



TOWN OF FOSTER  
RHODE ISLAND



COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

FOR THE FISCAL YEAR  
ENDED JUNE 30, 2012

# **TOWN OF FOSTER, RHODE ISLAND**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ending June 30, 2012**

Prepared by: Town Finance Department  
Kelli M. Russ, Treasurer/Finance Director

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*List of Town Officials*

*Town of Foster Organizational Chart*

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*Town of Foster*  
*Est. 1781*

# TOWN OF FOSTER RHODE ISLAND

KELLI M. RUSS  
TREASURER/FINANCE DIRECTOR

December 31, 2012

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

The Comprehensive Annual Financial Report of the Town of Foster, for the fiscal year ended June 30, 2012 is hereby submitted. This report was prepared by the Finance Department. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town's management. We believe the information, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Town; and that all disclosures necessary to enable the reader to gain adequate understanding of the Town's financial affairs have been included.

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

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

## **GOVERNMENT PROFILE**

The Town of Foster was founded in 1636, incorporated as a Town on August 24, 1781, and is located at the southeastern corner of Providence County on the Rhode Island/Connecticut line. It is bounded by Killingly and Sterling, Connecticut on the west, Glocester on the north, Coventry on the south and Scituate on the east. Foster remains sparsely settled with a population density of only 88.2 persons per square mile. It is connected to the southeast corridor by a network of highways including Interstates 295 and 95, and Route 6. It currently occupies 52.21 square miles and serves a population of 4,606.

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

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

## **COMPONENT UNIT**

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

## **EDUCATION**

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

The Foster-Glocester Regional School District was incorporated and its fiscal authority established by Acts of the General Assembly in 1958 and 1959. In fiscal year ending June 30, 2012, the Town of Foster paid \$4,621,300 to the Foster-Glocester Regional School District.

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

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

The Town of Foster's school system (grades kindergarten through 5) consists of 1 elementary school (Captain Isaac Paine).

Grades 6 through 8 attend the Ponaganset Middle School and grades 9 through 12 attend Ponaganset High School. Both the middle and high schools are physically located in the Town of Glocester near the border between the Towns of Foster and Glocester. A new Ponaganset Middle School building was completed in August 2007. The Ponaganset High School South building was constructed in 1960 and the Ponaganset North building was constructed in 1965. Both the North and South buildings were recently renovated (completed in 2010).

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

Actual Enrollment

<u>Year</u>	
2002-2003	992
2003-2004	898
2004-2005	865
2005-2006	963
2006-2007	864
2007-2008	703
2008-2009	694
2009-2010	694
2010-2011	688
2011-2012	695

Projected Enrollment

<u>Year</u>	
2012-2013	657
2013-2014	643
2014-2015	621
2015-2016	620
2016-2017	618

## **MUNICIPAL SERVICES**

The Town provides the following major public services:

**PUBLIC WORKS** – The Town of Foster’s Public Works Department provides a full range of services including street maintenance, snow removal, and maintenance of Town property.

**PUBLIC SAFETY** – Police: The Town Police Department is responsible for Public Safety and has a force of eight full-time sworn officers, including the Chief, Lieutenant, Sergeant and five patrol officers. The department also has four full-time and two part-time Dispatchers. The Dispatchers dispatch for both the police and fire departments.

**ANIMAL CONTROL** – The Police Department is responsible for Animal Control which has one part-time Animal Control Officer.

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

**BUILDING AND ZONING** – The department is made up of one part-time Building Official, one part-time Electrical Inspector and one part-time Plumbing Inspector whose responsibilities include ensuring compliance with state and local building code ordinances and laws.

**HUMAN SERVICES** – The department provides social services to the Town’s seniors along with operating the Town’s food and clothing bank for residents in need.

## **ECONOMIC CONDITIONS AND OUTLOOK**

Foster is primarily a suburban residential community. Residential property accounts for 79.01% of the total tax roll.

## **EMPLOYMENT**

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

Listed below is the Rhode Island Department of Labor and Training Quarterly Census of Employment and Wages – Second Quarter 2012 Report.

<b>Foster</b>			
	<b>Number of Units</b>	<b>Average Employment</b>	<b>Total Wages</b>
<b>Total Private &amp; Government</b>	<b>93</b>	<b>467</b>	<b>3,874,247</b>
<b>Total Private Only</b>	<b>87</b>	<b>375</b>	<b>2,657,871</b>
Agriculture, Forestry, Fishing & Hunting	2	*	*
Construction	19	35	297,724
Manufacturing	4	*	*
Wholesale Trade	3	*	*
Retail Trade	4	13	54,311
Transportation & Warehousing	4	*	*
Information	2	*	*
Finance & Insurance	2	*	*
Real Estate & Rental & Leasing	1	*	*
Professional & Technical Services	12	16	234,923
Management of Companies & Enterprises	1	*	*
Administrative Support & Waste Management	12	51	342,134
Educational Services	1	*	*
Health Care & Social Assistance	8	64	455,008
Arts, Entertainment, & Recreation	1	*	*
Accommodation & Food Services	6	38	138,527
Other services,	4	11	41,692
Unclassified Establishments	1	*	*
Government	6	92	1,216,376

\* Some data is not shown due to the possibility of identifying data of a specific employer.

## **HOUSING**

At the end of 2012 sale prices for single family homes in Foster ranged from \$70,000 to more than \$409,000. The 2012 median sales price for homes in Foster was \$225,000.

## **POPULATION TRENDS**

In 2010 Foster was ranked 37 in population among the thirty-nine cities and towns in Rhode Island. Based on the U.S. Bureau of the Census, Foster experienced a moderate increase in population from 1970 through 2010.

Population in the Town from 1950 to 2010 was as follows:

<u>Years</u>	<u>Population</u>
1950	1,630
1960	2,097
1970	2,626
1980	3,370
1990	4,316
2000	4,274
2010	4,606

Source: U.S. Bureau of the Census, 1950-2010

## **MAJOR INITIATIVES**

Each year the Town adopts a five-year Capital Improvement Program. This plan helps identify projects that should be undertaken in the next five years. This long-range planning is essential in addressing the future development and growth of the Town. The Town has continually funded its capital requirements through annual contributions of 2% of expenditures from the operating budget along with surplus funds above the 10% cap. The Taxpayers approved additional contributions to the Capital Improvement Program of \$95,341 in the fiscal year ending June 30, 2013.

Also, the Town recently adopted a charter amendment mandating the return of unspent funds allocated for capital expenditures deemed abandoned to the Capital Project Fund.

Ongoing or recently completed projects include:

- Replacement of the Captain Isaac Paine Elementary School roof.
- Addition to the Department of Public Works garage.
- Building of a new Tanker for Foster Center Fire Company.

## **FINANCIAL INFORMATION**

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

## **INTERNAL CONTROLS**

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

- Transactions are executed in accordance with management's general or specific authorization.
- Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria, such as finance-related legal and contractual compliance requirements applicable to such statements, and (2) to maintain accountability of assets. Access to assets is permitted only in accordance with management's authorization.
- The recorded accountability of assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

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

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

## **CASH MANAGEMENT**

Cash requirements are strictly monitored, and excess cash is invested in appropriate short-term instruments. These investments are intended to maximize investment earnings, while maintaining an appropriate level of security and liquidity.

## **RISK MANAGEMENT**

The Town is a member of the Rhode Island Interlocal Risk Management Trust. This organization was established as a public entity risk pool to provide insurance coverage to local municipalities. The Town of Foster maintains insurance coverage for property, general liability, public officials' liability, auto liability, and workers' compensation.

## **INDEPENDENT AUDIT**

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

## **REPORTING ACHIEVEMENT**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Foster for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. This was the eleventh consecutive year that the government has achieved this prestigious award, but unfortunately the Town was unable to apply for the Certificate of Achievement for the fiscal years ended June 30, 2006 through June 30, 2011.

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

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

## **ACKNOWLEDGMENT**

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

Respectfully,

A handwritten signature in black ink that reads "Kelli M. Russ". The signature is written in a cursive style with a large initial "K" and "R".

Kelli M. Russ  
Treasurer / Finance Director

**TOWN OF FOSTER, RHODE ISLAND**

**TOWN COUNCIL**

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

**TOWN CLERK**

Tina W. Freeman

**TREASURER / FINANCE DIRECTOR**

Kelli M. Russ

**TAX ASSESSOR**

Patricia J. Moreau

**TAX COLLECTOR**

Nancy DeLaere

**PLANNER**

Ann-Marie Ignasher

**BUILDING AND ZONING OFFICIAL**

Peter Scorpio

**POLICE CHIEF**

Robert E. Coyne, Jr.

**DIRECTOR OF HUMAN SERVICES**

Carol Mauro

**ACTING PUBLIC WORKS DIRECTOR**

Gary Bergstrom

**LIBRARY DIRECTOR**

Kristin Chin

**SCHOOL SUPERINTENDENT**

Dr. Davida Irving

**SCHOOL COMMITTEE**

Shelley D. Pezza  
Kathleen Tegan Swanson  
Patricia A. Fountain

**FIRE CHIEF - SOUTH FOSTER**

Gordon Brayton

**FIRE CHIEF - MOOSUP VALLEY**

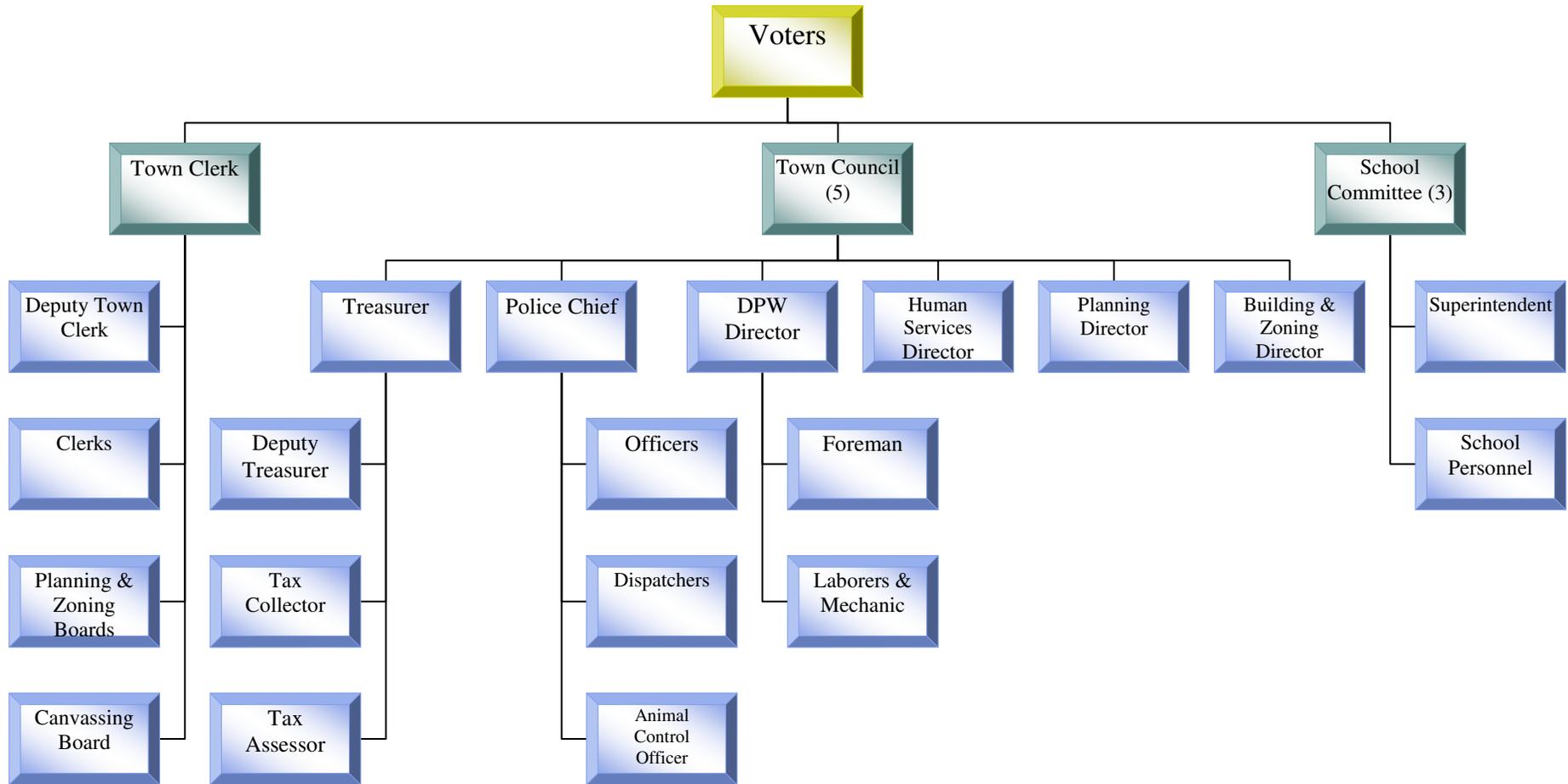
Paul Cunniff

**FIRE CHIEF - FOSTER CENTER**

Will Paul

**COMMANDER - AMBULANCE CORPS**

Sharon Cotter



## **FINANCIAL SECTION**

**THIS SECTION CONTAINS THE FOLLOWING:**

*Independent Auditors' Report*

*Management Discussion and Analysis*

*Basic Financial Statements*

*Required Supplementary Information*

*Other Supplementary Information*

*INDEPENDENT AUDITORS' REPORT*

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Foster, Rhode Island, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of 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, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 31, 2012 on our consideration of the Town of Foster, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information and supplementary pension and other postemployment benefit information on pages 3 through 13 and 46 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the combining fiduciary fund financial statements, and other supplementary information are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Foster, Rhode Island's basic financial statements. The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Bacon & Company, LLC*

Warwick, Rhode Island  
December 31, 2012

**TOWN OF FOSTER, RHODE ISLAND**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2012**  
**(Un-audited)**

Management of the Town of Foster provides this Management's Discussion and Analysis of the Town of Foster's Comprehensive Annual Financial Report for the readers of the Town's financial statements. This narrative overview and analysis of the financial statements of the Town of Foster is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the Town's financial statements that follow.

**FINANCIAL HIGHLIGHTS**

- The Town's governmental funds reported combined ending fund balances of \$2,002,958 of which only (\$3,896) is unassigned.
- At the end of the current fiscal year the committed fund balance in the general fund for the Foster reserve fund was \$752,334, or 6.8% of the total 2013 budgeted expenditures and other financing uses less capital transfers and budgeted capital expenditures. This is an increase of \$468,824 from the previous year.
- The School unrestricted fund ended the year with a restricted (for education) fund balance of \$8,793. This is a decrease of \$49,813 from the prior year. The School lunch fund ended the year with a cumulative deficit of \$3,896.
- The Town ended the fiscal year with a budgetary operating surplus of \$463,925. The underlying causes are discussed later in this document. The School ended with a budgetary operating loss of \$53,210 primarily due to additional costs associated with heating fuel and legal fees.
- On a government-wide basis the assets of the Town of Foster exceeded its liabilities as of June 30, 2012 by \$8,416,701. Net assets of the Town's component unit increased by \$293,360, or 16.80%, to \$2,039,883.
- The Town's Government-wide operating expenses were \$13,342,343 a 3.64% decrease from the prior year mainly due to decreases in spending in public safety and public works. The police department had significant turnover in personnel resulting in savings in payroll related expenses. The public works department realized savings in snow removal related expenses due to a mild winter. Revenues recognized were \$13,526,736, a 1.16% increase mainly due to an increase in tax collections.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**TOWN OF FOSTER, RHODE ISLAND**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2012**  
**(Un-audited)**

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

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

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

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

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

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

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

**TOWN OF FOSTER, RHODE ISLAND**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2012**  
**(Un-audited)**

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

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

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

The Town maintains 30 active individual governmental funds. Information is presented separately in the *Governmental Funds Balance Sheet* and in the *Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances* for the General Fund, the School Unrestricted Fund, and the Capital Project Fund which are considered to be major funds. Data from the remaining 27 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 57 through 68 in this report. The governmental fund financial statements can be found on pages 16 through 20 of this report.

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

**TOWN OF FOSTER, RHODE ISLAND**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2012**  
**(Un-audited)**

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

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. On a government-wide basis, the assets of the Town exceeded its liabilities at June 30, 2012 by \$8,416,701, an increase of \$184,393, or 2.24% from 2011.

The most significant changes noted were:

*Current assets* increased by \$166,576 from 2011. Additionally, *current liabilities* decreased by \$163,623 from 2011. Much of the increase in *current assets* is due to an increase in cash and investments as a result of the increase in fund balance. The decrease in *current liabilities* directly relates to the decrease in accounts payable and accrued expenses from 2011. *Noncurrent assets* decreased by \$109,935 primarily due to depreciation of assets.

The largest portion of the Town's net assets, \$6,413,271, or 76.20%, consists of its investments in capital assets such as land, buildings and improvements, motor vehicles, machinery and equipment, and infrastructure, less any debt used to acquire these assets, which is still outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are unlikely to be used to liquidate these liabilities.

**TOWN OF FOSTER, RHODE ISLAND**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2012**  
**(Un-audited)**

**Town of Foster**  
**Statement of Net Assets**

	<b>June 30, 2012</b>		<b>June 30, 2011</b>	
	<u>Governmental Activities</u>	<u>Component Unit</u>	<u>Governmental Activities</u>	<u>Component Unit</u>
Current assets	\$ 2,993,182	\$ 187,495	\$ 2,826,606	\$ 258,468
Noncurrent assets	6,461,804	1,936,555	6,571,739	1,655,555
Total assets	<u>\$ 9,454,986</u>	<u>\$ 2,124,050</u>	<u>\$ 9,398,345</u>	<u>\$ 1,914,023</u>
Current liabilities	\$ 553,016	\$ 84,167	\$ 716,639	\$ 83,750
Noncurrent liabilities	485,269	-	449,398	83,750
Total liabilities	<u>\$ 1,038,285</u>	<u>\$ 84,167</u>	<u>\$ 1,166,037</u>	<u>\$ 167,500</u>
Net Assets:				
Invested in capital assets, net of related debt	\$ 6,413,271	\$ 1,852,388	\$ 6,571,739	\$ 1,488,055
Restricted	689,185	-	892,321	-
Unrestricted	1,314,245	187,495	768,248	258,468
Total net assets	<u>\$ 8,416,701</u>	<u>\$ 2,039,883</u>	<u>\$ 8,232,308</u>	<u>\$ 1,746,523</u>

An additional portion of the Town's net assets, \$689,185, or 8.19%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to its citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets.

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

**TOWN OF FOSTER, RHODE ISLAND**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2012**  
**(Un-audited)**

**Changes in Net Assets**

The government's net assets increased by \$184,393 during the current fiscal year.

<b>Town of Foster</b>				
<b>Statement of Activities</b>				
	<b>June 30, 2012</b>		<b>June 30, 2011</b>	
	<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	\$ 301,058	\$ 31,421	\$ 260,069	\$ 26,258
Operating grants	1,779,365	-	2,061,729	-
Capital grants	-	280,700	37,922	133,537
<i>General revenues</i>				
Property taxes	11,282,490	-	10,865,982	-
State aid	136,372	-	134,138	-
Interest and investment income	2,616	1,110	2,250	1,020
Miscellaneous	24,835	-	9,365	-
Total revenues	<u>\$ 13,526,736</u>	<u>\$ 313,231</u>	<u>\$ 13,371,455</u>	<u>\$ 160,815</u>
<i>Expenses</i>				
Legislative, judicial & general admin	\$ 962,574	\$ -	\$ 1,012,984	\$ -
Health and welfare	230,321	-	116,495	-
Public Safety	1,366,395	-	1,763,769	-
Public Works	1,024,113	-	1,112,112	-
Building and Zoning	39,767	-	50,027	-
Planning	38,568	-	65,832	-
Conservation	1,103	-	714	-
Recreation	25,100	-	30,031	-
Education	9,437,358	-	9,495,482	-
Food services	76,825	-	65,054	-
Libraries	140,219	-	133,208	-
Land Trust	-	19,871	-	450
Total expenses	<u>\$ 13,342,343</u>	<u>\$ 19,871</u>	<u>\$ 13,845,708</u>	<u>\$ 450</u>
Change in net assets	184,393	293,360	(474,253)	160,365
Net assets - beginning of year	<u>8,232,308</u>	<u>1,746,523</u>	<u>8,706,561</u>	<u>1,586,158</u>
Net assets - end of year	<u>\$ 8,416,701</u>	<u>\$ 2,039,883</u>	<u>\$ 8,232,308</u>	<u>\$ 1,746,523</u>

**Governmental activities** - Governmental activities increased the Town's net assets by \$184,393. The key elements for this decrease are as follows:

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

**TOWN OF FOSTER, RHODE ISLAND**  
**Management's Discussion and Analysis**  
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**Component unit activities** - Component unit activities increased its net assets by \$293,360, or 16.80%, from 2011. The key element for this increase was the receipt of donated land for the preservation of open space.

**Financial Analysis of the Government's Funds**

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

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,002,958, an increase of \$267,607 in comparison with the prior year.

<b>Town of Foster Governmental Funds Fund Balances</b>						
	Total General Fund 6/30/2012	Total Other Funds 6/30/2012	Total Governmental Funds 6/30/2012	Total General Fund 6/30/2011	Total Other Funds 6/30/2011	Total Governmental Funds 6/30/2011
Nonspendable:						
Prepaid expenditures	\$ 43,814	\$ -	\$ 43,814	\$ 44,533	\$ 3,217	\$ 47,750
Restricted:						
Education	-	23,562	23,562	-	145,916	145,916
Historical records preservation	-	64,015	64,015	-	61,286	61,286
Health and welfare programs	-	8,097	8,097	-	75,957	75,957
Public safety programs	-	6,075	6,075	-	5,607	5,607
Capital	-	532,577	532,577	-	589,053	589,053
Other programs	-	14,502	14,502	-	14,502	14,502
Committed:						-
Student population change	124,946	-	124,946	124,946		124,946
Townhouse maintenance	-	13,412	13,412	-	13,389	13,389
Recycling programs	-	8,104	8,104	-	8,104	8,104
Open space and conservation	-	143,224	143,224	-	133,813	133,813
Capital	244,174	-	244,174	203,710	-	203,710
Foster reserve fund	752,334	-	752,334	283,510	-	283,510
Assigned:						-
Recreation	11,563	-	11,563	14,089	-	14,089
Other programs	16,455	-	16,455	16,446	-	16,446
Unassigned:	-	(3,896)	(3,896)	-	(2,727)	(2,727)
Total fund balances	<u>\$ 1,193,286</u>	<u>\$ 809,672</u>	<u>\$ 2,002,958</u>	<u>\$ 687,234</u>	<u>\$ 1,048,117</u>	<u>\$ 1,735,351</u>

**TOWN OF FOSTER, RHODE ISLAND**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2012**  
**(Un-audited)**

**General Fund Budgetary Highlights**

The Town finished FY 2012 with a budgetary surplus of \$463,925. Much of this surplus was a result of events which could not be anticipated.

**Revenues**

Budgeted revenues and other financing sources reported in 2012 exceeded actual revenues reported by \$214,763, or 1.89%. This gain in revenues was a result of the following:

A significant positive budgetary variance occurred in collection of taxes and interest penalties on outstanding taxes levied in both the current and prior years. The actual *general property taxes* and *finances and interest on late payments* exceeded the budgeted estimates by \$170,893, or 1.54%, primarily due to a positive variance in prior year collections.

**Expenses**

Budgeted expenditures and other financing uses in the Town's General Fund exceeded actual expenditures by \$249,162 or 2.14%. This was due to positive variances in miscellaneous administration and public works due to the mild winter resulting in savings for heating fuel and snow removal. Also, the town recognized savings of approximately \$65,000 in salaries and benefits due to changes in personnel in the police department.

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

**Capital Assets and Debt Administration**

**Capital Assets**

The Town of Foster's investment in capital assets for its governmental activities as of June 30, 2012 amounted to \$6,461,804 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, motor vehicles, machinery and equipment, infrastructure, and construction in progress.

Additional information on the Town of Foster's capital assets is located in Note 6 on page 34 of the notes to the financial statements.

**TOWN OF FOSTER, RHODE ISLAND**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2012**  
**(Un-audited)**

**Town of Foster**  
**Capital Assets (net of Accumulated Depreciation)**

	<b>June 30, 2012</b>		<b>June 30, 2011</b>	
	Governmental Activities	Component Unit	Governmental Activities	Component Unit
Land	\$ 161,199	\$ 1,936,555	\$ 161,199	\$ 1,655,555
Construction in progress	108,198	-	11,572	-
Land Improvements	17,557	-	20,259	-
Buildings and improvements	2,114,242	-	2,186,865	-
Motor vehicles	266,364	-	232,200	-
Machinery and equipment	171,264	-	221,290	-
Infrastructure - roads and bridges	3,622,980	-	3,738,354	-
<b>Total</b>	<b>\$ 6,461,804</b>	<b>\$ 1,936,555</b>	<b>\$ 6,571,739</b>	<b>\$ 1,655,555</b>

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

- |  |           |
|--|-----------|
| 1) Receipt of donated land for preservation of open space<br>(reported in the financial statements of the Component Unit—Land Trust) | \$281,000 |
| 2) Purchase of a small dump truck for department of public works   | \$45,771  |
| 3) Lease purchase of three new police units  | \$75,005  |
| 4) Addition to department of public works garage   | \$24,679  |
| 5) Initial construction of a new Tanker—Foster Center Fire Company   | \$108,198 |

**Debt Administration**

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

Except as provided below, under Section 45-12-2 of the General Laws of Rhode Island, the Town may not, without special statutory authorization, incur any debt which would increase its aggregate indebtedness not otherwise excepted by law to an amount greater than 3% of the taxable property of the Town. Deducted from the computation of aggregated indebtedness is the amount of any borrowing in anticipation of taxes authorized by law and the amount of any sinking funds maintained by the Town. The current 3% debt limit of the Town is \$18,754,691 (based on the net assessed valuation at December 31, 2010 of \$625,156,358). As of June 30, 2012, the Town had no outstanding bonds and notes issued within the 3% debt limit leaving a borrowing capacity of \$18,754,691.

**TOWN OF FOSTER, RHODE ISLAND**  
**Management's Discussion and Analysis**  
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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, 2012, the total outstanding debt of the Town issued outside the 3% debt limit was \$0.

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

Additional information on the Town of Foster's long-term debt can be found in Note 7 of the financial statements on page 35.

**Economic Factors and Next Year's Budgets and Rates**

- Unemployment rates as of June 30, 2012 and June 30, 2011

<u>6/30/2012</u>	<u>6/30/2011</u>	
10.3%	11.4%	Town of Foster
10.3%	11.1%	State of Rhode Island
8.4%	9.3%	United States

- Median household income in Foster was \$59,881 compared to the State of Rhode Island median income of \$54,119. The median income for the United States was \$50,221.
- Per Capita income in Foster was \$21,168 compared to the State of Rhode Island per capita income of \$29,685. The per capita income for the United States was \$27,041.
- Existing single-family home median sale prices were approximately \$225,000 in Foster, moderately lower than the state average of \$267,100.
- Foster ranks 37<sup>th</sup> in population (4,606 per 2010 census) among Rhode Island's 39 cities and towns.
- The Town's total general fund budget for fiscal year 2013 approved at the May, 2012, Financial Town Meeting is \$11,640,768, allocated as follows:
  - Education - \$7,595,985, or 65.25%
  - Capital - \$595,742, or 5.12% (includes a budgeted transfer to the capital project fund)
  - Other purposes - \$3,449,041, or 29.63%

**TOWN OF FOSTER, RHODE ISLAND**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2012**  
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- The 2013 FTM adopted budget reflects an increase of \$16,347 or .14% from 2012. The small change is primarily due to an increase in the budgeted transfer to the capital fund of \$93,792, due to the taxpayers agreeing to fund a transfer to the capital project fund in excess of the 2% of budgeted expenditures mandated by the Town Charter. This was offset by a significant decrease in the police department of \$100,914 resulting primarily from decreases in salary and benefit accounts.
- In 2013 \$0 was appropriated from the Town's fund balance to offset expenditures. The motor vehicle exemption given to taxpayers per vehicle remained at \$3,100.
- State law limits the amount a municipality can raise taxes to 104% of the prior year tax levy.
- The motor vehicle phase-out reimbursement remains at \$500.
- Municipal revenues, other than taxes, remain flat.
- Since December 2000, per Rhode Island General Law 44-5-11.6, municipalities in Rhode Island are required to perform full revaluations on all "ratable" property every nine years and statistical revaluations every three years for the years in-between. The last full revaluation was performed as of December 31, 2008, which was the basis of the 2009 tax bills to be collected in the 2010 fiscal year end. The Town recently completed a statistical revaluation which will affect the 2012 tax bills collectable in the 2013 fiscal year end. The Town's tax rates for 2013 and 2012 with their differences are listed below. The tax on *Motor Vehicles* has been frozen at \$36.95. The tax on *Inventory* has been phased out. Rates are per \$1,000.

**Tax Rates**

	Fiscal Year	Fiscal Year	Increase
	<u>2012-13</u>	<u>2011-12</u>	<u>(Decrease)</u>
Real Property	\$ 20.32	\$ 17.58	\$ 2.74
Motor Vehicle	36.95	36.95	-
Tangible	27.93	24.16	3.77
Inventory	-	-	-

***REQUEST FOR INFORMATION***

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

## **BASIC FINANCIAL STATEMENTS**

### **THE BASIC FINANCIAL STATEMENTS INCLUDE:**

*Government-Wide Financial Statements*

*Fund Financial Statements:*  
*- Governmental Funds*

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**TOWN OF FOSTER, RHODE ISLAND**

Statement of Net Assets

June 30, 2012

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Foster Land Trust</u>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 2,280,466	\$ 159,811
Investments	-	25,000
Property taxes receivable	439,148	-
Accrued interest receivable	79,100	-
Due from federal and state governments	58,538	-
Other receivables	92,116	-
Due from primary government	-	2,684
Prepaid expenses	43,814	-
<b>Total current assets</b>	<u>2,993,182</u>	<u>187,495</u>
<b>Noncurrent assets:</b>		
Capital assets: (Note 6)		
Land and other nondepreciable assets	269,397	1,936,555
Depreciable buildings, property, equipment, and infrastructure (net)	6,192,407	-
<b>Total noncurrent assets</b>	<u>6,461,804</u>	<u>1,936,555</u>
<b>Total assets</b>	<u>9,454,986</u>	<u>2,124,050</u>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	457,220	-
Due to component unit	2,684	-
Unearned revenue	20,447	-
Current portion of loan payable	-	84,167
Current portion of lease payable	23,560	-
Compensated absences payable	42,408	-
Other liabilities	6,697	-
<b>Total current liabilities</b>	<u>553,016</u>	<u>84,167</u>
<b>Noncurrent liabilities:</b>		
Capital lease payable	24,973	-
Compensated absences payable	419,318	-
Net other post employment benefit obligation	40,978	-
<b>Total noncurrent liabilities</b>	<u>485,269</u>	<u>-</u>
<b>Total liabilities</b>	<u>1,038,285</u>	<u>84,167</u>
<b>Net Assets</b>		
Invested in capital assets- net of related debt	6,413,271	1,852,388
Restricted for:		
Capital purposes	532,577	-
Specific projects and programs	156,608	-
Unrestricted	1,314,245	187,495
<b>Total net assets</b>	<u>\$ 8,416,701</u>	<u>\$ 2,039,883</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, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary</u>	<u>Component</u>
					<u>Governmental Total</u>	<u>Unit</u>
				<u>Governmental Activities</u>	<u>Foster Land Trust</u>	
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
Legislative, judicial and general administrative	\$ 962,574	\$ 89,568	\$ 18,009	\$ -	\$ (854,997)	\$ -
Health and Welfare	230,321	42,907	122,236	-	(65,178)	-
Public safety	1,366,395	28,530	24,591	-	(1,313,274)	-
Public works	1,024,113	5,226	25,752	-	(993,135)	-
Building and zoning	39,767	32,589	-	-	(7,178)	-
Planning	38,568	-	-	-	(38,568)	-
Conservation	1,103	-	-	-	(1,103)	-
Recreation	25,100	1,753	-	-	(23,347)	-
Education	9,437,358	56,004	1,557,890	-	(7,823,464)	-
Food services	76,825	44,481	30,887	-	(1,457)	-
Libraries	140,219	-	-	-	(140,219)	-
<b>Total governmental activities</b>	<b>13,342,343</b>	<b>301,058</b>	<b>1,779,365</b>	<b>-</b>	<b>(11,261,920)</b>	<b>-</b>
<b>Component Unit:</b>						
<b>Foster Land Trust</b>	<b>19,871</b>	<b>31,421</b>	<b>-</b>	<b>280,700</b>	<b>-</b>	<b>292,250</b>
<b>General Revenues:</b>						
Taxes:						
					11,282,490	-
					136,372	-
					2,616	1,110
					24,835	-
					<u>11,446,313</u>	<u>1,110</u>
					184,393	293,360
					8,232,308	1,746,523
					<u>\$ 8,416,701</u>	<u>\$ 2,039,883</u>

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

## **FUND FINANCIAL STATEMENTS**

**TOWN OF FOSTER, RHODE ISLAND**

*Balance Sheet  
Governmental Funds  
June 30, 2012*

	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Capital Projects Fund</i>	<i>Nonmajor Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,573,262	\$ -	\$ 532,577	\$ 235,832	\$ 2,341,671
Property taxes receivable	439,148	-	-	-	439,148
Due from federal and state governments	5,297	-	-	53,241	58,538
Other receivables	8,363	38,392	-	40,357	87,112
Due from other funds	17,588	117,523	-	48,208	183,319
Prepaid expenditures	43,814	-	-	-	43,814
<b>Total assets</b>	<b>\$ 2,087,472</b>	<b>\$ 155,915</b>	<b>\$ 532,577</b>	<b>\$ 377,638</b>	<b>\$ 3,153,602</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Cash overdraft	\$ -	\$ 61,205	\$ -	\$ -	\$ 61,205
Accounts payable and accrued expenditures	331,618	71,148	-	54,454	457,220
Due to other funds	149,021	14,769	-	14,525	178,315
Due to component unit	2,684	-	-	-	2,684
Deferred revenues	404,166	-	-	40,357	444,523
Other liabilities	6,697	-	-	-	6,697
<b>Total liabilities</b>	<b>894,186</b>	<b>147,122</b>	<b>-</b>	<b>109,336</b>	<b>1,150,644</b>
<b>Fund Balances</b>					
Nonspendable:					
Prepaid expenditures	43,814	-	-	-	43,814
Restricted for:					
Education programs	-	8,793	-	14,769	23,562
Historical records preservation	-	-	-	64,015	64,015
Health and welfare programs	-	-	-	8,097	8,097
Public safety programs	-	-	-	6,075	6,075
Capital expenditures	-	-	532,577	-	532,577
Other programs	-	-	-	14,502	14,502
Committed for:					
Student population change	124,946	-	-	-	124,946
Townhouse maintenance	-	-	-	13,412	13,412
Recycling programs	-	-	-	8,104	8,104
Open space and conservation	-	-	-	143,224	143,224
Capital expenditures	244,174	-	-	-	244,174
Foster reserve fund	752,334	-	-	-	752,334
Assigned for:					
Recreation programs	11,563	-	-	-	11,563
Other programs	16,455	-	-	-	16,455
Unassigned	-	-	-	(3,896)	(3,896)
<b>Total fund balance</b>	<b>1,193,286</b>	<b>8,793</b>	<b>532,577</b>	<b>268,302</b>	<b>2,002,958</b>
<b>Total liabilities and fund balance</b>	<b>2,087,472</b>	<b>155,915</b>	<b>532,577</b>	<b>377,638</b>	<b>3,153,602</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, 2012*

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<b>Total Fund Balances - Total Governmental Funds</b>	\$2,002,958
<b>Amounts reported for Governmental Activities in the Statement of Net Assets are different because:</b>	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. See note 6 to the financial statements.	6,461,804
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.	79,100
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.	383,719
Other long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in Governmental Funds financial statements.	40,357
Long-term liabilities (including capital leases payable, compensated absences and net opeb obligation) are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet. See note 7 to the financial statements.	<u>(551,237)</u>
<b>Net Assets - Governmental Activities</b>	<u><u>\$8,416,701</u></u>

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

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

	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
General property taxes	\$ 11,167,906	\$ -	\$ -	\$ -	\$ 11,167,906
Intergovernmental and departmental revenues	173,507	1,359,283	-	391,521	1,924,311
Licenses and permits	65,850	-	-	-	65,850
Building and zoning fees	32,589	-	-	-	32,589
Fines and interest on late payments	90,428	-	-	-	90,428
Interest on investments	1,923	-	574	119	2,616
Other revenues	64,083	56,004	-	55,818	175,905
<b>Total revenues</b>	<u>11,596,286</u>	<u>1,415,287</u>	<u>574</u>	<u>447,458</u>	<u>13,459,605</u>
<b>Expenditures</b>					
Current:					
Legislative, judicial and general administrative	334,739	-	-	20,834	355,573
Financial administration	229,392	-	-	-	229,392
Miscellaneous administration	210,847	-	-	-	210,847
Health and welfare	37,963	-	-	192,358	230,321
Public safety	1,298,596	-	-	21,000	1,319,596
Public works	943,501	-	-	-	943,501
Building and zoning	39,767	-	-	-	39,767
Planning	38,568	-	-	-	38,568
Conservation	1,103	-	-	-	1,103
Recreation	24,339	-	-	-	24,339
Education	4,621,301	4,457,830	-	265,200	9,344,331
Food services	-	-	-	76,825	76,825
Libraries	140,219	-	-	-	140,219
Land trust	2,788	-	-	-	2,788
Capital outlay	309,833	-	-	-	309,833
<b>Total expenditures</b>	<u>8,232,956</u>	<u>4,457,830</u>	<u>-</u>	<u>576,217</u>	<u>13,267,003</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, 2012*

	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</i>	3,363,330	(3,042,543)	574	(128,759)	192,602
<i>Other financing sources (uses)</i>					
Capital lease proceeds	75,005	-	-	-	75,005
Transfers from other funds	279,500	2,989,333	222,450	-	3,491,283
Transfers to other funds	(3,211,783)	-	(279,500)	-	(3,491,283)
<i>Total other financing sources (uses)</i>	<u>(2,857,278)</u>	<u>2,989,333</u>	<u>(57,050)</u>	<u>-</u>	<u>75,005</u>
<i>Net change in fund balance</i>	506,052	(53,210)	(56,476)	(128,759)	267,607
<i>Fund balances - beginning of year</i>	<u>687,234</u>	<u>62,003</u>	<u>589,053</u>	<u>397,061</u>	<u>1,735,351</u>
<i>Fund balances - end of year</i>	<u>\$ 1,193,286</u>	<u>\$ 8,793</u>	<u>\$ 532,577</u>	<u>\$ 268,302</u>	<u>\$ 2,002,958</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, 2012*

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<b><i>Net Changes in Fund Balances - Total Governmental Funds</i></b>	<b>\$ 267,607</b>
 <b><i>Amounts reported for Governmental Activities in the Statement of Activities are different because:</i></b>	
Governmental Funds financial statements report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital asset additions recorded in the current period.	242,081
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in Governmental Funds financial statements.	(349,532)
Loss on disposal of capital assets is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, the loss on disposal of capital assets is not reported as an expenditure in the Governmental Funds financial statements.	(2,484)
Lease proceeds provide current financial resources to Governmental Funds, but issuing debt increases the long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of lease principal is an expenditure in the Governmental Funds, but the payments reduce long-term liabilities in the Government-Wide Statement of Net Assets. This amount represents the proceeds from a lease	(75,005)
This amount represents long-term debt payments.	26,472
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.	26,209
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.	21,264
Revenues in the Statement of Activities that are not available in Governmental Funds are not reported as revenue in the Governmental Funds.	45,867
Long-term net other post employment benefit (OPEB) obligations are reported in the Government-Wide financial statements, but do not require the use of current financial resources. Therefore, net OPEB obligations are not reported as expenditures in Governmental Funds financial statements	(18,086)
 <b><i>Change in Net Assets of Governmental Activities</i></b>	 <b><u><u>\$ 184,393</u></u></b>

*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, 2012

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	<u>Private- purpose Trusts</u>	
	<u>Cemetery Fund</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 28,887	\$ 24,715
<b>Total assets</b>	<u>28,887</u>	<u>24,715</u>
<b>Liabilities</b>		
Due to other funds	5,004	-
Deposits held in custody for others	-	24,715
<b>Total liabilities</b>	<u>5,004</u>	<u>24,715</u>
<b>Net Assets</b>		
Held in trust for other purposes	<u>\$ 23,883</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, 2012*

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	<i>Private- purpose Trusts</i>
	<i>Cemetery Fund</i>
<i>Additions</i>	
<i>Investment earnings:</i>	
Interest and dividends	\$ 28
<i>Total additions</i>	28
<i>Deductions</i>	
Miscellaneous	5,004
<i>Total deductions</i>	5,004
<i>Change in net assets</i>	(4,976)
<i>Net assets - beginning of year</i>	28,859
 <i>Net assets - end of year</i>	 \$ 23,883

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

# ***TOWN OF FOSTER, RHODE ISLAND***

## *Notes to Financial Statements*

*June 30, 2012*

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

# **TOWN OF FOSTER, RHODE ISLAND**

## *Notes to Financial Statements*

*June 30, 2012*

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, 2012 or for the year then ended.

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

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

### **Fund Financial Statements**

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

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

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

### **Governmental Funds:**

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

# **TOWN OF FOSTER, RHODE ISLAND**

## *Notes to Financial Statements*

*June 30, 2012*

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

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

**Capital Project Funds** – Capital project funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlay, including the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary or trust funds). The Town’s only major capital project fund is the Capital Reserve Fund, which is used to finance the purchases set forth in the capital program.

### **Proprietary Funds:**

Proprietary funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. For the year ended June 30, 2012, 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

## ***TOWN OF FOSTER, RHODE ISLAND***

### *Notes to Financial Statements*

*June 30, 2012*

accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash payments. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Those revenues susceptible to accrual are property taxes, state aid, interest and charges for services. Fines, licenses and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash and thus are recognized when received.

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

#### ***D. USE OF ESTIMATES***

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

#### ***E. CASH AND CASH EQUIVALENTS***

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

# **TOWN OF FOSTER, RHODE ISLAND**

*Notes to Financial Statements*

*June 30, 2012*

## **F. INVESTMENTS**

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

## **G. INTERFUND TRANSACTIONS**

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

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

## **H. PREPAID ITEMS**

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

## **I. CAPITAL ASSETS**

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

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

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

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

## ***TOWN OF FOSTER, RHODE ISLAND***

*Notes to Financial Statements*

*June 30, 2012*

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

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

### ***J. PROPERTY TAXES***

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

Rhode Island General Laws restrict the Town's ability to increase either its total tax levy or its tax rates to no more than 4.25% over that of the preceding year.

### ***K. COMPENSATED ABSENCES***

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

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

### ***L. 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.

## **TOWN OF FOSTER, RHODE ISLAND**

*Notes to Financial Statements*

*June 30, 2012*

### **M. LONG-TERM OBLIGATIONS**

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

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

### **N. FUND EQUITY**

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

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

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

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

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

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

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

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

**TOWN OF FOSTER, RHODE ISLAND**

*Notes to Financial Statements*

*June 30, 2012*

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

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

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

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

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

**A. LEGAL DEBT MARGIN**

The Town’s legal debt margin as set forth by State Statute is limited to three percent of total taxable assessed value which approximates \$18,754,691. As of June 30, 2012, the Town’s debt is under the limit by \$18,754,691.

**B. DEFICIT FUND BALANCE IN FUND FINANCIAL STATEMENTS**

The following individual funds reported deficits in the unassigned fund balance in the fund financial statements at June 30, 2012:

School Lunch	\$(3,896)
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**NOTE 3 – CASH DEPOSITS**

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

**TOWN OF FOSTER, RHODE ISLAND**

*Notes to Financial Statements*

June 30, 2012

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Carrying</u>	<u>Carrying</u>
	<u>Amount</u>	<u>Amount</u>
Total Deposits	\$2,333,348	\$159,811
Add: Petty Cash	720	-
<b>Total Cash and Cash Equivalents Reported</b>	<u>2,334,068</u>	<u>159,811</u>
<b>in the Financial Statements</b>		

**CUSTODIAL CREDIT RISK** – custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a formal deposit policy for custodial credit risk but is governed by State Laws as described below. As of June 30, 2012, \$1,740,950 of the Town’s bank balance of \$2,833,451 was exposed to custodial credit risk as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Bank</u>	<u>Bank</u>
	<u>Balance</u>	<u>Balance</u>
Insured (Federal depository insurance funds)	\$1,092,501	\$ -
Collateralized with securities held by pledging financial institution or its agent in the Town’s name	1,581,139	159,811
Uninsured and uncollateralized	-	-
<b>Total</b>	<u>\$2,673,640</u>	<u>\$159,811</u>

Under Rhode Island general laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits which are time deposits with maturities greater than sixty (60) days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity.

**NOTE 4 – INVESTMENTS**

General Fund investments are governed by Title 35, Chapter 10, Section 11 of the State’s General Laws. This law generally allows for short-term investments, such as certificate of deposits, money market funds, and obligations guaranteed by the United States Government, etc., with the goal of seeking reasonable income while preserving capital. As of June 30, 2012, the Town had the following investments:

**TOWN OF FOSTER, RHODE ISLAND**

*Notes to Financial Statements*

*June 30, 2012*

<u><b>Investment</b></u>	<u><b>Maturity</b></u>	<u><b>Component Unit Fair Value</b></u>	<u><b>Rating</b></u>
RI Health and Educational Building Corporation Series 2006A Revenue Bonds Lifespan Obligation Group Rhode Island Student Loan Authority Revenue Bonds 2008 Series B	05/15/2032	\$10,000	Moody's – Baa1
Town of Coventry, RI General Obligation Bonds	12/01/2024	10,000	Moody's – Aa2/VMIG1
	04/01/2025	<u>5,000</u>	Moody's – A1
<b><i>Total Investments reported in the Financial Statements</i></b>		<u>\$25,000</u>	

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

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

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

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

**TOWN OF FOSTER, RHODE ISLAND**

*Notes to Financial Statements*

June 30, 2012

**NOTE 5 – INTER-FUND TRANSACTIONS**

Inter-fund receivable and payable balances at June 30, 2012 are as follows:

	<i>Due From:</i>				<i>Total</i>
	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Other Governmental Funds</i>	<i>Private Purpose Trust Fund</i>	
<b><u>Due To:</u></b>					
General Fund	\$ -	\$ -	\$ 12,584	\$ 5,004	\$ 17,588
School Unrestricted Fund	115,582	-	1,941	-	117,523
Other Governmental Funds	33,439	14,769	-	-	48,208
<b>Total</b>	<b>\$ 149,021</b>	<b>\$ 14,769</b>	<b>\$ 14,525</b>	<b>\$ 5,004</b>	<b>\$ 183,319</b>

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

Inter-fund transfer balances at June 30, 2012 are as follows:

	<i>Transfer From:</i>		<i>Total</i>
	<i>General Fund</i>	<i>Capital Projects Fund</i>	
<b><u>Transfer To:</u></b>			
General Fund	\$ -	\$ 279,500	\$ 279,500
School Unrestricted Fund	2,989,333	-	2,989,333
Capital Projects Fund	222,450	-	222,450
<b>Total</b>	<b>\$ 3,211,783</b>	<b>\$ 279,500</b>	<b>\$ 3,491,283</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 \$2,989,333 transfer is the School appropriation that is budgeted in the General Fund as a revenue source to be transferred to the School Unrestricted Fund and expended.

# TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2012

## NOTE 6 - INFORMATION ABOUT CAPITAL ASSETS

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

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
<b>Primary Government -</b>				
<b>Governmental Activities:</b>				
Nondepreciable assets:				
Land	\$ 161,199	\$ -	\$ -	\$ 161,199
Construction in progress	11,572	108,198	11,572	108,198
<b>Total nondepreciable assets</b>	<b>172,771</b>	<b>108,198</b>	<b>11,572</b>	<b>269,397</b>
Depreciable assets:				
Land improvements	179,766	-	-	179,766
Buildings and improvements	4,366,504	24,679	93,968	4,297,215
Motor vehicles	2,451,817	120,776	52,954	2,519,639
Machinery and equipment	760,046	-	-	760,046
Infrastructure - roads and bridges	7,415,310	-	-	7,415,310
<b>Total capital assets</b>	<b>15,346,214</b>	<b>253,653</b>	<b>158,494</b>	<b>15,441,373</b>
Less accumulated depreciation for:				
Land improvements	159,507	2,702	-	162,209
Buildings and improvements	2,179,639	97,302	93,968	2,182,973
Motor vehicles	2,219,617	84,128	50,470	2,253,275
Machinery and equipment	538,756	50,026	-	588,782
Infrastructure - roads and bridges	3,676,956	115,374	-	3,792,330
<b>Total accumulated depreciation</b>	<b>8,774,475</b>	<b>349,532</b>	<b>144,438</b>	<b>8,979,569</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 6,571,739</b>	<b>\$ (95,879)</b>	<b>\$ 14,056</b>	<b>\$ 6,461,804</b>
<b>Component Unit:</b>				
Nondepreciable assets:				
Land	\$ 1,655,555	\$ 281,000	\$ -	\$ 1,936,555
<b>Total nondepreciable assets</b>	<b>1,655,555</b>	<b>281,000</b>	<b>-</b>	<b>1,936,555</b>
<b>Component unit capital assets, net</b>	<b>\$ 1,655,555</b>	<b>\$ 281,000</b>	<b>\$ -</b>	<b>\$ 1,936,555</b>

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
Legislative	\$ 147,164
Public education	69,528
Public safety	67,545
Public works	64,534
Recreation	761
<b>Total governmental activities depreciation expense</b>	<b>\$ 349,532</b>

# TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2012

## NOTE 7 – LONG-TERM LIABILITIES

### A. LONG TERM LIABILITIES

Long term liabilities for the year ended June 30, 2012 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<i>Governmental Activities:</i>					
Capital lease payable	\$ -	\$ 75,005	\$ 26,472	\$ 48,533	\$ 23,560
Accrued compensated absences	487,935	-	26,209	461,726	42,408
Net other post-employment benefit obligation	22,892	18,086	-	40,978	-
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$ 510,827</u>	<u>\$ 93,091</u>	<u>\$ 52,681</u>	<u>\$ 551,237</u>	<u>\$ 65,968</u>
<i>Component Unit (Foster Land Trust):</i>					
Loan payable	\$ 167,500	\$ -	\$ 83,333	\$ 84,167	\$ 84,167
<i>Total Component Unit</i>					
<i>Long-Term Liabilities</i>	<u>\$ 167,500</u>	<u>\$ -</u>	<u>\$ 83,333</u>	<u>\$ 84,167</u>	<u>\$ 84,167</u>

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

### B. LOAN PAYABLE

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

### C. CAPITAL LEASE COMMITMENTS

The Town acquired three police cars valued at \$75,005 that were financed with a lease purchase agreement.

**TOWN OF FOSTER, RHODE ISLAND**

*Notes to Financial Statements*

*June 30, 2012*

Obligations of governmental activities under capital leases at June 30, 2012 were as follows:

<u><i>Fiscal Year Ended June 30,</i></u>	<u><i>Lease Payment Requirements</i></u>
2013	\$26,472
2014	<u>26,472</u>
Total minimum lease payments	52,944
Less: Amount representing interest cost	<u>(4,411)</u>
Present value of minimum lease payments	<u>\$48,533</u>

**NOTE 8 – TRANSCATIONS WITH THE FOSTER LAND TRUST**

For the year ended June 30, 2012, the Town’s General Fund reported the following balances related to the Foster Land Trust:

Due to Foster Land Trust	<u>\$ 2,684</u>
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**NOTE 9 – DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES**

**A. ACCOUNTS RECEIVABLE**

The Town disaggregates significant components of receivables in the financial statements. Receivable balances determined immaterial are included as other receivables. The Town expects to receive all receivables within the subsequent year, except for the Community Development Block Grant loans which are due in accordance with individual loan amortization schedules.

**B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

	<u><i>Vendors</i></u>	<u><i>Salaries and Benefits</i></u>	<u><i>Other</i></u>	<u><i>Total</i></u>
<b>Governmental activities:</b>				
General	\$ 279,778	\$ 51,840	\$ -	\$ 331,618
School Unrestricted	51,586	18,326	1,236	71,148
Other Governmental Funds	<u>54,454</u>	<u>-</u>	<u>-</u>	<u>54,454</u>
<b>Total</b>	<u>\$ 385,818</u>	<u>\$ 70,166</u>	<u>\$ 1,236</u>	<u>\$ 457,220</u>

# **TOWN OF FOSTER, RHODE ISLAND**

*Notes to Financial Statements*

*June 30, 2012*

## **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, 2012 was \$4,621,301. Financial statements for the Regional School are issued separately and may be obtained from the Foster-Glocester Regional School District Business Office, 1145 Putnam Pike, Chepachet, Rhode Island 02814.

## **NOTE 11 – PROPERTY TAXES**

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

## **NOTE 12 – RISK MANAGEMENT**

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

## **TOWN OF FOSTER, RHODE ISLAND**

*Notes to Financial Statements*

*June 30, 2012*

### **NOTE 13 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES AND COMMITMENTS**

The Providence Water Supply Board (PWSB) is the Town's largest taxpayer. The PWSB has filed tax appeals with the Town for both tax classification and valuation of their watershed property. The PWSB has taken the position that the watershed property should be taxed as forest land. The Town taxes the land as an integral part of a commercial water-producing system, which is at a higher rate than if it was taxed as forest land. No litigation has been filed against the Town, but the appeals have been filed since the tax treaty/stabilization agreement between the Town and the PWSB expired. The financial impact to the Town from this appeal cannot be determined at the present time.

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

### **NOTE 14 – RECLASSIFICATION**

The Town has reclassified the prior year General Fund unassigned fund balance of \$283,510 to committed for the Foster Reserve Fund in conformance with ordinance 02-14-338.

### **NOTE 15 – POST RETIREMENT BENEFITS**

#### ***Plan Description***

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

#### ***Funding Policy***

Contribution requirements are negotiated between the Town and the respective unions. The Town is required to contribute the cost of medical and dental benefits, less the amount of any applicable employee share of medical or dental premiums. For the year ended June 30, 2012, the plan operated on a pay as you go basis and no provision has been made to fund future benefits to be provided to plan members. For the fiscal year ended June 30, 2012, the Town contributed \$60,514 to the plan.

**TOWN OF FOSTER, RHODE ISLAND**

*Notes to Financial Statements*

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***Annual OPEB Cost and Net OPEB Obligation***

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

Annual required contribution (ARC)	\$78,714
Interest on net OPEB obligation	916
Adjustment to annual required contribution	(1,030)
Annual OPEB cost	78,600
Contributions made	(60,514)
Increase in net OPEB obligation	18,086
Net OPEB obligation, beginning of year	22,892
Net OPEB obligation, end of year	\$40,978

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

<b><i>Fiscal Year</i></b> <b><i>Ended</i></b>	<b><i>Annual</i></b> <b><i>OPEB Cost</i></b>	<b><i>Percentage of Annual</i></b> <b><i>OPEB Cost Contributed</i></b>	<b><i>Net OPEB</i></b> <b><i>Obligation</i></b>
6/30/10	\$73,806	82.5%	\$12,943
6/30/11	76,166	86.9%	22,892
6/30/12	78,600	77.0%	40,978

***Funded Status and Funding Progress***

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

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

## **TOWN OF FOSTER, RHODE ISLAND**

*Notes to Financial Statements*

*June 30, 2012*

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

### ***Actuarial Methods and Assumptions***

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

The annual required contribution for fiscal 2012 was determined as part of the July 1, 2009 actuarial valuation using entry age cost method. Under this method, the actuarial present value of projected benefits of each individual included in the actuarial valuation is allocated on a level basis over future earnings of the individual between entry age and assumed exit ages(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at the valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability. The actuarial assumptions included: a) 4% discount rate and b) medical inflation rate – 10% per year grading down to an ultimate rate of 5.0% until 2014. The unfunded actuarial accrued liability as of the July 1, 2009 is being amortized using level percent of payroll on a closed basis based on 30 year amortization.

## **NOTE 16 – PENSION PLANS**

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

All Town of Foster certified school personnel participate in the Employees' Retirement System of the State of Rhode Island ("ERS"), a cost-sharing multiple-employer defined benefit plan administered by the State of Rhode Island. The payroll for employees covered by the ERS for the year ended June 30, 2012 was \$1,950,485.

## **TOWN OF FOSTER, RHODE ISLAND**

### *Notes to Financial Statements*

*June 30, 2012*

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

#### ***Plan Description***

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

#### ***Funding Policy***

The funding policy is established by Rhode Island General Laws, Title 16, Chapter 16-16. Covered employees are required by State Statute to contribute 9.5% of their salary to the plan. The State and the School Department are required to contribute an amount determined annually by the actuary and as provided by State Statute. The split between State and the School Department is specified by State Statute. The contribution requirement for fiscal year ended June 30, 2012 was 22.32%. The Teachers' Plan cost is paid 60% by the School Department and 40% by the State. However, the State will pay the total cost of the contribution deferrals which were .27% for the fiscal year ended June 30, 2012. This results in a contribution requirement for the School of 13.23% and a contribution requirement for the State of 9.09%.

The State contribution for the cut-off year ended June 30, 2012 was \$177,299 which represented 9.09% of covered payroll. The payments made by the State to the Employees' Retirement System are considered on-behalf payments and are reported as a revenue and as an expenditure in the financial statements. The School's contribution requirement for the cut-off year ended June 30, 2012 was \$443,005 which consisted of \$257,967 from the School Department, and \$185,038 from employees. These contributions represented 13.23% and 9.5% of covered payroll respectively. The annual required contribution was determined as part of the June 30, 2009 actuarial valuation.

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

# **TOWN OF FOSTER, RHODE ISLAND**

*Notes to Financial Statements*

*June 30, 2012*

## ***Three-Year Trend Information***

<b><i>Fiscal Year</i></b>	<b><i>Annual Required Contribution</i></b>	<b><i>Percentage Contributed</i></b>
2010	\$215,412	100%
2011	\$230,680	100%
2012	\$257,967	100%

### ***Pension Reform Impacting Future Periods***

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

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

The Town of Foster participates in the Municipal Employees' Retirement System ("MERS"), an agent multiple employer defined benefit plan administered by the State of Rhode Island. All Town employees except certified school personnel participate in the MERS. The payroll for employees including School Department noncertified personnel covered by the System for the year ended June 30, 2012 was \$1,594,051 (General employees - \$1,187,703, and Police officers - \$406,348).

The State of Rhode Island's Municipal Employees' Retirement System issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Avenue, Warwick, Rhode Island 02886 or at [www.ersri.org](http://www.ersri.org).

### ***Plan Description***

The following eligibility and benefit provisions are established by Rhode Island General Laws, Title 45, Chapter 19, 19.1, 21, 21.1, 21.2 and 21.3 and may be amended by State Statute. The MERS generally provides retirement benefits equal to 2% of a member's final average compensation multiplied by the number years of total service up to 37.5 years, to a maximum benefit of 75% of final average compensation. Final average compensation is the average of the three highest consecutive years of annual earned compensation exclusive of overtime, bonuses or severance pay. Such benefits are available to general employees at or after age 58 with 10 years of service or after 30 years regardless of age. Such benefits are also available to police and firefighters at or after age 55 with 10 years of service or after 25 years regardless of age. Under the 20-year service optional plan, police and firefighters may retire after 20 years of service with

**TOWN OF FOSTER, RHODE ISLAND**

*Notes to Financial Statements*

*June 30, 2012*

no restriction on age. This optional plan provides a benefit equal to 2.5% of final average compensation per year of service up to 30 years, to a maximum benefit of 75% of final average compensation. Early retirement is only available to police and firefighters under the normal plan. The plan also provides non-service connected disability benefits after 5 years of service, service connected disability benefits with no minimum service requirement, survivors' benefits, and certain lump sum death benefits. Employees are vested in their retirement benefits upon the completion of 10 years of service. Members employed by municipalities who elect one of the optional COLA provisions receive an increase equal to 3% of the original retirement benefit each year beginning January 1 following the member's retirement. The Town has elected COLA Plan C and the optional 20-year plan for its police officers.

***Funding Policy***

General employees are required by State Statute to contribute 6% of their annual earnings. The contribution rate is increased to 7% with the optional cost-of-living provision. Police and firefighters are required by State Statute to contribute 7%. The contribution rate is increased to 8% with the optional cost-of-living provision. The contribution rate is increased by an additional 1 % for the 20-year service plan. The Town is required to contribute based on an actuarially determined amount and as provided by State Statute for each participating municipality. The Town contribution rate for fiscal year 2012 was 8.07% of covered payroll for general employees and 21.49% for police officers.

***Annual Pension Cost***

For fiscal year 2012, the Town's annual pension cost of \$183,364 for the MERS was equal to the Town's required and actual contributions.

***Three-Year Trend Information***

**GENERAL MUNICIPAL EMPLOYEES**

<b><i>Fiscal Year</i></b>	<b><i>Annual Pension Cost (APC)</i></b>	<b><i>Percentage of APC Contributed</i></b>	<b><i>Net Pension Obligation</i></b>
2010	\$86,156	100%	\$ -
2011	\$84,266	100%	\$ -
2012	\$96,040	100%	\$ -

## **TOWN OF FOSTER, RHODE ISLAND**

*Notes to Financial Statements*

*June 30, 2012*

### **POLICE OFFICERS**

<u><i>Fiscal Year</i></u>	<u><i>Annual Pension Cost (APC)</i></u>	<u><i>Percentage of APC Contributed</i></u>	<u><i>Net Pension Obligation</i></u>
2010	\$66,162	100%	\$ -
2011	\$73,884	100%	\$ -
2012	\$87,324	100%	\$ -

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

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

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

### ***Funded Status and Funding Progress***

Information on the funded status and funding progress of each plan as of June 30, 2011, the most recent actuarial valuation date, is as follows:

- **General Employees** – The plan was 81.3% funded. The actuarial accrued liability for benefits was \$3,647,658, and the actuarial value of assets was \$2,964,487, resulting in an unfunded actuarial accrued liability (UAAL) of \$683,171. The covered payroll (annual payroll of active employees covered by the plan) was \$1,190,587, and the ratio of the UAAL to covered payroll was 57.4%.

## **TOWN OF FOSTER, RHODE ISLAND**

*Notes to Financial Statements*

*June 30, 2012*

- **Police Officers** – The plan was 89.4% funded. The actuarial accrued liability for benefits was \$2,416,065, and the actuarial value of assets was \$2,158,922, resulting in an unfunded actuarial accrued liability (UAAL) of \$257,143. The covered payroll (annual payroll of active employees covered by the plan) was \$407,423, and the ratio of the UAAL to covered payroll was 63.1%.

The June 30, 2011 actuarial valuation used the same methods and assumptions described above under annual pension cost, except the investment rate of return was reduced to 7.5%; the projected salary increases were reduced to 4% for general employees and 4.25% for police/fire employees; and the amortization period for the UAAL has been changed to 25 years from June 30, 2010.

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

### ***Pension Reform Impacting Future Periods***

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

*Schedule of Funding Progress – Pension Plan and Other Post-Employment Benefit Plan*

*Budgetary Comparison Schedules – General Fund and School Unrestricted Fund*

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

**TOWN OF FOSTER, RHODE ISLAND**

*General Fund*

*Schedule of Revenues and Expenditures - Budget and Actual  
For the Fiscal Year Ended June 30, 2012*

	<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><u>Revenues</u></b>				
Real estate and personal property tax	\$ 11,032,441	\$ 11,032,441	\$ 11,167,906	\$ 135,465
Tax exemption 45-13-51	417	417	475	58
Hotel tax	17,000	17,000	12,178	(4,822)
Motor vehicle excise phase-out	65,000	65,000	68,286	3,286
Public utilities sharing	41,563	41,563	55,433	13,870
Housing aid	-	-	5,768	5,768
Licenses and permits	50,000	50,000	65,850	15,850
Building and zoning fees	28,000	28,000	32,589	4,589
Fines and interest on late payments	55,000	55,000	90,428	35,428
Interest on investments	2,000	2,000	1,914	(86)
Other revenues	53,500	53,500	58,857	5,357
<b><i>Total revenues</i></b>	<b>11,344,921</b>	<b>11,344,921</b>	<b>11,559,684</b>	<b>214,763</b>
<b><u>Other Financing Sources</u></b>				
Transfer from capital projects fund	279,500	279,500	279,500	-
<b><i>Total other financing sources</i></b>	<b>279,500</b>	<b>279,500</b>	<b>279,500</b>	<b>-</b>
<b><i>Total revenues and other financing sources</i></b>	<b>\$ 11,624,421</b>	<b>\$ 11,624,421</b>	<b>\$ 11,839,184</b>	<b>\$ 214,763</b>
<b><u>Expenditures</u></b>				
<b><i>Legislative, Judicial and General</i></b>				
<b><i>Administrative</i></b>				
Salaries	\$ 234,790	\$ 234,790	\$ 234,790	\$ -
Benefits	91,826	91,826	90,185	1,641
Town council expenses	250	250	633	(383)
Town clerk expenses	3,200	3,200	3,195	5
Board of canvassers expenses	1,000	1,000	1,503	(503)
Election expenses	-	-	641	(641)
Education expense	750	750	625	125
Municipal code maintenance expense	1,000	1,000	-	1,000
Equipment	2,750	2,750	3,167	(417)
Sealer of weights and measures	250	250	-	250
<b><i>Total legislative, judicial and general administrative</i></b>	<b>335,816</b>	<b>335,816</b>	<b>334,739</b>	<b>1,077</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, 2012*

	<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	130,962	130,962	130,962	-
Finance benefits	39,615	39,615	39,167	448
Finance department education	1,950	1,950	771	1,179
Finance department office expenses	2,650	2,650	2,487	163
Finance computer and support	3,202	3,202	3,202	-
Tax collector's postage/advertising	2,800	2,800	2,034	766
Assessor's salary	28,005	28,005	28,005	-
Assessor's benefits	4,437	4,437	4,438	(1)
Assessment review board	300	300	300	-
Assessor's education expense	345	345	115	230
Assessor's office supplies	1,055	1,055	1,084	(29)
Assessor's postage/tax bills	4,350	4,350	4,294	56
Assessor's travel	200	200	-	200
Assessor's computer and support	5,202	5,202	4,702	500
Unemployment compensation	12,500	12,500	7,831	4,669
FEMA credit	-	-	(739)	739
<b><i>Total finance administration</i></b>	<b><i>237,573</i></b>	<b><i>237,573</i></b>	<b><i>228,653</i></b>	<b><i>8,920</i></b>
<b><i>Miscellaneous Administration</i></b>				
Audit of town books	16,000	16,000	13,750	2,250
Electric	25,500	25,500	22,937	2,563
Heating fuel	27,750	27,750	10,481	17,269
Telephone	18,000	18,000	14,647	3,353
Purchased services/contract	24,950	24,950	25,995	(1,045)
Contingency	18,000	18,000	10,834	7,166
Benefits	27,213	27,213	23,985	3,228
Casualty and liability insurance	114,300	114,300	88,218	26,082
<b><i>Total miscellaneous administration</i></b>	<b><i>271,713</i></b>	<b><i>271,713</i></b>	<b><i>210,847</i></b>	<b><i>60,866</i></b>
<b><i>Health and Welfare</i></b>				
Human service director's salary	16,251	16,251	11,855	4,396
Benefits	2,590	2,590	916	1,674
Office expense	400	400	376	24
FTM increase	6,569	6,569	6,564	5
Travel	200	200	306	(106)
Gateway	2,524	2,524	2,524	-
Comprehensive Community Action	10,500	10,500	10,500	-
CAST	4,922	4,922	4,922	-
<b><i>Total health and welfare</i></b>	<b><i>43,956</i></b>	<b><i>43,956</i></b>	<b><i>37,963</i></b>	<b><i>5,993</i></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, 2012*

	<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>Public Safety</b>				
Police salaries	514,285	514,285	483,792	30,493
Dispatchers salaries	198,619	198,619	192,682	5,937
Police/dispatchers - benefits	281,019	281,019	241,668	39,351
Police - fuel and lube oil	28,700	28,700	33,146	(4,446)
Police - tires	1,000	1,000	428	572
Police - parts and repairs	10,000	10,000	9,654	346
Police radio maintenance	2,000	2,000	3,686	(1,686)
Police department operations	5,000	5,000	6,351	(1,351)
Police - computer services	11,000	11,000	19,647	(8,647)
Police uniforms	6,600	6,600	14,849	(8,249)
Police office expense	3,000	3,000	2,292	708
Police education allowance	7,200	7,200	2,455	4,745
Police new equipment	3,000	3,000	3,574	(574)
Unemployment compensation	700	700	70	630
Foster Ambulance Corps	61,500	61,500	61,500	-
South Foster Fire Company	49,756	49,756	49,756	-
Foster Center Fire Company	50,730	50,730	50,730	-
Moosup Valley Fire Company	55,646	55,646	55,646	-
Ambulance Corp. stipend	18,000	18,000	18,000	-
Public safety training	15,000	15,000	11,945	3,055
Engineering board	1,500	1,500	2,294	(794)
Dog officer - salary	15,190	15,190	15,249	(59)
Dog officer - fuel and lube oil	1,500	1,500	43	1,457
Dog officer - parts and repairs	750	750	1,201	(451)
Dog officer - benefits	7,806	7,806	7,738	68
Dog officer - uniforms	400	400	200	200
Pound fees	11,000	11,000	10,000	1,000
Civil defense	200	200	-	200
Federal grant credit	-	-	(3,123)	3,123
<b>Total public safety</b>	<b>1,361,101</b>	<b>1,361,101</b>	<b>1,295,473</b>	<b>65,628</b>
<b>Public Works</b>				
Salaries	324,217	324,217	296,959	27,258
Benefits	133,202	133,202	129,373	3,829
Professional services	2,500	2,500	4,064	(1,564)
Uniforms	5,000	5,000	5,193	(193)
Fuel and oil	42,000	42,000	27,735	14,265
Parts and repairs	37,500	37,500	39,832	(2,332)
Tires	4,000	4,000	8,145	(4,145)
Grader and plow blades	4,000	4,000	2,086	1,914
Sand and salt	64,000	64,000	14,215	49,785
Road oil	10,000	10,000	-	10,000

*(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, 2012*

	<i>Budgeted Amounts</i>		<i>Actual Amounts (Budgetary Basis)</i>	<i>Variance With Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
Asphalt mix	5,000	5,000	4,022	978
Welding	1,000	1,000	758	242
Rental equipment	1,000	1,000	100	900
Safety	500	500	1,202	(702)
Education expense	250	250	-	250
Radio repairs	1,000	1,000	878	122
Office supplies	500	500	915	(415)
Gravel	30,000	30,000	27,754	2,246
Buildings and grounds	22,000	22,000	81,311	(59,311)
Equipment	5,000	5,000	1,544	3,456
Pea stone	4,000	4,000	288	3,712
Pipe	5,000	5,000	4,631	369
Road signs	1,000	1,000	1,257	(257)
Other road material	1,000	1,000	80	920
Department operation expense	2,500	2,500	2,737	(237)
RI Resource Recovery	75,000	75,000	65,471	9,529
Disposal	213,900	213,900	217,042	(3,142)
Recycling program	1,500	1,500	683	817
FEMA credit	-	-	(25,752)	25,752
<b><i>Total public works</i></b>	<b><u>996,569</u></b>	<b><u>996,569</u></b>	<b><u>912,523</u></b>	<b><u>84,046</u></b>
<b><i>Building and Zoning</i></b>				
Salaries	33,633	33,633	30,147	3,486
Benefits	4,437	4,437	3,882	555
Department expense	4,775	4,775	5,738	(963)
<b><i>Total building and zoning</i></b>	<b><u>42,845</u></b>	<b><u>42,845</u></b>	<b><u>39,767</u></b>	<b><u>3,078</u></b>
<b><i>Planning</i></b>				
Salaries	29,023	29,023	29,023	-
Benefits	4,597	4,597	4,598	(1)
Education expense	550	550	165	385
Advertising/fees	800	800	-	800
Professional services	18,000	18,000	2,317	15,683
Office expense	1,000	1,000	825	175
Postage	300	300	128	172
Computer software	1,000	1,000	1,512	(512)
<b><i>Total planning</i></b>	<b><u>55,270</u></b>	<b><u>55,270</u></b>	<b><u>38,568</u></b>	<b><u>16,702</u></b>
<b><i>Conservation</i></b>				
Conservation commission	1,425	1,425	1,103	322
<b><i>Total conservation</i></b>	<b><u>1,425</u></b>	<b><u>1,425</u></b>	<b><u>1,103</u></b>	<b><u>322</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, 2012*

	<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>Recreation</b>				
Salaries	1,400	1,400	1,400	-
Mailing and advertising	1,000	1,000	503	497
Maintenance and repairs	4,100	4,100	4,090	10
Equipment and rental	1,700	1,700	1,139	561
Sports/activities	11,300	11,300	9,928	1,372
Senior citizens	3,000	3,000	3,000	-
<b>Total recreation</b>	<b>22,500</b>	<b>22,500</b>	<b>20,060</b>	<b>2,440</b>
<b>School</b>				
Regional operational	4,621,301	4,621,301	4,621,301	-
<b>Total school</b>	<b>4,621,301</b>	<b>4,621,301</b>	<b>4,621,301</b>	<b>-</b>
<b>Libraries</b>				
Libraries of Foster	140,219	140,219	140,219	-
<b>Total libraries</b>	<b>140,219</b>	<b>140,219</b>	<b>140,219</b>	<b>-</b>
<b>Land Trust</b>				
Land trust expenditures	2,850	2,850	2,788	62
<b>Total land trust</b>	<b>2,850</b>	<b>2,850</b>	<b>2,788</b>	<b>62</b>
<b>Capital Expenditures</b>				
Assessor	43,000	43,000	43,000	-
Police	26,500	26,500	26,472	28
Public works highway	85,000	85,000	85,000	-
Engineering Board	125,000	125,000	125,000	-
<b>Total capital expenditures</b>	<b>279,500</b>	<b>279,500</b>	<b>279,472</b>	<b>28</b>
<b>Total expenditures</b>	<b>8,412,638</b>	<b>8,412,638</b>	<b>8,163,476</b>	<b>249,162</b>
<b>Other Financing Uses</b>				
Transfer to school unrestricted fund	2,989,333	2,989,333	2,989,333	-
Transfer to capital projects fund	222,450	222,450	222,450	-
<b>Total other financing uses</b>	<b>3,211,783</b>	<b>3,211,783</b>	<b>3,211,783</b>	<b>-</b>
<b>Total expenditures and other financing uses</b>	<b>\$ 11,624,421</b>	<b>\$ 11,624,421</b>	<b>\$ 11,375,259</b>	<b>\$ 249,162</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, 2012*

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance With</i>
	<i>Original</i>	<i>Final</i>	<i>Amounts</i>	<i>Final Budget</i>
			<i>(Budgetary</i>	<i>Favorable</i>
			<i>Basis)</i>	<i>(Unfavorable)</i>
<b>Revenues</b>				
State aid	\$ 1,183,052	\$ 1,183,052	\$ 1,181,984	\$ (1,068)
Other revenues	38,654	38,654	56,004	17,350
<b>Total revenues</b>	1,221,706	1,221,706	1,237,988	16,282
<b>Expenditures</b>				
Education	4,211,039	4,211,039	4,280,531	(69,492)
<b>Total expenditures</b>	4,211,039	4,211,039	4,280,531	(69,492)
<b>Deficiency of revenues under expenditures before other financing sources</b>	(2,989,333)	(2,989,333)	(3,042,543)	(53,210)
<b>Other financing sources</b>				
Town appropriation	2,989,333	2,989,333	2,989,333	-
<b>Total other financing sources</b>	2,989,333	2,989,333	2,989,333	-
<b>Deficiency of revenues and other financing sources under expenditures</b>	\$ -	\$ -	(53,210)	\$ (53,210)
<b>Fund balance - beginning of year</b>			62,003	
<b>Fund balance - end of year</b>			\$ 8,793	

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

**TOWN OF FOSTER, RHODE ISLAND**

*Required Supplementary Information - Pension Plans and Other Post-Employment Benefit Plan  
Schedule of Funding Progress (1)  
"Unaudited"*

	<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL) -Entry Age</i>	<i>Unfunded Liability/ (Funding Excess)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>Unfunded Liability/ (Funding Excess) as a Percentage of Covered Payroll</i>
<b><i>Police Employees Pension Plan (2)</i></b>							
	6/30/09	\$ 2,166,398	\$ 2,611,328	\$ 444,930	83.0%	\$ 390,876	113.8%
	6/30/10	2,146,822	2,760,951	614,129	77.8%	387,309	158.6%
	6/30/11	2,158,922	2,416,065	257,143	89.4%	407,423	63.1%
<b><i>General Municipal Employees Pension Plan (2)</i></b>							
	6/30/09	2,861,484	3,325,353	463,869	86.1%	1,290,836	35.9%
	6/30/10	2,925,997	3,461,204	535,207	84.5%	1,259,454	42.5%
	6/30/11	2,964,487	3,647,658	683,171	81.3%	1,190,587	57.4%
<b><i>Other Post-Employment Benefit Plan</i></b>	7/1/09	-	780,502	780,502	0.0%	N/A	N/A

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

(2) The June 30, 2010 and 2011 actuarial valuation amounts reflect the comprehensive pension reform changes enacted by the Rhode Island General Assembly in November 2011. The original June 30, 2010 actuarial valuation amounts were revised to reflect the pension reform changes.



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

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

	<i>Other Postemployment Benefit Plan</i>	
Valuation date	7/1/2009	
Actuarial cost method	Entry Age Normal	
Amortization method	Level percent of payroll over a closed period	
Average amortization period	20.5 years - 18.5 years remaining	
Asset valuation method	Not applicable - the plan has no assets	
Actuarial assumptions:		
Investment rate of return	Not applicable	
Discount rate	4%	
Projected salary increases	3.50%	
Cost-of-living adjustments	Not applicable	
Participant information	Active employees	59
	Retirees and beneficiaries	<u>12</u>
		<u><u>71</u></u>

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

**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 2012. Appropriations which are not expended or encumbered lapse at year end.

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

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

<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)	\$11,839,184	\$4,227,321
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.	-	177,299
Capital lease proceeds are not reported as budgetary other financing sources, but are reported for financial reporting purposes.	75,005	-

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

<u><b>Revenues and Other Financing Sources</b></u>	<u><b>General Fund</b></u>	<u><b>School Unrestricted Fund</b></u>
Unbudgeted revenues not included for budgetary purposes, but included for financial reporting purposes.	36,602	-
<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>	<u><u>\$11,950,791</u></u>	<u><u>\$4,404,620</u></u>
	<u><b>General Fund</b></u>	<u><b>School Unrestricted Fund</b></u>
<u><b>Expenditures and Other Financing Uses</b></u>		
Actual amounts (budgetary basis)	\$11,375,259	\$4,280,531
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.	(44,644)	-
Unbudgeted expenditures not included for budgetary purposes, but included for financial reporting purposes.	39,119	-
Capital assets acquired by a capital lease are not reported as budgetary expenditures, but are current year expenditures for financial reporting purposes.	75,005	-
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.	-	177,299
<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><u>\$11,444,739</u></u>	<u><u>\$4,457,830</u></u>

**OTHER SUPPLEMENTARY INFORMATION**

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

**THIS SECTION CONTAINS THE FOLLOWING:**

*Combining Fund Financial Statements for Nonmajor Governmental Funds*

*Combining Fund Financial Statements for Fiduciary Funds*

*Other Supplementary Information*

**TOWN OF FOSTER, RHODE ISLAND**

*Nonmajor Governmental Funds*

*Combining Balance Sheet*

*June 30, 2012*

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	<i>Town Special Revenue Funds</i>	<i>School Special Revenue Funds</i>	<i>Total Nonmajor Governmental Funds</i>
<b>ASSETS</b>			
Cash	\$ 229,610	\$ 6,222	\$ 235,832
Due from federal and state governments	47,621	5,620	53,241
Due from other funds	33,439	14,769	48,208
Accounts receivable	40,357	-	40,357
<b>Total assets</b>	<b><u>\$ 351,027</u></b>	<b><u>\$ 26,611</u></b>	<b><u>\$ 377,638</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable and accrued expenses	40,657	13,797	54,454
Due to other funds	12,584	1,941	14,525
Deferred revenue	40,357	-	40,357
<b>Total liabilities</b>	<b><u>93,598</u></b>	<b><u>15,738</u></b>	<b><u>109,336</u></b>
 <b>Fund balances</b>			
Restricted for:			
Education programs	-	14,769	14,769
Historical records preservation	64,015	-	64,015
Health and welfare programs	8,097	-	8,097
Public safety programs	6,075	-	6,075
Other programs	14,502	-	14,502
Committed for:			
Townhouse maintenance	13,412	-	13,412
Recycling programs	8,104	-	8,104
Open space and conservation	143,224	-	143,224
Unassigned	-	(3,896)	(3,896)
<b>Total fund balances</b>	<b><u>257,429</u></b>	<b><u>10,873</u></b>	<b><u>268,302</u></b>
 <b>Total liabilities and fund balances</b>	 <b><u>\$ 351,027</u></b>	 <b><u>\$ 26,611</u></b>	 <b><u>\$ 377,638</u></b>

**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, 2012*

	<i>Town Special Revenue Funds</i>	<i>School Special Revenue Funds</i>	<i>Total Nonmajor Governmental Funds</i>
<b>Revenues</b>			
Intergovernmental and departmental revenue	\$ 167,795	\$ 223,726	\$ 391,521
Interest on investments	119	-	119
Other revenue	11,337	44,481	55,818
<b>Total revenues</b>	<u>179,251</u>	<u>268,207</u>	<u>447,458</u>
<b>Expenditures</b>			
Legislative, judicial and general administrative	20,834	-	20,834
Health and welfare	192,358	-	192,358
Public safety	21,000	-	21,000
Education	-	265,200	265,200
Food service	-	76,825	76,825
<b>Total expenditures</b>	<u>234,192</u>	<u>342,025</u>	<u>576,217</u>
<b>Net change in fund balance</b>	(54,941)	(73,818)	(128,759)
<b>Fund balances - beginning of year</b>	312,370	84,691	397,061
<b>Fund balances - end of year</b>	<u>\$ 257,429</u>	<u>\$ 10,873</u>	<u>\$ 268,302</u>

**TOWN OF FOSTER, RHODE ISLAND**

*Town Special Revenue Funds*

*Combining Balance Sheet*

*June 30, 2012*

	<i>Community Development Block Grant</i>	<i>Historical Records</i>	<i>Energy Grant</i>	<i>Technology Recording Fee</i>	<i>DARE</i>	<i>Townhouse Trust</i>
<b>ASSETS</b>						
Cash	\$ 2,829	\$ 15,811	\$ -	\$ 42,398	\$ 818	\$ 23,541
Due from federal and state governments	39,038	-	-	-	-	-
Due from other funds	1,020	-	-	9,807	-	-
Accounts receivable	40,357	-	-	-	-	-
<b>Total assets</b>	<b>\$ 83,244</b>	<b>\$ 15,811</b>	<b>\$ -</b>	<b>\$ 52,205</b>	<b>\$ 818</b>	<b>\$ 23,541</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable and accrued expenditures	40,058	-	-	-	-	-
Due to other funds	-	4,001	-	-	-	-
Deferred revenue	40,357	-	-	-	-	-
<b>Total liabilities</b>	<b>80,415</b>	<b>4,001</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances</b>						
Restricted for:						
Historical records preservation	-	11,810	-	52,205	-	-
Health and welfare programs	2,829	-	-	-	-	-
Public safety programs	-	-	-	-	818	-
Other programs	-	-	-	-	-	10,129
Committed for:						
Townhouse maintenance	-	-	-	-	-	13,412
Recycling programs	-	-	-	-	-	-
Open space and conservation	-	-	-	-	-	-
<b>Total fund balances</b>	<b>2,829</b>	<b>11,810</b>	<b>-</b>	<b>52,205</b>	<b>818</b>	<b>23,541</b>
<b>Total liabilities and fund balances</b>	<b>\$ 83,244</b>	<b>\$ 15,811</b>	<b>\$ -</b>	<b>\$ 52,205</b>	<b>\$ 818</b>	<b>\$ 23,541</b>

*(Continued)*

**TOWN OF FOSTER, RHODE ISLAND**

*Town Special Revenue Funds*

*Combining Balance Sheet (Continued)*

*June 30, 2012*

	<u>Payments in-Lieu of Land</u>	<u>EMA</u>	<u>Human Services Special Needs</u>	<u>RI Resource Recovery Grant</u>	<u>Police Grants</u>	<u>Total</u>
<b>ASSETS</b>						
Cash	\$ 125,869	\$ -	\$ 5,867	\$ 12,477	\$ -	\$ 229,610
Due from federal and state governments	-	-	-	-	8,583	47,621
Due from other funds	17,355	5,257	-	-	-	33,439
Accounts receivable	-	-	-	-	-	40,357
<b>Total assets</b>	<u>\$ 143,224</u>	<u>\$ 5,257</u>	<u>\$ 5,867</u>	<u>\$ 12,477</u>	<u>\$ 8,583</u>	<u>\$ 351,027</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable and accrued expenditures	-	-	599	-	-	40,657
Due to other funds	-	-	-	-	8,583	12,584
Deferred revenue	-	-	-	-	-	40,357
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>599</u>	<u>-</u>	<u>8,583</u>	<u>93,598</u>
<b>Fund balances</b>						
Restricted for:						
Historical records preservation	-	-	-	-	-	64,015
Health and welfare programs	-	-	5,268	-	-	8,097
Public safety programs	-	5,257	-	-	-	6,075
Other programs	-	-	-	4,373	-	14,502
Committed for:						
Townhouse maintenance	-	-	-	-	-	13,412
Recycling programs	-	-	-	8,104	-	8,104
Open space and conservation	143,224	-	-	-	-	143,224
<b>Total fund balances</b>	<u>143,224</u>	<u>5,257</u>	<u>5,268</u>	<u>12,477</u>	<u>-</u>	<u>257,429</u>
<b>Total liabilities and fund balances</b>	<u>\$ 143,224</u>	<u>\$ 5,257</u>	<u>\$ 5,867</u>	<u>\$ 12,477</u>	<u>\$ 8,583</u>	<u>\$ 351,027</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, 2012

	<i>Community Development Block Grant</i>	<i>Historical Records</i>	<i>Energy Grant</i>	<i>Technology Recording Fee</i>	<i>DARE</i>	<i>Townhouse Trust</i>
<b>Revenues</b>						
Intergovernmental and departmental revenues	\$ 104,371	\$ 1,035	\$ 17,270	\$ 5,228	\$ -	\$ -
Interest on investments	-	8	-	22	-	23
Other revenue	2,550	-	-	-	-	-
<b>Total revenues</b>	<u>106,921</u>	<u>1,043</u>	<u>17,270</u>	<u>5,250</u>	<u>-</u>	<u>23</u>
<b>Expenditures</b>						
Legislative, judicial and general administrative	-	3,564	17,270	-	-	-
Health and welfare	180,049	-	-	-	-	-
Public safety	-	-	-	-	-	-
<b>Total expenditures</b>	<u>180,049</u>	<u>3,564</u>	<u>17,270</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	(73,128)	(2,521)	-	5,250	-	23
<b>Fund balances - beginning of year</b>	75,957	14,331	-	46,955	818	23,518
<b>Fund balances - end of year</b>	<u>\$ 2,829</u>	<u>\$ 11,810</u>	<u>\$ -</u>	<u>\$ 52,205</u>	<u>\$ 818</u>	<u>\$ 23,541</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, 2012*

	<i>Payments in-Lieu of Land</i>	<i>EMA</i>	<i>Human Services Special Needs</i>	<i>RI Resource Recovery Grant</i>	<i>Police Grants</i>	<i>Total</i>
<b>Revenues</b>						
Intergovernmental and departmental revenues	\$ 9,345	\$ 4,500	\$ 9,078	\$ -	\$ 16,968	\$ 167,795
Interest on investments	66	-	-	-	-	119
Other revenue	-	-	8,787	-	-	11,337
<b>Total revenues</b>	<u>9,411</u>	<u>4,500</u>	<u>17,865</u>	<u>-</u>	<u>16,968</u>	<u>179,251</u>
<b>Expenditures</b>						
Legislative, judicial and general administrative	-	-	-	-	-	20,834
Health and welfare	-	-	12,309	-	-	192,358
Public safety	-	3,452	-	-	17,548	21,000
<b>Total expenditures</b>	<u>-</u>	<u>3,452</u>	<u>12,309</u>	<u>-</u>	<u>17,548</u>	<u>234,192</u>
<b>Net change in fund balance</b>	9,411	1,048	5,556	-	(580)	(54,941)
<b>Fund balances - beginning of year</b>	133,813	4,209	(288)	12,477	580	312,370
<b>Fund balances - end of year</b>	<u>\$ 143,224</u>	<u>\$ 5,257</u>	<u>\$ 5,268</u>	<u>\$ 12,477</u>	<u>\$ -</u>	<u>\$ 257,429</u>

**TOWN OF FOSTER, RHODE ISLAND**

*School Special Revenue Funds*

*Combining Balance Sheet*

*June 30, 2012*

	<u>Student Equity</u>	<u>Early Childhood</u>	<u>Professional Development</u>	<u>RILDPA</u>	<u>Title I</u>	<u>Title II</u>
<b>ASSETS</b>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
<b>Total assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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</b>						
Restricted	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
<b>Total fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 <b>Total liabilities and fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*(Continued)*

**TOWN OF FOSTER, RHODE ISLAND**  
*School Special Revenue Funds*  
*Combining Balance Sheet (Continued)*  
*June 30, 2012*

	<u>Title IARRA</u>	<u>Preschool</u>	<u>E2T2 Training Consortium</u>	<u>IDEA Part B</u>	<u>School Lunch</u>	<u>ARRA E2T2 Training Consortium</u>
<b>ASSETS</b>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ 6,222	\$ -
Due from federal and state governments	-	-	-	-	5,620	-
Due from other funds	-	-	-	-	-	-
<b>Total assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,842</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ 13,797	\$ -
Due to other funds	-	-	-	-	1,941	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,738</u>	<u>-</u>
<b>Fund balances</b>						
Restricted	-	-	-	-	-	-
Unassigned	-	-	-	-	(3,896)	-
<b>Total fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,896)</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,842</u>	<u>\$ -</u>

*(Continued)*

**TOWN OF FOSTER, RHODE ISLAND**

*School Special Revenue Funds*

*Combining Balance Sheet (Continued)*

*June 30, 2012*

	<i>RI Parent Information Network</i>	<i>Small Rural School Grant</i>	<i>ARRA JOBS Grant</i>	<i>State Fiscal Stabilization</i>	<i>Total</i>
<b>ASSETS</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ 6,222
Due from federal and state governments	-	-	-	-	5,620
Due from other funds	14,769	-	-	-	14,769
<b>Total assets</b>	<b>\$ 14,769</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 26,611</b>
 <b>LIABILITIES AND FUND BALANCES</b>					
<i>Liabilities</i>					
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ 13,797
Due to other funds	-	-	-	-	1,941
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,738</b>
 <i>Fund balances</i>					
Restricted	14,769	-	-	-	14,769
Unassigned	-	-	-	-	(3,896)
<b>Total fund balance</b>	<b>14,769</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,873</b>
 <b>Total liabilities and fund balances</b>	 <b>\$ 14,769</b>	 <b>\$ -</b>	 <b>\$ -</b>	 <b>\$ -</b>	 <b>\$ 26,611</b>

**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, 2012

	<u>Student Equity</u>	<u>Early Childhood</u>	<u>Professional Development</u>	<u>RILDPA</u>	<u>Title I</u>	<u>Title II</u>
<b>Revenues</b>						
Intergovernmental and departmental revenues	\$ -	\$ -	\$ -	\$ -	\$ 41,202	\$ 21,686
Other revenue	-	-	-	-	-	-
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,202</u>	<u>21,686</u>
<b>Expenditures</b>						
Education	34,208	985	2,738	15,268	41,202	21,686
Food service	-	-	-	-	-	-
<b>Total expenditures</b>	<u>34,208</u>	<u>985</u>	<u>2,738</u>	<u>15,268</u>	<u>41,202</u>	<u>21,686</u>
<b>Net change in fund balance</b>	(34,208)	(985)	(2,738)	(15,268)	-	-
<b>Fund balances - beginning of year</b>	34,208	985	2,738	15,268	-	-
<b>Fund balances - end of year</b>	<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, 2012

	<u>Title IARRA</u>	<u>Preschool</u>	<u>E2T2 Training Consortium</u>	<u>IDEA Part B</u>	<u>School Lunch</u>	<u>ARRA E2T2 Training Consortium</u>
<b>Revenues</b>						
Intergovernmental and departmental revenues	\$ 11,744	\$ 7,168	\$ 8,000	\$ 93,485	\$ 30,887	\$ 8,000
Other revenue	-	-	-	-	44,481	-
<b>Total revenues</b>	<u>11,744</u>	<u>7,168</u>	<u>8,000</u>	<u>93,485</u>	<u>75,368</u>	<u>8,000</u>
<b>Expenditures</b>						
Education	11,744	7,168	8,000	93,485	-	8,000
Food service	-	-	-	-	76,825	-
<b>Total expenditures</b>	<u>11,744</u>	<u>7,168</u>	<u>8,000</u>	<u>93,485</u>	<u>76,825</u>	<u>8,000</u>
<b>Net change in fund balance</b>	-	-	-	-	(1,457)	-
<b>Fund balances - beginning of year</b>	-	-	-	-	(2,439)	-
<b>Fund balances - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,896)</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, 2012

	<u>RI Parent Information Network</u>	<u>Small Rural School Grant</u>	<u>ARRA JOBS Grant</u>	<u>State Fiscal Stabilization</u>	<u>Total</u>
<b>Revenues</b>					
Intergovernmental and departmental revenues	\$ -	\$ -	\$ 876	\$ 678	\$ 223,726
Other revenue	-	-	-	-	44,481
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>876</u>	<u>678</u>	<u>268,207</u>
<b>Expenditures</b>					
Education	-	19,162	876	678	265,200
Food service	-	-	-	-	76,825
<b>Total expenditures</b>	<u>-</u>	<u>19,162</u>	<u>876</u>	<u>678</u>	<u>342,025</u>
<b>Net change in fund balance</b>	-	(19,162)	-	-	(73,818)
<b>Fund balances - beginning of year</b>	14,769	19,162	-	-	84,691
<b>Fund balances - end of year</b>	<u>\$ 14,769</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,873</u>

**TOWN OF FOSTER, RHODE ISLAND**

*Combining Statement of Net Assets*

*Agency Funds*

*June 30, 2012*

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	<u><i>Mageira Performance Bond</i></u>	<u><i>Student Activity Funds</i></u>	<u><i>Probate Escrow Fund</i></u>	<u><i>Total Agency Funds</i></u>
<b><i>Assets</i></b>				
Cash	<u>\$ 540</u>	<u>\$ 3,361</u>	<u>\$ 20,814</u>	<u>\$ 24,715</u>
<b><i>Total assets</i></b>	<u>\$ 540</u>	<u>\$ 3,361</u>	<u>\$ 20,814</u>	<u>\$ 24,715</u>
<b><i>Liabilities</i></b>				
Deposits held in custody for others	<u>\$ 540</u>	<u>\$ 3,361</u>	<u>\$ 20,814</u>	<u>\$ 24,715</u>
<b><i>Total liabilities</i></b>	<u>\$ 540</u>	<u>\$ 3,361</u>	<u>\$ 20,814</u>	<u>\$ 24,715</u>

**TOWN OF FOSTER, RHODE ISLAND**  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Fiscal Year Ended June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>MAGEIRA PERFORMANCE BOND</b>				
<i>Assets</i>				
Cash	\$ 540	\$ -	\$ -	\$ 540
<b>Total assets</b>	<u>\$ 540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 540</u>
<i>Liabilities</i>				
Deposits held in custody for others	540	-	-	540
<b>Total liabilities</b>	<u>\$ 540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 540</u>
<b>STUDENT ACTIVITY FUND</b>				
<i>Assets</i>				
Cash	\$ 2,694	\$ 2,826	\$ 2,159	\$ 3,361
<b>Total assets</b>	<u>\$ 2,694</u>	<u>\$ 2,826</u>	<u>\$ 2,159</u>	<u>\$ 3,361</u>
<i>Liabilities</i>				
Deposits held in custody for others	\$ 2,694	\$ 2,826	\$ 2,159	\$ 3,361
<b>Total liabilities</b>	<u>\$ 2,694</u>	<u>\$ 2,826</u>	<u>\$ 2,159</u>	<u>\$ 3,361</u>
<b>PROBATE ESCROW ACCOUNT</b>				
<i>Assets</i>				
Cash	\$ 20,793	\$ 21	\$ -	\$ 20,814
<b>Total assets</b>	<u>\$ 20,793</u>	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ 20,814</u>
<i>Liabilities</i>				
Deposits held in custody for others	20,793	21	-	20,814
<b>Total liabilities</b>	<u>\$ 20,793</u>	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ 20,814</u>
<b>TOTAL AGENCY FUNDS</b>				
<i>Assets</i>				
Cash	\$ 24,027	\$ 2,847	\$ 2,159	\$ 24,715
<b>Total assets</b>	<u>\$ 24,027</u>	<u>\$ 2,847</u>	<u>\$ 2,159</u>	<u>\$ 24,715</u>
<i>Liabilities</i>				
Deposits held in custody for others	24,027	2,847	2,159	24,715
<b>Total liabilities</b>	<u>\$ 24,027</u>	<u>\$ 2,847</u>	<u>\$ 2,159</u>	<u>\$ 24,715</u>

**TOWN OF FOSTER, RHODE ISLAND**

*Tax Collector's Annual Report*

*For the Fiscal Year Ended June 30, 2012*

**Real Estate and Personal Property Taxes**

<i>Fiscal Year End</i>	<i>Balance 6/30/2011</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 6/30/2012</i>
2012	\$ -	\$ 11,221,591	\$ 51,727	\$ 42,113	\$ (8,706)	\$ 11,222,499	\$ 10,937,562	\$ 284,937
2011	307,260	-	-	1,143	12,081	318,198	265,462	52,736
2010	29,772	-	-	1,513	427	28,686	9,909	18,777
2009	28,317	-	-	4,644	(1)	23,672	2,962	20,710
2008	17,897	-	-	3,726	128	14,299	141	14,158
2007	15,351	-	-	1,307	(132)	13,912	-	13,912
2006	14,737	-	-	1,103	159	13,793	16	13,777
2005	9,232	-	-	-	33	9,265	-	9,265
2004	9,432	-	-	-	-	9,432	-	9,432
2003	7,887	-	-	7,549	-	338	-	338
2002	252	-	-	-	(111)	141	-	141
2001	(736)	-	-	-	1,307	571	-	571
2000	389	-	-	-	5	394	-	394
1999	(20)	-	-	(20)	-	-	-	-
1998 and prior	2,003	-	-	-	(2,003)	-	-	-
	<u>\$ 441,773</u>	<u>\$ 11,221,591</u>	<u>\$ 51,727</u>	<u>\$ 63,078</u>	<u>\$ 3,187</u>	<u>\$ 11,655,200</u>	<u>\$ 11,216,052</u>	<u>\$ 439,148</u>

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

<i>Description of Property</i>	<i>Net Assessed Valuations</i>	<i>Levy</i>
Real Property - Residential	\$ 586,684,990	\$ 10,313,922
Motor Vehicles	46,473,267	1,717,188
Tangible and Personal Property	8,854,074	213,914
<b>Total</b>	<u>642,012,331</u>	<u>12,245,024</u>
Exemptions and frozen property	(16,855,973)	(1,023,433)
<b>Net assessed value</b>	<u>\$ 625,156,358</u>	<u>\$ 11,221,591</u>

**Reconciliation of Current Year Property Tax Revenue**

Current year collections	\$ 11,216,052
<u>Adjustments and reversals</u>	
Add: Revenue collected 60 days subsequent to fiscal year ending June 30, 2012	55,428
Less: Prior year revenue collected 60 days subsequent to fiscal year ended June 30, 2011	(79,192)
Prepaid taxes	(20,447)
Refunds	(3,935)
<b>Current year property tax revenue</b>	<u>\$ 11,167,906</u>

## **STATISTICAL SECTION**

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

# Statistical Section

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

<b><u>Contents</u></b>	<b><u>Page(s)</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the Town's financial position has changed over time.	<b>72-75</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader understand and assess the factors affecting the Town's ability to generate its most significant local revenue sources, the real and personal property tax .	<b>76-79</b>
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	<b>80-84</b>
<b>Economic and Demographic Information</b> These schedules offer economic and demographic indicators to help the reader understand the environment within which the Town's financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	<b>85-86</b>
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	<b>87-89</b>

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

**Schedule 1**

**Town of Foster, Rhode Island  
 Net assets by Component,  
 Last Nine Fiscal Years  
 (accrual basis of accounting)  
 Unaudited**

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Primary Government									
Governmental activities									
Invested in capital assets, net of related debt	\$ 8,141,662	\$ 7,818,191	\$ 7,554,654	\$ 7,619,259	\$ 7,857,376	\$ 7,753,237	\$ 7,187,242	\$ 6,571,739	\$ 6,413,271
Restricted	2,744,263	2,160,845	2,754,266	2,458,707	1,849,009	1,454,828	1,270,601	892,321	689,185
Unrestricted	1,019,069	1,193,936	1,188,117	990,677	59,436	94,934	248,718	768,248	1,314,245
Total governmental activities net assets	<u>\$ 11,904,994</u>	<u>\$ 11,172,972</u>	<u>\$ 11,497,037</u>	<u>\$ 11,068,643</u>	<u>\$ 9,765,821</u>	<u>\$ 9,302,999</u>	<u>\$ 8,706,561</u>	<u>\$ 8,232,308</u>	<u>\$ 8,416,701</u>

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

**Source:** Town of Foster Audited Financial Statements

## Schedule 2

**Town of Foster, Rhode Island**  
**Changes in Net Assets, Last Nine Fiscal Years**  
**(accrual basis of accounting)**  
**Unaudited**

	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>									
Governmental activities:									
Legislative, judicial and general administrative	\$ 607,225	\$ 440,374	\$ 867,567	\$ 1,075,154	\$ 1,035,557	\$ 1,126,194	\$ 1,009,170	\$ 1,012,984	\$ 962,574
Health and Welfare	422,961	512,292	372,732	408,234	442,529	510,792	412,545	116,495	230,321
Public safety	1,147,883	1,104,600	1,101,109	1,386,698	1,486,792	1,482,617	1,805,354	1,763,769	1,366,395
Public works	805,567	825,897	579,346	841,178	1,456,055	890,676	1,112,606	1,112,112	1,024,113
Building and Zoning	41,983	39,448	41,013	50,392	51,663	47,824	51,725	50,027	39,767
Planning	48,761	49,767	32,860	33,299	84,255	85,750	70,704	65,832	38,568
Conservation	1,438	2,152	2,172	1,130	2,306	2,449	1,086	714	1,103
Recreation	46,564	31,787	65,544	43,017	58,407	65,514	59,294	30,031	25,100
Education	7,075,589	7,446,108	7,678,749	8,234,752	8,748,262	9,348,134	9,420,374	9,495,482	9,437,358
Food Services	96,497	95,391	88,411	86,708	69,428	68,789	64,026	65,054	76,825
Libraries	117,084	117,084	128,511	145,188	151,901	156,610	140,219	133,208	140,219
Total governmental activities expenses	<u>\$ 10,411,552</u>	<u>\$ 10,664,900</u>	<u>\$ 10,958,014</u>	<u>\$ 12,305,750</u>	<u>\$ 13,587,155</u>	<u>\$ 13,785,349</u>	<u>\$ 14,147,103</u>	<u>\$ 13,845,708</u>	<u>\$ 13,342,343</u>
<b>Program Revenues</b>									
Governmental activities:									
Charges for services:									
Legislative, judicial and general administrative	\$ 87,827	\$ 189,331	\$ 83,431	\$ 109,165	\$ 88,138	\$ 112,366	\$ 79,756	\$ 77,043	\$ 89,568
Health and Welfare	-	-	11,690	2,390	12,662	3,032	2,993	3,547	42,907
Public safety	45,706	22,536	50,736	67,426	53,321	56,856	46,019	52,578	28,530
Public works	-	-	-	-	-	-	-	-	5,226
Building and Zoning	111,232	50,448	108,054	69,140	41,624	39,833	46,737	34,995	32,589
Planning	3,532	7,996	24,355	25,447	24,030	-	-	-	-
Recreation	-	-	-	-	25,503	1,135	11,393	4,576	1,753
Education	-	-	26,925	23,871	7,911	10,516	19,767	50,914	56,004
Food Services	94,390	97,474	53,975	48,702	50,286	43,717	37,096	36,416	44,481
Operating grants and contributions:									
Legislative, judicial and general administrative	52,765	18,275	57,967	50,570	-	11,880	-	31,667	18,009
Health and Welfare	123,673	112,084	100,525	88,800	84,310	166,356	81,151	60,229	122,236
Public safety	21,365	6,964	36,603	58,273	37,018	94,177	44,354	16,244	24,591
Public works	-	22,941	56,820	-	3,841	33,571	291,408	19,589	25,752
Recreation	-	-	-	-	18,213	11,375	3,846	-	-
Planning	-	-	-	-	-	-	-	13,545	-
Education	1,644,038	1,630,447	1,633,010	1,696,003	1,739,138	1,680,495	1,591,304	1,894,790	1,557,890
Food Services	-	-	25,741	23,879	19,795	19,088	19,467	25,665	30,887
Capital grants and contributions:									
Health and Welfare	-	2,581	-	-	-	-	-	-	-
Public safety	-	71,533	-	-	-	-	13,389	37,922	-
Public works	-	-	-	-	-	30,000	21,023	-	-
Recreation	-	-	-	-	75,000	-	-	-	-
Total governmental activities program revenues	<u>\$ 2,184,528</u>	<u>\$ 2,232,610</u>	<u>\$ 2,269,832</u>	<u>\$ 2,263,666</u>	<u>\$ 2,280,790</u>	<u>\$ 2,314,397</u>	<u>\$ 2,309,703</u>	<u>\$ 2,359,720</u>	<u>\$ 2,080,423</u>
<b>Total primary government net expense</b>	<u><b>\$ (8,227,024)</b></u>	<u><b>\$ (8,432,290)</b></u>	<u><b>\$ (8,688,182)</b></u>	<u><b>\$ (10,042,084)</b></u>	<u><b>\$ (11,306,365)</b></u>	<u><b>\$ (11,470,952)</b></u>	<u><b>\$ (11,837,400)</b></u>	<u><b>\$ (11,485,988)</b></u>	<u><b>\$ (11,261,920)</b></u>
<b>General Revenues and Other Changes in Net Assets</b>									
Governmental activities:									
Property taxes, levied for general purposes	\$ 7,264,546	\$ 7,367,545	\$ 7,878,820	\$ 8,262,363	\$ 8,699,129	\$ 9,924,717	\$ 10,407,479	\$ 10,865,982	\$ 11,282,490
Unrestricted investment earnings	110,579	121,179	80,694	135,913	136,655	27,872	5,070	2,250	2,616
Other general revenues	935,132	912,658	1,052,733	1,215,414	1,167,759	1,055,541	828,413	143,503	161,207
Total primary government	<u>\$ 8,310,257</u>	<u>\$ 8,401,382</u>	<u>\$ 9,012,247</u>	<u>\$ 9,613,690</u>	<u>\$ 10,003,543</u>	<u>\$ 11,008,130</u>	<u>\$ 11,240,962</u>	<u>\$ 11,011,735</u>	<u>\$ 11,446,313</u>
<b>Change in Net Assets</b>									
Governmental activities:									
Total primary government	<u>\$ 83,233</u>	<u>\$ (30,908)</u>	<u>\$ 324,065</u>	<u>\$ (428,394)</u>	<u>\$ (1,302,822)</u>	<u>\$ (462,822)</u>	<u>\$ (596,438)</u>	<u>\$ (474,253)</u>	<u>\$ 184,393</u>

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

Source: Town of Foster Audited Financial Statements

Schedule 3

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Fund</b>										
Reserved	\$ 41,797	\$ 75,686	\$ 57,169	\$ 215,354	\$ 324,771	\$ 153,470	\$ 148,568	\$ 76,748	\$ -	\$ -
Unreserved	2,090,028	861,311	916,518	1,048,051	873,576	15,998	(44,553)	146,681	-	-
Nonspendable	-	-	-	-	-	-	-	-	44,533	43,814
Committed	-	-	-	-	-	-	-	-	612,166	1,121,454
Assigned	-	-	-	-	-	-	-	-	30,535	28,018
Unassigned	-	-	-	-	-	-	-	-	-	-
Total general fund	<u>\$ 2,131,825</u>	<u>\$ 936,997</u>	<u>\$ 973,687</u>	<u>\$ 1,263,405</u>	<u>\$ 1,198,347</u>	<u>\$ 169,468</u>	<u>\$ 104,015</u>	<u>\$ 223,429</u>	<u>\$ 687,234</u>	<u>\$ 1,193,286</u>
<b>Education</b>										
Reserved	\$ 101,631	\$ 191,699	\$ -	\$ 45,361	\$ 47,443	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	(27,374)	30,378	54,025	170,225	170,425	200,043	208,711	166,663	-	-
Nonspendable	-	-	-	-	-	-	-	-	3,217	-
Restricted	-	-	-	-	-	-	-	-	58,786	8,793
Total education fund	<u>\$ 74,257</u>	<u>\$ 222,077</u>	<u>\$ 54,025</u>	<u>\$ 215,586</u>	<u>\$ 217,868</u>	<u>\$ 200,043</u>	<u>\$ 208,711</u>	<u>\$ 166,663</u>	<u>\$ 62,003</u>	<u>\$ 8,793</u>
<b>Capital Projects Funds</b>										
Unreserved	\$ 760,775	\$ 2,037,104	\$ 1,855,643	\$ 2,043,158	\$ 1,679,466	\$ 1,221,785	\$ 785,235	\$ 736,645	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	589,053	532,577
Total Capital Projects fund	<u>\$ 760,775</u>	<u>\$ 2,037,104</u>	<u>\$ 1,855,643</u>	<u>\$ 2,043,158</u>	<u>\$ 1,679,466</u>	<u>\$ 1,221,785</u>	<u>\$ 785,235</u>	<u>\$ 736,645</u>	<u>\$ 589,053</u>	<u>\$ 532,577</u>
<b>All Other Governmental Funds</b>										
Reserved:										
Special revenue funds	\$ 157,584	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	132,702	314,814	248,033	359,805	365,596	383,782	488,187	405,300	-	-
Restricted	-	-	-	-	-	-	-	-	244,482	107,458
Committed	-	-	-	-	-	-	-	-	155,306	164,740
Unassigned	-	-	-	-	-	-	-	-	(2,727)	(3,896)
Total all other governmental funds	<u>\$ 290,286</u>	<u>\$ 314,814</u>	<u>\$ 248,033</u>	<u>\$ 359,805</u>	<u>\$ 365,596</u>	<u>\$ 383,782</u>	<u>\$ 488,187</u>	<u>\$ 405,300</u>	<u>\$ 397,061</u>	<u>\$ 268,302</u>

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

Source: Town of Foster Audited Financial Statements

Schedule 4

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
General property taxes	\$ 6,683,186	\$ 7,286,639	\$ 7,414,157	\$ 7,935,653	\$ 8,180,828	\$ 8,671,529	\$ 9,806,090	\$ 10,317,293	\$ 10,779,060	\$ 11,167,906
Intergovernmental and departmental revenue	2,535,134	2,697,218	2,778,954	2,951,604	3,191,398	3,094,718	3,079,446	2,849,150	2,213,391	1,924,311
Licenses and fees	178,714	277,013	267,070	240,720	226,129	190,949	173,082	182,566	192,372	188,867
Interest on investments	36,783	36,157	46,529	80,693	135,913	136,655	27,872	5,070	2,250	2,616
Other revenues	396,292	280,255	230,026	179,752	110,166	229,959	166,420	154,207	188,375	175,905
<b>Total revenues</b>	<b>\$ 9,830,109</b>	<b>\$ 10,577,282</b>	<b>\$ 10,736,736</b>	<b>\$ 11,388,422</b>	<b>\$ 11,844,434</b>	<b>\$ 12,323,810</b>	<b>\$ 13,252,910</b>	<b>\$ 13,508,286</b>	<b>\$ 13,375,448</b>	<b>\$ 13,459,605</b>
<b>Expenditures</b>										
Legislative, Judicial and general administrative	\$ 278,567	\$ 282,504	\$ 289,988	\$ 348,470	\$ 428,867	\$ 368,178	\$ 396,188	\$ 356,276	\$ 387,400	\$ 355,573
Financial Administration	167,713	170,584	163,171	211,329	253,008	252,432	235,719	242,169	241,963	229,392
Miscellaneous Administration	71,530	73,685	99,974	119,173	307,650	191,239	273,910	250,997	231,064	210,847
Health and Welfare	325,439	422,427	513,652	407,275	408,584	442,529	510,792	412,545	116,495	230,321
Public Safety	918,194	966,583	1,022,272	986,216	1,279,366	1,380,447	1,387,982	1,330,506	1,345,703	1,319,596
Public Works	589,069	606,544	631,506	475,938	691,686	829,703	765,772	943,338	938,080	943,501
Building and Zoning	39,705	39,604	40,471	41,013	50,392	51,663	47,824	51,725	50,027	39,767
Planning	30,907	35,774	55,023	32,860	17,799	84,255	70,250	70,704	65,832	38,568
Conservation	1,196	1,438	2,152	2,172	1,130	2,306	2,449	1,086	714	1,103
Recreation	19,682	30,564	31,137	33,601	34,424	70,479	64,753	58,533	29,270	24,339
Education	6,605,984	7,013,278	7,410,610	7,583,386	8,079,203	8,727,508	9,275,675	9,344,059	9,385,056	9,344,331
Food Services	96,388	96,497	95,391	88,411	86,708	69,428	68,789	64,026	65,054	76,825
Libraries	117,084	117,084	117,084	128,511	145,188	151,901	156,610	140,219	133,208	140,219
Land Trust	1,991	2,639	4,951	5,304	5,419	5,533	5,280	2,524	2,547	2,788
Capital Outlay	394,731	479,394	471,099	132,697	549,974	1,249,682	379,847	293,690	179,721	309,833
Principal	40,000	40,000	40,000	40,000	-	-	-	-	-	-
Interest	10,460	7,490	4,500	1,500	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 9,708,640</b>	<b>\$ 10,386,089</b>	<b>\$ 10,992,981</b>	<b>\$ 10,637,856</b>	<b>\$ 12,339,398</b>	<b>\$ 13,877,283</b>	<b>\$ 13,641,840</b>	<b>\$ 13,562,397</b>	<b>\$ 13,172,134</b>	<b>\$ 13,267,003</b>
Excess of revenues over (under) expenditures	\$ 121,469	\$ 191,193	\$ (256,245)	\$ 750,566	\$ (494,964)	\$ (1,553,473)	\$ (388,930)	\$ (54,111)	\$ 203,314	\$ 192,602
<b>Other Financing Sources (uses)</b>										
Proceeds from lease	\$ -	\$ -	\$ -	\$ -	\$ 74,287	\$ 67,274	\$ -	\$ -	\$ -	\$ 75,005
Transfers from other funds	2,990,992	4,860,643	3,578,157	5,256,142	5,020,725	5,372,683	5,520,260	4,882,000	3,588,607	3,491,283
Transfers to other funds	(2,993,492)	(4,860,643)	(3,578,157)	(5,256,142)	(5,020,725)	(5,372,683)	(5,520,260)	(4,882,000)	(3,588,607)	(3,491,283)
<b>Total other financing sources (uses)</b>	<b>(2,500)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74,287</b>	<b>67,274</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75,005</b>
<b>Net change in fund balances</b>	<b>\$ 118,969</b>	<b>\$ 191,193</b>	<b>\$ (256,245)</b>	<b>\$ 750,566</b>	<b>\$ (420,677)</b>	<b>\$ (1,486,199)</b>	<b>\$ (388,930)</b>	<b>\$ (54,111)</b>	<b>\$ 203,314</b>	<b>\$ 267,607</b>
Debt service as a percentage of noncapital expenditures	2.0%	1.8%	1.5%	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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

**Schedule 5**

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

Fiscal Year Ended June 30,	Real Property Assessed Value	Personal Property Assessed Value	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value	Total Assessed Value Before Exemptions
2003	\$ 148,787,085	\$ 30,531,080	\$ 12,034,953	\$ 167,283,212	\$ 40.20	\$ 307,505,904	54.40%	\$ 179,318,165
2004	\$ 441,424,855	\$ 34,735,277	\$ 12,381,229	\$ 463,778,903	14.20	\$ 486,958,109	95.24%	\$ 476,160,132
2005	\$ 450,161,256	\$ 36,450,788	\$ 12,935,749	\$ 473,676,295	14.10	\$ 497,350,163	95.24%	\$ 486,612,044
2006	\$ 489,847,045	\$ 41,726,645	\$ 15,113,214	\$ 516,460,476	14.75	\$ 542,557,491	95.19%	\$ 531,573,690
2007	\$ 680,214,030	\$ 46,545,864	\$ 20,212,335	\$ 706,547,559	11.24	\$ 726,759,894	97.22%	\$ 726,759,894
2008	\$ 686,549,707	\$ 47,389,999	\$ 20,490,135	\$ 713,449,571	11.79	\$ 713,449,571	100.00%	\$ 733,939,706
2009	\$ 689,960,787	\$ 49,959,123	\$ 21,086,252	\$ 718,833,658	13.52	\$ 718,833,658	100.00%	\$ 739,919,910
2010	\$ 583,622,371	\$ 45,607,546	\$ 22,123,225	\$ 607,106,692	17.12	\$ 607,106,682	100.00%	\$ 629,229,917
2011	\$ 585,621,440	\$ 52,958,176	\$ 26,354,397	\$ 612,225,219	17.58	\$ 612,225,219	100.00%	\$ 638,579,616
2012	\$ 586,684,991	\$ 55,327,341	\$ 16,855,973	\$ 625,156,359	17.58	\$ 625,156,358	100.00%	\$ 642,012,332

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

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

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

**Schedule 6**

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

<u>Fiscal Year</u>	<u>General Fund</u>
2003	\$40.20
2004	\$14.20
2005	\$14.10
2006	\$14.75
2007	\$11.24
2008	\$11.79
2009	\$13.52
2010	\$17.12
2011	\$17.58
2012	\$17.58

**Note:**

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

Schedule 7

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

Taxpayer	2012				2003			
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxes Assessed	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxes Assessed
City of Providence (PWSB)	\$ 18,866,500	1	3.02%	\$ 331,673	\$ 20,914,700	1	4.19%	\$ 297,825
Providence Public Buildings Authority (PWSB)	8,422,700	2	1.35%	\$ 148,071	6,484,900	3	1.30%	\$ 92,345
Narragansett Electric	7,833,452 a)	3	1.25%	\$ 164,731	a) 6,499,170	2	1.30%	\$ 92,548
Foster Country Club (Tykamac Ent. LLC)	2,659,000	4	0.43%	\$ 46,745	a) 3,473,900	4	0.70%	\$ 49,468
Foster Senior Housing	1,314,600	5	0.21%	\$ 23,111	1,309,200	6	0.26%	\$ 18,643
Ginny B Inc	1,313,100	6	0.21%	\$ 23,084	a) 1,159,600	7	0.23%	\$ 16,513
Walker, Muriel	914,700	7	0.15%	\$ 16,080	842,400	9	0.17%	\$ 11,996
Nelson, Robert & Wendy	881,900	8	0.14%	\$ 15,504	761,600	11	0.15%	\$ 10,845
Hawkins, John & Bertha	849,400	9	0.14%	\$ 14,932				
Roxannes Holdings LLC	809,900	10	0.13%	\$ 14,238				
Pollard, Scott M & Elisa M	801,400	11	0.13%	\$ 14,089				
Costa, David & Lisa	787,000	12	0.13%	\$ 13,835	964,100	7	0.19%	\$ 13,729
Stout, Winifred					845,800	8	0.17%	\$ 12,044
Campbell, Bruce					776,200	10	0.16%	\$ 11,053
Femino, John & Leclair, Diane					682,200	12	0.14%	\$ 9,715
Totals	<u>\$ 45,453,652</u>		<u>7.29%</u>	<u>\$ 826,094</u>	<u>\$ 44,713,770</u>		<u>8.96%</u>	<u>\$ 636,724</u>

Note: The amounts presented represent the assessed values upon which 2012 and 2003 collections were based

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

a) Includes tangible or motor vehicle assessment also

Total Assessed Value	\$625,156,358	\$498,576,392
Tax Rate	\$17.58	\$14.24

**Schedule 8**

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 6,657,161	\$ 6,402,395	96.2%	\$ 243,890	\$ 6,646,285	99.8%
2004	7,276,528	7,025,891	96.6%	235,149	7,261,040	99.8%
2005	7,352,142	7,173,582	97.6%	166,452	7,340,034	99.8%
2006	7,843,650	7,694,094	98.1%	135,281	7,829,375	99.8%
2007	8,225,871	8,026,140	97.6%	182,423	8,208,563	99.8%
2008	8,657,612	8,435,912	97.4%	149,698	8,585,610	99.2%
2009	9,879,531	9,647,829	97.7%	212,017	9,859,846	99.8%
2010	10,345,673	10,115,442	97.8%	228,272	10,343,714	100.0%
2011	10,766,802	10,552,426	98.0%	187,732	10,740,158	99.8%
2012	11,221,591	10,971,590	97.8%	-	10,971,590	97.8%

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

**Source: Town of Foster - Tax Collector**

**Schedule 9**

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

Fiscal Year	Governmental Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Loan Payable	Capital Lease			
2003	\$ 120,000	\$ 100,000	\$ 253,893	\$ 473,893	0.50% (a)	\$ 111
2004	80,000	100,000	127,545	307,545	0.32% (a)	72
2005	40,000	-	-	40,000	0.04% (a)	9
2006	-	-	-	-	0.00% (a)	-
2007	-	-	47,879	47,879	0.05% (a)	11
2008	-	-	68,311	68,311	0.07% (a)	16
2009	-	-	22,401	22,401	0.02% (a)	5
2010	-	-	24,060	24,060	0.03% (a)	6
2011	-	-	-	-	0.00% (b)	-
2012	-	-	48,533	48,533	0.05% (b)	11

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

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

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

**Schedule 10**

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

Fiscal Year	General Bonded Debt Outstanding		Percentage of Actual Taxable Value (a) of Property	Per Capita (b)
	General Obligation Bonds	Total		
2003	\$ 120,000	\$ 120,000	0.07%	\$ 28.08
2004	80,000	80,000	0.02%	18.72
2005	40,000	40,000	0.01%	9.36
2006	-	-	0.00%	-
2007	-	-	0.00%	-
2008	-	-	0.00%	-
2009	-	-	0.00%	-
2010	-	-	0.00%	-
2011	-	-	0.00%	-
2012	-	-	0.00%	-

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

(a) Actual taxable value equals gross assessed value less exemptions.

(b) Population data can be found in Schedule 14.

**Schedule 11**

**Town of Foster, Rhode Island  
 Direct and Overlapping Governmental Activities Debt  
 As of June 30, 2012  
 Unaudited**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes Foster-Glocester Regional School District (a)	\$ 50,075,000	35.72% (a)	\$ 17,886,790
Other debt Foster-Glocester Regional School District - BAN (a)	-	35.72% (a)	-
Subtotal, overlapping debt			17,886,790
Town direct debt			-
Total direct and overlapping debt			<u>\$ 17,886,790</u>

**Sources: Debt outstanding data provided by each governmental unit.**

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

Schedule 12

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

**Legal Debt Margin Calculation for Fiscal Year 2012**

Assessed Value	\$ 625,156,358
Debt limit (3% of assessed value)	18,754,691
Debt applicable to limit:	
General obligation bonds	-
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	-
Legal debt margin	<u>\$ 18,754,691</u>

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt limit	\$ 4,942,912	\$ 4,996,044	\$ 5,018,496	\$13,913,367	\$14,210,289	\$21,403,487	\$21,565,010	\$18,213,201	\$18,366,757	\$ 18,754,691
Total net debt applicable to limit	<u>(120,000)</u>	<u>(80,000)</u>	<u>(40,000)</u>	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 4,822,912</u>	<u>\$ 4,916,044</u>	<u>\$ 4,978,496</u>	<u>\$13,913,367</u>	<u>\$14,210,289</u>	<u>\$21,403,487</u>	<u>\$21,565,010</u>	<u>\$18,213,201</u>	<u>\$18,366,757</u>	<u>\$ 18,754,691</u>
Total net debt applicable to the limit as a percentage of debt limit	2.43%	1.60%	0.80%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Finance Department, Foster, Rhode Island

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

**Schedule 13**

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

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

**Schedule 14**

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

<u>Fiscal Year Ended June 30</u>	<u>Population (1)</u>	<u>Personal Income (1)</u>	<u>Per Capita Personal Income (1)</u>	<u>Median Age(1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>
2003	4,274	\$ 94,660,552	\$ 22,148	39.8	928	5.40%
2004	4,274	94,660,552	22,148	39.8	921	5.80%
2005	4,274	94,660,552	22,148	39.8	941	5.40%
2006	4,274	94,660,552	22,148	39.8	963	5.50%
2007	4,274	94,660,552	22,148	39.8	858	5.70%
2008	4,274	94,660,552	22,148	39.8	708	6.14%
2009	4,274	94,660,552	22,148	39.8	694	12.40%
2010	4,274	94,660,552	22,148	39.8	703	11.40%
2011	4,606	159,648,566	34,661	43.8	689	10.80%
2012	4,606	97,499,808	21,168	46.0	649	10.30%

**Sources:**

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

**Schedule 15**

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

Employer	2012			2003		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Foster Town & School Department	81	1	18.08%	120	1	29.70%
Foster Country Club	50	2	11.16%	50	2	12.38%
Shady Acres	25	3	5.58%	15	3	3.71%
Wellone	15	4	3.35%	N/A	N/A	N/A
Dr. Daycare	12	5	2.68%	N/A	N/A	N/A
<b>Total</b>	<b>183</b>		<b>40.85%</b>	<b>185</b>		<b>45.79%</b>

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

**Schedule 16**

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

Function/Program	Full-time Equivalent Employees as of June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Central Administration										
Town Council	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Town Clerk	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Probate Court	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Building/Zoning	1.0	1.0	1.0	1.0	1.0	0.6	1.6	1.6	1.6	1.6
Planning	1.5	1.5	1.5	1.5	1.5	2.0	2.0	2.0	1.6	1.6
Financial Administration										
Treasurer's Office	1.5	1.5	1.5	1.5	1.5	2.0	2.0	2.0	2.0	2.0
Tax Collection	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Tax Assessor	1.5	1.5	1.5	1.5	1.5	1.6	1.6	1.6	1.6	1.6
Public Safety										
Police										
Officers	7.0	7.0	7.0	7.0	7.0	8.0	8.0	8.0	8.0	8.0
Civilians	4.5	4.0	4.8	4.8	4.8	4.5	4.5	4.5	4.5	4.5
Animal Control										
Officers	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6
Emergency Management	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Public Works Department										
Director	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Highway										
Driver/Laborer	5.0	5.0	5.0	5.0	6.5	6.5	5.5	5.5	5.5	5.5
Maintenance										
Building/Grounds	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0
Custodial	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Recreation Department										
Director	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Summer Programs	6.0	6.0	6.0	6.0	5.0	5.0	3.0	2.0	0.0	0.0
Human Services Department										
Director	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6

**Source: Office of Human Resources and Town Budgets**

**Schedule 17**

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

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Police										
Calls	2,853	3,234	3,392	7,020	11,796	13,748	19,488	18,232	19,673	14,862
Physical Arrests	116	99	85	102	161	164	224	208	186	92
Citations	846	591	623	1,166	1,971	1,533	1,479	1,270	1,391	740
Accidents	145	125	132	134	134	129	138	133	106	109
Animal Control										
Dog Licenses Issued			625	483	587	479	343	439	452	509
Public Works (Pickup Outsourced)										
Transfer Station										
Refuse Collected (avg. tons per month)	155	155	188	181	176	177	164	167	157	148
Recyclables Collected (avg. tons per month)	36	37	41	39	43	48	49	44	47	40
Highway										
Street resurfacing/chipsealing (miles)	2.0	0.0	0.0	4.0	0.0	7.0	4.6	5.8	6.3	0.0
Street repairs/crack sealing (miles)	0.0	0.0	0.0	0.0	0.0	5.4	9.7	0.0	0.0	0.0
Building/Zoning										
Commercial Construction Permits	0	0	0	0	0	0	1	0	0	0
Residential Construction Permits	26	31	23	22	14	9	6	5	5	8
Parks and Recreation										
Athletic Field Permits	0	0	0	0	0	0	0	0	0	0

**Source: Various Town departments**

**Schedule 18**

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

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone Offices	-	-	-	-	-	-	-	-	-	-
Patrol Units/Motorcycles/ Radar Trailers	7	7	7	7	7	11	11	9	9	9
Animal Control										
Animal Shelters	-	-	-	-	-	-	-	-	-	-
Animal Patrol Unit	-	1	1	1	1	1	1	1	1	1
Public Works										
Transfer Station										
Roll-off Truck	-	-	-	-	-	-	-	-	-	-
Streets and Highways										
Street (miles)	113	113	113	113	113	113	113	113	113	113
Highways (miles, Town owned)	77	77	77	77	77	77	77	77	77	77
Highways (miles, State owned)	36	36	36	36	36	36	36	36	36	36
Private Paved (miles)	-	-	-	-	-	-	-	-	-	-
Park Access (miles)	-	-	-	-	-	-	-	-	-	-
Driftway (miles)	-	-	-	-	-	-	-	-	-	-
Streetlights	30	30	30	30	30	30	30	30	30	30
Traffic Signals	2	2	2	2	2	2	2	3	3	3
Parks and Recreation										
Acreage	165	165	165	165	165	165	165	165	165	165
Playgrounds	1	1	1	1	1	1	2	2	2	2
Tennis Courts	-	-	-	-	-	-	-	-	-	-
Beaches	-	-	-	-	-	-	-	-	-	-
Baseball/Softball diamonds	2	2	2	2	2	2	2	2	2	2
Soccer/Football fields	1	1	1	1	1	1	1	1	1	1
Basketball Courts	1	1	1	1	1	1	1	1	1	1
Parks and Public Squares	2	2	2	2	2	2	2	2	2	2

Sources: Various Town Departments

***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, 2012, which collectively comprise the Town of Foster, Rhode Island's basic financial statements and have issued our report thereon dated December 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

**Compliance and Other Matters**

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

We noted certain matters that we reported to the management of the Town of Foster, Rhode Island in a separate letter dated December 31, 2012.

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



Warwick, Rhode Island  
December 31, 2012