

Audited Financial Statements

Town of Newcastle, Maine

June 30, 2011



Proven Expertise and Integrity

TOWN OF NEWCASTLE, MAINE

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JUNE 30, 2011

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Proven Expertise and Integrity
INDEPENDENT AUDITORS' REPORT

August 2, 2011

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, 2011, 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, 2011, 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 32 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, 2011**

(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, 2011. 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 schedule of 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 increased by \$105,728 from \$5.76 million to \$5.87 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 - increased by \$312,475 from \$3.47 million to a balance of \$3.78 million.

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

	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 4,745,364	\$ 4,971,557
Capital Assets	<u>2,766,474</u>	<u>1,490,254</u>
Total Assets	<u>\$ 7,511,838</u>	<u>\$ 6,461,811</u>
 Liabilities:		
Current Liabilities	\$ 517,604	\$ 522,187
Long-term Debt Outstanding	<u>1,127,082</u>	<u>178,200</u>
Total Liabilities	<u>\$ 1,644,686</u>	<u>\$ 700,387</u>
 Net Assets:		
Invested in Capital Assets, Net of related Debt	\$ 1,465,147	\$ 2,050,675
Restricted net assets:		
General fund	413,608	-
Capital project funds	38,868	82,744
Permanent funds	165,175	156,126
Other Net Assets	<u>3,784,354</u>	<u>3,471,879</u>
Total Net Assets	<u>\$ 5,867,152</u>	<u>\$ 5,761,424</u>

Revenues and Expenses

Revenues for the Town's governmental activities increased by 11.79%, while total expenses decreased by 131.61%. The financial statements for the previous year were for six months while the financials for the current period are for twelve months.

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

	<u>2011</u>	<u>2010</u>
Revenues		
Taxes:		
Property	\$ 3,528,751	\$ 3,527,580
Excise	295,621	141,866
Intergovernmental	336,852	87,722
Charges for services	33,405	11,578
Miscellaneous	65,450	42,141
Total Revenue	<u>4,260,079</u>	<u>3,810,887</u>
Expenses		
Current:		
General government	328,442	162,290
Public safety	182,008	95,880
Health and sanitation	116,150	57,303
Public works	414,065	195,729
County tax	314,863	-
Education	2,503,394	1,207,905
Interest on long-term debt	48,049	13,139
Capital outlay	164,212	49,829
Unclassified	83,168	11,562
Total Expenses	<u>4,154,351</u>	<u>1,793,637</u>
Change in Net Assets	105,728	2,017,250
Net Assets - July 1, January 1, Restated	<u>5,761,424</u>	<u>3,744,174</u>
Net Assets - June 30	<u><u>\$ 5,867,152</u></u>	<u><u>\$ 5,761,424</u></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>2011</u>	<u>2010</u>
General Fund:		
Nonspendable	\$ -	\$ -
Restricted	413,608	329,046
Committed	-	-
Assigned	603	803
Unassigned	28,292	(86,825)
Total General Fund	<u>\$ 442,503</u>	<u>\$ 243,024</u>
Road Reserve Fund:		
Restricted	\$ 868	\$ -
Unassigned	-	(498,071)
Total Road Reserve Fund	<u>\$ 868</u>	<u>\$ (498,071)</u>
Nonmajor Funds:		
Nonspendable	\$ -	\$ -
Restricted	203,175	191,899
Committed	-	-
Assigned	33,601	44,744
Unassigned	(363)	-
Total Nonmajor Funds	<u>\$ 236,413</u>	<u>\$ 236,643</u>

The general fund total fund balance increased by \$199,479 over the prior fiscal period. The road reserve fund balance increased by \$498,939 over the prior fiscal year. The non-major fund balances decreased by \$230 over the prior fiscal period.

Budgetary Highlights

There was no significant difference between the original and final budget for the general fund.

The general fund actual revenues exceeded the budget by \$113,103. This was mainly a result of unbudgeted state education subsidy and the excise taxes being received over budget.

The general fund actual expenditures were under the budget by \$552,398. All expenditures were under budget with the exception of public works.

Capital Asset and Long-Term Debt Administration

Capital Assets

As of June 30, 2011, the net book value of capital assets recorded by the Town increased by \$517,799 over the prior fiscal year. The increase is the result of current year additions of \$618,176 less current year depreciation expense of \$100,377.

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

	<u>2011</u>	<u>2010</u>
Land and improvements	\$ 131,165	\$ 131,165
Buildings and improvements	636,479	659,131
Equipment & vehicles	250,659	266,757
Infrastructure	<u>1,748,171</u>	<u>1,191,622</u>
Total	<u>\$ 2,766,474</u>	<u>\$ 2,248,675</u>

Debt

At June 30, 2011, the Town had bonds outstanding in the amount of \$1,301,327 versus \$198,000 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 undesignated fund balance to sustain government operations for a period of approximately two months, while also maintaining significant reserve accounts for future capital and program needs.

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 94 River Road, P.O. Box 386, Newcastle, Maine 04553-0386.

TOWN OF NEWCASTLE, MAINE

STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash	\$ 1,091,902
Accounts receivable (net of allowance for uncollectibles):	
Taxes	3,461,801
Liens	187,252
Other	4,409
Total current assets	<u>4,745,364</u>
Noncurrent assets:	
Capital assets:	
Land, infrastructure, and other assets not being depreciated	131,165
Buildings and vehicles net of accumulated depreciation	2,635,309
Total noncurrent assets	<u>2,766,474</u>
TOTAL ASSETS	<u><u>\$ 7,511,838</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 341,959
Due to other governments	1,400
Current portion of long-term obligations	174,245
Total current liabilities	<u>517,604</u>
Noncurrent liabilities	
Noncurrent portion of long-term obligations:	
Notes payable	1,127,082
Total noncurrent liabilities	<u>1,127,082</u>
TOTAL LIABILITIES	<u>1,644,686</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,465,147
Restricted: General Fund	413,608
Capital project funds	38,868
Permanent funds	165,175
Unrestricted	3,784,354
TOTAL NET ASSETS	<u>5,867,152</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,511,838</u></u>

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

TOWN OF NEWCASTLE, MAINE
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities
Governmental activities					
Current:					
General government	\$ 328,442	\$ 27,638	\$ -	\$ -	\$ (300,804)
Public safety	182,008	5,767	-	-	(176,241)
Health and sanitation	116,150	-	-	-	(116,150)
Public works	414,065	-	109,050	-	(305,015)
County tax	314,863	-	-	-	(314,863)
Education	2,503,394	-	14,877	-	(2,488,517)
Debt service:					
Interest on long-term debt	48,049	-	-	-	(48,049)
Capital outlay	164,212	-	-	-	(164,212)
Unclassified	83,168	-	-	-	(83,168)
Total governmental activities	<u>4,154,351</u>	<u>33,405</u>	<u>123,927</u>	<u>-</u>	<u>(3,997,019)</u>

STATEMENT B (CONTINUED)
TOWN OF NEWCASTLE, MAINE

STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Governmental Activities</u>
Changes in net assets:	
Net (expense) revenue	<u>(3,997,019)</u>
General revenue:	
Taxes	
Property taxes, levied for general purposes	3,528,751
Excise taxes, levied for general purposes	295,621
Grants and contributions not restricted to specific programs	212,925
Miscellaneous	<u>65,450</u>
Total general revenue and transfers	<u>4,102,747</u>
Change in net assets	105,728
NET ASSETS - JULY 1, 2010 RESTATED	<u>5,761,424</u>
NET ASSETS - JUNE 30, 2011	<u><u>\$ 5,867,152</u></u>

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

TOWN OF NEWCASTLE, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Road Reserve	All Nonmajor Funds	Total
ASSETS				
Cash	\$ 877,463	\$ -	\$ 214,439	\$ 1,091,902
Receivables (net of allowance for uncollectibles):				
Taxes	3,461,801	-	-	3,461,801
Liens	187,252	-	-	187,252
Other	3,541	868	-	4,409
Due from other funds	21,744	-	43,718	65,462
TOTAL ASSETS	<u>\$ 4,551,801</u>	<u>\$ 868</u>	<u>\$ 258,157</u>	<u>\$ 4,810,826</u>
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts payable	\$ 341,959	\$ -	\$ -	\$ 341,959
Due to other governments	1,400	-	-	1,400
Due to other funds	43,718	-	21,744	65,462
Deferred tax revenues	3,722,221	-	-	3,722,221
TOTAL LIABILITIES	<u>4,109,298</u>	<u>-</u>	<u>21,744</u>	<u>4,131,042</u>
Fund Equity				
Fund balance:				
Nonspendable	-	-	-	-
Restricted	413,608	868	203,175	617,651
Committed	-	-	-	-
Assigned	603	-	33,601	34,204
Unassigned	28,292	-	(363)	27,929
TOTAL FUND EQUITY	<u>442,503</u>	<u>868</u>	<u>236,413</u>	<u>679,784</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 4,551,801</u>	<u>\$ 868</u>	<u>\$ 258,157</u>	<u>\$ 4,810,826</u>

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, 2011

	<u>Total Governmental Funds</u>
Total Fund Equity	\$ 679,784
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	2,766,474
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	3,722,221
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	<u>(1,301,327)</u>
 Net assets of governmental activities	 <u><u>\$ 5,867,152</u></u>

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, 2011

	General Fund	Road Reserve	All Nonmajor Funds	Totals Governmental Funds
REVENUES				
Taxes	\$ 3,535,683	\$ -	\$ -	\$ 3,535,683
Excise taxes	295,621	-	-	295,621
Intergovernmental	336,852	-	-	336,852
Charges for services	33,405	-	-	33,405
Miscellaneous revenues	42,597	-	22,853	65,450
TOTAL REVENUES	4,244,158	-	22,853	4,267,011
EXPENDITURES				
Current:				
General government	317,792	-	-	317,792
Public safety	154,156	-	-	154,156
Health and sanitation	116,150	-	-	116,150
Public works	352,436	-	-	352,436
County tax	314,863	-	-	314,863
Education	2,503,394	-	-	2,503,394
Debt service:				
Principal	96,673	-	-	96,673
Interest	48,049	-	-	48,049
Capital outlay	81,327	701,061	-	782,388
Unclassified	69,487	-	13,435	82,922
TOTAL EXPENDITURES	4,054,327	701,061	13,435	4,768,823
EXCESS REVENUES OVER (UNDER) EXPENDITURES	189,831	(701,061)	9,418	(501,812)
OTHER FINANCING SOURCES				
Bond Proceeds	-	1,200,000	-	1,200,000
Operating Transfers in	9,648	-	-	9,648
Operating Transfers (out)	-	-	(9,648)	(9,648)
TOTAL OTHER FINANCING SOURCES (USES)	9,648	1,200,000	(9,648)	1,200,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	199,479	498,939	(230)	698,188
FUND BALANCES - JANUARY 1	243,024	(498,071)	236,643	(18,404)
FUND BALANCES - JUNE 30	\$ 442,503	\$ 868	\$ 236,413	\$ 679,784

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, 2011

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 698,188</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	618,176
Capital assets disposed	-
Depreciation expense	<u>(100,377)</u>
	<u>517,799</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported.	
Taxes and liens receivable	<u>(6,932)</u>
Debt proceeds provide current financial resources to governmental funds, but long-term liabilities in the Statement of Net Assets.	
	<u>(1,200,000)</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>96,673</u>
Change in net assets of governmental activities (Statement B)	<u><u>\$ 105,728</u></u>

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

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011

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, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- 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, 2011

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.

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, and credit unions.
- Repurchase agreements
- Money market mutual funds

The Town of Newcastle has no formal investment policy but instead follows the State of Maine Statutes. They are in the process of adopting a more detailed investment policy.

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011.

Capital Assets

Capital assets purchased or acquired with an original cost of \$2,500 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 retroactivity 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, 2011

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 bonds 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.

Reserves

The Town records reserves to indicate that a portion of the fund balance is legally segregated for a specific future use, which is indicated by the title of each reserves listed in the balance sheet and statement of net assets. It is the Town's policy to first use restricted assets for restricted programs and only unrestricted assets after the restricted assets have been exhausted.

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.

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the upcoming fiscal year was levied June 21, 2010 on the assessed value listed as of April 1, 2010, for all real and personal property located in the Town. Taxes were due on August 16, 2010 and March 31, 2011. Interest on unpaid taxes commenced on August 17, 2010 and April 1, 2011, 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.

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 \$97,173 for the year ended June 30, 2011.

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.

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 - CASH

The Town's investment policies, which follow state statutes, 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. These investment policies apply to all Town funds.

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 or will not be able to recover collateral securities that are in possession of an outside party. The Town does not have a policy covering custodial credit risk.

At June 30, 2011, the Town's cash balance of \$1,091,902 was comprised of deposits amounting to \$1,115,490. Of these deposits, \$434,560 was insured by federal depository insurance and consequently was not exposed to custodial credit risk, and \$680,930 was in excess of federal depository insurance, and therefore, not insured or collateralized.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 930,930
Money market accounts	184,560
	<u>\$ 1,115,490</u>

The Town has determined that it has complied with state and federal laws governing the investment of public funds.

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2011 consisted of the following individual fund receivables and payables.

	<u>Receivables (Due from)</u>	<u>Payables (Due to)</u>
General fund	\$ 21,744	\$ 43,718
Capital project funds	38,000	11,547
Permanent funds	5,718	10,197
	<u>\$ 65,462</u>	<u>\$ 65,462</u>

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2011:

	Balance, 7/1/10	Additions	Disposals	Balance, 6/30/11
<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	-	-	597,563
Infrastructure	2,660,943	618,176	-	3,279,119
	<u>4,081,827</u>	<u>618,176</u>	<u>-</u>	<u>4,700,003</u>
Less: accumulated depreciation	<u>(1,964,317)</u>	<u>(100,377)</u>	<u>-</u>	<u>(2,064,694)</u>
	<u>2,117,510</u>	<u>517,799</u>	<u>-</u>	<u>2,635,309</u>
Net capital assets	<u>\$ 2,248,675</u>	<u>\$ 517,799</u>	<u>\$ -</u>	<u>\$ 2,766,474</u>
General government				\$ 10,650
Public safety				27,852
Public works				61,629
Recreation				246
Total depreciation expense				<u>\$ 100,377</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, 2011:

	Balance, 7/1/10	Additions	Deletions	Balance, 6/30/11
Bonds payable	<u>\$ 198,000</u>	<u>\$ 1,200,000</u>	<u>\$ (96,673)</u>	<u>\$ 1,301,327</u>

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 – LONG-TERM DEBT (CONTINUED)

The following is a summary of the outstanding bonds payable:

Bond 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.	\$ 177,540
Bond 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.	<u>1,123,787</u>
Total bonds payable	<u><u>\$ 1,301,327</u></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:

	Principal	Interest	Total Debt Service
2012	\$ 174,245	\$ 49,114	\$ 223,359
2013	180,692	41,798	222,490
2014	187,289	35,250	222,539
2015	194,156	26,631	220,787
2016	201,266	18,679	219,945
2017-2021	363,679	14,041	377,720
	<u><u>\$ 1,301,327</u></u>	<u><u>\$ 185,513</u></u>	<u><u>\$ 1,486,840</u></u>

NOTE 6 – RESTRICTED NET ASSETS

The following net assets have been reserved at June 30, 2011 for the following purposes:

Reserved for general fund	\$ 413,608
Reserved for capital project funds	38,868
Reserved for permanent funds	<u>165,175</u>
	<u><u>\$ 617,651</u></u>

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7 – RESTRICTED FUND EQUITY

The following items have been restricted in the general fund at June 30, 2011:

Education	\$	126,318
Roads		<u>287,290</u>
	\$	<u><u>413,608</u></u>

NOTE 8 – GENERAL FUND ASSIGNED FUND EQUITY

At June 30, 2011, the general fund assigned fund equity was made up of the following account balances carried forward into the subsequent year’s budget.

Harriet Bird Clubhouse	\$	<u><u>603</u></u>
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NOTE 9 - EXPENDITURES OVER APPROPRIATIONS

The following appropriations were exceeded by actual expenditures:

		<u>Excess</u>
Public Works	\$	<u>17,241</u>
	\$	<u><u>17,241</u></u>

NOTE 10 – 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, 2011, the Town’s share was approximately:

	<u>Outstanding Debt</u>	<u>Town’s Percentage</u>	<u>Total Share</u>
County of Lincoln	\$ 9,010,000	3.72%	<u><u>\$ 335,172</u></u>

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 11 – 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.

NOTE 12 - 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 13 – RESTATEMENT OF NET ASSETS

As of July 1, 2010, a restatement was made to the net assets in the amount of \$758,421. This amount represents capital assets that should have previously been recorded. The net assets for the governmental activities have been increased by \$758,421 as of July 1, 2010.

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, 2011

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 243,024	\$ 243,024	\$ 243,024	\$ -
Resources (Inflows):				
Property taxes	3,527,580	3,527,580	3,535,683	8,103
Excise taxes	248,800	248,800	295,621	46,821
Intergovernmental :				
State revenue sharing	95,209	95,209	98,539	3,330
Homestead exemption	35,264	35,264	27,485	(7,779)
State education subsidy	-	-	68,962	68,962
FEMA	12,000	52,000	69,486	17,486
Local road assistance	38,000	38,000	39,564	1,564
Other	23,021	31,225	32,816	1,591
Charges for services	31,651	31,651	33,405	1,754
Interest on taxes	25,000	25,000	20,065	(4,935)
Interest income	12,000	12,000	12,930	930
Miscellaneous revenues	33,572	34,326	9,602	(24,724)
Transfers from other funds	-	9,648	9,648	-
Amounts Available for Appropriation	4,325,121	4,383,727	4,496,830	113,103
Charges to Appropriations (Outflows):				
Current:				
General government	314,164	332,016	317,792	14,224
Public safety	161,650	161,650	154,156	7,494
Health and sanitation	119,750	119,750	116,150	3,600
Public works	335,195	335,195	352,436	(17,241)
County tax	314,863	314,863	314,863	-
Education	2,493,539	2,629,712	2,503,394	126,318
Debt service:				
Principal	96,673	96,673	96,673	-
Interest	78,327	78,327	48,049	30,278
Capital outlay	-	369,850	81,327	288,523
Unclassified	167,936	168,689	69,487	99,202
Transfers to other funds	-	-	-	-
Total Charges to Appropriations	4,082,097	4,606,725	4,054,327	552,398
Budgetary Fund Balance, June 30	\$ 243,024	\$ (222,998)	\$ 442,503	\$ 665,501
Utilization of Designated Fund Balance	\$ -	\$ 466,022	\$ -	\$ (466,022)
Utilization of Undesignated Fund Balance	-	-	-	-
	\$ -	\$ 466,022	\$ -	\$ (466,022)

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

TOWN OF NEWCASTLE, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Adjustments	Final Budget	Actual	Balance Positive (Negative)
General government					
Town Administrator	\$ 63,600	\$ -	\$ 63,600	\$ 63,625	\$ (25)
Town Clerk/ Tax Coll / Etc	51,442	-	51,442	49,312	2,130
Deputies	30,000	-	30,000	27,762	2,238
Code Enforcement	10,000	-	10,000	8,450	1,550
Payroll taxes	18,781	-	18,781	16,299	2,482
Selectmen	7,500	-	7,500	7,500	-
Assessing agent	20,000	-	20,000	16,800	3,200
Town owned buildings	34,399	5,000	39,399	37,875	1,524
Planning board	2,850	8,204	11,054	10,644	410
Election workers	1,250	-	1,250	765	485
Other administration	74,342	4,648	78,990	78,760	230
	<u>314,164</u>	<u>17,852</u>	<u>332,016</u>	<u>317,792</u>	<u>14,224</u>
Public safety:					
Fire chief	35,000	-	35,000	35,060	(60)
Officers' salary	1,100	-	1,100	1,020	80
Firemen / call pay	17,800	-	17,800	11,065	6,735
Fire department insurance	15,500	-	15,500	15,305	195
Vehicle maintenance	6,200	-	6,200	4,211	1,989
Vehicle gas / oil	5,000	-	5,000	6,268	(1,268)
New equipment / gear	6,000	-	6,000	6,035	(35)
Other fire department	13,800	-	13,800	13,476	324
Hydrants	46,622	-	46,622	46,968	(346)
Street lights	7,283	-	7,283	7,719	(436)
Highway flashing light	250	-	250	174	76
Ambulance services	1,500	-	1,500	1,500	-
Lincoln County Animal Shelter	1,170	-	1,170	1,170	-
Animal control officer	3,275	-	3,275	3,035	240
Emergency management	1,050	-	1,050	1,050	-
Health officer	100	-	100	100	-
	<u>161,650</u>	<u>-</u>	<u>161,650</u>	<u>154,156</u>	<u>7,494</u>

TOWN OF NEWCASTLE, MAINE
 SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Balance Positive (Negative)</u>
Health and sanitation:					
Septic waste contract	2,300	-	2,300	2,300	-
Transfer Station	108,450	-	108,450	108,450	-
General assistance	9,000	-	9,000	5,400	3,600
	<u>119,750</u>	<u>-</u>	<u>119,750</u>	<u>116,150</u>	<u>3,600</u>
Public works:					
Snow removal	230,195	-	230,195	259,751	(29,556)
Maintenance	80,000	-	80,000	75,118	4,882
Interlocal Agreement	25,000	-	25,000	17,567	7,433
	<u>335,195</u>	<u>-</u>	<u>335,195</u>	<u>352,436</u>	<u>(17,241)</u>
County tax	<u>314,863</u>	<u>-</u>	<u>314,863</u>	<u>314,863</u>	<u>-</u>
Education:					
Elementary education	1,581,877	126,318	1,708,195	1,581,877	126,318
Secondary education	906,260	9,855	916,115	916,115	-
Adult Ed	5,402	-	5,402	5,402	-
	<u>2,493,539</u>	<u>136,173</u>	<u>2,629,712</u>	<u>2,503,394</u>	<u>126,318</u>
Debt Service:					
Principal	96,673	-	96,673	96,673	-
Interest	78,327	-	78,327	48,049	30,278
	<u>175,000</u>	<u>-</u>	<u>175,000</u>	<u>144,722</u>	<u>30,278</u>

TOWN OF NEWCASTLE, MAINE
 SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Balance Positive (Negative)</u>
Capital outlay:					
Other roads	-	369,047	369,047	81,127	287,920
Harriet Bird Clubhouse	-	803	803	200	603
	<u>-</u>	<u>369,850</u>	<u>369,850</u>	<u>81,327</u>	<u>288,523</u>
Unclassified:					
Cemeteries	12,600	-	12,600	12,460	140
Park	750	753	1,503	1,456	47
Not for profit and other orgs	25,772	-	25,772	25,772	-
Skidompha Public Library	16,641	-	16,641	16,641	-
Abatements	15,000	-	15,000	13,158	1,842
Overlay	97,173	-	97,173	-	97,173
	<u>167,936</u>	<u>753</u>	<u>168,689</u>	<u>69,487</u>	<u>99,202</u>
 Total Expenditures	 <u>\$ 4,082,097</u>	 <u>\$ 524,628</u>	 <u>\$ 4,606,725</u>	 <u>\$ 4,054,327</u>	 <u>\$ 552,398</u>

See accompanying independent auditors' report.

TOWN OF NEWCASTLE, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash	\$ 45,148	\$ 169,291	\$ 214,439
Investments	-	-	-
Due from other funds	38,000	5,718	43,718
Total assets	<u>\$ 83,148</u>	<u>\$ 175,009</u>	<u>\$ 258,157</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	11,547	10,197	21,744
Total liabilities	<u>11,547</u>	<u>10,197</u>	<u>21,744</u>
FUND EQUITY			
Fund balance:			
Nonspendable	-	-	-
Restricted	38,000	165,175	203,175
Committed	-	-	-
Assigned	33,601	-	33,601
Unassigned	-	(363)	(363)
Total fund equity	<u>71,601</u>	<u>164,812</u>	<u>236,413</u>
Total liabilities and fund equity	<u>\$ 83,148</u>	<u>\$ 175,009</u>	<u>\$ 258,157</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, 2011

	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Interest	1,649	14,952	16,601
Other	6,227	25	6,252
TOTAL REVENUES	<u>7,876</u>	<u>14,977</u>	<u>22,853</u>
EXPENDITURES	<u>9,371</u>	<u>4,064</u>	<u>13,435</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,495)</u>	<u>10,913</u>	<u>9,418</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	-	-	-
Operating Transfers (Out)	(9,648)	-	(9,648)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(9,648)</u>	<u>-</u>	<u>(9,648)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(11,143)	10,913	(230)
FUND BALANCE - JULY 1	<u>82,744</u>	<u>153,899</u>	<u>236,643</u>
FUND BALANCE - JUNE 30	<u>\$ 71,601</u>	<u>\$ 164,812</u>	<u>\$ 236,413</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, 2011

	<u>Capital Reserve</u>	<u>Conservation Town Forest</u>	<u>Road Reserve</u>	<u>Alewives Reserve</u>	<u>Computer Replacement</u>	<u>Totals</u>
ASSETS						
Cash	\$ -	\$ 15,268	\$ -	\$ 29,880	\$ -	\$ 45,148
Due from other funds	-	-	38,000	-	-	38,000
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 15,268</u>	<u>\$ 38,000</u>	<u>\$ 29,880</u>	<u>\$ -</u>	<u>\$ 83,148</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	11,547	-	11,547
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,547</u>	<u>-</u>	<u>11,547</u>
FUND EQUITY						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	38,000	-	-	38,000
Committed	-	-	-	-	-	-
Assigned	-	15,268	-	18,333	-	33,601
Unassigned	-	-	-	-	-	-
TOTAL FUND EQUITY	<u>-</u>	<u>15,268</u>	<u>38,000</u>	<u>18,333</u>	<u>-</u>	<u>71,601</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ -</u>	<u>\$ 15,268</u>	<u>\$ 38,000</u>	<u>\$ 29,880</u>	<u>\$ -</u>	<u>\$ 83,148</u>

See accompanying independent auditors' report.

TOWN OF NEWCASTLE, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Capital Reserve	Conservation Town Forest	Road Reserve	Alewives Reserve	Computer Replacement	Totals
REVENUES						
Interest	\$ -	\$ 1,435	\$ -	\$ 214	\$ -	\$ 1,649
Other	-	-	-	6,227	-	6,227
TOTAL REVENUES	<u>-</u>	<u>1,435</u>	<u>-</u>	<u>6,441</u>	<u>-</u>	<u>7,876</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,371</u>	<u>-</u>	<u>9,371</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>1,435</u>	<u>-</u>	<u>(2,930)</u>	<u>-</u>	<u>(1,495)</u>
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	-	-	-	-	-	-
Operating Transfers (Out)	(6,981)	-	-	-	(2,667)	(9,648)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,981)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,667)</u>	<u>(9,648)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(6,981)	1,435	-	(2,930)	(2,667)	(11,143)
FUND BALANCE - JULY 1	<u>6,981</u>	<u>13,833</u>	<u>38,000</u>	<u>21,263</u>	<u>2,667</u>	<u>82,744</u>
FUND BALANCE - JUNE 30	<u>\$ -</u>	<u>\$ 15,268</u>	<u>\$ 38,000</u>	<u>\$ 18,333</u>	<u>\$ -</u>	<u>\$ 71,601</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, 2011

	C & M Hatch	Sheepscot	Glidden	Pine Knoll	Whitehouse	Lincoln	Worthy Poor	Totals
ASSETS								
Cash	\$ 2,447	\$ 47,129	\$ 16,590	\$35,608	\$ 278	\$ 29,450	\$ 37,789	\$ 169,291
Due from other funds	-	-	4,968	50	-	700	-	5,718
Total assets	<u>\$ 2,447</u>	<u>\$ 47,129</u>	<u>\$ 21,558</u>	<u>\$35,658</u>	<u>\$ 278</u>	<u>\$ 30,150</u>	<u>\$ 37,789</u>	<u>\$ 175,009</u>
LIABILITIES								
Due to other funds	\$ -	\$ 4,968	\$ -	\$ -	\$ 641	\$ -	\$ 4,588	\$ 10,197
Total liabilities	<u>-</u>	<u>4,968</u>	<u>-</u>	<u>-</u>	<u>641</u>	<u>-</u>	<u>4,588</u>	<u>10,197</u>
FUND EQUITY								
Fund balance:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	2,447	42,161	21,558	35,658	-	30,150	33,201	165,175
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(363)	-	-	(363)
Total fund equity	<u>2,447</u>	<u>42,161</u>	<u>21,558</u>	<u>35,658</u>	<u>(363)</u>	<u>30,150</u>	<u>33,201</u>	<u>164,812</u>
Total liabilities and fund equity	<u>\$ 2,447</u>	<u>\$ 47,129</u>	<u>\$ 21,558</u>	<u>\$35,658</u>	<u>\$ 278</u>	<u>\$ 30,150</u>	<u>\$ 37,789</u>	<u>\$ 175,009</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, 2011

	C & M Hatch	Sheepscot	Glidden	Pine Knoll	Whitehouse	Lincoln	Worthy Poor	Totals
REVENUES								
Interest	\$ 211	\$ 4,066	\$ 1,782	\$ 3,072	\$ 23	\$ 2,541	\$ 3,257	\$ 14,952
Other	-	-	-	-	-	25	-	25
TOTAL REVENUES	<u>211</u>	<u>4,066</u>	<u>1,782</u>	<u>3,072</u>	<u>23</u>	<u>2,566</u>	<u>3,257</u>	<u>14,977</u>
EXPENDITURES								
Other	-	-	4,064	-	-	-	-	4,064
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>4,064</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,064</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>211</u>	<u>4,066</u>	<u>(2,282)</u>	<u>3,072</u>	<u>23</u>	<u>2,566</u>	<u>3,257</u>	<u>10,913</u>
OTHER FINANCING SOURCES (USES)								
Operating Transfers In	-	-	-	-	-	-	-	-
Operating Transfers (Out)	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	211	4,066	(2,282)	3,072	23	2,566	3,257	10,913
FUND BALANCES - JULY 1	<u>2,236</u>	<u>38,095</u>	<u>23,840</u>	<u>32,586</u>	<u>(386)</u>	<u>27,584</u>	<u>29,944</u>	<u>153,899</u>
FUND BALANCES - JUNE 30	<u>\$ 2,447</u>	<u>\$ 42,161</u>	<u>\$ 21,558</u>	<u>\$ 35,658</u>	<u>\$ (363)</u>	<u>\$ 30,150</u>	<u>\$ 33,201</u>	<u>\$ 164,812</u>

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.

TOWN OF NEWCASTLE, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
 JUNE 30, 2011

	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	562,338	-	1,068,434
Public works	-	-	-	3,279,119	3,279,119
Recreation	-	8,774	-	-	8,774
Total General Capital Assets	131,165	823,321	597,563	3,279,119	4,831,168
Less: Accumulated Depreciation	-	(186,842)	(346,904)	(1,530,948)	(2,064,694)
Net General Capital Assets	<u>\$ 131,165</u>	<u>\$ 636,479</u>	<u>\$ 250,659</u>	<u>\$ 1,748,171</u>	<u>\$ 2,766,474</u>

See accompanying independent auditors' report.

TOWN OF NEWCASTLE, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2011

	General Capital Assets 7/1/10	Additions	Deletions	General Capital Assets 6/30/11
General government	\$ 474,841	\$ -	\$ -	\$ 474,841
Public safety	1,068,434	-	-	1,068,434
Public works	2,660,943	618,176	-	3,279,119
Recreation	8,774	-	-	8,774
Total General Capital Assets	4,212,992	618,176	-	4,831,168
Less: Accumulated Depreciation	(1,964,317)	(100,377)	-	(2,064,694)
Net General Capital Assets	<u>\$ 2,248,675</u>	<u>\$ 517,799</u>	<u>\$ -</u>	<u>\$ 2,766,474</u>

See accompanying independent auditors' report.