>	<u>-</u>	<u>2,500,000</u>	<u>-</u>	<u>2,625,000</u>	<u>2,632,578</u>
Net change in fund balances	-	(458,270)	123,774	-	113,778	(19,871)	(240,589)	(604,896)
Fund balances (deficits) - beginning of year, restated	30,464	(349,580)	(41,972)	30,000	-	653,546	322,458	2,085,136
Fund balances (deficits), end of year	<u>\$ 30,464</u>	<u>\$ (807,850)</u>	<u>\$ 81,802</u>	<u>\$ 30,000</u>	<u>\$ 113,778</u>	<u>\$ 633,675</u>	<u>\$ 81,869</u>	<u>\$ 1,480,240</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet
Special Revenue Funds - School Restricted Fund
June 30, 2012

	<u><i>Title I</i></u>	<u><i>Title I ARRA</i></u>	<u><i>Title II Professional Development</i></u>	<u><i>Literacy</i></u>	<u><i>Professional Development</i></u>	<u><i>Technology</i></u>
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from the federal and state governments	268,890	-	67,211	-	-	-
Due from other funds	-	-	-	146,207	78,478	295,027
Total assets	<u>\$ 268,890</u>	<u>\$ -</u>	<u>\$ 67,211</u>	<u>\$ 146,207</u>	<u>\$ 78,478</u>	<u>\$ 295,027</u>
 LIABILITIES AND FUND BALANCES						
Liabilities						
Account payable and accrued expenditures	\$ 27,902	\$ -	\$ -	\$ -	\$ 23,023	\$ 77,994
Due to other funds	240,988	-	67,211	-	-	-
Total liabilities	<u>268,890</u>	<u>-</u>	<u>67,211</u>	<u>-</u>	<u>23,023</u>	<u>77,994</u>
 Fund balances - restricted	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>146,207</u>	 <u>55,455</u>	 <u>217,033</u>
Total liabilities and fund balances	<u>\$ 268,890</u>	<u>\$ -</u>	<u>\$ 67,211</u>	<u>\$ 146,207</u>	<u>\$ 78,478</u>	<u>\$ 295,027</u>

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet (Continued)
Special Revenue Funds - School Restricted Fund
June 30, 2012

	<i>Project IDEA ARRA</i>	<i>Project IDEA</i>	<i>Preschool ARRA Section 619</i>	<i>Preschool Section 619</i>	<i>Special Education Filing</i>	<i>Education Jobs ARRA</i>
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from the federal and state governments	-	422,769	-	8,935	-	268,071
Due from other funds	-	-	-	-	-	-
	-	-	-	-	-	-
Total assets	\$ -	\$ 422,769	\$ -	\$ 8,935	\$ -	\$ 268,071
 LIABILITIES AND FUND BALANCES						
Liabilities						
Account payable and accrued expenditures	\$ -	\$ 14,863	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	407,906	-	8,935	-	268,071
	-	422,769	-	8,935	-	268,071
Total liabilities	-	422,769	-	8,935	-	268,071
 Fund balances - restricted	-	-	-	-	-	-
Total liabilities and fund balances	\$ -	\$ 422,769	\$ -	\$ 8,935	\$ -	\$ 268,071

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Balance Sheet (Continued)

Special Revenue Funds - School Restricted Fund

June 30, 2012

	<i>RTTT Set Aside Human Capital Development</i>	<i>RTTT Set Aside Educator Effectiveness</i>	<i>RTTT Set Aside Instructional Improvement Systems</i>	<i>RTTT Educator Effectiveness</i>	<i>RTTT Standards & Curriculum</i>	<i>Title III</i>
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from the federal and state governments	-	-	-	27,128	15,434	22,659
Due from other funds	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,128</u>	<u>\$ 15,434</u>	<u>\$ 22,659</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Account payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,302
Due to other funds	-	-	-	27,128	15,434	17,357
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,128</u>	<u>15,434</u>	<u>22,659</u>
Fund balances - restricted	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,128</u>	<u>\$ 15,434</u>	<u>\$ 22,659</u>

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet (Continued)
Special Revenue Funds - School Restricted Fund
June 30, 2012

	<u><i>E2T2 Training</i></u>	<u><i>USDA Fresh Food & Vegetables</i></u>	<u><i>State Breakfast</i></u>	<u><i>Secure Our Schools</i></u>	<u><i>Other Miscellaneous Grants</i></u>	<u><i>Total</i></u>
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ 51,184	\$ 51,184
Due from the federal and state governments	-	4,401	-	20,068	-	1,125,566
Due from other funds	-	-	380	-	-	520,092
Total assets	<u>\$ -</u>	<u>\$ 4,401</u>	<u>\$ 380</u>	<u>\$ 20,068</u>	<u>\$ 51,184</u>	<u>\$ 1,696,842</u>
 LIABILITIES AND FUND BALANCES						
Liabilities						
Account payable and accrued expenditures	\$ -	\$ 733	\$ -	\$ 20,068	\$ -	\$ 169,885
Due to other funds	-	3,668	-	-	2,784	1,059,482
Total liabilities	<u>-</u>	<u>4,401</u>	<u>-</u>	<u>20,068</u>	<u>2,784</u>	<u>1,229,367</u>
 Fund balances - restricted	 <u>-</u>	 <u>-</u>	 <u>380</u>	 <u>-</u>	 <u>48,400</u>	 <u>467,475</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 4,401</u>	<u>\$ 380</u>	<u>\$ 20,068</u>	<u>\$ 51,184</u>	<u>\$ 1,696,842</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, 2012

	<u><i>Title I</i></u>	<u><i>Title I ARRA</i></u>	<u><i>Title II Professional Development</i></u>	<u><i>Literacy</i></u>	<u><i>Professional Development</i></u>	<u><i>Technology</i></u>
Revenues						
Federal and State aid and grants	\$ 522,074	\$ 18,271	\$ 154,715	\$ -	\$ -	\$ -
Other revenue	-	-	-	-	4,457	-
Total revenues	<u>522,074</u>	<u>18,271</u>	<u>154,715</u>	<u>-</u>	<u>4,457</u>	<u>-</u>
Expenditures						
Education	522,074	18,271	154,715	291,592	79,566	115,899
Total expenditures	<u>522,074</u>	<u>18,271</u>	<u>154,715</u>	<u>291,592</u>	<u>79,566</u>	<u>115,899</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(291,592)</u>	<u>(75,109)</u>	<u>(115,899)</u>
Fund balances - beginning of year, restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>437,799</u>	<u>130,564</u>	<u>332,932</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,207</u>	<u>\$ 55,455</u>	<u>\$ 217,033</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, 2012

	<i>Project IDEA ARRA</i>	<i>Project IDEA</i>	<i>Preschool ARRA Section 619</i>	<i>Preschool Section 619</i>	<i>Special Education Filing</i>	<i>Education Jobs ARRA</i>
Revenues						
Federal and State aid and grants	\$ 127,515	\$ 1,224,555	\$ 23,809	\$ 40,823	\$ 14,667	\$ 550,860
Other revenue	-	-	-	-	-	-
Total revenues	<u>127,515</u>	<u>1,224,555</u>	<u>23,809</u>	<u>40,823</u>	<u>14,667</u>	<u>550,860</u>
Expenditures						
Education	<u>127,515</u>	<u>1,224,555</u>	<u>23,809</u>	<u>40,823</u>	<u>14,667</u>	<u>550,860</u>
Total expenditures	<u>127,515</u>	<u>1,224,555</u>	<u>23,809</u>	<u>40,823</u>	<u>14,667</u>	<u>550,860</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning of year, restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(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, 2012

	<i>RTTT Set Aside Human Capital Development</i>	<i>RTTT Set Aside Educator Effectiveness</i>	<i>RTTT Set Aside Instructional Improvement Systems</i>	<i>RTTT Educator Effectiveness</i>	<i>RTTT Standards & Curriculum</i>	<i>Title III</i>
<i>Revenues</i>						
Federal and State aid and grants	\$ 27,905	\$ 172	\$ 14,598	\$ 67,389	\$ 27,949	\$ 22,989
Other revenue	-	-	-	-	-	-
<i>Total revenues</i>	<u>27,905</u>	<u>172</u>	<u>14,598</u>	<u>67,389</u>	<u>27,949</u>	<u>22,989</u>
<i>Expenditures</i>						
Education	27,905	172	14,598	67,389	27,949	22,989
<i>Total expenditures</i>	<u>27,905</u>	<u>172</u>	<u>14,598</u>	<u>67,389</u>	<u>27,949</u>	<u>22,989</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - beginning of year, restated</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Statement of Revenues, Expenditure and Changes in Fund Balances (Continued)
Special Revenue Funds - School Restricted Fund
For the Fiscal Year Ended June 30, 2012

	<u>E2T2 Training</u>	<u>USDA Fresh Food & Vegetables</u>	<u>State Breakfast</u>	<u>Secure Our Schools</u>	<u>Other Miscellaneous Grants</u>	<u>Total</u>
Revenues						
Federal and State aid and grants	\$ 4,576	\$ 21,653	\$ -	\$ 36,379	\$ 3,092	\$ 2,903,991
Other revenue	-	-	-	-	19,611	24,068
Total revenues	<u>4,576</u>	<u>21,653</u>	<u>-</u>	<u>36,379</u>	<u>22,703</u>	<u>2,928,059</u>
Expenditures						
Education	4,576	21,653	-	36,379	4,401	3,392,357
Total expenditures	<u>4,576</u>	<u>21,653</u>	<u>-</u>	<u>36,379</u>	<u>4,401</u>	<u>3,392,357</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,302</u>	<u>(464,298)</u>
Fund balances - beginning of year, restated	<u>-</u>	<u>-</u>	<u>380</u>	<u>-</u>	<u>30,098</u>	<u>931,773</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 380</u>	<u>\$ -</u>	<u>\$ 48,400</u>	<u>\$ 467,475</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Statement of Net Assets
Private-Purpose Trusts
June 30, 2012

	<u>Burial</u>	<u>High School Scholarship</u>	<u>Scholarship</u>	<u>Total Private- Purpose Trusts</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 219,652	\$ 10,425	\$ 55,400	\$ 285,477
Total assets	<u>219,652</u>	<u>10,425</u>	<u>55,400</u>	<u>285,477</u>
<i>Net Assets</i>				
Held in trust for other purposes	<u>\$ 219,652</u>	<u>\$ 10,425</u>	<u>\$ 55,400</u>	<u>\$ 285,477</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Statement of Changes in Net Assets
Private-Purpose Trusts
For the Fiscal Year Ended June 30, 2012

	<u>Burial</u>	<u>High School Scholarship</u>	<u>Scholarship</u>	<u>Total Private- Purpose Trusts</u>
Additions				
Donations	\$ -	\$ -	\$ 46,555	\$ 46,555
Interest	380	425	-	805
Total additions	<u>380</u>	<u>425</u>	<u>46,555</u>	<u>47,360</u>
Deductions				
Scholarships	-	-	37,855	37,855
Total deductions	<u>-</u>	<u>-</u>	<u>37,855</u>	<u>37,855</u>
Change in net assets	380	425	8,700	9,505
Net assets - beginning of year	<u>219,272</u>	<u>10,000</u>	<u>46,700</u>	<u>275,972</u>
Net assets - end of year	<u>\$ 219,652</u>	<u>\$ 10,425</u>	<u>\$ 55,400</u>	<u>\$ 285,477</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Statement of Net Assets
Agency Funds
June 30, 2012

	<u><i>Student Activities/ Alumni</i></u>	<u><i>Curb Cuts</i></u>	<u><i>Portuguese Exchange</i></u>	<u><i>Substance Abuse Prevention Task Force</i></u>	<u><i>Coalition of Communities</i></u>	<u><i>School Fundraising</i></u>	<u><i>Cumberland Fest</i></u>	<u><i>Total Agency Funds</i></u>
Assets								
Cash	\$ 195,164	\$ 166,695	\$ 5,861	\$ 37,135	\$ 7,362	\$ 24,005	\$ 62	\$ 436,284
Accounts receivable	-	-	-	-	1,747	-	-	1,747
Total assets	<u>\$ 195,164</u>	<u>\$ 166,695</u>	<u>\$ 5,861</u>	<u>\$ 37,135</u>	<u>\$ 9,109</u>	<u>\$ 24,005</u>	<u>\$ 62</u>	<u>\$ 438,031</u>
Liabilities								
Due to other funds	\$ -	\$ 87,018	\$ 4,500	\$ -	\$ 9,109	\$ -	\$ 24	\$ 100,651
Deposits held in custody for others	195,164	79,677	1,361	37,135	-	24,005	38	337,380
Total liabilities	<u>\$ 195,164</u>	<u>\$ 166,695</u>	<u>\$ 5,861</u>	<u>\$ 37,135</u>	<u>\$ 9,109</u>	<u>\$ 24,005</u>	<u>\$ 62</u>	<u>\$ 438,031</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Tax Collector's Annual Report
For the Fiscal Year Ending June 30, 2012

Real Estate and Personal Property Taxes

<u>Year</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Levy</u>	<u>Additions</u>	<u>Abatements</u> <u>and</u> <u>Adjustments</u>	<u>Amount</u> <u>to be</u> <u>Collected</u>	<u>Current</u> <u>Year</u> <u>Collections</u>	<u>Balance</u> <u>June 30, 2012</u>
2012	\$ -	\$ 59,560,610	\$ 51,922	\$ (408,918)	\$ 59,203,614	\$ 25,316,321	\$ 33,887,293
2011	32,302,837	-	26,767	102,286	32,431,890	30,919,862	1,512,028
2010	1,114,570	-	1,401	146,040	1,262,011	774,984	487,027
2009	231,357	-	3,974	958	236,289	76,118	160,171
2008	138,173	-	53	13,639	151,865	32,238	119,627
2007	91,946	-	-	2,842	94,788	7,319	87,469
2006	84,864	-	-	7,419	92,283	6,541	85,742
2005	85,459	-	-	4,419	89,878	6,401	83,477
2004	83,193	-	-	4,343	87,536	6,099	81,437
2003	(9,808)	-	-	10,384	576	1,862	(1,286)
2002	95	-	-	5,874	5,969	-	5,969
2001	39,177	-	-	2,375	41,552	1,174	40,378
2000 and prior	791,980	-	-	-	791,980	-	791,980
	<u>\$ 34,953,843</u>	<u>\$ 59,560,610</u>	<u>\$ 84,117</u>	<u>\$ (108,339)</u>	<u>\$ 94,490,231</u>	<u>\$ 57,148,919</u>	<u>37,341,312</u>
					<i>Allowance for Uncollectible Accounts</i>		(1,294,793)
					<i>Net Property Tax Receivable</i>		<u>\$ 36,046,519</u>

Schedule of Most Recent Net Assessed Property Value by Category

<u>Description of Property</u>	<u>Valuation</u>
Real property	\$ 3,407,241,400
Motor vehicles	313,701,508
Tangible personal property	129,439,384
Total	<u>3,850,382,292</u>
Exemptions	202,075,622
Net assessed value	<u>\$ 3,648,306,670</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Schedule of Unrestricted Fund - Fund Balance - Restricted for Education Programs
June 30, 2012

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	1,260,750
(1) Undesignated	<u>1,179,564</u>
<i>Total</i>	<u><u>\$ 3,547,950</u></u>

- (1) The School Committee requires an undesignated fund balance of no less than 2 - 4% of the total School Unrestricted Fund budgeted operating expenditures of the current fiscal year. The School Unrestricted Fund undesignated fund balance is 2.2% of the total budgeted operating expenditures for the year-end June 30, 2012 and within the range required by the School Committee policy.

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

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

We have audited the 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, 2012, which collectively comprise the Town of Cumberland, Rhode Island's basic financial statements and have issued our report thereon dated January 16, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be 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 questioned costs as items 12-1 and 12-2 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 12-3 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the Town of Cumberland, Rhode Island in a separate letter dated January 16, 2013.

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

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



Warwick, Rhode Island
January 16, 2013

TOWN OF CUMBERLAND, RHODE ISLAND
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2012

Water Fund Financial Reporting

12-1 Material Weakness – Certain internal controls over the Water Fund financial reporting of the Town are not designed or operating effectively to allow for the prevention detection and correction of misstatements of the financial statements. We proposed several audit adjustments to correct misstatements, including several that were considered material misstatements, which were noted during the performance of audit procedures for the year ended June 30, 2012. The Town was not performing certain monthly closing and reconciliation procedures that resulted in the misstatements going undetected, which included the following:

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

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

Management's Response – We concur with the recommendation that the Finance Department should have access to the Water Fund financial reporting. Along with the collection improvements implemented by the water department this improvement will be considered. The water department began sending their trial balance to Finance on a monthly basis in July, 2012.

Capital Assets – Governmental Funds and Water Fund

12-2 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, 2012, the schedules were prepared after year-end and the schedules were incomplete and several audit adjustments were proposed to correct the list of capital assets, depreciation expense and accumulated depreciation. In addition, the documentation to support the infrastructure capital assets is insufficient. The governmental infrastructure assets are only reported in total by category.

TOWN OF CUMBERLAND, RHODE ISLAND
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2012

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

Management’s Response – The current procedure calls for the accounts payable clerk to give copy of the fixed asset purchase to the accounting clerk. Capital assets are recorded by the accounting clerk on the fixed asset excel schedule. The spreadsheet limits the ability for effective reporting. Our current general ledger software company does offer a fixed asset software program that is under consideration.

CDBG Grant Administration

12-3 Significant Deficiency – The Town does not have policies and procedures in place to properly administer requests for reimbursement related to the Community Development Block Grant (CDBG Program). The CDBG Program should operate on a reimbursement basis, but the fund has a cumulative fund balance of \$34,270 as of June 30, 2012. It appears that over time funds have not been requested as expenditures were incurred or funds were requested prior to incurring expenditures.

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

Management’s Response – We agree with the recommendation. The Town’s new CDBG coordinator is currently in the process of reconciling all open CDBG Program years. We expect the Planning Department to review and implement the Finance Department’s policy and procedure manual for grant managers.