

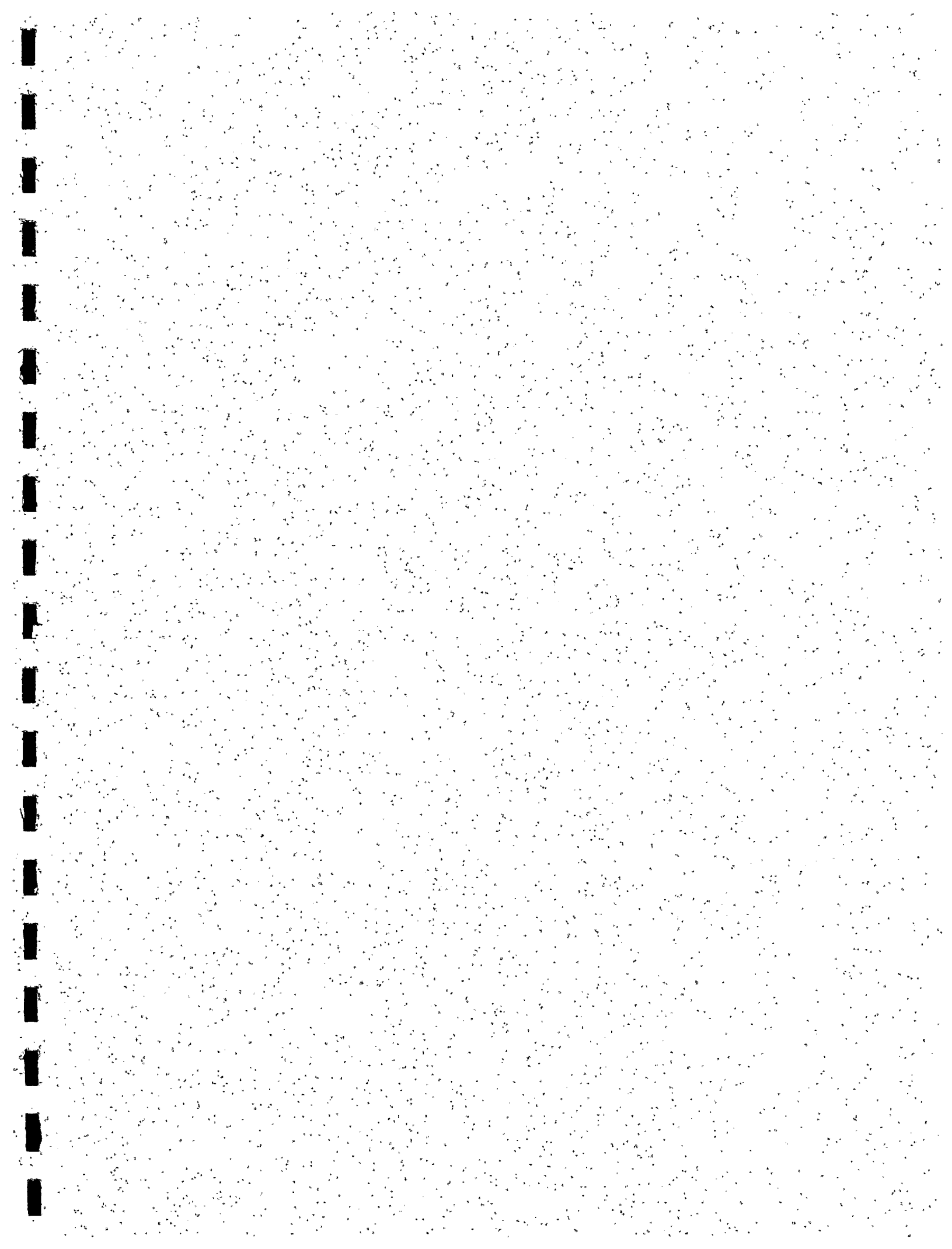
**Audited Financial Statements and
Other Financial Information**

Town of Newcastle, Maine

June 30, 2018



Proven Expertise & Integrity



TOWN OF NEWCASTLE, MAINE

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JUNE 30, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the Town of Newcastle, Maine'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, 2018, 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, budgetary comparison information and pension and OPEB information on pages 4 through 11 and 51 through 55 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 and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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, capital asset schedules and the schedule of expenditures of federal awards 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, capital asset schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2019, on our consideration of the Town of Newcastle, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Newcastle, Maine's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
April 8, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

(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, 2018. 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 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 "Other Governmental 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 of Governmental Funds 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, a Schedule of Changes in Net OPEB Liability, a Schedules of Changes in Net OPEB Liability and Related Ratios, .a Schedule of Contributions- OPEB and Notes to Required Supplementary Information.

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 \$366,229 from \$4,332,795 to \$4,699,024.

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 \$1,741,665.

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

	2018	2017 (Restated)
Assets:		
Current Assets	\$ 2,272,557	\$ 1,908,321
Capital Assets	2,851,444	2,947,146
Total Assets	5,124,001	4,855,467
Liabilities:		
Current Liabilities	110,555	209,943
Long-term Debt Outstanding	202,477	237,702
Total Liabilities	313,032	447,645
Deferred Inflows of Resources:		
Prepaid taxes	111,502	75,027
Deferred inflows related to OPEB	443	-
Total Deferred Inflows of Resources	111,945	75,027
Net Position:		
Net Investment in Capital Assets	2,611,138	2,575,143
Restricted:		
General Fund	163,038	258,386
Permanent Funds	183,183	168,067
Unrestricted	1,741,665	1,331,199
Total Net Position	\$ 4,699,024	\$ 4,332,795

Revenues and Expenses

Revenues for the Town's governmental activities increased by 1.79% while total expenses increased by 0.92%. The increase in revenues was primarily due to operating grants and contributions. The increases in expenses were primarily due to education and unclassified.

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

	<u>2018</u>	<u>2017</u>
Revenues		
<i>Program Revenues:</i>		
Charges for services	\$ 25,566	\$ 38,256
Operating grants and contributions	145,922	91,766
<i>General Revenues:</i>		
Property taxes	4,615,233	4,602,107
Excise taxes	416,958	398,257
Grants and contributions not restricted to specific programs	246,919	211,974
Miscellaneous	137,257	147,182
Total Revenues	<u>5,587,855</u>	<u>5,489,542</u>
Expenses		
General government	400,321	403,005
Public safety	234,078	282,330
Health and welfare	96,883	100,578
Public works	545,429	545,670
County tax	370,222	375,961
Education	3,387,737	3,117,143
Interest on long-term debt	49,552	19,273
Capital outlay	-	270,574
Unclassified	137,404	59,390
Total Expenses	<u>5,221,626</u>	<u>5,173,924</u>
 Change in Net Position	 366,229	 315,618
 Net Position - July 1, Restated	 <u>4,332,795</u>	 <u>4,017,177</u>
 Net Position - June 30	 <u>\$ 4,699,024</u>	 <u>\$ 4,332,795</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>2018</u>	<u>2017</u>
Major Fund:		
General Fund:		
Nonspendable - tax acquired property	\$ 15,121	\$ 11,892
Restricted	163,038	258,386
Assigned	116,980	137,488
Unassigned	1,148,743	791,551
Total General Fund	<u>\$ 1,443,882</u>	<u>\$ 1,199,317</u>
Nonmajor Funds:		
Special Revenue Funds:		
Assigned	\$ 9,959	\$ 6,511
Capital Project Funds:		
Committed	169,987	98,066
Assigned	68,623	58,525
Permanent Funds:		
Nonspendable - principal	110,038	110,038
Restricted	73,145	58,029
Total Nonmajor Funds	<u>\$ 431,752</u>	<u>\$ 331,169</u>

The general fund total fund balance increased by \$244,565 from the prior fiscal period primarily due to revenues exceeding expenditures. The nonmajor funds total fund balance increased by \$100,583 from the prior fiscal period primarily due to transfers from other funds.

Budgetary Highlights

The significant difference between the original and final budget for the general fund was due to the calculation for education appropriation and the use of certain applied receipts.

The general fund actual revenues exceeded budgeted amounts by \$338,886. All revenue categories were within or in excess of budgeted amounts.

The general fund actual expenditures were under budget by \$78,316. All expenditure categories were within or under budgeted amounts with the exception of general government, public works and education.

Capital Asset and Long-Term Debt Administration

Capital Assets

As of June 30, 2018, the net book value of capital assets recorded by the Town by \$95,702. This was due to the current year depreciation expense.

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

	<u>2018</u>	<u>2017</u>
Land and improvements	\$ 131,165	\$ 131,165
Buildings and improvements	478,260	500,796
Equipment and vehicles	408,832	434,638
Infrastructure	1,833,187	1,880,547
Total	<u>\$ 2,851,444</u>	<u>\$ 2,947,146</u>

Debt

At June 30, 2018, the Town had notes outstanding in the amount of \$234,079 versus \$363,554 in the prior year. Other obligations include a capital lease payable, accrued compensated absences and net OPEB liability. 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 at a level sufficient to sustain government operations for a period of approximately two months, however the Town maintains reserves for future operations, capital and program needs. The Town is working to rebuild unassigned fund balance to a sufficient level.

To further promote and ensure the financial well-being and fiscal stability of the Town, Newcastle adopted a Fund Balance Policy in October of 2008. The Town's management designed the policy around maintaining an appropriate level of Unassigned Fund Balance with the intent to reduce the need for borrowing, protect and enhance the Town's Bond Rating and to provide the funds necessary to meet the Town's near-term operating obligations. The policy requires that a surplus minimum be maintained equal to 1/12th or 8% of the Town's General Fund Budget, but not to exceed 15%. At June 30, 2018, the Town maintained balances above the maximum level. The policy also includes a provision for the suggested utilization of excess funds on additional capital improvement needs and tax rate stabilization or reduction purposes.

Contacting the Town's Financial Management

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

STATEMENT A

TOWN OF NEWCASTLE, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,746,366
Investments	168,324
Accounts receivable (net of allowance for uncollectibles):	
Taxes	22,577
Liens	270,330
Other	2,062
Due from other governments	47,777
Tax acquired property	15,121
Total current assets	<u>2,272,557</u>
Noncurrent assets:	
Capital assets:	
Land and other assets not being depreciated	131,165
Infrastructure, buildings and vehicles, net of accumulated depreciation	2,720,279
Total noncurrent assets	<u>2,851,444</u>
TOTAL ASSETS	<u>\$ 5,124,001</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 45,910
Accrued payroll liabilities	5,556
Current portion of long-term obligations	59,089
Total current liabilities	<u>110,555</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Notes payable	195,088
Capital lease payable	3,902
Net OPEB liability	3,487
Total noncurrent liabilities	<u>202,477</u>
TOTAL LIABILITIES	<u>313,032</u>
DEFERRED INFLOWS OF RESOURCES	
Prepaid taxes	111,502
Deferred inflows related to OPEB	443
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>111,945</u>
NET POSITION	
Net investment in capital assets	2,611,138
Restricted: Permanent funds	183,183
General fund	163,038
Unrestricted	1,741,665
TOTAL NET POSITION	<u>4,699,024</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 5,124,001</u>

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

TOWN OF NEWCASTLE, MAINE
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total Governmental Activities
Governmental activities:					
General government	\$ 400,321	\$ 25,566	\$ -	\$ -	\$ (374,755)
Public safety	234,078	-	-	-	(234,078)
Health and welfare	96,883	-	-	-	(96,883)
Public works	545,429	-	38,612	-	(506,817)
County tax	370,222	-	-	-	(370,222)
Education	3,387,737	-	107,310	-	(3,280,427)
Interest on long-term debt	49,552	-	-	-	(49,552)
Unclassified	137,404	-	-	-	(137,404)
Total government	<u>\$ 5,221,626</u>	<u>\$ 25,566</u>	<u>\$ 145,922</u>	<u>\$ -</u>	<u>(5,050,138)</u>

STATEMENT B (CONTINUED)
TOWN OF NEWCASTLE, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(5,050,138)</u>
General revenues:	
Taxes:	
Property taxes, levied for general purposes	4,615,233
Excise taxes	416,958
Grants and contributions not restricted to specific programs	246,919
Miscellaneous	137,257
Total general revenues	<u>5,416,367</u>
Change in net position	366,229
NET POSITION - JULY 1, RESTATED	<u>4,332,795</u>
NET POSITION - JUNE 30	<u><u>\$ 4,699,024</u></u>

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

TOWN OF NEWCASTLE, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

	General Fund	Other Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 1,718,644	\$ 27,722	\$ 1,746,366
Investments	-	168,324	168,324
Accounts receivable (net of allowance for uncollectibles):			
Taxes	22,577	-	22,577
Liens	270,330	-	270,330
Other	2,062	-	2,062
Due from other governments	47,777	-	47,777
Tax acquired property	15,121	-	15,121
Due from other funds	-	235,706	235,706
TOTAL ASSETS	<u>\$ 2,076,511</u>	<u>\$ 431,752</u>	<u>\$ 2,508,263</u>
LIABILITIES			
Accounts payable	\$ 45,910	\$ -	\$ 45,910
Accrued payroll liabilities	5,556	-	5,556
Due to other funds	235,706	-	235,706
TOTAL LIABILITIES	<u>287,172</u>	<u>-</u>	<u>287,172</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	111,502	-	111,502
Deferred tax revenues	233,955	-	233,955
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>345,457</u>	<u>-</u>	<u>345,457</u>
FUND BALANCES			
Nonspendable- tax acquired and principal	15,121	110,038	125,159
Restricted	163,038	73,145	236,183
Committed	-	169,987	169,987
Assigned	116,980	78,582	195,562
Unassigned	1,148,743	-	1,148,743
TOTAL FUND BALANCES	<u>1,443,882</u>	<u>431,752</u>	<u>1,875,634</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,076,511</u>	<u>\$ 431,752</u>	<u>\$ 2,508,263</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, 2018

	Total Governmental Funds
	Total Governmental Funds
Total Fund Balances	\$ 1,875,634
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	2,851,444
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	233,955
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Notes payable	(234,079)
Capital lease payable	(6,227)
Accrued compensated absences	(17,773)
Net OPEB liability	(3,487)
Deferred inflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	(443)
Net position of governmental activities	\$ 4,699,024

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, 2018

	General Fund	Other Governmental Funds	Total
REVENUES			
Taxes:			
Property taxes	\$ 4,625,005	\$ -	\$ 4,625,005
Excise taxes	416,958	-	416,958
Intergovernmental	392,841	-	392,841
Charges for services	25,566	-	25,566
Miscellaneous revenues	101,990	35,267	137,257
TOTAL REVENUES	<u>5,562,360</u>	<u>35,267</u>	<u>5,597,627</u>
EXPENDITURES			
Current:			
General government	386,871	-	386,871
Public safety	197,422	-	197,422
Health and welfare	96,883	-	96,883
Public works	497,159	-	497,159
County tax	370,222	-	370,222
Education	3,387,737	-	3,387,737
Unclassified	62,524	74,634	137,158
Debt service:			
Principal	129,475	-	129,475
Interest	49,552	-	49,552
TOTAL EXPENDITURES	<u>5,177,845</u>	<u>74,634</u>	<u>5,252,479</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>384,515</u>	<u>(39,367)</u>	<u>345,148</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	139,950	139,950
Transfers (out)	(139,950)	-	(139,950)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(139,950)</u>	<u>139,950</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	244,565	100,583	345,148
FUND BALANCES - JULY 1	<u>1,199,317</u>	<u>331,169</u>	<u>1,530,486</u>
FUND BALANCES - JUNE 30	<u>\$ 1,443,882</u>	<u>\$ 431,752</u>	<u>\$ 1,875,634</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, 2018

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 345,148</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 allocated to those expenditures over the life of the assets:	
Depreciation expense	<u>(95,702)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported	
Taxes and liens receivable	<u>(9,772)</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	
	<u>(443)</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>131,697</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	(3,687)
Net OPEB liability	<u>(1,012)</u>
	<u>(4,699)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 366,229</u></u>

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

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 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, 2018, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*" The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 81, "*Irrevocable Split-Interest Agreements*". The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

agreements in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 85, "Omnibus 2017." The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 86, "Certain Debt Extinguishment Issues." The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. 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).

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

In the government-wide Statement of Net Position, the governmental activities column is (a) presented on a consolidated basis by column, and (b) is 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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions (general government, public safety, etc.) excluding fiduciary activities. 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:

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.

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Basis of Accounting

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

1. Accrual

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

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Deposits and Investments

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

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

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations
- Prime bankers acceptances
- Prime commercial papers

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

Receivables

Receivables include amounts due from governmental agencies. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$49,839 for the year ended June 30, 2018. The allowance for uncollectible amounts is estimated to be \$0 as of June 30, 2018.

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 government-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.

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.

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, a capital lease payable, accrued compensated absences and net OPEB liability.

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 funds is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The Town's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources,

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

while the proprietary funds report the liability as it is incurred. As of June 30, 2018, the Town's liability for compensated absences is \$17,773.

OPEB

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, management received and relied on an actuarial report provided to them by the Maine Municipal Employees Health Trust (MMEHT), which determined the Town's fiduciary net position as a single employer defined benefit plan based on information provided solely by MMEHT to complete the actuarial report. Additions to/deductions from the MMEHT OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by MMEHT. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

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

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

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

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

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

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

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 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

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Deferred inflows related to OPEB qualify for reporting in this category as well. This item is reported in the statement of net position only. 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 24, 2017 on the assessed value listed as of April 1, 2017, for all real and personal property located in the Town. Taxes were due on October 2, 2017 and April 2, 2018. Interest on unpaid taxes commenced on October 3, 2017 and April 3, 2018, at 3.5% per annum.

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

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$148,968 for the year ended June 30, 2018.

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.

TOWN OF NEWCASTLE, MAINE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2018, the Town's deposits of \$1,746,366 were comprised of bank deposits and cash equivalents of \$1,824,280. Of these bank deposits and cash equivalents, \$277,721 was insured by federal depository insurance and Securities Investor Protection Corporation (SIPC) and consequently were not exposed to custodial credit risk. The remaining bank deposits of \$1,546,559 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	\$ 1,796,559
Savings accounts	4,303
Cash and cash equivalents	23,418
	\$ 1,824,280

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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 \$168,324 were fully covered by the Securities Investor Protection Corporation (SIPC) and consequently were not exposed to custodial credit risk.

At June 30, 2018, 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	\$ 82,542	\$ 82,542	\$ -	\$ -
Foreign	53,475	53,475	-	-
Real Estate Investment Trusts	32,307	32,307	-	-
	<u>\$ 168,324</u>	<u>\$ 168,324</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2018:

	June 30, 2018 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 and Foreign	\$ 136,017	\$ 136,017	\$ -	\$ -
Real Estate Investment Trusts	32,307	32,307	-	-
Total Equity Securities	<u>168,324</u>	<u>168,324</u>	<u>-</u>	<u>-</u>
Total Investments by Fair Value Level	<u>\$ 168,324</u>	<u>\$ 168,324</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. The Town has no Level 2 or 3 investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2018 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

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, 2018

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2018 consisted of the following individual fund receivables and payables.

	<u>Receivables (Due from)</u>	<u>Payables (Due to)</u>
General fund	\$ -	\$ 235,706
Nonmajor special revenue funds	7,164	-
Nonmajor capital projects funds	219,545	-
Nonmajor permanent funds	8,997	-
	<u>\$ 235,706</u>	<u>\$ 235,706</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	<u>Balance, 7/1/17</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance, 6/30/18</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 and vehicles	946,872	-	-	946,872
Infrastructure	3,766,766	-	-	3,766,766
	<u>5,536,959</u>	<u>-</u>	<u>-</u>	<u>5,536,959</u>
Less: accumulated depreciation	<u>(2,720,978)</u>	<u>(95,702)</u>	<u>-</u>	<u>(2,816,680)</u>
	<u>2,815,981</u>	<u>(95,702)</u>	<u>-</u>	<u>2,720,279</u>
Net capital assets	<u>\$ 2,947,146</u>	<u>\$ (95,702)</u>	<u>\$ -</u>	<u>\$ 2,851,444</u>
<u>Current year depreciation:</u>				
General government				\$ 10,530
Public safety				36,656
Public works				48,270
Recreation				246
Total depreciation expense				<u>\$ 95,702</u>

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in the general long-term debt for the year ended June 30, 2018:

	Balance, 7/1/17 (Restated)	Additions	Deletions	Balance, 6/30/18	Current Portion
Notes payable	\$ 363,554	\$ -	\$ (129,475)	\$ 234,079	\$ 38,991
Capital lease payable	8,449	-	(2,222)	6,227	2,325
Accrued compensated absences	14,086	3,687	-	17,773	17,773
Net OPEB liability	2,475	1,544	(532)	3,487	-
	<u>\$ 388,564</u>	<u>\$ 5,231</u>	<u>\$ (132,229)</u>	<u>\$ 261,566</u>	<u>\$ 59,089</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.	\$ 39,600
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>194,479</u>
Total notes payable	<u>\$ 234,079</u>

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

	Principal	Interest	Total Debt Service
2019	\$ 38,991	\$ 8,459	\$ 47,450
2020	39,803	7,646	47,449
2021	20,889	6,194	27,083
2022	21,794	5,289	27,083
2023	22,738	4,345	27,083
2024-2028	89,864	7,184	97,048
	<u>\$ 234,079</u>	<u>\$ 39,117</u>	<u>\$ 273,196</u>

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a summary of the lease outstanding as of June 30, 2018:

The Town leases a copier under a non-cancellable lease agreement. The lease is for five years with monthly payments of \$213 through January of 2021. The effective interest rate is 4.515% per annum.

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

Year Ending June 30:	
2019	\$ 2,558
2020	2,558
2021	<u>1,492</u>
Total minimum lease payments	6,608
Less: amount representing interest	<u>(381)</u>
Present value of minimum lease payments	<u><u>\$ 6,227</u></u>

NOTE 6 - NONSPENDABLE FUND BALANCES

At June 30, 2018, the Town had the following nonspendable fund balances:

General Fund:	
Tax acquired property	\$ 15,121
Nonmajor Permanent Funds (See Schedule H)	<u>110,038</u>
	<u><u>\$ 125,159</u></u>

NOTE 7 - RESTRICTED FUND BALANCES

At June 30, 2018, the Town had the following restricted fund balances:

General Fund:	
Education	\$ 163,038
Nonmajor Permanent Funds (See Schedule H)	<u>73,145</u>
	<u><u>\$ 236,183</u></u>

TOWN OF NEWCASTLE, MAINE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 8 - COMMITTED FUND BALANCES

At June 30, 2018, the Town had the following committed fund balances:

Nonmajor Capital Projects Funds (See Schedule F)	<u>\$ 169,987</u>
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NOTE 9 - ASSIGNED FUND BALANCES

At June 30, 2018, the Town had the following assigned fund balances:

General Fund:	
Comp plan carry forward	\$ 8,621
Fire station/community room	9,397
Sheepscot fire station	13,201
Overtaxed	85,761
Nonmajor Special Revenue Funds (See Schedule D)	9,959
Nonmajor Capital Projects Funds (See Schedule F)	<u>68,623</u>
	<u>\$ 195,562</u>

NOTE 10 - EXPENDITURES OVER APPROPRIATIONS

At June 30, 2018, the following appropriations were exceeded by actual expenditures:

Public Works (Article 12)	<u>\$ 21,514</u>
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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, 2018, the Town's share of County and School debt was approximately:

	Outstanding Debt	Town's Percentage	Total Share
County of Lincoln	\$ 4,935,000	38.00%	\$ 1,875,300
GSB School	150,000	42.85%	<u>64,278</u>
			<u>\$ 1,939,578</u>

TOWN OF NEWCASTLE, MAINE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Plan Description

The Town and Town retirees contribute to the Town's OPEB Plan with the Maine Municipal Employees Health Trust (MMEHT), a single employer defined benefit plan. Contributions and membership in this Plan are voluntary and may be terminated at any time by the Town and/or the Town retirees. MMEHT is a fully funded, self-insured trust which provides benefits to municipal and quasi-municipal organizations and county governments and acts as the agent to the Town concerning administration of this Plan. Title 24-A Chapter 81 of the Maine Revised Statutes Annotated authorizes the regulation of MMEHT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MMEHT participants and are administered by a number of third-party administrators contracted by MMEHT. MMEHT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by MMEHT at (800) 852-8300.

Benefits Provided

This Plan provides medical/prescription drug benefits during retirement to Medicare and non-Medicare retirees and their surviving spouses with varying levels of benefits determined by voluntary plan selection by the retiree as well as applicable Medicare statutes and regulations. The Plan also provides an automatic life insurance benefit of \$2,000 to participants which includes a surviving spouse benefit for the same. The employee must meet the minimum requirement of age 55 with at least 5 years of service at retirement to be eligible for the Plan. The retiree must enroll when first eligible and continue coverage without interruption.

Employees Covered by Benefit Terms

At January 1, 2018, the following employees were covered by the benefit terms:

Active members	2
Retirees and spouses	0
Total	2

Contributions

Retiree and spouse premium amounts are funded by the retiree at the rate for the coverage elected by the retiree. Premium rates are those determined by the MMEHT's Board of Trustees to be actuarially sufficient to pay anticipated claims.

TOWN OF NEWCASTLE, MAINE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage. Retirees and spouses must contribute 100% of the premium amounts. The sponsoring employer pays the remainder of the premium. Medical benefits are provided for the life of the retiree and surviving spouses.

Retiree Premium Amounts:

The following monthly premium amounts were reported on the individual data file. Actual plan election was reflected in expected retiree premium amounts.

<u>Pre-Medicare</u>	<u>Single Coverage</u>	<u>Family Coverage</u>
POS 200	\$957	\$2,147
<u>Medicare</u>		
Medicare-Eligible Retirees	\$528	\$1,055

Total OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the Town reported a liability of \$3,487 for its total OPEB liability for this Plan. The total OPEB liability was measured as of January 1, 2018 and was determined by an actuarial valuation as of that date. The Town's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

For the year ended June 30, 2018, the Town recognized OPEB expense of \$1,455. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	MMEHT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 372
Changes of assumptions	-	71
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	\$ -	\$ 443

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>MMEHT</u>	
Plan year ended December 31:		
2019	\$	(89)
2020		(89)
2021		(89)
2022		(89)
2023		(87)
Thereafter		-

Discount Rate

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of January 1, 2018. The discount rate determination is based on the high quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 3.44% per annum for December 31, 2018 was based upon a measurement date of December 31, 2017. The sensitivity of net OPEB liability to changes in discount rate are as follows:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	2.44%	3.44%	4.44%
Total OPEB liability	\$ 4,148	\$ 3,487	\$ 2,956
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 4,148</u>	<u>\$ 3,487</u>	<u>\$ 2,956</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Healthcare Trend

The healthcare trend is the assumed dollar increase in dollar-related values in the future due to the increase in the cost of health care. The healthcare cost trend rate is the rate of change in per capita health claim costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments. The sensitivity of net OPEB liability to changes in healthcare cost trend rates are as follows:

TOWN OF NEWCASTLE, MAINE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 2,899	\$ 3,487	\$ 4,231
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 2,899</u>	<u>\$ 3,487</u>	<u>\$ 4,231</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of January 1, 2017, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

For medical and pharmacy, historical claims and census records were assembled and provided through June 30, 2017. Medicare and non-Medicare eligible medical and prescription experience were analyzed. It was assumed that current enrollment distribution of benefit options would remain constant in the future for retirees. The cost was distributed based on the current covered population and the actuary's standard age curves which vary by age, gender and Medicare status. Children costs are converted to a load on the non-Medicare retirees which implicitly assumes that future retirees will have the same child distribution as current retirees.

Amortization

The total OPEB liability of this Plan is amortized on an open 30-year period. The amortization method is a level dollar amortization method.

Assumptions

The actuarial assumptions used in the January 1, 2018 actuarial valuation was based on economic, demographic and claim and expense assumptions that resulted from actuarial studies conducted for the period of December 31, 2017 and December 31, 2018.

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Significant actuarial assumptions employed by the actuary for economic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2018, they are as follows:

Discount Rate - 3.44% per annum.

Trend Assumptions:

Pre-Medicare Medical - Initial trend of 8.20% applied in 2018 grading over 14 years to 4.00% per annum.

Pre-Medicare Drug - Initial trend of 9.60% applied in 2018 grading over 14 years to 4.00% per annum.

Medicare Medical - Initial trend of 4.93% applied in 2018 grading over 14 years to 4.00% per annum.

Medicare Drug - Initial trend of 9.60% applied in 2017 grading over 14 years to 4.00% per annum.

Administrative and claims expense - 3% per annum.

Medical and drug trends were blended to develop non-Medicare and Medicare trends based on experience weight as listed below.

FYE	Non-Medicare		Medicare		Non-Medicare	Medicare
	Medical	Drug	Medical	Drug	Blended	Blended
2018	8.20%	9.60%	4.93%	9.60%	8.46%	8.27%
2019	7.90%	9.20%	4.87%	9.20%	8.15%	8.00%
2020	7.60%	8.80%	4.80%	8.80%	7.83%	7.72%
2021	7.30%	8.40%	4.73%	8.40%	7.51%	7.44%
2022	7.00%	8.00%	4.67%	8.00%	7.20%	7.15%
2023	6.70%	7.60%	4.60%	7.60%	6.88%	6.85%
2024	6.40%	7.20%	4.53%	7.20%	6.56%	6.55%
2025	6.10%	6.80%	4.47%	6.80%	6.24%	6.24%
2026	5.80%	6.40%	4.40%	6.40%	5.92%	5.93%
2027	5.50%	6.00%	4.33%	6.00%	5.60%	5.61%
2028	5.20%	5.60%	4.27%	5.60%	5.28%	5.29%
2029	4.90%	5.20%	4.20%	5.20%	4.96%	4.97%
2030	4.60%	4.80%	4.13%	4.80%	4.64%	4.65%
2031	4.30%	4.40%	4.07%	4.40%	4.32%	4.33%
2032	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

TOWN OF NEWCASTLE, MAINE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Future plan changes - Assumes that the current Plan and cost-sharing structure remain in place for all future years.

Significant actuarial assumptions employed by the actuary for demographic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2018, they are as follows:

Retirement Rates - Rates vary for plans with no explicit employer subsidy (or payment) versus those plans defining an explicit employer subsidy (or payment). The rates are based on assumptions from the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

Age	Tier 1 (Those hired before 7/1/14)		Tier 2 (Those hired on or after 7/1/14)	
	No Additional Employer Payment	With Additional Employer Payment	No Additional Employer Payment	With Additional Employer Payment
55	5%	5%	5%	5.5%
56	5%	5%	5%	5.5%
57	5%	5%	5%	5.5%
58	5%	5%	5%	5.5%
59	20%	20%	5%	5.5%
60	20%	25%	5%	5.5%
61	20%	25%	5%	5.5%
62	20%	25%	5%	5.5%
63	20%	25%	5%	5.5%
64	20%	25%	20%	25%
65	25%	45%	20%	40%
66	25%	30%	20%	25%
67	25%	30%	20%	25%
68	25%	30%	20%	25%
69	25%	30%	20%	25%
70	100%	100%	100%	100%

Retirement Contribution Increases - Assumed to increase at the same rate as incurred claims.

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Family Enrollment Composition - For males, 50% of future retirees under the age of 65 and 50% of current retirees are married and elect spousal coverage while females are at 30% for both. 25% of male and female future retirees over the age of 65 are married and elect spousal coverage.

Age Difference of Spouses - Husbands are assumed to be 3 years older than wives.

Administrative expenses - Included in the per capita claims cost.

Rates of Turnover - Termination rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

Years of Service	Revised
0	25.0%
1	20.0%
2	15.0%
3	12.0%
4	10.0%
5	9.0%
6	6.0%
7+	4.0%

Disability Incidence - Disabled lives will be considered active employees and will not be valued separately.

Salary Increase Rate - 2.75% per year assumed using the level percentage of pay entry age method.

Dates of Hire - Needed to be assumed for some employees and will be based on the average age at hire for similar employees.

Rate of Mortality - Based on 104% and 120% of the RP2014 Total Dataset Healthy Annuitant Mortality Table, respectively for males and females, using the RP2014 Total Dataset Employee Mortality Table for ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC _2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020. These rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Participation Rates -

Age	No Additional Employer Payment	With Additional Employer Payment
55	5%	80%
56	8%	80%
57	11%	80%
58	14%	80%
59	17%	80%
60	20%	80%
61	22%	90%
62	24%	90%
63	26%	90%
64	29%	90%
65	32%	90%
66	34%	90%
67	36%	90%
68	38%	90%
69	40%	90%
70	50%	90%

Retiree Continuation Percentage:

Medicare participant retirees - 100% assumed to continue in the plan elected.

Pre-Medicare plan retirees and active participants - 75% assumed to continue coverage once Medicare-eligible

Pre-Medicare plan spouses and spouses of active participants - 50% assumed to continue coverage once Medicare-eligible

Significant actuarial assumptions employed by the actuary for Claim and Expense Assumptions as of January 1, 2018 are as follows

Monthly Per Capita Claims and Expense Cost - For all medical and prescription drug benefits for the year 2018 is expressed per adult covered beneficiary.

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Age	POS A				POS 200			
	Medical		Rx		Medical		Rx	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$311	\$565	\$99	\$122	\$296	\$538	\$95	\$118
45	\$411	\$585	\$128	\$146	\$391	\$557	\$123	\$141
50	\$539	\$674	\$163	\$173	\$513	\$641	\$157	\$166
55	\$694	\$824	\$203	\$202	\$660	\$784	\$195	\$195
60	\$878	\$971	\$248	\$234	\$835	\$923	\$239	\$226
64	\$1,045	\$986	\$288	\$262	\$993	\$938	\$278	\$253
65	\$120	\$110	\$457	\$446	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432	\$209	\$174	\$454	\$432

Age	POS C				PPO 500			
	Medical		Rx		Medical		Rx	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$306	\$556	\$99	\$122	\$289	\$524	\$95	\$118
45	\$404	\$575	\$128	\$146	\$381	\$542	\$123	\$141
50	\$530	\$662	\$163	\$173	\$499	\$624	\$157	\$166
55	\$683	\$811	\$203	\$202	\$643	\$764	\$195	\$195
60	\$863	\$955	\$248	\$234	\$813	\$899	\$239	\$226
64	\$1,027	\$969	\$288	\$262	\$968	\$913	\$278	\$253
65	\$120	\$110	\$457	\$446	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432	\$209	\$174	\$454	\$432

Age	PPO 1000				PPO 1500			
	Medical		Rx		Medical		Rx	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$281	\$510	\$95	\$118	\$273	\$495	\$95	\$118
45	\$371	\$528	\$123	\$141	\$360	\$512	\$123	\$141
50	\$486	\$608	\$157	\$166	\$472	\$589	\$157	\$166
55	\$627	\$744	\$195	\$195	\$608	\$722	\$195	\$195
60	\$792	\$876	\$239	\$226	\$768	\$850	\$239	\$226
64	\$943	\$890	\$278	\$253	\$914	\$863	\$278	\$253
65	\$120	\$110	\$457	\$446	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432	\$209	\$174	\$454	\$432

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Age	PPO 2500			
	Medical		Rx	
	Male	Female	Male	Female
40	\$261	\$474	\$95	\$118
45	\$345	\$491	\$123	\$141
50	\$452	\$565	\$157	\$166
55	\$583	\$692	\$195	\$195
60	\$737	\$815	\$239	\$226
64	\$877	\$828	\$278	\$253
65	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432

Claims reflect all medical and prescription plans offered based on completed incurred experience through June 30, 2017 and projected to 2018 and associate enrollment in the various programs options offered.

Annual administrative and claims adjudication expenses are assumed to be \$430 per period for the year 2018.

Claims below age 65 have been loaded 4.3% for medical and 2.8% for drugs for the cost of children enrolled as dependent of eligible retirees. This figure is based on the expected cost for children of the current retirees. This assumption implicitly assumes that future retirees will have the same child distribution as current retirees.

No covered persons under 65 are assumed to be on Medicare and participants age 65 or older are assumed to be enrolled in Medicare.

Affordable Care Act (ACA) and Healthcare Marketplace - A 2.5% load has been built in to reflect the potential impact of changes from the ACA and its impact on the marketplace and program costs. Some key items are PCORI fees, the extra government subsidies for Medicare Part D that can be enrolled in through an Employer Group Waiver Program, minimum loss ratio requirements that impacted some fully insured programs, federal premium taxes, taxes and requirements on providers in the healthcare system, dynamics of the marketplace with Exchanges, Accountable Care Organizations, etc, and the potential impact of the Excise Tax associated with high-costs employer sponsored health plans.

Medical Plan Election - employees will continue in their current medical plan for their entire career.

TOWN OF NEWCASTLE, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Second-to-Die Spousal Life Insurance - not explicitly valued and was estimated to impact roughly 0.2% of the Plan's total liability.

Dependent Children - no liability assumed for dependent children's benefits.

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2018 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The difference between expected and actual experience as of January 1, 2018 was \$372.

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuations were based primarily on those used by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 which were based on the experience study covering the period from June 30, 2012 through June 30, 2015. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for 2018. For the fiscal year ended June 30, 2018, there were no changes in assumptions with the exception of the claim costs and retiree contributions being updated to reflect current healthcare costs.

Differences between Projected and Actual Earnings on OPEB Plan Investments

Differences between projected and actual investment earnings are recognized in OPEB expense using a straight-line amortization method over a closed five-year period. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to this Plan can be found at the Town office at 4 Pump Street, P.O. Box 386, Newcastle, Maine 04553-0386.

NOTE 13 - 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 participates in a public entity risk pool sponsored by the Maine Municipal Association. The Maine Municipal Association Group Risk Pool is a state-chartered pool established exclusively for Maine municipalities. The pool provides certain property, liability, fidelity and vehicle coverage. If the assets of the pool are at any time actuarially determined to be insufficient to enable the pool to discharge its legal obligations, other obligations, and actuarially sound reserves, the pool has the power to make up the deficiency by the levy of a prorated assessment. There have been no deficiencies during the past three years and management believes that no deficiency exists at June 30, 2018.

The Town is a member of the Maine Municipal Association - Property and Casualty Pool and pays an annual premium for its coverage. Under the property portion of the policy, coverage is provided after a per occurrence deductible is met. The limit of coverage for liability claims brought under the Maine Tort Claims Act is \$400,000 per occurrence. A \$2,000,000 limit of liability is provided for liability claims outside the Maine Tort Claims Act. There is no aggregate liability limit. Coverage for Public Officials Liability, including Employment Practices, is a part of the program. Coverage is on an occurrence basis, rather than a "claims made" form. A \$2,000,000 limit of liability is provided for all claims for Wrongful Acts seeking monetary damages pursuant to federal or state law for which the Maine Tort Claims Act does not provide immunity or limitations. Each member has a \$4,000,000 annual aggregate limit. An annual sublimit of \$100,000 per member applies for all back wages and/or future salary awards for employment related claims, subject to a \$5,000 retention and a 10% contribution by the member.

The Town is also a member of the Maine Municipal Association - Worker Compensation Trust Fund ("Fund"). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for worker's compensation coverage and develop a comprehensive loss control program. The Town pays an annual premium to the fund for its worker's compensation coverage. The Town's agreement with the Fund provides that the fund will be self-

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - RISK MANAGEMENT (CONTINUED)

sustaining through member premiums and will provide, through commercial companies' reinsurance contracts, coverage for claims in excess of \$1,000,000.

The Town is also a member of the Maine Municipal Association - Unemployment Compensation Group Fund ("MMA UC Fund"). The MMA UC Fund was created to assist in meeting members' obligations under the Employment Security Act in an efficient and cost-effective manner. The Fund is composed of individual municipalities and other public and related non-profit entities that are individually self-insured but administered as a group. Within the Fund, each member has a separate account. As such, the Town makes quarterly payments into their account, based on rates developed by MMA's consulting actuary. Claims, if any, are paid out of the Town's own account. The Maine Department of Labor classifies MMA's UC Fund members as Direct Reimbursement Employers. In other words, the Fund reimburses the Maine DOL on the Town's behalf only when the Town has unemployment claims from present or former employees.

Occasionally, the Town may have layoffs or resignations or even a part-time employee losing a primary job, that lead to larger claims payments than anticipated. When claims exceed the balance of the Town's account, the UC Fund continues to pay the Town's claims with no regard for the negative balance. Repayment of a negative balance is spread out over a period of years to avoid a financial hardship to the Town.

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, 2018. 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 14 - 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, 2018

NOTE 15 - 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 2021, with an option to extend that contract in two-year increments until 2025, upon affirmative vote of the Board of Selectmen. The Town has also entered into a contract with the assessor's agent. This contract is effective until 2019. The Town has also entered into a contract for cemetery maintenance services with Property Care Plus, Inc. This contract is effective until 2019. The Town has also entered into a contract for transfer station disposal services with Nobleboro/Jefferson Transfer Facility. This contract is effective until 2018. The Town has also entered into an employment contract with the Town Manager. This contract is effective until 2019.

The annual contracts' costs are as follows:

Fiscal Years Ending June 30,	Sanding and Plowing		Assessor's Agent	Cemetery Maintenance	Town Manager	Total
	Roads	Town Buildings				
2019	\$ 252,834	\$ 46,783	\$ 18,330	\$ 6,875	\$ 71,563	\$ 396,385
2020	-	48,186	-	-	-	48,186
2021	-	49,391	-	-	-	49,391

For the twelve months ended June 30, 2018, the Town paid a total of \$283,866 for both sand and snow removal service, a total of \$17,940 for the assessor's agent and total of 12,375 for cemetery maintenance. In addition, for the twelve months ended June 30, 2018, the Town paid a total of \$93,200 for transfer station disposal services and a total of \$71,082 under the Town Manager's employment contract. All future contract amounts are subject to annual appropriation by the Town of Newcastle, Maine.

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.

NOTE 17 - RESTATEMENT

The net position of the governmental activities has been restated at July 1, 2017 to account for the implementation of GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions - an amendment of GASB Statement No. 45, as amended (issued 06/04), and GASB Statement No. 57 (issued 12/09). The beginning net position was restated by \$2,475. The resulting restatement decreased net position from \$4,335,270 to \$4,332,795.

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
- Schedule of Changes in Net OPEB Liability
- Schedule of Changes in Net OPEB Liability and Related Ratios
- Schedule of Contributions - OPEB
- Notes to Required Supplementary Information

TOWN OF NEWCASTLE, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,199,317	\$ 1,199,317	\$ 1,199,317	\$ -
Resources (Inflows):				
Property taxes	4,602,071	4,602,071	4,625,005	22,934
Excise taxes	328,000	328,000	416,958	88,958
Intergovernmental:				
State revenue sharing	80,000	80,000	94,448	14,448
Homestead exemption	94,348	94,348	94,348	-
State education subsidy	-	-	107,310	107,310
Tree growth	30,000	30,000	41,766	11,766
Local road assistance	35,000	35,000	38,612	3,612
Other	6,095	6,095	16,357	10,262
Charges for services	17,960	17,960	25,566	7,606
Interest on taxes	12,000	12,000	15,435	3,435
Interest income	12,000	12,000	39,355	27,355
Miscellaneous revenues	6,000	6,000	47,200	41,200
Amounts Available for Appropriation	<u>6,422,791</u>	<u>6,422,791</u>	<u>6,761,677</u>	<u>338,886</u>
Charges to Appropriations (Outflows):				
General government	384,067	384,941	386,871	(1,930)
Public safety	204,612	204,612	197,422	7,190
Health and welfare	99,817	99,817	96,883	2,934
Public works	475,645	475,645	497,159	(21,514)
County tax	370,222	370,222	370,222	-
Education	3,151,972	3,323,330	3,387,737	(64,407)
Debt service:				
Principal	129,475	129,475	129,475	-
Interest	63,609	63,609	49,552	14,057
Unclassified	204,105	204,510	62,524	141,986
Transfers to other funds	139,950	139,950	139,950	-
Total Charges to Appropriations	<u>5,223,474</u>	<u>5,396,111</u>	<u>5,317,795</u>	<u>78,316</u>
Budgetary Fund Balance, June 30	<u>\$ 1,199,317</u>	<u>\$ 1,026,680</u>	<u>\$ 1,443,882</u>	<u>\$ 417,202</u>

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

TOWN OF NEWCASTLE, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 1/1/17 (Reporting December 31, 2017)	\$ 2,475	\$ -	\$ 2,475
Changes for the year:			
Service cost	1,398	-	1,398
Interest	146	-	146
Changes of benefits	-	-	-
Differences between expected and actual experience	(447)	-	(447)
Changes of assumptions	(85)	-	(85)
Contributions - employer	-	-	-
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	-	-	-
Administrative expense	-	-	-
Net changes	1,012	-	1,012
Balances at 1/1/18 (Reporting December 31, 2018)	<u>\$ 3,487</u>	<u>\$ -</u>	<u>\$ 3,487</u>

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

TOWN OF NEWCASTLE, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS*

	<u>2018</u>
<u>Total OPEB liability</u>	
Service cost (BOY)	1,398
Interest (includes interest on service cost)	146
Changes of benefit terms	-
Differences between expected and actual experience	(447)
Changes of assumptions	(85)
Benefit payments, including refunds of member contributions	-
Net change in total OPEB liability	<u>\$ 1,012</u>
Total OPEB liability - beginning	\$ 2,475
Total OPEB liability - ending	\$ 3,487
<u>Plan fiduciary net position</u>	
Contributions - employer	-
Contributions - member	-
Net investment income	-
Benefit payments, including refunds of member contributions	-
Administrative expense	-
Net change in fiduciary net position	<u>-</u>
Plan fiduciary net position - beginning	\$ -
Plan fiduciary net position - ending	<u>\$ -</u>
Net OPEB liability - ending	<u>\$ 3,487</u>
Plan fiduciary net position as a percentage of the total OPEB liability	-
Covered employee payroll	\$ 78,676
Net OPEB liability as a percentage of covered payroll	4.4%

* The amounts presented for each fiscal year are for those years for which information is available.

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

TOWN OF NEWCASTLE, MAINE
 SCHEDULE OF CONTRIBUTIONS - OPEB
 LAST 10 FISCAL YEARS*

	<u>2018</u>
<u>MMEHT:</u>	
Employer contributions	\$ -
Benefit payments	-
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ -
Contributions as a percentage of covered- employee payroll	0.00%

* The amounts presented for each fiscal year are for those years for which information is available.

TOWN OF NEWCASTLE, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

Changes of Assumptions

The funding method for the MMEHT OPEB Plan was changed from Projected Unit Credit funding to Entry Age Normal funding method.

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

TOWN OF NEWCASTLE, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
General government:					
Town admin/treasurer/tax coll.	\$ 60,255	\$ -	\$ 60,255	\$ 60,797	\$ (542)
Town clerk/registrar	47,476	-	47,476	48,144	(668)
Code enforcement	10,400	-	10,400	10,231	169
Selectmen	15,000	-	15,000	15,000	-
Town office building	10,674	874	11,548	9,248	2,300
Election workers	450	-	450	979	(529)
Recording secretary	1,500	-	1,500	537	963
Planning board	1,000	-	1,000	21,400	(20,400)
EMA director	850	-	850	850	-
Health officer	100	-	100	100	-
Insurance	33,521	-	33,521	31,912	1,609
Fringe benefits	56,526	-	56,526	51,226	5,300
Deputy	34,320	-	34,320	33,236	1,084
Operations and services	88,935	-	88,935	80,990	7,945
Leases	500	-	500	416	84
Independent contractors	21,560	-	21,560	21,222	338
Other administration	1,000	-	1,000	583	417
	<u>384,067</u>	<u>874</u>	<u>384,941</u>	<u>386,871</u>	<u>(1,930)</u>
Health and welfare:					
Septic waste contract	2,300	-	2,300	2,300	-
Transfer station	94,517	-	94,517	93,200	1,317
General assistance	3,000	-	3,000	1,383	1,617
	<u>99,817</u>	<u>-</u>	<u>99,817</u>	<u>96,883</u>	<u>2,934</u>
Public works:					
Snow removal	290,145	-	290,145	287,753	2,392
Roads maintenance	185,500	-	185,500	209,406	(23,906)
	<u>475,645</u>	<u>-</u>	<u>475,645</u>	<u>497,159</u>	<u>(21,514)</u>

TOWN OF NEWCASTLE, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Public safety:					
Fire chief	47,476	-	47,476	48,087	(611)
Officers' salary	3,460	-	3,460	3,069	391
Firemen / call pay	15,100	-	15,100	12,110	2,990
Fringe benefits	9,826	-	9,826	10,182	(356)
Phones	2,300	-	2,300	2,502	(202)
S.C.B.A.	4,290	-	4,290	4,838	(548)
Communications	3,200	-	3,200	2,495	705
Training	3,000	-	3,000	3,154	(154)
New equipment	5,000	-	5,000	6,011	(1,011)
Vehicle maintenance	11,356	-	11,356	10,013	1,343
Turn out gear	4,500	-	4,500	4,268	232
Admin	4,560	-	4,560	4,715	(155)
Vehicles/gas and oil	7,000	-	7,000	5,014	1,986
Animal control officer	500	-	500	-	500
Community room	14,197	-	14,197	19,181	(4,984)
Sheepscot fire station	2,435	-	2,435	1,829	606
Protection	66,412	-	66,412	59,954	6,458
	<u>204,612</u>	<u>-</u>	<u>204,612</u>	<u>197,422</u>	<u>7,190</u>
County tax	<u>370,222</u>	<u>-</u>	<u>370,222</u>	<u>370,222</u>	<u>-</u>
Education:					
Elementary education	2,126,099	-	2,126,099	2,126,099	-
Secondary education	1,019,471	171,358	1,190,829	1,255,236	(64,407)
Adult ed	6,402	-	6,402	6,402	-
	<u>3,151,972</u>	<u>171,358</u>	<u>3,323,330</u>	<u>3,387,737</u>	<u>(64,407)</u>

TOWN OF NEWCASTLE, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Debt service:					
Principal	129,475	-	129,475	129,475	-
Interest	63,609	-	63,609	49,552	14,057
	<u>193,084</u>	<u>-</u>	<u>193,084</u>	<u>179,027</u>	<u>14,057</u>
Unclassified:					
Cemeteries	12,000	405	12,405	14,290	(1,885)
Parks	3,250	-	3,250	3,726	(476)
Not for profit and other orgs	34,887	-	34,887	34,887	-
Abatements	5,000	-	5,000	4,420	580
Overlay	148,968	-	148,968	5,201	143,767
	<u>204,105</u>	<u>405</u>	<u>204,510</u>	<u>62,524</u>	<u>141,986</u>
Transfers to other funds:					
Capital projects funds	139,950	-	139,950	139,950	-
	<u>139,950</u>	<u>-</u>	<u>139,950</u>	<u>139,950</u>	<u>-</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 5,223,474</u>	<u>\$ 172,637</u>	<u>\$ 5,396,111</u>	<u>\$ 5,317,795</u>	<u>\$ 78,316</u>

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

TOWN OF NEWCASTLE, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,795	\$ -	\$ 24,927	\$ 27,722
Investments	-	19,065	149,259	168,324
Due from other funds	7,164	219,545	8,997	235,706
TOTAL ASSETS	\$ 9,959	\$ 238,610	\$ 183,183	\$ 431,752
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-
FUND BALANCES				
Nonspendable - principal	-	-	110,038	110,038
Restricted	-	-	73,145	73,145
Committed	-	169,987	-	169,987
Assigned	9,959	68,623	-	78,582
Unassigned	-	-	-	-
TOTAL FUND BALANCES	9,959	238,610	183,183	431,752
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,959	\$ 238,610	\$ 183,183	\$ 431,752

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, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Investment income, net of unrealized gains/(losses)	\$ -	\$ 1,083	\$ 9,116	\$ 10,199
Interest income	3	-	-	3
Other	4,485	14,580	6,000	25,065
TOTAL REVENUES	<u>4,488</u>	<u>15,663</u>	<u>15,116</u>	<u>35,267</u>
EXPENDITURES				
Other	1,040	73,594	-	74,634
EXPENDITURES	<u>1,040</u>	<u>73,594</u>	<u>-</u>	<u>74,634</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,448</u>	<u>(57,931)</u>	<u>15,116</u>	<u>(39,367)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	139,950	-	139,950
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>139,950</u>	<u>-</u>	<u>139,950</u>
NET CHANGE IN FUND BALANCES	3,448	82,019	15,116	100,583
FUND BALANCES - JULY 1	<u>6,511</u>	<u>156,591</u>	<u>168,067</u>	<u>331,169</u>
FUND BALANCES - JUNE 30	<u>\$ 9,959</u>	<u>\$ 238,610</u>	<u>\$ 183,183</u>	<u>\$ 431,752</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, 2018

	Joint Harbor Account	Total
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 2,795	\$ 2,795
Due from other funds	7,164	7,164
TOTAL ASSETS	<u>\$ 9,959</u>	<u>\$ 9,959</u>
LIABILITIES		
Accounts payable	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCES		
Nonspendable	-	-
Restricted	-	-
Committed	-	-
Assigned	9,959	9,959
Unassigned	-	-
TOTAL FUND BALANCES	<u>9,959</u>	<u>9,959</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,959</u>	<u>\$ 9,959</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, 2018

	Joint Harbor Account	Total
REVENUES		
Interest income	\$ 3	\$ 3
Other	4,485	4,485
TOTAL REVENUES	<u>4,488</u>	<u>4,488</u>
EXPENDITURES		
Other	1,040	1,040
TOTAL EXPENDITURES	<u>1,040</u>	<u>1,040</u>
NET CHANGE IN FUND BALANCES	3,448	3,448
FUND BALANCES - JULY 1	<u>6,511</u>	<u>6,511</u>
FUND BALANCES - JUNE 30	<u>\$ 9,959</u>	<u>\$ 9,959</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.

TOWN OF NEWCASTLE, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2018

	Conservation Town Forest	Road Reserve	Alewives Reserve	Park Reserve	Public Works Equipment Reserve	Playground Reserve	Municipal Building	Computer Reserve	Total
ASSETS									
Investments	\$ 19,065	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,065
Due from other funds	1,002	100,810	48,556	1,850	26,010	9,200	30,000	2,117	219,545
TOTAL ASSETS	<u>\$ 20,067</u>	<u>\$ 100,810</u>	<u>\$ 48,556</u>	<u>\$ 1,850</u>	<u>\$ 26,010</u>	<u>\$ 9,200</u>	<u>\$ 30,000</u>	<u>\$ 2,117</u>	<u>\$ 238,610</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-
Committed	-	100,810	-	1,850	26,010	9,200	30,000	2,117	169,987
Assigned	20,067	-	48,556	-	-	-	-	-	68,623
Unassigned	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>20,067</u>	<u>100,810</u>	<u>48,556</u>	<u>1,850</u>	<u>26,010</u>	<u>9,200</u>	<u>30,000</u>	<u>2,117</u>	<u>238,610</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 20,067</u>	<u>\$ 100,810</u>	<u>\$ 48,556</u>	<u>\$ 1,850</u>	<u>\$ 26,010</u>	<u>\$ 9,200</u>	<u>\$ 30,000</u>	<u>\$ 2,117</u>	<u>\$ 238,610</u>

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

TOWN OF NEWCASTLE, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Conservation Town Forest	Road Reserve	Alewives Reserve	Park Reserve	Public Works Equipment Reserve	Playground Reserve	Municipal Building	Computer Reserve	Total
REVENUES									
Investment income, net of unrealized gains/(losses)	\$ 1,069	\$ -	\$ 14	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,083
Other	-	-	13,230	100	-	1,250	-	-	14,580
TOTAL REVENUES	<u>1,069</u>	<u>-</u>	<u>13,244</u>	<u>100</u>	<u>-</u>	<u>1,250</u>	<u>-</u>	<u>-</u>	<u>15,663</u>
EXPENDITURES									
Other	-	62,296	4,215	-	-	-	-	7,083	73,594
TOTAL EXPENDITURES	<u>-</u>	<u>62,296</u>	<u>4,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,083</u>	<u>73,594</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,069</u>	<u>(62,296)</u>	<u>9,029</u>	<u>100</u>	<u>-</u>	<u>1,250</u>	<u>-</u>	<u>(7,083)</u>	<u>(57,931)</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	-	100,000	-	250	-	1,500	30,000	8,200	139,950
Transfers (out)	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>250</u>	<u>-</u>	<u>1,500</u>	<u>30,000</u>	<u>8,200</u>	<u>139,950</u>
NET CHANGE IN FUND BALANCES	1,069	37,704	9,029	350	-	2,750	30,000	1,117	82,019
FUND BALANCES - JULY 1	<u>18,998</u>	<u>63,106</u>	<u>39,527</u>	<u>1,500</u>	<u>26,010</u>	<u>6,450</u>	<u>-</u>	<u>1,000</u>	<u>156,591</u>
FUND BALANCES - JUNE 30	<u>\$ 20,067</u>	<u>\$ 100,810</u>	<u>\$ 48,556</u>	<u>\$ 1,850</u>	<u>\$ 26,010</u>	<u>\$ 9,200</u>	<u>\$ 30,000</u>	<u>\$ 2,117</u>	<u>\$ 238,610</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, 2018

	C & M Hatch	Sheepscot Cemetery	Glidden St Cemetery	Pine Knoll Cemetery	Whitehouse Cemetery	Hussey Cemetery	Worthy Poor	Cemetery Trust	Total
ASSETS									
Cash and cash equivalents	\$ 400	\$ 7,331	\$ 3,811	\$ 6,019	\$ 92	\$ -	\$ 5,766	\$ 1,508	\$ 24,927
Investments	2,548	46,725	24,287	38,359	583	-	36,757	-	149,259
Due from other funds	-	-	5,930	-	-	3,067	-	-	8,997
TOTAL ASSETS	<u>\$ 2,948</u>	<u>\$ 54,056</u>	<u>\$ 34,028</u>	<u>\$ 44,378</u>	<u>\$ 675</u>	<u>\$ 3,067</u>	<u>\$ 42,523</u>	<u>\$ 1,508</u>	<u>\$ 183,183</u>
LIABILITIES									
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES									
Nonspendable	2,001	25,447	22,624	33,873	554	2,500	23,039	-	110,038
Restricted	947	28,609	11,404	10,505	121	567	19,484	1,508	73,145
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>2,948</u>	<u>54,056</u>	<u>34,028</u>	<u>44,378</u>	<u>675</u>	<u>3,067</u>	<u>42,523</u>	<u>1,508</u>	<u>183,183</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,948</u>	<u>\$ 54,056</u>	<u>\$ 34,028</u>	<u>\$ 44,378</u>	<u>\$ 675</u>	<u>\$ 3,067</u>	<u>\$ 42,523</u>	<u>\$ 1,508</u>	<u>\$ 183,183</u>

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

TOWN OF NEWCASTLE, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	C & M Hatch	Sheepscot Cemetery	Glidden St Cemetery	Pine Knoll Cemetery	Whitehouse Cemetery	Hussey Cemetery	Worthy Poor	Cemetery Trust	Total
REVENUES									
Investment income, net of unrealized gains/(losses)	\$ 165	\$ 2,732	\$ 1,400	\$ 2,349	\$ 38	\$ 171	\$ 2,260	\$ 1	\$ 9,116
Other	-	-	6,000	-	-	-	-	-	6,000
TOTAL REVENUES	<u>165</u>	<u>2,732</u>	<u>7,400</u>	<u>2,349</u>	<u>38</u>	<u>171</u>	<u>2,260</u>	<u>1</u>	<u>15,116</u>
EXPENDITURES									
Other	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	165	2,732	7,400	2,349	38	171	2,260	1	15,116
FUND BALANCES - JULY 1	<u>2,783</u>	<u>51,324</u>	<u>26,628</u>	<u>42,029</u>	<u>637</u>	<u>2,896</u>	<u>40,263</u>	<u>1,507</u>	<u>168,067</u>
FUND BALANCES - JUNE 30	<u>\$ 2,948</u>	<u>\$ 54,056</u>	<u>\$ 34,028</u>	<u>\$ 44,378</u>	<u>\$ 675</u>	<u>\$ 3,067</u>	<u>\$ 42,523</u>	<u>\$ 1,508</u>	<u>\$ 183,183</u>

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

General Capital Assets

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

TOWN OF NEWCASTLE, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2018

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
General government	\$ 97,965	\$ 341,651	\$ 47,720	\$ -	\$ 487,336
Public safety	33,200	472,896	890,052	-	1,396,148
Public works	-	-	9,100	3,766,766	3,775,866
Recreation	-	8,774	-	-	8,774
Total General Capital Assets	131,165	823,321	946,872	3,766,766	5,668,124
Less: Accumulated Depreciation	-	(345,061)	(538,040)	(1,933,579)	(2,816,680)
Net General Capital Assets	\$ 131,165	\$ 478,260	\$ 408,832	\$ 1,833,187	\$ 2,851,444

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

TOWN OF NEWCASTLE, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2018

	General Capital Assets 7/1/17	Additions	Deletions	General Capital Assets 6/30/17
General government	\$ 487,336	\$ -	\$ -	\$ 487,336
Public safety	1,396,148	-	-	1,396,148
Public works	3,775,866	-	-	3,775,866
Recreation	8,774	-	-	8,774
Total General Capital Assets	5,747,020	-	-	5,668,124
Less: Accumulated Depreciation	<u>(2,720,978)</u>	<u>(95,702)</u>	<u>-</u>	<u>(2,816,680)</u>
Net General Capital Assets	<u>\$ 3,100,461</u>	<u>\$ (95,702)</u>	<u>\$ -</u>	<u>\$ 2,851,444</u>

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



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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, 2018, 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 April 8, 2019.

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.

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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
April 8, 2019

TOWN OF NEWCASTLE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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	\$ -	\$ 24,455
Subtotal Special Education Cluster (IDEA)			<u>-</u>	<u>24,455</u>
Total U.S. Department of Education			<u>-</u>	<u>24,455</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ -</u>	<u>\$ 24,455</u>

DISCLOSURES:

This Town is not required to have a federal 2 C.F.R. Part 200 Uniform Guidance Audit.

TOWN OF NEWCASTLE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

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, 2018. 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 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, 2018 and have issued our report thereon dated April 8, 2019. 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 Maine Department of Education for accuracy. In addition, we have reviewed the Town of Newcastle, Maine'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 of Newcastle, Maine 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 Maine Department of Education.

This report is intended solely for the information of the Board of Selectmen, School Board, management and the Maine 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
April 8, 2019

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NEWCASTLE SCHOOL DEPARTMENT

RECONCILIATION OF AUDIT ADJUSTMENTS TO ANNUAL FINANCIAL DATA
 SUBMITTED TO THE MAINE EDUCATION FINANCIAL SYSTEM
 FOR YEAR ENDED JUNE 30, 2018

	General Fund (1000)	Special Revenue Funds (2000)	Capital Projects Fund (3000)	Total
June 30 Balance Per MEFS Financial System	\$ 161,453	\$ 1,610	\$ -	\$ 163,063
Expenditure Adjustments:	(25)	-	-	(25)
Other adjustments:				
Beginning balance adjustment	1,610	(1,610)	-	-
Audited GAAP Basis Fund Balance June 30	\$ 163,038	\$ -	\$ -	\$ 163,038