

TOWN OF CASTLE HILL, MAINE

FINANCIAL STATEMENTS

DECEMBER 31, 2023

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Chester M. Kearney

Certified Public Accountants

12 Dyer Street, Presque Isle, Maine 04769-1550
207-764-3171 Fax 207-764-6362

Barbara E. McGuire, CPA, CGMA
Timothy P. Poitras, CPA, CGMA

To the Board of Selectmen of
Town of Castle Hill, Maine

INDEPENDENT AUDITORS' REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, its major fund and the aggregate remaining fund information of the Town of Castle Hill, Maine, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Castle Hill, Maine, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Castle Hill, Maine and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Castle Hill Maine's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Town of Castle Hill, Maine's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Castle Hill, Maine's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 and the budgetary comparison information, schedule of employer's pension contributions, schedule of employer's share of net pension liability, notes to GASB #68 required schedules and schedules of changes in net OPEB liability and related ratios on pages 32 through 36 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Castle Hill, Maine's basic financial statements. The accompanying Schedule of Changes in Committed and Restricted Fund Balances is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Changes in Committed and Restricted Fund Balances is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2024 on our consideration of the Town of Castle Hill, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Town of Castle Hill, Maine's 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's internal control over financial reporting and compliance.

Chester M. Kearney

Presque Isle, Maine
January 26, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF CASTLE HILL, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

UNAUDITED

As management of Castle Hill, Maine, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS

- The assets of Castle Hill, Maine exceeded its liabilities at the close of the most recent fiscal year by \$1,365,552 (net position). Of this amount, \$628,792 (unrestricted net position) may be used to meet the government's on-going obligations to citizens and creditors.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$666,458, an increase of \$10,554 in comparison with the prior year. Approximately 60.2% of this total amount, \$401,320, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$401,320 or 53.7% of total general fund expenditures.

USING THIS ANNUAL REPORT

The Town of Castle Hill, Maine's financial statements are comprised of a series of statements. The Statement of Net Position and the Statement of Activities provide an overview of the government as a whole and its activities. The Fund Financial Statements, which begin immediately after the Statement of Activities, provide a more detailed look at the governmental funds. Next are the notes to the financial statements, which provide information essential to a complete understanding of the data provided. Following the notes are the combining and individual fund schedules, including non-major governmental funds.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements present financial information in two statements, the Statement of Net Position and the Statement of Activities. These statements provide an overview of the government as a whole (similar to private-sector statements). All of the current year's revenues are taken into account regardless of when cash is received. The Statement of Net Position provides a picture of the difference between assets and liabilities, which is called Net Position. The Statement of Activities provides a look at how the net position has changed from the prior year to the current year. Increases or decreases in net position can show whether the Town is improving or deteriorating. Other factors need to be considered, such as changes in the Town's property tax base and the condition of the roads, to assess the overall health of the Town.

TOWN OF CASTLE HILL, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023
UNAUDITED

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts which is used to maintain control over resources which have been segregated for specific activities or objectives. The Town of Castle Hill, Maine, like other state and local governments, uses fund accounting to insure and demonstrate compliance with finance related legal requirements. All of the funds of the Town are governmental funds. The Fund Financial Statements provide details of the Town's most significant funds, not the Town as a whole. These statements begin immediately after the Statement of Activities. Some funds are required to be established by state law and by bond covenants. However, management establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

- Governmental funds - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end which are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets which can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the town's general government operations and the basic services it provides. Governmental funds information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.
- Proprietary funds - The Town maintains no proprietary funds.
- Fiduciary funds - The Town maintains no fiduciary funds.

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 fund financial statements. The notes to the financial statements can be found on pages 14 to 31 of this report.

Other information. This report also includes various supplemental schedules to provide additional detail for the various items reported. These supplemental schedules can be found on pages 32 through 37 of this report.

THE TOWN AS A WHOLE - STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The first two financial statements presented (pages 8 and 9) are the Statement of Net Position and the Statement of Activities are designed to present the Town as a whole similar to the way a business presents its financial statements. The Statement of Net Position combines the assets and liabilities as presented in the governmental funds with the Town's capital assets and long-term liabilities. The Statement of Activities shows the gross and net cost of the various departments which are funded by various general revenues including property taxes and other revenues. Revenues are recognized when earned regardless of when they are collected, and expenses are recognized when the liability becomes due. Since capital asset purchases are not considered an expense under this measurement focus, annual charges for depreciation are recognized to indicate the use of these assets over time.

TOWN OF CASTLE HILL, MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

UNAUDITED

The following information is a condensed version of the Statement of Net Position and Activities with comparative information included. The analysis below focuses on the net position and changes in net position of the Town's governmental activities. The Town of Castle Hill, Maine's net position for the governmental activities increased by \$58,181 during the year ended December 31, 2023. The total cost of governmental activities was \$704,793. However, many programs are subsidized by user fees, grants and contributions. Therefore, the ultimate cost to the taxpayers was \$675,094 after taking into consideration the program revenues. See the Statement of Activities for greater detail.

	<u>12/31/23</u>	<u>12/31/22</u>
Statement of Net Position		
Total current assets	700,300	686,698
Total non-current assets	<u>727,922</u>	<u>689,853</u>
Total assets	1,428,222	1,376,551
Deferred outflows of resources	8,823	14,185
Total current liabilities	(9,842)	(10,794)
Total long-term liabilities	(51,727)	(58,236)
Deferred inflows of resources	<u>(9,924)</u>	<u>(14,335)</u>
Total net position	<u>1,365,552</u>	<u>1,307,371</u>
Statement of Activities		
Tax revenues	492,618	483,357
Intergovernmental revenues	117,770	128,315
Other revenues	<u>122,887</u>	<u>174,168</u>
Total revenues	<u>733,275</u>	<u>785,840</u>
Education	314,527	304,682
County tax	48,756	44,057
General government	76,899	72,872
Reserves	-	1,281
Public safety	25,676	5,988
Property services	8,636	7,776
Fire protection	35,633	17,787
Highways	148,942	169,382
General assistance	-	-
Recreation	8,501	5,259
Community service	4,762	4,860
ARPA funding	1,398	(19,162)
Pension expense	2,090	1,428
OPEB expense	<u>(726)</u>	<u>360</u>
Total expenses	<u>675,094</u>	<u>616,570</u>
Change in net position	<u>58,181</u>	<u>169,270</u>

TOWN OF CASTLE HILL, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

UNAUDITED

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS AND GENERAL FUND BUDGETARY HIGHLIGHTS

The Town continues to meet its responsibilities for sound financial management. Actual revenues were over budget by \$19,722 primarily due to excess state funding received. Actual expenditures were under budget by \$21,604. The change in the general fund balance was an increase of \$11,326. There were no accounts significantly over budget except for reserve expenditures.

CAPITAL ASSETS

Governmental activities capital assets net of depreciation totaled \$706,155 as of December 31, 2023, representing a \$44,991 increase from the prior year end. The Town spent funds on road improvements and equipment. Annual depreciation expense totaled \$71,065. See financial statement note 4 for further details. The Town maintains a number of reserve accounts to contribute to the replacement and acquisition of new assets for the purpose of providing public service. See financial statement page 37 for a listing of these reserve accounts.

LONG-TERM DEBT

The Town holds long-term debt that is paid by the Aroostook River Snowmobile Club. See financial statement footnote number 6 for more information. The only other long-term obligations relate to pension and OPEB liabilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the Town's budget for the 2024 fiscal year.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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 any questions about this report or need additional financial information, contact the Town Manager, at P.O. Box 500, Mapleton, ME 04757.

BASIC FINANCIAL STATEMENTS

TOWN OF CASTLE HILL, MAINE
 GOVERNMENT WIDE STATEMENT OF NET POSITION
 DECEMBER 31, 2023

	Governmental Activities
ASSETS	
Current assets	
Cash and equivalents	\$ 662,034
Taxes receivable	24,628
Accounts receivable	78
Note receivable due within one year	6,922
Tax liens	5,498
Due from other governments	1,140
	700,300
Non-current assets	
Note receivable due in more than one year	21,767
Capital assets net of accumulated depreciation	706,155
	727,922
TOTAL ASSETS	1,428,222
DEFERRED OUTFLOWS OF RESOURCES	
Pension related expenditures	7,971
OPEB related outflows	852
	8,823
LIABILITIES	
Accounts payable	836
Compensated absences	2,084
Note due within one year	6,922
	9,842
Non-current liabilities:	
Pension liabilities	23,805
OPEB liabilities	6,155
Notes due in more than one year	21,767
	51,727
TOTAL LIABILITIES	61,569
DEFERRED INFLOWS OF RESOURCES	
Pension related inflows	6,418
OPEB related inflows	3,506
	9,924
NET POSITION	
Invested in capital assets, net of related debt	706,155
Restricted	30,605
Unrestricted	628,792
TOTAL NET POSITION	\$ 1,365,552

The notes to the financial statements are an integral part of these statements.

TOWN OF CASTLE HILL, MAINE
 GOVERNMENT WIDE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2023

<u>Functions/Programs</u>	Program Revenues				Net (expense) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Education	\$ 314,527				\$ (314,527)
County tax	48,756				(48,756)
General government	81,302	4,403			(76,899)
Public safety	26,033	357			(25,676)
Property services	9,486	850			(8,636)
Fire protection	40,011	1,821		2,557	(35,633)
Highways	166,828	638	17,248		(148,942)
Recreation	10,326	1,825			(8,501)
Community service	4,762				(4,762)
ARPA funding	1,398		-		(1,398)
Pension expense (recovery)	2,090				(2,090)
OPEB expense (recovery)	(726)				726
Total governmental activities	\$ 704,793	\$ 9,894	\$ 17,248	\$ 2,557	\$ (675,094)
General revenues:					
					430,986
Property tax revenues					61,632
Excise taxes					117,770
Intergovernmental revenues					2,577
Interest income					120,310
Other revenues					733,275
Total general revenues					733,275
Change in net position					58,181
Net position - beginning of year					1,307,371
Net position - end of year					\$ 1,365,552

The notes to the financial statements are an integral part of these statements.

TOWN OF CASTLE HILL, MAINE

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2023

	GENERAL FUND (MAJOR FUND)	ARPA FUND (NON- MAJOR)	TOTAL
ASSETS			
Cash and cash equivalents	\$ 631,429	\$ 30,605	\$ 662,034
Uncollected taxes	24,628		24,628
Accounts receivable	78		78
Tax liens	5,498		5,498
Due from other governments	1,140		1,140
Total assets	<u>\$ 662,773</u>	<u>\$ 30,605</u>	<u>\$ 693,378</u>
LIABILITIES			
Accounts payable	\$ 836		\$ 836
Compensated absences	2,084		2,084
	<u>2,920</u>	<u>-</u>	<u>2,920</u>
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue-property taxes	24,000	-	24,000
FUND BALANCES			
Non-spendable	5,498	-	5,498
Restricted	-	30,605	30,605
Committed for capital projects	194,955	-	194,955
Assigned	34,080	-	34,080
Unassigned	401,320	-	401,320
TOTAL FUND BALANCES	<u>635,853</u>	<u>30,605</u>	<u>666,458</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 662,773</u>	<u>\$ 30,605</u>	<u>\$ 693,378</u>

The notes to the financial statements are an integral part of these statements.

TOWN OF CASTLE HILL, MAINE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2023

Total fund balance, governmental funds	\$	666,458
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		706,155
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Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds: Unavailable revenue - property taxes		24,000
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Some assets are not receivable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statements of Net Position. Note receivable		28,689
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Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. Notes payable		(28,689)
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Liabilities, deferred outflows of resources and deferred inflows of resources related to pensions are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. Deferred outflows of resources - pension related expenditures		7,971
Deferred inflows of resources - pension related inflows		(6,418)
Pension liabilities		(23,805)
Deferred outflows of resources - opeb related expenditures		852
Deferred inflows of resources - opeb related inflows		(3,506)
OPEB liabilities		(6,155)

Net Position of Governmental Activities in the Statement of Net Position	\$	<u>1,365,552</u>
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The notes to the financial statements are an integral part of these statements.

TOWN OF CASTLE HILL, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2023

	GENERAL FUND (MAJOR FUND)	ARPA FUND (NON- MAJOR FUND)	TOTAL
REVENUES			
Taxes			
Property	\$ 426,986	\$ -	\$ 426,986
Excise	61,632	-	61,632
Intergovernmental revenues	135,018	-	135,018
Interest income	1,951	626	2,577
Other revenues	132,761	-	132,761
TOTAL REVENUES	758,348	626	758,974
EXPENDITURES			
Current			
Education	314,527	-	314,527
County tax	48,756	-	48,756
General government	76,063	-	76,063
Reserves	84,029	-	84,029
Public safety	26,033	-	26,033
Property services	9,486	-	9,486
Fire protection	22,927	-	22,927
Highways	151,184	-	151,184
ARPA Funding	-	1,398	1,398
Recreation	9,255	-	9,255
Community service	4,762	-	4,762
TOTAL EXPENDITURES	747,022	1,398	748,420
CHANGE IN FUND BALANCE	11,326	(772)	10,554
FUND BALANCE - JANUARY 1, 2023	624,527	31,377	655,904
FUND BALANCE - DECEMBER 31, 2023	\$ 635,853	\$ 30,605	\$ 666,458

The notes to the financial statements are an integral part of these statements.

TOWN OF CASTLE HILL, 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 DECEMBER 31, 2023

Net change in fund balances - total governmental funds:		\$ 10,554
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p> <p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period:</p>		
Capital asset purchases capitalized	116,056	
Depreciation expense	<u>(71,065)</u>	44,991
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Increase in unavailable property tax revenue		4,000
<p>Pension expense reported under GASB #68 is not reported in the governmental funds</p>		
		<u>(2,090)</u>
<p>OPEB expense recovery reported under GASB #75 is not reported in the governmental funds</p>		
		<u>726</u>
Change in net position of governmental activities		<u>\$ 58,181</u>

The notes to the financial statements are an integral part of these statements.

TOWN OF CASTLE HILL, MAINE
NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Castle Hill, Maine, was incorporated under the laws of the State of Maine and operates under a town meeting, selectmen, town manager form of government and provides the following services: public safety, public works, health and social services, education, public improvements, planning and zoning, and general administrative services.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. In evaluating how to define the reporting entity, for financial purposes, management has considered all potential component units. The criteria used to determine which entities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, and supervision over the accounting functions. Based upon all pertinent facts derived from the analysis of the above criteria, it was determined that no additional entities should be included as part of these financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of change in net position) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town has elected not to allocate indirect costs among program, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Currently there are no proprietary and fiduciary funds.

TOWN OF CASTLE HILL, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when qualifying expenditures have been incurred and all other grant requirements have been met.

The Town reports the following major governmental funds:

- The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

In addition to the General Fund the Town reports one non-major special revenue fund to report and account for ARPA funding.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's public service function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

TOWN OF CASTLE HILL, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Budgets

An operating budget is adopted each year for the general fund on the same modified accrual basis used to reflect actual revenues and expenditures. Special revenue funds do not have legally adopted budgets, but administratively approved project budgets.

Cash and temporary 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.

Available cash is deposited in interest-bearing accounts to as great a degree as possible. These residual investments are classified for reporting purposes as cash and temporary investments. Earnings from these investments are reported as investment revenue in the general fund. The Town's policy is to invest in regional banks and federal securities and to insure funds to as great a degree as possible. Deposits with a maturity of three months or less are included in cash and temporary investments for financial reporting purposes.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Investments are reported at fair value.

Short-term Inter-fund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the combined balance sheet.

Capital Assets

Capital assets, not including infrastructure assets, purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost if actual historical is not available. Infrastructure assets capitalized have an original cost of \$50,000 or more. 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. Repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives. Estimated useful lives are as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Building improvements	50 years
Equipment	5-15 years
Paving	10-15 years

TOWN OF CASTLE HILL, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Compensated absences

Town employees are granted vacation and sick leave in varying amounts. Vacation is intended to be taken within the year earned. Unused vacation is paid to employees prior to year-end, or with the town manager's approval, transferred to the next year. Accumulated sick leave is payable, at a 25% and 50% rate (maximum 30 days) to an employee upon voluntary termination or retirement. The liability for accumulated sick and vacation pay has been accrued in the financial statements in the amount of \$2,084. The Town has a designated account totaling \$1,126 to fund this liability, any remaining balance would be charged to surplus.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or propriety fund type statement of net assets. Bond premiums and discounts, as well as issuance costs if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide statement, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amount to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last and upon approval of the legislative body.

TOWN OF CASTLE HILL, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Deferred outflows/inflows of Resources

In addition to assets, the statement of financial position will sometimes 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's deferred outflows of resources are detailed in Notes #10 and #13.

In addition to liabilities, the statement of financial position will sometimes 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 government has only one type of item in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. Deferred inflows of resources related to pensions and OPEB are detailed in Notes #9 and #12.

Fund Equity or Balances

The Town of Castle Hill, Maine follows Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). GASB 54 establishes a fund balance hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds and defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

Under the GASB #54 reporting format, fund balance is reported as follows:

- Non-spendable-Items that are either not in spendable form or legally or contractually required to remain intact.
- Restricted fund balance-Resources that have constraints imposed by creditors, grantors, contributors or laws and regulations of other governments; or amounts that have very stringent conditions imposed by external parties or law.
- Unrestricted fund balance-Has 3 components;
 - Committed fund balance-Amounts with internally imposed restrictions mandated by the government's highest level of decision-making authority which require action from that authority to be redeployed. In the case of the Town of Castle Hill, Maine this action requires a vote at a town meeting.
 - Assigned fund balance-Amounts that are constrained by the government's intent that they will be used for specific purposes. Decision making authority with respect to these amounts lies with a committee or other government official (board of selectpersons) but not the highest-level authority.
 - Unassigned fund balance-This is the residual balance of the general fund which represents the remaining fund balance after allocation to the other fund balance categories. It reflects resources that are available for further appropriation and expenditure for general governmental purposes.

TOWN OF CASTLE HILL, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Net Position

Net position represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Allowance for Uncollectible Accounts

The Town of Castle Hill, Maine provides for the valuation of outstanding taxes and accounts receivable through an allowance account based on estimated bad debts as of the period then ended.

Use of Estimates

Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Property Tax

The Town's property tax was levied August 17, 2023, on the assessed value listed as of April 1, 2023, for all real and personal property located in the Town. Property taxes for the fiscal year ended December 31, 2023, \$430,986, were assessed at a rate of 15.80 mils on the dollar on a total taxable valuation of \$27,277,586. Taxes were due and payable on October 31, 2023 with interest at the rate of 8% being charged on taxes unpaid after that date.

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first sixty days following the end of the fiscal year have been recorded as revenues. The remaining receivables have been recorded as deferred revenues. 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 the tax lien and associated costs remain unpaid.

Unrecognized Property Tax Revenue

The Town follows the standard established by GASB 33 regarding the recognition of property taxes. The criterion for this standard is to recognize property tax revenue as it becomes both "measurable and available". Measurable is defined as the amount that the Town can reasonably expect to receive of the property taxes assessed for the current year. Available is defined as the amount of current and past due taxes that will be collected during the current period or expected to be collected shortly thereafter to pay current liabilities. For the purposes of this report, 60 days is used as the collection period after year-end. Accordingly, a liability has been reported on the governmental funds' balance sheet for the taxes considered collectible but not available for current liabilities of \$24,000 as of December 31, 2023.

TOWN OF CASTLE HILL, MAINE
NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Other General Items

The Town is exposed to various risks of loss related to torts; theft of, damages to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. Settled claims, if any, resulting from these risks, have not exceeded commercial insurance coverage.

Minimum Fund Balance

The select board has adopted a financial policy of maintaining a level of undesignated fund balance in the general fund that is equivalent to 2-3 months of annual assessments, comprised of the municipal appropriation, school education appropriation, County tax and TIF finance plan amount. Maintaining the fund balance at this level will ensure municipal operations may continue with no revenue stream while meeting external tax obligations for up to 1 fiscal quarter.

Excess of Expenditures Over Appropriations

For the year ended December 31, 2023, the Town's appropriations exceeded expenditures by \$21,604, a favorable variance. Expenditures exceed appropriations in the property services, fire protection and recreation accounts.

(2) CASH AND EQUIVALENTS

Cash and equivalents on December 31, 2023 consist of the following:

Deposits	
Checking account	195,212
Savings account	30,605
ICS account	<u>436,082</u>
Total deposits	661,899
Petty cash on hand	<u>135</u>
	<u>662,034</u>
Cash held in:	
Governmental funds	<u>662,034</u>

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does have a policy with respect to custodial credit risk for deposit accounts. The bank has pledged securities to collateralize the Town's deposits that exceed FDIC Insurance. The Pledged Securities will carry a market value greater than the value of the deposits exceeding FDIC Insurance. As of December 31, 2023, none of the Town's bank balances were exposed to custodial credit risk.

(3) NOTE RECEIVABLE

In September of 2017 the Town of Castle Hill, Maine entered into an agreement with the Aroostook River Snowmobile Club to purchase a snow groomer to take advantage of the lower interest rate that the Town would be able to secure. The Town obtained a loan from Katahdin Trust to purchase the groomer. Payments on the loan will be made by the Snowmobile Club. The note receivable represents the principal due from the Snowmobile Club. The note receivable has the same terms as the loan which can be found at Note #6 on page 22.

TOWN OF CASTLE HILL, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(4) CAPITAL ASSETS

Total capital assets and activity for the year ended December 31, 2023 for the 3 towns participating in the interlocal agreement is as follows:

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31</u>
Asset:				
Buildings and improvements	912,861	111,172		1,024,033
Pool/Bathhouse	206,864			206,864
Trucks/Equipment	2,259,773	469,109		2,728,882
Road improvements	<u>3,853,829</u>			<u>3,853,829</u>
	<u>7,233,327</u>	<u>580,281</u>		<u>7,813,608</u>
Accumulated depreciation				
Buildings and improvements	557,575	26,197		583,772
Pool/Bathhouse	154,141	5,357		159,498
Trucks/Equipment	1,620,965	105,614		1,726,579
Road improvements	<u>1,763,938</u>	<u>223,901</u>		<u>1,987,839</u>
	<u>4,096,619</u>	<u>361,069</u>		<u>4,457,688</u>
Net book value	<u>3,136,708</u>	<u>219,212</u>		<u>3,355,920</u>

The Town of Castle Hill, Maine's portion (approximately 20%) of the above is as follows:

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31</u>
Asset:				
Buildings and improvements	181,713	22,234		203,947
Pool/Bathhouse	34,110			34,110
Trucks/Equipment	436,768	93,822		530,590
Road improvements	<u>825,439</u>			<u>825,439</u>
	<u>1,478,030</u>	<u>116,056</u>		<u>1,594,086</u>
Accumulated depreciation				
Buildings and improvements	111,516	5,239		116,755
Pool/Bathhouse	30,827	1,071		31,898
Trucks/Equipment	328,810	21,123		349,933
Road improvements	<u>345,713</u>	<u>43,632</u>		<u>389,345</u>
	<u>816,866</u>	<u>71,065</u>		<u>887,931</u>
Net book value	<u>661,164</u>	<u>44,991</u>		<u>706,155</u>

Depreciation expense was charged to functions in the Statement of Activities as follows:

Governmental Activities:	
General government	5,239
Fire protection	21,123
Highways	43,632
Recreation	<u>1,071</u>
	<u>71,065</u>

TOWN OF CASTLE HILL, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(5) STATUTORY DEBT LIMITATION

In accordance with MRSA Title 30, Section 5061, as amended, no municipality shall incur debt for specified purposes in excess of a certain percentage of the state valuation of such municipality. The Town believes it is in compliance with State statutes.

(6) LONG-TERM LIABILITIES

In September of 2017, the Town of Castle Hill, Maine entered into an agreement with the Aroostook River Snowmobile Club to purchase a snow groomer through the Town to take advantage of its tax-exempt status and lower interest rate. The Town took out a 10-year, 2.37% loan from Katahdin Trust for \$67,000 to purchase the groomer. Payments on the loan will be made by the Snowmobile Club. The first payment was due on September 1, 2018, additional payments will be made each September 1st on an annual basis.

Activity in the long-term liability accounts is as follows:

	<u>Balance</u> <u>January 1</u>	<u>Debt</u> <u>Issued</u>	<u>Debt</u> <u>Retired</u>	<u>Balance</u> <u>December 31</u>
Notes payable	35,449		6,760	28,689
Pension liabilities	23,292	513		23,805
OPEB liabilities	<u>6,255</u>		<u>100</u>	<u>6,155</u>
Total	<u>64,996</u>	<u>513</u>	<u>6,860</u>	<u>58,649</u>

As of December 31, 2023, long-term debt matures as follows:

December 31,	Principal	Interest	Total
2024	6,922	687	7,609
2025	7,088	521	7,609
2026	7,258	351	7,609
2027	<u>7,421</u>	<u>188</u>	<u>7,609</u>
	<u>28,689</u>	<u>1,747</u>	<u>30,436</u>

(7) OTHER REVENUES – GENERAL FUND

Other revenues are as follows:

<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Highway Department	583	638	55
Fire Department	1,722	1,821	99
Recreation Department	1,885	1,825	(60)
Property services	600	850	250
Public Safety	388	357	(31)
Stumpage	100,000	104,588	4,588
Other various fees	<u>6,283</u>	<u>22,682</u>	<u>16,399</u>
	<u>111,461</u>	<u>132,761</u>	<u>21,300</u>

TOWN OF CASTLE HILL, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(8) JOINT VENTURE - INTERLOCAL AGREEMENT

The legislative body held a joint town meeting September 9, 2009 to approve the fourth amendment to the Interlocal Agreement. The cost sharing formula for administration is now based on 70% of the population as set by the current U.S. Census and 30% of the current State valuation with the resulting percentage rounded to the nearest 10th and adopted annually. The cost sharing formula for the highway department and capital costs are apportioned between the towns on the basis of the total road miles maintained within each community in a given year. Road miles for each party will be determined by adding the total number of road miles maintained during the summer months to the total number of road miles maintained during the winter months and dividing the total by two. The calculation will be utilized and updated annually each fiscal year.

The ownership of the Municipal building is as follows:

	<u>Before</u> <u>Transfer</u>	<u>After</u> <u>Transfer</u>
Town of Mapleton, Maine	75%	60%
Town of Castle Hill, Maine	25%	20%
Town of Chapman, Maine	<u>0%</u>	<u>20%</u>
	<u>100%</u>	<u>100%</u>

Administrative and highway department cost allocations are as follows:

	<u>Municipal</u> <u>Building</u>	<u>Administration</u>	<u>Highway</u>
Town of Mapleton, Maine	60%	68.78%	52.04%
Town of Castle Hill, Maine	20%	13.81%	22.88%
Town of Chapman, Maine	<u>20%</u>	<u>17.41%</u>	<u>25.08%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

(9) PENSION PLAN

Town employees contribute to the Maine Public Employees Retirement System ("System"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for public school teachers. The system maintains a defined benefit pension plan.

Benefits provided – The plan provides retirement and disability benefits, annual cost-of living adjustments and death benefits to plan members and beneficiaries. The plan provides defined retirement benefits based on the members' average final compensation and service credit earned as of retirement. Employees covered under this plan become vested after five years of service. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below his/her normal retirement age at retirement. MainePERS also provides disability and death benefits which are established by contract with the PLD employers under applicable statutory provisions.

TOWN OF CASTLE HILL, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(9) PENSION PLAN (cont'd.)

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 5%.

Description of Funding Policy – Participants contributed 7.6% of their wages to the plan in FY 22/23 and will contribute 7.7% in FY 23/24. The Town contribution is 10.2% of participant wages to the plan through June 30, 2024.

The Maine State Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the Consolidated Plan. That report may be obtained by writing to the Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions -

On December 31, 2022, the Town reported a pension liability of \$23,805 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2023 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. For the year ended December 31, 2023, the Town recognized pension expense of \$2,090 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions.

On December 31, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	4,419	
Difference between projected and actual earnings		4,040
Changes of assumptions		
Plus: Contributions made July 2023 – December 2023	3,358	
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>194</u>	<u>2,378</u>
	<u>7,971</u>	<u>6,418</u>

TOWN OF CASTLE HILL, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(9) PENSION PLAN (cont'd.)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense as follows:

Year ending December 31,	
2024	2,070
2025	(4,801)
2026	4,097
2027	187

Discount Rate

The discount rate used to measure the collective pension liability was 6.50% for 2023. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at the contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability as of December 31, 2023 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.50% for the PLD Consolidated Plan.

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
5.50%	6.50%	7.50%
\$65,227	\$23,805	\$(10,365)

Town employees not participating in MainePERS are covered under the social security system.

Changes in Net Pension Liability

Changes in net pension liability are recognized in pension expense for the year ended December 31, 2023 with the following exceptions:

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension 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 pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For the measurement date of June 30, 2023 this was 10 years for the PLD plan.

TOWN OF CASTLE HILL, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(9) PENSION PLAN (cont'd.)

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

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the plan's year ended June 30, 2023 valuation were based on the results of an actuarial experience study for the period of June 30, 2015 to June 30, 2020. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. There were no changes in assumptions for the plan's fiscal year ended June 30, 2023.

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions are recognized as pension expense 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 pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

Rate of return

The long-term rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the largest asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 are summarized in the following table. Assets for each of the defined benefit plans are commingled for investment purposes.

Asset Class	Target Allocation	Long-term expected real rate of return
Public equities	30.0%	6.0%
US Government	7.5	2.6
Private equity	15.0	7.6
Real assets:		
Real estate	10.0	5.2
Infrastructure	10.0	5.3
Natural resources	5.0	5.0
Traditional credit	7.5	3.2
Alternative credit	5.0	7.4
Diversifiers	10.0	5.0

TOWN OF CASTLE HILL, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(10) RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Town participates in the Maine Municipals 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 commercial reinsurance contracts, individual stop loss coverage for member Town’s for claims in excess of \$400,000 with an excess limit of \$2,000,000. There have been no significant changes in insurance coverage during the past year.

The Town also is a member of the Maine Municipal Association – Property and Casualty Pool (“Pool”). As with the fund above, 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 \$26,000,000. Under the liability portion of the Pool, coverage is provided after the deductible is met, to \$100,000.

(11) CONTINGENCIES

The Town is liable for its proportional share of any defaulted debt by entities of which it is a member. On December 31, 2023 the Town’s share is as follows:

	Outstanding <u>Debt</u>	Town’s <u>Percentage</u>	Town’s <u>share</u>
County of Aroostook	0	.39 %	0
SAD #1	\$1,755,795	3.18%	\$55,822

(12) OPEB OBLIGATIONS

Plan Description

The Town provides health insurance to its employees through Maine Municipal Employees Health Trust (MMEHT). The Town does not provide postemployment or postretirement healthcare benefits but is subject to an implicit benefit for its members in MMEHT.

Accounting Policies

The impact of experience gains and losses and assumption changes on the Total OPEB Liability (TOL) are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the plan. As of the beginning of the measurement period this average was 4 years.

TOWN OF CASTLE HILL, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(12) OPEB OBLIGATIONS (cont'd.)

The table below summarizes the current balances of deferred outflows of resources and deferred inflows of resources along with the recognition over the next 5 years, and thereafter:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1	\$ 2,854
Contributions made subsequent to the measurement date	274	
Changes of assumptions	<u>577</u>	<u>652</u>
	<u>\$ 852</u>	<u>\$ 3,506</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized as OPEB expense as follows:

Year ended December 31:

2024	(68)
2025	(426)
2026	(520)
2027	(520)
2028	(520)
Thereafter	(600)

As of January 1, 2023, the plan membership data is comprised of 6 active members and 1 retiree with only an implicit benefit.

Key Assumptions

Measurement Date:	January 1, 2023
Discount Rate:	3.72% per annum for year-end 2023 reporting 2.06% per annum for year-end 2022 reporting
Trend Assumptions:	Rate of inflation – 3.00% Rate of Growth in Real Income/GDP per capita 2032+ - 1.50% Extra Trend due to Taste/Technology 2032+ - 0.80% Expected Health Share of GDP 2032 – 19.80% Health Share of GDP Resistance Point – 19.00% Year for Limiting Cost Growth to GDP Growth - 2043

Future Plan Changes

It is assumed that the current plan and cost-sharing structure will remain in place for all future years.

TOWN OF CASTLE HILL, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(12) OPEB OBLIGATIONS (cont'd.)

Demographic Assumptions

Retiree continuation:	Retirees who are current Medicare participants: 100% Retirees who are Pre-Medicare, active participants: 75% Spouses who are Pre-Medicare, active participants: 50%
Rate of mortality:	Based on 104% and 120 % of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Employee Mortality Table for ages prior to start of the Healthy Annuitant Mortality Table, both project from the 2006 base rates using RPEC-2015 model, with an ultimate rate of 85% for ages 20-85 grading down to an ultimate rate of 0% for ages 111-120 and convergence to the ultimate rate in the year 2020.
Marriage assumptions:	A husband is assumed to be 3 years older than his wife
Assumed rate of retirement:	For employees hired prior to July 1, 2014 Age 55-63 – 5% Age 64-69 – 20% Age 70 + - 100% For employees hired after July 1, 2014 Age 55-58 – 5% Age 59-64 – 20% Age 65-69 – 25% Age 70 + - 100%
Salary increases:	2.75% per year
Changes in assumptions:	Funding method was changed from Projected Unit Credit funding to Entry Age Normal funding method.

Discount Rate

The discount rate used to measure the OPEB liability was 3.72% based on a measurement date of January 1, 2023. This rate is assumed to be an index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, for pay as you go plans.

The following table shows how the net OPEB liability (NOL) as of December 31, 2023 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 3.72%.

1% Decrease	Current Discount Rate	1% Increase
2.72%	3.72%	4.72%
\$7,033	\$6,155	\$5,434

A 1% decrease in the discount rate increases the NOL by approximately 14.3% while a 1% increase in the discount rate decreases the NOL by approximately 11.7%.

TOWN OF CASTLE HILL, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(12) OPEB OBLIGATIONS (cont'd.)

Changes in the healthcare trend affect the measurement of the TOL. Lower healthcare trend rates produce a lower TOL and higher healthcare trend rates produce a higher TOL. The table below shows the sensitivity of the TOL to the healthcare trend rate.

1% Decrease	Healthcare Trend Rates	1% Increase
\$5,301	\$6,255	\$7,238

A 1% decrease in the healthcare trend rate decreases the TOL by approximately 13.9% while a 1% increase in the healthcare trend rate increases the TOL by approximately 17.6%.

(13) NONSPENDABLE FUND BALANCES

At December 31, 2023, the non-spendable fund balance consists of expired lien property.

(14) TAXES

As a municipal entity, the Town is not subject to Federal and State income taxes, accordingly it is not necessary to consider the effects of any uncertain tax positions.

(15) DEFERRED COMPENSATION PLAN

The Town has established for its employees, as an alternative to participation in the defined benefit pension plan, a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits the employees to defer a portion of their salaries until future years. The deferred compensation amount is not available to the employees until termination, retirement or death. The plan is being maintained by the International City Management Retirement Corporation (I.C.M.A.).

Contributions are at the rate of 10.25% of the town manager's salary, with an additional 3.5% added for employees with ten or more years of service. The Town's contribution to the plan for December 31, 2023 totaled \$755.

(16) SUBSEQUENT EVENTS

Management has evaluated all subsequent events through January 26, 2024, the date the financial statements were available to be issued, and determined that no additional disclosures are required in order for these financial statements to be fairly stated.

(17) LEASES

The Town follows GASB #87 in regard to reporting leases. The policy is applied to contracts entered or changed, on or after January 1, 2022. The Town assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Town assesses whether; the contract involves the use of an identified asset, if the Town has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use and if the Town has the right to direct the use of the asset. The Town recognizes a right of use asset and a lease liability at the lease commencement date.

TOWN OF CASTLE HILL, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(17) LEASES (cont'd.)

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis as those for property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Town's incremental borrowing rate. Generally, the Town will use the incremental borrowing rate as the discount rate. The Town has elected not to separate non-lease components of the contract and account for the lease and non-lease components as a single lease component.

A short-term lease is defined as a lease that, at the commencement date, has a lease term of 12 months or less and does not include an option to extend that the lessee is reasonably certain to exercise. Under GASB #87 lease transactions of buildings and equipment that have a lease term of 12 months or less are recognized in the statement of activities as an expense on a straight-line basis over the lease term in the period in which the obligation for those payments has occurred.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CASTLE HILL, MAINE

SCHEDULE OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-

BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Taxes				
Commitment	\$ 425,775	\$ 425,775	\$ 430,986	\$ 5,211
Taxes unavailable for use in the current period	-	-	(4,000)	(4,000)
Excise tax	77,271	77,271	61,632	(15,639)
Intergovernmental revenues				
Revenue sharing	56,955	56,955	65,201	8,246
LRAP Funds	14,979	14,979	17,248	2,269
Homestead exemption	39,626	39,626	41,737	2,111
BETE reimbursement	173	173	175	2
Veterans reimbursement	254	254	211	(43)
Tree growth	9,300	9,300	10,446	1,146
General assistance	700	700	-	(700)
Interest income	2,132	2,132	1,951	(181)
Other revenues	111,461	111,461	132,761	21,300
TOTAL REVENUES	738,626	738,626	758,348	19,722
EXPENDITURES				
Education	314,527	314,527	314,527	-
County tax	48,756	48,756	48,756	-
General government	78,904	78,904	76,063	2,841
Reserves	102,859	102,859	84,029	18,830
Public safety	26,049	26,049	26,033	16
Property services	9,374	9,374	9,486	(112)
Fire protection	21,643	21,643	22,927	(1,284)
Highways	151,356	151,356	151,184	172
General assistance	1,000	1,000	-	1,000
Recreation	8,997	8,997	9,255	(258)
Community service	5,161	5,161	4,762	399
TOTAL EXPENDITURES	768,626	768,626	747,022	21,604
EXCESS OF REVENUES OVER EXPENDITURES	\$ (30,000)	\$ (30,000)	11,326	\$ 41,326
FUND BALANCE - JANUARY 1, 2023			624,527	
FUND BALANCE - DECEMBER 31, 2023			<u>\$ 635,853</u>	

The notes to the financial statements are an integral part of these statements.

TOWN OF CASTLE HILL, MAINE
SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023

Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2014	2,559	2,559	-	39,366	6.50%
2015	2,854	2,854	-	36,591	7.80%
2016	2,882	2,882	-	32,377	8.90%
2017	3,411	3,411	-	35,904	9.50%
2018	4,763	4,763	-	48,648	9.79%
2019	4,014	4,014	-	40,140	10.00%
2020	5,804	5,804	-	57,728	10.05%
2021	6,946	6,946	-	68,030	10.21%
2022	6,628	6,628	-	64,351	10.30%
2023	6,947	6,947	-	68,006	10.22%

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

The notes to the financial statements are an integral part of these statements.

TOWN OF CASTLE HILL, MAINE

SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY

FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the Net Pension Liability (Asset)	0.054020%	0.063444%	0.061936%	0.047970%	0.047249%	0.051632%	0.055366%	0.049974%	0.06263%	0.058186%
Employer's proportionate share of the Net Pension Liability (Asset)	\$ 23,805	\$ 23,292	\$ (2,930)	\$ 28,055	\$ 21,806	\$ 23,174	\$ 52,139	\$ 53,105	\$ 37,129	\$ 19,276
Employer's Covered Payroll	\$ 68,006	\$ 64,351	\$ 68,030	\$ 57,728	\$ 40,140	\$ 48,648	\$ 35,904	\$ 32,377	\$ 36,591	\$ 39,366
Employer's proportionate share of the Net Pension Liability (Asset) as a percentage of its covered employee payroll	35.00%	36.20%	-4.31%	48.60%	54.32%	47.64%	145.22%	164.02%	101.47%	48.97%
Plan fiduciary net position as a percentage of the total pension liability (asset)	92.3%	93.3%	100.9%	88.4%	90.6%	91.1%	86.4%	81.6%	88.3%	94.1%

Amounts presented have a measurement date of June 30, 2023

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

The notes to the financial statements are an integral part of these statements.

Chester M. Kearney, Certified Public Accountants

TOWN OF CASTLE HILL, MAINE
NOTES TO GASB #68 REQUIRED SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2023

Valuation Date:

Only fiscal years 2014 - 2023 are reported. The Town will continue to present information until a full ten-year trend is compiled.

Changes of Benefit Terms include:

There were no benefit changes for the Town employees in the employees' retirement plan.

Changes of Assumptions include:

The discount rate remained at 6.5% and the COLA benefit was unchanged at 1.91%.

The rate of inflation was 2.75%. 2.75% was also used by MainePers in its years ended June 30, 2022-2016.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry age normal
Amortization method	A level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.
Asset valuation method	One-third of the investment return that is different from the actuarial assumption for investment return
Retirement age	60 or 65, depending on years of creditable service at certain dates
Mortality	RP2014 Total Dataset Health Annuitant Mortality Table for males and females is used

The notes to the financial statements are an integral part of these statements.

TOWN OF CASTLE HILL, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost (BOY)	\$ 577	\$ 562	\$ 526	\$ 481	\$ 591	\$ 406
Interest (includes interest on service cost)	\$ 142	\$ 214	\$ 336	\$ 357	310	334
Changes of benefit terms	\$ -	\$ -	\$ -	\$ (210)	-	-
Differences between expected and actual experience	\$ -	\$ (4,684)	\$ -	\$ (183)	-	462
Changes of assumptions	\$ (544)	\$ 235	\$ 509	\$ 1,173	(628)	(568)
Benefit payments, including refunds of member contributions	\$ (275)	\$ (461)	\$ (473)	\$ (543)	(518)	(542)
Net Change in total OPEB Liability	\$ (100)	\$ (4,134)	\$ 898	\$ 1,075	\$ (245)	\$ 92
Total OPEB Liability - Beginning	\$ 6,255	\$ 10,389	\$ 9,491	\$ 8,416	\$ 8,661	\$ 8,571
Total OPEB Liability - Ending	\$ 6,155	\$ 6,255	\$ 10,389	\$ 9,491	\$ 8,416	\$ 8,661
Plan Fiduciary Net Position						
Contributions - Employer	275	461	473	543	518	537
Contributions - Member	-	-	-	-	-	-
Net investment income	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(275)	(461)	(473)	(543)	(518)	(537)
Administrative expense	-	-	-	-	-	-
Net change in plan fiduciary net positions	-	-	-	-	-	-
Total Fiduciary Net Position - Beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Fiduciary Net Position - Ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%	0%	0%
Covered employee payroll	38,821	38,821	27,138	27,138	40,076	34,506
Net OPEB liability as a percentage of covered employee payroll	15.9%	16.1%	38.3%	35.0%	21.0%	25.1%

Amounts presented have a measurement date of January 1

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

The notes to financial statements are an integral part of these statements.

SUPPLEMENTARY INFORMATION

TOWN OF CASTLE HILL, MAINE

SCHEDULE OF CHANGES IN COMMITTED AND RESTRICTED FUND BALANCES

YEAR ENDED DECEMBER 31, 2023

	Balance January 1	Appropriation	Receipts	Total Available	Disbursements	Transfers	Balance December 31
Committed Fund Balance							
Highway equipment	17,328	9,586	9,349	36,263	(12,762)	829	24,330
Local road improvement	13,327	69,796	-	83,123	(10,540)	-	72,583
Fire department	52,167	8,010	4,340	64,517	(45,553)	-	18,964
Municipal building	11,331	5,000	-	16,331	(8,616)	-	7,715
Comprehensive planning	5,087	138	-	5,225	-	-	5,225
Recreation program	5,856	1,036	766	7,658	(5,318)	(829)	1,511
Legal fees-individual	9,999	-	-	9,999	(349)	-	9,650
Legal fees-joint	1,416	51	-	1,467	-	-	1,467
Assessing	289	2,000	216	2,505	-	-	2,505
Revaluation reserve	15,004	4,622	-	19,626	-	-	19,626
Employee benefits	794	332	-	1,126	-	-	1,126
Septic sludge	23,082	-	-	23,082	-	-	23,082
Vital records	2,591	1,285	743	4,619	-	-	4,619
Pump house/dry hydrant	276	-	276	552	-	-	552
Office equipment reserve	1,888	1,003	-	2,891	(891)	-	2,000
	<u>160,435</u>	<u>102,859</u>	<u>15,690</u>	<u>278,984</u>	<u>(84,029)</u>	<u>-</u>	<u>194,955</u>
Restricted Fund Balance							
ARPA Funds	31,377	-	626	32,003	(1,398)	-	30,605
	<u>31,377</u>	<u>-</u>	<u>626</u>	<u>32,003</u>	<u>(1,398)</u>	<u>-</u>	<u>30,605</u>

The notes to the financial statements are an integral part of these statements.

Chester M. Kearney, Certified Public Accountants

ADDITIONAL REPORT



Chester M. Kearney
Certified Public Accountants

12 Dyer Street, Presque Isle, Maine 04769-1550
207-764-3171 Fax 207-764-6362

Barbara E. McGuire, CPA, CGMA
Timothy P. Poitras, CPA, CGMA

To the Board of Selectmen of the
Town of Castle Hill, Maine

Independent Auditors' Report

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

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Castle Hill, Maine, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Town of Castle Hill, Maine's basic financial statements and have issued our report thereon dated January 26, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Castle Hill, Maine's internal control over financial reporting (internal control) as a basis for designing 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 Castle Hill Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Castle Hill, Maine's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Castle Hill, Maine's financial statements are free of 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Chester M. Kearney

Presque Isle, Maine
January 26, 2024