

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

*For the Fiscal Year Ended
June 30, 2010*

INTRODUCTORY SECTION

**THIS SECTION CONTAINS
THE FOLLOWING:**

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Town of Foster Organizational Chart

**TOWN OF FOSTER, RHODE ISLAND
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For the Fiscal Year Ended June 30, 2010**

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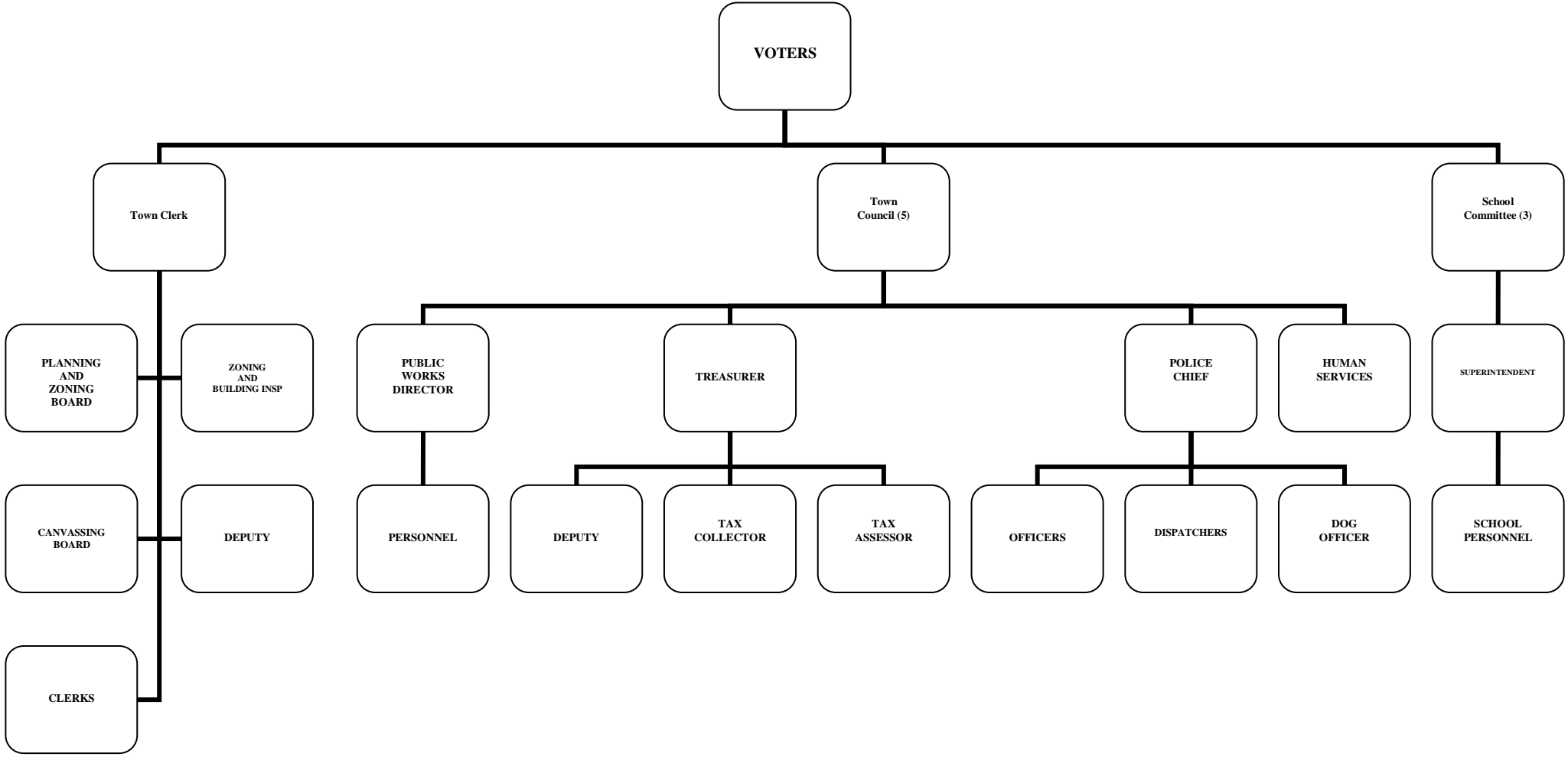
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TOWN OF FOSTER, RHODE ISLAND

TOWN COUNCIL	Colette Matarese, President John Lewis Jr., Vice President Lynne S. Rider Roger Hawes Joe Cardillo
TOWN CLERK	Tina W. Freeman
TOWN SERGEANT	Mike Coggeshall
TREASURER / FINANCE DIRECTOR	Kelli Russ
TAX ASSESSOR	Anne L. Carlson
TAX COLLECTOR	Pam J. Fontaine
PLANNER	Ann-Marie Ignasher
BUILDING OFFICIAL	Carl Riccio
POLICE CHIEF	Robert E. Coyne, Jr.
FIRE CHIEF - SOUTH FOSTER	Gordy Brayton
FIRE CHIEF - MOOSUP VALLEY	Paul Cunniff
FIRE CHIEF - FOSTER CENTER	Will Paul
DIRECTOR OF HUMAN SERVICES	Nancy Johnston
PUBLIC WORKS DIRECTOR	Robert Clarkin
LIBRARY DIRECTOR	Kristin Chin
SCHOOL SUPERINTENDENT	Dr. Davida Irving
SCHOOL COMMITTEE	Ronald Cervasio Dennis R. Chretien Cindy Bernard



FINANCIAL SECTION

THIS SECTION CONTAINS THE FOLLOWING:

Independent Auditors' Report

Management Discussion and Analysis

Basic Financial Statements

Required Supplementary Information

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Foster, Rhode Island, as of and for the year ended June 30, 2010, 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, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 23, 2011 on our consideration of the Town of Foster, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information and supplementary pension information on pages 3 through 13 and 45 through 55 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in black ink that reads "Bacon & Company, LLC". The signature is written in a cursive, flowing style.

Warwick, Rhode Island
March 23, 2011

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2010
(Un-audited)

Management of the Town of Foster provides this Management's Discussion and Analysis of the Town of Foster's Audited Financial Statements for the readers of the Town's financial statements. This narrative overview and analysis of the financial statements of the Town of Foster is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the Town's financial statements that follow.

Financial Highlights

- On a government-wide basis the assets of the Town of Foster exceeded its liabilities at June 30, 2010 by \$8,706,561. Net assets of the Town's component unit increased by \$41,337, or 2.68%, to \$1,586,158.
- The Town's Government-wide operating expenses were \$14,147,103 a 2.62% increase from the prior year. Revenues recognized were \$13,550,665, a 1.71% increase, due mainly to an increase in tax revenue offset by a decrease in State aid.
- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,532,037. Approximately 95% (\$1,455,289) of this amount is unreserved and undesignated.
- In the Town's general fund, at the end of 2010, the unreserved, undesignated fund balance was \$146,681 or 1.14% of the total general fund budgeted expenditures and other financing uses for the fiscal year. The current fiscal year's expenditures and other financing uses exceeded revenues and other financing sources by \$119,414. On a budgetary basis revenues and other financing sources exceeded expenditures and other financing uses by \$119,044.

Overview of the Financial Statements

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

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

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

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

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2010
(Un-audited)

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 the 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.

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 – 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 fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2010
(Un-audited)

The Town maintains 36 active individual governmental funds and 1 fund within the component unit. Information is presented separately in the *Governmental Fund Balance Sheet* and in the *Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances* for the General Fund, the School Unrestricted Fund, the Highway Grant, and the Capital Project Fund which are considered to be major funds. Data from the remaining 32 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 56 through 69 in this report. The individual funds within the component unit have been summarized into the data presented. The governmental fund financial statements can be found on pages 16 through 20 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's programs. The fiduciary funds maintained by the Town include 1 private purpose trust fund and 3 agency funds. The fiduciary fund financial statements can be found on page 21 and 22 of this report. Individual fund data for the agency funds is provided in the form of combining statements on pages 70 and 71 of this report.

Notes to Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are presented on pages 23 through 44.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information pertinent to the Town's operations. Required Supplementary information is presented on pages 45 through 55.

Government-wide Financial Analysis

Analysis of the Town of Foster's Net Assets

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. On a government-wide basis, the assets of the Town exceeded its liabilities at June 30, 2010 by \$8,706,561, a decrease of \$596,438, or 6.41% from 2009.

The most significant changes noted were:

Current assets increased by \$324,761 from 2009. Respectively, *current liabilities* increased by \$353,919 from 2009. Much of the increase in both *current assets* and *current liabilities* directly relates to the increase in accounts payable and accrued expenses by \$359,454 from 2009. *Noncurrent assets* decreased by \$565,995 primarily due to depreciation and partially due to the write-off of public service vehicles no longer owned by the Town of Foster.

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2010
(Un-audited)

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

Town of Foster
Statement of Net Assets

	June 30, 2010		June 30, 2009	
	Governmental Activities	Component Unit	Governmental Activities	Component Unit
Current assets	\$ 2,663,461	\$ 180,195	\$ 2,338,700	\$ 152,753
Noncurrent assets	<u>7,209,643</u>	<u>1,407,668</u>	<u>7,775,638</u>	<u>1,392,068</u>
Total assets	<u>\$ 9,873,104</u>	<u>\$ 1,587,863</u>	<u>\$10,114,338</u>	<u>\$ 1,544,821</u>
Current liabilities	\$ 764,576	\$ 1,705	\$ 410,657	\$ -
Noncurrent liabilities	<u>401,967</u>	<u>-</u>	<u>400,682</u>	<u>-</u>
Total liabilities	<u>\$ 1,166,543</u>	<u>\$ 1,705</u>	<u>\$ 811,339</u>	<u>\$ -</u>
Net Assets:				
Invested in capital assets, net of related debt	\$ 7,187,242	\$ 1,407,668	\$ 7,753,237	\$ 1,392,068
Restricted	1,270,601	-	1,454,828	-
Unrestricted	<u>248,718</u>	<u>178,490</u>	<u>94,934</u>	<u>152,753</u>
Total net assets	<u>\$ 8,706,561</u>	<u>\$ 1,586,158</u>	<u>\$ 9,302,999</u>	<u>\$ 1,544,821</u>

The largest portion (\$7,187,242) of the Town's net assets consists of its investments in capital assets such as land, buildings and improvements, motor vehicles, furniture and equipment and infrastructure, less any debt used to acquire these assets, which is still outstanding. The Town uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are unlikely to be used to liquidate these liabilities.

An additional portion (\$1,270,601) of the Town's net assets represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to its citizens and creditors.

As of June 30, 2010 the Town of Foster reports positive balances in all three categories of net assets for the government as a whole.

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2010
(Un-audited)

Analysis of the Town of Foster's Operations

The following analysis provides a summary of the Town's operations for the year ended June 30, 2010. The Town first implemented GASB Statement 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments for the fiscal year ended June 30, 2004. Comparative data is available and is presented in the following schedules. Governmental activities decreased the Town's net assets by \$596,438, or 6.41% from 2009. Component unit activities increased its net assets by \$41,337, or 2.68%, from 2009.

Total revenues for governmental activities increased by \$228,138, or 1.71%, from 2009.

The most significant changes noted were:

Property tax revenue increased by \$482,762, or 4.86% from 2009, mainly due to an increase in the tax levy some of which was to offset an anticipated decrease in general state aid to municipalities. *State aid* decreased by \$212,591, or 20.50% from 2009. *Operating grants and contributions* and *capital grants and contributions* increased by \$14,588 and \$4,412 respectively; while charges for services decreased by \$23,694 from 2009. The Component Unit also realized a decrease in *capital grants* of \$100,941 from 2009.

Total expenses for governmental activities increased by \$361,754, or 2.62% from 2009.

The most significant changes noted were:

Public safety expense increased by \$322,737, or 21.77% from 2009 mainly due to the purchase of a new rescue, ownership of which was transferred to the Foster Ambulance Corp., additional expenses related to grant funding and salary increases. *Public works* expense increased by \$221,930, or 24.92% from 2009 primarily due to road projects funded through grants. Additionally, *Education* expense increased by \$72,240, or .77% from 2009. These increases are offset in part by decreases in expenses for the other functions/programs. The most significant decrease in expense was in *legislative, judicial and general administrative*, which decreased by \$117,024, or 10.39% from 2009 resulting from an overall attempt to eliminate nonessential expenses.

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2010
(Un-audited)

Town of Foster
Statement of Activities

	June 30, 2010		June 30, 2009	
	<u>Governmental Activities</u>	<u>Component Unit</u>	<u>Governmental Activities</u>	<u>Component Unit</u>
<i>Revenues</i>				
Program revenues				
Charges for services	243,761	31,586	267,455	32,621
Operating grants	2,031,530	439	2,016,942	-
Capital grants	34,412	9,059	30,000	110,000
General revenues				
Property taxes	10,407,479	-	9,924,717	-
State aid	824,636	-	1,037,227	-
Interest and investment income	5,070	692	27,872	3,309
Miscellaneous	3,777	-	18,314	-
Total revenues	<u>13,550,665</u>	<u>41,776</u>	<u>13,322,527</u>	<u>145,930</u>
<i>Expenses</i>				
Legislative, judicial & general admin	1,009,170	-	1,126,194	-
Health and welfare	412,545	-	510,792	-
Public Safety	1,805,354	-	1,482,617	-
Public Works	1,112,606	-	890,676	-
Building and Zoning	51,725	-	47,824	-
Planning	70,704	-	85,750	-
Conservation	1,086	-	2,449	-
Recreation	59,294	-	65,514	-
Education	9,420,374	-	9,348,134	-
Food services	64,026	-	68,789	-
Libraries	140,219	-	156,610	-
Land Trust	-	439	-	-
Total expenses	<u>14,147,103</u>	<u>439</u>	<u>13,785,349</u>	<u>-</u>
Change in net assets	(596,438)	41,337	(462,822)	145,930
Net assets July 1,	<u>9,302,999</u>	<u>1,544,821</u>	<u>9,765,821</u>	<u>1,398,891</u>
Net assets June 30	<u><u>\$ 8,706,561</u></u>	<u><u>\$ 1,586,158</u></u>	<u><u>\$ 9,302,999</u></u>	<u><u>\$ 1,544,821</u></u>

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2010
(Un-audited)

Financial Analysis of the Town of Foster's Funds

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,532,037. Approximately 95% of the total amount, or \$1,455,289 constituted unreserved fund balances. Included in the unreserved balance is \$405,300 unreserved for special revenue funds, \$166,663 unreserved for education, and \$736,645 unreserved for capital.

Town of Foster
Governmental Funds
Fund Balances

	Total General Fund 6/30/2010	Total Other Funds 6/30/2010	Total Governmental Funds 6/30/2010	Total General Fund 6/30/2009	Total Other Funds 6/30/2009	Total Governmental Funds 6/30/2009
Reserved:						
Reserved: prepaid expenditures	\$ 67,377	\$ -	\$ 67,377	\$ 37,420	\$ -	\$ 37,420
Reserved: capital expenditures	9,371	-	9,371	111,148	-	111,148
Unreserved:						
Undesignated	146,681	1,308,608	1,455,289	(44,553)	1,482,133	1,437,580
Total fund balances	<u>\$ 223,429</u>	<u>\$1,308,608</u>	<u>\$ 1,532,037</u>	<u>\$ 104,015</u>	<u>\$ 1,482,133</u>	<u>\$ 1,586,148</u>

General Fund Budgetary Highlights

Revenues

Actual revenues and other financing sources reported in 2010 exceeded budgeted revenues reported by \$40,694, or .32%. This is comprised of the following:

Actual *general property taxes* exceeded the budgeted property tax collections by \$90,425, or .88%. Actual *general state aid to education* net of state mandates to offset decreases in state aid to education exceeded the budget by \$12,482, or 1.11%. The Town also received \$38,137 in excess of anticipated revenues classified as *other revenues*, primarily due to FEMA money received to offset emergency expenditures resulting from the state-wide flooding experienced in March, 2010. These unanticipated revenues offset the negative results from certain revenue shortfalls. The Town received \$98,110 less than anticipated for *motor vehicle excise phase-out*, or 11.44%; \$17,922 less than anticipated for *state housing aid*; and \$5,622 less than anticipated for *licenses and permits*. In addition, there was a shortfall in *interest and investment income* of \$4,656.

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2010
(Un-audited)

Expenses

Budgeted expenditures and other financing uses in the Town's General Fund exceeded actual expenditures by \$78,350 or .61%. This is primarily due to the positive variance in *public works* of \$66,820, or 8.97% resulting from over anticipated expenditures for health care and unemployment, offset in part by \$20,081 of unanticipated expenditures related to the flood of March, 2010. In addition, many of the Town's departments ended the fiscal year with small favorable variances in the budgeted to actual expenditure analysis due to a determined effort to reduce expenditures to offset the decreases in State revenue funding mid-year. The favorable variances in budget offset the negative results realized in the *miscellaneous administration* of \$25,766, or 11.44% due to increases in insurance and utility expenditures as well as retiree health care increases due to a new retiree. *Health and welfare* and *building and zoning* also ended the year with small negative departmental variances.

This schedule is located on pages 45 to 49 of this report.

The Town of Foster's Capital Assets

The Town of Foster's investment in capital assets for its governmental activities amount to \$7,209,643, net of accumulated depreciation at June 30, 2010. Included are land, building and improvements, construction in progress, motor vehicles, furniture and equipment and infrastructure.

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

Town of Foster
Capital Assets (net of Accumulated Depreciation)

	June 30, 2010		June 30, 2009	
	Governmental Activities	Component Unit	Governmental Activities	Component Unit
Land	\$ 161,199	\$ 1,407,668	\$ 161,199	\$ 1,392,068
Construction in progress	-	-	330,000	-
Land Improvements	22,961	-	26,883	-
Buildings and improvements	2,284,098	-	2,381,331	-
Motor vehicles	690,285	-	661,482	-
Machinery and equipment	197,372	-	245,641	-
Infrastructure - roads and bridges	3,853,728	-	3,969,102	-
Total	\$ 7,209,643	\$ 1,407,668	\$ 7,775,638	\$ 1,392,068

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2010
(Un-audited)

Significant additions to capital assets in 2010 include:

Land – \$15,600	Initial expense for purchase of open space for Foster Land Trust
Motor vehicles - \$343,389	Add fire truck, previously in progress paid \$330,000 in 2008 and 2009 – in progress

Significant disposals to capital assets in 2010 include:

Motor vehicles - \$139,738	Write-off of rescue purchased by Town; title held with Foster Ambulance Corp.
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The Town of Foster's Debt Administration

In fiscal year 2006, the Town of Foster made its final payment on outstanding debt 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 \$18,213,201 (based on the net assessed valuation at December 31, 2008 of \$607,106,692). As of June 30, 2010, the Town had no outstanding bonds and notes issued within the 3% debt limit leaving a borrowing capacity of \$18,213,201.

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, 2010, the total outstanding debt of the Town issued outside the 3% debt limit was \$ 0.

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

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

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2010
(Un-audited)

Economic Factors and Next Year's Budgets and Rates

- Unemployment rates as of June 30, 2010 and June 30, 2009

<u>6/30/2010</u>	<u>6/30/2009</u>	
11.9%	11.7%	Town of Foster
11.4%	12.9%	State of Rhode Island
9.6%	10.2%	United States

- Median family income for the census year 2000 in Foster was \$63,657 compared to the State of Rhode Island median income of \$52,781. The median income for the United States was \$50,046.
- Per Capita income for the census year 2000 in Foster was \$22,148 compared to the State of Rhode Island per capita income of \$21,688. The per capita income for the United States was \$21,587.
- Existing single-family home median sale prices were approximately \$353,000 in Foster, moderately higher than the state average of \$282,500.
- Foster ranks 37th in population (4,274 per 2000 census) among Rhode Island's 39 cities and towns.
- The Town's total general fund budget for fiscal year 2011 approved at the May, 2010 Financial Town Meeting is \$11,859,995 (\$7,663,125, or 64.61%, for education, \$599,274, or 5.05% for capital expenditures including a budgeted transfer to the capital project fund, and \$3,597,596, or 30.34% for other purposes), which reflects an increase of \$144,000 or 1.23% from 2010. The increase is primarily due to an increase in capital expenditures funded by the capital project fund of \$77,651 and an increase in Town government costs of \$87,105. In 2011 \$0 was appropriated from the Town's fund balance to offset expenditures.
- The unreserved, undesignated fund balance in the general fund increased by \$191,234, creating a fund balance of \$146,681, compared with the unreserved, undesignated fund deficit in 2009 of \$44,553. The unreserved fund balance is 1.24 % of proposed expenditures for 2011.
- Since December 2000, per Rhode Island General Law 44-5-11.6, municipalities in Rhode Island are required to perform full revaluations on all "ratable" property every nine years and statistical revaluations every three years for the year's in-between. In 2010 the Town's net values for all taxable property in the Town decreased by \$111,726,926, or 15.54%, to \$607,106,692 from \$718,833,658 in 2009. A full revaluation was performed as of December 31, 2008, which is the basis of the 2009 tax bills to be collected in the 2010 fiscal year end. The Town's tax rates for 2010 and 2009 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.

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2010
(Un-audited)

Tax Rates

	Fiscal Year	Fiscal Year	Increase
	<u>2010-11</u>	<u>2009-10</u>	<u>(Decrease)</u>
Real Property	\$ 17.58	\$ 17.12	\$ 0.46
Motor vehicle	36.95	36.95	-
Tangible	24.16	23.55	0.61
Inventory	-	-	-

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the Town's finances and to show the Town's accountability for the tax dollars received. 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.

Kelli M. Russ
Treasurer/Finance Director

BASIC FINANCIAL STATEMENTS

THE BASIC FINANCIAL STATEMENTS INCLUDE:

Government-Wide Financial Statements

Fund Financial Statements:
- Governmental Funds

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF FOSTER, RHODE ISLAND

Statement of Net Assets

June 30, 2010

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Foster Land Trust</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,554,883	\$ 170,195
Investments	79,665	10,000
Property taxes receivable	450,499	-
Accrued interest receivable	67,299	-
Due from federal and state governments	436,104	-
Other receivables	5,929	-
Due from component unit	1,705	-
Prepaid expenses	67,377	-
Total current assets	<u>2,663,461</u>	<u>180,195</u>
Noncurrent assets:		
Capital assets: (Note 7)		
Land and other nondepreciable assets	161,199	1,407,668
Depreciable buildings, property, equipment, and infrastructure (net)	7,048,444	-
Total noncurrent assets	<u>7,209,643</u>	<u>1,407,668</u>
Total assets	<u>9,873,104</u>	<u>1,587,863</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	688,347	-
Due to primary government	-	1,705
Current portion of lease payable	22,401	-
Compensated absences payable	50,789	-
Other liabilities	3,039	-
Total current liabilities	<u>764,576</u>	<u>1,705</u>
Noncurrent liabilities:		
Compensated absences payable	389,024	-
Net other post employment benefit obligation	12,943	-
Total noncurrent liabilities	<u>401,967</u>	<u>-</u>
Total liabilities	<u>1,166,543</u>	<u>1,705</u>
Net Assets		
Invested in capital assets- net of related debt	7,187,242	1,407,668
Restricted for:		
Capital purposes	746,016	-
Specific projects and programs	524,585	-
Unrestricted	248,718	178,490
Total net assets	<u>\$ 8,706,561</u>	<u>\$ 1,586,158</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, 2010

<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>Foster Land Trust</u>
Primary Government:						
Governmental Activities:						
Legislative, judicial and general administrative	\$ 1,009,170	\$ 79,756	\$ -	\$ -	\$ (929,414)	\$ -
Health and Welfare	412,545	2,993	81,151	-	(328,401)	-
Public safety	1,805,354	46,019	44,354	13,389	(1,701,592)	-
Public works	1,112,606	-	291,408	21,023	\$ (800,175)	-
Building and zoning	51,725	46,737	-	-	(4,988)	-
Planning	70,704	-	-	-	(70,704)	-
Conservation	1,086	-	-	-	(1,086)	-
Recreation	59,294	11,393	3,846	-	(44,055)	-
Education	9,420,374	19,767	1,591,304	-	(7,809,303)	-
Food services	64,026	37,096	19,467	-	(7,463)	-
Libraries	140,219	-	-	-	(140,219)	-
Total governmental activities	14,147,103	243,761	2,031,530	34,412	(11,837,400)	-
Component Unit:						
Foster Land Trust	439	31,586	439	9,059	-	40,645
General Revenues:						
Taxes:						
					10,407,479	-
					824,636	-
					5,070	692
					3,777	-
					11,240,962	692
					Change in net assets	41,337
					Net assets - beginning of year	1,544,821
					\$ 8,706,561	\$ 1,586,158

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, 2010*

	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Capital Projects Fund</u>	<u>Highway Grant</u>	<u>Nonmajor Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 581,730	\$ 46,529	\$ 736,645	\$ -	\$ 189,979	\$ 1,554,883
Investments	-	-	-	-	79,665	79,665
Property taxes receivable	450,499	-	-	-	-	450,499
Due from federal and state governments	135,726	9,983	-	250,000	40,395	436,104
Other receivables	4,462	-	-	-	-	4,462
Due from other funds	334,259	377,611	-	-	190,309	902,179
Due from component unit	1,705	-	-	-	-	1,705
Prepaid expenditures	67,377	-	-	-	-	67,377
Total assets	<u>\$ 1,575,758</u>	<u>\$ 434,123</u>	<u>\$ 736,645</u>	<u>\$ 250,000</u>	<u>\$ 500,348</u>	<u>\$ 3,496,874</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenditures	\$ 455,531	\$ 222,057	\$ -	\$ -	\$ 10,759	\$ 688,347
Due to other funds	521,020	45,403	-	250,000	84,289	900,712
Deferred revenues	372,739	-	-	-	-	372,739
Other liabilities	3,039	-	-	-	-	3,039
Total liabilities	<u>1,352,329</u>	<u>267,460</u>	<u>-</u>	<u>250,000</u>	<u>95,048</u>	<u>1,964,837</u>
Fund Balances						
Reserved:						
Reserved for prepaid expenditures	67,377	-	-	-	-	67,377
Reserved for capital expenditures	9,371	-	-	-	-	9,371
Unreserved:						
Undesignated	146,681	166,663	736,645	-	-	1,049,989
Unreserved, reported in:						
Special revenue funds	-	-	-	-	405,300	405,300
Total fund balances	<u>223,429</u>	<u>166,663</u>	<u>736,645</u>	<u>-</u>	<u>405,300</u>	<u>1,532,037</u>
Total liabilities and fund balances	<u>\$ 1,575,758</u>	<u>\$ 434,123</u>	<u>\$ 736,645</u>	<u>\$ 250,000</u>	<u>\$ 500,348</u>	<u>\$ 3,496,874</u>

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, 2010*

Total Fund Balances - Total Governmental Funds	\$ 1,532,037
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. See note 7 to the financial statements.	7,209,643
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.	67,299
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.	372,739
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 8 to the financial statements.	<u>(475,157)</u>
Net Assets - Governmental Activities	<u><u>\$ 8,706,561</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, 2010

	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Capital Projects Fund</u>	<u>Highway Grant</u>	<u>Nonmajor Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
General property taxes	\$ 10,317,293	\$ -	\$ -	\$ -	\$ -	\$ 10,317,293
Intergovernmental and departmental revenues	1,907,596	168,353	-	250,000	523,201	2,849,150
Licenses and permits	64,378	-	-	-	-	64,378
Building and zoning fees	46,736	-	-	-	-	46,736
Fines and interest on late payments	71,452	-	-	-	-	71,452
Interest on investments	2,844	54	1,849	-	323	5,070
Other revenues	92,637	-	-	-	61,570	154,207
Total revenues	<u>12,502,936</u>	<u>168,407</u>	<u>1,849</u>	<u>250,000</u>	<u>585,094</u>	<u>13,508,286</u>
Expenditures						
Current:						
Legislative, judicial and general administrative	351,319	-	-	-	4,957	356,276
Financial administration	242,169	-	-	-	-	242,169
Miscellaneous administration	250,997	-	-	-	-	250,997
Health and welfare	329,395	-	-	-	83,150	412,545
Public safety	1,291,369	-	-	-	39,137	1,330,506
Public works	678,009	-	-	250,000	15,329	943,338
Building and zoning	51,725	-	-	-	-	51,725
Planning	70,704	-	-	-	-	70,704
Conservation	1,086	-	-	-	-	1,086
Recreation	24,974	-	-	-	33,559	58,533
Education	4,516,458	4,467,843	-	-	359,758	9,344,059
Food services	-	-	-	-	64,026	64,026
Libraries	140,219	-	-	-	-	140,219
Land trust	2,524	-	-	-	-	2,524
Capital outlay	293,690	-	-	-	-	293,690
Total expenditures	<u>8,244,638</u>	<u>4,467,843</u>	<u>-</u>	<u>250,000</u>	<u>599,916</u>	<u>13,562,397</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, 2010

	<u>General Fund</u>	<u>School Unrestricted Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Highway Grant</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>	<u>4,258,298</u>	<u>(4,299,436)</u>	<u>1,849</u>	<u>-</u>	<u>(14,822)</u>	<u>(54,111)</u>
<i>Other financing sources (uses)</i>						
Transfers from other funds	378,642	4,339,621	245,970	-	-	4,964,233
Transfers to other funds	<u>(4,517,526)</u>	<u>(82,233)</u>	<u>(296,409)</u>	<u>-</u>	<u>(68,065)</u>	<u>(4,964,233)</u>
<i>Total other financing sources (uses)</i>	<u>(4,138,884)</u>	<u>4,257,388</u>	<u>(50,439)</u>	<u>-</u>	<u>(68,065)</u>	<u>-</u>
<i>Net change in fund balance</i>	119,414	(42,048)	(48,590)	-	(82,887)	(54,111)
<i>Fund balances - beginning of year</i>	<u>104,015</u>	<u>208,711</u>	<u>785,235</u>	<u>-</u>	<u>488,187</u>	<u>1,586,148</u>
<i>Fund balances - end of year</i>	<u>\$ 223,429</u>	<u>\$ 166,663</u>	<u>\$ 736,645</u>	<u>\$ -</u>	<u>\$ 405,300</u>	<u>\$ 1,532,037</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, 2010*

<i>Net Changes in Fund Balances - Total Governmental Funds</i>	\$ (54,111)
<i>Amounts reported for Governmental Activities in the Statement of Activities are different because:</i>	
Depreciation expense and loss on disposal on capital assets are reported in the Government-Wide Statement of Activities, but do not require the use of current financial resources. Therefore, depreciation expense and loss on disposal are not reported as expenditures in Governmental Fund Financial Statements.	(579,384)
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.	7,621
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.	29,630
Revenues in the Statement of Activities that are not available in Governmental Funds are not reported as revenue in the Governmental Funds.	12,749
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	(12,943)
<i>Change in Net Assets of Governmental Activities</i>	<u>\$ (596,438)</u>

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

TOWN OF FOSTER, RHODE ISLAND

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2010

	<i>Private- purpose Trusts</i>	
	<i>Cemetery Fund</i>	<i>Agency Funds</i>
<i>Assets</i>		
Cash and cash equivalents	\$ 35,044	\$ 22,723
<i>Total assets</i>	<u>35,044</u>	<u>22,723</u>
<i>Liabilities</i>		
Due to other funds	1,467	-
Deposits held in custody for others	-	22,723
<i>Total liabilities</i>	<u>1,467</u>	<u>22,723</u>
<i>Net Assets</i>		
Held in trust for other purposes	<u>\$ 33,577</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, 2010

	<u><i>Private- purpose Trusts</i></u>	<u><i>Cemetery Fund</i></u>
<i>Additions</i>		
<i>Investment earnings:</i>		
Interest and dividends	\$ 166	
Other revenue	\$ 200	
<i>Total additions</i>	<u>366</u>	
<i>Deductions</i>		
Miscellaneous		5,923
<i>Total deductions</i>		<u>5,923</u>
<i>Change in net assets</i>		(5,557)
<i>Net assets - beginning of year</i>		<u>39,134</u>
<i>Net assets - end of year</i>		<u>\$ 33,577</u>

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

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

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

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

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

B. BASIS OF PRESENTATION

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The government-wide financial statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Town has no business-type activities at June 30, 2010 or for the year then ended.

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

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

Fund Financial Statements

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

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

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

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

Governmental Funds:

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

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

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than trust funds or major capital projects) that are legally restricted to expenditure for specific purposes. The Town's two major special revenue funds are the School Unrestricted Fund, which accounts for resources to provide primary education to the Town's children and the Highway Grant Fund, which accounts for a grant received from the Rhode Island Department of Transportation.

Capital Project Funds – Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds). The Town's only major capital project fund is the Capital Reserve Fund, which is used 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, 2010, the Town has no proprietary funds.

Fiduciary Funds:

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

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

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

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

Those revenues susceptible to accrual are property taxes, 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. When expenditures are incurred and both restricted and unrestricted net assets are available, it is the Town’s policy to utilize the restricted net assets prior to the utilization of the unrestricted net assets.

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

D. USE OF ESTIMATES

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

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
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E. CASH AND CASH EQUIVALENTS

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

F. INVESTMENTS

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

G. INTERFUND TRANSACTIONS

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

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

H. PREPAID ITEMS

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

I. CAPITAL ASSETS

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

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

	<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

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

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

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

J. PROPERTY TAXES

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

Rhode Island General Laws restrict the Town's ability to increase either its total tax levy or its tax rates to no more than 4.75% 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, 2010.

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.

TOWN OF FOSTER, RHODE ISLAND
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In the General Fund, deferred revenues relate to delinquent property tax balances less property tax amounts due as of the balance sheet date and received sixty days thereafter.

M. LONG-TERM OBLIGATIONS

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

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

N. FUND EQUITY

Government-Wide Financial Statements:

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

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

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

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

Fund Statements:

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

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

LEGAL DEBT MARGIN

The Town’s legal debt margin as set forth by State Statute is limited to three percent of total taxable assessed value which approximates \$18,213,201. As of June 30, 2010, the Town’s debt is under the limit by \$18,213,201.

NOTE 3 – FUND EQUITY

Reserved fund balances:

The following reserves are recorded in the fund financial statements:

General Fund – Capital Expenditures	\$ 9,371
General Fund – Prepaid Expenditures	67,377

NOTE 4 – CASH DEPOSITS

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

	<u>Primary Government</u> <u>Carrying</u> <u>Amount</u>	<u>Component Unit</u> <u>Carrying</u> <u>Amount</u>
Total Deposits	\$1,611,895	\$170,195
Add: Petty Cash	755	-
<i>Total Cash and Cash Equivalents Reported in the Financial Statements</i>	<u><u>\$1,612,650</u></u>	<u><u>\$170,195</u></u>

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, 2010, \$250 of the Town’s bank balance of \$1,974,887 was exposed to custodial credit risk as follows:

TOWN OF FOSTER, RHODE ISLAND
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	<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)	\$ 750,815	\$ -
Insured under Transaction Account Guarantee Program	1,053,877	169,945
Uninsured and uncollateralized	-	250
Total	\$1,804,692	\$170,195

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 5 – 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, 2010, the Town had the following investments:

		<u>Primary Government</u>	<u>Component Unit</u>
<u>Investment</u>	<u>Maturity</u>	<u>Fair</u>	<u>Fair</u>
		<u>Value</u>	<u>Value</u>
MBIA RI Investment Pool	N/A	\$79,665	\$ -
Municipal Bonds	5/15/2032	-	10,000
Total Investments reported in the		\$79,665	\$10,000
Financial Statements			

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. As of June 30, 2010, the investment in the MBIA Rhode Island Investment Pool was not rated. As of June 30, 2010, the Town’s investment in the Municipal Bond was rated AAA by S&P and Aa3 by Moody’s.

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

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2010

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.

NOTE 6 – INTER-FUND TRANSACTIONS

Inter-fund receivable and payable balances at June 30, 2010 are as follows:

	<i>Due From:</i>					<i>Total</i>
	<i>School</i>		<i>Other</i>			
	<i>General Fund</i>	<i>Unrestricted Fund</i>	<i>Highway Grant</i>	<i>Governmental Funds</i>	<i>Fiduciary Funds</i>	
<i>Due To:</i>						
General Fund	\$ -	\$ -	\$ 250,000	\$ 82,792	\$ 1,467	\$ 334,259
School Unrestricted Fund	376,114	-	-	1,497	-	377,611
Other Governmental Funds	144,906	45,403	-	-	-	190,309
<i>Total</i>	<u>\$ 521,020</u>	<u>\$ 45,403</u>	<u>\$ 250,000</u>	<u>\$ 84,289</u>	<u>\$ 1,467</u>	<u>\$ 902,179</u>

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

Inter-fund transfer balances at June 30, 2010 are as follows:

	<i>Transfer From:</i>				<i>Total</i>
	<i>School</i>		<i>Capital</i>	<i>Other</i>	
	<i>General Fund</i>	<i>Unrestricted Fund</i>	<i>Projects Fund</i>	<i>Governmental Funds</i>	
<i>Transfer To:</i>					
General Fund	\$ -	\$ 82,233	\$ 296,409	\$ -	\$ 378,642
School Unrestricted Fund	4,271,556	-	-	68,065	4,339,621
Capital Projects Fund	245,970	-	-	-	245,970
<i>Total</i>	<u>\$ 4,517,526</u>	<u>\$ 82,233</u>	<u>\$ 296,409</u>	<u>\$ 68,065</u>	<u>\$ 4,964,233</u>

Transfers are used to move revenues from the fund that the budget requires to collect them, to the funds that the budget requires to expend them. For example, the \$4,271,556 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, 2010

NOTE 7 - INFORMATION ABOUT CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Primary Government -				
Governmental Activities:				
Nondepreciable assets:				
Land	\$ 161,199	\$ -	\$ -	\$ 161,199
Construction in progress	330,000	-	330,000	-
Total nondepreciable assets	<u>491,199</u>	<u>-</u>	<u>330,000</u>	<u>161,199</u>
Depreciable assets:				
Land improvements	179,766	-	-	179,766
Buildings and improvements	4,366,504	-	-	4,366,504
Motor vehicles	2,979,504	343,389	394,370	2,928,523
Machinery and equipment	715,782	-	-	715,782
Infrastructure - roads and bridges	7,415,310	-	-	7,415,310
Total capital assets	<u>16,148,065</u>	<u>343,389</u>	<u>724,370</u>	<u>15,767,084</u>
Less accumulated depreciation for:				
Land improvements	152,883	3,922	-	156,805
Buildings and improvements	1,985,173	97,233	-	2,082,406
Motor vehicles	2,318,022	174,848	254,632	2,238,238
Machinery and equipment	470,141	48,269	-	518,410
Infrastructure - roads and bridges	3,446,208	115,374	-	3,561,582
Total accumulated depreciation	<u>8,372,427</u>	<u>439,646</u>	<u>254,632</u>	<u>8,557,441</u>
Governmental activities capital assets, net	<u>\$ 7,775,638</u>	<u>\$ (96,257)</u>	<u>\$ 469,738</u>	<u>\$ 7,209,643</u>
Component Unit:				
Nondepreciable assets:				
Land	\$ 1,392,068	\$ 15,600	\$ -	\$ 1,407,668
Total nondepreciable assets	<u>1,392,068</u>	<u>15,600</u>	<u>-</u>	<u>1,407,668</u>
Component unit capital assets, net	<u>\$ 1,392,068</u>	<u>\$ 15,600</u>	<u>\$ -</u>	<u>\$ 1,407,668</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Legislative	\$ 146,116
Public education	68,484
Public safety	150,570
Public works	73,715
Recreation	761
Total governmental activities depreciation expense	<u>\$ 439,646</u>

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
 June 30, 2010

NOTE 8 – INFORMATION ABOUT LONG-TERM LIABILITIES

A. Long term liability activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<i>Governmental Activities:</i>					
Capital lease payable	\$ 22,401	\$ -	\$ -	\$ 22,401	\$ 22,401
Accrued compensated absences	447,433	39,131	46,751	439,813	50,789
Net other post-employment benefit obligation	-	12,943	-	12,943	-
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$ 469,834</u>	<u>\$ 52,074</u>	<u>\$ 46,751</u>	<u>\$ 475,157</u>	<u>\$ 73,190</u>

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

B. CAPITAL LEASE COMMITMENTS

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

Obligation of governmental activities under capital leases at June 30, 2010 was as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Lease Payment Requirements</u>
2011	\$24,060
Total minimum lease payments	<u>24,060</u>
Less: Amount representing interest cost	(1,659)
Present value of minimum lease payments	<u>\$22,401</u>

NOTE 9 – TRANSCATIONS WITH THE FOSTER LAND TRUST

For the year ended June 30, 2010, the Town’s General Fund reported the following balances related to the Foster Land Trust:

Due from Foster Land Trust	<u>\$ 1,705</u>
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TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

NOTE 10 – DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

A. ACCOUNTS RECEIVABLE

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

B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities at June 30, 2010, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General	\$ 82,971	\$ 49,586	\$ 322,974	\$ 455,531
School Unrestricted	181,970	38,000	2,087	222,057
Other Governmental Funds	7,931	2,828	-	10,759
Total	<u>\$ 272,872</u>	<u>\$ 90,414</u>	<u>\$ 325,061</u>	<u>\$ 688,347</u>

NOTE 11 – FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

The Foster-Glocester Regional School District (Regional School) was created to include the high school and middle schools for the Towns of Foster and Glocester (the Towns). The Regional School is a separate legal entity from the Town. The voters of the participating Towns elect the Regional School Committee. The Regional School cannot assess and levy property taxes. Revenues are derived principally from the participating Towns of the Regional School which contribute funds according to a financial formula based upon each Town’s enrollment and from the State of Rhode Island. The Town of Foster’s contribution for the fiscal year ended June 30, 2010 was \$4,516,458. Financial statements for the Regional School are issued separately and may be obtained from the Foster-Glocester Regional School District Business Office, 1145 Putnam Pike, Chepachet, Rhode Island 02814.

NOTE 12 – PROPERTY TAXES

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

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

NOTE 13 – RISK MANAGEMENT

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

NOTE 14 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

The Foster-Glocester Regional School District has filed a petition with the Commissioner of Education alleging that the Town of Foster unlawfully reduced its 2010/2011 contributions to the Regional School District by five percent (5%). The Town in its defense contends that Rhode Island General Law 16-7-23(a) allowed it to reduce its contribution for the fiscal year 2011 to an amount no less than ninety-five percent (95%) of the contributions made for fiscal year 2009. The Town and the Regional School District are currently awaiting a decision of the hearing officer. The Town is unable to determine the likelihood of an unfavorable outcome or the amount or range of any possible loss to the Town.

During the ordinary course of its operations, the Town is a party to various other claims, legal actions and complaints. In the opinion of the Town's management and legal counsel, these matters are not anticipated to have a material financial impact on the Town.

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.

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

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, 2010, 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, 2010, the Town contributed \$60,863 to the plan.

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)	\$73,806
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	73,806
Contributions made	(60,863)
Increase in net OPEB obligation	12,943
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	\$12,943

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

<u><i>Fiscal Year Ended</i></u>	<u><i>Annual OPEB Cost</i></u>	<u><i>Percentage of Annual OPEB Cost Contributed</i></u>	<u><i>Net OPEB Obligation</i></u>
6/30/10	\$73,806	82.5%	\$12,943

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

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

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 2010 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.

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

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, 2010 was \$1,914,770.

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, 40 Fountain Street, Providence, Rhode Island.

Plan Description

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

Retirement Eligibility:

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

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

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

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2010

Monthly Benefit:

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

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

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

The maximum benefit is 80% of FAC.

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

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

The maximum benefit is 75% of FAC.

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

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

Post-Retirement Benefit Increase:

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

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

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

Funding Policy

Covered employees are required by State Statute to contribute 9.5% of their salary to the plan. The State and the School Department are required to contribute an amount determined annually by the actuary and as provided by State Statute. The split between State and the School Department is specified by State Statute. The contribution requirement for fiscal 2009-2010 is 19.01%. The Teachers' Plan cost is paid 60% by the School Department and 40% by the State. However, the State will pay the total cost of the contribution deferrals which were .26%. This results in a contribution requirement for the School of 11.25% and a contribution requirement for the State of 7.76%.

The State contribution for the cut-off year ended June 30, 2010 was \$148,586 which represented 7.76% of covered payroll. The payments made by the State to the Employees' Retirement System are considered on-behalf payments and are reported as a revenue and as an expenditure in the financial statements. The School's contribution requirement for the cut-off year ended June 30, 2010 was \$397,309 which consisted of \$215,412 from the School Department, and \$181,897 from employees. These contributions represented 11.25% and 9.5% of covered payroll respectively. The annual required contribution was determined as part of the June 30, 2007 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, 2010

Three-Year Trend Information

<i>Fiscal Year</i>	<i>Annual Required Contribution</i>	<i>Percentage Contributed</i>
2008	\$252,392	100%
2009	\$230,690	100%
2010	\$215,412	100%

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

The Town of Foster participates in the Municipal Employees' Retirement System ("MERS"), an agent multiple employer defined benefit plan administered by the State of Rhode Island. All Town employees except certified school personnel participate in the MERS. The payroll for employees including School Department noncertified personnel covered by the System for the year ended June 30, 2010 was \$1,652,805 (General employees - \$1,259,454, and Police officers - \$393,351).

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

Plan Description

The following eligibility and benefit provisions are established by Rhode Island General Laws, Title 45, Chapter 19, 19.1, 21, 21.1, 21.2 and 21.3 and may be amended by State Statute. The MERS generally provides retirement benefits equal to 2% of a member's final average compensation multiplied by the number years of total service up to 37.5 years, to a maximum benefit of 75% of final average compensation. Final average compensation is the average of the three highest consecutive years of annual earned compensation exclusive of overtime, bonuses or severance pay. Such benefits are available to general employees at least age 58 with 10 years of service or after 30 years regardless of age. Under the 25-year service normal pension plan, police and firefighters may retire with unreduced accrued benefits at or after age 55 with 10 years of service or after 25 years regardless of age. The benefit accrual rate is 2% of final average compensation per year of service. Under the 20-year service optional plan, police and firefighters may retire after 20 years of service with no restriction on age. This optional plan provides a benefit equal to 2.5% of final average compensation per year of service up to 30 years, to a maximum benefit of 75% of final average compensation. Early retirement is only available to police and firefighters under the normal plan. The plan also provides non-service connected disability benefits after 5 years of service, service connected disability benefits with no minimum service requirement, survivors' benefits, and certain lump sum death benefits. Employees are vested in their retirement benefits upon the completion of 10 years of service. Members employed by municipalities who elect one of the optional COLA provisions receive an increase equal to 3% of the original retirement benefit each year beginning January 1 following the member's retirement.

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2010

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 2010 was 6.84% of covered payroll for general employees, and 16.82% for police officers.

Annual Pension Cost

For 2010, the Town's annual pension cost of \$152,318 for the MERS was equal to the Town's required and actual contributions.

Three-Year Trend Information

GENERAL MUNICIPAL EMPLOYEES

<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>
2008	\$85,326	100%	\$ -
2009	\$83,458	100%	\$ -
2010	\$86,156	100%	\$ -

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>
2008	\$76,216	100%	\$ -
2009	\$84,953	100%	\$ -
2010	\$66,162	100%	\$ -

The required contribution was determined as part of the June 30, 2007 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, 2007 valuation include the following:

TOWN OF FOSTER, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

- 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, 2007 was 22 years.

Funded Status and Funding Progress

Information on the funded status and funding progress of each plan as of June 30, 2009, the most recent actuarial valuation date, is as follows:

- **General Employees** – The plan was 86.1% funded. The actuarial accrued liability for benefits was \$3,325,353, and the actuarial value of assets was \$2,861,484, resulting in an unfunded actuarial accrued liability [UAAL] (funding excess) of 463,869. The covered payroll (annual payroll of active employees covered by the plan) was \$1,290,836, and the ratio of the UAAL (funding excess) to covered payroll was 35.9%.
- **Police Officers** – The plan was 83.0% funded. The actuarial accrued liability for benefits was \$2,611,328, and the actuarial value of assets was \$2,166,398, resulting in an unfunded actuarial accrued liability (UAAL) of \$444,931. The covered payroll (annual payroll of active employees covered by the plan) was \$390,876, and the ratio of the UAAL to covered payroll was 113.8%.

The June 30, 2009 actuarial valuation used the same methods and assumptions described above under funding policy.

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

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule of Funding Progress – Pension Plan and Other Post-employment Benefits

Budgetary Comparison Schedules – General Fund and School Unrestricted Fund

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

TOWN OF FOSTER, RHODE ISLAND

General Fund

*Schedule of Revenues and Expenditures - Budget and Actual
For the Fiscal Year Ended June 30, 2010*

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Real estate and personal property tax	\$ 10,226,868	\$ 10,226,868	\$ 10,317,293	\$ 90,425
Tax exemption 45-13-51	476	476	476	-
Hotel tax	20,000	20,000	18,023	(1,977)
Motor vehicle excise phase-out	857,971	857,971	759,861	(98,110)
State aid to education	1,124,889	1,124,889	1,055,138	(69,751)
Public Utilities Sharing	37,527	37,527	46,276	8,749
Housing aid	45,744	45,744	27,822	(17,922)
Licenses and permits	70,000	70,000	64,378	(5,622)
Building and zoning fees	34,000	34,000	46,736	12,736
Fines and interest on late payments	65,000	65,000	71,452	6,452
Interest on investments	7,500	7,500	2,844	(4,656)
Other revenues	54,500	54,500	92,637	38,137
<i>Total revenues</i>	<u>12,544,475</u>	<u>12,544,475</u>	<u>12,502,936</u>	<u>(41,539)</u>
<u>Other financing sources</u>				
Transfers from School Unrestricted Fund	-	-	82,233	82,233
Transfers from Capital Projects Fund	296,409	296,409	296,409	-
<i>Total other financing sources</i>	<u>296,409</u>	<u>296,409</u>	<u>378,642</u>	<u>82,233</u>
<i>Total revenues and other financing sources</i>	<u>\$ 12,840,884</u>	<u>\$ 12,840,884</u>	<u>\$ 12,881,578</u>	<u>\$ 40,694</u>
<u>Legislative, Judicial and General Administrative</u>				
Salaries	244,855	244,855	242,930	1,925
Benefits	101,065	101,065	95,100	5,965
Town council expenses	2,500	2,500	1,302	1,198
Town clerk expenses	3,200	3,200	4,407	(1,207)
Probate judge expense	500	500	584	(84)
Board of canvassers expenses	1,000	1,000	1,448	(448)
Election expenses	900	900	239	661
Education expense	1,700	1,700	380	1,320
Duplicating supplies	2,200	2,200	643	1,557
Municipal code maintenance expense	2,500	2,500	-	2,500
Equipment	5,000	5,000	4,100	900
Sealer of weights and measures	280	280	186	94
<i>Total legislative, judicial and general administrative</i>	<u>365,700</u>	<u>365,700</u>	<u>351,319</u>	<u>14,381</u>

(Continued)

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

TOWN OF FOSTER, RHODE ISLAND

General Fund

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

For the Fiscal Year Ended June 30, 2010

	<i>Budgeted Amounts</i>		<i>Actual Amounts (Budgetary Basis)</i>	<i>Variance With Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
<i>Finance administration</i>				
Finance salaries	134,739	134,739	134,739	-
Finance benefits	36,860	36,860	42,977	(6,117)
Finance department education	3,000	3,000	684	2,316
Finance department's office expenses/tax bills	9,351	9,351	11,824	(2,473)
Tax collector's postage/advertising	2,500	2,500	1,247	1,253
Assessor's salary	28,548	28,548	28,548	-
Assessor's benefits	19,522	19,522	19,261	261
Assessment review board	600	600	600	-
Assessor's education expense	-	-	365	(365)
Maintain maps	1,500	1,500	850	650
Assessor's office supplies	965	965	458	507
Subscription/publication	200	200	116	84
Computer and support	4,365	4,365	-	4,365
Equipment	750	750	500	250
<i>Total finance administration</i>	<u>242,900</u>	<u>242,900</u>	<u>242,169</u>	<u>731</u>
<i>Miscellaneous administration</i>				
Audit of town books	15,600	15,600	15,500	100
Electric	18,000	18,000	25,633	(7,633)
Heating Fuel	18,725	18,725	10,224	8,501
Telephone	15,000	15,000	17,839	(2,839)
Purchased Services/Contract	27,500	27,500	24,989	2,511
Contingency	9,000	9,000	8,848	152
Benefits	21,250	21,250	27,949	(6,699)
Travel	1,500	1,500	1,464	36
Casualty and liability insurance	98,656	98,656	111,086	(12,430)
Miscellaneous	-	-	7,465	(7,465)
<i>Total miscellaneous administration</i>	<u>225,231</u>	<u>225,231</u>	<u>250,997</u>	<u>(25,766)</u>
<i>Health and welfare</i>				
Human service director's salary	16,566	16,566	16,247	319
Benefits	8,079	8,079	7,183	896
Office expense	-	-	75	(75)
Mental Health Association	2,925	2,925	2,295	630
Comprehensive Community Action	10,500	10,500	10,500	-
Western RI Home Repair	2,000	2,000	2,000	-
RI Resource Recovery	75,000	75,000	79,042	(4,042)
Disposal	209,500	209,500	210,125	(625)
Recycling program	2,000	2,000	1,928	72
<i>Total health and welfare</i>	<u>326,570</u>	<u>326,570</u>	<u>329,395</u>	<u>(2,825)</u>

(Continued)

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

TOWN OF FOSTER, RHODE ISLAND

General Fund

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

For the Fiscal Year Ended June 30, 2010

	<i>Budgeted Amounts</i>		<i>Actual Amounts (Budgetary Basis)</i>	<i>Variance With Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
<i>Public Safety</i>				
Salaries	455,824	455,824	479,457	(23,633)
Dispatchers	179,633	179,633	185,324	(5,691)
Benefits	236,763	236,763	216,547	20,216
Police - fuel and lube oil	22,500	22,500	26,089	(3,589)
Police - tires	2,000	2,000	1,138	862
Police - parts and repairs	15,000	15,000	8,489	6,511
Police radio maintenance	2,000	2,000	1,378	622
Police department operations	6,000	6,000	7,977	(1,977)
Police - computer services	10,000	10,000	13,183	(3,183)
Police uniforms	14,000	14,000	13,085	915
Police office expense	6,000	6,000	5,852	148
Police education allowance	10,000	10,000	9,711	289
Police new equipment	6,500	6,500	4,521	1,979
Foster ambulance corps	81,700	81,700	81,700	-
South Foster fire company	52,375	52,375	52,375	-
Foster Center fire company	53,400	53,400	53,400	-
Foster Center fire co-Grant	6,000	6,000	6,000	-
Mossup Valley fire company	58,575	58,575	58,575	-
Ambulance Corp. Stipend	18,000	18,000	13,738	4,262
Public Safety Training	21,000	21,000	9,045	11,955
Engineering board	3,000	3,000	91	2,909
Dog officer - salary	15,204	15,204	15,204	-
Dog officer - fuel and lube oil	2,000	2,000	786	1,214
Dog officer - parts and repairs	750	750	297	453
Dog officer - benefits	8,059	8,059	8,350	(291)
Dog officer - uniforms	400	400	400	-
Pound fees	10,000	10,000	18,607	(8,607)
Civil defense	200	200	50	150
<i>Total public safety</i>	1,296,883	1,296,883	1,291,369	5,514
<i>Public works</i>				
Salaries	311,738	311,738	302,272	9,466
Benefits	181,241	181,241	133,275	47,966
Professional services	2,500	2,500	1,903	597
Uniforms	9,600	9,600	5,631	3,969
Fuel and oil	40,500	40,500	34,696	5,804
Parts and repairs	35,000	35,000	37,965	(2,965)
Tires	3,000	3,000	3,096	(96)
Grader and plow blades	1,500	1,500	1,500	-
Sand and salt	65,000	65,000	58,948	6,052

(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, 2010

	<i>Budgeted Amounts</i>		<i>Actual Amounts (Budgetary Basis)</i>	<i>Variance With Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
Road oil	20,000	20,000	20,000	-
Asphalt mix	7,500	7,500	7,967	(467)
Welding	750	750	791	(41)
Rental equipment	1,000	1,000	-	1,000
Safety	500	500	-	500
Education expense	250	250	-	250
Radio repairs	1,000	1,000	-	1,000
Office supplies	500	500	314	186
Gravel	28,000	28,000	15,017	12,983
Building and grounds	20,000	20,000	20,594	(594)
Equipment	5,000	5,000	4,797	203
Pea stone	4,000	4,000	5,697	(1,697)
Pipe	2,000	2,000	702	1,298
Road signs	750	750	315	435
Other road material	1,000	1,000	922	78
Department operation expense	2,500	2,500	1,526	974
Fema projects	-	-	20,081	(20,081)
Total public works	744,829	744,829	678,009	66,820
Building and zoning				
Salaries	34,013	34,013	35,462	(1,449)
Benefits	10,709	10,709	12,986	(2,277)
Department expense	5,600	5,600	3,277	2,323
Total building and zoning	50,322	50,322	51,725	(1,403)
Planning				
Salaries	49,311	49,311	49,311	-
Benefits	11,980	11,980	12,312	(332)
Education expense	800	800	475	325
Advertising/fees	1,300	1,300	525	775
Office expense	1,200	1,200	609	591
Computer software	1,000	1,000	700	300
Postage	300	300	72	228
Economic Initiative	300	300	-	300
Professional Services	15,000	15,000	6,700	8,300
Subscriptions and publications	250	250	-	250
Total planning	81,441	81,441	70,704	10,737
Conservation				
Conservation commission	2,425	2,425	1,086	1,339
Total conservation	2,425	2,425	1,086	1,339

(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, 2010

	<i>Budgeted Amounts</i>		<i>Actual Amounts (Budgetary Basis)</i>	<i>Variance With Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
Recreation				
Salaries	5,418	5,418	5,368	50
Benefits	778	778	452	326
Mailing and advertising	1,000	1,000	917	83
Maintenance and repairs	4,000	4,000	3,210	790
Equipment and rental	2,300	2,300	1,546	754
Sports/activities	10,100	10,100	8,275	1,825
Senior citizens	3,000	3,000	3,000	-
Annual events	2,200	2,200	2,206	(6)
Total recreation	28,796	28,796	24,974	3,822
School				
Regional operational	4,516,458	4,516,458	4,516,458	-
Total school	4,516,458	4,516,458	4,516,458	-
Libraries				
Libraries of Foster	140,219	140,219	140,219	-
Total libraries	140,219	140,219	140,219	-
Land Trust				
Land trust expenditures	5,175	5,175	2,524	2,651
Total land trust	5,175	5,175	2,524	2,651
Capital expenditures and other				
Police	26,409	26,409	24,060	2,349
Public works highway	100,000	100,000	100,000	-
Engineering Board	170,000	170,000	170,000	-
Total capital expenditures and other	296,409	296,409	294,060	2,349
Total expenditures	8,323,358	8,323,358	8,245,008	78,350
Other financing uses				
Transfer to school department fund	4,271,556	4,271,556	4,271,556	-
Transfer to capital projects fund	245,970	245,970	245,970	-
Total other financing uses	4,517,526	4,517,526	4,517,526	-
Total expenditures and other financing uses	\$ 12,840,884	\$ 12,840,884	\$ 12,762,534	\$ 78,350

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenue	\$ -	\$ -	\$ 19,767	\$ 19,767
Other revenues	-	-	54	54
Total revenues	<u>-</u>	<u>-</u>	<u>19,821</u>	<u>19,821</u>
Expenditures				
Education	4,271,556	4,271,556	4,319,257	(47,701)
Total expenditures	<u>4,271,556</u>	<u>4,271,556</u>	<u>4,319,257</u>	<u>(47,701)</u>
Deficiency of revenues under expenditures before other financing sources (uses)	<u>(4,271,556)</u>	<u>(4,271,556)</u>	<u>(4,299,436)</u>	<u>(27,880)</u>
Other financing sources (uses)				
Town appropriation	4,271,556	4,271,556	4,271,556	-
Transfer to General Fund	-	-	(82,233)	(82,233)
Transfer from Medicaid fund	-	-	68,065	68,065
Total other financing sources (uses)	<u>4,271,556</u>	<u>4,271,556</u>	<u>4,257,388</u>	<u>(14,168)</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (42,048)</u>	<u>\$ (42,048)</u>
Fund balance - beginning of year			<u>208,711</u>	
Fund balance - end of year			<u>\$ 166,663</u>	

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

TOWN OF FOSTER, RHODE ISLAND

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

	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age</u>	<u>Unfunded Liability/ (Funding) (Excess)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability/ (Funding Excess) as a Percentage of Covered Payroll</u>
<i>Police Employees Pension Plan</i>							
	6/30/07	\$ 1,935,289	\$ 2,172,650	\$ 237,361	89.1%	\$ 328,396	72.3%
	6/30/08	2,119,671	2,398,430	278,759	88.4%	337,127	82.7%
	6/30/09	2,166,398	2,611,328	444,931	83.0%	390,876	113.8%
<i>General Municipal Employees Pension Plan</i>							
	6/30/07	\$ 2,504,657	\$ 2,844,598	\$ 339,941	88.0%	\$ 1,102,183	30.8%
	6/30/08	2,777,808	3,088,526	310,718	89.9%	1,196,184	26.0%
	6/30/09	2,861,484	3,325,353	463,869	86.1%	1,290,836	35.9%
<i>Other Post-employment Benefit Plan</i>							
	7/1/09	\$ -	\$ 780,502	\$ 780,502	0.0%	N/A	N/A

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

TOWN OF FOSTER, RHODE ISLAND
Notes to Required Supplementary Information

NOTE 1 - SCHEDULE OF FUNDING PROGRESS

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

	<i>General Municipal Employees Pension Plan</i>	<i>Municipal Police Pension Plan</i>
	<hr/>	<hr/>
Valuation date	6/30/2009	6/30/2009
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent of payroll - closed	Level percent of payroll - closed
Amortization period	30 year period from June 30, 1999 or 20 years as of the valuation date	30 year period from June 30, 1999 or 20 years as of valuation date
Asset valuation method	Market value of assets with a 5-year phase-in of actual investment return in excess of (less than) expected investment income	Market value of assets with a 5-year phase-in of actual investment return in excess of (less than) expected investment income
Actuarial assumptions:		
Investment rate of return	8.25%, compounded annually, composed of an assumed 3.0% inflation rate and a 5.25% net real rate of return	8.25%, compounded annually, composed of an assumed 3.0% inflation rate and a 5.25% net real rate of return
Projected salary increases	The sum of a 4.5% wage inflation assumption (composed of a 3% price inflation assumption, and a 1.5% additional general increase) and service related component	The sum of a 4.75% wage inflation assumption (composed of a 3% price inflation assumption, and a 1.75% additional general increase) and service related component
Cost-of-living adjustments	N/A	3%, not compounded
Participant information	Active employees 43 Retirees and beneficiaries 18 <hr/> 61 <hr/>	Active employees 8 Retirees and beneficiaries 6 <hr/> 14 <hr/>

(Continued)

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

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

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

TOWN OF FOSTER, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2010

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 2010. 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

	<i>General Fund</i>	<i>School Unrestricted Fund</i>
<u>Revenues and Other Financing Sources</u>		
Actual amounts (budgetary basis)	\$12,881,578	\$4,359,442
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.	-	148,586
<i>Total revenues and other financing sources as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	\$12,881,578	\$4,508,028

TOWN OF FOSTER, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2010

<u>Expenditures and Other Financing Uses</u>	<u>General Fund</u>	<u>School Unrestricted Fund</u>
Actual amounts (budgetary basis)	\$12,762,534	\$4,401,490
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.	(370)	-
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.	-	148,586
<i>Total expenditures and other financing uses as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$12,762,164</u>	<u>\$4,550,076</u>

OTHER SUPPLEMENTARY INFORMATION

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

THIS SECTION CONTAINS THE FOLLOWING:

Combining Fund Financial Statements for Nonmajor Governmental Funds

Other Supplementary Information

TOWN OF FOSTER, RHODE ISLAND

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2010

	<i>Town Special Revenue Funds</i>	<i>School Special Revenue Funds</i>	<i>Total Nonmajor Governmental Funds</i>
ASSETS			
Cash	\$ 185,810	\$ 4,169	\$ 189,979
Investments	79,665	-	79,665
Due from federal and state governments	38,695	1,700	40,395
Due from other funds	144,907	45,402	190,309
Total assets	\$ 449,077	\$ 51,271	\$ 500,348
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued expenses	998	9,761	10,759
Due to other funds	84,289	-	84,289
Total liabilities	85,287	9,761	95,048
 Fund balances			
Unreserved	363,790	41,510	405,300
Total fund balances	363,790	41,510	405,300
 Total liabilities and fund balances	 \$ 449,077	 \$ 51,271	 \$ 500,348

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, 2010

	<u>Town Special Revenue Funds</u>	<u>School Special Revenue Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Intergovernmental and departmental revenue	\$ 143,976	\$ 379,225	\$ 523,201
Interest on investments	323	-	323
Other revenue	24,474	37,096	61,570
Total revenues	<u>168,773</u>	<u>416,321</u>	<u>585,094</u>
Expenditures			
Legislative, judicial and general administrative	4,957	-	4,957
Health and welfare	83,150	-	83,150
Public safety	39,137	-	39,137
Public works	15,329	-	15,329
Recreation	33,559	-	33,559
Education	-	359,758	359,758
Food service	-	64,026	64,026
Total expenditures	<u>176,132</u>	<u>423,784</u>	<u>599,916</u>
Excess of revenues over expenditures before other financing sources (uses)	<u>(7,359)</u>	<u>(7,463)</u>	<u>(14,822)</u>
Other financing uses			
Transfers to other funds	-	(68,065)	(68,065)
Total other financing uses	<u>-</u>	<u>(68,065)</u>	<u>(68,065)</u>
Net change in fund balance	(7,359)	(75,528)	(82,887)
Fund balances - beginning of year	371,149	117,038	488,187
Fund balances - end of year	<u>\$ 363,790</u>	<u>\$ 41,510</u>	<u>\$ 405,300</u>

TOWN OF FOSTER, RHODE ISLAND

Town Special Revenue Funds

Combining Balance Sheet (Continued)

June 30, 2010

	<i>Community Development Block Grant</i>	<i>RIPTIDE Grant</i>	<i>Champlin Grant</i>	<i>Historical Records</i>	<i>Technology Recording Fee</i>
ASSETS					
Cash	\$ 79,108	\$ -	\$ 4,491	\$ -	\$ -
Investments	-	-	-	13,120	11,480
Due from federal and state governments	-	1,471	-	-	-
Due from other funds	-	-	-	2,665	31,645
Total assets	<u>\$ 79,108</u>	<u>\$ 1,471</u>	<u>\$ 4,491</u>	<u>\$ 15,785</u>	<u>\$ 43,125</u>
 LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenditures	-	-	-	-	-
Due to other funds	1,500	1,471	4,491	-	-
Total liabilities	<u>1,500</u>	<u>1,471</u>	<u>4,491</u>	<u>-</u>	<u>-</u>
 Fund balances					
Unreserved - undesignated	77,608	-	-	15,785	43,125
Total fund balances	<u>77,608</u>	<u>-</u>	<u>-</u>	<u>15,785</u>	<u>43,125</u>
 Total liabilities and fund balances	<u>\$ 79,108</u>	<u>\$ 1,471</u>	<u>\$ 4,491</u>	<u>\$ 15,785</u>	<u>\$ 43,125</u>

(Continued)

TOWN OF FOSTER, RHODE ISLAND

Town Special Revenue Funds

Combining Balance Sheet (Continued)

June 30, 2010

	<u>DARE</u>	<u>Townhouse Grant</u>	<u>Townhouse Trust</u>	<u>Dog Damages</u>	<u>Driveway Bond Deposit</u>	<u>DEM Fund</u>
ASSETS						
Cash	\$ 1,611	\$ 17,405	\$ 45,992	\$ -	\$ -	\$ -
Investments	-	-	-	10,119	6,305	-
Due from federal and state governments	-	-	-	-	-	15,221
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ 1,611</u>	<u>\$ 17,405</u>	<u>\$ 45,992</u>	<u>\$ 10,119</u>	<u>\$ 6,305</u>	<u>\$ 15,221</u>
 LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenditures	-	-	-	-	-	-
Due to other funds	793	17,405	21,405	-	-	15,221
Total liabilities	<u>793</u>	<u>17,405</u>	<u>21,405</u>	<u>-</u>	<u>-</u>	<u>15,221</u>
 Fund balances						
Unreserved - undesignated	818	-	24,587	10,119	6,305	-
Total fund balances	<u>818</u>	<u>-</u>	<u>24,587</u>	<u>10,119</u>	<u>6,305</u>	<u>-</u>
 Total liabilities and fund balances	 <u>\$ 1,611</u>	 <u>\$ 17,405</u>	 <u>\$ 45,992</u>	 <u>\$ 10,119</u>	 <u>\$ 6,305</u>	 <u>\$ 15,221</u>

(Continued)

TOWN OF FOSTER, RHODE ISLAND

Town Special Revenue Funds

Combining Balance Sheet (Continued)

June 30, 2010

	<u>Recreation</u>	<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>
ASSETS							
Cash	\$ 14,493	\$ -	\$ -	\$ 7,007	\$ 15,703	\$ -	\$ 185,810
Investments	-	38,641	-	-	-	-	79,665
Due from federal and state governments	-	-	-	-	-	22,003	38,695
Due from other funds	-	87,108	21,169	2,320	-	-	144,907
Total assets	<u>\$ 14,493</u>	<u>\$ 125,749</u>	<u>\$ 21,169</u>	<u>\$ 9,327</u>	<u>\$ 15,703</u>	<u>\$ 22,003</u>	<u>\$ 449,077</u>
 LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued expenditures	60	-	-	938	-	-	998
Due to other funds	-	-	-	-	-	22,003	84,289
Total liabilities	<u>60</u>	<u>-</u>	<u>-</u>	<u>938</u>	<u>-</u>	<u>22,003</u>	<u>85,287</u>
 Fund balances							
Unreserved - undesignated	14,433	125,749	21,169	8,389	15,703	-	363,790
Total fund balances	<u>14,433</u>	<u>125,749</u>	<u>21,169</u>	<u>8,389</u>	<u>15,703</u>	<u>-</u>	<u>363,790</u>
 Total liabilities and fund balances	<u>\$ 14,493</u>	<u>\$ 125,749</u>	<u>\$ 21,169</u>	<u>\$ 9,327</u>	<u>\$ 15,703</u>	<u>\$ 22,003</u>	<u>\$ 449,077</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, 2010*

	<i>Community Development Block Grant</i>	<i>RIPTIDE Grant</i>	<i>Champlin Grant</i>	<i>Historical Records</i>	<i>Technology Recording Fee</i>
Revenues					
Intergovernmental and departmental revenues	\$ 52,500	\$ 12,138	\$ -	\$ 851	\$ 5,049
Interest on investments	-	-	31	30	26
Other revenue	11,493	-	-	-	-
Total revenues	<u>63,993</u>	<u>12,138</u>	<u>31</u>	<u>881</u>	<u>5,075</u>
Expenditures					
Legislative, judicial and general administrative	-	-	-	-	-
Health and welfare	66,401	-	-	-	-
Public safety	-	12,138	-	-	-
Public Works	-	-	-	-	-
Recreation	-	-	4,491	-	-
Total expenditures	<u>66,401</u>	<u>12,138</u>	<u>4,491</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(2,408)	-	(4,460)	881	5,075
Fund balances - beginning of year	80,016	-	4,460	14,904	38,050
Fund balances - end of year	<u>\$ 77,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,785</u>	<u>\$ 43,125</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, 2010

	<u>DARE</u>	<u>Townhouse Grant</u>	<u>Townhouse Trust</u>	<u>Dog Damages</u>	<u>Driveway Bond Deposit</u>	<u>DEM Fund</u>
Revenues						
Intergovernmental and departmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,846
Interest on investments	-	-	112	23	14	-
Other revenue	1,000	-	-	-	-	-
Total revenues	<u>1,000</u>	<u>-</u>	<u>112</u>	<u>23</u>	<u>14</u>	<u>3,846</u>
Expenditures						
Legislative, judicial and general administrative	-	-	4,957	-	-	-
Health and Welfare	-	-	-	-	-	-
Public safety	793	-	-	-	-	-
Public Works	-	-	-	-	-	-
Recreation	-	-	-	-	-	3,846
Total expenditures	<u>793</u>	<u>-</u>	<u>4,957</u>	<u>-</u>	<u>-</u>	<u>3,846</u>
Net change in fund balance	207	-	(4,845)	23	14	-
Fund balances - beginning of year	611	-	29,432	10,096	6,291	-
Fund balances - end of year	<u>\$ 818</u>	<u>\$ -</u>	<u>\$ 24,587</u>	<u>\$ 10,119</u>	<u>\$ 6,305</u>	<u>\$ -</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, 2010

	<u>Recreation</u>	<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>
Revenues							
Intergovernmental and departmental revenues	\$ 11,393	\$ 6,675	\$ 19,608	\$ 8,170	\$ -	\$ 23,746	\$ 143,976
Interest on investments	-	87	-	-	-	-	323
Other revenue	-	-	-	11,981	-	-	24,474
Total revenues	<u>11,393</u>	<u>6,762</u>	<u>19,608</u>	<u>20,151</u>	<u>-</u>	<u>23,746</u>	<u>168,773</u>
Expenditures							
Legislative, judicial and general administrative	-	-	-	-	-	-	4,957
Health and welfare	-	-	-	16,749	-	-	83,150
Public safety	-	-	2,439	-	-	23,767	39,137
Public Works	-	-	-	-	15,329	-	15,329
Recreation	15,318	9,904	-	-	-	-	33,559
Total expenditures	<u>15,318</u>	<u>9,904</u>	<u>2,439</u>	<u>16,749</u>	<u>15,329</u>	<u>23,767</u>	<u>176,132</u>
Net change in fund balance	(3,925)	(3,142)	17,169	3,402	(15,329)	(21)	(7,359)
Fund balances - beginning of year	18,358	128,891	4,000	4,987	31,032	21	371,149
Fund balances - end of year	<u>\$ 14,433</u>	<u>\$ 125,749</u>	<u>\$ 21,169</u>	<u>\$ 8,389</u>	<u>\$ 15,703</u>	<u>\$ -</u>	<u>\$ 363,790</u>

TOWN OF FOSTER, RHODE ISLAND

School Special Revenue Funds

Combining Balance Sheet

June 30, 2010

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

(Continued)

TOWN OF FOSTER, RHODE ISLAND

School Special Revenue Funds

Combining Balance Sheet (Continued)

June 30, 2010

	<u>Federal Grants</u>				
	<u>Title I</u>	<u>Title II</u>	<u>Title IV</u>	<u>IDEA Preschool</u>	<u>IDEA Part B</u>
ASSETS					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments	-	-	-	-	-
Due from other funds	2,828	-	271	-	-
Total assets	<u>\$ 2,828</u>	<u>\$ -</u>	<u>\$ 271</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenditures	\$ 2,828	\$ -	\$ 271	\$ -	\$ -
Total liabilities	<u>2,828</u>	<u>-</u>	<u>271</u>	<u>-</u>	<u>-</u>
Fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 2,828</u>	<u>\$ -</u>	<u>\$ 271</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

TOWN OF FOSTER, RHODE ISLAND

School Special Revenue Funds

Combining Balance Sheet (Continued)

June 30, 2010

	<u>School Lunch</u>	<u>Medicaid</u>	<u>RI Parent Information Network</u>	<u>Small Rural School Grant</u>	<u>State Fiscal Stabilization</u>	<u>Total</u>
ASSETS						
Cash	\$ 4,169	\$ -	\$ -	\$ -	\$ -	\$ 4,169
Due from federal and state governments	1,700	-	-	-	-	1,700
Due from other funds	1,327	-	7,699	1,222	-	45,402
Total assets	<u>\$ 7,196</u>	<u>\$ -</u>	<u>\$ 7,699</u>	<u>\$ 1,222</u>	<u>\$ -</u>	<u>\$ 51,271</u>
 LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenditures	\$ 6,662	\$ -	\$ -	\$ -	\$ -	\$ 9,761
Total liabilities	<u>6,662</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,761</u>
 Fund balances	 <u>534</u>	 <u>-</u>	 <u>7,699</u>	 <u>1,222</u>	 <u>-</u>	 <u>41,510</u>
 Total liabilities and fund balances	 <u>\$ 7,196</u>	 <u>\$ -</u>	 <u>\$ 7,699</u>	 <u>\$ 1,222</u>	 <u>\$ -</u>	 <u>\$ 51,271</u>

TOWN OF FOSTER, RHODE ISLAND

School Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Year Ending June 30, 2010

	<i>Article 31 State Aid</i>				<i>Other State Aid</i>
	<i>Student Equity</i>	<i>Early Childhood</i>	<i>Technology</i>	<i>Professional Development</i>	<i>RILDPA</i>
Revenues					
Intergovernmental and departmental revenues	\$ 75,517	\$ 31,865	\$ 7,970	\$ -	\$ 38,119
Other revenue	-	-	-	-	-
Total revenues	<u>75,517</u>	<u>31,865</u>	<u>7,970</u>	<u>-</u>	<u>38,119</u>
Expenditures					
Education	75,517	31,865	7,970	-	38,119
Food service	-	-	-	-	-
Total expenditures	<u>75,517</u>	<u>31,865</u>	<u>7,970</u>	<u>-</u>	<u>38,119</u>
Excess (deficiency) of revenues over (under) expenditures before other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing uses					
Transfers to other funds	-	-	-	-	-
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-	-
Fund balances - beginning of year	13,064	985	-	2,738	15,268
Fund balances - end of year	<u>\$ 13,064</u>	<u>\$ 985</u>	<u>\$ -</u>	<u>\$ 2,738</u>	<u>\$ 15,268</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, 2010

	<i>Federal Grants</i>				
	<i>Title I</i>	<i>Title II</i>	<i>Title IV</i>	<i>IDEA Preschool</i>	<i>IDEA Part B</i>
Revenues					
Intergovernmental and departmental revenues	\$ 41,424	\$ 24,876	\$ 1,212	\$ 10,158	\$ 58,638
Other revenue	-	-	-	-	-
Total revenues	<u>41,424</u>	<u>24,876</u>	<u>1,212</u>	<u>10,158</u>	<u>58,638</u>
Expenditures					
Education	41,424	24,876	1,212	10,158	58,638
Food service	-	-	-	-	-
Total expenditures	<u>41,424</u>	<u>24,876</u>	<u>1,212</u>	<u>10,158</u>	<u>58,638</u>
Excess (deficiency) of revenues over (under) expenditures before other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing uses					
Transfers to other funds	-	-	-	-	-
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-	-
Fund balances - beginning of year	-	-	-	-	-
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(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, 2010

	<u>School Lunch</u>	<u>Medicaid</u>	<u>RI Parent Information Network</u>	<u>Small Rural School Grant</u>	<u>State Fiscal Stabilization</u>	<u>Total</u>
Revenues						
Intergovernmental and departmental revenues	\$ 19,467	\$ -	\$ -	\$ -	\$ 69,979	\$ 379,225
Other revenue	<u>37,096</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,096</u>
Total revenues	<u>56,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,979</u>	<u>416,321</u>
Expenditures						
Education	-	-	-	-	69,979	359,758
Food service	<u>64,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,026</u>
Total expenditures	<u>64,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,979</u>	<u>423,784</u>
Excess (deficiency) of revenues over (under) expenditures before other financing uses	<u>(7,463)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,463)</u>
Other financing uses						
Transfers to other funds	<u>-</u>	<u>(68,065)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(68,065)</u>
Total other financing uses	<u>-</u>	<u>(68,065)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(68,065)</u>
Net change in fund balance	<u>(7,463)</u>	<u>(68,065)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75,528)</u>
Fund balances - beginning of year	7,997	68,065	7,699	1,222	-	117,038
Fund balances - end of year	<u>\$ 534</u>	<u>\$ -</u>	<u>\$ 7,699</u>	<u>\$ 1,222</u>	<u>\$ -</u>	<u>\$ 41,510</u>

TOWN OF FOSTER, RHODE ISLAND

Combining Statement of Net Assets

Agency Funds

June 30, 2010

	<u><i>Mageira Performance Bond</i></u>	<u><i>Student Activity Funds</i></u>	<u><i>Probate Escrow Fund</i></u>	<u><i>Total Agency Funds</i></u>
<i>Assets</i>				
Cash	\$ 540	\$ 1,425	\$ 20,758	\$ 22,723
<i>Total assets</i>	<u>\$ 540</u>	<u>\$ 1,425</u>	<u>\$ 20,758</u>	<u>\$ 22,723</u>
<i>Liabilities</i>				
Deposits held in custody for others	\$ 540	\$ 1,425	\$ 20,758	\$ 22,723
<i>Total liabilities</i>	<u>\$ 540</u>	<u>\$ 1,425</u>	<u>\$ 20,758</u>	<u>\$ 22,723</u>

TOWN OF FOSTER, RHODE ISLAND
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2010

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
MAGEIRA PERFORMANCE BOND				
<i>Assets</i>				
Cash	\$ 20,365	\$ 30	\$ 19,855	\$ 540
Total assets	\$ 20,365	\$ 30	\$ 19,855	\$ 540
<i>Liabilities</i>				
Due to other funds	\$ 19,826	\$ -	\$ 19,826	\$ -
Deposits held in custody for others	539	30	29	540
Total liabilities	\$ 20,365	\$ 30	\$ 19,855	\$ 540
STUDENT ACTIVITY FUND				
<i>Assets</i>				
Cash	\$ 1,875	\$ 1,474	\$ 1,924	\$ 1,425
Total assets	\$ 1,875	\$ 1,474	\$ 1,924	\$ 1,425
<i>Liabilities</i>				
Deposits held in custody for others	\$ 1,875	\$ 1,474	\$ 1,924	\$ 1,425
Total liabilities	\$ 1,875	\$ 1,474	\$ 1,924	\$ 1,425
PROBATE ESCROW ACCOUNT				
<i>Assets</i>				
Cash	\$ 3,830	\$ 17,428	\$ 500	\$ 20,758
Total assets	\$ 3,830	\$ 17,428	\$ 500	\$ 20,758
<i>Liabilities</i>				
Due to other funds	500	-	500	-
Deposits held in custody for others	3,330	17,428	-	20,758
Total liabilities	\$ 3,830	\$ 17,428	\$ -	\$ 20,758
TOTAL AGENCY FUNDS				
<i>Assets</i>				
Cash	\$ 26,070	\$ 18,932	\$ 22,279	\$ 22,723
Total assets	\$ 26,070	\$ 18,932	\$ 22,279	\$ 22,723
<i>Liabilities</i>				
Due to other funds	20,326	-	20,326	-
Deposits held in custody for others	5,744	18,932	1,953	22,723
Total liabilities	\$ 26,070	\$ 18,932	\$ 22,279	\$ 22,723

TOWN OF FOSTER, RHODE ISLAND

Tax Collector's Annual Report

For the Fiscal Year Ended June 30, 2010

Real Estate and Personal Property Taxes

<i>Fiscal Year End</i>	<i>Balance 6/30/2009</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 6/30/2010</i>
2010	\$ -	\$ 10,345,673	\$ 26,522	\$ 12,402	\$ 50	\$ 10,359,843	\$ 10,043,259	\$ 316,584
2009	321,429	-	-	-	1,694	323,123	278,524	44,599
2008	26,432	-	-	1,473	282	25,241	5,602	19,639
2007	18,149	-	-	1,473	-	16,676	332	16,344
2006	15,161	-	-	-	47	15,208	85	15,123
2005	9,715	-	-	-	-	9,715	77	9,638
2004	10,301	-	-	-	-	10,301	488	9,813
2003	8,397	-	-	-	(1)	8,396	509	7,887
2002	9,185	-	-	-	-	9,185	5	9,180
2001	9,378	-	-	9,924	(23)	(569)	111	(680)
2000	389	-	-	-	-	389	-	389
1999	(20)	-	-	-	-	(20)	-	(20)
1998 and prior	2,003	-	-	-	-	2,003	-	2,003
	<u>\$ 430,519</u>	<u>\$ 10,345,673</u>	<u>\$ 26,522</u>	<u>\$ 25,272</u>	<u>\$ 2,049</u>	<u>\$ 10,779,491</u>	<u>\$ 10,328,992</u>	<u>\$ 450,499</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	\$ 583,622,371	\$ 9,991,615
Motor Vehicles	37,890,117	1,400,040
Tangible and Personal Property	7,717,429	181,745
Total	<u>629,229,917</u>	<u>11,573,400</u>
Exemptions and frozen property	(22,123,225)	(1,227,727)
Net assessed value	<u>\$ 607,106,692</u>	<u>\$ 10,345,673</u>

Reconciliation of Current Year Property Tax Revenue

Current year collections	\$10,328,992
<u>Adjustments and reversals</u>	
Add: Revenue collected 60 days subsequent to fiscal year ending June 30, 2010	77,634
Less: Prior year revenue collected 60 days subsequent to fiscal year ended June 30, 2009	(87,284)
Refunds and payment adjustments	(2,049)
Current year property tax revenue	<u>\$ 10,317,293</u>

STATISTICAL SECTION

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

Statistical Section

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

<u>Contents</u>	<u>Page(s)</u>
Financial Trends These schedules contain trend information to help the reader understand how the Town's financial position has changed over time.	73-76
Revenue Capacity These schedules contain information to help the reader understand and assess the factors affecting the Town's ability to generate its most significant local revenue sources, the real and personal property tax .	77-80
Debt Capacity These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	81-85
Economic and Demographic Information These schedules offer economic and demographic indicators to help the reader understand the environment within which the Town's financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	86-87
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	88-90

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 Seven Fiscal Years
(accrual basis of accounting)
Unaudited**

	Fiscal Year						
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
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
Restricted	2,744,263	2,160,845	2,754,266	2,458,707	1,849,009	1,454,828	1,270,601
Unrestricted	1,019,069	1,193,936	1,188,117	990,677	59,436	94,934	248,718
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>

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 Seven Fiscal Years
 (accrual basis of accounting)
 Unaudited

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Expenses							
Governmental activities:							
Legislative, judicial and general administrative	\$ 607,225	\$ 440,374	\$ 867,567	\$ 1,075,154	\$ 1,035,557	\$ 1,126,194	\$ 1,009,170
Health and Welfare	422,961	512,292	372,732	408,234	442,529	510,792	412,545
Public safety	1,147,883	1,104,600	1,101,109	1,386,698	1,486,792	1,482,617	1,805,354
Public works	805,567	825,897	579,346	841,178	1,456,055	890,676	1,112,606
Building and Zoning	41,983	39,448	41,013	50,392	51,663	47,824	51,725
Planning	48,761	49,767	32,860	33,299	84,255	85,750	70,704
Conservation	1,438	2,152	2,172	1,130	2,306	2,449	1,086
Recreation	46,564	31,787	65,544	43,017	58,407	65,514	59,294
Education	7,075,589	7,446,108	7,678,749	8,234,752	8,748,262	9,348,134	9,420,374
Food Services	96,497	95,391	88,411	86,708	69,428	68,789	64,026
Libraries	117,084	117,084	128,511	145,188	151,901	156,610	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>
Program Revenues							
Governmental activities:							
Charges for services:							
Legislative, judicial and general administrative	\$ 87,827	\$ 189,331	\$ 83,431	\$ 109,165	\$ 88,138	\$ 112,366	\$ 79,756
Health and Welfare	-	-	11,690	2,390	12,662	3,032	2,993
Public safety	45,706	22,536	50,736	67,426	53,321	56,856	46,019
Building and Zoning	111,232	50,448	108,054	69,140	41,624	39,833	46,737
Planning	3,532	7,996	24,355	25,447	24,030	-	-
Recreation	-	-	-	-	25,503	1,135	11,393
Education	-	-	26,925	23,871	7,911	10,516	19,767
Food Services	94,390	97,474	53,975	48,702	50,286	43,717	37,096
Operating grants and contributions:							
Legislative, judicial and general administrative	52,765	18,275	57,967	50,570	-	11,880	-
Health and Welfare	123,673	112,084	100,525	88,800	84,310	166,356	81,151
Public safety	21,365	6,964	36,603	58,273	37,018	94,177	44,354
Public works	-	22,941	56,820	-	3,841	33,571	291,408
Recreation	-	-	-	-	18,213	11,375	3,846
Education	1,644,038	1,630,447	1,633,010	1,696,003	1,739,138	1,680,495	1,591,304
Food Services	-	-	25,741	23,879	19,795	19,088	19,467
Capital grants and contributions:							
Health and Welfare	-	2,581	-	-	-	-	-
Public safety	-	71,533	-	-	-	-	13,389
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>
Total primary government net expense	<u>\$ (8,227,024)</u>	<u>\$ (8,432,290)</u>	<u>\$ (8,688,182)</u>	<u>\$ (10,042,084)</u>	<u>\$ (11,306,365)</u>	<u>\$ (11,470,952)</u>	<u>\$ (11,837,400)</u>
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Property taxes, levied for general purposes	\$ 7,264,546	\$ 7,367,545	\$ 7,878,820	\$ 8,262,363	\$ 8,699,129	\$ 9,924,717	\$ 10,407,479
Unrestricted investment earnings	110,579	121,179	80,694	135,913	136,655	27,872	5,070
Other general revenues	935,132	912,658	1,052,733	1,215,414	1,167,759	1,055,541	828,413
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>
Change in Net Assets							
Governmental activities:							
Total primary government	<u>\$ 83,233</u>	<u>\$ (30,908)</u>	<u>\$ 324,065</u>	<u>\$ (428,394)</u>	<u>\$ (1,302,822)</u>	<u>\$ (462,822)</u>	<u>\$ (596,438)</u>

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 34,272	\$ 52,107	\$ 41,797	\$ 75,686	\$ 57,169	\$ 215,354	\$ 324,771	\$ 153,470	\$ 148,568	\$ 76,748
Unreserved	1,343,169	1,687,736	2,090,028	861,311	916,518	1,048,051	873,576	15,998	(44,553)	146,681
Total general fund	<u>\$ 1,377,441</u>	<u>\$ 1,739,843</u>	<u>\$ 2,131,825</u>	<u>\$ 936,997</u>	<u>\$ 973,687</u>	<u>\$ 1,263,405</u>	<u>\$ 1,198,347</u>	<u>\$ 169,468</u>	<u>\$ 104,015</u>	<u>\$ 223,429</u>
Education										
Reserved	\$ 10,250	\$ 10,250	\$ 101,631	\$ 191,699	\$ -	\$ 45,361	\$ 47,443	\$ -	\$ -	\$ -
Unreserved	134,000	130,714	(27,374)	30,378	54,025	170,225	170,425	200,043	208,711	166,663
Total education fund	<u>\$ 144,250</u>	<u>\$ 140,964</u>	<u>\$ 74,257</u>	<u>\$ 222,077</u>	<u>\$ 54,025</u>	<u>\$ 215,586</u>	<u>\$ 217,868</u>	<u>\$ 200,043</u>	<u>\$ 208,711</u>	<u>\$ 166,663</u>
Capital Projects Funds										
Unreserved	\$ 993,065	\$ 1,015,644	\$ 760,775	\$ 2,037,104	\$ 1,855,643	\$ 2,043,158	\$ 1,679,466	\$ 1,221,785	\$ 785,235	\$ 736,645
Total Capital Projects fund	<u>\$ 993,065</u>	<u>\$ 1,015,644</u>	<u>\$ 760,775</u>	<u>\$ 2,037,104</u>	<u>\$ 1,855,643</u>	<u>\$ 2,043,158</u>	<u>\$ 1,679,466</u>	<u>\$ 1,221,785</u>	<u>\$ 785,235</u>	<u>\$ 736,645</u>
All Other Governmental Funds										
Reserved:										
Special revenue funds	\$ 192,707	\$ 159,591	\$ 157,584	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	134,000	123,839	132,702	314,814	248,033	359,805	365,596	383,782	488,187	405,300
Total all other governmental funds	<u>\$ 326,707</u>	<u>\$ 283,430</u>	<u>\$ 290,286</u>	<u>\$ 314,814</u>	<u>\$ 248,033</u>	<u>\$ 359,805</u>	<u>\$ 365,596</u>	<u>\$ 383,782</u>	<u>\$ 488,187</u>	<u>\$ 405,300</u>

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
General property taxes	\$ 6,115,700	\$ 6,684,039	\$ 6,683,186	\$ 7,286,639	\$ 7,414,157	\$ 7,935,653	\$ 8,180,828	\$ 8,671,529	\$ 9,806,090	\$ 10,317,293
Intergovernmental and departmental revenue	2,199,780	2,360,963	2,535,134	2,697,218	2,778,954	2,951,604	3,191,398	3,094,718	3,079,446	2,849,150
Licenses and fees	175,838	180,626	178,714	277,013	267,070	240,720	226,129	190,949	173,082	182,566
Interest on investments	146,477	60,696	36,783	36,157	46,529	80,693	135,913	136,655	27,872	5,070
Other revenues	143,305	236,991	396,292	280,255	230,026	179,752	110,166	229,959	166,420	154,207
Total revenues	\$ 8,781,100	\$ 9,523,315	\$ 9,830,109	\$ 10,577,282	\$ 10,736,736	\$ 11,388,422	\$ 11,844,434	\$ 12,323,810	\$ 13,252,910	\$ 13,508,286
Expenditures										
Legislative, Judicial and general administrative	\$ 266,425	\$ 251,325	\$ 278,567	\$ 282,504	\$ 289,988	\$ 348,470	\$ 428,867	\$ 368,178	\$ 396,188	\$ 356,276
Financial Administration	135,386	153,405	167,713	170,584	163,171	211,329	253,008	252,432	235,719	242,169
Miscellaneous Administration	71,641	91,937	71,530	73,685	99,974	119,173	307,650	191,239	273,910	250,997
Health and Welfare	362,698	377,763	325,439	422,427	513,652	407,275	408,584	442,529	510,792	412,545
Public Safety	860,601	886,394	918,194	966,583	1,022,272	986,216	1,279,366	1,380,447	1,387,982	1,330,506
Public Works	589,621	572,301	589,069	606,544	631,506	475,938	691,686	829,703	765,772	943,338
Building and Zoning	38,332	40,808	39,705	39,604	40,471	41,013	50,392	51,663	47,824	51,725
Planning	15,050	33,637	30,907	35,774	55,023	32,860	17,799	84,255	70,250	70,704
Conservation	1,813	1,063	1,196	1,438	2,152	2,172	1,130	2,306	2,449	1,086
Recreation	19,265	19,824	19,682	30,564	31,137	33,601	34,424	70,479	64,753	58,533
Education	5,738,345	6,231,234	6,605,984	7,013,278	7,410,610	7,583,386	8,079,203	8,727,508	9,275,675	9,344,059
Food Services	91,529	90,474	96,388	96,497	95,391	88,411	86,708	69,428	68,789	64,026
Libraries	111,225	113,673	117,084	117,084	117,084	128,511	145,188	151,901	156,610	140,219
Land Trust	3,560	2,134	1,991	2,639	4,951	5,304	5,419	5,533	5,280	2,524
Capital Outlay	439,526	259,739	394,731	479,394	471,099	132,697	549,974	1,249,682	379,847	293,690
Principal	45,000	40,000	40,000	40,000	40,000	40,000	-	-	-	-
Interest	16,480	13,400	10,460	7,490	4,500	1,500	-	-	-	-
Total Expenditures	\$ 8,806,497	\$ 9,179,111	\$ 9,708,640	\$ 10,386,089	\$ 10,992,981	\$ 10,637,856	\$ 12,339,398	\$ 13,877,283	\$ 13,641,840	\$ 13,562,397
Excess of revenues over (under) expenditures	\$ (25,397)	\$ 344,204	\$ 121,469	\$ 191,193	\$ (256,245)	\$ 750,566	\$ (494,964)	\$ (1,553,473)	\$ (388,930)	\$ (54,111)
Other Financing Sources (uses)										
Proceeds from lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,287	\$ 67,274	\$ -	\$ -
Transfers from other funds	2,756,299	2,583,282	2,990,992	4,860,643	3,578,157	5,256,142	5,020,725	5,372,683	5,520,260	4,964,233
Transfers to other funds	(2,777,299)	(2,585,782)	(2,993,492)	(4,860,643)	(3,578,157)	(5,256,142)	(5,020,725)	(5,372,683)	(5,520,260)	(4,964,233)
Total other financing sources (uses)	(21,000)	(2,500)	(2,500)	-	-	-	74,287	67,274	-	-
Net change in fund balances	\$ (46,397)	\$ 341,704	\$ 118,969	\$ 191,193	\$ (256,245)	\$ 750,566	\$ (420,677)	\$ (1,486,199)	\$ (388,930)	\$ (54,111)
Debt service as a percentage of noncapital expenditures	2.5%	2.2%	2.0%	1.8%	1.5%	1.5%	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
2001	\$ 146,574,825	\$ 32,156,837	\$ 13,967,927	\$ 164,763,735	37.50	\$ 302,763,203	54.42%	\$ 178,731,662
2002	\$ 145,738,474	\$ 29,980,099	\$ 9,183,786	\$ 166,534,787	40.20	\$ 308,340,654	54.01%	\$ 175,718,573
2003	\$ 148,787,085	\$ 30,531,080	\$ 12,034,953	\$ 167,283,212	40.20	\$ 307,505,904	54.40%	\$ 179,318,165
2004	\$ 441,424,855	\$ 34,735,277	\$ 12,381,229	\$ 463,778,903	14.20	\$ 486,958,109	95.24%	\$ 476,160,132
2005	\$ 450,161,256	\$ 36,450,788	\$ 12,935,749	\$ 473,676,295	14.10	\$ 497,350,163	95.24%	\$ 486,612,044
2006	\$ 489,847,045	\$ 41,726,645	\$ 15,113,214	\$ 516,460,476	14.75	\$ 542,557,491	95.19%	\$ 531,573,690
2007	\$ 680,214,030	\$ 46,545,864	\$ 20,212,335	\$ 706,547,559	11.24	\$ 726,759,894	97.22%	\$ 726,759,894
2008	\$ 686,549,707	\$ 47,389,999	\$ 20,490,135	\$ 713,449,571	11.79	\$ 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

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 State 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>
2001	\$37.50
2002	\$40.20
2003	\$40.20
2004	\$14.20
2005	\$14.10
2006	\$14.75
2007	\$11.24
2008	\$11.79
2009	\$13.52
2010	\$17.12

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	2010				2001			
	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	3.11%	\$ 322,994	\$ 7,853,300	1	4.72%	\$ 294,106
Providence Public Buildings Authority (PWSB)	8,422,700	2	1.39%	\$ 144,197	1,865,100	3	1.12%	\$ 69,848
Narragansett Electric	7,562,873 a)	3	1.25%	\$ 129,476	a) 2,823,434	2	1.70%	\$ 105,738
Foster Country Club (Tykamac Ent. LLC)	2,659,000 a)	4	0.44%	\$ 45,522	a) 1,302,750	4	0.78%	\$ 48,788
Foster Senior Housing	1,314,600	5	0.22%	\$ 22,506	545,250	5	0.33%	\$ 20,420
Ginny B Inc	1,313,100 a)	6	0.22%	\$ 22,480	a) 374,000	6	0.22%	\$ 14,006
Walker, Muriel	914,700 a)	7	0.15%	\$ 15,660	a) 257,400	10		\$ 9,640
Nelson, Robert & Wendy	879,800	8	0.14%	\$ 15,062				
Hawkins, John & Bertha	849,400	9	0.14%	\$ 14,542				
Pollard, Scott M & Elisa M	811,400 a)	10	0.13%	\$ 13,891	a)			
Roxannes Holdings LLC	809,900	11	0.13%	\$ 13,865				
Costa, David & Lisa	787,000	12	0.13%	\$ 13,473				
Gorham, Nicholas, DVM					346,000	7	0.21%	\$ 12,958
Gabriele, Clodomiro & Beatrice					a) 312,850	8	0.19%	\$ 12,015
Spencer, D & Spencer, L					293,900	9	0.18%	\$ 11,007
Borders, Charles					253,000	11	0.15%	\$ 9,475
Turnquist Lumber Co Inc					a) 221,649	12	0.13%	\$ 9,595
Totals	\$ 45,190,973		7.45%	\$ 773,669	\$ 16,448,633		9.73%	\$ 617,594

Note: The amounts presented represent the assessed values upon which 2010 and 2001 collections were based

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

a) Includes tangible or motor vehicle assessment also

Total Assesed Value	\$607,106,692	\$166,338,012
Tax Rate	\$17.12	\$37.45

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
2001	6,175,924	5,837,349	94.5%	329,056	6,166,405	99.8%
2002	6,619,905	6,362,535	96.1%	247,930	6,610,465	99.9%
2003	6,657,161	6,402,395	96.2%	240,208	6,642,603	99.8%
2004	7,276,528	7,025,891	96.6%	234,768	7,260,659	99.8%
2005	7,352,142	7,173,582	97.6%	166,046	7,339,628	99.8%
2006	7,843,650	7,694,094	98.1%	134,878	7,828,972	99.8%
2007	8,225,871	8,026,140	97.6%	181,531	8,207,671	99.8%
2008	8,657,612	8,435,912	97.4%	148,376	8,584,288	99.2%
2009	9,879,531	9,647,829	97.7%	197,404	9,845,233	99.7%
2010	10,345,673	10,115,442	97.8%	-	10,115,442	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			
2001	200,000	-	-	200,000	0.21% (a)	46
2002	160,000	-	-	160,000	0.17% (a)	37
2003	120,000	100,000	253,893	473,893	0.50% (a)	111
2004	80,000	100,000	127,545	307,545	0.32% (a)	72
2005	40,000	-	-	40,000	0.04% (a)	9
2006	-	-	-	-	0.00% (a)	-
2007	-	-	47,879	47,879	0.05% (a)	11
2008	-	-	68,311	68,311	0.07% (a)	16
2009	-	-	22,401	22,401	0.02% (a)	5
2010	-	-	22,401	22,401	0.02% (a)	5

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.

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		
2001	200,000	200,000	0.12%	45.81
2002	160,000	160,000	0.10%	37.44
2003	120,000	120,000	0.07%	28.08
2004	80,000	80,000	0.02%	18.72
2005	40,000	40,000	0.01%	9.36
2006	-	-	0.00%	-
2007	-	-	0.00%	-
2008	-	-	0.00%	-
2009	-	-	0.00%	-
2010	-	-	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, 2010
Unaudited**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Foster-Glocester Regional School District (a)	\$ 55,680,000	36.24% (a)	\$ 20,178,432
Other debt			
Foster-Glocester Regional School District - BAN (a)	-	36.24% (a)	-
Subtotal, overlapping debt			20,178,432
Town direct debt			-
Total direct and overlapping debt			<u>\$ 20,178,432</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 2010

Assessed Value	\$607,106,692
Debt limit (3% of assessed value)	18,213,201
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>\$ 18,213,201</u>

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt limit	\$ 4,942,912	\$ 4,996,044	\$ 5,018,496	\$13,913,367	\$14,210,289	\$15,493,814	\$21,196,427	\$21,403,487	\$21,565,010	\$ 18,213,201
Total net debt applicable to limit	<u>(200,000)</u>	<u>(160,000)</u>	<u>(120,000)</u>	<u>(80,000)</u>	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 4,742,912</u>	<u>\$ 4,836,044</u>	<u>\$ 4,898,496</u>	<u>\$13,833,367</u>	<u>\$14,170,289</u>	<u>\$15,493,814</u>	<u>\$21,196,427</u>	<u>\$21,403,487</u>	<u>\$21,565,010</u>	<u>\$ 18,213,201</u>
Total net debt applicable to the limit as a percentage of debt limit	4.05%	3.20%	2.39%	0.57%	0.28%	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>
2001	4,366	68,803,794	15,759	39.8	892	4.80%
2002	4,274	94,660,552	22,148	39.8	898	4.90%
2003	4,274	94,660,552	22,148	39.8	928	5.40%
2004	4,274	94,660,552	22,148	39.8	921	5.80%
2005	4,274	94,660,552	22,148	39.8	941	5.40%
2006	4,274	94,660,552	22,148	39.8	963	5.50%
2007	4,274	94,660,552	22,148	39.8	858	5.70%
2008	4,274	94,660,552	22,148	39.8	708	6.14%
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%

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, not seasonally adjusted.**

Schedule 15

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

Employer	2010			2001		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Foster Town & School Department	81	1	18.08%	118	1	29.21%
Foster Country Club	50	2	11.16%	50	2	12.38%
Shady Acres	25	3	5.58%	0	0	0.00%
Dr. Daycare	12	4	2.68%	0	0	0.00%
Wellone	12	4	2.68%	0	0	0.00%
Turnquist Lumber Co. Inc.	0	0	0.00%	18	3	4.46%
Total	180		40.18%	186		46.05%

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

Schedule 16

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

Function/Program	Full-time Equivalent Employees as of June 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Central Administration										
Town Council	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Town Clerk	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Probate Court	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Building/Zoning	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.6	1.6	1.6
Planning	1.5	1.5	1.5	1.5	1.5	1.5	1.5	2.0	2.0	2.0
Financial Administration										
Treasurer's Office	1.5	1.5	1.5	1.5	1.5	1.5	1.5	2.0	2.0	2.0
Tax Collection	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Tax Assessor	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.6	1.6	1.6
Public Safety										
Police										
Officers	7.0	7.0	7.0	7.0	7.0	7.0	7.0	8.0	8.0	8.0
Civilians	4.5	4.5	4.5	4.0	4.8	4.8	4.8	4.5	4.5	4.5
Animal Control										
Officers	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6
Emergency Management	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Public Works Department										
Director	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Highway										
Driver/Laborer	5.0	5.0	5.0	5.0	5.0	5.0	6.5	6.5	5.5	5.5
Maintenance										
Building/Grounds	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0
Custodial	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Recreation Department										
Director	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Summer Programs	6.0	6.0	6.0	6.0	6.0	6.0	5.0	5.0	3.0	2.0
Human Services Department										
Director	0.5	0.5	0.5	0.5	0.5	0.5	0.5	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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Safety										
Police										
Calls	3,177	2,905	2,853	3,234	3,392	7,020	11,796	13,748	19,488	18,232
Physical Arrests	141	111	116	99	85	102	161	164	224	208
Citations	656	522	846	591	623	1,166	1,971	1,533	1,479	1,270
Accidents	156	131	145	125	132	134	134	129	138	133
Animal Control										
Dog Licenses Issued					625	483	587	479	343	439
Public Works (Pickup Outsourced)										
Transfer Station										
Refuse Collected (avg. tons per month)	144	154	155	155	188	181	176	177	164	167
Recyclables Collected (avg. tons per month)	34	33	36	37	41	39	43	48	49	44
Highway										
Street resurfacing/chipsealing (miles)	13.0	3.0	2.0	0.0	0.0	4.0	0.0	7.0	4.6	5.8
Street repairs/crack sealing (miles)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.4	9.7	0.0
Building/Zoning										
Commercial Construction Permits	0	0	0	0	0	0	0	0	1	0
Residential Construction Permits	34	29	26	31	23	22	14	9	6	5
Parks and Recreation										
Athletic Field Permits	0	0	0	0	0	0	0	0	0	0

Source: Various Town departments

Schedule 18

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

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone Offices	-	-	-	-	-	-	-	-	-	-
Patrol Units/Motorcycles/ Radar Trailers	7	7	7	7	7	7	7	11	11	9
Animal Control										
Animal Shelters	0	0	0	0	0	0	0	0	0	0
Animal Patrol Unit	0	0	0	1	1	1	1	1	1	1
Public Works										
Transfer Station										
Roll-off Truck	0	0	0	0	0	0	0	0	0	0
Streets and Highways										
Street (miles)	113.0	113.0	113.0	113.0	113.0	113.0	113.0	113.0	113.0	113.0
Highways (miles, Town owned)	77.0	77.0	77.0	77.0	77.0	77.0	77.0	77.0	77.0	77.0
Highways (miles, State owned)	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0
Private Paved (miles)	0	0	0	0	0	0	0	0	0	0
Park Access (miles)	0	0	0	0	0	0	0	0	0	0
Driftway (miles)	0	0	0	0	0	0	0	0	0	0
Streetlights	30	30	30	30	30	30	30	30	30	30
Traffic Signals	2	2	2	2	2	2	2	2	2	3
Parks and Recreation										
Acreage	165.0	165.0	165.0	165.0	165.0	165.0	165.0	165.0	165.0	165.0
Playgrounds	1	1	1	1	1	1	1	1	2	2
Tennis Courts	0	0	0	0	0	0	0	0	0	0
Beaches	0	0	0	0	0	0	0	0	0	0
Baseball/Softball diamonds	2	2	2	2	2	2	2	2	2	2
Soccer/Football fields	1	1	1	1	1	1	1	1	1	1
Basketball Courts	1	1	1	1	1	1	1	1	1	1
Parks and Public Squares	2	2	2	2	2	2	2	2	2	2

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

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Foster, Rhode Island, as of and for the year ended June 30, 2010, which collectively comprise the Town of Foster, Rhode Island's basic financial statements, as listed in the table of contents and have issued our report thereon dated March 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 10-01 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 10-02 to be a significant deficiency.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the Town of Foster, Rhode Island in a separate letter dated March 23, 2011.

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

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

Baer & Company, LLC

Warwick, Rhode Island
March 23, 2011

TOWN FOSTER, RHODE ISLAND

Schedule of Findings and Responses

Year Ended June 30, 2010

Financial Reporting

10-01 Material Weakness – An entity’s system of internal controls should be designed and operate to allow the entity to prepare accurate timely financial statements in conformance with generally accepted accounting principles and be designed and operate to prevent, detect and correct misstatements in the financial statements on a timely basis.

During the 2010 fiscal year the Town was not recording certain financial transactions to the general ledger. The transactions not recorded included departmental cash receipts and wire transfers. The Town was therefore unable to perform monthly reconciliation of the cash accounts and other general ledger accounts, including a monthly reconciliation of the property tax subsidiary ledger to the general ledger.

Although the Town was tracking the transactions on a spreadsheet, the transactions were not recorded to the general ledger until several months after year-end. Cash reconciliations were prepared at that time and only as of June 30, 2010. As a result the Town was not preparing accurate financial statements throughout the year that would allow for the proper monitoring of the Town’s financial position. In the 2011 fiscal year the Town continues to not record certain transactions to the general ledger and is not performing monthly reconciliation procedures. The lack of formal accounting and reconciliation procedures could result in misstatements in the financial statements from not being prevented or going undetected.

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

Management Response – As a result of significant turnover in the Town of Foster’s Treasurer’s Department, the internal controls and financial reporting greatly suffered. The strengthening of internal controls and recording of financial information has been an ongoing project throughout the past year. Many changes have been made to ensure proper segregation of duties and timely and accurate financial reporting including a complete review of the general ledger account set-up to ensure that our entries are balanced by both action and fund. Procedures are in place to ensure proper interfund accounting. Implementation of purchasing procedures including the review and approval of purchases and the proper recording and posting of expenditures are in place. Many procedures have been established to our payroll system to ensure proper payment to employees based on contractual and authorized amounts, timely and accurate recording of payroll and related disbursements. We also established procedures for a complete and accurate recording of compensated absences on a perpetual basis. We researched and addressed many ongoing discrepancies with our health care payments, retirement payments, and Internal Revenue Service notifications regarding our payroll tax payments.

TOWN FOSTER, RHODE ISLAND

Schedule of Findings and Responses

Year Ended June 30, 2010

The final upgrade to our internal controls to maintain accurate and timely financial reporting is surrounding our revenue receiving and reporting. To maintain current records while implementing the above procedures and moving forward, we utilized excel spreadsheets to account for our non-tax revenue. These spreadsheets were reconciled to the bank statements and used to assist in monitoring the Town's financial position. The tax collector's subsidiary ledger was reconciled to the recorded revenue in the general ledger. We are implementing procedures to prepare and record monthly journal entries from these schedules. Wire and on-line transfers are currently recorded monthly. The Town understands the importance of maintaining strong internal control procedures as well as accurate and timely financial reporting. We will have all procedures in place and in practice by the end of this fiscal year.

Capital Assets

10-02 Significant Deficiency – The Town and School Department do not have formal policies and procedures in place to properly maintain and account for capital assets on a perpetual basis. Although a list of capital assets and depreciation expense were prepared as of June 30, 2010, the list was prepared several months after year-end and only accounted for current year additions. The Town has not accounted for disposal of capital assets. The Town does not have procedures in place to maintain the list of capital assets on a perpetual basis, for both additions and disposals, or to provide for the periodic inventory of capital assets.

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

Management Response – Policies and procedures to account for the addition and disposal of capital assets throughout the year have been established and are in place. The Town does not purchase many capital assets; therefore, assets are recorded only at year end. We agree however, that a physical inspection of our assets must be completed and our asset list updated appropriately. A procedure to perform this inventory annually will be established.