

**TOWN OF NEWBURGH, MAINE**

**INDEPENDENT AUDITORS' REPORT AND  
FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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# Maine Municipal Audit Services, PA

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Mindy J. Cyr, CPA

## Independent Auditors' Report

To the Board of Selectmen  
Town of Newburgh  
Newburgh, Maine

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Town of Newburgh, Maine, as of and for the 18-Month period ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of the Town of Newburgh, Maine, as of June 30, 2016, and the respective changes in financial position 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 on page 5 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.

The budgetary comparison information on page 19 is required by accounting principles generally accepted in the United States of America. This 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. The budgetary comparison schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements.

### *Other Information*

The other supplemental information section is the responsibility of management and the schedules were derived from and relate 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 to the basic financial statements. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Maine Municipal Audit Services, PA*

Levant, Maine  
August 1, 2016



**Town of Newburgh**  
2220 Western Ave., Newburgh, ME 04444  
(207) 234-4151  
Fax: (207) 234-2791

The Town of Newburgh this year took out a loan with the Maine Bond Bank to pave the Town Roads. The loan was in the amount of 2,000,000.00 and is to be paid back over 15 years. At this point in time we have paved 90 percent of the roads and the remainder is to be finished by the end of September 2016.

We were also accepted to receive a grant from the Department of Environmental Protection in the amount of \$75,561.00 to replace a culvert that is located in a designated salmon habitat.

The Town has in place and is always working on policies to better the practices within the administration and protect the assets of the Town of Newburgh.

One of our goals is to get our office fully staffed to build our internal controls back up and segregate duties.

We also are in the process of implementing background checks on all employees and driver records on all that drive town equipment.

Respectfully  
Cynthia Grant  
Newburgh Town Manager

**Statement 1**

**Town of Newburgh, Maine  
Statement of Net Position  
June 30, 2016**

	<b>Governmental Activities</b>	<b>Total</b>
<b>ASSETS:</b>		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 1,422,670.39	\$ 1,422,670.39
Investments	203,841.36	203,841.36
Accounts receivable	928.91	928.91
Taxes receivable	80,421.09	80,421.09
Tax liens receivable	35,405.86	35,405.86
<i>Total current assets</i>	<u>1,743,267.61</u>	<u>1,743,267.61</u>
<i>Non-current assets:</i>		
Capital assets, net of accumulated depreciation	3,356,222.00	3,356,222.00
<i>Total non-current assets</i>	<u>3,356,222.00</u>	<u>3,356,222.00</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,099,489.61</u></b>	<b><u>\$ 5,099,489.61</u></b>
<b>LIABILITIES:</b>		
<i>Current liabilities:</i>		
Accounts payable	\$ 78,791.06	\$ 78,791.06
Other accrued expenses	22,062.44	22,062.44
Current portion of long-term debt	133,333.38	133,333.38
<i>Total current liabilities</i>	<u>234,186.88</u>	<u>234,186.88</u>
<i>Non-current liabilities:</i>		
Non-current portion of long-term debt:		
Bonds payable	1,866,666.62	1,866,666.62
<i>Total non-current liabilities</i>	<u>1,866,666.62</u>	<u>1,866,666.62</u>
<b>TOTAL LIABILITIES</b>	<b>2,100,853.50</b>	<b>2,100,853.50</b>
<b>NET POSITION:</b>		
Invested in capital assets, net of related debt	1,356,222.00	1,356,222.00
Unrestricted	1,642,414.11	1,642,414.11
<b>TOTAL NET POSITION</b>	<b><u>2,998,636.11</u></b>	<b><u>2,998,636.11</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 5,099,489.61</u></b>	<b><u>\$ 5,099,489.61</u></b>

The accompanying notes are an integral part of this statement.

**Statement 2**

**Town of Newburgh, Maine  
Statement of Activities  
For the 18-Month Period Ended June 30, 2016**

	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Primary Government		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total	
<b>Governmental activities:</b>						
General government	\$ 313,916.95	\$ 13,089.95	\$ -	\$ (300,827.00)	\$ (300,827.00)	
Protection	87,420.58	-	-	(87,420.58)	(87,420.58)	
Health and sanitation	151,858.29	-	25,776.00	(126,082.29)	(126,082.29)	
Public works	305,701.88	-	-	(305,701.88)	(305,701.88)	
Social services	6,235.97	-	816.55	(5,419.42)	(5,419.42)	
Special assessments	1,646,242.74	-	-	(1,646,242.74)	(1,646,242.74)	
Interest expense	25,488.40	-	-	(25,488.40)	(25,488.40)	
Other	52,111.36	-	781.16	(51,330.20)	(51,330.20)	
Depreciation	40,636.00	-	-	(40,636.00)	(40,636.00)	
<i>Total government activities</i>	<i>2,629,612.17</i>	<i>13,089.95</i>	<i>1,597.71</i>	<i>25,776.00</i>	<i>(2,589,148.51)</i>	<i>(2,589,148.51)</i>
<i>Total primary government</i>	<i>2,629,612.17</i>	<i>13,089.95</i>	<i>1,597.71</i>	<i>25,776.00</i>	<i>(2,589,148.51)</i>	<i>(2,589,148.51)</i>
 <i>General revenues:</i>						
Property taxes, levied for general purposes			2,137,501.61	2,137,501.61		
Motor vehicle excise taxes			488,126.73	488,126.73		
Interest and lien fees			6,686.65	6,686.65		
Licenses and permits			11,978.32	11,978.32		
<i>Grants and contributions not restricted to specific programs:</i>						
State revenue sharing			92,142.69	92,142.69		
Homestead exemption			45,129.00	45,129.00		
Other			7,457.21	7,457.21		
Unrestricted investment earnings			4,332.50	4,332.50		
Miscellaneous revenues			56,404.56	56,404.56		
<i>Total general revenues and transfers</i>			<i>2,849,759.27</i>	<i>2,849,759.27</i>		
 <i>Changes in net position</i>			260,610.76	260,610.76		
 <b>NET POSITION - BEGINNING</b>			<b>2,738,025.35</b>	<b>2,738,025.35</b>		
 <b>NET POSITION - ENDING</b>			<b>\$ 2,998,636.11</b>	<b>\$ 2,998,636.11</b>		

The accompanying notes are an integral part of this statement.

**Town of Newburgh, Maine**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	General Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,368,248.48	\$ -	\$ 54,421.91	\$ 1,422,670.39
Investments	-	203,841.36	-	203,841.36
Interfund receivable	296.00	62,168.00	400.00	62,864.00
Accounts receivable	928.91	-	-	928.91
Prepaid expenses	-	-	-	-
Taxes receivable, net	80,421.09	-	-	80,421.09
Tax liens receivable	35,405.86	-	-	35,405.86
<b>TOTAL ASSETS</b>	<b>\$ 1,485,300.34</b>	<b>\$ 266,009.36</b>	<b>\$ 54,821.91</b>	<b>\$ 1,806,131.61</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<i>Liabilities:</i>				
Accounts payable	\$ 78,791.06	\$ -	\$ -	\$ 78,791.06
Interfund payable	62,568.00	-	296.00	62,864.00
Other accrued expenses	22,062.44	-	-	22,062.44
<i>Total liabilities</i>	<i>163,421.50</i>	<i>-</i>	<i>296.00</i>	<i>163,717.50</i>
<i>Deferred inflows of resources:</i>				
Deferred property tax revenue	92,661.59	-	-	92,661.59
<i>Total deferred inflows of resources</i>	<i>92,661.59</i>	<i>-</i>	<i>-</i>	<i>92,661.59</i>
<i>Fund balances:</i>				
Assigned	246,937.20	-	-	246,937.20
Committed	-	266,009.36	54,525.91	320,535.27
Unassigned	982,280.05	-	-	982,280.05
<i>Total fund balances</i>	<i>1,229,217.25</i>	<i>266,009.36</i>	<i>54,525.91</i>	<i>1,549,752.52</i>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 1,485,300.34</b>	<b>\$ 266,009.36</b>	<b>\$ 54,821.91</b>	
<i>Amounts reported for governmental activities in the statement of net position (Stmt. 1) are different because:</i>				
Depreciable and non-depreciable capital assets as reported in Stmt. 1				3,356,222.00
Long-term liabilities, including bonds payable, as reported on Stmt. 1				(2,000,000.00)
Deferred property taxes not reported on Stmt. 1				92,661.59
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 2,998,636.11</b>			

The accompanying notes are an integral part of this statement.

Statement 4

**Town of Newburgh, Maine**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the 18-Month Period Ended June 30, 2016**

	General Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Property taxes	\$ 2,206,547.61	\$ -	\$ -	\$ 2,206,547.61
Excise taxes	488,126.73	-	-	488,126.73
Intergovernmental revenue	172,102.61	-	-	172,102.61
Charges for services	13,089.95	-	-	13,089.95
Licenses and permits	4,332.50	-	-	4,332.50
Investment income	3,828.09	2,736.65	121.91	6,686.65
Interest and lien fees	11,978.32	-	-	11,978.32
Other revenue	56,404.56	-	-	56,404.56
<i>Total revenues</i>	<i>2,956,410.37</i>	<i>2,736.65</i>	<i>121.91</i>	<i>2,959,268.93</i>
<b>EXPENDITURES:</b>				
General government	313,916.95	-	-	313,916.95
Protection	87,420.58	-	-	87,420.58
Health and sanitation	151,858.29	-	-	151,858.29
Public works	2,097,515.88	-	-	2,097,515.88
Social services	6,235.97	-	-	6,235.97
Special assessments	1,671,731.14	-	-	1,671,731.14
Unclassified	37,037.36	15,074.00	-	52,111.36
<i>Total expenditures</i>	<i>4,365,716.17</i>	<i>15,074.00</i>	<i>-</i>	<i>4,380,790.17</i>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(1,409,305.80)</i>	<i>(12,337.35)</i>	<i>121.91</i>	<i>(1,421,521.24)</i>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of long-term debt	2,000,000.00	-	-	2,000,000.00
<i>Total other financing sources (uses)</i>	<i>2,000,000.00</i>	<i>-</i>	<i>-</i>	<i>2,000,000.00</i>
<i>Net change in fund balances</i>	<i>590,694.20</i>	<i>(12,337.35)</i>	<i>121.91</i>	<i>578,478.76</i>
<b>FUND BALANCES - BEGINNING</b>	<b>638,523.05</b>	<b>278,346.71</b>	<b>54,404.00</b>	<b>971,273.76</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 1,229,217.25</b>	<b>\$ 266,009.36</b>	<b>\$ 54,525.91</b>	<b>\$ 1,549,752.52</b>

The accompanying notes are an integral part of this statement.

(Continued)

**Statement 4  
(Continued)**

**Town of Newburgh, Maine  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the 18-Month Period Ended June 30, 2016**

<b>Net change in fund balances - total governmental funds (Statement 4)</b>	\$ 578,478.76
Amounts reported for governmental activities in the Statement of Activities (Stmt. 2) are different due to the following items:	
Depreciation expense recorded on Statement of Activities, yet not required to be recorded as expenditures on Governmental Funds Report	(40,636.00)
Capital outlays expensed on the Governmental Funds Report (Stmt. 4), yet not considered an expense for the purposes of Statement of Activities (Stmt. 2)	1,791,814.00
Revenues in the Statement of Activities (Stmt 2) that do not provide current financial resources are not reported as revenues in the funds. More specifically, this amount represents the change in deferred property taxes and other deferred revenue.	(69,046.00)
Issuance of long-term debt recognized as revenue in fund financial statements (Stmt. 4), but considered a liability for purposes of the government-wide statements (Stmt. 2)	(2,000,000.00)
Change in accrued absences expense as reported on the Statement of Net Position (Stmt. 1)	
<b>Changes in net position of governmental activities (see Stmt. 2)</b>	<b>\$ 260,610.76</b>

The accompanying notes are an integral part of this statement.

**TOWN OF NEWBURGH, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Town of Newburgh, Maine (the Town) was incorporated in 1819. The Town operates under a board of selectmen – town treasurer form of government and is incorporated under the laws of the State of Maine.

The accounting policies of the Town conform to U.S. generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, and its amendments, established new financial reporting requirements for governments and caused the Town to restructure much of the information presented in the past. The more significant of the government's accounting policies are described below.

In evaluating how to define the Town for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GASB Statement No. 14 *The Financial Reporting Entity* as amended by GASB Statement No. 39. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. Based on the criteria, it was determined that no other entities should be included in the Town's financial statements.

Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 1989 that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB-pronouncements issued after that date to its business-type activities, the Town has chosen not to do so.

**B. Basis of Presentation**

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 either governmental or business-type.

**Government-Wide Financial Statements**

The Government-wide financial statements consist of a Statement of Net Position and a Statement of Activities and reports information on all of the non-fiduciary activities of the Town as a whole.

**TOWN OF NEWBURGH, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation (Continued)**

The Statement of Net Position reports all financial and capital resources of the Town and reports the difference between assets and liabilities, as "net position" not fund balance or equity. The Statement of Activities shows the degree to which the direct expenses of a given function or segment are offset by program revenue and reflects the "net (expense) revenue" of the Town's individual functions before applying general revenues. The Town has elected not to allocate indirect costs among programs. Program revenues include 1) charges to customers for services and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

**Fund Financial Statements**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. The focus of governmental and proprietary fund financial statements is on major funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being aggregated and displayed in a single column. The General Fund is always a major fund.

Because of the basis of accounting and reporting differences, summary reconciliations to the Government-wide financial statements are presented at the end of each applicable fund financial statement.

**C. Measurement Focus and Basis of Accounting**

**Governmental Fund Types**

*General Fund* – 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.

*Capital projects fund* – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities. Capital outlays financed from the issuance of debt are accounted for in the capital projects fund.

*Permanent Fund* – This fund is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs. A permanent fund would be used, for example, to account for the perpetual care endowment of a municipal cemetery.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is a conceptual description of the timing of the accounting measurements made.

**TOWN OF NEWBURGH, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting in accordance with GASB #34. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

As a general rule, the effect of interfund activity has been eliminated from the Government-wide financial statements.

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis concept, revenues are recognized when they become measurable (estimable as to the net amount to be collected) and available as current assets. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

When both restricted and unrestricted resources are available, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

**D. Budgets and Budgetary Accounting**

Formal budgetary accounting is employed as a management control for the general fund only. Annual operating budgets are adopted each fiscal year by the registered voters of the Town at their annual Town meeting. Budgets are established in accordance with generally accepted accounting principles. Budgetary control is exercised at the selectmen level, since individual department heads do not exist. All unencumbered budget appropriations lapse at the end of the year unless specifically designated by the Board of Selectmen or required by law.

**E. Assets, Liabilities, Fund Equity, Revenue, Expenditures and Expenses**

**Cash and Cash Equivalents**

Cash and cash equivalents include currency on hand, demand deposits with financial institutions, and other accounts with an original maturity of three months or less when purchased. Investments are recorded at fair value.

**Interfund Receivables and Payables**

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts.

**TOWN OF NEWBURGH, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets and Depreciation**

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment are depreciated using the straight-line method over their estimated useful lives ranging from 5 to 100 years.

**Net Position and Fund Balances**

In the Government-wide financial statements, the difference between the Town's total assets and total liabilities represents net position. Net position displays three components – invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net assets available for future operations.

In the Fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. These designations are categorized as follows:

*Assigned* – Funds intended to be used for specific purposes set by the Board of Selectmen.

*Committed* – Funds that can only be used for a specific purpose pursuant to constraints imposed by residents through voting for the articles proposed during a Town meeting. The constraints on these amounts may only be modified or rescinded by a vote of the residents at a Town meeting.

*Unassigned* – Funds available for any purpose.

**Deferred Revenue**

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue arises when resources are received by the Town before it has legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

**TOWN OF NEWBURGH, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property Taxes**

Property taxes for the current year were committed on July 13, 2015, on the assessed value listed as of April 1, 2015, for all real and personal property located in the Town. Payment of taxes was due in three installments; August 31, 2015, November 30, 2015, and April 30, 2016, with interest at 7% on all tax bills unpaid as of the due dates.

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 \$60,817.91 for the year ended June 30, 2016.

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

**Compensated Absences**

Vacation and sick pay benefits must be used in the year accrued, with the exception of 15 sick days can be accrued. There is no buy-out option permitted. Therefore, no liability has been recorded in the financial statements for the year ended June 30, 2016.

**Risk Management**

The Town pays insurance premiums to certain agencies to cover risks that may occur in normal operations. The Town purchases employee fidelity bond coverage. There have been no significant reductions in insurance coverage from the prior year. No settlements of claims have exceeded insurance coverage in the current year.

The Town is 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 compensation coverage and develop a comprehensive loss control program. The Town pays an annual premium to the Fund for its workers 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, individual stop loss coverage for member Towns’ claims in excess of \$400,000, with an excess limit of \$2,000,000.

The Town is a member of the Maine Municipal Association – Property Casualty Pool (“Pool”). The Pool was created to obtain lower rates for its members. The Town pays an annual premium for its property and liability coverage. Under the property coverage portion of the Pool, coverage is provided, after the deductible is met, to \$200,000,000. Under the liability portion of the Pool, coverage is provided, after the deductible is met, to \$1,000,000.

**TOWN OF NEWBURGH, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense. Actual results could differ from those estimates.

**2. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk of deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized or collateralized by securities held by the pledging financial institution's trust department but not in the Town's name. At June 30, 2016, cash deposits had a carrying value of \$1,422,670.39. All deposits were covered by federal depository insurance. Accordingly, the Town was not exposed to credit risk at June 30, 2016.

Investments

The Town had \$203,840.36 held in common trust at the Maine Community Foundation from the spendable portion of the Knowlton trust.

**3. CAPITAL ASSETS**

<b>Governmental activities:</b>	<b>Balance 1/1/2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/16</b>
Capital assets being depreciated:				
Land & easements	\$ 75,553.00	\$ -	\$ -	\$ 75,553.00
Buildings	113,977.00	-	-	113,977.00
Equipment	16,518.00	-	-	16,518.00
Vehicles	340,839.00	-	-	340,839.00
Infrastructure	1,819,438.00	1,791,814.00	-	3,611,252.00
<i>Total capital assets</i>	2,366,325.00	1,791,814.00	-	4,158,139.00
Less accumulated depreciation	(761,281.00)	(40,636.00)	-	(801,917.00)
<b>Governmental activities</b>				
<b>Capital assets, net</b>	<b>\$ 1,605,044.00</b>	<b>\$ 1,751,178.00</b>	<b>\$ -</b>	<b>\$ 3,356,222.00</b>

Depreciation expense can be allocated to departments as follows:

General government	\$ 1,486
Protection	3,314
Public works	<u>35,836</u>
	<b>\$ 40,636</b>

**TOWN OF NEWBURGH, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2016**

**4. LONG-TERM DEBT**

Long-term liability activity for the year ended June 30, 2016, was as follows:

Description	Balance 1/1/2015	Additions	(Reductions)	Balance 6/30/2016
Maine Municipal Bond Bank, \$2M, 15 year, dated 10/22/2015. Due annually, .65%-3.7%	\$ -	\$ 2,000,000.00	\$ -	\$ 2,000,000.00
<b>Total</b>	<b>\$ -</b>	<b>\$ 2,000,000.00</b>	<b>\$ -</b>	<b>\$ 2,000,000.00</b>

The annual future principal payment requirement for bonds payable outstanding as of June 30, 2016, is as follows:

<b>Year ending June 30,</b>	
2017	\$ 133,333.38
2018	133,333.33
2019	133,333.33
2020	133,333.33
2021	133,333.33
2022-2026	666,666.90
2027-2031	<u>666,666.20</u>
<b>Total</b>	<b><u>\$ 2,000,000.00</u></b>

**5. PENDING LITIGATION**

According to Town management, there are no matters that would result in adverse losses, claims, or assessments against the Town through the date of the audit report.

**TOWN OF NEWBURGH, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2016**

**6. SUBSEQUENT EVENTS**

Management has made an evaluation of subsequent events to and including the audit report date, which was the date the financial statements were available to be issued, and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.

**7. FUND BALANCES**

*Assigned Balances:*

The Board of Selectmen has the authority to assign amounts for specific future expenditures. Approved assigned balances at June 30, 2016, consist of:

King grant	\$ 1,192.60
Animal control	6,500.00
Solid waste	56,591.71
Road work (loan proceeds)	<u>182,652.89</u>
<b>Total</b>	<b><u>\$ 246,937.20</u></b>

**8. RETIREMENT PLAN**

The employees of the Town are covered by Social Security, but no other retirement plan exists.

**9. NOTE RECEIVABLE**

On June 14, 2011, the former assistant treasurer of the Town and her husband issued a secured promissory note for \$252,436.49 payable along with interest at 8% per year to the Town. The note is secured by real estate located in Newburgh. The Town acknowledges that the real estate is subject to substantial encumbrances. The Town believes that it is not possible to value the note receivable at this time and has, therefore, not recorded it as an asset in the accompanying financial statements. The Town received \$475 on this note during the 18-month period ended June 30, 2016.

Schedule A

**Town of Newburgh, Maine  
General Fund  
Budgetary Comparison Schedule  
For the 18-Month Period Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts		Variance with Final Budget- Positive (negative)
	Original	Final			
<b>REVENUES:</b>					
Property taxes	\$ 2,136,882.44	\$ 2,136,882.44	\$ 2,206,547.61	\$ 69,665.17	
Excise taxes	377,250.00	377,250.00	488,126.73	110,876.73	
Intergovernmental revenue	171,279.97	171,279.97	172,102.61	822.64	
Charges for services	11,875.00	11,875.00	13,089.95	1,214.95	
Licenses and permits	900.00	900.00	4,332.50	3,432.50	
Investment income	1,350.00	1,350.00	3,828.09	2,478.09	
Interest and lien fees	11,250.00	11,250.00	11,978.32	728.32	
Other revenues	67,020.00	67,020.00	56,404.56	(10,615.44)	
<i>Total revenues</i>	<i>2,777,807.41</i>	<i>2,777,807.41</i>	<i>2,956,410.37</i>	<i>178,602.96</i>	
<b>EXPENDITURES:</b>					
General government	329,105.00	329,105.00	313,916.95	15,188.05	
Protection	108,099.00	108,099.00	87,420.58	20,678.42	
Health and sanitation	208,450.00	208,450.00	151,858.29	56,591.71	
Public works	2,421,532.60	2,421,532.60	2,097,515.88	324,016.72	
Social services	9,761.00	9,761.00	6,235.97	3,525.03	
Special assessments	1,671,731.90	1,671,731.90	1,671,731.14	0.76	
Unclassified	35,310.00	48,216.00	37,037.36	11,178.64	
<i>Total expenditures</i>	<i>4,783,989.50</i>	<i>4,796,895.50</i>	<i>4,365,716.17</i>	<i>431,179.33</i>	
Excess (deficiency) of revenues over (under) expenditures	(2,006,182.09)	(2,019,088.09)	(1,409,305.80)	(252,576.37)	
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from issuance of long-term debt	2,000,000.00	2,000,000.00	2,000,000.00	-	
<i>Total other financing sources</i>	<i>2,000,000.00</i>	<i>2,000,000.00</i>	<i>2,000,000.00</i>	<i>-</i>	
<i>Net changes in fund balances</i>	<i>(6,182.09)</i>	<i>(19,088.09)</i>	<i>590,694.20</i>	<i>(252,576.37)</i>	
<b>FUND BALANCES - BEGINNING</b>			<b>638,523.05</b>		
<b>FUND BALANCES - ENDING</b>			<b>\$ 1,229,217.25</b>		

**Schedule B**

**Town of Newburgh, Maine**  
**Schedule of Property Valuation, Assessments, and Appropriations**  
**General Fund**  
**For the 18-Month Period Ended June 30, 2016**

*Assessed Valuation:*

Real estate valuation	\$ 96,464,179.00
Personal property valuation	<u>666,841.00</u>

<b>Total valuation</b>	<u>97,131,020.00</u>
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*Tax Commitment:*

Tax assessment at \$22.00 per thousand	<u>2,136,882.44</u>
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*Reconciliation of Commitment with Appropriation:*

Current year tax commitment, as above	2,136,882.44
Appropriated from surplus and carryovers	67,000.00
Estimated revenues	<u>2,640,924.97</u>

<b>Appropriations per original budget</b>	<u>4,844,807.41</u>
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<i>Overlay</i>	<u>(60,817.91)</u>
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<b>TOTAL APPROPRIATIONS</b>	<b><u>\$ 4,783,989.50</u></b>
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Schedule C

Town of Newburgh, Maine  
Schedule of Taxes Receivable  
General Fund  
June 30, 2016

*Taxes receivable:*

Real estate	\$ 78,488.89
Personal property	<u>1,932.20</u>
	\$ 80,421.09

*Tax liens receivable:*

2010	2,917.63
2011	3,798.99
2012	3,798.99
2013	3,614.85
2014	<u>21,275.40</u> <u>35,405.86</u>

**TOTAL TAXES RECEIVABLE AND TAX LIENS RECEIVABLE**      **\$ 115,826.95**

**Town of Newburgh, Maine**  
**Schedule of Departmental Operations**  
**For the 18-Month Period Ended June 30, 2016**

	<b>Balance 1/1/2015</b>	<b>Appropriations</b>	<b>Total Available</b>	<b>Expenditures</b>	<b>Lapsed</b>	<b>Balances</b>	
							<b>Carried</b>
<b>GENERAL GOVERNMENT</b>							
General administration	\$ -	\$ 211,339.00	\$ 211,339.00	\$ 209,630.33	\$ 1,708.67	\$ -	-
Board of selectmen	-	9,997.00	9,997.00	9,717.82	279.18	-	-
Assessor/planning/CEO	-	16,232.00	16,232.00	13,321.39	2,910.61	-	-
Municipal building	-	41,160.00	41,160.00	36,673.63	4,486.37	-	-
Tax collector	-	2,200.00	2,200.00	1,627.70	572.30	-	-
Elections	-	2,000.00	2,000.00	1,446.13	553.87	-	-
Building repair/maintenance	-	16,500.00	16,500.00	12,956.41	3,543.59	-	-
Insurance	-	29,677.00	29,677.00	28,543.54	1,133.46	-	-
<i>Total</i>	-	329,105.00	329,105.00	313,916.95	15,188.05	-	-
<b>PROTECTION</b>							
Fire department	-	62,439.00	62,439.00	53,615.25	8,823.75	-	-
Fire department equipment fund	-	2,500.00	2,500.00	-	2,500.00	-	-
First responders	-	17,205.00	17,205.00	14,414.89	2,790.11	-	-
Rescue equipment	-	3,680.00	3,680.00	4,746.62	(1,066.62)	-	-
P/S building utilities	-	20,750.00	20,750.00	13,999.98	6,750.02	-	-
Emergency 911	-	1,525.00	1,525.00	643.84	881.16	-	-
<i>Total</i>	-	108,099.00	108,099.00	87,420.58	20,678.42	-	-
<b>HEALTH AND SANITATION</b>							
Solid waste disposal	-	208,450.00	208,450.00	151,858.29	-	56,591.71	-
<b>PUBLIC WORKS</b>							
Road foreman	-	31,048.00	31,048.00	10,522.09	20,525.91	-	-
Summer roads	-	230,000.00	230,000.00	64,522.40	165,477.60	-	-
Winter roads	-	184,473.00	184,473.00	229,362.68	(44,889.68)	-	-
Sand shed	-	1,500.00	1,500.00	1,250.00	250.00	-	-
Road paving loan	-	1,974,511.60	1,974,511.60	1,791,858.71	-	182,652.89	-
<i>Total</i>	-	2,421,532.60	2,421,532.60	2,097,515.88	141,363.83	182,652.89	-
<b>SOCIAL SERVICES</b>							
General assistance	-	4,500.00	4,500.00	1,166.49	3,333.51	-	-
Charities	-	3,971.00	3,971.00	3,971.00	-	-	-
Library	-	1,290.00	1,290.00	1,098.48	191.52	-	-
<i>Total</i>	-	9,761.00	9,761.00	6,235.97	3,525.03	-	-

**Town of Newburgh, Maine  
Schedule of Departmental Operations  
For the 18-Month Period Ended June 30, 2016**

	<b>Balance 1/1/2015</b>	<b>Appropriations</b>	<b>Total Available</b>	<b>Expenditures</b>	<b>Balances</b>	
					<b>Lapsed</b>	<b>Carried</b>
<b>SPECIAL ASSESSMENTS</b>						
County Tax	-	129,829.00	129,829.00	129,828.24	0.76	-
Education	-	1,516,414.50	1,516,414.50	1,516,414.50	-	-
Debt service	-	25,488.40	25,488.40	25,488.40	-	-
<i>Total</i>	-	1,671,731.90	1,671,731.90	1,671,731.14	0.76	-
<b>UNCLASSIFIED</b>						
Recreation	-	5,000.00	5,000.00	4,150.00	850.00	-
Cemeteries	-	19,800.00	19,800.00	17,638.80	2,161.20	-
King grant	5,875.00	-	5,875.00	4,682.40	-	1,192.60
Animal control	7,031.00	10,510.00	17,541.00	10,566.16	474.84	6,500.00
<i>Total</i>	12,906.00	35,310.00	48,216.00	37,037.36	3,486.04	7,692.60
<b>TOTAL EXPENDITURES</b>	<b>\$ 12,906.00</b>	<b>\$ 4,783,989.50</b>	<b>\$ 4,796,895.50</b>	<b>\$ 4,365,716.17</b>	<b>\$ 184,242.13</b>	<b>\$ 246,937.20</b>

**Schedule E**

**Town of Newburgh, Maine**  
**Schedule of Activity - Capital Reserve Funds**  
**For the 18-Month Period Ended June 30, 2016**

	<i>Fund Balance 1/1/2015</i>	<i>Net Investment Earnings</i>	<i>Total Available</i>	<i>Expenditures</i>	<i>Fund Balance 6/30/2016</i>
Building Fund	\$ 53,372.00	\$ -	\$ 53,372.00	\$ -	\$ 53,372.00
Knowlton School Fund	216,474.71	2,736.65	219,211.36	(15,074.00)	204,137.36
Town Woodlot Fund	8,500.00	-	8,500.00	-	8,500.00
<b><i>Total Capital Reserve Funds</i></b>					
	<b>\$ 278,346.71</b>	<b>\$ 2,736.65</b>	<b>\$ 281,083.36</b>	<b>\$ (15,074.00)</b>	<b>\$ 266,009.36</b>

**Schedule F**

**Town of Newburgh, Maine**  
**Schedule of Activity - Permanent Funds**  
**For the 18-Month Period Ended June 30, 2016**

	<i>Fund Balance 1/1/2015</i>	<i>Fund Additions</i>		<i>Net Investment Earnings</i>		<i>Total Available</i>	<i>Transfers to Other Funds</i>		<i>Fund Balance 6/30/2016</i>
Bessie Whitney Fund	\$ 7,070.00	\$ -	\$ 15.80	\$ 7,085.80	\$ -	\$ 7,085.80			
Bickford Fund	567.00	-	1.23	568.23	-	568.23			
A. Bicknell Fund	514.00	-	2.16	516.16	-	516.16			
Burgess Fund	2,310.00	-	4.87	2,314.87	-	2,314.87			
Myron Foster Fund	13,506.00	-	29.47	13,535.47	-	13,535.47			
Knowlton Fence Fund	500.00	-	1.73	501.73	-	501.73			
Perpetual Care Fund	29,937.00	-	66.65	30,003.65	-	30,003.65			
<b><i>Total Permanent Funds</i></b>	<b>\$ 54,404.00</b>	<b>\$ -</b>	<b>\$ 121.91</b>	<b>\$ 54,525.91</b>	<b>\$ -</b>	<b>\$ 54,525.91</b>			