

Audited Financial Statements

Town of Newcastle, Maine

June 30, 2016



*Proven Expertise and Integrity*

TOWN OF NEWCASTLE, MAINE

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JUNE 30, 2016

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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, 2016, 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 principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Newcastle, Maine as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 38 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 Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 20-A MRSA §6051, Sub-chapter 1(K) of the Maine Revised Statutes, as amended, and is also not a required part of the basic financial statements.

The Schedule of Departmental Operations – General Fund, combining and individual nonmajor 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

*RHR Smith & Company*

Buxton, Maine  
December 27, 2016

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**(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, 2016. Please read it in conjunction with the Town's financial statements.

**Financial Statement Overview**

The Town of Newcastle Maine'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, Maine 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 welfare, 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, Maine, 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, Maine are categorized as 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 funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Town of Newcastle, Maine presents two columns in the governmental funds balance sheet and the governmental funds 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 \$653,145 from \$3,369,660 to \$4,022,805

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 \$1,182,095.

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

	<b>2016</b>	<b>2015</b>
<b>Assets:</b>		
Current Assets	\$ 1,612,731	\$ 1,102,778
Capital Assets	3,100,461	3,190,540
Total Assets	4,713,192	4,293,318
<b>Liabilities:</b>		
Current Liabilities	241,854	249,829
Long-term Debt Outstanding	372,315	605,063
Total Liabilities	614,169	854,892
<b>Deferred Inflows of Resources:</b>		
Prepaid taxes	76,218	68,766
Total Deferred Inflows of Resources	76,218	68,766
<b>Net Position:</b>		
Net Investment in Capital Assets	2,499,212	2,348,415
Restricted - nonexpendable	108,037	104,732
Restricted:		
General fund	233,461	44,617
Permanent funds	44,565	28,020
Unrestricted	1,137,530	843,876
Total Net Position	\$ 4,022,805	\$ 3,369,660

### Revenues and Expenses

Revenues for the Town's governmental activities increased by 6.12% while total expenses increased by 2.71%. The increase in revenues was mainly due to property taxes. Expenses increased across nearly all the categories partially offset by decreases in public safety, interest on long-term debt and unclassified.

**Table 2**  
**Town of Newcastle, Maine**  
**Change in Net Position**  
**For the Years Ended June 30,**

	<u>2016</u>	<u>2015</u>
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for services	\$ 27,756	\$ 36,490
Operating grants & contributions	107,777	89,421
<i>General Revenues:</i>		
Property taxes	4,567,278	4,358,577
Excise taxes	370,340	328,943
Grants and contributions not restricted to specific programs	156,419	143,017
Miscellaneous	78,909	45,990
Total Revenues	<u>5,308,479</u>	<u>5,002,438</u>
<b>Expenses</b>		
General government	450,978	341,199
Public safety	178,594	208,848
Health and welfare	107,655	106,961
Public works	365,825	312,472
County tax	372,803	343,043
Education	2,929,353	2,904,986
Interest on long-term debt	30,831	37,113
Capital outlay	29,670	-
Unclassified	189,625	277,912
Total Expenses	<u>4,655,334</u>	<u>4,532,534</u>
Change in Net Position	653,145	469,904
Net Position - July 1	<u>3,369,660</u>	<u>2,899,756</u>
Net Position - June 30	<u>\$ 4,022,805</u>	<u>\$ 3,369,660</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>2016</u>	<u>2015</u>
General Fund:		
Nonspendable	\$ 16,326	\$ -
Restricted	233,461	44,617
Committed	49,612	77,563
Unassigned	592,634	380,331
Total General Fund	<u>\$ 892,033</u>	<u>\$ 502,511</u>
Nonmajor Funds:		
Special Revenue Funds:		
Assigned	\$ 54,652	\$ 29,772
Capital Project Funds:		
Committed	146,531	62,691
Assigned	50,735	42,195
Permanent Funds:		
Nonspendable - principal	108,037	104,732
Restricted	44,565	28,020
Total Nonmajor Funds	<u>\$ 404,520</u>	<u>\$ 267,410</u>

The general fund total fund balance increased by \$389,522 from the prior fiscal period. The nonmajor fund balances increased by \$137,110 from 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 special town meetings and applied receipts.

The general fund actual revenues exceeded the budget by \$170,718. This was mainly a result of property taxes, excise taxes and state revenue sharing being received over budget.

The general fund actual expenditures were under budget by \$340,984. All expenditure categories were under budget.

## Capital Asset and Long-Term Debt Administration

### Capital Assets

As of June 30, 2016, the net book value of capital assets recorded by the Town decreased by \$90,079. This decrease was due to capital additions of \$32,659 less current year depreciation expense of \$122,738.

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

	<u>2016</u>	<u>2015</u>
Land and improvements	\$ 131,165	\$ 131,165
Buildings and improvements	523,333	545,871
Equipment & vehicles	518,055	523,861
Infrastructure	<u>1,927,908</u>	<u>1,989,643</u>
Total	<u>\$ 3,100,461</u>	<u>\$ 3,190,540</u>

### Debt

At June 30, 2016, the Town had notes outstanding in the amount of \$590,675 versus \$808,943 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 1/12<sup>th</sup> or 8% of the Town's General Fund Budget, but not to exceed 15%. At June 30, 2016, 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, 2016

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,146,039
Investments	151,786
Accounts receivable (net of allowance for uncollectibles):	
Taxes	10,413
Liens	288,167
Tax acquired property	13,561
Prepaid expenses	2,765
Total current assets	<u>1,612,731</u>
Noncurrent assets:	
Capital assets:	
Land and other assets not being depreciated	131,165
Infrastructure, buildings and vehicles net of accumulated depreciation	2,969,296
Total noncurrent assets	<u>3,100,461</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,713,192</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 7,939
Accrued payroll liabilities	622
Due to other governments	4,359
Current portion of long-term obligations	228,934
Total current liabilities	<u>241,854</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Notes payable	364,299
Capital leases payable	8,016
Total noncurrent liabilities	<u>372,315</u>
<b>TOTAL LIABILITIES</b>	<u>614,169</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Prepaid taxes	76,218
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>76,218</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,499,212
Restricted - nonexpendable	108,037
Restricted: General fund	233,461
Permanent funds	44,565
Unrestricted	1,137,530
<b>TOTAL NET POSITION</b>	<u>4,022,805</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u><u>\$ 4,713,192</u></u>

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



STATEMENT B

TOWN OF NEWCASTLE, MAINE

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue & Changes in Net Position	
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities
Governmental activities:					
General government	\$ 450,978	\$ 27,756	\$ -	\$ -	(423,222)
Public safety	178,594	-	-	-	(178,594)
Health and welfare	107,655	-	-	-	(107,655)
Public works	365,825	-	52,421	-	(313,404)
County tax	372,803	-	-	-	(372,803)
Education	2,929,353	-	55,356	-	(2,873,997)
Interest on long-term debt	30,831	-	-	-	(30,831)
Capital outlay	29,670	-	-	-	(29,670)
Unclassified	189,625	-	-	-	(189,625)
<b>Total government</b>	<b>\$ 4,655,334</b>	<b>\$ 27,756</b>	<b>\$ 107,777</b>	<b>\$ -</b>	<b>(4,519,801)</b>

STATEMENT B (CONTINUED)  
TOWN OF NEWCASTLE, MAINE

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(4,519,801)</u>
General revenues:	
Taxes:	
Property taxes, levied for general purposes	4,567,278
Excise taxes	370,340
Grants and contributions not restricted to specific programs	156,419
Miscellaneous	<u>78,909</u>
Total general revenues	<u>5,172,946</u>
Change in net position	653,145
NET POSITION - JULY 1	<u>3,369,660</u>
NET POSITION - JUNE 30	<u><u>\$ 4,022,805</u></u>

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

## TOWN OF NEWCASTLE, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General Fund	All Nonmajor Funds	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,093,729	\$ 52,310	\$ 1,146,039
Investments	-	151,786	151,786
Accounts receivable (net of allowance for uncollectibles):			
Taxes	10,413	-	10,413
Liens	288,167	-	288,167
Tax acquired property	13,561	-	13,561
Prepaid expenses	2,765	-	2,765
Due from other funds	777	201,201	201,978
<b>TOTAL ASSETS</b>	<u>\$ 1,409,412</u>	<u>\$ 405,297</u>	<u>\$ 1,814,709</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 7,939	\$ -	\$ 7,939
Accrued payroll liabilities	622	-	622
Due to other governments	4,359	-	4,359
Due to other funds	201,201	777	201,978
<b>TOTAL LIABILITIES</b>	<u>214,121</u>	<u>777</u>	<u>214,898</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid taxes	76,218	-	76,218
Deferred tax revenues	227,040	-	227,040
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>303,258</u>	<u>-</u>	<u>303,258</u>
<b>FUND BALANCES</b>			
Nonspendable	16,326	108,037	124,363
Restricted	233,461	44,565	278,026
Committed	49,612	146,531	196,143
Assigned	-	105,387	105,387
Unassigned	592,634	-	592,634
<b>TOTAL FUND BALANCES</b>	<u>892,033</u>	<u>404,520</u>	<u>1,296,553</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 1,409,412</u>	<u>\$ 405,297</u>	<u>\$ 1,814,709</u>

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

## TOWN OF NEWCASTLE, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 1,296,553
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	3,100,461
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	227,040
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Notes payable	(590,675)
Capital leases payable	<u>(10,574)</u>
 Net position of governmental activities	 <u><u>\$ 4,022,805</u></u>

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

## TOWN OF NEWCASTLE, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	All Nonmajor Funds	Totals
REVENUES			
Taxes:			
Property taxes	\$ 4,591,562	\$ -	\$ 4,591,562
Excise taxes	370,340	-	370,340
Intergovernmental	249,943	14,253	264,196
Charges for services	27,756	-	27,756
Miscellaneous revenues	43,471	35,438	78,909
TOTAL REVENUES	<u>5,283,072</u>	<u>49,691</u>	<u>5,332,763</u>
EXPENDITURES			
Current:			
General government	460,562	-	460,562
Public safety	172,357	-	172,357
Health and welfare	107,655	-	107,655
Public works	295,253	-	295,253
County tax	372,803	-	372,803
Education	2,929,353	-	2,929,353
Unclassified	80,184	109,195	189,379
Debt service:			
Principal	218,268	-	218,268
Interest	30,831	-	30,831
Capital outlay	-	29,670	29,670
TOTAL EXPENDITURES	<u>4,667,266</u>	<u>138,865</u>	<u>4,806,131</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>615,806</u>	<u>(89,174)</u>	<u>526,632</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	226,284	226,284
Transfers (out)	<u>(226,284)</u>	<u>-</u>	<u>(226,284)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(226,284)</u>	<u>226,284</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	389,522	137,110	526,632
FUND BALANCES - JULY 1	<u>502,511</u>	<u>267,410</u>	<u>769,921</u>
FUND BALANCES - JUNE 30	<u>\$ 892,033</u>	<u>\$ 404,520</u>	<u>\$ 1,296,553</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, 2016

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 526,632</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	32,659
Depreciation expense	<u>(122,738)</u>
	<u>(90,079)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported.	
Taxes and liens receivable	<u>(24,284)</u>
Debt proceeds provide current financial resources to governmental funds, but long-term liabilities in the Statement of Net Position.	
	<u>(11,432)</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>252,308</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 653,145</u></u>

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

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity**

The Town of Newcastle, Maine 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).

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 Statements No. 39 and No. 61.

***Implementation of New Accounting Standards***

During the year ended June 30, 2016, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 72, "*Fair Value Measurement and Application*". The objective of the Statement is to expand comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will improve fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The objective of the Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related information reported by state and local governments. Management has determined that this Statement is not applicable.

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*". The objective of this Statement is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 79, "*Certain External Investment Pools and Pool Participants*". This Statement establishes specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

This Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. Management has determined the impact of this Statement is not material to the financial statements.

**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 – net investment in capital assets; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.



TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, 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:

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major fund:

- 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.

Nonmajor funds:

- 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 Projects 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. Nonmajor 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.

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

**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:

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

**Interfund Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

**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, 2016.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Capital Assets**

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

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

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

Estimated useful lives are as follows:

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

**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.

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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.

**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.

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has no deferred outflows of resources.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, deferred tax revenues, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. Prepaid taxes also qualify for reporting in this category. This item is reported in both the statements of net position and governmental funds balance sheet. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

The Town's property tax for the upcoming fiscal year was levied July 13, 2015 on the assessed value listed as of April 1, 2015, for all real and personal property located in the Town. Taxes were due on August 31, 2015 and March 31, 2016. Interest on unpaid taxes commenced on September 1, 2015 and April 1, 2016, at 6.0% per annum.

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$27,014 for the year ended June 30, 2016.

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 (charges to customers or applicants for goods, services, or privileges provided, operating or capital grants and contributions, including special assessments).

**Encumbrance Accounting**

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

**Use of Estimates**

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

NOTE 2 - DEPOSITS AND INVESTMENTS

The Town's investment policies, which follow state statutes, require that all investments be made in public funds in a manner which will provide safety of principal with a market rate of return while meeting the cash flow demands of the Town and conforming to all state statutes and local ordinances governing the investment of public funds. These investment policies apply to all Town funds.



TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

**Deposits:**

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2016, the Town's deposits of \$1,146,039 were comprised of bank deposits and cash equivalents of \$1,200,576. Of these bank deposits and cash equivalents, \$250,000 was insured by federal depository insurance. The remaining bank deposits of \$950,576 were collateralized with securities held by the financial institution in the Town's name.

<u>Account Type</u>	<u>Bank Balance</u>
Municipal NOW accounts	\$ 1,149,945
Money market accounts	33,368
Savings accounts	2,534
Cash and cash equivalents	14,729
	<u>\$ 1,200,576</u>

**Investments:**

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

At June 30, 2016, 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>
Equity Securities:				
Common Stock:				
Domestic	72,421	72,421	-	-
Foreign	46,126	46,126	-	-
Real Estate Investment Trusts	33,239	33,239	-	-
	<u>\$ 151,786</u>	<u>\$ 151,786</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

In accordance with its investment policy, the Town seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers. As such, the Town's investments of \$151,786 were fully covered by the Securities Investor Protection Corporation (SIPC).

**Fair Value Hierarchy**

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as June 30, 2016:

	June 30, 2016 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by Fair Value Level</u>				
Equity Securities:				
Common Stock - Domestic & Foreign	\$ 118,547	\$ 118,547	\$ -	\$ -
Real Estate Investment Trusts	33,239	33,239	-	-
Total Equity Securities	<u>151,786</u>	<u>151,786</u>	<u>-</u>	<u>-</u>
Total Investments by Fair Value Level	<u>\$ 151,786</u>	<u>\$ 151,786</u>	<u>\$ -</u>	<u>\$ -</u>

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy may be valued using publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Securities classified in Level 3 of the fair value hierarchy are valued using various significant unobservable inputs.

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's investment policy seeks to limit investment maturities to less than four years when practicable as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2016 consisted of the following individual fund receivables and payables.

	<u>Receivables (Due from)</u>	<u>Payables (Due to)</u>
General fund	\$ 19,374	\$ 219,798
Special revenue funds	51,863	-
Capital project funds	163,979	-
Permanent funds	3,956	19,374
	<u>\$ 239,172</u>	<u>\$ 239,172</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2016:

	<u>Balance, 7/1/15</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance, 6/30/16</u>
<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	998,109	32,659	(5,000)	1,025,768
Infrastructure	3,766,766	-	-	3,766,766
	<u>5,588,196</u>	<u>32,659</u>	<u>(5,000)</u>	<u>5,615,855</u>
Less: accumulated depreciation	<u>(2,528,821)</u>	<u>(122,738)</u>	<u>5,000</u>	<u>(2,646,559)</u>
	<u>3,059,375</u>	<u>(90,079)</u>	<u>-</u>	<u>2,969,296</u>
Net capital assets	<u>\$ 3,190,540</u>	<u>\$ (90,079)</u>	<u>\$ -</u>	<u>\$ 3,100,461</u>
 <u>Current year depreciation:</u>				
General government				\$ 13,024
Public safety				38,896
Public works				70,572
Recreation				246
Total depreciation expense				<u>\$ 122,738</u>

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 5 – LONG-TERM DEBT

The following is a summary of changes in the general long-term debt for the year ended June 30, 2016:

	Balance, 7/1/15	Additions	Deletions	Balance, 6/30/16	Current Portion
Notes payable	\$ 808,943	\$ -	\$ (218,268)	\$ 590,675	\$ 226,376
Capital leases payable	33,182	11,432	(34,040)	10,574	2,558
	<u>\$ 842,125</u>	<u>\$ 11,432</u>	<u>\$ (252,308)</u>	<u>\$ 601,249</u>	<u>\$ 228,934</u>

The following is a summary of the outstanding notes payable:

Note payable to Damariscotta Bank and Trust for the town office. Annual principal payments of \$19,800 plus interest at a rate of 4.24% per annum. Maturity in August of 2019.	\$ 75,669
Note payable to Damariscotta Bank and Trust for roads. Monthly principal and interest payments of \$16,418. Interest is charged at a rate of 3.970% per annum. Maturity in December of 2017.	285,306
Note payable to Damariscotta Bank and Trust for a fire truck. Monthly principal and interest payments of \$2,257. Interest is charged at a rate of 4.190% per annum. Maturity in January of 2027.	<u>229,700</u>
Total notes payable	<u>\$ 590,675</u>

The following is a summary of outstanding note principal and interest requirements for the following fiscal years ending June 30:

	Principal	Interest	Total Debt Service
2017	\$ 226,376	\$ 19,792	\$ 246,168
2018	134,554	11,257	145,811
2019	38,991	8,458	47,449
2020	36,273	7,646	43,919
2021	20,889	6,194	27,083
2022-2026	118,818	16,597	135,415
2027-2031	14,774	221	14,995
	<u>\$ 590,675</u>	<u>\$ 70,165</u>	<u>\$ 660,840</u>

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 5 – LONG TERM DEBT (CONTINUED)

The following is a summary of leases outstanding as of June 30, 2016:

\$11,432, 2015 capital lease for a copier. The lease is for five years with monthly payments of \$213 through August 2021. The effective interest rate is 4.515% per annum.

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

Year Ending June 30:		
2017	\$	2,558
2018		2,558
2019		2,558
2020		2,558
2021		1,492
Total minimum lease payments		11,724
Less: amount representing interest		(1,150)
Present value of minimum lease payments	\$	10,574

NOTE 6 – NONSPENDABLE FUND BALANCES

At June 30, 2016, the Town had the following nonspendable fund balances:

General Fund:		
Tax acquired property	\$	13,561
Prepaid expenses		2,765
Nonmajor Permanent Funds (See Schedule H)		108,037
	\$	124,363

NOTE 7 – RESTRICTED FUND BALANCES

At June 30, 2016, the Town had the following restricted fund balances:

General Fund:		
Education	\$	233,461
Nonmajor Permanent Funds (See Schedule H)		44,565
	\$	278,026

TOWN OF NEWCASTLE, MAINE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 8 - COMMITTED FUND BALANCES

At June 30, 2016, the Town had the following committed fund balances:

General Fund:	
Planning Board	\$ 31,521
Public Works	18,091
Nonmajor Capital Project Funds (See Schedule F)	<u>146,531</u>
	<u><u>\$ 196,143</u></u>

NOTE 9 - ASSIGNED FUND BALANCES

At June 30, 2016, the Town had the following assigned fund balances:

Nonmajor Special Revenue Funds (See Schedule D)	\$ 54,652
Nonmajor Capital Project Funds (See Schedule F)	<u>50,735</u>
	<u><u>\$ 105,387</u></u>

NOTE 10 - EXPENDITURES OVER APPROPRIATIONS

At June 30, 2016, the following appropriations were exceeded by actual expenditures:

	<u>Excess</u>
Insurance (Article 12)	\$ 5,861
Legal fees (Article 13)	1,500
Other administration (Article 10, 13, 14 and 29)	4,080
Cemetaries/parks (Article 26)	<u>1,240</u>
	<u><u>\$ 12,681</u></u>

TOWN OF NEWCASTLE, MAINE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 11 - OVERLAPPING DEBT

The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. As of June 30, 2016, the Town's share of County and School debt was approximately:

	Outstanding Debt	Town's Percentage	Total Share
County of Lincoln	\$ 6,799,305	3.95%	\$ 268,573
GSB School	450,000	39.12%	176,040
			\$ 444,613

NOTE 12 - 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, 2016. 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 13 - CONTINGENCIES

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

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

TOWN OF NEWCASTLE, MAINE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 14 – COMMITMENTS

The Town of Newcastle, Maine, has entered into two contracts for snow removal services with Hagar Enterprises. The first contract for Town roads is effective until 2019 and the second contract for Town buildings is effective until 2018. The Town has also entered into a contract with the assessor’s agent. This contract is effective until 2019. The annual contracts’ costs are as follows:

Fiscal Years Ending June 30,	Sanding and Plowing		Assessor's Agent	Total
	Roads	Town Buildings		
2017	\$ 233,764	\$ 40,699	\$ 17,550	\$ 292,013
2018	241,946	41,920	17,940	301,806
2019	252,833	-	18,330	271,163

For the twelve months ended June 30, 2016, the Town paid a total of \$252,642 for both of these contracts for sand and snow removal service and a total of \$17,160 for the assessor’s agent. All future contract amounts are subject to annual appropriation by the Town of Newcastle, Maine.

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 – COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Town’s financial position and operations. Also, certain amounts presented in the prior year’s data have been reclassified to be consistent with the current year’s presentation.



## 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, 2016

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 502,511	\$ 502,511	\$ 502,511	\$ -
Resources (Inflows):				
Property taxes	4,567,274	4,567,274	4,591,562	24,288
Excise taxes	281,000	281,000	370,340	89,340
Intergovernmental :				
State revenue sharing	50,000	50,000	70,363	20,363
Homestead exemption	41,912	41,912	44,757	2,845
State education subsidy	-	23,722	23,722	-
Tree Growth	25,000	25,000	34,920	9,920
Local road assistance	35,000	38,168	38,168	-
Other	4,054	35,688	38,013	2,325
Charges for services	26,590	26,590	27,756	1,166
Interest on taxes	17,000	17,000	21,791	4,791
Interest income	6,000	6,000	15,840	9,840
Miscellaneous revenues	-	-	5,840	5,840
Transfers from other funds	-	-	-	-
Amounts Available for Appropriation	5,556,341	5,614,865	5,785,583	170,718
Charges to Appropriations (Outflows):				
General government	439,776	499,776	460,562	39,214
Public safety	177,279	177,279	172,357	4,922
Health and welfare	112,500	112,500	107,655	4,845
Public works	292,624	313,355	295,253	18,102
County tax	372,803	372,803	372,803	-
Education	3,089,464	3,189,437	2,929,353	260,084
Debt service:				
Principal	218,268	218,268	218,268	-
Interest	30,831	30,831	30,831	-
Unclassified	94,001	94,001	80,184	13,817
Transfers to other funds	226,284	226,284	226,284	-
Total Charges to Appropriations	5,053,830	5,234,534	4,893,550	340,984
Budgetary Fund Balance, June 30	\$ 502,511	\$ 380,331	\$ 892,033	\$ 511,702
Utilization of Restricted Fund Balance	\$ -	\$ 122,180	\$ -	\$ (122,180)

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

SCHEDULE A

TOWN OF NEWCASTLE, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
General government:	\$	\$	\$	\$	\$
Town admin/treasurer/tax coll.	63,000	-	63,000	62,994	6
Town clerk/registrar	38,480	-	38,480	38,480	-
Deputies	53,387	-	53,387	42,913	10,474
Code enforcement	10,000	-	10,000	5,520	4,480
Payroll taxes	2,300	-	2,300	2,333	(33)
Selectmen	7,500	-	7,500	7,500	-
Assessing agent	17,160	-	17,160	17,160	-
Town owned buildings	27,000	-	27,000	23,282	3,718
Planning/design review board	61,250	60,000	121,250	89,479	31,771
Election workers	550	-	550	637	(87)
Recording secretary	1,400	-	1,400	821	579
Insurance	32,715	-	32,715	38,576	(5,861)
Fringe benefits	48,434	-	48,434	48,687	(253)
Legal fees	22,500	-	22,500	24,000	(1,500)
Other administration	54,100	-	54,100	58,180	(4,080)
	<u>439,776</u>	<u>60,000</u>	<u>499,776</u>	<u>460,562</u>	<u>39,214</u>
Health and welfare:					
Septic waste contract	2,500	-	2,500	2,300	200
Transfer Station	105,000	-	105,000	102,834	2,166
General assistance	5,000	-	5,000	2,521	2,479
	<u>112,500</u>	<u>-</u>	<u>112,500</u>	<u>107,655</u>	<u>4,845</u>
Public works:					
Snow removal	253,110	-	253,110	252,642	468
Roads maintenance	39,514	20,731	60,245	42,611	17,634
	<u>292,624</u>	<u>20,731</u>	<u>313,355</u>	<u>295,253</u>	<u>18,102</u>

SCHEDULE A (CONTINUED)

TOWN OF NEWCASTLE, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Public safety:					
Fire chief	39,709	-	39,709	39,708	1
Officers' salary	2,960	-	2,960	3,060	(100)
Firemen / call pay	15,100	-	15,100	13,933	1,167
Fringe benefits	8,700	-	8,700	8,026	674
Phones	2,100	-	2,100	2,396	(296)
S.C.B.A.	4,290	-	4,290	4,552	(262)
Communications	7,000	-	7,000	6,982	18
Training	3,000	-	3,000	1,862	1,138
Dry hydrant	550	-	550	-	550
New equipment	5,000	-	5,000	5,276	(276)
Vehicle maintenance	5,500	-	5,500	5,506	(6)
Turn out gear	3,000	-	3,000	2,947	53
Admin	4,560	-	4,560	5,040	(480)
Vehicles/gas and oil	9,000	-	9,000	8,927	73
Animal control officer	5,000	-	5,000	3,215	1,785
Protection	6,502	-	6,502	5,988	514
Hydrants	46,968	-	46,968	46,968	-
Street lights	7,390	-	7,390	7,021	369
Emergency management	850	-	850	850	-
Health officer	100	-	100	100	-
	<u>177,279</u>	<u>-</u>	<u>177,279</u>	<u>172,357</u>	<u>4,922</u>
County tax	372,803	-	372,803	372,803	-
Education:					
Elementary education	1,924,095	-	1,924,095	1,924,095	-
Secondary education	1,158,967	99,973	1,258,940	998,856	260,084
Adult ed	6,402	-	6,402	6,402	-
	<u>3,089,464</u>	<u>99,973</u>	<u>3,189,437</u>	<u>2,929,353</u>	<u>260,084</u>

SCHEDULE A (CONTINUED)

TOWN OF NEWCASTLE, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Debt Service:					
Principal	218,268	-	218,268	218,268	-
Interest	30,831	-	30,831	30,831	-
	<u>249,099</u>	<u>-</u>	<u>249,099</u>	<u>249,099</u>	<u>-</u>
Unclassified:					
Cemeteries/parks	23,600	-	23,600	24,840	(1,240)
Not for profit and other orgs	38,387	-	38,387	38,387	-
Abatements	5,000	-	5,000	-	5,000
Overlay	27,014	-	27,014	16,957	10,057
	<u>94,001</u>	<u>-</u>	<u>94,001</u>	<u>80,184</u>	<u>13,817</u>
Transfers:					
Special revenue funds	109,534	-	109,534	109,534	-
Capital project funds	116,750	-	116,750	116,750	-
	<u>226,284</u>	<u>-</u>	<u>226,284</u>	<u>226,284</u>	<u>-</u>
Total Expenditures	\$ 5,053,830	\$ 180,704	\$ 5,234,534	\$ 4,893,550	\$ 340,984

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

## TOWN OF NEWCASTLE, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,789	\$ 34,834	\$ 14,687	\$ 52,310
Investments	-	15,938	135,848	151,786
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-
Due from other funds	51,863	146,561	2,777	201,201
<b>TOTAL ASSETS</b>	<b>\$ 54,652</b>	<b>\$ 197,333</b>	<b>\$ 153,312</b>	<b>\$ 405,297</b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	67	710	777
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>67</b>	<b>710</b>	<b>777</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	108,037	108,037
Restricted	-	-	44,565	44,565
Committed	-	146,531	-	146,531
Assigned	54,652	50,735	-	105,387
Unassigned	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>54,652</b>	<b>197,266</b>	<b>152,602</b>	<b>404,520</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 54,652</b>	<b>\$ 197,333</b>	<b>\$ 153,312</b>	<b>\$ 405,297</b>

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, 2016

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Investment income, net of unrealized gains/(losses)	\$ -	\$ 1,981	\$ 16,344	\$ 18,325
Interest income	1	-	-	1
Other	17,904	9,955	3,506	31,365
<b>TOTAL REVENUES</b>	<u>17,905</u>	<u>11,936</u>	<u>19,850</u>	<u>49,691</u>
<b>EXPENDITURES</b>				
Capital outlay	-	29,670	-	29,670
Other	102,559	6,636	-	109,195
<b>EXPENDITURES</b>	<u>102,559</u>	<u>36,306</u>	<u>-</u>	<u>138,865</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(84,654)</u>	<u>(24,370)</u>	<u>19,850</u>	<u>(89,174)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	109,534	116,750	-	226,284
Transfers (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>109,534</u>	<u>116,750</u>	<u>-</u>	<u>226,284</u>
<b>NET CHANGE IN FUND BALANCES</b>	24,880	92,380	19,850	137,110
<b>FUND BALANCES - JULY 1</b>	<u>29,772</u>	<u>104,886</u>	<u>132,752</u>	<u>267,410</u>
<b>FUND BALANCES - JUNE 30</b>	<u>\$ 54,652</u>	<u>\$ 197,266</u>	<u>\$ 152,602</u>	<u>\$ 404,520</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, 2016

	<u>Interlocal Agreement</u>	<u>Joint Harbor Account</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 2,789	\$ 2,789
Investments	-	-	-
Accounts receivable (net of allowance for uncollectibles)	-	-	-
Due from other funds	51,268	595	51,863
<b>TOTAL ASSETS</b>	<u>\$ 51,268</u>	<u>\$ 3,384</u>	<u>\$ 54,652</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	51,268	3,384	54,652
Unassigned	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>51,268</u>	<u>3,384</u>	<u>54,652</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 51,268</u>	<u>\$ 3,384</u>	<u>\$ 54,652</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, 2016

	<u>Interlocal Agreement</u>	<u>Joint Harbor Account</u>	<u>Totals</u>
REVENUES			
Interest income	\$ -	\$ 1	\$ 1
Other	14,253	3,651	17,904
TOTAL REVENUES	<u>14,253</u>	<u>3,652</u>	<u>17,905</u>
EXPENDITURES			
Other	101,786	773	102,559
TOTAL EXPENDITURES	<u>101,786</u>	<u>773</u>	<u>102,559</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(87,533)</u>	<u>2,879</u>	<u>(84,654)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	109,534	-	109,534
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>109,534</u>	<u>-</u>	<u>109,534</u>
NET CHANGE IN FUND BALANCES	22,001	2,879	24,880
FUND BALANCES - JULY 1	<u>29,267</u>	<u>505</u>	<u>29,772</u>
FUND BALANCES - JUNE 30	<u>\$ 51,268</u>	<u>\$ 3,384</u>	<u>\$ 54,652</u>

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

## Capital Projects 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.

SCHEDULE F

TOWN OF NEWCASTLE, MAINE

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2016

	Conservation Town Forest	Road Reserve	Alewives Reserve	Park Reserve	Public Works Equipment Reserve	Playground Reserve	Totals
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,547	-	\$ 33,287	\$ -	-	-	\$ 34,834
Investments	15,938	-	-	-	-	-	15,938
Due from other funds	-	114,871	30	1,250	26,010	4,400	146,561
<b>TOTAL ASSETS</b>	<b>\$ 17,485</b>	<b>\$ 114,871</b>	<b>\$ 33,317</b>	<b>\$ 1,250</b>	<b>\$ 26,010</b>	<b>\$ 4,400</b>	<b>\$ 197,333</b>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	67	-	-	-	-	-	67
<b>TOTAL LIABILITIES</b>	<b>67</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>67</b>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	-	114,871	-	1,250	26,010	4,400	146,531
Assigned	17,418	-	33,317	-	-	-	50,735
Unassigned	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>17,418</b>	<b>114,871</b>	<b>33,317</b>	<b>1,250</b>	<b>26,010</b>	<b>4,400</b>	<b>197,266</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 17,485</b>	<b>\$ 114,871</b>	<b>\$ 33,317</b>	<b>\$ 1,250</b>	<b>\$ 26,010</b>	<b>\$ 4,400</b>	<b>\$ 197,333</b>

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

SCHEDULE G

TOWN OF NEWCASTLE, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Conservation Town Forest	Road Reserve	Alewives Reserve	Park Reserve	Public Works Equipment Reserve	Playground Reserve	Totals
REVENUES							
Investment income, net of unrealized gains/(losses)	\$ 1,898	-	\$ 83	\$ -	\$ -	\$ -	\$ 1,981
Interest income	-	-	-	-	-	-	-
Other	-	-	9,205	100	-	650	9,955
<b>TOTAL REVENUES</b>	<u>1,898</u>	<u>-</u>	<u>9,288</u>	<u>100</u>	<u>-</u>	<u>650</u>	<u>11,936</u>
EXPENDITURES							
Capital outlay	-	29,670	-	-	-	-	29,670
Other	-	-	2,646	-	3,990	-	6,636
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>29,670</u>	<u>2,646</u>	<u>-</u>	<u>3,990</u>	<u>-</u>	<u>36,306</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,898</u>	<u>(29,670)</u>	<u>6,642</u>	<u>100</u>	<u>(3,990)</u>	<u>650</u>	<u>(24,370)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	100,000	-	250	15,000	1,500	116,750
Transfers (out)	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>250</u>	<u>15,000</u>	<u>1,500</u>	<u>116,750</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>1,898</u>	<u>70,330</u>	<u>6,642</u>	<u>350</u>	<u>11,010</u>	<u>2,150</u>	<u>92,380</u>
<b>FUND BALANCES - JULY 1</b>	<u>15,520</u>	<u>44,541</u>	<u>26,675</u>	<u>900</u>	<u>15,000</u>	<u>2,250</u>	<u>104,886</u>
<b>FUND BALANCES - JUNE 30</b>	<u>\$ 17,418</u>	<u>\$ 114,871</u>	<u>\$ 33,317</u>	<u>\$ 1,250</u>	<u>\$ 26,010</u>	<u>\$ 4,400</u>	<u>\$ 197,266</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, 2016

	C & M Hatch	Sheepscot	Glidden	Pine Knoll	Whitehouse	Hussey Cemetery	Worthy Poor	Cemetery Trust	Totals
<b>ASSETS</b>									
Cash and cash equivalents	\$ 238	\$ 3,951	\$ 2,024	\$ 3,397	\$ 55	\$ 248	\$ 3,269	\$ 1,505	\$ 14,687
Investments	2,455	40,716	20,863	35,008	566	2,556	33,684	-	135,848
Due from other funds	-	2,622	-	155	-	-	-	-	2,777
<b>TOTAL ASSETS</b>	<b>\$ 2,693</b>	<b>\$ 47,289</b>	<b>\$ 22,887</b>	<b>\$ 38,560</b>	<b>\$ 621</b>	<b>\$ 2,804</b>	<b>\$ 36,953</b>	<b>\$ 1,505</b>	<b>\$ 153,312</b>
<b>LIABILITIES</b>									
Due to other funds	\$ 154	-	\$ 326	\$ -	\$ 40	\$ 161	\$ 29	\$ -	\$ 710
<b>TOTAL LIABILITIES</b>	<b>154</b>	<b>-</b>	<b>326</b>	<b>-</b>	<b>40</b>	<b>161</b>	<b>29</b>	<b>-</b>	<b>710</b>
<b>FUND BALANCES</b>									
Nonspendable	2,001	25,447	19,118	33,873	554	2,500	23,039	1,505	108,037
Restricted	538	21,842	3,443	4,687	27	143	13,885	-	44,565
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>2,539</b>	<b>47,289</b>	<b>22,561</b>	<b>38,560</b>	<b>581</b>	<b>2,643</b>	<b>36,924</b>	<b>1,505</b>	<b>152,602</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,693</b>	<b>\$ 47,289</b>	<b>\$ 22,887</b>	<b>\$ 38,560</b>	<b>\$ 621</b>	<b>\$ 2,804</b>	<b>\$ 36,953</b>	<b>\$ 1,505</b>	<b>\$ 153,312</b>

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, 2016

	C & M Hatch	Sheepscot	Glidden	Pine Knoll	Whitehouse	Hussey Cemetery	Worthy Poor	Cemetery Trust	Totals
REVENUES									
Investment income, net of unrealized gains/(losses)	\$ 137	\$ 5,439	\$ 2,174	\$ 4,319	\$ 27	\$ 143	\$ 4,106	\$ (1)	\$ 16,344
Other	-	2,000	-	-	-	-	-	1,506	3,506
<b>TOTAL REVENUES</b>	<b>137</b>	<b>7,439</b>	<b>2,174</b>	<b>4,319</b>	<b>27</b>	<b>143</b>	<b>4,106</b>	<b>1,505</b>	<b>19,850</b>
EXPENDITURES									
Other	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>137</b>	<b>7,439</b>	<b>2,174</b>	<b>4,319</b>	<b>27</b>	<b>143</b>	<b>4,106</b>	<b>1,505</b>	<b>19,850</b>
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>137</b>	<b>7,439</b>	<b>2,174</b>	<b>4,319</b>	<b>27</b>	<b>143</b>	<b>4,106</b>	<b>1,505</b>	<b>19,850</b>
<b>FUND BALANCES - JULY 1</b>	<b>2,402</b>	<b>39,850</b>	<b>20,387</b>	<b>34,241</b>	<b>554</b>	<b>2,500</b>	<b>32,818</b>	<b>-</b>	<b>132,752</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 2,539</b>	<b>\$ 47,289</b>	<b>\$ 22,561</b>	<b>\$ 38,560</b>	<b>\$ 581</b>	<b>\$ 2,643</b>	<b>\$ 36,924</b>	<b>\$ 1,505</b>	<b>\$ 152,602</b>

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.

SCHEDULE J

TOWN OF NEWCASTLE, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION  
JUNE 30, 2016

	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	890,052	-	1,396,148
Public works	-	-	87,996	3,766,766	3,854,762
Recreation	-	8,774	-	-	8,774
<b>Total General Capital Assets</b>	<b>131,165</b>	<b>823,321</b>	<b>1,025,768</b>	<b>3,766,766</b>	<b>5,747,020</b>
<b>Less: Accumulated Depreciation</b>	<b>-</b>	<b>(299,988)</b>	<b>(507,713)</b>	<b>(1,838,858)</b>	<b>(2,646,559)</b>
<b>Net General Capital Assets</b>	<b>\$ 131,165</b>	<b>\$ 523,333</b>	<b>\$ 518,055</b>	<b>\$ 1,927,908</b>	<b>\$ 3,100,461</b>

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

SCHEDULE K

TOWN OF NEWCASTLE, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2016

	General Capital Assets 7/1/15	Additions	Deletions	General Capital Assets 6/30/16
General government	\$ 487,336	\$ -	\$ -	\$ 487,336
Public safety	1,368,489	32,659	(5,000)	1,396,148
Public works	3,854,762	-	-	3,854,762
Recreation	8,774	-	-	8,774
<b>Total General Capital Assets</b>	<b>5,719,361</b>	<b>32,659</b>	<b>(5,000)</b>	<b>5,747,020</b>
<b>Less: Accumulated Depreciation</b>	<b>(2,528,821)</b>	<b>(122,738)</b>	<b>5,000</b>	<b>(2,646,559)</b>
<b>Net General Capital Assets</b>	<b>\$ 3,190,540</b>	<b>\$ (90,079)</b>	<b>\$ -</b>	<b>\$ 3,100,461</b>

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

TOWN OF NEWCASTLE, MAINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Grantor Number	Expenditures to Subrecipients	Federal Expenditures
U.S. Department of Education				
Passed through State of Maine-Department of Education and Cultural Services:				
Special Education Cluster (IDEA):				
Special Education Grants to States	84.027	013.3046.12.10	\$ -	\$ 13,300
Subtotal Special Education Cluster (IDEA)			<u>-</u>	<u>13,300</u>
Total U.S. Department of Education			<u>-</u>	<u>13,300</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ -</u>	<u>\$ 13,300</u>

DISCLOSURES:

This Town is not required to have a Uniform Guidance Audit.

TOWN OF NEWCASTLE, MAINE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Newcastle, Maine under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Newcastle, Maine, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Newcastle, Maine.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The Town of Newcastle, Maine has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Selectmen  
Town of Newcastle  
Newcastle, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Newcastle, Maine as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Newcastle, Maine's basic financial statements, and have issued our report thereon dated December 27, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Newcastle, Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Newcastle, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Newcastle, Maine's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Newcastle, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Purpose of this Report

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

*RHR Smith & Company*

Buxton, Maine  
December 27, 2016





*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, Maine for the year ended June 30, 2016 and have issued our report thereon dated December 27, 2016. 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, Maine 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, Maine 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  
December 27, 2016

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, 2016

	General Fund (1000)	Special Revenue Funds (2000)	Capital Projects Fund (3000)	Totals
June 30 balance per MEDMS financial system	\$ 231,636	\$ 18,305	\$ -	\$ 249,941
Revenue Adjustments:				
Transition Grant	-	-	-	-
Expenditure Adjustments:				
	(1,610)	(16,695)		(18,305)
Other adjustments:				
	1,825			1,825
Audited GAAP Basis Fund balance June 30	<u>\$ 231,851</u>	<u>\$ 1,610</u>	<u>\$ -</u>	<u>\$ 233,461</u>