

2013

Audited Financial Statements Town of Newcastle, Maine June 30, 2013

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Audited Financial Statements

Town of Newcastle, Maine

June 30, 2013



Proven Expertise and Integrity

TOWN OF NEWCASTLE, MAINE

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JUNE 30, 2013

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Proven Expertise and Integrity
INDEPENDENT AUDITORS' REPORT

Board of Selectmen
Town of Newcastle
Newcastle, Maine

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Newcastle, Maine as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and budgetary comparison information on page 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

RHR Smith & Company

Buxton, Maine
August 27, 2013

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

(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, 2013. 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 Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position 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 two 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 fund is the general fund. All other

funds are shown as nonmajor and are combined in the “All Nonmajor Funds” column on these statements.

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the Town's governmental activities. The Town's total net position increased by \$182,777 from \$2.38 million to \$2.56 million.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased to a balance of \$309,690.

Table 1
Town of Newcastle, Maine
Net Position
June 30,

| | 2013 | 2012 |
|--|--------------|--------------|
| Assets: | | |
| Current and Other Assets | \$ 673,251 | \$ 642,035 |
| Capital Assets | 3,282,904 | 3,246,818 |
| Total Assets | 3,956,155 | 3,877,473 |
| Liabilities: | | |
| Current Liabilities | 263,818 | 207,768 |
| Long-term Debt Outstanding | 1,067,961 | 1,236,869 |
| Total Liabilities | 1,331,779 | 1,444,637 |
| Deferred Inflows of Resources: | | |
| Prepaid taxes | 60,811 | 63,428 |
| Total Deferred Inflows of Resources | 60,811 | 63,428 |
| Net Position: | | |
| Invested in Capital Assets, Net of Related Debt | 1,995,660 | 1,815,607 |
| Restricted: | | |
| General fund | 88,867 | 204,318 |
| Capital project funds | 55,653 | 38,000 |
| Permanent funds | 113,695 | 113,695 |
| Unrestricted | 309,690 | 209,168 |
| Total Net Position | \$ 2,563,565 | \$ 2,380,788 |

Revenues and Expenses

Revenues for the Town's governmental activities increased by 512.84%, while total expenses decreased by 0.66%. The major increase in revenues was due to the effects of a timing difference in commitment of taxes in fiscal year 2011. Expenses declined across nearly all the categories partially offset by increases in public safety, education and unclassified.

Table 2
Town of Newcastle, Maine
Change in Net Position
For the years ended June 30,

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Revenues | | |
| <i>Program Revenues:</i> | | |
| Charges for services | \$ 39,510 | \$ 41,282 |
| Operating grants & contributions | 40,069 | 56,668 |
| <i>General Revenues:</i> | | |
| Property taxes | 3,685,227 | 1,070 |
| Excise taxes | 300,872 | 303,136 |
| Grants and contributions not restricted to specific programs | 221,858 | 201,328 |
| Miscellaneous | 64,061 | 106,587 |
| Total Revenue | <u>4,351,597</u> | <u>710,071</u> |
| Expenses | | |
| General government | 351,647 | 361,939 |
| Public safety | 195,214 | 180,378 |
| Health and sanitation | 109,167 | 113,004 |
| Public works | 324,452 | 412,245 |
| County tax | 311,500 | 318,583 |
| Education | 2,659,822 | 2,650,735 |
| Interest on long-term debt | 50,982 | 55,775 |
| Capital outlay | - | 39,812 |
| Unclassified | 166,036 | 63,964 |
| Total Expenses | <u>4,168,820</u> | <u>4,196,435</u> |
| Change in Net Position | 182,777 | (3,486,364) |
| Net Position - July 1 | <u>2,380,788</u> | <u>5,867,152</u> |
| Net Position - June 30 | <u>\$ 2,563,565</u> | <u>\$ 2,380,788</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, unassigned 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>2013</u> | <u>2012</u> |
|------------------------|-------------------|-------------------|
| General Fund: | | |
| Nonspendable | \$ 2,601 | \$ 500 |
| Restricted | 88,867 | 204,318 |
| Unassigned | 14,977 | (65,187) |
| Total General Fund | <u>\$ 106,445</u> | <u>\$ 139,631</u> |
| Nonmajor Funds: | | |
| Special Revenue Funds: | | |
| Assigned | \$ 22,005 | \$ - |
| Capital Project Funds: | | |
| Restricted | 55,653 | 38,000 |
| Assigned | 33,329 | 39,126 |
| Permanent Funds: | | |
| Restricted | 113,695 | 113,695 |
| Assigned | 49,467 | 56,107 |
| Unassigned | (916) | (916) |
| Total Nonmajor Funds | <u>\$ 273,233</u> | <u>\$ 246,012</u> |

The general fund total fund balance decreased by \$33,186 from the prior fiscal period. The non-major fund balances increased by \$27,221 over the prior fiscal period.

Budgetary Highlights

There was no significant difference between the original and final budget for the general fund. However, adjustments to the original budget include use of restricted fund balances, special town meetings and applied receipts.

The general fund actual revenues exceeded the budget by \$47,300. This was mainly a result of excise taxes and miscellaneous revenues being received over budget.

The general fund actual expenditures were under budget by \$123,832. Education and unclassified expenses were lower than anticipated, partially offset by higher than anticipated expenses in capital outlay.

Capital Asset and Long-Term Debt Administration

Capital Assets

As of June 30, 2013, the net book value of capital assets recorded by the Town increased by \$34,971 over the prior fiscal year. The increase is the result of current year additions of \$154,743 less current year depreciation expense of \$119,772.

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

| | 2013 | 2012 (Restated) |
|----------------------------|---------------------|----------------------------|
| Land and improvements | \$ 131,165 | \$ 131,165 |
| Buildings and improvements | 591,175 | 613,829 |
| Equipment & vehicles | 593,621 | 547,354 |
| Infrastructure | 1,966,943 | 1,955,585 |
| Total | <u>\$ 3,282,904</u> | <u>\$ 3,247,933</u> |

Debt

At June 30, 2013, the Town had notes outstanding in the amount of \$1,220,540 versus \$1,419,831 last year. Other obligations include capital leases payable. Refer to Note 5 of Notes to Financial Statements.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The Town's unassigned fund balance is below a level sufficient to sustain government operations for a period of approximately two months, however the Town maintains reserves for future operations, capital and program needs. The Town is working to rebuild unassigned fund balance to a sufficient level.

To further promote and ensure the financial well-being and fiscal stability of the Town, Newcastle adopted a Fund Balance Policy in October of 2008. The Town's management designed the policy around maintaining an appropriate level of Unassigned Fund Balance with the intent to reduce the need for borrowing, protect and enhance the Town's Bond Rating and to provide the funds necessary to meet the Town's near-term operating obligations. The policy requires that a surplus minimum be maintained equal to 1/12th or 8% of the Town's General Fund Budget, but not to exceed 15%. At June 30, 2013, the Town maintained balances below the minimum level. The policy also includes a provision for the suggested utilization of excess funds on additional capital improvement needs and tax rate stabilization or reduction purposes.

Contacting the Town's Financial Management

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

TOWN OF NEWCASTLE, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2013

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 290,072 |
| Investments | 180,562 |
| Accounts receivable (net of allowance for uncollectibles): | |
| Taxes | 7,788 |
| Liens | 192,228 |
| Tax acquired property | 2,601 |
| Other | - |
| Total current assets | <u>673,251</u> |
| Noncurrent assets: | |
| Capital assets: | |
| Land and other assets not being depreciated | 131,165 |
| Infrastructure, buildings and vehicles net of accumulated depreciation | 3,151,739 |
| Total noncurrent assets | <u>3,282,904</u> |
| TOTAL ASSETS | <u><u>\$ 3,956,155</u></u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | \$ 39,873 |
| Accrued payroll liabilities | 445 |
| Due to other governments | 4,217 |
| Current portion of long-term obligations | 219,283 |
| Total current liabilities | <u>263,818</u> |
| Noncurrent liabilities: | |
| Noncurrent portion of long-term obligations: | |
| Notes payable | 1,017,726 |
| Capital leases payable | 50,235 |
| Total noncurrent liabilities | <u>1,067,961</u> |
| TOTAL LIABILITIES | <u>1,331,779</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Prepaid taxes | 60,811 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>60,811</u> |
| NET POSITION | |
| Invested in capital assets, net of related debt | 1,995,660 |
| Restricted: | |
| General Fund | 88,867 |
| Capital project funds | 55,653 |
| Permanent funds | 113,695 |
| Unrestricted | 309,690 |
| TOTAL NET POSITION | <u>2,563,565</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u><u>\$ 3,956,155</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, 2013

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue & Changes in Net Position |
|----------------------------|---------------------|-------------------------|--|--------------------------------------|--|
| | | Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions | Governmental Activities |
| Governmental activities: | | | | | |
| General government | \$ 351,647 | \$ 39,510 | \$ - | \$ - | \$ (312,137) |
| Public safety | 195,214 | - | - | - | (195,214) |
| Health and sanitation | 109,167 | - | - | - | (109,167) |
| Public works | 324,452 | - | 40,069 | - | (284,383) |
| County tax | 311,500 | - | - | - | (311,500) |
| Education | 2,659,822 | - | - | - | (2,659,822) |
| Interest on long-term debt | 50,982 | - | - | - | (50,982) |
| Unclassified | 166,036 | - | - | - | (166,036) |
| Total government | <u>\$ 4,168,820</u> | <u>\$ 39,510</u> | <u>\$ 40,069</u> | <u>\$ -</u> | <u>(4,089,241)</u> |

STATEMENT B (CONTINUED)
TOWN OF NEWCASTLE, MAINE

STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

| | Governmental Activities |
|---|----------------------------|
| Changes in net position: | |
| Net (expense) revenue | (4,089,241) |
| General revenues: | |
| Taxes: | |
| Property taxes, levied for general purposes | 3,685,227 |
| Excise taxes | 300,872 |
| Grants and contributions not restricted to specific programs | 221,858 |
| Miscellaneous | 64,061 |
| Total general revenues | 4,272,018 |
| Change in net assets | 182,777 |
| NET POSITION - JULY 1 RESTATED | 2,380,788 |
| NET POSITION - JUNE 30 | \$ 2,563,565 |

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

TOWN OF NEWCASTLE, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

| | General Fund | All Nonmajor Funds | Totals |
|---|-------------------|--------------------------|-------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 260,786 | \$ 29,286 | \$ 290,072 |
| Investments | - | 180,562 | 180,562 |
| Receivables (net of allowance for uncollectibles): | | | |
| Taxes | 7,788 | - | 7,788 |
| Liens | 192,228 | - | 192,228 |
| Other | - | - | - |
| Tax acquired property | 2,601 | - | 2,601 |
| Due from other funds | 9,869 | 73,254 | 83,123 |
| TOTAL ASSETS | \$ 473,272 | \$ 283,102 | \$ 756,374 |
| LIABILITIES | | | |
| Accounts payable | \$ 39,873 | \$ - | \$ 39,873 |
| Accrued payroll liabilities | 445 | - | 445 |
| Due to other governments | 4,217 | - | 4,217 |
| Due to other funds | 73,254 | 9,869 | 83,123 |
| TOTAL LIABILITIES | 117,789 | 9,869 | 127,658 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Prepaid taxes | 60,811 | - | 60,811 |
| Deferred tax revenues | 188,227 | - | 188,227 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 249,038 | - | 249,038 |
| FUND BALANCES | | | |
| Nonspendable | 2,601 | - | 2,601 |
| Restricted | 88,867 | 169,348 | 258,215 |
| Committed | - | - | - |
| Assigned | - | 104,801 | 104,801 |
| Unassigned | 14,977 | (916) | 14,061 |
| TOTAL FUND BALANCES | 106,445 | 273,233 | 379,678 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 473,272 | \$ 283,102 | \$ 756,374 |

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 POSITION
JUNE 30, 2013

| | <u>Total Governmental Funds</u> |
|--|---|
| Total Fund Balances | \$ 379,678 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation | 3,282,904 |
| 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 | 188,227 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | |
| Notes payable | (1,220,540) |
| Capital leases payable | <u>(66,704)</u> |
| Net position of governmental activities | <u>\$ 2,563,565</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, 2013

| | General Fund | All Nonmajor Funds | Totals |
|--|-------------------|--------------------------|-------------------|
| REVENUES | | | |
| Taxes: | | | |
| Property taxes | \$ 3,672,803 | \$ - | \$ 3,672,803 |
| Excise taxes | 300,872 | - | 300,872 |
| Intergovernmental | 261,927 | - | 261,927 |
| Charges for services | 39,510 | - | 39,510 |
| Miscellaneous revenues | 49,286 | 18,510 | 67,796 |
| TOTAL REVENUES | <u>4,324,398</u> | <u>18,510</u> | <u>4,342,908</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 338,497 | - | 338,497 |
| Public safety | 153,327 | - | 153,327 |
| Health and sanitation | 109,167 | - | 109,167 |
| Public works | 245,627 | - | 245,627 |
| County tax | 311,500 | - | 311,500 |
| Education | 2,659,822 | - | 2,659,822 |
| Unclassified | 57,612 | 108,178 | 165,790 |
| Debt service: | | | |
| Principal | 199,291 | - | 199,291 |
| Interest | 50,982 | - | 50,982 |
| Capital outlay | 19,023 | 95,847 | 114,870 |
| TOTAL EXPENDITURES | <u>4,144,848</u> | <u>204,025</u> | <u>4,348,873</u> |
| EXCESS REVENUES OVER (UNDER) EXPENDITURES | <u>179,550</u> | <u>(185,515)</u> | <u>(5,965)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | 3,660 | 216,396 | 220,056 |
| Operating transfers (out) | (216,396) | (3,660) | (220,056) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(212,736)</u> | <u>212,736</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | (33,186) | 27,221 | (5,965) |
| FUND BALANCES - JANUARY 1 | <u>139,631</u> | <u>246,012</u> | <u>385,643</u> |
| FUND BALANCES - JUNE 30 | <u>\$ 106,445</u> | <u>\$ 273,233</u> | <u>\$ 379,678</u> |

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

TOWN OF NEWCASTLE, MAINE
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2013

| | |
|--|--------------------------|
| Net change in fund balances - total governmental funds (Statement E) | <u>\$ (5,965)</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 | 154,743 |
| Capital asset disposals | - |
| Depreciation expense | <u>(119,772)</u> |
| | <u>34,971</u> |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported. | |
| Deferred revenues | (3,735) |
| Taxes and liens receivable | <u>12,424</u> |
| Debt proceeds provide current financial resources to governmental funds, but long-term liabilities in the Statement of Net Position. | |
| | <u>(58,896)</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 Position | |
| | <u>203,978</u> |
| Change in net position of governmental activities (Statement B) | <u><u>\$ 182,777</u></u> |

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

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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).

In the government-wide Statement of Net Position, 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 position is reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

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

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 position 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, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. Both fiduciary funds and component units that are fiduciary in nature have been excluded from these 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, 2013

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. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- d. Permanent Funds are used to account for assets held by the Town that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. The Town's policy for authorizing and spending investment income follows State statutes.

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

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.
4. The Town does not adopt budgets for Special Revenue Funds.

Deposits and Investments

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

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

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

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Money market mutual funds whose portfolios consist of the foregoing

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

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, 2013.

Capital Assets

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

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

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

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimated useful lives are as follows:

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

Long-term Obligations

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

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

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net position 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 position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

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, 2013

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 updating 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, 2013

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 July 9, 2012 on the assessed value listed as of April 1, 2012, for all real and personal property located in the Town. Taxes were due on August 31, 2012 and March 31, 2013. Interest on unpaid taxes commenced on September 1, 2012 and April 1, 2013, 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 \$33,023 for the year ended June 30, 2013.

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, 2013

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2013, the Town’s deposits of \$290,072 were comprised of deposits of \$299,143. Of these bank deposits, \$250,000 was insured by federal depository insurance and consequently was not exposed to custodial credit risk. The remaining bank deposits of \$49,143 were uncollateralized and uninsured.

| <u>Account Type</u> | <u>Bank Balance</u> |
|-----------------------|-------------------------|
| Checking accounts | \$ 281,341 |
| Money market accounts | 17,802 |
| | \$ 299,143 |

Investments:

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

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2013, the Town had the following investments and maturities:

| <u>Account Type</u> | <u>Fair Value</u> | <u>Not Applicable</u> | <u>Less than 1 Year</u> | <u>1-5 Years</u> |
|-----------------------------|-------------------|-----------------------|-------------------------|------------------|
| Money market funds | \$ 70,733 | \$ 70,733 | \$ - | \$ - |
| Mutual Funds - Equity | 8,658 | 8,658 | | |
| Mutual Funds - Fixed income | 84,544 | 84,544 | | |
| Mortgage REIT | 16,627 | 16,627 | - | - |
| | <u>\$ 180,562</u> | <u>\$ 180,562</u> | <u>\$ -</u> | <u>\$ -</u> |

In accordance with its investment policy, the Town seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers. As such, the Town's investments of \$180,562 were fully covered by the Securities Investor Protection Corporation (SIPC).

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

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2013 consisted of the following individual fund receivables and payables.

| | <u>Receivables (Due from)</u> | <u>Payables (Due to)</u> |
|-----------------------|-----------------------------------|------------------------------|
| General fund | \$ 9,869 | \$ 73,254 |
| Special revenue funds | 10,805 | 284 |
| Capital project funds | 55,843 | - |
| Permanent funds | 6,606 | 9,585 |
| | <u>\$ 83,123</u> | <u>\$ 83,123</u> |

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2013:

| | Balance, 7/1/12 | Additions | Disposals | Balance, 6/30/13 |
|-----------------------------------|---------------------|------------------|-------------|---------------------|
| <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 | 910,113 | 78,896 | - | 989,009 |
| Infrastructure | 3,550,919 | 75,847 | - | 3,626,766 |
| | <u>5,284,353</u> | <u>154,743</u> | <u>-</u> | <u>5,439,096</u> |
| Less: accumulated depreciation | <u>(2,167,585)</u> | <u>(119,772)</u> | <u>-</u> | <u>(2,287,357)</u> |
| | <u>3,116,768</u> | <u>34,971</u> | <u>-</u> | <u>3,151,739</u> |
| Net capital assets | <u>\$ 3,247,933</u> | <u>\$ 34,971</u> | <u>\$ -</u> | <u>\$ 3,282,904</u> |
| <u>Current year depreciation:</u> | | | | |
| General government | | | | \$ 13,150 |
| Public safety | | | | 41,887 |
| Public works | | | | 64,489 |
| Recreation | | | | 246 |
| Total depreciation expense | | | | <u>\$ 119,772</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, 2013:

| | Balance, 7/1/12 | Additions | Deletions | Balance, 6/30/13 | Current Portion |
|------------------------|---------------------|------------------|---------------------|---------------------|--------------------|
| Notes payable | \$ 1,419,831 | \$ - | \$ (199,291) | \$ 1,220,540 | \$ 202,814 |
| Capital leases payable | 11,380 | 58,896 | (3,572) | 66,704 | 16,469 |
| | <u>\$ 1,431,211</u> | <u>\$ 58,896</u> | <u>\$ (202,863)</u> | <u>\$ 1,287,244</u> | <u>\$ 219,283</u> |

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 – LONG-TERM DEBT (CONTINUED)

The following is a summary of the outstanding bonds payable:

| | |
|--|----------------------------|
| Note payable to Damariscotta Bank and Trust for roads. Annual principal payments of \$19,800 plus interest at a rate of 4.24% per annum. Maturity in August of 2019. | \$ 136,575 |
| Note payable to Damariscotta Bank and Trust for roads. Monthly payments of \$16,418. Interest is charged at a rate of 3.970% per annum. Maturity in December of 2017. | 807,770 |
| Note payable to Damariscotta Bank and Trust for a fire truck. Monthly payments of \$2,257. Interest is charged at a rate of 4.190% per annum. Maturity in January of 2027. | <u>276,195</u> |
| Total notes payable | <u><u>\$ 1,220,540</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 |
|-----------|---------------------|-------------------|-----------------------|
| 2014 | \$ 202,814 | \$ 46,807 | \$ 249,621 |
| 2015 | 210,354 | 37,516 | 247,870 |
| 2016 | 218,138 | 28,890 | 247,028 |
| 2017 | 226,377 | 19,791 | 246,168 |
| 2018 | 133,707 | 11,257 | 144,964 |
| 2019-2023 | 142,190 | 31,933 | 174,123 |
| 2024-2028 | 86,960 | 7,184 | 94,144 |
| | <u>\$ 1,220,540</u> | <u>\$ 183,378</u> | <u>\$ 1,403,918</u> |

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 – LONG TERM DEBT (CONTINUED)

The following is a summary of leases outstanding as of June 30, 2013:

\$12,495, 2011 capital lease for a copier. The lease is for five years with annual payments of \$2,892 through December 2016. The effective interest rate is 6.00% per annum.

\$58,896, 2013 capital lease for a mini-excavator. The lease is for four years with annual payments of \$15,619 through July 2017. The effective interest rate is 2.92% per annum.

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

| Year Ending June 30: | | |
|---|----|---------|
| 2014 | \$ | 18,511 |
| 2015 | | 18,511 |
| 2016 | | 19,813 |
| 2017 | | 14,463 |
| 2018 | | - |
| | \$ | 71,298 |
| Less: amount representing interest | | (4,594) |
| Present value of minimum lease payments | \$ | 66,704 |

NOTE 6 – NONSPENDABLE FUND BALANCES

At June 30, 2013, the Town had the following nonspendable fund balances:

| | |
|-----------------------|----------|
| Tax acquired property | \$ 2,601 |
|-----------------------|----------|

NOTE 7 – RESTRICTED FUND BALANCES

At June 30, 2013, the Town had the following restricted fund balances:

| | |
|--|------------|
| Education | \$ 88,867 |
| Capital Project Funds (See Schedule F) | 55,653 |
| Permanent Funds (See Schedule H) | 113,695 |
| | \$ 258,215 |

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 8 – ASSIGNED FUND BALANCES

At June 30, 2013, the Town had the following assigned fund balances:

| | | |
|--|----|---------|
| Special Revenue Funds (See Schedule D) | \$ | 22,005 |
| Capital Project Funds (See Schedule F) | | 33,329 |
| Permanent Funds (See Schedule H) | | 49,467 |
| | | 104,801 |
| | \$ | 104,801 |

NOTE 9 - EXPENDITURES OVER APPROPRIATIONS

The following appropriations were exceeded by actual expenditures:

| | | Excess |
|-------------------------|----|--------|
| General government | \$ | 3,818 |
| Public works | | 1,782 |
| Debt service - interest | | 273 |
| Capital outlay | | 12,715 |
| | | 18,588 |
| | \$ | 18,588 |

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, 2013, the Town's share was approximately:

| | Outstanding Debt | Town's Percentage | Total Share |
|-------------------|---------------------|----------------------|----------------|
| County of Lincoln | \$ 8,395,000 | 3.81% | \$ 319,850 |

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 11 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance or participates in a public entity and self-insured risk pool sponsored by the Maine Municipal Association.

Based on the coverage provided by the insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2013. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in 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 – DEFICIT FUND BALANCES

The following fund has a deficit fund balance at June 30, 2013:

| | |
|---------------------|----------------------|
| Whitehouse Cemetery | <u>\$</u> <u>363</u> |
|---------------------|----------------------|

NOTE 14 – RELATED PARTY TRANSACTIONS

The Animal Control Officer and Town Constable for the Town of Newcastle, Maine and the owner of Louis Doe, Inc., a local hardware supplier, are related. The company provides various building and grounds supplies to the Town. During the fiscal year ended June 30, 2012, payments to Louis Doe, Inc. totaled \$303.

TOWN OF NEWCASTLE, MAINE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE 15 – INTERLOCAL AGREEMENT

As of July 1, 2011, the Town entered into an agreement with the Town of Damariscotta for the purpose of sharing and co-employment of municipal employees to deliver municipal services and/or municipal functions which currently are provided by each town independently of one another. No separate legal or administrative entity has been created by the agreement. The agreement has an initial four-year term, with a renewal option available. Costs are allocated between the parties on a pro-rata basis for all services. The agreement becomes voidable if at any time a request for an appropriation of funds is defeated in a town meeting.

NOTE 16 – SHORT-TERM DEBT

On February 26, 2013, the Town issued a tax anticipation note to provide liquidity for governmental operations financed by property taxes, which are collected in semi-annual payments due August 31 and March 31. The note, a line of credit, allowed principle draws up to \$1,000,000 at 2.54% interest with a maturity date of December 31, 2013. Short-term debt activity for the year ended June 30, 2013, was as follows:

| | <u>Balance</u> <u>7/1/2012</u> | <u>Draws</u> | <u>Repayments</u> | <u>Balance</u> <u>6/30/2013</u> |
|-----------------------|-----------------------------------|-------------------|---------------------|------------------------------------|
| Tax anticipation note | <u>\$ -</u> | <u>\$ 300,000</u> | <u>\$ (300,000)</u> | <u>\$ -</u> |
| Totals | <u>\$ -</u> | <u>\$ 300,000</u> | <u>\$ (300,000)</u> | <u>\$ -</u> |

On June 25, 2013, the note was paid in full.

NOTE 17 – RESTATEMENT

As of July 1, 2012, the capital leases payable and capital assets have been restated by \$12,495. This restatement was done to reflect the addition of a capital lease that was reflected as an operating lease in prior years. The Town's total net position has not changed as of July 1, 2012.

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, 2013

| | Budgeted Amounts | | Actual Amounts | Variance Positive (Negative) |
|--|------------------|-------------|-------------------|------------------------------------|
| | Original | Final | | |
| Budgetary Fund Balance, July 1 | \$ 139,631 | \$ 139,631 | \$ 139,631 | \$ - |
| Resources (Inflows): | | | | |
| Property taxes | 3,682,837 | 3,682,837 | 3,672,803 | (10,034) |
| Excise taxes | 257,366 | 257,366 | 300,872 | 43,506 |
| Intergovernmental : | | | | |
| State revenue sharing | 110,000 | 110,000 | 104,413 | (5,587) |
| Homestead exemption | 38,289 | 38,289 | 36,218 | (2,071) |
| State education subsidy | - | 42,643 | 42,643 | - |
| FEMA | 1,000 | 1,000 | 161 | (839) |
| Local road assistance | 35,000 | 35,000 | 39,908 | 4,908 |
| Other | 44,038 | 45,338 | 38,584 | (6,754) |
| Charges for services | 31,125 | 31,125 | 39,510 | 8,385 |
| Interest on taxes | 20,000 | 20,000 | 19,450 | (550) |
| Interest income | 12,000 | 12,000 | 8,143 | (3,857) |
| Miscellaneous revenues | 1,500 | 1,500 | 21,693 | 20,193 |
| Bond Proceeds | - | - | - | - |
| Transfers from other funds | - | 3,660 | 3,660 | - |
| Amounts Available for Appropriation | 4,372,786 | 4,420,389 | 4,467,689 | 47,300 |
| Charges to Appropriations (Outflows): | | | | |
| General government | 333,379 | 334,679 | 338,497 | (3,818) |
| Public safety | 160,443 | 160,443 | 153,327 | 7,116 |
| Health and sanitation | 110,780 | 110,780 | 109,167 | 1,613 |
| Public works | 243,845 | 243,845 | 245,627 | (1,782) |
| County tax | 311,500 | 311,500 | 311,500 | - |
| Education | 2,508,036 | 2,748,689 | 2,659,822 | 88,867 |
| Debt service: | | | | |
| Principal | 199,291 | 199,291 | 199,291 | - |
| Interest | 50,709 | 50,709 | 50,982 | (273) |
| Capital outlay | - | 6,308 | 19,023 | (12,715) |
| Unclassified | 98,776 | 102,436 | 57,612 | 44,824 |
| Transfers to other funds | 216,396 | 216,396 | 216,396 | - |
| Total Charges to Appropriations | 4,233,155 | 4,485,076 | 4,361,244 | 123,832 |
| Budgetary Fund Balance, June 30 | \$ 139,631 | \$ (64,687) | \$ 106,445 | \$ 171,132 |
| Utilization of Restricted Fund Balance | \$ - | \$ 204,318 | \$ - | \$ (204,318) |

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

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 Special Revenue Funds
- Combining Schedule of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue 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, 2013

| | Original Budget | Budget Adjustments | Final Budget | Actual | Variance Positive (Negative) |
|----------------------------|--------------------|-----------------------|-----------------|----------------|---------------------------------|
| General government | | | | | |
| Town Administrator | \$ 79,775 | \$ - | \$ 79,775 | \$ 83,422 | \$ (3,647) |
| Town Clerk/ Tax Coll / Etc | 46,768 | - | 46,768 | 45,094 | 1,674 |
| Deputies | 30,953 | - | 30,953 | 29,430 | 1,523 |
| Code Enforcement | 11,100 | - | 11,100 | 10,440 | 660 |
| Payroll taxes | 19,500 | - | 19,500 | 20,694 | (1,194) |
| Selectmen | 7,500 | - | 7,500 | 7,500 | - |
| Assessing agent | 18,000 | - | 18,000 | 17,000 | 1,000 |
| Town owned buildings | 27,776 | - | 27,776 | 29,422 | (1,646) |
| Planning board | 960 | - | 960 | 1,047 | (87) |
| Election workers | 1,622 | - | 1,622 | 924 | 698 |
| Recording secretary | 1,200 | - | 1,200 | 545 | 655 |
| Other administration | 88,225 | 1,300 | 89,525 | 92,979 | (3,454) |
| | <u>333,379</u> | <u>1,300</u> | <u>334,679</u> | <u>338,497</u> | <u>(3,818)</u> |
| Public safety: | | | | | |
| Fire chief | 44,127 | - | 44,127 | 42,207 | 1,920 |
| Officers' salary | 1,500 | - | 1,500 | 1,490 | 10 |
| Firemen / call pay | 17,600 | - | 17,600 | 11,550 | 6,050 |
| Phones | 2,200 | - | 2,200 | 2,549 | (349) |
| S.C.B.A. | 2,800 | - | 2,800 | 2,882 | (82) |
| Communications | 2,200 | - | 2,200 | 1,754 | 446 |
| Training | 3,000 | - | 3,000 | 1,556 | 1,444 |
| Dry hydrant | 1,000 | - | 1,000 | 1,015 | (15) |
| New equipment | 4,500 | - | 4,500 | 5,362 | (862) |
| Vehicle maintenance | 5,500 | - | 5,500 | 5,467 | 33 |
| Turn out gear | 2,500 | - | 2,500 | 2,240 | 260 |
| Insurances | - | - | - | 500 | (500) |
| Admin | 2,800 | - | 2,800 | 3,344 | (544) |
| Vehicles/gas and oil | 9,000 | - | 9,000 | 6,535 | 2,465 |
| Animal control officer | 3,200 | - | 3,200 | 3,306 | (106) |
| Protection | 57,566 | - | 57,566 | 60,620 | (3,054) |
| Emergency managment | 850 | - | 850 | 850 | - |
| Health officer | 100 | - | 100 | 100 | - |
| | <u>160,443</u> | <u>-</u> | <u>160,443</u> | <u>153,327</u> | <u>7,116</u> |

TOWN OF NEWCASTLE, MAINE
 SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2013

| | Original Budget | Budget Adjustments | Final Budget | Actual | Variance Positive (Negative) |
|------------------------|--------------------|-----------------------|------------------|------------------|---------------------------------|
| Health and sanitation: | | | | | |
| Septic waste contract | 2,300 | - | 2,300 | 2,300 | - |
| Transfer Station | 101,480 | - | 101,480 | 100,783 | 697 |
| General assistance | 7,000 | - | 7,000 | 6,084 | 916 |
| | <u>110,780</u> | <u>-</u> | <u>110,780</u> | <u>109,167</u> | <u>1,613</u> |
| Public works: | | | | | |
| Snow removal | 243,845 | - | 243,845 | 245,627 | (1,782) |
| | <u>243,845</u> | <u>-</u> | <u>243,845</u> | <u>245,627</u> | <u>(1,782)</u> |
| County tax | <u>311,500</u> | <u>-</u> | <u>311,500</u> | <u>311,500</u> | <u>-</u> |
| Education: | | | | | |
| Elementary education | 1,654,724 | - | 1,654,724 | 1,654,724 | - |
| Secondary education | 847,334 | 240,653 | 1,087,987 | 999,120 | 88,867 |
| Adult ed | 5,978 | - | 5,978 | 5,978 | - |
| | <u>2,508,036</u> | <u>240,653</u> | <u>2,748,689</u> | <u>2,659,822</u> | <u>88,867</u> |
| Debt Service: | | | | | |
| Principal | 199,291 | - | 199,291 | 199,291 | - |
| Interest | 50,709 | - | 50,709 | 50,982 | (273) |
| | <u>250,000</u> | <u>-</u> | <u>250,000</u> | <u>250,273</u> | <u>(273)</u> |

TOWN OF NEWCASTLE, MAINE
 SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2013

| | Original Budget | Budget Adjustments | Final Budget | Actual | Variance Positive (Negative) |
|-------------------------------|--------------------|-----------------------|------------------|------------------|---------------------------------|
| Capital outlay: | | | | | |
| Roads | - | 6,308 | 6,308 | 19,023 | (12,715) |
| | - | 6,308 | 6,308 | 19,023 | (12,715) |
| Unclassified: | | | | | |
| Cemeteries | 12,935 | 3,660 | 16,595 | 12,985 | 3,610 |
| Park | 850 | - | 850 | 305 | 545 |
| Not for profit and other orgs | 41,968 | - | 41,968 | 41,968 | - |
| Abatements | 10,000 | - | 10,000 | 2,354 | 7,646 |
| Overlay | 33,023 | - | 33,023 | - | 33,023 |
| | 98,776 | 3,660 | 102,436 | 57,612 | 44,824 |
| Total Expenditures | \$ 4,016,759 | \$ 251,921 | \$ 4,268,680 | \$ 4,144,848 | \$ 123,832 |

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

TOWN OF NEWCASTLE, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

| | Special Revenue Funds | Capital Project Funds | Permanent Funds | Total Nonmajor Governmental Funds |
|--|-----------------------------|-----------------------------|--------------------|---|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 11,484 | \$ 17,802 | \$ - | \$ 29,286 |
| Investments | - | 15,337 | 165,225 | 180,562 |
| Due from other funds | 10,805 | 55,843 | 6,606 | 73,254 |
| TOTAL ASSETS | <u>\$ 22,289</u> | <u>\$ 88,982</u> | <u>\$ 171,831</u> | <u>\$ 283,102</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | 284 | - | 9,585 | 9,869 |
| TOTAL LIABILITIES | <u>284</u> | <u>-</u> | <u>9,585</u> | <u>9,869</u> |
| FUND BALANCES | | | | |
| Nonspendable | - | - | - | - |
| Restricted | - | 55,653 | 113,695 | 169,348 |
| Committed | - | - | - | - |
| Assigned | 22,005 | 33,329 | 49,467 | 104,801 |
| Unassigned | - | - | (916) | (916) |
| TOTAL FUND BALANCES | <u>22,005</u> | <u>88,982</u> | <u>162,246</u> | <u>273,233</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 22,289</u> | <u>\$ 88,982</u> | <u>\$ 171,831</u> | <u>\$ 283,102</u> |

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

TOWN OF NEWCASTLE, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

| | Special Revenue Funds | Capital Project Funds | Permanent Funds | Total Nonmajor Governmental Funds |
|---|-----------------------------|-----------------------------|--------------------|---|
| REVENUES | | | | |
| Investment income, net of unrealized gains/(losses) | \$ - | \$ (226) | \$ (3,080) | \$ (3,306) |
| Interest income | 11 | 67 | - | 78 |
| Other | 15,458 | 6,180 | 100 | 21,738 |
| TOTAL REVENUES | <u>15,469</u> | <u>6,021</u> | <u>(2,980)</u> | <u>18,510</u> |
| EXPENDITURES | | | | |
| Capital outlay | - | 95,847 | - | 95,847 |
| Other | 96,360 | 11,818 | - | 108,178 |
| EXPENDITURES | <u>96,360</u> | <u>107,665</u> | <u>-</u> | <u>204,025</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(80,891)</u> | <u>(101,644)</u> | <u>(2,980)</u> | <u>(185,515)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating Transfers In | 102,896 | 113,500 | - | 216,396 |
| Operating Transfers (Out) | - | - | (3,660) | (3,660) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>102,896</u> | <u>113,500</u> | <u>(3,660)</u> | <u>212,736</u> |
| NET CHANGE IN FUND BALANCES | 22,005 | 11,856 | (6,640) | 27,221 |
| FUND BALANCES - JULY 1 | <u>-</u> | <u>77,126</u> | <u>168,886</u> | <u>246,012</u> |
| FUND BALANCES - JUNE 30 | <u>\$ 22,005</u> | <u>\$ 88,982</u> | <u>\$ 162,246</u> | <u>\$ 273,233</u> |

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

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

TOWN OF NEWCASTLE, MAINE

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013

| | <u>Interlocal Agreement</u> | <u>Joint Shellfish Account</u> | <u>Totals</u> |
|--|---------------------------------|------------------------------------|------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ - | \$ 11,484 | \$ 11,484 |
| Investments | - | - | - |
| Due from other funds | 10,805 | - | 10,805 |
| TOTAL ASSETS | <u>\$ 10,805</u> | <u>\$ 11,484</u> | <u>\$ 22,289</u> |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| Due to other funds | - | 284 | 284 |
| TOTAL LIABILITIES | <u>-</u> | <u>284</u> | <u>284</u> |
| FUND BALANCES | | | |
| Nonspendable | - | - | - |
| Restricted | - | - | - |
| Committed | - | - | - |
| Assigned | 10,805 | 11,200 | 22,005 |
| Unassigned | - | - | - |
| TOTAL FUND BALANCES | <u>10,805</u> | <u>11,200</u> | <u>22,005</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 10,805</u> | <u>\$ 11,484</u> | <u>\$ 22,289</u> |

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

TOWN OF NEWCASTLE, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

| | <u>Interlocal Agreement</u> | <u>Joint Shellfish Account</u> | <u>Totals</u> |
|---|---------------------------------|------------------------------------|------------------|
| REVENUES | | | |
| Interest income | \$ - | \$ 11 | \$ 11 |
| Other | - | 15,458 | 15,458 |
| TOTAL REVENUES | <u>-</u> | <u>15,469</u> | <u>15,469</u> |
| EXPENDITURES | | | |
| Capital outlay | - | - | - |
| Other | 92,091 | 4,269 | 96,360 |
| TOTAL EXPENDITURES | <u>92,091</u> | <u>4,269</u> | <u>96,360</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(92,091)</u> | <u>11,200</u> | <u>(80,891)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating Transfers In | 102,896 | - | 102,896 |
| Operating Transfers (Out) | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>102,896</u> | <u>-</u> | <u>102,896</u> |
| NET CHANGE IN FUND BALANCES | 10,805 | 11,200 | 22,005 |
| FUND BALANCES - JULY 1 | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES - JUNE 30 | <u>\$ 10,805</u> | <u>\$ 11,200</u> | <u>\$ 22,005</u> |

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

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, 2013

| | <u>Conservation Town Forest</u> | <u>Road Reserve</u> | <u>Alewives Reserve</u> | <u>Totals</u> |
|--|-------------------------------------|-------------------------|-----------------------------|------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ 17,802 | \$ 17,802 |
| Investments | 15,337 | - | - | 15,337 |
| Due from other funds | - | 55,653 | 190 | 55,843 |
| TOTAL ASSETS | <u>\$ 15,337</u> | <u>\$ 55,653</u> | <u>\$ 17,992</u> | <u>\$ 88,982</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | - | - | - | - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | |
| Nonspendable | - | - | - | - |
| Restricted | - | 55,653 | - | 55,653 |
| Committed | - | - | - | - |
| Assigned | 15,337 | - | 17,992 | 33,329 |
| Unassigned | - | - | - | - |
| TOTAL FUND BALANCES | <u>15,337</u> | <u>55,653</u> | <u>17,992</u> | <u>88,982</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 15,337</u> | <u>\$ 55,653</u> | <u>\$ 17,992</u> | <u>\$ 88,982</u> |

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

TOWN OF NEWCASTLE, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

| | <u>Conservation Town Forest</u> | <u>Road Reserve</u> | <u>Alewives Reserve</u> | <u>Totals</u> |
|--|-------------------------------------|-------------------------|-----------------------------|------------------|
| REVENUES | | | | |
| Investment income, net of unrealized gains/(losses) | \$ (226) | \$ - | \$ - | \$ (226) |
| Interest income | - | - | 67 | 67 |
| Other | - | - | 6,180 | 6,180 |
| TOTAL REVENUES | <u>(226)</u> | <u>-</u> | <u>6,247</u> | <u>6,021</u> |
| EXPENDITURES | | | | |
| Capital outlay | - | 95,847 | - | 95,847 |
| Other | - | - | 11,818 | 11,818 |
| TOTAL EXPENDITURES | <u>-</u> | <u>95,847</u> | <u>11,818</u> | <u>107,665</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(226)</u> | <u>(95,847)</u> | <u>(5,571)</u> | <u>(101,644)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating Transfers In | - | 113,500 | - | 113,500 |
| Operating Transfers (Out) | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>113,500</u> | <u>-</u> | <u>113,500</u> |
| NET CHANGE IN FUND BALANCES | (226) | 17,653 | (5,571) | 11,856 |
| FUND BALANCES - JULY 1 | <u>15,563</u> | <u>38,000</u> | <u>23,563</u> | <u>77,126</u> |
| FUND BALANCES - JUNE 30 | <u>\$ 15,337</u> | <u>\$ 55,653</u> | <u>\$ 17,992</u> | <u>\$ 88,982</u> |

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

Permanent Funds

Permanent funds are used to account for assets held by the Town of Newcastle, Maine that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. These funds have been established for various purposes including the provision and/or maintenance of the cemeteries.

TOWN OF NEWCASTLE, MAINE

COMBINING BALANCE SHEET – NONMAJOR PERMANENT FUNDS
JUNE 30, 2013

| | C & M Hatch | Sheepscot | Glidden | Pine Knoll | Whitehouse | Lincoln | Worthy Poor | Totals |
|--|-----------------|------------------|------------------|------------------|---------------|------------------|------------------|-------------------|
| ASSETS | | | | | | | | |
| Investments | \$ 2,409 | \$ 44,590 | \$ 16,928 | \$ 32,867 | \$ 279 | \$ 30,335 | \$ 37,817 | \$ 165,225 |
| Due from other funds | 35 | - | 3,580 | 2,006 | - | 985 | - | 6,606 |
| TOTAL ASSETS | <u>\$ 2,444</u> | <u>\$ 44,590</u> | <u>\$ 20,508</u> | <u>\$ 34,873</u> | <u>\$ 279</u> | <u>\$ 31,320</u> | <u>\$ 37,817</u> | <u>\$ 171,831</u> |
| LIABILITIES | | | | | | | | |
| Due to other funds | \$ - | \$ 4,356 | \$ - | \$ - | \$ 642 | \$ - | \$ 4,587 | \$ 9,585 |
| TOTAL LIABILITIES | <u>-</u> | <u>4,356</u> | <u>-</u> | <u>-</u> | <u>642</u> | <u>-</u> | <u>4,587</u> | <u>9,585</u> |
| FUND BALANCES | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - |
| Restricted | 2,001 | 23,647 | 19,118 | 33,873 | 553 | 11,464 | 23,039 | 113,695 |
| Committed | - | - | - | - | - | - | - | - |
| Assigned | 443 | 16,587 | 1,390 | 1,000 | - | 19,856 | 10,191 | 49,467 |
| Unassigned | - | - | - | - | (916) | - | - | (916) |
| TOTAL FUND BALANCES | <u>2,444</u> | <u>40,234</u> | <u>20,508</u> | <u>34,873</u> | <u>(363)</u> | <u>31,320</u> | <u>33,230</u> | <u>162,246</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 2,444</u> | <u>\$ 44,590</u> | <u>\$ 20,508</u> | <u>\$ 34,873</u> | <u>\$ 279</u> | <u>\$ 31,320</u> | <u>\$ 37,817</u> | <u>\$ 171,831</u> |

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

TOWN OF NEWCASTLE, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| | C & M Hatch | Sheepscot | Glidden | Pine Knoll | Whitehouse | Lincoln | Worthy Poor | Totals |
|---|-----------------|------------------|------------------|------------------|-----------------|------------------|------------------|-------------------|
| REVENUES | | | | | | | | |
| Investment income, net of unrealized gains/(losses) | \$ (50) | \$ (868) | \$ (372) | \$ (645) | \$ - | \$ (546) | \$ (599) | \$ (3,080) |
| Other | - | - | - | - | - | 100 | - | 100 |
| TOTAL REVENUES | <u>(50)</u> | <u>(868)</u> | <u>(372)</u> | <u>(645)</u> | <u>-</u> | <u>(446)</u> | <u>(599)</u> | <u>(2,980)</u> |
| EXPENDITURES | | | | | | | | |
| Other | - | - | - | - | - | - | - | - |
| TOTAL EXPENDITURES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(50)</u> | <u>(868)</u> | <u>(372)</u> | <u>(645)</u> | <u>-</u> | <u>(446)</u> | <u>(599)</u> | <u>(2,980)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Operating Transfers In | - | - | - | - | - | - | - | - |
| Operating Transfers (Out) | - | (1,880) | (1,030) | (750) | - | - | - | (3,660) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>(1,880)</u> | <u>(1,030)</u> | <u>(750)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(3,660)</u> |
| NET CHANGE IN FUND BALANCES | (50) | (2,748) | (1,402) | (1,395) | - | (446) | (599) | (6,640) |
| FUND BALANCES - JULY 1 | <u>2,494</u> | <u>42,982</u> | <u>21,910</u> | <u>36,268</u> | <u>(363)</u> | <u>31,766</u> | <u>33,829</u> | <u>168,886</u> |
| FUND BALANCES - JUNE 30 | <u>\$ 2,444</u> | <u>\$ 40,234</u> | <u>\$ 20,508</u> | <u>\$ 34,873</u> | <u>\$ (363)</u> | <u>\$ 31,320</u> | <u>\$ 33,230</u> | <u>\$ 162,246</u> |

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

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 position.

TOWN OF NEWCASTLE, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2013

| | Land and Non-depreciable Assets | Buildings, Building Improvements & Land Improvements | Furniture, Fixtures, Equipment & Vehicles | Infrastructure | Totals |
|--------------------------------|---------------------------------------|--|--|---------------------|---------------------|
| General government | \$ 97,965 | \$ 341,651 | \$ 47,720 | \$ - | \$ 487,336 |
| Public safety | 33,200 | 472,896 | 862,393 | - | 1,368,489 |
| Public works | - | - | 78,896 | 3,626,766 | 3,705,662 |
| Recreation | - | 8,774 | - | - | 8,774 |
| Total General Capital Assets | 131,165 | 823,321 | 989,009 | 3,626,766 | 5,570,261 |
| Less: Accumulated Depreciation | - | (232,146) | (395,388) | (1,659,823) | (2,287,357) |
| Net General Capital Assets | <u>\$ 131,165</u> | <u>\$ 591,175</u> | <u>\$ 593,621</u> | <u>\$ 1,966,943</u> | <u>\$ 3,282,904</u> |

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

TOWN OF NEWCASTLE, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2013

| | General Capital Assets 7/1/12 | Additions | Deletions | General Capital Assets 6/30/13 |
|--------------------------------|--|------------------|-------------|---|
| General government | \$ 487,336 | \$ - | \$ - | \$ 487,336 |
| Public safety | 1,368,489 | - | - | 1,368,489 |
| Public works | 3,550,919 | 154,743 | - | 3,705,662 |
| Recreation | 8,774 | - | - | 8,774 |
| | <u>5,415,518</u> | <u>154,743</u> | <u>-</u> | <u>5,570,261</u> |
| Total General Capital Assets | 5,415,518 | 154,743 | - | 5,570,261 |
| Less: Accumulated Depreciation | <u>(2,167,585)</u> | <u>(119,772)</u> | <u>-</u> | <u>(2,287,357)</u> |
| Net General Capital Assets | <u>\$ 3,247,933</u> | <u>\$ 34,971</u> | <u>\$ -</u> | <u>\$ 3,282,904</u> |

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



Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS

Board of Selectmen
Town of Newcastle
Newcastle, Maine

We have audited the financial statements of Town of Newcastle for the year ended June 30, 2013 and have issued our report thereon dated August 27, 2013. Our audit was made in accordance with auditing standards generally accepted in the United States of America and applicable state and federal laws relating to financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we reviewed the budgetary controls that are in place, and have reviewed the annual financial report that was submitted to the Unit for accuracy. In addition we have reviewed the Unit's compliance with applicable provisions of the Maine Finance Act as noted under MRSA Title 20A, section 6051 as we considered necessary in obtaining our understanding.

The results of our procedures indicate that with respect to the items tested, the Town of Newcastle complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Town of Newcastle was in noncompliance with, or in violation of, those provisions.

Management has determined that adjustments were necessary to the fiscal books of the Town and have attached the following schedule as it relates to the reconciliation of audit adjustments to the initial annual financial data submitted to the MEDMS financial system maintained at the Department.

This report is intended solely for the information of the Board of Selectmen, School Board, management and the Department of Education. This report is not intended to be and should not be used by anyone other than the specified parties.

RHR Smith & Company

Buxton, Maine
August 27, 2013

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
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NEWCASTLE SCHOOL DEPARTMENT
RECONCILIATION OF MEDMS ANNUAL REPORT TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

| | General Fund (1000) | Special Revenue Funds (2000) | Capital Projects Fund (3000) | Totals |
|--|------------------------|------------------------------------|------------------------------------|------------------|
| June 30 balance per MEDMS financial system | \$ 88,942 | \$ (75) | \$ - | \$ 88,867 |
| Revenue Adjustments | - | - | | - |
| Expenditure Adjustments | - | - | | - |
| Other adjustments: | | | | |
| SR Fund shown in GF | (75) | 75 | - | - |
| Audited GAAP Basis Fund balance June 30 | <u>\$ 88,867</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 88,867</u> |