

December 28, 2018

To the Management of the City of  
Calais, Maine, and Calais  
School Department:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Calais, Maine as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Calais, 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 City of Calais, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Calais, Maine's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies in internal control (2018-001 through 2018-003) to be significant deficiencies.

During our audit, we also became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The attached schedule summarizes our comments and suggestions regarding these matters. They have been identified in the schedule of comments and responses as other comments.

We wish to express our appreciation for the cooperation and assistance we received from the officials and employees of the City of Calais, Maine during the course of our audit.

We will review the status of these comments during our next audit engagement. We have already discussed them with various City and School personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

The City of Calais, Maine's responses to the significant deficiencies and other comments identified in our audit are described in the accompanying schedule of comments and responses. The City of Calais, Maine's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the City Council, School Committee, and others within the City of Calais, Maine, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, reading "Raymond Hudson Ouellette". The signature is written in a cursive style with a large initial 'R'.

**CITY OF CALAIS, MAINE**  
**Schedule of Comments and Responses**  
**June 30, 2018**

---

SIGNIFICANT DEFICIENCIES

**2018-001 – Preparation of Financial Statements (City)**

Auditing standards require external auditors to determine whether or not client personnel designated as having responsibility over the financial reporting process possess the expertise to identify all financial reporting matters in compliance with generally accepted accounting principles without the reliance on external auditors. This means that these individuals would need to have the knowledge of all the various financial statement disclosure requirements in addition to an understanding of fund financial statements and government-wide financial statements. From a practical standpoint, the costs of maintaining the expertise in-house to meet these requirements often exceed the benefit. As a result, it is common practice for governmental entities to rely on assistance from their auditing firm to assist in the preparation of the financial statements and the related disclosures. When the auditing firm prepares the financial statements, the City must assign a competent management level individual to oversee this service. Additionally, management must review, approve, and accept responsibility for the financial statements and related notes.

Unfortunately, when this approach is taken, the City is considered to have a control deficiency in the design of internal controls over the preparation of the financial statements in accordance with generally accepted accounting principles, and as a result, we are required to report this as such in this report. We do feel that management has the ability to fulfill the review and oversight role as described above as required by auditing standards.

*Management's response/corrective action plan: The City continues to use auditor financial schedules to assist in the preparation of the audit, as it is not cost effective to have this expertise in-house. Management and the School Department continue to need some assistance when analyzing equity of the various funds, but will continue its efforts to minimize auditor assistance. Management is making sure that finance personnel attend adequate training. Management will also consider the feasibility of implementing cross-training of all functions amongst the limited number of admin staff.*

**2018-002 – Material Audit Adjusting Journal Entries (City)**

The general ledger includes activity and balances of the City's asset, liability, revenue, and expenditure/expense accounts. Many of these accounts required audit adjustments at year-end, including ambulance receivables, sewer capital assets, UDAG and Uptown loan receivables, and various revenue and expenditure/expense accounts. Both individually and in the aggregate, these entries were material to the financial statements. Whenever the auditor is required to propose a material amount of entries, the risk of material misstatement due to fraud or error increases significantly.

In order to maintain an accurate accounting of all accounts on the general ledger and provide accurate financial reports during the year, we recommend that City employees reconcile the ending balances of each general ledger account on a monthly basis. We suggest that management establish a checklist of required monthly and year-end adjustments to ensure that general ledger accounts are being reconciled in a timely manner. Additionally, we suggest that the proprietary funds be maintained on a full accrual basis as required by generally accepted accounting principles.

**CITY OF CALAIS, MAINE**  
**Schedule of Comments and Responses, Continued**  
**June 30, 2018**

---

We believe that the following procedures should be performed on a monthly basis:

- Reconciliation of the detailed listing of ambulance accounts receivable to the general ledger balances
- Review of direct fund balance posts and properly classify these entries out of fund balance
- Reconciliation of UDAG and Uptown Loan funds with loan fund Excel workbook

*Management's response/corrective action plan: Management, in conjunction with City finance staff, has created a checklist of the various general ledger accounts that require reconciliation on a monthly and/or annual basis as well as a checklist for the journal entries required annually. Currently, the number of accounts on the General Ledger are numerous and time-consuming to be reconcile monthly. Finance staff will attempt to reconcile the accounts at least quarterly. Beginning January 2, 2019, the UDAG and Uptown Loan funds will be reconciled to the Excel workbook at least quarterly. Management will continue to send finance staff to appropriate trainings as necessary and promote cross-training where needed.*

**2018-003 – Account Structure of the City General Ledger (City)**

The current account structure that is being utilized within the City's accounting system is not reflective of the reporting objectives of management. Currently, nearly all of the individual nonmajor governmental funds (special revenue and capital project funds), which ideally should be reported separately, are recorded as single account lines in the general fund assets and liabilities. The effect of utilizing single lines for account purposes is that there are no revenue or expenditure accounts for any of the nonmajor governmental funds. This makes financial reporting for individual funds difficult, as all of the activity within these funds needs to be manually adjusted for financial statement preparation. We believe that management should update its account structure so that every fund that either is required to be reported separately, or that management wishes to report separately, has its own unique fund number within the accounting system.

*Management's response/corrective action plan: Management has considered the feasibility and efficiency of implementing a revised account structure that would reflect each fund separately with its own unique fund number. New funds or accounts will be set up as a unique fund so that going forward, these types of accounts are easier to track and report on. Management, with the assistance of City Finance personnel, will work to set up older special revenue and capital project funds into their own unique fund as well.*

**CITY OF CALAIS, MAINE**  
**Schedule of Comments and Responses, Continued**  
**June 30, 2018**

---

OTHER COMMENTS

**Segregation of Duties (City)**

Segregation of duties involves the assignment of responsibilities in such a way that different employees handle different parts of the same transaction. Anyone who records transactions or has access to assets ordinarily is in a position to perpetrate errors or irregularities. Appropriate segregation of duties helps to detect errors in a timely manner and deter improper activities. For example, having an employee with no cash receipts or disbursements responsibility perform the bank reconciliation is considerably more effective in meeting the applicable specific internal accounting control objectives than having the reconciliation performed by an employee with such responsibility. Similarly, internal accounting control is enhanced when the employee who handles the accounting for an asset, such as cash, is denied access to the asset.

During the audit process, we noted that the City Finance Director has signing authority on the City's bank accounts. We would recommend that signing authority for bank accounts be limited to individuals who do not perform bank reconciliations or have access to the general ledger.

*Management's response/corrective action plan: Appropriate segregation of duties is impossible due to the limited number of employees on staff. Bank reconciliations will be reviewed by the City Manager. In practice, the Finance Director never signs City General Fund or Payroll checks unless the other two signors are out of town.*

**Activity Funds – St Croix Regional Tech Center (SCRTC) Receipts**

During our review of the cash receipting process for the SCRTC Activity Fund, we noted that in seven of the fourteen receipts tested the auditor was unable to determine if funds were posted to the proper activity fund due to lack of detail on the receipt. We believe that a receipt journal should be utilized to provide supporting detail for all funds received. The receipt journal should include the date received, who received the funds, purpose of those funds, how funds were acquired, and who verified the funds. This will help provide additional documentation for the receipts.

Finally, during receipt testing we found that in six of the thirteen deposits tested, management did not deposit the funds within ten business days from receipt of the funds. Any time management is holding a deposit in excess of ten days the risk of misappropriation of assets, whether due to fraud or error, is significantly increased. We suggest that management ensure that all funds are deposited within ten business days.

*Management's response/corrective action plan: SCRTC is using a receipt journal to record money received. SCRTC is also recording more detail on the paperwork that supports the deposit. SCRTC will deposit all money collected within ten business days.*

**CITY OF CALAIS, MAINE**  
**Schedule of Comments and Responses, Continued**  
**June 30, 2018**

---

**Activity Funds – Calais Elementary School (CES) Receipts**

During our review of the cash receipting process for the Calais Elementary School Activity Fund, we noted a receipt of funds from the Parent Teacher Organization (PTO) to be used for the purchase of benches in the entryway of the school. Purchase of benches is not considered a valid activity fund purchase as they represent permanent fixtures to the school. In the future, groups such as the PTO should donate the funds to the School Committee, allow them to accept the funds, and subsequently authorize the purchase of the benches.

*Management's response/corrective action plan: In the future, funds will be donated to the school committee and the purchases will be made through the schools purchasing system.*

**School Lunch Receipts**

During our review of the controls over the school lunch program's cash receipts, we found that the School Department does not have a process to track daily sales. The School Department relies on the deposit information provided by the school lunch director and is unable to reconcile deposits to actual sales transactions. By not tracking individual cash sales, management is increasing the risk of funds being lost or stolen without detection by the control system. We believe that controls can be improved by implementing a point of sale system or by using electronic cash registers. Either of these systems will improve controls as management will be able to reconcile receipts reported by the school lunch director to the original source documentation, such as a register tape or reports generated from a point of sale system.

*Management's response/corrective action plan: Calais School Department will budget money to purchase electronic cash registers to handle point of sale transactions.*

**School Department Disbursements**

During our testing of cash disbursement process for the School Department, we noted that five of the forty disbursements tested were missing required authorizations. By not following the control procedures for authorizing disbursements, the risk of unauthorized disbursements not being detected before funds are expended is greatly increased. Additionally, we found a food service order that was charged to the Title I fund. Management was able to correct the posting, however, the control system did not detect the error in a timely manner. We suggest that in the future all purchases are accompanied by valid authorizations as required by the established control procedures and that a second party review account codes prior to making posts to improve accuracy of charging accounts.

*Management's response/corrective action plan: Regular and CCLC tuition invoices are now approved by the superintendent. Purchase orders are now being completed for lodging and conference fees for the superintendent.*

**CITY OF CALAIS, MAINE**  
**Schedule of Comments and Responses, Continued**  
**June 30, 2018**

---

**School Department Credit Cards**

As part of our control testing in the current fiscal year, we reviewed all of the credit card charges for the month of January 2018. During this review, we noted twenty-one total exceptions out of twenty-four transactions for the month. Four of the exceptions were the result of supporting receipts not being attached to the statement and an additional seventeen exceptions were the result of employees not documenting business purpose for the purchases. We suggest that the Business Manager reinforce the credit card control procedures with card holders and ensure that all of the supporting receipts are present and have a clear business purpose documented before finalizing the month end credit card statement reconciliation.

Additionally, it was noted that several gift cards were purchased using credit cards without any documentation of who received them. As gift cards are treated like cash, they are highly susceptible to abuse. We suggest that management avoid the use of gift cards. However, if gift cards are used, management should ensure that a receipt form is signed by the gift card recipient to ensure they are being used and given out for their intended purpose.

*Management's response/corrective action plan: More detail is being added to all transactions including credit card purchases. Purpose of the expense will be noted on the purchase order. The secretary of the principal or director is reconciling the monthly credit card statements and sending all supporting receipts to the central office for payment processing. Gift cards are still purchased for student level promotions. Logs are now kept that record the purchasing and awarding of cards so it is known how many cards are remaining and who was awarded card(s).*

**School Department Employee Health Insurance Election Forms**

As part of our control testing for the School Department payroll process, we ensure that management is charging employees appropriately for health insurance based on the plan and coverage that the employee selected during the enrollment period. During this test, we discovered that ten out of the thirty-five employees tested, did not have a health insurance election form on file to allow us to validate the health coverage chosen by the employee. We suggest that management implement a control procedure that requires health insurance election forms be filled out by the employee any time insurance coverage is changed. Additionally, we suggest that the employee who is in charge of employee benefits reconcile the election forms to the health insurance bill at least annually to ensure that every employee has a valid form in their personnel file and are being charged appropriately.

*Management's response/corrective action plan: The payroll clerk or employee in charge of health benefits will review the health insurance invoice at least annually and ensure that every employee on the invoice has a valid form for their coverage.*

December 28, 2018

To the City Council  
City of Calais, Maine

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Calais, Maine for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our meeting with the Mayor on October 18, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards*, and the Uniform Guidance

As stated in our engagement letter dated May 29, 2018, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the City of Calais, Maine's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the City of Calais, Maine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the City of Calais, Maine's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the City of Calais, Maine's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City of Calais, Maine's compliance with those requirements.



### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Calais, Maine are described in the notes to the financial statements. As described in the notes to the financial statements, the City of Calais, Maine adopted Statement of Governmental Accounting Standards (GASB Statement) No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* in 2018. No other new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the City of Calais, Maine during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were management's estimate of depreciation expense, which is based on estimated useful lives of assets, and the net pension and OPEB liabilities, which are based on actuarial reports. We evaluated the key factors and assumptions used to develop depreciation expense and the net pension and OPEB liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, some of which were material to the financial statements. See attached adjusting journal entries.

The attached report entitled "Passed Adjusting Journal Entries" lists the uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the attached management representation letter dated December 28, 2018, which was signed by management.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of Calais, Maine's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Calais, Maine's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the schedule of the City's proportionate share of the net pension liability, the schedule of City contributions, the schedule of the City's proportionate share of the net OPEB liability, and the schedule of City's OPEB contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund financial statements and schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the City Council, School Committee, and management of the City of Calais, Maine and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script, reading "Raymond Newton Ouellette". The signature is written in black ink and is positioned below the "Very truly yours," text.

**City of Calais**  
**Adjusting Journal Entries - City**  
**6/30/2018**

			Debit	Credit
<b>1</b>	1-4720-00	CD Loan Payments	3,750.00	
	R0100-0329	Loan Administration		3,750.00
	4-1110-00	Revolving Loan Investments		1,314.15
	4-1210-00	Loans Receivable RLF		209.95
	4-1215-00	Allowance for Bad Debt RLF		1,024.78
	4-2050-01	Due to/from General Fund		1,689.31
	4-7000-00	Fund Balance	4,238.19	
	<i>To adjust the Uptown Revolving Loan Fund accounts to actual and record loan administration payment.</i>			
<b>2</b>	1-4710-00	Econ Dev Loan Fund	3,750.00	
	R0100-0329	Loan Administration		3,750.00
	3-1110-00	Econ Dev Loan Investments		3,958.75
	3-1210-00	Loans Receivable UDAG	128,841.64	
	3-1215-00	Allowance for Bad Debt RLF		47,365.37
	3-2050-01	Due to/from General Fund		198,295.68
	3-7000-00	Fund Balance	120,778.16	
	<i>To adjust the UDAG Loan Fund accounts to actual and record loan administration payment.</i>			
<b>3</b>	E0410-5510	Fuel	5,766.79	
	1830-00	Special GAS Account		5,766.79
	<i>To flush old receivable balances out of inventory.</i>			
<b>4</b>	2-0435-00	Interest Poor	2,400.00	
	2-0420-00	DTOF - GF Poor		2,400.00
	<i>To move expenditures to trust fund that were posted to 1-4745-00.</i>			
<b>5</b>	1-4795-00	New Perpetual Care Accts	8,250.00	
	1-4794-00	New Cemetery Lots		2,250.00
	1-2050-02	Due to/from Trust Accts		6,000.00
	2-0224-00	DTOF-Gen Fund PC	6,000.00	
	2-0137-00	Cemetery Expendable Princ		2,250.00
	2-0230-00	Principal - Perpetual Care		3,750.00
	<i>To move cemetery lot sales to cemetery trust funds.</i>			
<b>6</b>	2-0235-00	Interest - Perpetual Care	4,000.00	
	2-0335-00	Interest Library	4,000.00	
	1-2050-02	Due to/from trust accounts	8,000.00	
	R0480-0313	Perpetual Care		4,000.00
	R0220-0360	Library Trust Funds		4,000.00
	2-0224-00	DTOF - Gen Fund PC		4,000.00
	2-0320-00	DTOF - G/F Library		4,000.00
	<i>To record transfers from trusts.</i>			
<b>7</b>	7-7380-00	Sewer Temperance St	5,480.93	
	7-7206-00	Sewer AR MMBB 340k		6,942.44
	7000-5710	Equipment	1,461.51	
	7-7381-00	Sewer Rd South Harrison St	7,237.68	
	7000-7700	WWTP Grant Revenue		54,913.00
	7-7320-00	Sewer - Construction in Progress	47,675.32	
	7-7648-00	Sewer BP Banning Street		252,702.25
	7-7320-00	Sewer - Construction in Progress	252,702.25	
	7-7388-00	Sewer Palmer St		77,245.60
	7-7320-00	Sewer Construction in Progress	77,245.60	
	<i>To move direct fund balance posts to correct accounts.</i>			
<b>8</b>	7-7625-00	Sewer Construction in Progress		340,183.93
	7000-7700	WWTP Grant Revenues	340,028.04	
	7000-5710	Equipment	155.89	
	<i>To unwind client entries for grant revenues that increased CIP however were not grant revenues.</i>			
<b>9</b>	7-7350-00	Sewer-Plant Accum Dep		599,633.82
	7-7625-00	Invested in Fixed Assets	599,633.82	
	<i>To recognize current depreciation in sewer fund.</i>			
<b>10</b>	R0100-0217	2017 Taxes		34,900.00
	1-2910-00	Deferred property taxes	34,900.00	
	<i>To adjust deferred property taxes to actual.</i>			
<b>11</b>	8-8275-00	Ambulance Allowance for Bad Debt	19,891.49	
	8-8500-00	Ambulance Revenue Commercial	4,926.07	
	8-8225-00	Ambulance Fees Past Due		24,817.56
	<i>To adjust AR to actual and allowance to a properly calculated amount.</i>			

**City of Calais**  
**Adjusting Journal Entries - School Department**  
**6/30/2018**

			<b>Debit</b>	<b>Credit</b>
<b>1</b>	6000-0000-0000-41215-000	Local school lunch allocation	2,620.28	
	6000-0000-0000-43250-000	State Subsidy Lunch		2,620.28
	<i>To move State subsidy amount into State subsidy line for June summer food program.</i>			
<b>2</b>	6000-0000-3100-56300-900	School Lunch Fund	4,024.70	
	6000-0000-0000-11710-000	Inventory		4,024.70
	<i>To adjust school lunch inventory to actual.</i>			
<b>3</b>	1000-0000-0000-20100-000	Accounts Payable	585.62	
	2470-0000-0000-20100-000	Accounts Payable		585.62
	<i>To correct AP to actual</i>			

**City of Calais**  
**Passed Adjusting Journal Entries**  
**6/30/2018**

		<u>Debit</u>	<u>Credit</u>
<b>101</b>	N/A (no account number)    Accrued Interest		7,119.28
	N/A (no account number)    Net Position - Entity Wide	7,119.28	
	<i>To bring accrued interest to actual as of 6/30/2018.</i>		



**City Building**  
11 Church Street  
P.O. Box 413  
Calais, Maine 04619  
207-454-2521  
Fax: 207-454-2757  
[www.calaismaine.org](http://www.calaismaine.org)

December 28, 2018

Runyon Kersteen Ouellette  
20 Long Creek Drive  
South Portland, Maine 04106

This representation letter is provided in connection with your audit of the financial statements of the City of Calais, Maine, which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of December 28, 2018, the following representations made to you during your audit.

#### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 29, 2018, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for the preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.

#### **An Equal Opportunity Employer and Provider**

"In accordance with Federal Law and USDA Policy, this institution is prohibited from discriminating on the basis of race, color, national origin, sex, age or disability (not all prohibited bases apply to all programs). To file a complaint of discrimination, write to : USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410, or call 1-800-795-3272 (voice) or 202-720-6382 (TDD). USDA is an equal opportunity provider and employer."

- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the accounts.
- 9) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as whole for each opinion unit. A list of uncorrected misstatements is attached to the representation letter.
- 10) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

**Information Provided**

- 12) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the City Council and School Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.



- 14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 15) We have no knowledge of any fraud or suspected fraud that affects the City and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 16) We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.
- 17) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 18) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 19) We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware.

**Government - specific**

- 20) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 21) We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us.
- 22) We have a process to track the status of audit findings and recommendations.
- 23) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 24) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 25) The City has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources or fund balance or net position.

- 26) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
- 27) We have identified and disclosed to you all instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 28) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 29) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 30) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 31) As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal awards. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and the schedule of expenditures of federal awards.
- 32) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 33) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 34) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

- 35) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
- 36) All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 37) Components of net position (net investment in capital assets; restricted; and unrestricted), and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 38) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 39) Provisions for uncollectible receivables have been properly identified and recorded.
- 40) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 41) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 42) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 43) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 44) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 45) We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 46) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 47) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and

presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

48) With respect to the schedule of expenditures of federal awards, combining and individual fund financial statements:

- a) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards, combining and individual fund financial statements in accordance with accounting principles generally accepted in the United States of America, and we believe the schedule of expenditures of federal awards, combining and individual fund financial statements, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the schedule of expenditures of federal awards, combining and individual fund financial statements have not changed from those used in prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- b) If the schedule of expenditures of federal awards, combining and individual fund financial statements are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

49) With respect to federal award programs:

- a) We are responsible for understanding and complying with and have complied with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.
- b) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.

- d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards or confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.
- j) We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

- k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E) and OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, if applicable.
- m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t) We have charged costs to federal awards in accordance with applicable cost principles.
- u) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior

audit findings by federal awarding agencies and pass-through entities, including all management decisions.

- v) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- w) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- x) We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

Crystal Mallina  
Signed

[Signature]  
Signed

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
MAINE STATE STATUTE REQUIREMENTS

Calais School Committee  
Calais School Department  
City of Calais, Maine

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Calais, Maine as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Calais, Maine's basic financial statements. We issued our report thereon dated December 28, 2018, which contained unmodified opinions on those financial statements.

As part of obtaining reasonable assurance about whether the City of Calais, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

In connection with that audit, we:

1. Considered whether the Calais School Department has complied with budget content requirements of section 15693.
2. Considered whether the Calais School Department has complied with transfer limitations between budget cost centers pursuant to section 1485.
3. Considered whether the Calais School Department has exceeded its authority to expend funds.
4. Considered whether the Calais School Department has complied with the applicable provisions of the unexpended balances requirements established under section 15004.
5. Reviewed the annual financial data submitted to the Maine Department of Education and reconciled it to the audited financial statement totals (see attached *Schedule of Reconciliation of the NEO Financial System with Audited Financial Statements*).
6. Considered whether the Calais School Department was in compliance with applicable provisions of the Essential Programs and Services Funding Act.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. Other known matters of noncompliance relating to the above listed items (items #1 - #6) are as follows:

- The Calais School Department did not ensure that all of the accounts were properly bridged and uploaded to the NEO website. The result was that multiple accounts were not reported to the Maine Department of Education.
- The School Department did not make allowable budgetary transfers of up to 5% and, as a result, had one cost center with actual expenditures in excess of budgeted amounts. However, in total, the School Department did not exceed its authority to expend funds.



Calais School Committee  
Calais School Department  
City of Calais, Maine  
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying *Schedule of Reconciliation of the NEO Financial System with Audited Financial Statements* is presented for purposes of additional analysis as required by regulation of the Maine Department of Education 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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



December 28, 2018  
South Portland, Maine

**CALAIS SCHOOL DEPARTMENT**  
**Schedule of Reconciliation of the NEO Financial System with Audited Financial Statements**  
**For the year ended June 30, 2018**

	School Department Operations	Day Treatment	School Special Revenues	School Lunch Program
<b>Revenues and other financing sources:</b>				
Per NEO	\$ 7,125,408	335,621	713,251	48,219
Adjustments:				
Adjustments after NEO upload	(470)	-	37,581	-
Donated commodities	-	-	-	15,415
Revenues not reported on NEO	-	1,444,123	-	264,727
Adjusted NEO balance	7,124,938	1,779,744	750,832	328,361
Per financial statements (Statement 4, Exhibits B-2 and D-2):	7,124,938	1,779,745	750,832	328,361
<b>Immaterial differences</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>-</b>
<b>Expenditures and other financing uses:</b>				
Per NEO	\$ 7,087,965	143,044	770,594	325,913
Adjustments:				
Adjustments after NEO upload	-	-	1,021	4,025
Donated commodities	-	-	-	15,415
Summer salaries accrual	174,075	-	-	-
Expenditures not reported in NEO	-	1,460,410	-	-
Adjusted NEO balance	7,262,040	1,603,454	771,615	345,353
Per financial statements (Statement 4, Exhibits B-2 and D-2):	7,261,715	1,603,454	771,614	345,353
<b>Immaterial differences</b>	<b>\$ 325</b>	<b>-</b>	<b>1</b>	<b>-</b>
<b>Reconciliation between financial statements and NEO report:</b>				
Revenues	\$ 5,696,018	1,779,745	750,832	313,361
Transfers in	1,428,920	-	-	15,000
Total revenues	7,124,938	1,779,745	750,832	328,361
Expenditures	7,146,715	1,603,454	771,614	345,353
Transfers out	115,000	-	-	-
Total expenditures	7,261,715	1,603,454	771,614	345,353
Net transfers in (out)	1,313,920	-	-	15,000

See accompanying auditor's report.

Note: This schedule excludes agency funds, which were also excluded from the NEO data submitted to the State Department of Education.

**CITY OF CALAIS, MAINE**

**Reports Required by *Government Auditing  
Standards* and Uniform Guidance**

**For the Year Ended June 30, 2018**

**CITY OF CALAIS, MAINE**  
**Reports Required by *Government Auditing Standards***  
**and Uniform Guidance**  
**For the Year Ended June 30, 2018**

---

**Table of Contents**

<u>Report</u>	<u>Page</u>
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	3-5
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor's Results	8
Section II - Findings Required to be Reported Under <i>Government Auditing Standards</i>	9-10
Section III - Findings and Questioned Costs for Federal Awards	11-12
Section IV - Status of Prior Year Findings and Questioned Costs for <i>Government Auditing Standards</i> and Federal Awards	13-15

**INDEPENDENT AUDITOR'S 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**

To the City Council  
City of Calais, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Calais, Maine as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Calais, Maine's basic financial statements and have issued our report thereon dated December 28, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Calais, Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Calais, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Calais, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2018-001 through 2018-2003).

**INDEPENDENT AUDITOR'S 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*, CONTINUED**

**Compliance and Other Matters**

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

We noted certain other matters that we reported to management of the City of Calais, Maine in a separate letter dated December 28, 2018.

**City of Calais, Maine's Responses to Findings**

The City of Calais, Maine's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Calais, Maine's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 28, 2018  
South Portland, Maine

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the City Council  
City of Calais, Maine

**Report on Compliance for Each Major Federal Program**

We have audited the City of Calais, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the City of Calais, Maine's major federal programs for the year ended June 30, 2018. The City of Calais, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Calais, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Calais, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Calais, Maine's compliance.

***Basis for Qualified Opinion on the Child Nutrition Cluster***

As described in the accompanying schedule of findings and questioned costs, the City of Calais, Maine did not comply with requirements regarding the Child Nutrition Cluster as described in finding number 2018-004 for Special Tests and Provisions: Verification of Free and Reduced Price Applications. Compliance with such requirements is necessary, in our opinion, for the City of Calais, Maine to comply with the requirements applicable to that program.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED**

***Qualified Opinion on the Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Calais, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the year ended June 30, 2018.

***Basis for Qualified Opinion on the Drinking Water State Revolving Fund Cluster***

As described in the accompanying schedule of findings and questioned costs, the City of Calais, Maine did not comply with requirements regarding the Drinking Water State Revolving Fund Cluster as described in finding number 2018-005 for Special Tests and Provisions: American Iron and Steel. Compliance with such requirements is necessary, in our opinion, for the City of Calais, Maine to comply with the requirements applicable to that program.

***Qualified Opinion on the Drinking Water State Revolving Fund Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Calais, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Drinking Water State Revolving Fund Cluster for the year ended June 30, 2018.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the City of Calais, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

***Other Matters***

The City of Calais, Maine's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Calais, Maine's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

**Report on Internal Control over Compliance**

Management of the City of Calais, Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Calais, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Calais, Maine's internal control over compliance.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED**

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Calais, Maine as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Calais, Maine's basic financial statements. We issued our report thereon dated December 28, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



December 28, 2018  
South Portland, Maine

**CITY OF CALAIS, MAINE**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2018**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA number	Pass-through number	Federal expenditures	CFDA/cluster totals	Passed through to subrecipients
U.S. Department of Education,					
Passed through the Maine Department of Education:					
Title IA, Disadvantaged	84.010	3107	\$ 318,594		-
Title IA, Program Improvement	84.010	3106	7,715	326,309	-
Special Education Cluster:					
Special Education State Grants Individuals with Disabilities Act	84.027	3046	105,532		-
Preschool	84.173	6247	6,244		-
Total Special Education Cluster				105,532	
Career and Technical Education	84.048	3030	39,232		-
Title IV, Student Support and Academic Enrichment	84.424	3345	3,342		-
Title VI, Rural Education	84.358	3305	18,140		-
Title IIA, Supporting Effective Instruction	84.367	3042	38,609		-
Total U.S. Department of Education			537,408		-
U.S. Department of Agriculture,					
Direct Program:					
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	54,913		-
Passed through the Maine Department of Education:					
Child Nutrition Cluster:					
National School Lunch Program	10.555	3022/3024	125,657		-
School Breakfast Program	10.553	3014	57,788		-
Summer Food Service Program	10.559	3016/3018	11,939		-
Food Donation Program	10.555	N/A	15,415		-
Total Child Nutrition Cluster				210,799	
Fresh Fruits and Vegetables	10.582	3028	12,841		-
Total U.S. Department of Agriculture			278,553		-
U.S. Department of Justice,					
Passed through the Maine Department of Justice:					
Justice Assistance Grant	16.738	N/A	4,420		-
Asset Forfeiture	16.922	N/A	1,634		-
Total U.S. Department of Justice			6,054		-
U.S. Department of the Interior,					
Direct Program:					
Boating Infrastructure Grant	15.622	N/A	59,707		-
Total U.S. Department of the Interior			59,707		-
Environmental Protection Agency,					
Passed through the Maine Department of Environmental Protection:					
Clean Water State Revolving Fund Cluster:					
Clean Water State Revolving Loan Fund	66.458	C230253-10	6,942		-
Clean Water State Revolving Loan Fund	66.458	C230253-11	16,355		-
Clean Water State Revolving Loan Fund	66.458	C230253-12	77,245		-
Total Clean Water State Revolving Fund Cluster				100,542	
Drinking Water State Revolving Fund Cluster:					
Drinking Water State Revolving Loan Fund	66.468	2017-08	320,488		-
Total Drinking Water State Revolving Fund Cluster				320,488	
Total Environmental Protection Agency			421,030		-
U.S. Department of Homeland Security,					
Passed through the Maine Emergency Management Agency:					
Stone Garden Grant	97.067	N/A	2,136		-
Total U.S. Department of Homeland Security			2,136		-
<b>Totals</b>			<b>\$ 1,304,888</b>		<b>-</b>

*See accompanying notes to schedule of expenditures of federal awards.*

**CITY OF CALAIS, MAINE**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2018**

---

---

**PURPOSE OF THE SCHEDULE**

---

Office of Management and Budget (OMB)'s Uniform Guidance requires a schedule of expenditures of federal awards showing total expenditures for each federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA).

---

**SIGNIFICANT ACCOUNTING POLICIES**

---

- A. Reporting Entity - The accompanying schedule includes all federal award programs of the City of Calais, Maine for the fiscal year ended June 30, 2018. The reporting entity is defined in the notes to basic financial statements of the City of Calais, Maine.
  
- B. Basis of Presentation - The information in the accompanying schedule of expenditures of federal awards is presented in accordance with the Uniform Guidance.
  - 1. Pursuant to the Uniform Guidance, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.
  
  - 2. Major Programs - The Uniform Guidance establishes the level of expenditures or expenses to be used in defining major federal award programs. Major programs for the City of Calais, Maine are identified in the summary of auditor's results in the schedule of findings and questioned costs.
  
- C. Basis of Accounting - The information presented in the schedule of expenditures of federal awards is presented on the modified accrual basis of accounting, which is consistent with the reporting in the City's fund financial statements.
  
- D. The City of Calais, Maine has elected not to use the 10-percent de minimis cost rate allowed under the Uniform Guidance.

**CITY OF CALAIS, MAINE**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

---

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:  
 Material weaknesses identified? No  
 Significant deficiencies identified? Yes

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major federal programs:  
 Material weaknesses identified? No  
 Significant deficiencies identified? None reported

Type of auditor's report issued on compliance for major federal programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes

Identification of major federal programs:

<b><u>CFDA Numbers</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
66.458	Clean Water State Revolving Fund Cluster
66.468	Drinking Water State Revolving Fund Cluster
10.553 – 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? No

**CITY OF CALAIS, MAINE**  
**Schedule of Findings and Questioned Costs, Continued**

---

**Section II - Findings Required to be Reported Under *Government Auditing Standards***

SIGNIFICANT DEFICIENCIES

**2018-001 – Preparation of Financial Statements (City)**

Auditing standards require external auditors to determine whether or not client personnel designated as having responsibility over the financial reporting process possess the expertise to identify all financial reporting matters in compliance with generally accepted accounting principles without the reliance on external auditors. This means that these individuals would need to have the knowledge of all the various financial statement disclosure requirements in addition to an understanding of fund financial statements and government-wide financial statements. From a practical standpoint, the costs of maintaining the expertise in-house to meet these requirements often exceed the benefit. As a result, it is common practice for governmental entities to rely on assistance from their auditing firm to assist in the preparation of the financial statements and the related disclosures. When the auditing firm prepares the financial statements, the City must assign a competent management level individual to oversee this service. Additionally, management must review, approve, and accept responsibility for the financial statements and related notes.

Unfortunately, when this approach is taken, the City is considered to have a control deficiency in the design of internal controls over the preparation of the financial statements in accordance with generally accepted accounting principles, and as a result, we are required to report this as such in this report. We do feel that management has the ability to fulfill the review and oversight role as described above as required by auditing standards.

*Management's response/corrective action plan: The City continues to use auditor financial schedules to assist in the preparation of the audit, as it is not cost effective to have this expertise in-house. Management and the School Department continue to need some assistance when analyzing equity of the various funds, but will continue its efforts to minimize auditor assistance. Management is making sure that finance personnel attend adequate training. Management will also consider the feasibility of implementing cross-training of all functions amongst the limited number of admin staff.*

**2018-002 – Material Audit Adjusting Journal Entries (City)**

The general ledger includes activity and balances of the City's asset, liability, revenue, and expenditure/expense accounts. Many of these accounts required audit adjustments at year-end, including ambulance receivables, sewer capital assets, UDAG and Uptown loan receivables, and various revenue and expenditure/expense accounts. Both individually and in the aggregate, these entries were material to the financial statements. Whenever the auditor is required to propose a material amount of entries, the risk of material misstatement due to fraud or error increases significantly.

In order to maintain an accurate accounting of all accounts on the general ledger and provide accurate financial reports during the year, we recommend that City employees reconcile the ending balances of each general ledger account on a monthly basis. We suggest that management establish a checklist of required monthly and year-end adjustments to ensure that general ledger accounts are being reconciled in a timely manner. Additionally, we suggest that the proprietary funds be maintained on a full accrual basis as required by generally accepted accounting principles.

**CITY OF CALAIS, MAINE**  
**Schedule of Findings and Questioned Costs, Continued**

---

**Section II - Findings Required to be Reported Under *Government Auditing Standards*, Continued**

**2018-002 – Material Audit Adjusting Journal Entries (City), Continued**

We believe that the following procedures should be performed on a monthly basis:

- Reconciliation of the detailed listing of ambulance accounts receivable to the general ledger balances
- Review of direct fund balance posts and properly classify these entries out of fund balance
- Reconciliation of UDAG and Uptown Loan funds with loan fund Excel workbook

*Management's response/corrective action plan: Management, in conjunction with City finance staff, has created a checklist of the various general ledger accounts that require reconciliation on a monthly and/or annual basis as well as a checklist for the journal entries required annually. Currently, the number of accounts on the General Ledger are numerous and time-consuming to be reconcile monthly. Finance staff will attempt to reconcile the accounts at least quarterly. Beginning January 2, 2019, the UDAG and Uptown Loan funds will be reconciled to the Excel workbook at least quarterly. Management will continue to send finance staff to appropriate trainings as necessary and promote cross-training where needed.*

**2018-003 – Account Structure of the City General Ledger (City)**

The current account structure that is being utilized within the City's accounting system is not reflective of the reporting objectives of management. Currently, nearly all of the individual nonmajor governmental funds (special revenue and capital project funds), which ideally should be reported separately, are recorded as single account lines in the general fund assets and liabilities. The effect of utilizing single lines for account purposes is that there are no revenue or expenditure accounts for any of the nonmajor governmental funds. This makes financial reporting for individual funds difficult, as all of the activity within these funds needs to be manually adjusted for financial statement preparation. We believe that management should update its account structure so that every fund that either is required to be reported separately, or that management wishes to report separately, has its own unique fund number within the accounting system.

*Management's response/corrective action plan: Management has considered the feasibility and efficiency of implementing a revised account structure that would reflect each fund separately with its own unique fund number. New funds or accounts will be set up as a unique fund so that going forward, these types of accounts are easier to track and report on. Management, with the assistance of City Finance personnel, will work to set up older special revenue and capital project funds into their own unique fund as well.*

**CITY OF CALAIS, MAINE**  
**Schedule of Findings and Questioned Costs, Continued**

---

**Section III - Findings and Questioned Costs for Federal Awards**

**2018-004 – U.S. Department of Agriculture, For the Period July 1, 2017 through June 30, 2018, CFDA #10.553-10.559 Child Nutrition Cluster**

Statement of Condition: The City did not properly change two students' status to paid based on information received during the verification process.

Criteria: By November 15<sup>th</sup> of each school year, the local education agency (LEA) must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals. The LEA must follow-up on children whose eligibility status has changed as the result of verification activities to put them in the correct category.

Effect: Two students (same application) that should have been changed to paid remained on free lunch even though the student's household income was above the income thresholds established by the U.S. Department of Agriculture, based on submitted verification documentation.

Cause: The School Lunch Director did not make the necessary changes to the free and reduced price student lists based on the information submitted from selected households.

Recommendation: Management needs to ensure that after the verification process is complete, the School Lunch Director makes the necessary changes to the free and reduced lunch student lists.

Questioned Costs: None

Management's response/corrective action plan: Administration will speak with each food service lead person. Administration or person appointed by administration will check the list against the applications on a quarterly basis.

**2018-005 – Environmental Protection Agency, For the Period July 1, 2017 through June 30, 2018, CFDA #66.468 Drinking Water State Revolving Fund Cluster (DWSRF)**

Statement of Condition: During the construction process, a contractor installed a valve that was non-compliant with American Iron and Steel (AIS) requirements.

Criteria: All iron and steel products used for a DWSRF project for the construction, alteration, maintenance or repair of treatment work are produced in the United States.

Effect: The Maine Drinking Water Program refused to accept a waiver for the AIS requirement and subsequently did not reimburse the City for the cost of the valve.

Cause: The contractor felt that the AIS compliant valve was not of the same quality and ease of use as the non-compliant AIS valve that was installed.

CITY OF CALAIS, MAINE  
Schedule of Findings and Questioned Costs, Continued

---

**Section III - Findings and Questioned Costs for Federal Awards, Continued**

**2018-005 – Environmental Protection Agency, For the Period July 1, 2017 through June 30, 2018, CFDA #66.468 Drinking Water State Revolving Fund Cluster (DWSRF), Continued**

Recommendation: The City should follow the AIS requirements or be in contact with the funding source of the project and request a waiver for the AIS requirements prior to purchasing and installing any non-compliant products.

Questioned Costs: None

*Management's response/corrective action plan: The City contracts with a project manager for all DWSRF and CWSRF funded projects. The contractor installed the non-compliant valve without permission of the project manager. The City does require in all contracts that AIS requirements be followed. In the end, the City got an expensive valve it needed for the project at a reduced price. The contractor, in recognition of the mistake that they made, reduced their cost for a sizeable loss. It was determined to be neither cost nor time effective to remove the valve, so the City paid for it from other funds. The reduced cost and subsequent payment outside the project allowed the contract to stay in compliance with the funding agency requirements.*



**CITY OF CALAIS, MAINE**  
**Schedule of Findings and Questioned Costs, Continued**

---

**Section IV - Status of Prior Year Findings and Questioned Costs for *Government Auditing Standards* and Federal Awards**

**2017-001 – Preparation of Financial Statements (City)**

Auditing standards require external auditors to determine whether or not client personnel designated as having responsibility over the financial reporting process possess the expertise to identify all financial reporting matters in compliance with generally accepted accounting principles without the reliance on external auditors. This means that these individuals would need to have the knowledge of all the various financial statement disclosure requirements in addition to an understanding of fund financial statements and government-wide financial statements. From a practical standpoint, the costs of maintaining the expertise in-house to meet these requirements often exceed the benefit. As a result, it is common practice for governmental entities to rely on assistance from their auditing firm to assist in the preparation of the financial statements and the related disclosures. When the auditing firm prepares the financial statements, the City must assign a competent management level individual to oversee this service. Additionally, management must review, approve, and accept responsibility for the financial statements and related notes.

Unfortunately, when this approach is taken, the City is considered to have a control deficiency in the design of internal controls over the preparation of the financial statements in accordance with generally accepted accounting principles, and as a result, we are required to report this as such in this letter.

**Status:** The City continues to use auditor financial schedules to assist in the preparation of the financial statements, as it is not cost effective to have this expertise in-house. Management of the City and School Department continue to need assistance when analyzing equity of the various funds, but will continue its efforts to minimize auditor assistance.

**2017-002 – Material Audit Adjusting Journal Entries (City)**

The general ledger includes activity and balances of the City's asset, liability, revenue, and expenditure/expense accounts. Many of these accounts required audit adjustments at year-end, including ambulance receivables, capital assets, and various revenue and expenditure/expense accounts. Both individually and in the aggregate, these entries were material to the financial statements. Whenever the auditor is required to propose a material amount of entries, the risk of material misstatement due to fraud or error increases significantly.

In order to maintain an accurate accounting of all accounts on the general ledger and provide accurate financial reports during the year, we recommend that City employees reconcile the ending balances of each general ledger account on a monthly basis. We suggest that management establish a checklist of required monthly and year-end adjustments to ensure that general ledger accounts are being reconciled in a timely manner. Additionally, we suggest that the proprietary funds be maintained on a full accrual basis as required by generally accepted accounting principles.

We believe that the following procedures should be performed on a monthly basis:

- Reconciliation of the detailed listing of ambulance accounts receivable to the general ledger balances
- Review of direct fund balance posts and properly classify these entries out of fund balance.

**Status:** The City has continued improvement in this area but still has some reconciliation issues to address.

**CITY OF CALAIS, MAINE**  
**Schedule of Findings and Questioned Costs, Continued**

---

**Section IV - Status of Prior Year Findings and Questioned Costs for *Government Auditing Standards* and Federal Awards, Continued**

**2017-003 – Account Structure of the City General Ledger (City)**

The current account structure that is being utilized within the City's accounting system is not reflective of the reporting objectives of management. Currently, nearly all of the individual nonmajor governmental funds (special revenue and capital project funds), which ideally should be reported separately, are recorded as single account lines in the general fund assets and liabilities. The effect of utilizing single lines for account purposes is that there are no revenue or expenditure accounts for any of the nonmajor governmental funds. This makes financial reporting for individual funds difficult, as all of the activity within these funds needs to be manually adjusted for financial statement preparation. We believe that management should update its account structure so that every fund that either is required to be reported separately, or that management wishes to report separately, has its own unique fund number within the accounting system.

Additionally, within the proprietary funds (Ambulance and Sewer), revenues are reported as liability and fund balance accounts rather than revenue accounts. These accounts will not close to fund balance without a manual adjusting journal entry posted at the end of the year. We suggest that all revenues recorded within the liability and fund balance accounts be reclassified as revenue accounts so the accounting system can properly close at year-end.

**Status:** The City was able to move most of the proprietary fund revenues off the balance sheet; however, individual funds have not yet been established for many capital project and special revenue funds.

**2017-004 – Budget Errors (City)**

As part of the budget process, the City is required to pass a balanced budget that assesses to taxpayers the total appropriations less any non-property tax revenues. During the fiscal year 2017, we discovered that the City did not take into account the School Department's use of fund balance, a non-property tax revenue, and subsequently overstated the School Department net appropriation by \$226,143. We suggest that management take care in preparation of future budgets to avoid over stating the yearly property tax commitment.

**Status:** No similar issues noted in fiscal year 2018.

**2017-005 – U.S. Department of Agriculture, For the Period July 1, 2016 through June 30, 2017, CFDA #10.553-10.559 Child Nutrition Cluster**

**Statement of Condition:** The City did not properly change one student's status to free based on information received during the verification process.

**Criteria:** By November 15<sup>th</sup> of each school year, the local education agency (LEA) must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals. The LEA must follow-up on children whose eligibility status has changed as the result of verification activities to put them in the correct category.

**CITY OF CALAIS, MAINE**  
**Schedule of Findings and Questioned Costs, Continued**

---

**Section IV - Status of Prior Year Findings and Questioned Costs for *Government Auditing Standards* and Federal Awards, Continued**

Effect: A student that should have been changed to free remained on reduced lunch even though the student's household income was below the income thresholds established by the U.S. Department of Agriculture, based on submitted verification documentation.

Cause: The School Lunch director did not make the necessary changes to the free and reduced price student lists based on the information submitted from selected households.

Recommendation: Management needs to ensure that after the verification process is complete, the School Lunch Director makes the necessary changes to the free and reduced lunch student lists.

Questioned Costs: None

Status: There were findings in the current year for this program under the same compliance requirement.

**2017-006 – U.S. Department of Agriculture, For the Period July 1, 2016 through June 30, 2017, CFDA #10.553-10.559 Child Nutrition Cluster**

Statement of Condition: During the month of April 2017, meals served at the Middle and High Schools were not reported on the monthly claim form. Also, during the month of October 2016, the School Department over claimed paid lunches.

Criteria: Accurate meal counts and reporting are required for proper calculation of federal subsidy.

Effect: The federal funds reimbursed under this program were not calculated correctly as accurate meal counts were not submitted to the State of Maine.

Cause: Management reported the incorrect monthly meals served to the State of Maine.

Recommendation: An employee, other than the School Nutrition Director, should review and approve the reported amounts for the meal counts prior to submission of the monthly claim to the State of Maine.

Questioned Costs: None

Status: There were no findings in the current year under the same compliance requirement.

**Contact for City comments:**

Crystal Gallina, Finance Director  
[financedirector@calaismaine.org](mailto:financedirector@calaismaine.org)  
Phone: (207) 454-2521 ext. 1003  
Fax: (207) 454-2757

**Contact for School comments:**

Julie Murray, Bookkeeper  
[jmurray@calaischools.org](mailto:jmurray@calaischools.org)  
Phone: (207) 454-7561  
Fax: (207) 454-2516

**CITY OF CALAIS, MAINE**

**Annual Financial Report**

**For the Year Ended June 30, 2018**

**CITY OF CALAIS, MAINE**  
**Annual Financial Report**  
**For the year ended June 30, 2018**

---

**Table of Contents**

	<u>Page</u>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-12
	<u>Statements</u>
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	1      15
Statement of Activities	2      16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	3      17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	4      18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5      19
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	6      20
Statement of Net Position - Proprietary Funds	7      21
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	8      22
Statement of Cash Flows - Proprietary Funds	9      23
Statement of Fiduciary Net Position - Fiduciary Funds	10     24
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	11     25
Notes to Basic Financial Statements	26-48
Required Supplementary Information	49-53
	<u>Exhibits</u>
Combining and Individual Fund Financial Statements and Schedules:	
General Fund:	
Comparative Balance Sheets	A-1     57
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	A-2     58-60
School Department Operations:	
Comparative Balance Sheets	B-1     63
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	B-2     64

**CITY OF CALAIS, MAINE**  
**Annual Financial Report**  
**For the year ended June 30, 2018**

---

**Table of Contents, Continued**

Nonmajor Governmental Funds:		
Combining Balance Sheet	C-1	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	C-2	68
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	D-1	69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	D-2	70
	<u>Schedules</u>	<u>Page</u>
City Special Revenue Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	1	73
School Special Revenue Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	2	74
Nonmajor Capital Project Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	3	75
Nonmajor Permanent Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	4	76
Agency Funds - Student Activity Funds - Statement of Changes in Assets and Liabilities	5	77

## Independent Auditor's Report

City Council  
City of Calais, Maine

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Calais, Maine as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Calais, Maine's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Calais, Maine, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and School Department Operations for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As described on page 45 in the notes to basic financial statements, in 2018, the City adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***Water Fund Reporting Date***

As described on page 28 in the notes to basic financial statements the Calais Water Department reports on calendar year basis as opposed to a fiscal year. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of City's proportionate share of the net pension liability, schedule of City contributions, schedule of City's proportionate share of the net OPEB liability, and schedule of City OPEB contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Calais, Maine's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and 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 of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2018 on our consideration of the City of Calais, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Calais, Maine's internal control over financial reporting and compliance.



December 28, 2018  
South Portland, Maine

**CITY OF CALAIS, MAINE**  
**Management's Discussion and Analysis**  
**June 30, 2018**

---

The Management's Discussion and Analysis ("MD&A") is a narrative of the City of Calais's fiscal activity for the year ending June 30, 2018. The financial statements are presented in a manner that fairly represents the City's present financial position in respect to all funds and accounts. Included is all the information to accurately understand the City's financial position, and the data is correct to the best of our knowledge and belief.

The report includes funds and accounts that the City of Calais is required, either by legal or fiduciary duty, to maintain in the operation of all services. The use of the additional financial statements is encouraged to more fully understand the report.

The financial information of the City includes all City departments. All City departments include municipal departments (Public Works, Police, Fire, Ambulance, Administration, Library, Recreation, Sewer, and Water) and the School Department. The School Department and all other municipal departments combined are what comprise the City. The financial statements and notes include the municipal and school departments as one total. The combination of these gives the true financial status of the City of Calais.

## **THE COMMUNITY**

The City of Calais is a border community located on the St. Croix River in Washington County, Maine, the sixth busiest port on the U.S.-Canada border. The government of the City of Calais consists of a six-member City Council and Mayor, elected at large, and a Manager system governed by a City Charter. The City was incorporated in 1851.

Calais has physical boundaries with the municipalities of Robbinston and the unorganized plantation of Baring, as well as strong physical and economic connections with St. Stephen, N.B. over the international bridge. After the opening of the new international bridge, located at the City's Industrial Park, in November 2009, truck traffic in the downtown area has decreased significantly.

The City of Calais has a wealth of historic and archaeological resources as a result of its location at the head of the tide of the St. Croix River. The City has invested in the Waterfront Park as part of its downtown revitalization efforts. The Waterfront Walkway is part of the East Coast Greenway stretching from Key West, Florida to Calais, Maine. In 2012, the City received the Maine Downtown Network Designation from the Downtown Revitalization Coalition for continuing efforts for economic development in our downtown.

Calais has a wide variety of facilities and services provided by the public and private sectors. This is the heritage of a once much larger City as well as a strong spirit of volunteerism and cooperation among citizens. It is also the result of prudent investments that will continue with the priorities the City has set, and with the capital improvement plan.

## **FINANCIAL INFORMATION**

The City administration is responsible for the accounting structure of the community. This structure includes the establishment of financial controls that protect the City from loss and misuse. All accounting information is maintained and reported using generally accepted accounting principles (GAAP). Further, the administration performs constant review of all services to promote and assure optimum utilization of resources to provide the services requested by the community. The internal control structure is designed to provide reasonable, but not absolute, assurances that these objectives are attained. The concept of reasonable assurance recognizes that: (1) the cost of any control should not exceed the benefit likely to be derived; (2) the valuation of cost and benefits requires judgments by management.

**CITY OF CALAIS, MAINE**  
**Management's Discussion and Analysis, Continued**

---

**FINANCIAL HIGHLIGHTS**

The following is a summary of the financial highlights of the City for the fiscal year:

- The balance of the City's cash and investment assets as of June 30, 2018 was \$2,047,974 (combined governmental activities and business-type activities).
- The City's long-term debt decreased by \$400,305, for a balance of \$8,533,191 (combined governmental activities and business-type activities).
- The City's net position increased by a total of \$517,705 (combined governmental activities and business-type activities) after restating beginning net position due to the implementation of GASB 75.
- Fund balance as reported in the City's fund financial statements increased by \$255,579 to a total of \$4,565,530.
- On a budgetary basis, the City's revenues and other financing sources exceeded its expenditures and other financing uses by \$155,075. The School Department's expenditures and other financing uses exceeded its revenues and other financing sources by \$136,777.

**OVERVIEW OF FINANCIAL STATEMENTS**

The discussion and analysis is an introduction to the City's basic financial statements. The basic financial statements are prepared and are part of the City's annual audit. The MD&A serves as a subjective explanation by the City of the data contained in the audit. The three areas that the financial statements are broken into include: 1. government-wide financial statements, 2. fund financial statements, and 3. notes to the basic financial statements. Subjective analyses of the statements are also made and other supplementary information to better explain the statements.

Government-wide Financial Statements

The government-wide financial statements are a total overview of the City's financial status. They include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and activities in a manner similar to private sector accounting. The purpose is to show City finance's in a format that is familiar to the common person.

The statement of net position is used to express the financial data required for the government-wide financials. This shows the total assets which include land, buildings, inventory, and other capital assets, and deferred outflows of resources. These are then reduced by the liabilities, which include total bonds and leases due over their entire lives, and deferred inflows of resources. The result is the net position of the City.

Government-wide statements distinguish business-type activities from governmental activities. Business-type activities are those that are funded through user fees or user-based revenue; no tax dollars being the key distinction from governmental activities. It then follows that governmental activities are those that are primarily funded through taxes and governmental fees. The business-type activities in Calais include ambulance, sewer, and water department operations.

Fund Financial Statements

The City segregates accounts into funds, which are presented in the fund financial statements. Each fund is presented separately in order to accurately report specific account activities. The determination of funds is based upon accounting standards and legal requirements. The City presents three major funds: the General Fund (City only), School Department Operations (School General Fund), and Day Treatment (School program). All other governmental funds (special revenue, capital project, and permanent funds) are presented together in the aggregate.

**CITY OF CALAIS, MAINE**  
**Management's Discussion and Analysis, Continued**

---

*General Fund*

The general fund covers essentially the same data as included in the government-wide statements. The difference is that fund financials focus on yearly inflows and outflows to determine a specific year's accessible resources. Capital assets and depreciation are not included because they do not exemplify a specific year's transactions.

A budgetary comparison statement is provided to show budgeted amounts as compared to the actual activity. This information is useful to determine future budgets and community planning.

*Proprietary Funds*

The City maintains only one type of proprietary fund. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its ambulance, sewer, and water department operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

*Fiduciary Funds*

Fiduciary funds are used to account for resources held by the City in a trustee capacity or agent on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the City cannot use these funds to finance its operations. The basic fiduciary fund financial statements can be found on pages 24-25 of this report.

*Other Governmental Funds*

Other Governmental Funds are comprised of special revenue funds, permanent funds, and capital project funds. These funds were each individually determined to be non-major and are required to be categorized and grouped into other governmental funds. Separate schedules are provided in the other supplemental information.

Notes to Basic Financial Statements

The notes to the basic financial statements are included in the audit to give specific comment to certain areas. These are a crucial part of the audit and are closely monitored by City administration. The reason they are monitored is that they provide additional insight into activities of the City. These can show areas of strength and weakness for continued success and improvement. The notes to the basic financial statements are included on pages 26-48.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's proportionate share of the net pension and OPEB liabilities. Required supplementary information can be found on pages 49-53.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information.

**CITY OF CALAIS, MAINE**  
**Management's Discussion and Analysis, Continued**

**GOVERNMENT-WIDE ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$24,281,330 as of June 30, 2018.

A portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, and improvements, vehicles, and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of several financial transactions including the net result of activities, the acquisition, and payment of debt, the acquisition, and disposal of capital assets, and the depreciation of capital assets.

**Net Position at June 30, 2018**

	Governmental Activities		Business-type Activities		Total	
	2018	2017*	2018	2017	2018	2017*
Current & other assets	\$ 6,486,252	5,810,312	(1,803,041)	(1,286,955)	4,683,211	4,523,357
Capital assets, net	5,760,362	5,340,998	25,891,100	25,918,420	31,651,462	31,259,418
Total assets	12,246,614	11,151,310	24,088,059	24,631,465	36,334,673	35,782,775
Deferred outflows						
related to pensions	381,447	777,349	-	-	381,447	777,349
Deferred outflows						
related to OPEB	9,708	-	-	-	9,708	-
Total deferred outflows	391,155	777,349	-	-	391,155	777,349
Current liabilities	1,516,014	1,099,364	824,774	794,702	2,340,788	1,894,066
Noncurrent liabilities	1,856,213	2,335,402	8,135,526	8,368,193	9,991,739	10,703,595
Total liabilities	3,372,227	3,434,766	8,960,300	9,162,895	12,332,527	12,597,661
Deferred inflows						
related to pensions	84,033	92,719	-	-	84,033	92,719
Deferred inflows						
related to OPEB	27,938	-	-	-	27,938	-
Total deferred inflows	111,971	92,719	-	-	111,971	92,719
Net investment in						
capital assets	5,362,697	4,775,695	17,189,276	16,988,908	22,551,973	21,764,603
Restricted	1,905,685	2,051,181	32,345	25,769	1,938,030	2,076,950
Unrestricted	1,885,189	1,574,298	(2,093,862)	(1,546,107)	(208,673)	28,191
<b>Total net position</b>	<b>\$ 9,153,571</b>	<b>\$ 8,401,174</b>	<b>15,127,759</b>	<b>15,468,570</b>	<b>24,281,330</b>	<b>23,869,744</b>

\*The 2017 have not been restated for the effects of implementing GASB 75.

**CITY OF CALAIS, MAINE**  
**Management's Discussion and Analysis, Continued**

A portion of the City's net position, 8%, represents resources that are restricted. Unrestricted net position of \$1,885,189 may be used to meet the ongoing obligations to citizens and creditors for Governmental Activities. There is a deficit unrestricted net position of \$2,093,862 for Business-Type Activities.

As of June 30, 2018, the City is able to report positive balances in all three categories of net position for its governmental activities. The City was only able to report positive balances in two of the three categories of its net position for the business-type activities and the government as a whole. The following table presents a summary of revenues and expenses for the fiscal year ended June 30, 2018.

	Governmental Activities		Business-type Activities		Total	
	2018	2017*	2018	2017	2018	2017*
<b>REVENUES</b>						
Charges for services	\$ 2,217,403	2,064,826	2,436,916	2,619,691	4,654,319	4,684,517
Operating grants and contributions	7,269,069	6,897,745	-	-	7,269,069	6,897,745
Capital grants and contributions	448,880	43,566	209,010	835,158	657,890	878,724
Property taxes	3,828,638	3,853,510	-	-	3,828,638	3,853,510
Excise and misc. taxes	573,476	579,003	-	-	573,476	579,003
Grants and contributions not restricted to specific purpose	436,798	387,698	-	-	436,798	387,698
Unrestricted investment earnings (loss)	(573)	(7,629)	18,801	2,361	18,228	(5,268)
Miscellaneous revenues	3,234	42,772	-	-	3,234	42,772
<b>Total revenues</b>	<b>14,776,925</b>	<b>13,861,491</b>	<b>2,664,727</b>	<b>3,457,210</b>	<b>17,441,652</b>	<b>17,318,701</b>
<b>EXPENSES</b>						
General government	740,438	803,594	-	-	740,438	803,594
City services	458,119	424,942	-	-	458,119	424,942
Public safety	1,028,509	1,108,560	-	-	1,028,509	1,108,560
Public works	1,004,598	843,587	-	-	1,004,598	843,587
County tax	281,522	272,695	-	-	281,522	272,695
Unclassified	277,340	288,499	-	-	277,340	288,499
Education	10,192,499	10,080,918	-	-	10,192,499	10,080,918
Interest on debt service	11,125	9,151	-	-	11,125	9,151
Capital maintenance	42,378	36,433	-	-	42,378	36,433
Sewer	-	-	1,217,003	1,144,285	1,217,003	1,144,285
Ambulance	-	-	1,157,763	970,526	1,157,763	970,526
Water	-	-	512,653	539,278	512,653	539,278
<b>Total expenses</b>	<b>14,036,528</b>	<b>13,868,379</b>	<b>2,887,419</b>	<b>2,654,089</b>	<b>16,923,947</b>	<b>16,522,468</b>
Excess (deficiency) before transfers	740,397	(6,888)	(222,692)	803,121	517,705	796,233
Transfers	118,119	115,811	(118,119)	(115,811)	-	-
Change in net position	858,516	108,923	(340,811)	687,310	517,705	796,233
Net position, beginning of year, restated	8,295,055	8,292,251	15,468,570	14,781,260	23,763,625	23,073,511
<b>Net position, end of year</b>	<b>\$ 9,153,571</b>	<b>8,401,174</b>	<b>15,127,759</b>	<b>15,468,570</b>	<b>24,281,330</b>	<b>23,869,744</b>

\*The 2017 has not been restated for the effects of implementing GASB 75.

**CITY OF CALAIS, MAINE**  
**Management's Discussion and Analysis, Continued**

---

**Analysis of the City's Operations**

*Governmental Activities*

Governmental activities increased net position by \$858,516. Net investment in capital assets increased by \$587,002, or 12.3%, due to purchases of capital assets and repayment of debt principal exceeding depreciation expense. Unrestricted net position increased by \$310,891.

Total revenues for governmental activities increased from the prior year by \$915,434. Property tax revenues decreased \$24,872 or less than 1%, from the prior fiscal year due to the City Council maintaining a flat mil rate.

Expenses of governmental activities, including depreciation expense of \$246,494, increased \$168,149 from the prior fiscal year. Depreciation expense has been allocated and is included in the various function/program expenses of the City.

*Business-type Activities*

Net position from business-type activities decreased by \$340,811 from \$15,468,570 to \$15,127,759. Net investment in capital assets increased by \$200,368, primarily due to ongoing sewer and water projects, most of which were funded with grant revenues.

Charges for services decreased \$182,775 or 7% from the prior year, primarily due to decreased ambulance calls and insurance reimbursement.

Depreciation expense increased \$37,969 from the prior year to \$836,296.

**Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements.

*Governmental funds*

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. As the City completed the year, its governmental funds reported a combined fund balance of \$4,565,530, \$255,579 higher than the previous year. As analysis of transactions affecting the change in the combined fund balance of the City's governmental funds is as follows:

Revenues include property taxes totaling \$3,856,673. Excise taxes accounted for \$573,476 in total revenue.

**CITY OF CALAIS, MAINE**  
**Management's Discussion and Analysis, Continued**

---

Total governmental fund expenditures for the year were \$14,335,560 and are broken down as follows:

	<b>2018</b>	<b>2017</b>
General government	\$ 690,508	\$ 675,949
City services	471,768	392,771
Public safety	1,005,119	1,091,039
Public works	913,948	854,933
County tax	281,522	272,695
Unclassified	277,340	287,999
Education	9,806,815	9,331,489
Debt service	668,589	669,477
Capital outlay	219,951	328,385
<b>Total governmental fund expenditures</b>	<b>\$ 14,335,560</b>	<b>\$ 13,904,737</b>

*Proprietary funds*

Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer, ambulance, and water department operations.

Net position of the proprietary fund reported a combined balance of \$15,127,759, \$340,811 lower than the previous year.

Total proprietary fund operating expenses for the year were \$2,827,094 and are broken down as follows:

Sewer fund	\$ 1,131,139
Calais Ambulance fund	871,110
NWSARAS Ambulance fund	285,160
Water fund	<u>539,685</u>
<b>Total Proprietary Fund Expenses</b>	<b><u>\$ 2,827,094</u></b>



**CITY OF CALAIS, MAINE**  
**Management's Discussion and Analysis, Continued**

**Capital Asset and Debt Administration**

**Capital Assets**

The City's capital assets for its governmental and business-type activities as of June 30, 2018 amount to \$31,651,462, net of accumulated depreciation. The investment in capital assets includes, land, building and improvements, equipment and furniture, vehicles, infrastructure and construction in progress.

The following summarizes capital assets at year end:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 3,111,905	\$ 3,111,905	75,896	75,896	3,187,801	3,187,801
Construction in progress	62,595	49,386	735,654	48,539	798,249	97,925
Buildings and improvements	1,867,044	1,867,044	8,462,771	8,446,521	10,329,815	10,313,565
Furniture, equipment and vehicles	3,843,359	3,428,685	1,508,284	1,416,317	5,351,643	4,845,002
Infrastructure	614,445	450,081	26,706,170	26,692,526	27,320,615	27,142,607
Total capital assets	9,499,348	8,907,101	37,488,775	36,679,799	46,988,123	45,586,900
Accumulated depreciation	(3,738,986)	(3,566,103)	(11,597,675)	(10,761,379)	(15,336,661)	(14,327,482)
<b>Capital assets, net</b>	<b>\$ 5,760,362</b>	<b>\$ 5,340,998</b>	<b>25,891,100</b>	<b>25,918,420</b>	<b>31,651,462</b>	<b>31,259,418</b>

The significant change in capital assets is related to the various construction projects for water and sewer funds. Additional information on the City's capital assets can be found in the Notes to Basic Financial Statements on pages 35-36 of this report.

**Debt Administration**

The City's debt consists of bonds, notes payable and several capital leases from various lending sources.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Bonds and notes payable	\$ 300,476	\$ 447,653	8,135,526	8,368,193	8,436,002	8,815,846
Capital lease obligations	97,189	117,650	-	-	97,189	117,650
<b>Totals</b>	<b>\$ 397,665</b>	<b>565,303</b>	<b>8,135,526</b>	<b>8,368,193</b>	<b>8,533,191</b>	<b>8,933,496</b>

During the fiscal year, the City's total debt decreased by \$400,305 or 4.5%.

A summary of the City's debt activity for the year ended June 30, 2018 is detailed in the Notes to Basic Financial Statements on pages 36-39 of this report.

**CITY OF CALAIS, MAINE**  
**Management's Discussion and Analysis, Continued**

---

**BUDGETARY HIGHLIGHTS**

The City recognizes revenues and expenditures on a budget basis that differs from how revenues and expenditures should be recognized under generally accepted accounting principles (GAAP). Additional information about this difference can be found in the notes to the basic financial statements. The amount of the difference is disclosed on page 32 of the financial statements.

The following is a discussion of the budgetary highlights for the fiscal year ended June 30, 2018.

During the year, actual revenues exceeded budgeted revenues by \$69,458. Most of this variance resulted from under-anticipated tax and education revenue.

Budgeted expenditures exceeded actual expenditures by \$432,271. Most of this variance resulted from over anticipated public safety and education expenditures.

**OTHER OBLIGATIONS**

In 2017, the City partnered with the Town of Baileyville to form Downeast Broadband Utility (DBU) to implement the fiber initiative, an effort to build a fiber infrastructure that will bring high-speed, reliable internet to the citizens of Calais and Baileyville. Upon completion, it is expected to be able to provide broadband internet to 97% of Calais residents. The project is ground-breaking in that DBU will own the infrastructure and lease it to providers via an open-access network.

In March 2018, the City backed a \$1,600,000 loan for Downeast Broadband Utility to begin building the infrastructure. As the fiber is put into place, it can begin serving customers almost immediately and collecting revenue. This revenue is expected to cover the repayment of the loan, with no tax dollars required.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In this coming fiscal year, the City's budget continues to be impacted by the slowdown in economic growth. Sales prices of houses in the City continue to be steady, although we are seeing an increase in their marketing time.

Council continues to balance its goals with estimated incoming revenue. State Revenue Sharing was increased this year and excise collections continue to see a bit of an increase. The City is committed to its replacement policy and is able to maintain upgrading its equipment and vehicles by utilization of reserve funds.

The fiscal year 2018-2019 budgeted revenues for sewer remain the same as 2017-2018, with no increase in fees to the sewer users.

**REQUEST FOR INFORMATION**

The financial report is designed to provide our citizens and customers with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Director, at P.O. Box 413, Calais, Maine 04619 or call (207) 454-2521, Ext. 1003.

# **BASIC FINANCIAL STATEMENTS**

**CITY OF CALAIS, MAINE**  
**Statement of Net Position**  
**June 30, 2018**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 603,827	254,578	858,405
Investments	1,189,569	-	1,189,569
Receivables:			
Taxes	595,346	-	595,346
Due from other governments	791,288	18,827	810,115
Accounts, net	4,511	721,224	725,735
Loans, net	435,163	-	435,163
Cash held in escrow	-	21,522	21,522
Internal balances	2,824,008	(2,867,630)	(43,622) *
Prepaid expenses	29,273	-	29,273
Inventory	13,267	48,438	61,705
Capital assets, not being depreciated	3,174,500	811,550	3,986,050
Capital assets, net of accumulated depreciation	2,585,862	25,079,550	27,665,412
Total assets	12,246,614	24,088,059	36,334,673
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	381,447	-	381,447
Deferred outflows of resources related to OPEB	9,708	-	9,708
Total deferred outflows of resources	391,155	-	391,155
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	175,287	187,248	362,535
Accrued payroll and benefits	628,214	10,022	638,236
Taxes paid in advance	170,921	-	170,921
Line of credit	400,000	-	400,000
Compensated absences payable	141,592	6,351	147,943
Accrued interest	-	33,333	33,333
Bond anticipation note payable	-	587,820	587,820
Noncurrent liabilities:			
Due within one year	120,184	603,165	723,349
Due in more than one year	1,736,029	7,532,361	9,268,390
Total liabilities	3,372,227	8,960,300	12,332,527
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	84,033	-	84,033
Deferred inflows of resources related to OPEB	27,938	-	27,938
Total deferred inflows of resources	111,971	-	111,971
<b>NET POSITION</b>			
Net investment in capital assets	5,362,697	17,189,276	22,551,973
Restricted for:			
Permanent funds - nonexpendable principal	480,457	-	480,457
Permanent funds - expendable	89,084	-	89,084
Education	388,831	-	388,831
Grants and restricted programs	947,313	32,345	979,658
Unrestricted	1,885,189	(2,093,862)	(208,673)
Total net position	\$ 9,153,571	15,127,759	24,281,330

*See accompanying notes to basic financial statements.*

\* Due to Water Fund being presented as of December 31, 2017.

**CITY OF CALAIS, MAINE**  
**Statement of Activities**  
**For the year ended June 30, 2018**

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total
					Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
General government	\$ 740,438	97,660	38,825	-	(603,953)	-	(603,953)
City services	458,119	96,095	87,858	-	(274,166)	-	(274,166)
Public safety	1,028,509	-	9,225	-	(1,019,284)	-	(1,019,284)
Public works	1,004,598	40,443	124,694	338,805	(500,656)	-	(500,656)
County tax	281,522	-	-	-	(281,522)	-	(281,522)
Unclassified	277,340	-	2,500	-	(274,840)	-	(274,840)
Education	10,192,499	1,983,205	7,005,967	-	(1,203,327)	-	(1,203,327)
Interest on debt service	11,125	-	-	-	(11,125)	-	(11,125)
Capital maintenance	42,378	-	-	110,075	67,697	-	67,697
Total governmental activities	14,036,528	2,217,403	7,269,069	448,880	(4,101,176)	-	(4,101,176)
Business-type activities:							
Sewer	1,217,003	881,056	-	54,913	-	(281,034)	(281,034)
Ambulance	1,157,763	922,902	-	-	-	(234,861)	(234,861)
Water	512,653	632,958	-	154,097	-	274,402	274,402
Total business-type activities	2,887,419	2,436,916	-	209,010	-	(241,493)	(241,493)
<b>Total primary government</b>	<b>\$ 16,923,947</b>	<b>4,654,319</b>	<b>7,269,069</b>	<b>657,890</b>	<b>(4,101,176)</b>	<b>(241,493)</b>	<b>(4,342,669)</b>
General revenues:							
Property taxes					\$ 3,828,638	-	3,828,638
Motor vehicle excise taxes					573,476	-	573,476
Grants and contributions not restricted to specific programs:							
State revenue sharing					236,165	-	236,165
Homestead and BETE exemptions					171,647	-	171,647
Other					28,986	-	28,986
Unrestricted investment earnings (loss)					(573)	18,801	18,228
Miscellaneous revenues					3,234	-	3,234
Transfers					118,119	(118,119)	-
Total general revenues and transfers					4,959,692	(99,318)	4,860,374
Change in net position					858,516	(340,811)	517,705
Net position - beginning, restated					8,295,055	15,468,570	23,763,625
<b>Net position - ending</b>					<b>\$ 9,153,571</b>	<b>15,127,759</b>	<b>24,281,330</b>

*See accompanying notes to basic financial statements.*

**CITY OF CALAIS, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	General	School Department Operations	Day Treatment	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 344,535	235,344	-	23,948	603,827
Investments	-	-	-	1,189,569	1,189,569
Receivables:					
Taxes	595,346	-	-	-	595,346
Due from other governments	47,126	554,425	-	189,737	791,288
Accounts	2,011	-	-	-	2,011
Loans, net	-	-	-	435,163	435,163
Interfund loans receivable	3,041,918	77,751	176,392	595,318	3,891,379
Prepaid expenditures	29,273	-	-	-	29,273
Inventory	4,730	-	-	8,537	13,267
<b>Total assets</b>	<b>\$ 4,064,939</b>	<b>867,520</b>	<b>176,392</b>	<b>2,442,272</b>	<b>7,551,123</b>
<b>LIABILITIES</b>					
Accounts payable	87,928	19,050	101	10,298	117,377
Accrued payroll and benefits	32,368	573,553	-	22,293	628,214
Payroll withholdings payable	50,518	-	-	-	50,518
Payable to other governments	7,392	-	-	-	7,392
Interfund loans payable	664,096	148,033	-	252,742	1,064,871
Taxes paid in advance	170,921	-	-	-	170,921
Line of credit	400,000	-	-	-	400,000
<b>Total liabilities</b>	<b>1,413,223</b>	<b>740,636</b>	<b>101</b>	<b>285,333</b>	<b>2,439,293</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	546,300	-	-	-	546,300
<b>Total deferred inflows of resources</b>	<b>546,300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>546,300</b>
<b>FUND BALANCES</b>					
Nonspendable	34,003	-	-	488,994	522,997
Restricted	-	126,884	176,291	1,113,516	1,416,691
Committed	-	-	-	600,674	600,674
Unassigned	2,071,413	-	-	(46,245)	2,025,168
<b>Total fund balances</b>	<b>2,105,416</b>	<b>126,884</b>	<b>176,291</b>	<b>2,156,939</b>	<b>4,565,530</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 4,064,939</b>	<b>867,520</b>	<b>176,392</b>	<b>2,442,272</b>	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					5,760,362
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.					546,300
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:					
Accrued compensated absences					(141,592)
Capital leases					(97,189)
Bonds payable					(300,476)
Net OPEB liability with associated deferred inflows and outflows of resources					(93,803)
Net pension liability with associated deferred inflows and outflows of resources					(1,085,561)
<b>Net position of governmental activities</b>				<b>\$ 9,153,571</b>	

*See accompanying notes to basic financial statements.*

**CITY OF CALAIS, MAINE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2018**

	General	School Department Operations	Day Treatment	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 4,430,149	-	-	6,865	4,437,014
Intergovernmental	481,677	4,833,890	1,096,353	1,022,479	7,434,399
Charges for services	234,198	1,201,928	683,392	97,885	2,217,403
Investment earnings	2,806	-	-	(3,379)	(573)
Unclassified	22,333	109,416	-	253,028	384,777
Total revenues	5,171,163	6,145,234	1,779,745	1,376,878	14,473,020
Expenditures:					
Current:					
General government	546,828	-	-	143,680	690,508
City services	384,988	-	-	86,780	471,768
Public safety	996,465	-	-	8,654	1,005,119
Public works	851,784	-	-	62,164	913,948
County tax	281,522	-	-	-	281,522
Unclassified	277,263	-	-	77	277,340
Education	-	7,085,644	1,603,454	1,117,717	9,806,815
Debt service	142,721	510,287	-	15,581	668,589
Capital outlay	7,920	-	-	212,031	219,951
Total expenditures	3,489,491	7,595,931	1,603,454	1,646,684	14,335,560
Excess (deficiency) of revenues over (under) expenditures	1,681,672	(1,450,697)	176,291	(269,806)	137,460
Other financing sources (uses):					
Transfers from other funds	233,619	1,428,920	-	338,796	2,001,335
Transfers to other funds	(1,760,216)	(115,000)	-	(8,000)	(1,883,216)
Total other financing sources (uses)	(1,526,597)	1,313,920	-	330,796	118,119
Net change in fund balances	155,075	(136,777)	176,291	60,990	255,579
Fund balances, beginning of year	1,950,341	263,661	-	2,095,949	4,309,951
<b>Fund balances, end of year</b>	<b>\$ 2,105,416</b>	<b>126,884</b>	<b>176,291</b>	<b>2,156,939</b>	<b>4,565,530</b>

*See accompanying notes to basic financial statements.*

**CITY OF CALAIS, MAINE**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended June 30, 2018**

Net change in fund balances - total governmental funds (from Statement 4)	\$	255,579
<p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$680,479) exceeded depreciation expense (\$246,494) and loss on disposal (\$14,621).</p>		
		419,364
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the change in available revenue - property taxes.</p>		
		(34,900)
<p>Change in accruals are recorded on the statement of net position, but not on the governmental fund balance sheet - decrease in accrued compensated absences (\$38,611); increase in the net pension liability with associated deferred outflows and deferred inflows (\$92); and decrease in net OPEB liability with associated deferred outflows and deferred inflows (\$12,316).</p>		
		50,835
<p>Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of bond repayments (\$147,177) and capital lease principal repayments (\$20,461).</p>		
		167,638
<b>Change in net position of governmental activities (see Statement 2)</b>		<b>\$ 858,516</b>

*See accompanying notes to basic financial statements.*



**CITY OF CALAIS, MAINE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the year ended June 30, 2018**

	City General Fund				School Department Operations			
	Budgeted amounts		Actual	Variance with final budget positive (negative)	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final			Original	Final		
Revenues:								
Taxes	\$ 4,384,917	4,384,917	4,430,149	45,232	-	-	-	-
Intergovernmental	477,879	477,879	481,677	3,798	5,561,346	4,382,746	4,384,674	1,928
Charges for services	236,732	236,732	234,198	(2,534)	1,716,795	1,185,987	1,201,928	15,941
Interest earned	2,000	2,000	2,806	806	-	-	-	-
Unclassified	21,755	21,755	22,333	578	105,707	105,707	109,416	3,709
Total revenues	5,123,283	5,123,283	5,171,163	47,880	7,383,848	5,674,440	5,696,018	21,578
Expenditures:								
Current:								
General government	583,173	591,203	546,828	44,375	-	-	-	-
City services	403,878	407,427	384,988	22,439	-	-	-	-
Public safety	1,080,286	1,118,554	996,465	122,089	-	-	-	-
Public works	852,374	882,136	851,784	30,352	-	-	-	-
County tax	281,522	281,522	281,522	-	-	-	-	-
Unclassified	291,557	291,557	277,263	14,294	-	-	-	-
Education	-	-	-	-	8,508,946	6,799,538	6,636,428	163,110
Debt service	142,718	142,718	142,721	(3)	513,822	513,822	510,287	3,535
Capital outlay	40,000	40,000	7,920	32,080	-	-	-	-
Total expenditures	3,675,508	3,755,117	3,489,491	265,626	9,022,768	7,313,360	7,146,715	166,645
Excess (deficiency) of revenues over (under) expenditures	1,447,775	1,368,166	1,681,672	313,506	(1,638,920)	(1,638,920)	(1,450,697)	188,223
Other financing sources (uses):								
Transfers from other funds	131,462	131,462	233,619	102,157	1,428,920	1,428,920	1,428,920	-
Transfers to other funds	(1,428,920)	(1,428,920)	(1,760,216)	(331,296)	(15,000)	(15,000)	(115,000)	(100,000)
Use of surplus	-	79,609	-	(79,609)	225,000	225,000	-	(225,000)
Total other financing sources (uses)	(1,297,458)	(1,217,849)	(1,526,597)	(308,748)	1,638,920	1,638,920	1,313,920	(325,000)
Net change in fund balances	150,317	150,317	155,075		-	-	(136,777)	
Fund balances, beginning of year			1,950,341				263,661	
<b>Fund balances, end of year</b>	<b>\$</b>		<b>2,105,416</b>				<b>126,884</b>	

*See accompanying notes to basic financial statements.*

**CITY OF CALAIS, MAINE**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**  
**(Water Fund presented as of December 31, 2017)**

	Business-type Activities - Enterprise Funds				Totals
	Sewer Fund	NWSARAS Ambulance	Ambulance Fund	Water Fund	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 77,016	72,138	93,894	11,530	254,578
Accounts receivable, net	353,188	29,001	134,202	204,833	721,224
Due from other governments	18,827	-	-	-	18,827
Cash held in escrow	-	-	-	21,522	21,522
Inventory	-	-	-	48,438	48,438
Total current assets	449,031	101,139	228,096	286,323	1,064,589
Noncurrent assets:					
Property, plant, and equipment:					
Land	-	-	-	75,896	75,896
Construction in progress	426,181	-	-	309,473	735,654
Buildings and improvements	8,348,925	-	-	113,846	8,462,771
Equipment, furniture, and vehicles	234,428	-	659,427	614,429	1,508,284
Infrastructure	16,848,346	-	-	9,857,824	26,706,170
Less accumulated depreciation	(8,570,749)	-	(334,654)	(2,692,272)	(11,597,675)
Total noncurrent assets	17,287,131	-	324,773	8,279,196	25,891,100
Total assets	17,736,162	101,139	552,869	8,565,519	26,955,689
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	113,857	1,618	50,291	21,482	187,248
Accrued payroll and benefits	-	2,205	7,817	-	10,022
Compensated absences payable	-	-	6,351	-	6,351
Accrued interest	27,376	-	-	5,957	33,333
Interfund loans payable	1,990,113	53,742	705,375	118,400	2,867,630
Bond anticipation note payable	278,347	-	-	309,473	587,820
Current portion of bonds payable	385,614	-	19,705	197,846	603,165
Total current liabilities	2,795,307	57,565	789,539	653,158	4,295,569
Noncurrent liabilities:					
Bonds payable	4,176,781	-	33,972	3,321,608	7,532,361
Total noncurrent liabilities	4,176,781	-	33,972	3,321,608	7,532,361
Total liabilities	6,972,088	57,565	823,511	3,974,766	11,827,930
<b>NET POSITION</b>					
Net investment in capital assets	12,446,389	-	271,096	4,471,791	17,189,276
Restricted	18,827	13,518	-	-	32,345
Unrestricted	(1,701,142)	30,056	(541,738)	118,962	(2,093,862)
Total net position	\$ 10,764,074	43,574	(270,642)	4,590,753	15,127,759

*See accompanying notes to basic financial statements.*

**CITY OF CALAIS, MAINE**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the year ended June 30, 2018**  
**(Water Fund presented for the year ended December 31, 2017)**

	Business-type Activities - Enterprise Funds				Totals
	Sewer Fund	NWSARAS Ambulance	Ambulance Fund	Water Fund	
Operating revenues:					
Charges for services	\$ 858,748	129,331	735,671	631,615	2,355,365
Interest and lien fees	5,373	-	-	-	5,373
Miscellaneous	16,935	29,996	27,904	1,343	76,178
Total operating revenues	881,056	159,327	763,575	632,958	2,436,916
Operating expenses:					
Personnel services	203,360	101,733	612,402	259,592	1,177,087
Contractual services	118,801	21,751	47,948	44,732	233,232
Utilities	106,839	928	2,731	18,887	129,385
Repairs and maintenance	15,533	1,378	11,782	1,233	29,926
Materials and supplies	40,267	7,486	27,781	32,927	108,461
Miscellaneous	8,329	2,706	7,563	10,774	29,372
Bad debt expense	38,376	1,178	95,150	631	135,335
Capital outlay	-	148,000	-	-	148,000
Depreciation	599,634	-	65,753	170,909	836,296
Total operating expenses	1,131,139	285,160	871,110	539,685	2,827,094
Operating income (loss)	(250,083)	(125,833)	(107,535)	93,273	(390,178)
Nonoperating revenue (expense):					
Interest income	16,447	403	1,691	260	18,801
Capital grants and contributions	54,913	-	-	154,097	209,010
Interest expense	(85,864)	-	(1,493)	(24,246)	(111,603)
Total nonoperating revenue (expense)	(14,504)	403	198	130,111	116,208
Net income before transfers	(264,587)	(125,430)	(107,337)	223,384	(273,970)
Transfers:					
Transfer from (to) other funds	(66,841)	(36,039)	36,039	-	(66,841)
Total transfers	(66,841)	(36,039)	36,039	-	(66,841)
Change in net position	(331,428)	(161,469)	(71,298)	223,384	(340,811)
Total net position, beginning of year	11,095,502	205,043	(199,344)	4,367,369	15,468,570
<b>Total net position, end of year</b>	<b>\$ 10,764,074</b>	<b>43,574</b>	<b>(270,642)</b>	<b>4,590,753</b>	<b>15,127,759</b>

*See accompanying notes to basic financial statements.*

**CITY OF CALAIS, MAINE**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2018**  
**(Water Fund presented for the year ended December 31, 2017)**

	Business-type Activities - Enterprise Funds				Totals
	Sewer Fund	NWSARAS Ambulance	Ambulance Fund	Water Fund	
Cash flows from operating activities:					
Receipts from customers and users	\$ 910,574	179,590	771,134	630,346	2,491,644
Payments to suppliers	(303,766)	(185,806)	(190,012)	(121,213)	(800,797)
Payments to employees/employee services	(203,360)	(101,273)	(617,788)	(259,592)	(1,182,013)
Net cash provided by (used in) operating activities	403,448	(107,489)	(36,666)	249,541	508,834
Cash flows from non-capital financing activities:					
Transfers from (to) other funds	(66,841)	(36,039)	36,039	-	(66,841)
Increase (decrease) in interfund loans payable	198,726	117,096	89,877	24,561	430,260
Net cash provided by (used in) non-capital financing activities	131,885	81,057	125,916	24,561	363,419
Cash flows from capital and related financing activities:					
Purchase of capital assets	(377,609)	-	(92,000)	(341,698)	(811,307)
Capital grants and contributions	61,855	-	-	154,097	215,952
Proceeds from bond anticipation note	278,347	-	-	320,010	598,357
Principle payments on bond anticipation note	-	-	-	(583,376)	(583,376)
Proceeds from issuance of debt	-	-	-	437,361	437,361
Principal payments on debt	(379,425)	-	(19,293)	(281,312)	(680,030)
Interest paid on debt	(85,864)	-	(1,493)	(21,901)	(109,258)
Net cash used in capital and related financing activities	(502,696)	-	(112,786)	(316,819)	(932,301)
Cash flows from investing activities:					
Interest income	16,447	403	1,691	260	18,801
Net cash provided by investing activities	16,447	403	1,691	260	18,801
Increase in cash and cash equivalents	49,084	(26,029)	(21,845)	(42,457)	(41,247)
Cash and cash equivalents, beginning of year	27,932	98,167	115,739	53,987	295,825
<b>Cash and cash equivalents, end of year</b>	<b>\$ 77,016</b>	<b>72,138</b>	<b>93,894</b>	<b>11,530</b>	<b>254,578</b>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (250,083)	(125,833)	(107,535)	93,273	(390,178)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	599,634	-	65,753	170,909	836,296
(Increase) decrease in operating assets:					
Accounts receivable, net	29,518	20,263	7,559	(2,612)	54,728
Inventory	-	-	-	(7,089)	(7,089)
Increase (decrease) in operating liabilities:					
Accounts payable	24,379	(2,379)	2,943	(4,940)	20,003
Accrued wages and benefits	-	460	(1,006)	-	(546)
Accrued compensated absences	-	-	(4,380)	-	(4,380)
Net cash provided by (used in) operating activities	403,448	(107,489)	(36,666)	249,541	508,834

*See accompanying notes to basic financial statements.*

**CITY OF CALAIS, MAINE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2018**

		Private- purpose Trust Funds	Student Activities	Other Agency Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$	-	133,481	85,292
Investments		65,824	-	-
<b>Total assets</b>		<b>65,824</b>	<b>133,481</b>	<b>85,292</b>
<b>LIABILITIES</b>				
Interfund loans payable		2,500	-	-
Due to others		-	133,481	85,292
<b>Total liabilities</b>		<b>2,500</b>	<b>133,481</b>	<b>85,292</b>
<b>NET POSITION</b>				
Held in trust	\$	<b>63,324</b>	-	-

*See accompanying notes to basic financial statements.*

**CITY OF CALAIS, MAINE**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the year ended June 30, 2018**

	<b>Private- purpose Trust Funds</b>
<hr/>	
Additions:	
Investment income (loss)	\$ (291)
Total additions	(291)
<hr/>	
Deductions:	
Scholarships and other	2,935
Total deductions	2,935
<hr/>	
Change in net position	(3,226)
Net position, beginning of year	66,550
<hr/>	
<b>Net position, end of year</b>	<b>\$ 63,324</b>

*See accompanying notes to basic financial statements.*

**CITY OF CALAIS, MAINE**  
**Notes to Basic Financial Statements**

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

---

The accounting methods and procedures of the City of Calais, Maine conform to generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**A. Reporting Entity**

The City of Calais, Maine was incorporated under the laws of the State of Maine in 1851 and operates under a council/manager form of government. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City of Calais, Maine (the primary government) and its component units. The decision to include a potential component unit was made by applying the criteria set forth in accounting principles generally accepted in the United States of America, which defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability of the primary government to impose its will on the component unit, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Based upon the application of these criteria, there were no potential component units required to be included in this report.

**Joint Venture** - The City of Calais has entered into a joint venture with the Town of Baileyville. This joint venture is considered to be a separate reporting entity and has not been included within the financial statements of the City. The joint venture is as follows:

*Downeast Broadband Utility (the Utility)* was formed in 2017 through an interlocal agreement between the two communities. Downeast Broadband Corporation's primary purposes according to the agreement was to establish, construct, and maintain a fiber network to provide broadband service in the Town Baileyville and City of Calais. The Utility has authorization to establish rates, collect revenues, and undertake all other actions necessary and appropriate for a regional municipal utility district.

In fiscal year 2018, the City of Calais contributed \$0 to the Utility. Complete financial statements are not yet available as the Utility has not yet completed a full year of operations. The City is contingently liable for a line of credit that the Utility issued in the City's name. At June 30, 2018, the line of credit had a balance of \$170,000.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and 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 segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City has elected not to allocate indirect costs among the programs,

**CITY OF CALAIS, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

---

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 the 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.

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

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 when a liability is incurred, regardless of the timing of related cash flows. 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. Revenues are recognized as soon as they are both 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 City considers tax revenues to be available in the fund financial statements if they are collected within 60 days of the end of the current fiscal period. A one-year period is used for revenue recognition for all other governmental fund revenues. 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, intergovernmental revenue, interest revenue, and charges for services. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The School Department Operations Fund is the School Department's primary operating fund. It accounts for all financial resources of the School Department, except those required to be accounted for in another fund.

The Day Treatment Program is a special revenue fund that accounts for the day treatment program administered by the School Department.



**CITY OF CALAIS, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

---

The City reports the following major proprietary funds:

The Sewer Fund accounts for the operation of the City's sewer department.

The NWSARAS Ambulance fund accounts for the City providing services to the Town of Danforth.

The Ambulance Fund accounts for the operation of the City's ambulance services.

\*The Water Fund accounts for the operation of the City's water department.

\* Due to the Water Department having reporting requirements under the Public Utilities Commission (PUC), the Calais Water Department has determined that a December year end is most appropriate for external financial reporting. All amounts reported in the City's financial statements for the Water Fund are reported as of the prior December, which represents the latest available audited information.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. As such, fiduciary funds are not reported in the government-wide statements. The City's fiduciary funds include the following:

*Private-purpose trust funds* account for resources where funds are legally restricted by a formal trust agreement and may be used for purposes that benefit individuals, private organizations, or other governments. These include scholarship funds.

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. The agency funds are used to account for assets that the government holds for others in an agency capacity and include student activity funds, and funds held on behalf of the Calais School Department Trustees, and the Calais Fire Department Association.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's general and enterprise funds and 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF CALAIS, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

---

**D. Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Equity**

**1. Cash and Investments**

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Investments are stated at fair value. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

**2. Interfund Receivables/Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund loans or as interfund advances (i.e. the noncurrent portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**3. Inventories**

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are generally recorded as expenditures when consumed rather than when purchased.

**4. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The threshold for capitalizing assets, not including infrastructure assets, is \$5,000. The threshold for capitalizing infrastructure assets is \$10,000. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20-50 years
Equipment and furniture	3-50 years
Vehicles	3-25 years
Infrastructure	50-100 years

**CITY OF CALAIS, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

---

**5. Deferred Outflows and Inflows of Resources**

In addition to assets and liabilities, the statement of net position and balance sheet will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows of resources and deferred inflows of resources, represent a consumption or acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time. The governmental funds report one type of deferred inflows of resources, unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental activities have deferred outflows and inflows that relate to the net pension and OPEB liabilities, which include the City's contributions subsequent to the measurement date, which is recognized as a reduction of the net pension and OPEB liabilities in the subsequent year.

They include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between City contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan. They also include the net difference between projected and actual earnings on plan investments, which is deferred and amortized over a five-year period.

**6. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Accrued vacation and sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**7. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types 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 proprietary fund type statement of net position. Bond premiums and discounts, if material to the 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.

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.

**8. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (PLD Plan) and the Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF CALAIS, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

---

**9. Other Post-employment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined based on actuary reports prepared by the OPEB Plan's actuary. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**10. Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. All other interfund transfers are reported as transfers.

**11. Use of Estimates**

Preparation of the City's financial statements requires management to make estimates and assumptions that affect the reported 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.

**12. Fund Equity**

Governmental Fund fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent. The five classifications of fund balance for the Governmental Funds are as follows:

- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
- *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources which are subject to limitations the City imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.
- *Assigned* – resources that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

*Unassigned* – resources which have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

**CITY OF CALAIS, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

---

The City has formally adopted a minimum fund balance policy which requires that an amount between 12% and 16% of the City's current fiscal year budgeted expenditures be maintained as unassigned fund balance. In the event that the balance drops below the established minimum level, the City Council will develop a written plan to replenish the fund balance to the established minimum level within three fiscal years.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, and unassigned resources are available for use, it is the City's policy to use committed or assigned resources first, and then unassigned resources as they are needed. In the case of capital reserves, funds can be spent only after General Fund appropriations are fully utilized or upon approval of the City Council.

The City Council has the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments. Likewise, the City Council, School Committee, or a body or official delegated by the City Council or School Committee may assign unspent budgeted amounts to specific purposes in the General Fund at year end based on department requests.

**13. Comparative Data**

Comparative data for the prior year have been presented only for certain funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

---

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

---

**A. Budgets**

The City utilizes a formal budgetary accounting system to control revenues and expenditures accounted for in the General Fund. The budget is established in accordance with the various laws which govern the City's operations. The budget is prepared substantially in accordance with accounting principles generally accepted (GAAP) in the United States of America, except for revenues and expenditures related to "on-behalf payments" made by the State of Maine to the Maine Public Employees Retirement System for teachers and other school employees are not budgeted.

All unexpended appropriations lapse at year end, except for balances approved to be carried forward by the City Council. In accordance with legal requirements of the State of Maine, all educational balances are carried forward to the next fiscal year.

**B. Excess of Expenditures over Appropriations**

For the year ended June 30, 2018, expenditures exceeded appropriations in the following areas:

Debt service – City	\$ 3
Regular instruction	30,194

**CITY OF CALAIS, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM - ON BEHALF PAYMENTS

---

**C. Deficit Fund Balances**

At June 30, 2018, the following funds had deficit fund balances and net position over \$1,000:

Shore and harbor (BIG) grant	\$ 4,971	Recreation pool donations	17,648
Recreation tennis donations	1,682	CIP administration	1,667
Title IA - Disadvantaged	4,225	CIP police department	3,686
Title IA – Program Improvement	5,411	CIP transfer station	2,278
Momentum	3,355	Ambulance fund	270,642

These deficits will be funded by future grant revenue, charges for services, or transfers.

As required by accounting principles generally accepted in the United States of America, the City has recorded a revenue and an expenditure for Maine Public Employees Retirement contributions made by the State of Maine on behalf of the School Department. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting versus reporting under accounting principles generally accepted in the United States of America of \$449,216. These amounts have been included as an intergovernmental revenue and as an education expense/expenditure on Statement 2 and 4 (GAAP basis). There is no effect on the net position/fund balance at the end of the year.

---

DEPOSITS AND INVESTMENTS

---

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All investments held by the City are Level 1 inputs.

As of June 30, 2018, the City had the following investments with the following maturities:

	<u>Fair value</u>	<u>Less than 1 year</u>	<u>1 – 5 years</u>	<u>Over 5 years</u>
Certificates of deposit	\$ 1,036,085	105,032	838,390	92,663
Federal Home Loan Bank	43,003	-	43,003	-
Federal Farm Credit Bank	48,404	-	48,404	-
Federal Home Loan Mortgage Corp.	24,546	-	24,546	-
Federal National Mortgage Assoc.	103,355	29,638	73,717	-

*Custodial credit risk- deposits* – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City currently does not have a deposit policy for custodial credit risk. As of June 30, 2018, 100% of the City’s bank balance of \$1,608,283 was covered by FDIC insurance, fully insured, or collateralized.

*Credit risk* – Maine statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certificates of deposit. As of June 30, 2018, all of the City’s investments were rated, at a minimum, AA+ by Standard & Poor’s. The City currently does not have a policy for credit risk.

*Interest rate risk* – The City does not have a policy related to interest rate risk.

**CITY OF CALAIS, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS**

---

As of June 30, 2018, the City had the following accounts and loans receivable with allowance for uncollectible account balances:

	<u>Ambulance Fund</u>	<u>UDAG Loan Fund</u>	<u>Uptown Loan Fund</u>
Accounts receivable	\$ 198,756	-	-
Loans receivable	-	569,758	54,211
Allowance for uncollectible accounts	(64,554)	(150,365)	(38,441)
<b><u>Accounts and loans receivable, net</u></b>	<b><u>\$ 134,202</u></b>	<b><u>419,393</u></b>	<b><u>15,770</u></b>

---

**PROPERTY TAX**

---

Property taxes for the current year were committed on August 14, 2017, on the assessed value listed as of the prior April 1 for all real and personal property located in the City. Assessed values were established by the City's Assessor at 100% of assumed market value.

The City 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 \$150,317 for the year ended June 30, 2018.

Upon the expiration of eight months, and within one year from the date of the original commitment, a tax lien is recorded for all delinquent taxes on real estate.

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 unavailable revenues.

The following summarizes the levy:

	<u>2018</u>	<u>2017</u>
Assessed value	\$ 148,099,500	150,726,200
Tax rate (per \$1,000)	25.30	25.30
Commitment	3,746,917	3,813,373
Supplemental taxes assessed	16,460	25,245
	3,763,377	3,838,618
Less:		
Abatements	4,610	5,652
Collections	3,457,108	3,493,265
<b><u>Current year taxes receivable at end of year</u></b>	<b><u>\$ 301,659</u></b>	<b><u>339,701</u></b>
Due date - current year	October 2, 2017	October 3, 2016
Interest rate on delinquent taxes	7.00%	7.00%
Collection rate	92.0%	91.1%

**CITY OF CALAIS, MAINE**  
**Notes to Basic Financial Statements, Continued**

**CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance June 30, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2018</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 49,386	62,595	49,386	62,595
<u>Land</u>	<u>3,111,905</u>	-	-	<u>3,111,905</u>
Total capital assets not being depreciated	3,161,291	62,595	49,386	3,174,500
Capital assets, being depreciated:				
Buildings and improvements	1,867,044	-	-	1,867,044
Furniture and equipment	1,699,195	466,943	88,232	2,077,906
Vehicles	1,729,490	35,963	-	1,765,453
<u>Infrastructure</u>	<u>450,081</u>	<u>164,364</u>	-	<u>614,445</u>
Total capital assets being depreciated	5,745,810	667,270	88,232	6,324,848
Less accumulated depreciation for:				
Buildings and improvements	1,011,832	41,502	-	1,053,334
Furniture and equipment	1,207,324	92,535	73,611	1,226,248
Vehicles	1,297,072	83,104	-	1,380,176
<u>Infrastructure</u>	<u>49,875</u>	<u>29,353</u>	-	<u>79,228</u>
Total accumulated depreciation	3,566,103	246,494	73,611	3,738,986
Total capital assets being depreciated, net	2,179,707	420,776	14,621	2,585,862
<b><u>Governmental activities capital assets, net</u></b>	<b><u>\$ 5,340,998</u></b>	<b><u>483,371</u></b>	<b><u>64,007</u></b>	<b><u>5,760,362</u></b>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 75,896	-	-	75,896
Construction in progress	48,539	687,115	-	735,654
Total capital assets not being depreciated	124,435	687,115	-	811,550
Capital assets, being depreciated:				
Buildings and improvements	8,446,521	16,250	-	8,462,771
Equipment, furniture, and vehicles	1,416,317	91,967	-	1,508,284
<u>Infrastructure</u>	<u>26,692,526</u>	<u>13,644</u>	-	<u>26,706,170</u>
Total capital assets being depreciated	36,555,364	121,861	-	36,677,225
Less accumulated depreciation for:				
Buildings and improvements	4,862,714	259,278	-	5,121,992
Equipment, furniture, and vehicles	1,047,152	76,047	-	1,123,199
<u>Infrastructure</u>	<u>4,851,513</u>	<u>500,971</u>	-	<u>5,352,484</u>
Total accumulated depreciation	10,761,379	836,296	-	11,597,675
Total capital assets being depreciated, net	25,793,985	(714,435)	-	25,079,550
<b><u>Business-type activities capital assets, net</u></b>	<b><u>\$ 25,918,420</u></b>	<b><u>(27,320)</u></b>	<b><u>-</u></b>	<b><u>25,891,100</u></b>



**CITY OF CALAIS, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**CAPITAL ASSETS, CONTINUED**

---

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 21,560
City services	31,142
Public safety	50,556
Public works	93,355
Education	49,881
<b><u>Total depreciation expense – governmental activities</u></b>	<b><u>\$ 246,494</u></b>
Business-type activities:	
Sewer fund	\$ 599,634
Ambulance fund	65,753
Water fund	170,909
<b><u>Total depreciation expense – business-type activities</u></b>	<b><u>\$ 836,296</u></b>

---

**LONG-TERM DEBT**

---

Long-term liability activity for the year ended June 30, 2018 was as follows:

	Beginning balance (restated)	Additions	Reductions	Ending balance	Due within one year
<b>Governmental activities:</b>					
Notes payable	\$ 447,653	-	147,177	300,476	99,723
Capital leases	117,650	-	20,461	97,189	20,461
Compensated absences	180,203	-	38,611	141,592	-
Other post-employment benefits	106,119	-	30,546	75,573	-
Net pension liability	1,770,099	-	387,124	1,382,975	-
<b><u>Governmental activities long-term liabilities</u></b>	<b><u>\$ 2,621,724</u></b>	<b><u>-</u></b>	<b><u>623,919</u></b>	<b><u>1,997,805</u></b>	<b><u>120,184</u></b>
<b>Business-type activities:</b>					
Bonds and notes payable	\$ 8,368,193	596,484	829,151	8,135,526	603,165
Compensated absences	10,731	-	4,380	6,351	-
<b><u>Business-type activities long-term liabilities</u></b>	<b><u>\$ 8,378,924</u></b>	<b><u>596,484</u></b>	<b><u>833,531</u></b>	<b><u>8,141,877</u></b>	<b><u>603,165</u></b>

---

**CAPITAL LEASES**

---

The City has entered into lease agreements as lessee for financing the acquisition of equipment. This lease qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of future minimum lease payments as of the date of its inception.

**CITY OF CALAIS, MAINE**  
**Notes to Basic Financial Statements, Continued**

**CAPITAL LEASES, CONTINUED**

The following is a schedule of future minimum lease payments under the capital lease at June 30, 2018:

2019	\$ 20,461
2020	20,461
2021	20,461
2022	20,461
2023	15,345
<b>Total future minimum lease payments</b>	<b>\$ 97,189</b>

Amounts capitalized under leases are \$122,765 for governmental activities. Accumulated depreciation for the capital leases that have been capitalized is \$23,871.

**BONDS AND NOTES PAYABLE**

Bonds and notes payable at June 30, 2018 are comprised of the following:

	Date of <u>issue</u>	Original amount <u>issued</u>	Date of <u>maturity</u>	Interest <u>rate</u>	Balance June 30, <u>2018</u>
Governmental activities:					
Information center note	6/20/16	\$ 135,000	2027	2.50%	123,984
Sidewalk/library note	11/23/12	584,992	2020	2.20%	176,492
<b>Total governmental activities</b>					<b>300,476</b>
Business-type activities:					
2016 ambulance note	3/4/16	98,000	2021	2.30%	53,677
2009 sewer bond	10/26/09	978,822	2030	1.00%	610,495
2010-FS-CW	12/22/10	2,263,000	2031	1.00%	835,787
2010-SR-CW	6/29/10	943,371	2030	1.00%	588,384
2011-FR-CW	3/28/11	1,231,000	2031	1.50%	841,157
2012 Rural development	12/2/11	777,000	2040	2.25%	648,613
2016 Rural development	12/22/16	500,000	2045	1.375%	485,235
2002 sewer bond	2/16/02	2,350,000	2022	2.36%	552,724
2013 water note	1/29/13	127,241	2026	2.75%	92,824 *
2008 water bond	6/17/08	1,963,998	2031	0.00%	1,145,660 *
2009 water bond	1/15/09	914,500	2036	0.00%	620,554 *
2009 water bond	6/17/09	44,500	2039	0.00%	31,891 *
2009 water bond	6/17/09	143,550	2039	0.00%	102,877 *
2009 water bond	12/17/09	584,500	2039	0.00%	428,633 *
2012 water bond	6/22/12	382,250	2042	0.00%	305,800 *
2014 water bond	11/22/13	305,000	2044	1.00%	215,518 *
2016 water bond	12/21/16	195,593	2037	1.00%	148,651 *
2017 water bond	8/14/17	596,484	2037	1.00%	427,046 *
<b>Total business-type activities</b>					<b>8,135,526</b>
<b>Total bonds and notes payable</b>					<b>\$ 8,436,002</b>

\* All outstanding bonds and notes payable for the Water Fund are reported as of December 31, 2017.

**CITY OF CALAIS, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**BONDS AND NOTES PAYABLE, CONTINUED**

---

The annual requirements to amortize all long-term debt outstanding as of June 30, 2018 are as follows:

<u>June 30,</u>	<u>Governmental activities</u>			<u>Business-type activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 99,723	7,080	106,803	603,165	82,886	686,051
2020	101,962	4,818	106,780	610,468	75,556	686,024
2021	13,070	2,511	15,581	611,082	68,003	679,085
2022	13,408	2,173	15,581	604,356	60,640	664,996
2023	13,748	1,833	15,581	465,179	49,938	515,117
2024-2028	58,565	3,760	62,325	2,373,998	188,534	2,562,532
2029-2033	-	-	-	1,739,444	92,719	1,832,163
2034-2038	-	-	-	757,567	45,597	803,164
2039-2043	-	-	-	318,658	11,418	330,076
2044-2045	-	-	-	51,609	966	52,575
<b>Total</b>	<b>\$ 300,476</b>	<b>22,175</b>	<b>322,651</b>	<b>8,135,526</b>	<b>676,257</b>	<b>8,811,783</b>

The City is subject to a statutory limitation, by the State of Maine, of its general long-term debt equal to 15% of the State's valuation of the City. The City's outstanding general long-term debt of \$8,436,002 at June 30, 2018 was within the statutory limit.

In addition to the notes and bonds payable, the City is contingently responsible for the following overlapping debt as of June 30, 2018:

<u>Entity</u>	<u>Net debt outstanding</u>	<u>Applicable to the City</u>	<u>City's share of debt</u>
Calais School District Trustees:			
2004 bond payable - \$7,766,994	\$ 2,718,450	100%	2,718,450
2017 loan payable - \$375,000	337,443	100%	337,443

---

**LINES OF CREDIT**

---

The City of Calais currently has a line of credit with the First, with a credit limit of \$900,000 and an interest rate of 1.03%. The Calais School Department also has a line of credit with the First, with a credit limit of \$800,000 and an interest rate of 1.83%. Interest is payable and due each month based on the outstanding balance. Line of credit activity for the year ended June 30, 2018 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
City	\$ -	600,000	200,000	400,000
School Department	-	250,000	250,000	-
<b>Line of credit payable</b>	<b>\$ -</b>	<b>850,000</b>	<b>450,000</b>	<b>400,000</b>

**CITY OF CALAIS, MAINE**  
**Notes to Basic Financial Statements, Continued**

**SHORT-TERM DEBT**

The City issued bond anticipation notes for interim financing until long-term bonds are issued. The bond anticipation notes were for the sewer fund: \$457,000 with an interest rate of 1.00% and due on September 24, 2018; and the water fund: \$687,000 with an interest rate of 1.00% and due on August 14, 2017 and \$431,000 with an interest rate of 1.00% and due on September 24, 2018. Bond anticipation note activity for the year ended June 30, 2018 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Water	\$ 572,839	10,537	583,376	-
Water – Manning Street	-	309,473	-	309,473
Sewer – Manning Street	-	278,347	-	278,347
<b>Total Bond anticipation notes</b>	<b>\$ 572,839</b>	<b>598,357</b>	<b>583,376</b>	<b>587,820</b>

**INTERFUND BALANCES AND TRANSFERS**

As of June 30, 2018, the balances of interfund loans receivable/payable and transfers were as follows:

<u>Fund</u>	<u>Interfund loans receivable</u>	<u>Interfund loans payable</u>	<u>Transfers in (out)</u>
General Fund	\$ 3,041,918	664,096	(1,526,597)
School Department Operations	77,751	148,033	1,313,920
Day Treatment	176,392	-	-
Proprietary Funds:			
Sewer Fund	-	1,990,113	(66,841)
NWSARAS Ambulance	-	53,742	(36,039)
Ambulance Fund	-	705,375	36,039
Water Fund *	-	118,400	(51,278)
Other Governmental Funds:			
City Special Revenue Funds	39,849	-	(2,490)
Downtown TIF	6,865	-	-
UDAG Economic Development Fund	-	83,130	(3,750)
Uptown Loan Fund	-	112,335	(3,750)
School Special Revenue Funds	-	28,959	-
School Lunch	-	1,508	15,000
Capital Project Funds	548,604	-	333,786
Permanent Funds	-	26,810	(8,000)
Private-purpose Trust Funds	-	2,500	-
<b>Totals</b>	<b>\$ 3,891,379</b>	<b>3,935,001</b>	<b>-</b>

\* Interfund loans receivable and payable do not equal due to the Water Department being reported as of December 31, 2017. Transfers for the Water Department are classified as operating expenses on the statement of revenues, expenses, and changes in net position (Statement 8).

**CITY OF CALAIS, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**CONTRACT COMMITMENTS**

---

The Calais School Department has entered into a contract for school transportation services with First Student, Inc. The contract expires in June of 2022. Future payments under this contract are as follows:

2019	\$	426,491
2020		440,138
2021		454,223
<u>2022</u>		<u>468,667</u>
<b>Total</b>		<b><u>\$ 1,789,519</u></b>

---

**FUND BALANCE**

---

As of June 30, 2018, fund balance components consisted of the following:

	General Fund	School Department Operations	Day Treatment	Other Governmental Funds	Total
<b>Nonspendable:</b>					
Inventory and prepaid expenditures \$	34,003	-	-	8,537	42,540
Principal for permanent funds	-	-	-	480,457	480,457
<b>Total nonspendable</b>	<b>34,003</b>	<b>-</b>	<b>-</b>	<b>488,994</b>	<b>522,997</b>
<b>Restricted:</b>					
General government	-	-	-	26,268	26,268
City services	-	-	-	41,866	41,866
Public safety	-	-	-	21,755	21,755
Public works	-	-	-	560	560
Education	-	126,884	176,291	77,119	380,294
Loan funds	-	-	-	856,864	856,864
Permanent funds	-	-	-	89,084	89,084
<b>Total restricted</b>	<b>-</b>	<b>126,884</b>	<b>176,291</b>	<b>1,113,516</b>	<b>1,416,691</b>
<b>Committed:</b>					
Education	-	-	-	9,431	9,431
Public works	-	-	-	17,360	17,360
Capital projects	-	-	-	573,883	573,883
<b>Total committed</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>600,674</b>	<b>600,674</b>
<b>Unassigned</b>	<b>2,071,413</b>	<b>-</b>	<b>-</b>	<b>(46,245)</b>	<b>2,025,168</b>
<b>Total fund balance</b>	<b>\$ 2,105,416</b>	<b>126,884</b>	<b>176,291</b>	<b>2,156,939</b>	<b>4,565,530</b>

**CITY OF CALAIS, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**NET POSITION**

---

Net position represents the difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, and capital leases payable and adding back any unspent proceeds. The City's net investment in capital assets was calculated as follows at June 30, 2018:

	Governmental activities	Business-type activities
Capital assets	\$ 9,499,348	37,488,775
Accumulated depreciation	(3,738,986)	(11,597,675)
Bond anticipation note	-	(587,820)
Bonds and notes payable	(300,476)	(8,135,526)
Unspent bond proceeds	-	21,522
Capital leases payable	(97,189)	-
<b><u>Total net investment in capital assets</u></b>	<b><u>\$ 5,362,697</u></b>	<b><u>17,189,276</u></b>

---

**RISK MANAGEMENT - CITY**

---

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors, and omissions, and natural disasters for which the City either carries commercial insurance, or participates in public entity risk pools. The School Department is a member of the Maine School Management Association - Unemployment Compensation Trust Fund (MSMA). Based on the coverage provided by these pools, as well as certain coverage provided by commercial insurance purchased, the City is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2018.

---

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**

---

***General Information about the Pension Plan***

**Plan Description** - Employees of the City are provided with pensions through the Maine Public Employees Retirement System Consolidated Plan for Local Participating Districts (PLD Plan) and teaching-certified employees of the City are provided with pensions through the Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan), cost-sharing multiple-employer defined benefit pension plans, administered by the Maine Public Employees Retirement System (MPERS). Benefit terms are established in Maine statute. MPERS issues a publicly available financial report that can be obtained at [www.maineopers.org](http://www.maineopers.org).

**Benefits Provided** - The PLD and SET Plans provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 (65 for new members to the PLD Plan on or after July 1, 2014). For SET members, normal retirement age is 60, 62, or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. 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 her/his normal retirement age at retirement. MPERS also provides disability and death benefits, which are established by contract under applicable statutory provisions (PLD Plan) or by statute (SET Plan).

**CITY OF CALAIS, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED**

---

**Contributions** - Employee contribution rates are defined by law or Board rule and depend on the terms of the plan under which an employee is covered. Employer contributions are determined by actuarial valuations. The contractually required contribution rates are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

**PLD Plan** - Employees are required to contribute 8.0% of their annual pay. The City's contractually required contribution rates for the year ended June 30, 2018 were 9.6% of annual payroll. Contributions to the pension plan from the City were \$157,088 for the year ended June 30, 2018.

**SET Plan** - Maine statute requires the State to contribute a portion of the City's contractually required contributions. Employees are required to contribute 7.65% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2018, was 15.05% of annual payroll of which 3.97% of payroll was required from the City and 11.08% was required from the State. Contributions to the pension plan from the City were \$127,520 for the year ended June 30, 2018.

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

The net pension liabilities were measured as of June 30, 2017, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of that date. The City's proportion of the net pension liabilities were based on projections of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating local districts (PLD Plan) and of all participating School Administrative Units and the State (SET Plan), actuarially determined.

**PLD Plan** - At June 30, 2018, the City reported a liability of \$1,176,018 for its proportionate share of the net pension liability. At June 30, 2017, the City's proportion of the PLD Plan was 0.2872%.

**SET Plan** - At June 30, 2018, the City reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$ 206,957
State's proportionate share of the net pension liability associated with the City	3,402,301
<b>Total</b>	<b>\$ 3,609,258</b>

At June 30, 2017, the City's proportion of the SET Plan was 0.0142%.

**CITY OF CALAIS, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED**

---

For the year ended June 30, 2018, the City recognized pension expense of \$195,476 for the PLD Plan and \$445,124 for the SET Plan with revenue of \$355,900 for support provided by the State. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	47,795
Changes of assumptions	96,839	-
Net difference between projected and actual earnings on pension plan investments	-	35,382
Changes in proportion and differences between City contributions and proportionate share of contributions	-	856
City contributions subsequent to the measurement date	284,608	-
<b>Total</b>	<b>\$ 381,447</b>	<b>84,033</b>

\$284,608 is reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ (35,649)
2020	130,332
2021	9,274
2022	(91,151)

**Actuarial Assumptions** - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PLD Plan</u>	<u>SET Plan</u>
Inflation	2.75%	2.75%
Salary Increases, per year	2.75% to 9.0%	2.75% to 14.5%
Investment return, per annum, compounded annually	6.875%	6.875%
Cost of living benefit increases, per annum	2.20%	2.20%

Mortality rates were based on the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females.



**CITY OF CALAIS, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED**

---

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

The long-term expected 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 weighting the expected future real rates of return by the target 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public equities	30.0%	6.0%
US Government	7.5%	2.3%
Private equity	15.0%	7.6%
Real estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural resources	5.0%	5.0%
Traditional credit	7.5%	3.0%
Alternative credit	5.0%	4.2%
Diversifiers	10.0%	5.9%

**Discount Rate** - The discount rate used to measure the total pension liability was 6.875% for the PLD and the SET Plan. The projection of cash flows used to determine the discount rates assumed that employee contributions will be made at the current contribution rate and that contributions from participating local districts will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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 liabilities.

**Sensitivity of the City's Proportionate Share of the Net Pension Liabilities to Changes in the Discount Rate** - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.875% for the PLD the SET Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.875%) or 1 percentage-point higher (7.875%) than the current rate:

<u>PLD Plan</u>	1% Decrease <u>(5.875%)</u>	Current Discount Rate <u>(6.875%)</u>	1% Increase <u>(7.875%)</u>
City's proportionate share of the net pension liability	\$ 2,359,453	1,176,018	285,074

**CITY OF CALAIS, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

---

<u>SET Plan</u>	1% Decrease <u>(5.875%)</u>	Current Discount Rate <u>(6.875%)</u>	1% Increase <u>(7.875%)</u>
City's proportionate share of the net pension liability	\$ 363,149	206,957	77,999

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS financial report.

**Payables to the Pension Plan** - None as of June 30, 2018.

---

NEW PRONOUNCEMENTS AND RESTATEMENTS OF NET POSITION AND FUND BALANCE

---

For the fiscal year ended June 30, 2018, the City has elected to implement Statement No. 75 of the Governmental Accounting Standards Board – *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. As a result of implementing GASB Statement No. 75, the City has restated beginning net position in the government-wide statement of net position to account for the addition of the City's net OPEB liability of \$106,119 which effectively decreased the City's net position as of July 1, 2017 by \$106,119.

---

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

---

**General Information about the OPEB Plans**

**Plan Description** - The City sponsors two post-retirement benefit plans providing group term life insurance to retiring employees. For municipal employees and certain School Department employees the City contributes to the Group Life Insurance Plan for Participating Local District (PLD). Teachers also participate in the Group Term Life Insurance Plan for State Employees and Teachers (SET). Both plans are a cost-sharing multiple-employer defined benefit OPEB plan administered by the Maine Public Employees Retirement System (MPERS). The MPERS Board of Trustees has the authority to establish and amend the benefit terms and financing requirements for each plan. MPERS issues a publicly available financial reports that are available at [www.maineper.org](http://www.maineper.org).

**Benefits Provided** - Under each plan, MPERS provides basic group life insurance benefits, during retirement, to retirees who participated in the plan prior to retirement for a minimum of 10 years. The level of coverage is initially set to an amount equal to the retirees average final compensation. The initial amount of basic life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

**Contributions** - Premium rates are determined by the MPERS Board of Trustees to be actuarially sufficient to pay anticipated claims.

PLD OPEB Plan - The City is required to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retirement period. Contributions to the PLD OPEB plan from the City were \$9,708 for the year ended June 30, 2018. Employees are not required to contribute to the PLD OPEB plan.

**CITY OF CALAIS, MAINE**  
**Notes to Basic Financial Statements, Continued**

**OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED**

SET OPEB Plan - The State of Maine is required to remit the total dollar amount of each year's annual required contribution. Contributions to the OPEB plan by the State of Maine on-behalf of the City were \$9,481 for the year ended June 30, 2018. Employers and employees are not required to contribute to the OPEB plan.

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability for each plan was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating employers, actuarially determined.

PLD OPEB Plan – At June 30, 2018, the City reported a liability of \$75,573 for its proportionate share of the net OPEB liability. At June 30, 2017, the City's proportion was 0.452%.

SET OPEB Plan – At June 30, 2018, the City reported no liability related to the plan. The State of Maine's proportionate share of the net OPEB liability associated with the City was \$104,614 as of June 30, 2018. At June 30, 2017, the City's proportion was 0.00%.

For the year ended June 30, 2018, the City recognized OPEB expense of \$7,100 for the PLD OPEB Plan. For the year ended June 30, 2018, the City recognized OPEB expense of \$9,481 and also revenues of \$9,481 for support provided by the State related to the SET OPEB plan. At June 30, 2018, the City reported no deferred outflows of resources nor deferred inflows of resources related to the SET OPEB plan. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the PLD OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	21,058
Net difference between projected and actual earnings on OPEB plan investments	-	3,618
Changes in proportion and differences between City Contributions and proportionate share of contributions	-	3,262
City contributions subsequent to the measurement date	9,708	-
Total	\$ 9,708	27,938

\$9,708 is reported as deferred outflows of resources related to the PLD OPEB plan resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019.

**CITY OF CALAIS, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED**

---

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

Year ended June 30:		
2019	\$	(5,768)
2020		(5,768)
2021		(5,768)
2022		(5,768)
2023		(4,866)

**Actuarial Assumptions** – The total OPEB liability in the June 30, 2017 actuarial valuations was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

	<u>PLD OPEB Plan</u>	<u>SET OPEB Plan</u>
Inflation	2.75%	2.75%
Salary increases	2.75% - 9.00%	2.75% - 14.50%
Investment rate of return	6.875%	6.875%

Mortality rates for each plan were based on the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, with adjustments ranging 104% to 120% based on actuarially determined demographic differences.

The actuarial assumptions used in the June 30, 2017 valuations were based on the results of an actuarial experience study conducted for the period June 30, 2012 to June 30, 2015.

The long-term expected rate of return on both OPEB plan investments was determined using a building-block method which best estimates ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public equities	70.0%	6.0%
Real estate	5.0%	5.2%
Traditional credit	16.0%	3.0%
US Government Securities	9.0%	2.3%

**Discount Rate** - The rate used to measure the total OPEB liability for the PLD OPEB plan was 5.41% which is a blend of the assumed long-term expected rate of return of 6.875% and a municipal bond index rate of 3.58%, based on the Bond Buyer GO 20-Year Municipal Bond Index as of June 30, 2017. Projections of the plan's fiduciary net position indicate that it is not expected to be sufficient to make projected benefit payments for current members beyond 2052. Therefore, the portion of the future projected benefit payments after 2052 are discounted at the municipal bond index rate. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at contractually required rates, actuarially determined.

**CITY OF CALAIS, MAINE**  
**Notes to Basic Financial Statements, Continued**

**OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED**

The rate used to measure the total OPEB liability for the SET OPEB plan was 6.875%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at contractually required rates, actuarially determined. Based on this assumption, the OPEB plans fiduciary net position was projected to be available to make all projected OPEB payments for current and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** - The following presents the City’s proportionate share of the net PLD OPEB plan liability calculated using the discount rate of 5.41%, as well as what the City’s proportionate share of the net PLD OPEB plan liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.41%) or 1 percentage-point higher (6.41%) than the current rate:

	1% Decrease (4.41%)	Discount Rate (5.41%)	1% Increase (6.41%)
Net OPEB liability	\$ 101,424	75,573	55,165

Sensitivity of the City’s proportionate share of the net SET OPEB plan liability to the changes in the discount rate are not presented as the City does not have any liability related to this plan given that the SET OPEB plan is 100% funded by contributions from the State of Maine.

**OPEB Plan Fiduciary Net Position** - Detailed information about both the PLD and SET OPEB plan’s fiduciary net positions are available in a separately issued MPERS financial report.

**CITY OF CALAIS, MAINE**  
**Required Supplementary Information**

**Schedule of City's Proportionate Share of the Net Pension Liability**  
**Maine Public Employees Retirement System Consolidated Plan (PLD)**  
**and State Employee and Teacher Plan (SET)**  
Last 10 Fiscal Years\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b><u>PLD Plan</u></b>				
City's proportion of the net pension liability	0.2872%	0.2832%	0.2737%	0.3073%
City's proportionate share of the net pension liability	\$1,176,018	1,504,835	873,381	472,801
City's covered payroll	1,549,657	1,489,726	1,432,520	1,636,481
City's proportion share of the net pension liability as a percentage of its covered payroll	75.89%	100.01%	60.97%	28.89%
Plan fiduciary net position as a percentage of the total pension liability	86.43%	81.61%	88.27%	94.10%
<b><u>SET Plan</u></b>				
City's proportion of the net pension liability	0.0142%	0.0150%	0.0137%	0.0162%
City's proportionate share of the net pension liability	206,957	265,264	185,628	174,495
State's proportionate share of the net pension liability associated with the City	3,402,301	4,460,648	3,645,902	3,125,546
<b><u>Total</u></b>	<b><u>\$3,609,258</u></b>	<b><u>4,725,912</u></b>	<b><u>3,831,530</u></b>	<b><u>3,300,041</u></b>
City's covered payroll	3,005,936	3,161,879	3,236,834	3,426,161
City's proportion share of the net pension liability as a percentage of its covered payroll	6.88%	8.39%	5.73%	5.09%
Plan fiduciary net position as a percentage of the total pension liability	80.78%	76.21%	81.18%	83.91%

\* Only four years of information available. The amounts presented for each fiscal year were determined as of the prior fiscal year.

**CITY OF CALAIS, MAINE**  
**Required Supplementary Information, Continued**

**Schedule of City Contributions**  
**Maine Public Employees Retirement System Consolidated Plan (PLD)**  
**and State Employee and Teacher Plan (SET)**

Last 10 Fiscal Years\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>PLD Plan</u></b>					
Contractually required contribution	\$ 157,088	147,217	132,586	111,737	106,371
Contributions in relation to the contractually required contribution	(157,088)	(147,217)	(132,586)	(111,737)	(106,371)
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
City's covered payroll	1,636,334	1,549,657	1,489,726	1,432,520	1,636,481
Contributions as a percentage of covered payroll	9.60%	9.50%	8.90%	7.80%	6.50%
<b><u>SET Plan</u></b>					
Contractually required contribution	\$ 127,520	100,975	106,239	85,776	90,793
Contributions in relation to the contractually required contribution	(127,520)	(100,975)	(106,239)	(85,776)	(90,793)
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
City's covered payroll	3,212,091	3,005,936	3,161,879	3,236,834	3,426,161
Contributions as a percentage of covered payroll	3.97%	3.36%	3.36%	2.65%	2.65%

\* Only five years of information available.

**CITY OF CALAIS, MAINE**  
**Required Supplementary Information, Continued**

---

**Schedule of City's Proportionate Share of the Net OPEB Liability**  
Last 10 Fiscal Years\*

	<b>2018</b>
<b><u>PLD OPEB Plan</u></b>	
City's proportion of the net OPEB liability	0.452%
City's proportionate share of the net OPEB liability	\$ 75,573
City's covered-employee payroll	1,549,657
City's proportionate share of the net OPEB liability as a percentage of covered-employee payroll	4.88%
Plan fiduciary net position as a percentage of the total OPEB liability	47.42%
<b><u>SET OPEB Plan</u></b>	
City's proportion of the net OPEB liability	0.00%
City's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the City	104,614
Total	\$ <u><u>104,614</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	47.29%

\* Only one year of information available. Amounts presented for each fiscal year were determined as of the end of the previous fiscal year.



**CITY OF CALAIS, MAINE**  
**Required Supplementary Information, Continued**

---

**Schedule of City's OPEB Contributions**  
Last 10 Fiscal Years\*

	<u>2018</u>
<b><u>PLD OPEB Plan</u></b>	
Contractually required contribution	\$ 9,708
Contributions in relation to the contractually required contribution	<u>9,708</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	1,636,334
Contributions as a percentage of covered-employee payroll	0.59%

\* *Only one year of information available.*

**CITY OF CALAIS, MAINE**  
**Notes to Required Supplementary Information**

---

**Net OPEB Liability**

**Changes of Benefit Terms - None**

**Changes of Assumptions - None**

**Net Pension Liability**

**Changes of Benefit Terms - None**

**Changes of Assumptions:**

The PLD and SET Plans changed the discount rate of 7.125%, inflation rate of 3.5%, and the cost of living increase of 2.55% in the 2015 valuation to 6.875%, 2.75%, and 2.20%, respectively in the 2016 valuation. The PLD Plan changed the salary increases in the 2015 valuation of 3.5% - 9.5% to 2.75% - 9.0% in the 2016 valuation. The SET Plan changed the salary increases in the 2015 valuation of 3.5% - 13.5% to 2.75% - 14.5% in the 2016 valuation. In addition, mortality rates were previously based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA, which, in the 2016 valuation, was changed to mortality rates that were based on the RP2014 Total Data Set Healthy Annuitant Mortality Table.

The PLD Plan changed the discount rate from 7.25% in the 2014 valuation to 7.125% in the 2015 valuation. The PLD Plan also changed the cost of living benefits increase from 3.12% in the 2014 valuation to 2.55% in the 2015 valuation.

The SET Plan changed the discount rate from 7.25% in the 2013 valuation to 7.125% in the 2014 valuation.

## **GENERAL FUND**

**CITY OF CALAIS, MAINE**  
**General Fund**  
**Comparative Balance Sheets**  
**June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 344,535	462,877
Taxes receivable	595,346	627,401
Due from other governments	47,126	31,663
Accounts receivable	2,011	2,097
Interfund loans receivable	3,041,918	2,356,421
Prepaid expenditures	29,273	27,176
Inventory	4,730	6,794
<b>Total assets</b>	<b>\$ 4,064,939</b>	<b>3,514,429</b>
<b>LIABILITIES</b>		
Accounts payable	87,928	75,810
Accrued payroll and benefits	32,368	36,476
Payroll withholdings payable	50,518	13,352
Payable to other governments	7,392	7,532
Interfund loans payable	586,345	411,358
Due to School Department	77,751	316,915
Taxes paid in advance	170,921	121,445
Line of credit	400,000	-
<b>Total liabilities</b>	<b>1,413,223</b>	<b>982,888</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - property taxes	546,300	581,200
<b>Total deferred inflows of resources</b>	<b>546,300</b>	<b>581,200</b>
<b>FUND BALANCES</b>		
Nonspendable - inventory and prepaid	34,003	33,970
Unassigned	2,071,413	1,916,371
<b>Total fund balances</b>	<b>2,105,416</b>	<b>1,950,341</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 4,064,939</b>	<b>3,514,429</b>

**CITY OF CALAIS, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual**  
**For the year ended June 30, 2018**  
**(with comparative actual amounts for the year ended June 30, 2017)**

	2018			2017 Actual
	Budget	Actual	Variance positive (negative)	
Revenues:				
Taxes:				
Property taxes	\$ 3,746,917	3,772,434	25,517	3,742,021
Excise taxes	573,000	573,476	476	579,003
Payments in lieu of taxes	30,000	32,739	2,739	27,488
Interest on taxes	35,000	51,500	16,500	29,101
Total taxes	4,384,917	4,430,149	45,232	4,377,613
Intergovernmental:				
State revenue sharing	232,575	236,165	3,590	225,441
Homestead exemption	165,252	165,252	-	125,740
Business equipment tax reimbursement	6,872	6,395	(477)	7,418
Veterans exemption	-	3,880	3,880	3,853
Tree growth reimbursement	23,000	25,106	2,106	25,246
Snowmobile reimbursement	1,000	748	(252)	655
General assistance	9,100	3,411	(5,689)	5,289
Urban rural initiative payment	40,080	40,720	640	40,080
Total intergovernmental	477,879	481,677	3,798	433,722
Charges for services:				
Administration	15,000	16,357	1,357	14,374
Code enforcement	3,000	2,335	(665)	2,135
EMS administration	68,870	70,164	1,294	70,797
Motor vehicle agent fees	5,800	5,742	(58)	5,932
Building rentals	3,062	3,062	-	3,262
Library	5,500	5,247	(253)	5,019
Recreation	93,500	90,848	(2,652)	73,755
Transfer station	42,000	40,443	(1,557)	43,563
Total charges for services	236,732	234,198	(2,534)	218,837
Interest earned	2,000	2,806	806	2,075
Unclassified:				
Sale of property	2,500	476	(2,024)	-
Police	1,190	1,240	50	1,017
Fire	-	52	52	10
Public works	7,165	7,391	226	7,505
Cemetery	10,900	10,416	(484)	14,374
Unclassified - City	-	2,758	2,758	42,772
Total unclassified	21,755	22,333	578	65,678
Total revenues	5,123,283	5,171,163	47,880	5,097,925

**CITY OF CALAIS, MAINE**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual - General Fund, Continued**

	2018			2017 Actual
	Budget	Actual	Variance positive (negative)	
Expenditures:				
Current:				
General government:				
City council	\$ 15,214	14,890	324	15,241
City manager	119,761	117,464	2,297	120,121
City clerk	78,035	67,684	10,351	69,848
Finance department	141,666	138,838	2,828	140,853
Legal services	23,400	15,737	7,663	18,470
Assessing	88,833	81,918	6,915	84,540
City building	71,684	66,610	5,074	57,721
St. Croix fire house	2,080	1,762	318	1,604
Information Center	5,965	880	5,085	-
Public buildings - north	44,565	41,045	3,520	44,829
Total general government	591,203	546,828	44,375	553,227
City services:				
Library	167,407	160,431	6,976	163,116
Recreation	239,020	223,809	15,211	198,390
Subsidies and donations	1,000	748	252	655
Total City services	407,427	384,988	22,439	362,161
Public safety:				
Police	558,714	540,734	17,980	541,362
Fire	472,740	368,736	104,004	450,516
Street and traffic lights	87,100	86,995	105	85,856
Total public safety	1,118,554	996,465	122,089	1,077,734
Public works:				
Public works	672,383	665,614	6,769	658,350
Transfer station	95,675	89,977	5,698	96,735
Cemetery	114,078	96,193	17,885	103,151
Total public works	882,136	851,784	30,352	858,236
County tax	281,522	281,522	-	272,695
Unclassified:				
Miscellaneous	227,882	222,567	5,315	227,115
Insurance	63,675	54,696	8,979	60,807
Total unclassified	291,557	277,263	14,294	287,922

**CITY OF CALAIS, MAINE**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual - General Fund, Continued**

	<b>2018</b>			<b>2017 Actual</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance positive (negative)</b>	
Expenditures, continued:				
Debt service	142,718	142,721	(3)	142,784
Capital projects	40,000	7,920	32,080	48,536
Total expenditures	3,755,117	3,489,491	265,626	3,603,295
Excess (deficiency) of revenues over (under) expenditures	1,368,166	1,681,672	313,506	1,494,630
Other financing sources (uses):				
Use of surplus	79,609	-	(79,609)	-
Transfers from other funds	131,462	233,619	102,157	123,311
Transfer out - Education Local Appropriation	(1,428,920)	(1,428,920)	-	(1,476,493)
Transfers to other funds	-	(331,296)	(331,296)	(51,144)
Total other financing sources (uses)	(1,217,849)	(1,526,597)	(308,748)	(1,404,326)
Net change in fund balance	150,317	155,075	4,758	90,304
Fund balance, beginning of year		1,950,341		1,860,037
<b>Fund balance, end of year</b>	<b>\$</b>	<b>2,105,416</b>		<b>1,950,341</b>

## **SCHOOL DEPARTMENT OPERATIONS**



**CITY OF CALAIS, MAINE**  
**School Department Operations**  
**Comparative Balance Sheets**  
**June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 235,344	270,162
Due from other governments	554,425	298,541
Due from City	77,751	316,915
Interfund loans receivable	-	13,982
<b>Total assets</b>	<b>\$ 867,520</b>	<b>899,600</b>
<b>LIABILITIES</b>		
Accounts payable	19,050	67,722
Accrued payroll and benefits	573,553	568,217
Interfund loans payable	148,033	-
<b>Total liabilities</b>	<b>740,636</b>	<b>635,939</b>
<b>FUND BALANCES</b>		
Restricted	126,884	263,661
<b>Total fund balances</b>	<b>126,884</b>	<b>263,661</b>
<b>Total liabilities and fund balances</b>	<b>\$ 867,520</b>	<b>899,600</b>

**CITY OF CALAIS, MAINE**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual - School Department Operations**  
**For the year ended June 30, 2018**  
**(with comparative actual amounts for the year ended June 30, 2017)**

	2018		Variance positive (negative)	2017 Actual
	Budget	Actual		
Revenues:				
Intergovernmental:				
State subsidy	\$ 4,191,246	4,191,246	-	3,839,698
MaineCare/Medicare	191,500	193,428	1,928	973,999
State agency clients	-	-	-	422,958
Charges for services:				
Tuition - elementary	229,767	231,365	1,598	212,245
Tuition - secondary	792,322	738,653	(53,669)	796,389
Tuition - special	163,898	231,910	68,012	204,784
Tuition - day treatment	-	-	-	520,626
Other revenues	105,707	109,416	3,709	143,639
Total revenues	5,674,440	5,696,018	21,578	7,114,338
Expenditures:				
Current:				
Regular instruction	2,599,946	2,630,140	(30,194)	2,554,896
Special education	1,081,288	1,072,627	8,661	2,401,703
Career and technical education	885,547	799,110	86,437	834,952
Other instruction	138,415	136,437	1,978	127,131
Student and staff support	323,374	292,060	31,314	269,237
System administration	382,277	368,599	13,678	353,901
School administration	286,523	258,193	28,330	254,729
Transportation and buses	371,967	353,554	18,413	368,832
Facilities maintenance	730,201	725,708	4,493	796,485
Debt service assessments:				
Principal	388,350	386,350	2,000	388,350
Interest	125,472	123,937	1,535	138,343
Total expenditures	7,313,360	7,146,715	166,645	8,488,559
Excess (deficiency) of revenues over (under) expenditures	(1,638,920)	(1,450,697)	188,223	(1,374,221)
Other financing sources (uses):				
Transfer in - Local Appropriation	1,428,920	1,428,920	-	1,476,493
Transfers from other funds	-	-	-	51,144
Transfers to other funds	(15,000)	(115,000)	(100,000)	(15,000)
Use of surplus	225,000	-	(225,000)	-
Total other financing sources (uses)	1,638,920	1,313,920	(325,000)	1,512,637
Net change in fund balances - budgetary basis	-	(136,777)	(136,777)	138,416
Reconciliation to GAAP basis:				
Change in teacher summer salaries		-		(7,884)
Net change in fund balance - GAAP basis		(136,777)		130,532
Fund balance, beginning of year		263,661		133,129
<b>Fund balance, end of year</b>	<b>\$</b>	<b>126,884</b>		<b>263,661</b>

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

### **CAPITAL PROJECT FUNDS**

Capital project funds are used to account for the purchase or construction of capital assets other than those accounted for in other funds.

### **PERMANENT FUNDS**

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

**CITY OF CALAIS, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	-	23,948	23,948
Investments	617,166	-	572,403	1,189,569
Due from other governments	189,737	-	-	189,737
Loans receivable, net	435,163	-	-	435,163
Interfund loans receivable	46,714	548,604	-	595,318
Inventory	8,537	-	-	8,537
<b>Total assets</b>	<b>\$ 1,297,317</b>	<b>548,604</b>	<b>596,351</b>	<b>2,442,272</b>
<b>LIABILITIES</b>				
Accounts payable	10,298	-	-	10,298
Accrued payroll and benefits	22,293	-	-	22,293
Interfund loans payable	225,932	-	26,810	252,742
<b>Total liabilities</b>	<b>258,523</b>	<b>-</b>	<b>26,810</b>	<b>285,333</b>
<b>FUND BALANCES</b>				
Nonspendable	8,537	-	480,457	488,994
Restricted	1,024,432	-	89,084	1,113,516
Committed	26,791	573,883	-	600,674
Unassigned	(20,966)	(25,279)	-	(46,245)
<b>Total fund balances</b>	<b>1,038,794</b>	<b>548,604</b>	<b>569,541</b>	<b>2,156,939</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,297,317</b>	<b>548,604</b>	<b>596,351</b>	<b>2,442,272</b>

**CITY OF CALAIS, MAINE**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the year ended June 30, 2018**

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 6,865	-	-	6,865
Intergovernmental	1,022,479	-	-	1,022,479
Charges for services	97,885	-	-	97,885
Investment income (loss)	(948)	-	(2,431)	(3,379)
Unclassified	136,953	110,075	6,000	253,028
<b>Total revenues</b>	<b>1,263,234</b>	<b>110,075</b>	<b>3,569</b>	<b>1,376,878</b>
Expenditures:				
Current:				
General government	140,670	-	3,010	143,680
City services	85,767	-	1,013	86,780
Public safety	8,654	-	-	8,654
Public works	59,607	-	2,557	62,164
Unclassified	-	-	77	77
Education	772,364	-	-	772,364
Food services	345,353	-	-	345,353
Debt service	15,581	-	-	15,581
Capital outlay	-	212,031	-	212,031
<b>Total expenditures</b>	<b>1,427,996</b>	<b>212,031</b>	<b>6,657</b>	<b>1,646,684</b>
Excess (deficiency) of revenues over (under) expenditures	(164,762)	(101,956)	(3,088)	(269,806)
Other financing sources (uses):				
Transfer from other funds	5,010	333,786	-	338,796
Transfer to other funds	-	-	(8,000)	(8,000)
<b>Total other financing sources (uses)</b>	<b>5,010</b>	<b>333,786</b>	<b>(8,000)</b>	<b>330,796</b>
Net change in fund balance	(159,752)	231,830	(11,088)	60,990
Fund balances, beginning of year	1,198,546	316,774	580,629	2,095,949
<b>Fund balances, end of year</b>	<b>\$ 1,038,794</b>	<b>548,604</b>	<b>569,541</b>	<b>2,156,939</b>

**CITY OF CALAIS, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2018**

		City Special Revenue Funds	Downtown TIF	UDAG Economic Development Loan Fund	Uptown Loan Fund	School Special Revenue Funds	School Lunch	Totals
<b>ASSETS</b>								
Investments	\$	-	-	469,107	148,059	-	-	617,166
Due from other governments		60,167	-	-	-	115,120	14,450	189,737
Loans receivable, net		-	-	419,393	15,770	-	-	435,163
Interfund loans receivable		39,849	6,865	-	-	-	-	46,714
Inventory		-	-	-	-	-	8,537	8,537
<b>Total assets</b>	<b>\$</b>	<b>100,016</b>	<b>6,865</b>	<b>888,500</b>	<b>163,829</b>	<b>115,120</b>	<b>22,987</b>	<b>1,297,317</b>
<b>LIABILITIES</b>								
Accounts payable		-	6,865	-	-	1,079	2,354	10,298
Accrued payroll and benefits		-	-	-	-	22,293	-	22,293
Interfund loans payable		-	-	83,130	112,335	28,959	1,508	225,932
<b>Total liabilities</b>		<b>-</b>	<b>6,865</b>	<b>83,130</b>	<b>112,335</b>	<b>52,331</b>	<b>3,862</b>	<b>258,523</b>
<b>FUND BALANCES</b>								
Nonspendable		-	-	-	-	-	8,537	8,537
Restricted		90,449	-	805,370	51,494	66,531	10,588	1,024,432
Committed		17,360	-	-	-	9,431	-	26,791
Unassigned		(7,793)	-	-	-	(13,173)	-	(20,966)
<b>Total fund balances</b>		<b>100,016</b>	<b>-</b>	<b>805,370</b>	<b>51,494</b>	<b>62,789</b>	<b>19,125</b>	<b>1,038,794</b>
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b>100,016</b>	<b>6,865</b>	<b>888,500</b>	<b>163,829</b>	<b>115,120</b>	<b>22,987</b>	<b>1,297,317</b>

**CITY OF CALAIS, MAINE**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the year ended June 30, 2018**

	City Special Revenue (Schedule 1)	Downtown TIF	UDAG Economic Development Loan Fund	Uptown Loan Fund	School Special Revenue (Schedule 2)	School Lunch	Totals
<b>Revenues:</b>							
Taxes	\$ -	6,865	-	-	-	-	6,865
Intergovernmental	67,734	-	-	-	720,631	234,114	1,022,479
Charges for services	-	-	-	-	18,638	79,247	97,885
Investment income (loss)	-	-	(656)	(292)	-	-	(948)
Unclassified	110,217	-	13,303	1,870	11,563	-	136,953
<b>Total revenues</b>	<b>177,951</b>	<b>6,865</b>	<b>12,647</b>	<b>1,578</b>	<b>750,832</b>	<b>313,361</b>	<b>1,263,234</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General government	17,643	6,865	114,095	2,067	-	-	140,670
City services	85,767	-	-	-	-	-	85,767
Public safety	8,654	-	-	-	-	-	8,654
Public works	59,607	-	-	-	-	-	59,607
Education	750	-	-	-	771,614	-	772,364
Food services	-	-	-	-	-	345,353	345,353
Debt service	-	-	15,581	-	-	-	15,581
<b>Total expenditures</b>	<b>172,421</b>	<b>6,865</b>	<b>129,676</b>	<b>2,067</b>	<b>771,614</b>	<b>345,353</b>	<b>1,427,996</b>
Excess (deficiency) of revenues over (under) expenditures	5,530	-	(117,029)	(489)	(20,782)	(31,992)	(164,762)
<b>Other financing sources (uses):</b>							
Transfers from (to) other funds	(2,490)	-	(3,750)	(3,750)	-	15,000	5,010
<b>Total other financing sources (uses)</b>	<b>(2,490)</b>	<b>-</b>	<b>(3,750)</b>	<b>(3,750)</b>	<b>-</b>	<b>15,000</b>	<b>5,010</b>
<b>Net change in fund balances</b>	<b>3,040</b>	<b>-</b>	<b>(120,779)</b>	<b>(4,239)</b>	<b>(20,782)</b>	<b>(16,992)</b>	<b>(159,752)</b>
Fund balances, beginning of year	96,976	-	926,149	55,733	83,571	36,117	1,198,546
<b>Fund balances, end of year</b>	<b>\$ 100,016</b>	<b>-</b>	<b>805,370</b>	<b>51,494</b>	<b>62,789</b>	<b>19,125</b>	<b>1,038,794</b>

## **SCHEDULES**



**CITY OF CALAIS, MAINE**  
**City Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the year ended June 30, 2018**

	Balances (deficits) beginning of year	Revenues		Expenditures	Transfers in (out)	Balances (deficits) end of year
		Inter- governmental	Other			
General government:						
1730 CDBG Facade Grant	\$ (358)	-	-	-	358	-
1746 Downtown Community Enterprise	3,098	-	-	-	(3,098)	-
1795 Pet Smart Grant	44	-	-	-	(44)	-
1800 Summer Food Program	165	-	-	-	(165)	-
3625 Economic Development - Dawson	20,177	-	20,241	17,360	-	23,058
3885 PW Insurance Claim	3,210	-	-	-	-	3,210
4747 Walkway Extension Donation	306	-	-	-	(306)	-
N/A Rental Rehabilitation	283	-	-	283	-	-
City services:						
2830 Donation - Skateboard	(662)	-	-	153	-	(815)
3660 Recreation Wellness	605	-	-	-	(605)	-
3661 Recreation Arts & Humanities	1,197	-	-	177	(1,020)	-
3662 Recreation Smith Field	1,000	-	-	-	-	1,000
3663 Recreation Center Expansion	1,690	-	-	-	(1,690)	-
3665 Recreation JMG Grant	600	-	-	-	-	600
3666 Recreation School Basketball	909	-	-	-	-	909
3667 Recreation Pavilion Project	(325)	-	-	-	-	(325)
3668 Recreation Tennis Donations	7,268	-	34,327	43,277	-	(1,682)
3758 Library - Eaton Foundation	6,992	-	5,000	7,557	-	4,435
3762 Library - Special Gift Book	1,043	-	5,007	3,264	10	2,796
3764 J. Baig Bequest - Library	1,920	-	-	-	-	1,920
3767 Library - MBNA Collect Deve	4	-	-	-	(4)	-
3768 Library - Rudman Trust	6	-	-	-	(6)	-
3771 Library - Pike Fund Income	19,340	-	29,976	31,339	-	17,977
3778 Concert Donations	229	-	-	-	-	229
3779 Triangle Park Donations	(800)	-	12,800	-	-	12,000
3783 Arts Council Donations	199	-	-	-	(199)	-
Public safety:						
1725 Shore and Harbor (BIG) Grant	(4,871)	-	-	100	-	(4,971)
1740 FEMA Disaster	4,707	-	-	-	(4,707)	-
1745 Safe Routes to School	(1,110)	-	-	-	1,110	-
1765 2012 Justice Assistance Grant	(376)	-	-	-	376	-
1766 Stone Garden Grant	557	2,147	-	2,136	(568)	-
1767 Justice Assistance Grant	-	4,420	-	4,420	-	-
1789 Police Drug Forfeiture Funds	6,097	1,000	-	1,634	-	5,463
3600 Animal Control Fees	2,148	-	366	229	-	2,285
3635 Firefighter Training FAC	2,873	-	-	135	-	2,738
3638 J. Baig Bequest - Firefighters	2,000	-	-	-	-	2,000
3640 Police - DARE	5,884	-	-	-	16	5,900
3642 Police - Fingerprint Clinic	2,412	-	-	-	-	2,412
3648 J. Baig Bequest - Police	957	-	-	-	-	957
Public works:						
1726 DEP Pumpout (BIG) Grant	-	60,167	-	59,607	-	560
3874 Transfer Station Prof Services	1,000	-	-	-	1,500	2,500
3875 Transfer Station Environ Monit	258	-	-	-	3,000	3,258
3877 PW Tree Planting	2,000	-	-	-	500	2,500
3878 PW Tree Removal	4,000	-	-	-	1,552	5,552
3879 PW Chipping Program	2,050	-	-	-	1,500	3,550
Unclassified:						
3633 Scholarship Account	(1,750)	-	2,500	750	-	-
<b>Total City special revenue funds</b>	<b>\$ 96,976</b>	<b>67,734</b>	<b>110,217</b>	<b>172,421</b>	<b>(2,490)</b>	<b>100,016</b>

**CITY OF CALAIS, MAINE**  
**School Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the year ended June 30, 2018**

		Balances (deficits) beginning of year	Revenues	Expenditures	Balances (deficits) end of year
Federal programs:					
2300	Title IA - Disadvantaged	\$ (6,355)	320,724	318,594	(4,225)
2310	Title IA - Program Improvement	(5,411)	7,715	7,715	(5,411)
2400	Title IV - Student Support	-	3,342	3,342	-
2470	Local Entitlement	(100)	105,532	105,532	(100)
2510	Preschool	-	6,244	6,244	-
2670	Rural Low Income	(81)	18,140	18,140	(81)
2700	Title IIA - Supporting Effective Instruction	-	38,609	38,609	-
2860	Perkins Learning Center	-	39,232	39,232	-
2915	HRSA Grant - School Based Health	79	-	-	79
Total federal programs		(11,868)	539,538	537,408	(9,738)
State programs:					
2015	Melmac Grant - High School	6,613	10,000	8,966	7,647
2017	Melmac Grant - Tech Center	4,376	14,000	13,284	5,092
2214	CTE Industry Standards	(1)	26,129	26,019	109
2220	Dental	433	500	820	113
2230	IT-V	6,113	-	-	6,113
2232	Proficiency Based Education	8,906	-	4,456	4,450
2233	PEP Grant	1,981	-	-	1,981
2237	Advantage ME	-	18,800	18,801	(1)
2238	Momentum	(4,256)	20,371	19,470	(3,355)
2248	FEDES Grant	-	84,390	84,390	-
2250	Regional Support Unit	2,108	-	-	2,108
2900	HIV Prevention	134	-	-	134
2905	Youth Suicide Prevention	58	-	-	58
7020	DHHS Teen and Youth	24,752	8,367	32,647	472
Total state programs		51,217	182,557	208,853	24,921
Other programs:					
2010	Kellogg Grant	520	-	-	520
2020	Maine Dairy	28	-	-	28
2060	Local Funds	6,860	61	-	6,921
2071	Wellness Grant	2,343	-	-	2,343
2080	Suicide Prevention Grant	7,497	-	-	7,497
2090	Tootsie Roll Grant	2,610	840	339	3,111
2100	Recommissioned Computer Revenue	1,586	-	806	780
2130	Maine Indian Education - Afterschool	3,550	-	-	3,550
2135	CES Afterschool Program	8,803	18,336	17,708	9,431
2145	Mano en Mano	-	9,500	6,500	3,000
2150	T.A.G.	3,046	-	-	3,046
2160	Underwater Robotics	5	-	-	5
2180	EPGY	5,624	-	-	5,624
2190	Private Dormant Grants	1,750	-	-	1,750
Total other programs		44,222	28,737	25,353	47,606
<b>Totals</b>		<b>\$ 83,571</b>	<b>750,832</b>	<b>771,614</b>	<b>62,789</b>

**CITY OF CALAIS, MAINE**  
**Nonmajor Capital Project Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the year ended June 30, 2018**

	Balances (deficits) beginning of year	Revenues	Expenditures	Transfers in (out)	Balances (deficits) end of year
3623 WCPA Purchase Escrow	\$ 285,414	19,241	-	-	304,655
3630 Nash's Lake Dam	(2,502)	-	-	4,348	1,846
3664 Recreation Pool Donations	(56,962)	33,000	-	6,314	(17,648)
3761 Library - Building Fund	1,465	36,551	296	-	37,720
3785 Land Disposition	-	19,871	902	-	18,969
3870 Cemetery Road Repair	4,000	-	-	-	4,000
3895 Nursing Home Feasibility Study	120	-	-	(120)	-
3900 Veteran's Memorial Pavers	2,192	200	80	-	2,312
4202 CIP Administration	14,412	102	16,182	1	(1,667)
4205 CIP Fire Department	11,947	75	4,950	11,239	18,311
4207 CIP Library	1	-	-	(1)	-
4210 CIP Recreation Dept	5,840	37	-	-	5,877
4215 CIP Police Dept	14,565	90	19,207	866	(3,686)
4220 CIP Public Works	11,455	800	169,653	323,936	166,538
4225 CIP Transfer Station	(1,537)	20	761	-	(2,278)
4230 CIP Cemetery	7,984	51	-	1,200	9,235
4235 CIP Equipment Reserve	179	-	-	(179)	-
4240 CIP North Street Building	2,298	14	-	-	2,312
4245 CIP Debt	13,795	23	-	(13,818)	-
2120 School - SCRTC Reserve Fund	2,108	-	-	-	2,108
<b>Total nonmajor capital projects</b>	<b>\$ 316,774</b>	<b>110,075</b>	<b>212,031</b>	<b>333,786</b>	<b>548,604</b>

**CITY OF CALAIS, MAINE**  
**Nonmajor Permanent Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the year ended June 30, 2018**

	Cemetery Trust Funds	Library Trust Funds	Poor Trust Funds	Beckett Pool Funds	Totals
Revenues:					
Contributions/donations	\$ 6,000	-	-	-	6,000
Investment income	6,540	2,618	1,570	197	10,925
Unrealized gain (loss)	(8,223)	(2,909)	(1,976)	(248)	(13,356)
<b>Total revenues</b>	<b>4,317</b>	<b>(291)</b>	<b>(406)</b>	<b>(51)</b>	<b>3,569</b>
Expenditures:					
Current:					
General government	-	-	3,010	-	3,010
City services	-	1,013	-	-	1,013
Public works	2,557	-	-	-	2,557
Unclassified	-	-	-	77	77
<b>Total expenditures</b>	<b>2,557</b>	<b>1,013</b>	<b>3,010</b>	<b>77</b>	<b>6,657</b>
Excess (deficiency) of revenues over (under) expenditures	1,760	(1,304)	(3,416)	(128)	(3,088)
Other financing uses:					
Transfer to other funds	(4,000)	(4,000)	-	-	(8,000)
<b>Total other financing uses</b>	<b>(4,000)</b>	<b>(4,000)</b>	<b>-</b>	<b>-</b>	<b>(8,000)</b>
Net change in fund balances	(2,240)	(5,304)	(3,416)	(128)	(11,088)
Fund balances, beginning of year	358,282	141,792	67,339	13,216	580,629
<b>Fund balances, end of year</b>	<b>\$ 356,042</b>	<b>136,488</b>	<b>63,923</b>	<b>13,088</b>	<b>569,541</b>

**CITY OF CALAIS, MAINE**  
**Statement of Changes in Assets and Liabilities**  
**Agency Funds - Student Activity Funds**  
**For the year ended June 30, 2018**

	Balances Beginning of year	Additions	Deletions	Balances End of year
<b>ASSETS</b>				
Cash	\$ 121,788	150,528	138,835	133,481
<b>Total assets</b>	<b>\$ 121,788</b>	<b>150,528</b>	<b>138,835</b>	<b>133,481</b>
<b>LIABILITIES</b>				
Due to student groups:				
Calais High School	86,547	114,084	95,338	105,293
St. Croix Technical Center	25,196	23,801	28,594	20,403
Calais Elementary School	10,045	12,643	14,903	7,785
<b>Total liabilities</b>	<b>\$ 121,788</b>	<b>150,528</b>	<b>138,835</b>	<b>133,481</b>