

Audited Financial Statements

Town of Newcastle, Maine

June 30, 2012



*Proven Expertise and Integrity*

TOWN OF NEWCASTLE, MAINE

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JUNE 30, 2012

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*Proven Expertise and Integrity*  
INDEPENDENT AUDITORS' REPORT

July 23, 2012

Board of Selectmen  
Town of Newcastle  
Newcastle, Maine

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Newcastle, Maine, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Newcastle's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Newcastle, Maine as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 34 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

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auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*RHR Smith & Company*

Certified Public Accountants

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

**(UNAUDITED)**

The following management's discussion and analysis of the Town of Newcastle, Maine's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2012. Please read it in conjunction with the Town's financial statements.

**Financial Statement Overview**

The Town of Newcastle's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, and other supplementary information which includes combining and other schedules.

**Basic Financial Statements**

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

**Government - Wide Financial Statements**

The government-wide financial statements provide a broad view of the Town's operations in a manner that is similar to private businesses. These statements provide both short – term as well as long – term information in regards to the Town's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government – wide financial statements include the following two statements:

The Statement of Net Assets – this statement presents *all* of the government's assets and liabilities with the difference being reported as net assets.

The Statement of Activities – this statement presents information that shows how the government's net assets changed during the period. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have one column for the Town's one type of activity. The type of activity presented for the Town of Newcastle is:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). All of the Town's basic services are reported in governmental activities, which include general government, public safety, health and sanitation, public works, education, and other unclassified.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Newcastle, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town of Newcastle are categorized as one fund type: governmental funds.

*Governmental funds:* All 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 in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Town of Newcastle presents three columns in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Town's major governmental funds are the general fund and the road reserve fund. All other funds are shown as nonmajor and are combined in the "All Nonmajor Funds" column on these statements.

The general fund is the only fund for which the Town legally adopted a budget. The Budgetary Comparison Schedule–Budgetary Basis–Budget and Actual–General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

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

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.

### **Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund.

### **Other Supplementary Information**

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

### **Government-Wide Financial Analysis**

Our analysis below focuses on the net assets, and changes in net assets of the Town's governmental activities. The Town's total net assets decreased by \$3,486,364 from \$5.87 million to \$2.38 million.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased to a balance of \$407,178.

**Table 1**  
**Town of Newcastle, Maine**  
**Net Assets**  
**June 30,**

	<b>2012</b>	<b>2011</b>
Current and Other Assets	\$ 642,035	\$ 4,745,364
Capital Assets	3,235,438	2,766,474
Total Assets	\$ 3,877,473	\$ 7,511,838
 Liabilities:		
Current Liabilities	\$ 271,196	\$ 517,604
Long-term Debt Outstanding	1,225,489	1,127,082
Total Liabilities	\$ 1,496,685	\$ 1,644,686
 Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 1,815,607	\$ 1,465,147
Restricted net assets:		
General fund	6,308	413,608
Capital project funds	38,000	38,868
Permanent funds	113,695	113,695
Other Net Assets	407,178	3,835,834
Total Net Assets	\$ 2,380,788	\$ 5,867,152

**Revenues and Expenses**

Revenues for the Town's governmental activities decreased by 83.33%, while total expenses increased by 1.01%. The major decrease in revenues was due to the commitment of taxes in the previous year before the year had ended.

**Table 2**  
**Town of Newcastle, Maine**  
**Change in Net Assets**  
**For the period ended June 30,**

	<u>2012</u>	<u>2011</u>
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for services	\$ 41,282	\$ 33,405
Operating grants & contributions	56,668	123,927
<i>General Revenues:</i>		
Property taxes	1,070	3,528,751
Excise taxes	303,136	295,621
Grants and contributions not restricted to specific programs	201,328	212,925
Miscellaneous	106,587	65,450
Total Revenue	<u>710,071</u>	<u>4,260,079</u>
<b>Expenses</b>		
General government	361,939	328,442
Public safety	180,378	182,008
Health and sanitation	113,004	116,150
Public works	412,245	414,065
County tax	318,583	314,863
Education	2,650,735	2,503,394
Interest on long-term debt	55,775	48,049
Capital outlay	39,812	164,212
Unclassified	63,964	83,168
Total Expenses	<u>4,196,435</u>	<u>4,154,351</u>
Change in Net Assets	(3,486,364)	105,728
Net Assets - July 1	<u>5,867,152</u>	<u>5,761,424</u>
Net Assets - June 30	<u>\$ 2,380,788</u>	<u>\$ 5,867,152</u>

**Financial Analysis of the Town's Fund Statements**

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

**Table 3**  
**Town of Newcastle, Maine**  
**Fund Balances - Governmental Funds**  
**June 30,**

	<u>2012</u>	<u>2011</u>
General Fund:		
Nonspendable	\$ 500	\$ -
Restricted	6,308	413,608
Committed	-	-
Assigned	-	603
Unassigned	132,823	28,292
Total General Fund	<u>\$ 139,631</u>	<u>\$ 442,503</u>
Road Reserve Fund:		
Restricted	\$ -	\$ 868
Unassigned	-	-
Total Road Reserve Fund	<u>\$ -</u>	<u>\$ 868</u>
Nonmajor Funds:		
Nonspendable	\$ -	\$ -
Restricted	151,695	151,695
Committed	-	-
Assigned	95,233	85,634
Unassigned	(916)	(916)
Total Nonmajor Funds	<u>\$ 246,012</u>	<u>\$ 236,413</u>

The general fund total fund balance decreased by \$302,872 over the prior fiscal period. The road reserve fund balance decreased by \$868 over the prior fiscal year. The non-major fund balances increased by \$9,599 over the prior fiscal period. The non-major funds fund balance classifications have been adjusted in the prior year to reflect actual restrictions.

### Budgetary Highlights

There was a significant difference between the original and final budget for the general fund. This difference can be made up of use of designated and undesignated fund balances, special town meetings and applied receipts.

The general fund actual revenues exceeded the budget by \$118,094. This was mainly a result of property taxes and excise taxes being received over budget.

The general fund actual expenditures were under the budget by \$35,089. All expenditures were under budget with the exception of general government and education.

## **Capital Asset and Long-Term Debt Administration**

### **Capital Assets**

As of June 30, 2012, the net book value of capital assets recorded by the Town increased by \$468,964 over the prior fiscal year. The increase is the result of current year additions of \$571,855, for the purchase of a new fire truck and the addition of public works infrastructure, less current year depreciation expense of \$102,891.

**Table 4  
Town of Newcastle, Maine  
Capital Assets (Net of Depreciation)  
June 30,**

	<b>2012</b>	<b>2011</b>
Land and improvements	\$ 131,165	\$ 131,165
Buildings and improvements	613,829	636,479
Equipment & vehicles	534,859	250,659
Infrastructure	1,955,585	1,748,171
 Total	 \$ 3,235,438	 \$ 2,766,474

### **Debt**

At June 30, 2012, the Town had notes outstanding in the amount of \$1,419,841 versus \$1,301,327 last year, as shown in Note 5 of the financial statements.

## **Currently Known Facts, Decisions, or Conditions**

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

The Town has steadily maintained a sufficient unassigned fund balance to sustain government operations for a period of approximately two months. The unassigned general fund balance increased to \$132,823 for the year ended June 30, 2012 from \$28,292 for the same period in 2011.

To further promote and ensure the financial well-being and fiscal stability of the Town, Newcastle adopted a Fund Balance Policy in October of 2008. The Town's management designed the policy around maintaining an appropriate level of Unassigned Fund Balance with the intent to reduce the need for borrowing, protect and

enhance the Town's Bond Rating and to provide the funds necessary to meet the Town's near-term operating obligations. The policy requires that a surplus minimum be maintained equal to 1/12<sup>th</sup> or 8% of the Town's General Fund Budget, but not to exceed 15%. At June 30, 2012, the Town maintained balances below the minimum level. The policy also includes a provision for the suggested utilization of excess funds on additional capital improvement needs and tax rate stabilization or reduction purposes.

### **Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at 4 Pump Street, P.O. Box 386, Newcastle, Maine 04553-0386.

## STATEMENT A

## TOWN OF NEWCASTLE, MAINE

STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 262,424
Investments	187,428
Accounts receivable (net of allowance for uncollectibles):	
Taxes	7,190
Liens	183,168
Prepaid expenses	500
Other	<u>1,325</u>
Total current assets	<u>642,035</u>
Noncurrent assets:	
Capital assets:	
Land, infrastructure, and other assets not being depreciated	131,165
Buildings and vehicles net of accumulated depreciation	<u>3,104,273</u>
Total noncurrent assets	<u>3,235,438</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,877,473</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 12,447
Accrued payroll liabilities	826
Prepaid taxes	63,428
Due to other governments	153
Current portion of long-term obligations	<u>194,342</u>
Total current liabilities	<u>271,196</u>
Noncurrent liabilities	
Noncurrent portion of long-term obligations:	
Notes payable	<u>1,225,489</u>
Total noncurrent liabilities	<u>1,225,489</u>
<b>TOTAL LIABILITIES</b>	<u>1,496,685</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,815,607
Restricted: General Fund	6,308
Capital project funds	38,000
Permanent funds	113,695
Unrestricted	<u>407,178</u>
<b>TOTAL NET ASSETS</b>	<u>2,380,788</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 3,877,473</u></u>

See accompanying independent auditors' report and notes to financial statements.

STATEMENT B

TOWN OF NEWCASTLE, MAINE

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Governmental activities:					
General government	\$ 361,939	\$ 41,282	-	-	\$ (320,657)
Public safety	180,378	-	-	-	(180,378)
Health and sanitation	113,004	-	-	-	(113,004)
Public works	412,245	-	41,791	-	(370,454)
County tax	318,583	-	-	-	(318,583)
Education	2,650,735	-	14,877	-	(2,635,858)
Debt service:					
Interest on long-term debt	55,775	-	-	-	(55,775)
Capital outlay	39,812	-	-	-	(39,812)
Unclassified	63,964	-	-	-	(63,964)
Total governmental activities	4,196,435	41,282	56,668	-	(4,098,485)

STATEMENT B (CONTINUED)  
TOWN OF NEWCASTLE, MAINE  
STATEMENT OF ACTIVITIES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Activities
Changes in net assets:	
Net (expense) revenue	(4,098,485)
General revenue:	
Taxes	
Property taxes, levied for general purposes	1,070
Excise taxes, levied for general purposes	303,136
Grants and contributions not restricted to specific programs	201,328
Miscellaneous	106,587
Total general revenue and transfers	612,121
Change in net assets	(3,486,364)
NET ASSETS - JULY 1, 2011	5,867,152
NET ASSETS - JUNE 30, 2012	\$ 2,380,788

See accompanying independent auditors' report and notes to financial statements.

## TOWN OF NEWCASTLE, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General Fund	Road Reserve	All Nonmajor Funds	Total
<b>ASSETS</b>				
Cash	\$ 234,496	\$ -	\$ 27,928	\$ 262,424
Investments	-	-	187,428	187,428
Receivables (net of allowance for uncollectibles):				
Taxes	7,190	-	-	7,190
Liens	183,168	-	-	183,168
Other	1,325	-	-	1,325
Prepaid expenses	500	-	-	500
Due from other funds	14,561	-	45,217	59,778
<b>TOTAL ASSETS</b>	<b>\$ 441,240</b>	<b>\$ -</b>	<b>\$ 260,573</b>	<b>\$ 701,813</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Liabilities</b>				
Accounts payable	\$ 12,447	\$ -	\$ -	\$ 12,447
Accrued payroll liabilities	826	-	-	826
Prepaid taxes	63,428	-	-	63,428
Due to other governments	153	-	-	153
Due to other funds	45,217	-	14,561	59,778
Deferred revenues	3,735	-	-	3,735
Deferred tax revenues	175,803	-	-	175,803
<b>TOTAL LIABILITIES</b>	<b>301,609</b>	<b>-</b>	<b>14,561</b>	<b>316,170</b>
<b>Fund Balance</b>				
Nonspendable	500	-	-	500
Restricted	6,308	-	151,695	158,003
Committed	-	-	-	-
Assigned	-	-	95,233	95,233
Unassigned	132,823	-	(916)	131,907
<b>TOTAL FUND BALANCE</b>	<b>139,631</b>	<b>-</b>	<b>246,012</b>	<b>385,643</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 441,240</b>	<b>\$ -</b>	<b>\$ 260,573</b>	<b>\$ 701,813</b>

See accompanying independent auditors' report and notes to financial statements.

## TOWN OF NEWCASTLE, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Total Governmental Funds
Total Fund Balance	\$ 385,643
Amounts reported for governmental activities in the statement are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	3,235,438
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	175,803
Deferred revenues	3,735
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Notes payable	(1,419,831)
 Net assets of governmental activities	 \$ 2,380,788

See accompanying independent auditors' report and notes to financial statements.

## TOWN OF NEWCASTLE, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Road Reserve	All Nonmajor Funds	Totals Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 3,547,488	\$ -	\$ -	\$ 3,547,488
Excise taxes	303,136	-	-	303,136
Intergovernmental	257,996	-	-	257,996
Charges for services	41,282	-	-	41,282
Miscellaneous revenues	91,185	-	11,667	102,852
<b>TOTAL REVENUES</b>	<u>4,241,087</u>	<u>-</u>	<u>11,667</u>	<u>4,252,754</u>
<b>EXPENDITURES</b>				
Current:				
General government	351,289	-	-	351,289
Public safety	152,772	-	-	152,772
Health and sanitation	113,004	-	-	113,004
Public works	347,856	-	-	347,856
County tax	318,583	-	-	318,583
Education	2,650,735	-	-	2,650,735
Debt service:				
Principal	181,496	-	-	181,496
Interest	55,775	-	-	55,775
Capital outlay	611,667	-	-	611,667
Unclassified	61,650	-	2,068	63,718
<b>TOTAL EXPENDITURES</b>	<u>4,844,827</u>	<u>-</u>	<u>2,068</u>	<u>4,846,895</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(603,740)</u>	<u>-</u>	<u>9,599</u>	<u>(594,141)</u>
<b>OTHER FINANCING SOURCES</b>				
Bond Proceeds	300,000	-	-	300,000
Operating Transfers in	868	-	-	868
Operating Transfers (out)	-	(868)	-	(868)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>300,868</u>	<u>(868)</u>	<u>-</u>	<u>300,000</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</b>	<u>(302,872)</u>	<u>(868)</u>	<u>9,599</u>	<u>(294,141)</u>
<b>FUND BALANCES - JANUARY 1</b>	<u>442,503</u>	<u>868</u>	<u>236,413</u>	<u>679,784</u>
<b>FUND BALANCES - JUNE 30</b>	<u>\$ 139,631</u>	<u>\$ -</u>	<u>\$ 246,012</u>	<u>\$ 385,643</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF NEWCASTLE, MAINE  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (294,141)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocated those expenditures over the life of the assets:	
Capital asset purchases capitalized	571,855
Capital assets disposed	-
Depreciation expense	<u>(102,891)</u>
	<u>468,964</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported.	
Deferred revenues	3,735
Taxes and liens receivable	<u>(3,546,418)</u>
Debt proceeds provide current financial resources to governmental funds, but long-term liabilities in the Statement of Net Assets.	
	<u>(300,000)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	
	<u>181,496</u>
Change in net assets of governmental activities (Statement B)	<u><u>\$ (3,486,364)</u></u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity**

The Town of Newcastle was incorporated under the laws of the State of Maine. The Town operates under the selectmen-town manager form of government and provides the following services: general government, public safety, health and sanitation, public works, education, and other unclassified.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so.

The Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has no component units as described in GASB Statement No. 14 and amended by GASB Statement No. 39.

**Government –Wide and Fund Financial Statements**

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

Both the government-wide and fund financial statements categorize primary activities as governmental. The Town categorizes all activities of the Town as governmental.

In the government-wide Statement of Net Assets, the governmental activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions (general government, public safety, etc.). The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Town does not allocate indirect costs. All costs are charged directly to the corresponding department.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

**Measurement Focus - Basic Financial Statements & Fund Financial Statements**

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- b. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- c. Permanent Funds are used to account for assets held by the Town in trust for specific purposes.

The emphasis in fund financial statements is on the major funds in governmental activities categories. Non-major funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in one column in the fund financial statements.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Budget**

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the Town prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Town was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the inhabitants of the Town.

**Deposits and Investments**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Town's investment policy requires collateralization of accounts and deposits only when exceeding an amount equal to 25% of capital, surplus and undivided profits as defined in M.S.R.A 30-A § 5706.

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations.
- Prime bankers acceptances
- Prime commercial papers
- Repurchase agreements whose underlying collateral consist of the foregoing
- Money market mutual funds whose portfolios consist of the foregoing

It is the policy of the Town of Newcastle Maine to invest public funds in a manner in which will provide safety of principal with a market rate of return while meeting the daily cash flow demands of the town, and conforming to all state and local statutes governing the investment of public funds.

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Inventories**

Inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet.

**Transactions Between Funds**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of the Governmental Funds.

**Allowance for Uncollectible Accounts**

The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2012.

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Long-term Obligations**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Fund Equity**

In the fund financial statements, fund balance for governmental funds 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 the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

**Nonspendable** – This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Town. The inhabitants of the Town through Town meetings are the highest level of decision-making authority of the Town. Commitments may be established, modified, or rescinded only through a Town meeting vote.

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Selectmen.

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town meeting vote has provided otherwise in its commitment or assignment actions.

The Town is in the process of adopting a set of financial policies to guide the financial operation of the Town. Included in the policies will be guidelines for accumulating and maintaining an operating position in certain budgeted governmental funds such that annual expenditures shall not exceed annual resources, including fund balances. Other funds shall be fully self-supporting to the extent that the fund balance or retained earnings of each fund shall be zero or greater.

**Revenue Recognition - Property Taxes - Modified Accrual Basis**

The Town's property tax for the upcoming fiscal year was levied June 27, 2011 on the assessed value listed as of April 1, 2011, for all real and personal property located in the Town. Taxes were due on September 1, 2011 and April 1, 2012. Interest on unpaid taxes commenced on September 2, 2011 and April 2, 2012, at 6.0% per annum.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as deferred revenues.

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$16,244 for the year ended June 30, 2012.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

**Program Revenues**

Program revenues include all directly related income items applicable to a particular program (grant income/expenses).

**Encumbrance Accounting**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town does not utilize encumbrance accounting for its general fund.

**Use of Estimates**

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses / expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 – CASH AND INVESTMENTS

The Town's investment policies, which follow state statutes, require that all investments be made considering the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. These investment policies apply to all Town funds.

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

**Deposits:**

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2012, the Town's deposits of \$262,424 were comprised of deposits of \$262,424. Of these bank deposits, \$249,194 was insured by federal depository insurance and consequently was not exposed to custodial credit risk.

<u>Account Type</u>	Bank Balance
Checking accounts	\$ 234,496
Money market accounts	27,928
	<u>\$ 262,424</u>

**Investments:**

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Town does not have a policy for custodial credit risk for investments.

At June 30, 2012, the Town had the following investments and maturities:

<u>Account Type</u>	<u>Fair Value</u>	<u>Not Applicable</u>	<u>Less than 1 Year</u>	<u>1-5 Years</u>
Money market funds	\$ 68,504	\$ -	\$ 68,504	\$ -
Mutual Funds - Equity	8,721	8,721		
Mutual Funds - Fixed income	88,147	88,147		
Mortgage REIT	22,056	22,056	-	-
	<u>\$ 187,428</u>	<u>\$ 118,924</u>	<u>\$ 68,504</u>	<u>\$ -</u>

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

In accordance with its investment policy, the Town seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers. As such, the Town's investments of \$187,428 were fully covered by the Securities Investor Protection Corporation (SIPC) and consequently were not exposed to custodial credit risk.

Credit risk – Statutes for the State of Maine authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town does not have an investment policy on credit risk.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a policy related to interest rate risk.

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2012 consisted of the following individual fund receivables and payables.

	Receivables (Due from)	Payables (Due to)
General fund	\$ 14,561	\$ 45,217
Capital project funds	38,000	4,365
Permanent funds	7,217	10,196
	<u>\$ 59,778</u>	<u>\$ 59,778</u>

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2012:

	Balance, 7/1/11	Additions	Disposals	Balance, 6/30/12
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 131,165	\$ -	\$ -	\$ 131,165
	<u>131,165</u>	<u>-</u>	<u>-</u>	<u>131,165</u>
Depreciated assets:				
Buildings and improvements	823,321	-	-	823,321
Equipment & vehicles	597,563	300,055	-	897,618
Infrastructure	3,279,119	271,800	-	3,550,919
	<u>4,700,003</u>	<u>571,855</u>	<u>-</u>	<u>5,271,858</u>
Less: accumulated depreciation	<u>(2,064,694)</u>	<u>(102,891)</u>	<u>-</u>	<u>(2,167,585)</u>
	<u>2,635,309</u>	<u>468,964</u>	<u>-</u>	<u>3,104,273</u>
Net capital assets	<u>\$ 2,766,474</u>	<u>\$ 468,964</u>	<u>\$ -</u>	<u>\$ 3,235,438</u>
General government				\$ 10,650
Public safety				27,606
Public works				64,389
Recreation				246
Total depreciation expense				<u>\$ 102,891</u>

NOTE 5 – LONG-TERM DEBT

The following is a summary of changes in the General Long-Term Debt for the year ended June 30, 2012:

	Balance, 7/1/11	Additions	Deletions	Balance, 6/30/12
Notes payable	<u>\$ 1,301,327</u>	<u>\$ 300,000</u>	<u>\$ (181,496)</u>	<u>\$ 1,419,831</u>

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 5 – LONG-TERM DEBT (CONTINUED)

The following is a summary of the outstanding bonds payable:

Note payable to Damariscotta Bank and Trust for roads. Annual principal payments of \$19,800 plus interest at a rate of 4.24% per annum. Maturity in August of 2019.	\$ 157,740
Note payable to Damariscotta Bank and Trust for roads. Monthly payments of \$16,418. Interest is charged at a rate 3.970% per annum. Maturity in December of 2017.	969,341
Note payable to Damariscotta Bank and Trust for fire truck. Monthly payments of \$2,257. Interest is charged at a rate 4.190% per annum. Maturity in January of 2027.	<u>292,750</u>
Total notes payable	<u>\$ 1,419,831</u>

The following is a summary of outstanding bonds and notes principal and interest requirements for the next five fiscal years ending June 30 and the subsequent five year period:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013	\$ 194,342	\$ 52,973	\$ 247,315
2014	202,814	46,807	249,621
2015	210,354	37,516	247,870
2016	218,139	28,890	247,029
2017	226,376	19,791	246,167
2018-2022	255,204	38,845	294,049
2023-2027	112,602	11,529	124,131
	<u>\$ 1,419,831</u>	<u>\$ 236,351</u>	<u>\$ 1,656,182</u>

NOTE 6 – OPERATING LEASE

The Town leases a copier from Gorham Leasing Group LLC under a non-cancellable lease agreement. The term of the lease is for a 5 year period ending in December 2016. Monthly payments are \$241.

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 6 – OPERATING LEASE (CONTINUED)

The following is a summary of outstanding operating leases principal and interest requirements for the next five fiscal years ending June 30:

Year Ending June 30:	
2013	\$ 2,892
2014	2,892
2015	2,892
2016	2,892
2017	1,446
	<u>\$ 13,014</u>
Less: amount representing interest	(1,634)
Present value of minimum lease payments	<u><u>\$ 11,380</u></u>

NOTE 7 – NONSPENDABLE FUND EQUITY

The following item is nonspendable in the general fund at June 30, 2012:

Prepaid expenses	<u><u>\$ 500</u></u>
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NOTE 8 – RESTRICTED FUND EQUITY

The following items have been restricted at June 30, 2012:

Roads	\$ 6,308
Capital Project Funds (See Sch. D)	38,000
Permanent Funds (See Sch. F)	113,695
	<u><u>\$ 158,003</u></u>

NOTE 9 – ASSIGNED FUND EQUITY

The following items had been assigned at June 30, 2012:

Capital Project Funds (See Sch. D)	\$ 39,126
Permanent Funds (See Sch. F)	56,107
	<u><u>\$ 95,233</u></u>

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 10 - EXPENDITURES OVER APPROPRIATIONS

The following appropriations were exceeded by actual expenditures:

	<u>Excess</u>
General government	\$ 11,583
Education	214
	<u>\$ 11,797</u>

NOTE 11 – OVERLAPPING DEBT

The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. At June 30, 2012, the Town's share was approximately:

	<u>Outstanding Debt</u>	<u>Town's Percentage</u>	<u>Total Share</u>
County of Lincoln	\$ -	0.00%	<u>\$ -</u>

NOTE 12 – RISK MANAGEMENT

The Town faces a full realm of risks typical of a thriving entity. Liabilities associated with torts and protections against damage of loss of assets are the general categories of risk for which the Town carries commercial insurance. Specific insurance related to these categories includes general, police and public officials liability coverage, workers compensation, and automobile insurance. The Town is liable for deductibles ranging up to \$10,000 for settlements exceeding the limits of coverage, which range from \$400,000 to \$3,000,000. The amount of settlements has not exceeded insurance coverage for each of the past three years.

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 13 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town's financial position.

The Town participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 14 – DEFICIT FUND BALANCES

The following fund has a deficit fund balance at June 30, 2012:

Whitehouse Cemetery	<u>\$ 916</u>
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NOTE 15 – RELATED PARTY TRANSACTIONS

The Animal Control Officer and Town Constable for the Town of Newcastle, Maine and the owner of Louis Doe, Inc., a local hardware supplier, are related. The company provides various building and grounds supplies to the Town. During the fiscal year ended June 30, 2012, payments to Louis Doe, Inc. totaled \$703.

## Required Supplementary Information

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

- Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual - General Fund

## TOWN OF NEWCASTLE, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 442,503	\$ 442,503	\$ 442,503	\$ -
Resources (Inflows):				
Property taxes	3,520,866	3,520,866	3,547,488	26,622
Excise taxes	254,000	254,000	303,136	49,136
Intergovernmental :				
State revenue sharing	90,209	90,209	115,335	25,126
Homestead exemption	35,264	35,264	34,372	(892)
State education subsidy	36,000	23,592	23,592	-
FEMA	12,000	12,000	807	(11,193)
Local road assistance	40,000	40,000	40,984	984
Other	25,902	25,902	42,906	17,004
Charges for services	27,776	30,028	41,282	11,254
Interest on taxes	20,000	20,000	22,023	2,023
Interest income	12,000	12,000	9,037	(2,963)
Miscellaneous revenues	-	60,000	60,125	125
Bond Proceeds	-	300,000	300,000	-
Transfers from other funds	-	-	868	868
Amounts Available for Appropriation	<u>4,516,520</u>	<u>4,866,364</u>	<u>4,984,458</u>	<u>118,094</u>
Charges to Appropriations (Outflows):				
Current:				
General government	306,850	339,706	351,289	(11,583)
Public safety	156,186	156,186	152,772	3,414
Health and sanitation	117,750	117,750	113,004	4,746
Public works	359,745	359,745	347,856	11,889
County tax	318,583	318,583	318,583	-
Education	2,536,612	2,650,521	2,650,735	(214)
Debt service:				
Principal	181,496	181,496	181,496	-
Interest	70,290	70,290	55,775	14,515
Capital outlay	-	617,920	611,667	6,253
Unclassified	67,719	67,719	61,650	6,069
Transfers to other funds	-	-	-	-
Total Charges to Appropriations	<u>4,115,231</u>	<u>4,879,916</u>	<u>4,844,827</u>	<u>35,089</u>
Budgetary Fund Balance, June 30	<u>\$ 401,289</u>	<u>\$ (13,552)</u>	<u>\$ 139,631</u>	<u>\$ 153,183</u>
Utilization of Assigned Fund Balance	\$ -	\$ 414,841	\$ -	\$ (414,841)
Utilization of Unassigned Fund Balance	41,214	41,214	-	(41,214)
	<u>\$ 41,214</u>	<u>\$ 456,055</u>	<u>\$ -</u>	<u>\$ (456,055)</u>

See accompanying independent auditors' report.

## Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Schedule of Departmental Operations – General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet – Nonmajor Capital Projects Funds
- Combining Schedule of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Capital Project Funds
- Combining Balance Sheet – Nonmajor Permanent Funds
- Combining Schedule of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

SCHEDULE A

TOWN OF NEWCASTLE, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Adjustments	Final Budget	Actual	Balance Positive (Negative)
General government	\$	\$	\$	\$	\$
Town Administrator	63,600	-	63,600	80,598	(16,998)
Town Clerk/Tax Coll / Etc	45,181	-	45,181	45,562	(381)
Deputies	30,198	-	30,198	29,231	967
Code Enforcement	11,000	-	11,000	9,650	1,350
Payroll taxes	20,497	-	20,497	20,569	(72)
Selectmen	7,500	-	7,500	7,500	-
Assessing agent	18,000	-	18,000	18,400	(400)
Town owned buildings	27,302	604	27,906	26,206	1,700
Planning board	700	2,252	2,952	2,665	287
Election workers	1,250	-	1,250	1,632	(382)
Recording secretary	960	-	960	753	207
Legal	20,000	25,000	45,000	44,999	1
Other administration	60,662	5,000	65,662	63,524	2,138
	<u>306,850</u>	<u>32,856</u>	<u>339,706</u>	<u>351,289</u>	<u>(11,583)</u>
Public safety:					
Fire chief	35,800	-	35,800	36,488	(688)
Officers' salary	1,100	-	1,100	1,020	80
Firemen / call pay	17,600	-	17,600	13,695	3,905
Fire department insurance	8,411	-	8,411	5,736	2,675
Vehicle maintenance	5,500	-	5,500	5,153	347
Vehicle gas / oil	7,000	-	7,000	7,336	(336)
New equipment / gear	4,500	-	4,500	4,988	(488)
Other fire department	15,500	-	15,500	17,896	(2,396)
Hydrants	46,622	-	46,622	46,968	(346)
Street lights	7,283	-	7,283	6,119	1,164
Highway flashing light	250	-	250	205	45
Ambulance services	1,500	-	1,500	1,500	-
Lincoln County Animal Shelter	1,170	-	1,170	1,450	(280)
Animal control officer	3,000	-	3,000	3,268	(268)
Emergency management	850	-	850	850	-
Health officer	100	-	100	100	-
	<u>156,186</u>	<u>-</u>	<u>156,186</u>	<u>152,772</u>	<u>3,414</u>

SCHEDULE A (CONTINUED)

TOWN OF NEWCASTLE, MAINE  
 SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Adjustments	Final Budget	Actual	Balance Positive (Negative)
Health and sanitation:					
Septic waste contract	2,300	-	2,300	2,300	-
Transfer Station	108,450	-	108,450	105,662	2,788
General assistance	7,000	-	7,000	5,042	1,958
	<u>117,750</u>	<u>-</u>	<u>117,750</u>	<u>113,004</u>	<u>4,746</u>
Public works:					
Snow removal	243,845	-	243,845	243,176	669
Maintenance	84,368	-	84,368	45,430	38,938
Interlocal Agreement	31,532	-	31,532	59,250	(27,718)
	<u>359,745</u>	<u>-</u>	<u>359,745</u>	<u>347,856</u>	<u>11,889</u>
County tax	318,583	-	318,583	318,583	-
Education:					
Elementary education	1,725,888	-	1,725,888	1,725,888	-
Secondary education	804,606	113,909	918,515	918,729	(214)
Adult Ed	6,118	-	6,118	6,118	-
	<u>2,536,612</u>	<u>113,909</u>	<u>2,650,521</u>	<u>2,650,735</u>	<u>(214)</u>
Debt Service:					
Principal	181,496	-	181,496	181,496	-
Interest	70,290	-	70,290	55,775	14,515
	<u>251,786</u>	<u>-</u>	<u>251,786</u>	<u>237,271</u>	<u>14,515</u>

SCHEDULE A (CONTINUED)

TOWN OF NEWCASTLE, MAINE  
 SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Adjustments	Final Budget	Actual	Balance Positive (Negative)
Capital outlay:					
Roads	-	302,920	302,920	296,612	6,308
PEG grant	-	15,000	15,000	15,000	-
New fire truck	-	300,000	300,000	300,055	(55)
	-	617,920	617,920	611,667	6,253
Unclassified:					
Cemeteries	12,835	-	12,835	17,845	(5,010)
Park	850	-	850	940	(90)
Not for profit and other orgs	37,790	-	37,790	37,790	-
Overlay	16,244	-	16,244	5,075	11,169
	67,719	-	67,719	61,650	6,069
Total Expenditures	\$ 4,115,231	\$ 764,685	\$ 4,879,916	\$ 4,844,827	\$ 35,089

See accompanying independent auditors' report.

## TOWN OF NEWCASTLE, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2012

	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash	\$ 27,928	\$ -	\$ 27,928
Investments	15,563	171,865	187,428
Due from other funds	38,000	7,217	45,217
Total assets	<u>\$ 81,491</u>	<u>\$ 179,082</u>	<u>\$ 260,573</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	4,365	10,196	14,561
Total liabilities	<u>4,365</u>	<u>10,196</u>	<u>14,561</u>
<b>FUND BALANCE</b>			
Nonspendable	-	-	-
Restricted	38,000	113,695	151,695
Committed	-	-	-
Assigned	39,126	56,107	95,233
Unassigned	-	(916)	(916)
Total fund balance	<u>77,126</u>	<u>168,886</u>	<u>246,012</u>
Total liabilities and fund balance	<u>\$ 81,491</u>	<u>\$ 179,082</u>	<u>\$ 260,573</u>

See accompanying independent auditors' report.

## TOWN OF NEWCASTLE, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Interest and dividends	411	2,874	3,285
Other	7,182	1,200	8,382
TOTAL REVENUES	<u>7,593</u>	<u>4,074</u>	<u>11,667</u>
EXPENDITURES	<u>2,068</u>	<u>-</u>	<u>2,068</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,525</u>	<u>4,074</u>	<u>9,599</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	5,525	4,074	9,599
FUND BALANCE - JULY 1	<u>71,601</u>	<u>164,812</u>	<u>236,413</u>
FUND BALANCE - JUNE 30	<u>\$ 77,126</u>	<u>\$ 168,886</u>	<u>\$ 246,012</u>

See accompanying independent auditors' report.

## Capital Project Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

TOWN OF NEWCASTLE, MAINE

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS  
JUNE 30, 2012

	Conservation Town Forest	Road Reserve	Alewives Reserve	Totals
<b>ASSETS</b>				
Cash	\$ -	\$ -	\$ 27,928	\$ 27,928
Investments	15,563	-	-	15,563
Due from other funds	-	38,000	-	38,000
<b>TOTAL ASSETS</b>	<u>\$ 15,563</u>	<u>\$ 38,000</u>	<u>\$ 27,928</u>	<u>\$ 81,491</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	4,365	4,365
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>4,365</u>	<u>4,365</u>
<b>FUND BALANCE</b>				
Nonspendable	-	-	-	-
Restricted	-	38,000	-	38,000
Committed	-	-	-	-
Assigned	15,563	-	23,563	39,126
Unassigned	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<u>15,563</u>	<u>38,000</u>	<u>23,563</u>	<u>77,126</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 15,563</u>	<u>\$ 38,000</u>	<u>\$ 27,928</u>	<u>\$ 81,491</u>

See accompanying independent auditors' report.

SCHEDULE E

TOWN OF NEWCASTLE, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

	Conservation Town Forest	Road Reserve	Alewives Reserve	Totals
REVENUES				
Interest and dividends	\$ 295	\$ -	\$ 116	\$ 411
Other	-	-	7,182	7,182
<b>TOTAL REVENUES</b>	<u>295</u>	<u>-</u>	<u>7,298</u>	<u>7,593</u>
EXPENDITURES				
	-	-	2,068	2,068
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>295</u>	<u>-</u>	<u>5,230</u>	<u>5,525</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	295	-	5,230	5,525
FUND BALANCE - JULY 1	15,268	38,000	18,333	71,601
<b>FUND BALANCE - JUNE 30</b>	<u>\$ 15,563</u>	<u>\$ 38,000</u>	<u>\$ 23,563</u>	<u>\$ 77,126</u>

See accompanying independent auditors' report.

## Permanent Funds

Permanent funds are used to account for assets held by the Town of Newcastle, Maine in trust or as an agent for individuals, private organizations, other governmental units and/or other funds.

TOWN OF NEWCASTLE, MAINE

COMBINING BALANCE SHEET – NONMAJOR PERMANENT FUNDS  
JUNE 30, 2012

	C & M Hatch	Sheepscot	Glidden	Pine		Whitehouse	Lincoln	Worthy		Totals
				Knoll				Poor		
<b>ASSETS</b>										
Investments	\$ 2,494	\$ 47,949	\$ 16,942	\$ 36,218	\$ 278	\$ 29,567	\$ 38,417	\$ 171,865		
Due from other funds	-	-	4,968	50	-	2,199	-	7,217		
Total assets	<u>\$ 2,494</u>	<u>\$ 47,949</u>	<u>\$ 21,910</u>	<u>\$ 36,268</u>	<u>\$ 278</u>	<u>\$ 31,766</u>	<u>\$ 38,417</u>	<u>\$ 179,082</u>		
<b>LIABILITIES</b>										
Due to other funds	\$ -	\$ 4,967	\$ -	\$ -	\$ 641	\$ -	\$ 4,588	\$ 10,196		
Total liabilities	<u>-</u>	<u>4,967</u>	<u>-</u>	<u>-</u>	<u>641</u>	<u>-</u>	<u>4,588</u>	<u>10,196</u>		
<b>FUND BALANCE</b>										
Nonspendable	-	-	-	-	-	-	-	-		
Restricted	2,001	23,647	19,118	33,873	553	11,464	23,039	113,695		
Committed	-	-	-	-	-	-	-	-		
Assigned	493	19,335	2,792	2,395	-	20,302	10,790	56,107		
Unassigned	-	-	-	-	(916)	-	-	(916)		
Total fund balance	<u>2,494</u>	<u>42,982</u>	<u>21,910</u>	<u>36,268</u>	<u>(363)</u>	<u>31,766</u>	<u>33,829</u>	<u>168,886</u>		
Total liabilities and fund balance	<u>\$ 2,494</u>	<u>\$ 47,949</u>	<u>\$ 21,910</u>	<u>\$ 36,268</u>	<u>\$ 278</u>	<u>\$ 31,766</u>	<u>\$ 38,417</u>	<u>\$ 179,082</u>		

See accompanying independent auditors' report.

TOWN OF NEWCASTLE, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR PERMANENT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	C & M Hatch	Sheepscot	Glidden	Pine Knoll	Whitehouse	Lincoln	Worthy Poor	Totals
REVENUES								
Interest and dividends	\$ 47	\$ 821	\$ 352	\$ 610	\$ -	\$ 416	\$ 628	\$ 2,874
Other	-	-	-	-	-	1,200	-	1,200
<b>TOTAL REVENUES</b>	<b>47</b>	<b>821</b>	<b>352</b>	<b>610</b>	<b>-</b>	<b>1,616</b>	<b>628</b>	<b>4,074</b>
EXPENDITURES								
Other	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>47</b>	<b>821</b>	<b>352</b>	<b>610</b>	<b>-</b>	<b>1,616</b>	<b>628</b>	<b>4,074</b>
OTHER FINANCING SOURCES (USES)								
Operating Transfers In	-	-	-	-	-	-	-	-
Operating Transfers (Out)	-	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</b>	<b>47</b>	<b>821</b>	<b>352</b>	<b>610</b>	<b>-</b>	<b>1,616</b>	<b>628</b>	<b>4,074</b>
FUND BALANCES - JULY 1	2,447	42,161	21,558	35,658	(363)	30,150	33,201	164,812
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 2,494</b>	<b>\$ 42,982</b>	<b>\$ 21,910</b>	<b>\$ 36,268</b>	<b>\$ (363)</b>	<b>\$ 31,766</b>	<b>\$ 33,829</b>	<b>\$ 168,886</b>

See accompanying independent auditors' report.

## General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets.

SCHEDULE H

TOWN OF NEWCASTLE, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION  
JUNE 30, 2012

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
General government	\$ 97,965	\$ 341,651	\$ 35,225	\$ -	\$ 474,841
Public safety	33,200	472,896	862,393	-	1,368,489
Public works	-	-	-	3,550,919	3,550,919
Recreation	-	8,774	-	-	8,774
<b>Total General Capital Assets</b>	<b>131,165</b>	<b>823,321</b>	<b>897,618</b>	<b>3,550,919</b>	<b>5,403,023</b>
<b>Less: Accumulated Depreciation</b>	<b>-</b>	<b>(209,492)</b>	<b>(362,759)</b>	<b>(1,595,334)</b>	<b>(2,167,585)</b>
<b>Net General Capital Assets</b>	<b>\$ 131,165</b>	<b>\$ 613,829</b>	<b>\$ 534,859</b>	<b>\$ 1,955,585</b>	<b>\$ 3,235,438</b>

See accompanying independent auditors' report.

SCHEDULE I

TOWN OF NEWCASTLE, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2012

	General Capital Assets 7/1/11	Additions	Deletions	General Capital Assets 6/30/12
General government	\$ 474,841	\$ -	-	\$ 474,841
Public safety	1,068,434	300,055	-	1,368,489
Public works	3,279,119	271,800	-	3,550,919
Recreation	8,774	-	-	8,774
Total General Capital Assets	4,831,168	571,855	-	5,403,023
Less: Accumulated Depreciation	(2,064,694)	(102,891)	-	(2,167,585)
Net General Capital Assets	\$ 2,766,474	\$ 468,964	\$ -	\$ 3,235,438

See accompanying independent auditors' report.