

2010

# Audited Financial Statements Town of Newcastle, Maine June 30, 2010

Newcastle, Me.

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Audited Financial Statements

Town of Newcastle, Maine

June 30, 2010



*Proven Expertise and Integrity*

TOWN OF NEWCASTLE, MAINE

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JUNE 30, 2010

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## INDEPENDENT AUDITORS' REPORT

September 9, 2010

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 six months ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2010, and the changes in financial position for the six months then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Newcastle, Maine's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*RHR Smith & Company*

Certified Public Accountants

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**(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 six months ended June 30, 2010. 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 \$2,017,250 from \$2.99 million to \$5.00 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 \$2,103,282 from \$1.37 million to a balance of \$3.47 million at the end of the six months.

**Table 1**  
**Town of Newcastle, Maine**  
**Net Assets**  
**June 30/December 31,**

	<b>2010</b>	<b>2009</b>
Current and other assets	\$ 4,213,136	\$ 2,117,174
Capital Assets	1,490,254	1,583,903
Total Assets	<b>\$ 5,703,390</b>	<b>\$ 3,701,077</b>
 Liabilities:		
Current Liabilities	\$ 522,187	\$ 537,124
Long-term Debt Outstanding	178,200	178,200
Total Liabilities	<b>\$ 700,387</b>	<b>\$ 715,324</b>
 Net Assets:		
Invested in Capital Assets, Net of related Debt	\$ 1,292,254	\$ 1,385,903
Restricted net assets:		
Capital project funds	82,744	78,000
Endowment funds	113,670	113,670
Permanent funds	42,456	39,583
Other Net Assets	3,471,879	1,368,597
Total Net Assets	<b>\$ 5,003,003</b>	<b>\$ 2,985,753</b>

### **Revenues and Expenses**

Revenues for the Town's governmental activities decreased by 12.18%, while total expenses decreased by 61.94%. The financial statements for the previous year were for twelve months while the financials for the current period are for six months.

**Table 2**  
**Town of Newcastle, Maine**  
**Change in Net Assets**  
**For the Six Months/Year Ended June 30/December 31,**

	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Taxes:		
Property	\$ 3,527,580	\$ 3,571,084
Excise	141,866	286,300
Intergovernmental	87,722	389,742
Charges for services	11,578	22,198
Miscellaneous	42,141	70,032
Total Revenue	<u>3,810,887</u>	<u>4,339,356</u>
<b>Expenses</b>		
Current:		
General government	162,290	340,442
Public safety	95,880	178,779
Health and sanitation	57,303	129,758
Public works	195,729	375,548
County tax	-	314,871
Education	1,207,905	2,432,062
Interest on long-term debt	13,139	4,421
Capital outlay	49,829	864,607
Unclassified	11,562	71,706
Total Expenses	<u>1,793,637</u>	<u>4,712,194</u>
Change in Net Assets	2,017,250	(372,838)
Net Assets - July 1	<u>2,985,753</u>	<u>3,358,591</u>
Net Assets - June 30	<u>\$ 5,003,003</u>	<u>\$ 2,985,753</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/December 31,**

	<u>2010</u>	<u>2009</u>
General Fund:		
Unreserved		
Designated	\$ 329,849	\$ 487,705
Undesignated	(86,825)	1,055,327
Total General Fund	<u>\$ 243,024</u>	<u>\$ 1,543,032</u>
 Road Reserve Fund:		
Unreserved		
Undesignated	\$ (498,071)	\$ (498,071)
Total Road Reserve Fund	<u>\$ (498,071)</u>	<u>\$ (498,071)</u>
 Nonmajor Funds:		
Reserved		
Capital Project Funds	\$ 82,744	\$ 78,000
Endowment Funds	113,670	113,670
Permanent Funds	42,456	39,583
Unreserved		
Permanent Funds	(2,227)	(2,995)
Total Nonmajor Funds	<u>\$ 236,643</u>	<u>\$ 228,258</u>

The general fund total fund balance decreased by \$1,300,008 over the prior fiscal period. The road reserve fund balance did not change from the previous fiscal period. The non-major fund balances increased by \$8,385 over the prior fiscal period. Most of the decrease in the general fund came as a result of changes in the recording of property tax revenue as a result of the change in fiscal year.

### **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 \$166,437. This was mainly a result of unbudgeted property tax revenue.

The general fund actual expenditures were under the budget by \$323,946. The following expenditures were under budget which accounts for most of the balance:

Education	\$ 28,146
Capital outlay	329,848

## Capital Asset and Long-Term Debt Administration

### Capital Assets

As of June 30, 2010, the net book value of capital assets recorded by the Town decreased by \$93,649 over the prior six months. The decrease is the result of depreciation expense.

**Table 4**  
**Town of Newcastle, Maine**  
**Capital Assets (Net of Depreciation)**  
**June 30/December 31,**

	<u>2010</u>	<u>2009</u>
Land and improvements	\$ 131,165	\$ 131,165
Buildings and improvements	659,131	681,785
Equipment & vehicles	266,757	285,179
Infrastructure	<u>433,201</u>	<u>485,774</u>
Total	<u>\$ 1,490,254</u>	<u>\$ 1,583,903</u>

### Debt

At June 30, 2010, the Town had a bond outstanding in the amount of \$198,000. The balance of the bond had not changed from December 31, 2009.

### 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 4 Pump Street, P.O. Box 386, Newcastle, Maine 04553-0386.

## TOWN OF NEWCASTLE, MAINE

STATEMENT OF NET ASSETS  
JUNE 30, 2010

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 680,048
Accounts receivable (net of allowance for uncollectibles):	
Taxes	3,334,230
Liens	189,457
Other	9,401
Total current assets	<u>4,213,136</u>
Noncurrent assets:	
Capital assets:	
Land, infrastructure, and other assets not being depreciated	131,165
Buildings and vehicles net of accumulated depreciation	1,359,089
Total noncurrent assets	<u>1,490,254</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 5,703,390</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 1,087
Due to other governments	1,300
Draw on road loan	500,000
Current portion of long-term obligations	19,800
Total current liabilities	<u>522,187</u>
Noncurrent liabilities	
Noncurrent portion of long-term obligations:	
Notes payable	178,200
Total noncurrent liabilities	<u>178,200</u>
<b>TOTAL LIABILITIES</b>	<u>700,387</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,292,254
Restricted: Capital project funds	82,744
Endowment funds	113,670
Permanent funds	42,456
Unrestricted	3,471,879
<b>TOTAL NET ASSETS</b>	<u><u>5,003,003</u></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 5,703,390</u></u>

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

## TOWN OF NEWCASTLE, MAINE

STATEMENT OF ACTIVITIES  
FOR THE SIX MONTHS ENDED JUNE 30, 2010

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	\$ 162,290	\$ 10,269	\$ -	\$ -	\$ (152,021)
Public safety	95,880	1,309	-	-	(94,571)
Health and sanitation	57,303	-	-	-	(57,303)
Public works	195,729	-	29,575	-	(166,154)
County tax	-	-	-	-	-
Education	1,207,905	-	14,877	-	(1,193,028)
Debt service:					
Interest on long-term debt	13,139	-	-	-	(13,139)
Capital outlay	49,829	-	-	-	(49,829)
Unclassified	11,562	-	-	-	(11,562)
Total governmental activities	<u>1,793,637</u>	<u>11,578</u>	<u>44,452</u>	<u>-</u>	<u>(1,737,607)</u>

STATEMENT B (CONTINUED)  
TOWN OF NEWCASTLE, MAINE

STATEMENT OF ACTIVITIES (CONTINUED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2010

	Governmental Activities
Changes in net assets:	
Net (expense) revenue	(1,737,607)
General revenue:	
Taxes	
Property taxes, levied for general purposes	3,527,580
Excise taxes, levied for general purposes	141,866
Grants and contributions not restricted to specific programs	43,270
Miscellaneous	42,141
Total general revenue and transfers	3,754,857
Change in net assets	2,017,250
NET ASSETS - JANUARY 1, 2010	2,985,753
NET ASSETS - JUNE 30, 2010	\$ 5,003,003

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



## TOWN OF NEWCASTLE, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2010

	General Fund	Road Reserve	All Nonmajor Funds	Total
<b>ASSETS</b>				
Cash	\$ 474,335	\$ -	\$ 205,713	\$ 680,048
Receivables (net of allowance for uncollectibles):				
Taxes	3,334,230	-	-	3,334,230
Liens	189,457	-	-	189,457
Other	7,472	1,929	-	9,401
Due from other funds	21,960	-	52,890	74,850
<b>TOTAL ASSETS</b>	<b>\$ 4,027,454</b>	<b>\$ 1,929</b>	<b>\$ 258,603</b>	<b>\$ 4,287,986</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,087	\$ -	\$ -	\$ 1,087
Due to other governments	1,300	-	-	1,300
Due to other funds	52,890	-	21,960	74,850
Deferred tax revenues	3,729,153	-	-	3,729,153
Draw on road loan	-	500,000	-	500,000
<b>TOTAL LIABILITIES</b>	<b>3,784,430</b>	<b>500,000</b>	<b>21,960</b>	<b>4,306,390</b>
<b>Fund Equity</b>				
<b>Reserved, reported in:</b>				
Endowments	-	-	113,670	113,670
Capital projects funds	-	-	82,744	82,744
Permanent funds	-	-	42,456	42,456
<b>Unreserved, reported in:</b>				
<b>General Fund:</b>				
Designated	329,849	-	-	329,849
Undesignated	(86,825)	-	-	(86,825)
Capital projects	-	(498,071)	-	(498,071)
Permanent funds	-	-	(2,227)	(2,227)
<b>TOTAL FUND EQUITY</b>	<b>243,024</b>	<b>(498,071)</b>	<b>236,643</b>	<b>(18,404)</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 4,027,454</b>	<b>\$ 1,929</b>	<b>\$ 258,603</b>	<b>\$ 4,287,986</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, 2010

	Total Governmental Funds
Total Fund Equity	\$ (18,404)
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	1,490,254
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	3,729,153
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Notes payable	(198,000)
 Net assets of governmental activities	 \$ 5,003,003

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 SIX MONTHS ENDED JUNE 30, 2010

	General Fund	Road Reserve	All Nonmajor Funds	Totals Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 125,058	\$ -	\$ -	\$ 125,058
Excise taxes	141,866	-	-	141,866
Intergovernmental	87,722	-	-	87,722
Charges for services	11,578	-	-	11,578
Miscellaneous revenues	30,925	-	11,216	42,141
<b>TOTAL REVENUES</b>	<b>397,149</b>	<b>-</b>	<b>11,216</b>	<b>408,365</b>
<b>EXPENDITURES</b>				
Current:				
General government	151,400	-	-	151,400
Public safety	65,942	-	-	65,942
Health and sanitation	57,303	-	-	57,303
Public works	143,154	-	-	143,154
County tax	-	-	-	-
Education	1,207,905	-	-	1,207,905
Debt service:				
Principal	-	-	-	-
Interest	13,139	-	-	13,139
Capital outlay	49,829	-	-	49,829
Unclassified	8,485	-	2,831	11,316
<b>TOTAL EXPENDITURES</b>	<b>1,697,157</b>	<b>-</b>	<b>2,831</b>	<b>1,699,988</b>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,300,008)</b>	<b>-</b>	<b>8,385</b>	<b>(1,291,623)</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</b>	<b>(1,300,008)</b>	<b>-</b>	<b>8,385</b>	<b>(1,291,623)</b>
<b>FUND BALANCES - JANUARY 1</b>	<b>1,543,032</b>	<b>(498,071)</b>	<b>228,258</b>	<b>1,273,219</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 243,024</b>	<b>\$ (498,071)</b>	<b>\$ 236,643</b>	<b>\$ (18,404)</b>

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 SIX MONTHS ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (1,291,623)</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	-
Capital assets disposed	-
Depreciation expense	<u>(93,649)</u>
	<u>(93,649)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported.	
Taxes and liens receivable	<u>3,402,522</u>
Debt proceeds provide current financial resources to governmental funds, but long-term liabilities in the Statement of Net Assets.	
	<u>-</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>-</u>
Change in net assets of governmental activities (Statement B)	<u><u>\$ 2,017,250</u></u>

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

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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, 2010

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, 2010

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, 2010

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, 2010

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, 2010.

**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 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, 2010

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.

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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, 2010

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, 2010, the Town's cash balance of \$680,048 was comprised of deposits amounting to \$667,786. Of these deposits, \$422,237 was insured by federal depository insurance and consequently was not exposed to custodial credit risk, and \$245,549 was in excess of federal depository insurance, and therefore, not insured or collateralized.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 468,933
Money market accounts	198,853
	<u>\$ 667,786</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, 2010 consisted of the following individual fund receivables and payables.

	<u>Receivables (Due from)</u>	<u>Payables (Due to)</u>
General fund	\$ 21,960	\$ 52,890
Capital project funds	46,981	11,547
Permanent funds	5,909	10,413
	<u>\$ 74,850</u>	<u>\$ 74,850</u>

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2010:

	Balance, 1/1/10	Additions	Disposals	Balance, 6/30/10
<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	1,887,040	-	-	1,887,040
	<u>3,307,924</u>	<u>-</u>	<u>-</u>	<u>3,307,924</u>
Less: accumulated depreciation	<u>(1,855,186)</u>	<u>(93,649)</u>	<u>-</u>	<u>(1,948,835)</u>
	<u>1,452,738</u>	<u>(93,649)</u>	<u>-</u>	<u>1,359,089</u>
Net capital assets	<u>\$ 1,583,903</u>	<u>\$ (93,649)</u>	<u>\$ -</u>	<u>\$ 1,490,254</u>
General government				\$ 10,890
Public safety				29,938
Public works				52,575
Recreation				246
Total depreciation expense				<u>\$ 93,649</u>

NOTE 5 – LONG-TERM DEBT

The following is a summary of changes in the General Long-Term Debt for the six months ended June 30, 2010:

	Balance, 1/1/10	Additions	Deletions	Balance, 6/30/10
Bonds payable	<u>\$ 198,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,000</u>

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 5 – LONG-TERM DEBT (CONTINUED)

The following is a summary of the outstanding bond payable:

Bond payable to Damariscotta Bank and Trust for roads. Annual principal payments of \$19,800 plus interest at a rate of 4.24%. Maturity in August of 2019.	<u>\$ 198,000</u>
Total bonds payable	<u><u>\$ 198,000</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
2011	\$ 19,800	\$ 8,227	\$ 28,027
2012	19,800	7,376	27,176
2013	19,800	6,544	26,344
2014	19,800	5,674	25,474
2015	19,800	4,823	24,623
2016-2020	99,000	11,354	110,354
	<u>\$ 198,000</u>	<u>\$ 43,998</u>	<u>\$ 241,998</u>

NOTE 6 – RESERVED FUND BALANCE

The following net assets have been reserved at June 30, 2010 for the following purposes:

Reserved for capital project funds	\$ 82,744
Reserved for endowments	113,670
Reserved for permanent funds	42,456
	<u>\$ 238,870</u>

TOWN OF NEWCASTLE, MAINE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2010

NOTE 7 – GENERAL FUND DESIGNATED FUND EQUITY

At June 30, 2010, the general fund designated fund balance was made up of the following account balances carried forward into the subsequent year’s budget:

Roads	\$	329,046
Harriet Bird Clubhouse		803
		329,849
	\$	329,849

NOTE 8 - EXPENDITURES OVER APPROPRIATIONS

The following appropriations were exceeded by actual expenditures:

		Excess
Administration	\$	1,437
Assessing agent		800
Fire department		12,243
Animal control office		37
General assistance		319
Highway maintenance		7,343
Debt service		13,139
Cemeteries		1,794
Park		133
Abatements		3,679
	\$	40,924

NOTE 9 – 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, 2010, the Town’s share was approximately:

	Outstanding Debt	Town’s Percentage	Total Share
County of Lincoln	\$ 10,855,000	3.66%	\$ 396,967

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 10 – 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 11 - 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 12 - DEFICIT FUND BALANCES

The following capital project fund has a deficit fund balance as of June 30, 2010:

Road Reserve	<u>\$ 498,071</u>
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## 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 SIX MONTHS ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, January 1	\$ 1,543,032	\$ 1,543,032	\$ 1,543,032	\$ -
Resources (Inflows):				
Property taxes	-	-	125,058	125,058
Excise taxes	149,187	149,187	141,866	(7,321)
Intergovernmental :				
State revenue sharing	35,000	35,000	42,445	7,445
Homestead exemption	-	-	-	-
State education subsidy	-	-	10,963	10,963
FEMA	-	-	10,525	10,525
Local road assistance	19,050	19,050	19,050	-
Other	459	459	4,739	4,280
Charges for services	11,296	11,296	11,578	282
Interest on taxes	12,578	12,578	11,856	(722)
Interest income	3,142	3,142	4,900	1,758
Miscellaneous revenues	-	-	14,169	14,169
Transfers from other funds	-	-	-	-
Amounts Available for Appropriation	<u>1,773,744</u>	<u>1,773,744</u>	<u>1,940,181</u>	<u>166,437</u>
Charges to Appropriations (Outflows):				
Current:				
General government	151,860	151,860	151,400	460
Public safety	57,840	57,840	65,942	(8,102)
Health and sanitation	56,984	56,984	57,303	(319)
Public works	135,811	135,811	143,154	(7,343)
County tax	-	-	-	-
Education	1,236,051	1,236,051	1,207,905	28,146
Debt service:				
Principal	-	-	-	-
Interest	-	-	13,139	(13,139)
Capital outlay	379,678	379,678	49,829	329,849
Unclassified	2,879	2,879	8,485	(5,606)
Transfers to other funds	-	-	-	-
Total Charges to Appropriations	<u>2,021,103</u>	<u>2,021,103</u>	<u>1,697,157</u>	<u>323,946</u>
Budgetary Fund Balance, June 30	<u>\$ (247,359)</u>	<u>\$ (247,359)</u>	<u>\$ 243,024</u>	<u>\$ 490,383</u>
Utilization of Designated Fund Balance	\$ 379,678	\$ 379,678	\$ -	\$ (379,678)
Utilization of Undesignated Fund Balance	1,410,713	1,410,713	-	(1,410,713)
	<u>\$ 1,790,391</u>	<u>\$ 1,790,391</u>	<u>\$ -</u>	<u>\$ (1,790,391)</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

TOWN OF NEWCASTLE, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
FOR THE SIX MONTHS ENDED JUNE 30, 2010

	2009 Carry- forwards	Budget	Excess Estimated Revenue	Total Available	Actual	Balance	
						Lapsed	Carried
General government							
Administration	\$ -	\$ 53,403	\$ -	\$ 53,403	\$ 48,954	\$ 4,449	\$ -
Town Administrator	-	31,800	-	31,800	29,507	2,293	-
Town Clerk/ Tax Coll / Etc	-	26,263	-	26,263	24,720	1,543	-
Deputies	-	16,153	-	16,153	13,835	2,318	-
Code Enforcement	-	4,500	-	4,500	3,540	960	-
Payroll taxes	-	6,968	-	6,968	5,553	1,415	-
Selectmen	-	4,710	-	4,710	4,055	655	-
Assessing agent	-	10,000	-	10,000	10,800	(800)	-
Town owned buildings	-	12,077	-	12,077	9,588	2,489	-
Planning board	-	250	-	250	42	208	-
Election workers	-	730	-	730	806	(76)	-
Other administration	-	(14,994)	-	(14,994)	-	(14,994)	-
	-	151,860	-	151,860	151,400	460	-
Public safety:							
Fire chief	-	7,500	-	7,500	16,154	(8,654)	-
Firemen / call pay	-	26,632	-	26,632	8,678	17,954	-
Fire department insurance	-	1,300	-	1,300	1,188	112	-
Vehicle maintenance	-	3,100	-	3,100	3,152	(52)	-
Vehicle gas / oil	-	3,640	-	3,640	2,997	643	-
New equipment / gear	-	-	-	-	826	(826)	-
Other fire department	-	(14,172)	-	(14,172)	7,248	(21,420)	-
Hydrants	-	23,130	-	23,130	19,570	3,560	-
Street lights	-	3,520	-	3,520	2,902	618	-
Lincoln County Animal Shelter	-	1,170	-	1,170	1,170	-	-
Animal control officer	-	1,545	-	1,545	1,582	(37)	-
Emergency management	-	425	-	425	425	-	-
Health officer	-	50	-	50	50	-	-
	-	57,840	-	57,840	65,942	(8,102)	-

TOWN OF NEWCASTLE, MAINE  
 SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
 FOR THE SIX MONTHS ENDED JUNE 30, 2010

	2009 Carry- forwards	Budget	Excess Estimated Revenue	Total Available	Actual	Balance	
						Lapsed	Carried
Health and sanitation:							
Solid waste management	-	56,525	-	56,525	56,525	-	-
General assistance	-	-	459	459	778	(319)	-
	<u>-</u>	<u>56,525</u>	<u>459</u>	<u>56,984</u>	<u>57,303</u>	<u>(319)</u>	<u>-</u>
Public works:							
Highway maintenance	-	135,811	-	135,811	143,154	(7,343)	-
	<u>-</u>	<u>135,811</u>	<u>-</u>	<u>135,811</u>	<u>143,154</u>	<u>(7,343)</u>	<u>-</u>
County tax	-	-	-	-	-	-	-
Education:							
Elementary education	-	783,356	-	783,356	783,355	1	-
Secondary education	-	452,695	-	452,695	424,550	28,145	-
	<u>-</u>	<u>1,236,051</u>	<u>-</u>	<u>1,236,051</u>	<u>1,207,905</u>	<u>28,146</u>	<u>-</u>
Debt service	-	-	-	-	13,139	(13,139)	-

TOWN OF NEWCASTLE, MAINE  
 SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
 FOR THE SIX MONTHS ENDED JUNE 30, 2010

	2009 Carry- forwards	Budget	Excess Estimated Revenue	Total Available	Actual	Balance	
						Lapsed	Carried
Capital outlay:							
Other roads	377,959	-	-	377,959	48,913	-	329,046
Harriet Bird Clubhouse	1,719	-	-	1,719	916	-	803
	<u>379,678</u>	<u>-</u>	<u>-</u>	<u>379,678</u>	<u>49,829</u>	<u>-</u>	<u>329,849</u>
Reserve transfers:							
Trust funds	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unclassified:							
Cemeteries	-	2,879	-	2,879	4,673	(1,794)	-
Park	-	-	-	-	133	(133)	-
Abatements	-	-	-	-	3,679	(3,679)	-
Overlay	-	-	-	-	-	-	-
	<u>-</u>	<u>2,879</u>	<u>-</u>	<u>2,879</u>	<u>8,485</u>	<u>(5,606)</u>	<u>-</u>
Total Expenditures	<u>\$ 379,678</u>	<u>\$ 1,640,966</u>	<u>\$ 459</u>	<u>\$ 2,021,103</u>	<u>\$ 1,697,157</u>	<u>\$ (5,903)</u>	<u>\$ 329,849</u>

See accompanying independent auditors' report.

## TOWN OF NEWCASTLE, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2010

	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash	\$ 47,310	\$ 158,403	\$ 205,713
Investments	-	-	-
Due from other funds	46,981	5,909	52,890
Total assets	<u>\$ 94,291</u>	<u>\$ 164,312</u>	<u>\$ 258,603</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	11,547	10,413	21,960
Total liabilities	<u>11,547</u>	<u>10,413</u>	<u>21,960</u>
<b>FUND EQUITY</b>			
Fund balance:			
Reserved:			
Designated for subsequent years' expenditures	82,744	42,456	125,200
Endowments	-	113,670	113,670
Unreserved:			
Undesignated	-	(2,227)	(2,227)
Total fund equity	<u>82,744</u>	<u>153,899</u>	<u>236,643</u>
Total liabilities and fund equity	<u>\$ 94,291</u>	<u>\$ 164,312</u>	<u>\$ 258,603</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 SIX MONTHS ENDED JUNE 30, 2010

	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Interest	480	3,850	4,330
Other	6,861	25	6,886
TOTAL REVENUES	<u>7,341</u>	<u>3,875</u>	<u>11,216</u>
EXPENDITURES	<u>2,597</u>	<u>234</u>	<u>2,831</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,744</u>	<u>3,641</u>	<u>8,385</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
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)	4,744	3,641	8,385
FUND BALANCE - JANUARY 1	<u>78,000</u>	<u>150,258</u>	<u>228,258</u>
FUND BALANCE - JUNE 30	<u>\$ 82,744</u>	<u>\$ 153,899</u>	<u>\$ 236,643</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, 2010

	<u>Capital Reserve</u>	<u>Conservation Town Forest</u>	<u>Road Reserve</u>	<u>Alewives Reserve</u>	<u>Computer Replacement</u>	<u>Totals</u>
<b>ASSETS</b>						
Cash	\$ -	\$ 13,833	\$ -	\$ 32,810	\$ 667	\$ 47,310
Due from other funds	6,981	-	38,000	-	2,000	46,981
<b>TOTAL ASSETS</b>	<u>\$ 6,981</u>	<u>\$ 13,833</u>	<u>\$ 38,000</u>	<u>\$ 32,810</u>	<u>\$ 2,667</u>	<u>\$ 94,291</u>
<b>LIABILITIES AND FUND EQUITY</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	11,547	-	11,547
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,547</u>	<u>-</u>	<u>11,547</u>
<b>FUND EQUITY</b>						
Fund balance:						
Reserved:						
Designated for subsequent years' expenditures	6,981	13,833	38,000	21,263	2,667	82,744
Undesignated	-	-	-	-	-	-
<b>TOTAL FUND EQUITY</b>	<u>6,981</u>	<u>13,833</u>	<u>38,000</u>	<u>21,263</u>	<u>2,667</u>	<u>82,744</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 6,981</u>	<u>\$ 13,833</u>	<u>\$ 38,000</u>	<u>\$ 32,810</u>	<u>\$ 2,667</u>	<u>\$ 94,291</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 SIX MONTHS ENDED JUNE 30, 2010

	Capital Reserve	Conservation Town Forest	Road Reserve	Alewives Reserve	Computer Replacement	Totals
REVENUES						
Interest	\$ -	\$ 336	\$ -	\$ 140	\$ 4	\$ 480
Other	-	-	-	6,861	-	6,861
TOTAL REVENUES	<u>-</u>	<u>336</u>	<u>-</u>	<u>7,001</u>	<u>4</u>	<u>7,341</u>
EXPENDITURES	<u>-</u>	<u>42</u>	<u>-</u>	<u>2,555</u>	<u>-</u>	<u>2,597</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>294</u>	<u>-</u>	<u>4,446</u>	<u>4</u>	<u>4,744</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>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	-	294	-	4,446	4	4,744
FUND BALANCE - JULY 1	<u>6,981</u>	<u>13,539</u>	<u>38,000</u>	<u>16,817</u>	<u>2,663</u>	<u>78,000</u>
FUND BALANCE - JUNE 30	<u>\$ 6,981</u>	<u>\$ 13,833</u>	<u>\$ 38,000</u>	<u>\$ 21,263</u>	<u>\$ 2,667</u>	<u>\$ 82,744</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, 2010

	C & M Hatch	Sheepscot	Glidden	Pine Knoll	Whitehouse	Lincoln	Worthy Poor	Totals
<b>ASSETS</b>								
Cash	\$ 2,236	\$ 43,063	\$ 18,872	\$32,536	\$ 255	\$ 26,909	\$ 34,532	\$ 158,403
Due from other funds	-	-	4,968	50	216	675	-	5,909
Total assets	<u>\$ 2,236</u>	<u>\$ 43,063</u>	<u>\$ 23,840</u>	<u>\$32,586</u>	<u>\$ 471</u>	<u>\$ 27,584</u>	<u>\$ 34,532</u>	<u>\$ 164,312</u>
<b>LIABILITIES</b>								
Due to other funds	\$ -	\$ 4,968	\$ -	\$ -	\$ 857	\$ -	\$ 4,588	\$ 10,413
Total liabilities	<u>-</u>	<u>4,968</u>	<u>-</u>	<u>-</u>	<u>857</u>	<u>-</u>	<u>4,588</u>	<u>10,413</u>
<b>FUND EQUITY</b>								
Fund balance:								
Reserved for endowments	2,001	23,647	19,118	33,873	554	11,438	23,039	113,670
Unreserved:								
Designated for subsequent years' expenditures	235	14,448	4,722	-	-	16,146	6,905	42,456
Undesignated	-	-	-	(1,287)	(940)	-	-	(2,227)
Total fund equity	<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>
Total liabilities and fund equity	<u>\$ 2,236</u>	<u>\$ 43,063</u>	<u>\$ 23,840</u>	<u>\$32,586</u>	<u>\$ 471</u>	<u>\$ 27,584</u>	<u>\$ 34,532</u>	<u>\$ 164,312</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 SIX MONTHS ENDED JUNE 30, 2010

	C & M Hatch	Sheepscot	Glidden	Pine Knoll	Whitehouse	Lincoln	Worthy Poor	Totals
REVENUES								
Interest	\$ 52	\$ 1,008	\$ 441	\$ 762	\$ 6	\$ 630	\$ 951	\$ 3,850
Other	-	-	-	-	-	25	-	25
TOTAL REVENUES	<u>52</u>	<u>1,008</u>	<u>441</u>	<u>762</u>	<u>6</u>	<u>655</u>	<u>951</u>	<u>3,875</u>
EXPENDITURES								
Other	-	-	-	-	-	-	234	234
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>234</u>	<u>234</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>52</u>	<u>1,008</u>	<u>441</u>	<u>762</u>	<u>6</u>	<u>655</u>	<u>717</u>	<u>3,641</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)	52	1,008	441	762	6	655	717	3,641
FUND BALANCES - JANUARY 1	<u>2,184</u>	<u>37,087</u>	<u>23,399</u>	<u>31,824</u>	<u>(392)</u>	<u>26,929</u>	<u>29,227</u>	<u>150,258</u>
FUND BALANCES - JUNE 30	<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>

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, 2010

	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	-	-	-	1,887,040	1,887,040
Recreation	-	8,774	-	-	8,774
Total General Capital Assets	131,165	823,321	597,563	1,887,040	3,439,089
Less: Accumulated Depreciation	-	(164,190)	(330,806)	(1,453,839)	(1,948,835)
Net General Capital Assets	\$ 131,165	\$ 659,131	\$ 266,757	\$ 433,201	\$ 1,490,254

See accompanying independent auditors' report.



## TOWN OF NEWCASTLE, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION  
FOR THE SIX MONTHS ENDED JUNE 30, 2010

	General Capital Assets 1/1/10	Additions	Deletions	General Capital Assets 6/30/10
General government	\$ 474,841	\$ -	\$ -	\$ 474,841
Public safety	1,068,434	-	-	1,068,434
Public works	1,887,040	-	-	1,887,040
Recreation	8,774	-	-	8,774
	<u>3,439,089</u>	<u>-</u>	<u>-</u>	<u>3,439,089</u>
Total General Capital Assets	3,439,089	-	-	3,439,089
Less: Accumulated Depreciation	<u>(1,855,186)</u>	<u>(93,649)</u>	<u>-</u>	<u>(1,948,835)</u>
Net General Capital Assets	<u>\$ 1,583,903</u>	<u>\$ (93,649)</u>	<u>\$ -</u>	<u>\$ 1,490,254</u>

See accompanying independent auditors' report.