TOWN OF FOSTER, RHODE ISLAND
ANNUAL FINANCIAL STATEMENTS

For the Fiscal Year Ended
June 30, 2008

INTRODUCTORY SECTION

THIS SECTION CONTAINS THE FOLLOWING:

Table of Contents

List of Town Officials

Town of Foster Organizational Chart

THE TOWN OF FOSTER, RHODE ISLAND
ANNUAL FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

Table of Contents

OTHER SUPPLEMENTARY INFORMATION

Combining Balance Sheet – Nonmajor Governmental Funds 52
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds 53
Combining Balance Sheet – Town Special Revenue Funds 54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Town Special Revenue Funds 57
Combining Balance Sheet – School Special Revenue Funds 60
School Special Revenue Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balances 63
Combining Statement of Net Assets – Agency Funds 66
Combining Statement of Changes in Assets and Liabilities – Agency Funds 67
Tax Collector's Annual Report 68

III. STATISTICAL SECTION

Net Assets by Component – Last Five Fiscal Years – Unaudited 69
Changes in Net Assets – Last Five Fiscal Years – Unaudited 70
Fund Balance – Governmental Funds – Last Ten Fiscal Years –Unaudited 71
Changes in Fund Balances – Governmental Funds – Last Ten Fiscal Years – Unaudited 72
Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years – Unaudited 73
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years – Unaudited 74
Principal Property Tax Payers – Current Year and Nine Years Ago – Unaudited 75
Property Tax Levies and Collections – Last Ten Fiscal Years – Unaudited 76
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years – Unaudited 77
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years – Unaudited 78
Direct and Overlapping Governmental Activities Debt – Unaudited 79
Legal Debt Margin Information – Last Ten Fiscal Years – Unaudited 80
Pledged Revenue Coverage – Last Ten Fiscal Years – Unaudited 81
Demographic and Economic Statistics – Last Ten Fiscal Years – Unaudited 82
Principal Employers – Current Year and Nine Years Ago – Unaudited 83
Full-Time Equivalent Town Government Employees by Function/Program – Last Ten Fiscal Years – Unaudited 84
Operating Indicators by Function/Program – Last Ten Fiscal Years – Unaudited 85
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years – Unaudited 86

Report on the 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 87

THE TOWN OF FOSTER, RHODE ISLAND
ANNUAL FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

Table of Contents

I. INTRODUCTORY SECTION

LIST OF TOWN OFFICIALS i

TOWN OF FOSTER ORGANIZATIONAL CHART ii

II. FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT 1

REQUIRED SUPPLEMENTARY INFORMATION:
Management's Discussion and Analysis 3

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements:
Statement of Net Assets 14
Statement of Activities 15

Fund Financial Statements:
Balance Sheet – Governmental Funds 16
Reconciliation of the Governmental Funds Balance Sheet to the Government–Wide Statement of Net Assets 17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to Government-Wide Statement of Activities 20
Statement of Fiduciary Net Assets – Fiduciary Funds 21
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds 22

Notes to Basic Financial Statements 23

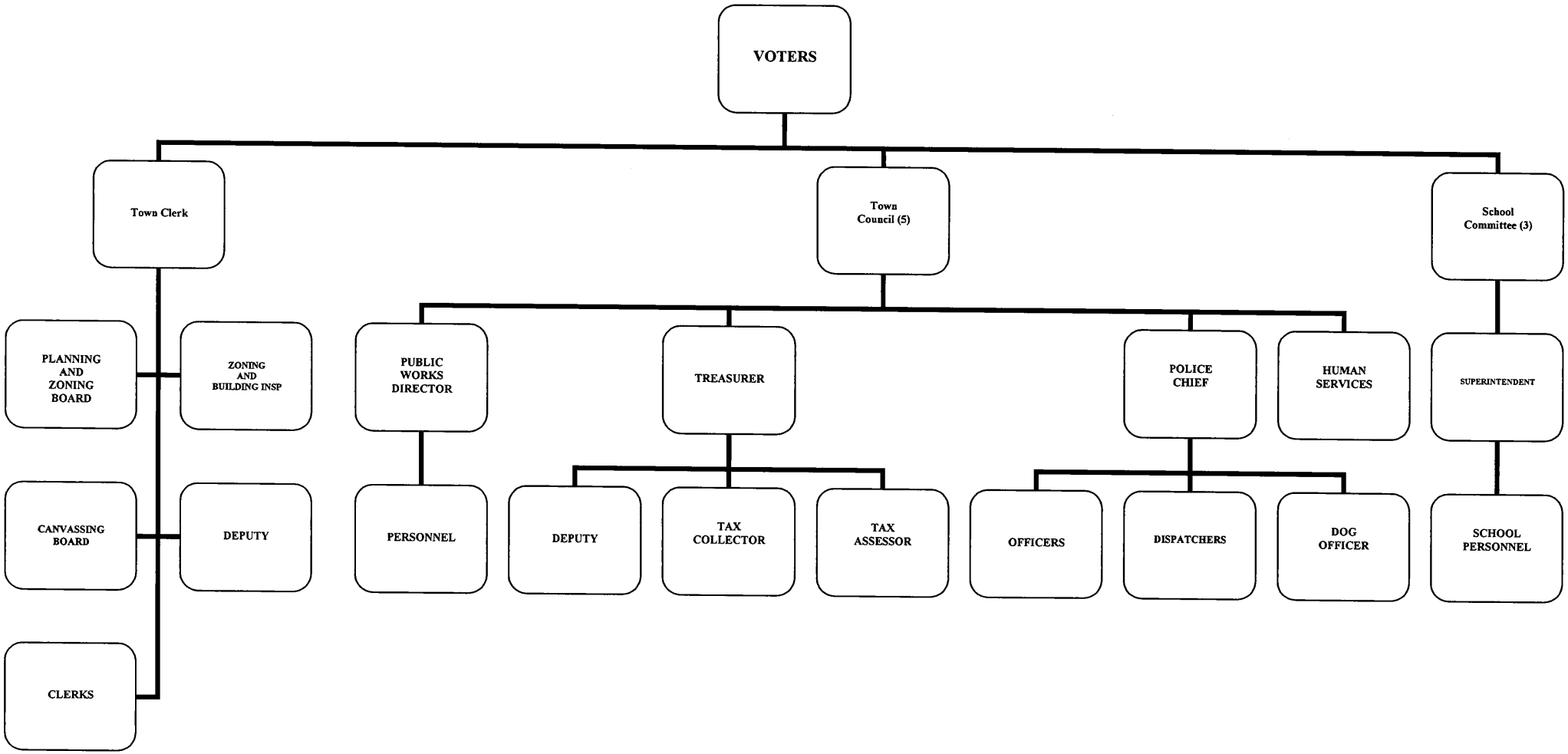
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

Schedule of Revenue Expenditures – Budget and Actual – General Fund 42
Schedule of Revenues and Expenditures and Changes in Fund Balance – Budget and Actual – School Unrestricted Fund 47
Schedule of Funding Progress – Pension Plans 48

Notes to Required Supplementary Information 49

TOWN OF FOSTER, RHODE ISLAND

TOWN COUNCIL	Colette Matarese, President John Lewis, Vice President Lynne Rider Peter Baribault
TOWN CLERK	Tina Freeman
TOWN SERGEANT	Mike Coggeshall
TREASURER / FINANCE DIRECTOR	Deb McGee
TAX ASSESSOR	Anne L. Carlson
TAX COLLECTOR	Pam J. Fontaine
PLANNER	Ann-Marie Ignasher
BUILDING OFFICIAL	Robert Fallon
POLICE CHIEF	Robert E. Coyne, Jr.
FIRE CHIEF - SOUTH FOSTER	Gordy Brayton
FIRE CHIEF - MOOSUP VALLEY	Paul Cunniff
FIRE CHIEF - FOSTER CENTER	Will Paul
DIRECTOR OF HUMAN SERVICES	Nancy Johnston
PUBLIC WORKS DIRECTOR	Robert Clarkin
LIBRARY DIRECTOR	Kris Chin
SCHOOL SUPERINTENDENT	Robert Wallace
SCHOOL COMMITTEE	Ronald Cervasio Dennis R. Chretien Michael S. Paolucci


VOTERS
Town Clerk
Town Council (5)
School Committee (3)
PLANNING AND ZONING BOARD
ZONING AND BUILDING INSP
CANVASSING BOARD
DEPUTY
CLERKS
PUBLIC WORKS DIRECTOR
PERSONNEL
TREASURER
DEPUTY
TAX COLLECTOR
TAX ASSESSOR
POLICE CHIEF
OFFICERS
DISPATCHERS
DOG OFFICER
HUMAN SERVICES
SUPERINTENDENT
SCHOOL PERSONNEL

FINANCIAL SECTION

THIS SECTION CONTAINS THE FOLLOWING:

Independent Auditors' Report

Management Discussion and Analysis

Basic Financial Statements

Required Supplementary Information

Other Supplementary Information

CPA SM
America Counts on CPAs

BACON & COMPANY, CPA'S, LLC

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Bldg. 3, Unit 10
Warwick, RI 02886

Phone: 401-586-6565
Fax: 401-826-1710

INDEPENDENT AUDITORS' REPORT

To the Honorable President and
Members of the Town Council
Foster, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Foster, Rhode Island, as of and for the year ended June 30, 2008, 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 Foster, 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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Foster, Rhode Island, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

In accordance with ***Government Auditing Standards***, we have also issued a report dated March 12, 2009 on our consideration of the Town of Foster, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information and supplementary pension information on pages 3 through 13 and 42 through 51 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Foster, Rhode Island's basic financial statements. The combining nonmajor fund financial statements, the combining fiduciary fund financial statements, other supplementary information and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements, the combining fiduciary fund financial statements, and other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Bacon & Company, CPAs, LLC

Warwick, Rhode Island
March 12, 2009

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2008
(Un-audited)

Management of the Town of Foster provides this Management's Discussion and Analysis of the Town of Foster's Audited Financial Statements for the readers of the Town's financial statements. This narrative overview and analysis of the financial statements of the Town of Foster is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the Town's financial statements that follow.

Financial Highlights

- On a government-wide basis the assets of the Town of Foster exceeded its liabilities at June 30, 2008 by $9,765,821. Net assets of the Town's component unit increased by $277,558, or 24.75%, to $1,398,891.

- The Town's Government-wide operating expenses were $13,587,155, a 10.41% increase from the prior year due mainly to increases in education costs relating to the construction of a new middle school and renovations to the High School as well as repairs to Town roads. Revenues recognized were $12,284,333, a 3.42 % increase due mainly to an increase in tax revenue.

- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances of $1,975,078. Over 92% ($1,821,608) of this amount is unreserved. Within the unreserved amount, $1,437,826, or 78.93% is undesignated.

- In the Town's general fund, at the end of 2008, the unreserved, undesignated fund balance was $15,998 or .12% of the total general fund budgeted expenditures and other uses of funds for the fiscal year. The current fiscal year's expenditures and uses of funds exceeded revenues and sources of funds by $1,028,879. On a budgetary basis expenditures and uses of funds exceeded revenues and sources of funds by $684,501.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. These basic financial statements consist of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

In addition to the basic financial statements, this report also contains other supplementary information.

The Town's basic financial statements and other supplementary financial information provide information about all of the Town's activities. They provide both a short-term and a long-term view of the Town's financial health as well as information about activities for which the Town acts solely as a trustee for the benefit of those outside of the Town's government.

Government-wide financial statements - are designed to provide readers with a broad overview of the Town's finances in a manner similar to that of private-sector businesses. They are presented on the accrual basis of accounting where revenues and expenditures are recognized in the period they occur as opposed to the period in which they are collected or paid.

The *Statement of Net Assets* presents information on all of the Town's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of Activities* presents information which shows how the Town's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods. Examples are uncollected taxes and earned but unused compensated absences.

The *Statement of Activities* distinguishes functions of the Town, which are supported by taxes and intergovernmental revenues (governmental activities), from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (business-type activities). The Town's governmental activities include general government and administration, public safety, public works, social services and recreational services. The Town's one component unit is the Foster Land Trust. The Town has no business type activities.

The government-wide financial statements are reported on pages 14 and 15.

Fund financial statements – A *fund* is a grouping and self-balancing set of related accounts that are 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. All of the funds of the Town are governmental funds.

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, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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 funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

In addition to the 18 funds exhibited here for the School Department, the Town maintains 22 active individual governmental funds and 1 fund within the component unit. Information is presented separately in the *Governmental Fund Balance Sheet* and in the *Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances* for the General Fund, the School Unrestricted Fund, and the Capital Project Fund which are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 52 through 65 in this report. The individual funds within the component unit have been summarized into the data presented.

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 are presented on pages 23 through 41.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information pertinent to the Town's operations. Required Supplementary information is presented on pages 42 through 51.

Government-wide Financial Analysis

Analysis of the Town of Foster's Net Assets

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. On a government-wide basis, the assets of the Town exceeded its liabilities at June 30, 2008 by $9,765,821, a decrease of $1,302,822, or 11.77% from 2007.

The most significant changes noted were:

Current assets decreased by $872,109 from 2007 and *noncurrent assets* increased by $258,549 from 2007.

The $931,241 decrease in *Unrestricted* Net Assets was offset somewhat by a $238,117 increase in *Invested in capital assets, net of related debt.*

Current liabilities increased by $656,895 from 2007 due to increases in accounts payable and accrued expenses and *noncurrent liabilities* increased by $32,367 primarily due to increases in compensated absences.

Listed below is a comparison of the current and prior fiscal years.

Town of Foster
Statement of Net Assets

	June 30, 2008		June 30, 2007	
	Governmental Activities	Component Unit	Governmental Activities	Component Unit
Current assets	$ 3,342,844	$ 199,991	$ 4,214,953	$ 152,433
Noncurrent assets	7,925,687	1,198,900	7,667,138	968,900
Total assets	$11,268,531	$ 1,398,891	$11,882,091	$ 1,121,333
Current liabilities	$ 1,112,114	$ -	$ 455,219	$ -
Noncurrent liabilities	390,596	-	358,229	-
Total liabilities	$ 1,502,710	$ -	$ 813,448	$ -
Net Assets:				
Invested in capital assets, net of related debt	$ 7,857,376	$ 1,198,900	$ 7,619,259	$ 968,900
Restricted	1,849,009	-	2,458,707	-
Unrestricted	59,436	199,991	990,677	152,433
Total net assets	$ 9,765,821	$ 1,398,891	$11,068,643	$ 1,121,333

The largest portion ($7,857,376) of the Town's net assets 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 unlikely to be used to liquidate these liabilities.

An additional portion ($1,849,009) of the Town's net assets represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to its citizens and creditors.

As of June 30, 2008 the Town of Foster reports positive balances in all three categories of net assets for the government as a whole.

Analysis of the Town of Foster's Operations

The following analysis provides a summary of the Town's operations for the year ended June 30, 2008. The Town first implemented GASB Statement 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments for the fiscal year ended June 30, 2004. Comparative data is available and is presented in the following schedules. Governmental activities decreased the Town's net assets by $1,302,822, or 11.77% from 2007. Component unit activities increased its net assets by $277,558, or 24.76%, from 2007.

Total revenues for governmental activities increased by $406,977, or 3.43%, from 2007. Capital grants increased by $75,000 from 2007 due to an increase in state grant programs. The Component Unit also realized an increase in capital grants of $153,250. Property tax revenue increased by $436,766, or 5.29% from 2007, mainly due to an increase in the tax levy.

Total governmental activities expenses increased by $1,281,405, or 10.42% from 2007. This was primarily due to an increase in Education expense of $513,510, or 6.24% from 2007, and increases in public safety and public works of $100,094, or 7.2%, and $614,877, or 73.10%, respectively, for increases in Town services and roads.

Town of Foster
Statement of Activities

	June 30, 2008		June 30, 2007	
	Governmental Activities	Component Unit	Governmental Activities	Component Unit
Revenues				
Program revenues				
Charges for services	303,475	30,850	346,141	60,487
Operating grants	1,902,315	-	1,917,525	-
Capital grants	75,000	250,000	-	96,750
General revenues				
Property taxes	8,699,129	-	8,262,363	-
State aid	1,157,424	-	1,215,414	-
Interest and investment income	136,655	6,558	135,913	2,284
Miscellaneous	10,335	-	-	37,280
Total revenues	12,284,333	287,408	11,877,356	196,801
Expenses				
Legislative, judical and general administrative	1,035,557	-	1,075,154	-
Health and welfare	442,529	-	408,234	-
Public Safety	1,486,792	-	1,386,698	-
Public Works	1,456,055	-	841,178	-
Building and Zoning	51,663	-	50,392	-
Planning	84,255	-	33,299	-
Conservation	2,306	-	1,130	-
Recreation	58,407	-	43,017	-
Education	8,748,262	-	8,234,752	-
Food services	69,428	-	86,708	-
Libraries	151,901	-	145,188	-
Land Trust	-	9,850	-	-
Total expenses	13,587,155	9,850	12,305,750	-
Change in net assets	(1,302,822)	277,558	(428,394)	196,801
Net assets July 1, restated	11,068,643	1,121,333	11,497,037	924,532
Net assets June 30	$9,765,821	$ 1,398,891	$11,068,643	$1,121,333

Financial Analysis of the Town of Foster's Funds

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $1,975,078. Approximately 92% of the total amount, or $1,821,608 constituted unreserved fund balances. Included in the unreserved balance is $383,782 unreserved for special revenue funds, $200,043 unreserved for education, and $1,221,785 unreserved for capital.

Town of Foster
Governmental Funds
Fund Balances

	Total General Fund 6/30/2008	Total Other Funds 6/30/2008	Total Governmental Funds 6/30/2008	Total General Fund 6/30/2007	Total Other Funds 6/30/2007	Total Governmental Funds 6/30/2007
Reserved:						
Reserved: prepaid expenditures	$ 27,424	$ -	$ 27,424	$ 49,659	$ 47,443	$ 97,102
Reserved: capital expenditures	126,046	-	126,046	275,112	-	275,112
Unreserved:						
Designated for subsequent year	-	-	-	195,311	-	195,311
Unreserved: Special revenue funds	-	383,782	383,782	-	365,596	365,596
Undesignated	15,998	1,421,828	1,437,826	678,265	1,849,891	2,528,156
Total fund balances	$ 169,468	$1,805,610	$ 1,975,078	$ 1,198,347	$ 2,262,930	$ 3,461,277

General Fund Budgetary Highlights

Revenues

Budgeted revenues and other financing sources reported in 2008 exceeded actual revenues reported by $410,667, or 3.16%.

Actual General Property Taxes collected exceeded the budget by $13,822, or .16%.

General State Aid to Education was over budgeted by $273,054, or 16.17%. The Town also received $29,830 less than anticipated for Motor Vehicle Phase-Out and $47,377 less than anticipated for General Revenue Sharing. Interest and investment income exceeded the budget by $2,815.

License and permit fees budgeted exceeded actual collections by $47,616, or 28.96%, due to a decrease in instruments recorded.

Expenses

Actual expenditures and other financing uses in the Town's General Fund exceeded the budget by $273,834 or 2.11%. This was primarily due to the repaving of Town roads. The other major factors that contributed to expenses exceeding the budget were in the areas of Public Safety for the lease payment on a new vehicle and Public Works for the increased expenditures for sand and salt. .

Some of the negative variances realized were offset by favorable balances in the Finance Administration and Health and Welfare departments.

The Town of Foster's Capital Assets

The Town of Foster's investment in capital assets for its governmental activities amount to $7,925,687, net of accumulated depreciation at June 30, 2008. Included are land, building and improvements, construction in progress, motor vehicles, furniture and equipment and infrastructure.

Additional information on the Town of Foster's capital assets is located in note 7 on page 33 of the notes to the financial statements.

Town of Foster
Capital Assets (net of Accumulated Depreciation)

	June 30, 2008		June 30, 2007	
	Governmental Activities	Component Unit	Governmental Activities	Component Unit
Land	$ 161,199	$ 1,198,900	$ 31,199	$ 968,900
Construction in progress	260,000	-	-	-
Land Improvements	30,806	-	38,629	-
Buildings and improvements	2,328,621	-	2,393,960	-
Motor vehicles	850,939	-	818,697	-
Machinery and equipment	209,646	-	184,654	-
Infrastructure - roads and bridges	4,084,476	-	4,199,999	-
Total	$ 7,925,687	$ 1,198,900	$ 7,667,138	$ 968,900

Significant additions to capital assets in 2008 include:

Land – $230,000	Purchase of open space for Foster Land Trust	
$130,000	Purchase of youth athletic field	
Buildings and improvements –	$ 26,000	Automatic temperature control system - school
	$ 25,400	Boiler for the Paine school – in progress
Motor vehicles -	$200,000	Partial payment for fire truck – in progress
	$ 66,924	Purchase of three police vehicles
	$149,461	Purchase of 2 public works vehicles
Equipment -	$ 18,160	Purchase new telephone system
	$ 14,500	Fingerprint scanning system
	$ 10,753	Purchase of new copier
	$ 30,690	Purchase of new fire hose

The Town of Foster's Debt Administration

In fiscal year 2006, the Town of Foster made its final payment on outstanding debt payment which fully satisfied the Town's obligation. The Town has issued no additional bonded debt.

Except as provided below, under Section 45-12-2 of the General Laws of Rhode Island, the Town may not, without special statutory authorization, incur any debt which would increase its aggregate indebtedness not otherwise excepted by law to an amount greater than 3% of the taxable property of the Town. Deducted from the computation of aggregated indebtedness is the amount of any borrowing in anticipation of taxes authorized by law and the amount of any sinking funds maintained by the Town. The current 3% debt limit of the Town is $21,403,487 (based on the net assessed valuation at December 31, 2006 of $713,449,571). As of June 30, 2008, the Town had no outstanding bonds and notes issued within the 3% debt limit leaving a borrowing capacity of $21,403,487.

The State legislature may by special act permit the Town to incur indebtedness outside the limitations imposed by the 3% debt limit. Special legislation adopted by the Legislature authorizing the Town to incur debt is subject to referendum by the electors of the Town. On June 30, 2008, the total outstanding debt of the Town issued outside the 3% debt limit was $ 0.

In addition to debt authorized within the 3% debt limit and debt authorized by special act of the Legislature, Rhode Island General Law 45-12-11 authorizes the Rhode Island State Director of Administration, upon petition by a municipality, to authorize such municipality to incur indebtedness in excess of the 3% debt limit whenever the Director shall determine that the sums appropriated by the municipality or its funds available are insufficient to pay the necessary expenses of the municipality. The Town has never requested the State Director of Administration to authorize indebtedness of the Town under section 45-12-11.

Additional information on the Town of Foster's long-term debt can be found in footnote 8 of the financial statements on page 34.

Economic Factors and Next Year's Budgets and Rates

• Unemployment rates as of June 30, 2008 and June 30, 2007

6/30/2008	6/30/2007	
6.1%	5.3%	Town of Foster
7.5%	4.8%	State of Rhode Island
5.5%	4.6%	United States

• Rates of inflation (taken from the Consumer Price Index) as of June 30, 2008 and June 30, 2007.

6/30/2008	6/30/2007	
2.3%	2.7%	Northeast Urban area
2.2%	2.5%	United States

• Median family income for the census year 2000 in Foster was $63,657 compared to the State of Rhode Island median income of $52,781. The median income for the United States was $50,046.

• Per Capita income for the census year 2000 in Foster was $22,148 compared to the State of Rhode Island per capita income of $21,688. The per capita income for the United States was $21,587.

• Existing single-family home median sale prices were approximately $353,000 in Foster, moderately higher than the state average of $282,500.

• Foster ranks 37th in population (4,274 per 2000 census) among Rhode Island's 39 cities and towns.

• The Town's total general fund budget for fiscal year 2009 amounts to $13,591,212 ($8,870,974), or 65%, for education and $4,720,238, or 35%, for other purposes), which reflects an increase of $608,579 or 4.69% from 2008. The increase is due primarily to an increase in education costs of $560,596 and Town government costs of $47,983. In 2009 $0 was appropriated from the Town's fund balance to offset expenditures. In 2008, $195,311 was appropriated from the Town's fund balance to provide additional funding and help contain the tax increase.

• The unreserved, undesignated fund balance in the general fund decreased by $662,267, or 97.65%, compared to $169,786 in 2008. The unreserved fund balance is 0.12% of proposed expenditures for 2009.

• Since December 2000, per Rhode Island General Law 44-5-11.6, municipalities in Rhode Island are required to perform full revaluations on all "ratable" property every nine years and statistical revaluations every three years for the year's in-between. The Town's second statistical revaluation was completed for the period ending December 31, 2005. Those valuations were the basis for fiscal 2006-07 tax rates. The Town's net values for all taxable property in the Town increased by $6,902,012, or 1.0%, to $713,449,571 from $706,547,559 from 2007 to 2008. The Town's tax rates for 2009 and 2008 with their differences are listed below. The tax on *Motor vehicles* has been frozen at $36.95. The tax on *Inventory* has been phased out. Rates are per $1,000.

Tax Rates

	Fiscal Year 2008-09	Fiscal Year 2007-08	Increase (Decrease)
Real Property	$ 13.52	$ 11.79	$ 1.73
Motor vehicle	36.95	36.95	-
Tangible	18.60	16.26	2.34
Inventory	-	1.85	(1.85)

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 questions about this report or need additional financial information, contact the Finance Office, Town of Foster, 181 Howard Hill Road, Foster, RI 02825, Telephone number (401) 392-9207.

BASIC FINANCIAL STATEMENTS

THE BASIC FINANCIAL STATEMENTS INCLUDE:

Government-Wide Financial Statements

Fund Financial Statements:
- Governmental Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF FOSTER, RHODE ISLAND

Statement of Net Assets

June 30, 2008

	Primary Government	*Component Unit*
	Governmental Activities	*Foster Land Trust*
Assets		
Current assets:		
Cash and cash equivalents	$ 2,162,857	$ 199,382
Investments	515,251	-
Property taxes receivable	341,251	-
Accrued interest receivable	70,767	-
Due from federal and state governments	150,747	-
Other receivables	74,547	-
Due from primary government	-	609
Prepaid expenses	27,424	-
Total current assets	3,342,844	199,991
Noncurrent assets:		
Capital assets: (Note 7)		
Land and other nondepreciable assets	161,199	1,198,900
Construction in progress	260,000	-
Depreciable buildings, property, equipment, and infrastructure (net)	7,504,488	-
Total noncurrent assets	7,925,687	1,198,900
Total assets	11,268,531	1,398,891
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	1,003,607	-
Due to component unit	609	-
Unearned revenue	9,064	-
Current portion of lease payable	45,910	-
Compensated absences payable	39,868	-
Other liabilities	13,056	-
Total current liabilities	1,112,114	-
Noncurrent liabilities:		
Capital lease payable	22,401	-
Compensated absences payable	368,195	-
Total noncurrent liabilities	390,596	-
Total liabilities	1,502,710	-
Net Assets		
Invested in capital assets- net of related debt	7,857,376	1,198,900
Restricted for:		
Capital purposes	1,347,831	-
Specific projects and programs	501,178	-
Unrestricted	59,436	199,991
Total net assets	$ 9,765,821	$ 1,398,891

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

TOWN OF FOSTER, RHODE ISLAND

Statement of Activities

For the Fiscal Year Ended June 30, 2008

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
					Primary Government	Component Unit
Functions/Programs	***Expenses***	***Charges for Services***	***Operating Grants and Contributions***	***Capital Grants and Contributions***	***Total Governmental Activities***	***Foster Land Trust***
Primary Government:						
Governmental Activities:						
Legislative, judicial and general administrative	$ 1,035,557	$ 88,138	$ -	$ -	$ (947,419)	$ -
Health and Welfare	442,529	12,662	84,310	-	(345,557)	-
Public safety	1,486,792	53,321	37,018	-	(1,396,453)	-
Public works	1,456,055	-	3,841	-	(1,452,214)	-
Building and zoning	51,663	41,624	-	-	(10,039)	-
Planning	84,255	24,030	-	-	(60,225)	-
Conservation	2,306	-	-	-	(2,306)	-
Recreation	58,407	25,503	18,213	75,000	60,309	-
Education	8,748,262	7,911	1,739,138	-	(7,001,213)	-
Food services	69,428	50,286	19,795	-	653	-
Libraries	151,901	-	-	-	(151,901)	-
Total governmental activities	13,587,155	303,475	1,902,315	75,000	(11,306,365)	-
Component Unit:						
Foster Land Trust	9,850	30,850	-	250,000	-	271,000
		General Revenues:				
		Taxes:				
		Property taxes, levied for general purposes			8,699,129	-
		State aid, not restricted for a specific purpose			1,157,424	-
		Interest and investment income			136,655	6,558
		Miscellaneous			10,335	-
		Total general revenues			10,003,543	6,558
		Change in net assets			(1,302,822)	277,558
		Net assets - beginning of year			11,068,643	1,121,333
		Net assets - end of year			$ 9,765,821	$ 1,398,891

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

FUND FINANCIAL STATEMENTS

TOWN OF FOSTER, RHODE ISLAND

Balance Sheet
Governmental funds
June 30, 2008

	General Fund	*School Unrestricted Fund*	*Capital Projects Fund*	*Nonmajor Other Governmental Funds*	*Total Governmental Funds*
ASSETS					
Cash and cash equivalents	$ 1,452,633	$ 102,725	$ 440,223	$ 167,276	$ 2,162,857
Investments	-	420,647	-	94,604	515,251
Property taxes receivable	341,251	-	-	-	341,251
Due from federal and state governments	142,674	-	-	8,073	150,747
Other receivables	7,168	-	-	-	7,168
Due from other funds	123,386	133,276	781,562	299,416	1,337,640
Prepaid expenditures	27,424	-	-	-	27,424
Total assets	$ 2,094,536	$ 656,648	$ 1,221,785	$ 569,369	$ 4,542,338
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenditures	$ 646,247	$ 353,195	$ -	$ 4,165	$ 1,003,607
Due to other funds	985,429	103,410	-	181,422	1,270,261
Due to component unit	609				609
Deferred revenues	279,727	-	-	-	279,727
Other liabilities	13,056	-	-	-	13,056
Total liabilities	1,925,068	456,605	-	185,587	2,567,260
Fund Balances					
Reserved:					
Reserved for prepaid expenditures	27,424	-	-	-	27,424
Reserved for capital expenditures	126,046	-	-	-	126,046
Unreserved:					
Undesignated	15,998	200,043	1,221,785	-	1,437,826
Unreserved, reported in:					
Special revenue funds	-	-	-	383,782	383,782
Total fund balances	169,468	200,043	1,221,785	383,782	1,975,078
Total liabilities and fund balances	$ 2,094,536	$ 656,648	$ 1,221,785	$ 569,369	$ 4,542,338

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

TOWN OF FOSTER, RHODE ISLAND

Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2008

Total Fund Balances - Total Governmental Funds	$ 1,975,078
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 7 to the financial statements.	7,925,687
Accrued interest receivable on property taxes is reported as revenue in the Government-Wide Financial Statements in the period earned. In the Governmental Fund Financial Statements, interest on property taxes is reported when received.	70,767
Delinquent taxes are recognized as revenue in the period for which levied in the Government-Wide Financial Statements, but are reported as deferred revenue (a liability) in the Governmental Fund Financial Statements.	270,663
Long-term liabilities (including bonds, loans, capital leases payable, and compensated absences) are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet. See note 8 to the financial statements.	(476,374)
Net Assets - Governmental Activities	$ 9,765,821

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

TOWN OF FOSTER, RHODE ISLAND

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2008

	General Fund	*School Unrestricted Fund*	*Capital Projects Fund*	*Nonmajor Other Governmental Funds*	*Total Governmental Funds*
Revenues					
General property taxes	$ 8,671,529	$ -	$ -	$ -	$ 8,671,529
Intergovernmental and departmental revenues	2,573,886	173,648	-	347,184	3,094,718
Licenses and permits	75,194	-	-	-	75,194
Building and zoning fees	41,624	-	-	-	41,624
Fines and interest on late payments	74,131	-	-	-	74,131
Interest on investments	87,815	25,451	16,555	6,834	136,655
Other revenues	134,078	3,369	-	92,512	229,959
Total revenues	11,658,257	202,468	16,555	446,530	12,323,810
Expenditures					
Current:					
Legislative, judicial and general administrative	352,181	-	-	15,997	368,178
Financial administration	252,432	-	-	-	252,432
Miscellaneous administration	191,239	-	-	-	191,239
Health and welfare	345,522	-	-	97,007	442,529
Public safety	1,343,434	-	-	37,013	1,380,447
Public works	828,913	-	-	790	829,703
Building and zoning	51,663	-	-	-	51,663
Planning	84,255	-	-	-	84,255
Conservation	2,306	-	-	-	2,306
Recreation	38,746	-	-	31,733	70,479
Education	3,920,716	4,464,396	-	342,396	8,727,508
Food services	-	-	-	69,428	69,428
Libraries	151,901	-	-	-	151,901
Land trust	5,533	-	-	-	5,533
Capital outlay	1,249,682	-	-	-	1,249,682
Total expenditures	8,818,523	4,464,396	-	594,364	13,877,283

(Continued)

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

TOWN OF FOSTER, RHODE ISLAND

Governmental Funds

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

For the Fiscal Year Ended June 30, 2008

	General Fund	*School Unrestricted Special Revenue Fund*	*Capital Project Fund*	*Other Governmental Funds*	*Total Governmental Funds*
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	2,839,734	(4,261,928)	16,555	(147,834)	(1,553,473)
Other financing sources (uses)					
Proceeds from lease	67,274	-	-	-	67,274
Transfers from other funds	718,398	4,244,103	240,546	169,636	5,372,683
Transfers to other funds	(4,654,285)	-	(714,782)	(3,616)	(5,372,683)
Total other financing sources (uses)	(3,868,613)	4,244,103	(474,236)	166,020	67,274
Net change in fund balance	(1,028,879)	(17,825)	(457,681)	18,186	(1,486,199)
Fund balances - beginning of year	1,198,347	217,868	1,679,466	365,596	3,461,277
Fund balances - end of year	$ 169,468	$ 200,043	$ 1,221,785	$ 383,782	$ 1,975,078

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

TOWN OF FOSTER, 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, 2008

Net Changes in Fund Balances - Total Governmental Funds	$ (1,486,199)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental Fund Financial Statements report capital outlay as expenditures. However, in the Government-Wide Statement of Activities the cost of those assets is allocated over its estimated useful life as depreciation expense. This is the amount of capital asset additions recorded in the current period.	706,488
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Fund Financial Statements.	(447,939)
Long-term compensated absences are reported in the Government-Wide Statement of Activities, but do not require the use of current financial resources. Therefore, compensated absences are not reported as expenditures in Governmental Fund Financial Statements.	(15,263)
Bond and lease proceeds provide current financial resources to Governmental Funds, but issuing debt increases the long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of debt is an expenditure in the Governmental Funds, but the payments reduce long-term liabilities in the Government-Wide Statement of Net Assets.	
This amount represents proceeds from leases	(67,274)
This amount represents long-term debt payments	46,842
Property taxes are recognized as revenue in the period for which levied in the Government-Wide Financial Statements, but are recognized as revenue when measurable and available in the Governmental Fund Financial Statements.	(39,477)
Change in Net Assets of Governmental Activities	$ (1,302,822)

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

TOWN OF FOSTER, RHODE ISLAND

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Private-purpose Trusts	
	Cemetery Fund	***Agency Funds***
Assets		
Cash and cash equivalents	$ 89,346	$ 26,432
Total assets	89,346	26,432
Liabilities		
Due to other funds	47,355	20,024
Deposits held in custody for others	-	6,408
Total liabilities	47,355	26,432
Net Assets		
Held in trust for other purposes	$ 41,991	$ -

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

TOWN OF FOSTER, RHODE ISLAND

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2008

	Private-purpose Trusts
	Cemetery Fund
Additions	
Investment earnings:	
Interest and dividends	$ 3,212
Donations	1,000
Total additions	4,212
Deductions	
Miscellaneous	3,265
Total deductions	3,265
Change in net assets	947
Net assets - beginning of year	41,044
Net assets - end of year	$ 41,991

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

The financial statements of the Town of Foster, Rhode Island (the Town) 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 is a municipal corporation governed by a Town Council form of government with an elected five member Town Council. The Town of Foster was incorporated in 1781 and operates under a Home Rule Charter adopted in 1976. All legislative powers of the Town, except such powers as reserved by State Law or vested in the Financial Town Meeting by the Charter, are vested in the Town Council by the Charter. The ordering of any tax, making of appropriations and transacting any other business pertaining to the financial affairs of the Town are done at the Financial Town Meeting.

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. Through the application of GASB Statement Number 39 and 14 criteria, the Foster Land Trust (the Land Trust) has been presented as a component unit of the Town, hereinafter referred to as "component unit", in the accompanying government-wide financial statements.

The purpose of the Land Trust is to acquire, hold and manage real property and interests in real property situated in the Town of Foster, consisting of open space and agricultural property. Upon termination or dissolution of the Land Trust, title to all remaining funds, land and land rights will vest with the Town. The Land Trust is included in the Town's reporting entity because of the significance of its operational and financial relationships with the Town.

B. BASIS OF PRESENTATION

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The government-wide financial statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Town has no business-type activities at June 30, 2008 or for the year then ended.

The statement of activities presents a comparison between expenses and program revenue for each function of the Town's governmental activities and changes in net assets. Program revenues include a) fees, fines and charges paid by the recipients of goods or services offered by the programs and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB Statement No. 34 relating to interfund activities, payables and receivables. All internal balances in the statement of net assets have been eliminated.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories, each being displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 10% of the corresponding total (assets, liabilities and so forth) for all funds of that category or type, (that is, total governmental or total enterprise funds), and

b) Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's officials believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Governmental Funds:

These are the funds through which most governmental functions are typically financed. The funds included in this category are as follows:

General Fund – The General Fund is used to account for resources devoted to financing the general services that the Town performs for its citizens. General tax revenues and other sources of revenues used to finance the fundamental operations of the Town are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established. The General Fund is the primary operating fund of the Town and is reported as a major fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than trust funds or major capital projects) that are legally restricted to expenditure for specific purposes. The Town's only major special revenue fund is the School Unrestricted Fund, which provides primary education to the Town's children.

Capital Project Funds – Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds). The Town's only major capital project fund is the Capital Reserve Fund, which is used for the purchase of improvements set forth in the capital program.

Proprietary Funds:

Proprietary funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. For the year ended June 30, 2008, the Town has no proprietary funds.

Fiduciary Funds:

Fiduciary funds are used to report assets held by the Town in a trustee or agency capacity and therefore, cannot be used to support the Town's own programs. Fiduciary funds are not included in the government-wide financial statements. The Town has the following fiduciary funds:

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 an agent for various student groups, funds held in probate, and funds held for performance bonds.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all the Town's assets and liabilities, including capital assets and long-term liabilities, are included in the statement of net assets. The statement of activities presents changes in net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash payments. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenue 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 when susceptible to accrual. Susceptibility occurs when revenues are both measurable and available for liquidating liabilities of the current period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (generally sixty days after year-end). Revenues not considered to be available are recorded as deferred revenues. Expenditures, including capital outlays, are recognized when a liability has been incurred, except for those involving debt service and other long-term obligations that are recognized when paid.

Those revenues susceptible to accrual are property taxes, special assessments, state aid, taxes collected by the State on behalf of the Town, interest and charges for services. Fines, licenses and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash and thus are recognized when received. When expenditures are incurred and both restricted and unrestricted net assets are available, it is the Town's policy to utilize the restricted net assets prior to the utilization of the unrestricted net assets.

Fiduciary funds are reported using the "economic resources" measurement focus and the accrual basis of accounting. Agency funds are purely custodial and do not involve the measurement of results of operations.

D. USE OF 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 basic financial statements. Estimates also affect the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, time and demand deposits and short-term investments maturing within three months of the date of acquisition.

F. INVESTMENTS

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

G. INTERFUND TRANSACTIONS

Transactions between funds have been eliminated in the government-wide financial statements but fully presented within the governmental fund financial statements with no elimination made between or within funds.

Reimbursements are accounted for as expenditures in the reimbursing fund and reductions of expenditures in the reimbursed fund. All other inter-fund transactions in the fund financial statements are transfers on the operating statements of the funds involved. Inter-fund receivables and payables are classified as "due from other funds" or "due to other funds".

H. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets. Prepayments recorded in the governmental funds do not reflect current appropriated resources and, thus, an equivalent portion of the fund balance is reserved.

I. CAPITAL ASSETS

In the government-wide financial statements, all capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at estimated fair value at the date of donation. The Town records capital assets that have an initial, individual cost of $10,000 or more and an estimated useful life in excess of one year.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	Years
Land improvements	20
Buildings and building improvements	20-50
Motor vehicles	8-15
Machinery and equipment	5-15
Infrastructure (roads and bridges)	20-65

Capital assets of the component unit consist principally of non-depreciable land. Land of the component unit is stated at cost, if acquired or asset value at date of donation, if donated.

Infrastructure assets include primarily roads and bridges. All known infrastructure assets are included in the financial statements and there are no infrastructure assets reported using the modified approach.

Capital assets used in governmental fund operations are accounted for as expenditures.

J. PROPERTY TAXES

Property taxes are levied each July on (a) one hundred percent of the full and fair value of real and tangible personal property owned within the Town the previous December 31; and, (b) the value, as determined by the Rhode Island Vehicle Valuation Commission, of vehicles registered within the Town the previous calendar year, prorated for the actual number of days registered. Taxes levied during July are payable in quarterly installments by July 31, October 31, January 31 and April 30. Taxes due and unpaid after the respective due dates are subject to interest and penalties. The Town has the ultimate right to foreclose on properties for which taxes have not been paid by the following July 1 when the next year's tax is levied.

Rhode Island General Laws restrict the Town's ability to increase either its total tax levy or its tax rates more than 5.25% over those of the preceding year.

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, 2008.

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. 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 delinquent property tax balances less property tax amounts due as of the balance sheet date and received sixty days thereafter.

M. LONG-TERM OBLIGATIONS

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.

N. FUND EQUITY

Government-Wide Financial Statements:

The government-wide financial statements utilize a net asset presentation. Net assets are segregated into the following three components:

Invested in capital assets, net of related debt – represents the net book value of all capital assets less the outstanding balances of bonds and other debt used to acquire, construct or improve these assets.

Restricted – represents balances limited to uses specified either externally by creditors, grantors, contributors, laws or regulations of other governments or imposed through constitutional provisions or enabling legislation.

Unrestricted – represents the residual component of net assets that does not meet the definition of "restricted" or "investment in capital assets, not of related debt".

Fund Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Reserved fund balance represents those portions of fund equity that are not an available financial resource for the current year or are legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

LEGAL DEBT MARGIN

The Town's legal debt margin as set forth by State Statute is limited to three percent of total taxable assessed value which approximates $21,403,487. As of June 30, 2008, the Town's debt is under the limit by $21,403,487.

NOTE 3 – FUND EQUITY

Reserved fund balances:

The following reserves are recorded in the fund financial statements:

General Fund – Capital Expenditures	$126,046
General Fund – Prepaid Expenditures	27,424

Deficit fund balances:

The following fund reported a deficit fund balance at June 30, 2008:

School Lunch Fund	$(22,746)

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 the Statement of Net Assets as "Cash and Cash Equivalents".

	Primary Government *Carrying Amount*	*Component Unit* *Carrying Amount*
Total Deposits	$2,278,580	$199,382
Add: Petty Cash	55	---
Total Cash and Cash Equivalents Reported in the Financial Statements	$2,278,635	$199,382

CUSTODIAL CREDIT RISK – custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2008, $2,345,223 of the Town's bank balance of $2,758,650 was exposed to custodial credit risk as follows:

	Primary Government Bank Balance	***Component Unit Bank Balance***
Insured (Federal depository insurance funds)	$ 413,427	$ -
Collateralized with securities held by pledging financial institution or its agent in the Town's name	2,141,976	199,382
Uninsured and uncollateralized	3,865	-
Total	$2,559,268	$199,382

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, 2008, the Town's uncollateralized deposits with institutions were $3,865. These deposits are held by institutions that meet the minimum capital standards prescribed by the federal regulators.

NOTE 5 – INVESTMENTS

The Town invests in various types of investments which are stated at fair value. The Town Treasurer/Finance Director has control over the type of investments made. The Town does not have a formal investment policy nor any other legally contracted agreement that limits the type of investments that may be made. However, the Town takes a conservative approach when making investments. As of June 30, 2008, the Town had the following investments:

Investment	***Maturity***	***Fair Value***
MBIA RI Investment Pool	N/A	$ 94,604
U.S. Government Money Market Fund	N/A	420,647
Total Investments reported in the Financial Statements		$515,251

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

Credit Risk – The Town does not have a formal investment policy that limits its investment choices. As of June 30, 2008, the investment in the MBIA Rhode Island Investment Pool was not rated. As of June 30, 2008, the Town's investment in the U.S. Government Money Market Fund was rated AAA by S&P and Aaa by Moody's.

Concentration of Credit Risk – The Town places no limit on the amount the Town may invest in any one issuer.

NOTE 6 – INTER-FUND TRANSACTIONS

Inter-fund receivable and payable balances at June 30, 2008 are as follows:

	Due From:				
	General Fund	*School Restricted Fund*	*Other Governmental Funds*	*Fiduciary Funds*	*Total*
Due To:					
General Fund	$ -	$ 7,861	$ 48,146	$ 67,379	$ 123,386
School Unrestricted Fund	-	-	133,276	-	133,276
Capital Projects Fund	781,562	-	-	-	781,562
Other Governmental Funds	203,867	95,549	-	-	299,416
Total	$ 985,429	$ 103,410	$ 181,422	$ 67,379	$ 1,337,640

The balances primarily result from the time lag between the dates the (1) transactions are recorded in the accounting system and (2) payments between funds are made.

Inter-fund transfer balances at June 30, 2008 are as follows:

	Transfer From:			
	General Fund	*Capital Projects Fund*	*Other Governmental Funds*	*Total*
Transfer To:				
General Fund		$ 714,782	$ 3,616	$ 718,398
School Unrestricted Fund	$ 4,244,103	-	-	4,244,103
Capital Projects Fund	240,546	-	-	240,546
Other Governmental Funds	169,636	-	-	169,636
Total	$ 4,654,285	$ 714,782	$ 3,616	$ 5,372,683

Transfers are used to move revenues from the fund that the budget requires to collect them, to the funds that the budget requires to expend them. For example, the $4,244,103 transfer 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.

NOTE 7 - INFORMATION ABOUT CAPITAL ASSETS

Capital asset activity for the fiscal year ended June, 30, 2008 was as follows:

	Beginning Balance	*Additions*	*Retirements*	*Ending Balance*
Primary Government - Governmental Activities:				
Nondepreciable assets:				
Land	$ 31,199	$ 130,000	$ -	$ 161,199
Construction in progress	-	260,000	-	$ 260,000
Total nondepreciable assets	31,199	390,000	-	421,199
Depreciable assets:				
Land improvements	179,766	-	-	179,766
Buildings and improvements	4,192,024	26,000	-	4,218,024
Motor vehicles	2,763,119	216,385	-	2,979,504
Machinery and equipment	556,729	74,103	-	630,832
Infrastructure - roads and bridges	7,415,310	-	-	7,415,310
Total capital assets	15,138,147	706,488	-	15,844,635
Less accumulated depreciation for:				
Land improvements	141,137	7,823	-	148,960
Buildings and improvements	1,798,064	91,339	-	1,889,403
Motor vehicles	1,944,422	184,143	-	2,128,565
Machinery and equipment	372,075	49,111	-	421,186
Infrastructure - roads and bridges	3,215,311	115,523	-	3,330,834
Total accumulated depreciation	7,471,009	447,939	-	7,918,948
Governmental activities capital assets, net	$ 7,667,138	$ 258,549	$ -	$ 7,925,687
Component Unit:				
Nondepreciable assets:				
Land	$ 968,900	$ 230,000	$ -	$ 1,198,900
Total nondepreciable assets	968,900	230,000	-	1,198,900
Component unit capital assets, net	$ 968,900	$ 230,000	$ -	$ 1,198,900

Depreciation expense was charged to functions as follows:

Governmental activities:	
Legislative	$ 149,796
Public education	69,317
Public safety	154,590
Public works	73,475
Recreation	761
Total governmental activities depreciation expense	$ 447,939

NOTE 8 – INFORMATION ABOUT LONG-TERM LIABILITIES

A. Long term liability activity for the year ended June 30, 2008 was as follows:

	Balance June 30, 2007	*Additions*	*Retirements*	*Balance June 30, 2008*	*Amounts Due Within One Year*
Governmental Activities:					
Capital lease payable	$ 47,879	$ 67,274	$ 46,842	$ 68,311	$ 45,910
Accrued compensated absences	392,801	74,561	59,299	408,063	39,868
Total Governmental Activities Long-Term Liabilities	$ 440,680	$ 141,835	$ 106,141	$ 476,374	$ 85,778

Payments on the capital leases are made from the General Fund. Accrued compensated absences are paid from the General Fund and School Unrestricted Fund.

B. CAPITAL LEASE COMMITMENTS

The Town acquired vehicles valued at $141,561 that were financed with a lease purchase agreements.

Obligation of governmental activities under capital leases at June 30, 2008 was as follows:

Fiscal Year Ended June 30,	*Lease Payment Requirements*
2009	$ 50,098
2010	23,689
Total minimum lease payments	73,787
Less: Amount representing interest cost	(5,476)
Present value of minimum lease payments	$68,311

NOTE 9 – TRANSCATIONS WITH THE FOSTER LAND TRUST

For the year ended June 30, 2008, the Town's General Fund reported the following balances related to the Foster Land Trust:

Due to Foster Land Trust	$ 609

NOTE 10 – DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

A. ACCOUNTS RECEIVABLE

Assumptions: The Town disaggregates significant components of receivables in the financial statements. Receivable balances determined immaterial are included as other receivables. The Town expects to receive all receivables within the subsequent year.

B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities at June 30, 2008, were as follows:

	Vendors	*Salaries and Benefits*	*Other*	*Total*
Governmental activities:				
General	$ 614,520	$ 31,727	$ 13,056	$ 659,303
School Unrestricted	249,100	104,095	-	353,195
Other Governmental Funds	2,167	1,998	-	4,165
Total	$ 865,787	$ 137,820	$ 13,056	$ 1,016,663

NOTE 11 – FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

The Foster-Glocester Regional School District (Regional School) was created to include the high school and middle schools for the Towns of Foster and Glocester (the Towns). The Regional School is a separate legal entity from the Town. The voters of the participating Towns elect the Regional School Committee. The Regional School cannot assess and levy property taxes. Revenues are derived principally from the participating Towns of the Regional School which contribute funds according to a financial formula based upon each Town's enrollment and from the State of Rhode Island. The Town of Foster's contribution for the fiscal year ended June 30, 2008 was $3,920,716. Financial statements for the Regional School are issued separately and may be obtained from the Foster-Glocester Regional School District Business Office, 1145 Putnam Pike, Chepachet, Rhode Island 02814.

NOTE 12 – PROPERTY TAXES

The Town is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property tax revenue is recognized in accordance with P70, "Property Taxes" of the *Codification of Governmental Accounting and Reporting Standards*, which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due and receivable within the current period and collected no longer than sixty days after the close of the current period.

NOTE 13 – RISK MANAGEMENT

The Town of Foster 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 nonprofit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) which provides coverage for property/liability and workers' compensation 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. Under the participation agreement, the Town is insured for amounts to $3,000,000 per occurrence depending on the type of coverage. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years.

NOTE 14 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGINCIES

Pending or threatened lawsuits against the Town arise in the ordinary course of operations. Generally, in the opinion of management, the ultimate resolution of any legal actions will not result in a material loss to the Town.

NOTE 15 – POST RETIREMENT BENEFITS

In addition to the pension benefits described in Note 16, the Town of Foster provides health and dental care benefits to certain retired employees based on the terms of their contracts. Currently 7 retirees meet the eligibility requirements and are receiving benefits. The Town pays the cost of these benefits on a "pay as you go basis". The total cost for fiscal year 2008 was $24,008.

NOTE 16 – PENSION PLANS

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

All Foster School Department 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, 2008 was $1,935,878.

The State of Rhode Island's Employees' Retirement System issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island.

Plan Description

The following eligibility and benefit provisions are established by Rhode Island General Laws, Title 16, Chapters 15-17. All Foster Public School's certified school personnel are eligible to participate in the ERS if they are certified by the Board of Regents, engaged in teaching as principal occupation and are regularly employed on at least a half time basis. Superintendents, principals, business agents and other administrators participate as teachers. Employees are vested in their retirement benefits on completion of 10 years of service.

The following benefit provisions apply to current retirees or members who had at least 10 years of contributory service as of June 30, 2005. Employees who retire at or after age 60 with 10 years of credited service, or after 28 years of credited service regardless of age are entitled to a retirement benefit. The retirement benefit is equal to 1.7% of final average salary for each year of credited service up to 10 years, plus 1.9% of final average salary in excess of 10 years through 20 years, plus 3.0% of final average salary in excess of 20 years up to the 34th year of service, plus 2.0% of final average salary for the 35th year, up to a maximum benefit of 80% of final average salary. Final average salary is the average of the three highest consecutive years of earned salary exclusive of overtime, bonuses, or severance pay. Members receive a 3% compound increase in their retirement benefit each year, beginning in January of the year in which the member reaches the third anniversary of retirement.

The following benefits provisions apply to members hired in the future and for current members who had less than 10 years of contributory service as of June 30, 2005. Employees who retire at or after age 65 with 10 years of credited service, at or after age 59 with 29 years of credited service are entitled to a retirement benefit. In addition, a member may retire with a reduced benefit after attaining age 55 with at least 20 years of service credit. The benefit is calculated in the same manner as the unreduced benefit, but is reduced on an actuarial basis for each year the member's age at retirement is less than 65. The retirement benefit is equal to 1.6% of final average salary for each year of credited service up to 10 years, plus 1.8 % of final average salary in excess of 10 years through 20 years, plus 2.0% of final average salary in excess of 20 years through 25 years, plus 2.25% of final average salary in excess of 25 years through 30 years, plus 2.5% of final average salary in excess of 30 years through 37 years of service, plus 2.25% of final average salary for the 38th year, up to a maximum benefit of 75% of final average salary. Final average salary is the average of the three highest consecutive years of earned salary exclusive of overtime, bonuses, or severance pay. Members receive a cost of living adjustment that depends on the change in the CPI for all Urban Consumers, as published by the Bureau of Labor Statistics. The increase is equal to the year to year change in the CPI – U as of the prior September. The increase is limited to 3.0% in any year. The first cost of living adjustment is delayed until the third anniversary of the member's retirement.

Funding Policy

Covered employees were required by State Statute to contribute 9.5% of their salary to the plan. The State and the School Department are required to contribute an amount determined annually by the actuary and as provided by State Statute. The split between the State and the School Department is specified by State Statute. The contribution requirement for the year ended June 30, 2008 was 22.01%. The Teachers' Plan cost is paid 60% by the School Department and 40% by the State. However, the State will pay the total cost of the contribution deferrals which were .27% for the year ended June 30, 2008. This results in a contribution requirement for Schools of 13.04% and a contribution requirement for the State of 8.97%.

The State contribution for the cut off year ended June 30, 2008 was $173,648, which represented 8.97% of covered payroll. The payments made by the State to the Employees' Retirement System are considered on behalf of payments and are reported as a revenue and as an expenditure in the financial statements. The contribution requirement for the cut off year ended June 30, 2008 was $436,301, which consisted of $252,392 from the School Department and $183,909 from employees. These contributions represented 13.04% and 9.5% of covered payroll respectively. The annual required contribution was determined as part of the June 30, 2005 actuarial valuation.

The School Department does not have any investments or related party investments with the State Plan. The School Department's contribution represented .2% of total contributions required of all participating entities.

Three-Year Trend Information

Fiscal Year	*Annual Required Contribution*	*Percentage Contributed*
2006	$166,490	100%
2007	$211,385	100%
2008	$252,392	100%

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

The Town of Foster 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 certified school personnel participate in the MERS. The payroll for employees including School Department noncertified personnel covered by the System for the year ended June 30, 2008 was $1,604,206 (General employees - $1,245,544, and Police officers - $358,662.

The State of Rhode Island's Municipal Employees' Retirement System issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island.

Plan Description

The following eligibility and benefit provisions are established by Rhode Island General Laws, Title 45, Chapter 19, 19.1, 21, 21.1, 21.2 and 21.3 and may be amended by State Statute. The MERS generally provides retirement benefits equal to 2% of a member's final average salary multiplied by the number years of total service up to 37.5 years, to a maximum benefit of 75% of final average salary. Final average salary is the average of the three highest consecutive years of earned salary exclusive of overtime, bonuses or severance pay. Such benefits are available to general employees at least age 58 with 10 years of service or after 30 years regardless of age. Such benefits are also available to police and firefighters at or after age 55 with 10 years of service or after 25 years regardless of age. Under the 20-year service optional plan, police and firefighters may retire after 20 years of service with no restriction on age. This optional plan provides a benefit equal to 2.5% of final average salary per year of service up to 30 years, to a maximum benefit of 75% of final average salary. 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.

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 contribution rate for fiscal year 2008 was 6.85% of covered payroll for general employees; and 21.25% for police officers.

Annual Pension Cost

For 2008, the Town's annual pension cost of $161,542 for the MERS was equal to the Town's required and actual contributions.

Three-Year Trend Information

GENERAL MUNICIPAL EMPLOYEES

Fiscal Year	*Annual Pension Cost (APC)*	*Percentage of APC Contributed*	*Net Pension Obligation*
2006	$56,952	100%	$ -
2007	$74,768	100%	$ -
2008	$85,326	100%	$ -

POLICE OFFICERS

Fiscal Year	*Annual Pension Cost (APC)*	*Percentage of APC Contributed*	*Net Pension Obligation*
2006	$33,094	100%	$ -
2007	$46,066	100%	$ -
2008	$76,216	100%	$ -

The required contribution was determined as part of the June 30, 2005 actuarial valuation. The actuarial method used is the entry age normal 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, 2005 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 salary increases – a service related component, plus a 3.0% inflation component, plus a general increase

3) Cost of living adjustment – 3%, not compounded

The actuarial value of assets is based on the 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, 2005 was 24 years.

Funded Status and Funding Progress

Information on the funded status and funding progress of each plan as of June 30, 2007, the most recent actuarial valuation date, is as follows:

- **General Employees** – The plan was 88% funded. The actuarial accrued liability for benefits was $2,844,598, and the actuarial value of assets was $2,504,657, resulting in an unfunded actuarial accrued liability [UAAL] (funding excess) of 339,941. The covered payroll (annual payroll of active employees covered by the plan) was $1,102,183, and the ratio of the UAAL (funding excess) to covered payroll was 30.8%.

- **Police Officers** – The plan was 89.1% funded. The actuarial accrued liability for benefits was $2,172,650, and the actuarial value of assets was $1,935,289, resulting in an unfunded actuarial accrued liability (UAAL) of $237,361. The covered payroll (annual payroll of active employees covered by the plan) was $328,396, and the ratio of the UAAL to covered payroll was 72.3%.

The June 30, 2007 actuarial valuation used the same methods and assumptions described above under funding policy, except for changes in the salary increases – service related component assumption.

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

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

Schedule of Funding Progress – Pension Plan

Budgetary Comparison Schedules – General Fund and School Unrestricted Fund

In addition, the notes to the required supplementary information are included to provide information that is essential to a user's understanding of the required supplementary information.

TOWN OF FOSTER, RHODE ISLAND

General Fund

Schedule of Revenues and Expenditures - Budget and Actual

For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Real estate and personal property tax	$ 8,657,707	$ 8,657,707	$ 8,671,529	$ 13,822
Tax exemption 45-13-51	270	270	270	-
Hotel tax	19,929	19,929	18,493	(1,436)
Motor vehicle excise phase-out	868,037	868,037	838,207	(29,830)
State aid to education	1,689,516	1,689,516	1,416,462	(273,054)
Public Utilities Sharing	42,243	42,243	37,527	(4,716)
Municipal revenue sharing	310,304	310,304	262,927	(47,377)
Licenses and permits	98,434	98,434	75,194	(23,240)
Building and zoning fees	66,000	66,000	41,624	(24,376)
Fines and interest on late payments	70,000	70,000	74,131	4,131
Interest on investments	85,000	85,000	87,815	2,815
Other revenues	165,100	165,100	134,078	(31,022)
Total revenues	12,072,540	12,072,540	11,658,257	(414,283)
Other financing sources				
Transfers from Special Revenue Funds	-	-	3,616	3,616
Transfers from Capital Projects Fund	714,782	714,782	714,782	-
Transfer from surplus	195,311	195,311	195,311	-
Total other financing sources	910,093	910,093	913,709	3,616
Total revenues and other financing sources	$ 12,982,633	$ 12,982,633	$ 12,571,966	$ (410,667)
Legislative, Judicial and General Administrative				
Salaries	233,275	233,275	230,405	2,870
Benefits	114,923	114,923	98,284	16,639
Town sergeant expenses	300	300	-	300
Town council expenses	4,000	4,000	4,000	-
Town clerk expenses	3,200	3,200	4,102	(902)
Solicitor expenses	2,000	2,000	651	1,349
Probate judge expense	800	800	323	477
Board of canvassers expenses	1,400	1,400	1,026	374
Election expenses	1,100	1,100	1,726	(626)
Education expense	2,500	2,500	2,272	228
Duplicating supplies	4,500	4,500	3,926	574
Equipment	7,000	7,000	5,466	1,534
Sealer of weights and measures	300	300	-	300
Total legislative, judicial and general administrative	375,298	375,298	352,181	23,117

(Continued)

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

TOWN OF FOSTER, RHODE ISLAND

General Fund

Schedule of Revenues and Expenditures - Budget and Actual (Continued)

For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Favorable (Unfavorable)
	Original	*Final*		
Finance administration				
Finance salaries	130,687	130,687	125,992	4,695
Finance benefits	54,464	54,464	45,908	8,556
Finance department education	5,000	5,000	4,396	604
Finance department's office expenses/tax bills	8,200	8,200	11,222	(3,022)
Tax collector's postage/advertising	3,600	3,600	5,943	(2,343)
Assessor's salary	27,690	27,690	27,799	(109)
Assessor's benefits	19,189	19,189	19,272	(83)
Assessment review board	1,260	1,260	1,260	-
Assessor's education expense	500	500	350	150
Travel	350	350	363	(13)
Maintain maps	2,800	2,800	2,800	-
Assessor's office supplies	1,700	1,700	1,061	639
Review board expense	200	200	-	200
Subscription/publication	400	400	185	215
Computer and support	4,665	4,665	4,365	300
Equipment	2,000	2,000	1,516	484
Total finance administration	262,705	262,705	252,432	10,273
Miscellaneous administration				
Audit of town books	26,000	26,000	22,415	3,585
Information technology	3,000	3,000	6,824	(3,824)
Electric	15,000	15,000	19,775	(4,775)
Heating Fuel	14,000	14,000	18,137	(4,137)
Telephone	15,000	15,000	17,731	(2,731)
Purchased Services/Contract	10,000	10,000	12,034	(2,034)
Contingency	10,500	10,500	6,847	3,653
Unemployment compensation	9,840	9,840	1,476	8,364
Benefits	-	-	2,562	(2,562)
Casualty and liability insurance	98,920	98,920	83,438	15,482
Total miscellaneous administration	202,260	202,260	191,239	11,021
Health and welfare				
Comprehensive Community Action	11,000	11,000	11,000	-
Cast	4,922	4,922	4,922	-
RI Resource Recovery	80,000	80,000	72,353	7,647
Disposal	222,000	222,000	210,998	11,002
Recycling program	58,974	58,974	750	58,224
Northwest Nursing Association	9,000	9,000	9,000	-
Mental Health Association	3,900	3,900	3,900	-
Dora C. Howard Center	2,500	2,500	2,500	-
Wildlife Rehabilitations	150	150	150	-
Northern RI Cooperative	1,000	1,000	1,000	
Human service director's salary	15,614	15,614	16,509	(895)
Benefits	8,888	8,888	8,599	289
HS-Bathroom Installation	6,000	6,000	450	5,550
Travel	1,000	1,000	1,028	(28)
Office expense	875	875	2,363	(1,488)
Total health and welfare	425,823	425,823	345,522	80,301

(Continued)

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

TOWN OF FOSTER, RHODE ISLAND

General Fund

Schedule of Revenues and Expenditures - Budget and Actual (Continued)

For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Favorable (Unfavorable)
	Original	*Final*		
Public Safety				
Salaries	477,210	477,210	476,168	1,042
Dispatchers	168,615	168,615	176,531	(7,916)
Benefits	267,939	267,939	280,741	(12,802)
Police - fuel and lube oil	14,000	14,000	18,185	(4,185)
Police - tires	1,000	1,000	1,181	(181)
Police - parts and repairs	8,000	8,000	11,186	(3,186)
Police radio maintenance	2,000	2,000	1,122	878
Police department operations	6,000	6,000	5,374	626
Police - computer services	10,000	10,000	8,074	1,926
Police uniforms	14,000	14,000	12,933	1,067
Police office expense	6,000	6,000	4,614	1,386
Police education allowance	12,000	12,000	11,165	835
Foster ambulance corps	81,700	81,700	81,700	-
South Foster fire company	50,000	50,000	50,000	-
Foster Center fire company	51,400	51,400	51,400	-
Mossup Valley fire company	51,400	51,400	51,400	-
Ambulance Corp. Stipend	12,000	12,000	12,000	-
Public Safety Training	21,000	21,000	21,442	(442)
Street lights	4,500	4,500	-	4,500
Engineering board	3,500	3,500	1,772	1,728
Police new equipment	6,500	6,500	29,537	(23,037)
Dog officer - salary	14,747	14,747	14,803	(56)
Dog officer - fuel and lube oil	1,500	1,500	1,908	(408)
Dog officer - parts and repairs	1,000	1,000	214	786
Dog officer - benefits	8,180	8,180	8,944	(764)
Dog officer - uniforms	400	400	310	90
Pound fees	21,163	21,163	10,730	10,433
Civil defense	250	250	-	250
Total public safety	1,316,004	1,316,004	1,343,434	(27,430)
Public works				
Salaries	344,413	344,413	361,811	(17,398)
Benefits	181,736	181,736	163,291	18,445
Professional services	3,500	3,500	6,972	(3,472)
Snow Removal Contractors	5,000	5,000	5,000	-
Uniforms	7,000	7,000	8,817	(1,817)
Fuel and oil	50,000	50,000	55,154	(5,154)
Parts and repairs	35,000	35,000	37,899	(2,899)
Tires	5,000	5,000	1,646	3,354
Grader and plow blades	4,500	4,500	5,809	(1,309)
Sand and salt	42,000	42,000	83,055	(41,055)
Road oil	25,000	25,000	-	25,000
Asphalt mix	10,000	10,000	9,557	443
Welding	1,500	1,500	735	765
Rental equipment	4,000	4,000	1,999	2,001
Safety	-	-	1,710	(1,710)
Education expense	500	500	270	230
Radio repairs	2,000	2,000	1,774	226
Office supplies	750	750	1,274	(524)

(Continued)

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

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Equipment	5,000	5,000	7,485	(2,485)
Other road material	2,000	2,000	1,221	779
Gravel	30,000	30,000	23,227	6,773
Building and grounds	28,000	28,000	41,863	(13,863)
Bridge repairs	8,000	8,000	-	8,000
Pea stone	2,500	2,500	1,820	680
Pipe	2,500	2,500	669	1,831
Road signs	2,000	2,000	2,274	(274)
RC & D	1,000	1,000	-	1,000
Department operation expense	3,500	3,500	3,581	(81)
Total public works	806,399	806,399	828,913	(22,514)
Building and zoning				
Salaries	33,990	33,990	34,195	(205)
Benefits	11,511	11,511	10,067	1,444
Education expense	500	500	496	4
Travel	1,500	1,500	2,268	(768)
Department expense	3,650	3,650	4,637	(987)
Total building and zoning	51,151	51,151	51,663	(512)
Planning				
Salaries	48,828	48,828	49,017	(189)
Benefits	20,466	20,466	14,087	6,379
Education expense	800	800	785	15
Advertising/fees	2,000	2,000	1,108	892
Office expense	1,500	1,500	1,632	(132)
Travel	200	200	-	200
Computer software	1,900	1,900	1,966	(66)
Water quality testing	100	100	-	100
Subscriptions and publications	250	250	135	115
Bad debt DEM grant	-	-	15,525	(15,525)
Total planning	76,044	76,044	84,255	(8,211)
Conservation				
Conservation commission	2,700	2,700	1,506	1,194
Northern RI conservation	800	800	800	-
Total conservation	3,500	3,500	2,306	1,194
Recreation				
Salaries	9,700	9,700	9,859	(159)
Benefits	742	742	800	(58)
Travel	1,400	1,400	1,318	82
Mailing and advertising	1,400	1,400	1,258	142
Maintenance and repairs	4,200	4,200	4,098	102
Mowing	1,200	1,200	2,823	(1,623)
Equipment and rental	1,600	1,600	1,949	(349)
Sports/activities	14,420	14,420	14,641	(221)
Northern RI Ext. service	1,000	1,000	-	1,000
Senior citizens	2,000	2,000	2,000	-
Total recreation	37,662	37,662	38,746	(1,084)

(Continued)

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

TOWN OF FOSTER, RHODE ISLAND

General Fund

Schedule of Revenues and Expenditures - Budget and Actual (Continued)

For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
School				
Regional operational	3,920,716	3,920,716	3,920,716	-
Total school	3,920,716	3,920,716	3,920,716	-
Libraries				
Foster Center	82,551	82,551	82,551	-
Tyler Free	69,350	69,350	69,350	-
Total libraries	151,901	151,901	151,901	-
Land Trust				
Land trust expenditures	5,680	5,680	5,533	147
Total land trust	5,680	5,680	5,533	147
Capital expenditures and other				
Assessor	40,000	40,000	40,000	-
Town Clerk	11,000	11,000	11,000	-
Planning	34,000	34,000	34,000	-
Finance	31,500	31,500	31,500	-
Police	36,408	36,408	36,408	-
Public works highway	293,874	293,874	610,251	(316,377)
Public works buildings and grounds	50,000	50,000	50,000	-
Fire Department	131,000	131,000	143,182	(12,182)
Building Department	12,000	12,000	12,000	-
Town Hall Improvements	15,000	15,000	15,000	-
Recreation	-	-	75,000	(75,000)
Total capital expenditures and other	654,782	654,782	1,058,341	(403,559)
Total expenditures	8,289,925	8,289,925	8,627,182	(337,257)
Other financing uses				
Transfer to school department fund	4,389,662	4,389,662	4,326,239	63,423
Transfer to school capital	60,000	60,000	60,000	-
Transfer to capital projects fund	240,546	240,546	240,546	-
Transfer to Townhouse Trust	2,500	2,500	2,500	-
Total other financing uses	4,692,708	4,692,708	4,629,285	63,423
Total expenditures and other financing uses	$ 12,982,633	$ 12,982,633	$ 13,256,467	$ (273,834)

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

TOWN OF FOSTER, RHODE ISLAND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

School Unrestricted Fund

For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		*Actual Amounts (Budgetary Basis)*	*Variance With Final Budget Favorable (Unfavorable)*
	Original	*Final*		
Revenues				
Other revenues	$ -	$ -	$ 28,820	$ 28,820
Total revenues	-	-	28,820	28,820
Expenditures				
Education	4,159,103	4,159,103	4,290,748	(131,645)
Total expenditures	4,159,103	4,159,103	4,290,748	(131,645)
Deficiency of revenues under expenditures before other financing sources	(4,159,103)	(4,159,103)	(4,261,928)	(102,825)
Other financing sources				
Town appropriation	4,159,103	4,159,103	4,159,103	-
Transfer from the General Fund	-	-	85,000	85,000
Total other financing sources (uses)	4,159,103	4,159,103	4,244,103	85,000
Net change in fund balance	$ -	$ -	$ (17,825)	$ (17,825)
Fund balance - beginning of year			217,868	
Fund balance - end of year			$ 200,043	

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

TOWN OF FOSTER, RHODE ISLAND

Required Supplementary Information - Pension Plans
Schedule of Funding Progress
"Unaudited"

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -Entry Age	Unfunded Liability/ (Funding) (Excess)	Funded Ratio	Covered Payroll	Unfunded Liability/ (Funding Excess) as a Percentage of Covered Payroll
Police Employees Pension Plan:							
	6/30/05	$ 1,643,151	$ 1,926,264	$ 283,113	85.3%	$ 231,590	122.2%
	6/30/06	1,733,089	2,171,744	438,655	79.8%	306,511	143.1%
	6/30/07	1,935,289	2,172,650	237,361	89.1%	328,396	72.3%
General Municipal Employees Pension Plan:							
	6/30/05	$ 2,064,061	$ 2,365,339	$ 301,278	87.3%	$ 853,817	35.3%
	6/30/06	2,241,004	2,487,092	246,088	90.1%	1,008,924	24.4%
	6/30/07	2,504,657	2,844,598	339,941	88.0%	1,102,183	30.8%

NOTE 1 - SCHEDULE OF FUNDING PROGRESS

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

	General Municipal Employees Pension Plan		*Municipal Police Pension Plan*	
Valuation date	6/30/2007		6/30/2007	
Actuarial cost method	Entry Age Normal		Entry Age Normal	
Amortization method	Level percent of payroll - closed		Level percent of payroll - closed	
Amortization period	30 year period from June 30, 1999		30 year period from June 30, 1999	
Asset valuation method	Market value of assets with a 5-year phase-in of actual investment return in excess of (less than) expected investment income		Market value of assets with a 5-year phase-in of actual investment return in excess of (less than) expected investment income	
Actuarial assumptions:				
Investment rate of return	8.25%, compounded annually, composed of an assumed 3.0% inflation rate and a 5.25% net real rate of return		8.25%, compounded annually, composed of an assumed 3.0% inflation rate and a 5.25% net real rate of return	
Projected salary increases	The sum of a 4.5% wage inflation assumption (composed of a 3% inflation assumption, and a 1.5% general increase and service related component)		The sum of a 4.5% wage inflation assumption (composed of a 3% inflation assumption, and a 1.5% general increase and service related component)	
Cost-of-living adjustments	N/A		3%, not compounded	
Participant information	Active employees	41	Active employees	7
	Retirees and beneficiaries	15	Retirees and beneficiaries	5
		56		12

NOTE 2 - BUDGETARY DATA AND BUDGETARY COMPLIANCE

The Town has formally established budgetary accounting control for its General Fund and the School Unrestricted Fund, which is a Special Revenue Fund. All budget requests must be submitted to the Town Council by March 1. The Town Council shall obtain from the head of each department, office and agency estimates of its revenues and expenditures and supporting data as it may request. The Town Council's proposed budget shall show all anticipated revenues and all proposed expenditures. The Town Council shall hold a public hearing on its preliminary recommended budget, prior to its adoption, at least 30 days prior to the Annual Financial Town Meeting. The Town Council shall adopt its recommended budget for presentation at the Annual Financial Town Meeting not later than fifteen days preceding its date. The recommended budget is approved or amended by the voters at the Annual Financial Town Meeting. The General Fund and School Unrestricted Fund annual operating budget amounts are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. The legal level of control for the General Fund is at the department level and the School Unrestricted Fund is at the fund level. Amendments that would change the total appropriation must be approved by the voters at a Financial Town Meeting. There were no supplemental budgetary appropriations in fiscal year 2008. Appropriations which are not expended or encumbered lapse at year end.

The General Fund and School Unrestricted Fund budgets are in conformity with the legally enacted budgetary basis, which is not in conformity with generally accepted accounting principles. The budget to actual presentations in the required supplementary information for these funds are reflected on the budgetary basis. The difference between the budgetary basis and the generally accepted accounting principles basis is explained below.

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

Revenues and Other Financing Sources	***General Fund***	***School Unrestricted Fund***
Actual amounts (budgetary basis)	$12,571,966	$4,272,923
The pension contributions made to the Employees Retirement System by the State on behalf of the Town of Foster are not reported as budgetary revenue, but are a current year revenue for financial reporting purposes.	---	173,648
The transfer from surplus is a budgetary revenue but is not a revenue for financial reporting purposes	(195,311)	---
Proceeds from capital lease are not reported as a budgetary revenue but is a revenue source for financial reporting purposes.	67,274	---
Total revenues and other financing sources as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds	$12,443,929	$4,446,571

Expenditures and Other Financing Uses	***General Fund***	***School Unrestricted Fund***
Actual amounts (budgetary basis)	$13,256,467	$4,290,748
Differences – budget to GAAP:		
Capital appropriations may be carried over for 2 years from the date the appropriation is made. Capital appropriations carried over are reflected as a budgetary expenditure, but are not a current year expenditure for financial reporting purposes.	149,067	---
Expenditures related to capital lease are not reported as a budgetary expenditure, but are a current year expenditure for financial reporting purposes.	67,274	---
The pension contributions made to the Employees Retirement System by the State on behalf of the Town of Foster are not reported as a budgetary expenditure, but are a current year expenditure for financial reporting purposes.	---	173,648
Total expenditures and other financing uses as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds	$13,472,808	$4,464,396

OTHER SUPPLEMENTARY INFORMATION

**The information
provided herein contains
schedules which the Town deems
necessary to provide additional disclosures.**

THIS SECTION CONTAINS THE FOLLOWING:

Combining Fund Financial Statements for Nonmajor Governmental Funds

Other Supplementary Information

TOWN OF FOSTER, RHODE ISLAND

Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2008

	Town Special Revenue Funds	*School Special Revenue Funds*	*Total Nonmajor Governmental Funds*
ASSETS			
Cash	$ 160,346	$ 6,930	$ 167,276
Investments	94,604	-	94,604
Due from federal and state governments	5,520	2,553	8,073
Due from other funds	92,600	206,816	299,416
Total assets	$ 353,070	$ 216,299	$ 569,369
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued expenses	-	4,165	4,165
Due to other funds	48,146	133,276	181,422
Total liabilities	48,146	137,441	185,587
Fund balances			
Unreserved	304,924	78,858	383,782
Total fund balances	304,924	78,858	383,782
Total liabilities and fund balances	$ 353,070	$ 216,299	$ 569,369

TOWN OF FOSTER, RHODE ISLAND

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2008

	Town Special Revenue Funds	*School Special Revenue Funds*	*Total Nonmajor Governmental Funds*
Revenues			
Intergovernmental and departmental revenue	$ 170,450	$ 176,734	$ 347,184
Interest on investments	6,834	-	6,834
Other revenue	42,226	50,286	92,512
Total revenues	219,510	227,020	446,530
Expenditures			
Legislative, judicial and general administrative	15,997	-	15,997
Health and welfare	97,007	-	97,007
Public safety	37,013	-	37,013
Public works	790	-	790
Recreation	31,733	-	31,733
Education	-	342,396	342,396
Food service	-	69,428	69,428
Total expenditures	182,540	411,824	594,364
Excess (deficiency) of revenues over (under) expenditures before other financing sources(uses)	36,970	(184,804)	(147,834)
Other financing sources (uses)			
Transfers from other funds	2,500	167,136	169,636
Transfers to other funds	(3,616)	-	(3,616)
Total other financing sources (uses)	(1,116)	167,136	166,020
			-
Net change in fund balance	35,854	(17,668)	18,186
Fund balances - beginning of year	269,070	96,526	365,596
Fund balances - end of year	$ 304,924	$ 78,858	$ 383,782

TOWN OF FOSTER, RHODE ISLAND

Town Special Revenue Funds
Combining Balance Sheet
June 30, 2008

	Community Development Block Grant	*Department of Elderly Affairs Grant*	*MHRH Underage Drinking Grant*	*LLEG Block Grant*	*RIPTIDE Grant*	*Champlin Grant*	*Historical Records*
ASSETS							
Cash	$ 67,020	$ -	$ -	$ -	$ -	$ 3,756	$ -
Investments	-	-	-	-	-	-	12,966
Due from federal and state governments	-	-	1,300	-	4,220	-	-
Due from other funds	-	2,516	-	-	-	13,166	774
Total assets	$ 67,020	$ 2,516	$ 1,300	$ -	$ 4,220	$ 16,922	$ 13,740
LIABILITIES AND FUND BALANCES							
Liabilities							
Due to other funds	6,500	-	490	-	4,220	-	-
Total liabilities	6,500	-	490	-	4,220	-	-
Fund balances							
Unreserved - undesignated	60,520	2,516	810	-	-	16,922	13,740
Total fund balances	60,520	2,516	810	-	-	16,922	13,740
Total liabilities and fund balances	$ 67,020	$ 2,516	$ 1,300	$ -	$ 4,220	$ 16,922	$ 13,740

(Continued)

TOWN OF FOSTER, RHODE ISLAND

Town Special Revenue Funds
Combining Balance Sheet (Continued)
June 30, 2008

	Technology Recording Fee	*DARE*	*Townhouse Grant*	*Townhouse Trust*	*Dog Damages*	*Driveway Bond Deposit*	*Thomas Matthews Memorial Fund*
ASSETS							
Cash	$ -	$ 1,981	$ 17,098	$ 45,181	$ -	$ -	$ -
Investments	11,345	-	-	-	10,249	6,232	-
Due from federal and state governments	-	-	-	-	-	-	-
Due from other funds	20,665	-	-	-	-	-	-
Total assets	$ 32,010	$ 1,981	$ 17,098	$ 45,181	$ 10,249	$ 6,232	$ -
LIABILITIES AND FUND BALANCES							
Liabilities							
Due to other funds	-	1,981	17,098	16,860	-	-	
Total liabilities	-	1,981	17,098	16,860	-	-	-
Fund balances							
Unreserved - undesignated	32,010	-	-	28,321	10,249	6,232	-
Total fund balances	32,010	-	-	28,321	10,249	6,232	-
Total liabilities and fund balances	$ 32,010	$ 1,981	$ 17,098	$ 45,181	$ 10,249	$ 6,232	$ -

(Continued)

TOWN OF FOSTER, RHODE ISLAND

Town Special Revenue Funds
Combining Balance Sheet (Continued)
June 30, 2008

	Recreation	*Payments in-Lieu of Land*	*EMA*	*Human Services Special Needs*	*RI Resource Recovery Grant*	*Bryne Grant*	*Total*
ASSETS							
Cash	$ 22,893	$ -	$ -	$ 2,417	$ -	$ -	$ 160,346
Investments	-	53,812	-	-	-	-	94,604
Due from federal and state governments	-	-	-	-	-	-	5,520
Due from other funds	1,080	49,348	2,000	-	3,051	-	92,600
Total assets	$ 23,973	$ 103,160	$ 2,000	$ 2,417	$ 3,051	$ -	$ 353,070
LIABILITIES AND FUND BALANCES							
Liabilities							
Due to other funds	997	-	-	-	-	-	48,146
Total liabilities	997	-	-	-	-	-	48,146
Fund balances							
Unreserved - undesignated	22,976	103,160	2,000	2,417	3,051	-	304,924
Total fund balances	22,976	103,160	2,000	2,417	3,051	-	304,924
Total liabilities and fund balances	$ 23,973	$ 103,160	$ 2,000	$ 2,417	$ 3,051	$ -	$ 353,070

TOWN OF FOSTER, RHODE ISLAND

Town Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2008

	Community Development Block Grant	*Department of Elderly Affairs Grant*	*MHRH Underage Drinking Grant*	*LLEG Block Grant*	*RIPTIDE Grant*	*Champlin Grant*	*Historical Records*
Revenues							
Intergovernmental and departmental revenues	$ 63,200	$ 11,340	$ -	$ -	$ 6,101	$ -	$ 739
Interest on investments	-	-	-	-	-	1,168	461
Other revenue	12,662	-	-	-	-	18,213	-
Total revenues	75,862	11,340	-	-	6,101	19,381	1,200
Expenditures							
Legislative, judicial and general administrative	-	-	-	-	-	-	-
Health and welfare	80,814	8,840	-	-	-	-	-
Public safety	-	-	551	-	7,016	-	-
Public Works	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	5,047	-
Total expenditures	80,814	8,840	551	-	7,016	5,047	-
Excess (deficiency) of revenues over (under) expenditures before other financing sources	(4,952)	2,500	(551)	-	(915)	14,334	1,200
Other financing sources							
Transfers from other funds	-	-	-	-	-	-	-
Transfers to other funds	-	-	-	(3,531)	-	-	-
Total other financing sources	-	-	-	(3,531)	-	-	-
Net change in fund balance	(4,952)	2,500	(551)	(3,531)	(915)	14,334	1,200
Fund balances - beginning of year	65,472	16	1,361	3,531	915	2,588	12,540
					-		
Fund balances - end of year	$ 60,520	$ 2,516	$ 810	$ -	$ -	$ 16,922	$ 13,740

(Continued)

TOWN OF FOSTER, RHODE ISLAND

Town Special Revenue Funds

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

For the Fiscal Year Ended June 30, 2008

	Technology Recording Fee	*DARE*	*Townhouse Grant*	*Townhouse Trust*	*Dog Damages*	*Driveway Bond Deposit*	*Thomas Matthews Memorial Fund*
Revenues							
Intergovernmental and departmental revenues	$ 6,360	$ -	$ -	$ -	$ -	$ -	$ -
Interest on investments	403	-	661	1,642	365	222	-
Other revenue	-	1,581	-	-	-	-	-
Total revenues	6,763	1,581	661	1,642	365	222	-
Expenditures							
Legislative, judicial and general administrative	1,445	-	3,988	10,564	-	-	-
Health and Welfare	-	-	-	-	-	-	-
Public safety	-	2,110	-	-	-	-	-
Public Works	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-
Total expenditures	1,445	2,110	3,988	10,564	-	-	-
Excess (deficiency) of revenues over (under) expenditures before other financing sources	5,318	(529)	(3,327)	(8,922)	365	222	-
Other financing sources							
Transfers from other funds	-	-	-	2,500	-	-	-
Transfers from other funds	-	-	-	-	-	-	(85)
Total other financing sources	-	-	-	2,500	-	-	(85)
Net change in fund balance	5,318	(529)	(3,327)	(6,422)	365	222	(85)
Fund balances - beginning of year	26,692	529	3,327	34,743	9,884	6,010	85
Fund balances - end of year	$ 32,010	$ -	$ -	$ 28,321	$ 10,249	$ 6,232	$ -

(Continued)

TOWN OF FOSTER, RHODE ISLAND

Town Special Revenue Funds

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

For the Fiscal Year Ended June 30, 2008

	Recreation	*Payments in-Lieu of Land*	*EMA*	*Human Services Special Needs*	*RI Resource Recovery Grant*	*Bryne Grant*	*Total*
Revenues							
Intergovernmental and departmental revenues	$ 25,503	$ 24,030	$ 2,000	$ -	$ 3,841	$ 27,336	$ 170,450
Interest on investments	-	1,912	-	-	-	-	6,834
Other revenue	-	-	-	9,770	-	-	42,226
Total revenues	25,503	25,942	2,000	9,770	3,841	27,336	219,510
Expenditures							
Legislative, judicial and general administrative	-	-	-	-	-	-	15,997
Health and welfare	-	-	-	7,353	-	-	97,007
Public safety	-	-	-	-	-	27,336	37,013
Public Works	-	-	-	-	790	-	790
Recreation	2,527	24,159	-	-	-	-	31,733
Total expenditures	2,527	24,159	-	7,353	790	27,336	182,540
Excess (deficiency) of revenues over (under) expenditures before other financing sources	22,976	1,783	2,000	2,417	3,051	-	36,970
Other financing sources							
Transfers from other funds	-	-	-	-	-	-	2,500
Transfers to other funds	-	-	-	-	-	-	(3,616)
Total other financing sources	-	-	-	-	-	-	(1,116)
Net change in fund balance	22,976	1,783	2,000	2,417	3,051	-	35,854
Fund balances - beginning of year	-	101,377	-	-	-	-	269,070
Fund balances - end of year	$ 22,976	$ 103,160	$ 2,000	$ 2,417	$ 3,051	$ -	$ 304,924

TOWN OF FOSTER, RHODE ISLAND

School Special Revenue Funds
Combining Balance Sheet
June 30, 2008

	Article 31 State Aid				*Other State Aid*
	Student Equity	*Early Childhood*	*Technology*	*Professional Development*	*RILDPA*
ASSETS					
Cash	$ -	$ -	$ -	$ -	$ -
Due from federal and state governments	-	-	-	-	-
Due from other funds	13,336	2,588	-	2,738	15,268
Total assets	$ 13,336	$ 2,588	$ -	$ 2,738	$ 15,268
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenditures	$ 272	$ 1,603	$ -	$ -	$ -
Due to other funds	-	-	-	-	-
Total liabilities	272	1,603	-	-	-
Fund balances (deficit)	13,064	985	-	2,738	15,268
Total liabilities and fund balances	$ 13,336	$ 2,588	$ -	$ 2,738	$ 15,268

(Continued)

TOWN OF FOSTER, RHODE ISLAND

School Special Revenue Funds
Combining Balance Sheet (Continued)
June 30, 2008

	Federal Grants						
	Title I	*Title II*	*Title IV*	*Title V*	*Title II Technology*	*IDEA Preschool*	*IDEA Part B*
ASSETS							
Cash	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Due from federal and state governments	-	-	-	-	-	-	-
Due from other funds	39,828	20,782	1,458	418	21	-	-
Total assets	$ 39,828	$ 20,782	$ 1,458	$ 418	$ 21	$ -	$ -
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Due to other funds	39,828	20,782	1,458	418	21	-	-
Total liabilities	39,828	20,782	1,458	418	21	-	-
Fund balances (deficit)	-	-	-	-	-	-	-
Total liabilities and fund balances	$ 39,828	$ 20,782	$ 1,458	$ 418	$ 21	$ -	$ -

(Continued)

TOWN OF FOSTER, RHODE ISLAND

School Special Revenue Funds
Combining Balance Sheet (Continued)
June 30, 2008

	School Lunch	*Medicaid*	*RI Parent Information Network*	*Small Rural School Grant*	*Breakfast Program*	*Total*
ASSETS						
Cash	$ 6,930	$ -	$ -	$ -	$ -	$ 6,930
Due from federal and state governments	2,553	-	-	-	-	2,553
Due from other funds	40,707	66,005	469	2,168	1,030	206,816
Total assets	$ 50,190	$ 66,005	$ 469	$ 2,168	$ 1,030	$ 216,299
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenditures	$ 2,167	$ 69	$ 54	$ -	$ -	$ 4,165
Due to other funds	70,769	-	-	-	-	133,276
Total liabilities	72,936	69	54	-	-	137,441
Fund balances (deficit)	(22,746)	65,936	415	2,168	1,030	78,858
Total liabilities and fund balances	$ 50,190	$ 66,005	$ 469	$ 2,168	$ 1,030	$ 216,299

TOWN OF FOSTER, RHODE ISLAND

School Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Year Ending June 30, 2008

	Article 31 State Aid				*Other State Aid*
	Student Equity	*Early Childhood*	*Technology*	*Professional Development*	*RILDPA*
Revenues					
Intergovernmental and departmental revenues	$ -	$ -	$ -	$ -	$ -
Other revenue	-	-	-	-	-
Total revenues	-	-	-	-	-
Expenditures					
Education	75,517	31,865	7,970	13,665	38,119
Food service	-	-	-	-	-
Total expenditures	75,517	31,865	7,970	13,665	38,119
Excess (deficiency) of revenues over (under) expenditures before other financing sources	(75,517)	(31,865)	(7,970)	(13,665)	(38,119)
Other financing sources					
Transfers from other funds	75,517	31,865	7,970	13,665	38,119
Total other financing sources	75,517	31,865	7,970	13,665	38,119
Net change in fund balance	-	-	-	-	-
Fund balances - beginning of year	13,064	985	-	2,738	15,268
Fund balances - end of year	$ 13,064	$ 985	$ -	$ 2,738	$ 15,268

(Continued)

TOWN OF FOSTER, RHODE ISLAND

School Special Revenue Funds

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

For the Fiscal Year Ending June 30, 2008

	Federal Grants						
	Title I	*Title II*	*Title IV*	*Title V*	*Title II Technology*	*IDEA Preschool*	*IDEA Part B*
Revenues							
Intergovernmental and departmental revenues	$ 45,168	$ 24,822	$ 1,493	$ 359	$ -	$ 8,843	$ 52,122
Other revenue	-	-	-	-	-	-	-
Total revenues	45,168	24,822	1,493	359	-	8,843	52,122
Expenditures							
Education	45,168	24,822	1,493	359	-	8,843	52,122
Food service	-	-	-	-	-	-	-
Total expenditures	45,168	24,822	1,493	359	-	8,843	52,122
Excess (deficiency) of revenues over (under) expenditures before other financing sources	-	-	-	-	-	-	-
Other financing sources							
Transfers from other funds	-	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-	-
Net change in fund balance	-	-	-	-	-	-	-
Fund balances - beginning of year	-	-	-	-	-	-	-
Fund balances - end of year	$ -	$ -	$ -	$ -	$ -	$ -	$ -

(Continued)

TOWN OF FOSTER, RHODE ISLAND

School Special Revenue Funds

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

For the Fiscal Year Ending June 30, 2008

	School Lunch	*Medicaid*	*RI Parent Information Network*	*Small Rural School Grant*	*Breakfast Program*	*Total*
Revenues						
Intergovernmental and departmental revenues	$ 19,795	$ 7,911	$ -	$ 16,221	$ -	$ 176,734
Other revenue	49,486	-	800	-	-	50,286
Total revenues	69,281	7,911	800	16,221	-	227,020
Expenditures						
Education	-	28,015	385	14,053	-	342,396
Food service	69,428	-	-	-	-	69,428
Total expenditures	69,428	28,015	385	14,053	-	411,824
Excess (deficiency) of revenues over (under) expenditures before other financing sources	(147)	(20,104)	415	2,168	-	(184,804)
Other financing sources						
Transfers from other funds	-	-	-	-	-	167,136
Total other financing sources	-	-	-	-	-	167,136
Net change in fund balance	(147)	(20,104)	415	2,168	-	(17,668)
Fund balances - beginning of year	(22,599)	86,040	-	-	1,030	96,526
Fund balances - end of year	$ (22,746)	$ 65,936	$ 415	$ 2,168	$ 1,030	$ 78,858

TOWN OF FOSTER, RHODE ISLAND

Combining Statement of Net Assets
Agency Funds
June 30, 2008

	Mageira Performance Bond	*Student Activity Funds*	*Probate Escrow Fund*	*Total Agency Funds*
Assets				
Cash	$ 20,055	$ 2,605	$ 3,772	$ 26,432
Total assets	$ 20,055	$ 2,605	$ 3,772	$ 26,432
Liabilities				
Due to other funds	$ 19,524	$ -	$ 500	$ 20,024
Deposits held in custody for others	531	2,605	3,272	6,408
Total liabilities	$ 20,055	$ 2,605	$ 3,772	$ 26,432

TOWN OF FOSTER, RHODE ISLAND

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Fiscal Year Ended June 30, 2008

	Balance July 1, 2007	*Additions*	*Deductions*	*Balance June 30, 2008*
MAGEIRA PERFORMANCE BOND				
Assets				
Cash	$ 19,281	$ 774	$ -	$ 20,055
Total assets	$ 19,281	$ 774	$ -	$ 20,055
Liabilities				
Due to other funds	$ -	$ 19,524	$ -	$ 19,524
Deposits held in custody for others	19,281	774	19,524	531
Total liabilities	$ 19,281	$ 20,298	$ 19,524	$ 20,055
STUDENT ACTIVITY FUND				
Assets				
Cash	$ 1,866	$ 3,491	$ 2,752	$ 2,605
Total assets	$ 1,866	$ 3,491	$ 2,752	$ 2,605
Liabilities				
Deposits held in custody for others	$ 1,866	$ 3,491	$ 2,752	$ 2,605
Total liabilities	$ 1,866	$ 3,491	$ 2,752	$ 2,605
PROBATE ESCROW ACCOUNT				
Assets				
Cash	$ 3,626	$ 146	$ -	$ 3,772
Total assets	$ 3,626	$ 146	$ -	$ 3,772
Liabilities				
Due to other funds	500	-	-	500
Deposits held in custody for others	3,126	146	-	3,272
Total liabilities	$ 3,626	$ 146	$ -	$ 3,772
TOTAL AGENCY FUNDS				
Assets				
Cash	$ 24,773	$ 4,411	$ 2,752	$ 26,432
Total assets	$ 24,773	$ 4,411	$ 2,752	$ 26,432
Liabilities				
Due to other funds	500	19,524	-	20,024
Deposits held in custody for others	24,273	4,411	22,276	6,408
Total liabilities	$ 24,773	$ 23,935	$ 22,276	$ 26,432

TOWN OF FOSTER, RHODE ISLAND

Tax Collector's Annual Report
For the Fiscal Year Ended June 30, 2008

Real Estate and Personal Property Taxes

Fiscal Year End	*Balance 7/01/2007*	*Current Year Assessment*	*Additions*	*Abatements*	*Refunds and Adjustments*	*Amount to be Collected*	*Collections*	*Balance 6/30/2008*
2008	$ -	$ 8,657,612	$ 33,602	$ 8,127	$ 1,381	$ 8,684,468	$ 8,446,313	238,155
2007	228,046	-	939	528	757	229,214	207,103	22,111
2006	23,668	-	1,232	370	73	24,603	9,228	15,375
2005	16,238	-	1,178	4,515	810	13,711	4,014	9,697
2004	16,843	-	-	6,059	105	10,889	399	10,490
2003	15,220	-	-	6,671	-	8,549	152	8,397
2002	9,444	-	-	264	-	9,180	-	9,180
2001	9,639	-	-	251	-	9,388	10	9,378
2000	10,144	-	-	420	-	9,724	20	9,704
1999	10,745	-	-	10,271	-	474	55	419
1998 and prior	33,569	-	-	19,484	(5,740)	8,345	-	8,345
	$ 373,556	$ 8,657,612	$ 36,951	$ 56,960	$ (2,614)	$ 9,008,545	$ 8,667,294	$ 341,251

Schedule of Most Recent Net Assessed Property Value by Category

Description of Property	*Net Assessed Valuations*	*Levy*
Real Property - Residential	$ 686,549,707	$ 8,094,421
Motor Vehicles	38,886,116	1,436,842
Tangible and Personal Property	8,503,883	134,841
Total	733,939,706	9,666,104
Exemptions	(20,490,135)	(1,008,492)
Net assessed value	$ 713,449,571	$ 8,657,612

Reconciliation of Current Year Property Tax Revenue

Current year collections	$ 8,667,294
Adjustments and reversals	
Add: Revenue collected 60 days subsequent to fiscal year ending June 30, 2008	70,462
Less: Prior year revenue collected 60 days subsequent to fiscal year ended June 30, 2007	(62,454)
Refunds	(3,773)
Current year property tax revenue	$ 8,671,529

Statistical Section

This part of the Town of Foster's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

Contents **Page(s)**

Financial Trends **69-72**

These schedules contain trend information to help the reader understand how the Town's financial position has changed over time.

Revenue Capacity **73-76**

These schedules contain information to help the reader understand and assess the factors affecting the Town's ability to generate its most significant local revenue sources, the real and personal property tax .

Debt Capacity **77-81**

These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Economic and Demographic Information **82-83**

These schedules offer economic and demographic indicators to help the reader understand the environment within which the Town's financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.

Operating Information **84-86**

These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Town implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.

Schedule 1
Town of Foster, Rhode Island
Net assets by Component,
Last Five Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year				
	2004	2005	2006	2007	2008
Primary Government					
Governmental activities					
Invested in capital assets, net of related debt	$ 8,141,662	$ 7,818,191	$ 7,554,654	$ 7,619,259	$ 7,857,376
Restricted	2,744,263	2,160,845	2,754,266	2,458,707	1,849,009
Unrestricted	1,019,069	1,193,936	1,188,117	990,677	59,436
Total governmental activities net assets	$ 11,904,994	$ 11,172,972	$ 11,497,037	$ 11,068,643	$ 9,765,821

Note: Prior to implementation of GASB 34 in 2004, this information was not compiled and is unavailable.

Source: Town of Foster Audited Financial Statements

Schedule 2
Town of Foster, Rhode Island
Changes in Net Assets, Last Five Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year				
	2004	2005	2006	2007	2008
Expenses					
Governmental activities:					
Legislative, judicial and general administrative	$ 607,225	$ 440,374	$ 867,567	$ 1,075,154	$ 1,035,557
Health and Welfare	422,961	512,292	372,732	408,234	442,529
Public safety	1,147,883	1,104,600	1,101,109	1,386,698	1,486,792
Public works	805,567	825,897	579,346	841,178	1,456,055
Building and Zoning	41,983	39,448	41,013	50,392	51,663
Planning	48,761	49,767	32,860	33,299	84,255
Conservation	1,438	2,152	2,172	1,130	2,306
Recreation	46,564	31,787	65,544	43,017	58,407
Education	7,075,589	7,446,108	7,678,749	8,234,752	8,748,262
Food Services	96,497	95,391	88,411	86,708	69,428
Libraries	117,084	117,084	128,511	145,188	151,901
Total governmental activities expenses	$ 10,411,552	$ 10,664,900	$ 10,958,014	$ 12,305,750	$ 13,587,155
Program Revenues					
Governmental activities:					
Charges for services:					
Legislative, judicial and general administrative	$ 87,827	$ 189,331	$ 83,431	$ 109,165	$ 88,138
Health and Welfare	-	-	11,690	2,390	12,662
Public safety	45,706	22,536	50,736	67,426	53,321
Building and Zoning	111,232	50,448	108,054	69,140	41,624
Planning	3,532	7,996	24,355	25,447	24,030
Recreation	-	-	-	-	25,503
Education	-	-	26,925	23,871	7,911
Food Services	94,390	97,474	53,975	48,702	50,286
Operating grants and contributions:					
Legislative, judicial and general administrative	52,765	18,275	57,967	50,570	-
Health and Welfare	123,673	112,084	100,525	88,800	84,310
Public safety	21,365	6,964	36,603	58,273	37,018
Public works	-	22,941	56,820	-	3,841
Recreation	-	-	-	-	18,213
Education	1,644,038	1,630,447	1,633,010	1,696,003	1,739,138
Food Services	-	-	25,741	23,879	19,795
Capital grants and contributions:					
Health and Welfare	-	2,581	-	-	-
Public safety	-	71,533	-	-	-
Recreation	-	-	-	-	75,000
Total governmental activities program revenues	$ 2,184,528	$ 2,232,610	$ 2,269,832	$ 2,263,666	$ 2,280,790
Total primary government net expense	**$ (8,227,024)**	**$ (8,432,290)**	**$ (8,688,182)**	**$ (10,042,084)**	**$ (11,306,365)**
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Property taxes, levied for general purposes	$ 7,264,546	$ 7,367,545	$ 7,878,820	$ 8,262,363	$ 8,699,129
Unrestricted investment earnings	110,579	121,179	80,694	135,913	136,655
Other general revenues	935,132	912,658	1,052,733	1,215,414	1,167,759
Total primary government	$ 8,310,257	$ 8,401,382	$ 9,012,247	$ 9,613,690	$ 10,003,543
Change in Net Assets					
Governmental activities:					
Total primary government	$ 83,233	$ (30,908)	$ 324,065	$ (428,394)	$ (1,302,822)

Note: Prior to implementation of GASB 34 in 2004, this information was not compiled and is unavailable.
Source: Town of Foster Audited Financial Statements

Schedule 3
Town of Foster, Rhode Island
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	$ 112,116	$ 143,291	$ 34,272	$ 52,107	$ 41,797	$ 75,686	$ 57,169	$ 215,354	$ 324,771	$ 153,470
Unreserved	897,005	1,058,724	1,343,169	1,687,736	2,090,028	861,311	916,518	1,048,051	873,576	15,998
Total general fund	$ 1,009,121	$ 1,202,015	$ 1,377,441	$ 1,739,843	$ 2,131,825	$ 936,997	$ 973,687	$ 1,263,405	$ 1,198,347	$ 169,468
Education										
Reserved	$ 21,087	$ -	$ 10,250	$ 10,250	$ 101,631	$ 191,699	$ -	$ 45,361	$ 47,443	$ -
Unreserved	133,428	142,507	134,000	130,714	(27,374)	30,378	54,025	170,225	170,425	200,043
Total education fund	$ 154,515	$ 142,507	$ 144,250	$ 140,964	$ 74,257	$ 222,077	$ 54,025	$ 215,586	$ 217,868	$ 200,043
Capital Projects Funds										
Unreserved	$ 1,188,703	$ 1,166,223	$ 993,065	$ 1,015,644	$ 760,775	$ 2,037,104	$ 1,855,643	$ 2,043,158	$ 1,679,466	$ 1,221,785
Total Capital Projects fund	$ 1,188,703	$ 1,166,223	$ 993,065	$ 1,015,644	$ 760,775	$ 2,037,104	$ 1,855,643	$ 2,043,158	$ 1,679,466	$ 1,221,785
All Other Governmental Funds										
Reserved:										
Special revenue funds	$ 21,087	$ 40,920	$ 192,707	$ 159,591	$ 157,584	$ -	$ -	$ -	$ -	$ -
Unreserved, reported in:										
Special revenue funds	312,500	334,394	134,000	123,839	132,702	314,814	248,033	359,805	365,596	383,782
Total all other governmental funds	$ 333,587	$ 375,314	$ 326,707	$ 283,430	$ 290,286	$ 314,814	$ 248,033	$ 359,805	$ 365,596	$ 383,782

Source: Town of Foster Audited Financial Statements

Schedule 4
Town of Foster, Rhode Island
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
General property taxes	$ 5,747,353	$ 6,009,105	$ 6,115,700	$ 6,684,039	$ 6,683,186	$ 7,286,639	$ 7,414,157	$ 7,935,653	$ 8,180,828	$ 8,671,529
Intergovernmental and departmental revenue	1,603,649	1,866,130	2,199,780	2,360,963	2,535,134	2,697,218	2,778,954	2,951,604	3,191,398	3,094,718
Licenses and fees	197,741	201,836	175,838	180,626	178,714	277,013	267,070	240,720	226,129	190,949
Interest on investments	140,202	136,873	146,477	60,696	36,783	36,157	46,529	80,693	135,913	136,655
Other revenues	119,562	134,489	143,305	236,991	396,292	280,255	230,026	179,752	110,166	229,959
Total revenues	$ 7,808,507	$ 8,348,433	$ 8,781,100	$ 9,523,315	$ 9,830,109	$ 10,577,282	$ 10,736,736	$ 11,388,422	$ 11,844,434	$ 12,323,810
Expenditures										
Legislative, Judicial and general administrative	$ 234,441	$ 232,825	$ 266,425	$ 251,325	$ 278,567	$ 282,504	$ 289,988	$ 348,470	$ 428,867	$ 368,178
Financial Administration	133,724	141,333	135,386	153,405	167,713	170,584	163,171	211,329	253,008	252,432
Miscellaneous Administration	157,278	71,360	71,641	91,937	71,530	73,685	99,974	119,173	307,650	191,239
Health and Welfare	291,645	270,442	362,698	377,763	325,439	422,427	513,652	407,275	408,584	442,529
Public Safety	774,802	811,801	860,601	886,394	918,194	966,583	1,022,272	986,216	1,279,366	1,380,447
Public Works	574,612	496,723	589,621	572,301	589,069	606,544	631,506	475,938	691,686	829,703
Building and Zoning	38,951	36,436	38,332	40,808	39,705	39,604	40,471	41,013	50,392	51,663
Planning	30,599	27,990	15,050	33,637	30,907	35,774	55,023	32,860	17,799	84,255
Conservation	2,026	1,179	1,813	1,063	1,196	1,438	2,152	2,172	1,130	2,306
Recreation	18,016	19,553	19,265	19,824	19,682	30,564	31,137	33,601	34,424	70,479
Education	5,150,280	5,394,303	5,738,345	6,231,234	6,605,984	7,013,278	7,410,610	7,583,386	8,079,203	8,727,508
Food Services	71,148	70,525	91,529	90,474	96,388	96,497	95,391	88,411	86,708	69,428
Libraries	97,312	106,000	111,225	113,673	117,084	117,084	117,084	128,511	145,188	151,901
Land Trust	890	301	3,560	2,134	1,991	2,639	4,951	5,304	5,419	5,533
Capital Outlay	161,637	295,102	439,526	259,739	394,731	479,394	471,099	132,697	549,974	1,249,682
Principal	115,000	120,000	45,000	40,000	40,000	40,000	40,000	40,000	-	-
Interest	32,985	24,948	16,480	13,400	10,460	7,490	4,500	1,500	-	-
Total Expenditures	$ 7,885,346	$ 8,120,821	$ 8,806,497	$ 9,179,111	$ 9,708,640	$ 10,386,089	$ 10,992,981	$ 10,637,856	$ 12,339,398	$ 13,877,283
Excess of revenues over (under) expenditures	$ (76,839)	$ 227,612	$ (25,397)	$ 344,204	$ 121,469	$ 191,193	$ (256,245)	$ 750,566	$ (494,964)	$ (1,553,473)
Other Financing Sources (uses)										
Proceeds from lease	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 74,287	$ 67,274
Transfers from other funds	3,490,999	3,637,119	2,756,299	2,583,282	2,990,992	4,860,643	3,578,157	5,256,142	5,020,725	5,372,683
Transfers to other funds	(3,498,499)	(3,644,619)	(2,777,299)	(2,585,782)	(2,993,492)	(4,860,643)	(3,578,157)	(5,256,142)	(5,020,725)	(5,372,683)
Total other financing sources (uses)	(7,500)	(7,500)	(21,000)	(2,500)	(2,500)	-	-	-	74,287	67,274
Net change in fund balances	$ (84,339)	$ 220,112	$ (46,397)	$ 341,704	$ 118,969	$ 191,193	$ (256,245)	$ 750,566	$ (420,677)	$ (1,486,199)
Debt service as a percentage of noncapital expenditures	6.2%	6.4%	2.5%	2.2%	2.0%	1.8%	1.5%	1.5%	0.0%	0.0%

Note: This schedule includes revenues and expenditures of the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds
Source: Town of Foster Audited Financial Statements

Schedule 5
Town of Foster, Rhode Island
Assessed Value and Estimated Actual Value of Taxable Property,
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Real Property Assessed Value	Personal Property Assessed Value	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value	Total Assesed Value Before Exemptions
1999	132,178,994	24,105,718	588,397	155,696,315	37.00	$ 290,045,296	53.68%	156,284,712
2000	134,945,403	29,563,978	8,254,138	156,255,243	37.60	$ 287,339,542	54.38%	164,509,381
2001	146,574,825	32,156,837	13,967,927	164,763,735	37.50	$ 302,763,203	54.42%	178,731,662
2002	145,738,474	29,980,099	9,183,786	166,534,787	40.20	$ 308,340,654	54.01%	175,718,573
2003	148,787,085	30,531,080	12,034,953	167,283,212	40.20	$ 307,505,904	54.40%	179,318,165
2004	441,424,855	34,735,277	12,381,229	463,778,903	14.20	$ 486,958,109	95.24%	476,160,132
2005	450,161,256	36,450,788	12,935,749	473,676,295	14.10	$ 497,350,163	95.24%	486,612,044
2006	489,847,045	41,726,645	15,113,214	516,460,476	14.75	$ 542,557,491	95.19%	531,573,690
2007	680,214,030	46,545,864	20,212,335	706,547,559	11.24	$ 726,759,894	97.22%	726,759,894
2008	686,549,707	47,389,999	20,490,135	713,449,571	11.79	$ 679,122,086	105.05%	733,939,706

Full revaluations are performed every nine years. The last full revaluation was performed as of December 31, 1999, which affects fiscal year 2001.

Statistical revaluations are performed every three years except in the years a full revalutation is performed. A statistical revaluation was performed as of December 31, 2002, which affects fiscal year 2004 and also as of December 31, 2005, which affects fiscal year 2007.

Source: Tax Assessor's Annual Report to the Sate of Rhode Island

Schedule 6

Town of Foster, Rhode Island
Direct and Overlapping Property Tax Rates,
(rate per $1,000 of assessed value)
Last Ten Fiscal Years (1)
Unaudited

Fiscal Year	General Fund
1999	37.00
2000	37.60
2001	37.50
2002	40.20
2003	40.20
2004	14.20
2005	14.10
2006	14.75
2007	11.24
2008	11.79

Note:

(1) There are no overlapping governments, accordingly the entire tax assessment is applied to the General Fund

Schedule 7
Principal Property Tax Payers
Current Year and Nine Years Ago
Principal Payers
Unaudited

	2008				1999			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxes Assessed	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxes Assessed
City of Providence (PWSB)	$ 22,639,900	1	3.17%	$ 266,924	$ 7,853,300	1	4.98%	$ 295,284
Providence Public Buildings Authority (PWSB)	10,107,200	2	1.42%	119,164	1,865,100	3	1.18%	70,128
Narragansett Electric	8,246,617	3	1.16%	97,228	2,759,358	2	1.75%	103,752
Foster Country Club	3,489,828	4	0.49%	41,145	924,623	4	0.59%	34,766
Ginny B Inc	1,471,625	5	0.21%	17,350	336,321	11	0.21%	12,646
Foster Senior Housing	1,455,300	6	0.20%	17,158	529,000	6	0.34%	19,890
Nelson, Robert & Wendy	1,049,000	7	0.15%	12,368				
Walker, Muriel	1,011,600	8	0.14%	11,927				
Costa, David & Lisa	991,300	9	0.14%	11,687				
Stout, Winifred	969,000	10	0.14%	11,425				
Hawkins, John & Bertha	946,200	11	0.13%	11,156				
Campbell, Bruce	884,100	12	0.12%	10,424				
Gabriele, Clodomiro & Beatrice					667,775	5	0.42%	25,108
Spencer, Robert F & Marjorie					513,000	7	0.33%	19,289
Ford Motor Credit					397,978	8	0.25%	14,964
Gorham, Nicholas, DVM					377,613	9	0.24%	14,198
General Motors Acceptance Corp					338,669	10	0.21%	12,734
American Honda					322,707	12	0.20%	12,134
Totals	$ 53,261,670		7.22%	$ 627,955	$ 16,885,444		10.70%	$ 634,893

Note: The amounts presented represent the assessed values upon which 2008 and 1999 collections were based

Source: Assessor's Statement of Assessed Values and Tax Levy

Total Assesed Value	713,449,571	157,801,289
Tax Rate	$ 11.79	$ 37.60

Schedule 8
Town of Foster, Rhode Island
Property Tax Levies and Collections,
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1999	$ 5,760,469	$ 5,323,604	92.4%	$ 426,174	$ 5,749,778	99.8%
2000	5,877,799	5,594,995	95.2%	272,680	5,867,675	99.8%
2001	6,175,924	5,837,349	94.5%	328,945	6,166,294	99.8%
2002	6,619,905	6,362,535	96.1%	247,925	6,610,460	99.9%
2003	6,657,161	6,402,395	96.2%	239,699	6,642,094	99.8%
2004	7,276,528	7,025,891	96.6%	234,193	7,260,084	99.8%
2005	7,352,142	7,173,582	97.6%	166,336	7,339,918	99.8%
2006	7,843,650	7,694,094	98.1%	135,115	7,829,209	99.8%
2007	8,225,871	8,026,140	97.6%	177,759	8,203,899	99.7%
2008	8,657,612	8,435,912	97.4%	-	8,435,912	97.4%

Note: Collection data has been adjusted to reflect accruals for "60 day rule" collections

Source: Town of Foster - Tax Collector

Schedule 9
Town of Foster, Rhode Island
Ratios of Outstanding Debt by Type,
Last Ten Fiscal Years
Unaudited

Fiscal Year	Governmental Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Loan Payable	Capital Lease			
1999	290,000		75,000	365,000	0.53% (a)	84
2000	245,000	-	-	245,000	0.36% (a)	56
2001	200,000	-	-	200,000	0.21% (b)	46
2002	160,000	-	-	160,000	0.17% (b)	37
2003	120,000	100,000	253,893	473,893	0.50% (b)	111
2004	80,000	100,000	127,545	307,545	0.32% (b)	72
2005	40,000	-	-	40,000	0.04% (b)	9
2006	-	-	-	-	0.00% (b)	-
2007	-	-	47,879	47,879	0.05% (b)	11
2008	-	-	68,311	68,311	0.07% (b)	16

Notes: **- Details regarding the Town's outstanding debt can be found in the notes to the financial statements.**
- See Schedule 14 for personal income and population data.

(a) Ratio is calculated using personal income from 1990 census year.
(b) Ratio is calculated using personal income from 2000 census year.

Schedule 10
Town of Foster, Rhode Island
Ratios of General Bonded Debt Outstanding,
Last Ten Fiscal Years
Unaudited

	General Bonded Debt Outstanding			
Fiscal Year	General Obligation Bonds	Total	Percentage of Actual Taxable Value (a) of Property	Per Capita (b)
1999	290,000	290,000	0.19%	66.42
2000	245,000	245,000	0.16%	56.12
2001	200,000	200,000	0.12%	45.81
2002	160,000	160,000	0.10%	37.44
2003	120,000	120,000	0.07%	28.08
2004	80,000	80,000	0.02%	18.72
2005	40,000	40,000	0.01%	9.36
2006	-	-	0.00%	-
2007	-	-	0.00%	-
2008	-	-	0.00%	-

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

(a) Actual taxable value equals gross assessed value less exemptions.
(b) Population data can be found in Schedule 14.

Schedule 11
Town of Foster, Rhode Island
Direct and Overlapping Governmental Activities Debt
As of June 30, 2008
Unaudited

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Foster-Glocester Regional School District (a)	$ 59,060,000	33.85%	$ 19,991,810
Other debt			
Foster-Glocester Regional School District - BAN (a)	-	33.85%	-
Subtotal, overlapping debt			19,991,810
Town direct debt			-
Total direct and overlapping debt			$ 19,991,810

Sources: Debt outstanding data provided by each governmental unit.

(a) Estimated percentage applicable for the Foster-Glocester Regional School District provided by the State of Rhode Island Office of Municipal Affairs.

Schedule 12
Town of Foster, Rhode Island
Legal Debt Margin Information,
Last Ten Fiscal Years
Unaudited

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed Value	$ 713,449,571
Debt limit (3% of assessed value)	21,403,487
Debt applicable to limit:	
General obligation bonds	-
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	-
Legal debt margin	$ 21,403,487

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt limit	$ 4,670,889	$ 4,687,657	$ 4,942,912	$ 4,996,044	$ 5,018,496	$ 13,913,367	$ 14,210,289	$ 15,493,814	$ 21,196,427	$ 21,403,487
Total net debt applicable to limit	(290,000)	(245,000)	(200,000)	(160,000)	(120,000)	(80,000)	(40,000)	-	-	-
Legal debt margin	$ 4,380,889	$ 4,442,657	$ 4,742,912	$ 4,836,044	$ 4,898,496	$ 13,833,367	$ 14,170,289	$ 15,493,814	$ 21,196,427	$ 21,403,487
Total net debt applicable to the limit as a percentage of debt limit	6.21%	5.23%	4.05%	3.20%	2.39%	0.57%	0.28%	0.00%	0.00%	0.00%

Source: Finance Department, Foster, Rhode Island

(1) The Town's legal debt margin as set forth by Rhode Island State Statute is limited to three percent of total taxable assessed value.

Schedule 13
Town of Foster, Rhode Island
Pledged-Revenue Coverage,
Last Ten Years
Unaudited

The Town of Foster, Rhode Island does not have non-general obligation long-term debt backed by pledged revenues.

Schedule 14
Town of Foster, Rhode Island
Demographic and Economic Statistics,
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30	Population (1)	Personal Income (1)	Per Capita Personal Income (1)	Median Age(1)	School Enrollment (2)	Unemployment Rate (3)
1999	4,366	68,803,794	15,759	34.8	879	4.70%
2000	4,366	68,803,794	15,759	34.8	886	4.20%
2001	4,366	68,803,794	15,759	39.8	892	4.80%
2002	4,274	94,660,552	22,148	39.8	898	4.90%
2003	4,274	94,660,552	22,148	39.8	928	5.40%
2004	4,274	94,660,552	22,148	39.8	921	5.80%
2005	4,274	94,660,552	22,148	39.8	941	5.40%
2006	4,274	94,660,552	22,148	39.8	963	5.50%
2007	4,274	94,660,552	22,148	39.8	858	5.70%
2008	4,274	94,660,552	22,148	39.8	708	6.14%

Sources:

(1) Population, Personal Income, Per Capita Personal Income, and Median Age obtained from U.S. Census Bureau.

(2) School enrollment provided by the Foster-Glocester Regional and Foster School Business Offices. Enrollment includes students in Foster Public Schools and Foster students enrolled in Foster-Glocester Regional Schools.

(3) Unemployment rates obtained from State of Rhode Island Dept. of Labor and Training.

Schedule 15
Town of Foster, Rhode Island
Principal Employers,
Current Year and Nine Years Ago
Unaudited

	2008			1999		
Employer	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Foster Town & School Department	100	1	4.12%	118	1	4.99%
Foster Country Club	50	2	2.06%	30	2	1.27%
Shady Acres	25	3	1.03%			
Turnquist Lumber Co. Inc.	16	4	0.66%	17	3	0.72%
Total	191		7.87%	165		6.98%

Source: Rhode Island Economic Development Corporation and survey of Town businesses.

Schedule 16
Town of Foster, Rhode Island
Full-time Equivalent Town Government Employees by Function/Program,
Last Ten Fiscal Years
Unaudited

	Full-time Equivalent Employees as of June 30									
Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Central Administration										
Town Council	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Town Clerk	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Probate Court	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Building/Zoning	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.6
Planning	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	2.0
Financial Administration										
Treasurer's Office	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	2.0
Tax Collection	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Tax Assessor	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.6
Public Safety										
Police										
Officers	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	8.0
Civilians	4.5	4.5	4.5	4.5	4.5	4.0	4.8	4.8	4.8	4.5
Animal Control										
Officers	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6
Emergency Management	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Public Works Department										
Director	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Highway										
Driver/Laborer	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	6.5	6.5
Maintenance										
Building/Grounds	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Custodial	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Recreation Department										
Director	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Summer Programs	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	5.0	5.0
Human Services Department										
Director	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6

Source: Office of Human Resources, and Town Budgets

Schedule 17
Town of Foster, Rhode Island
Operating Indicators by Function/Program,
Last Ten Fiscal Years
Unaudited

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Safety										
Police										
Calls	3,086	3,125	3,177	2,905	2,853	3,234	3,392	7,020	11,796	13,748
Physical Arrests	132	128	141	111	116	99	85	102	161	164
Citations	529	790	656	522	846	591	623	1,166	1,971	1,533
Accidents	143	147	156	131	145	125	132	134	134	129
Animal Control										
Dog Licenses Issued							625	483	587	479
Public Works (Pickup Outsourced)										
Transfer Station										
Refuse Collected (avg. tons per month)		131	144	154	155	155	188	181	176	177
Recyclables Collected (avg. tons per month)		39	34	33	36	37	41	39	43	48
Highway										
Street resurfacing (miles)	0.0	0.0	13.0	3.0	2.0	0.0	0.0	4.0	0.0	7.0
Street repairs/crack sealing (miles)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0
Building/Zoning										
Commercial Construction Permits	0	0	0	0	0	0	0	0	0	0
Residential Construction Permits	20	19	34	29	26	31	23	22	14	9
Parks and Recreation										
Athletic Field Permits	0	0	0	0	0	0	0	0	0	0

Source: Various Town departments.

Schedule 18
Town of Foster, Rhode Island
Capital Asset Statistics by Function/Program,
Last Ten Fiscal Years
Unaudited

Function/Program	Fiscal Year 1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone Offices	-	-	-	-	-	-	-	-	-	-
Patrol Units/Motorcycles/ Radar Trailers	7	7	7	7	7	7	7	7	7	11
Animal Control										
Animal Shelters	0	0	0	0	0	0	0	0	0	0
Animal Patrol Unit	0	0	0	0	0	1	1	1	1	1
Public Works										
Transfer Station										
Roll-off Truck	0	0	0	0	0	0	0	0	0	0
Streets and Highways										
Street (miles)	113.0	113.0	113.0	113.0	113.0	113.0	113.0	113.0	113.0	113.0
Highways (miles, Town owned)	77.0	77.0	77.0	77.0	77.0	77.0	77.0	77.0	77.0	77.0
Highways (miles, State owned)	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0
Private Paved (miles)										
Park Access (miles)										
Driftway (miles)										
Streetlights										
Traffic Signals	2	2	2	2	2	2	2	2	2	2
Parks and Recreation										
Acreage	165.0	165.0	165.0	165.0	165.0	165.0	165.0	165.0	165.0	165.0
Playgrounds	1	1	1	1	1	1	1	1	1	1
Tennis Courts	0	0	0	0	0	0	0	0	0	0
Beaches	0	0	0	0	0	0	0	0	0	0
Baseball/Softball diamonds	2	2	2	2	2	2	2	2	2	2
Soccer/Football fields	1	1	1	1	1	1	1	1	1	1
Basketball Courts	1	1	1	1	1	1	1	1	1	1
Parks and Public Squares	2	2	2	2	2	2	2	2	2	2

Sources: Various Town Departments

CPA SM
America Counts on CPAs

BACON & COMPANY, CPA'S, LLC

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Warwick, RI 02886

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REPORT ON THE 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 President and
Members of the Town Council
Foster, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Foster, Rhode Island, as of and for the year ended June 30, 2008, which collectively comprise the Town of Foster, Rhode Island's basic financial statements, as listed in the table of contents and have issued our report thereon dated March 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood

that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in Appendix I as items 08-01 and 08-02 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above we consider item 08-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Foster, 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 Foster, Rhode Island in a separate letter dated March 12, 2009.

This report is intended solely for the information and use of management, the Town Council, 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.

Bacon & Company, CPAs, LLC

Warwick, Rhode Island
March 12, 2009

TOWN FOSTER, RHODE ISLAND
Appendix I
Year Ended June 30, 2008

Significant Deficiencies

Financial Reporting

08-01 ***Significant Deficiency*** – The Town must have internal controls in place that will prevent and detect material misstatements of the financial statements. The Town did not record and reconcile transactions between the General Fund and the Town's other governmental funds. The Town also did not perform timely reconciliations of the other general ledger accounts, including the reconciliation of the property tax subsidiary ledger to the general ledger. This lack of internal control procedures resulted in material misstatements in the financial statements going undetected. We proposed numerous audit adjustments to correct misstatements noted during the performance of our audit for the year ended June 30, 2008.

Recommendation – We strongly recommend that the Town perform monthly reconciliations of the general ledger accounts to bank reconciliations, subsidiary ledgers and supporting documentation. All variances noted should be corrected in a timely manner to prevent material misstatements of the financial statements. We also recommend that the Town implement a system to properly account for the interfund transactions between the General Fund and the other governmental funds.

Management Response – Management concurs with the observation and recommendation. All general ledger funds and account balances will be reconciled to supporting documentation and variances will be adjusted timely.

Capital Assets

08-02 ***Significant Deficiency*** – The Town and School Department do not have formal policies and procedures in place to properly maintain and account for these capital assets on a perpetual basis. Although a list of capital assets and depreciation expense were prepared as of June 30, 2008, the list was prepared after year-end and was incomplete and several audit adjustments were proposed to correct the list of capital assets and depreciation expense. The Town does not have procedures in place to maintain the list of capital assets on a perpetual basis or to provide for the periodic inventory of capital assets.

Recommendation – We strongly recommend that the Town implement policies and procedures to account for the addition and deletion list of capital assets throughout the year. We also recommend that the Town inventory capital assets and compare the inventory to its list of capital assets at least annually. This will ensure proper recording and safeguarding of capital assets.

Management Response – Management concurs with the observation and recommendation. Additions to capital assets will be recorded on an ongoing basis. Department heads will complete a physical inventory of assets annually and all adjustments noted through this process will be posted to the Capital Asset system of the general ledger program.