

Audited Financial Statements and  
Other Financial Information

Town of Newcastle, Maine

June 30, 2019



*Proven Expertise & Integrity*

TOWN OF NEWCASTLE, MAINE

CONTENTS

JUNE 30, 2019

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 11
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET POSITION	12
STATEMENT B - STATEMENT OF ACTIVITIES	13 - 14
FUND FINANCIAL STATEMENTS	
STATEMENT C - BALANCE SHEET - GOVERNMENTAL FUNDS	15
STATEMENT D - RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	16
STATEMENT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	17
STATEMENT F - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	18
NOTES TO FINANCIAL STATEMENTS	19 - 46
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	47
SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND	48

SCHEDULE 1A - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - EDUCATION FUND	49
SCHEDULE 2 - SCHEDULE OF CHANGES IN NET OPEB LIABILITY	50
SCHEDULE 3 - SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS	51
SCHEDULE 4 - SCHEDULE OF CONTRIBUTIONS - OPEB	52
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	53
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	54
SCHEDULE A - SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND	55 - 57
SCHEDULE B - COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS	58
SCHEDULE C - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS	59
SPECIAL REVENUE FUNDS DESCRIPTION	60
SCHEDULE D - COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS	61
SCHEDULE E - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS	62
CAPITAL PROJECTS FUNDS DESCRIPTION	63
SCHEDULE F - COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS	64
SCHEDULE G - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS	65
PERMANENT FUNDS DESCRIPTION	66

SCHEDULE H - COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS	67
SCHEDULE I - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR PERMANENT FUNDS	68
GENERAL CAPITAL ASSETS DESCRIPTION	69
SCHEDULE J - SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION	70
SCHEDULE K - SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION	71

FEDERAL COMPLIANCE

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 <i>GOVERNMENT AUDITING STANDARDS</i>	72 - 73
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STATE COMPLIANCE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	74
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	75
INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS	76
RECONCILIATION OF AUDIT ADJUSTMENTS TO ANNUAL FINANCIAL DATA SUBMITTED TO THE MAINE EDUCATION FINANCIAL SYSTEM	77



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## INDEPENDENT AUDITORS' REPORT

Selectboard  
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, 2019 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.

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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, 2019 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 OPEB information on pages 4 through 11 and 48 through 53 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 March 25, 2020, 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  
March 25, 2020

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**(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, 2019. 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 three 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 funds are the general fund and the education fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund and the education fund are the only funds for which the Town legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund and the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Education 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 \$481,287 from \$4,753,106 to \$5,234,393.

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 \$2,227,758.

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

	<b>2019</b>	<b>2018 (Restated)</b>
<b>Assets:</b>		
Current Assets	\$ 2,772,085	\$ 2,272,557
Noncurrent Assets	2,774,541	2,851,444
Total Assets	5,546,626	5,124,001
<b>Liabilities:</b>		
Current Liabilities	68,907	96,073
Noncurrent Liabilities	178,040	162,877
Total Liabilities	246,947	258,950
<b>Deferred Inflows of Resources:</b>		
Prepaid Taxes	64,510	111,502
Deferred Inflows Related to OPEB	776	443
Total Deferred Inflows of Resources	65,286	111,945
<b>Net Position:</b>		
Net Investment in Capital Assets	2,595,351	2,650,738
Restricted:		
Education Fund	203,704	163,038
Permanent Funds	207,580	183,183
Unrestricted	2,227,758	1,756,147
Total Net Position	\$ 5,234,393	\$ 4,753,106

### Revenues and Expenses

Revenues for the Town's governmental activities increased by 1.17% while total expenses decreased by 0.95%. The increase in revenues was primarily due to operating grants and contributions. The decrease in expenses was primarily due to public works, education and interest on long-term debt.

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

	<b>2019</b>	<b>2018</b>
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for services	\$ 23,761	\$ 25,566
Operating grants and contributions	197,471	145,922
<i>General Revenues:</i>		
Property taxes	4,582,918	4,615,233
Excise taxes	434,933	416,958
Grants and contributions not restricted to specific programs	255,251	246,919
Miscellaneous	159,136	137,257
Total Revenues	5,653,470	5,587,855
<b>Expenses</b>		
General government	427,647	400,321
Public safety	228,806	234,078
Health and welfare	98,484	96,883
Public works	500,547	545,429
County tax	378,122	370,222
Education	3,254,808	3,387,737
Interest on long-term debt	7,824	49,552
Unclassified	275,945	137,404
Total Expenses	5,172,183	5,221,626
Change in Net Position	481,287	366,229
Net Position - July 1, Restated	4,753,106	4,386,877
Net Position - June 30	\$ 5,234,393	\$ 4,753,106

### **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,**

	<b>2019</b>	<b>(Restated) 2018</b>
Major Funds:		
General Fund:		
Nonspendable	\$ 18,323	\$ 15,121
Assigned	109,258	116,980
Unassigned	1,600,233	1,163,225
Education Fund:		
Restricted	207,580	163,038
Total Major Funds	\$ 1,935,394	\$ 1,458,364
Nonmajor Funds:		
Special Revenue Funds:		
Assigned	\$ 13,562	\$ 9,959
Capital Project Funds:		
Committed	150,939	169,987
Assigned	89,608	68,623
Permanent Funds:		
Nonspendable - principal	110,038	110,038
Restricted	93,666	73,145
Total Nonmajor Funds	\$ 457,813	\$ 431,752

The general fund total fund balance increased by \$432,488 from the prior fiscal period due to revenues exceeding expenditures and transfers to other funds. The education fund total fund balance increased by \$44,542 from the prior fiscal year primarily due to transfers from other funds. The nonmajor funds total fund balance increased by \$26,061 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 \$137,265. All revenue categories were within or in excess of budgeted amounts with the exception of property taxes.

The general fund actual expenditures were under budgeted amounts by \$295,223. All expenditure categories were within or under budgeted amounts with the exception of health and welfare and debt service - interest.

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

The education fund actual revenues exceeded budgeted amounts by \$1,512. All revenue categories were within or in excess of budgeted amounts.

The education fund actual expenditures were under budgeted amounts by \$143,030. All expenditure categories were within or under budgeted amounts with the exception of system administration.

## **Capital Asset and Long-Term Debt Administration**

### **Capital Assets**

As of June 30, 2019, the net book value of capital assets recorded by the Town decreased by \$76,903. This was due to the current year additions of \$17,732 less depreciation expense of \$94,635.

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

	<b>2019</b>	<b>2018</b>
Land and improvements	\$ 131,165	\$ 131,165
Buildings and improvements	455,721	478,260
Equipment and vehicles	401,831	408,832
Infrastructure	1,785,824	1,833,187
Total	<b>\$ 2,774,541</b>	<b>\$ 2,851,444</b>

### **Debt**

At June 30, 2019, the Town had notes from direct borrowings payable outstanding in the amount of \$179,190 versus \$200,706 in the prior year. 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 three months and the Town also maintains reserves for future operations, capital and program needs.

To further promote and ensure the financial well-being and fiscal stability of the Town, Newcastle adopted a Fund Balance Policy in October of 2008. The Town's management designed the policy around maintaining an appropriate level of Unassigned Fund Balance with the intent to reduce the need for borrowing, protect and enhance the Town's Bond Rating and to provide the funds necessary to meet the Town's near-term operating obligations. The policy requires that a surplus minimum be maintained equal to 1/12<sup>th</sup> or 8% of the Town's General Fund Budget, but not to exceed 15%. At June 30, 2019, 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.

## TOWN OF NEWCASTLE, MAINE

STATEMENT OF NET POSITION  
JUNE 30, 2019

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,154,936
Investments	184,474
Accounts receivable (net of allowance for uncollectibles):	
Taxes	241,601
Liens	100,634
Other	6,319
Due from other governments	65,798
Tax acquired property	18,323
Total current assets	<u>2,772,085</u>
Noncurrent assets:	
Capital assets:	
Land and other assets not being depreciated	131,165
Infrastructure, buildings and vehicles, net of accumulated depreciation	2,643,376
Total noncurrent assets	<u>2,774,541</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,546,626</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 33,315
Accrued payroll liabilities	7,599
Current portion of long-term obligations	27,993
Total current liabilities	<u>68,907</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Notes from direct borrowings payable	156,755
Accrued compensated absences	16,675
Net OPEB liability	4,610
Total noncurrent liabilities	<u>178,040</u>
<b>TOTAL LIABILITIES</b>	<u>246,947</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Prepaid taxes	64,510
Deferred inflows related to OPEB	776
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>65,286</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,595,351
Restricted: Education fund	207,580
Permanent funds	203,704
Unrestricted	2,227,758
<b>TOTAL NET POSITION</b>	<u>5,234,393</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 5,546,626</u>

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



TOWN OF NEWCASTLE, MAINE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
General government	\$ 427,647	\$ 23,761	\$ -	\$ -	\$ (403,886)
Public safety	228,806	-	-	-	(228,806)
Health and welfare	98,484	-	-	-	(98,484)
Public works	500,547	-	55,297	-	(445,250)
County tax	378,122	-	-	-	(378,122)
Education	3,254,808	-	142,174	-	(3,112,634)
Interest on long-term debt	7,824	-	-	-	(7,824)
Unclassified	275,945	-	-	-	(275,945)
Total government	<u>\$ 5,172,183</u>	<u>\$ 23,761</u>	<u>\$ 197,471</u>	<u>\$ -</u>	<u>(4,950,951)</u>

STATEMENT B (CONTINUED)  
TOWN OF NEWCASTLE, MAINE

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(4,950,951)</u>
General revenues:	
Taxes:	
Property taxes, levied for general purposes	4,582,918
Excise taxes	434,933
Grants and contributions not restricted to specific programs	255,251
Miscellaneous	159,136
Total general revenues	<u>5,432,238</u>
Change in net position	481,287
NET POSITION - JULY 1, RESTATED	<u>4,753,106</u>
NET POSITION - JUNE 30	<u><u>\$ 5,234,393</u></u>

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

## TOWN OF NEWCASTLE, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2019

	General Fund	Education Fund	Other Governmental Funds	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,122,668	\$ -	\$ 32,268	\$ 2,154,936
Investments	-	-	184,474	184,474
Accounts receivable (net of allowance for uncollectibles):				
Taxes	241,601	-	-	241,601
Liens	100,634	-	-	100,634
Other	977	-	5,342	6,319
Due from other governments	65,798	-	-	65,798
Tax acquired property	18,323	-	-	18,323
Due from other funds	5,409	235,122	241,138	481,669
<b>TOTAL ASSETS</b>	<u>\$ 2,555,410</u>	<u>\$ 235,122</u>	<u>\$ 463,222</u>	<u>\$ 3,253,754</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 5,773	\$ 27,542	\$ -	\$ 33,315
Accrued payroll liabilities	7,599	-	-	7,599
Due to other funds	476,260	-	5,409	481,669
<b>TOTAL LIABILITIES</b>	<u>489,632</u>	<u>27,542</u>	<u>5,409</u>	<u>522,583</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid taxes	64,510	-	-	64,510
Deferred tax revenues	273,454	-	-	273,454
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>337,964</u>	<u>-</u>	<u>-</u>	<u>337,964</u>
<b>FUND BALANCES</b>				
Nonspendable- tax acquired and principal	18,323	-	110,038	128,361
Restricted	-	207,580	93,666	301,246
Committed	-	-	150,939	150,939
Assigned	109,258	-	103,170	212,428
Unassigned	1,600,233	-	-	1,600,233
<b>TOTAL FUND BALANCES</b>	<u>1,727,814</u>	<u>207,580</u>	<u>457,813</u>	<u>2,393,207</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 2,555,410</u>	<u>\$ 235,122</u>	<u>\$ 463,222</u>	<u>\$ 3,253,754</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, 2019

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 2,393,207
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	2,774,541
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	273,454
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Notes from direct borrowings payable	(179,190)
Accrued compensated absences	(22,233)
Net OPEB liability	(4,610)
Deferred inflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	<u>(776)</u>
Net position of governmental activities	<u>\$ 5,234,393</u>

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

## TOWN OF NEWCASTLE, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Education Fund	Other Governmental Funds	Total
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 4,543,419	\$ -	\$ -	\$ 4,543,419
Excise taxes	434,933	-	-	434,933
Intergovernmental	293,567	142,174	16,981	452,722
Charges for services	23,761	-	-	23,761
Miscellaneous revenues	112,677	-	46,459	159,136
<b>TOTAL REVENUES</b>	<u>5,408,357</u>	<u>142,174</u>	<u>63,440</u>	<u>5,613,971</u>
<b>EXPENDITURES</b>				
Current:				
General government	430,000	-	-	430,000
Public safety	192,150	-	-	192,150
Health and welfare	98,484	-	-	98,484
Public works	452,277	-	-	452,277
County tax	378,122	-	-	378,122
Education	2,080,743	1,174,065	-	3,254,808
Unclassified	82,470	-	193,229	275,699
Debt service:				
Principal	21,516	-	-	21,516
Interest	7,824	-	-	7,824
<b>TOTAL EXPENDITURES</b>	<u>3,743,586</u>	<u>1,174,065</u>	<u>193,229</u>	<u>5,110,880</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,664,771</u>	<u>(1,031,891)</u>	<u>(129,789)</u>	<u>503,091</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	1,076,433	155,850	1,232,283
Transfers (out)	(1,232,283)	-	-	(1,232,283)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,232,283)</u>	<u>1,076,433</u>	<u>155,850</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	432,488	44,542	26,061	503,091
<b>FUND BALANCES - JULY 1, RESTATED</b>	<u>1,295,326</u>	<u>163,038</u>	<u>431,752</u>	<u>1,890,116</u>
<b>FUND BALANCES - JUNE 30</b>	<u>\$ 1,727,814</u>	<u>\$ 207,580</u>	<u>\$ 457,813</u>	<u>\$ 2,393,207</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, 2019

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 503,091</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:	
Capital asset acquisitions	17,732
Depreciation expense	<u>(94,635)</u>
	<u>(76,903)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported	
Taxes and liens receivable	<u>39,499</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>(333)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position	
	<u>21,516</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	(4,460)
Net OPEB liability	<u>(1,123)</u>
	<u>(5,583)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 481,287</u></u>

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

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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, 2019, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 83 "Certain Asset Retirement Obligations". This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation or acquiring a tangible capital asset that has an existing ARO. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements". This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences and significant subjective acceleration clauses. 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.

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



TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and 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 funds:

- 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.
- b. The Education Fund is used to account for financial resources of the Newcastle School Department.

Nonmajor funds:

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

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- d. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- e. 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 are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Budget**

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the Town prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Town was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the inhabitants of the Town.

**Deposits and Investments**

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

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

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

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 \$72,117 for the year ended June 30, 2019. The allowance for uncollectible amounts is estimated to be \$0 as of June 30, 2019.

**Interfund Receivables and Payables**

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

**Transactions Between Funds**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of the Governmental Funds.

**Capital Assets**

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

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

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 obligations 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 obligations to be repaid from governmental and business-type resources are reported as liabilities in government-wide statements. The long-term obligations consist primarily of notes from direct borrowings 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.

**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.

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

**Fund Balance**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned.

**Nonspendable** - This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.

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

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

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

**Deferred Outflows and Inflows of Resources**

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

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has deferred tax revenues, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. Prepaid taxes also qualify for reporting in this category. This item is reported in both the statements of net position and governmental funds balance sheet. 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 23, 2018 on the assessed value listed as of April 1, 2018, for all real and personal property located in the Town. Taxes were due on October 1, 2018 and April 1, 2019. Interest on unpaid taxes commenced on October 2, 2018 and April 2, 2019, at 5.0% per annum.

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay and amounted to \$157,125 for the year ended June 30, 2019.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

**Program Revenues**

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services or privileges provided, operating or capital grants and contributions, including special assessments).

**Encumbrance Accounting**

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

**Use of Estimates**

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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



TOWN OF NEWCASTLE, MAINE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

**Deposits:**

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2019, the Town's deposits of \$2,154,936 were comprised of bank deposits and cash equivalents of \$2,262,521. Of these bank deposits and cash equivalents, \$282,268 was insured by federal depository insurance and consequently were not exposed to custodial credit risk. The remaining bank deposits of \$1,980,253 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	\$ 2,230,253
Savings accounts	4,308
Cash and cash equivalents	27,960
	\$ 2,262,521

**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.

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2019, the Town had the following investments and maturities:

Account Type	Fair Value	Not Applicable	Less than 1 Year	1-5 Years
Equity Securities:				
Common Stock:				
Domestic	\$ 102,569	\$ 102,569	\$ -	\$ -
Foreign	45,569	45,569	-	-
Real Estate Investment Trusts	36,336	36,336	-	-
	<u>\$ 184,474</u>	<u>\$ 184,474</u>	<u>\$ -</u>	<u>\$ -</u>

**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, 2019:

Investments by Fair Value Level	June 30, 2019 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)
Equity Securities:				
Common Stock - Domestic and Foreign	\$ 148,138	\$ 148,138	\$ -	\$ -
Real Estate Investment Trusts	36,336	36,336	-	-
Total Equity Securities	<u>184,474</u>	<u>184,474</u>	<u>-</u>	<u>-</u>
Total Investments by Fair Value Level	<u>\$ 184,474</u>	<u>\$ 184,474</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 II or III investments.

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.

TOWN OF NEWCASTLE, MAINE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2019 consisted of the following individual fund receivables and payables.

	Receivables (Due from)	Payables (Due to)
	<u>                    </u>	<u>                    </u>
General fund	\$ 5,409	\$ 476,260
Education fund	235,122	-
Nonmajor special revenue funds	10,764	5,342
Nonmajor capital projects funds	218,307	67
Nonmajor permanent funds	12,067	-
	<u>\$ 481,669</u>	<u>\$ 481,669</u>

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	Balance, 7/1/18	Additions	Disposals	Balance, 6/30/19
<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	17,732	(36,148)	928,456
Infrastructure	3,766,766	-	-	3,766,766
	<u>5,536,959</u>	<u>17,732</u>	<u>(36,148)</u>	<u>5,518,543</u>
Less: accumulated depreciation	<u>(2,816,680)</u>	<u>(94,635)</u>	<u>36,148</u>	<u>(2,875,167)</u>
	<u>2,720,279</u>	<u>(76,903)</u>	<u>-</u>	<u>2,643,376</u>
Net capital assets	<u>\$ 2,851,444</u>	<u>\$ (76,903)</u>	<u>\$ -</u>	<u>\$ 2,774,541</u>
<u>Current year depreciation:</u>				
General government				\$ 9,463
Public safety				36,656
Public works				48,270
Recreation				246
Total depreciation expense				<u>\$ 94,635</u>

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in the general long-term debt for the year ended June 30, 2019:

	Balance, 7/1/18 (Restated)	Additions	Deletions	Balance, 6/30/19	Current Portion
Notes from direct borrowings payable	\$ 200,706	\$ -	\$ (21,516)	\$ 179,190	\$ 22,435

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a summary of the outstanding notes from direct borrowings payable:

Note payable to Damariscotta Bank and Trust for a fire truck. Monthly principal and interest payments of \$2,257. Interest is charged at a fixed rate of 4.19% per annum. Maturity in January of 2027.	\$ 175,288
Capital lease payable to US Bank for a copier. Monthly principal and interest payments of \$213. Interest is charged at a fixed rate of 4.515% per annum. Maturity in January of 2021.	<u>3,902</u>
Total notes from direct borrowings payable	<u><u>\$ 179,190</u></u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ 22,435	\$ 7,772	\$ 30,207
2021	22,359	6,216	28,575
2022	21,794	5,289	27,083
2023	22,738	4,345	27,083
2024	23,714	3,369	27,083
2025-2029	<u>66,150</u>	<u>3,815</u>	<u>69,965</u>
	<u><u>\$ 179,190</u></u>	<u><u>\$ 30,806</u></u>	<u><u>\$ 209,996</u></u>

NOTE 6 - OTHER LONG-TERM OBLIGATIONS

The following is a summary of changes in the other long-term obligations for the year ended June 30, 2019:

	<u>Balance, 7/1/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, 6/30/19</u>	<u>Current Portion</u>
Accrued compensated absences	\$ 17,773	\$ 4,460	\$ -	\$ 22,233	\$ 5,558
Net OPEB liability	3,487	1,629	(506)	4,610	-
	<u><u>\$ 21,260</u></u>	<u><u>\$ 6,089</u></u>	<u><u>\$ (506)</u></u>	<u><u>\$ 26,843</u></u>	<u><u>\$ 5,558</u></u>

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 6 - OTHER LONG-TERM OBLIGATIONS (CONTINUED)

Please see Notes 7 and 14 for detailed information on each of the other long-term obligations.

NOTE 7 - ACCRUED 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, while the proprietary funds report the liability as it is incurred. As of June 30, 2019, the Town's liability for compensated absences is \$22,233.

NOTE 8 - NONSPENDABLE FUND BALANCES

At June 30, 2019, the Town had the following nonspendable fund balances:

General Fund:	
Tax acquired property	\$ 18,323
Nonmajor Permanent Funds (Schedule H)	<u>110,038</u>
	<u>\$ 128,361</u>

NOTE 9 - RESTRICTED FUND BALANCES

At June 30, 2019, the Town had the following restricted fund balances:

Education Fund	\$ 207,580
Nonmajor Permanent Funds (Schedule H)	<u>93,666</u>
	<u>\$ 301,246</u>

NOTE 10 - COMMITTED FUND BALANCES

At June 30, 2019, the Town had the following committed fund balances:

Nonmajor Capital Projects Funds (Schedule F)	<u>\$ 150,939</u>
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TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 11 - ASSIGNED FUND BALANCES

At June 30, 2019, the Town had the following assigned fund balances:

General Fund:	
Comp plan carry forward	\$ 5,261
Fire station/community room	8,407
Sheepscot fire station	9,829
Overtaxed	85,761
Nonmajor Special Revenue Funds (Schedule D)	13,562
Nonmajor Capital Projects Funds (Schedule F)	89,608
	<u>\$ 212,428</u>

NOTE 12 - EXPENDITURES OVER APPROPRIATIONS

At June 30, 2019, the following appropriations were exceeded by actual expenditures:

Admin & Operations (Article 8)	\$ 25,133
Public Service (Article 9)	2,196
Debt Service (Article 13)	2,256
	<u>\$ 29,585</u>

NOTE 13 - 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, 2019, the Town's share of County and School debt was approximately:

	<u>Outstanding Debt</u>	<u>Town's Percentage</u>	<u>Total Share</u>
County of Lincoln	\$ 5,108,450	3.79%	\$ 193,812
GSB School	26,466	39.59%	10,478
			<u>\$ 204,290</u>

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 14 - 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. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits. 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, 2019, the following employees were covered by the benefit terms:

Active members	2
Retirees and spouses	<u>0</u>
Total	<u><u>2</u></u>



TOWN OF NEWCASTLE, MAINE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2019

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

**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. 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, 2019, the Town reported a liability of \$4,610 for its total OPEB liability for this Plan. The total OPEB liability was measured as of January 1, 2019 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, 2019, the Town recognized OPEB expense of \$1,456. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	MMEHT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 297
Changes of assumptions	-	479
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contributions subsequent to the measurement date	-	-
	-	-
Total	\$ -	\$ 776

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

	MMEHT
Plan year ended December 31:	
2020	\$ (173)
2021	(173)
2022	(173)
2023	(171)
2024	(86)
Thereafter	-

**Discount Rate**

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of the valuation date 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 4.10% per annum for June 30, 2019 was based upon a measurement date of December 27, 2018. The sensitivity of net OPEB liability to changes in discount rate are as follows:

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
	3.10%	4.10%	5.10%
Total OPEB liability	\$ 5,406	\$ 4,610	\$ 3,959
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 5,406</u>	<u>\$ 4,610</u>	<u>\$ 3,959</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:

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 3,855	\$ 4,610	\$ 5,552
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 3,855</u>	<u>\$ 4,610</u>	<u>\$ 5,552</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, 2018, using the following methods and assumptions applied to all periods included in the measurement:

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.

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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.

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 - 4.10% 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.

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 14 - 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.

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

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.

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

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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.

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

**Changes in Net OPEB Liability**

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2019 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, 2019 was \$297.

*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.

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

*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.

**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 15 - 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, 2019.

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.

TOWN OF NEWCASTLE, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 15 - RISK MANAGEMENT (CONTINUED)

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-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, 2019. 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 16 - 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.



TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 16 - CONTINGENCIES (CONTINUED)

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

NOTE 17 - 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 2024 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 Selectboard. The Town has also entered into a contract with the assessor's agent. This contract is effective until 2020. The Town has also entered into a contract for cemetery maintenance services with Property Care Plus, Inc. This contract is effective until 2021. The Town has also entered into an employment contract with the Town Manager. This contract is effective until 2022.

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				
2020	\$ 256,545	\$ 48,186	\$ 19,700	\$ 12,000	\$ 81,000	\$ 417,431
2021	263,953	49,391	-	12,000	83,500	408,844
2022	269,233	-	-	7,500	86,000	362,733
2023	277,311	-	-	-	-	277,311
2024	280,504	-	-	-	-	280,504

For the twelve months ended June 30, 2019, the Town paid a total of \$303,750 for both sand and snow removal service, a total of \$18,595 for the assessor's agent and total of \$11,500 for cemetery maintenance. In addition, for the twelve months ended June 30, 2019, the Town paid a total of \$76,570 for transfer station disposal services and a total of \$71,563 under the Town Manager's employment contract. All future contract amounts are subject to annual appropriation by the Town of Newcastle, Maine.

TOWN OF NEWCASTLE, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 18 - 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 19 - RESTATEMENTS

In 2019, the Town determined that certain transactions in prior years had been recorded incorrectly or omitted, therefore, a restatement to the 2018 government-wide and fund financial statements was required. The beginning net position and the general fund unassigned fund balance were restated by \$14,482 to correct errors in accounts payable. The beginning net position, general fund restricted fund balance and education fund restricted fund balance were restated by \$163,038 to move fund balance from the general fund to a separate education fund. The beginning net position was restated by \$39,600 to correctly reflect the notes from direct borrowings payable. The resulting restatements increased net position from \$4,699,024 to \$4,753,106, decreased the general fund restricted fund balance from \$163,038 to \$0, increased the general fund unassigned fund balance from \$1,148,743 to \$1,163,225 and increased the education fund restricted fund balance from \$0 to \$163,038.

## 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
- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Education 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, 2019

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, Restated	\$ 1,295,326	\$ 1,295,326	\$ 1,295,326	\$ -
Resources (Inflows):				
Property taxes	4,581,795	4,581,795	4,543,419	(38,376)
Excise taxes	353,200	353,200	434,933	81,733
Intergovernmental:				
State revenue sharing	90,000	90,000	93,842	3,842
Homestead exemption	115,613	115,613	115,613	-
BETE	6,624	6,624	6,666	42
Tree growth	32,000	32,000	34,018	2,018
Local road assistance	35,000	35,000	38,316	3,316
Other	3,200	3,200	5,112	1,912
Charges for services	21,160	21,160	23,761	2,601
Interest on taxes	12,000	12,000	19,009	7,009
Interest income	14,000	14,000	76,570	62,570
Miscellaneous revenues	6,500	6,500	17,098	10,598
Amounts Available for Appropriation	<u>6,566,418</u>	<u>6,566,418</u>	<u>6,703,683</u>	<u>137,265</u>
Charges to Appropriations (Outflows):				
General government	436,759	436,759	430,000	6,759
Public safety	202,199	202,199	192,150	10,049
Health and welfare	97,184	97,184	98,484	(1,300)
Public works	500,214	500,214	452,277	47,937
County tax	378,122	378,122	378,122	-
Education	3,397,838	2,190,440	2,080,743	109,697
Debt service:				
Principal	21,516	21,516	21,516	-
Interest	5,568	5,568	7,824	(2,256)
Unclassified	206,807	206,807	82,470	124,337
Transfers to other funds	155,850	1,232,283	1,232,283	-
Total Charges to Appropriations	<u>5,402,057</u>	<u>5,271,092</u>	<u>4,975,869</u>	<u>295,223</u>
Budgetary Fund Balance, June 30	<u>\$ 1,164,361</u>	<u>\$ 1,295,326</u>	<u>\$ 1,727,814</u>	<u>\$ 432,488</u>

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

## TOWN OF NEWCASTLE, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 BUDGET AND ACTUAL - EDUCATION FUND  
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, Restated	\$ 163,038	\$ 163,038	\$ 163,038	\$ -
Resources (Inflows):				
Local appropriation	1,076,433	-	-	-
Intergovernmental:				
State education subsidy	140,662	140,662	142,174	1,512
Transfers from other funds	-	1,076,433	1,076,433	-
Amounts Available for Appropriation	<u>1,380,133</u>	<u>1,380,133</u>	<u>1,381,645</u>	<u>1,512</u>
Charges to Appropriations (Outflows):				
Regular instruction	1,037,589	1,037,589	924,314	113,275
Special education instruction	148,587	148,587	139,429	9,158
CTE instruction	200	200	-	200
Student and support staff	3,423	3,423	2,339	1,084
System administration	32,260	32,260	33,066	(806)
Transportation and buses	95,036	95,036	74,917	20,119
Total Charges to Appropriations	<u>1,317,095</u>	<u>1,317,095</u>	<u>1,174,065</u>	<u>143,030</u>
Budgetary Fund Balance, June 30	<u>\$ 63,038</u>	<u>\$ 63,038</u>	<u>\$ 207,580</u>	<u>\$ 144,542</u>
Utilization of Restricted Fund Balance	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ (100,000)</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, 2019

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 1/1/18 (Reporting December 31, 2018)	\$ 3,487	\$ -	\$ 3,487
Changes for the year:			
Service cost	1,459	-	1,459
Interest	170	-	170
Changes of benefits	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	(506)	-	(506)
Contributions - employer	-	-	-
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	-	-	-
Administrative expense	-	-	-
Net changes	<u>1,123</u>	<u>-</u>	<u>1,123</u>
Balances at 1/1/19 (Reporting December 31, 2019)	<u>\$ 4,610</u>	<u>\$ -</u>	<u>\$ 4,610</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>2019</u>	<u>2018</u>
<u>Total OPEB liability</u>		
Service cost (BOY)	1,459	1,398
Interest (includes interest on service cost)	170	146
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(447)
Changes of assumptions	(506)	(85)
Benefit payments, including refunds of member contributions	-	-
Net change in total OPEB liability	<u>\$ 1,123</u>	<u>\$ 1,012</u>
Total OPEB liability - beginning	\$ 3,487	\$ 2,475
Total OPEB liability - ending	\$ 4,610	\$ 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>	<u>-</u>
Plan fiduciary net position - beginning	\$ -	\$ -
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability - ending	<u>\$ 4,610</u>	<u>\$ 3,487</u>
Plan fiduciary net position as a percentage of the total OPEB liability	-	-
Covered payroll	\$ 78,676	\$ 78,676
Net OPEB liability as a percentage of covered payroll	5.9%	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>2019</u>	<u>2018</u>
<u>MMEHT:</u>		
Employer contributions	\$ -	\$ -
Benefit payments	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 78,676	\$ 78,676
Contributions as a percentage of covered payroll	0.00%	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, 2019

**Changes of Assumptions**

There was a change in the discount rate from 3.44% to 4.10% per GASB 75 discount rate selection.

## 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, 2019

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
General government:					
Town admin/treasurer/tax coll.	\$ 62,062	\$ -	\$ 62,062	\$ 66,839	\$ (4,777)
Town clerk/registrar	48,898	-	48,898	80,359	(31,461)
Code enforcement	18,000	-	18,000	16,037	1,963
Selectmen	15,000	-	15,000	15,000	-
Town office building	17,042	-	17,042	12,273	4,769
Election workers	800	-	800	1,093	(293)
Playground	-	-	-	3,513	(3,513)
Planning board	1,000	-	1,000	3,859	(2,859)
Insurance	78,208	-	78,208	25,539	52,669
Fringe benefits	1,862	-	1,862	63,235	(61,373)
Deputy	56,800	-	56,800	40,004	16,796
Operations and services	60,369	-	60,369	74,026	(13,657)
Leases	-	-	-	4,502	(4,502)
Independent contractors	49,718	-	49,718	21,490	28,228
Other administration	27,000	-	27,000	2,231	24,769
	<u>436,759</u>	<u>-</u>	<u>436,759</u>	<u>430,000</u>	<u>6,759</u>
Health and welfare:					
Septic waste contract	2,300	-	2,300	2,300	-
Transfer station	91,884	-	91,884	91,884	-
General assistance	3,000	-	3,000	4,300	(1,300)
	<u>97,184</u>	<u>-</u>	<u>97,184</u>	<u>98,484</u>	<u>(1,300)</u>
Public works:					
Snow removal	380,934	-	380,934	303,228	77,706
Roads maintenance	119,280	-	119,280	149,049	(29,769)
	<u>500,214</u>	<u>-</u>	<u>500,214</u>	<u>452,277</u>	<u>47,937</u>

TOWN OF NEWCASTLE, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Public safety:					
Fire chief	48,898	-	48,898	50,447	(1,549)
Officers' salary	3,460	-	3,460	2,720	740
Firemen / call pay	15,100	-	15,100	10,738	4,362
Phones	2,300	-	2,300	1,940	360
S.C.B.A.	4,290	-	4,290	4,958	(668)
Communications	3,200	-	3,200	3,259	(59)
Training	3,000	-	3,000	3,096	(96)
EMA director	850	-	850	1,700	(850)
New equipment	5,000	-	5,000	4,993	7
Vehicle maintenance	11,356	-	11,356	11,280	76
Turn out gear	4,500	-	4,500	4,470	30
Health officer	100	-	100	200	(100)
Infrastructure	56,060	-	56,060	-	56,060
Admin	4,560	-	4,560	4,879	(319)
Vehicles/gas and oil	7,000	-	7,000	4,282	2,718
Animal control officer	11,752	-	11,752	2,681	9,071
Community room	-	-	-	12,242	(12,242)
Sheepscot fire station	16,120	-	16,120	4,628	11,492
Ambulance	4,653	-	4,653	-	4,653
Protection	-	-	-	63,637	(63,637)
	<u>202,199</u>	<u>-</u>	<u>202,199</u>	<u>192,150</u>	<u>10,049</u>
County tax	<u>378,122</u>	<u>-</u>	<u>378,122</u>	<u>378,122</u>	<u>-</u>
Education:					
Elementary education	2,074,341	-	2,074,341	2,074,341	-
Secondary education	1,317,095	(1,207,398)	109,697	-	109,697
Adult ed	6,402	-	6,402	6,402	-
	<u>3,397,838</u>	<u>(1,207,398)</u>	<u>2,190,440</u>	<u>2,080,743</u>	<u>109,697</u>

TOWN OF NEWCASTLE, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Debt service:					
Principal	21,516	-	21,516	21,516	-
Interest	5,568	-	5,568	7,824	(2,256)
	<u>27,084</u>	<u>-</u>	<u>27,084</u>	<u>29,340</u>	<u>(2,256)</u>
Unclassified:					
Cemeteries	13,500	-	13,500	45,196	(31,696)
Parks	600	-	600	455	145
Not for profit and other orgs	35,582	-	35,582	35,582	-
Abatements	-	-	-	1,237	(1,237)
Overlay	157,125	-	157,125	-	157,125
	<u>206,807</u>	<u>-</u>	<u>206,807</u>	<u>82,470</u>	<u>124,337</u>
Transfers to other funds:					
Education fund	-	1,076,433	1,076,433	1,076,433	-
Capital projects funds	155,850	-	155,850	155,850	-
	<u>155,850</u>	<u>1,076,433</u>	<u>1,232,283</u>	<u>1,232,283</u>	<u>-</u>
<b>TOTAL DEPARTMENTAL OPERATIONS</b>	<u>\$ 5,402,057</u>	<u>\$ (130,965)</u>	<u>\$ 5,271,092</u>	<u>\$ 4,975,869</u>	<u>\$ 295,223</u>

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

## TOWN OF NEWCASTLE, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2019

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,798	\$ -	\$ 29,470	\$ 32,268
Investments	-	22,307	162,167	184,474
Accounts receivable (net of allowance for uncollectibles)	5,342	-	-	5,342
Due from other funds	10,764	218,307	12,067	241,138
<b>TOTAL ASSETS</b>	<u>\$ 18,904</u>	<u>\$ 240,614</u>	<u>\$ 203,704</u>	<u>\$ 463,222</u>
<b>LIABILITIES</b>				
Due to other funds	\$ 5,342	\$ 67	\$ -	\$ 5,409
<b>TOTAL LIABILITIES</b>	<u>5,342</u>	<u>67</u>	<u>-</u>	<u>5,409</u>
<b>FUND BALANCES</b>				
Nonspendable - principal	-	-	110,038	110,038
Restricted	-	-	93,666	93,666
Committed	-	150,939	-	150,939
Assigned	13,562	89,608	-	103,170
Unassigned	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>13,562</u>	<u>240,547</u>	<u>203,704</u>	<u>457,813</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 18,904</u>	<u>\$ 240,614</u>	<u>\$ 203,704</u>	<u>\$ 463,222</u>

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

TOWN OF NEWCASTLE, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ 16,981	\$ -	\$ -	\$ 16,981
Investment income, net of unrealized gains/(losses)	-	2,173	18,521	20,694
Interest income	3	-	-	3
Other	3,810	19,952	2,000	25,762
TOTAL REVENUES	<u>20,794</u>	<u>22,125</u>	<u>20,521</u>	<u>63,440</u>
EXPENDITURES				
Other	17,191	176,038	-	193,229
EXPENDITURES	<u>17,191</u>	<u>176,038</u>	<u>-</u>	<u>193,229</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,603</u>	<u>(153,913)</u>	<u>20,521</u>	<u>(129,789)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	155,850	-	155,850
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>155,850</u>	<u>-</u>	<u>155,850</u>
NET CHANGE IN FUND BALANCES	3,603	1,937	20,521	26,061
FUND BALANCES - JULY 1	<u>9,959</u>	<u>238,610</u>	<u>183,183</u>	<u>431,752</u>
FUND BALANCES - JUNE 30	<u>\$ 13,562</u>	<u>\$ 240,547</u>	<u>\$ 203,704</u>	<u>\$ 457,813</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, 2019

	School SD SR Funds	Dump Trail	Joint Harbor Account	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 2,798	\$ 2,798
Accounts receivable (net of allowance for uncollectibles)	5,342	-	-	5,342
Due from other funds	-	250	10,514	10,764
<b>TOTAL ASSETS</b>	<u>\$ 5,342</u>	<u>\$ 250</u>	<u>\$ 13,312</u>	<u>\$ 18,904</u>
<b>LIABILITIES</b>				
Due to other funds	\$ 5,342	\$ -	\$ -	\$ 5,342
<b>TOTAL LIABILITIES</b>	<u>5,342</u>	<u>-</u>	<u>-</u>	<u>5,342</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	250	13,312	13,562
Unassigned	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>-</u>	<u>250</u>	<u>13,312</u>	<u>13,562</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 5,342</u>	<u>\$ 250</u>	<u>\$ 13,312</u>	<u>\$ 18,904</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, 2019

	School SD SR Funds	Dump Trail	Joint Harbor Account	Total
REVENUES				
Intergovernmental	\$ 16,981	\$ -	\$ -	\$ 16,981
Interest income	-	-	3	3
Other	-	250	3,560	3,810
TOTAL REVENUES	<u>16,981</u>	<u>250</u>	<u>3,563</u>	<u>20,794</u>
EXPENDITURES				
Other	16,981	-	210	17,191
TOTAL EXPENDITURES	<u>16,981</u>	<u>-</u>	<u>210</u>	<u>17,191</u>
NET CHANGE IN FUND BALANCES	-	250	3,353	3,603
FUND BALANCES - JULY 1	<u>-</u>	<u>-</u>	<u>9,959</u>	<u>9,959</u>
FUND BALANCES - JUNE 30	<u>\$ -</u>	<u>\$ 250</u>	<u>\$ 13,312</u>	<u>\$ 13,562</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, 2019

	Conservation Town Forest	Road Reserve	Alewives Reserve	Park Reserve	Public Works Equipment Reserve	Playground Reserve	Municipal Building	Computer Reserve	Total
<b>ASSETS</b>									
Investments	\$ 22,307	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,307
Due from other funds	-	52,372	67,368	2,140	26,010	11,800	36,500	22,117	218,307
<b>TOTAL ASSETS</b>	<u>\$ 22,307</u>	<u>\$ 52,372</u>	<u>\$ 67,368</u>	<u>\$ 2,140</u>	<u>\$ 26,010</u>	<u>\$ 11,800</u>	<u>\$ 36,500</u>	<u>\$ 22,117</u>	<u>\$ 240,614</u>
<b>LIABILITIES</b>									
Due to other funds	\$ 67	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67
<b>TOTAL LIABILITIES</b>	<u>67</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67</u>
<b>FUND BALANCES</b>									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-
Committed	-	52,372	-	2,140	26,010	11,800	36,500	22,117	150,939
Assigned	22,240	-	67,368	-	-	-	-	-	89,608
Unassigned	-	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>22,240</u>	<u>52,372</u>	<u>67,368</u>	<u>2,140</u>	<u>26,010</u>	<u>11,800</u>	<u>36,500</u>	<u>22,117</u>	<u>240,547</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 22,307</u>	<u>\$ 52,372</u>	<u>\$ 67,368</u>	<u>\$ 2,140</u>	<u>\$ 26,010</u>	<u>\$ 11,800</u>	<u>\$ 36,500</u>	<u>\$ 22,117</u>	<u>\$ 240,614</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, 2019

	Conservation Town Forest	Road Reserve	Alewives Reserve	Park Reserve	Public Works Equipment Reserve	Playground Reserve	Municipal Building	Computer Reserve	Total
<b>REVENUES</b>									
Investment income, net of unrealized gains/(losses)	\$ 2,173	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,173
Other	-	-	18,812	40	-	1,100	-	-	19,952
<b>TOTAL REVENUES</b>	<u>2,173</u>	<u>-</u>	<u>18,812</u>	<u>40</u>	<u>-</u>	<u>1,100</u>	<u>-</u>	<u>-</u>	<u>22,125</u>
<b>EXPENDITURES</b>									
Other	-	176,038	-	-	-	-	-	-	176,038
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>176,038</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,038</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,173</u>	<u>(176,038)</u>	<u>18,812</u>	<u>40</u>	<u>-</u>	<u>1,100</u>	<u>-</u>	<u>-</u>	<u>(153,913)</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	-	127,600	-	250	-	1,500	6,500	20,000	155,850
Transfers (out)	-	-	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>127,600</u>	<u>-</u>	<u>250</u>	<u>-</u>	<u>1,500</u>	<u>6,500</u>	<u>20,000</u>	<u>155,850</u>
<b>NET CHANGE IN FUND BALANCES</b>	2,173	(48,438)	18,812	290	-	2,600	6,500	20,000	1,937
<b>FUND BALANCES - JULY 1</b>	<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>
<b>FUND BALANCES - JUNE 30</b>	<u>\$ 22,240</u>	<u>\$ 52,372</u>	<u>\$ 67,368</u>	<u>\$ 2,140</u>	<u>\$ 26,010</u>	<u>\$ 11,800</u>	<u>\$ 36,500</u>	<u>\$ 22,117</u>	<u>\$ 240,547</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, 2019

	C & M Hatch	Sheepscot Cemetery	Glidden St Cemetery	Pine Knoll Cemetery	Whitehouse Cemetery	Hussey Cemetery	Worthy Poor	Cemetery Trust	Total
<b>ASSETS</b>									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,960	\$ 1,510	\$ 29,470
Investments	-	59,606	38,872	49,150	-	-	14,539	-	162,167
Due from other funds	3,283	-	-	-	863	3,305	4,616	-	12,067
<b>TOTAL ASSETS</b>	<b>\$ 3,283</b>	<b>\$ 59,606</b>	<b>\$ 38,872</b>	<b>\$ 49,150</b>	<b>\$ 863</b>	<b>\$ 3,305</b>	<b>\$ 47,115</b>	<b>\$ 1,510</b>	<b>\$ 203,704</b>
<b>LIABILITIES</b>									
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>									
Nonspendable	2,001	25,447	22,624	33,873	554	2,500	23,039	-	110,038
Restricted	1,282	34,159	16,248	15,277	309	805	24,076	1,510	93,666
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>3,283</b>	<b>59,606</b>	<b>38,872</b>	<b>49,150</b>	<b>863</b>	<b>3,305</b>	<b>47,115</b>	<b>1,510</b>	<b>203,704</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,283</b>	<b>\$ 59,606</b>	<b>\$ 38,872</b>	<b>\$ 49,150</b>	<b>\$ 863</b>	<b>\$ 3,305</b>	<b>\$ 47,115</b>	<b>\$ 1,510</b>	<b>\$ 203,704</b>

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

TOWN OF NEWCASTLE, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR PERMANENT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	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)	\$ 335	\$ 5,550	\$ 2,844	\$ 4,772	\$ 188	\$ 238	\$ 4,592	\$ 2	\$ 18,521
Other	-	-	2,000	-	-	-	-	-	2,000
TOTAL REVENUES	<u>335</u>	<u>5,550</u>	<u>4,844</u>	<u>4,772</u>	<u>188</u>	<u>238</u>	<u>4,592</u>	<u>2</u>	<u>20,521</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	335	5,550	4,844	4,772	188	238	4,592	2	20,521
FUND BALANCES - JULY 1	<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>
FUND BALANCES - JUNE 30	<u>\$ 3,283</u>	<u>\$ 59,606</u>	<u>\$ 38,872</u>	<u>\$ 49,150</u>	<u>\$ 863</u>	<u>\$ 3,305</u>	<u>\$ 47,115</u>	<u>\$ 1,510</u>	<u>\$ 203,704</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, 2019

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
General government	\$ 97,965	\$ 341,651	\$ 29,304	\$ -	\$ 468,920
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	928,456	3,766,766	5,649,708
Less: Accumulated Depreciation	-	(367,600)	(526,625)	(1,980,942)	(2,875,167)
Net General Capital Assets	<u>\$ 131,165</u>	<u>\$ 455,721</u>	<u>\$ 401,831</u>	<u>\$ 1,785,824</u>	<u>\$ 2,774,541</u>

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

## TOWN OF NEWCASTLE, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2019

	General Capital Assets 7/1/18	Additions	Deletions	General Capital Assets 6/30/19
General government	\$ 487,336	\$ 17,732	\$ (36,148)	\$ 468,920
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	17,732	(36,148)	5,649,708
Less: Accumulated Depreciation	<u>(2,816,680)</u>	<u>(94,635)</u>	<u>36,148</u>	<u>(2,875,167)</u>
Net General Capital Assets	<u>\$ 3,100,461</u>	<u>\$ (76,903)</u>	<u>\$ -</u>	<u>\$ 2,774,541</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

Selectboard  
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, 2019 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 March 25, 2020.

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*.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Governmental Auditing Standards. We noted certain other matters that we reported to the management of the Town of Newcastle, Maine in a separate letter dated February 25, 2020.

### 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.

A handwritten signature in black ink that reads "RHR Smith & Company". The signature is written in a cursive, flowing style.

Buxton, Maine  
March 25, 2020

TOWN OF NEWCASTLE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

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	13.3046	\$ -	\$ 16,981
Subtotal Special Education Cluster (IDEA)			<u>-</u>	<u>16,981</u>
Total U.S. Department of Education			<u>-</u>	<u>16,981</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ -</u>	<u>\$ 16,981</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, 2019

#### 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, 2019. 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

Selectboard  
Town of Newcastle  
Newcastle, Maine

We have audited the financial statements of Town of Newcastle, Maine for the year ended June 30, 2019 and have issued our report thereon dated March 25, 2020. 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 Maine Education Financial System maintained at the Maine Department of Education.

This report is intended solely for the information of the Selectboard, 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  
March 25, 2020

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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, 2019

	General Fund (1000)	Special Revenue Funds (2000)	Total
	<u>          </u>	<u>          </u>	<u>          </u>
June 30 Balance Per Maine Education Financial System	\$ 207,580	\$ 1,610	\$ 209,190
Other adjustments:			
Beginning balance adjustment	-	(1,610)	(1,610)
 Audited GAAP Basis Fund Balance June 30	 <u>\$ 207,580</u>	 <u>\$ -</u>	 <u>\$ 207,580</u>