

TOWN OF FOSTER, RHODE ISLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2007**

TOWN OF FOSTER, RHODE ISLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2007**

Randy R. Rossi
Treasurer/Finance Director
Prepared by: Finance Department

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**THIS SECTION CONTAINS
THE FOLLOWING:**

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Town of Foster Organizational Chart

THE TOWN OF FOSTER, RHODE ISLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Town of Foster
Est. 1781

Town of Foster
Office of the Treasurer
181 Howard Hill Road
Foster, RI 02825
(401) 392-9207

December 31, 2007

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

The Comprehensive Annual Financial Report of the Town of Foster, for the fiscal year ended June 30, 2007, is hereby submitted. This report was prepared by the Finance Department. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town's management. We believe the information, as presented, is accurate in all material aspects: that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Town; and that all disclosures necessary to enable the reader to gain adequate understanding of the Town's financial affairs have been included.

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The introductory section includes this transmittal letter, the Town's organizational chart, and a list of principal officials. The Financial Section includes the Independent Auditors' Report, the Management Discussion and Analysis, the basic financial statements, required supplementary information, and other supplementary information. The Statistical Section includes selected financial and demographic information generally presented on a multi-year basis.

The Town of Foster is a Rhode Island municipal corporation which provides the following services to its residents: general administrative services, public safety, public works, social services and education. The Town supports the operations of the Foster-Glocester Regional School District. The Town's support is based on the number of residents attending the Regional Schools and is reported as an expenditure within the Town's General Fund.

GOVERNMENT PROFILE

The Town of Foster was founded in 1636, incorporated as a Town on August 24, 1781, and is located at the southeastern corner of Providence County on the Rhode Island/Connecticut line. Bounded on all sides by other rural towns (Killingly, Sterling, Connecticut on the west, Glocester on the north, Coventry on the south and Scituate on the east), Foster remains sparsely settled with a population density of only 81.8 persons per square mile. It is connected to the southeast corridor by a network of highways including Interstates 295, 6 and 95. It currently occupies 52.21 square miles and serves a population of 4,274.

The Town operates under a Home Charter adopted in 1976 providing for a Town Council form of government, with a five member Town Council, elected at-large for terms of two years, and headed by a Council President. All legislative powers of the Town are vested in the Town Council by Charter including all powers to enact, amend or repeal ordinances relating to the Town's property, affairs and government (which include the power to create offices, departments or agencies of the Town, preserving the public peace, health and safety, and establishing personnel policies) except such powers as are reserved by State Law to the annual Financial Town Meeting (which include the ordering of any tax, making appropriations, giving effect to any vote of the Financial Town Meeting authorizing the issuance of bonds, and transacting any other business pertaining to the financial affairs of the Town).

The Town Council is supported and advised by various Boards and Commissions (members of which are volunteers and are appointed by the Town Council at various intervals) some of which are: Planning Board, Zoning Board, Personnel Board, Board of Canvassers, and the Recreation Committee.

COMPONENT UNIT

The Foster Land Trust (Land Trust) has been presented as a component unit of the Town in the accompanying government-wide financial statements. Further information regarding the purpose of the Land Trust and the definition of component unit is in Note 1 of the financial statements.

EDUCATION

The public school system of the Town consists of one elementary school, grades kindergarten through 5, and is served by the Foster School Department. Grades 6 through 12 are served by the Foster-Glocester Regional School District of which the Town of Foster and the Town of Glocester are member communities.

The Foster-Glocester Regional School District was incorporated and its fiscal authority established by Acts of the General Assembly in 1958 and 1959. In fiscal year ending June 30, 2007, the Town of Foster paid \$3,569,679 to the Foster-Glocester Regional School District.

The general administration of the Foster School Department is directed by a 3-member School Committee whose members are elected at-large every for two-year terms. These three members of the Foster School Committee along with the six School Committee members from the Town of Glocester are members of the Foster-Glocester School Committee. The School Committees determine and control all policies affecting the administration, maintenance and operation of the public schools in the Town. The School Committees appoint a Superintendent as their chief administrative agent and such other administrative officers as are considered necessary, and submit detailed budgets of expenditures and revenues to the voters at annual Financial Town Meetings. The Foster-Glocester Regional School District Financial Town Meeting is held on the third Tuesday in March of each year and its budget is adopted at that meeting. Once the school budgets have been approved, the school committees determine the allocations of the amounts appropriated. The School Committees direct and control all policies affecting the administration, construction, maintenance and operation of the public schools.

The Town Charter provides that, based on budget estimates submitted by the Foster School Committee, the Town Council establishes the Foster School Department's appropriation in total only, and that the School Committee determines the allocation of the amounts appropriated.

The Town of Foster's school system (grades kindergarten through 5) consists of 1 elementary school (Captain Isaac Paine). Its cost of operation for the fiscal year ended June 30, 2007 was \$4,596,232.

Grades 6 through 8 attend the Ponaganset Middle School and grades 9 through 12 attend Ponaganset High School. Both the middle and high schools are physically located in the Town of Glocester near the border between the Towns of Foster and Glocester.

As of October at the beginning of each school year, the student enrollment in the Foster School System for the past five years has been and is projected to be as follows:

Actual Enrollment		
<u>Year</u>		
2002-2003	.....	992
2003-2004	.....	898
2004-2005	.....	865
2005-2006	.....	963
2006-2007	.....	864

Projected Enrollment		
<u>Year</u>		
2007-2008	.....	928
2008-2009	.....	904
2009-2010	.....	829
2010-2011	.....	657
2011-2012	.....	670

MUNICIPAL SERVICES

The Town provides the following major public services:

Public Works - The Town of Foster's Public Works Department provides a full range of services including street maintenance, snow removal, and maintenance of Town property.

Public Safety -

Police: The Town Police Department is responsible for Public Safety and has a force of 7 full-time sworn officers, including the Chief, Captain, 3 Sergeants and 2 patrol officers. The department also has 4 full-time and 2 part-time Dispatchers. The Dispatchers dispatch for both the police and fire departments.

Animal Control: The Police Department is also responsible for Animal Control which has 1 part-time Animal Control Officer.

Fire and Rescue: Fire protection and rescue services in the Town of Foster are provided by four separate non-profit volunteer entities created by State statute: Foster Center Fire Company, Moosup Valley Fire Company, South Foster Fire Company, and the Foster Ambulance Corp.

Building and Zoning -- The department is made up of 1 part-time Building Official, 1 part-time Electrical Inspector and 1 part-time Plumbing Inspector whose responsibilities include insuring compliance with state and local building code ordinances and laws.

Human Services -- The department provides social services to the Town's seniors along with operating the Town's food and clothing bank for residents in need.

ECONOMIC CONDITIONS AND OUTLOOK

Foster is primarily a suburban residential community. Residential property accounts for 83.48% of the total tax roll.

EMPLOYMENT

Most employment opportunities extend outside the Town to the Cities of Hartford, Providence and Boston. The majority of job opportunities offered in town are part time. The principal employers are the Foster School Department, Foster Country Club, Town of Foster and Turnquist Lumber.

HOUSING

At the end of 2007 sale prices for single family homes in Foster ranged from \$135,000 to more than \$575,000. The 2007 third quarter median sales price for homes in Foster was \$345,000.

POPULATION TRENDS

In 2000 Foster was ranked 36 in population among the thirty-nine cities and towns in Rhode Island. Based on the U.S. Bureau of the Census, Foster experienced a moderate increase in population from 1970 through 2000.

Population in the Town from 1950 to 2000 was as follows:

<u>Years</u>	<u>Population</u>
1950	1,630
1960	2,097
1970	2,626
1980	3,370
1990	4,316
2000	4,274

Source: U.S. Bureau of the Census, 1950-2000

ECONOMIC DEVELOPMENT

The Town recently transformed its Economic Development Committee into a new commission called the Economic Development Initiative (EDI) which is made up of the Town Council Vice President, Town Planner, and the Treasurer/Finance Director. The council took action to create the commission because of the various backgrounds each of the individuals bring to the group and also in their capacity it allows business owners and developers direct access to the proper personnel in order for them to receive the services they might need.

With the continue upgrades to the Town's website the EDI has created a economic development yellow pages to allow all town businesses the opportunity to be listed on the page with their contact information and a brief description of the products or services that they provide. In conjunction with the yellow pages the EDI has designed a signage template to offer to town businesses being displayed at major intersections directing consumers to the business's location.

The Town has a large quantity of small businesses which has prompted the Economic Development Initiative to join forces with the Rhode Island Economic Development Corporation to bring in a series of seminars to promote small businesses and the methods to help them grow.

MAJOR INITIATIVES

Each year the Town adopts a six-year Capital Improvement Program. This plan helps identify projects that should be undertaken in the next five years. This long-range planning is essential in addressing the future development and growth of the Town. The Town has continually funded its capital requirements through annual contributions of 2% of expenditures from the operating budget along with surplus funds above the 10% cap.

The Town has recently adopted a charter amendment to change the part-time planner to a full-time position. This will allow the individual the necessary time to oversee all of the Town's planning and zoning functions. Additionally a major function of the position is grant writing and coordination.

During the past year numerous major construction and renovation projects have begun throughout the town. To name a few:

- Construction of a new Middle School
- Major renovations to the High School
- Town Hall improvements (painting and constructing attic storage)
- Town House Historic Restoration

FINANCIAL INFORMATION

A detail understanding of the financial position and operating results of the Town is provided in the Comprehensive Annual Financial Report (CAFR). The Management's Discussion and Analysis starting on page 3 of the CAFR provides additional information to assess the Town's financial condition.

INTERNAL CONTROLS

In developing and evaluating the Town's accounting control system, consideration is given to the adequacy of internal accounting controls. Accounting control comprises the plan of organization, procedures, and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently is designed to provide reasonable assurance that:

Transactions are executed in accordance with management's general or specific authorization.

Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria, such as finance - related legal and contractual compliance requirements applicable to such statements, and (2) to maintain accountability of assets.

Access to assets is permitted only in accordance with management's authorization.

The recorded accountability of assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

The definition of accounting control presumes reasonable, but not absolute, assurance that the objectives expressed in it will be accomplished by the system. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits to be derived. The benefits consist of reductions in the risk of failing to achieve the objectives implicit in the definition of accounting control.

All internal control evaluations occur within the above framework. We believe that the Town's internal accounting control adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

CASH MANAGEMENT

The intention of the cash management system is to limit the amount of funds placed in accounts where low or no interest is paid. Idle cash is invested in various instruments with staggered maturity dates, depending on the anticipated cash requirements during the period. The Town has passed a fund balance policy, which recommends that the Town's Fund Balance be maintained at 12%. By maintaining these levels, the Town is able to meet its working capital needs and does not have to borrow to meet obligations during the yearly cash cycles.

RISK MANAGEMENT

The Town's properties are insured by the Rhode Island Interlocal Risk Management Trust. This agency was established for the primary purpose of providing insurance to local government entities. The following coverage is provided to the Town of Foster: worker's compensation, general liability, automobile liability, public buildings, and public officials' liability insurance.

INDEPENDENT AUDIT

In accordance with the Town's Charter an audit of the accounts and financial statements has been completed by the Town's independent Certified Public Accountants, Bacon & Company, CPA's, LLC and their opinion is included herein.

REPORTING ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Foster for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. This was the eleventh consecutive year that the government has achieved this prestigious award, but unfortunately the Town was unable to apply for the achievement for the fiscal year ended June 30, 2006.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and effectively organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENT

The preparation of the Comprehensive Annual Financial Report on a timely basis could not have been accomplished without the efforts and dedication of the competent staff of the Finance Department. I would also express my appreciation to other personnel from various departments who assisted in its preparation. Finally, I would like to thank the Town Council for their support in planning and conducting the financial operation of the Town in a dedicated, professional and responsible manner.

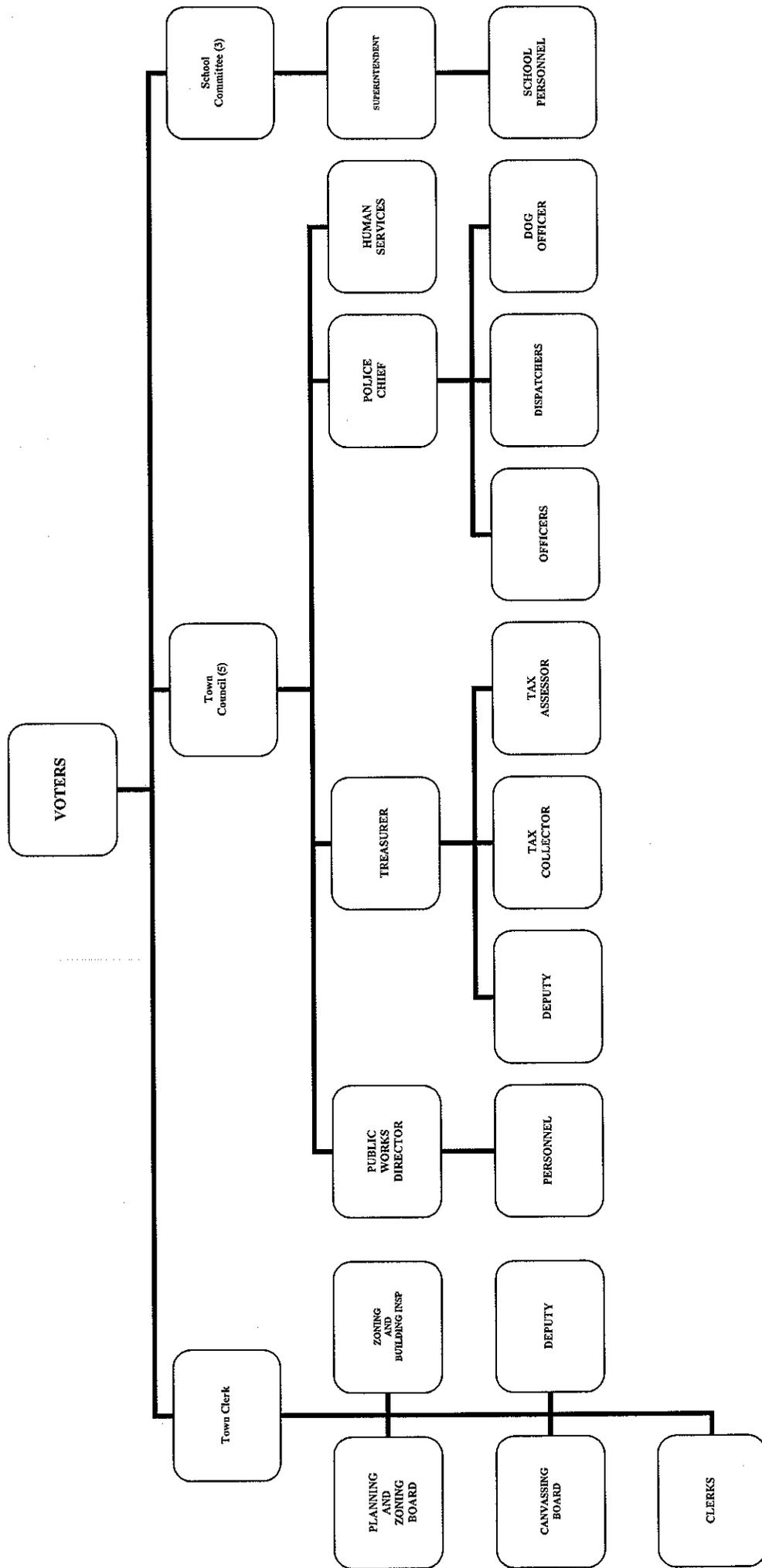
Respectfully,



Randy R. Rossi
Treasurer / Finance Director

TOWN OF FOSTER, RHODE ISLAND

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



FINANCIAL SECTION

THIS SECTION CONTAINS THE FOLLOWING:

Independent Auditors' Report

Management Discussion and Analysis

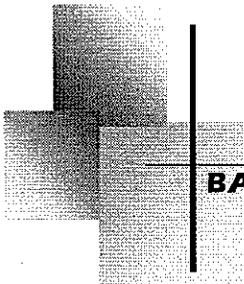
Basic Financial Statements

Required Supplementary Information

Other Supplementary Information



America Counts on CPAs



BACON & COMPANY, CPA'S, LLC

875 Centerville Road
Bldg. 3, Unit 10
Warwick, RI 02886

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Foster, Rhode Island, as of and for the year ended June 30, 2007, 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, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 31, 2007 on our consideration of the Town of Foster, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and

the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Foster, Rhode Island's basic financial statements. The introductory section, 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 introductory section and 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.

Bacm & Company, CPAs, LLC

Warwick, Rhode Island
December 31, 2007

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2007
(Un-audited)

Our discussion and analysis of the Town of Foster, Rhode Island's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the letter of transmittal and the Town's financial statements that follow this section.

Financial Highlights

- On a government-wide basis the assets of the Town of Foster exceeded its liabilities at June 30, 2007 by \$11,068,643. Net assets of the Town's component unit increased by \$196,801, or 21%, to \$1,121,333.
- The Town's Government-wide operating expenses were \$12,305,750, a 12.3% increase from the prior year due mainly to increases in education costs and enhancements to Town services and infrastructure. Revenues recognized were \$11,877,356, a 5.3 % increase due mainly to an increase in tax revenue.
- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,461,277. Over 89% (\$3,089,063) of this amount is unreserved. Within the unreserved amount, \$2,893,752, or 84% is undesignated.
- In the Town's general fund, at the end of 2007, the unreserved, undesignated fund balance was \$678,265 or 6.0% of the total general fund expenditures and other uses of funds for the fiscal year. The current fiscal year's expenditures and uses of funds exceeded revenues and sources of funds by \$65,058. On a budgetary basis revenues and sources of funds exceeded expenditures and uses of funds by \$75,186.

Overview of the Financial Statements

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

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

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

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

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2007
(Un-audited)

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

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

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

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

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

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

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2007
(Un-audited)

expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

In addition to the 18 funds exhibited here for the School Department, the Town maintains 20 active individual governmental funds and 1 fund within the component unit. Information is presented separately in the *Governmental Fund Balance Sheet* and in the *Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances* for the General Fund, the School Unrestricted Fund, and the Capital Project Fund which are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 52 through 65 in this report. The individual funds within the component unit have been summarized into the data presented.

Notes to Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are presented on pages 23 through 41.

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

Government-wide Financial Analysis

Analysis of the Town of Foster's Net Assets

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. On a government-wide basis, the assets of the Town exceeded its liabilities at June 30, 2007 by \$11,068,643, a decrease of \$428,394, or 3.7% from 2006.

The most significant changes noted were:

Noncurrent assets increased by \$112,484 from 2006.

The \$197,440 decrease in *Unrestricted Net Asset* was offset somewhat by a \$64,605 increase in *Invested in capital assets, net of related debt*.

Noncurrent liabilities increased by \$111,628 due entirely to compensated absences increasing due to step increases in the school department staff and enacting of a new police contract.

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2007
(Un-audited)

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

Town of Foster
Statement of Net Assets

	June 30, 2007		June 30, 2006	
	Governmental Activities	Component Unit	Governmental Activities	Component Unit
Current assets	\$ 4,214,953	\$ 152,433	\$ 4,642,401	\$ 100,036
Noncurrent assets	7,667,138	968,900	7,554,654	828,900
Total assets	<u>\$ 11,882,091</u>	<u>\$ 1,121,333</u>	<u>\$ 12,197,055</u>	<u>\$ 928,936</u>
Current liabilities	\$ 455,219	\$ -	\$ 453,417	\$ 4,404
Noncurrent liabilities	358,229	-	246,601	-
Total liabilities	<u>\$ 813,448</u>	<u>\$ -</u>	<u>\$ 700,018</u>	<u>\$ 4,404</u>
Net Assets:				
Invested in capital assets, net of related debt	\$ 7,619,259	\$ 968,900	\$ 7,554,654	\$ 828,900
Restricted	2,458,707	-	2,754,266	-
Unrestricted	990,677	152,433	1,188,117	95,632
Total net assets	<u>\$ 11,068,643</u>	<u>\$ 1,121,333</u>	<u>\$ 11,497,037</u>	<u>\$ 924,532</u>

The largest portion (\$7,619,259) of the Town's net assets consists of its investments in capital assets such as land, buildings and improvements, motor vehicles, furniture and equipment and infrastructure, less any debt used to acquire these assets, which is still outstanding. The Town uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are unlikely to be used to liquidate these liabilities.

An additional portion (\$2,458,707) of the Town's net assets represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to its citizens and creditors.

As of June 30, 2007 the Town of Foster 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, 2007
(Un-audited)

Analysis of the Town of Foster's Operations

The following analysis provides a summary of the Town's operations for the year ended June 30, 2007. The Town first implemented GASB Statement 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments for the fiscal year ended June 30, 2004. Comparative data is available and is presented in the following schedules. Governmental activities decreased the Town's net assets by \$428,394 for the current period. Component unit activities increased its net assets by \$196,801, or 21.3%, from 2006.

Total revenues increased by \$595,277, or 5.3%, from 2006. Operating grants and contributions increased by \$6,859 from 2006 due primarily to an increase in state and federal grant programs. Property tax revenue increased by \$383,543, or 4.9% from 2006, this was due mainly to an increase in the tax levy.

Total expenses increased by \$1,347,736, or 12.3% from 2006, which was primarily due to an increase in Education expense \$556,003, or 7.2% from 2006 and improvements to Town services and infrastructure.

Town of Foster
Statement of Activities

	<u>June 30, 2007</u>		<u>June 30, 2006</u>	
	Governmental Activities	Component Unit	Governmental Activities	Component Unit
<i>Revenues</i>				
<i>Program revenues</i>				
Charges for services	346,141	60,487	359,166	52,103
Operating grants	1,917,525		1,910,666	-
Capital grants	-	96,750	-	102,000
 <i>General revenues</i>				
Property taxes	8,262,363	-	7,878,820	-
State aid	1,215,414	-	1,039,025	-
Interest and investment income	135,913	2,284	80,694	2,787
Miscellaneous	-	37,280	13,708	-
Total revenues	11,877,356	196,801	11,282,079	156,890

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2007
(Un-audited)

Expenses

Legislative, judicial and general administrative	1,075,154	-	867,567	-
Health and welfare	408,234	-	372,732	-
Public Safety	1,386,698	-	1,101,109	-
Public Works	841,178	-	579,346	-
Building and Zoning	50,392	-	41,013	-
Planning	33,299	-	32,860	-
Conservation	1,130	-	2,172	-
Recreation	43,017	-	65,544	-
Education	8,234,752	-	7,678,749	-
Food services	86,708	-	88,411	-
Libraries	145,188	-	128,511	-
Land Trust	-	-	-	-
Total expenses	12,305,750	-	10,958,014	-
 Change in net assets	 (428,394)	 196,801	 324,065	 156,890
 Net assets July 1, restated	 11,497,037	 924,532	 11,172,972	 767,642
 Net assets June 30	 \$ 11,068,643	 \$ 1,121,333	 \$ 11,497,037	 \$ 924,532

Financial Analysis of the Town of Foster's Funds

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,461,277. Approximately 90% of the total amount, or \$3,089,063 constituted unreserved fund balances. Included in the unreserved balance is \$195,311 designated (appropriated) for fiscal year 2008, a decrease of \$4,689 from 2006.

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2007
(Un-audited)

Town of Foster
Governmental Funds
Fund Balances

	<u>Total Governmental Funds June 30, 2007</u>	<u>Total Governmental Funds June 30, 2006</u>
Reserved:		
Reserved for prepaid expenditures	\$ 97,102	\$ 45,361
Reserved for capital expenditures	275,112	215,354
Unreserved:		
Designated for subsequent year budget	195,311	200,000
Undesignated	2,893,752	3,421,239
Total fund balances	<u>\$ 3,461,277</u>	<u>\$ 3,881,954</u>

General Fund Budgetary Highlights

Revenues

Actual revenues and other financing sources reported in 2007 exceeded budgeted amounts by \$258,025, or 2.2%.

Actual General Property Taxes collected were greater than budget by \$54,957, or .7%.

General State Aid exceeded budget by \$43,932, or 3.2%. The Town received \$62,929 more than the \$778,192 budgeted for the State Excise Tax Phase-out and \$1,494 more than the \$310,987 budgeted for General Revenue Sharing. The Town budgets conservatively because the amounts to be paid to the Town during 2007 were not known until after the budget was passed.

Interest and investment income exceeded budget by \$46,751 or 215%. Most of this was due to higher than anticipated interest rates.

License and permit fees collected exceeded budget by \$27,160, or 41%, due to an increase in instruments recorded.

Expenses

Actual expenditures and other financing uses in the Town's General Fund were higher than budget by \$182,839 or 1.5%. This was primarily due to replenishing the Town's healthcare reserve funds in the amount of \$150,000 to West Bay Community Health which had been withdrawn from the fund and invested with Town surplus funds. The other major factors that contributed to expenses exceeding the

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
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budget where in the areas of Unemployment Compensation (11,776) and Contingency (27,195) which dealt with two legal cases being settled and a change of administration replaces town personnel.

Some of the negative variances realized were offset by a favorable balance in the Public Safety budget by \$23,245.

The Town of Foster's Capital Assets

The Town of Foster's investment in capital assets for its governmental activities amount to \$7,667,138, net of accumulated depreciation at June 30, 2007. Included are land, building and improvements, construction in progress, motor vehicles, furniture and equipment and infrastructure.

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

Town of Foster
Capital Assets (net of Accumulated Depreciation)

	June 30, 2007		June 30, 2006	
	Governmental Activities	Component Unit	Governmental Activities	Component Unit
Land	\$ 31,199	\$ 968,900	\$ 31,199	\$ 828,900
Construction in progress	-	-	34,543	-
Land Improvements	38,629	-	46,387	-
Buildings and improvements	2,393,960	-	2,354,349	-
Motor vehicles	818,697	-	768,093	-
Machinery and equipment	184,654	-	190,546	-
Infrastructure - roads and bridges	4,199,999	-	4,129,537	-
Total	\$ 7,667,138	\$ 968,900	\$ 7,554,654	\$ 828,900

Significant additions to capital assets in 2007 include:

Land - \$140,000	Purchase of open space for Foster Land Trust
Buildings and improvements -	\$ 59,400 Class A Fire Alarm System for Town House
	\$ 25,400 Fire Alarm System for Police Dispatch
Motor vehicles -	\$172,495 Purchase of Rescue Ambulance
	\$ 73,937 Purchase of three Police Vehicles
Equipment -	\$ 15,885 Purchase new Financial Software
	\$ 12,600 Fuel Management System
Infrastructure -	\$185,144 Asphalt of South Killingly Road

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2007
(Un-audited)

The Town of Foster's Debt Administration

In fiscal year 2006, the Town of Foster made its final payment on outstanding debt with a principal payment of \$40,000 and an interest payment of \$1,500 which fully satisfies the Town's obligation.

Except as provided below, under Section 45-12-2 of the General Laws of Rhode Island, the Town may not, without special statutory authorization, incur any debt which would increase its aggregate indebtedness not otherwise excepted by law to an amount greater than 3% of the taxable property of the Town. Deducted from the computation of aggregated indebtedness is the amount of any borrowing in anticipation of taxes authorized by law and the amount of any sinking funds maintained by the Town. The current 3% debt limit of the Town is \$21,403,487 (based on the net assessed valuation at December 31, 2006 of \$713,449,571). As of June 30, 2007, the Town had no outstanding bonds and notes issued within the 3% debt limit leaving a borrowing capacity of \$21,403,487.

The State legislature may by special act permit the Town to incur indebtedness outside the limitations imposed by the 3% debt limit. Special legislation adopted by the Legislature authorizing the Town to incur debt is subject to referendum by the electors of the Town. On June 30, 2007, the total outstanding debt of the Town issued outside the 3% debt limit was \$ 0.

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

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

Economic Factors and Next Year's Budgets and Rates

- Unemployment rates as of June 30, 2006 and June 30, 2007.

<u>6/30/2006</u>	<u>6/30/2007</u>	
5.5%	5.3%	Town of Foster
5.1%	4.8%	State of Rhode Island
4.6%	4.6%	United States

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2007
(Un-audited)

- Rates of inflation (taken from the Consumer Price Index) as of June 30, 2006 and June 30, 2007.

<u>6/30/2006</u>	<u>6/30/2007</u>	
5.1%	2.7%	Northeast Urban area
4.3%	2.5%	United States

- Median family income for the census year 2000 in Foster was \$63,657 compared to the State's median income of \$52,781.
- Existing single-family home median sale prices were approximately \$353,000 in Foster, moderately higher than the state average of \$282,500.
- Foster ranks 37th in population (4,274 per 2000 census) among Rhode Island's 39 cities and towns.
- The Town's total general fund budget for fiscal year 2008 amounts to \$12,982,633 (\$8,310,378, or 64%, for education and \$4,672,255, or 36%, for other purposes), which reflects an increase of \$1,239,500 or 10.6% from 2007. The increase is due primarily to an increase in education costs of \$565,783 and Town government costs of \$673,717. \$195,311 was appropriated from the Town's fund balance to provide additional funding for the fiscal 2008 budget and help contain the tax increase.
- The unreserved, undesignated fund balance in the general fund decreased by \$169,786, or 20%, to \$678,265 in 2007. The unreserved fund balance is 7.4% of proposed expenditures for 2007.
- Since December 2000, per Rhode Island General Law 44-5-11.6, municipalities in Rhode Island are required to perform full revaluations on all "ratable" property every nine years and statistical revaluations every three years for the year's in-between. The Town's second statistical revaluation was completed for the period ending December 31, 2005. Those valuations were the basis for fiscal 2006-07 tax rates. The Town's net values for all taxable property in the Town increased by \$6,902,012, or 1.0%, to \$713,449,571 from \$706,547,559 from 2007 to 2008. The Town's tax rates for 2007 and 2008 with their differences are listed below. The tax on *Motor vehicles* has been frozen at \$36.95. The tax on *Inventory* is scheduled to be phased out in three years. Rates are per \$1,000.

Tax Rates

	Fiscal Year <u>2007-08</u>	Fiscal Year <u>2006-07</u>	Increase <u>(Decrease)</u>
Real Property	\$ 11.79	\$ 11.24	\$ 0.55
Motor vehicle	36.95	36.95	-
Tangible	16.26	15.50	0.76
Inventory	1.85	3.69	(1.84)

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2007
(Un-audited)

Request for Information

The financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the Town's finances and to show the Town's accountability for the tax dollars received. If you have questions about this report or need additional financial information, contact the Finance Office, Town of Foster, 181 Howard Hill Road, Foster, RI 02825, Telephone number (401) 392-9207.

Randy R. Rossi
Treasurer / Finance Director

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, 2007

	<i>Primary Government Governmental Activities</i>	<i>Component Unit Foster Land Trust</i>
<i>Assets</i>		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 3,226,978	\$ 76,350
Investments	277,130	-
Property taxes receivable	373,556	-
Accrued interest receivable	69,926	-
Due from federal and state governments	95,802	-
Other receivables	74,459	-
Due from primary government	-	76,083
Prepaid expenses	97,102	-
<i>Total current assets</i>	4,214,953	152,433
<i>Noncurrent assets:</i>		
Capital assets: (Note 7)		
Land and other nondepreciable assets	31,199	968,900
Depreciable buildings, property, equipment, and infrastructure (net)	7,635,939	-
<i>Total noncurrent assets</i>	7,667,138	968,900
<i>Total assets</i>	11,882,091	1,121,333
<i>Liabilities</i>		
<i>Current liabilities:</i>		
Accounts payable and accrued expenses	276,048	-
Due to component unit	76,083	-
Unearned revenue	10,400	-
Current portion of lease payable	23,152	-
Compensated absences payable	59,299	-
Other liabilities	10,237	-
<i>Total current liabilities</i>	455,219	-
<i>Noncurrent liabilities:</i>		
Capital lease payable	24,727	-
Compensated absences payable	333,502	-
<i>Total noncurrent liabilities</i>	358,229	-
<i>Total liabilities</i>	813,448	-
<i>Net Assets</i>		
Invested in capital assets	7,619,259	968,900
Restricted for:		
Capital purposes	1,954,578	-
Specific projects and programs	504,129	-
Unrestricted	990,677	152,433
<i>Total net assets</i>	\$ 11,068,643	\$ 1,121,333

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, 2007

<i>Functions/Programs</i>	<i>Program Revenues</i>			<i>Net (Expense) Revenue and Changes in Net Assets</i>		
	<i>Expenses</i>	<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	<i>Primary Government</i>	<i>Component Unit</i>
					<i>Total Governmental Activities</i>	<i>Foster Land Trust</i>
Primary Government:						
Governmental Activities:						
Legislative, judicial and general administrative	\$ 1,075,154	\$ 109,165	\$ 50,570	\$ -	\$ (915,419)	\$ -
Health and Welfare	408,234	2,390	88,800	-	(317,044)	-
Public safety	1,386,698	67,426	58,273	-	(1,260,999)	-
Public works	841,178	-	-	-	(841,178)	-
Building and zoning	50,392	69,140	-	-	18,748	-
Planning	33,299	25,447	-	-	(7,852)	-
Conservation	1,130	-	-	-	(1,130)	-
Recreation	43,017	-	-	-	(43,017)	-
Education	8,234,752	23,871	1,696,003	-	(6,514,878)	-
Food services	86,708	48,702	23,879	-	(14,127)	-
Libraries	145,188	-	-	-	(145,188)	-
Total governmental activities	12,305,750	346,141	1,917,525	-	(10,042,084)	-
Component Unit:						
Foster Land Trust	-	60,487	-	96,750	-	157,237
		General Revenues:				
		Taxes:				
		Property taxes, levied for general purposes			8,262,363	-
		State aid, not restricted for a specific purpose			1,215,414	-
		Interest and investment income			135,913	2,284
		Miscellaneous			-	37,280
		Total general revenues			9,613,690	39,564
		Change in net assets			(428,394)	196,801
		Net assets - beginning of year			11,497,037	924,532
		Net assets - end of year			\$ 11,068,643	\$ 1,121,333

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, 2007

	General Fund	School Unrestricted Fund	Capital Projects Fund	Nonmajor Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,546,220	\$ 50,236	\$ 423,668	\$ 206,854	\$ 3,226,978
Investments	-	185,889	-	91,241	277,130
Property taxes receivable	373,556	-	-	-	373,556
Due from federal and state governments	59,747	-	-	36,055	95,802
Other receivables	5,430	17,500	-	6,939	29,869
Due from other funds	156,209	136,634	1,255,798	272,757	1,821,398
Prepaid expenditures	49,659	47,443	-	-	97,102
Total assets	\$ 3,190,821	\$ 437,702	\$ 1,679,466	\$ 613,846	\$ 5,921,835
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenditures	\$ 171,897	\$ 104,151	\$ -	\$ -	\$ 276,048
Due to other funds	1,412,875	115,683	-	248,250	1,776,808
Due to component unit	76,083	-	-	-	76,083
Deferred revenues	321,382	-	-	-	321,382
Other liabilities	10,237	-	-	-	10,237
Total liabilities	1,992,474	219,834	-	248,250	2,460,558
Fund Balances					
Reserved:					
Reserved for prepaid expenditures	49,659	47,443	-	-	97,102
Reserved for capital expenditures	275,112	-	-	-	275,112
Unreserved:					
Designated for 2007/2008 budget	195,311	-	-	-	195,311
Undesignated	678,265	170,425	1,679,466	-	2,528,156
Unreserved, reported in:					
Special revenue funds	-	-	-	365,596	365,596
Total fund balances	1,198,347	217,868	1,679,466	365,596	3,461,277
Total liabilities and fund balances	\$ 3,190,821	\$ 437,702	\$ 1,679,466	\$ 613,846	\$ 5,921,835

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, 2007*

Total Fund Balances - Total Governmental Funds	\$ 3,461,277
<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 7 to the financial statements.	7,667,138
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.	69,926
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.	310,982
Long-term liabilities (including bonds, loans, capital leases payable, and compensated absences) are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet. See note 8 to the financial statements.	<u>(440,680)</u>
Net Assets - Governmental Activities	<u><u>\$ 11,068,643</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, 2007*

	General Fund	School Unrestricted Fund	Capital Projects Fund	Nonmajor Other Governmental Funds	Total Governmental Funds
Revenues					
General property taxes	\$ 8,180,828	-	\$ -	-	\$ 8,180,828
Intergovernmental and departmental revenues	2,637,846	145,896	-	407,656	3,191,398
Licenses and permits	94,110	-	-	-	94,110
Building and zoning fees	69,140	-	-	-	69,140
Fines and interest on late payments	62,879	-	-	-	62,879
Interest on investments	87,551	25,873	15,780	6,709	135,913
Other revenues	59,074	-	-	51,092	110,166
Total revenues	<u>11,191,428</u>	<u>171,769</u>	<u>15,780</u>	<u>465,457</u>	<u>11,844,434</u>
Expenditures					
Current:					
Legislative, judicial and general administrative	346,417	-	-	82,450	428,867
Financial administration	253,008	-	-	-	253,008
Miscellaneous administration	307,650	-	-	-	307,650
Health and welfare	335,649	-	-	72,935	408,584
Public safety	1,221,093	-	-	58,273	1,279,366
Public works	691,686	-	-	-	691,686
Building and zoning	50,392	-	-	-	50,392
Planning	17,799	-	-	-	17,799
Conservation	1,130	-	-	-	1,130
Recreation	34,424	-	-	-	34,424
Education	3,569,679	4,177,267	-	332,257	8,079,203
Food services	-	-	-	86,708	86,708
Libraries	145,188	-	-	-	145,188
Land trust	5,419	-	-	-	5,419
Capital outlay	549,974	-	-	-	549,974
Total expenditures	<u>7,529,508</u>	<u>4,177,267</u>	<u>-</u>	<u>632,623</u>	<u>12,339,398</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, 2007*

	General Fund	School Unrestricted Special Revenue Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<i>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</i>	3,661,920	(4,005,498)	15,780	(167,166)	(494,964)
<i>Other financing sources (uses)</i>					
Proceeds from lease	74,287	-	-	-	74,287
Transfers from other funds	609,730	4,007,780	230,258	172,957	5,020,725
Transfers to other funds	(4,410,995)	-	(609,730)	-	(5,020,725)
<i>Total other financing sources (uses)</i>	<u>(3,726,978)</u>	<u>4,007,780</u>	<u>(379,472)</u>	<u>172,957</u>	<u>74,287</u>
<i>Net change in fund balance</i>	(65,058)	2,282	(363,692)	5,791	(420,677)
<i>Fund balances - beginning of year</i>	1,263,405	215,586	2,043,158	359,805	3,881,954
<i>Fund balances - end of year</i>	<u>\$ 1,198,347</u>	<u>\$ 217,868</u>	<u>\$ 1,679,466</u>	<u>\$ 365,596</u>	<u>\$ 3,461,277</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, 2007*

Net Changes in Fund Balances - Total Governmental Funds \$ (420,677)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Fund Financial Statements report capital outlay as expenditures. However, in the Government-Wide Statement of Activities the cost of those assets is allocated over its estimated useful life as depreciation expense. This is the amount of capital asset additions recorded in the current period. 548,910

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Fund Financial Statements. (412,500)

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. (105,244)

Bond and lease proceeds provide current financial resources to Governmental Funds, but issuing debt increases the long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of debt is an expenditure in the Governmental Funds, but the payments reduce long-term liabilities in the Government-Wide Statement of Net Assets. This amount represents proceeds from leases (74,287)
This amount represents long-term debt payments 26,408

Loss on disposal of assets is reported in the Government-Wide Statement of Activities, but it does not require the use of current financial resources. Therefore, the loss on disposal is not reported as an expenditure in the Governmental Fund financial statements. (23,926)

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. 32,922

Change in Net Assets of Governmental Activities \$ (428,394)

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, 2007

	<i>Private- purpose Trusts</i>	<i>Agency Funds</i>
	<u><i>Cemetery Fund</i></u>	<u></u>
<i>Assets</i>		
Cash and cash equivalents	\$ 85,134	\$ 36,687
<i>Total assets</i>	<u>85,134</u>	<u>36,687</u>
<i>Liabilities</i>		
Due to other funds	44,090	500
Deposits held in custody for others	-	36,187
<i>Total liabilities</i>	<u>44,090</u>	<u>36,687</u>
<i>Net Assets</i>		
Held in trust for other purposes	<u>\$ 41,044</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, 2007

	<u>Private- purpose Trusts</u>	<u>Cemetery Fund</u>
Additions		
<i>Investment earnings:</i>		
Interest and dividends	\$ 862	
Donations		500
Total additions	<u>1,362</u>	
Deductions		
Miscellaneous		3,764
Total deductions		<u>3,764</u>
Change in net assets		(2,402)
Net assets - beginning of year		<u>43,446</u>
Net assets - end of year		<u>\$ 41,044</u>

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

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

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.

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

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, 2007 or for the year then ended.

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

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

Fund Financial Statements

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

- (a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 10% of the corresponding total (assets, liabilities and so forth) for all funds of that category or type, (that is, total governmental or total enterprise funds), and
- (b) Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

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

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

Governmental Funds:

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

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

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

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

Proprietary Funds:

Proprietary funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. For the year ended June 30, 2007, 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.

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2007

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

D. USE OF ESTIMATES

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

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

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.

Under Rhode Island General Laws, depository institutions must insure deposits of municipalities or pledge eligible collateral equal to 100 % of deposits maturing in greater than sixty days. Any institution not meeting certain federally prescribed minimum capital standards must insure deposits or provide collateral regardless of date of maturity.

F. 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".

G. PREPAID ITEMS

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

H. 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

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

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.

I. PROPERTY TAXES

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

Rhode Island General Laws restrict the Town's ability to increase either its total tax levy or its tax rates more than 5.5% over those of the preceding year.

J. 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.

The liability for compensated absences reported in the government-wide financial statements consists of unpaid accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

In the governmental fund financial statements, vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it.

K. 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.

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

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.

L. LONG-TERM OBLIGATIONS

All accrued liabilities and long-term debt are reported in the government-wide financial statements. Bond issuance costs are deferred and amortized over the term of the related debt.

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. Bond issuance costs are expensed as incurred.

M. FUND EQUITY

Government-Wide Financial Statements:

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

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

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

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

Fund Statements:

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

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
 June 30, 2007

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

LEGAL DEBT MARGIN

The Town's legal debt margin as set forth by State Statute is limited to three percent of total taxable assessed value which approximates \$21,196,427. As of June 30, 2007, the Town's debt is under the limit by \$21,196,427.

NOTE 3 – FUND EQUITY

Designated fund balances:

As of June 30, 2007, the Town has designated \$195,311 of unreserved General Fund balance to be applied to the 2008 Town operating budget.

Reserved fund balances:

The following reserves are recorded in the fund financial statements:

General Fund – Capital Expenditures	\$275,112
General Fund – Prepaid Expenditures	49,659
School Unrestricted Fund – Prepaid Expenditures	47,443

Deficit fund equity:

The following fund reported a deficit fund balance at June 30, 2007:

School Lunch Fund	\$(22,599)
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NOTE 4 - CASH DEPOSITS

DEPOSITS - are in various financial institutions and are carried at cost. The carrying amount of deposits is separately displayed on the Balance Sheet of the fund financial statements and the Statement of Net Assets as "Cash and Cash Equivalents".

	<u>Primary Government</u> <u>Carrying</u> <u>Amount</u>	<u>Component Unit</u> <u>Carrying</u> <u>Amount</u>
Total Deposits	\$3,348,745	\$76,350
Add: Petty Cash	54	---
<i>Total Cash and Cash Equivalents Reported in the Financial Statements</i>	<u>\$3,348,799</u>	<u>\$76,350</u>

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2007

CUSTODIAL CREDIT RISK – custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2007, \$3,185,557 of the Town’s bank balance of \$3,950,929 was exposed to custodial credit risk as follows:

	<u>Primary Government Bank Balance</u>	<u>Component Unit Bank Balance</u>
Insured (Federal depository insurance funds)	\$ 689,022	\$76,350
Uninsured and uncollateralized	3,185,557	---
Total	\$3,874,579	\$76,350

Under Rhode Island general laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits which are time deposits with maturities greater than sixty (60) days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity. At June 30, 2007, the Town’s uncollateralized deposits with institutions were \$3,185,557. These deposits are held by institutions that meet the minimum capital standards prescribed by the federal regulators.

NOTE 5 -INVESTMENTS

The Town invests in various types of investments which are stated at fair value. The Town Treasurer/Finance Director has control over the type of investments made. The Town does not have a formal investment policy nor any other legally contracted agreement that limits the type of investments that may be made. However, the Town takes a conservative approach when making investments. As of June 30, 2007, the Town had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
MBIA RI Investment Pool	N/A	\$ 91,241
U.S. Government Money Market Fund	N/A	185,889
Total Investments reported in the Financial Statements		\$ 277,130

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.

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
 June 30, 2007

Credit Risk – The Town does not have a formal investment policy that limits its investment choices. As of June 30, 2007, the investment in the MBIA Rhode Island Investment Pool was not rated. As of June 30, 2007, the Town’s investment in the U.S. Government Money Market Fund was rated AAA by S&P and Aaa by Moody’s.

Concentration of Credit Risk – The Town places no limit on the amount the Town may invest in any one issuer. The Town has no investments to which this requirement applies.

NOTE 6 – INTER-FUND TRANSACTIONS

Inter-fund receivable and payable balances at June 30, 2007 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>Fiduciary Funds</i>	
<i>Due To:</i>					
General Fund	\$ ---	\$ 4,611	\$ 107,008	\$44,590	\$ 156,209
School Unrestricted Fund	---	---	136,634	---	136,634
Capital Projects Fund	1,255,798	---	---	---	1,255,798
Other Governmental Funds	157,077	111,072	4,608	---	272,757
Total	<u>\$1,412,875</u>	<u>\$ 115,683</u>	<u>\$248,250</u>	<u>\$44,590</u>	<u>\$1,821,398</u>

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, 2007 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	\$ ---	\$609,730	\$ 609,730
School Unrestricted Fund	4,007,780	---	4,007,780
Capital Projects Fund	230,258	---	230,258
Other Governmental Funds	172,957	---	172,957
Total	<u>\$4,410,995</u>	<u>\$609,730</u>	<u>\$5,020,725</u>

Transfers are used to move revenues from the fund that the budget requires to collect them, to the funds that the budget requires to expend them. For example, the \$4,007,780 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, 2007

NOTE 7 - INFORMATION ABOUT CAPITAL ASSETS

Capital asset activity for the fiscal year ended June, 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Primary Government -				
Governmental Activities:				
Nondepreciable assets:				
Land	\$ 31,199	\$ -	\$ -	\$ 31,199
Construction in progress	34,543	4,099	38,642	-
Total nondepreciable assets	<u>65,742</u>	<u>4,099</u>	<u>38,642</u>	<u>31,199</u>
Depreciable assets:				
Land improvements	179,766	-	-	179,766
Buildings and improvements	4,068,582	123,442	-	4,192,024
Motor vehicles	2,794,223	246,402	277,506	2,763,119
Machinery and equipment	533,767	28,485	5,523	556,729
Infrastructure - roads and bridges	7,230,186	185,124	-	7,415,310
Total capital assets	<u>14,872,266</u>	<u>587,552</u>	<u>321,671</u>	<u>15,138,147</u>
Less accumulated depreciation for:				
Land improvements	133,379	7,758	-	141,137
Buildings and improvements	1,714,233	83,831	-	1,798,064
Motor vehicles	2,026,130	171,872	253,580	1,944,422
Machinery and equipment	343,221	34,377	5,523	372,075
Infrastructure - roads and bridges	3,100,649	114,662	-	3,215,311
Total accumulated depreciation	<u>7,317,612</u>	<u>412,500</u>	<u>259,103</u>	<u>7,471,009</u>
Governmental activities capital assets, net	<u>\$ 7,554,654</u>	<u>\$ 175,052</u>	<u>\$ 62,568</u>	<u>\$ 7,667,138</u>
Component Unit:				
Nondepreciable assets:				
Land	\$ 828,900	\$ 140,000	\$ -	\$ 968,900
Total nondepreciable assets	<u>828,900</u>	<u>140,000</u>	<u>-</u>	<u>968,900</u>
Component unit capital assets, net	<u>\$ 828,900</u>	<u>\$ 140,000</u>	<u>\$ -</u>	<u>\$ 968,900</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Legislative	\$ 139,157
Public education	66,610
Public safety	132,706
Public works	73,267
Recreation	760
Total governmental activities depreciation expense	<u>\$ 412,500</u>

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
 June 30, 2007

NOTE 8 – INFORMATION ABOUT LONG-TERM LIABILITIES

A. Long term liability activity for the year ended June 30, 2007 was as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<i>Governmental Activities:</i>					
Capital lease payable	\$ -	\$ 74,287	\$ 26,408	\$ 47,879	\$ 23,152
Accrued compensated absences	287,557	146,200	40,956	392,801	59,299
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$ 287,557</u>	<u>\$ 220,487</u>	<u>\$ 67,364</u>	<u>\$ 440,680</u>	<u>\$ 82,451</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.

B. CAPITAL LEASE COMMITMENTS

The Town acquired vehicles valued at \$74,287 that was financed with a lease purchase agreement.

Obligation of governmental activities under capital leases at June 30, 2007 was as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Lease Payment</u> <u>Requirements</u>
2008	\$ 26,408
2009	26,408
Total minimum lease payments	<u>52,816</u>
Less: Amount representing interest cost	(4,937)
Present value of minimum lease payments	<u>\$47,879</u>

NOTE 9 – TRANSCATIONS WITH THE FOSTER LAND TRUST

For the year ended June 30, 2007, the Town's General Fund reported the following balances related to the Foster Land Trust:

Due to Foster Land Trust	<u>\$ 76,083</u>
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TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

NOTE 10 – DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

A. ACCOUNTS RECEIVABLE

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

B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities at June 30, 2007, were as follows:

	<i>Vendors</i>	<i>Salaries and Benefits</i>	<i>Other</i>	<i>Total</i>
Governmental activities:				
General	\$127,239	\$38,505	\$6,153	\$ 171,897
School Unrestricted	90,968	13,183	---	104,151
	<u>\$218,207</u>	<u>\$51,688</u>	<u>\$6,153</u>	<u>\$276,048</u>

NOTE 11 – FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

The Foster-Glocester Regional School District (Regional School) was created to include the high school and middle schools for the Towns of Foster and Glocester (the Towns). The Regional School is a separate legal entity from the Town. The voters of the participating Towns elect the Regional School Committee. The Regional School cannot assess and levy property taxes. Revenues are derived principally from the participating Towns of the Regional School which contribute funds according to a financial formula based upon each Town's enrollment and from the State of Rhode Island. The Town of Foster's contribution for the fiscal year ended June 30, 2007 was \$3,569,679. Financial statements for the Regional School are issued separately and may be obtained from the Foster-Glocester Regional School District Business Office, 1145 Putnam Pike, Chepachet, Rhode Island 02814.

NOTE 12 – PROPERTY TAXES

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

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

NOTE 13 – RISK MANAGEMENT

The Town of Foster is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. As a result, the Town participates in a nonprofit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) which provides coverage for property/liability and workers' compensation claims. Upon joining the Trust, the Town signed a participation agreement which outlines the rights and responsibilities of both the Trust and the Town. The agreement states that for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism, which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its Members. Under the participation agreement, the Town is insured for amounts to \$3,000,000 per occurrence depending on the type of coverage. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years.

NOTE 14 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Pending or threatened lawsuits against the Town arise in the ordinary course of operations. Generally, in the opinion of the administration, the ultimate resolution of any legal actions will not result in a material loss to the Town. However, at June 30, 2007, there are several claims against the Town for which the Town's legal counsel is unable to determine the likelihood of an unfavorable outcome or the amount or range of potential loss.

NOTE 15 – POST RETIREMENT BENEFITS

In addition to the pension benefits described in Note 16, the Town of Foster provides health and dental care benefits to certain retired employees based on the terms of their contracts. Currently 8 retirees meet the eligibility requirements and are receiving benefits. The Town pays the cost of these benefits on a "pay as you go basis". The total cost for fiscal year 2007 was \$11,285.

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 ("System"), a cost-sharing multiple-employer defined benefit plan administered by the State of Rhode Island. The payroll for employees covered by the System for the year ended June 30, 2007 was \$1,819,146.

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2007

Plan Description

The following eligibility and benefit provisions are established by Rhode Island General Laws, Title 16, Chapters 15-17 and were modified by the adoption of Article 7, Sub A. All Town of Foster 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.

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

The following benefits provisions apply to members hired in the future and for current members who have less than 10 years of contributory service as of June 30, 2005. Employees who retire on or after age 65 with 10 years of credited service, or on or after age 59 with 29 years of credited service are entitled to a retirement benefit. In addition, a member may retire with a reduced benefit after attaining age 55 with at least 20 years of service credit. The benefit is calculated in the same manner as the unreduced benefit, but is reduced on an actuarial basis for each year the member's age at retirement is less than 65. The normal retirement benefit is equal to 1.6% of final average salary for each year of credited service up to 10 years, plus 1.8% of final average salary in excess of 10 years through 20 years, plus 2.0% of final average salary in excess of 20 years through 25 years, plus 2.25% of final average salary in excess of 25 years through 30 years, plus 2.5% of final average salary in excess of 30 years through 37 years of service, plus 2.25% of final average salary for the 38th year, up to a maximum benefit of 75% of final average salary. Final average salary is the three highest consecutive years of earned salary exclusive of overtime, bonuses, or severance pay. Members receive a cost of living adjustment that depends on the change in the CPI for all Urban Consumers, as published by the Bureau of Labor Statistics. The increase is equal to the year-to-year change in the CPI - U as of the prior September. The increase is limited to 3.0% in any year. The first cost of living adjustment is delayed until the third anniversary of the member's retirement. Members who retire with a disability are not affected by the cost of living changes regardless of their service or when they become a member.

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2007

Contributions Required and Contributions Made

Covered employees are required by State Statute to contribute 9.5% of their salary to the plan. The School Department is required to contribute an amount determined annually by the actuary and as provided by State Statute.

The contribution is payable in part by the State and in part by the School Department. The split between State and the School Department is specified by State Statute. The contribution requirement for fiscal 2006-2007 is 19.64%. 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 .27% of the contribution deferrals. This results in a contribution requirement for the School of 11.62% and a contribution requirement for the State of 8.02%. The State contribution for the cut off year ended June 30, 2007 was \$145,896 which represented 8.02% of covered payroll. The payments made by the State to the Employees' Retirement System are considered on behalf of payments and are reported as a revenue and as an expenditure in the financial statements. The School's contribution requirement for the cut off year ended June 30, 2007 was \$384,204, which consisted of \$211,385 from the School Department, and \$172,819 from employees. These contributions represented 11.62% and 9.5% of covered payroll respectively. The annual required contribution was determined as part of the June 30, 2004 actuarial valuation as amended.

The School Department does not have any investments or related party investments with the State Plan. The School Department contribution represented 0.20% of total contributions required of all participating entities.

Trend Information

<i><u>Fiscal Year</u></i>	<i><u>Annual Required Contribution</u></i>	<i><u>Percentage Contributed</u></i>
2005	\$170,408	100%
2006	\$166,490	100%
2007	\$211,385	100%

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2006 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island.

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

The Town of Foster participates in the Municipal Employees' Retirement System ("System"), an agent multiple employer defined benefit plan administered by the State of Rhode Island. All Town employees except for certified school personnel participate in the System. The payroll for employees covered by the System for the year ended June 30, 2007 was \$1,397,173 (general employees - \$1,076,601 and police officers - \$320,572).

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2007

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 System generally provides retirement benefits equal to 2% of a member's final average salary multiplied by the number years of total service up to 37.5 years with a maximum benefit of 75%. Final average salary is the three highest consecutive years of earned salary exclusive of overtime, bonuses or severance pay. Such benefits are available to general employees at least age 58 with 10 years of service or after 30 years regardless of age. Under the normal plan, police and firefighters may retire with unreduced accrued benefits at age 55 with 10 years of service or after 25 years regardless of age. The benefit accrual is 2% of final average salary per year of service. Members may retire and receive a reduced benefit if they are at least age 50 with 20 years of service. If a municipality elects to adopt the 20-year retirement provisions for police and firefighters, then such a member may retire at any age with 20 years of service. This 20-year optional plan provides a benefit equal to 2.5% of final average salary per year of service up to 30 years. The maximum benefit is 75% of final average salary under both the normal plan and the 20-year optional plan. Early retirement is only available to police and firefighters under the normal plan. The plan also provides non-service connected disability benefits after 5 years of service, service connected disability benefits with no minimum service requirement, survivors' benefits, and certain lump sum death benefits. Employees are vested in their retirement benefits upon the completion of 10 years of service. Members employed by municipalities who elect one of the optional COLA provisions receive an increase equal to 3% of the original retirement benefit each year beginning January 1 following the member's retirement. The Town has elected COLA provision C for its police officers.

Contributions Required and Contributions Made

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 computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal actuarial cost method. Under this method, the employer contribution rate is the sum of (i) the employer normal cost rate, and (ii) a rate that will amortize the unfunded actuarial accrued liability. The unfunded actuarial accrued liability is amortized as a level percentage of payroll over a closed 30 year period from June 30, 1999.

The annual required contribution amount, which equals annual pension cost, for the Town was determined as described above and was based on an actuarial valuation as of June 30, 2004. Significant actuarial assumptions used in the June 30, 2004 valuation include the following:

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
 June 30, 2007

- (1) Investment return – 8.25%, compounded annually, composed of an assumed 3.0% inflation rate and a 5.25% net real rate of return
- (2) Projected salary increases – a service related component, plus a 3.0% inflation component, plus a general increase
- (3) Cost of living adjustment – 3%, not compounded
- (4) Actuarial value of assets – based on market value of assets with a five year phase-in of actual investment return in excess of (less than) expected investment income

The contribution requirement for the Town of Foster for the year ended June 30, 2007 was \$214,282 which consisted of the Town's contribution of \$120,834 (general employees - \$74,768; police officers - \$46,066) and employee contributions of \$93,448 (general employees - \$64,596; police officers – \$28,852). These contributions represent 8.65% and 6.69% of covered payroll respectively.

Trend Information

Trend information for the Town is presented below:

General Municipal Employees

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2005	\$36,510	100%	\$ 0
2006	\$56,952	100%	\$ 0
2007	\$74,768	100%	\$ 0

Police Officers

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2005	\$45,121	100%	\$ 0
2006	\$33,094	100%	\$ 0
2007	\$46,066	100%	\$ 0

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Municipal Employees Retirement System's June 30, 2006 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island.

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule of Funding Progress – Pension Plan

Budgetary Comparison Schedules – General Fund and School Unrestricted Fund

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

TOWN OF FOSTER, RHODE ISLAND

General Fund

Schedule of Revenues and Expenditures - Budget and Actual

For the Fiscal Year Ended June 30, 2007

	<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	\$ 8,125,871	\$ 8,125,871	\$ 8,180,828	\$ 54,957
Tax exemption 45-13-51	271	271	271	-
Telephone tax	49,717	49,717	41,605	(8,112)
Hotel tax	19,349	19,349	19,936	587
Motor vehicle excise phase-out	778,192	778,192	841,121	62,929
State aid to education	1,378,500	1,378,500	1,416,462	37,962
State housing aid	-	-	5,970	5,970
Municipal revenue sharing	310,987	310,987	312,481	1,494
Licenses and permits	66,950	66,950	94,110	27,160
Building and zoning fees	62,830	62,830	69,140	6,310
Fines and interest on late payments	72,100	72,100	62,879	(9,221)
Interest on investments	40,800	40,800	87,551	46,751
Other revenues	27,836	27,836	59,074	31,238
<i>Total revenues</i>	<u>10,933,403</u>	<u>10,933,403</u>	<u>11,191,428</u>	<u>258,025</u>
<i>Other financing sources</i>				
Transfers from Capital Projects Fund	609,730	609,730	609,730	-
Transfer from surplus	200,000	200,000	200,000	-
<i>Total other financing sources</i>	<u>809,730</u>	<u>809,730</u>	<u>809,730</u>	<u>-</u>
<i>Total revenues and other financing sources</i>	<u>\$ 11,743,133</u>	<u>\$ 11,743,133</u>	<u>\$ 12,001,158</u>	<u>\$ 258,025</u>
<i>Legislative, Judicial and General</i>				
<i>Administrative</i>				
Salaries	171,027	171,027	168,868	2,159
Benefits	97,377	97,377	94,585	2,792
Town sergeant expenses	300	300	30	270
Town council expenses	3,000	3,000	2,651	349
Town clerk expenses	3,200	3,200	4,157	(957)
Solicitor expenses	2,500	2,500	2,500	-
Probate judge expense	800	800	877	(77)
Board of canvassers expenses	2,400	2,400	2,263	137
Election expenses	6,000	6,000	5,836	164
Education expense	2,500	2,500	1,050	1,450
Duplicating supplies	5,000	5,000	1,847	3,153
Electricity	15,000	15,000	19,202	(4,202)
Telephone	3,000	3,000	2,853	147
Heating fuel	13,000	13,000	20,818	(7,818)
Legal reserve	15,000	15,000	15,000	-
Equipment	7,000	7,000	3,852	3,148
Sealer of weights and measures	300	300	28	272
<i>Total legislative, judicial and general administrative</i>	<u>347,404</u>	<u>347,404</u>	<u>346,417</u>	<u>987</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, 2007

	<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>Finance administration</i>				
Finance salaries	111,373	111,373	121,142	(9,769)
Finance benefits	40,895	40,895	32,896	7,999
Finance department education	2,500	2,500	4,359	(1,859)
Finance department's office expenses/tax bills	6,500	6,500	9,890	(3,390)
Tax collector's postage/advertising	3,500	3,500	3,012	488
Purchased services	14,000	14,000	23,935	(9,935)
Assessor's salary	23,613	23,613	23,613	-
Assessor's benefits	16,570	16,570	19,344	(2,774)
Assessment review board	1,260	1,260	1,260	-
Assessor's education expense	600	600	739	(139)
Travel	250	250	274	(24)
Maintain maps	2,500	2,500	2,500	-
Assessor's office supplies	1,700	1,700	1,718	(18)
Review board expense	100	100	-	100
Subscription/publication	400	400	364	36
Computer and support	4,555	4,555	4,555	-
Equipment	1,200	1,200	1,223	(23)
Telephone	2,300	2,300	2,184	116
<i>Total finance administration</i>	<u>233,816</u>	<u>233,816</u>	<u>253,008</u>	<u>(19,192)</u>
<i>Miscellaneous administration</i>				
Audit of town books	20,000	20,000	26,000	(6,000)
Information technology	4,800	4,800	4,800	-
Municipal bond fees	500	500	-	500
Contingency	10,500	10,500	37,695	(27,195)
Unemployment compensation	2,000	2,000	13,776	(11,776)
Benefits	-	-	139,362	(139,362)
Casualty and liability insurance	80,000	80,000	86,017	(6,017)
<i>Total miscellaneous administration</i>	<u>117,800</u>	<u>117,800</u>	<u>307,650</u>	<u>(189,850)</u>
<i>Health and welfare</i>				
Comprehensive Community Action	10,300	10,300	10,300	-
Cast	4,529	4,529	4,529	-
Samaritans	250	250	250	-
RI Resource Recovery	80,340	80,340	74,433	5,907
Disposal	144,387	144,387	203,361	(58,974)
Recycling program	58,974	58,974	366	58,608
Northwest Nursing Association	9,200	9,200	9,200	-
Mental Health Association	3,900	3,900	3,900	-
Dora C. Howard Centre	400	400	400	-
Sojourner House	375	375	375	-
Human service director's salary	15,013	15,013	15,013	-
Benefits	8,201	8,201	8,505	(304)
Telephone	550	550	1,354	(804)
Travel	1,000	1,000	1,773	(773)
Office expense	2,045	2,045	1,890	155
<i>Total health and welfare</i>	<u>339,464</u>	<u>339,464</u>	<u>335,649</u>	<u>3,815</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, 2007

	<i>Budgeted Amounts</i>		<i>Actual Amounts (Budgetary Basis)</i>	<i>Variance With Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
Public Safety				
Salaries	399,307	399,307	391,710	7,597
Dispatchers	152,273	152,273	147,767	4,506
Benefits	248,662	248,662	251,660	(2,998)
Police - fuel and lube oil	15,000	15,000	3,925	11,075
Police - tires	1,000	1,000	1,332	(332)
Police - parts and repairs	8,000	8,000	4,048	3,952
Police radio maintenance	1,000	1,000	3,576	(2,576)
Police department operations	6,000	6,000	5,857	143
Police telephone	7,000	7,000	8,975	(1,975)
Police uniforms	12,000	12,000	14,786	(2,786)
Police office expense	6,000	6,000	6,646	(646)
Police education allowance	12,000	12,000	10,898	1,102
Computer services	10,153	10,153	8,836	1,317
Foster ambulance corps	77,700	77,700	77,700	-
South Foster fire company	47,643	47,643	47,643	-
Foster Center fire company	48,650	48,650	48,650	-
Mossup Valley fire company	45,325	45,325	45,325	-
Ambulance Corp. Stipend	12,000	12,000	12,000	-
Street lights	4,500	4,500	-	4,500
Engineering board	2,847	2,847	2,447	400
Police new equipment	6,000	6,000	8,119	(2,119)
Dog officer - salary	14,275	14,275	14,276	(1)
Dog officer - fuel and lube oil	1,500	1,500	165	1,335
Dog officer - parts and repairs	1,000	1,000	-	1,000
Dog officer - benefits	8,553	8,553	8,722	(169)
Dog officer - uniforms	400	400	620	(220)
Pound fees	21,163	21,163	21,067	96
Civil defense	100	100	56	44
Total public safety	1,170,051	1,170,051	1,146,806	23,245
Public works				
Salaries	300,643	300,643	268,204	32,439
Benefits	129,201	129,201	125,659	3,542
Professional services	3,500	3,500	3,792	(292)
Uniforms	7,000	7,000	8,463	(1,463)
Fuel and oil	45,500	45,500	56,343	(10,843)
Parts and repairs	36,000	36,000	43,621	(7,621)
Tires	3,000	3,000	3,630	(630)
Grader and plow blades	4,500	4,500	4,003	497
Sand and salt	42,000	42,000	55,893	(13,893)
Road oil	25,000	25,000	-	25,000
Asphalt mix	6,000	6,000	10,741	(4,741)
Welding	1,500	1,500	1,765	(265)
Rental equipment	4,000	4,000	263	3,737

(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, 2007

	<i>Budgeted Amounts</i>		<i>Actual Amounts (Budgetary Basis)</i>	<i>Variance With Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
Telephone	1,400	1,400	1,330	70
Snow removal overtime	3,000	3,000	-	3,000
Education expense	100	100	215	(115)
Radio repairs	1,000	1,000	800	200
Office supplies	750	750	1,067	(317)
Equipment	5,000	5,000	21,972	(16,972)
Other road material	2,000	2,000	200	1,800
Gravel	30,000	30,000	18,187	11,813
Building and grounds	27,000	27,000	46,437	(19,437)
Bridge repairs	2,000	2,000	-	2,000
Pea stone	2,500	2,500	-	2,500
Pipe	2,000	2,000	5,409	(3,409)
Road signs	2,000	2,000	5,305	(3,305)
RC & D	1,000	1,000	-	1,000
Department operation expense	3,500	3,500	7,822	(4,322)
Safety	-	-	565	(565)
Total public works	691,094	691,094	691,686	(592)
Building and zoning				
Salaries	32,123	32,123	31,415	708
Benefits	10,781	10,781	10,343	438
Education expense	500	500	482	18
Telephone	700	700	459	241
Travel	2,200	2,200	2,160	40
Department expense	3,643	3,643	5,533	(1,890)
Total building and zoning	49,947	49,947	50,392	(445)
Planning				
Salaries	9,755	9,755	8,865	890
Benefits	746	746	2,869	(2,123)
Education expense	600	600	600	-
Telephone	700	700	560	140
Advertising/fees	750	750	479	271
Professional services	500	500	500	-
Office expense	1,500	1,500	1,776	(276)
Travel	300	300	300	-
Computer software	1,500	1,500	1,500	-
Map Digitizing	400	400	-	400
Water quality testing	200	200	-	200
Subscriptions and publications	350	350	350	-
Total planning	17,301	17,301	17,799	(498)
Conservation				
Conservation commission	2,556	2,556	930	1,626
Northern RI conservation	200	200	200	-
Total conservation	2,756	2,756	1,130	1,626

(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, 2007

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance With</i>
	<i>Original</i>	<i>Final</i>	<i>Amounts</i> <i>(Budgetary</i> <i>Basis)</i>	<i>Final Budget</i> <i>Favorable</i> <i>(Unfavorable)</i>
Recreation				
Salaries	9,700	9,700	9,818	(118)
Benefits	742	742	711	31
Travel	1,400	1,400	1,334	66
Mailing and advertising	1,400	1,400	1,400	-
Maintenance and repairs	5,200	5,200	3,442	1,758
Mowing	-	-	2,046	(2,046)
Equipment and rental	1,700	1,700	2,519	(819)
Sports/activities	12,620	12,620	11,154	1,466
Northern RI Ext. service	1,000	1,000	-	1,000
Senior citizens	2,000	2,000	2,000	-
Total recreation	35,762	35,762	34,424	1,338
School				
Regional operational	3,569,679	3,569,679	3,569,679	-
Total school	3,569,679	3,569,679	3,569,679	-
Libraries				
Foster Center	76,614	76,614	76,614	-
Tyler Free	68,574	68,574	68,574	-
Total libraries	145,188	145,188	145,188	-
Land Trust				
Land trust expenditures	5,467	5,467	5,419	48
Total land trust	5,467	5,467	5,419	48
Capital expenditures and other				
Assessor	40,000	40,000	40,000	-
Planning	15,000	15,000	15,000	-
Finance	20,730	20,730	20,730	-
Police	44,000	44,000	44,000	-
Public works	250,000	250,000	250,000	-
Engineering board	165,000	165,000	165,000	-
Recreation	50,000	50,000	50,000	-
Paine School	25,000	25,000	25,000	-
Total capital expenditures and other	609,730	609,730	609,730	-
Total expenditures	7,335,459	7,335,459	7,514,977	(179,518)
Other financing uses				
Transfer to school department fund	4,174,916	4,174,916	4,178,237	(3,321)
Transfer to capital projects fund	230,258	230,258	230,258	-
Transfer to Townhouse Trust	2,500	2,500	2,500	-
Total other financing uses	4,407,674	4,407,674	4,410,995	(3,321)
Total expenditures and other financing uses	\$ 11,743,133	\$ 11,743,133	\$ 11,925,972	\$ (182,839)

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, 2007

	<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				
Other revenues	\$ -	\$ -	\$ 25,873	\$ 25,873
Total revenues	<u>-</u>	<u>-</u>	<u>25,873</u>	<u>25,873</u>
Expenditures				
Education	4,007,780	4,007,780	4,031,371	(23,591)
Total expenditures	<u>4,007,780</u>	<u>4,007,780</u>	<u>4,031,371</u>	<u>(23,591)</u>
Deficiency of revenues under expenditures before other financing sources	<u>(4,007,780)</u>	<u>(4,007,780)</u>	<u>(4,005,498)</u>	<u>2,282</u>
Other financing sources				
Town appropriation	4,007,780	4,007,780	4,007,780	-
Total other financing sources (uses)	<u>4,007,780</u>	<u>4,007,780</u>	<u>4,007,780</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,282</u>	<u>\$ 2,282</u>
Fund balance - beginning of year			<u>215,586</u>	
Fund balance - end of year			<u>\$ 217,868</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
Schedule of Funding Progress
"Unaudited"

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL) -Entry Age</i>	<i>Unfunded Liability/(Funding) (Excess)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>Unfunded Liability/(Funding) Excess) as a Percentage of Covered Payroll</i>
6/30/04	1,573,108	1,654,695	81,587	95.1%	265,027	30.8%
6/30/05	1,643,151	1,926,264	283,113	85.3%	231,590	122.2%
6/30/06	1,733,089	2,171,744	438,655	79.8%	306,511	143.1%
Police Employees Pension Plan:						
6/30/04	2,021,206	2,352,869	331,663	85.9%	1,058,052	31.3%
6/30/05	2,064,061	2,365,339	301,278	87.3%	853,817	35.3%
6/30/06	2,241,004	2,487,092	246,088	90.1%	1,008,924	24.4%
General Municipal Employees Pension Plan:						

TOWN OF FOSTER, RHODE ISLAND
Notes to Required Supplementary Information

NOTE 1 - SCHEDULE OF FUNDING PROGRESS

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

	<i>General Municipal Employees Pension Plan</i>	<i>Municipal Police Pension Plan</i>
Valuation date	6/30/2006	6/30/2006
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent of payroll - closed	Level percent of payroll - closed
Amortization period	30 year period from June 30, 1999	30 year period from June 30, 1999
Asset valuation method	Market value of assets with a 5-year phase-in of actual investment return in excess of (less than) expected investment income	Market value of assets with a 5-year phase-in of actual investment return in excess of (less than) expected investment income
Actuarial assumptions: Investment rate of return	8.25%, compounded annually, composed of an assumed 3.0% inflation rate and a 5.25% net real rate of return	8.25%, compounded annually, composed of an assumed 3.0% inflation rate and a 5.25% net real rate of return
Projected salary increases	An annual service related component, plus 3% inflation component, plus a 1.5% general increase	An annual service related component, plus 3% inflation component, plus a 1.75% general increase
Cost-of-living adjustments	3%, not compounded	3%, not compounded
Participant information	Active employees 39 Retirees and beneficiaries 14 <u>53</u>	Active employees 6 Retirees and beneficiaries 5 <u>11</u>

TOWN OF FOSTER, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2007

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 2007. Appropriations which are not expended or encumbered lapse at year end.

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

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

<u>Revenues and Other Financing Sources</u>	<u>General Fund</u>	<u>School Unrestricted Fund</u>
Actual amounts (budgetary basis)	\$12,001,158	\$4,033,653
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.	---	145,896
The transfer from surplus is a budgetary revenue but is not a revenue for financial reporting purposes	(200,000)	---
Proceeds from capital lease are not reported as a budgetary revenue but is a revenue source for financial reporting purposes.	<u>74,287</u>	<u>---</u>
<i>Total revenues and other financing sources as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$11,875,445</u>	<u>\$4,179,549</u>

TOWN OF FOSTER, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2007

<u><i>Expenditures and Other Financing Uses</i></u>	<u><i>General Fund</i></u>	<u><i>School Unrestricted Fund</i></u>
Actual amounts (budgetary basis)	\$11,925,972	\$4,031,371
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.	(59,756)	---
Expenditures related to capital lease are not reported as a budgetary expenditure, but are a current year expenditure for financial reporting purposes.	74,287	---
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.	---	145,896
<i>Total expenditures and other financing uses as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$11,940,503</u>	<u>\$4,177,267</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, 2007

	<i>Town Special Revenue Funds</i>	<i>School Special Revenue Funds</i>	<i>Total Nonmajor Governmental Funds</i>
ASSETS			
Cash	\$ 188,332	\$ 18,522	\$ 206,854
Investments	91,241	-	91,241
Due from federal and state governments	25,281	10,774	36,055
Accounts receivable	6,939	-	6,939
Due from other funds	68,894	203,863	272,757
<i>Total assets</i>	<u>\$ 380,687</u>	<u>\$ 233,159</u>	<u>\$ 613,846</u>
 LIABILITIES AND FUND BALANCES			
<i>Liabilities</i>			
Due to other funds	111,617	136,633	248,250
<i>Total liabilities</i>	<u>111,617</u>	<u>136,633</u>	<u>248,250</u>
 <i>Fund balances</i>			
Unreserved	269,070	96,526	365,596
<i>Total fund balances</i>	<u>269,070</u>	<u>96,526</u>	<u>365,596</u>
 <i>Total liabilities and fund balances</i>	<u>\$ 380,687</u>	<u>\$ 233,159</u>	<u>\$ 613,846</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, 2007*

	<i>Town Special Revenue Funds</i>	<i>School Special Revenue Funds</i>	<i>Total Nonmajor Governmental Funds</i>
Revenues			
Intergovernmental and departmental revenue	\$ 226,261	\$ 181,395	\$ 407,656
Interest on investments	6,709	-	6,709
Other revenue	2,390	48,702	51,092
Total revenues	<u>235,360</u>	<u>230,097</u>	<u>465,457</u>
Expenditures			
Legislative, judicial and general administrative	82,450	-	82,450
Health and welfare	72,935	-	72,935
Public safety	58,273	-	58,273
Education	-	332,257	332,257
Food service	-	86,708	86,708
Total expenditures	<u>213,658</u>	<u>418,965</u>	<u>632,623</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>21,702</u>	<u>(188,868)</u>	<u>(167,166)</u>
Other financing sources			
Transfers from other funds	2,500	170,457	172,957
Total other financing sources	<u>2,500</u>	<u>170,457</u>	<u>172,957</u>
Net change in fund balance	<u>24,202</u>	<u>(18,411)</u>	<u>5,791</u>
Fund balances - beginning of year	244,868	114,937	359,805
Fund balances - end of year	<u>\$ 269,070</u>	<u>\$ 96,526</u>	<u>\$ 365,596</u>

TOWN OF FOSTER, RHODE ISLAND
 Town Special Revenue Funds
 Combining Balance Sheet
 June 30, 2007

		Community Development Block Grant	Department of Elderly Affairs Grant	MHRH Underage Drinking Grant	DEM Wastewater Management Grant	LLEG Block Grant	RIPTIDE Grant
ASSETS							
Cash	\$	71,972	-	-	-	-	-
Investments		-	-	-	-	-	-
Due from federal and state governments		-	-	2,310	15,525	-	-
Accounts receivable		-	-	-	-	-	6,939
Due from other funds		-	16	-	-	-	-
Total assets	\$	71,972	16	2,310	15,525	3,531	6,939
		\$	-	-	-	-	-
		6,500	-	949	15,525	-	6,024
		6,500	-	949	15,525	-	6,024
		65,472	16	1,361	-	3,531	915
		65,472	16	1,361	-	3,531	915
		\$ 71,972	\$ 16	\$ 2,310	\$ 15,525	\$ 3,531	\$ 6,939
LIABILITIES AND FUND BALANCES							
Liabilities							
Due to other funds							
Total liabilities							
Fund balances							
Unreserved - undesignated							
Total fund balances							
Total liabilities and fund balances							

(Continued)

TOWN OF FOSTER, RHODE ISLAND
 Town Special Revenue Funds
 Combining Balance Sheet (Continued)
 June 30, 2007

	<u>ChAMPLIN</u> <u>Grant</u>	<u>Historical</u> <u>Records</u>	<u>Technology</u> <u>Recording</u> <u>Fee</u>	<u>DARE</u>	<u>Townhouse</u> <u>Grant</u>	<u>Townhouse</u> <u>Trust</u>	<u>Dog</u> <u>Damages</u>
ASSETS							
Cash	\$ 53,111	-	-	\$ 3,273	\$ 16,437	\$ 43,539	-
Investments	-	12,505	10,942	-	-	-	9,884
Due from federal and state governments	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-
Due from other funds	-	35	15,750	-	-	-	-
Total assets	<u>\$ 53,111</u>	<u>\$ 12,540</u>	<u>\$ 26,692</u>	<u>\$ 3,273</u>	<u>\$ 16,437</u>	<u>\$ 43,539</u>	<u>\$ 9,884</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Due to other funds	50,523	-	-	2,744	13,110	8,796	-
Total liabilities	<u>50,523</u>	<u>-</u>	<u>-</u>	<u>2,744</u>	<u>13,110</u>	<u>8,796</u>	<u>-</u>
Fund balances							
Unreserved - undesignated	2,588	12,540	26,692	529	3,327	34,743	9,884
Total fund balances	<u>2,588</u>	<u>12,540</u>	<u>26,692</u>	<u>529</u>	<u>3,327</u>	<u>34,743</u>	<u>9,884</u>
Total liabilities and fund balances	<u>\$ 53,111</u>	<u>\$ 12,540</u>	<u>\$ 26,692</u>	<u>\$ 3,273</u>	<u>\$ 16,437</u>	<u>\$ 43,539</u>	<u>\$ 9,884</u>

(Continued)

TOWN OF FOSTER, RHODE ISLAND
 Town Special Revenue Funds
 Combining Balance Sheet (Continued)
 June 30, 2007

	Driveway Bond Deposit	Thomas Matthews Memorial Fund	EMA Grant	Payments in-Lieu of Land	Bryne Grant	Total
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 188,332
Investments	6,010	-	-	51,900	-	91,241
Due from federal and state governments	-	-	3,634	-	3,812	25,281
Accounts receivable	-	-	-	-	-	6,939
Due from other funds	-	85	-	49,477	-	68,894
Total assets	\$ 6,010	\$ 85	\$ 3,634	\$ 101,377	\$ 3,812	\$ 380,687
LIABILITIES AND FUND BALANCES						
Liabilities						
Due to other funds	-	-	3,634	-	3,812	111,617
Total liabilities	-	-	3,634	-	3,812	111,617
Fund balances						
Unreserved - undesignated	6,010	85	-	101,377	-	269,070
Total fund balances	6,010	85	-	101,377	-	269,070
Total liabilities and fund balances	\$ 6,010	\$ 85	\$ 3,634	\$ 101,377	\$ 3,812	\$ 380,687

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, 2007*

	Community Development Block Grant	Department of Elderly Affairs Grant	MHRH Underage Drinking Grant	DEM Wastewater Management Grant	LLEG Block Grant	RPTIDE Grant
Revenues						
Intergovernmental and departmental revenues	\$ 78,700	\$ 10,100	\$ 2,310	\$ -	\$ -	\$ 11,359
Interest on investments	-	-	-	-	-	-
Other revenue	2,390	-	-	-	-	-
Total revenues	<u>81,090</u>	<u>10,100</u>	<u>2,310</u>	<u>-</u>	<u>-</u>	<u>11,359</u>
Expenditures						
Legislative, judicial and general administrative	-	-	-	-	-	-
Health and welfare	58,716	10,311	-	-	-	-
Public safety	-	-	2,310	-	-	11,359
Total expenditures	<u>58,716</u>	<u>10,311</u>	<u>2,310</u>	<u>-</u>	<u>-</u>	<u>11,359</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>22,374</u>	<u>(211)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources						
Transfers from other funds	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>22,374</u>	<u>(211)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning of year	43,098	227	1,361	-	3,531	915
Fund balances - end of year	<u>\$ 65,472</u>	<u>\$ 16</u>	<u>\$ 1,361</u>	<u>\$ -</u>	<u>\$ 3,531</u>	<u>\$ 915</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, 2007*

	Champlin Grant	Historical Records	Technology Recording Fee	DARE	Townhouse Grant	Townhouse Trust	Dog Damages
Revenues							
Intergovernmental and departmental revenues	\$ -	\$ 1,485	\$ 7,656	\$ -	\$ -	\$ 44,600	\$ -
Interest on investments	1,501	599	525	-	508	325	474
Other revenue	-	-	-	-	-	-	-
Total revenues	<u>1,501</u>	<u>2,084</u>	<u>8,181</u>	<u>-</u>	<u>508</u>	<u>44,925</u>	<u>474</u>
Expenditures							
Legislative, judicial and general administrative	-	5,869	-	-	22,181	54,400	-
Health and Welfare	-	-	-	3,908	-	-	-
Public safety	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>5,869</u>	<u>-</u>	<u>3,908</u>	<u>22,181</u>	<u>54,400</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>1,501</u>	<u>(3,785)</u>	<u>8,181</u>	<u>(3,908)</u>	<u>(21,673)</u>	<u>(9,475)</u>	<u>474</u>
Other financing sources							
Transfers from other funds	-	-	-	-	-	2,500	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>-</u>
Net change in fund balance	<u>1,501</u>	<u>(3,785)</u>	<u>8,181</u>	<u>(3,908)</u>	<u>(21,673)</u>	<u>(6,975)</u>	<u>474</u>
Fund balances - beginning of year	<u>1,087</u>	<u>16,325</u>	<u>18,511</u>	<u>4,437</u>	<u>25,000</u>	<u>41,718</u>	<u>9,410</u>
Fund balances - end of year	<u>\$ 2,588</u>	<u>\$ 12,540</u>	<u>\$ 26,692</u>	<u>\$ 529</u>	<u>\$ 3,327</u>	<u>\$ 34,743</u>	<u>\$ 9,884</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, 2007

	Driveway Bond Deposit	Thomas Matthews Memorial Fund	EMA Grant	Payments in-Lieu of Land	Bryne Grant	Total
Revenues						
Intergovernmental and departmental revenues	\$ -	\$ -	\$ 33,592	\$ 25,447	\$ 11,012	\$ 226,261
Interest on investments	288	-	-	2,489	-	6,709
Other revenue	-	-	-	-	-	2,390
Total revenues	<u>288</u>	<u>-</u>	<u>33,592</u>	<u>27,936</u>	<u>11,012</u>	<u>235,360</u>
Expenditures						
Legislative, judicial and general administrative	-	-	-	-	-	82,450
Health and welfare	-	-	-	-	-	72,935
Public safety	-	-	33,592	-	11,012	58,273
Total expenditures	<u>-</u>	<u>-</u>	<u>33,592</u>	<u>-</u>	<u>11,012</u>	<u>213,658</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>288</u>	<u>-</u>	<u>-</u>	<u>27,936</u>	<u>-</u>	<u>21,702</u>
Other financing sources						
Transfers from other funds	-	-	-	-	-	2,500
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
Net change in fund balance	<u>288</u>	<u>-</u>	<u>-</u>	<u>27,936</u>	<u>-</u>	<u>24,202</u>
Fund balances - beginning of year	<u>5,722</u>	<u>85</u>	<u>-</u>	<u>73,441</u>	<u>-</u>	<u>244,868</u>
Fund balances - end of year	<u>\$ 6,010</u>	<u>\$ 85</u>	<u>\$ -</u>	<u>\$ 101,377</u>	<u>\$ -</u>	<u>\$ 269,070</u>

TOWN OF FOSTER, RHODE ISLAND

School Special Revenue Funds
 Combining Balance Sheet
 June 30, 2007

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

(Continued)

TOWN OF FOSTER, RHODE ISLAND

School Special Revenue Funds
 Combining Balance Sheet (Continued)
 June 30, 2007

	Federal Grants						
	Title I	Title II	Title IV	Title V	Title II Technology	IDEA Preschool	IDEA Part B
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments	-	9,540	-	-	-	-	-
Due from other funds	39,828	20,782	1,458	418	21	-	-
Total assets	<u>\$ 39,828</u>	<u>\$ 30,322</u>	<u>\$ 1,458</u>	<u>\$ 418</u>	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	39,828	30,322	1,458	418	21	-	-
Total liabilities	<u>\$ 39,828</u>	<u>\$ 30,322</u>	<u>\$ 1,458</u>	<u>\$ 418</u>	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances (deficit)	-	-	-	-	-	-	-
Total liabilities and fund balances	<u>\$ 39,828</u>	<u>\$ 30,322</u>	<u>\$ 1,458</u>	<u>\$ 418</u>	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

TOWN OF FOSTER, RHODE ISLAND

School Special Revenue Funds
 Combining Balance Sheet (Continued)
 June 30, 2007

	School Lunch	Medicaid	RI Parent Information Network	Breakfast Program	Total
ASSETS					
Cash	\$ 18,522	\$ -	\$ -	\$ -	\$ 18,522
Due from federal and state governments	1,234	-	-	-	10,774
Due from other funds	22,231	86,040	-	1,030	203,863
Total assets	\$ 41,987	\$ 86,040	\$ -	\$ 1,030	\$ 233,159
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	64,586	-	-	-	136,633
Total liabilities	64,586	-	-	-	136,633
Fund balances (deficit)	(22,599)	86,040	-	1,030	96,526
Total liabilities and fund balances	\$ 41,987	\$ 86,040	\$ -	\$ 1,030	\$ 233,159

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, 2007

	Article 31 State Aid				Other State Aid	Feinstein Grant
	Student Equity	Early Childhood	Technology	Professional Development	RILDPA	
Revenues						
Intergovernmental and departmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other revenue	-	-	-	-	-	-
Total revenues	-	-	-	-	-	-
Expenditures						
Education	75,517	31,865	7,970	13,665	38,119	1,005
Food service	-	-	-	-	-	-
Total expenditures	<u>75,517</u>	<u>31,865</u>	<u>7,970</u>	<u>13,665</u>	<u>38,119</u>	<u>1,005</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>(75,517)</u>	<u>(31,865)</u>	<u>(7,970)</u>	<u>(13,665)</u>	<u>(38,119)</u>	<u>(1,005)</u>
Other financing sources						
Transfers from other funds	77,853	32,850	7,970	13,665	38,119	-
Total other financing sources	<u>77,853</u>	<u>32,850</u>	<u>7,970</u>	<u>13,665</u>	<u>38,119</u>	<u>-</u>
Net change in fund balance	2,336	985	-	-	-	(1,005)
Fund balances - beginning of year	10,728	-	-	2,738	15,268	1,005
Fund balances - end of year	<u>\$ 13,064</u>	<u>\$ 985</u>	<u>\$ -</u>	<u>\$ 2,738</u>	<u>\$ 15,268</u>	<u>\$ -</u>

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, 2007*

Federal Grants

	<i>Title I</i>	<i>Title II</i>	<i>Title IV</i>	<i>Title V</i>	<i>Title II Technology</i>	<i>IDEA Preschool</i>	<i>IDEA Part B</i>
Revenues							
Intergovernmental and departmental revenues	\$ 36,821	\$ 24,779	\$ 1,458	\$ 365	\$ 4	\$ 65,545	\$ 4,673
Other revenue	-	-	-	-	-	-	-
Total revenues	<u>36,821</u>	<u>24,779</u>	<u>1,458</u>	<u>365</u>	<u>4</u>	<u>65,545</u>	<u>4,673</u>
Expenditures							
Education	36,821	24,779	1,458	365	4	65,545	4,673
Food service	-	-	-	-	-	-	-
Total expenditures	<u>36,821</u>	<u>24,779</u>	<u>1,458</u>	<u>365</u>	<u>4</u>	<u>65,545</u>	<u>4,673</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	-	-	-	-	-	-	-
Other financing sources							
Transfers from other funds	-	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-	-	-	-
Fund balances - beginning of year	-	-	-	-	-	-	-
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2007

	School Lunch	Medicaid	RI Parent Information Network	Breakfast Program	Total
Revenues					
Intergovernmental and departmental revenues	\$ 22,849	\$ 23,871	\$ -	\$ 1,030	\$ 181,395
Other revenue	48,702	-	-	-	48,702
Total revenues	<u>71,551</u>	<u>23,871</u>	<u>-</u>	<u>1,030</u>	<u>230,097</u>
Expenditures					
Education	-	10,888	19,583	-	332,257
Food service	85,598	-	-	1,110	86,708
Total expenditures	<u>85,598</u>	<u>10,888</u>	<u>19,583</u>	<u>1,110</u>	<u>418,965</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>(14,047)</u>	<u>12,983</u>	<u>(19,583)</u>	<u>(80)</u>	<u>(188,868)</u>
Other financing sources					
Transfers from other funds	-	-	-	-	170,457
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>170,457</u>
Net change in fund balance	<u>(14,047)</u>	<u>12,983</u>	<u>(19,583)</u>	<u>(80)</u>	<u>(18,411)</u>
Fund balances - beginning of year	<u>(8,552)</u>	<u>73,057</u>	<u>19,583</u>	<u>1,110</u>	<u>114,937</u>
Fund balances - end of year	<u>\$ (22,599)</u>	<u>\$ 86,040</u>	<u>\$ -</u>	<u>\$ 1,030</u>	<u>\$ 96,526</u>

TOWN OF FOSTER, RHODE ISLAND
Combining Statement of Net Assets
Agency Funds
June 30, 2007

	<u>Mageira Performance Bond</u>	<u>Student Activity Funds</u>	<u>Probate Escrow Fund</u>	<u>Recreation Fund</u>	<u>Total Agency Funds</u>
<i>Assets</i>					
Cash	\$ 19,281	\$ 1,866	\$ 3,626	\$ 11,914	\$ 36,687
Total assets	<u>\$ 19,281</u>	<u>\$ 1,866</u>	<u>\$ 3,626</u>	<u>\$ 11,914</u>	<u>\$ 36,687</u>
 <i>Liabilities</i>					
Due to other funds	\$ -	\$ -	\$ 500	\$ -	\$ 500
Deposits held in custody for others	19,281	1,866	3,126	11,914	36,187
Total liabilities	<u>\$ 19,281</u>	<u>\$ 1,866</u>	<u>\$ 3,626</u>	<u>\$ 11,914</u>	<u>\$ 36,687</u>

TOWN OF FOSTER, RHODE ISLAND
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
MAGEIRA PERFORMANCE BOND				
<i>Assets</i>				
Cash	\$ 18,802	\$ 540	\$ 61	\$ 19,281
Total assets	<u>\$ 18,802</u>	<u>\$ 540</u>	<u>\$ 61</u>	<u>\$ 19,281</u>
<i>Liabilities</i>				
Deposits held in custody for others	\$ 18,802	\$ 540	\$ 61	\$ 19,281
Total liabilities	<u>\$ 18,802</u>	<u>\$ 540</u>	<u>\$ 61</u>	<u>\$ 19,281</u>
STUDENT ACTIVITY FUND				
<i>Assets</i>				
Cash	\$ 74	\$ 14,395	\$ 12,603	\$ 1,866
Total assets	<u>\$ 74</u>	<u>\$ 14,395</u>	<u>\$ 12,603</u>	<u>\$ 1,866</u>
<i>Liabilities</i>				
Deposits held in custody for others	\$ 74	\$ 14,395	\$ 12,603	\$ 1,866
Total liabilities	<u>\$ 74</u>	<u>\$ 14,395</u>	<u>\$ 12,603</u>	<u>\$ 1,866</u>
PROBATE ESCROW ACCOUNT				
<i>Assets</i>				
Cash	\$ 3,556	\$ 70	\$ -	\$ 3,626
Total assets	<u>\$ 3,556</u>	<u>\$ 70</u>	<u>\$ -</u>	<u>\$ 3,626</u>
<i>Liabilities</i>				
Due to other funds	\$500	\$ -	\$ -	\$500
Deposits held in custody for others	3,056	70	-	3,126
Total liabilities	<u>\$3,556</u>	<u>\$ 70</u>	<u>\$ -</u>	<u>\$3,626</u>
RECREATION FUND				
<i>Assets</i>				
Cash	\$ 12,591	\$ 16,442	\$ 17,119	\$ 11,914
Total assets	<u>\$ 12,591</u>	<u>\$ 16,442</u>	<u>\$ 17,119</u>	<u>\$ 11,914</u>
<i>Liabilities</i>				
Deposits held in custody for others	\$ 12,591	\$ 16,442	\$ 17,119	\$ 11,914
Total liabilities	<u>\$ 12,591</u>	<u>\$ 16,442</u>	<u>\$ 17,119</u>	<u>\$ 11,914</u>

(Continued)

TOWN OF FOSTER, RHODE ISLAND
Combining Statement of Changes in Assets and Liabilities (Continued)
Agency Funds
For the Fiscal Year Ended June 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
TOTAL AGENCY FUNDS				
<i>Assets</i>				
Cash	\$ 35,023	\$ 31,447	\$ 29,783	\$ 36,687
Total assets	<u>\$ 35,023</u>	<u>\$ 31,447</u>	<u>\$ 29,783</u>	<u>\$ 36,687</u>
<i>Liabilities</i>				
Due to other funds	\$500	\$0	\$0	\$500
Deposits held in custody for others	34,523	31,447	29,783	36,187
Total liabilities	<u>\$35,023</u>	<u>\$ 31,447</u>	<u>\$ 29,783</u>	<u>\$36,687</u>

TOWN OF FOSTER, RHODE ISLAND
Tax Collector's Annual Report
For the Fiscal Year Ended June 30, 2007

Real Estate and Personal Property Taxes

<i>Fiscal Year End</i>	<i>Balance 7/1/2006</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 6/30/2007</i>
2007	\$ -	\$ 8,225,871	\$ 35,900	\$ 17,515	\$ 9,930	\$ 8,254,186	\$ 8,026,140	228,046
2006	190,338	-	-	2,550	336	188,124	164,456	23,668
2005	28,745	-	-	196	196	28,745	12,507	16,238
2004	20,228	-	-	198	198	20,228	3,385	16,843
2003	17,063	-	-	270	-	16,793	1,573	15,220
2002	11,334	-	-	627	-	10,707	1,263	9,444
2001	10,361	-	-	426	-	9,935	296	9,639
2000	10,415	-	-	207	-	10,208	64	10,144
1999	10,924	-	-	117	-	10,807	62	10,745
1998 and prior	57,172	-	-	23,566	-	33,606	37	33,569
	<u>\$ 356,580</u>	<u>\$ 8,225,871</u>	<u>\$ 35,900</u>	<u>\$ 45,672</u>	<u>\$ 10,660</u>	<u>\$ 8,583,339</u>	<u>\$ 8,209,783</u>	<u>\$ 373,556</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	\$ 680,214,030	\$ 7,645,606
Motor Vehicles	38,928,711	1,438,416
Tangible and Personal Property	7,617,153	115,332
Total	<u>726,759,894</u>	<u>9,199,354</u>
Exemptions	<u>(20,212,335)</u>	<u>(973,483)</u>
Net assessed value	<u>\$ 706,547,559</u>	<u>\$ 8,225,871</u>
Reconciliation of Current Year Property Tax Revenue		
Current year collections		\$ 8,209,783
Adjustments and reversals		
Add: Revenue collected 60 days subsequent to fiscal year ending June 30, 2007		62,454
Less: Prior year revenue collected 60 days subsequent to fiscal year ended June 30, 2006		(80,749)
Less: Refunds and adjustments		(10,660)
Current year property tax revenue		<u>\$ 8,180,828</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 comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

<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.	70-73
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 .	74-77
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.	78-82
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.	83-84
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.	85-87

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

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

	Fiscal Year			
	2004	2005	2006	2007
Primary Government				
Governmental activities				
Invested in capital assets, net of related debt	\$ 8,141,662	\$ 7,818,191	\$ 7,554,654	\$ 7,619,259
Restricted	2,744,263	2,160,845	2,754,266	2,458,707
Unrestricted	1,019,069	1,193,936	1,188,117	990,677
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>

Note: The Town has no Business-type activities.

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

	Fiscal Year			
	2004	2005	2006	2007
Expenses				
Governmental activities:				
Legislative, judicial and general administrative	\$ 607,225	\$ 440,374	\$ 867,567	\$ 1,075,154
Health and Welfare	422,981	512,292	372,732	408,234
Public safety	1,147,883	1,104,600	1,101,109	1,386,688
Public works	805,567	825,897	579,346	841,178
Building and Zoning	41,983	39,448	41,013	50,392
Planning	48,761	49,767	32,860	33,289
Conservation	1,438	2,152	2,172	1,130
Recreation	46,564	31,787	65,544	43,017
Education	7,075,589	7,446,108	7,678,749	8,234,752
Food Services	96,497	95,391	88,411	86,708
Libraries	117,084	117,084	128,511	145,188
Land Trust	2,639	4,951	-	-
Total governmental activities expenses	\$ 10,414,191	\$ 10,669,951	\$ 10,968,014	\$ 12,305,750
Program Revenues				
Governmental activities:				
Charges for services:				
Legislative, judicial and general administrative	\$ 87,627	\$ 189,331	\$ 83,431	\$ 109,165
Health and Welfare	-	-	11,690	2,390
Public safety	45,706	22,536	50,736	67,426
Building and Zoning	111,232	50,448	108,054	89,140
Planning	3,532	7,996	24,355	25,447
Education	-	-	26,925	23,871
Food Services	94,390	97,474	53,975	48,702
Operating grants and contributions:				
Legislative, judicial and general administrative	52,765	18,275	57,967	50,570
Health and Welfare	123,673	112,084	100,525	88,800
Public safety	21,365	6,964	36,603	56,273
Public works	-	22,941	56,820	-
Education	1,644,038	1,630,447	1,633,010	1,696,003
Food Services	-	-	25,741	23,879
Land Trust	60,404	-	-	-
Capital grants and contributions:				
Health and Welfare	-	2,581	-	-
Public safety	-	71,533	-	-
Land Trust	14,000	-	-	-
Total governmental activities program revenues	\$ 2,258,932	\$ 2,232,610	\$ 2,269,832	\$ 2,263,666
Total primary government net expense	\$ (8,155,259)	\$ (8,437,241)	\$ (8,688,182)	\$ (10,042,084)
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
Unrestricted investment earnings	110,579	121,179	80,694	135,913
Other general revenues	935,132	912,658	1,052,733	1,215,414
Total primary government	\$ 8,310,257	\$ 8,401,382	\$ 9,012,247	\$ 9,613,690
Change in Net Assets				
Governmental activities:				
Total primary government	\$ 154,998	\$ (35,859)	\$ 324,065	\$ (428,394)

Note: Statement of Net Assets was first instituted in FY 2004

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 77,000	\$ 112,116	\$ 143,291	\$ 34,272	\$ 52,107	\$ 41,797	\$ 75,686	\$ 57,169	\$ 215,354	\$ 324,771
Unreserved	1,216,980	897,005	1,058,724	1,343,169	1,687,736	2,090,028	861,311	916,518	1,048,051	873,576
Total general fund	\$ 1,293,980	\$ 1,009,121	\$ 1,202,015	\$ 1,377,441	\$ 1,739,843	\$ 2,131,825	\$ 936,997	\$ 973,687	\$ 1,263,405	\$ 1,198,347
Education										
Reserved	\$ 49,245	\$ 21,087	\$ -	\$ 10,250	\$ 10,250	\$ 101,631	\$ 191,699	\$ -	\$ 45,361	\$ 47,443
Unreserved	45,385	133,428	142,507	134,000	130,714	(27,374)	30,378	54,025	170,225	170,425
Total education fund	\$ 94,630	\$ 154,515	\$ 142,507	\$ 144,250	\$ 140,964	\$ 74,257	\$ 222,077	\$ 54,025	\$ 215,586	\$ 217,868
Capital Projects Funds										
Unreserved	\$ 1,132,548	\$ 1,188,703	\$ 1,166,223	\$ 993,065	\$ 1,015,644	\$ 760,775	\$ 2,037,104	\$ 1,855,643	\$ 2,043,158	\$ 1,679,466
Total Capital Projects fund	\$ 1,132,548	\$ 1,188,703	\$ 1,166,223	\$ 993,065	\$ 1,015,644	\$ 760,775	\$ 2,037,104	\$ 1,855,643	\$ 2,043,158	\$ 1,679,466
All Other Governmental Funds										
Reserved:										
Special revenue funds	\$ 49,245	\$ 21,087	\$ 40,920	\$ 192,707	\$ 159,591	\$ 157,584	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	171,936	312,500	334,394	134,000	123,839	132,702	314,814	248,033	359,805	365,596
Total all other governmental funds	\$ 221,181	\$ 333,587	\$ 375,314	\$ 326,707	\$ 283,430	\$ 290,286	\$ 314,814	\$ 248,033	\$ 359,805	\$ 365,596

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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
General property taxes	\$ 5,697,031	\$ 5,747,353	\$ 6,009,105	\$ 6,115,700	\$ 6,684,039	\$ 6,683,186	\$ 7,286,639	\$ 7,414,157	\$ 7,935,653	\$ 8,180,828
Intergovernmental and departmental revenue	1,615,799	1,603,649	1,866,130	2,199,780	2,360,963	2,535,134	2,697,218	2,778,954	2,951,604	3,191,398
Licenses and fees	171,016	197,741	201,836	175,838	180,626	178,714	277,013	267,070	240,720	226,129
Interest on investments	165,071	140,202	136,873	136,873	60,696	36,783	36,157	46,529	80,693	135,913
Other revenues	141,480	119,562	134,489	143,305	236,991	396,292	280,255	230,026	179,752	110,166
Total revenues	\$ 7,790,397	\$ 7,808,507	\$ 8,348,433	\$ 8,781,100	\$ 9,523,315	\$ 9,830,109	\$ 10,577,282	\$ 10,736,736	\$ 11,388,422	\$ 11,844,434
Expenditures										
Legislative, judicial and general administrative	\$ 205,615	\$ 234,441	\$ 232,825	\$ 266,425	\$ 251,325	\$ 278,567	\$ 282,504	\$ 289,988	\$ 348,470	\$ 428,867
Financial Administration	123,568	133,724	141,333	135,386	153,405	167,713	170,584	163,171	211,329	253,008
Miscellaneous Administration	97,776	157,278	71,360	71,641	91,937	71,530	73,885	99,974	119,173	307,650
Health and Welfare	382,198	291,645	270,442	362,698	377,763	325,439	422,427	513,652	407,275	408,584
Public Safety	720,042	774,802	811,801	860,601	886,394	918,194	966,583	1,022,272	986,216	1,279,366
Public Works	451,543	574,812	498,723	589,621	572,301	589,069	606,544	631,506	475,938	691,686
Building and Zoning	39,966	38,951	36,436	38,332	40,808	39,705	39,604	40,471	41,013	50,392
Planning	21,113	30,599	27,990	15,050	33,637	30,907	35,774	55,023	32,860	17,799
Conservation	2,392	2,026	1,179	1,063	1,063	1,196	1,438	2,152	2,172	1,130
Recreation	18,761	18,016	19,553	19,265	19,824	19,682	30,564	31,137	33,601	34,424
Education	4,948,610	5,150,280	5,394,303	5,738,345	6,231,234	6,605,984	7,013,278	7,410,610	7,583,386	8,079,203
Food Services	69,248	71,148	70,325	91,529	90,474	96,388	96,497	95,391	88,411	86,708
Libraries	93,142	97,312	106,000	111,225	113,673	117,084	117,084	117,084	128,511	145,188
Land Trust	1,266	890	301	3,560	2,134	1,991	2,639	4,951	5,304	5,419
Capital Outlay	352,276	161,637	295,102	439,526	259,739	394,731	479,394	471,099	132,697	549,974
Principal	110,000	115,000	120,000	45,000	40,000	40,000	40,000	40,000	40,000	-
Interest	40,598	32,985	24,948	16,480	13,400	10,460	7,490	4,500	1,500	-
Total Expenditures	\$ 7,678,114	\$ 7,885,346	\$ 8,120,821	\$ 8,806,497	\$ 9,179,111	\$ 9,708,640	\$ 10,386,089	\$ 10,992,981	\$ 10,637,656	\$ 12,339,398
Excess of revenues over (under) expenditures	\$ 112,283	\$ (76,839)	\$ 227,612	\$ (25,397)	\$ 344,204	\$ 121,469	\$ 191,193	\$ (256,245)	\$ 750,566	\$ (494,964)
Other Financing Sources (uses)										
Proceeds from lease	-	-	-	-	-	-	-	-	-	\$ 74,287
Transfers from other funds	3,206,988	3,490,999	3,637,119	2,756,299	2,583,282	2,990,992	4,860,643	3,578,157	5,256,142	5,020,725
Transfers to other funds	(3,216,988)	(3,498,499)	(3,644,619)	(2,777,259)	(2,565,782)	(2,993,492)	(4,860,643)	(3,578,157)	(5,256,142)	(5,020,725)
Total other financing sources (uses)	(10,000)	(7,500)	(7,500)	(21,000)	(2,500)	(2,500)	-	-	-	74,287
Net change in fund balances	\$ 102,283	\$ (84,339)	\$ 220,112	\$ (46,397)	\$ 341,704	\$ 118,969	\$ 191,193	\$ (256,245)	\$ 750,566	\$ (420,677)
Debt service as a percentage of noncapital expenditures	6.8%	6.2%	6.4%	2.5%	2.2%	2.0%	1.8%	1.5%	1.5%	0.0%

Note: This schedule includes revenues and expenditures of the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds

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
1998	\$ 131,779,567	\$ 22,699,413	\$ 597,506	\$ 153,881,474	\$ 37.00	\$ 286,985,218	53.62%	154,478,980
1999	132,178,994	24,105,718	588,397	155,696,315	37.00	\$ 290,045,296	53.68%	156,284,712
2000	134,945,403	29,563,978	8,254,138	156,255,243	37.60	\$ 287,339,542	54.38%	164,509,381
2001	146,574,825	32,156,837	13,967,927	164,763,735	37.50	\$ 302,763,203	54.42%	178,731,662
2002	145,738,474	29,980,099	9,183,786	166,534,787	40.20	\$ 308,340,654	54.01%	175,718,573
2003	148,787,085	30,531,080	12,034,953	167,283,212	40.20	\$ 307,505,904	54.40%	179,318,165
2004	441,424,855	34,735,277	12,381,229	463,778,903	14.20	\$ 486,958,109	95.24%	476,160,132
2005	450,161,256	36,450,788	12,935,749	473,676,295	14.10	\$ 497,350,163	95.24%	486,612,044
2006	489,847,045	41,726,645	15,113,214	516,460,476	14.75	\$ 542,557,491	95.19%	531,573,690
2007	680,214,030	46,545,864	20,212,335	706,547,559	11.24	\$ 1,317,694,068	53.62%	726,759,894

Source: Town of Foster Tax Assessor

- (2) Full revaluations are performed every nine years. The last full revaluation was performed as of December 31, 1999, which affects fiscal year 2001.
- (3) 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.

Schedule 6

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

Fiscal Year	General Fund
1998	\$ 37.00
1999	37.00
2000	37.60
2001	37.50
2002	40.20
2003	40.20
2004	14.20
2005	14.10
2006	14.75
2007	11.24

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	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
City of Providence (PWSB)	\$ 24,799,900	1	3.51%	\$ 7,853,300	1	5.10%
Narragansett Electric	7,778,131	2	1.10%	2,358,520	2	1.53%
Providence Public Buildings Authority (PWSB)	7,689,900	3	1.09%	1,904,500	3	1.24%
Foster Country Club	3,730,900	4	0.53%	928,910	4	0.60%
Gabriele, Clodomiro & Beatrice	2,024,200	5	0.29%	482,738	7	0.31%
Hawkins, John & Bertha	1,717,900	6	0.24%	-	-	0.00%
Foster Senior Housing	1,450,600	7	0.21%	529,000	5	0.34%
Ginny B Inc	1,396,700	8	0.20%	333,925	13	0.22%
Walker, Muriel	1,011,600	9	0.14%	-	-	0.00%
Costa, David & Lisa	991,300	10	0.14%	-	-	0.00%
Spencer, Robert F & Marjorie				510,200	6	0.33%
Ford Motor Credit				460,600	8	0.30%
Gorham, Nicholas, DVM				437,034	9	0.28%
Laidlaw International Financial Corp				364,045	10	0.24%
Totals	\$ 52,591,131		7.45%	\$ 16,162,772		10.49%

Sources: Town of Foster Tax Assessor and Tax Collector

Total Assessed Value 706,547,559
 Tax Rate \$ 11.24
 153,881,474
 \$ 37.00

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		Collections in Subsequent Years	Total Collections to Date	
		Fiscal Year of the Levy	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 5,693,748	\$ 5,239,745	92.0%	\$ 441,059	\$ 5,680,804	99.8%
1999	5,760,469	5,323,604	92.4%	426,119	5,749,723	99.8%
2000	5,877,799	5,594,995	95.2%	272,660	5,867,655	99.8%
2001	6,175,924	5,837,349	94.5%	328,935	6,166,284	99.8%
2002	6,619,905	6,362,535	96.1%	247,925	6,610,460	99.9%
2003	6,657,161	6,402,395	96.2%	239,546	6,641,941	99.8%
2004	7,276,528	7,025,891	96.6%	233,794	7,259,685	99.8%
2005	7,352,142	7,173,582	97.6%	162,322	7,335,904	99.8%
2006	7,843,650	7,694,094	98.1%	125,887	7,819,981	99.7%
2007	8,225,871	8,026,140	97.6%	-	8,026,140	97.6%

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					
1998	\$ 335,000		\$ 145,000		\$ 480,000	0.70% (a)	\$ 110	
1999	290,000		75,000		365,000	0.53% (a)	84	
2000	245,000	-	-		245,000	0.36% (a)	56	
2001	200,000	-	-		200,000	0.21% (b)	46	
2002	160,000	-	-		160,000	0.17% (b)	37	
2003	120,000	100,000	253,893		473,893	0.50% (b)	111	
2004	80,000	100,000	127,545		307,545	0.32% (b)	72	
2005	40,000	-	-		40,000	0.04% (b)	9	
2006	-	-	-		-	0.00% (b)	-	
2007	-	-	47,879		47,879	0.05% (b)	11	

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

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

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

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value (a) of Property	Per Capita (b)
	General Obligation Bonds	Total			
1998	\$ 335,000	\$ 335,000	0.22%	\$ 76.73	
1999	290,000	290,000	0.19%	66.42	
2000	245,000	245,000	0.16%	56.12	
2001	200,000	200,000	0.12%	45.81	
2002	160,000	160,000	0.10%	37.44	
2003	120,000	120,000	0.07%	28.08	
2004	80,000	80,000	0.02%	18.72	
2005	40,000	40,000	0.01%	9.36	
2006	-	-	0.00%	-	
2007	-	-	0.00%	-	

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, 2007
Unaudited

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Foster-Glocester Regional School District (a)	\$ 28,500,000	33.85%	\$ 9,647,250
Other debt			
Foster-Glocester Regional School District - BAN (a)	16,000,000	33.85%	5,416,000
Subtotal, overlapping debt			15,063,250
Town direct debt			-
Total direct and overlapping debt			<u>\$ 15,063,250</u>

Sources: Debt outstanding data provided by each governmental unit.

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

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

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed Value	\$ 706,547,559
Debt limit (3% of assessed value)	21,196,427
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>\$ 21,196,427</u>

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$ 4,616,444	\$ 4,670,889	\$ 4,687,657	\$ 4,942,912	\$ 4,996,044	\$ 5,018,496	\$ 13,913,367	\$ 14,210,289	\$ 15,493,814	\$ 21,196,427
Total net debt applicable to limit	<u>(335,000)</u>	<u>(290,000)</u>	<u>(245,000)</u>	<u>(200,000)</u>	<u>(160,000)</u>	<u>(120,000)</u>	<u>(80,000)</u>	<u>(40,000)</u>	-	-
Legal debt margin	<u>\$ 4,281,444</u>	<u>\$ 4,380,889</u>	<u>\$ 4,442,657</u>	<u>\$ 4,742,912</u>	<u>\$ 4,836,044</u>	<u>\$ 4,898,496</u>	<u>\$ 13,833,367</u>	<u>\$ 14,170,289</u>	<u>\$ 15,493,814</u>	<u>\$ 21,196,427</u>
Total net debt applicable to the limit as a percentage of debt limit	7.26%	6.21%	5.23%	4.05%	3.20%	2.39%	0.57%	0.28%	0.00%	0.00%

Note: With certain exceptions, under the General Laws of the State 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.

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

The Town of Foster, Rhode Island has no non-general obligation long-term debt backed by pledged revenues.

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

Fiscal Year Ended June 30	Population (1)	Personal Income (1)	Per Capita Personal Income (1)	Median Age(1)	School Enrollment (2)	Unemployment Rate (3)
1998	4,366	68,803,794	\$ 15,759	34.8	842	4.80%
1999	4,366	68,803,794	15,759	34.8	833	4.70%
2000	4,366	68,803,794	15,759	34.8	886	4.20%
2001	4,366	68,803,794	15,759	39.8	892	4.80%
2002	4,274	94,660,552	22,148	39.8	898	4.90%
2003	4,274	94,660,552	22,148	39.8	928	5.40%
2004	4,274	94,660,552	22,148	39.8	921	5.80%
2005	4,274	94,660,552	22,148	39.8	941	5.40%
2006	4,274	94,660,552	22,148	39.8	963	5.50%
2007	4,274	94,660,552	22,148	39.8	858	5.70%

Sources:

- (1) Population, Personal Income, Per Capita Personal Income, and Median Age obtained from U.S. Census Bureau.
- (2) School enrollment provided by the Foster-Glocester Regional and Foster School Business Offices.
 Enrollment includes students in Foster Public Schools and Foster students enrolled in Foster-Glocester Regional Schools.
- (3) Unemployment rates obtained from State of Rhode Island Dept. of Labor and Training.

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

Employer	2007			1998		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Foster School Department	58	1	2.22%	77	1	3.25%
Foster Country Club	50	2	1.91%	30	3	1.27%
Town of Foster	42	3	1.61%	41	2	1.73%
Turnquist Lumber Co., Inc.	18	4	0.69%	17	4	0.72%
Total	168		6.43%	165		6.97%

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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Central Administration										
Town Council	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Town Clerk	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Probate Court	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Building/Zoning	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Planning	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Financial Administration										
Treasurer's Office	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Tax Collection	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Tax Assessor	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Public Safety										
Police										
Officers	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Civilians	4.0	4.5	4.5	4.5	4.5	4.5	4.0	4.8	4.8	4.8
Animal Control										
Officers	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Emergency Management	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Public Works Department										
Director	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Highway										
Driver/Laborer	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Maintenance										
Building/Grounds	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Custodial	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Recreation Department										
Director	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Summer Programs	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Human Services Department										
Director	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5

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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety										
Police										
Calls	3,137	3,086	3,125	3,177	2,905	2,853	3,234	3,392	7,020	11,796
Physical Arrests	145	132	128	141	111	116	99	85	102	161
Citations	902	529	790	656	522	846	591	623	1,166	1,971
Accidents	131	143	147	156	131	145	125	132	134	134
Animal Control										
Dog Licenses Issued								625	483	587
Public Works (Pickup Outsourced)										
Transfer Station										
Refuse Collected (avg. tons per month)			39	34	33	36	37	41	39	43
Recyclables Collected (avg. tons per month)			131	144	154	155	155	188	181	176
Highway										
Street resurfacing (miles)										
Street repairs (miles)				13.0						
Building/Zoning										
Commercial Construction Permits	0	0	0	0	0	0	0	0	0	0
Residential Construction Permits	16	20	19	34	29	26	31	23	22	14
Parks and Recreation										
Athletic Field Permits	0	0	0	0	0	0	0	0	0	0

Sources: Various Town departments.

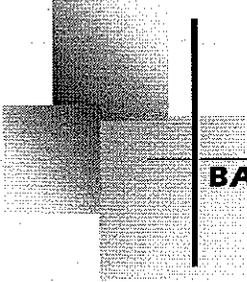
Schedule 18
 Town of Foster, Rhode Island
 Capital Asset Statistics by Function/Program,
 Last Ten Fiscal Years
 Unaudited

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone Offices	-	-	-	-	-	-	-	-	-	-
Patrol Units	7	7	7	7	7	7	7	7	7	7
Animal Control	0	0	0	0	0	0	0	0	0	0
Animal Shelters										
Public Works										
Transfer Station	0	0	0	0	0	0	0	0	0	0
Roll-off Truck										
Streets and Highways										
Street (miles)	113.0	113.0	113.0	113.0	113.0	113.0	113.0	113.0	113.0	113.0
Highways (miles, Town owned)	77.0	77.0	77.0	77.0	77.0	77.0	77.0	77.0	77.0	77.0
Highways (miles, State owned)	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0
Private Paved (miles)										
Park Access (miles)										
Driftway (miles)										
Streetlights	2	2	2	2	2	2	2	2	2	2
Traffic Signals										
Parks and Recreation										
Acreeage	165.0	165.0	165.0	165.0	165.0	165.0	165.0	165.0	165.0	165.0
Playgrounds	1	1	1	1	1	1	1	1	1	1
Tennis Courts	0	0	0	0	0	0	0	0	0	0
Beaches	0	0	0	0	0	0	0	0	0	0
Baseball/Softball diamonds	2	2	2	2	2	2	2	2	2	2
Soccer/Football fields	1	1	1	1	1	1	1	1	1	1
Basketball Courts	1	1	1	1	1	1	1	1	1	1
Parks and Public Squares	2	2	2	2	2	2	2	2	2	2

Sources: Various Town Departments



America Counts on CPAs



BACON & COMPANY, CPAs, LLC

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Warwick, RI 02886

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Fax: 401-826-1710

***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, as of and for the year ended June 30, 2007, which collectively comprise the Town of Foster's basic financial statements and have issued our report thereon dated December 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of Foster'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Foster's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Foster'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*.

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

Bacon & Company, CPAs, LLC

Warwick, Rhode Island
December 31, 2007