

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

***FOR THE FISCAL YEAR ENDED JUNE 30, 2006***

**THE TOWN OF FOSTER, RHODE ISLAND**  
**AUDITED FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2006**

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America Counts on CPAs



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## ***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, 2006, 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, 2006, 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 February 21, 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 combining nonmajor fund financial statements, the combining fiduciary fund financial statements, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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.

*Baer & Company, CPAs, LLC*

Warwick, Rhode Island  
February 21, 2007

**TOWN OF FOSTER, RHODE ISLAND**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2006**  
**(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, 2006. Please read it in conjunction with the Town's financial statements that follow this section.

**Financial Highlights**

- The Town's net assets increased as a result of this year's operation. On a government-wide basis the assets of the Town of Foster exceeded its liabilities at June 30, 2006 by \$11,497,037, an increase of \$324,065, or 2.9% from 2005. Net assets of the Town's component unit increased by \$156,890, or 20%, to \$924,532.
- The Town's Government-wide operating expenses were \$10,958,014, a 2.7% increase from the prior year due mainly to increases in education costs. Revenues collected were \$11,282,079, a 6.1 % 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 \$3,881,954. Over 93% (\$3,621,239) of this amount is unreserved. Within the unreserved amount, \$3,421,239, or 88% is undesignated.
- In the Town's general fund, at the end of 2006, the unreserved, undesignated fund balance was \$848,051 or 7.8% of the total general fund expenditures and other uses of funds for the fiscal year. The current fiscal year's revenues and sources of funds exceeded expenditures and uses of funds by \$289,718. On a budgetary basis revenues and sources of funds exceeded expenditures and uses of funds by \$74,364.

**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.

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**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, from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges. The Town's governmental activities include general government and administration, public safety, public works, education, 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.

**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,

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

In addition to the 19 funds exhibited here for the School Department, the Town maintains 21 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 54 through 65 in this report.

***Fiduciary Funds***- Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs.

***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, 2006 by \$11,497,037, an increase of \$324,065, or 2.9% from 2005.

The most significant changes noted were:

*Current assets* increased \$892,238 and *Non-current assets* decreased by \$303,537 from 2005.

The \$263,537 decrease in *Invested in capital assets, net of related debt* was offset somewhat by a \$593,421 increase in *Restricted Net Assets*.

Noncurrent liabilities increased by \$16,414 due entirely to compensated absences increasing due to step increases in the school department staff.

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

Town of Foster  
Statement of Net Assets

	June 30, 2006		June 30, 2005	
	Governmental	Component	Governmental	Component
	Activities	Unit	Activities	Unit
Current assets	\$ 4,642,401	\$ 100,036	\$ 3,750,166	\$ 115,999
Noncurrent assets	7,554,654	828,900	7,858,191	708,150
Total assets	<u>\$ 12,197,055</u>	<u>\$ 928,936</u>	<u>\$ 11,608,357</u>	<u>\$ 824,149</u>
Current liabilities	\$ 453,417	\$ 4,404	\$ 205,198	\$ 56,507
Noncurrent liabilities	246,601	-	230,187	-
Total liabilities	<u>\$ 700,018</u>	<u>\$ 4,404</u>	<u>\$ 435,385</u>	<u>\$ 56,507</u>
Net Assets:				
Invested in capital assets	\$ 7,554,654	\$ 828,900	\$ 7,818,191	\$ 708,150
Restricted	2,754,266	-	2,160,845	-
Unrestricted	1,188,117	95,632	1,193,936	59,492
Total net assets	<u>\$ 11,497,037</u>	<u>\$ 924,532</u>	<u>\$ 11,172,972</u>	<u>\$ 767,642</u>

The largest portion (\$7,554,654) 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 (\$2,754,266) 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.

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As of June 30, 2006 the Town of Foster reports positive balances in all three categories of net assets for the government as a whole.

**Analysis of the Town of Foster's Operations**

The following analysis provides a summary of the Town's operations for the year ended June 30, 2006. 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 increased the Town's net assets by \$324,065 for the current period. Component unit activities increased its net assets by \$156,890, or 20.4%, from 2005.

Total revenues increased by \$648,087, or 6.1%, from 2005. Operating grants and contributions increased by \$119,551 from 2005 due primarily to an increase in state and federal grant programs. Capital grants decreased by \$74,114 from 2005 since fewer were sort. Property tax revenue increased by \$511,275, or 7% from 2005 due mainly to more aggressive collection methods.

Total expenses increased by \$288,163, or 2.7% from 2005, which was primarily due to an increase in Education expense \$232,641, or 3.1% from 2005.

Town of Foster  
Statement of Activities

	<u>June 30, 2006</u>		<u>June 30, 2005</u>	
	<u>Governmental Activities</u>	<u>Component Unit</u>	<u>Governmental Activities</u>	<u>Component Unit</u>
<i>Revenues</i>				
<i>Program revenues</i>				
Charges for services	359,166	52,103	367,381	-
Operating grants	1,910,666	-	1,791,115	56,132
Capital grants	-	102,000	74,114	-
<i>General revenues</i>				
Property taxes	7,878,820	-	7,367,545	-
State aid	1,039,025	-	912,658	-
Interest and investment income	80,694	2,787	121,179	-
Miscellaneous	13,708	-	-	-
Total revenues	11,282,079	156,890	10,633,992	56,132

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*Expenses*

Legislative, judicial and general administrative	867,567	-	445,325	-
Health and welfare	372,732	-	512,292	-
Public Safety	1,101,109	-	1,104,600	-
Public Works	579,346	-	825,897	-
Building and Zoning	41,013	-	39,448	-
Planning	32,860	-	49,767	-
Conservation	2,172	-	2,152	-
Recreation	65,544	-	31,787	-
Education	7,678,749	-	7,446,108	-
Food services	88,411	-	95,391	-
Libraries	128,511	-	117,084	-
Land Trust	-	-	-	9,397
Total expenses	10,958,014	-	10,669,851	9,397
 Change in net assets	 324,065	 156,890	 (35,859)	 46,735
Net assets July 1, restated	11,172,972	767,642	11,208,831	720,907
Net assets June 30	\$ 11,497,037	\$ 924,532	\$ 11,172,972	\$ 767,642

**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 \$3,881,954. Approximately 93% of the total amount, or \$3,621,239 constituted unreserved fund balances. Included in the unreserved balance is \$200,000 designated (appropriated) for fiscal year 2007, an increase of \$200,000 from 2005.

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Town of Foster  
Governmental Funds  
Fund Balances

	<u>Total Governmental Funds June 30, 2006</u>	<u>Total Governmental Funds June 30, 2005</u>
Reserved:		
Reserved for prepaid expenditures	\$ 45,361	\$ -
Reserved for capital expenditures	215,354	57,169
Unreserved:		
Designated for subsequent year budget	200,000	-
Undesignated	3,421,239	3,074,219
Total fund balances	<u>\$ 3,881,954</u>	<u>\$ 3,131,388</u>

**General Fund Budgetary Highlights**

**Revenues**

Actual revenues and other financing sources reported in 2006 exceeded budgeted amounts by \$467,575, or 4.6%.

Actual General Property Taxes collected were greater than budget by \$143,667, or 1.8%.

General State Aid exceeded budget by \$45,795, or 4%. The Town received \$97,066 more than the \$612,035 budgeted for the State Excise Tax Phase-out and \$26,089 more than the \$245,891 budgeted for General Revenue Sharing. The Town budgets conservatively because the amounts to be paid to the Town during 2006 were not known until after the budget was passed.

Interest and investment income exceeded budget by \$27,218 or 68%. Most of this was due to higher than anticipated interest rates.

Building and zonings fees collected exceeded budget by \$47,379, or 77.7%, which is due to new development and improvements.

**Expenses**

Actual expenditures and other financing uses in the Town's General Fund were less than budget by \$139,263 or 1.3%. This was primarily due to approximately \$154,867 favorable balance for in the Department of Public Works. Along with a few small positive variances in Contingency (\$5,774), Public Safety (\$2,820), Building and Zoning (\$3,101) and Planning (\$2,337).

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Positive variances realized were offset by expenses that exceeded budget, primarily in Unemployment compensation (\$12,606), Electricity (\$7,337), and Heating fuel (\$3,646).

**The Town of Foster's Capital Assets**

The Town of Foster's investment in capital assets for its governmental activities amount to \$7,554,654, net of accumulated depreciation at June 30, 2006. 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, 2006		June 30, 2005	
	Governmental Activities	Component Unit	Governmental Activities	Component Unit
Land	\$ 31,199	\$ 828,900	\$ 31,199	\$ 708,150
Construction in progress	34,543	-	-	-
Land Improvements	46,387	-	38,802	-
Buildings and improvements	2,354,349	-	2,412,505	-
Motor vehicles	768,093	-	906,524	-
Machinery and equipment	190,546	-	227,098	-
Infrastructure - roads and bridges	4,129,537	-	4,242,063	-
<b>Total</b>	<b>\$ 7,554,654</b>	<b>\$ 828,900</b>	<b>\$ 7,858,191</b>	<b>\$ 708,150</b>

Significant additions to capital assets in 2006 include:

Land –\$120,000–Purchase of open space for Foster Land Trust

Construction in progress – \$34,543 – Construction of Human services office space

Land improvements - \$ 15,219 -New playground equipment at Woody Lowden Center

Motor vehicles - \$16,351 – Police vehicle  
\$14,236 – Public Works truck

Building Improvements - \$20,277 – Alarm system School Department

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**Management's Discussion and Analysis**  
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**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 \$21,196,427 (based on the net assessed valuation at December 31, 2005 of \$706,547,559). As of June 30, 2006, the Town had no outstanding bonds and notes issued within the 3% debt limit leaving a borrowing capacity of \$21,196,427.

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, 2006, the total outstanding debt of the Town issued outside the 3% debt limit was \$4,335,000.

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, 2005 and June 30, 2006.

<u>6/30/2005</u>	<u>6/30/2006</u>	
4.3%	5.1%	Town of Foster
5.0%	5.5%	State of Rhode Island
5.2%	4.6%	United States

- Rates of inflation (taken from the Consumer Price Index) as of June 30, 2005 and June 30, 2006.

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<u>6/30/2005</u>	<u>6/30/2006</u>	
2.5%	5.1%	Northeast Urban area
2.5%	4.3%	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 2007 amounts to \$11,730,483 (\$7,744,595, or 66%, for education and \$3,985,888, or 34%, for other purposes), which reflects an increase of \$1,040,358 or 9.7% from 2006. The increase is due primarily to an increase in education costs of \$428,886 and Town government costs of \$611,472. \$200,000 was appropriated from the Town's fund balance to provide additional funding for the fiscal 2007 budget and help contain the tax increase.
- The unreserved, undesignated fund balance in the general fund decreased by \$44,142, or 4.9%, to \$848,051 in 2006. The unreserved fund balance is 10% of proposed expenditures for 2006.
- 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 \$190,086,983, or 36.8%, to \$706,547,559 from \$516,460,576 from 2006 to 2007. The Town's tax rates for 2006 and 2007 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>2006-07</u>	Fiscal Year <u>2005-06</u>	Increase (Decrease)
Real Property	\$ 11.24	\$ 14.75	\$ (3.51)
Motor vehicle	36.95	36.95	-
Tangible	15.50	14.75	0.75
Inventory	3.69	5.54	(1.85)

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**Management's Discussion and Analysis**  
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**(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

**TOWN OF FOSTER, RHODE ISLAND**

*Statement of Net Assets*

June 30, 2006

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Foster Land Trust</u>
<i>Assets</i>		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 3,829,841	\$ 100,036
Investments	96,882	-
Property taxes receivable	356,580	-
Accrued interest receivable	72,275	-
Due from federal and state governments	167,609	-
Other receivables	69,449	-
Due from component unit	4,404	-
Prepaid expenses	45,361	-
<i>Total current assets</i>	<u>4,642,401</u>	<u>100,036</u>
<i>Noncurrent assets:</i>		
Capital assets: (Note 7)		
Land and other nondepreciable assets	31,199	828,900
Depreciable buildings, property, equipment, and infrastructure (net)	7,488,912	-
Construction in progress	34,543	-
<i>Total noncurrent assets</i>	<u>7,554,654</u>	<u>828,900</u>
<i>Total assets</i>	<u>12,197,055</u>	<u>928,936</u>
 <i>Liabilities</i>		
<i>Current liabilities:</i>		
Accounts payable and accrued expenses	404,130	-
Due to primary government	-	4,404
Other liabilities	8,331	-
Compensated absences payable	40,956	-
<i>Total current liabilities</i>	<u>453,417</u>	<u>4,404</u>
<i>Noncurrent liabilities:</i>		
Compensated absences payable	246,601	-
<i>Total noncurrent liabilities</i>	<u>246,601</u>	<u>-</u>
<i>Total liabilities</i>	<u>700,018</u>	<u>4,404</u>
 <i>Net Assets</i>		
Invested in capital assets	7,554,654	828,900
Restricted for:		
Capital purposes	2,258,512	-
Specific projects and programs	495,754	-
Unrestricted	1,188,117	95,632
<i>Total net assets</i>	<u>\$ 11,497,037</u>	<u>\$ 924,532</u>

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

**TOWN OF FOSTER, RHODE ISLAND**

Statement of Activities

For the fiscal year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total	Component Unit
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
Legislative, judicial and general administrative	\$ 867,567	\$ 83,431	\$ 57,967	\$ -	\$ (726,169)	\$ -
Health and Welfare	372,732	11,690	100,525	-	(260,517)	-
Public safety	1,101,109	50,736	36,603	-	(1,013,770)	-
Public works	579,346	-	56,820	-	(522,526)	-
Building and zoning	41,013	108,054	-	-	67,041	-
Planning	32,860	24,355	-	-	(8,505)	-
Conservation	2,172	-	-	-	(2,172)	-
Recreation	65,544	-	-	-	(65,544)	-
Education	7,678,749	26,925	1,633,010	-	(6,018,814)	-
Food services	88,411	53,975	25,741	-	(8,695)	-
Libraries	128,511	-	-	-	(128,511)	-
<b>Total governmental activities</b>	<b>10,958,014</b>	<b>359,166</b>	<b>1,910,666</b>	<b>-</b>	<b>(8,688,182)</b>	<b>-</b>
<b>Component Unit:</b>						
<b>Foster Land Trust</b>		52,103	-	102,000	-	154,103
<b>General Revenues:</b>						
Taxes:						
Property taxes, levied for general purposes					7,878,820	-
State aid, not restricted for a specific purpose					1,039,025	-
Interest and investment income					80,694	2,787
Miscellaneous					13,708	-
					<b>9,012,247</b>	<b>2,787</b>
<b>Change in net assets</b>					324,065	156,890
<b>Net assets - beginning of year, as restated</b>					11,172,972	767,642
<b>Net assets - end of year</b>					<b>\$ 11,497,037</b>	<b>\$ 924,532</b>

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

**TOWN OF FOSTER, RHODE ISLAND**

Balance Sheet  
Governmental funds  
June 30, 2006

	General Fund	School Unrestricted Fund	Capital Projects Fund	Nonmajor Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,831,014	\$ 30,784	\$ 787,360	\$ 180,683	\$ 3,829,841
Investments	-	10,016	-	86,866	96,882
Property taxes receivable	356,580	-	-	-	356,580
Due from federal and state governments	107,765	-	-	59,844	167,609
Other receivables	26,955	-	-	1,167	28,122
Due from other funds	126,047	341,895	1,255,798	174,342	1,898,082
Due from component unit	4,404	-	-	-	4,404
Prepaid expenditures	-	45,361	-	-	45,361
<b>Total assets</b>	<b>\$ 3,452,765</b>	<b>\$ 428,056</b>	<b>\$ 2,043,158</b>	<b>\$ 502,902</b>	<b>\$ 6,426,881</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenditures	\$ 283,798	\$ 115,252	\$ -	\$ 5,080	\$ 404,130
Due to other funds	1,621,520	97,218	-	138,017	1,856,755
Deferred revenues	275,711	-	-	-	275,711
Other liabilities	8,331	-	-	-	8,331
<b>Total liabilities</b>	<b>2,189,360</b>	<b>212,470</b>	<b>-</b>	<b>143,097</b>	<b>2,544,927</b>
<b>Fund Balances</b>					
Reserved:					
Reserved for prepaid expenditures	-	45,361	-	-	45,361
Reserved for capital expenditures	215,354	-	-	-	215,354
Unreserved:					
Designated for 2006/2007 budget	200,000	-	-	-	200,000
Undesignated	848,051	170,225	2,043,158	-	3,061,434
Unreserved, reported in:					
Special revenue funds	-	-	-	359,805	359,805
<b>Total fund balances</b>	<b>1,263,405</b>	<b>215,586</b>	<b>2,043,158</b>	<b>359,805</b>	<b>3,881,954</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,452,765</b>	<b>\$ 428,056</b>	<b>\$ 2,043,158</b>	<b>\$ 502,902</b>	<b>\$ 6,426,881</b>

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, 2006*

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<i>Total Fund Balances - Total Governmental Funds</i>	\$ 3,881,954
<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.	7,554,654
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.	72,275
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.	275,711
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>(287,557)</u>
<i>Net Assets - Governmental Activities</i>	<u>\$ 11,497,037</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, 2006

	General Fund	School Unrestricted Fund	Capital Projects Fund	Nonmajor Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
General property taxes	\$ 7,935,653	-	-	-	\$ 7,935,653
Intergovernmental and departmental revenues	2,298,837	115,618	-	537,149	2,951,604
Licenses and permits	64,588	-	-	-	64,588
Building and zoning fees	108,379	-	-	-	108,379
Fines and interest on late payments	67,753	-	-	-	67,753
Interest on investments	67,218	-	8,646	4,829	80,693
Other revenues	52,057	-	-	127,695	179,752
<b>Total revenues</b>	<u>10,594,485</u>	<u>115,618</u>	<u>8,646</u>	<u>669,673</u>	<u>11,388,422</u>
<b>Expenditures</b>					
Current:					
Legislative, judicial and general administrative	315,503	-	-	32,967	348,470
Financial administration	211,329	-	-	-	211,329
Miscellaneous administration	119,173	-	-	-	119,173
Health and welfare	321,162	-	-	86,113	407,275
Public safety	949,426	-	-	36,790	986,216
Public works	475,938	-	-	-	475,938
Building and zoning	41,013	-	-	-	41,013
Planning	32,860	-	-	-	32,860
Conservation	2,172	-	-	-	2,172
Recreation	33,601	-	-	-	33,601
Education	3,406,366	3,863,400	-	313,620	7,583,386
Food services	-	-	-	88,411	88,411
Libraries	128,511	-	-	-	128,511
Land trust	5,304	-	-	-	5,304
Capital outlay	132,697	-	-	-	132,697
Debt service:					
Principal	-	-	-	40,000	40,000
Interest	-	-	-	1,500	1,500
<b>Total expenditures</b>	<u>6,175,055</u>	<u>3,863,400</u>	<u>-</u>	<u>599,401</u>	<u>10,637,856</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, 2006

	General Fund	School Unrestricted Special Revenue Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</b>	<u>4,419,430</u>	<u>(3,747,782)</u>	<u>8,646</u>	<u>70,272</u>	<u>750,566</u>
<b>Other financing sources (uses)</b>					
Transfers from other funds	563,215	3,909,343	742,084	41,500	5,256,142
Transfers to other funds	(4,692,927)	-	(563,215)	-	(5,256,142)
<b>Total other financing sources (uses)</b>	<u>(4,129,712)</u>	<u>3,909,343</u>	<u>178,869</u>	<u>41,500</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>289,718</u>	<u>161,561</u>	<u>187,515</u>	<u>111,772</u>	<u>750,566</u>
<b>Fund balances - beginning of year</b>	949,362	54,025	1,855,643	291,822	3,150,852
Adjustments to prior years	24,325	-	-	(43,789)	(19,464)
<b>Restated fund balances - beginning of year</b>	<u>973,687</u>	<u>54,025</u>	<u>1,855,643</u>	<u>248,033</u>	<u>3,131,388</u>
<b>Fund balances - end of year</b>	<u>\$ 1,263,405</u>	<u>\$ 215,586</u>	<u>\$ 2,043,158</u>	<u>\$ 359,805</u>	<u>\$ 3,881,954</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, 2006*

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<i>Net Changes in Fund Balances - Total Governmental Funds</i>	\$ 750,566
<i>Amounts reported for Governmental Activities in the Statement of Activities are different because:</i>	
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.	100,626
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.	(404,163)
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.	(57,371)
Repayment of bond, loan and capital lease principal is an expenditure in the Governmental Fund Financial Statements, but the payments reduce long-term liabilities in the Government-Wide Statement of Net Assets.	40,000
Accrued interest expense on long-term debt is reported in the Government-Wide Statement of Activities, but it does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in the Governmental Fund Financial Statements. The following amount represents the change in accrued interest expense from the prior year.	750
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.	<u>(106,343)</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$ 324,065</u></u>

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

**TOWN OF FOSTER, RHODE ISLAND**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2006*

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	<i>Private- purpose Trusts</i>	
	<u><i>Cemetery Fund</i></u>	<u><i>Agency Funds</i></u>
<b><i>Assets</i></b>		
Cash and cash equivalents	\$ 84,273	\$ 35,023
<b><i>Total assets</i></b>	<u>84,273</u>	<u>35,023</u>
 <b><i>Liabilities</i></b>		
Due to other funds	40,827	500
Deposits held in custody for others	-	34,523
<b><i>Total liabilities</i></b>	<u>40,827</u>	<u>35,023</u>
 <b><i>Net Assets</i></b>		
Held in trust for other purposes	<u>\$ 43,446</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, 2006*

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	<u>Private- purpose Trusts</u>	<u>Cemetery Fund</u>
<i>Additions</i>		
<i>Investment earnings:</i>		
Interest and dividends	\$ 956	
<i>Total additions</i>	<u>956</u>	
<i>Deductions</i>		
Miscellaneous		1,913
<i>Total deductions</i>		<u>1,913</u>
<i>Change in net assets</i>		(957)
<i>Net assets - beginning of year</i>		<u>44,403</u>
<i>Net assets - end of year</i>		<u>\$ 43,446</u>

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

# **TOWN OF FOSTER, RHODE ISLAND**

## ***Notes to Financial Statements***

***June 30, 2006***

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

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***A. REPORTING ENTITY***

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

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting entity, the Town applied the criteria prescribed by GASB Statement No. 14, as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units." A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Through the application of GASB Statement Number 39 and 14 criteria, the Foster Land Trust (the Land Trust) has been presented as a component unit of the Town, hereinafter referred to as "component unit," in the accompanying government-wide financial statements.

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

#### ***B. BASIS OF PRESENTATION***

##### **Government-Wide Financial Statements**

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The government-wide financial statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Town has no business-type activities at June 30, 2006 or for the year then ended.

# **TOWN OF FOSTER, RHODE ISLAND**

## **Notes to Financial Statements**

**June 30, 2006**

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

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

### **Fund Financial Statements**

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

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

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

### **Governmental Funds:**

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

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

# **TOWN OF FOSTER, RHODE ISLAND**

## **Notes to Financial Statements**

**June 30, 2006**

**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, 2006, the Town has no proprietary funds.

### **Fiduciary Funds:**

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

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

**Agency Funds** – These funds account for assets held by the Town as an agent for various student groups, funds held in probate, and funds held for performance bonds.

## **C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

Governmental fund financial statements are reported using the “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual. Susceptibility occurs when revenues

# **TOWN OF FOSTER, RHODE ISLAND**

## ***Notes to Financial Statements***

***June 30, 2006***

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.

### ***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."

**TOWN OF FOSTER, RHODE ISLAND**

**Notes to Financial Statements**

**June 30, 2006**

**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

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<sup>st</sup> when the next year's tax is levied.

**TOWN OF FOSTER, RHODE ISLAND**

**Notes to Financial Statements**

**June 30, 2006**

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.

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:

**TOWN OF FOSTER, RHODE ISLAND**

**Notes to Financial Statements**

**June 30, 2006**

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

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

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

**Fund Statements:**

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

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. LEGAL DEBT MARGIN**

The Town’s legal debt margin as set forth by State Statute is limited to three percent of total taxable assessed value which approximates \$15,493,814. As of June 30, 2006, the Town’s debt is under the limit by \$15,493,814.

**NOTE 3 – FUND EQUITY**

**Designated fund balances:**

As of June 30, 2006, the Town has designated \$200,000 of unreserved General Fund balance to be applied to the 2007 Town operating budget.

**Reserved fund balances:**

The following reserves are recorded in the fund financial statements:

General Fund – Capital Expenditures	\$215,354
School Unrestricted Fund – Prepaid Expenditures	45,361

**Deficit fund equity:**

The following fund reported a deficit fund balance at June 30, 2006:

School Lunch Fund	\$(8,552)
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**TOWN OF FOSTER, RHODE ISLAND**

*Notes to Financial Statements*

*June 30, 2006*

**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	\$3,948,792	\$100,036
Add: Petty Cash	345	---
<b>Total Cash and Cash Equivalents Reported in the Financial Statements</b>	<b>\$3,949,137</b>	<b>\$100,036</b>

**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, 2006, \$1,125,517 of the Town’s bank balance of \$4,203,628 was exposed to custodial credit risk as follows:

	<u>Primary Government</u> <u>Bank</u> <u>Balance</u>	<u>Component Unit</u> <u>Bank</u> <u>Balance</u>
Insured (Federal depository insurance funds)	\$ 435,023	\$100,000
Collateralized with securities held by pledging financial institution or its agent, in the Town’s name	2,643,088	---
Uninsured and uncollateralized	1,125,517	36
<b>Total</b>	<b>\$4,203,628</b>	<b>\$100,036</b>

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, 2006, the Town’s uncollateralized deposits with institutions were \$1,125,517. These deposits are held by institutions that meet the minimum capital standards prescribed by the federal regulators.

**TOWN OF FOSTER, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 5 - INVESTMENTS**

The Town invests in various types of investments which are stated at fair value. The Town Treasurer 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, 2006, the Town had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
MBIA RI Investment Pool	N/A	\$86,866
U.S. Government Money Market Fund	N/A	10,016
<b>Total Investments reported in the Financial Statements</b>		<u>\$96,882</u>

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

**Credit Risk** – The Town does not have a formal investment policy that limits its investment choices. As of June 30, 2006, the investment in the MBIA Rhode Island Investment Pool was not rated. As of June 30, 2006, 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, 2006 are as follows:

	<u>Due From:</u>				<u>Total</u>
	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Other Governmental Funds</u>	<u>Fiduciary Funds</u>	
<b>Due To:</b>					
General Fund	\$ ---	\$ ---	\$ 84,720	\$41,327	\$ 126,047
School Unrestricted Fund	48,590	---	293,305	---	341,895
Capital Projects Fund	1,255,798	---	---	---	1,255,798
Other Governmental Funds	317,132	97,218	(240,008)	---	174,342
<b>Total</b>	<u>\$1,621,520</u>	<u>\$97,218</u>	<u>\$138,017</u>	<u>\$41,327</u>	<u>\$1,898,082</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.

**TOWN OF FOSTER, RHODE ISLAND**

**Notes to Financial Statements**

**June 30, 2006**

Inter-fund transfer balances at June 30, 2006 are as follows:

	<i>Transfer From</i>		
	<i>General Fund</i>	<i>Capital Projects Fund</i>	<i>Total</i>
<b><u>Transfer To:</u></b>			
General Fund	\$ ---	\$563,215	\$ 563,215
School Unrestricted Fund	3,909,343	---	3,909,343
Capital Projects Fund	742,084	---	742,084
Other Governmental Funds	41,500	---	41,500
<b><i>Total</i></b>	<b><u>\$4,692,927</u></b>	<b><u>\$563,215</u></b>	<b><u>\$5,256,142</u></b>

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 \$3,909,343 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, 2006

**NOTE 7 - INFORMATION ABOUT CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June, 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Primary Government -</b>				
<b>Governmental Activities:</b>				
Nondepreciable assets:				
Land	\$ 31,199	\$ -	\$ -	\$ 31,199
Construction in progress	-	34,543	-	34,543
<b>Total nondepreciable assets</b>	<u>31,199</u>	<u>34,543</u>	<u>-</u>	<u>65,742</u>
Depreciable assets:				
Land improvements	164,547	15,219	-	179,766
Buildings and improvements	4,048,305	20,277	-	4,068,582
Motor vehicles	2,773,339	30,587	9,703	2,794,223
Machinery and equipment	533,767	-	-	533,767
Infrastructure - roads and bridges	7,230,186	-	-	7,230,186
<b>Total capital assets</b>	<u>14,781,343</u>	<u>100,626</u>	<u>9,703</u>	<u>14,872,266</u>
Less accumulated depreciation for:				
Land improvements	125,745	7,634	-	133,379
Buildings and improvements	1,635,800	78,433	-	1,714,233
Motor vehicles	1,866,815	169,018	9,703	2,026,130
Machinery and equipment	306,669	36,552	-	343,221
Infrastructure - roads and bridges	2,988,123	112,526	-	3,100,649
<b>Total accumulated depreciation</b>	<u>6,923,152</u>	<u>404,163</u>	<u>9,703</u>	<u>7,317,612</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 7,858,191</u>	<u>\$ (303,537)</u>	<u>\$ -</u>	<u>\$ 7,554,654</u>
<b>Component Unit:</b>				
Nondepreciable assets:				
Land	\$ 708,150	\$ 120,750	\$ -	\$ 828,900
<b>Total nondepreciable assets</b>	<u>708,150</u>	<u>120,750</u>	<u>-</u>	<u>828,900</u>
<b>Component unit capital assets, net</b>	<u>\$ 708,150</u>	<u>\$ 120,750</u>	<u>\$ -</u>	<u>\$ 828,900</u>

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
Legislative	\$ 132,214
Public education	67,072
Public safety	127,346
Public works	76,897
Recreation	634
<b>Total governmental activities depreciation expense</b>	<u>\$ 404,163</u>

**TOWN OF FOSTER, RHODE ISLAND**

*Notes to Financial Statements*

*June 30, 2006*

**NOTE 8 – INFORMATION ABOUT LONG-TERM LIABILITIES**

Long term liability activity for the year ended June 30, 2006 was as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2006</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
General obligation bonds payable	\$ 40,000	\$ ---	\$40,000	\$ --	\$ ---
Accrued compensated absences	254,512	33,045	---	287,557	40,956
<b>Total Governmental Activities Long-Term Liabilities</b>	<u>\$294,512</u>	<u>\$33,045</u>	<u>\$40,000</u>	<u>\$287,557</u>	<u>\$40,956</u>

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

**NOTE 9 – TRANSCATIONS WITH THE FOSTER LAND TRUST**

For the year ended June 30, 2006, the Town’s General Fund reported the following balances related to the Foster Land Trust:

Due from Foster Land Trust	<u>\$ 4,404</u>
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**NOTE 10 – FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT**

The Foster-Glocester Regional School District (Regional School) was created to include the high school and middle schools for the Towns of Foster and Glocester (the Towns). The Regional School is a separate legal entity from the Town. The voters of the participating Towns elect the Regional School Committee. The Regional School cannot assess and levy property taxes. Revenues are derived principally from the participating Towns of the Regional School which contribute funds according to a financial formula based upon each Town’s enrollment and from the State of Rhode Island. The Town of Foster’s contribution for the fiscal year ended June 30, 2006 was \$3,406,366. Financial statements for the Regional School are issued separately and may be obtained from the Foster-Glocester Regional School District Business Office, 1145 Putnam Pike, Chepachet, Rhode Island 02814.

**NOTE 11 – PROPERTY TAXES**

The Town is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property tax revenue is recognized in accordance with P70, “Property Taxes” of the *Codification of Governmental Accounting and Reporting Standards*, which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due and

**TOWN OF FOSTER, RHODE ISLAND**

*Notes to Financial Statements*

*June 30, 2006*

receivable within the current period and collected no longer than sixty days after the close of the current period.

**NOTE 12 – RISK MANAGEMENT**

The Town of Foster is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. As a result, the Town participates in a nonprofit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) which provides coverage for property/liability and workers' compensation claims. Upon joining the Trust, the Town signed a participation agreement which outlines the rights and responsibilities of both the Trust and the Town. The agreement states that for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism, which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its Members. 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 13 – 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, 2006, 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 14 – POST RETIREMENT BENEFITS**

In addition to the pension benefits described in Note 17, 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 2006 was \$28,345.

**TOWN OF FOSTER, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 15 – RESTATEMENTS TO PRIOR YEAR FINANCIAL STATEMENTS**

The following restatements were made in the governmental funds:

	<i>General Fund</i>	<i>Other Governmental Funds</i>
<b><i>Fund balances - June 30, 2005</i></b>	<b>\$949,362</b>	<b>\$395,717</b>
To correct for compensated absence liability recorded in error.	24,325	---
To reclassify fund reported as an Agency Fund in prior years to a Special Revenue Fund.	---	6,073
To correct prior year receivables.	---	(49,099)
To correct for prior year deposit liability not recorded.	---	(763)
To reclassify land trust to component unit.	---	(59,492)
To reclassify fund reported as a Permanent Fund in prior years to a Private-Purpose Trust Fund.	---	(44,403)
<b><i>Restated fund balances - June 30, 2005</i></b>	<b>\$973,687</b>	<b>\$248,033</b>

The following restatements were made in the government-wide statements – governmental activities:

	<i>Governmental Activities</i>
<b><i>Net assets - June 30, 2005</i></b>	<b>\$11,915,870</b>
To reclassify land trust to component unit.	(639,492)
To correct prior year receivables.	(49,099)
To correct prior year compensated absences.	24,325
To reclassify fund reported as an Agency Fund in prior years to a Special Revenue Fund.	6,073
To correct for prior year deposit liability not recorded.	(763)
To correct prior year prepaid asset recorded in error.	(114,075)
To reclassify fund reported as a Permanent Fund in prior years to a Private Purpose Trust Fund.	(44,403)
To record accrued interest receivable not recorded in prior years.	74,536
<b><i>Restated net assets - June 30, 2005</i></b>	<b>\$11,172,972</b>

A restatement in the amount of \$767,642 was recorded to report the land trust as a separate component unit. In prior years, the land trust was reported as a Special Revenue Fund in error.

**NOTE 16 – SUBSEQUENT EVENT**

On July 5, 2006, the Town entered into a capital lease agreement in the amount of \$74,287 for the purchase of police vehicles. The lease bears interest of 6.80% and matures July 17, 2006 through July 17, 2008.

**TOWN OF FOSTER, RHODE ISLAND**  
*Notes to Financial Statements*  
*June 30, 2006*

**NOTE 17 – 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, 2006 was \$1,712,856.

***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

**TOWN OF FOSTER, RHODE ISLAND**

*Notes to Financial Statements*

*June 30, 2006*

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.

***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 2005-2006 is 16.47%. 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 9.72% and a contribution requirement for the State of 6.75%. The State contribution for the cut off year ended June 30, 2006 was \$115,618 which represented 6.75% 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, 2006 was \$329,211, which consisted of \$166,490 from the School Department, and \$162,721 from employees. These contributions represented 9.72% and 9.5% of covered payroll respectively. The annual required contribution was determined as part of the June 30, 2003 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 0.19% of total contributions required of all participating entities.

***Trend Information***

<u><i>Fiscal Year</i></u>	<u><i>Annual Required Contribution</i></u>	<u><i>Percentage Contributed</i></u>
2004	\$148,340	100%
2005	\$170,408	100%
2006	\$166,490	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, 2005 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.

**TOWN OF FOSTER, RHODE ISLAND**

*Notes to Financial Statements*

*June 30, 2006*

**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, 2006 was \$1,257,511 (general employees - \$965,678 and police officers - \$291,833).

***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. 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.

**TOWN OF FOSTER, RHODE ISLAND**

**Notes to Financial Statements**

**June 30, 2006**

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, 2003. Significant actuarial assumptions used in the June 30, 2003 valuation include the following:

- (1) Investment return – 8.25%, compounded annually, composed of an assumed 3.0% inflation rate and a 5.25% net real rate of return
- (2) Projected salary increases – a service related component, plus a 3.0% inflation component, plus a general increase
- (3) Cost of living adjustment – 3%, not compounded
- (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, 2006 was \$174,252 which consisted of the Town's contribution of \$90,046 (general employees - \$56,952; police officers - \$33,094) and employee contributions of \$84,206 (general employees - \$57,941; police officers – \$26,265). These contributions represent 7.16% and 6.70% of covered payroll respectively.

***Trend Information***

Trend information for the Town is presented below:

**General Municipal Employees**

<b><i>Fiscal Year</i></b>	<b><i>Annual Pension Cost</i></b>	<b><i>Percentage of APC Contributed</i></b>	<b><i>Net Pension Obligation</i></b>
2004	\$10,407	100%	\$ 0
2005	\$36,510	100%	\$ 0
2006	\$56,952	100%	\$ 0

**Police Officers**

<b><i>Fiscal Year</i></b>	<b><i>Annual Pension Cost</i></b>	<b><i>Percentage of APC Contributed</i></b>	<b><i>Net Pension Obligation</i></b>
2004	\$11,047	100%	\$ 0
2005	\$45,121	100%	\$ 0
2006	\$33,094	100%	\$ 0

***TOWN OF FOSTER, RHODE ISLAND***  
***Notes to Financial Statements***  
***June 30, 2006***

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, 2005 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.

**TOWN OF FOSTER, RHODE ISLAND**  
*General Fund*  
*Schedule of Revenues and Expenditures - Budget and Actual*  
*For the Fiscal Year Ended June 30, 2006*

	<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>
<b><i>Revenues</i></b>				
Real estate and personal property tax	\$ 7,791,986	\$ 7,791,986	\$ 7,935,653	\$ 143,667
Tax exemption 45-13-51	218	218	259	41
Telephone tax	59,572	59,572	42,243	(17,329)
Hotel tax	19,012	19,012	15,443	(3,569)
Motor vehicle excise phase-out	612,035	612,035	709,101	97,066
State aid to education	1,157,196	1,157,196	1,184,147	26,951
State housing aid	-	-	18,844	18,844
RI Department of Transportation grant	-	-	56,820	56,820
Municipal revenue sharing	245,891	245,891	271,980	26,089
Licenses and permits	65,000	65,000	64,588	(412)
Building and zoning fees	61,000	61,000	108,379	47,379
Fines and interest on late payments	70,000	70,000	67,753	(2,247)
Interest on investments	40,000	40,000	67,218	27,218
Other revenues	5,000	5,000	52,057	47,057
<b><i>Total revenues</i></b>	<b><u>10,126,910</u></b>	<b><u>10,126,910</u></b>	<b><u>10,594,485</u></b>	<b><u>467,575</u></b>
<b><i>Other financing sources</i></b>				
Transfers from Capital Projects Fund	563,215	563,215	563,215	-
<b><i>Total other financing sources</i></b>	<b><u>563,215</u></b>	<b><u>563,215</u></b>	<b><u>563,215</u></b>	<b><u>-</u></b>
<b><i>Total revenues and other financing sources</i></b>	<b><u>\$ 10,690,125</u></b>	<b><u>\$ 10,690,125</u></b>	<b><u>\$ 11,157,700</u></b>	<b><u>\$ 467,575</u></b>
<b><i>Legislative, Judicial and General</i></b>				
<b><i>Administrative</i></b>				
Salaries	167,234	167,234	171,820	(4,586)
Benefits	77,816	77,816	79,332	(1,516)
Town council expenses	1,500	1,500	1,765	(265)
Town clerk expenses	3,200	3,200	3,095	105
Solicitor expenses	2,500	2,500	2,500	-
Probate judge expense	800	800	1,401	(601)
Board of canvassers expenses	2,400	2,400	557	1,843
Election expenses	3,000	3,000	114	2,886
Education expense	2,500	2,500	1,294	1,206
Duplicating supplies	5,000	5,000	2,031	2,969
Electricity	10,000	10,000	17,337	(7,337)
Telephone	2,500	2,500	1,337	1,163
Heating fuel	10,500	10,500	14,146	(3,646)
Legal reserve	15,000	15,000	14,662	338
Equipment	6,500	6,500	3,875	2,625
Sealer of weights and measures	300	300	237	63
<b><i>Total legislative, judicial and general administrative</i></b>	<b><u>310,750</u></b>	<b><u>310,750</u></b>	<b><u>315,503</u></b>	<b><u>(4,753)</u></b>

*(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, 2006*

	<i>Budgeted Amounts</i>		<i>Actual Amounts (Budgetary Basis)</i>	<i>Variance With Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
<b><i>Finance administration</i></b>				
Finance salaries	93,540	93,540	96,008	(2,468)
Finance benefits	33,951	33,951	34,611	(660)
Finance department education	4,500	4,500	2,615	1,885
Finance department's office expenses/tax bills	5,950	5,950	5,753	197
Tax collector's postage/advertising	3,200	3,200	3,659	(459)
Purchased services	13,000	13,000	18,908	(5,908)
Assessor's salary	22,925	22,925	22,785	140
Assessor's benefits	15,264	15,264	14,808	456
Assessment review board	1,260	1,260	-	1,260
Assessor's education expense	300	300	90	210
Travel	250	250	105	145
Maintain maps	1,700	1,700	2,400	(700)
Assessor's office supplies	1,700	1,700	1,783	(83)
Review board expense	100	100	-	100
Subscription/publication	300	300	280	20
Computer and support	4,375	4,375	4,270	105
Equipment	1,000	1,000	850	150
Telephone	2,200	2,200	2,404	(204)
<b><i>Total finance administration</i></b>	<b>205,515</b>	<b>205,515</b>	<b>211,329</b>	<b>(5,814)</b>
<b><i>Miscellaneous administration</i></b>				
Audit of town books	20,000	20,000	17,789	2,211
Municipal bond fees	500	500	250	250
Contingency	10,500	10,500	4,726	5,774
Town House trust	2,500	2,500	-	2,500
Unemployment compensation	2,000	2,000	14,606	(12,606)
Benefits	-	-	4,757	(4,757)
Casualty and liability insurance	80,000	80,000	77,045	2,955
<b><i>Total miscellaneous administration</i></b>	<b>115,500</b>	<b>115,500</b>	<b>119,173</b>	<b>(3,673)</b>
<b><i>Health and welfare</i></b>				
Comprehensive Community Action	10,300	10,300	10,300	-
Cast	4,529	4,529	4,529	-
Samaritans	250	250	250	-
RI Resource Recovery	78,000	78,000	77,527	473
Disposal	138,833	138,833	173,680	(34,847)
Recycling program	56,706	56,706	21,982	34,724
Northwest Nursing Association	9,200	9,200	9,200	-
Mental Health Association	3,900	3,900	-	3,900
Dora C. Howard Centre	400	400	375	25
Sojourner House	375	375	400	(25)
Human service director's salary	14,576	14,576	14,252	324
Benefits	6,631	6,631	6,298	333
Telephone	550	550	469	81
Travel	1,000	1,000	1,381	(381)
Office expense	1,170	1,170	519	651
<b><i>Total health and welfare</i></b>	<b>326,420</b>	<b>326,420</b>	<b>321,162</b>	<b>5,258</b>

*(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, 2006*

	<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>
<b>Public Safety</b>				
Salaries	332,847	332,847	327,954	4,893
Dispatchers	158,615	158,615	162,682	(4,067)
Benefits	179,127	179,127	180,926	(1,799)
Police - fuel and lube oil	14,700	14,700	13,275	1,425
Police - tires	1,000	1,000	115	885
Police - parts and repairs	8,000	8,000	7,122	878
Police radio maintenance	1,000	1,000	488	512
Police department operations	5,000	5,000	7,094	(2,094)
Police telephone	7,000	7,000	6,844	156
Police uniforms	9,000	9,000	8,165	835
Police office expense	5,000	5,000	5,826	(826)
Police education allowance	2,000	2,000	2,618	(618)
Computer services	8,000	8,000	6,917	1,083
Foster ambulance corps	74,100	74,100	74,100	-
South Foster fire company	32,000	32,000	32,000	-
Foster Center fire company	36,350	36,350	36,350	-
Mossup Valley fire company	32,600	32,600	32,600	-
Ambulance Corp. Stipend	12,000	12,000	12,306	(306)
Street lights	4,500	4,500	-	4,500
Engineering board	1,700	1,700	728	972
Police new equipment	2,000	2,000	2,178	(178)
Dog officer - salary	13,860	13,860	14,480	(620)
Dog officer - fuel and lube oil	1,500	1,500	(56)	1,556
Dog officer - parts and repairs	1,000	1,000	36	964
Dog officer - benefits	6,847	6,847	5,883	964
Dog officer - uniforms	400	400	127	273
Pound fees	2,000	2,000	1,181	819
Civil defense	100	100	7,487	(7,387)
<b>Total public safety</b>	<b>952,246</b>	<b>952,246</b>	<b>949,426</b>	<b>2,820</b>
<b>Public works</b>				
Salaries	287,156	287,156	226,245	60,911
Benefits	108,899	108,899	83,826	25,073
Professional services	3,000	3,000	3,350	(350)
Uniforms	6,500	6,500	7,498	(998)
Fuel and oil	45,500	45,500	39,587	5,913
Parts and repairs	27,000	27,000	35,598	(8,598)
Tires	3,000	3,000	1,413	1,587
Grader and plow blades	3,500	3,500	3,348	152
Sand and salt	36,000	36,000	29,175	6,825
Road oil	25,000	25,000	-	25,000
Asphalt mix	5,000	5,000	6,907	(1,907)
Welding	1,500	1,500	339	1,161
Rental equipment	4,000	4,000	116	3,884

*(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, 2006*

	<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	1,042	358
Snow removal overtime	2,500	2,500	-	2,500
Education expense	100	100	136	(36)
Radio repairs	1,000	1,000	119	881
Office supplies	750	750	552	198
Equipment	2,000	2,000	1,444	556
Other road material	2,000	2,000	111	1,889
Gravel	30,000	30,000	2,965	27,035
Building and grounds	27,000	27,000	26,906	94
Bridge repairs	1,000	1,000	-	1,000
Pea stone	1,500	1,500	-	1,500
Pipe	500	500	1,716	(1,216)
Road signs	500	500	373	127
RC & D	1,000	1,000	-	1,000
Department operation expense	3,500	3,500	3,172	328
<b>Total public works</b>	<b>630,805</b>	<b>630,805</b>	<b>475,938</b>	<b>154,867</b>
<b>Building and zoning</b>				
Salaries	29,116	29,116	28,552	564
Benefits	8,455	8,455	7,934	521
Education expense	500	500	518	(18)
Telephone	700	700	639	61
Travel	1,700	1,700	988	712
Department expense	3,643	3,643	2,382	1,261
<b>Total building and zoning</b>	<b>44,114</b>	<b>44,114</b>	<b>41,013</b>	<b>3,101</b>
<b>Planning</b>				
Salaries	24,920	24,920	26,500	(1,580)
Benefits	3,319	3,319	3,484	(165)
Education expense	600	600	90	510
Telephone	700	700	507	193
Advertising/fees	1,000	1,000	797	203
Office expense	1,200	1,200	1,482	(282)
Travel	300	300	-	300
Computer software	2,000	2,000	-	2,000
Map Digitizing	800	800	-	800
Subscriptions and publications	358	358	-	358
<b>Total planning</b>	<b>35,197</b>	<b>35,197</b>	<b>32,860</b>	<b>2,337</b>
<b>Conservation</b>				
Conservation commission	1,950	1,950	1,372	578
Northern RI conservation	800	800	800	-
<b>Total conservation</b>	<b>2,750</b>	<b>2,750</b>	<b>2,172</b>	<b>578</b>
<b>Recreation</b>				
Salaries	9,700	9,700	8,831	869
Benefits	743	743	583	160
Travel	700	700	1,278	(578)

*(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, 2006*

	<i>Budgeted Amounts</i>		<i>Actual Amounts (Budgetary Basis)</i>	<i>Variance With Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
Mailing and advertising	700	700	1,070	(370)
Maintenance and repairs	5,200	5,200	5,032	168
Mowing	-	-	470	(470)
Equipment and rental	1,720	1,720	952	768
Sports/activities	11,000	11,000	9,335	1,665
Northern RI Ext. service	1,000	1,000	1,000	-
Wetlands study - Paine	1,500	1,500	3,050	(1,550)
Senior citizens	2,000	2,000	2,000	-
<b><i>Total recreation</i></b>	<b><u>34,263</u></b>	<b><u>34,263</u></b>	<b><u>33,601</u></b>	<b><u>662</u></b>
<b><i>School</i></b>				
Regional operational	3,406,366	3,406,366	3,406,366	-
<b><i>Total school</i></b>	<b><u>3,406,366</u></b>	<b><u>3,406,366</u></b>	<b><u>3,406,366</u></b>	<b><u>-</u></b>
<b><i>Libraries</i></b>				
Foster Center	71,062	71,062	71,062	-
Tyler Free	57,449	57,449	57,449	-
<b><i>Total libraries</i></b>	<b><u>128,511</u></b>	<b><u>128,511</u></b>	<b><u>128,511</u></b>	<b><u>-</u></b>
<b><i>Land Trust</i></b>				
Land trust expenditures	4,540	4,540	5,304	(764)
<b><i>Total land trust</i></b>	<b><u>4,540</u></b>	<b><u>4,540</u></b>	<b><u>5,304</u></b>	<b><u>(764)</u></b>
<b><i>Capital expenditures and other</i></b>				
Assessor	15,000	15,000	23,828	(8,828)
Planning	15,000	15,000	15,000	-
Public works	115,000	115,000	115,000	-
Fire department	130,000	130,000	130,000	-
Recreation	40,000	40,000	46,528	(6,528)
Paine School	17,695	17,695	17,695	-
<b><i>Total capital expenditures and other</i></b>	<b><u>332,695</u></b>	<b><u>332,695</u></b>	<b><u>348,051</u></b>	<b><u>(15,356)</u></b>
<b><i>Total expenditures</i></b>	<b><u>6,529,672</u></b>	<b><u>6,529,672</u></b>	<b><u>6,390,409</u></b>	<b><u>139,263</u></b>
<b><i>Other financing uses</i></b>				
Transfer to school department fund	3,909,343	3,909,343	3,909,343	-
Transfer to debt service fund	41,500	41,500	41,500	-
Transfer to capital projects fund	209,610	209,610	209,610	-
Transfer of surplus to capital project fund	-	-	532,474	(532,474)
<b><i>Total other financing uses</i></b>	<b><u>4,160,453</u></b>	<b><u>4,160,453</u></b>	<b><u>4,692,927</u></b>	<b><u>(532,474)</u></b>
<b><i>Total expenditures and other financing uses</i></b>	<b><u>\$ 10,690,125</u></b>	<b><u>\$ 10,690,125</u></b>	<b><u>\$ 11,083,336</u></b>	<b><u>\$ (393,211)</u></b>

*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, 2006*

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Favorable ( Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Other revenues	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>				
Education	3,909,343	3,909,343	3,747,782	161,561
<b>Total expenditures</b>	<u>3,909,343</u>	<u>3,909,343</u>	<u>3,747,782</u>	<u>161,561</u>
<b>Deficiency of revenues under expenditures before other financing sources</b>	<u>(3,909,343)</u>	<u>(3,909,343)</u>	<u>(3,747,782)</u>	<u>161,561</u>
<b>Other financing sources</b>				
Town appropriation	3,909,343	3,909,343	3,909,343	-
<b>Total other financing sources (uses)</b>	<u>3,909,343</u>	<u>3,909,343</u>	<u>3,909,343</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	\$ 161,561	<u>\$ 161,561</u>
<b>Fund balance - unreserved, beginning of year</b>			<u>54,025</u>	
<b>Fund balance - unreserved, end of year</b>			<u>\$ 215,586</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"

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded Liability/ (Funding) (Excess)	Funded Ratio	Covered Payroll	Unfunded Liability/ (Funding) (Excess) as a Percentage of Covered Payroll
6/30/03	\$ 1,543,052	\$ 1,477,318	\$ (65,734)	104.4%	\$ 247,331	-26.6%
6/30/04	1,573,108	1,654,695	81,587	95.1%	265,028	30.8%
6/30/05	1,643,151	1,926,264	283,113	85.3%	231,590	122.2%
<b>Police Employees Pension Plan:</b>						
6/30/03	\$ 1,941,940	\$ 2,117,049	\$ 175,109	91.7%	\$ 909,487	19.3%
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%

**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	6/30/2005	6/30/2005
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 general increase	An annual service related component, plus 3% inflation component, plus a general increase
Cost-of-living adjustments	3%, not compounded	3%, not compounded
Participant information	Active employees 36 Retirees and beneficiaries 13 <u>49</u>	Active employees 5 Retirees and beneficiaries 4 <u>9</u>

**TOWN OF FOSTER, RHODE ISLAND**  
**Notes to Required Supplementary Information**  
**June 30, 2006**

**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 2006. 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***

<b><u>Revenues and Other Financing Sources</u></b>	<b><u>General Fund</u></b>	<b><u>School Unrestricted Fund</u></b>
Actual amounts (budgetary basis)	\$11,157,700	\$3,909,343
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.	---	115,618
<b><i>Total revenues and other financing sources as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds</i></b>	<b><u>\$11,157,700</u></b>	<b><u>\$4,024,961</u></b>

**TOWN OF FOSTER, RHODE ISLAND**  
**Notes to Required Supplementary Information**  
**June 30, 2006**

<u><b>Expenditures and Other Financing Uses</b></u>	<u><b>General Fund</b></u>	<u><b>School Unrestricted Fund</b></u>
Actual amounts (budgetary basis)	\$11,083,336	\$3,747,782
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.	(215,354)	---
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.	---	115,618
<b><i>Total expenditures and other financing uses as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i></b>	<u><b>\$10,867,982</b></u>	<u><b>\$3,863,400</b></u>

**TOWN OF FOSTER, RHODE ISLAND**

*Nonmajor Governmental Funds*

*Combining Balance Sheet*

*June 30, 2006*

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	<i>Town Special Revenue Funds</i>	<i>School Special Revenue Funds</i>	<i>Debt Service Fund</i>	<i>Total Nonmajor Governmental Funds</i>
<b>ASSETS</b>				
Cash	\$ 163,052	\$ 17,631	\$ -	\$ 180,683
Investments	86,866	-	-	86,866
Due from federal and state governments	25,450	34,394	-	59,844
Accounts receivable	1,167	-	-	1,167
Due from other funds	46,047	128,295	-	174,342
<i>Total assets</i>	<u>\$ 322,582</u>	<u>\$ 180,320</u>	<u>\$ -</u>	<u>\$ 502,902</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<i>Liabilities</i>				
Accounts payable and accrued expenditures	\$ 274	\$ 4,806	\$ -	\$ 5,080
Due to other funds	77,440	60,577	-	138,017
<i>Total liabilities</i>	<u>77,714</u>	<u>65,383</u>	<u>-</u>	<u>143,097</u>
 <i>Fund balances</i>				
Unreserved	244,868	114,937	-	359,805
<i>Total fund balances</i>	<u>244,868</u>	<u>114,937</u>	<u>-</u>	<u>359,805</u>
 <i>Total liabilities and fund balances</i>	 <u>\$ 322,582</u>	 <u>\$ 180,320</u>	 <u>\$ -</u>	 <u>\$ 502,902</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, 2006*

	<i>Town Special Revenue Funds</i>	<i>School Special Revenue Funds</i>	<i>Debt Service Fund</i>	<i>Total Nonmajor Governmental Funds</i>
<b>Revenues</b>				
Intergovernmental and departmental revenue	\$ 207,087	\$ 330,062	-	\$ 537,149
Interest on investments	4,829	-	-	4,829
Other revenue	36,715	90,980	-	127,695
<b>Total revenues</b>	<u>248,631</u>	<u>421,042</u>	<u>-</u>	<u>669,673</u>
<b>Expenditures</b>				
Legislative, judicial and general administrative	32,967	-	-	32,967
Health and welfare	86,113	-	-	86,113
Public safety	36,790	-	-	36,790
Education	-	313,620	-	313,620
Food service	-	88,411	-	88,411
Debt service	-	-	41,500	41,500
<b>Total expenditures</b>	<u>155,870</u>	<u>402,031</u>	<u>41,500</u>	<u>599,401</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources</b>	<u>92,761</u>	<u>19,011</u>	<u>(41,500)</u>	<u>70,272</u>
<b>Other financing sources</b>				
Transfers from other funds	-	-	41,500	41,500
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>41,500</u>	<u>41,500</u>
<b>Net change in fund balance</b>	<u>92,761</u>	<u>19,011</u>	<u>-</u>	<u>111,772</u>
<b>Fund balances - beginning of year</b>	<u>193,297</u>	<u>98,525</u>	<u>-</u>	<u>291,822</u>
Adjustments to prior years	(41,190)	(2,599)	-	(43,789)
<b>Restated fund balances - beginning of year</b>	<u>152,107</u>	<u>95,926</u>	<u>-</u>	<u>248,033</u>
<b>Fund balances - end of year</b>	<u>\$ 244,868</u>	<u>\$ 114,937</u>	<u>\$ -</u>	<u>\$ 359,805</u>

**TOWN OF FOSTER, RHODE ISLAND**

Town Special Revenue Funds

Combining Balance Sheet

June 30, 2006

	Community Development Block Grant	Department of Elderly Affairs Grant	MHRH Underage Drinking Grant	DEM Wastewater Management Grant	LLEG Block Grant	RIPTIDE Grant
<b>ASSETS</b>						
Cash	\$ 37,598	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Due from federal and state governments	-	-	-	15,525	-	-
Accounts receivable	-	-	-	-	-	1,167
Due from other funds	5,500	227	1,361	-	3,531	-
<b>Total assets</b>	<b>\$ 43,098</b>	<b>\$ 227</b>	<b>\$ 1,361</b>	<b>\$ 15,525</b>	<b>\$ 3,531</b>	<b>\$ 1,167</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	15,525	-	252
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,525</b>	<b>-</b>	<b>252</b>
<b>Fund balances</b>						
Unreserved - undesignated	43,098	227	1,361	-	3,531	915
<b>Total fund balances</b>	<b>43,098</b>	<b>227</b>	<b>1,361</b>	<b>-</b>	<b>3,531</b>	<b>915</b>
<b>Total liabilities and fund balances</b>	<b>\$ 43,098</b>	<b>\$ 227</b>	<b>\$ 1,361</b>	<b>\$ 15,525</b>	<b>\$ 3,531</b>	<b>\$ 1,167</b>

(Continued)

**TOWN OF FOSTER, RHODE ISLAND**

Town Special Revenue Funds  
 Combining Balance Sheet (Continued)  
 June 30, 2006

	Champlin Grant	Historical Records	Technology Recording Fee	DARE	Food Pantry	Townhouse Trust	Dog Damages
<b>ASSETS</b>							
Cash	\$ 51,610	\$ -	\$ -	\$ 5,630	\$ -	\$ 68,214	\$ -
Investments	-	11,906	10,417	-	-	-	9,410
Due from federal and state governments	-	1,200	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-
Due from other funds	-	3,219	8,094	-	-	-	-
<b>Total assets</b>	<b>\$ 51,610</b>	<b>\$ 16,325</b>	<b>\$ 18,511</b>	<b>\$ 5,630</b>	<b>\$ -</b>	<b>\$ 68,214</b>	<b>\$ 9,410</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ 274	\$ -	\$ -	\$ -
Due to other funds	50,523	-	-	919	-	1,496	-
<b>Total liabilities</b>	<b>50,523</b>	<b>-</b>	<b>-</b>	<b>1,193</b>	<b>-</b>	<b>1,496</b>	<b>-</b>
<b>Fund balances</b>							
Unreserved - undesignated	1,087	16,325	18,511	4,437	-	66,718	9,410
<b>Total fund balances</b>	<b>1,087</b>	<b>16,325</b>	<b>18,511</b>	<b>4,437</b>	<b>-</b>	<b>66,718</b>	<b>9,410</b>
<b>Total liabilities and fund balances</b>	<b>\$ 51,610</b>	<b>\$ 16,325</b>	<b>\$ 18,511</b>	<b>\$ 5,630</b>	<b>\$ -</b>	<b>\$ 68,214</b>	<b>\$ 9,410</b>

(Continued)

**TOWN OF FOSTER, RHODE ISLAND**  
*Town Special Revenue Funds*  
*Combining Balance Sheet (Continued)*  
*June 30, 2006*

	<i>Driveway Bond Deposit</i>	<i>Thomas Matthews Memorial Fund</i>	<i>Homeland Security Grant</i>	<i>Payments in-Lieu of Land</i>	<i>Bryne Grant</i>	<i>Revaluation</i>	<i>Total</i>
<b>ASSETS</b>							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 163,052
Investments	5,722	-	-	49,411	-	-	86,866
Due from federal and state governments	-	-	-	-	8,725	-	25,450
Accounts receivable	-	-	-	-	-	-	1,167
Due from other funds	-	85	-	24,030	-	-	46,047
<b>Total assets</b>	<u>\$ 5,722</u>	<u>\$ 85</u>	<u>\$ -</u>	<u>\$ 73,441</u>	<u>\$ 8,725</u>	<u>\$ -</u>	<u>\$ 322,582</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 274
Due to other funds	-	-	-	-	8,725	-	77,440
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,725</u>	<u>-</u>	<u>77,714</u>
<b>Fund balances</b>							
Unreserved - undesignated	5,722	85	-	73,441	-	-	244,868
<b>Total fund balances</b>	<u>5,722</u>	<u>85</u>	<u>-</u>	<u>73,441</u>	<u>-</u>	<u>-</u>	<u>244,868</u>
<b>Total liabilities and fund balances</b>	<u>\$ 5,722</u>	<u>\$ 85</u>	<u>\$ -</u>	<u>\$ 73,441</u>	<u>\$ 8,725</u>	<u>\$ -</u>	<u>\$ 322,582</u>

**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, 2006*

	Community Development Block Grant	Department of Elderly Affairs Grant	MHRH Underage Drinking Grant	DEM Wastewater Management Grant	LLEG Block Grant	RIPTIDE Grant
<b>Revenues</b>						
Intergovernmental and departmental revenues	\$ 88,000	\$ 10,500	\$ 3,124	\$ -	\$ -	\$ 7,769
Interest on investments	123	-	-	-	-	-
Other revenue	11,690	-	-	-	-	-
<b>Total revenues</b>	<u>99,813</u>	<u>10,500</u>	<u>3,124</u>	<u>-</u>	<u>-</u>	<u>7,769</u>
<b>Expenditures</b>						
Legislative, judicial and general administrative	-	-	-	-	-	-
Health and welfare	71,952	10,500	-	-	-	-
Public safety	-	-	1,763	-	-	6,854
<b>Total expenditures</b>	<u>71,952</u>	<u>10,500</u>	<u>1,763</u>	<u>-</u>	<u>-</u>	<u>6,854</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>27,861</u>	<u>-</u>	<u>1,361</u>	<u>-</u>	<u>-</u>	<u>915</u>
<b>Fund balances - beginning of year</b>	62,500	227	-	-	3,531	-
Adjustments to prior years	(47,263)	-	-	-	-	-
<b>Restated fund balances - beginning of year</b>	<u>15,237</u>	<u>227</u>	<u>-</u>	<u>-</u>	<u>3,531</u>	<u>-</u>
<b>Fund balances - end of year</b>	<u>\$ 43,098</u>	<u>\$ 227</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, 2006*

	Champlin Grant	Historical Records	Technology Recording Fee	DARE	Food Pantry	Townhouse Trust	Dog Damages
<b>Revenues</b>							
Intergovernmental and departmental revenues	\$ -	\$ 4,419	\$ 8,094	\$ -	\$ 2,000	\$ -	\$ 474
Interest on investments	1,087	446	390	-	-	371	347
Other revenue	-	-	-	25	-	25,000	-
<b>Total revenues</b>	<u>1,087</u>	<u>4,865</u>	<u>8,484</u>	<u>25</u>	<u>2,000</u>	<u>25,371</u>	<u>821</u>
<b>Expenditures</b>							
Legislative, judicial and general administrative	-	-	-	-	-	-	-
Health and Welfare	-	-	-	1,661	2,000	-	-
Public safety	-	-	-	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,661</u>	<u>2,000</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>1,087</u>	<u>4,865</u>	<u>8,484</u>	<u>(1,636)</u>	<u>-</u>	<u>25,371</u>	<u>821</u>
<b>Fund balances - beginning of year</b>	-	11,460	10,027	-	-	41,347	8,589
Adjustments to prior years	-	-	-	6,073	-	-	-
<b>Restated fund balances - beginning of year</b>	<u>-</u>	<u>11,460</u>	<u>10,027</u>	<u>6,073</u>	<u>-</u>	<u>41,347</u>	<u>8,589</u>
<b>Fund balances - end of year</b>	<u>1,087</u>	<u>\$ 16,325</u>	<u>\$ 18,511</u>	<u>\$ 4,437</u>	<u>\$ -</u>	<u>\$ 66,718</u>	<u>\$ 9,410</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, 2006*

	Driveway Bond Deposit	Thomas Matthews Memorial Fund	Homeland Security Grant	Payments in-Lieu of Land	Bryne Grant	Revaluation	Total
<b>Revenues</b>							
Intergovernmental and departmental revenues	\$ -	\$ -	\$ -	\$ 24,030	\$ 25,710	\$ 32,967	\$ 207,087
Interest on investments	214	-	-	1,851	-	-	4,829
Other revenue	-	-	-	-	-	-	36,715
<b>Total revenues</b>	<u>214</u>	<u>-</u>	<u>-</u>	<u>25,881</u>	<u>25,710</u>	<u>32,967</u>	<u>248,631</u>
<b>Expenditures</b>							
Legislative, judicial and general administrative	-	-	-	-	-	32,967	32,967
Health and welfare	-	-	-	-	-	-	86,113
Public safety	-	1,645	818	-	25,710	-	36,790
<b>Total expenditures</b>	<u>-</u>	<u>1,645</u>	<u>818</u>	<u>-</u>	<u>25,710</u>	<u>32,967</u>	<u>155,870</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>214</u>	<u>(1,645)</u>	<u>(818)</u>	<u>25,881</u>	<u>-</u>	<u>-</u>	<u>92,761</u>
<b>Fund balances - beginning of year</b>	5,508	1,730	818	47,560	-	-	193,297
Adjustments to prior years	-	-	-	-	-	-	(41,190)
<b>Restated fund balances - beginning of year</b>	<u>5,508</u>	<u>1,730</u>	<u>818</u>	<u>47,560</u>	<u>-</u>	<u>-</u>	<u>152,107</u>
<b>Fund balances - end of year</b>	<u>\$ 5,722</u>	<u>\$ 85</u>	<u>\$ -</u>	<u>\$ 73,441</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 244,868</u>

**TOWN OF FOSTER, RHODE ISLAND**  
*School Special Revenue Funds*  
*Combining Balance Sheet*  
*June 30, 2006*

	<i>Article 31 State Aid</i>				<i>Other State Aid</i>	
	<i>Student Equity</i>	<i>Early Childhood</i>	<i>Technology</i>	<i>Professional Development</i>	<i>RILDPA</i>	<i>Feinstein Grant</i>
<b>ASSETS</b>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments	-	-	-	-	-	-
Due from other funds	10,728	-	-	2,738	15,268	1,005
<b>Total assets</b>	<u>\$ 10,728</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,738</u>	<u>\$ 15,268</u>	<u>\$ 1,005</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances (deficit)</b>	<u>10,728</u>	<u>-</u>	<u>-</u>	<u>2,738</u>	<u>15,268</u>	<u>1,005</u>
<b>Total liabilities and fund balances</b>	<u>\$ 10,728</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,738</u>	<u>\$ 15,268</u>	<u>\$ 1,005</u>

(Continued)

**TOWN OF FOSTER, RHODE ISLAND**

*School Special Revenue Funds  
Combining Balance Sheet (Continued)*

June 30, 2006

*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>
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments	11,960	9,238	2,178	782	985	-	-
Due from other funds	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 11,960</b>	<b>\$ 9,238</b>	<b>\$ 2,178</b>	<b>\$ 782</b>	<b>\$ 985</b>	<b>\$ -</b>	<b>\$ -</b>

**ASSETS**

Cash  
Due from federal and state governments  
Due from other funds  
**Total assets**

**LIABILITIES AND FUND BALANCES**

*Liabilities*

Accounts payable and accrued expenditures  
Due to other funds  
**Total liabilities**

**Fund balances (deficit)**

**Total liabilities and fund balances**

Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	11,960	9,238	2,178	782	985	-	-
<b>Total liabilities</b>	<b>\$ 11,960</b>	<b>\$ 9,238</b>	<b>\$ 2,178</b>	<b>\$ 782</b>	<b>\$ 985</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund balances (deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 11,960</b>	<b>\$ 9,238</b>	<b>\$ 2,178</b>	<b>\$ 782</b>	<b>\$ 985</b>	<b>\$ -</b>	<b>\$ -</b>

(Continued)

**TOWN OF FOSTER, RHODE ISLAND**  
*School Special Revenue Funds*  
 Combining Balance Sheet (Continued)  
 June 30, 2006

	School Lunch	Medicaid	Small Rural Schools	RI Parent Information Network	Breakfast Program	Total
<b>ASSETS</b>						
Cash	\$ 17,631	-	-	-	-	\$ 17,631
Due from federal and state governments	4,648	-	4,603	-	-	34,394
Due from other funds	-	77,863	-	19,583	1,110	128,295
<b>Total assets</b>	<u>\$ 22,279</u>	<u>\$ 77,863</u>	<u>\$ 4,603</u>	<u>\$ 19,583</u>	<u>\$ 1,110</u>	<u>\$ 180,320</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable and accrued expenditures	-	4,806	-	-	-	\$ 4,806
Due to other funds	30,831	-	4,603	-	-	60,577
<b>Total liabilities</b>	<u>30,831</u>	<u>4,806</u>	<u>4,603</u>	<u>-</u>	<u>-</u>	<u>65,383</u>
<b>Fund balances (deficit)</b>	<u>(8,552)</u>	<u>73,057</u>	<u>-</u>	<u>19,583</u>	<u>1,110</u>	<u>114,937</u>
<b>Total liabilities and fund balances</b>	<u>\$ 22,279</u>	<u>\$ 77,863</u>	<u>\$ 4,603</u>	<u>\$ 19,583</u>	<u>\$ 1,110</u>	<u>\$ 180,320</u>

**TOWN OF FOSTER, RHODE ISLAND**

*School Special Revenue Funds*

*Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Fiscal Year Ending June 30, 2006*

	Article 31 State Aid				Other State Aid	Feinstein Grant
	Student Equity	Early Childhood	Technology	Professional Development		
<b>Revenues</b>						
Intergovernmental and departmental revenues	\$ 75,517	\$ 31,865	\$ 7,970	\$ 13,665	\$ 38,119	\$ -
Other revenue	-	-	-	-	-	-
<b>Total revenues</b>	<u>75,517</u>	<u>31,865</u>	<u>7,970</u>	<u>13,665</u>	<u>38,119</u>	<u>-</u>
<b>Expenditures</b>						
Education	75,517	31,865	7,970	13,665	38,119	-
Food service	-	-	-	-	-	-
<b>Total expenditures</b>	<u>75,517</u>	<u>31,865</u>	<u>7,970</u>	<u>13,665</u>	<u>38,119</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances - beginning of year</b>	13,327	-	-	2,738	15,268	1,005
Adjustments to prior years	(2,599)	-	-	-	-	-
<b>Restated fund balances - beginning of year</b>	<u>10,728</u>	<u>-</u>	<u>-</u>	<u>2,738</u>	<u>15,268</u>	<u>1,005</u>
<b>Fund balances (deficit) - end of year</b>	<u>\$ 10,728</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,738</u>	<u>\$ 15,268</u>	<u>\$ 1,005</u>

(continued)

**TOWN OF FOSTER, RHODE ISLAND**

*School Special Revenue Funds*

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

*For the Fiscal Year Ending June 30, 2006*

*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>
<b>Revenues</b>							
Intergovernmental and departmental revenues	\$ 39,342	\$ 24,019	\$ 2,178	\$ 782	\$ 985	\$ 8,297	\$ 47,666
Other revenue	-	-	-	-	-	-	-
<b>Total revenues</b>	<u>39,342</u>	<u>24,019</u>	<u>2,178</u>	<u>782</u>	<u>985</u>	<u>8,297</u>	<u>47,666</u>
<b>Expenditures</b>							
Education	39,342	24,019	2,178	782	985	8,297	47,666
Food service	-	-	-	-	-	-	-
<b>Total expenditures</b>	<u>39,342</u>	<u>24,019</u>	<u>2,178</u>	<u>782</u>	<u>985</u>	<u>8,297</u>	<u>47,666</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	-	-	-	-	-	-
<b>Fund balances - beginning of year</b>	-	-	-	-	-	-	-
Adjustments to prior years	-	-	-	-	-	-	-
<b>Restated fund balances - beginning of year</b>	-	-	-	-	-	-	-
<b>Fund balances (deficit) - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

**TOWN OF FOSTER, RHODE ISLAND**

*School Special Revenue Funds*

*Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)  
For the Fiscal Year Ending June 30, 2006*

	<u>School Lunch</u>	<u>Medicaid</u>	<u>Small Rural Schools</u>	<u>RI Parent Information Network</u>	<u>Breakfast Program</u>	<u>Total</u>
<b>Revenues</b>						
Intergovernmental and departmental revenues	\$ 24,631	\$ -	\$ 13,916	\$ -	\$ 1,110	\$ 330,062
Other revenue	53,975	26,925	-	10,080	-	90,980
<b>Total revenues</b>	<u>78,606</u>	<u>26,925</u>	<u>13,916</u>	<u>10,080</u>	<u>1,110</u>	<u>421,042</u>
<b>Expenditures</b>						
Education	-	8,488	13,916	811	-	313,620
Food service	88,411	-	-	-	-	88,411
<b>Total expenditures</b>	<u>88,411</u>	<u>8,488</u>	<u>13,916</u>	<u>811</u>	<u>-</u>	<u>402,031</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(9,805)</u>	<u>18,437</u>	<u>-</u>	<u>9,269</u>	<u>1,110</u>	<u>19,011</u>
<b>Fund balances - beginning of year</b>	1,253	54,620	-	10,314	-	98,525
Adjustments to prior years	-	-	-	-	-	(2,599)
<b>Restated fund balances - beginning of year</b>	<u>1,253</u>	<u>54,620</u>	<u>-</u>	<u>10,314</u>	<u>-</u>	<u>95,926</u>
<b>Fund balances (deficit) - end of year</b>	<u>\$ (8,552)</u>	<u>\$ 73,057</u>	<u>\$ -</u>	<u>\$ 19,583</u>	<u>\$ 1,110</u>	<u>\$ 114,937</u>

**TOWN OF FOSTER, RHODE ISLAND**

*Combining Statement of Net Assets*

*Agency Funds*

*June 30, 2006*

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	<i>Mageira Performance Bond</i>	<i>Student Activity Funds</i>	<i>Probate Escrow Fund</i>	<i>Recreation Fund</i>	<i>Total Agency Funds</i>
<i>Assets</i>					
Cash	\$ 18,802	\$ 74	\$ 3,556	\$ 12,591	\$ 35,023
<i>Total assets</i>	<u>\$ 18,802</u>	<u>\$ 74</u>	<u>\$ 3,556</u>	<u>\$ 12,591</u>	<u>\$ 35,023</u>
<i>Liabilities</i>					
Due to other funds	\$ -	\$ -	\$ 500	\$ -	\$ 500
Deposits held in custody for others	<u>18,802</u>	<u>74</u>	<u>3,056</u>	<u>12,591</u>	<u>34,523</u>
<i>Total liabilities</i>	<u>\$ 18,802</u>	<u>\$ 74</u>	<u>\$ 3,556</u>	<u>\$ 12,591</u>	<u>\$ 35,023</u>

**TOWN OF FOSTER, RHODE ISLAND**

*Tax Collector's Annual Report*

*For the Fiscal Year Ended June 30, 2006*

**Real Estate and Personal Property Taxes**

<i>Fiscal Year End</i>	<i>Balance 7/1/2005</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 6/30/2006</i>
2006	\$ -	\$ 7,843,650	\$ 31,957	\$ 8,674	\$ 17,499	\$ 7,884,432	\$ 7,694,094	\$ 190,338
2005	225,980	-	522	1,057	585	226,030	197,285	28,745
2004	54,137	-	-	200	200	54,137	33,909	20,228
2003	20,652	-	-	-	(10)	20,642	3,579	17,063
2002	12,828	-	-	107	(18)	12,703	1,369	11,334
2001	12,480	-	-	525	19	11,974	1,613	10,361
2000	12,281	-	-	607	-	11,674	1,259	10,415
1999	12,839	-	-	763	-	12,076	1,152	10,924
1998	13,551	-	-	523	-	13,028	47	12,981
1997 and prior	108,928	-	15	64,613	6	44,336	145	44,191
	<u>\$ 473,676</u>	<u>\$ 7,843,650</u>	<u>\$ 32,494</u>	<u>\$ 77,069</u>	<u>\$ 18,281</u>	<u>\$ 8,291,032</u>	<u>\$ 7,934,452</u>	<u>\$ 356,580</u>

**Schedule of Most Recent Net Assessed Property Value by Category**

<i>Description of Property</i>	<i>Net Assessed Valuations</i>	<i>Rates</i>	<i>Levy</i>
Real Property - Residential	\$ 435,507,155	14.75	\$ 6,214,873
Real Property - Commercial/Industrial	53,809,300	14.75	793,688
Motor Vehicles	19,670,799	36.95	726,742
Tangible and Personal Property	7,253,137	14.75	107,102
Retail Inventory	220,085	5.54	1,245
<b>Total</b>	<u>\$ 516,460,476</u>		<u>\$ 7,843,650</u>
<b>Reconciliation of Current Year Property Tax Revenue</b>			
Current year collections			\$ 7,934,452
Adjustments and reversals			
Add: Revenue collected 60 days subsequent to fiscal year ending June 30, 2006			80,986
Less: Prior year revenue collected 60 days subsequent to fiscal year ended June 30, 2005			(61,504)
Less: Refunds and adjustments			(18,281)
<b>Current year property tax revenue</b>			<u>\$ 7,935,653</u>



America Counts on CPAs

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

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

We have audited the 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, 2006, which collectively comprise the Town of Foster, Rhode Island's basic financial statements and have issued our report thereon dated February 21, 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, Rhode Island's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters

involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Foster, Rhode Island's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters that we reported to the management of the Town of Foster, Rhode Island in a separate letter dated February 21, 2007.

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 the specified parties.

*Bacon & Company, CPAs, LLC*

Warwick, Rhode Island  
February 21, 2007