

TOWN OF FOSTER RHODE ISLAND



FOSTER SIDE OF SCITUATE RESERVOIR: BY MICHELE MAY

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2016

TOWN OF FOSTER, RHODE ISLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ending June 30, 2016

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

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*Certificate of Achievement for
Excellence in Financial Reporting*

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TOWN OF FOSTER, RHODE ISLAND
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For the Fiscal Year Ended June 30, 2016

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TOWN OF FOSTER RHODE ISLAND

KELLI M. RUSS
TREASURER/FINANCE DIRECTOR

January 27, 2017

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

The Comprehensive Annual Financial Report of the Town of Foster, for the fiscal year ended June 30, 2016, is hereby submitted. This report was prepared by the Treasurer's Department. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town's management. We believe the information, as presented, is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Town, and that all disclosures necessary to enable the reader to gain adequate understanding of the Town's financial affairs have been included.

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical. The Introductory section includes this transmittal letter, a reproduction of the 2015 GFOA Certificate of Achievement for Excellence in Financial Reporting, the Town's organizational chart, and a list of principal officials. The Financial Section includes the Independent Auditor's Report, the Management Discussion and Analysis, the basic financial statements, required supplementary information, and other supplementary information. The Statistical Section includes selected financial and demographic information generally presented on a multi-year basis.

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

GOVERNMENT PROFILE

The land area that is now the Town of Foster was founded in 1636 and considered part of Providence, Rhode Island; was later divided from Providence and included in the Town of Scituate, Rhode Island; and was separated from Scituate and incorporated as a Town on August 24, 1781. The Town of Foster is located at the southeastern corner of Providence County on the Rhode Island/Connecticut line. It is bounded by Killingly and Sterling, Connecticut on the west; Glocester, Rhode Island on the north; Coventry, Rhode Island on the south, and Scituate, Rhode Island on the east; and remains sparsely settled with a population density of only 88.9 persons per square mile. It is connected to the southeast corridor by a network of highways including Interstates 295 and 95, and Route 6. It currently occupies 52.21 square miles and serves a population of 4,642.

The Town of Foster has numerous National Historical Districts. In addition to several buildings, the entire hamlets of Foster Center (the seat of Town Government), Hopkins Mills, Clayville, and Moosup Valley are entered in the National Register of Historic Places.

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

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

COMPONENT UNIT

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

EDUCATION

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

The Foster-Glocester Regional School District was incorporated and its fiscal authority established by Acts of the General Assembly in 1958 and 1959. In fiscal year ending June 30, 2016, the Town of Foster paid \$4,724,784 to the Foster-Glocester Regional School District.

The general administration of the Foster School Department is directed by a 3-member School Committee whose members are elected at-large for two-year terms. As a result of a recent Charter Amendment, the two candidates receiving the greatest number of votes in the November 2018 general election will be designated Member one and two; each will serve a four-year term. The third Member elected will serve a two-year term. In 2020, there will be an election for one four-year term for Member three. In every election held thereafter, 1 or 2 Committee positions will be open for election/reelection on an alternating schedule.

The three members of the Foster School Committee, along with the six School Committee members from the Town of Glocester, are ex-officio members of the Foster-Glocester School Committee. The School Committees determine and control all policies affecting the administration, maintenance, and operation of the public schools in the Town. The School Committees appoint a Superintendent as their chief administrative agent and such other administrative officers as are considered necessary, and submit detailed budgets of expenditures and revenues to the voters at annual Financial Town Meetings. The Foster-Glocester Regional School District's Financial Town Meeting is held on the third Tuesday in March of each year and its budget is adopted at that meeting. The Town of Foster's Financial Town Meeting is held on the first Tuesday of the first week in May of each year and the budget for the Foster elementary school is adopted at that meeting. According to the Town Charter, once the school budgets have been approved, the School Committees determine the allocations of the amounts appropriated. The School Committees direct and control all policies affecting the administration, construction, maintenance, and operation of the public schools. As previously noted, the Town of Foster's school system (grades kindergarten through 5) consists of one elementary school (Captain Isaac

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

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

Actual Enrollment

School Year	Captain Isaac Paine School	Foster-Glocester Regional School	Total
2006-2007	300	564	864
2007-2008	272	431	703
2008-2009	253	441	694
2009-2010	257	437	694
2010-2011	274	414	688
2011-2012	283	412	695
2012-2013	275	400	675
2013-2014	287	356	643
2014-2015	285	352	637
2015-2016	278	348	626

Projected Enrollment

School Year	Captain Isaac Paine School	Foster-Glocester Regional School	Total
2016-2017	271	357	628
2017-2018	266	366	632
2018-2019	247	370	617
2019-2020	241	362	603
2020-2021	251	352	603

MUNICIPAL SERVICES

The Town provides the following major public services:

PUBLIC SAFETY – Police: The Town Police Department is responsible for Public Safety and has a force of ten full-time sworn officers, including the Chief, Captain, Sergeant, and seven patrol officers. The department also has four full-time and three part-time dispatchers; the dispatchers dispatch for both the police and fire departments.

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

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

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

HUMAN SERVICES – The department provides services to low and moderate income residents and those in need. Services include emergency housing, fuel/utility assistance, food, and clothing. DHS assists with the application process for state and federal programs such as SNAP, WIC, Medical Assistance, and other programs.

BUILDING AND ZONING/PLANNING – The departments are made up of one part-time Building Official, one part-time Planner, one part-time Electrical Inspector, and one part-time Plumbing & Mechanical Inspector, whose responsibilities include ensuring compliance with state and local building code, ordinances and laws, subdivision regulations, and the Town's Comprehensive Plan.

ECONOMIC CONDITIONS AND OUTLOOK

Foster is considered a rural residential community. Residential property accounts for 82.60% of the total tax roll.

EMPLOYMENT

Most employment opportunities extend outside the Town to the Cities of Hartford, Providence, and Boston. The majority of job opportunities offered in Town are part-time. The principal employers are the Foster School Department and the Town of Foster, Foster Golf & Country Club, Nancy-Ann Nursing Home, Shady Acres, Little Rhody Farms, Well One Foster, Dr. Daycare, and the United States Postal Service (USPS).

Listed below is the Rhode Island Department of Labor and Training Quarterly Census of Employment and Wages – Second Quarter 2016 Report.

Foster			
	Number of Units	Average Employment	Total Wages
Total Private & Government	89	535	4,386,364
Total Private Only	83	434	3,212,109
Agriculture, Forestry, Fishing & Hunting	3	20	184,745
Construction	19	35	304,998
Manufacturing	2	*	*
Wholesale Trade	2	*	*
Retail Trade	8	37	145,176
Transportation & Warehousing	2	*	*
Information	2	*	*
Finance & Insurance	1	*	*
Real Estate & Rental & Leasing	0	*	*
Professional & Technical Services	10	22	230,925
Management of Companies & Enterprises	1	*	*
Administrative Support & Waste Mgmt.	13	88	699,314
Educational Services	0	0	0
Health Care & Social Assistance	9	75	597,190
Arts, Entertainment, & Recreation	2	39	161,028
Accommodation & Food Services	6	36	127,246
Other services,	3	*	*
Unclassified Establishments	0	0	0
Government	6	101	1,174,255

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

HOUSING

At the end of 2015 sale prices for single family homes in Foster ranged from \$77,999 to more than \$479,900. The 2016 third quarter median sales price for single family homes in Foster was \$280,000.

POPULATION TRENDS

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

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

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

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

LONG-TERM FINANCIAL PLANNING

Each year the Town adopts a five-year Capital Improvement Program which helps identify projects that should be undertaken in the next five years. This long-range planning is essential in addressing the future development and growth of the Town. The Town has continually funded its capital requirements through annual contributions of 2% of expenditures from the operating budget along with surplus funds above the 10% cap. Also, the Town adopted a Charter amendment mandating the return of unspent funds allocated for capital expenditures and deemed abandoned to the Capital Project Fund.

Even with the funding initiatives, the anticipated expenditures for the ongoing replacement, repair, and maintenance of property including infrastructure, significantly outweighs the anticipated

revenue set aside to fund these projects. The Town is looking into changes in policy, grants, and alternate funding sources for future capital projects.

MAJOR INITIATIVES

Ongoing or recently completed projects include:

- Improve security at the Captain Isaac Paine Elementary School. Improvements include updates to the vestibule/entranceway, new steel fireproof doors, replacement of additional windows, replacement of exterior lighting, and resurfacing of back lot abutting the playground
- Planning phase for a new Police Station
- Made second payment on a three year capital lease for four police vehicles obtained in 2015
- Acquired a Rosenbauer Commercial Pumper Truck for use at the Moosup Valley Volunteer Fire Company
- Completed reconditioning of Woody Lowden recreation building shell
- Completed new roof for Public Works garage
- Completed repair of the Johnston Road bridge culvert and started replacement of headwall
- Continued site improvement for vehicle wash bay and police impound yard
- Continued initiative to update and improve the aging Public Works fleet of equipment. In the current year the Town acquired a JCB 4CX-14 Backhoe Loader and outfitted the 2009 Freightliner Dump with a snow plow package and hydraulics system.
- Continued development of a new youth athletic field complex
- Asphalt overlays on segments of Plainwoods, Gene Allen, and Johnson Roads

FINANCIAL INFORMATION

A detailed understanding of the financial position and operating results of the Town is provided in the Comprehensive Annual Financial Report (CAFR). The Management's Discussion and Analysis starting on page 4 of the CAFR provides additional information to assess the Town's financial condition.

INTERNAL CONTROLS

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

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

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

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

INDEPENDENT AUDIT

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

REPORTING ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Foster for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the fourth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENT

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

Respectfully,

A handwritten signature in black ink, reading "Kelli M. Russ". The signature is written in a cursive, flowing style.

Kelli M. Russ
Treasurer/Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Foster
Rhode Island**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

TOWN OF FOSTER, RHODE ISLAND

TOWN COUNCIL

John L. Lewis, Jr., President
Denise DiFranco, Vice President
Cheryl Hawes
John Restivo
Gordon Rogers

TOWN CLERK

Jane Christopher

TREASURER / FINANCE DIRECTOR

Kelli M. Russ

ASSESSOR

Patricia J. Moreau

TAX COLLECTOR

Nancy Delaere

PLANNER

Juliana King

BUILDING AND ZONING OFFICIAL

Rhett Bishop

POLICE CHIEF

William Ziehl

DIRECTOR OF HUMAN SERVICES

Carol Mauro

LIBRARY DIRECTOR

Katherine Chansky

SCHOOL SUPERINTENDENT

Dr. Michael Barnes

SCHOOL COMMITTEE

Kathleen Tegan Swanson, Chair
Shelley D. Pezza
Ron Cervasio

FIRE CHIEF - SOUTH FOSTER

Gordon Brayton

FIRE CHIEF - MOOSUP VALLEY

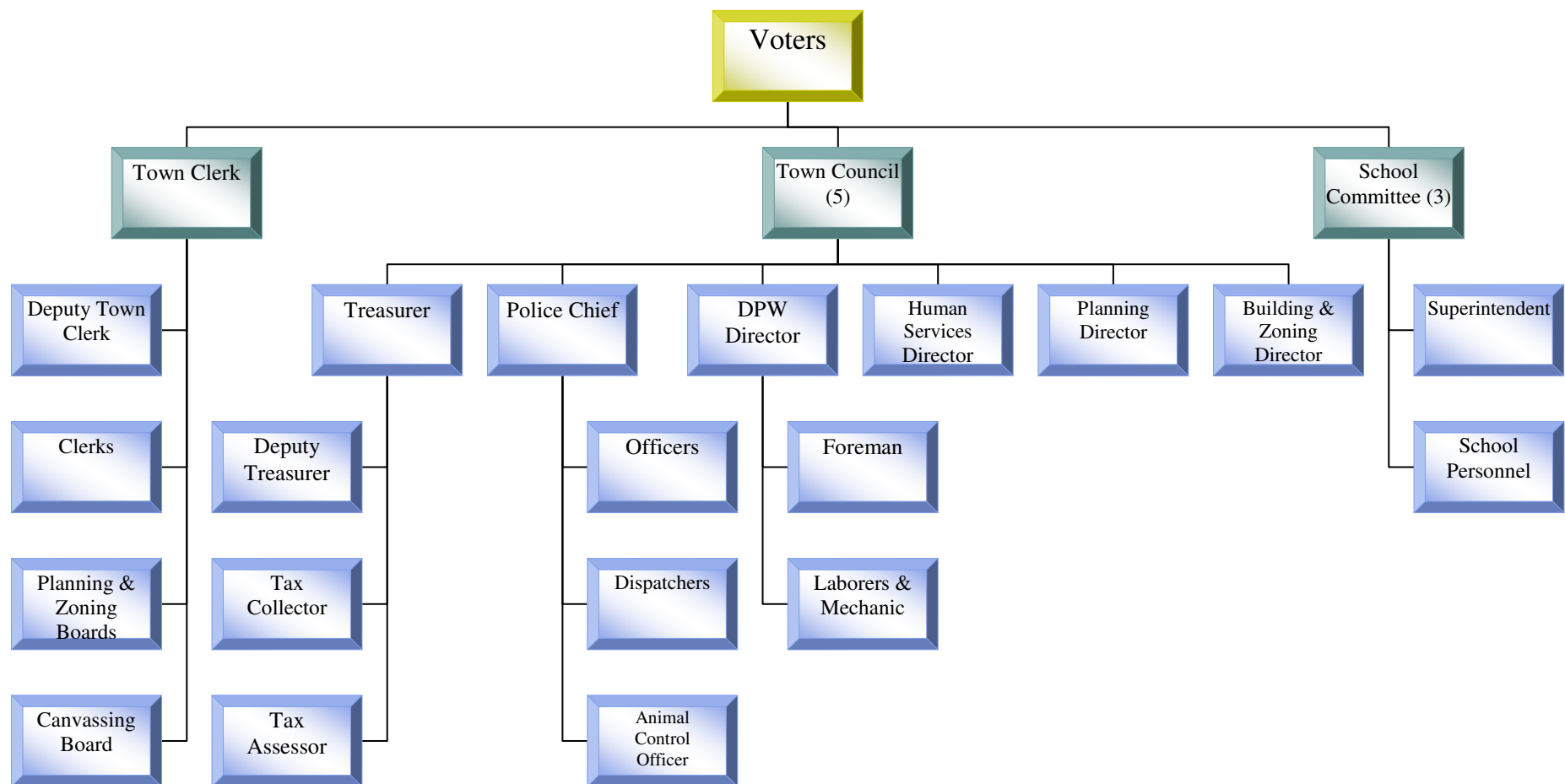
Paul Cunniff

FIRE CHIEF - FOSTER CENTER

Aaron Marsland

COMMANDER - AMBULANCE CORPS

Sharon Cotter



FINANCIAL SECTION

THIS SECTION CONTAINS THE FOLLOWING:

Independent Auditor's Report

Management Discussion and Analysis

Basic Financial Statements

Required Supplementary Information

Other Supplementary Information

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the 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, 2016, and the related notes to the financial statements, which collectively comprise the Town of Foster, Rhode Island's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Foster, Rhode Island, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and supplementary pension and other postemployment benefit information on pages 4 through 15 and pages 65 through 82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 the introductory and statistical sections 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial

statements, the combining fiduciary fund financial statements and other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2017 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Foster, Rhode Island's internal control over financial reporting and compliance.

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

Warwick, Rhode Island
January 27, 2017

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2016
(Un-audited)

Management of the Town of Foster provides this Management's Discussion and Analysis of the Town of Foster's financial statements for the readers of the Town's Comprehensive Annual Financial Report. This narrative overview and analysis of the financial statements of the Town of Foster is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the Town's financial statements that follow.

FINANCIAL HIGHLIGHTS

- The Town's governmental funds reported combined ending fund balances of \$4,523,257 of which only (\$9,130) is unassigned.
- At the end of the current fiscal year the committed fund balance in the general fund for the Foster reserve fund was \$1,238,181, or 10.00% of the total 2016 budgeted expenditures and other financing uses less budgeted capital expenditures. This is an increase of \$48,198 from the previous year.
- \$30,000 is reported as assigned fund balance for the budgeted use of the Foster reserve fund in the 2017 fiscal year. This money is assigned for the Building Committee to fund the initial planning for the replacement of the police station.
- The School unrestricted fund ended the year with a restricted (for education) fund balance of \$868,881. This is an increase of \$389,493 from the prior year. The School Committee created a capital reserve account for surplus monies in excess of 4% of the operations budget; therefore, the \$868,881 restricted (for education) fund balance is comprised of \$179,018 for education and \$689,863 for capital for education.
- The School lunch fund ended the year with a cumulative deficit of \$9,130.
- The Town ended the fiscal year with a budgetary operating surplus of \$346,700. The underlying causes are discussed later in this document. The School ended with a budgetary operating surplus of \$389,493 primarily due to favorable expenditure variances in heating fuel, outside tuitions, and retirements of personnel.
- On a government-wide basis the assets and deferred outflows of resources of the Town of Foster exceeded its liabilities and deferred inflows of resources as of June 30, 2016 by \$6,235,983; an increase from the prior year of \$889,951, or 16.65%. Net position of the Town's component unit increased by \$133,943, or 6.25%, to \$2,277,329.
- The Town implemented GASB Statement No. 68, "Financial Reporting for Pensions – An Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date", during fiscal year 2015. This resulted in a material change in the reporting of net position to include transactions recording activity in the Town's pension plans, including net pension liabilities. The net pension liability as of June 30, 2016 is \$4,583,818; a decrease of \$248,307, or 5.14%, from the prior year.
- The Town's Government-wide operating expenses were \$13,952,537 a decrease of \$920,145, or 6.19%, from the prior year mainly due to the one time settlement agreement between the Town of Foster and the Providence Water Supply Board in the amount of \$1,604,528 recognized in

TOWN OF FOSTER, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2016
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legislation, judicial, and general administration in the 2015 fiscal year. In addition, the Police Department recognized an increase in personnel and related expenses resulting in a net increase in public safety expenses of \$181,372; health and welfare expenses increased by \$143,976 due to an increase in Community Development Block Grant program expenses; and education expenses increased in the amount of \$246,680 due to an increase in the appropriation to the Regional School for operations combined with a student population shift that negatively impacted the Foster community. Revenues recognized were \$14,842,488, an increase of \$585,544 or 4.11% mainly due to an increase in property tax revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include notes that provide more detailed data about some of the information in the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, also included is a section of combining statements that provide details of our non-major governmental funds and fiduciary funds, which are added together and presented in a single column in the basic financial statements.

Government-wide financial statements – Government-wide financial statements (*Statement of Net Position* 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.

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The *Statement of Net Position* presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

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

The government-wide financial statements are reported on pages 16 and 17 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 – Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *current sources and uses of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town maintains 27 active individual governmental funds. Information is presented separately in the *Governmental Funds Balance Sheet* and in the *Governmental Funds Statement of Revenues, Expenditures,*

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and Changes in Fund Balances for the general fund, the School unrestricted fund, and the capital project fund which are considered to be major funds. Data from the remaining 24 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 83 through 92 in this report. The governmental fund financial statements can be found on pages 18 through 21 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The fiduciary funds maintained by the Town include 1 other post employment benefit trust fund, 1 private purpose trust fund, and 3 agency funds. The fiduciary funds financial statements can be found on pages 22 and 23 of this report. Individual fund data for the agency funds is provided in the form of combining statements on pages 93 and 94 of this report.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. On a government-wide basis, the assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at June 30, 2016 by \$6,235,983, an increase of \$889,951 or 16.65% from 2015.

The most significant changes noted were:

Current assets increased by \$477,170 and *noncurrent assets* increased by \$307,966 from 2015. Additionally, *noncurrent liabilities* decreased by \$448,425 from 2015. Much of the increase in *current assets* is due to an increase in cash and cash equivalents while the majority of the increase in *noncurrent assets* is due to an increase in land, other nondepreciable assets, and depreciable building, property, equipment, and other infrastructure (net). The decrease in *noncurrent liabilities* from 2015 is due to the decrease in net pension liabilities and a decrease in the settlement payable to the Providence Water Supply Board.

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The largest portion of the Town's net position, \$7,219,293 or 115.58%, consists of its investments in capital assets such as land, buildings and improvements, motor vehicles, machinery and equipment, and infrastructure, less any debt used to acquire these assets, which is still outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are unlikely to be used to liquidate these liabilities.

Town of Foster
Statement of Net Position

	June 30, 2016		June 30, 2015	
	Governmental Activities	Component Unit	Governmental Activities	Component Unit
Other assets	\$ 6,568,230	\$ 243,125	\$ 5,979,288	\$ 208,351
Capital assets	7,260,675	2,034,855	7,064,481	1,936,555
Total assets	<u>\$ 13,828,905</u>	<u>\$ 2,277,980</u>	<u>\$ 13,043,769</u>	<u>\$ 2,144,906</u>
Deferred outflows of resources	<u>\$ 655,264</u>	<u>\$ -</u>	<u>\$ 535,219</u>	<u>\$ -</u>
Current liabilities	\$ 921,891	\$ 651	\$ 819,070	\$ 1,520
Noncurrent liabilities	6,173,800	-	6,622,225	-
Total liabilities	<u>\$ 7,095,691</u>	<u>\$ 651</u>	<u>\$ 7,441,295</u>	<u>\$ 1,520</u>
Deferred inflows of resources	<u>\$ 1,152,495</u>	<u>\$ -</u>	<u>\$ 791,661</u>	<u>\$ -</u>
Net Position:				
Net investments in capital assets	\$ 7,219,293	\$ 2,034,855	\$ 6,984,060	\$ 1,936,555
Restricted	1,307,019	-	1,042,540	-
Unrestricted	(2,290,329)	242,474	(2,680,568)	206,831
Total net position	<u>\$ 6,235,983</u>	<u>\$ 2,277,329</u>	<u>\$ 5,346,032</u>	<u>\$ 2,143,386</u>

An additional portion of the Town's net position, \$1,307,019, or 20.96%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to its citizens and creditors. Internally imposed designations of resources are not presented as restricted net position.

At the end of the current year, the Town reports positive balances in only two of the three categories of net position for the government as a whole. The unrestricted deficit of \$2,290,329 is largely due to net pension liabilities of \$4,583,818 and a settlement payable to the Providence Water Supply Board in the amount of \$1,455,909.

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Changes in Net Position

The government's total net position increased by \$889,951 during the current fiscal year.

Town of Foster Statement of Activities				
	June 30, 2016		June 30, 2015	
	<u>Governmental Activities</u>	<u>Component Unit</u>	<u>Governmental Activities</u>	<u>Component Unit</u>
<i>Revenues</i>				
Program revenues				
Charges for services	\$ 293,008	\$ 40,287	\$ 249,956	\$ 35,712
Operating grants	2,015,238	-	1,772,539	-
Capital grants	29,376	96,194	301,854	-
General revenues				
Property taxes	12,302,201	-	11,774,289	-
State aid	173,868	-	152,748	-
Interest and investment income	7,938	2,449	3,097	1,611
Miscellaneous	20,859	-	2,461	-
Total revenues	<u>\$ 14,842,488</u>	<u>\$ 138,930</u>	<u>\$ 14,256,944</u>	<u>\$ 37,323</u>
<i>Expenses</i>				
Legislative, judicial & general admin	\$ 953,373	\$ -	\$ 2,536,722	\$ -
Health and welfare	313,184	-	169,208	-
Public Safety	1,774,590	-	1,593,218	-
Public Works	1,281,310	-	1,247,726	-
Building and Zoning	38,593	-	41,819	-
Planning	54,741	-	38,280	-
Conservation	1,425	-	809	-
Recreation	33,283	-	27,604	-
Education	9,242,208	-	8,995,528	-
Food services	77,781	-	76,051	-
Libraries	150,842	-	145,717	-
Interest expense	31,207	-	-	-
Land Trust	-	4,987	-	7,839
Total expenses	<u>\$ 13,952,537</u>	<u>\$ 4,987</u>	<u>\$ 14,872,682</u>	<u>\$ 7,839</u>
Change in net position	889,951	133,943	(615,738)	29,484
Net position - beginning of year	<u>5,346,032</u>	<u>2,143,386</u>	<u>5,961,770</u>	<u>2,113,902</u>
Net position - end of year	<u><u>\$ 6,235,983</u></u>	<u><u>\$ 2,277,329</u></u>	<u><u>\$ 5,346,032</u></u>	<u><u>\$ 2,143,386</u></u>

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Governmental activities – As previously stated, the Governmental activities increased the Town's net position by \$889,951. The key elements for this increase include an increase in property tax revenues net of the impact in expenses as follows:

- 1) A decrease in expenses for legislation, judicial, and general administration largely due to a settlement agreement in the amount of \$1,604,528 recognized in the prior year.
- 2) A net increase in public safety expenses due to the increase in personnel and related expenses offset by the decrease in the lease-purchase of new vehicles purchased in the prior year.
- 3) An increase in health and welfare expenses due to increased spending on Community Development Block Grant program.
- 4) An increase in education expenses due to an increase in the appropriation to the Regional School for operations combined with a student population shift that negatively impacted the Foster community.

Component unit activities - Component unit activities increased its net position by \$133,943, or 6.25%, from 2015. The key elements for this increase were the receipt of conveyance fees allocated to the preservation of open space and the receipt of donated land.

Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,523,257 an increase of \$426,514 in comparison with the prior year.

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Town of Foster
Governmental Funds
Fund Balances

	Total General Fund 6/30/2016	Total Other Funds 6/30/2016	Total Governmental Funds 6/30/2016	Total General Fund 6/30/2015	Total Other Funds 6/30/2015	Total Governmental Funds 6/30/2015
Nonspendable:						
Prepaid expenditures	\$ 145,494	\$ -	\$ 145,494	\$ 138,407	\$ -	\$ 138,407
Other assets with WB Comm. Health	928,087	-	928,087	732,538	-	732,538
Restricted:						
Education	-	875,695	875,695	-	481,694	481,694
Historical records preservation	-	69,946	69,946	-	67,364	67,364
Health and welfare programs	-	8,564	8,564	-	10,999	10,999
Public safety programs	-	18,046	18,046	-	15,848	15,848
Capital	-	280,627	280,627	-	414,801	414,801
Other programs	10,958	4,373	15,331	10,574	4,373	14,947
Committed:						
Student population change	186,163	-	186,163	258,500	-	258,500
Townhouse maintenance	-	5,836	5,836	-	11,046	11,046
Recycling programs	-	16,519	16,519	-	17,586	17,586
Open space and conservation	-	153,461	153,461	-	152,986	152,986
Capital	460,093	-	460,093	350,258	-	350,258
Comprehensive Plan	19,990	-	19,990	-	-	-
Revaluation	70,128	-	70,128	56,924	-	56,924
Foster reserve fund	1,238,181	-	1,238,181	1,189,983	-	1,189,983
Assigned:						
2016 Budget	-	-	-	175,000	-	175,000
2017 Budget	30,000	-	30,000	-	-	-
Recreation	3,857	-	3,857	9,767	-	9,767
Other programs	6,369	-	6,369	6,337	-	6,337
Unassigned:	-	(9,130)	(9,130)	-	(8,242)	(8,242)
Total fund balances	<u>\$3,099,320</u>	<u>\$1,423,937</u>	<u>\$4,523,257</u>	<u>\$2,928,288</u>	<u>\$ 1,168,455</u>	<u>\$ 4,096,743</u>

The general fund's total fund balance increased by \$171,032 from 2015 overall. This change is the net result of more significant changes in fund balances. *Nonspendable* fund balance increased by \$202,636 primarily due to an increase in the assets held with West Bay Community Health which administers the Town's medical and dental insurance programs, and a small increase in prepaid expenditures. In addition, *committed* fund balance increased by \$118,890 due to the increases in the Foster reserve fund, capital, and the commitment for future revaluations offset by the use of the funds committed for student population change used during the 2016 fiscal year. The *assigned* fund balance decreased by \$150,878 primarily due to the decrease in funds assigned for future budgets.

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The Town has two major funds included in the total other funds listed above: School unrestricted fund and capital projects fund. The School unrestricted fund ended the fiscal year with total fund balances of \$868,881, an increase from 2015 of \$389,493. The capital project fund ended the fiscal year with total fund balances of \$280,627, a decrease from 2015 of \$134,174, due to an increasing need to fund capital projects to maintain the Town's infrastructure, buildings, and equipment in excess of the allocation of 2% (of annual operations) to capital, mandated by the Homerule Charter adopted in 1976.

General Fund Budgetary Highlights

The Town finished FY 2016 with a budgetary surplus of \$346,700. Much of this surplus was a result of events which could not be anticipated.

Revenues

Budgeted revenues and other financing sources reported in 2016 exceeded actual revenues reported by \$225,117 or 1.82%. This gain in revenues was a result of the following:

A favorable budgetary variance of \$64,867 occurred in *real estate and personal property tax* revenue, specifically collection of prior year taxes. Also as a result, a favorable budgetary variance occurred in the collection of interest and penalties on outstanding taxes levied in the current and prior years. The actual *finances and interest on late payments* exceeded the budgeted estimates by \$53,354, or 66.70%.

Expenses

Budgeted expenditures and other financing uses in the Town's general fund exceeded actual expenditures by \$121,583 or 0.94%. This was primarily due to favorable variances in miscellaneous administration, building & zoning, and public works due to savings in contingency, electricity, fuel for heating and motor vehicles/equipment, parts and repairs, and personnel resulting from unfilled employee positions.

This schedule is located on pages 65 to 69 of this report.

Capital Assets and Debt Administration

Capital Assets

The Town of Foster's investment in capital assets for its governmental activities as of June 30, 2016 amounted to \$7,260,675 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, motor vehicles, machinery and equipment, infrastructure, and construction in progress.

Additional information on the Town of Foster's capital assets is located in Note 6 on page 35 of the notes to the financial statements.

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Town of Foster
Capital Assets (net of Accumulated Depreciation)

	June 30, 2016		June 30, 2015	
	Governmental Activities	Component Unit	Governmental Activities	Component Unit
Land	\$ 161,199	\$ 2,034,855	\$ 161,199	\$ 1,936,555
Construction in progress	24,210	-	-	-
Land Improvements	16,794	-	20,141	-
Buildings and improvements	1,880,269	-	1,955,727	-
Motor vehicles	490,720	-	587,507	-
Machinery and equipment	791,412	-	341,773	-
Infrastructure - roads and bridges	3,896,071	-	3,998,134	-
Total	\$ 7,260,675	\$ 2,034,855	\$ 7,064,481	\$ 1,936,555

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

- | | |
|---|-----------|
| 1) Acquired a Rosenbauer commercial pumper truck | \$339,844 |
| 2) Replaced/repaired Johnson Road bridge culvert | \$32,327 |
| 3) Outfitted a military Freightliner dump truck obtained through the federal surplus equipment program with a snow plow package and hydraulics system | \$45,346 |
| 4) Acquired a JCB 4CX-14 Backhoe Loader | \$109,400 |
| 5) Replace a portion on the DPW garage roof | \$12,100 |
| 6) Continued security upgrades at Captain Isaac Paine School including steel doors and vestibule upgrades | \$39,536 |

Debt Administration

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

Except as provided below, under Section 45-12-2 of the General Laws of Rhode Island, the Town may not, without special statutory authorization, incur any debt which would increase its aggregate indebtedness not otherwise excepted by law to an amount greater than 3% of the taxable property of the Town. Deducted from the computation of aggregated indebtedness is the amount of any borrowing in anticipation of taxes authorized by law and the amount of any sinking funds maintained by the Town. The current 3% debt limit of the Town is \$16,638,973 (based on the net assessed valuation at December 31, 2014 of \$554,632,427). As of June 30, 2016, the Town had no outstanding bonds and notes issued within the 3% debt limit leaving a borrowing capacity of \$16,638,973.

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The State legislature may by special act, permit the Town to incur indebtedness outside the limitations imposed by the 3% debt limit. Special legislation adopted by the Legislature authorizing the Town to incur debt is subject to referendum by the electors of the Town. On June 30, 2016, the total outstanding debt of the Town issued outside the 3% debt limit was \$0.

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

Additional information on the Town of Foster's long-term debt can be found in Note 7 of the financial statements on page 36.

Economic Factors and Next Year's Budgets and Rates

Unemployment rates as of June 30, 2016 and June 30, 2015 (not seasonally adjusted)

<u>6/30/2016</u>	<u>6/30/2015</u>	
5.05%	6.3%	Town of Foster
5.52%	6.6%	State of Rhode Island
5.00%	5.7%	United States

- Median household income in Foster was \$80,720 compared to the State of Rhode Island median income of \$58,073. The median income for the United States was \$55,775.
- Per Capita family income in Foster was \$36,184 compared to the State of Rhode Island per capita family income of \$31,888. The per capita family income for the United States was \$29,979.
- Existing single-family home median sale prices were approximately \$257,125 in Foster, only slightly greater than the state average of \$231,125.
- Foster ranks 37th in population (4,642 per ACS2009-2013 2015 5-year estimate) among Rhode Island's 39 cities and towns.
- The Town's total general fund budget for fiscal year 2017 approved at the May 3, 2016 Financial Town Meeting is \$13,284,572, allocated as follows:
 - Education - \$8,036,219, or 60.49%
 - Capital - \$884,740, or 6.66% (includes a budgeted transfer to the capital project fund)
 - Other - \$4,363,613, or 32.85%
- In fiscal year 2017, \$30,000 was appropriated from the Town's fund balance to fund the initial planning of the police station replacement. A Building Committee was formed to discuss options, review specifications, interview and select an architect to prepare preliminary plans.

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- The 2017 FTM adopted budget reflects an increase of \$336,562 or 2.60% from 2016. The increase is the net result of significant changes in a few departments. These changes include an increase in the police budget of \$120,685, or 9.16%, primarily to fund personnel expenditures resulting from contractual obligations and budgetary assumptions for staffing needs; a net increase in the Foster-Glocester Regional School appropriation of \$171,953, or 3.70%; an increase in long-term debt and obligations of \$175,000 to fund the 2nd payment of a settlement agreement between the Town of Foster and the Providence Water Supply Board; a net decrease in the Capital Departments of \$94,397, or 16.01%, to preserve funds in the Capital Fund and a decision to fund only urgent requests; and a decrease in the local School appropriation of \$32,443, or 1%, due to a decrease in grades K-5 School enrollment.
- State law limits the amount a municipality can raise taxes to 104% of the prior year tax levy.
- The State motor vehicle phase-out reimbursement remains at \$500; the same exemption given to taxpayers.
- Municipal revenues, other than taxes, remain flat.
- Since December 2000, per Rhode Island General Law 44-5-11.6, municipalities in Rhode Island are required to perform full revaluations on all "ratable" property every nine years and statistical revaluations every three years for the years in-between. The last full revaluation was performed as of December 31, 2008, which was the basis of the 2009 tax bills collected in the 2010 fiscal year end. The Town also completed a statistical revaluation that was reflected in the 2015 tax bills collected in the 2016 fiscal year end. The Town's tax rates for 2017 and 2016 with their differences are listed below. The tax on *Motor Vehicles* has been frozen at \$36.95. The tax on *Inventory* has been phased out. Rates are per \$1,000.

Tax Rates

	Fiscal Year <u>2016-2017</u>	Fiscal Year <u>2015-2016</u>	Increase (Decrease)
Real Property	\$ 22.54	\$ 21.42	\$ 1.12
Motor Vehicle	36.95	36.95	-
Tangible	31.00	29.46	1.54
Inventory	-	-	-

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

THE BASIC FINANCIAL STATEMENTS INCLUDE:

Government-Wide Financial Statements

Fund Financial Statements:
- Governmental Funds

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF FOSTER, RHODE ISLAND

Statement of Net Position

June 30, 2016

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Foster Land Trust</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,787,762	\$ 213,524
Investments	-	26,524
Property taxes receivable	734,426	-
Accrued interest receivable	106,023	-
Due from federal and state governments	116,763	-
Other receivables	158,763	-
Due from primary government	-	3,077
Prepaid expenses	145,494	-
Total current assets	<u>5,049,231</u>	<u>243,125</u>
Noncurrent assets:		
Capital assets: (Note 6)		
Land and other nondepreciable assets	185,409	2,034,855
Depreciable buildings, property, equipment, and infrastructure (net)	7,075,266	-
Negative net other post employment benefit obligation	157,646	-
Net pension assets	415,885	-
Other assets	945,468	-
Total noncurrent assets	<u>8,779,674</u>	<u>2,034,855</u>
Total assets	<u>13,828,905</u>	<u>2,277,980</u>
Deferred outflows of resources:		
Deferred pension amounts	655,264	-
Total deferred outflows of resources	<u>655,264</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	639,032	651
Due to component unit	3,077	-
Claims payable	17,381	-
Compensated absences payable	75,632	-
Settlement payable- due within one year	145,387	-
Long-term debt- due within one year (Note 7)	41,382	-
Total current liabilities	<u>921,891</u>	<u>651</u>
Noncurrent liabilities:		
Compensated absences payable	279,460	-
Settlement payable- due in more than one year	1,310,522	-
Net pension liabilities	4,583,818	-
Total noncurrent liabilities	<u>6,173,800</u>	<u>-</u>
Total liabilities	<u>7,095,691</u>	<u>651</u>
Deferred inflows of resources:		
Deferred property taxes	29,952	-
Deferred pension amounts	1,122,543	-
Total deferred inflows of resources	<u>1,152,495</u>	<u>-</u>
Net Position		
Net investment in capital assets	7,219,293	2,034,855
Restricted for:		
Capital purposes	280,627	-
Specific projects and programs	1,026,392	-
Unrestricted	(2,290,329)	242,474
Total net position	<u>\$ 6,235,983</u>	<u>\$ 2,277,329</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, 2016

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Program Revenues</i>			<i>Net (Expense) Revenue and Changes in Net Position</i>	
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	<i>Primary</i>	<i>Component</i>
					<i>Government Total Governmental Activities</i>	<i>Unit Foster Land Trust</i>
Primary Government:						
Governmental Activities:						
Legislative, judicial and general administrative	\$ 953,373	\$ 69,845	\$ 4,280	\$ -	\$ (879,248)	\$ -
Health and Welfare	313,184	2,963	267,396	-	(42,825)	-
Public safety	1,774,590	72,341	27,535	-	(1,674,714)	-
Public works	1,281,310	-	2,897	11,583	(1,266,830)	-
Building and zoning	38,593	58,139	-	-	19,546	-
Planning	54,741	-	-	-	(54,741)	-
Conservation	1,425	-	-	-	(1,425)	-
Recreation	33,283	3,270	-	-	(30,013)	-
Education	9,242,208	48,960	1,673,727	17,793	(7,501,728)	-
Food services	77,781	37,490	39,403	-	(888)	-
Libraries	150,842	-	-	-	(150,842)	-
Interest expense	31,207	-	-	-	(31,207)	-
Total primary government	\$ 13,952,537	\$ 293,008	\$ 2,015,238	\$ 29,376	(11,614,915)	-
Component Unit:						
Foster Land Trust	\$ 4,987	\$ 40,287	\$ -	\$ 96,194	-	131,494
General Revenues:						
Taxes:						
Property taxes, levied for general purposes					12,302,201	-
State aid, not restricted for a specific purpose					173,868	-
Interest and investment income					7,938	2,449
Miscellaneous					20,859	-
Total general revenues					12,504,866	2,449
Change in net position					889,951	133,943
Net position - beginning of year					5,346,032	2,143,386
Net position - end of year					\$ 6,235,983	\$ 2,277,329

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, 2016*

	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Capital Projects Fund</i>	<i>Nonmajor Other Governmental Funds</i>	<i>Total Governmental Funds</i>
ASSETS					
Cash	\$ 2,301,133	\$ 937,474	\$ 271,146	\$ 278,009	\$ 3,787,762
Property taxes receivable	734,426	-	-	-	734,426
Due from federal and state governments	65,175	4,063	-	47,525	116,763
Other receivables	11,431	99,546	-	44,786	155,763
Due from other funds	43,886	232,252	9,481	88,913	374,532
Prepaid expenditures	145,494	-	-	-	145,494
Other assets	945,468	-	-	-	945,468
Total assets	<u>\$ 4,247,013</u>	<u>\$ 1,273,335</u>	<u>\$ 280,627</u>	<u>\$ 459,233</u>	<u>\$ 6,260,208</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenditures	\$ 231,166	\$ 397,018	\$ -	\$ 10,848	\$ 639,032
Due to other funds	228,950	7,436	-	135,146	371,532
Due to component unit	3,077	-	-	-	3,077
Claims payable	17,381	-	-	-	17,381
Total liabilities	<u>480,574</u>	<u>404,454</u>	<u>-</u>	<u>145,994</u>	<u>1,031,022</u>
Deferred Inflows of Resources:					
Deferred property taxes	637,167	-	-	-	637,167
Other deferred revenues	29,952	-	-	38,810	68,762
Total deferred inflows of resources	<u>667,119</u>	<u>-</u>	<u>-</u>	<u>38,810</u>	<u>705,929</u>
Fund Balances					
Nonspendable:					
Prepaid expenditures	145,494	-	-	-	145,494
Other assets with WB Community Health	928,087	-	-	-	928,087
Restricted for:					
Education programs	-	868,881	-	6,814	875,695
Historical records preservation	-	-	-	69,946	69,946
Health and welfare programs	-	-	-	8,564	8,564
Public safety programs	-	-	-	18,046	18,046
Capital expenditures - Town	-	-	227,706	-	227,706
Capital expenditures - School	-	-	52,921	-	52,921
Other programs	10,958	-	-	4,373	15,331
Committed for:					
Student population change	186,163	-	-	-	186,163
Townhouse maintenance	-	-	-	5,836	5,836
Recycling programs	-	-	-	16,519	16,519
Open space and conservation	-	-	-	153,461	153,461
Capital expenditures	460,093	-	-	-	460,093
Revaluation	70,128	-	-	-	70,128
Comprehensive plan	19,990	-	-	-	19,990
Foster reserve fund	1,238,181	-	-	-	1,238,181
Assigned for:					
2017 Budget	30,000	-	-	-	30,000
Recreation programs	3,857	-	-	-	3,857
Other programs	6,369	-	-	-	6,369
Unassigned	-	-	-	(9,130)	(9,130)
Total fund balance	<u>3,099,320</u>	<u>868,881</u>	<u>280,627</u>	<u>274,429</u>	<u>4,523,257</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,247,013</u>	<u>\$ 1,273,335</u>	<u>\$ 280,627</u>	<u>\$ 459,233</u>	<u>\$ 6,260,208</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 Position
June 30, 2016*

Total Fund Balances - Total Governmental Funds \$ 4,523,257

Amounts reported for Governmental Activities in the Statement of Net Position 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 6 to the financial statements. 7,260,675

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. 106,023

Delinquent taxes are recognized as revenue in the period for which levied in the Government-Wide Financial Statements, but are reported as deferred inflow of resources in the Governmental Fund Financial Statements. 637,167

Other long-term receivables are not available to pay for current period expenditures and, therefore, are reported as a deferred inflow of resources in Governmental Funds financial statements. 38,810

Long-term liabilities (including settlement payable, capital lease payable, compensated absences and net pension liabilities) are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet (see note 7 to the financial statements) (6,436,201)

Net pension assets and negative net other post employment benefit obligations are not available to pay for current period expenditures and, therefore are not reported in Governmental Funds financial statements. 573,531

Deferred pension amounts are not reported in the Governmental Funds financial statements, but are reported in the Government-Wide financial statements as follows:

Deferred outflows of resources	655,264
Deferred inflows of resources	(1,122,543)

Net Position - Governmental Activities \$ 6,235,983

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, 2016

	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Capital Projects Fund</i>	<i>Nonmajor Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues					
General property taxes	\$ 12,088,092	\$ -	\$ -	\$ -	\$ 12,088,092
Intergovernmental and departmental revenues	193,345	1,357,743	17,793	527,926	2,096,807
Licenses and permits	63,425	-	-	-	63,425
Building and zoning fees	58,139	-	-	-	58,139
Fines and interest on late payments	133,354	-	-	-	133,354
Interest on investments	5,814	-	1,296	828	7,938
Other revenues	72,724	59,083	-	57,241	189,048
Total revenues	<u>12,614,893</u>	<u>1,416,826</u>	<u>19,089</u>	<u>585,995</u>	<u>14,636,803</u>
Expenditures					
Current:					
Legislative, judicial and general administrative	326,679	-	-	9,031	335,710
Financial administration	278,012	-	-	-	278,012
Miscellaneous administration	218,696	-	-	-	218,696
Health and welfare	41,983	-	-	270,871	312,854
Public safety	1,664,476	-	-	25,337	1,689,813
Public works	1,215,434	-	-	3,964	1,219,398
Building and zoning	38,593	-	-	-	38,593
Planning	54,741	-	-	-	54,741
Conservation	1,425	-	-	-	1,425
Recreation	32,522	-	-	-	32,522
Education	4,611,231	4,248,893	-	198,848	9,058,972
Food services	-	-	-	77,781	77,781
Libraries	150,842	-	-	-	150,842
Providence Water settlement	175,000	-	-	-	175,000
Capital outlay	543,228	-	-	22,702	565,930
Total expenditures	<u>9,352,862</u>	<u>4,248,893</u>	<u>-</u>	<u>608,534</u>	<u>14,210,289</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>3,262,031</u>	<u>(2,832,067)</u>	<u>19,089</u>	<u>(22,539)</u>	<u>426,514</u>
Other financing sources (uses)					
Transfers from other funds	566,200	3,244,262	412,937	22,702	4,246,101
Transfers to other funds	(3,657,199)	(22,702)	(566,200)	-	(4,246,101)
Total other financing sources (uses)	<u>(3,090,999)</u>	<u>3,221,560</u>	<u>(153,263)</u>	<u>22,702</u>	<u>-</u>
Net change in fund balance	171,032	389,493	(134,174)	163	426,514
Fund balances - beginning of year	<u>2,928,288</u>	<u>479,388</u>	<u>414,801</u>	<u>274,266</u>	<u>4,096,743</u>
Fund balances - end of year	<u>\$ 3,099,320</u>	<u>\$ 868,881</u>	<u>\$ 280,627</u>	<u>\$ 274,429</u>	<u>\$ 4,523,257</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, 2016*

Net Changes in Fund Balances - Total Governmental Funds \$ 426,514

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

Governmental Funds financial statements report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital asset additions recorded in the current period. 578,553

Loss on disposal of capital assets is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, the loss on disposal of capital assets is not reported as an expenditure in the Governmental Funds financial statements. (3,333)

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in Governmental Funds financial statements. (379,026)

Long-term compensated absences, settlement payables, net pension liabilities (assets) and negative net other post employment benefit (OPEB) obligation are reported in the Government-Wide financial statements, but do not require the use of current financial resources. Therefore, compensated absences, settlement payables, net pension liabilities (assets) and negative net OPEB obligation are not reported as expenditures in Governmental Funds financial statements.

This amount represents the change in these long-term liabilities (assets) from the prior year. 145,024

Lease proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Repayment of debt principal is an expenditure in Government Funds, but the payments reduce long-term liabilities in the Government-Wide Statement of Net Position.

This amount represents long-term debt payments. 39,039

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. 74,428

Revenues in the Government- Wide Statement of Activities that are not available are not reported as revenue in the Governmental Funds. 8,752

Change in Net Position of Governmental Activities \$ 889,951

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

TOWN OF FOSTER, RHODE ISLAND

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2016

	<i>Other Post-Employment Benefits Trust Fund</i>	<i>Private- purpose Trusts Cemetery Fund</i>	<i>Agency Funds</i>
<i>Assets</i>			
Cash and cash equivalents	\$ 134,613	\$ 18,344	\$ 9,975
Accounts receivable	25,882	-	-
Prepaid expenses	2,349	-	-
<i>Total assets</i>	<u>162,844</u>	<u>18,344</u>	<u>9,975</u>
<i>Liabilities</i>			
Due to other funds	-	-	3,000
Deposits held in custody for others	-	-	6,975
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>9,975</u>
<i>Net Position</i>			
Restricted for post employment benefits and other purposes	<u>\$ 162,844</u>	<u>\$ 18,344</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 Position
Fiduciary Funds
For the Year Ended June 30, 2016

	<i>Other Post-Employment Benefits Trust Fund</i>	<i>Private- purpose Trusts Cemetery Fund</i>
<i>Additions</i>		
Contributions:		
Employer	\$ 68,574	\$ -
Plan members	15,017	-
Total contributions	<u>83,591</u>	<u>-</u>
Investment earnings:		
Interest and dividends	490	71
Total investment earnings	<u>490</u>	<u>71</u>
Other revenue	-	4,350
<i>Total additions</i>	<u>84,081</u>	<u>4,421</u>
<i>Deductions</i>		
Benefits	52,444	-
Other	-	4,150
<i>Total deductions</i>	<u>52,444</u>	<u>4,150</u>
<i>Change in net position</i>	31,637	271
<i>Net position - beginning of year</i>	<u>131,207</u>	<u>18,073</u>
<i>Net position - end of year</i>	<u><u>\$ 162,844</u></u>	<u><u>\$ 18,344</u></u>

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

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

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", and GASB Statement No. 61 "Financial Reporting Entity-Omnibus". A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or based on the nature and significance of the organization's relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. Through the application of GASB Statement Numbers 14, 39, and 61 criteria, the Foster Land Trust (the Land Trust) has been discretely presented as a component unit of the Town 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. Trustees are appointed by the Town Council and the Land Trust can impose a financial burden upon the Town in the form of financial support and financing of operating deficits. The Land Trust holds economic resources (land and land rights) entirely for the direct benefit of the Town. The Land Trust does not issue separate financial statements.

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

B. BASIS OF PRESENTATION AND ACCOUNTING

Government-Wide Financial Statements

The Town's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements report information about the reporting entity as a whole. Fiduciary activities of the Town are not included in these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through property taxes, intergovernmental revenue, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services rendered. The Town has no business-type activities as of June 30, 2016 or for the year then ended.

The Statement of Activities presents a comparison between direct expenses and program revenue for each function of the Town's governmental activities. 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 operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including property taxes and general state aid, are presented as general revenues.

These statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period earned while expenses are recognized in the period the liability is incurred.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated.

Fund Financial Statements

The Fund Financial Statements of the Town are organized into funds, each of which is considered to be a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Town functions or activities. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three categories: governmental, proprietary, and fiduciary. The Town had no proprietary funds as of June 30, 2016 or for the year then ended. Major individual governmental funds and are reported as separate columns in the Fund Financial Statements.

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide Financial Statements.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues 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 in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally collected 60 days after year-end) are recognized when due. The primary revenue sources which have been treated as susceptible to accrual by the Town are property tax and intergovernmental revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured.

Major Governmental Funds:

General Fund – The General Fund is used to account for resources devoted to financing the general services that the Town performs for its citizens and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted or reported in another fund.

School Unrestricted Fund – The School Unrestricted Fund accounts for resources to provide primary education to the Town’s children. The School Unrestricted Fund’s major revenue sources are general state aid to education and the General Fund Town appropriation.

Capital Projects Fund – The Capital Projects Fund is used to finance the purchases set forth in the capital program.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Position and a Statement of Changes in Net Position. The Town’s Fiduciary Funds include the Other Post-Employment Benefits Trust Fund, Private Purpose Trust Funds and Agency Funds. Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

organizations or other governments. The Fiduciary Funds are accounted for on a spending or “*economic resources*” measurement focus and the accrual basis of accounting. Agency funds are purely custodial and do not involve measurement of results of operations.

Other Post-Employment Benefits Trust Fund – This fund was established by Town Ordinance effective August 23, 2012 to account for funds to finance other post employment benefits paid by the Town and the payment of these benefits as they come due. The fund presently is accounting for surplus funds derived from the Town’s medical accounts and any dividends derived from the Town’s involvement with WB Community Health in conformance with the Town Ordinance and the payment of retirees’ benefits on a “pay as you go” basis.

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

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

C. RECENTLY ISSUED ACCOUNTING STANDARDS

The Town has implemented the following new accounting pronouncements:

- GASB Statement No. 72 – Fair Value Measurement and Application, effective for the Town’s fiscal year ending June 30, 2016.
- GASB Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, effective for the Town’s fiscal year ending June 30, 2016.
- GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, effective for the Town’s fiscal year ending June 30, 2016.

The adoption of GASB Statement Nos. 72, 73 and 76 did not have an impact on the Town’s financial position or results of operations.

The Town will adopt the following new accounting pronouncements in future years:

- GASB Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, effective for the Town’s fiscal year ending June 30, 2017.
- GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for the Town’s fiscal year ending June 30, 2018.
- GASB Statement No. 77 – Tax Abatement Disclosures, effective for the Town’s fiscal year ending June 30, 2017.

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

- GASB Statement No. 78 – Pensions Provided Through Certain Multiple – Employer Defined Benefit Pension Plans, effective for the Town’s fiscal year ending June 30, 2017.
- GASB Statement No. 79 – Certain External Investment Pools and Pool Participants, effective for the Town’s fiscal year ending June 30, 2017.
- GASB Statement No. 80 – Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14, effective for the Town’s fiscal year ending June 30, 2017.
- GASB Statement No. 81 – Irrevocable Split-Interest Agreements, effective for the Town’s fiscal year ending June 30, 2018.
- GASB Statement No. 82 – Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73, effective for the Town’s fiscal year ending June 30, 2017.
- GASB Statement No. 83 – Certain Asset Retirement Obligations, effective for the Town’s fiscal year ending June 30, 2019.

The impact of these pronouncements on the Town's financial statements has not been determined.

D. CASH EQUIVALENTS

The Town considers cash and cash equivalents to include cash on hand, time and demand deposits, and short-term investments maturing within three months from the date of acquisition.

E. INVESTMENTS

The Town reports investments at fair value.

F. ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE

Accounts receivable and taxes receivable are shown net of an allowance for uncollectible accounts. The allowance is calculated based on the collectability of the individual receivables.

Property taxes which were levied on July 1, of the current year and other delinquent balances are recorded as receivables.

G. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The prepaid items are recorded on the consumption method.

H. CAPITAL ASSETS AND DEPRECIATION

Capital assets are reported in the Government-Wide Statement of Net Position. In the Fund Financial Statements, capital assets used in governmental fund activities are accounted for as capital expenditures upon acquisition.

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

All capital assets are recorded at cost (or estimated historical cost). Donated capital assets are recorded at acquisition value as of the date received. The Town follows the policy of not capitalizing assets with a cost of less than \$10,000 and a useful life of less than 1 year.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</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

I. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

In the Governmental Fund Financial Statements, deferred inflows of resources are reported for receivables recorded in the Governmental Fund Financial Statements for which the revenue is not available or amounts received before the period for which property taxes are levied. In the Government-Wide Financial Statements, deferred outflows of resources and deferred inflows of resources are reported for amounts related to the Town's pension plans that will be amortized as a component of pension expense in future years.

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. Failure to make payment by due dates will result in a lien on the taxpayers property.

Rhode Island General Laws restrict the Town's ability to increase either its total tax levy or its tax rates to no more than 4.00% over that of the preceding year.

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

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, 2016.

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. ACCRUED LIABILITIES AND LONG-TERM DEBT

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 Governmental 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 governmental fund financial statements until due.

M. PENSIONS

For the purposes of measuring the net pension (assets) liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System of the State of Rhode Island, Teachers' Survivor Benefit and Municipal Employees' Retirement System plans and the additions to/ deductions from each plan's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. 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 financial statements and the reported amounts of revenues

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. LEGAL DEBT MARGIN

The Town's legal debt margin as set forth by State Statute is limited to three percent of total taxable assessed value which approximates \$16,638,973. As of June 30, 2016, the Town's debt is under the limit by \$16,638,973.

B. DEFICIT FUND BALANCES

The following nonmajor governmental fund reported a deficit in the unassigned fund balance at June 30, 2016:

School Lunch	\$ (9,130)
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NOTE 3 – CASH DEPOSITS

DEPOSITS – are in various financial institutions and are carried at cost. The carrying amount of deposits is separately displayed on the Balance Sheet of the Fund Financial Statements and the Statement of Net Position as "Cash and Cash Equivalents".

	<u><i>Primary Government</i></u> <u><i>Carrying</i></u> <u><i>Amount</i></u>	<u><i>Component Unit</i></u> <u><i>Carrying</i></u> <u><i>Amount</i></u>
Total Deposits	\$3,949,994	\$213,524
Add: Petty Cash	700	-
<i>Total Cash and Cash Equivalents Reported in the Financial Statements</i>	<u><u>\$3,950,694</u></u>	<u><u>\$213,524</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, 2016, \$1,802,395 of the Town's bank balance of \$4,371,728 was exposed to custodial credit risk as follows:

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

	<u>Primary Government</u> <u>Bank</u> <u>Balance</u>	<u>Component Unit</u> <u>Bank</u> <u>Balance</u>
Insured (Federal depository insurance funds)	\$2,417,412	\$151,921
Collateralized with securities held by pledging financial institution or its agent not in the Town's name	1,123,617	61,603
Uninsured and uncollateralized	617,175	-
Total	<u><u>\$4,158,204</u></u>	<u><u>\$213,524</u></u>

Under Rhode Island general laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits which are time deposits with maturities greater than sixty (60) days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity. At June 30, 2016, the Town's uncollateralized deposits with institutions were \$617,175. These deposits are held by institutions that meet the minimum capital standards prescribed by the federal regulations.

NOTE 4 – INVESTMENTS

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

As of June 30, 2016, the Town had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Component</u> <u>Unit</u> <u>Fair Value</u>	<u>Rating</u>
RI Health and Educational Building Corporation Revenue Bonds 2006A	05/15/2032	\$10,026	Moody's - A2, S&P-AA
RI Health and Educational Building Corporation Revenue Bonds 2012	11/01/41	5,824	Moody's – A2, S&P-A
Town of Coventry, RI General Obligation Bonds – Series 2012	04/01/2025	5,486	Moody's – A1
	Average maturity		
Mutual Funds Fixed Income	20.92 years	<u>5,188</u>	Average BB
Total Investments reported in the Financial Statements		<u><u>\$26,524</u></u>	

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

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

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

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

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

Fair Value Measurements – The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2016:

- The following investments are valued using quoted prices in active markets (Level 1 inputs): Mutual funds fixed income \$5,188.
- The following investments are valued by a pricing service using matrix pricing (level 2 inputs): municipal bonds \$21,336.

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

NOTE 5 – INTER-FUND TRANSACTIONS

Inter-fund receivable and payable balances at June 30, 2016 are as follows:

<u>Due To:</u>	<u>Due From:</u>				<u>Total</u>
	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Other Governmental Funds</u>	<u>Agency Funds</u>	
<i>Governmental activities:</i>					
General	\$ (774)	\$ 7,436	\$ 34,224	\$ 3,000	\$ 43,886
School Unrestricted	131,330	-	100,922	-	232,252
Capital Project Fund	9,481	-	-	-	9,481
Other Governmental Funds	88,913	-	-	-	88,913
<i>Total</i>	<u><u>\$ 228,950</u></u>	<u><u>\$ 7,436</u></u>	<u><u>\$ 135,146</u></u>	<u><u>\$ 3,000</u></u>	<u><u>\$ 374,532</u></u>

The balances primarily result from the time lag between the dates the (1) interfund goods and services are provided or reimbursable expenditures occur (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Inter-fund transfer balances at June 30, 2016 are as follows:

<u>Transfer To:</u>	<u>Transfer From:</u>			<u>Total</u>
	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Capital Projects Fund</u>	
General	\$ -	\$ -	\$ 566,200	\$ 566,200
School Unrestricted	3,244,262	-	-	3,244,262
Capital Project Fund	412,937	-	-	412,937
Nonmajor Other Governmental Funds	-	22,702	-	22,702
<i>Total</i>	<u><u>\$ 3,657,199</u></u>	<u><u>\$ 22,702</u></u>	<u><u>\$ 566,200</u></u>	<u><u>\$ 4,246,101</u></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 \$3,244,262 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, 2016

NOTE 6 - INFORMATION ABOUT CAPITAL ASSETS

Capital asset activity for the fiscal year ended June, 30, 2016 was as follows:

	<u><i>Beginning Balance</i></u>	<u><i>Additions</i></u>	<u><i>Retirements</i></u>	<u><i>Ending Balance</i></u>
<i>Primary Government -</i>				
<i>Governmental Activities:</i>				
Nondepreciable assets:				
Land	\$ 161,199	\$ -	\$ -	\$ 161,199
Construction in progress	-	24,210	-	24,210
<i>Total nondepreciable assets</i>	<u>161,199</u>	<u>24,210</u>	<u>-</u>	<u>185,409</u>
Depreciable assets:				
Land improvements	191,866	-	-	191,866
Buildings and improvements	4,443,995	27,426	4,308	4,467,113
Motor vehicles	3,042,648	-	86,920	2,955,728
Machinery and equipment	990,337	494,590	-	1,484,927
Infrastructure - roads and bridges	8,157,037	32,327	-	8,189,364
<i>Total capital assets</i>	<u>16,987,082</u>	<u>578,553</u>	<u>91,228</u>	<u>17,474,407</u>
Less accumulated depreciation for:				
Land improvements	171,725	3,347	-	175,072
Buildings and improvements	2,488,268	102,884	4,308	2,586,844
Motor vehicles	2,455,141	93,454	83,587	2,465,008
Machinery and equipment	648,564	44,951	-	693,515
Infrastructure - roads and bridges	4,158,903	134,390	-	4,293,293
<i>Total accumulated depreciation</i>	<u>9,922,601</u>	<u>379,026</u>	<u>87,895</u>	<u>10,213,732</u>
<i>Governmental activities capital assets, net</i>	<u><u>\$ 7,064,481</u></u>	<u><u>\$ 199,527</u></u>	<u><u>\$ 3,333</u></u>	<u><u>\$ 7,260,675</u></u>
<i>Component Unit:</i>				
Nondepreciable assets:				
Land	\$ 1,936,555	\$ 98,300	\$ -	\$ 2,034,855
<i>Total nondepreciable assets</i>	<u>1,936,555</u>	<u>98,300</u>	<u>-</u>	<u>2,034,855</u>
<i>Component unit capital assets, net</i>	<u><u>\$ 1,936,555</u></u>	<u><u>\$ 98,300</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,034,855</u></u>

Depreciation expense was charged to functions as follows:

<i>Governmental activities:</i>	
Legislative	\$ 139,143
Health and Welfare	330
Public education	76,211
Public safety	99,313
Public works	63,268
Recreation	761
<i>Total governmental activities depreciation expense</i>	<u><u>\$ 379,026</u></u>

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

NOTE 7 – LONG-TERM LIABILITIES

A. LONG -TERM LIABILITIES

Long term liabilities for the year ended June 30, 2016 was as follows:

	<i><u>Beginning Balance</u></i>	<i><u>Additions</u></i>	<i><u>Retirements</u></i>	<i><u>Ending Balance</u></i>	<i><u>Amounts Due Within One Year</u></i>
<i>Governmental Activities:</i>					
Capital lease payable	\$ 80,421	\$ -	\$ 39,039	\$ 41,382	\$ 41,382
Accrued compensated absences	373,197	85,532	103,637	355,092	75,632
Settlement payable	1,604,528	-	148,619	1,455,909	145,387
Net pension liabilities	4,832,125	-	248,307	4,583,818	-
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u><u>\$6,890,271</u></u>	<u><u>\$ 85,532</u></u>	<u><u>\$ 539,602</u></u>	<u><u>\$6,436,201</u></u>	<u><u>\$ 262,401</u></u>

Payments on the capital leases and settlement payable are made from the General Fund. Accrued compensated absences and net pension liabilities are paid from the General Fund and School Unrestricted Fund.

B. CAPITAL LEASE COMMITMENTS

The Town acquired vehicles valued at \$124,285 that were financed with lease purchase agreements. Amortization of assets acquired under capital leases is included in depreciation expense for the year ended June 30, 2016.

Obligations of Governmental Activities under capital leases as of June 30, 2016 were as follows:

<i><u>Fiscal Year Ended June 30,</u></i>	<i><u>Governmental Activities Lease Payment Requirements</u></i>
2017	<u>\$43,864</u>
Total minimum lease payments	43,864
Less: Amount representing interest cost	<u>(2,482)</u>
Present value of minimum lease payments	<u><u>\$41,382</u></u>

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

C. SETTLEMENT PAYABLE

The Providence Water Supply Board (PWSB) had filed tax appeals with the Town for both the tax classification and valuation of their watershed property. The Town entered into an agreement with PWSB on June 15, 2015 regarding this tax appeal. The Town and PWSB acknowledge and agree that PWSB has paid timely all of its real estate and personal property taxes to the Town for the tax years 2003-2014. The Town and PWSB have agreed to resolve all pending tax challenges by the PWSB for said tax years including, but not limited to, a final resolution of any and all administrative appeals and challenges of the tax classification and valuations. The parties agreed to a recalculation and reduction of taxes for the tax years 2003-2014 by granting the PWSB a reduction from the real estate taxes actually paid each year, resulting in a cumulative refund due to PWSB of \$1,604,528. The term of the settlement agreement is ten (10) years beginning with tax year 2015. The agreement includes an annual interest rate of the 'Prime Rate', adjusted annually with each change in the Prime Rate, which will be applied to the refund amount until paid in full.

NOTE 8 – TRANSCATIONS WITH THE FOSTER LAND TRUST

For the year ended June 30, 2016, the Town's General Fund reported the following balances related to the Foster Land Trust:

Due to Foster Land Trust	<u>\$3,077</u>
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NOTE 9 – DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

A. ACCOUNTS RECEIVABLE

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

B. ACCOUNTS PAYABLE AND ACCRUED EXPENDITURES/EXPENSES

The accounts payable and accrued expenditures/expenses at June 30, 2016, were as follows:

	<i>Vendors</i>	<i>Salaries and Benefits</i>	<i>Other</i>	<i>Total</i>
Governmental activities				
General	\$ 104,982	\$ 117,893	\$ 8,291	\$ 231,166
School Unrestricted	280,703	116,315	-	397,018
Other Governmental Funds	6,081	4,767	-	10,848
Total	<u>\$ 391,766</u>	<u>\$ 238,975</u>	<u>\$ 8,291</u>	<u>\$ 639,032</u>

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

NOTE 10 - FUND EQUITY

Government-Wide Financial Statements:

The Government-Wide Financial Statements utilize a net position presentation. Net position is segregated into the following three components:

Net investment in capital assets – 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 position that does not meet the definition of “restricted” or “net investment in capital assets.”

The Town considers restricted resources to have been spent when an expense is incurred for which both restricted and unrestricted net position are available.

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

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

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

Committed Fund Balance – This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision- making authority. These committed amounts cannot be used for any other purpose unless the Town removes or changes the specific use by taking the same type of action it employed to previously commit those amounts.

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

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

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

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

NOTE 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, 2016 was \$4,724,784. Financial statements for the Regional School are issued separately and may be obtained from the Foster-Glocester Regional School District Business Office, 91 Anan Wade Road, North Scituate, Rhode Island 02857.

NOTE 12 – RISK MANAGEMENT

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

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

The Town also participates in a healthcare self-insurance pool administered by WB Community Health (WBCH). WB Community Health is a not-for-profit organization formed to administer health and dental programs for Rhode Island cities, towns and school districts. Upon joining WBCH each member enters into a member agreement with WBCH that outlines the rights and responsibilities of each member and WBCH.

WBCH is a claims-servicing or account pool, which is an arrangement by which a pool manages separate accounts for each pool member from which the claims and administration costs of each member are paid. This arrangement does not result in the transfer of risk to WBCH or the pooling (sharing) of risk amongst the members of WBCH. The Town is retaining the risk and it recognizes and measures its claims liabilities and related expenditures in accordance with GASB Statement No. 10 because the risk of loss has not been transferred to an unrelated third party. The Town's payments of premiums to WBCH are reported as deposits (other assets) in the General Fund. The claims paid by WBCH on the Town's behalf and the administrative costs paid to WBCH are reported as a reduction of deposits and increase in expenditures in the General Fund. The premiums are based on "working rates" determined by WBCH based on available funds on deposit and claims experience.

In order to avoid catastrophic losses, the Town purchases specific stop loss re-insurance. Under the stop loss re-insurance, the Town is covered for medical claims in excess of \$175,000 per person per contract period.

The claims liability of \$17,381 reported in the General Fund at June 30, 2016 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the Town's claims liability for the past two fiscal years were:

	<i>Beginning Fiscal Year Liability</i>	<i>Current Year Claims and Changes In Estimate</i>	<i>Claims Payments</i>	<i>Balance Fiscal Year End</i>
2014-2015	\$53,990	\$666,786	646,903	\$73,873
2015-2016	\$73,873	\$619,259	710,513	\$17,381

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

NOTE 13 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES AND COMMITMENTS

A. LITIGATION

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

B. FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The Town and School Department participate in various federal financial assistance programs. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Costs, if any, which may be disallowed by the grantor, cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

NOTE 14 – 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 15. 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 is reported as a Trust Fund in the Town's financial statements. The plan does not issue a publicly available financial report.

The plan provides the following benefits based on employee group upon retirement:

- Police – Eligible at any age with 20 years of service if hired before July 1, 2006. Employees hired after 7/1/2006 are eligible at age 55 with 25 years of service. The Town pays 40% of individual or family medical until the retiree is Medicare eligible.
- Dispatch - Eligible at any age with 20 years of service. The Town pays 40% of individual or family medical for 5 years after retirement if date of retirement was prior to 7/1/2007 or for 7 years after retirement if date of retirement was after 7/1/2007.
- Town Labor Union – Eligible at 58 years of age. The Town pays 40% of individual medical until the retiree is Medicare eligible.
- School Non-Certified – Eligible at 62 years of age with 5 years of service. The Town pays 100% of individual medical and dental until the retiree is Medicare eligible.
- School Certified - Eligible at 62 years of age with 5 years of service. If the date of retirement was prior to 7/1/2007, the Town pays 100% of medical and dental until the retiree is Medicare eligible. If the date of retirement was after 7/1/2007, but before 7/1/2012, the Town pays 90% of medical and dental until the retiree is Medicare eligible.

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

If the date of retirement is after 7/1/2012, the Town pays 80% of medical and dental until the retiree is Medicare eligible.

As of July 1, 2015, the plan membership date is as follows:

Active employees	58
Retirees	<u>7</u>
Total	<u>65</u>

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 retiree share of medical or dental premiums. For the year ended June 30, 2016, 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. However, any surplus derived from the Town's medical expenditure accounts and any dividends derived from the Town's involvement with WB Community Health as measured by the Treasurer will also be contributed to the Other Post-Employment Benefits Trust Fund until 100% funded in accordance with Town Ordinance. For the fiscal year ended June 30, 2016, the Town contributed \$68,574 to the plan.

Summary of Significant Accounting Policies

Basis of Accounting – The Other Post-Employment Benefits Trust Fund's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments – Investments are reported at fair value.

Annual OPEB Cost and Net Pension Obligation

The Town's annual other postemployment 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 costs each year and amortize any unfunded actuarial 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:

TOWN OF FOSTER, RHODE ISLAND

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Annual required contribution (ARC)	\$ 36,727
Interest on net OPEB obligation	(5,145)
Adjustment to annual required contribution	7,955
Annual OPEB cost (expense)	<u>39,537</u>
Contributions made	(68,574)
Decrease in net OPEB obligation	<u>(29,037)</u>
Net OPEB obligation – beginning of year	<u>(128,609)</u>
Negative net OPEB obligation – end of year	<u><u>\$(157,646)</u></u>

The Town's contribution to the plan was \$68,574, which is 186.7% of the annual required contribution.

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

<i><u>Fiscal Year Ended</u></i>	<i><u>Annual OPEB Cost</u></i>	<i><u>Percentage of Annual OPEB Cost Contributed</u></i>	<i><u>Net OPEB Obligation</u></i>
June 30, 2014	\$ 28,382	264.8%	\$ (71,015)
June 30, 2015	27,363	310.5%	(128,609)
June 30, 2016	39,537	173.4%	(157,646)

Funded Status and Funding Progress

The funded status of the Town's plan as of July 1, 2015, the most recent actuarial valuation is as follows:

Actuarial Accrued Liability (AAL)	\$386,755
Actuarial Value of Plan Assets	<u>131,207</u>
Unfunded Actuarial Accrued Liability	255,548
Funded ratio (Actuarial Value of Plan Assets / AAL)	33.9%
Annual Covered Payroll (Active Plan Members)	N/A
UAAL as a Percentage of Covered Payroll	N/A

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.

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

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. The actuarial assumptions and methods 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 the fiscal 2016 was determined as part of the July 1, 2015 actuarial valuation using the entry age cost method. Under this method, the actuarial valuation is allocated on a level basis over future earnings of the individual between entry age and assumed exit age(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; b) medical trend rate – 9% per year grading down to an ultimate rate of 5.0% in 2019 and c) dental trend rate - 5%. The unfunded actuarial accrued liability as of the July 1, 2015 is being amortized using level percent of payroll on a closed basis based on 30 year amortization.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about employment, mortality and healthcare cost trends. Actuarial valuations are subject to continual revision as actual results are compared to past expectations and new estimates are formulated about the future.

NOTE 15 – PENSION PLANS

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

Defined Benefit Plan

General Information about the Pension Plan

Plan Description - Certain employees of the Foster School Department participate in a cost-sharing multiple-employer defined benefit pension plan - the Employees' Retirement System plan - administered by the Employees' Retirement System of the State of Rhode Island (System). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans administered by the System. The report may be obtained at <http://www.ersri.org>.

Benefit Provisions – The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80% or 75%. For those hired after June 30, 2012, the benefit accrual rate is 1% per year with a maximum benefit accrual of 40%. Members eligible to retire at September 30, 2009 may retire with 10 years of service at age 60 or after 28 years of service at any age. The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security Normal Retirement Age, which applies to any member with less than 5 years of service as of July 1, 2012. Members are vested after 5 years of service.

The plan provides for survivor's benefits for service connected death and certain lump sum death benefits. Joint and survivor benefit provision options are available to members.

Cost of living adjustments are provided but are currently suspended until the collective plans administered by ERSRI reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost of living adjustments are provided at four-year intervals commencing with plan year ending June 30, 2016.

The plan also provides nonservice-connected disability benefits after five years of service and service-connected disability benefits with no minimum service requirement.

Contributions - The funding policy, as set forth in the General Laws, Section 16-16-22, provides for actuarially determined periodic contributions to the plan. For fiscal 2016, Foster School Department teachers were required to contribute 3.75% of their annual covered salary, except for teachers with twenty or more years of service as of June 30, 2012 must contribute 11% of their annual covered salary. The State and the Foster School Department are required to contribute at an actuarially determined rate, 40% of which is to be paid by the State and the remaining 60% is to be paid by the Foster School Department; the rates were 9.41% and 13.73% of annual covered payroll for the fiscal year ended June 30, 2016 for the State and Foster School Department, respectively. The Foster School Department contributed \$234,490, \$247,872 and \$238,949 for the fiscal years ended June 30, 2016, 2015 and 2014, respectively, equal to 100% of the required contributions for each year. The State's share of contributions totaling \$152,281 for fiscal year 2016 are reflected as on-behalf payments and are included as both revenue and expenditures in the Governmental Funds financial statements.

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016, the Foster School Department reported a liability of \$3,071,362 for its proportionate share of the net pension liability that reflected a reduction for contributions made by the State. The amount recognized by the Foster School Department as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the Foster School Department were as follows:

Foster School Department's proportionate share of the net pension liability	\$3,071,362
State's proportionate share of the net pension liability associated with the Foster School Department	<u>2,098,258</u>
Total net pension liability	<u><u>\$5,169,620</u></u>

The net pension liability was measured as of June 30, 2015, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015. The Foster School Department's proportion of the net pension liability was based on a projection of the Foster School Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State, actuarially determined. At June 30, 2015 the Foster School Department's proportion was 0.11156409%.

For the year ended June 30, 2016, the Foster School Department recognized in the Government-Wide financial statements gross pension expense of \$576,309 and revenue of \$254,786 for support provided by the State. At June 30, 2016, the Foster School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources:	
Contributions subsequent to the measurement date	<u>\$234,490</u>
Deferred inflows of resources:	
Change of assumptions	\$82,569
Differences between expected and actual experience	19,999
Changes in proportion differences between employer contributions and proportionate share of contributions.	338,583
Net difference between projected and actual earnings on pension plan investments	<u>2,317</u>
Total	<u><u>\$443,468</u></u>

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\$234,490 reported as deferred outflows of resources related to pensions resulting from the Foster School Department contributions in fiscal year 2016 subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$(84,239)
2018	(84,239)
2019	(84,239)
2020	(25,782)
2021	(69,046)
thereafter	(95,923)

Actuarial Assumptions - The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50% to 13.50%
Investment rate of return	7.50%

Mortality – male and female teachers: 97% and 92%, respectively, of rates in a GRS table based on male and female teacher experience, projected with Scale AA from 2000.

The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2015 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20-years) by asset class are summarized in the following table:

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

Type of Investment	Target Allocation	Long-term expected real rate of return
Global Equity:	38.0%	-
U.S. Equity	-	6.93%
International Developed	-	7.32%
International Emerging Markets	-	9.52%
Equity Hedge Funds	8.0%	3.98%
Private Equity	7.0%	9.99%
Core Fixed Income	15.0%	2.18%
Absolute Return Hedge Funds	7.0%	3.98%
Infrastructure	3.0%	5.70%
Real Estate	8.0%	4.85%
Other Real Return Assets:	11.0%	-
Master Limited Partnerships	-	4.51%
Credit	-	4.51%
Inflation Linked Bonds	-	1.24%
Cash, Overlay, Money Market	3.0%	7.80%
	100.0%	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability calculated using the discount rate of 7.5 percent as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

1.00% Decrease (6.5%)	Current Discount Rate (7.5%)	1.00 Increase (8.5%)
\$3,851,464	\$3,071,362	\$2,432,739

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

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Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

Defined Contribution Plan

Plan Description

Employees participating in the defined benefit plan with less than 20 years of service as of June 30, 2012, as described above, also participate in a defined contribution plan as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants.

Employees contribute 7% of their annual covered salary and employers contribute between 3% and 3.5% of annual covered salary depending on the employee's total years of service as of June 30, 2012. The employer contribution is split between the State and the school department. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

The Foster School Department recognized pension expense of \$42,059 and employees contributed \$93,409 for the fiscal year ended June 30, 2016. For financial reporting purposes, the State's share of contributions totaling \$6,149 for fiscal year 2016 are reflected as on behalf-payments and are included as both revenue and expenditures in the accompanying financial statements.

The System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the System. The reports can be obtained at <http://www.ersri.org>.

B. TEACHERS' SURVIVOR BENEFIT PLAN

General Information about the Pension Plan

Plan Description - Certain employees of the Foster School Department participate in a cost-sharing multiple-employer defined benefit pension plan - the Teachers' Survivors Benefit (TSB) plan - administered by the Employees' Retirement System of the State of Rhode Island (System). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment

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of its pension obligation to the plan. The plan provides a survivor benefit to public school teachers in lieu of Social Security since not all school districts participate in Social Security.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans administered by the System. The report may be obtained at <http://www.ersri.org>.

Eligibility and Plan Benefits - The plan provides a survivor benefit to public school teachers in lieu of Social Security since not all school districts participate in the plan. Specific eligibility criteria and the amount of the benefit are subject to the provisions of Chapter 16-16 of the Rhode Island General Laws which are subject to amendment by the General Assembly. Spouse, parents, family and children's benefits are payable following the death of a member. A spouse shall be entitled to benefits upon attaining the age of sixty (60) years. Children's benefits are payable to the child, including a stepchild or adopted child of a deceased member if the child is unmarried and under the age of eighteen (18) years or twenty-three (23) years and a full time student, and was dependent upon the member at the time of the member's death. Family benefits are provided if at the time of the member's death the surviving spouse has in his or her care a child of the deceased member entitled to child benefits. Parents benefits are payable to the parent or parents of a deceased member if the member did not leave a widow, widower, or child who could ever qualify for monthly benefits on the member's wages and the parent has reached the age of 60 years, has not remarried, and received support from the member.

In January, a yearly cost-of-living adjustment for spouse's benefits is paid and based on the annual social security adjustment.

Survivors are eligible for benefits if the member has made contributions for at least six months prior to death or retirement.

The TSB plan provides benefits based on the highest salary at the time of retirement of the teacher. Benefits are payable in accordance with the following table:

<u>Highest Annual Salary</u>	<u>Basic Monthly Spouse's Benefit</u>
\$17,000 or less	\$750
\$17,001 to \$25,000	\$875
\$25,001 to \$33,000	\$1,000
\$33,001 to \$40,000	\$1,125
\$40,001 and over	\$1,250

Benefits payable to children and families are equal to the spousal benefit multiplied by the percentage below:

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Parent and 1 Child	Parent and 2 or more Children	One Child Alone	Two Children Alone	Three or more Children Alone	Dependent Parent
150%	175%	75%	150%	175%	100%

Contributions - The contribution requirements of active employees and the participating school districts were established under Chapter 16-16 of the Rhode Island General Laws, which may be amended by the General Assembly. The cost of the benefits provided by the plan are two percent (2%) of the member's annual salary up to but not exceeding an annual salary of \$9,600; one-half (1/2) of the cost is contributed by the member by deductions from his or her salary, and the other half (1/2) is contributed and paid by the respective school district by which the member is employed. These contributions are in addition to the contributions required for regular pension benefits.

The Foster School Department contributed \$2,630, \$2,688 and \$2,698 for the fiscal years ended June 30, 2016, 2015 and 2014, respectively, equal to 100% of the required contributions for each year.

Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016 the Foster School Department reported an asset of \$415,885 for its proportionate share of the net pension asset related to its participation in TSB. The net pension asset was measured as of June 30, 2015, the measurement date, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015. The Foster School Department's proportion of the net pension asset was based on its share of contributions to the TSB for fiscal year 2015 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2015 the Foster School Department's proportion was 0.44548472%

For the year ended June 30, 2016 the Foster School Department recognized pension expense of (\$34,374) – an increase in the net pension asset. At June 30, 2016 the Foster School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources:

Contributions subsequent to the measurement date	\$2,630
Differences between expected and actual experience	96,152
Total	<u>98,782</u>

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Deferred inflows of resources:

Net difference between projected and actual earnings on pension plan investments	\$1,515
Changes in proportion and differences between employer contributions and proportionate share of contributions	64,789
Total	<u>66,304</u>

\$2,630 reported as deferred outflows of resources related to pensions resulting from the Foster School Department's contributions in fiscal year 2016 subsequent to the measurement date that will be recognized as an addition to the net pension asset for the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$(1,089)
2018	(1,089)
2019	(1,089)
2020	17,031
2021	3,820
Thereafter	12,264

Actuarial Assumptions - The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50% to 13.50%
Investment rate of return	7.50%

Mortality rates for male and female teachers were based on 97% (males) and 92% (females) of rates in a GRS table based on male and female teacher experience, projected with scale AA from 2000.

Cost of Living Adjustments – eligible survivors receive a yearly cost of living adjustment based on the annual social security adjustment – for valuation purposes, a 2.75% cost of living adjustment is assumed.

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The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2015 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20 years) by asset class, are summarized in the following table:

Type of Investment	Target Allocation	Long-term expected real rate of return
Global Equity:	38.0%	-
U.S. Equity	-	6.93%
International Developed	-	7.32%
International Emerging Markets	-	9.52%
Equity Hedge Funds	8.0%	3.98%
Private Equity	7.0%	9.99%
Core Fixed Income	15.0%	2.18%
Absolute Return Hedge Funds	7.0%	3.98%
Infrastructure	3.0%	5.70%
Real Estate	8.0%	4.85%
Other Real Return Assets:	11.0%	-
Master Limited Partnerships	-	4.51%
Credit	-	4.51%
Inflation Linked Bonds	-	1.24%
Cash, Overlay, Money Market	3.0%	7.80%
	100.0%	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

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Sensitivity of the Net Pension Asset to Changes in the Discount Rate - The following presents the net pension asset calculated using the discount rate of 7.5 percent as well as what the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Current Discount	
1.00% Decrease	Rate	1.00 Increase
<u>(6.5%)</u>	<u>(7.5%)</u>	<u>(8.5%)</u>
\$322,966	\$415,885	\$491,926

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

C. MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND PLANS

Defined Benefit Plans

General Information about the Pension Plan

Plan Description - The Municipal Employees' Retirement System (MERS) – an agent multiple-employer defined benefit pension plan - provides certain retirement, disability and death benefits to plan members and beneficiaries. MERS was established under Rhode Island General Law and placed under the management of the Employee's Retirement System of Rhode Island (ERSRI) Board to provide retirement allowances to employees of municipalities, housing authorities, water and sewer districts, and municipal police and fire persons that have elected to participate. Benefit provisions are subject to amendment by the General Assembly.

MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the ERSRI website at <http://www.ersri.org>.

Benefits Provided – General employees, police officers and firefighters employed by electing municipalities participate in MERS. Eligible employees become members at their date of employment. Anyone employed by a municipality at the time the municipality joins MERS may elect not to be covered. Elected officials may opt to be covered by MERS. Employees covered under another plan maintained by the municipality may not become members of MERS. Police officers and/or firefighters may be designated as such by the municipality, in which case the special contribution and benefit provisions described below will apply to them, or they may be designated as general employees with no special benefits. Members designated as police officers and/or firefighters are treated as belonging to a unit separate from the general employees, with separate contribution rates applicable. The Town of Foster has only general employees and police officers that participate in the MERS Plan.

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Salary: Salary includes the member's base earnings plus any payments under a regular longevity or incentive plan. Salary excludes overtime, unused sick and vacation leave, severance pay, and other extraordinary compensation. Certain amounts that are excluded from taxable wages, such as amounts sheltered under a Section 125 plan or amounts picked up by the employer under IRC Section 414(h), are not excluded from salary.

Service: Employees receive credit for service while a member. In addition, a member may purchase credit for certain periods by making an additional contribution to purchase the additional service. Special rules and limits govern the purchase of additional service and the contribution required.

Final Average Compensation (FAC): Prior to July 1, 2012 and for general employee members eligible to retire as of June 30, 2012, the average was based on the member's highest three consecutive annual salaries. Effective July 1, 2012, the average was based on the member's highest five consecutive annual salaries. Once a member retires or is terminated, the applicable FAC will be the greater of the member's highest three year FAC as of July 1, 2012 or the five year FAC as of the retirement/termination date. Monthly benefits are based on one-twelfth of this amount.

Subsequent to June 30, 2015, litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010, and 2011) was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly. These amended benefit provisions, which have been included in the determination of the total pension liability at the June 30, 2015 measurement date and are reflected in the summary of benefit provisions described below.

General Employees - Members with less than five years of contributory service as of June 30, 2012 and members hired on or after that date are eligible for retirement on or after their Social Security normal retirement age (SSNRA).

Members who had at least five years of contributory service as of June 30, 2012 will be eligible for retirement at an individually determined age. This age is the result of interpolating between the member's prior retirement date, described below, and the retirement age applicable to members hired after June 30, 2012. The interpolation is based on service as of June 30, 2012 divided by projected service at the member's prior retirement date. The minimum retirement age is 59.

Members with 10 or more years of contributory service on June 30, 2012 may choose to retire at their prior retirement date if they continue to work and contribute until that date. If this option is elected, the retirement benefit will be calculated using the benefits accrued as of June 30, 2012, i.e., the member will accumulate no additional defined benefits after this date, but the benefit will be paid without any actuarial reduction.

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Effective July 1, 2015, members will be eligible to retire with full benefits at the earlier of their current Rhode Island Retirement Security Act (RIRSA) date described above or upon the attainment of age 65 with 30 years of service, age 64 with 31 years of service, age 63 with 32 years of service, or age 62 with 33 years of service.

A member who is within five years of reaching their retirement eligibility date and has 20 or more years of service, may elect to retire at any time with an actuarially reduced benefit.

Prior to July 1, 2012, members were eligible for retirement on or after age 58 if they had credit for 10 or more years of service, or at any age if they had credit for at least 30 years of service. Members eligible to retire before July 1, 2012 were not impacted by the changes to retirement eligibility above.

The annual benefit is equal to 2.00% of the member's monthly FAC for each year of service prior to July 1, 2012 and 1.00% of the member's monthly FAC for each year of service from July 1, 2012 through June 30, 2015. For all service after June 30, 2015, the annual benefit is equal to 1.0% per year unless the member had 20 or more years of service as of June 30, 2012 in which case the benefit accrual is 2.0% per year for service after June 30, 2015. The benefit cannot exceed 75% of the member's FAC. Benefits are paid monthly.

Police and Fire Employees - Members are eligible to retire when they are at least 50 years old and have a minimum of 25 years of contributing service or if they have 27 years of contributing service at any age. Members with less than 25 years of contributing service are eligible for retirement on or after their Social Security normal retirement age.

Members who, as of June 30, 2012, had at least 10 years of contributing service, had attained age 45, and had a prior retirement date before age 52 may retire at age 52.

Active members on June 30, 2012 may choose to retire at their prior retirement date if they continue to work and contribute until that date. If option is elected, the retirement benefit will be calculated using the benefits accrued as of June 30, 2012, i.e., the member will accumulate no additional defined benefits after this date, but the benefit will be paid without any actuarial reduction.

A member who is within five years of reaching their retirement eligibility date, as described in this section, and has 20 or more years of service, may elect to retire at any time with an actuarially reduced benefit.

Prior to July 1, 2012, members designated as police officers or firefighters were eligible for retirement at or after age 55 with credit for at least 10 years of service or at any age with credit for 25 or more years of service. Members were also eligible to retire and receive a reduced benefit if they are at least age 50 and have at least 20 years of service. If the municipality elected

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to adopt the 20-year retirement provisions for police officers and/or firefighters, then such a member was eligible to retire at any age with 20 or more years of service. Members eligible to retire before July 1, 2012 were not impacted by the changes to retirement eligibility above.

A monthly benefit is paid equal to 2.00% of the member's monthly FAC for each year of service, up to 37.5 years (75% of FAC maximum).

If the optional 20-year retirement provisions were adopted by the municipality prior to July 1, 2012, benefits are based on 2.50% of the member's FAC for each year of service prior to July 1, 2012 and 2.00% of the member's FAC for each year of service after July 1, 2012. The benefit cannot exceed 75% of the member's FAC. The Town of Foster has elected to participate in the 20-year retirement provision.

Active members (including future hires), members who retire after July 1, 2015 and after attaining age 57 with 30 years of service will have a benefit equal to the greater of their current benefit described above and one calculated based on a 2.25% multiplier for all years of service.

Other Benefit Provisions - Death and disability benefits are also provided to members. A member is eligible for a disability retirement provided he/she has credit for at least five years of service or if the disability is work-related. Members are not eligible for an ordinary disability benefit if they are eligible for unreduced retirement.

Joint and survivor benefit options are available to retirees. For some employees, a Social Security option is also available where an annuity is paid at one amount prior to age 62, and at a reduced amount after age 62, designed to provide a level total income when combined with the member's age 62 Social Security benefit. Benefits cease upon the member's death.

Post-retirement benefit increases are paid to members who retire after June 30, 2012. Members will be eligible to receive cost of living increases at the later of the member's third anniversary of retirement and the month following their SSNRA (age 55 for members designated as police officers and/or firefighters). When a municipality elects coverage, it may elect either COLA C (covering only current and future active members and excluding members already retired) or COLA B (covering current retired members as well as current and future active members).

a.) The COLA will be suspended for any unit whose funding level is less than 80%; however, an interim COLA may be granted in four-year intervals while the COLA is suspended. The first interim COLA may begin January 1, 2018.

b.) Effective July 1, 2015, the COLA is determined based on 50% of the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%, plus 50% of the lesser of 3.0% or last year's CPI-U increase for a total maximum increase of

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

3.50%. Previously, it was the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%

c.) The COLA will be limited to the first \$25,000 of the member's annual pension benefit. For retirees and beneficiaries who retired on or before July 1, 2015, years in which a COLA is payable based on the every fourth year provision described in (a) above will be limited to the first \$30,000. These limits will be indexed annually to increase in the same manner as COLAs, with the known values of \$25,000 for 2013, \$25,000 for 2014, \$25,168 for 2015, \$25,855 for 2016, and \$26,098 for 2017. The Town of Foster has elected the optional cost-of-living provision for police officers.

Employees Covered by Benefit Terms - At the June 30, 2014 valuation date, the following employees were covered by the benefit terms:

	General Employees Plan	Police Officers Plan
Retirees and Beneficiaries	22	8
Inactive, Nonretired		
Members	25	3
Active Members	34	8
Total	81	19

Contributions - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees with less than 20 years of service as of June 30, 2012 are required to contribute 1% of their salaries. General employees with more than 20 years of service as of June 30, 2012 are required to contribute 8.25%. Police officers are required to contribute 10% of their salaries. The Town of Foster contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The Town of Foster contributed the following amounts in the year ended June 30, 2016: general employees plan - \$145,785 and police officers plan - \$145,645. The Town's contributions represented the following percentages of annual covered payroll: general employees plan – 11.83%; police officers plan – 32.58%.

Net Pension Liability - The total pension liability was determined by actuarial valuations performed as of June 30, 2014 and rolled forward to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement.

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

Summary of Actuarial Assumptions Used in the Valuations to Determine the Net Pension Liability at the June 30, 2015 Measurement Date (June 30, 2014 valuation rolled forward to June 30, 2015)	
Actuarial Cost Method	Entry Age Normal - The Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll – Closed
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	General Employees - 3.50% to 7.50% ; Police Officers - 4.00% to 14.00%
Inflation	2.75%
Mortality	<ul style="list-style-type: none">• Male Employees, MERS General and MERS Police: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.• Female Employees, MERS General and MERS Police: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.
Cost of Living Adjustments	A 2% COLA is assumed after January 1, 2014.

The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2015 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20-years) by asset class are summarized in the following table:

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

<u>Type of Investment</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Global Equity:	38.0%	-
U.S. Equity	-	6.93%
International Developed	-	7.32%
International Emerging Markets	-	9.52%
Equity Hedge Funds	8.0%	3.98%
Private Equity	7.0%	9.99%
Core Fixed Income	15.0%	2.18%
Absolute Return Hedge Funds	7.0%	3.98%
Infrastructure	3.0%	5.70%
Real Estate	8.0%	4.85%
Other Real Return Assets:	11.0%	-
Master Limited Partnerships	-	4.51%
Credit	-	4.51%
Inflation Linked Bonds	-	1.24%
Cash, Overlay, Money Market	3.0%	7.80%
	<u>100.0%</u>	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

Discount Rate - The discount rate used to measure the total pension liability of the plans was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF FOSTER, RHODE ISLAND*Notes to Financial Statements**June 30, 2016*

General Employees Plan
Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2014	\$3,919,341	\$3,391,081	\$528,260
Changes for the Year:			
Service cost	102,763	-	102,763
Interest on the total pension liability	290,393	-	290,393
Changes in benefits	(213)	-	(213)
Difference between expected and actual experience	(226,439)	-	(226,439)
Changes in assumptions	-	-	-
Employer contributions	-	121,957	(121,957)
Employee contributions	-	11,704	(11,704)
Net investment income	-	77,854	(77,854)
Benefit payments, including employee refunds	(197,635)	(197,635)	-
Administrative expense	-	(3,135)	3,135
Other changes	-	(79,740)	79,740
Net changes	(31,131)	(68,995)	37,864
Balances as of June 30, 2015	\$3,888,210	\$3,322,086	\$566,124

Police Officers Plan
Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2014	\$3,787,968	\$2,548,131	\$1,239,837
Changes for the Year:			
Service cost	70,704	-	70,704
Interest on the total pension liability	278,224	-	278,224
Changes in benefits	101,488	-	101,488
Difference between expected and actual experience	(540,538)	-	(540,538)
Changes in assumptions	-	-	-
Employer contributions	-	117,553	(117,553)
Employee contributions	-	29,050	(29,050)
Net investment income	-	59,155	(59,155)
Benefit payments, including employee refunds	(227,338)	(227,338)	-
Administrative expense	-	(2,375)	2,375
Other changes	-	-	-
Net changes	(317,460)	(23,955)	(293,505)
Balances as of June 30, 2015	\$3,470,508	\$2,524,176	\$946,332

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the employer calculated using the discount rate of 7.5 percent, as well as what the employer's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

Plan	1.00% Decrease (6.5%)	Current Discount Rate (7.5%)	1.00 Increase (8.5%)
General Employees	\$975,648	\$566,124	\$230,949
Police Officers	\$1,317,264	\$946,332	\$642,698

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the Town recognized pension expense as follows: general employees plan - \$145,423; and police officers plan - \$136,820. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	General Employees Plan	Police Officers Plan
Deferred Outflows of Resources:		
Assumption changes	\$26,728	\$ -
Contributions subsequent to the measurement date	145,785	145,645
Net difference between projected and actual investment earnings	131	3,703
Total	\$172,644	\$149,348
Deferred Inflows of Resources:		
Assumption changes	\$ -	\$7,640
Difference between expected and actual experience	154,629	450,502
Total	\$154,629	\$458,142

TOWN OF FOSTER, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

The deferred outflows of resources related to pensions resulting from the Town contributions in fiscal year 2016 subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ended June 30, 2017. Other amounts reported as deferred outflows/ (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred Outflows/(Inflows) of Resources	
	General Employees Plan	Police Officers Plan
2017	\$(69,867)	\$(98,928)
2018	(69,867)	(98,928)
2019	(22,230)	(98,926)
2020	34,194	(65,807)
2021	-	(91,528)
Thereafter	-	(322)

Defined Contribution Plan

Plan Description

General employees participating in the defined benefit plan, as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants.

General employees contribute 5% of their annual covered salary and employers contribute between 1% and 1.5% of annual covered salary depending on years of service. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

The Town of Foster recognized pension expense of \$10,751 and employees contributed \$49,699 for the fiscal year ended June 30, 2016.

The System issues an annual financial report that includes financial statements and required supplementary information for plans administered by the System. The reports can be obtained at <http://www.ersri.org>.

TOWN OF FOSTER, RHODE ISLAND*Notes to Financial Statements**June 30, 2016***D. AGGREGATE PENSION AMOUNTS REPORTED IN THE FINANCIAL STATEMENTS**

	Deferred Outflows of Resources – Pension Amounts	Deferred Inflows of Resources – Pension Amounts	Net Pension Asset	Net Pension Liability	Pension Expense
Employees' Retirement System Plan	\$234,490	\$443,468	\$ -	\$3,071,362	\$576,309
Teachers' Survivor Benefits Plan	98,782	66,304	415,885	-	(34,374)
General Employees Plan	172,644	154,629	-	566,124	145,423
Police Officers Plan	149,348	458,142	-	946,332	136,820
Total	<u>\$655,264</u>	<u>\$1,122,543</u>	<u>\$415,885</u>	<u>\$4,583,818</u>	<u>\$824,178</u>

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:

Budgetary Comparison Schedules – General Fund and School Unrestricted Fund

Schedule of the Town's Proportionate Share of the Net Pension Liability

Schedule of Changes in the Net Pension Liability and Related Ratios – Pension Plans

Schedule of Town Contributions – Pension Plans and other Post-Employment Benefit Plan

Schedule of Funding Progress – Other Post-Employment Benefit Plan

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, 2016

	<i>Budgeted Amounts</i>		<i>Actual Amounts (Budgetary Basis)</i>	<i>Variance With Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
<u>Revenues</u>				
Real estate and personal property tax	\$ 12,023,225	\$ 12,023,225	\$ 12,088,092	\$ 64,867
Tax exemption 45-13-51	363	363	1,024	661
Hotel tax	17,042	17,042	18,125	1,083
Motor vehicle excise phase-out	57,184	57,184	72,955	15,771
Public utilities sharing	62,363	62,363	59,761	(2,602)
Incentive aid	22,003	22,003	22,003	-
Licenses and permits	55,000	55,000	63,425	8,425
Building and zoning fees	27,000	27,000	58,139	31,139
Fines and interest on late payments	80,000	80,000	133,354	53,354
Interest on investments	1,500	1,500	5,742	4,242
Land trust	2,630	2,630	-	(2,630)
Other revenues	33,500	33,500	84,307	50,807
<i>Total revenues</i>	12,381,810	12,381,810	12,606,927	225,117
<u>Other Financing Sources</u>				
Transfer from capital projects fund	566,200	566,200	566,200	-
<i>Total other financing sources</i>	566,200	566,200	566,200	-
<i>Total revenues and other financing sources</i>	\$ 12,948,010	\$ 12,948,010	\$ 13,173,127	\$ 225,117
<u>Expenditures</u>				
<i>Legislative, Judicial and General</i>				
<i>Administrative</i>				
Salaries	\$ 226,379	\$ 226,379	\$ 221,351	\$ 5,028
Education expense	1,500	1,500	1,630	(130)
Board of canvassers expenses	4,150	4,150	2,028	2,122
Election expenses	3,750	3,750	5,040	(1,290)
Town council expenses	1,250	1,250	1,137	113
Sealer of weights and measures	250	250	471	(221)
Town clerk expenses	5,000	5,000	9,789	(4,789)
Municipal code maintenance	1,000	1,000	-	1,000
Clerks volume/equipment	3,000	3,000	3,697	(697)
Benefits	95,461	95,461	70,045	25,416
Unemployment compensation	-	-	546	(546)
OPEB adjustment	-	-	21,745	(21,745)
<i>Total legislative, judicial and general administrative</i>	341,740	341,740	337,479	4,261

(Continued)

TOWN OF FOSTER, RHODE ISLAND

General Fund

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

For the Fiscal Year Ended June 30, 2016

	<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	140,374	140,374	141,724	(1,350)
Finance education/membership fees	1,200	1,200	623	577
Finance computer and support	4,320	4,320	3,820	500
Tax collector's postage/advertising	3,100	3,100	3,057	43
Finance department office expenses	2,250	2,250	3,181	(931)
Finance equipment	1,000	1,000	894	106
Finance benefits	50,781	50,781	50,036	745
Assessor's salary	29,723	29,723	30,014	(291)
Assessment review board	600	600	600	-
Revaluation expense	21,000	21,000	21,000	-
Assessor's education/membership fees	875	875	874	1
Assessor's computer and support	9,275	9,275	9,500	(225)
Assessor's office expense	2,475	2,475	1,833	642
Assessor's postage/tax bills	5,100	5,100	5,166	(66)
Assessor's benefits	6,127	6,127	6,187	(60)
Federal/state grant revenue	-	-	(4,280)	4,280
<i>Total finance administration</i>	278,200	278,200	274,229	3,971
<i>Miscellaneous Administration</i>				
Audit	14,000	14,000	13,235	765
OPEB actuarial valuation	1,500	1,500	-	1,500
Purchased service contracts	19,000	19,000	17,092	1,908
Computer/software service/maintenance	16,000	16,000	21,286	(5,286)
Copier service maintenance	1,850	1,850	2,839	(989)
Telephone	19,500	19,500	19,952	(452)
Electric	35,000	35,000	25,645	9,355
Heating fuel	18,000	18,000	6,773	11,227
Health care taxes & fees	300	300	2,041	(1,741)
Casualty and liability insurance	95,000	95,000	88,952	6,048
Contingency	20,000	20,000	8,960	11,040
LESO equipment	10,000	10,000	-	10,000
OPEB transfer/funding	20,000	20,000	20,000	-
Transfer-cemetery trust	4,350	4,350	4,350	-
<i>Total miscellaneous administration</i>	274,500	274,500	231,125	43,375
<i>Health and Welfare</i>				
Human service salary	19,348	19,348	19,527	(179)
Office expense	550	550	331	219
Benefits	4,002	4,002	4,042	(40)
Gateway	3,250	3,250	3,250	-
Comprehensive Community Action	12,000	12,000	12,000	-
CAST	2,833	2,833	2,833	-
<i>Total health and welfare</i>	41,983	41,983	41,983	-

(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, 2016

	<i>Budgeted Amounts</i>		<i>Actual Amounts (Budgetary Basis)</i>	<i>Variance With Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
Public Safety				
Police salaries	604,110	604,110	623,660	(19,550)
Dispatchers salaries	223,200	223,200	221,052	2,148
Computer services	21,100	21,100	24,391	(3,291)
Education expense	5,000	5,000	1,578	3,422
Professional services/training	3,000	3,000	7,615	(4,615)
Radio repairs	2,000	2,000	3,046	(1,046)
Police fuel and lube oil	35,000	35,000	24,067	10,933
Police parts and repairs	8,000	8,000	9,575	(1,575)
Tires	2,000	2,000	2,530	(530)
Police department operations	8,201	8,201	6,199	2,002
Police office expense	3,500	3,500	3,090	410
Police equipment	10,000	10,000	10,610	(610)
Police/dispatchers - benefits	375,083	375,083	361,366	13,717
Police uniforms	18,000	18,000	19,404	(1,404)
Dog Officer - salary	16,391	16,391	16,517	(126)
Pound fees	10,000	10,000	10,000	-
Dog Officer - fuel and lube oil	2,000	2,000	2,000	-
Dog Officer - parts and repairs	2,000	2,000	820	1,180
Dog Officer - benefits	6,778	6,778	6,220	558
Dog Officer - uniforms	500	500	250	250
EMA Director stipend	3,120	3,120	3,120	-
Ambulance Corps stipends	23,000	23,000	23,000	-
FICA taxes	239	239	-	239
South Foster Fire Company	64,000	64,000	64,000	-
Foster Center Fire Company	60,100	60,100	60,100	-
Moosup Valley Fire Company	65,075	65,075	65,075	-
Ambulance Corp.	74,000	74,000	74,000	-
Public safety training	10,000	10,000	4,734	5,266
Engineering board	2,500	2,500	1,232	1,268
Total public safety	1,657,897	1,657,897	1,649,251	8,646
Public Works				
Salaries	346,503	346,503	345,183	1,320
Professional services	14,000	14,000	6,483	7,517
Education/licenses/membership	-	-	120	(120)
Radio repairs	1,250	1,250	318	932
Fuel and oil	55,000	55,000	38,242	16,758
Parts and repairs	65,000	65,000	55,869	9,131
Tires	7,000	7,000	4,014	2,986
Handtools	1,500	1,500	571	929
Sand and salt	60,000	60,000	52,414	7,586
Asphalt mix	5,000	5,000	4,696	304
Equipment	10,000	10,000	10,035	(35)
Welding	2,000	2,000	892	1,108
Gravel	37,000	37,000	36,547	453
Stone	4,000	4,000	3,064	936
Road signs	2,125	2,125	3,809	(1,684)
Bridge Repairs	1,000	1,000	-	1,000
Other road material	1,000	1,000	-	1,000

(Continued)

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

TOWN OF FOSTER, RHODE ISLAND

General Fund

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

For the Fiscal Year Ended June 30, 2016

	<i>Budgeted Amounts</i>		<i>Actual Amounts (Budgetary Basis)</i>	<i>Variance With Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
Office expense	1,000	1,000	3,173	(2,173)
Pipe	2,000	2,000	1,351	649
Grader and plow blades	3,000	3,000	5,409	(2,409)
Benefits	180,138	180,138	176,570	3,568
Uniforms	6,400	6,400	5,896	504
OPEB Adjustment	-	-	1,900	(1,900)
Buildings and grounds	72,000	72,000	79,095	(7,095)
Safety	1,000	1,000	722	278
Rental equipment	500	500	-	500
Special project - contract	-	-	1,533	(1,533)
Rambone Disposal	223,686	223,686	223,686	-
RI Resource Recovery	66,000	66,000	65,989	11
Total public works	1,168,102	1,168,102	1,127,581	40,521
Building and Zoning				
Salaries	41,668	41,668	24,923	16,745
Consultant	-	-	2,310	(2,310)
Education expenses	600	600	521	79
Travel	1,800	1,800	1,640	160
Computer support	2,000	2,000	2,000	-
Zoning board	500	500	1,941	(1,441)
Office expenses	750	750	3,811	(3,061)
Benefits	7,345	7,345	1,447	5,898
Total building and zoning	54,663	54,663	38,593	16,070
Planning				
Salaries	35,879	35,879	36,224	(345)
Education expense	1,000	1,000	-	1,000
Advertising/fees	500	500	790	(290)
Professional services	28,115	28,115	28,115	-
Computer software	1,500	1,500	1,500	-
Office expenses	500	500	646	(146)
Benefits	7,388	7,388	7,456	(68)
Total planning	74,882	74,882	74,731	151
Conservation				
Conservation commission	1,425	1,425	1,425	-
Total conservation	1,425	1,425	1,425	-
Land Trust				
Land trust expenditures	2,630	2,630	-	2,630
Total land trust	2,630	2,630	-	2,630

(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, 2016

	<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	1,600	1,600	1,600	-
Travel	200	200	200	-
Maintenance and repairs	4,100	4,100	4,087	13
Mailing and advertising	500	500	1,022	(522)
Equipment	1,000	1,000	1,964	(964)
Rental	800	800	660	140
Sports	7,500	7,500	7,500	-
Activities expense	4,500	4,500	3,309	1,191
Senior citizens	3,000	3,000	3,000	-
Summer concert	1,800	1,800	-	1,800
Memorial Day parade	300	300	-	300
Total recreation	25,300	25,300	23,342	1,958
School				
Regional operations	4,061,364	4,061,364	4,061,364	-
Regional debt service	663,420	663,420	663,420	-
Student population change	(72,337)	(72,337)	(72,337)	-
Total school	4,652,447	4,652,447	4,652,447	-
Libraries				
Libraries of Foster	150,842	150,842	150,842	-
Total libraries	150,842	150,842	150,842	-
Long-term Obligations				
Providence Water settlement	175,000	175,000	175,000	-
Use of Surplus	(175,000)	(175,000)	(175,000)	-
Total Long-term Obligations	-	-	-	-
Capital Expenditures				
Finance	18,100	18,100	18,100	-
Police	43,865	43,865	43,865	-
Public works highway	147,035	147,035	147,035	-
Public works equipment	90,000	90,000	90,000	-
Public works buildings & grounds	99,700	99,700	99,700	-
Engineering board	137,500	137,500	137,500	-
Isaac Paine School	30,000	30,000	30,000	-
Total capital expenditures	566,200	566,200	566,200	-
Total expenditures	9,290,811	9,290,811	9,169,228	121,583
Other Financing Uses				
Transfer to school department fund	3,244,262	3,244,262	3,244,262	-
Transfer to capital projects fund	412,937	412,937	412,937	-
Total other financing uses	3,657,199	3,657,199	3,657,199	-
Total expenditures and other financing uses	\$ 12,948,010	\$ 12,948,010	\$ 12,826,427	\$ 121,583

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, 2016*

	<i>Budgeted Amounts</i>		<i>Actual Amounts (Budgetary Basis)</i>	<i>Variance With Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
<i>Revenues</i>				
State aid	\$ 1,178,487	\$ 1,178,487	\$ 1,199,313	\$ 20,826
Other revenues	56,101	56,101	59,083	2,982
<i>Total revenues</i>	<u>1,234,588</u>	<u>1,234,588</u>	<u>1,258,396</u>	<u>23,808</u>
<i>Expenditures</i>				
Education	4,478,850	4,478,850	4,090,463	388,387
<i>Total expenditures</i>	<u>4,478,850</u>	<u>4,478,850</u>	<u>4,090,463</u>	<u>388,387</u>
<i>Deficiency of revenues under expenditures before other financing sources(uses)</i>	<u>(3,244,262)</u>	<u>(3,244,262)</u>	<u>(2,832,067)</u>	<u>412,195</u>
<i>Other financing sources(uses)</i>				
Town appropriation	3,244,262	3,244,262	3,244,262	-
Transfers to capital projects funds	-	-	(22,702)	(22,702)
<i>Total other financing sources (uses)</i>	<u>3,244,262</u>	<u>3,244,262</u>	<u>3,221,560</u>	<u>(22,702)</u>
<i>Net change in fund balance</i>	<u>\$ -</u>	<u>\$ -</u>	389,493	<u>\$ 389,493</u>
<i>Fund balance - beginning of year</i>			<u>479,388</u>	
<i>Fund balance - end of year</i>			<u>\$ 868,881</u>	

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

TOWN OF FOSTER, RHODE ISLAND
Required Supplementary Information
Employees' Retirement System Pension Plan
Schedule of the Town's Proportionate Share of the Net Pension Liability (1)
"Unaudited"

<i>Fiscal Year</i>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.11156409%	0.12588445%
Town's proportionate share of the net pension liability	\$ 3,071,362	\$ 3,064,028
State's proportionate share of the net pension liability associated with the Town	<u>2,098,258</u>	<u>2,101,145</u>
Total	<u>\$ 5,169,620</u>	<u>\$ 5,165,173</u>
Town's covered-employee payroll	\$ 1,812,834	\$ 1,916,706
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	169.42%	159.86%
Plan fiduciary net position as a percentage of the total pension liability	57.6%	61.4%

(1) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

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

TOWN OF FOSTER, RHODE ISLAND
Required Supplementary Information
Teachers' Survivor Benefit Pension Plan
Schedule of the Town's Proportionate Share of the Net Pension Asset (1)
"Unaudited"

<i>Fiscal Year</i>	<i>2016</i>	<i>2015</i>
Town's proportion of the net pension asset	0.44548472%	0.37822090%
Town's proportionate share of the net pension asset	\$ 415,885	\$ 470,207
Town's covered-employee payroll	\$ 1,812,834	\$ 1,916,706
Town's proportionate share of the net pension asset as a percentage of its covered-employee payroll	22.94%	24.53%
Plan fiduciary net position as a percentage of the total pension liability	146.6%	173.3%

(1) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

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

TOWN OF FOSTER, RHODE ISLAND
Required Supplementary Information
General Employees Pension Plan
Schedule of Changes in the Net Pension Liability and Related Ratios (1)
"Unaudited"

<i>Fiscal Year</i>	<i>2016</i>	<i>2015</i>
Total pension liability:		
Service cost	\$ 102,763	\$ 105,659
Interest	290,393	273,238
Changes of benefit terms	(213)	-
Differences between expected and actual experience	(226,439)	-
Changes of assumptions	-	53,322
Benefits payments, including refunds of member contributions	(197,635)	(206,446)
Net change in total pension liability	(31,131)	225,773
Total pension liability - beginning	3,919,341	3,693,568
Total pension liability - ending (a)	\$ 3,888,210	\$ 3,919,341
Plan fiduciary net position:		
Contributions - employer	\$ 121,957	\$ 124,478
Contributions - employee	11,704	11,409
Net investment income	77,854	451,654
Benefits payments, including refunds of member contributions	(197,635)	(206,446)
Administrative expense	(3,135)	(2,828)
Other	(79,740)	(18,760)
Net change in plan fiduciary net position	(68,995)	359,507
Plan fiduciary net position - beginning	3,391,081	3,031,574
Plan fiduciary net position - ending (b)	\$ 3,322,086	\$ 3,391,081
Town's net pension liability - ending (a) - (b)	\$ 566,124	\$ 528,260
Plan fiduciary net position as a percentage of the total pension liability	85.44%	86.52%
Covered employee payroll	\$ 1,170,425	\$ 1,133,685
Net pension liability as a percentage of covered employee payroll	48.37%	46.60%

(1) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

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

TOWN OF FOSTER, RHODE ISLAND
Required Supplementary Information
Police Officers Pension Plan
Schedule of Changes in the Net Pension Liability and Related Ratios (1)
"Unaudited"

<i>Fiscal Year</i>	<u>2016</u>	<u>2015</u>
<i>Total pension liability:</i>		
Service cost	\$ 70,704	\$ 69,914
Interest	278,224	272,971
Changes of benefit terms	101,488	-
Differences between expected and actual experience	(540,538)	-
Changes of assumptions	-	(10,714)
Benefits payments, including refunds of member contributions	(227,338)	(297,710)
<i>Net change in total pension liability</i>	<u>(317,460)</u>	<u>34,461</u>
<i>Total pension liability - beginning</i>	<u>3,787,968</u>	<u>3,753,507</u>
<i>Total pension liability - ending (a)</i>	<u><u>\$ 3,470,508</u></u>	<u><u>\$3,787,968</u></u>
<i>Plan fiduciary net position:</i>		
Contributions - employer	\$ 117,553	\$ 46,299
Contributions - employee	29,050	31,684
Net investment income	59,155	339,383
Benefits payments, including refunds of member contributions	(227,338)	(297,710)
Administrative expense	(2,375)	(2,125)
Other	-	5,471
<i>Net change in plan fiduciary net position</i>	<u>(23,955)</u>	<u>123,002</u>
<i>Plan fiduciary net position - beginning</i>	<u>2,548,131</u>	<u>2,425,129</u>
<i>Plan fiduciary net position - ending (b)</i>	<u><u>\$ 2,524,176</u></u>	<u><u>\$2,548,131</u></u>
<i>Town's net pension liability - ending (a) - (b)</i>	<u><u>\$ 946,332</u></u>	<u><u>\$1,239,837</u></u>
<i>Plan fiduciary net position as a percentage of the total pension liability</i>	72.73%	67.27%
<i>Covered employee payroll</i>	\$ 363,141	\$ 385,837
<i>Net pension liability as a percentage of covered employee payroll</i>	260.60%	321.34%

(1) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

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

TOWN OF FOSTER, RHODE ISLAND
Required Supplementary Information - Pension Plans
Schedule of Town Contributions (1)
"Unaudited"

<i>Fiscal Year</i>	<u>2016</u>	<u>2015</u>
<u>Employees' Retirement System Plan</u>		
Actuarially determined contribution	\$ 234,490	\$ 247,872
Contributions in relation to the actuarially determined contribution	234,490	247,872
<i>Contribution deficiency (excess)</i>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered employee payroll	\$ 1,671,269	\$ 1,812,834
Contributions as a percentage of covered employee payroll	14.03%	13.67%
<u>Teachers' Survivor Benefit Plan</u>		
Statutorily determined contribution	\$ 2,630	\$ 2,688
Contributions in relation to the statutorily determined contribution	2,630	2,688
<i>Contribution deficiency (excess)</i>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered employee payroll	\$ 1,671,269	\$ 1,812,834
Contributions as a percentage of covered employee payroll	0.16%	0.15%
<u>General Employees Plan</u>		
Actuarially determined contribution	\$ 145,785	\$ 121,957
Contributions in relation to the actuarially determined contribution	145,785	121,957
<i>Contribution deficiency (excess)</i>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered employee payroll	\$ 1,232,338	\$ 1,170,425
Contributions as a percentage of covered employee payroll	11.83%	10.42%

(1) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

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

TOWN OF FOSTER, RHODE ISLAND
Required Supplementary Information - Pension Plans
Schedule of Town Contributions (1)
"Unaudited"

<i>Fiscal Year</i>	<u>2016</u>	<u>2015</u>
<u>Police Officers Plan</u>		
Actuarially determined contribution	\$ 145,645	\$ 117,553
Contributions in relation to the actuarially determined contribution	145,645	117,553
<i>Contribution deficiency (excess)</i>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered employee payroll	\$ 447,038	\$ 363,141
Contributions as a percentage of covered employee payroll	32.58%	32.37%

(1) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

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

TOWN OF FOSTER, RHODE ISLAND
Required Supplementary Information
Other Post Employment Benefit Plan
Schedule of Annual Required Contributions
"Unaudited"

<i>Year Ended June 30</i>	<i>Annual Required Contribution</i>	<i>Percentage Contributed</i>
2013	\$ 29,979	316.3%
2014	28,249	266.0%
2015	27,178	312.6%
2016	36,727	186.7%

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

TOWN OF FOSTER, RHODE ISLAND
Required Supplementary Information - Other Post-Employment Benefit Plan
Schedule of Funding Progress (1)
"Unaudited"

	<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL) -Entry Age</i>	<i>Unfunded Liability/ (Funding Excess)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>Unfunded Liability/ (Funding Excess) as a Percentage of Covered Payroll</i>
Other Post-Employment Benefit Plan	7/1/09	\$ -	\$ 780,502	\$ 780,502	0.0%	N/A	N/A
	7/1/12	-	408,554	408,554	0.0%	N/A	N/A
	7/1/15	131,207	386,755	255,548	33.9%	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.

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

TOWN OF FOSTER, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2016

NOTE 1 - 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 2016. 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)	\$13,173,127	\$4,502,658

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.

	-	158,430
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TOWN OF FOSTER, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2016

	<u>General Fund</u>	<u>School Unrestricted Fund</u>
<u>Revenues and Other Financing Sources</u>		
Unbudgeted revenues not included for budgetary purposes, but included for financial reporting purposes.	7,966	-
<i>Total revenues and other financing sources as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$13,181,093</u>	<u>\$4,661,088</u>
	<u>General Fund</u>	<u>School Unrestricted Fund</u>
<u>Expenditures and Other Financing Uses</u>		
Actual amounts (budgetary basis)	\$12,826,427	\$4,113,165
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.	118,386	-
Unbudgeted expenditures, transfers and adjustments not included for budgetary purposes, but included for financial reporting purposes.	(182,089)	-
The appropriated use of fund balance is reported as a reduction of budgetary expenditures for budgetary purposes, but is not a reduction for financial reporting purposes.	247,337	-
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.	-	158,430
<i>Total expenditures and other financing uses as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$13,010,061</u>	<u>\$4,271,595</u>

TOWN OF FOSTER, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2016
“Unaudited”

NOTE 2 – PENSION PLANS

The actuarial methods and assumptions used to calculate the total pension liability (asset) are described in Note 15 A, B and C to the financial statements.

Changes in benefit provisions related to the final settlement of pension litigation and enactment of the pension settlement provisions by the General Assembly occurred during the year.

The net pension liability (asset) amounts presented for each fiscal year were determined as of the June 30 measurement date prior to the fiscal year-end.

The schedules are intended to present ten years of data. Additional years of data will be presented as they become available.

Actuarially Determined Contributions:

Actuarially determined contribution rates are calculated as of June 30 of each plan year and effective 2 years after the actuarial valuation. The following actuarial methods and assumptions were used to determine contribution amounts reported in that schedule:

- Actuarial cost method – Entry Age Normal
- Amortization method - Level percentage of payroll, closed
- Remaining amortization period - 22 years
- Asset valuation method – 5-year smoothed market
- Inflation – 2.75%
- Investment return - 7.50%
- Salary increases – 4% to 12.75% for teachers; 4% to 8% for general employees; 4.25% to 14.25% for police and fire employees.
- Retirement age – Experienced-based table of rates that are specific to the type of eligibility condition.
- Mortality – Males, General, Police and Fire Employees – 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.
- Mortality – Females, General, Police and Fire Employees – 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.
- Mortality – Males and Females, Teachers – 97% and 92%, respectively, of rates in GRS table based on male and female teacher experience, projected with Scale AA from 2000.

Employers participating in the Employees’ Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year. Employers participating in the Municipal Employees’ Retirement System are required by RI General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.

TOWN OF FOSTER, RHODE ISLAND

Notes to Required Supplementary Information

June 30, 2016

NOTE 3 - 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:

	<u>Other Postemployment Benefit Plan</u>	
Valuation date	7/1/2015	
Actuarial cost method	Entry Age Normal	
Amortization method	Level percent of payroll over a closed period	
Amortization period	30 years - 19.12 years remaining at 6/30/2016	
Asset valuation method	Fair value	
Actuarial assumptions:		
Investment rate of return	4% discount rate, 4% long-term rate of return	
Projected salary increases	3.50% annually	
Medical Trend Rate	9% graded down 1% per annum to an ultimate rate of 5% for years 2019 and later	
Dental Trend Rate	5%	
Participant information	Active employees	58
	Retirees and beneficiaries	<u>7</u>
		<u><u>65</u></u>

OTHER SUPPLEMENTARY INFORMATION

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

THIS SECTION CONTAINS THE FOLLOWING:

Combining Fund Financial Statements for Nonmajor Governmental Funds

Combining Fund Financial Statements for Fiduciary Funds

Other Supplementary Information

TOWN OF FOSTER, RHODE ISLAND

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2016

	<i>Town Special Revenue Funds</i>	<i>School Special Revenue Funds</i>	<i>Capital Project School Safety</i>	<i>Capital Project School Improvements</i>	<i>Total Nonmajor Governmental Funds</i>
ASSETS					
Cash	\$ 273,589	\$ 4,420	\$ -	\$ -	\$ 278,009
Due from federal and state governments	28,337	19,188	-	-	47,525
Due from other funds	9,068	79,845	-	-	88,913
Accounts receivable	39,243	5,543	-	-	44,786
Total assets	<u>\$ 350,237</u>	<u>\$ 108,996</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 459,233</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenditures	457	10,391	-	-	10,848
Due to other funds	34,225	100,921	-	-	135,146
Total liabilities	<u>34,682</u>	<u>111,312</u>	<u>-</u>	<u>-</u>	<u>145,994</u>
 Deferred Inflows of Resources:					
Other deferred revenues	38,810	-	-	-	38,810
Total deferred inflows of resources	<u>38,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,810</u>
 Fund balances					
Restricted for:					
Education programs	-	6,814	-	-	6,814
Historical records preservation	69,946	-	-	-	69,946
Health and welfare programs	8,564	-	-	-	8,564
Public safety programs	18,046	-	-	-	18,046
Other programs	4,373	-	-	-	4,373
Committed for:					
Townhouse maintenance	5,836	-	-	-	5,836
Recycling programs	16,519	-	-	-	16,519
Open space and conservation	153,461	-	-	-	153,461
Unassigned	-	(9,130)	-	-	(9,130)
Total fund balances	<u>276,745</u>	<u>(2,316)</u>	<u>-</u>	<u>-</u>	<u>274,429</u>
 Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 350,237</u>	<u>\$ 108,996</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 459,233</u>

TOWN OF FOSTER, RHODE ISLAND
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2016

	<i>Town Special Revenue Funds</i>	<i>School Special Revenue Funds</i>	<i>Capital Project School Safety</i>	<i>Capital Project School Improvements</i>	<i>Total Nonmajor Governmental Funds</i>
Revenues					
Intergovernmental and departmental revenue	\$ 291,226	\$ 236,700	\$ -	\$ -	\$ 527,926
Interest on investments	828	-	-	-	828
Other revenue	13,692	43,549	-	-	57,241
Total revenues	<u>305,746</u>	<u>280,249</u>	<u>-</u>	<u>-</u>	<u>585,995</u>
Expenditures					
Current:					
Legislative, judicial and general administrative	9,031	-	-	-	9,031
Health and welfare	270,871	-	-	-	270,871
Public safety	25,337	-	-	-	25,337
Public works	3,964	-	-	-	3,964
Education	-	198,848	-	-	198,848
Food service	-	77,781	-	-	77,781
Capital outlay	-	-	7,593	15,109	22,702
Total expenditures	<u>309,203</u>	<u>276,629</u>	<u>7,593</u>	<u>15,109</u>	<u>608,534</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	(3,457)	3,620	(7,593)	(15,109)	(22,539)
Other financing sources					
Transfers from other funds	-	-	7,593	15,109	22,702
Total other financing sources	<u>-</u>	<u>-</u>	<u>7,593</u>	<u>15,109</u>	<u>22,702</u>
Net change in fund balance	(3,457)	3,620	-	-	163
Fund balances - beginning of year	280,202	(5,936)	-	-	274,266
Fund balances - end of year	<u>\$ 276,745</u>	<u>\$ (2,316)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 274,429</u>

TOWN OF FOSTER, RHODE ISLAND

Town Special Revenue Funds

Combining Balance Sheet

June 30, 2016

	<i>Community Development Block Grant</i>	<i>Historical Records</i>	<i>Technology Recording Fee</i>	<i>DARE</i>	<i>Townhouse Trust</i>
ASSETS					
Cash	\$ 2,998	\$ 5,443	\$ 66,852	\$ 5,719	\$ 11,136
Due from federal and state governments	379	-	-	-	-
Due from other funds	-	75	-	-	-
Accounts receivable	38,810	-	-	433	-
<i>Total assets</i>	<u>\$ 42,187</u>	<u>\$ 5,518</u>	<u>\$ 66,852</u>	<u>\$ 6,152</u>	<u>\$ 11,136</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
<i>Liabilities</i>					
Accounts payable	-	-	-	-	-
Due to other funds	379	-	2,424	1,605	5,300
<i>Total liabilities</i>	<u>379</u>	<u>-</u>	<u>2,424</u>	<u>1,605</u>	<u>5,300</u>
<i>Deferred Inflows of Resources:</i>					
Other deferred revenues	38,810	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>38,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>					
Restricted for:					
Historical records preservation	-	5,518	64,428	-	-
Health and welfare programs	2,998	-	-	-	-
Public safety programs	-	-	-	4,547	-
Other programs	-	-	-	-	-
Committed for:					
Townhouse maintenance	-	-	-	-	5,836
Recycling programs	-	-	-	-	-
Open space and conservation	-	-	-	-	-
<i>Total fund balances</i>	<u>2,998</u>	<u>5,518</u>	<u>64,428</u>	<u>4,547</u>	<u>5,836</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 42,187</u>	<u>\$ 5,518</u>	<u>\$ 66,852</u>	<u>\$ 6,152</u>	<u>\$ 11,136</u>

(Continued)

TOWN OF FOSTER, RHODE ISLAND

*Town Special Revenue Funds
Combining Balance Sheet (Continued)
June 30, 2016*

	<i>Payments in-Lieu of Land</i>	<i>EMA</i>	<i>Human Services Special Needs</i>	<i>RI Resource Recovery Grant</i>	<i>Police Grants</i>	<i>Partnership for Success</i>	<i>Total</i>
ASSETS							
Cash	\$ 153,448	\$ -	\$ 7,101	\$ 20,892	\$ -	\$ -	\$ 273,589
Due from federal and state governments	-	2,075	-	-	10,604	15,279	28,337
Due from other funds	13	8,980	-	-	-	-	9,068
Accounts receivable	-	-	-	-	-	-	39,243
<i>Total assets</i>	<u>\$ 153,461</u>	<u>\$ 11,055</u>	<u>\$ 7,101</u>	<u>\$ 20,892</u>	<u>\$ 10,604</u>	<u>\$ 15,279</u>	<u>\$ 350,237</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
<i>Liabilities</i>							
Accounts payable	-	-	457	-	-	-	457
Due to other funds	-	-	1,078	-	8,160	15,279	34,225
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>1,535</u>	<u>-</u>	<u>8,160</u>	<u>15,279</u>	<u>34,682</u>
<i>Deferred Inflows of Resources:</i>							
Other deferred revenues	-	-	-	-	-	-	38,810
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,810</u>
<i>Fund balances</i>							
Restricted for:							
Historical records preservation	-	-	-	-	-	-	69,946
Health and welfare programs	-	-	5,566	-	-	-	8,564
Public safety programs	-	11,055	-	-	2,444	-	18,046
Other programs	-	-	-	4,373	-	-	4,373
Committed for:							
Townhouse maintenance	-	-	-	-	-	-	5,836
Recycling programs	-	-	-	16,519	-	-	16,519
Open space and conservation	153,461	-	-	-	-	-	153,461
<i>Total fund balances</i>	<u>153,461</u>	<u>11,055</u>	<u>5,566</u>	<u>20,892</u>	<u>2,444</u>	<u>-</u>	<u>276,745</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 153,461</u>	<u>\$ 11,055</u>	<u>\$ 7,101</u>	<u>\$ 20,892</u>	<u>\$ 10,604</u>	<u>\$ 15,279</u>	<u>\$ 350,237</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, 2016*

	<i>Community Development Block Grant</i>	<i>Historical Records</i>	<i>Technology Recording Fee</i>	<i>DARE</i>	<i>Townhouse Trust</i>
Revenues					
Intergovernmental and departmental revenues	\$ 156,288	\$ 937	\$ 5,100	\$ 5,723	\$ -
Interest on investments	-	23	253	-	90
Other revenue	1,040	-	-	-	-
Total revenues	<u>157,328</u>	<u>960</u>	<u>5,353</u>	<u>5,723</u>	<u>90</u>
Expenditures					
Legislative, judicial and general administrative	-	950	2,781	-	5,300
Health and welfare	156,288	-	-	-	-
Public safety	-	-	-	4,895	-
Public works	-	-	-	-	-
Total expenditures	<u>156,288</u>	<u>950</u>	<u>2,781</u>	<u>4,895</u>	<u>5,300</u>
Net change in fund balance	1,040	10	2,572	828	(5,210)
Fund balances - beginning of year	1,958	5,508	61,856	3,719	11,046
Fund balances - end of year	<u>\$ 2,998</u>	<u>\$ 5,518</u>	<u>\$ 64,428</u>	<u>\$ 4,547</u>	<u>\$ 5,836</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, 2016

	<i>Payments in-Lieu of Land</i>	<i>EMA</i>	<i>Human Services Special Needs</i>	<i>RI Resource Recovery Grant</i>	<i>Police Grants</i>	<i>Partnership for Success</i>	<i>Total</i>
Revenues							
Intergovernmental and departmental revenues	\$ 13	\$ 2,075	\$ 8,578	\$ 2,897	\$ 19,737	\$ 89,878	\$ 291,226
Interest on investments	462	-	-	-	-	-	828
Other revenue	-	-	12,652	-	-	-	13,692
Total revenues	<u>475</u>	<u>2,075</u>	<u>21,230</u>	<u>2,897</u>	<u>19,737</u>	<u>89,878</u>	<u>305,746</u>
Expenditures							
Legislative, judicial and general administrative	-	-	-	-	-	-	\$ 9,031
Health and welfare	-	-	24,705	-	-	89,878	270,871
Public safety	-	1,205	-	-	19,237	-	25,337
Public works	-	-	-	3,964	-	-	3,964
Total expenditures	<u>-</u>	<u>1,205</u>	<u>24,705</u>	<u>3,964</u>	<u>19,237</u>	<u>89,878</u>	<u>309,203</u>
Net change in fund balance	475	870	(3,475)	(1,067)	500	-	(3,457)
Fund balances - beginning of year	152,986	10,185	9,041	21,959	1,944	-	280,202
Fund balances - end of year	<u>\$ 153,461</u>	<u>\$ 11,055</u>	<u>\$ 5,566</u>	<u>\$ 20,892</u>	<u>\$ 2,444</u>	<u>\$ -</u>	<u>\$ 276,745</u>

TOWN OF FOSTER, RHODE ISLAND

School Special Revenue Funds

Combining Balance Sheet

June 30, 2016

	<i>Title I</i>	<i>Title II</i>	<i>Preschool</i>	<i>IDEA Part B</i>	<i>Wireless Classroom Initiative</i>	<i>RISCA</i>	<i>Rotary Grant</i>	<i>Small Rural Grant</i>
ASSETS								
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments	-	3,713	-	-	-	-	-	12,610
Due from other funds	33,379	10,232	-	-	22,487	1,936	-	-
Accounts receivable	-	-	-	-	-	-	-	-
Total assets	\$ 33,379	\$ 13,945	\$ -	\$ -	\$ 22,487	\$ 1,936	\$ -	\$ 12,610
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable and accrued expenditures	\$ 716	\$ 3,652	\$ -	\$ -	\$ -	\$ 502	\$ -	\$ -
Due to other funds	32,663	10,293	-	-	22,487	-	-	12,610
Total liabilities	33,379	13,945	-	-	22,487	502	-	12,610
Fund balances								
Restricted for education	-	-	-	-	-	1,434	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	-	-	-	-	-	1,434	-	-
Total liabilities and fund balances	\$ 33,379	\$ 13,945	\$ -	\$ -	\$ 22,487	\$ 1,936	\$ -	\$ 12,610

(Continued)

TOWN OF FOSTER, RHODE ISLAND*School Special Revenue Funds**Combining Balance Sheet (Continued)**June 30, 2016*

	<i>School Lunch</i>	<i>CAST</i>	<i>CAST Student Art</i>	<i>LOWES</i>	<i>Dixon Donation</i>	<i>Xmas in the Valley</i>	<i>Total</i>
ASSETS							
Cash	\$ 4,420	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,420
Due from federal and state governments	2,865	-	-	-	-	-	19,188
Due from other funds	6,311	2,378	1,469	-	1,000	653	79,845
Accounts receivable	5,543	-	-	-	-	-	5,543
Total assets	\$ 19,139	\$ 2,378	\$ 1,469	\$ -	\$ 1,000	\$ 653	\$ 108,996
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued expenditures	\$ 5,521	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,391
Due to other funds	22,748	-	-	-	-	120	100,921
Total liabilities	28,269	-	-	-	-	120	111,312
Fund balances							
Restricted for education	-	2,378	1,469	-	1,000	533	6,814
Unassigned	(9,130)	-	-	-	-	-	(9,130)
Total fund balances	(9,130)	2,378	1,469	-	1,000	533	(2,316)
Total liabilities and fund balances	\$ 19,139	\$ 2,378	\$ 1,469	\$ -	\$ 1,000	\$ 653	\$ 108,996

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, 2016

	<i>Title I</i>	<i>Title II</i>	<i>Preschool</i>	<i>IDEA Part B</i>	<i>Wireless Classroom Initiative</i>	<i>RISCA</i>	<i>Rotary Grant</i>	<i>Small Rural Grant</i>
Revenues								
Intergovernmental and departmental revenues	\$ 73,227	\$ 22,080	\$ 3,884	\$ 82,596	\$ -	\$ 2,900	\$ -	\$ 12,610
Other revenue	-	-	-	-	-	-	1,059	-
Total revenues	<u>73,227</u>	<u>22,080</u>	<u>3,884</u>	<u>82,596</u>	<u>-</u>	<u>2,900</u>	<u>1,059</u>	<u>12,610</u>
Expenditures								
Education	73,227	22,080	3,884	82,596	-	1,466	1,059	12,610
Food service	-	-	-	-	-	-	-	-
Total expenditures	<u>73,227</u>	<u>22,080</u>	<u>3,884</u>	<u>82,596</u>	<u>-</u>	<u>1,466</u>	<u>1,059</u>	<u>12,610</u>
Net change in fund balance	-	-	-	-	-	1,434	-	-
Fund balances - beginning of year	-	-	-	-	-	-	-	-
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,434</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, 2016*

	<i>School Lunch</i>	<i>CAST</i>	<i>CAST Student Art</i>	<i>LOWES</i>	<i>Dixon Donation</i>	<i>Xmas in the Valley</i>	<i>Total</i>
Revenues							
Intergovernmental and departmental revenues	\$ 39,403	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 236,700
Other revenue	37,490	1,000	2,000	-	1,000	1,000	43,549
Total revenues	<u>76,893</u>	<u>1,000</u>	<u>2,000</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>	<u>280,249</u>
Expenditures							
Education	-	907	531	21	-	467	198,848
Food service	77,781	-	-	-	-	-	77,781
Total expenditures	<u>77,781</u>	<u>907</u>	<u>531</u>	<u>21</u>	<u>-</u>	<u>467</u>	<u>276,629</u>
Net change in fund balance	(888)	93	1,469	(21)	1,000	533	3,620
Fund balances - beginning of year	(8,242)	2,285	-	21	-	-	(5,936)
Fund balances - end of year	<u>\$ (9,130)</u>	<u>\$ 2,378</u>	<u>\$ 1,469</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 533</u>	<u>\$ (2,316)</u>

TOWN OF FOSTER, RHODE ISLAND
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016

	<i>Mageira Performance Bond</i>	<i>Student Activity Funds</i>	<i>Probate Escrow Fund</i>	<i>Total Agency Funds</i>
<i>Assets</i>				
Cash	\$ 540	\$ 6,311	\$ 3,124	\$ 9,975
<i>Total assets</i>	<u>\$ 540</u>	<u>\$ 6,311</u>	<u>\$ 3,124</u>	<u>\$ 9,975</u>
<i>Liabilities</i>				
Due to other funds	\$ -	\$ -	\$ 3,000	\$ 3,000
Deposits held in custody for others	540	6,311	124	6,975
<i>Total liabilities</i>	<u>\$ 540</u>	<u>\$ 6,311</u>	<u>\$ 3,124</u>	<u>\$ 9,975</u>

TOWN OF FOSTER, RHODE ISLAND
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2016

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
MAGEIRA PERFORMANCE BOND				
<i>Assets</i>				
Cash	\$ 540	\$ -	\$ -	\$ 540
Total assets	<u>\$ 540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 540</u>
<i>Liabilities</i>				
Deposits held in custody for others	\$ 540	\$ -	\$ -	\$ 540
Total liabilities	<u>\$ 540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 540</u>
STUDENT ACTIVITY FUND				
<i>Assets</i>				
Cash	\$ 4,253	\$ 4,089	\$ 2,031	\$ 6,311
Total assets	<u>\$ 4,253</u>	<u>\$ 4,089</u>	<u>\$ 2,031</u>	<u>\$ 6,311</u>
<i>Liabilities</i>				
Deposits held in custody for others	\$ 4,253	\$ 4,089	\$ 2,031	\$ 6,311
Total liabilities	<u>\$ 4,253</u>	<u>\$ 4,089</u>	<u>\$ 2,031</u>	<u>\$ 6,311</u>
PROBATE ESCROW ACCOUNT				
<i>Assets</i>				
Cash	\$ 20,876	\$ 3,082	\$ 20,834	\$ 3,124
Total assets	<u>\$ 20,876</u>	<u>\$ 3,082</u>	<u>\$ 20,834</u>	<u>\$ 3,124</u>
<i>Liabilities</i>				
Due to other funds	\$ 20,834	\$ 3,000	\$ 20,834	3,000
Deposits held in custody for others	42	23,916	23,834	124
Total liabilities	<u>\$ 20,876</u>	<u>\$ 26,916</u>	<u>\$ 44,668</u>	<u>\$ 3,124</u>
TOTAL AGENCY FUNDS				
<i>Assets</i>				
Cash	\$ 25,669	\$ 7,171	\$ 22,865	\$ 9,975
Total assets	<u>\$ 25,669</u>	<u>\$ 7,171</u>	<u>\$ 22,865</u>	<u>\$ 9,975</u>
<i>Liabilities</i>				
Due to other funds	\$ 20,834	\$ 3,000	\$ 20,834	3,000
Deposits held in custody for others	4,835	28,005	25,865	6,975
Total liabilities	<u>\$ 25,669</u>	<u>\$ 31,005</u>	<u>\$ 46,699</u>	<u>\$ 9,975</u>

TOWN OF FOSTER, RHODE ISLAND

Tax Collector's Annual Report
For the Fiscal Year Ended June 30, 2016

Real Estate and Personal Property Taxes

<i>Fiscal Year End</i>	<i>Balance 6/30/2015</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 6/30/2016</i>
2016	\$ -	\$ 12,188,472	\$ 33,388	\$ 56,760	\$ (16,058)	\$ 12,149,042	\$ 11,723,459	\$ 425,583
2015	362,494	-	-	199	33,805	396,100	277,309	118,791
2014	133,236	-	-	-	511	133,747	91,791	41,956
2013	55,795	-	-	37	(663)	55,095	18,970	36,125
2012	47,720	-	-	353	(3,721)	43,646	4,418	39,228
2011	37,136	-	-	349	(3,066)	33,721	9,176	24,545
2010	17,123	-	-	80	(2,950)	14,093	249	13,844
2009	18,886	-	-	-	(701)	18,185	205	17,980
2008	13,312	-	-	-	(613)	12,699	318	12,381
2007	13,894	-	-	9,417	197	4,674	684	3,990
2006	21	-	-	5	(16)	-	-	-
2005	15	-	-	3	(9)	3	-	3
	<u>\$ 699,632</u>	<u>\$ 12,188,472</u>	<u>\$ 33,388</u>	<u>\$ 67,203</u>	<u>\$ 6,716</u>	<u>\$ 12,861,005</u>	<u>\$ 12,126,579</u>	<u>\$ 734,426</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	\$ 502,544,604	\$ 10,764,506
Motor Vehicles	48,317,112	1,785,317
Tangible and Personal Property	7,905,546	232,897
Total	558,767,262	12,782,720
Exemptions and frozen property	(4,134,835)	(594,248)
Net assessed value	<u>\$ 554,632,427</u>	<u>\$ 12,188,472</u>

Reconciliation of Current Year Property Tax Revenue

Current year collections	\$ 12,126,579
<u>Adjustments and reversals</u>	
Add: Revenue collected 60 days subsequent to fiscal year ending June 30, 2016	97,259
Less: Prior year revenue collected 60 days subsequent to fiscal year ended June 30, 2015	(136,893)
Prepaid taxes June 30, 2016	(29,952)
Prepaid taxes June 30, 2015	33,884
Refunds	(2,785)
Current year property tax revenue	<u>\$ 12,088,092</u>

TOWN OF FOSTER, RHODE ISLAND
Schedule of Unrestricted Fund - Fund Balance - Restricted for Education Programs
June 30, 2016

Restricted for Education:

Capital Reserve balance per internal School Committee policy	\$ 689,863
Maximum balance per internal School Committee policy	<u>179,018</u>
<i>Total</i>	<u><u>\$ 868,881</u></u>

S T A T I S T I C A L S E C T I O N

**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	97-100
These schedules contain trend information to help the reader understand how the Town's financial position has changed over time.	
Revenue Capacity	101-104
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 .	
Debt Capacity	105-109
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.	
Economic and Demographic Information	110-111
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.	
Operating Information	112-114
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.	

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial statements for the relevant year.

Schedule 1

Town of Foster, Rhode Island
Net position by Component,
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Primary Government										
Governmental activities										
Net investment in capital assets	\$ 7,619,259	\$ 7,857,376	\$ 7,753,237	\$ 7,187,242	\$ 6,571,739	\$ 6,413,271	\$ 6,372,989	\$ 6,672,697	\$ 6,984,060	\$ 7,219,293
Restricted	2,458,707	1,849,009	1,454,828	1,270,601	892,321	689,185	771,151	906,460	1,042,540	1,307,019
Unrestricted	990,677	59,436	94,934	248,718	1,323,328	2,006,455	(2,353,679)	(1,617,387)	(2,680,568)	(2,290,329)
Total governmental activities net position	<u>\$ 11,068,643</u>	<u>\$ 9,765,821</u>	<u>\$ 9,302,999</u>	<u>\$ 8,706,561</u>	<u>\$ 8,787,388</u>	<u>\$ 9,108,911</u>	<u>\$ 4,790,461</u>	<u>\$ 5,961,770</u>	<u>\$ 5,346,032</u>	<u>\$ 6,235,983</u>

Source: Town of Foster Audited Financial Statements

Schedule 2

Town of Foster, Rhode Island
Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
Legislative, judicial and general administrative	\$ 1,075,154	\$ 1,035,557	\$ 1,126,194	\$ 1,009,170	\$ 1,012,984	\$ 937,174	\$ 919,614	\$ 854,734	\$ 2,536,722	\$ 953,373
Health and Welfare	408,234	442,529	510,792	412,545	116,495	230,321	76,821	69,059	169,208	313,184
Public safety	1,386,698	1,486,792	1,482,617	1,805,354	1,763,769	1,353,408	1,356,574	1,511,646	1,593,218	1,774,590
Public works	841,178	1,456,055	890,676	1,112,606	1,112,112	1,009,206	1,048,362	1,125,289	1,247,726	1,281,310
Building and Zoning	50,392	51,663	47,824	51,725	50,027	39,767	44,735	45,436	41,819	38,593
Planning	33,299	84,255	85,750	70,704	65,832	38,568	46,520	50,253	38,280	54,741
Conservation	1,130	2,306	2,449	1,086	714	1,103	1,171	458	809	1,425
Recreation	43,017	58,407	65,514	59,294	30,031	25,100	23,255	24,893	27,604	33,283
Education	8,234,752	8,748,262	9,348,134	9,420,374	9,495,482	9,353,522	9,195,022	8,957,305	8,995,528	9,242,208
Food Services	86,708	69,428	68,789	64,026	65,054	76,825	68,412	70,678	76,051	77,781
Libraries	145,188	151,901	156,610	140,219	133,208	140,219	140,219	140,219	145,717	150,842
Interest expense	-	-	-	-	-	-	-	-	-	31,207
Total governmental activities expenses	<u>\$ 12,305,750</u>	<u>\$ 13,587,155</u>	<u>\$ 13,785,349</u>	<u>\$ 14,147,103</u>	<u>\$ 13,845,708</u>	<u>\$ 13,205,213</u>	<u>\$ 12,920,705</u>	<u>\$ 12,849,970</u>	<u>\$ 14,872,682</u>	<u>\$ 13,952,537</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Legislative, judicial and general administrative	\$ 109,165	\$ 88,138	\$ 112,366	\$ 79,756	\$ 77,043	\$ 89,568	\$ 82,883	\$ 64,331	\$ 73,093	\$ 69,845
Health and Welfare	2,390	12,662	3,032	2,993	3,547	42,907	-	1,261	-	2,963
Public safety	67,426	53,321	56,856	46,019	52,578	28,530	22,747	35,846	36,709	72,341
Public works	-	-	-	-	-	5,226	-	-	-	-
Building and Zoning	69,140	41,624	39,833	46,737	34,995	32,589	27,246	67,283	25,401	58,139
Planning	25,447	24,030	-	-	-	-	-	-	-	-
Recreation	-	25,503	1,135	11,393	4,576	1,753	806	640	210	3,270
Education	23,871	7,911	10,516	19,767	50,914	56,004	47,465	81,485	78,671	48,960
Food Services	48,702	50,286	43,717	37,096	36,416	44,481	37,829	34,857	35,872	37,490
Operating grants and contributions:										
Legislative, judicial and general administrative	50,570	-	11,880	-	31,667	18,009	-	-	1,461	4,280
Health and Welfare	88,800	84,310	166,356	81,151	60,229	122,236	44,402	30,494	126,648	267,396
Public safety	58,273	37,018	94,177	44,354	16,244	24,591	12,761	38,990	20,489	27,535
Public works	-	3,841	33,571	291,408	19,589	25,752	9,184	3,758	41,520	2,897
Recreation	-	18,213	11,375	3,846	-	-	-	-	-	-
Planning	-	-	-	-	13,545	-	-	-	-	-
Education	1,696,003	1,739,138	1,680,495	1,591,304	1,894,790	1,557,890	1,525,859	1,598,532	1,543,016	1,673,727
Food Services	23,879	19,795	19,088	19,467	25,665	30,887	32,424	30,408	39,405	39,403
Capital grants and contributions:										
Public safety	-	-	-	13,389	37,922	-	-	17,500	261,805	-
Public works	-	-	30,000	21,023	-	-	-	466,481	29,605	11,583
Recreation	-	75,000	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	10,444	17,793
Total governmental activities program revenues	<u>\$ 2,263,666</u>	<u>\$ 2,280,790</u>	<u>\$ 2,314,397</u>	<u>\$ 2,309,703</u>	<u>\$ 2,359,720</u>	<u>\$ 2,080,423</u>	<u>\$ 1,843,606</u>	<u>\$ 2,471,866</u>	<u>\$ 2,324,349</u>	<u>\$ 2,337,622</u>
Total primary government net expense	<u>\$(10,042,084)</u>	<u>\$(11,306,365)</u>	<u>\$(11,470,952)</u>	<u>\$(11,837,400)</u>	<u>\$(11,485,988)</u>	<u>\$(11,124,790)</u>	<u>\$(11,077,099)</u>	<u>\$(10,378,104)</u>	<u>\$(12,548,333)</u>	<u>\$(11,614,915)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes, levied for general purposes	\$ 8,262,363	\$ 8,699,129	\$ 9,924,717	\$ 10,407,479	\$ 10,865,982	\$ 11,282,490	\$ 11,266,311	\$ 11,365,484	\$ 11,774,289	\$ 12,302,201
Unrestricted investment earnings	135,913	136,655	27,872	5,070	2,250	2,616	2,585	2,725	3,097	7,938
Other general revenues	1,215,414	1,167,759	1,055,541	828,413	143,503	161,207	160,331	181,204	155,209	194,727
Total primary government	<u>\$ 9,613,690</u>	<u>\$ 10,003,543</u>	<u>\$ 11,008,130</u>	<u>\$ 11,240,962</u>	<u>\$ 11,011,735</u>	<u>\$ 11,446,313</u>	<u>\$ 11,429,227</u>	<u>\$ 11,549,413</u>	<u>\$ 11,932,595</u>	<u>\$ 12,504,866</u>
Change in Net Position										
Governmental activities:										
Total primary government	<u>\$ (428,394)</u>	<u>\$ (1,302,822)</u>	<u>\$ (462,822)</u>	<u>\$ (596,438)</u>	<u>\$ (474,253)</u>	<u>\$ 321,523</u>	<u>\$ 352,128</u>	<u>\$ 1,171,309</u>	<u>\$ (615,738)</u>	<u>\$ 889,951</u>

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 324,771	\$ 153,470	\$ 148,568	\$ 76,748	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	873,576	15,998	(44,553)	146,681	-	-	-	-	-	-
Nonspendable	-	-	-	-	599,613	736,024	618,520	665,195	870,945	1,073,581
Restricted	-	-	-	-	-	-	-	-	10,574	10,958
Committed	-	-	-	-	328,656	1,121,454	1,233,358	1,573,238	1,855,665	1,974,555
Assigned	-	-	-	-	30,535	28,018	27,864	294,762	191,104	40,226
Unassigned	-	-	-	-	283,510	-	-	-	-	-
Total general fund	<u>\$ 1,198,347</u>	<u>\$ 169,468</u>	<u>\$ 104,015</u>	<u>\$ 223,429</u>	<u>\$ 1,242,314</u>	<u>\$ 1,885,496</u>	<u>\$ 1,879,742</u>	<u>\$ 2,533,195</u>	<u>\$ 2,928,288</u>	<u>\$ 3,099,320</u>
Education										
Reserved	\$ 47,443	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	170,425	200,043	208,711	166,663	-	-	-	-	-	-
Nonspendable	-	-	-	-	3,217	-	9,447	-	-	-
Restricted	-	-	-	-	58,786	8,793	19,411	196,759	479,388	868,881
Total education fund	<u>\$ 217,868</u>	<u>\$ 200,043</u>	<u>\$ 208,711</u>	<u>\$ 166,663</u>	<u>\$ 62,003</u>	<u>\$ 8,793</u>	<u>\$ 28,858</u>	<u>\$ 196,759</u>	<u>\$ 479,388</u>	<u>\$ 868,881</u>
Capital Projects Funds										
Unreserved	\$ 1,679,466	\$ 1,221,785	\$ 785,235	\$ 736,645	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	589,053	532,577	594,918	561,636	414,801	280,627
Total Capital Projects fund	<u>\$ 1,679,466</u>	<u>\$ 1,221,785</u>	<u>\$ 785,235</u>	<u>\$ 736,645</u>	<u>\$ 589,053</u>	<u>\$ 532,577</u>	<u>\$ 594,918</u>	<u>\$ 561,636</u>	<u>\$ 414,801</u>	<u>\$ 280,627</u>
All Other Governmental Funds										
Reserved:										
Special revenue funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	365,596	383,782	488,187	405,300	-	-	-	-	-	-
Restricted	-	-	-	-	244,482	107,458	117,564	108,332	100,890	107,743
Committed	-	-	-	-	155,306	164,740	167,560	172,820	181,618	175,816
Unassigned	-	-	-	-	(2,727)	(3,896)	(2,055)	(7,468)	(8,242)	(9,130)
Total all other governmental funds	<u>\$ 365,596</u>	<u>\$ 383,782</u>	<u>\$ 488,187</u>	<u>\$ 405,300</u>	<u>\$ 397,061</u>	<u>\$ 268,302</u>	<u>\$ 283,069</u>	<u>\$ 273,684</u>	<u>\$ 274,266</u>	<u>\$ 274,429</u>

Note:

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

Source: Town of Foster Audited Financial Statements

Schedule 4

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
General property taxes	\$ 8,180,828	\$ 8,671,529	\$ 9,806,090	\$ 10,317,293	\$ 10,779,060	\$ 11,167,906	\$ 11,019,525	\$ 11,238,181	\$ 11,646,195	\$ 12,088,092
Intergovernmental and departmental revenue	3,191,398	3,094,718	3,079,446	2,849,150	2,213,391	1,924,311	1,751,386	2,319,585	1,978,105	2,096,807
Licenses and fees	226,129	190,949	173,082	182,566	192,372	188,867	183,589	240,812	178,206	254,918
Interest on investments	135,913	136,655	27,872	5,070	2,250	2,616	2,585	2,725	3,097	7,938
Other revenues	110,166	229,959	166,420	154,207	188,375	175,905	157,529	193,036	175,642	189,048
Total revenues	<u>\$ 11,844,434</u>	<u>\$ 12,323,810</u>	<u>\$ 13,252,910</u>	<u>\$ 13,508,286</u>	<u>\$ 13,375,448</u>	<u>\$ 13,459,605</u>	<u>\$ 13,114,614</u>	<u>\$ 13,994,339</u>	<u>\$ 13,981,245</u>	<u>\$ 14,636,803</u>
Expenditures										
Legislative, Judicial and general administrative	\$ 428,867	\$ 368,178	\$ 396,188	\$ 356,276	\$ 387,400	\$ 341,420	\$ 373,791	\$ 311,897	\$ 317,972	\$ 335,710
Financial Administration	253,008	252,432	235,719	242,169	241,963	225,784	222,833	233,211	254,178	278,012
Miscellaneous Administration	307,650	191,239	273,910	250,997	231,064	203,208	234,050	215,083	258,285	218,696
Health and Welfare	408,584	442,529	510,792	412,545	116,495	230,321	76,821	68,784	167,042	312,854
Public Safety	1,279,366	1,380,447	1,387,982	1,330,506	1,345,703	1,306,609	1,283,347	1,424,460	1,505,076	1,689,813
Public Works	691,686	829,703	765,772	943,338	938,080	928,594	989,502	1,005,484	1,096,139	1,219,398
Building and Zoning	50,392	51,663	47,824	51,725	50,027	39,767	44,735	45,436	41,665	38,593
Planning	17,799	84,255	70,250	70,704	65,832	38,568	46,520	50,253	38,084	54,741
Conservation	1,130	2,306	2,449	1,086	714	1,103	1,171	458	809	1,425
Recreation	34,424	70,479	64,753	58,533	29,270	24,339	22,494	24,132	26,843	32,522
Education	8,079,203	8,727,508	9,275,675	9,344,059	9,385,056	9,260,495	9,219,361	8,925,897	9,055,639	9,058,972
Food Services	86,708	69,428	68,789	64,026	65,054	76,825	68,412	70,678	76,051	77,781
Libraries	145,188	151,901	156,610	140,219	133,208	140,219	140,219	140,219	145,717	150,842
Land Trust	5,419	5,533	5,280	2,524	2,547	2,788	2,444	2,043	2,402	-
Capital Outlay	549,974	1,249,682	379,847	293,690	179,721	309,833	297,495	697,617	588,159	565,930
Providence Water Settlement	-	-	-	-	-	-	-	-	-	175,000
Total Expenditures	<u>\$ 12,339,398</u>	<u>\$ 13,877,283</u>	<u>\$ 13,641,840</u>	<u>\$ 13,562,397</u>	<u>\$ 13,172,134</u>	<u>\$ 13,129,873</u>	<u>\$ 13,023,195</u>	<u>\$ 13,215,652</u>	<u>\$ 13,574,061</u>	<u>\$ 14,210,289</u>
Excess of revenues over (under) expenditures	\$ (494,964)	\$ (1,553,473)	\$ (388,930)	\$ (54,111)	\$ 203,314	\$ 329,732	\$ 91,419	\$ 778,687	\$ 407,184	\$ 426,514
Other Financing Sources (uses)										
Proceeds from lease	\$ 74,287	\$ 67,274	\$ -	\$ -	\$ -	\$ 75,005	\$ -	\$ -	\$ 124,285	\$ -
Transfers from other funds	5,020,725	5,372,683	5,520,260	4,882,000	3,588,607	3,491,283	3,610,142	3,617,181	3,868,742	4,246,101
Transfers to other funds	(5,020,725)	(5,372,683)	(5,520,260)	(4,882,000)	(3,588,607)	(3,491,283)	(3,610,142)	(3,617,181)	(3,868,742)	(4,246,101)
Total other financing sources (uses)	74,287	67,274	-	-	-	75,005	-	-	124,285	-
Net change in fund balances	<u>\$ (420,677)</u>	<u>\$ (1,486,199)</u>	<u>\$ (388,930)</u>	<u>\$ (54,111)</u>	<u>\$ 203,314</u>	<u>\$ 404,737</u>	<u>\$ 91,419</u>	<u>\$ 778,687</u>	<u>\$ 531,469</u>	<u>\$ 426,514</u>
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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

Schedule 5

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

Fiscal Year Ended June 30,	Real Property Assessed Value	Personal Property Assessed Value	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value	Total Assessed Value Before Exemptions
2007	\$ 680,214,030	\$ 46,545,864	\$ 20,212,335	\$ 706,547,559	11.24	\$ 726,759,894	97.22%	\$ 726,759,894
2008	\$ 686,549,707	\$ 47,389,999	\$ 20,490,135	\$ 713,449,571	11.79	\$ 713,449,571	100.00%	\$ 733,939,706
2009	\$ 689,960,787	\$ 49,959,123	\$ 21,086,252	\$ 718,833,658	13.52	\$ 718,833,658	100.00%	\$ 739,919,910
2010	\$ 583,622,371	\$ 45,607,546	\$ 22,123,225	\$ 607,106,692	17.12	\$ 607,106,682	100.00%	\$ 629,229,917
2011	\$ 585,621,440	\$ 52,958,176	\$ 26,354,397	\$ 612,225,219	17.58	\$ 612,225,219	100.00%	\$ 638,579,616
2012	\$ 586,684,991	\$ 55,327,341	\$ 16,855,973	\$ 625,156,359	17.58	\$ 625,156,358	100.00%	\$ 642,012,332
2013	\$ 502,833,441	\$ 56,028,633	\$ 16,699,340	\$ 542,162,734	20.32	\$ 542,162,734	100.00%	\$ 558,862,074
2014	\$ 502,773,740	\$ 56,033,222	\$ 16,541,444	\$ 542,265,518	20.40	\$ 542,265,518	100.00%	\$ 558,806,962
2015	\$ 503,471,504	\$ 55,228,823	\$ 12,714,390	\$ 545,985,937	21.06	\$ 545,985,937	100.00%	\$ 558,700,327
2016	\$ 502,544,604	\$ 56,222,658	\$ 4,134,835	\$ 554,632,427	21.42	\$ 554,632,427	100.00%	\$ 558,767,262

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, 2005 which affects fiscal year 2007; as of December 31, 2011 which affects fiscal year 2013; and as of December 31, 2014 which affects fiscal year 2016.

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>
2007	\$11.24
2008	\$11.79
2009	\$13.52
2010	\$17.12
2011	\$17.58
2012	\$17.58
2013	\$20.32
2014	\$20.40
2015	\$21.06
2016	\$21.42

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	2016				2007			
	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)	\$ 15,951,300	1	2.88%	\$ 341,677	\$ 24,799,900	1	3.51%	\$ 278,751
Narragansett Electric/National Grid	7,482,940 a)	2	1.35%	\$ 194,004	7,778,131 a)	2	1.10%	\$ 87,426
Providence Public Buildings Authority (PWSB)	2,386,900	3	0.43%	\$ 51,127	7,689,900	3	1.09%	\$ 86,434
Foster Country Club (Tykamac Ent. LLC)	2,201,400	4	0.40%	\$ 47,154	3,730,900 a)	4	0.53%	\$ 41,935
Ginny B Inc	1,280,400	5	0.23%	\$ 27,426	1,396,700 a)	8	0.20%	\$ 15,699
Foster Senior Housing	1,128,300	6	0.20%	\$ 26,524	1,450,600	7	0.21%	\$ 16,305
Walker, Muriel	781,400	7	0.14%	\$ 16,738	1,011,600	9	0.14%	\$ 11,370
Nelson, Robert & Wendy	860,400	8	0.16%	\$ 15,083	955,500	11	0.14%	\$ 10,740
Roxannes Holdings LLC	726,600	9	0.13%	\$ 15,564				
Costa, David & Lisa	726,200	10	0.13%	\$ 15,555	991,300	10	0.14%	\$ 11,142
Femino, John & Leclair, Diane	685,100	11	0.12%	\$ 14,675	808,300	12	0.11%	\$ 9,085
Pollard, Scott M & Elisa M	623,900	12	0.11%	\$ 13,364				
Gabriele, Clodomiro & Beatrice					2,024,200	5	0.29%	\$ 22,752
Hawkins, John & Bertha					1,717,900	6	0.24%	\$ 19,309
Totals	<u>\$ 34,834,840</u>		<u>6.28%</u>	<u>\$ 778,891</u>	<u>\$ 54,354,931</u>		<u>7.70%</u>	<u>\$ 610,949</u>

Note: The amounts presented represent the assessed values upon which 2016 and 2007 collections were based

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

a) Includes tangible or motor vehicle assessment also

Total Assessed Value	\$554,632,427	\$706,547,559
Tax Rate	\$21.42	\$11.24

Schedule 8

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	8,225,871	8,026,140	97.6%	183,123	8,209,263	99.8%
2008	8,657,612	8,435,912	97.4%	150,862	8,586,774	99.2%
2009	9,879,531	9,647,829	97.7%	213,890	9,861,719	99.8%
2010	10,345,673	10,115,442	97.8%	230,140	10,345,582	100.0%
2011	10,766,802	10,552,426	98.0%	211,784	10,764,210	100.0%
2012	11,221,591	10,971,590	97.8%	228,360	11,199,950	99.8%
2013	11,206,523	10,849,481	96.8%	296,088	11,145,569	99.5%
2014	11,269,380	10,921,687	96.9%	273,108	11,194,795	99.3%
2015	11,720,089	11,391,004	97.2%	241,817	11,632,821	99.3%
2016	12,188,472	11,772,167	96.6%	-	11,772,167	96.6%

Note: Collection data has been adjusted to reflect accruals for "60 day rule" and prepaid 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			
2007	-	-	47,879	47,879	0.05% (a)	11
2008	-	-	68,311	68,311	0.07% (a)	16
2009	-	-	22,401	22,401	0.02% (a)	5
2010	-	-	24,060	24,060	0.06% (b)	5
2011	-	-	-	-	0.00% (b)	-
2012	-	-	48,533	48,533	0.11% (b)	11
2013	-	-	24,973	24,973	0.05% (b)	5
2014	-	-	-	-	0.00% (b)	-
2015	-	-	80,421	80,421	0.18% (b)	17
2016	-	-	41,382	41,382	0.09% (b)	9

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 and 2010 census years.

(b) Ratio is calculated using personal income from U.S. Census Bureau's 2009-2013 American Community Survey.
(ACS) 2014, 5 year estimate

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

Fiscal Year	<u>General Bonded Debt Outstanding</u>		Percentage of Actual Taxable Value (a) of Property	Per Capita (b)
	General Obligation Bonds	Total		
2007	-	-	0.00%	-
2008	-	-	0.00%	-
2009	-	-	0.00%	-
2010	-	-	0.00%	-
2011	-	-	0.00%	-
2012	-	-	0.00%	-
2013	-	-	0.00%	-
2014	-	-	0.00%	-
2015	-	-	0.00%	-
2016	-	-	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, 2016
Unaudited**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Foster-Glocester Regional School District (a)	\$ 38,560,000	34.35% (a)	\$ 13,245,360
Town of Foster	-	100.00%	-
Other debt			
Foster-Glocester Regional School District - BAN (a)	-	34.35% (a)	-
Subtotal, overlapping debt			13,245,360
Town direct debt			41,382
Total direct and overlapping debt			<u>\$ 13,286,742</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 2016	
Assessed Value	\$554,632,427
Debt limit (3% of assessed value)	16,638,973
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>\$ 16,638,973</u>

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt limit	\$ 21,196,427	\$ 21,403,487	\$ 21,565,010	\$ 18,213,201	\$ 18,366,757	\$ 18,754,691	\$ 16,264,882	\$ 16,267,966	\$ 16,379,578	\$ 16,638,973
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 21,196,427</u>	<u>\$ 21,403,487</u>	<u>\$ 21,565,010</u>	<u>\$ 18,213,201</u>	<u>\$ 18,366,757</u>	<u>\$ 18,754,691</u>	<u>\$ 16,264,882</u>	<u>\$ 16,267,966</u>	<u>\$ 16,379,578</u>	<u>\$ 16,638,973</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Finance Department, Foster, Rhode Island

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

Schedule 13

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

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

Schedule 14

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

Fiscal Year Ended June 30	Population		Family Income		Per Capita Income		Median Age	School Enrollment (3)	Unemployment Rate (4)
2007	4,274	(1)	94,660,552	(1)	22,148	(1)	39.8 (1)	858	5.70%
2008	4,274	(1)	94,660,552	(1)	22,148	(1)	39.8 (1)	708	6.14%
2009	4,274	(1)	94,660,552	(1)	22,148	(1)	39.8 (1)	694	12.40%
2010	4,499	(2)	43,304,500	(2)	33,260	(2)	44.8 (2)	703	11.40%
2011	4,556	(2)	43,950,148	(2)	34,661	(2)	43.8 (2)	689	10.80%
2012	4,574	(2)	44,232,908	(2)	35,557	(2)	44.3 (2)	649	10.30%
2013	4,601	(2)	46,060,549	(2)	36,527	(2)	43.7 (2)	655	8.20%
2014	4,628	(2)	44,876,841	(2)	34,231	(2)	45.2 (2)	643	6.80%
2015	4,642	(2)	45,700,392	(2)	36,184	(2)	44.6 (2)	637	6.30%
2016	4,642	(2)	45,700,392	(2)	36,184	(2)	44.6 (2)	626	5.05%

Sources:

- (1) Population, Family Income, Per Capita Income, and Median Age obtained from U.S. Census Bureau-2000 and 2010 decennial census based on Individual Population
- (2) Population, Family Income, Per Capita Family Income, and Median Age obtained from U.S. Census Bureau-2009-2013 ACS 2014, 5-year estimate
- (3) 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.
- (4) Unemployment rates obtained from State of Rhode Island Dept. of Labor and Training, unadjusted.

Schedule 15

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

Employer	2016			2007		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Foster Town & School Department	83	1	23.71%	100	1	25.00%
Foster Golf & Country Club	50	2	14.29%	50	2	12.50%
Nancy-Ann Nursing Home	28	3	8.00%	N/A	N/A	N/A
Shady Acres	20	4	5.71%	15	4	3.75%
Little Rhody Farms	18	5	5.14%	N/A	N/A	N/A
Well One Foster	17	6	4.86%	N/A	N/A	N/A
Dr. Daycare	13	7	3.71%	N/A	N/A	N/A
USPS	9	8	2.57%	N/A	N/A	N/A
Turnquist Lumber Co., Inc.	N/A	N/A	N/A	18	3	4.50%
Total	238		67.99%	183		45.75%

Source: Municipal tax roll 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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	2.5
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	0.6	1.6	1.6	1.6	1.6	1.6	1.3	1.3	1.0
Planning	1.5	2.0	2.0	2.0	1.6	1.6	1.6	1.3	1.3	1.0
Financial Administration										
Treasurer's Office	1.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Tax Collection	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Tax Assessor	1.5	1.6	1.6	1.6	1.6	1.6	1.6	1.3	1.3	1.3
Public Safety										
Police										
Officers	7.0	8.0	8.0	8.0	8.0	8.0	8.0	10.0	10.0	10.0
Civilians	4.8	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Animal Control										
Officers	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Emergency Management	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Public Works Department										
Director	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Highway										
Driver/Laborer	6.5	6.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Maintenance										
Building/Grounds	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Custodial	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Recreation Department										
Director	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Summer Programs	5.0	5.0	3.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0
Human Services Department										
Director	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6

Source: Office of Human Resources and Town Budgets

Schedule 17

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

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Police										
Calls	11,796	13,748	19,488	18,232	19,673	14,862	13,364	21,062	25,636	53,898
Physical Arrests	161	164	224	208	186	92	71	129	182	228
Citations	1,971	1,533	1,479	1,270	1391	740	574	1217	1103	1538
Accidents	134	129	138	133	106	109	121	142	164	134
Animal Control										
Dog Licenses Issued	587	479	343	439	452	509	440	408	402	296
Public Works (Pickup Outsourced)										
Transfer Station										
Refuse Collected (avg. tons per month)	176	177	164	167	157	148	144	128	163	143
Recyclables Collected (avg. tons per month)	43	48	49	44	47	40	41	40	39	55
Highway										
Street resurfacing/chipsealing (miles)	0.0	7.0	4.6	5.8	6.3	0.0	0.0	0.4	0.7	1.9
Street repairs/crack sealing (miles)	0.0	5.4	9.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Building/Zoning										
New Commercial Construction Permits	0	0	1	0	0	0	0	0	0	0
New Residential Construction Permits	14	9	6	5	5	8	3	5	0	7
Existing Commercial Construction Permits	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5	13
Existing Residential Construction Permits	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	78	132
Parks and Recreation										
Athletic Field Permits	0	0	0	0	0	0	0	0	0	0

a) A new reporting system was used. This number includes all calls and transactions including non-emergency

N/A - To better reflect the activity of the Town of Foster, this information is reported starting in fiscal year 2015. This schedule is intended to show 10 years; additional information will be presented as it becomes available.

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone Offices	-	-	-	-	-	-	-	-	-	-
Patrol Units/Motorcycles/ Radar Trailers	7	11	11	9	9	9	9	10	14	14
Animal Control										
Animal Shelters	-	-	-	-	-	-	-	-	-	-
Animal Patrol Unit	1	1	1	1	1	1	1	1	1	1
Public Works										
Transfer Station										
Roll-off Truck	-	-	-	-	-	-	-	-	-	-
Streets and Highways										
Street (miles)	113	113	113	113	113	113	113	113	114	114
Highways (miles, Town owned)	77	77	77	77	77	77	77	77	78	78
Highways (miles, State owned)	36	36	36	36	36	36	36	36	36	36
Private Paved (miles)	-	-	-	-	-	-	-	-	-	-
Park Access (miles)	-	-	-	-	-	-	-	-	-	-
Driftway (miles)	-	-	-	-	-	-	-	-	-	-
Streetlights	30	30	30	30	30	30	30	30	30	31
Traffic Signals	2	4	4	5	5	5	5	5	5	5
Parks and Recreation										
Acreage	165	165	165	165	165	165	165	165	165	165
Playgrounds	1	1	2	2	2	2	2	2	2	2
Tennis Courts	-	-	-	-	-	-	-	-	-	-
Beaches	-	-	-	-	-	-	-	-	-	-
Baseball/Softball diamonds	2	2	2	2	2	2	2	2	2	2
Soccer/Football fields	1	1	1	1	1	1	1	1	1	1
Basketball Courts	1	1	1	1	1	1	1	1	1	1
Parks and Public Squares	2	2	2	2	2	2	2	2	2	2

Sources: Various Town Departments

***REPORT ON 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***

Independent Auditor's Report

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

We have audited, 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, the financial statements of the governmental activities, the 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, 2016, and the related notes to the financial statements, which collectively comprise the Town of Foster, Rhode Island's basic financial statements, and have issued our report thereon dated January 27, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Foster, Rhode Island's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Town of Foster, Rhode Island's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Foster, Rhode Island's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Warwick, Rhode Island
January 27, 2017