

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

*For the Fiscal Year Ended
June 30, 2011*

INTRODUCTORY SECTION

**THIS SECTION CONTAINS
THE FOLLOWING:**

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Town of Foster Organizational Chart

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TOWN OF FOSTER, RHODE ISLAND

TOWN COUNCIL

Gordon E. Rogers, President
Michael E. Dillon, Vice President
Lynne A. DeStefano
Marianne Knight
Neal C. Whitelaw

TOWN CLERK

Tina W. Freeman

TOWN SERGEANT

Michael Coggeshall

TREASURER / FINANCE DIRECTOR

Kelli Russ

TAX ASSESSOR

Patricia J. Moreau

TAX COLLECTOR

Nancy DeLaere

PLANNER

Ann-Marie Ignasher

BUILDING OFFICIAL

Peter Scorpio

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

Carol Mauro

PUBLIC WORKS DIRECTOR

Robert Clarkin

LIBRARY DIRECTOR

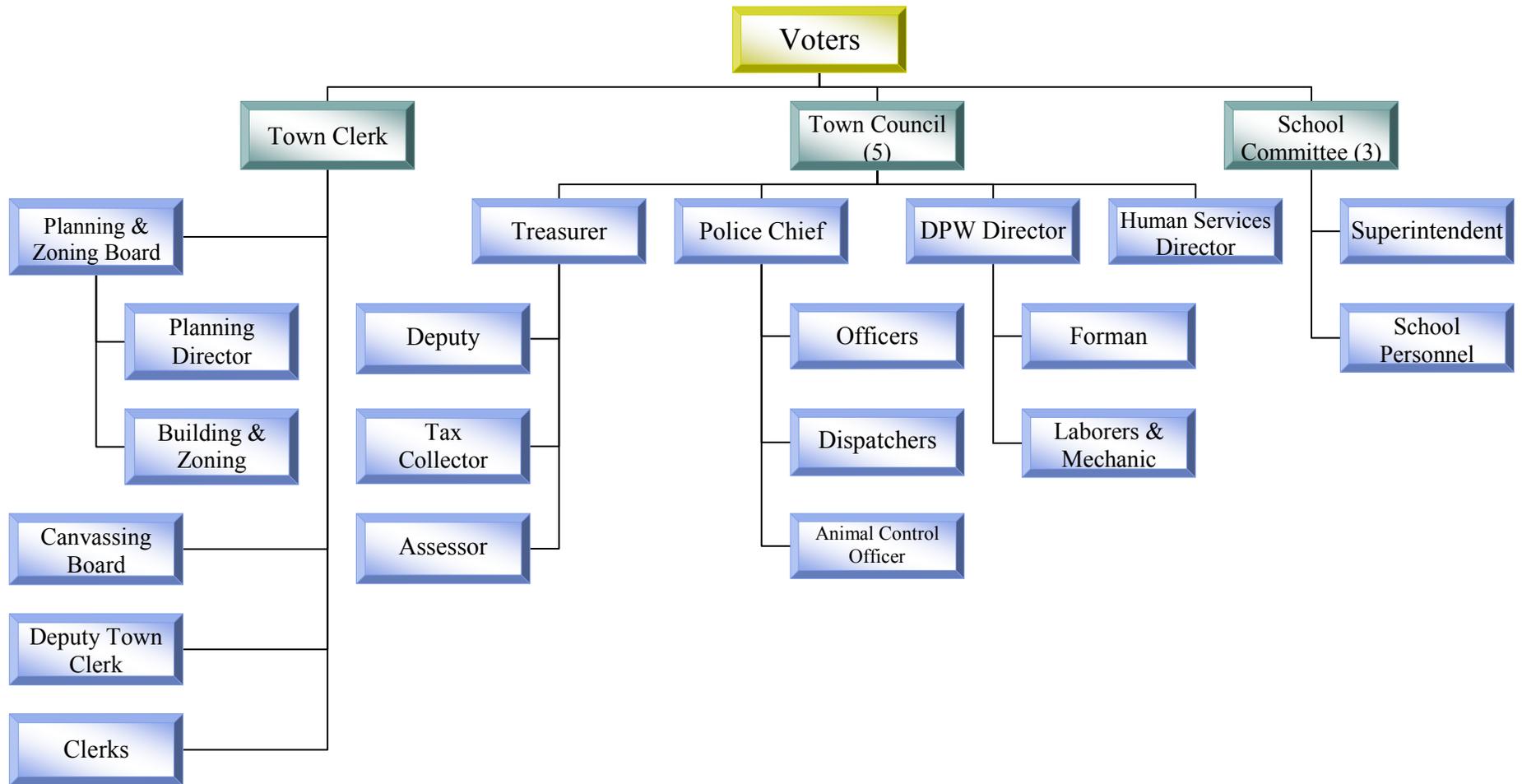
Kristin Chin

SCHOOL SUPERINTENDENT

Dr. Davida Irving

SCHOOL COMMITTEE

Shelley D. Pezza
Kathleen Tegan Swanson
Patricia A. Fountain



FINANCIAL SECTION

THIS SECTION CONTAINS THE FOLLOWING:

Independent Auditors' Report

Management Discussion and Analysis

Basic Financial Statements

Required Supplementary Information

Other Supplementary Information

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, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of 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, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 9, 2012 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 and other post-employment benefit information on pages 3 through 13 and 46 through 56 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.

Baern & Company, LLC

Warwick, Rhode Island
February 9, 2012

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2011
(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, 2011. We encourage readers to consider this information in conjunction with the Town's financial statements that follow.

FINANCIAL HIGHLIGHTS

- The Town's governmental funds reported combined ending fund balances of \$1,735,351. Approximately 16% (\$280,783) of this amount is unassigned.
- At the end of the current fiscal year unassigned fund balance for the general fund was \$283,510, or 2.4% of the total 2012 budgeted expenditures and other financing uses. This is an increase of \$136,829 from the previous year unassigned fund balance.
- The School unrestricted fund ended the year with a restricted (for education) fund balance of \$62,003. This is a decrease of \$104,660 from the prior year.
- The Town ended the fiscal year with a budgetary operating surplus of \$113,985. The underlying causes are discussed later in this document. The School ended with a budgetary operating loss of \$62,217 primarily due to the decrease in funding from the Town of Foster.
- On a government-wide basis the assets of the Town of Foster exceeded its liabilities as of June 30, 2011 by \$8,232,308. Net assets of the Town's component unit increased by \$160,365, or 10.11%, to \$1,746,523.
- The Town's Government-wide operating expenses were \$13,845,708 a 2.13% decrease from the prior year. Revenues recognized were \$13,371,455, a 1.32% decrease due mainly to a reduction in State aid.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2011
(Un-audited)

- The first two statements are government-wide statements that provide both long-term and short-term information about the Town's overall status.
- The remaining statements are fund statements that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements.
 - ▶ The *governmental fund* statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - ▶ Fiduciary fund statements provide information about assets that are held by the Town as trustee or agent for the benefit of someone or something other than the Town itself. The Town cannot use these assets to support its own programs.

The financial statements also include notes that provide more detailed data about some of the information in the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. This report also contains other supplementary information.

Government-wide financial statements – Government-wide financial statements (*Statement of Net Assets* and *Statement of Activities*) 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 most recent 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 future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

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 of this report.

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2011
(Un-audited)

Fund financial statements – A *fund* is a grouping (and self-balancing set) of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds – Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, 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. This provides the reader with a better understanding of the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains 32 active individual governmental funds and 1 fund within the component unit. Information is presented separately in the *Governmental Funds Balance Sheet* and in the *Governmental Funds 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 remaining 29 governmental 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 57 through 68 in this report. The individual funds within the component unit have been summarized into the data presented. The governmental fund financial statements can be found on pages 16 through 20 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The fiduciary funds maintained by the Town include 1 private purpose trust fund and 3 agency funds. The fiduciary funds financial statements can be found on pages 21 and 22 of this report. Individual fund data for the agency funds is provided in the form of combining statements on pages 69 and 70 of this report.

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

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2011
(Un-audited)

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. On a government-wide basis, the assets of the Town exceeded its liabilities at June 30, 2011 by \$8,232,308, a decrease of \$474,253, or 5.45% from 2010.

The most significant changes noted were:

Current assets increased by \$163,145 from 2010. Additionally, *current liabilities* decreased by \$47,937 from 2010. Much of the increase in *current assets* is due to an increase in cash and investments as a result of the increase in fund balance. The decrease in *current liabilities* directly relates to the decrease in accounts payable and accrued expenses from 2010. *Noncurrent assets* decreased by \$637,904 primarily due to depreciation and partially due to the write-off of a public service vehicle no longer owned by the Town of Foster.

The largest portion of the Town's net assets, \$6,571,739, or 79.83%, consists of its investments in capital assets such as land, buildings and improvements, motor vehicles, machinery 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.

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2011
(Un-audited)

Town of Foster
Statement of Net Assets

	June 30, 2011		June 30, 2010	
	Governmental	Component	Governmental	Component
	Activities	Unit	Activities	Unit
Current assets	\$ 2,826,606	\$ 258,468	\$ 2,663,461	\$ 180,195
Noncurrent assets	6,571,739	1,655,555	7,209,643	1,407,668
Total assets	<u>\$ 9,398,345</u>	<u>\$ 1,914,023</u>	<u>\$ 9,873,104</u>	<u>\$ 1,587,863</u>
Current liabilities	\$ 716,639	\$ 83,750	\$ 764,576	\$ 1,705
Noncurrent liabilities	449,398	83,750	401,967	-
Total liabilities	<u>\$ 1,166,037</u>	<u>\$ 167,500</u>	<u>\$ 1,166,543</u>	<u>\$ 1,705</u>
Net Assets:				
Invested in capital assets, net of related debt	\$ 6,571,739	\$ 1,488,055	\$ 7,187,242	\$ 1,407,668
Restricted	892,321	-	1,270,601	-
Unrestricted	768,248	258,468	248,718	178,490
Total net assets	<u>\$ 8,232,308</u>	<u>\$ 1,746,523</u>	<u>\$ 8,706,561</u>	<u>\$ 1,586,158</u>

An additional portion of the Town's net assets, \$892,321, or 10.84%, 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. Internally imposed designations of resources are not presented as restricted net assets.

At the end of the current year, the Town reports positive balances in all three categories of net assets for the government as a whole.

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2011
(Un-audited)

Changes in Net Assets

The government's net assets decreased by \$474,253 during the current fiscal year.

Town of Foster				
Statement of Activities				
	June 30, 2011		June 30, 2010	
	<u>Governmental</u>	<u>Component</u>	<u>Governmental</u>	<u>Component</u>
	<u>Activities</u>	<u>Unit</u>	<u>Activities</u>	<u>Unit</u>
<i>Revenues</i>				
<i>Program revenues</i>				
Charges for services	\$ 260,069	\$ 26,258	\$ 243,761	\$ 31,586
Operating grants	2,061,729	-	2,031,530	439
Capital grants	37,922	133,537	34,412	9,059
<i>General revenues</i>				
Property taxes	10,865,982	-	10,407,479	-
State aid	134,138	-	824,636	-
Interest and investment income	2,250	1,020	5,070	692
Miscellaneous	9,365	-	3,777	-
Total revenues	<u>\$ 13,371,455</u>	<u>\$ 160,815</u>	<u>\$ 13,550,665</u>	<u>\$ 41,776</u>
<i>Expenses</i>				
Legislative, judicial & general admin	\$ 1,012,984	\$ -	\$ 1,009,170	\$ -
Health and welfare	116,495	-	412,545	-
Public Safety	1,763,769	-	1,805,354	-
Public Works	1,112,112	-	1,112,606	-
Building and Zoning	50,027	-	51,725	-
Planning	65,832	-	70,704	-
Conservation	714	-	1,086	-
Recreation	30,031	-	59,294	-
Education	9,495,482	-	9,420,374	-
Food services	65,054	-	64,026	-
Libraries	133,208	-	140,219	-
Land Trust	-	450	-	439
Total expenses	<u>\$ 13,845,708</u>	<u>\$ 450</u>	<u>\$ 14,147,103</u>	<u>\$ 439</u>
Change in net assets	(474,253)	160,365	(596,438)	41,337
Net assets - beginning of year	<u>8,706,561</u>	<u>1,586,158</u>	<u>9,302,999</u>	<u>1,544,821</u>
Net assets - end of year	<u>\$ 8,232,308</u>	<u>\$ 1,746,523</u>	<u>\$ 8,706,561</u>	<u>\$ 1,586,158</u>

Governmental activities - Governmental activities decreased the Town's net assets by \$474,253. The key elements for this decrease are as follows:

- 1) A net decrease in capital assets due to capital transfers and depreciation.
- 2) A net increase in current assets due to and operating surplus from the Town.

Component unit activities - Component unit activities increased its net assets by \$160,365, or 10.11%, from 2010. The key element for this increase was the receipt of grants from the State for the purchase of open space.

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2011
(Un-audited)

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the Town'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, unassigned *fund balance* may serve as a useful measure of a government'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 \$1,735,351, an increase of \$203,314 in comparison with the prior year. The unassigned fund balance as of fiscal year ending 2011 was \$280,783, an increase of \$125,713 from the prior year.

Town of Foster Governmental Funds Fund Balances						
	Total General Fund 6/30/2011	Total Other Funds 6/30/2011	Total Governmental Funds 6/30/2011	Total General Fund 6/30/2010	Total Other Funds 6/30/2010	Total Governmental Funds 6/30/2010
Nonspendable:						
Prepaid expenditures	\$ 44,533	\$ 3,217	\$ 47,750	\$ 67,377	\$ -	\$ 67,377
Restricted:						
Education	-	145,916	145,916	-	208,173	208,173
Historical records preservation	-	61,286	61,286	-	58,910	58,910
Health and welfare programs	-	75,957	75,957	-	77,608	77,608
Public safety programs	-	5,607	5,607	-	21,987	21,987
Capital	-	589,053	589,053	-	736,645	736,645
Other programs	-	14,502	14,502	-	18,139	18,139
Committed:						-
Student population change	124,946	-	124,946	-		-
Townhouse maintenance	-	13,389	13,389	-	13,321	13,321
Recycling programs	-	8,104	8,104	-	8,830	8,830
Open space and conservation	-	133,813	133,813	-	125,749	125,749
Capital	203,710	-	203,710	9,371		9,371
Assigned:						-
Recreation	14,089	-	14,089	-	14,433	14,433
Other programs	16,446	-	16,446	-	16,424	16,424
Unassigned:	283,510	(2,727)	280,783	146,681	8,389	155,070
Total fund balances	<u>\$ 687,234</u>	<u>\$1,048,117</u>	<u>\$ 1,735,351</u>	<u>\$ 223,429</u>	<u>\$ 1,308,608</u>	<u>\$ 1,532,037</u>

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
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(Un-audited)

General Fund Budgetary Highlights

The Town finished FY 2011 with a budgetary surplus of \$113,985. While this surplus appears healthy, much of the surplus was a result of intervention. Once it was known the Town would suffer a significant budgetary operating loss as a result of the late changes made in the State's funding of the *motor vehicle phase-out*, every effort was made to reduce this impact.

Revenues

Actual revenues and other financing sources reported in 2011 were less than budgeted revenues reported by \$306,551, or 2.58%. This shortfall in revenues was a result of the following:

A significant negative budgetary variance occurred in the *motor vehicle phase-out* of \$754,218, or 91.7%. The impact of this variance was reduced because the actual *general property taxes* and *finances and interest on late payments* exceeded the budgeted estimates by \$415,783, or 3.97%, primarily due to a positive variance in prior year collections and the increase in levy to the maximum amount allowed at the FTM. The Town also received \$19,527 in excess of anticipated revenues classified as *other revenues*, primarily due to FEMA money received resulting from the state-wide flooding experienced in March, 2010.

Expenses

Budgeted expenditures and other financing uses in the Town's General Fund exceeded actual expenditures by \$420,536 or 3.55%. This was due to positive variances in every department resulting from the Town Council's implementation of "budget adjustments" throughout the year. Some of these changes included increases in health insurance co-pays, furlough days, the reduction of staff hours, and the overall elimination of non-essential expenditures. In addition to this, many appropriations to other departments or outside agencies were reduced. This included a reduction of the school's appropriation by \$157,333, or 5%; the library's appropriation by \$7,011 or 5%; and the ambulance corp. and fire companies by \$31,858, or 12.54%, including the funds reserved for training. Furthermore, the positive variance in *miscellaneous administration* of \$99,098 added to the Town's ability to obtain a small surplus in this environment.

This schedule is located on pages 46 to 50 of this report.

Capital Assets and Debt Administration

Capital Assets

The Town of Foster's investment in capital assets for its governmental activities as of June 30, 2011 amounted to \$6,571,739 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, motor vehicles, machinery and equipment, infrastructure, and construction in progress.

Additional information on the Town of Foster's capital assets is located in Note 6 on page 33 of the notes to the financial statements.

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2011
(Un-audited)

Town of Foster
Capital Assets (net of Accumulated Depreciation)

	June 30, 2011		June 30, 2010	
	Governmental Activities	Component Unit	Governmental Activities	Component Unit
Land	\$ 161,199	\$ 1,655,555	\$ 161,199	\$ 1,407,668
Construction in progress	11,572	-	-	-
Land Improvements	20,259	-	22,961	-
Buildings and improvements	2,186,865	-	2,284,098	-
Motor vehicles	232,200	-	690,285	-
Machinery and equipment	221,290	-	197,372	-
Infrastructure - roads and bridges	3,738,354	-	3,853,728	-
Total	<u>\$ 6,571,739</u>	<u>\$ 1,655,555</u>	<u>\$ 7,209,643</u>	<u>\$ 1,407,668</u>

Significant capital asset events during the current fiscal year included the following:

- | | |
|---|-------------|
| 1) Purchase of open space for the Foster Land Trust
(reported in the financial statements of the Component Unit) | \$247,887 |
| 2) Purchase of a new server for the Town Hall and Police Station | \$27,000 |
| 3) Mobile communication system for the police units | \$37,922 |
| 4) School intercom system | \$10,440 |
| 5) Transfer ownership of Tanker to South Foster Fire Co. | (\$310,958) |

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 \$18,366,757 (based on the net assessed valuation at December 31, 2009 of \$612,225,219). As of June 30, 2011, the Town had no outstanding bonds and notes issued within the 3% debt limit leaving a borrowing capacity of \$18,366,757.

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, 2011, the total outstanding debt of the Town issued outside the 3% debt limit was \$ 0.

TOWN OF FOSTER, RHODE ISLAND
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For the Year Ended June 30, 2011
(Un-audited)

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 Note 7 of the financial statements on page 34.

Economic Factors and Next Year's Budgets and Rates

- Unemployment rates as of June 30, 2011 and June 30, 2010

<u>6/30/2011</u>	<u>6/30/2010</u>	
10.7%	11.9%	Town of Foster
10.8%	11.4%	State of Rhode Island
9.2%	9.6%	United States

- Median household income in Foster was \$77,336 compared to the State of Rhode Island median income of \$54,119. The median income for the United States was \$50,221.
- Per Capita income in Foster was \$34,661 compared to the State of Rhode Island per capita income of \$28,638. The per capita income for the United States was \$27,041.
- Existing single-family home median sale prices were approximately \$312,877 in Foster, moderately higher than the state average of \$267,100.
- Foster ranks 37th in population (4,606 per 2010 census) among Rhode Island's 39 cities and towns.
- The Town's total general fund budget for fiscal year 2012 approved at the May, 2011 Financial Town Meeting is \$11,624,421, allocated as follows:
 - Education - \$7,610,634, or 65.47%
 - Capital - \$501,950, or 4.32% (includes a budgeted transfer to the capital project fund)
 - Other purposes - \$3,511,837, or 30.21%
- The 2012 FTM adopted budget reflects a decrease of \$235,574 or 1.99% from 2011. The decrease is primarily due to an overall decrease in expenditures necessitated by a reduction in the state reimbursement for the motor vehicle phase-out. Budget reductions include a reduction in funding Paine Elementary School, \$157,333; a reduction in capital expenditures of \$97,324; and a decrease in appropriation to outside public safety agencies of, \$23,018.

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For the Year Ended June 30, 2011
(Un-audited)

- In 2012 \$0 was appropriated from the Town's fund balance to offset expenditures. The motor vehicle exemption given to taxpayers per vehicle was reduced from \$6,000 to \$3,100.
- State law limits the amount a municipality can raise taxes to 104.25% of the prior year tax levy.
- The motor vehicle phase-out reimbursement remains at \$500.
- Municipal revenues, other than taxes, remain flat.
- 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 last full revaluation was performed as of December 31, 2008, which was the basis of the 2009 tax bills to be collected in the 2010 fiscal year end. The Town is in the process of completing a statistical revaluation which will affect the 2012 tax bills collectable in the 2013 fiscal year end. The Town's tax rates for 2012 and 2011 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	Fiscal Year	Increase
	<u>2011-12</u>	<u>2010-11</u>	<u>(Decrease)</u>
Real Property	\$ 17.58	\$ 17.58	\$ -
Motor vehicle	36.95	36.95	-
Tangible	24.16	24.16	-
Inventory	-	-	-

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Kelli Russ, Treasurer/Finance Director, Town of Foster, 181 Howard Hill Road, Foster, RI 02825.

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, 2011

	<u><i>Primary Government Governmental Activities</i></u>	<u><i>Component Unit Foster Land Trust</i></u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,843,968	\$ 236,900
Investments	200,428	20,000
Property taxes receivable	441,773	-
Accrued interest receivable	73,591	-
Due from federal and state governments	95,077	-
Other receivables	124,019	-
Due from primary government	-	1,568
Prepaid expenses	47,750	-
Total current assets	<u>2,826,606</u>	<u>258,468</u>
Noncurrent assets:		
Capital assets: (Note 7)		
Land and other nondepreciable assets	172,771	1,655,555
Depreciable buildings, property, equipment, and infrastructure (net)	<u>6,398,968</u>	<u>-</u>
Total noncurrent assets	<u>6,571,739</u>	<u>1,655,555</u>
Total assets	<u>9,398,345</u>	<u>1,914,023</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	646,876	-
Due to component unit	1,568	-
Current portion of loan payable	-	83,750
Compensated absences payable	61,429	-
Other liabilities	6,766	-
Total current liabilities	<u>716,639</u>	<u>83,750</u>
Noncurrent liabilities:		
Loan payable	-	83,750
Compensated absences payable	426,506	-
Net other post employment benefit obligation	22,892	-
Total noncurrent liabilities	<u>449,398</u>	<u>83,750</u>
Total liabilities	<u>1,166,037</u>	<u>167,500</u>
Net Assets		
Invested in capital assets- net of related debt	6,571,739	1,488,055
Restricted for:		
Capital purposes	589,053	-
Specific projects and programs	303,268	-
Unrestricted	<u>768,248</u>	<u>258,468</u>
Total net assets	<u>\$ 8,232,308</u>	<u>\$ 1,746,523</u>

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, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>	<u>Component Unit</u>
					<u>Total Governmental Activities</u>	<u>Foster Land Trust</u>
Primary Government:						
Governmental Activities:						
Legislative, judicial and general administrative	\$ 1,012,984	\$ 77,043	\$ 31,667	\$ -	\$ (904,274)	\$ -
Health and Welfare	116,495	3,547	60,229	-	(52,719)	-
Public safety	1,763,769	52,578	16,244	37,922	(1,657,025)	-
Public works	1,112,112	-	19,589	-	\$ (1,092,523)	-
Building and zoning	50,027	34,995	-	-	(15,032)	-
Planning	65,832	-	13,545	-	(52,287)	-
Conservation	714	-	-	-	(714)	-
Recreation	30,031	4,576	-	-	(25,455)	-
Education	9,495,482	50,914	1,894,790	-	(7,549,778)	-
Food services	65,054	36,416	25,665	-	(2,973)	-
Libraries	133,208	-	-	-	(133,208)	-
Total governmental activities	13,845,708	260,069	2,061,729	37,922	(11,485,988)	-
Component Unit:						
Foster Land Trust	450	26,258	-	133,537	-	159,345
General Revenues:						
Taxes:						
Property taxes, levied for general purposes					10,865,982	-
State aid, not restricted for a specific purpose					134,138	-
Interest and investment income					2,250	1,020
Miscellaneous					9,365	-
Total general revenues					11,011,735	1,020
Change in net assets					(474,253)	160,365
Net assets - beginning of year					8,706,561	1,586,158
Net assets - end of year					\$ 8,232,308	\$ 1,746,523

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, 2011*

	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Capital Projects Fund</i>	<i>Nonmajor Other Governmental Funds</i>	<i>Total Governmental Funds</i>
ASSETS					
Cash and cash equivalents	\$ 786,343	\$ 351,307	\$ 589,053	\$ 117,265	\$ 1,843,968
Investments	16,446	-	-	183,982	200,428
Property taxes receivable	441,773	-	-	-	441,773
Due from federal and state governments	61,386	1,429	-	32,262	95,077
Other receivables	22,858	101,161	-	-	124,019
Due from other funds	28,661	9,449	-	108,147	146,257
Prepaid expenditures	44,533	3,217	-	-	47,750
Total assets	\$ 1,402,000	\$ 466,563	\$ 589,053	\$ 441,656	\$ 2,899,272
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenditures	\$ 317,733	\$ 313,209	\$ -	\$ 15,934	\$ 646,876
Due to other funds	26,245	91,351	-	28,661	146,257
Due to component unit	1,568	-	-	-	1,568
Deferred revenues	362,454	-	-	-	362,454
Other liabilities	6,766	-	-	-	6,766
Total liabilities	714,766	404,560	-	44,595	1,163,921
Fund Balances					
Nonspendable:					
Prepaid expenditures	44,533	3,217	-	-	47,750
Restricted for:					
Education programs	-	58,786	-	87,130	145,916
Historical records preservation	-	-	-	61,286	61,286
Health and welfare programs	-	-	-	75,957	75,957
Public safety programs	-	-	-	5,607	5,607
Capital expenditures	-	-	589,053	-	589,053
Other programs	-	-	-	14,502	14,502
Committed for:					
Student population change	124,946	-	-	-	124,946
Townhouse maintenance	-	-	-	13,389	13,389
Recycling programs	-	-	-	8,104	8,104
Open space and conservation	-	-	-	133,813	133,813
Capital expenditures	203,710	-	-	-	203,710
Assigned for:					
Recreation programs	14,089	-	-	-	14,089
Other programs	16,446	-	-	-	16,446
Unassigned	283,510	-	-	(2,727)	280,783
Total fund balance	687,234	62,003	589,053	397,061	1,735,351
Total liabilities and fund balance	1,402,000	466,563	589,053	441,656	2,899,272

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, 2011*

<i>Total Fund Balances - Total Governmental Funds</i>	\$ 1,735,351
<i>Amounts reported for Governmental Activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. See note 6 to the financial statements.	6,571,739
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.	73,591
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.	362,454
Long-term liabilities (including capital leases payable, compensated absences and net opeb obligation) are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet. See note 7 to the financial statements.	<u>(510,827)</u>
<i>Net Assets - Governmental Activities</i>	<u><u>\$ 8,232,308</u></u>

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, 2011

	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Capital Projects Fund</i>	<i>Nonmajor Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues					
General property taxes	\$ 10,779,060	\$ -	\$ -	\$ -	\$ 10,779,060
Intergovernmental and departmental revenues	190,181	1,266,214	-	756,996	2,213,391
Licenses and permits	58,168	-	-	-	58,168
Building and zoning fees	99,209	-	-	-	99,209
Fines and interest on late payments	34,995	-	-	-	34,995
Interest on investments	809	-	1,254	187	2,250
Other revenues	78,619	50,914	-	58,842	188,375
Total revenues	<u>11,241,041</u>	<u>1,317,128</u>	<u>1,254</u>	<u>816,025</u>	<u>13,375,448</u>
Expenditures					
Current:					
Legislative, judicial and general administrative	351,454	-	-	35,946	387,400
Financial administration	241,963	-	-	-	241,963
Miscellaneous administration	231,064	-	-	-	231,064
Health and welfare	42,360	-	-	74,135	116,495
Public safety	1,313,079	-	-	32,624	1,345,703
Public works	934,854	-	-	3,226	938,080
Building and zoning	50,027	-	-	-	50,027
Planning	65,832	-	-	-	65,832
Conservation	714	-	-	-	714
Recreation	29,270	-	-	-	29,270
Education	4,391,513	4,411,121	-	582,422	9,385,056
Food services	-	-	-	65,054	65,054
Libraries	133,208	-	-	-	133,208
Land trust	2,547	-	-	-	2,547
Capital outlay	179,721	-	-	-	179,721
Total expenditures	<u>7,967,606</u>	<u>4,411,121</u>	<u>-</u>	<u>793,407</u>	<u>13,172,134</u>

(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, 2011

	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</i>	3,273,435	(3,093,993)	1,254	22,618	203,314
<i>Other financing sources (uses)</i>					
Transfers from other funds	374,060	2,989,333	225,214	-	3,588,607
Transfers to other funds	(3,214,547)	-	(374,060)	-	(3,588,607)
<i>Total other financing sources (uses)</i>	<u>(2,840,487)</u>	<u>2,989,333</u>	<u>(148,846)</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	432,948	(104,660)	(147,592)	22,618	203,314
<i>Fund balances - beginning of year - restated</i>	<u>254,286</u>	<u>166,663</u>	<u>736,645</u>	<u>374,443</u>	<u>1,532,037</u>
<i>Fund balances - end of year</i>	<u>\$ 687,234</u>	<u>\$ 62,003</u>	<u>\$ 589,053</u>	<u>\$ 397,061</u>	<u>\$ 1,735,351</u>

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, 2011*

<i>Net Changes in Fund Balances - Total Governmental Funds</i>	\$ 203,314
 <i>Amounts reported for Governmental Activities in the Statement of Activities are different because:</i>	
Governmental Funds financial statements report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital asset additions recorded in the current period.	86,934
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in Governmental Funds financial statements.	(413,880)
Loss on disposal of capital assets is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, the loss on disposal of capital assets is not reported as an expenditure in the Governmental Funds financial statements.	(310,958)
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 lease principal 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 long-term debt payments.	22,401
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.	(48,122)
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.	(10,284)
Revenues in the Statement of Activities that are not available in Governmental Funds are not reported as revenue in the Governmental Funds.	6,291
Long-term net other post employment benefit (OPEB) obligations are reported in the Government-Wide financial statements, but do not require the use of current financial resources. Therefore, net OPEB obligations are not reported as expenditures in Governmental Funds financial statements	(9,949)
 <i>Change in Net Assets of Governmental Activities</i>	 <u><u>\$ (474,253)</u></u>

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, 2011

	<u><i>Private- purpose Trusts Cemetery Fund</i></u>	<u><i>Agency Funds</i></u>
<i>Assets</i>		
Cash and cash equivalents	\$ 28,859	\$ 24,027
<i>Total assets</i>	<u>28,859</u>	<u>24,027</u>
 <i>Liabilities</i>		
Deposits held in custody for others	<u>-</u>	<u>24,027</u>
<i>Total liabilities</i>	<u>-</u>	<u>24,027</u>
 <i>Net Assets</i>		
Held in trust for other purposes	<u>\$ 28,859</u>	<u>\$ -</u>

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, 2011

	<i>Private- purpose Trusts</i>	<i>Cemetery Fund</i>
<i>Additions</i>		
<i>Investment earnings:</i>		
Interest and dividends	\$ 59	
Other revenue	400	
<i>Total additions</i>	459	
 <i>Deductions</i>		
Miscellaneous	5,177	
<i>Total deductions</i>	5,177	
<i>Change in net assets</i>	(4,718)	
<i>Net assets - beginning of year</i>	33,577	
<i>Net assets - end of year</i>	\$ 28,859	

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

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

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, 2011 or for the year then ended.

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

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.

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

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes (other than debt service or capital projects). The Town’s major special revenue fund is the School Unrestricted Fund, which accounts for resources to provide primary education to the Town’s children.

Capital Project Funds – Capital project funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlay, including the acquisition or construction of major capital facilities and other capital assets (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 to finance the purchases 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, 2011, 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

TOWN OF FOSTER, RHODE ISLAND
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(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, state aid, 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.

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".

TOWN OF FOSTER, RHODE ISLAND
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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 reported as nonspendable.

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:

	<u>Years</u>
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 to no more than 4.50% over that of the preceding year.

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

K. COMPENSATED ABSENCES

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

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

L. 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 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.

TOWN OF FOSTER, RHODE ISLAND
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Unrestricted – represents the residual component of net assets that does not meet the definition of “restricted” or “investment in capital assets, net of related debt”.

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

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

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

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

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

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. LEGAL DEBT MARGIN

The Town’s legal debt margin as set forth by State Statute is limited to three percent of total taxable assessed value which approximates \$18,366,757. As of June 30, 2011, the Town’s debt is under the limit by \$18,366,757.

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

B. DEFICIT FUND BALANCE IN FUND FINANCIAL STATEMENTS

The following individual funds reported deficits in the unassigned fund balance in the fund financial statements at June 30, 2011:

Human Services Special Needs	\$(288)
School Lunch	(2,439)

NOTE 3 – 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”.

	<u>Primary Government</u> <i>Carrying Amount</i>	<u>Component Unit</u> <i>Carrying Amount</i>
Total Deposits	\$1,896,099	\$236,900
Add: Petty Cash	755	-
Total Cash and Cash Equivalents Reported in the Financial Statements	\$1,896,854	\$236,900

CUSTODIAL CREDIT RISK – custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a formal deposit policy for custodial credit risk but is governed by State Laws as described below. As of June 30, 2011, \$1,058,632 of the Town’s bank balance of \$2,378,454 was exposed to custodial credit risk as follows:

	<u>Primary Government</u> <i>Bank Balance</i>	<u>Component Unit</u> <i>Bank Balance</i>
Insured (Federal depository insurance funds)	\$1,319,822	\$ -
Collateralized with securities held by pledging financial institution or its agent in the Town’s name	821,483	237,149
Uninsured and uncollateralized	-	-
Total	\$2,141,305	\$237,149

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.

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

NOTE 4 – INVESTMENTS

General Fund investments are governed by Title 35, Chapter 10, Section 11 of the State’s General Laws. This law generally allows for short-term investments, such as certificate of deposits, money market funds, and obligations guaranteed by the United States Government, etc., with the goal of seeking reasonable income while preserving capital. As of June 30, 2011, the Town had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Primary Government Fair Value</u>	<u>Component Unit Fair Value</u>	<u>Rating</u>
MBIA RI Investment Pool	N/A	\$200,428	\$ -	not rated
RI Health and Educational Building Corporation Series 2006A Revenue Bonds Lifespan Obligation Group	5/15/2032	-	10,000	Moody’s – A3/ S&P A-
Rhode Island Student Loan Authority Revenue Bonds 2008 Series B	12/01/2024	-	10,000	Moody’s – Aa2/VMIG
Total Investments reported in the Financial Statements		<u>\$200,428</u>	<u>\$20,000</u>	

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 is governed by State Laws that limit investment choices to short-term investments for its public deposits (General Fund). The Town does not have a formal investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Town does not have any policies that limit the amount the Town may invest in any one issuer.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy related to custodial credit risk. The Town’s investments held by the Town’s counterparty are held in the Town’s name.

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
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NOTE 5 – INTER-FUND TRANSACTIONS

Inter-fund receivable and payable balances at June 30, 2011 are as follows:

	<i>Due From:</i>			<i>Total</i>
	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Other Governmental Funds</i>	
<i>Due To:</i>				
General Fund	\$ -	\$ -	\$ 28,661	\$ 28,661
School Unrestricted Fund	9,449	-	-	9,449
Other Governmental Funds	16,796	91,351	-	108,147
<i>Total</i>	\$ 26,245	\$ 91,351	\$ 28,661	\$ 146,257

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, 2011 are as follows:

	<i>Transfer From:</i>		<i>Total</i>
	<i>General Fund</i>	<i>Capital Projects Fund</i>	
<i>Transfer To:</i>			
General Fund	\$ -	\$ 374,060	\$ 374,060
School Unrestricted Fund	2,989,333	-	2,989,333
Capital Projects Fund	225,214	-	225,214
<i>Total</i>	\$ 3,214,547	\$ 374,060	\$ 3,588,607

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 \$2,989,333 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.

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

NOTE 6 - INFORMATION ABOUT CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Primary Government -				
Governmental Activities:				
Nondepreciable assets:				
Land	\$ 161,199	\$ -	\$ -	\$ 161,199
Construction in progress	-	11,572	-	11,572
Total nondepreciable assets	<u>161,199</u>	<u>11,572</u>	<u>-</u>	<u>172,771</u>
Depreciable assets:				
Land improvements	179,766	-	-	179,766
Buildings and improvements	4,366,504	-	-	4,366,504
Motor vehicles	2,928,523	-	476,706	2,451,817
Machinery and equipment	715,782	75,362	31,098	760,046
Infrastructure - roads and bridges	7,415,310	-	-	7,415,310
Total capital assets	<u>15,767,084</u>	<u>86,934</u>	<u>507,804</u>	<u>15,346,214</u>
Less accumulated depreciation for:				
Land improvements	156,805	2,702	-	159,507
Buildings and improvements	2,082,406	97,233	-	2,179,639
Motor vehicles	2,238,238	147,127	165,748	2,219,617
Machinery and equipment	518,410	51,444	31,098	538,756
Infrastructure - roads and bridges	3,561,582	115,374	-	3,676,956
Total accumulated depreciation	<u>8,557,441</u>	<u>413,880</u>	<u>196,846</u>	<u>8,774,475</u>
Governmental activities capital assets, net	<u>\$ 7,209,643</u>	<u>\$ (326,946)</u>	<u>\$ 310,958</u>	<u>\$ 6,571,739</u>
Component Unit:				
Nondepreciable assets:				
Land	\$ 1,407,668	\$ 247,887	\$ -	\$ 1,655,555
Total nondepreciable assets	<u>1,407,668</u>	<u>247,887</u>	<u>-</u>	<u>1,655,555</u>
Component unit capital assets, net	<u>\$ 1,407,668</u>	<u>\$ 247,887</u>	<u>\$ -</u>	<u>\$ 1,655,555</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Legislative	\$ 145,859
Public education	69,093
Public safety	125,371
Public works	72,796
Recreation	761
Total governmental activities depreciation expense	<u>\$ 413,880</u>

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
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NOTE 7 – LONG-TERM LIABILITIES

A. LONG TERM LIABILITIES

Long term liabilities for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Capital lease payable	\$ 22,401	\$ -	\$ 22,401	\$ -	\$ -
Accrued compensated absences	439,813	48,122	-	487,935	61,429
Net other post-employment benefit obligation	12,943	9,949	-	22,892	-
Total Governmental Activities Long-Term Liabilities	<u>\$ 475,157</u>	<u>\$ 58,071</u>	<u>\$ 22,401</u>	<u>\$ 510,827</u>	<u>\$ 61,429</u>
Component Unit (Foster Land Trust):					
Loan payable	\$ -	\$ 167,500	\$ -	\$ 167,500	\$ 83,750
Total Component Unit Long-Term Liabilities	<u>\$ -</u>	<u>\$ 167,500</u>	<u>\$ -</u>	<u>\$ 167,500</u>	<u>\$ 83,750</u>

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

B. LOAN PAYABLE

The Foster Land Trust entered into a purchase and sales agreement for the purchase of land to be held by the Foster Land Trust. The Foster Land Trust assumed from the seller a loan balance of \$167,500 on July 27, 2010, the purchase settlement date. The loan is payable in two annual installments of \$83,750, which are due July 27, 2011 and July 27, 2012, and is non-interest bearing.

NOTE 8 – TRANSCATIONS WITH THE FOSTER LAND TRUST

For the year ended June 30, 2011, the Town's General Fund reported the following balances related to the Foster Land Trust:

Due to Foster Land Trust	<u>\$ 1,568</u>
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TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
June 30, 2011

NOTE 9 – 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, 2011, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General	\$ 104,506	\$ 24,747	\$ 188,480	\$ 317,733
School Unrestricted	300,480	11,046	1,683	313,209
Other Governmental Funds	15,934	-	-	15,934
Total	<u>\$ 420,920</u>	<u>\$ 35,793</u>	<u>\$ 190,163</u>	<u>\$ 646,876</u>

NOTE 10 – 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, 2011 was \$4,391,513. 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 11 – 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.

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

NOTE 12 – 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. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years.

NOTE 13 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES AND COMMITMENTS

The Foster-Glocester Regional School District filed a petition with the Commissioner of Education alleging that the Town of Foster unlawfully reduced its 2010/2011 contributions to the Regional School District by five percent (5%) or \$188,480. The Town in its defense contended that Rhode Island General Law 16-7-23(a) allowed it to reduce its contribution for the fiscal year 2011 to an amount no less than ninety-five percent (95%) of the contributions made for fiscal year 2009. The RI Commissioner of Education issued a decision dated April 19, 2011, ordering the Town to pay the Foster-Glocester Regional School District the disputed amount in full. The Town subsequently appealed this decision to the RI Board of Regents for Elementary and Secondary Education, and to the RI Superior Court. The Town and School District ultimately entered into a settlement agreement in September 2011 that dismissed the stipulations for the appeals pending before the RI Board of Regents and the RI Superior Court. The settlement resulted in the Town re-paying the entire \$188,480 to the School District, based on the payment terms outlined in the settlement agreement.

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

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

NOTE 14 – RESTATEMENTS

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

	<u><i>General Fund</i></u>	<u><i>Other Governmental Funds</i></u>
Fund balances - June 30, 2010, as previously reported	\$ 223,429	\$ 405,300
Reclassification of funds due to implementation of GASB Statement No. 54	<u>30,857</u>	<u>(30,857)</u>
Fund balances - June 30, 2010, as restated	<u><u>\$ 254,286</u></u>	<u><u>\$ 374,443</u></u>

NOTE 15 – POST RETIREMENT BENEFITS

Plan Description

The Town of Foster administers a single-employer, defined benefit post-employment health insurance plan. This plan does not include the pension benefits discussed in Note 16. The plan provides medical and dental insurance for eligible retirees and their dependents through the Town’s group health and dental insurance plans, which cover both active and retired members. Benefit provisions are established and amended by the union contracts through negotiations between the Town and the respective unions. The plan does not issue a publicly available financial report. The Town implemented GASB Statement No. 45 in fiscal year 2010 on a prospective basis.

Funding Policy

Contribution requirements are negotiated between the Town and the respective unions. The Town is required to contribute the cost of medical and dental benefits, less the amount of any applicable employee share of medical or dental premiums. For the year ended June 30, 2011, the plan operated on a pay as you go basis and no provision has been made to fund future benefits to be provided to plan members. For the fiscal year ended June 30, 2011, the Town contributed \$66,217 to the plan.

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
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Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution (ARC)	\$76,192
Interest on net OPEB obligation	518
Adjustment to annual required contribution	(544)
Annual OPEB cost	<u>76,166</u>
Contributions made	<u>(66,217)</u>
Increase in net OPEB obligation	9,949
Net OPEB obligation, beginning of year	<u>12,943</u>
Net OPEB obligation, end of year	<u><u>\$22,892</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2010 and 2011 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/10	\$73,806	82.5%	\$12,943
6/30/11	76,166	86.9%	22,892

Funded Status and Funding Progress

The funded status of the Town's plan as of July 1, 2009, the most recent actuarial valuation, is as follows:

Actuarial Accrued Liability (AAL)	\$780,502
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$780,502</u>
Funded ratio (Actuarial Value of Plan Assets/AAL)	0%
Annual Covered Payroll (Active Plan Members)	N/A
UAAL as a Percentage of Covered Payroll	N/A

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

Actuarial Methods and Assumptions

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

The annual required contribution for fiscal 2011 was determined as part of the July 1, 2009 actuarial valuation using entry age cost method. Under this method, the Actuarial Present Value of Projected Benefits of each individual included in the Actuarial Valuation is allocated on a level basis over future earnings of the individual between entry age and assumed exit ages(s). The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at the valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability. The actuarial assumptions included: a) 4% discount rate and b) medical inflation rate – 10% per year grading down to an ultimate rate of 5.0% until 2014. The unfunded actuarial accrued liability as of the July 1, 2009 is being amortized using level percent of payroll on a closed basis based on 30 year amortization.

NOTE 16 – PENSION PLANS

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

All Town of Foster certified school personnel participate in the Employees' Retirement System of the State of Rhode Island ("ERS"), a cost-sharing multiple-employer defined benefit plan administered by the State of Rhode Island. The payroll for employees covered by the ERS for the year ended June 30, 2011 was \$2,049,191.

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

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

Plan Description

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

Retirement Eligibility:

(i) Grandfathered Schedule A members – members with at least 10 years of contributory service at June 30, 2005 and eligible for retirement at September 30, 2009 – are eligible to retire on or after age 60 if they have credit for 10 years of service, or at any age if they have credit for 28 years of service.

(ii) Schedule B members – members with less than 10 years of contributory service as of June 30, 2005 – and members hired on or after that date are eligible for retirement on or after age 65 if they have credit for 10 years of service, or on or after age 62 if they have credit for 29 years of service. In addition, a member who attains age 62 with at least 20 years of service credit may retire with an actuarially reduced retirement benefit. The reduction is based on the difference between 65 and the member's age of retirement.

(iii) Schedule A members who are not grandfathered i.e., members who had at least 10 years of creditable service at June 30, 2005 but who were not eligible to retire on September 30, 2009, will be eligible for retirement at an individually determined age. This age is the result of interpolating between the retirement age under the rules applicable to grandfathered employees in (i) above and the retirement age applicable to members hired after September 30, 2009 in (ii) above. The interpolation is based on service as of September 30, 2009 divided by projected service at the retirement age under (i) above.

Monthly Benefit:

The retirement benefit is a percentage of the member's monthly final average compensation (FAC). For members eligible to retire as of September 30, 2009, their FAC will be based on the highest three consecutive annual salaries. For members not eligible to retire as of September 30, 2009, their FAC will be based on the highest five consecutive years of salary. Monthly benefits are based on one-twelfth of this amount. The percentage is a function of the member's service as described below.

(i) For grandfathered Schedule A members (members with at least 10 years of contributory service at June 30, 2005 and eligible for retirement as September 30, 2009), benefits are based on the following schedule (Schedule A):

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

<u>For Service In:</u>	<u>Years</u>	<u>Benefit Percentage Earned</u>
The first 10 years of service	1-10	1.7% per year
The next 10 years of service	11-20	1.9% per year
The next 14 years of service	21-34	3.0% per year
The next 1 year of service	35	2.0% per year

The maximum benefit is 80% of FAC.

(ii) For Schedule B members (members with less than 10 years of contributory service as of June 30, 2005) and for all future hires, benefits are based on the following schedule (Schedule B):

<u>For Service In:</u>	<u>Years</u>	<u>Benefit Percentage Earned</u>
The first 10 years of service	1-10	1.6% per year
The next 10 years of service	11-20	1.8% per year
The next 5 years of service	21-25	2.0% per year
The next 5 years of service	26-30	2.25% per year
The next 14 years of service	31-37	2.50% per year
The next 1 year of service	38	2.25% per year

The maximum benefit is 75% of FAC.

(iii) For Schedule A members who are not grandfathered, i.e., members who had at least 10 years of creditable service at June 30, 2005 but who were not eligible to retire on September 30, 2009, benefits are based on Schedule A (under (i) above) for service through September 30, 2009 and on Schedule B (under (ii) above) for service after September 30, 2009. The maximum benefit is 80% of FAC.

Post-Retirement Benefit Increase:

(i) For members with at least 10 years of contributory service as of June 30, 2005 who are retired or eligible to retire as of September 30, 2009, and for all members receiving a disability retirement benefit on that date (Schedule A members): a 3.00% compound increase in their retirement benefit each year, beginning in January of the year in which the member reaches the third anniversary of retirement. This increase is not a function of actual increases in the cost of living.

(ii) For other members who retired or were eligible to retire as of June 30, 2010: a compound increase in their retirement benefit each year equal to the increase in the CPI, effective on each anniversary date beginning on the third anniversary of retirement. This increase is limited to 3.00%.

(iii) For other members who were not retired or were not eligible to retire as of June 30, 2010: a compound increase in their first \$35,000 of annual retirement benefit each year equal to the increase in the CPI, effective on each anniversary date beginning on the later of the member's third anniversary of retirement and the month following their 65th birthday. This increase is limited to 3.00%. Additionally, the \$35,000 annual COLA limit is applicable for benefits paid in 2010 and would be indexed annually to increase in the same manner as COLAs for Schedule B members (CPI for the year, not greater than 3.0%).

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

Funding Policy

Covered employees are required by State Statute to contribute 9.5% of their salary to the plan. The State and the School Department are required to contribute an amount determined annually by the actuary and as provided by State Statute. The split between State and the School Department is specified by State Statute. The contribution requirement for fiscal year ended June 30, 2011 was 19.01%. The Teachers' Plan cost is paid 60% by the School Department and 40% by the State. However, the State will pay the total cost of the contribution deferrals which were .26% for the fiscal year ended June 30, 2011. This results in a contribution requirement for the School of 11.25% and a contribution requirement for the State of 7.76%.

The State contribution for the cut-off year ended June 30, 2011 was \$159,017 which represented 7.76% of covered payroll. The payments made by the State to the Employees' Retirement System are considered on-behalf payments and are reported as a revenue and as an expenditure in the financial statements. The School's contribution requirement for the cut-off year ended June 30, 2011 was \$425,354 which consisted of \$230,680 from the School Department, and \$194,674 from employees. These contributions represented 11.25% and 9.5% of covered payroll respectively. The annual required contribution was determined as part of the June 30, 2008 actuarial valuation.

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

Three-Year Trend Information

<i>Fiscal Year</i>	<i>Annual Required Contribution</i>	<i>Percentage Contributed</i>
2009	\$230,690	100%
2010	\$215,412	100%
2011	\$230,680	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, 2011 was \$1,620,770 (General employees - \$1,216,592, and Police officers - \$404,178).

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, 50 Service Avenue, Warwick, Rhode Island 02886.

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

Plan Description

The following eligibility and benefit provisions are established by Rhode Island General Laws, Title 45, Chapter 19, 19.1, 21, 21.1, 21.2 and 21.3 and may be amended by State Statute. The MERS generally provides retirement benefits equal to 2% of a member's final average compensation multiplied by the number years of total service up to 37.5 years, to a maximum benefit of 75% of final average compensation. Final average compensation is the average of the three highest consecutive years of annual earned compensation 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. Under the 25-year service normal pension plan, police and firefighters may retire with unreduced accrued benefits at or after age 55 with 10 years of service or after 25 years regardless of age. The benefit accrual rate is 2% of final average compensation per year of service. 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 compensation per year of service up to 30 years, to a maximum benefit of 75% of final average compensation. 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 2011 was 6.92% of covered payroll for general employees, and 18.28% for police officers.

Annual Pension Cost

For fiscal year 2011, the Town's annual pension cost of \$158,150 for the MERS was equal to the Town's required and actual contributions.

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

Three-Year Trend Information

GENERAL MUNICIPAL EMPLOYEES

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	\$83,458	100%	\$ -
2010	\$86,156	100%	\$ -
2011	\$84,266	100%	\$ -

POLICE OFFICERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	\$84,953	100%	\$ -
2010	\$66,162	100%	\$ -
2011	\$73,884	100%	\$ -

The required contribution was determined as part of the June 30, 2008 actuarial valuation. The actuarial method used is the entry age actuarial cost method. Under this method, the employer contribution rate is the sum of (i) the employer normal cost rate, and (ii) a rate that will amortize the unfunded actuarial accrued liability. Significant actuarial assumptions used in the June 30, 2008 valuation include the following:

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

The actuarial value of assets is based on 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, 2008 was 21 years.

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

Funded Status and Funding Progress

Information on the funded status and funding progress of each plan as of June 30, 2010, the most recent actuarial valuation date, is as follows:

- **General Employees** – The plan was 75.0% funded. The actuarial accrued liability for benefits was \$3,899,587, and the actuarial value of assets was \$2,925,997, resulting in an unfunded actuarial accrued liability [UAAL] (funding excess) of 973,590. The covered payroll (annual payroll of active employees covered by the plan) was \$1,259,454, and the ratio of the UAAL (funding excess) to covered payroll was 77.3%.
- **Police Officers** – The plan was 67.3% funded. The actuarial accrued liability for benefits was \$3,187,751, and the actuarial value of assets was \$2,146,822, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,040,929. The covered payroll (annual payroll of active employees covered by the plan) was \$387,309, and the ratio of the UAAL to covered payroll was 268.8%.

The June 30, 2010 actuarial valuation used the same methods and assumptions described above under annual pension cost, except the investment rate of return was reduced to 7.5% and the projected salary increases were reduced to 4% for general employees and 4.25% for police/fire employees.

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 and Other Post-employment Benefits

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, 2011

	<i>Budgeted Amounts</i>		<i>Actual Amounts (Budgetary Basis)</i>	<i>Variance With Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
<i>Revenues</i>				
Real estate and personal property tax	\$ 10,402,486	\$ 10,402,486	\$ 10,779,060	\$ 376,574
Tax exemption 45-13-51	417	417	417	-
Hotel tax	17,846	17,846	13,974	(3,872)
Motor vehicle excise phase-out	822,123	822,123	67,905	(754,218)
Public Utilities Sharing	41,563	41,563	51,842	10,279
Licenses and permits	58,000	58,000	58,168	168
Building and zoning fees	28,000	28,000	34,995	6,995
Fines and interest on late payments	60,000	60,000	99,209	39,209
Interest on investments	2,000	2,000	787	(1,213)
Other revenues	53,500	53,500	73,027	19,527
<i>Total revenues</i>	11,485,935	11,485,935	11,179,384	(306,551)
<i>Other financing sources</i>				
Transfers from Capital Projects Fund	374,060	374,060	374,060	-
<i>Total other financing sources</i>	374,060	374,060	374,060	-
<i>Total revenues and other financing sources</i>	\$ 11,859,995	\$ 11,859,995	\$ 11,553,444	\$ (306,551)
<i>Legislative, Judicial and General</i>				
<i>Administrative</i>				
Salaries	253,783	253,783	244,456	9,327
Benefits	103,007	103,007	92,548	10,459
Town council expenses	2,500	2,500	245	2,255
Town clerk expenses	3,200	3,200	3,750	(550)
Board of canvassers expenses	1,000	1,000	1,320	(320)
Election expenses	5,100	5,100	5,897	(797)
Education expense	1,000	1,000	530	470
Municipal code maintenance expense	3,200	3,200	-	3,200
Equipment	4,000	4,000	2,708	1,292
Sealer of weights and measures	250	250	-	250
Financial Town Meeting reduction	(20,000)	(20,000)	-	(20,000)
<i>Total legislative, judicial and general administrative</i>	357,040	357,040	351,454	5,586

(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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<i>Finance administration</i>				
Finance salaries	138,780	138,780	140,343	(1,563)
Finance benefits	45,856	45,856	40,691	5,165
Finance department education	2,500	2,500	295	2,205
Finance department's office expenses/tax bills	7,600	7,600	6,485	1,115
Tax collector's postage/advertising	3,000	3,000	1,590	1,410
Assessor's salary	29,405	29,405	29,388	17
Assessor's benefits	17,603	17,603	4,324	13,279
Assessment review board	300	300	300	-
Assessor's education expense	345	345	280	65
Assessor's office supplies	1,055	1,055	1,389	(334)
Travel	200	200	78	122
Computer and support	7,600	7,600	7,600	-
Unemployment compensation	-	-	9,200	(9,200)
<i>Total finance administration</i>	<u>254,244</u>	<u>254,244</u>	<u>241,963</u>	<u>12,281</u>
<i>Miscellaneous administration</i>				
Audit of town books	21,000	21,000	11,750	9,250
Electric	28,000	28,000	24,701	3,299
Heating Fuel	20,100	20,100	14,809	5,291
Telephone	17,500	17,500	17,231	269
Purchased Services/Contract	30,000	30,000	26,001	3,999
Contingency	20,000	20,000	14,022	5,978
Benefits	36,562	36,562	33,095	3,467
Casualty and liability insurance	112,000	112,000	89,455	22,545
Deficit reduction	45,000	45,000	-	45,000
<i>Total miscellaneous administration</i>	<u>330,162</u>	<u>330,162</u>	<u>231,064</u>	<u>99,098</u>
<i>Health and welfare</i>				
Human service director's salary	17,063	17,063	15,785	1,278
Benefits	8,271	8,271	7,523	748
Office expense	475	475	248	227
Education/membership	50	50	-	50
Travel	150	150	87	63
Gateway	2,295	2,295	2,295	-
Comprehensive Community Action	10,500	10,500	10,500	-
CAST	4,922	4,922	4,922	-
Western RI Home Repair	2,000	2,000	1,000	1,000
<i>Total health and welfare</i>	<u>45,726</u>	<u>45,726</u>	<u>42,360</u>	<u>3,366</u>

(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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Public Safety				
Salaries	504,260	504,260	477,097	27,163
Dispatchers	187,355	187,355	194,360	(7,005)
Benefits	252,588	252,588	233,240	19,348
Police - fuel and lube oil	28,300	28,300	27,577	723
Police - tires	1,500	1,500	1,661	(161)
Police - parts and repairs	12,000	12,000	8,405	3,595
Police radio maintenance	2,000	2,000	1,293	707
Police department operations	5,000	5,000	5,688	(688)
Police - computer services	10,000	10,000	10,945	(945)
Police uniforms	12,001	12,001	7,435	4,566
Police office expense	3,500	3,500	2,629	871
Police education allowance	7,500	7,500	7,863	(363)
Police new equipment	5,500	5,500	14,415	(8,915)
Unemployment compensation	-	-	3,864	(3,864)
Foster ambulance corps	68,800	68,800	65,360	3,440
South Foster fire company	52,375	52,375	49,756	2,619
Foster Center fire company	53,400	53,400	50,730	2,670
Moosup Valley fire company	58,575	58,575	55,646	2,929
Ambulance Corp. Stipend	18,000	18,000	16,816	1,184
Public Safety Training	21,000	21,000	800	20,200
Engineering board	3,000	3,000	784	2,216
Dog officer - salary	15,660	15,660	15,713	(53)
Dog officer - fuel and lube oil	1,500	1,500	-	1,500
Dog officer - parts and repairs	750	750	55	695
Dog officer - benefits	8,197	8,197	7,575	622
Dog officer - uniforms	400	400	400	-
Pound fees	15,000	15,000	15,000	-
Civil defense	200	200	50	150
Total public safety	<u>1,348,361</u>	<u>1,348,361</u>	<u>1,275,157</u>	<u>73,204</u>
Public works				
Salaries	323,590	323,590	299,446	24,144
Benefits	123,825	123,825	117,352	6,473
Professional services	2,500	2,500	4,415	(1,915)
Uniforms	5,000	5,000	5,394	(394)
Fuel and oil	38,750	38,750	37,953	797
Parts and repairs	40,000	40,000	31,742	8,258
Tires	4,000	4,000	2,499	1,501
Grader and plow blades	4,000	4,000	3,599	401
Sand and salt	65,000	65,000	62,299	2,701

(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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Asphalt mix	5,000	5,000	3,002	1,998
Welding	1,000	1,000	959	41
Rental equipment	1,000	1,000	-	1,000
Safety	500	500	414	86
Education expense	250	250	240	10
Radio repairs	1,000	1,000	-	1,000
Office supplies	500	500	456	44
Gravel	28,000	28,000	26,047	1,953
Building and grounds	22,000	22,000	28,512	(6,512)
Equipment	5,000	5,000	480	4,520
Pea stone	4,000	4,000	4,647	(647)
Pipe	5,000	5,000	4,911	89
Road signs	750	750	-	750
Other road material	1,000	1,000	756	244
Department operation expense	2,500	2,500	1,859	641
Unemployment compensation	-	-	9,810	(9,810)
RI Resource Recovery	75,000	75,000	72,425	2,575
Disposal	209,500	209,500	209,500	-
Recycling program	2,000	2,000	545	1,455
Total public works	<u>970,665</u>	<u>970,665</u>	<u>929,262</u>	<u>41,403</u>
Building and zoning				
Salaries	35,033	35,033	32,266	2,767
Benefits	17,828	17,828	14,052	3,776
Department expense	6,275	6,275	3,709	2,566
Total building and zoning	<u>59,136</u>	<u>59,136</u>	<u>50,027</u>	<u>9,109</u>
Planning				
Salaries	50,790	50,790	41,888	8,902
Benefits	12,603	12,603	8,027	4,576
Education expense	550	550	225	325
Advertising/fees	800	800	425	375
Office expense	1,000	1,000	972	28
Computer software	1,000	1,000	750	250
Financial Town Meeting reduction	(7,591)	(7,591)	-	(7,591)
Total planning	<u>59,152</u>	<u>59,152</u>	<u>52,287</u>	<u>6,865</u>
Conservation				
Conservation commission	1,500	1,500	714	786
Total conservation	<u>1,500</u>	<u>1,500</u>	<u>714</u>	<u>786</u>

(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, 2011

	<i>Budgeted Amounts</i>		<i>Actual Amounts (Budgetary Basis)</i>	<i>Variance With Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
Recreation				
Salaries	5,600	5,600	5,871	(271)
Benefits	321	321	342	(21)
Mailing and advertising	1,400	1,400	703	697
Maintenance and repairs	4,500	4,500	4,128	372
Equipment and rental	1,700	1,700	1,073	627
Sports/activities	12,100	12,100	9,733	2,367
Senior citizens	3,000	3,000	2,500	500
Total recreation	28,621	28,621	24,350	4,271
School				
Regional operational	4,391,513	4,391,513	4,391,513	-
Student population change	124,946	124,946	124,946	-
Total school	4,516,459	4,516,459	4,516,459	-
Libraries				
Libraries of Foster	140,219	140,219	133,208	7,011
Total libraries	140,219	140,219	133,208	7,011
Land Trust				
Land trust expenditures	2,770	2,770	2,547	223
Total land trust	2,770	2,770	2,547	223
Capital expenditures and other				
Town Clerk	27,000	27,000	27,000	-
Police	24,060	24,060	24,060	-
Public works highway	175,000	175,000	175,000	-
School Department	10,000	10,000	10,000	-
Engineering Board	138,000	138,000	138,000	-
Total capital expenditures and other	374,060	374,060	374,060	-
Total expenditures	8,488,115	8,488,115	8,224,912	263,203
Other financing uses				
Transfer to school department fund	3,146,666	3,146,666	2,989,333	157,333
Transfer to capital projects fund	225,214	225,214	225,214	-
Total other financing uses	3,371,880	3,371,880	3,214,547	157,333
Total expenditures and other financing uses	\$ 11,859,995	\$ 11,859,995	\$ 11,439,459	\$ 420,536

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State aid	\$ 1,124,889	\$ 1,124,889	\$ 1,107,197	\$ (17,692)
Other revenues	-	-	50,914	50,914
Use of fund balance	42,443	42,443	42,443	-
Total revenues	<u>1,167,332</u>	<u>1,167,332</u>	<u>1,200,554</u>	<u>33,222</u>
Expenditures				
Education	4,313,998	4,313,998	4,252,104	61,894
Total expenditures	<u>4,313,998</u>	<u>4,313,998</u>	<u>4,252,104</u>	<u>61,894</u>
Deficiency of revenues under expenditures before other financing sources	<u>(3,146,666)</u>	<u>(3,146,666)</u>	<u>(3,051,550)</u>	<u>95,116</u>
Other financing sources				
Town appropriation	3,146,666	3,146,666	2,989,333	(157,333)
Total other financing sources	<u>3,146,666</u>	<u>3,146,666</u>	<u>2,989,333</u>	<u>(157,333)</u>
Deficiency of revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (62,217)</u>	<u>\$ (62,217)</u>
Adjustment of budgetary basis to GAAP basis:				
Use of fund balance			(42,443)	
Deficiency of revenues and other financing sources under expenditures, GAAP basis			(104,660)	
Fund balance - beginning of year			<u>\$166,663</u>	
Fund balance - end of year			<u>\$ 62,003</u>	

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

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

	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age</u>	<u>Unfunded Liability/ (Funding) (Excess)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability/ (Funding Excess) as a Percentage of Covered Payroll</u>
<i>Police Employees Pension Plan</i>							
	6/30/08	2,119,671	2,398,430	278,759	88.4%	337,127	82.7%
	6/30/09	2,166,398	2,611,328	444,931	83.0%	390,876	113.8%
	6/30/10	2,146,822	3,187,751	1,040,929	67.3%	387,309	268.8%
<i>General Municipal Employees Pension Plan</i>							
	6/30/08	2,777,808	3,088,526	310,718	89.9%	1,196,184	26.0%
	6/30/09	2,861,484	3,325,353	463,869	86.1%	1,290,836	35.9%
	6/30/10	2,925,997	3,899,587	973,590	75.0%	1,259,454	77.3%
<i>Other Post-employment Benefit Plan</i>	7/1/09	\$ -	\$ 780,502	\$ 780,502	0.0%	N/A	N/A

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

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

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

	<u>Other Postemployment Benefit Plan</u>	
Valuation date	7/1/2009	
Actuarial cost method	Entry Age Normal	
Amortization method	Level percent of payroll over a closed period	
Average amortization period	20.5 years - 19.5 years remaining	
Asset valuation method	Not applicable - the plan has no assets	
Actuarial assumptions:		
Investment rate of return	Not applicable	
Discount rate	4%	
Projected salary increases	3.50%	
Cost-of-living adjustments	Not applicable	
Participant information	Active employees	59
	Retirees and beneficiaries	<u>12</u>
		<u>71</u>

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

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 2011. 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 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

<u>Revenues and Other Financing Sources</u>	<u>General Fund</u>	<u>School Unrestricted Fund</u>
Actual amounts (budgetary basis)	\$11,553,444	\$4,189,887
Prior year budgeted surplus is a budgetary revenue, but is not a current year revenue for financial reporting purposes.	-	(42,443)
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.	-	159,017

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

<u>Revenues and Other Financing Sources</u>	<u>General Fund</u>	<u>School Unrestricted Fund</u>
Unbudgeted revenues not included for budgetary purposes, but included for financial reporting purposes.	61,657	-
<i>Total revenues and other financing sources as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$11,615,101</u>	<u>\$4,306,461</u>
<u>Expenditures and Other Financing Uses</u>	<u>General Fund</u>	<u>School Unrestricted Fund</u>
Actual amounts (budgetary basis)	\$11,439,459	\$4,252,104
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.	(194,339)	-
Unbudgeted expenditures not included for budgetary purposes, but included for financial reporting purposes.	61,979	-
Budgeted expenditures included for budgetary purposes, but not included for financial reporting purposes – reserve for student population change.	(124,946)	-
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.	<u>-</u>	<u>159,017</u>
<i>Total expenditures and other financing uses as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$11,182,153</u>	<u>\$4,411,121</u>

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, 2011

	<i>Town Special Revenue Funds</i>	<i>School Special Revenue Funds</i>	<i>Total Nonmajor Governmental Funds</i>
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash	\$ 113,573	\$ 3,692	\$ 117,265
Investments	183,982	-	183,982
Due from federal and state governments	26,982	5,280	32,262
Due from other funds	16,798	91,349	108,147
Total assets	<u><u>\$ 341,335</u></u>	<u><u>\$ 100,321</u></u>	<u><u>\$ 441,656</u></u>
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued expenses	304	15,630	15,934
Due to other funds	28,661	-	28,661
Total liabilities	<u><u>28,965</u></u>	<u><u>15,630</u></u>	<u><u>44,595</u></u>
 Fund balances			
Restricted for:			
Education programs	-	87,130	87,130
Historical records preservation	61,286	-	61,286
Health and welfare programs	75,957	-	75,957
Public safety programs	5,607	-	5,607
Other programs	14,502	-	14,502
Committed for:			
Townhouse maintenance	13,389	-	13,389
Recycling programs	8,104	-	8,104
Open space and conservation	133,813	-	133,813
Unassigned	(288)	(2,439)	(2,727)
Total fund balances	<u><u>312,370</u></u>	<u><u>84,691</u></u>	<u><u>397,061</u></u>
 Total liabilities and fund balances	 <u><u>\$ 341,335</u></u>	 <u><u>\$ 100,321</u></u>	 <u><u>\$ 441,656</u></u>

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, 2011

	<i>Town Special Revenue Funds</i>	<i>School Special Revenue Funds</i>	<i>Total Nonmajor Governmental Funds</i>
Revenues			
Intergovernmental and departmental revenue	\$ 109,825	\$ 647,171	\$ 756,996
Interest on investments	187	-	187
Other revenue	15,356	43,486	58,842
Total revenues	<u>125,368</u>	<u>690,657</u>	<u>816,025</u>
Expenditures			
Legislative, judicial and general administrative	35,946	-	35,946
Health and welfare	74,135	-	74,135
Public safety	32,624	-	32,624
Public works	3,226	-	3,226
Education	-	582,422	582,422
Food service	-	65,054	65,054
Total expenditures	<u>145,931</u>	<u>647,476</u>	<u>793,407</u>
Net change in fund balance	(20,563)	43,181	22,618
Fund balances - beginning of year	332,933	41,510	374,443
Fund balances - end of year	<u>\$ 312,370</u>	<u>\$ 84,691</u>	<u>\$ 397,061</u>

TOWN OF FOSTER, RHODE ISLAND

Town Special Revenue Funds

Combining Balance Sheet

June 30, 2011

	<i>Community Development Block Grant</i>	<i>Historical Records</i>	<i>Energy Grant</i>	<i>Technology Recording Fee</i>	<i>DARE</i>	<i>Townhouse Trust</i>
ASSETS						
Cash	\$ 75,957	\$ -	\$ -	\$ -	\$ 818	\$ 23,518
Investments	-	15,803	-	42,376	-	-
Due from federal and state governments	-	-	5,841	-	-	-
Due from other funds	-	-	-	4,579	-	-
Total assets	<u>\$ 75,957</u>	<u>\$ 15,803</u>	<u>\$ 5,841</u>	<u>\$ 46,955</u>	<u>\$ 818</u>	<u>\$ 23,518</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenditures	-	-	-	-	-	-
Due to other funds	-	1,472	5,841	-	-	-
Total liabilities	<u>-</u>	<u>1,472</u>	<u>5,841</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances						
Restricted for:						
Historical records preservation	-	14,331	-	46,955	-	-
Health and welfare programs	75,957	-	-	-	-	-
Public safety programs	-	-	-	-	818	-
Other programs	-	-	-	-	-	10,129
Committed for:						
Townhouse maintenance	-	-	-	-	-	13,389
Recycling programs	-	-	-	-	-	-
Open space and conservation	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	<u>75,957</u>	<u>14,331</u>	<u>-</u>	<u>46,955</u>	<u>818</u>	<u>23,518</u>
Total liabilities and fund balances	<u>\$ 75,957</u>	<u>\$ 15,803</u>	<u>\$ 5,841</u>	<u>\$ 46,955</u>	<u>\$ 818</u>	<u>\$ 23,518</u>

(Continued)

TOWN OF FOSTER, RHODE ISLAND
Town Special Revenue Funds
Combining Balance Sheet (Continued)
June 30, 2011

	<i>Payments in-Lieu of Land</i>	<i>EMA</i>	<i>Human Services Special Needs</i>	<i>RI Resource Recovery Grant</i>	<i>Police Grants</i>	<i>Total</i>
ASSETS						
Cash	\$ -	\$ -	\$ 499	\$ 12,781	\$ -	\$ 113,573
Investments	125,803	-	-	-	-	183,982
Due from federal and state governments	-	-	-	-	21,141	26,982
Due from other funds	8,010	4,209	-	-	-	16,798
Total assets	\$ 133,813	\$ 4,209	\$ 499	\$ 12,781	\$ 21,141	\$ 341,335
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenditures	-	-	-	304	-	304
Due to other funds	-	-	787	-	20,561	28,661
Total liabilities	-	-	787	304	20,561	28,965
Fund balances						
Restricted for:						
Historical records preservation	-	-	-	-	-	61,286
Health and welfare programs	-	-	-	-	-	75,957
Public safety programs	-	4,209	-	-	580	5,607
Other programs	-	-	-	4,373	-	14,502
Committed for:						
Townhouse maintenance	-	-	-	-	-	13,389
Recycling programs	-	-	-	8,104	-	8,104
Open space and conservation	133,813	-	-	-	-	133,813
Unassigned	-	-	(288)	-	-	(288)
Total fund balances	133,813	4,209	(288)	12,477	580	312,370
Total liabilities and fund balances	\$ 133,813	\$ 4,209	\$ 499	\$ 12,781	\$ 21,141	\$ 341,335

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, 2011

	<i>Community Development Block Grant</i>	<i>Historical Records</i>	<i>Energy Grant</i>	<i>Technology Recording Fee</i>	<i>DARE</i>	<i>Townhouse Trust</i>
Revenues						
Intergovernmental and departmental revenues	\$ 45,000	\$ 905	\$ 31,667	\$ 4,579	\$ -	\$ -
Interest on investments	31	18	-	16	-	68
Other revenue	3,547	-	-	-	-	-
Total revenues	<u>48,578</u>	<u>923</u>	<u>31,667</u>	<u>4,595</u>	<u>-</u>	<u>68</u>
Expenditures						
Legislative, judicial and general administrative	-	2,377	31,667	765	-	1,137
Health and welfare	50,229	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Total expenditures	<u>50,229</u>	<u>2,377</u>	<u>31,667</u>	<u>765</u>	<u>-</u>	<u>1,137</u>
Net change in fund balance	(1,651)	(1,454)	-	3,830	-	(1,069)
Fund balances - beginning of year	77,608	15,785	-	43,125	818	24,587
Fund balances - end of year	<u>\$ 75,957</u>	<u>\$ 14,331</u>	<u>\$ -</u>	<u>\$ 46,955</u>	<u>\$ 818</u>	<u>\$ 23,518</u>

(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, 2011

	<i>Payments in-Lieu of Land</i>	<i>EMA</i>	<i>Human Services Special Needs</i>	<i>RI Resource Recovery Grant</i>	<i>Police Grants</i>	<i>Total</i>
Revenues						
Intergovernmental and departmental revenues	\$ 8,010	\$ -	\$ 3,420	\$ -	\$ 16,244	\$ 109,825
Interest on investments	54	-	-	-	-	187
Other revenue	-	-	11,809	-	-	15,356
Total revenues	<u>8,064</u>	<u>-</u>	<u>15,229</u>	<u>-</u>	<u>16,244</u>	<u>125,368</u>
Expenditures						
Legislative, judicial and general administrative	-	-	-	-	-	35,946
Health and welfare	-	-	23,906	-	-	74,135
Public safety	-	16,960	-	-	15,664	32,624
Public works	-	-	-	3,226	-	3,226
Total expenditures	<u>-</u>	<u>16,960</u>	<u>23,906</u>	<u>3,226</u>	<u>15,664</u>	<u>145,931</u>
Net change in fund balance	8,064	(16,960)	(8,677)	(3,226)	580	(20,563)
Fund balances - beginning of year	125,749	21,169	8,389	15,703	-	332,933
Fund balances - end of year	<u>\$ 133,813</u>	<u>\$ 4,209</u>	<u>\$ (288)</u>	<u>\$ 12,477</u>	<u>\$ 580</u>	<u>\$ 312,370</u>

TOWN OF FOSTER, RHODE ISLAND

School Special Revenue Funds

Combining Balance Sheet

June 30, 2011

	<i>Student Equity</i>	<i>Early Childhood</i>	<i>Technology</i>	<i>Professional Development</i>	<i>RILDPA</i>	<i>Title I</i>	<i>Title II</i>
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments	-	-	-	-	-	-	-
Due from other funds	34,208	985	741	2,738	15,268	-	-
Total assets	\$ 34,208	\$ 985	\$ 741	\$ 2,738	\$ 15,268	\$ -	\$ -
 LIABILITIES AND FUND BALANCES							
<i>Liabilities</i>							
Accounts payable and accrued expenditures	\$ -	\$ -	\$ 741	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	741	-	-	-	-
<i>Fund balances</i>							
Restricted	34,208	985	-	2,738	15,268	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balance	34,208	985	-	2,738	15,268	-	-
Total liabilities and fund balances	\$ 34,208	\$ 985	\$ 741	\$ 2,738	\$ 15,268	\$ -	\$ -

(Continued)

TOWN OF FOSTER, RHODE ISLAND
School Special Revenue Funds
Combining Balance Sheet (Continued)
June 30, 2011

	<i>Title</i> <i>I ARRA</i>	<i>Preschool</i>	<i>ARRA</i> <i>Preschool</i>	<i>ARRA</i> <i>IDEA</i> <i>Part B</i>	<i>IDEA</i> <i>Part B</i>	<i>School</i> <i>Lunch</i>
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,692
Due from federal and state governments	-	-	-	-	-	5,280
Due from other funds	-	-	-	-	-	2,054
<i>Total assets</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,026
LIABILITIES AND FUND BALANCES						
<i>Liabilities</i>						
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,465
<i>Total liabilities</i>	-	-	-	-	-	13,465
<i>Fund balances</i>						
Restricted	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(2,439)
<i>Total fund balance</i>	-	-	-	-	-	(2,439)
<i>Total liabilities and fund balances</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,026

(Continued)

TOWN OF FOSTER, RHODE ISLAND

School Special Revenue Funds

Combining Balance Sheet (Continued)

June 30, 2011

	<u>ARRA E2T2</u>	<u>RI Parent Information Network</u>	<u>Small Rural School Grant</u>	<u>ARRA JOBS Grant</u>	<u>State Fiscal Stabilization</u>	<u>Total</u>
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,692
Due from federal and state governments	-	-	-	-	-	5,280
Due from other funds	-	14,769	19,162	-	1,424	91,349
Total assets	<u>\$ -</u>	<u>\$ 14,769</u>	<u>\$ 19,162</u>	<u>\$ -</u>	<u>\$ 1,424</u>	<u>\$ 100,321</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ 1,424	\$ 15,630
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,424</u>	<u>15,630</u>
Fund balances						
Restricted	-	14,769	19,162	-	-	87,130
Unassigned	-	-	-	-	-	(2,439)
Total fund balance	<u>-</u>	<u>14,769</u>	<u>19,162</u>	<u>-</u>	<u>-</u>	<u>84,691</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 14,769</u>	<u>\$ 19,162</u>	<u>\$ -</u>	<u>\$ 1,424</u>	<u>\$ 100,321</u>

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, 2011

	<u>Student Equity</u>	<u>Early Childhood</u>	<u>Technology</u>	<u>Professional Development</u>	<u>RILDPA</u>	<u>Title I</u>	<u>Title II</u>
Revenues							
Intergovernmental and departmental revenues	\$ 75,517	\$ 31,865	\$ 7,970	\$ -	\$ 38,119	\$ 46,997	\$ 24,719
Other revenue	-	-	-	-	-	-	-
Total revenues	<u>75,517</u>	<u>31,865</u>	<u>7,970</u>	<u>-</u>	<u>38,119</u>	<u>46,997</u>	<u>24,719</u>
Expenditures							
Education	54,373	31,865	7,970	-	38,119	46,997	24,719
Food service	-	-	-	-	-	-	-
Total expenditures	<u>54,373</u>	<u>31,865</u>	<u>7,970</u>	<u>-</u>	<u>38,119</u>	<u>46,997</u>	<u>24,719</u>
Net change in fund balance	21,144	-	-	-	-	-	-
Fund balances - beginning of year	13,064	985	-	2,738	15,268	-	-
Fund balances - end of year	<u>\$ 34,208</u>	<u>\$ 985</u>	<u>\$ -</u>	<u>\$ 2,738</u>	<u>\$ 15,268</u>	<u>\$ -</u>	<u>\$ -</u>

(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, 2011

	<u>Title IARRA</u>	<u>Preschool</u>	<u>ARRA Preschool</u>	<u>ARRA IDEA Part B</u>	<u>IDEA Part B</u>	<u>School Lunch</u>
Revenues						
Intergovernmental and departmental revenues	\$ 13,526	\$ 5,311	\$ 6,296	\$ 96,129	\$ 70,600	\$ 25,665
Other revenue	-	-	-	-	-	36,416
Total revenues	<u>13,526</u>	<u>5,311</u>	<u>6,296</u>	<u>96,129</u>	<u>70,600</u>	<u>62,081</u>
Expenditures						
Education	13,526	5,311	6,296	96,129	70,600	-
Food service	-	-	-	-	-	65,054
Total expenditures	<u>13,526</u>	<u>5,311</u>	<u>6,296</u>	<u>96,129</u>	<u>70,600</u>	<u>65,054</u>
Net change in fund balance	-	-	-	-	-	(2,973)
Fund balances - beginning of year	-	-	-	-	-	534
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,439)</u>

(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, 2011

	<u>ARRA E2T2</u>	<u>RI Parent Information Network</u>	<u>Small Rural School Grant</u>	<u>ARRA JOBS Grant</u>	<u>State Fiscal Stabilization</u>	<u>Total</u>
Revenues						
Intergovernmental and departmental revenues	\$ 59,885	\$ -	\$ 27,090	\$ 59,261	\$ 58,221	\$ 647,171
Other revenue	-	7,070	-	-	-	43,486
Total revenues	<u>59,885</u>	<u>7,070</u>	<u>27,090</u>	<u>59,261</u>	<u>58,221</u>	<u>690,657</u>
Expenditures						
Education	59,885	-	9,150	59,261	58,221	582,422
Food service	-	-	-	-	-	65,054
Total expenditures	<u>59,885</u>	<u>-</u>	<u>9,150</u>	<u>59,261</u>	<u>58,221</u>	<u>647,476</u>
Net change in fund balance	-	7,070	17,940	-	-	43,181
Fund balances - beginning of year	-	7,699	1,222	-	-	41,510
Fund balances - end of year	<u>\$ -</u>	<u>\$ 14,769</u>	<u>\$ 19,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,691</u>

TOWN OF FOSTER, RHODE ISLAND
Combining Statement of Net Assets
Agency Funds
June 30, 2011

	<u><i>Mageira Performance Bond</i></u>	<u><i>Student Activity Funds</i></u>	<u><i>Probate Escrow Fund</i></u>	<u><i>Total Agency Funds</i></u>
<i>Assets</i>				
Cash	\$ 540	\$ 2,694	\$ 20,793	\$ 24,027
<i>Total assets</i>	<u>\$ 540</u>	<u>\$ 2,694</u>	<u>\$ 20,793</u>	<u>\$ 24,027</u>
 <i>Liabilities</i>				
Deposits held in custody for others	\$ 540	\$ 2,694	\$ 20,793	\$ 24,027
<i>Total liabilities</i>	<u>\$ 540</u>	<u>\$ 2,694</u>	<u>\$ 20,793</u>	<u>\$ 24,027</u>

TOWN OF FOSTER, RHODE ISLAND
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2011

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
MAGEIRA PERFORMANCE BOND				
<i>Assets</i>				
Cash	\$ 540	\$ -	\$ -	\$ 540
Total assets	<u>\$ 540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 540</u>
<i>Liabilities</i>				
Deposits held in custody for others	540	-	-	540
Total liabilities	<u>\$ 540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 540</u>
STUDENT ACTIVITY FUND				
<i>Assets</i>				
Cash	\$ 1,425	\$ 1,686	\$ 417	\$ 2,694
Total assets	<u>\$ 1,425</u>	<u>\$ 1,686</u>	<u>\$ 417</u>	<u>\$ 2,694</u>
<i>Liabilities</i>				
Deposits held in custody for others	\$ 1,425	\$ 1,686	\$ 417	\$ 2,694
Total liabilities	<u>\$ 1,425</u>	<u>\$ 1,686</u>	<u>\$ 417</u>	<u>\$ 2,694</u>
PROBATE ESCROW ACCOUNT				
<i>Assets</i>				
Cash	\$ 20,758	\$ 35	\$ -	\$ 20,793
Total assets	<u>\$ 20,758</u>	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ 20,793</u>
<i>Liabilities</i>				
Deposits held in custody for others	20,758	35	-	20,793
Total liabilities	<u>\$ 20,758</u>	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ 20,793</u>
TOTAL AGENCY FUNDS				
<i>Assets</i>				
Cash	\$ 22,723	\$ 1,721	\$ 417	\$ 24,027
Total assets	<u>\$ 22,723</u>	<u>\$ 1,721</u>	<u>\$ 417</u>	<u>\$ 24,027</u>
<i>Liabilities</i>				
Deposits held in custody for others	22,723	1,721	417	24,027
Total liabilities	<u>\$ 22,723</u>	<u>\$ 1,721</u>	<u>\$ 417</u>	<u>\$ 24,027</u>

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

Real Estate and Personal Property Taxes

<i>Fiscal Year End</i>	<i>Balance 6/30/2010</i>	<i>Current Year Assessment</i>	<i>Additions</i>	<i>Abatements</i>	<i>Refunds and Adjustments</i>	<i>Amount to be Collected</i>	<i>Collections</i>	<i>Balance 6/30/2011</i>
2011	\$ -	\$ 10,766,802	\$ 24,511	\$ 14,127	\$ 3,936	\$ 10,781,122	\$ 10,473,862	\$ 307,260
2010	316,584	-	3,243	3,243	3,734	320,318	290,546	29,772
2009	44,599	-	-	-	-	44,599	16,282	28,317
2008	19,639	-	-	-	-	19,639	1,742	17,897
2007	16,344	-	-	-	-	16,344	993	15,351
2006	15,123	-	-	-	-	15,123	386	14,737
2005	9,638	-	-	-	-	9,638	406	9,232
2004	9,813	-	-	-	-	9,813	381	9,432
2003	7,887	-	-	-	-	7,887	-	7,887
2002	9,180	-	-	8,928	-	252	-	252
2001	(680)	-	575	56	-	(161)	575	(736)
2000	389	-	-	-	-	389	-	389
1999	(20)	-	-	-	-	(20)	-	(20)
1998 and prior	2,003	-	-	-	-	2,003	-	2,003
	<u>\$ 450,499</u>	<u>\$ 10,766,802</u>	<u>\$ 28,329</u>	<u>\$ 26,354</u>	<u>\$ 7,670</u>	<u>\$ 11,226,946</u>	<u>\$ 10,785,173</u>	<u>\$ 441,773</u>

Schedule of Most Recent Net Assessed Property Value by Category

<i>Description of Property</i>	<i>Net Assessed Valuations</i>	<i>Levy</i>
Real Property - Residential	\$ 585,621,440	\$ 10,295,225
Motor Vehicles	45,040,054	1,664,230
Tangible and Personal Property	7,918,122	191,302
Total	<u>638,579,616</u>	<u>12,150,757</u>
Exemptions and frozen property	(26,354,397)	(1,383,955)
Net assessed value	<u>\$ 612,225,219</u>	<u>\$ 10,766,802</u>

Reconciliation of Current Year Property Tax Revenue

Current year collections	\$ 10,785,173
Adjustments and reversals	
Add: Revenue collected 60 days subsequent to fiscal year ending June 30, 2011	79,191
Less: Prior year revenue collected 60 days subsequent to fiscal year ended June 30, 2010	(77,634)
Refunds and payment adjustments	(7,670)
Current year property tax revenue	<u>\$ 10,779,060</u>

STATISTICAL SECTION

**The Statistical Schedules differ
from other financial statement presentations
because they generally disclose more than one fiscal
year and may present non-accounting data such as social
and economic data and financial trends of the Town.**

Statistical Section

This part of the Town of Foster's annual financial statements 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.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends These schedules contain trend information to help the reader understand how the Town's financial position has changed over time.	72-75
Revenue Capacity 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 .	76-79
Debt Capacity 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.	80-84
Economic and Demographic Information 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.	85-86
Operating Information 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.	87-89

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial statements 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 Eight Fiscal Years
 (accrual basis of accounting)
 Unaudited

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 7,753,237	\$ 7,187,242	\$ 6,571,739
Restricted	2,744,263	2,160,845	2,754,266	2,458,707	1,849,009	1,454,828	1,270,601	892,321
Unrestricted	1,019,069	1,193,936	1,188,117	990,677	59,436	94,934	248,718	768,248
Total governmental activities net assets	<u>\$ 11,904,994</u>	<u>\$ 11,172,972</u>	<u>\$ 11,497,037</u>	<u>\$ 11,068,643</u>	<u>\$ 9,765,821</u>	<u>\$ 9,302,999</u>	<u>\$ 8,706,561</u>	<u>\$ 8,232,308</u>

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 Eight Fiscal Years
 (accrual basis of accounting)
 Unaudited

	2004	2005	2006	2007	2008	2009	2010	2011
Expenses								
Governmental activities:								
Legislative, judicial and general administrative	\$ 607,225	\$ 440,374	\$ 867,567	\$ 1,075,154	\$ 1,035,557	\$ 1,126,194	\$ 1,009,170	\$ 1,012,984
Health and Welfare	422,961	512,292	372,732	408,234	442,529	510,792	412,545	116,495
Public safety	1,147,883	1,104,600	1,101,109	1,386,698	1,486,792	1,482,617	1,805,354	1,763,769
Public works	805,567	825,897	579,346	841,178	1,456,055	890,676	1,112,606	1,112,112
Building and Zoning	41,983	39,448	41,013	50,392	51,663	47,824	51,725	50,027
Planning	48,761	49,767	32,860	33,299	84,255	85,750	70,704	65,832
Conservation	1,438	2,152	2,172	1,130	2,306	2,449	1,086	714
Recreation	46,564	31,787	65,544	43,017	58,407	65,514	59,294	30,031
Education	7,075,589	7,446,108	7,678,749	8,234,752	8,748,262	9,348,134	9,420,374	9,495,482
Food Services	96,497	95,391	88,411	86,708	69,428	68,789	64,026	65,054
Libraries	117,084	117,084	128,511	145,188	151,901	156,610	140,219	133,208
Total governmental activities expenses	<u>\$ 10,411,552</u>	<u>\$ 10,664,900</u>	<u>\$ 10,958,014</u>	<u>\$ 12,305,750</u>	<u>\$ 13,587,155</u>	<u>\$ 13,785,349</u>	<u>\$ 14,147,103</u>	<u>\$ 13,845,708</u>
Program Revenues								
Governmental activities:								
Charges for services:								
Legislative, judicial and general administrative	\$ 87,827	\$ 189,331	\$ 83,431	\$ 109,165	\$ 88,138	\$ 112,366	\$ 79,756	\$ 77,043
Health and Welfare	-	-	11,690	2,390	12,662	3,032	2,993	3,547
Public safety	45,706	22,536	50,736	67,426	53,321	56,856	46,019	52,578
Building and Zoning	111,232	50,448	108,054	69,140	41,624	39,833	46,737	34,995
Planning	3,532	7,996	24,355	25,447	24,030	-	-	-
Recreation	-	-	-	-	25,503	1,135	11,393	4,576
Education	-	-	26,925	23,871	7,911	10,516	19,767	50,914
Food Services	94,390	97,474	53,975	48,702	50,286	43,717	37,096	36,416
Operating grants and contributions:								
Legislative, judicial and general administrative	52,765	18,275	57,967	50,570	-	11,880	-	31,667
Health and Welfare	123,673	112,084	100,525	88,800	84,310	166,356	81,151	60,229
Public safety	21,365	6,964	36,603	58,273	37,018	94,177	44,354	16,244
Public works	-	22,941	56,820	-	3,841	33,571	291,408	19,589
Recreation	-	-	-	-	18,213	11,375	3,846	-
Planning	-	-	-	-	-	-	-	13,545
Education	1,644,038	1,630,447	1,633,010	1,696,003	1,739,138	1,680,495	1,591,304	1,894,790
Food Services	-	-	25,741	23,879	19,795	19,088	19,467	25,665
Capital grants and contributions:								
Health and Welfare	-	2,581	-	-	-	-	-	-
Public safety	-	71,533	-	-	-	-	13,389	37,922
Public works	-	-	-	-	-	30,000	21,023	-
Recreation	-	-	-	-	75,000	-	-	-
Total governmental activities program revenues	<u>\$ 2,184,528</u>	<u>\$ 2,232,610</u>	<u>\$ 2,269,832</u>	<u>\$ 2,263,666</u>	<u>\$ 2,280,790</u>	<u>\$ 2,314,397</u>	<u>\$ 2,309,703</u>	<u>\$ 2,359,720</u>
Total primary government net expense	<u>\$ (8,227,024)</u>	<u>\$ (8,432,290)</u>	<u>\$ (8,688,182)</u>	<u>\$ (10,042,084)</u>	<u>\$ (11,306,365)</u>	<u>\$ (11,470,952)</u>	<u>\$ (11,837,400)</u>	<u>\$ (11,485,988)</u>
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	\$ 9,924,717	\$ 10,407,479	\$ 10,865,982
Unrestricted investment earnings	110,579	121,179	80,694	135,913	136,655	27,872	5,070	2,250
Other general revenues	935,132	912,658	1,052,733	1,215,414	1,167,759	1,055,541	828,413	143,503
Total primary government	<u>\$ 8,310,257</u>	<u>\$ 8,401,382</u>	<u>\$ 9,012,247</u>	<u>\$ 9,613,690</u>	<u>\$ 10,003,543</u>	<u>\$ 11,008,130</u>	<u>\$ 11,240,962</u>	<u>\$ 11,011,735</u>
Change in Net Assets								
Governmental activities:								
Total primary government	<u>\$ 83,233</u>	<u>\$ (30,908)</u>	<u>\$ 324,065</u>	<u>\$ (428,394)</u>	<u>\$ (1,302,822)</u>	<u>\$ (462,822)</u>	<u>\$ (596,438)</u>	<u>\$ (474,253)</u>

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	\$ 52,107	\$ 41,797	\$ 75,686	\$ 57,169	\$ 215,354	\$ 324,771	\$ 153,470	\$ 148,568	\$ 76,748	\$ -
Unreserved	1,687,736	2,090,028	861,311	916,518	1,048,051	873,576	15,998	(44,553)	146,681	-
Nonspendable	-	-	-	-	-	-	-	-	-	44,533
Committed	-	-	-	-	-	-	-	-	-	328,656
Assigned	-	-	-	-	-	-	-	-	-	30,535
Unassigned	-	-	-	-	-	-	-	-	-	283,510
Total general fund	<u>\$ 1,739,843</u>	<u>\$ 2,131,825</u>	<u>\$ 936,997</u>	<u>\$ 973,687</u>	<u>\$ 1,263,405</u>	<u>\$ 1,198,347</u>	<u>\$ 169,468</u>	<u>\$ 104,015</u>	<u>\$ 223,429</u>	<u>\$ 687,234</u>
Education										
Reserved	\$ 10,250	\$ 101,631	\$ 191,699	\$ -	\$ 45,361	\$ 47,443	\$ -	\$ -	\$ -	\$ -
Unreserved	130,714	(27,374)	30,378	54,025	170,225	170,425	200,043	208,711	166,663	-
Nonspendable	-	-	-	-	-	-	-	-	-	3,217
Restricted	-	-	-	-	-	-	-	-	-	58,786
Total education fund	<u>\$ 140,964</u>	<u>\$ 74,257</u>	<u>\$ 222,077</u>	<u>\$ 54,025</u>	<u>\$ 215,586</u>	<u>\$ 217,868</u>	<u>\$ 200,043</u>	<u>\$ 208,711</u>	<u>\$ 166,663</u>	<u>\$ 62,003</u>
Capital Projects Funds										
Unreserved	\$ 1,015,644	\$ 760,775	\$ 2,037,104	\$ 1,855,643	\$ 2,043,158	\$ 1,679,466	\$ 1,221,785	\$ 785,235	\$ 736,645	\$ -
Restricted	-	-	-	-	-	-	-	-	-	589,053
Total Capital Projects fund	<u>\$ 1,015,644</u>	<u>\$ 760,775</u>	<u>\$ 2,037,104</u>	<u>\$ 1,855,643</u>	<u>\$ 2,043,158</u>	<u>\$ 1,679,466</u>	<u>\$ 1,221,785</u>	<u>\$ 785,235</u>	<u>\$ 736,645</u>	<u>\$ 589,053</u>
All Other Governmental Funds										
Reserved:										
Special revenue funds	\$ 159,591	\$ 157,584	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	123,839	132,702	314,814	248,033	359,805	365,596	383,782	488,187	405,300	-
Restricted	-	-	-	-	-	-	-	-	-	244,482
Committed	-	-	-	-	-	-	-	-	-	155,306
Unassigned	-	-	-	-	-	-	-	-	-	(2,727)
Total all other governmental funds	<u>\$ 283,430</u>	<u>\$ 290,286</u>	<u>\$ 314,814</u>	<u>\$ 248,033</u>	<u>\$ 359,805</u>	<u>\$ 365,596</u>	<u>\$ 383,782</u>	<u>\$ 488,187</u>	<u>\$ 405,300</u>	<u>\$ 397,061</u>

Note:
In 2011 the Town implemented GASB No. 54, reserved and unreserved fund balances are no longer used. Fund Balances are now reported as nonspendable, restricted, committed, assigned, and unassigned.

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
General property taxes	\$ 6,684,039	\$ 6,683,186	\$ 7,286,639	\$ 7,414,157	\$ 7,935,653	\$ 8,180,828	\$ 8,671,529	\$ 9,806,090	\$ 10,317,293	\$ 10,779,060
Intergovernmental and departmental revenue	2,360,963	2,535,134	2,697,218	2,778,954	2,951,604	3,191,398	3,094,718	3,079,446	2,849,150	2,213,391
Licenses and fees	180,626	178,714	277,013	267,070	240,720	226,129	190,949	173,082	182,566	192,372
Interest on investments	60,696	36,783	36,157	46,529	80,693	135,913	136,655	27,872	5,070	2,250
Other revenues	236,991	396,292	280,255	230,026	179,752	110,166	229,959	166,420	154,207	188,375
Total revenues	\$ 9,523,315	\$ 9,830,109	\$ 10,577,282	\$ 10,736,736	\$ 11,388,422	\$ 11,844,434	\$ 12,323,810	\$ 13,252,910	\$ 13,508,286	\$ 13,375,448
Expenditures										
Legislative, Judicial and general administrative	\$ 251,325	\$ 278,567	\$ 282,504	\$ 289,988	\$ 348,470	\$ 428,867	\$ 368,178	\$ 396,188	\$ 356,276	\$ 387,400
Financial Administration	153,405	167,713	170,584	163,171	211,329	253,008	252,432	235,719	242,169	241,963
Miscellaneous Administration	91,937	71,530	73,685	99,974	119,173	307,650	191,239	273,910	250,997	231,064
Health and Welfare	377,763	325,439	422,427	513,652	407,275	408,584	442,529	510,792	412,545	116,495
Public Safety	886,394	918,194	966,583	1,022,272	986,216	1,279,366	1,380,447	1,387,982	1,330,506	1,345,703
Public Works	572,301	589,069	606,544	631,506	475,938	691,686	829,703	765,772	943,338	938,080
Building and Zoning	40,808	39,705	39,604	40,471	41,013	50,392	51,663	47,824	51,725	50,027
Planning	33,637	30,907	35,774	55,023	32,860	17,799	84,255	70,250	70,704	65,832
Conservation	1,063	1,196	1,438	2,152	2,172	1,130	2,306	2,449	1,086	714
Recreation	19,824	19,682	30,564	31,137	33,601	34,424	70,479	64,753	58,533	29,270
Education	6,231,234	6,605,984	7,013,278	7,410,610	7,583,386	8,079,203	8,727,508	9,275,675	9,344,059	9,385,056
Food Services	90,474	96,388	96,497	95,391	88,411	86,708	69,428	68,789	64,026	65,054
Libraries	113,673	117,084	117,084	117,084	128,511	145,188	151,901	156,610	140,219	133,208
Land Trust	2,134	1,991	2,639	4,951	5,304	5,419	5,533	5,280	2,524	2,547
Capital Outlay	259,739	394,731	479,394	471,099	132,697	549,974	1,249,682	379,847	293,690	179,721
Principal	40,000	40,000	40,000	40,000	40,000	-	-	-	-	-
Interest	13,400	10,460	7,490	4,500	1,500	-	-	-	-	-
Total Expenditures	\$ 9,179,111	\$ 9,708,640	\$ 10,386,089	\$ 10,992,981	\$ 10,637,856	\$ 12,339,398	\$ 13,877,283	\$ 13,641,840	\$ 13,562,397	\$ 13,172,134
Excess of revenues over (under) expenditures	\$ 344,204	\$ 121,469	\$ 191,193	\$ (256,245)	\$ 750,566	\$ (494,964)	\$ (1,553,473)	\$ (388,930)	\$ (54,111)	\$ 203,314
Other Financing Sources (uses)										
Proceeds from lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,287	\$ 67,274	\$ -	\$ -	\$ -
Transfers from other funds	2,583,282	2,990,992	4,860,643	3,578,157	5,256,142	5,020,725	5,372,683	5,520,260	4,882,000	3,588,607
Transfers to other funds	(2,585,782)	(2,993,492)	(4,860,643)	(3,578,157)	(5,256,142)	(5,020,725)	(5,372,683)	(5,520,260)	(4,882,000)	(3,588,607)
Total other financing sources (uses)	(2,500)	(2,500)	-	-	-	74,287	67,274	-	-	-
Net change in fund balances	\$ 341,704	\$ 118,969	\$ 191,193	\$ (256,245)	\$ 750,566	\$ (420,677)	\$ (1,486,199)	\$ (388,930)	\$ (54,111)	\$ 203,314
Debt service as a percentage of noncapital expenditures	2.2%	2.0%	1.8%	1.5%	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%

Note: This schedule includes revenues and expenditures of the General Fund, Special Revenue Funds, 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 Assessed Value Before Exemptions
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	\$ 713,449,571	100.00%	\$ 733,939,706
2009	\$ 689,960,787	\$ 49,959,123	\$ 21,086,252	\$ 718,833,658	13.52	\$ 718,833,658	100.00%	\$ 739,919,910
2010	\$ 583,622,371	\$ 45,607,546	\$ 22,123,225	\$ 607,106,692	17.12	\$ 607,106,682	100.00%	\$ 629,229,917
2011	\$ 585,621,440	\$ 52,958,176	\$ 26,354,397	\$ 612,225,219	17.58	\$ 612,225,219	100.00%	\$ 638,579,616

Full revaluations are performed every nine years. The last full revaluation was performed as of December 31, 2008, which affects fiscal year 2010.

Statistical revaluations are performed every three years except in the years a full revaluation 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**

<u>Fiscal Year</u>	<u>General Fund</u>
2002	\$40.20
2003	\$40.20
2004	\$14.20
2005	\$14.10
2006	\$14.75
2007	\$11.24
2008	\$11.79
2009	\$13.52
2010	\$17.12
2011	\$17.58

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**

Taxpayer	2011				2002			
	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)	\$ 18,866,500	1	3.08%	\$ 331,673	\$ 7,853,300	1	4.72%	\$ 315,703
Providence Public Buildings Authority (PWSB)	8,422,700	2	1.38%	\$ 148,071	2,379,900	3	1.43%	\$ 95,672
Narragansett Electric	7,833,452 a)	3	1.28%	\$ 164,731	a) 2,728,355	2	1.64%	\$ 109,680
Foster Country Club (Tykamac Ent. LLC)	2,659,000	4	0.43%	\$ 46,745	a) 1,482,750	4	0.89%	\$ 59,607
Foster Senior Housing	1,314,600	5	0.21%	\$ 23,111	545,250	6	0.33%	\$ 21,919
Ginny B Inc	1,313,100	6	0.21%	\$ 23,084	a) 399,553	7	0.24%	\$ 16,062
Walker, Muriel	914,700	7	0.15%	\$ 16,080	257,400	11		\$ 10,347
Nelson, Robert & Wendy	879,900	8	0.14%	\$ 15,469				
Hawkins, John & Bertha	849,400	9	0.14%	\$ 14,932				
Roxannes Holdings LLC	809,900	10	0.13%	\$ 14,238				
Pollard, Scott M & Elisa M	801,400	11	0.13%	\$ 14,089				
Costa, David & Lisa	787,000	12	0.13%	\$ 13,835				
Gorham, Nicholas, DVM					319,550	9	0.19%	\$ 12,846
Gabriele, Clodomiro & Beatrice					a) 629,868	5	0.38%	\$ 25,321
Spencer, D & Spencer, L					222,850	12	0.13%	\$ 8,959
Borders, Charles					355,100	8	0.21%	\$ 14,275
Turnquist Lumber Co Inc					a) 260,389	10	0.16%	10,468
Totals	\$ 45,451,652		7.41%	\$ 826,059	\$ 17,434,265		10.32%	\$ 700,857

Note: The amounts presented represent the assessed values upon which 2011 and 2002 collections were based

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

a) Includes tangible or motor vehicle assessment also

Total Assessed Value	\$612,225,219	\$166,534,787
Tax Rate	\$17.58	\$40.20

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
2002	6,619,905	6,362,535	96.1%	247,930	6,610,465	99.9%
2003	6,657,161	6,402,395	96.2%	240,208	6,642,603	99.8%
2004	7,276,528	7,025,891	96.6%	235,149	7,261,040	99.8%
2005	7,352,142	7,173,582	97.6%	166,452	7,340,034	99.8%
2006	7,843,650	7,694,094	98.1%	135,264	7,829,358	99.8%
2007	8,225,871	8,026,140	97.6%	182,423	8,208,563	99.8%
2008	8,657,612	8,435,912	97.4%	149,684	8,585,596	99.2%
2009	9,879,531	9,647,829	97.7%	209,082	9,856,911	99.8%
2010	10,345,673	10,115,442	97.8%	218,680	10,334,122	99.9%
2011	10,766,802	10,552,426	98.0%	-	10,552,426	98.0%

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			
2002	160,000	-	-	160,000	0.17% (a)	37
2003	120,000	100,000	253,893	473,893	0.50% (a)	111
2004	80,000	100,000	127,545	307,545	0.32% (a)	72
2005	40,000	-	-	40,000	0.04% (a)	9
2006	-	-	-	-	0.00% (a)	-
2007	-	-	47,879	47,879	0.05% (a)	11
2008	-	-	68,311	68,311	0.07% (a)	16
2009	-	-	22,401	22,401	0.02% (a)	5
2010	-	-	22,401	22,401	0.02% (a)	5
2011	-	-	-	-	0.00% (b)	-

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 2000 census year.

(b) Ratio is calculated using personal income from 2010 census year.

Schedule 10

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

Fiscal Year	General Bonded Debt Outstanding		Percentage of Actual Taxable Value (a) of Property	Per Capita (b)
	General Obligation Bonds	Total		
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%	-
2009	-	-	0.00%	-
2010	-	-	0.00%	-
2011	-	-	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, 2011
Unaudited**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Foster-Glocester Regional School District (a)	\$ 53,000,000	36.79% (a)	\$ 19,498,700
Other debt			
Foster-Glocester Regional School District - BAN (a)	-	36.79% (a)	-
Subtotal, overlapping debt			19,498,700
Town direct debt			-
Total direct and overlapping debt			\$ 19,498,700

Sources: Debt outstanding data provided by each governmental unit.

(a) Estimated percentage applicable for the Foster-Glocester Regional School District provided by the Foster-Glocester Regional School percentage of population.

Schedule 12

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

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed Value	\$612,225,219
Debt limit (3% of assessed value)	18,366,757
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	<u>\$ 18,366,757</u>

	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt limit	\$ 4,942,912	\$ 4,996,044	\$ 5,018,496	\$13,913,367	\$14,210,289	\$15,493,814	\$21,403,487	\$21,565,010	\$18,213,201	\$ 18,366,757
Total net debt applicable to limit	<u>(160,000)</u>	<u>(120,000)</u>	<u>(80,000)</u>	<u>(40,000)</u>	-	-	-	-	-	-
Legal debt margin	<u>\$ 4,782,912</u>	<u>\$ 4,876,044</u>	<u>\$ 4,938,496</u>	<u>\$13,873,367</u>	<u>\$14,210,289</u>	<u>\$15,493,814</u>	<u>\$21,403,487</u>	<u>\$21,565,010</u>	<u>\$18,213,201</u>	<u>\$ 18,366,757</u>
Total net debt applicable to the limit as a percentage of debt limit	3.24%	2.40%	1.59%	0.29%	0.00%	0.00%	0.00%	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**

<u>Fiscal Year Ended June 30</u>	<u>Population (1)</u>	<u>Personal Income (1)</u>	<u>Per Capita Personal Income (1)</u>	<u>Median Age(1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>
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%
2009	4,274	94,660,552	22,148	39.8	694	12.40%
2010	4,274	94,660,552	22,148	39.8	703	11.40%
2011	4,606	159,648,566	34,661	43.8	689	10.80%

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, seasonally adjusted.**

Schedule 15

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

Employer	2011			2002		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Foster Town & School Department	81	1	18.08%	118	1	29.21%
Foster Country Club	50	2	11.16%	50	2	12.38%
Shady Acres	22	3	4.91%	0	0	0.00%
Wellone	14	4	3.13%	0	0	0.00%
Dr. Daycare	12	5	2.68%	0	0	0.00%
Turnquist Lumber Co. Inc.	0	0	0.00%	18	3	4.46%
Total	179		39.96%	186		46.05%

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**

Function/Program	Full-time Equivalent Employees as of June 30									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Building/Zoning	1.0	1.0	1.0	1.0	1.0	1.0	0.6	1.6	1.6	1.6
Planning	1.5	1.5	1.5	1.5	1.5	1.5	2.0	2.0	2.0	1.6
Financial Administration										
Treasurer's Office	1.5	1.5	1.5	1.5	1.5	1.5	2.0	2.0	2.0	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	1.6	1.6	1.6	1.6
Public Safety										
Police										
Officers	7.0	7.0	7.0	7.0	7.0	7.0	8.0	8.0	8.0	8.0
Civilians	4.5	4.5	4.0	4.8	4.8	4.8	4.5	4.5	4.5	4.5
Animal Control										
Officers	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6
Emergency Management	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
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	6.5	6.5	5.5	5.5	5.5
Maintenance										
Building/Grounds	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0
Custodial	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Recreation Department										
Director	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Summer Programs	6.0	6.0	6.0	6.0	6.0	5.0	5.0	3.0	2.0	0.0
Human Services Department										
Director	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police										
Calls	2,905	2,853	3,234	3,392	7,020	11,796	13,748	19,488	18,232	19,673
Physical Arrests	111	116	99	85	102	161	164	224	208	186
Citations	522	846	591	623	1,166	1,971	1,533	1,479	1,270	1,391
Accidents	131	145	125	132	134	134	129	138	133	106
Animal Control										
Dog Licenses Issued				625	483	587	479	343	439	452
Public Works (Pickup Outsourced)										
Transfer Station										
Refuse Collected (avg. tons per month)	154	155	155	188	181	176	177	164	167	157
Recyclables Collected (avg. tons per month)	33	36	37	41	39	43	48	49	44	47
Highway										
Street resurfacing/chipsealing (miles)	3.0	2.0	0.0	0.0	4.0	0.0	7.0	4.6	5.8	6.3
Street repairs/crack sealing (miles)	0.0	0.0	0.0	0.0	0.0	0.0	5.4	9.7	0.0	0.0
Building/Zoning										
Commercial Construction Permits	0	0	0	0	0	0	0	1	0	0
Residential Construction Permits	29	26	31	23	22	14	9	6	5	5
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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	11	11	9	9
Animal Control										
Animal Shelters	-	-	-	-	-	-	-	-	-	-
Animal Patrol Unit	-	-	1	1	1	1	1	1	1	1
Public Works										
Transfer Station										
Roll-off Truck	-	-	-	-	-	-	-	-	-	-
Streets and Highways										
Street (miles)	113	113	113	113	113	113	113	113	113	113
Highways (miles, Town owned)	77	77	77	77	77	77	77	77	77	77
Highways (miles, State owned)	36	36	36	36	36	36	36	36	36	36
Private Paved (miles)	-	-	-	-	-	-	-	-	-	-
Park Access (miles)	-	-	-	-	-	-	-	-	-	-
Driftway (miles)	-	-	-	-	-	-	-	-	-	-
Streetlights	30	30	30	30	30	30	30	30	30	30
Traffic Signals	2	2	2	2	2	2	2	2	3	3
Parks and Recreation										
Acreage	165	165	165	165	165	165	165	165	165	165
Playgrounds	1	1	1	1	1	1	1	2	2	2
Tennis Courts	-	-	-	-	-	-	-	-	-	-
Beaches	-	-	-	-	-	-	-	-	-	-
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

***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 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, 2011, which collectively comprise the Town of Foster, Rhode Island's basic financial statements and have issued our report thereon dated February 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Town of Foster, Rhode Island is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and responses as 11-01 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 February 9, 2012.

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

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.



Warwick, Rhode Island
February 9, 2012

TOWN FOSTER, RHODE ISLAND
Schedule of Findings and Responses
Year Ended June 30, 2011

Financial Reporting

11-01 Significant Deficiency – An entity’s system of internal controls should be designed and operate to allow the entity to prepare accurate timely financial statements in conformance with generally accepted accounting principles and be designed and operate to prevent, detect and correct misstatements in the financial statements on a timely basis.

During the 2011 fiscal year the Town was not recording certain financial transactions to the general ledger. The transactions not recorded included departmental cash receipts and wire transfers. Although the Town was recording the transactions on a spreadsheet, the transactions were not recorded to the general ledger until several months after year-end. The Town was therefore unable to perform monthly reconciliations of the cash accounts to the general ledger.

The Town was reconciling on a monthly basis all receipt and disbursement activity per the bank to the general ledger and the cash receipt spreadsheets. Formal cash reconciliations however, were not prepared until several months after year-end and were prepared only as of June 30, 2011.

In the 2012 fiscal year the Town is recording all transactions to the general ledger, but is not performing formal monthly reconciliation procedures. The lack of formal accounting and reconciliation procedures could result in misstatements in the financial statements from not being prevented or going undetected.

Recommendation – We strongly recommend that the Town implement policies and procedures that result in the timely recording of all transactions to the general ledger. The procedures should also include timely formal monthly reconciliation procedures for all significant accounts.

Management Response – As a result of significant turnover in the Town of Foster’s Treasurer’s Department, the internal controls and financial reporting greatly suffered. The strengthening of internal controls and recording of financial information has been an ongoing project throughout the past two years. Many significant changes have been made to ensure proper segregation of duties and timely and accurate financial reporting.

The final upgrade to our internal controls to maintain accurate and timely financial reporting surrounded the revenue receiving and reporting. To maintain current records while implementing the above procedures and moving forward, we utilized excel spreadsheets to account for our departmental cash receipts. These spreadsheets were reconciled to the bank statements and used to assist in monitoring the Town’s financial position. We have fully implemented procedures to prepare and record monthly journal entries from these schedules.

TOWN FOSTER, RHODE ISLAND
Schedule of Findings and Responses
Year Ended June 30, 2011

Wire and on-line transfers are also recorded monthly. With our procedures established and record keeping timely we are now able to reconcile our cash to the general ledger system and monitor the Town's cash flow and financial position through the general ledger system without utilizing various manual schedules to complete these tasks. In addition, we had several general ledger software issues affecting our system involving our receipts module, including the rollover of account balances which inhibited our reconciliation process. We have worked closely with the programmer to identify and correct these problems.

Our final goal to fully complete this effort is to prepare a detail written document of all financial procedures performed by the Treasurer and staff within this department.