

April 28, 2021

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, 2020. 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 November 18, 2020. 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 27, 2020, 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 changed accounting policies related to fiduciary funds by adopting Statements of Governmental Accounting Standards (GASB Statement) No. 84, *Fiduciary Activities*, in 2020. No other new accounting policies were adopted and the application of existing policies was not changed during 2020. 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 nearly all 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 April 28, 2021, 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 and the schedules pertaining to the net pension and OPEB liabilities, 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 schedule of expenditures of federal awards, 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 black ink, reading "Remya Weston Ouellette". The signature is written in a cursive style with a large initial 'R' and 'W'.

**City of Calais**  
**Adjusting Journal Entries - City**  
**6/30/2020**

			<u>Debit</u>	<u>Credit</u>
<b>1</b>	7-7470-00	Accrued Interest	1,818.39	
	7100-2005	2011 FR Int		1,818.39
	<i>To bring interest accrual to actual for waste water fund as of June 30, 2020.</i>			
<b>2</b>	08-8275-00	Ambulance Allowance for Bad Debt		3,088.07
	E8000-6509	Bad Debt	3,088.07	
	06-8275-00	Ambulance Allowance for Bad Debt		8,324.11
	E6000-9850	AMB Bad Debt	8,324.11	
	<i>To adjust A/R Allowance account to actual as of 6/30/2020.</i>			
<b>3</b>	08-8200-00	Ambulance Small Claims Fees		9,448.61
	E8000-6509	Bad Debt	9,448.61	
	<i>To record bad debt on uncollectible receivables</i>			
<b>4</b>	07-7410-00	Accounts Payable		88,522.74
	07-7320-00	Construction in Process	75,875.24	
	07-7320-00	Construction in Process	12,647.50	
	<i>To reocord accounts payable found in search for missing payables.</i>			
<b>5</b>	1-1830-00	Special Gas Account		504.06
	0410-5510	Fuel/Oil/Lube	504.06	
	<i>To bring fuel inventory to actual as of June 30, 2020.</i>			
<b>6</b>	07-7367-00	Sewer CDBG - Summer Street		22,190.45
	07-7381-00	Sewer RD South Harrison St		8,500.00
	07-7388-00	Sewer Palmer St		80,722.14
	07-7320-00	Construction in Process	111,412.59	
	<i>To record items to waste water CIP that were being posted directly to net position.</i>			
<b>7</b>	7000-7700	WWTP Grant Revenue	14,246.52	
	7-7468-00	Sewer BP Mainning St		14,246.52
	7-7468-00	Sewer BP Manning St		35,268.50
	7-7320-00	Construction in Process	35,268.50	
	7-7700-00	WWTP Grant Revenue	720,775.09	
	7-7469-00	Swere BP Palmer St		94,652.80
	7-7471-00	Sewer BP Palmer St II		626,122.29
	<i>To correct grant revenue and BAN payables at year end.</i>			
<b>8</b>	7-7350-00	Sewer Accum Depreciation		598,676.00
	7000-8060	Drec/Asset	598,676.00	
	<i>To post current year waste water depreciation expense.</i>			
<b>9</b>	02-2050-01	DTF General Fund All Acocunt		4,725.00
	02-0224-00	DTOF-GEN Fund PC	4,400.00	
	02-0520-00	DTOF-GF Scholarship	325.00	
	<i>To balance out trust funds at year end.</i>			

<b>10</b>	R0100-0219	2019 Taxes	4,800.00	
	1-2910-00	Deferred property taxes		4,800.00

*To post current change in deferred property tax.*

<b>11</b>	3000-6509	Bad Debt Expense	35,000.00	
	03-1215-00	Allowance for Bad Debt EDLF		35,000.00

*To increase the allowance for amounts that the client feels will not be collectible going forward. This amount should have been included in the original allowance amount.*

**City of Calais**  
**Adjusting Journal Entries - School Department**  
**June 30, 2020**

		<u>Debit</u>	<u>Credit</u>
2	9000-0000-2620-54410-910	Rent	
	9000-0000-2620-55200-910	PCL Insurance	
	<i>To move payments for loan out of the insurance expense and into loan payment line.</i>		
		25,784.54	25,784.54
3	6000-0000-0000-11710-000	Inventory	
	6000-0000-3100-56300-900	School Lunch Food	
	<i>To adjust inventory to balance at year end.</i>		
		3,544.15	3,544.15
4	1000-0000-0000-10102-000	School Cash Account	
	1000-0000-0000-12100-000	Accounts Receivable	
	1000-0000-0000-12100-000	Accounts Receivable	
	1000-0000-0000-12101-000	Accounts Receivable- Baring	
	1000-0000-0000-12102-000	Accounts Receivable- Robbinston	
	1000-0000-0000-12103-000	Accounts Receivable- Alexander	
	1000-0000-0000-12104-000	Accounts Receivable- Charlotte	
	1000-0000-0000-12105-000	Accounts Receivable- Crawford	
	1000-0000-0000-12107-000	Accounts Receivable- Perry	
	1000-0000-0000-12110-000	Accounts Receivable- Baileyville	
	1000-0000-0000-12112-000	Accounts Receivable- Pleasant Point	
	1000-0000-0000-12120-000	Accounts Receivable- Edmunds	
	1000-0000-0000-12132-000	Accounts Receivable- East Machias	
	1000-0000-0000-25900-000	DTF	
	1000-0000-0000-25900-000	DTF	
	1000-0000-0000-25900-000	DTF	
	1000-0000-0000-25900-000	DTF	
	1000-0000-0000-25900-000	DTF	
	1000-0000-0000-25900-000	DTF	
	1000-0000-0000-25900-000	DTF	
	1000-0000-0000-25900-000	DTF	
	1000-0000-0000-25900-000	DTF	
	1000-0000-0000-25900-000	DTF	
	1000-0000-0000-25900-000	DTF	
	2300-0000-0000-12100-000	Accounts Receivable	
	2300-0000-0000-25100-000	DTF	
	2400-0000-0000-12100-000	Accounts Receivable - Title IV	
	2400-0000-0000-25100-000	DTF	
	2470-0000-0000-12100-000	Accounts Receivable	
	2470-0000-0000-25100-000	DTF	
	2670-0000-0000-12100-000	Accounts Receivable	
	2670-0000-0000-25100-000	DTF	
	2700-0000-0000-12100-000	Accounts Receivable	
	2700-0000-0000-25100-000	DTF	
	6000-0000-0000-12100-000	Accounts Receivable- Due from State	
	6000-0000-0000-25100-000	DTF	
	6000-0000-0000-25100-000	DTF	
	6000-0000-0000-43250-000	State Subsidy Lunch	
	9000-0000-0000-12100-000	Accounts Receivable	
	9000-0000-0000-12100-000	Accounts Receivable	
	9000-0000-0000-12100-000	AR	
	9000-0000-0000-25100-000	DTF	
	9000-0000-0000-25100-000	DTF	
	9000-0000-0000-44585-000	Mainecare Day Treatment	
	<i>To move payable out of General Fund cash account at year end.</i>		
		1,022,721.62	1,022,721.62
5	1000-0000-0000-20100-000	ACCOUNTS PAYABLE	
		35,540.92	

	1000-0000-2700-55140-900	Purchased Transportation Services from p		35,540.92
	1000-0000-0000-20100-000	ACCOUNTS PAYABLE		32.62
	7020-0000-0000-20100-000	ACCOUNTS PAYABLE	32.62	
	1000-0000-0000-20100-000	ACCOUNTS PAYABLE		3,029.10
	1000-0000-27000-56260-900	Fleet Fuel	3,029.10	
	1000-0000-0000-20100-000	ACCOUNTS PAYABLE		870.00
	2635-0000-0000-20100-000	ACCOUNTS PAYABLE	870.00	
	<i>To reconcile GF AP at year end.</i>			
<b>6</b>	1000-0000-0000-20100-000	ACCOUNTS PAYABLE		114.58
	2860-0000-0000-20100-000	ACCOUNTS PAYABLE	180.00	
	7020-0000-0000-20100-000	ACCOUNTS PAYABLE	58.29	
	6000-0000-0000-20100-000	ACCOUNTS PAYABLE		123.71
	<i>To flush out immaterial AP vairances at year end that were not reconciled.</i>			
<b>7</b>	1000-0000-0000-20100-000	ACCOUNTS PAYABLE		51,349.44
	1000-0000-2700-55140-900	Purchased Transportation Services from p	51,349.44	
	<i>To record payables found in search for unrecorded liabilities.</i>			
<b>8</b>	1000-0000-0000-29000-000	Accrued Payroll	571,913.04	
	1000-3333-1000-51010-390	SALARY - Computer Technology		86,789.36
	1000-1100-1000-51010-010	Teacher salary		391,800.48
	1000-2100-1000-51010-950	Teacher salary		67,354.86
	1000-0000-2130-51010-900	Nurse salary		25,968.34
	2300-0000-0000-29000-000	Accrued Payroll	26,631.24	
	2300-1100-1000-51010-950	Teacher Salary		26,631.24
	9000-0000-0000-29000-000	Accrued Payroll	35,182.36	
	9000-2310-1000-51010-990	Teacher Salary		35,182.36
	<i>To reverse PY entries for Accrued payroll in all funds.</i>			
<b>9</b>	1000-0000-0000-41990-000	Misc. Local revenue	1,788.84	
	1000-0000-0000-12100-000	ACCOUNTS RECEIVABLE		1,788.84
	<i>To remove an invalid AR where the receivable was overstated and the amount will not be collected.</i>			
<b>10</b>	2300-0000-0000-44517-000	NCLB Title 1A Disadvantaged		6,824.00
	2300-0000-0000-12100-000	Accounts Receivable	6,824.00	
	2400-0000-0000-44523-000	Revenue	10,676.78	
	2670-0000-0000-44590-000	Title IV Rural and Low Income		10,676.78
	2670-0000-0000-44590-000	Title IV Rural and Low Income	5,031.42	
	2400-0000-0000-44523-000	Revenue		5,031.42
	2640-0000-0000-44591-000	Innovative Title V	1,370.40	
	2670-0000-0000-44590-000	Title IV Rural and Low Income		1,370.40
	2670-0000-0000-44590-000	Title IV Rural and Low Income		44,514.20
	2700-0000-0000-44520-000	Title IIA Teacher Quality State	44,514.20	
	2635-0000-0000-12100-000	Accounts Receivable	46,890.00	
	2635-0000-0000-44524-000	Maine - AWARE		46,890.00
	<i>To remove an invalid AR where the receivable was overstated and the amount will not be collected.</i>			



**City of Calais**  
**Passed Adjusting Journal Entries - City**  
**6/30/2020**

			<u>Debit</u>	<u>Credit</u>
<b>100</b>	1310-13	2013 RE Taxes	3,475.00	
	0100-0213	2013 Taxes		3,475.00
	<i>To adjust 2013 real estate taxes receivable to actual as of 6/30/20.</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)

April 28, 2021

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, 2020, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the disclosures (collectively 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 **April 28, 2021**, 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 27, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for 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."

Runyon Kersteen Ouellette

April 28, 2021

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- 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 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 a whole for each opinion unit. A list of the 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 (including information obtained from outside of the general fund and subsidiary ledgers), 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 waste 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, including any side agreements.

**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, fund balances 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, that 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 appropriately present majority equity interests in legally separate organizations and 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 GASBS No. 34, as amended, and GASBS No. 84.
- 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 or amortized.
- 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 supplementary information other than RSI (schedule of expenditures of federal awards, combining and individual fund financial statements):

- a) We acknowledge our responsibility for preparing and 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 preparing and presenting the schedule of expenditures of federal awards (SEFA) and disclosures 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.

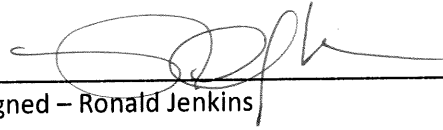
Runyon Kersteen Ouellette  
April 28, 2021  
Page 9



Signed - Michael Ellis

4. 29. 21

Date



Signed - Ronald Jenkins

4-29-21

Date

April 28, 2021

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, 2020, 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 following deficiencies in internal control (2020-001 through 2020-002) 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 that reads "Remyon Weston 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, 2020**

---

SIGNIFICANT DEFICIENCIES

**2020-001 – Preparation of Financial Statements**

Criteria: Client personnel designated as having responsibility over the financial reporting process 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.

Statement of Condition: 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.

Cause: The City does not employ an individual that possesses the expertise to prepare a complete set of financial statements that are in accordance with generally accepted accounting principles.

Effect: 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.

Recommendation: 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, which we feel management is fully capable of doing given their collective municipal financial reporting experience.

*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.*

**2020-002 – Material Audit Adjusting Journal Entries (City and School Department)**

Criteria: The general ledger includes activity and balances of the City and School Department's asset, liability, revenue, and expenditure/expense accounts. These accounts should be reconciled monthly with supporting ledgers to ensure accuracy of balance throughout the year.

Statement of Condition: Many of these accounts required audit adjustments at year-end, including sewer capital assets, School Department payables, School Department receivables, School Department accrued salaries, and various revenue and expenditure/expense accounts. Both individually and in the aggregate, these entries were material to the financial statements.

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

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

Cause: The City finance staff are not comfortable with certain entries related to year end accruals and waits until the auditor proposes correcting entries to adjust these accounts annually. For the school department, changes in the year end close process in ADS caused management to struggle with year end account reconciliations.

Effect: Whenever the auditor is required to propose a material amount of entries, the risk of material misstatement due to fraud or error increases significantly.

Recommendation: 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 and School Department 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:

- Reconcile receivables and payable listings with general ledger
- Review of direct fund balance posts and properly classify these entries out of fund balance
- Review waste water project draws and expenditures and ensure activity has been posted to accurate general ledger accounts

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 reconciled monthly. Finance staff will attempt to reconcile the accounts at least quarterly. The UDAG Loan fund 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.*

*The School Department will be taking the recommendation of RKO and create monthly checklist that includes reconciling accounts on the general ledger.*

**CITY OF CALAIS, MAINE**  
**Schedule of Comments and Responses, Continued**  
**June 30, 2020**

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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.*

**School Lunch Inventory Listing**

During the audit, it was noted that the spreadsheets containing school lunch inventory items had formula errors which caused totals to miscalculate. These errors were not material to the financial statements, however errors, if gone uncorrected, could become material in the future. We suggest that in the future, the spreadsheets are reviewed prior to year-end close to ensure that all formulas are proper so that accurate information is presented.

*Management's response/corrective action plan: Superintendent Office staff has worked with the lead kitchen workers to correct errors partially caused by software use. Superintendent will also follow up with kitchen leads to make them aware of the issue and make sure they are checking the spreadsheets.*

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

During our testing of activity fund receipts at SCRTC we tested five deposits and found two instances where management did not deposit the funds within ten business days from receipt of those funds. Any time funds are held 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.

Additionally, management's current practice of documenting receipts with a deposit worksheet could be improved upon by implementing a formal receipting process. This process would include filling out a detailed receipt in a receipt book that documents when funds are collected, who they are received from, and the purpose of those funds.

*Management's response/corrective action plan: The superintendent will work with the SCRTC director and review the written procedures that are in place and advise a plan to work with the SCRTC secretary to assure that all written procedures are being followed.*

**CITY OF CALAIS, MAINE**  
**Schedule of Comments and Responses, Continued**  
**June 30, 2020**

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OTHER COMMENTS, CONTINUED

**Activity Funds – Calais Middle and High School Disbursements**

During our review of the Middle and High School activity fund cash disbursement process, we noted that officials and other vendors that may require an I.R.S. form 1099 were being paid directly out of the activity funds. We suggest that all services that may require a form 1099 be paid through the general accounts payable process. By making these payments through the general accounts payable process, it allows them to be properly tracked so all vendors that received over \$600 in a calendar year would be issued a proper form 1099.

Additionally, we found a disbursement for the purchase of postage. As postage is a budgeted expenditure within the General Fund, all postage purchases should be charged to the appropriate General Fund expenditure account. We suggest that management review appropriate versus inappropriate activity fund purchases with the activity fund manager to avoid future General Fund expenditures flowing through the activity fund.

*Management's response/corrective action plan: Officials and vendors are paid out of the internal account when there is not enough time for a check to go through the AP process. Many times, sport officials do not know in advance so we cannot process a check on a warrant prior to any game they are working. At the end of every calendar year the school secretary checks the vendor register for any person or company that has been paid \$600 or more. Any person or vendor that has been paid \$600 or more, the secretary provides the central office with a completed W9 and the amount paid to each vendor so the central office bookkeeper can issue a 1099.*

*When the high school needs to add postage on their meter the secretary writes a check through the internal account and mails the check to Pitney Bowes and then requests reimbursement through the warrant system to reimburse the expense. This is done to avoid late fees and penalties charged by Pitney Bowes.*

**School Lunch Receipts (Repeat)**

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: Due to space and funding limitations we have not implemented a POS system. We do not have a plan at the moment to install a POS.*

**School Department Payroll Process**

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 management was unable to provide health insurance election forms for eight of the forty employees tested. Additionally, we found four exceptions related to employee pay rates. Two employees were not paid accurately based on the employee contract and two employees did not have documentation of the authorized pay rate.



**CITY OF CALAIS, MAINE**  
**Schedule of Comments and Responses, Continued**  
**June 30, 2020**

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OTHER COMMENTS, CONTINUED

Finally, we had three exceptions related to MPERS pension contributions. We found two employees that had verbally opted out of MEPRS but did not fill out the required opt out form. The third employee was active in the pension plan, however the City was not paying the correct rate for this employee. The employee was being treated as a locally funded employee however the employee was 100% federally funded.

We suggest that management develop a checklist that contains all of the required documentation to be maintained in the employee personnel files and perform an annual review at year end that ensures the proper documentation has been maintained, including but not limited to MPERS opt forms and health insurance election forms. Additionally, management should perform a review of the set up for each employee in the payroll system and ensure that pay rates, MPERS contribution rates, and health insurance rates are accurate. All payroll changes should be reviewed and approved by a second individual who is not recording those changes in the accounting system.

*Management's response/corrective action plan: All new hires are provided a health insurance form and are required to return to our office regardless if they are choosing to participate in our health plan or not. The payroll person will check each person is being paid on the correct schedule and that we have contracts or salary agreements for all. Payroll will also ensure that any person eligible for MainePERS complete an application.*

**Accounting Structure of the City General Ledger (City)**

The internal account structure of the City should be set up in a manner that accomplishes the financial reporting objectives of management. All individual funds should be separated with individual fund names and fund numbers. Currently, nearly all of the individual nonmajor governmental funds (special revenue and capital project funds) are recorded as single account lines in the general fund assets and liabilities. 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 will seek assistance from the software vendor and RKO to correct the account structure into a more efficient format.*

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, 2020, 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 April 28, 2021, 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

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.

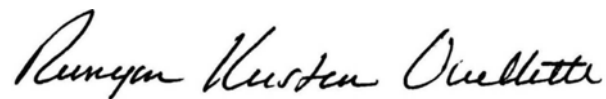
The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. Another known matter of noncompliance relating to the above listed items (items #1 - #6) is as follows:

- The School Department did not make allowable budgetary transfers of up to 5% and, as a result, had three cost centers 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.

A handwritten signature in cursive script, reading "Raymond Hudson Ouellette".

April 28, 2021  
South Portland, Maine

**CITY OF CALAIS, MAINE**  
**Schedule of Reconciliation of the NEO Financial System with Audited Financial Statements**  
**For the year ended June 30, 2020**

	School Department Operations	Day Treatment	School Special Revenues	School Lunch Program
<b>Revenues and other financing sources:</b>				
Per NEO	\$ 7,747,601	1,896,320	939,123	346,394
Adjustments:				
Donated commodities	-	-	-	11,875
Reclassification of MaineCare Seed	90,030	(90,030)	-	-
Revenues not reported on NEO	-	-	-	-
Adjusted NEO balance	7,837,631	1,806,290	939,123	358,269
Per financial statements (Statement 4, Exhibits B-2 and D-2):	7,837,631	1,806,290	939,122	358,269
<b>Immaterial differences</b>	<b>\$ -</b>	<b>-</b>	<b>1</b>	<b>-</b>
	School Department Operations	Day Treatment	School Special Revenues	School Lunch Program
<b>Expenditures and other financing uses:</b>				
Per NEO	\$ 7,777,826	1,801,772	904,497	371,308
Adjustments:				
Donated commodities	-	-	-	11,875
Duplicated audit entry	(51,349)	-	-	-
Adjusted NEO balance	7,726,477	1,801,772	904,497	383,183
Per financial statements (Statement 4, Exhibits B-2 and D-2):	7,726,475	1,801,772	904,495	383,182
<b>Immaterial differences</b>	<b>\$ 2</b>	<b>-</b>	<b>2</b>	<b>1</b>
<b>Reconciliation between financial statements and NEO report:</b>				
Revenues	\$ 6,363,486	1,806,290	939,122	343,269
Transfers in	1,474,145	-	-	15,000
Total revenues	7,837,631	1,806,290	939,122	358,269
Expenditures	7,711,475	1,801,772	904,495	383,182
Transfers out	15,000	-	-	-
Total expenditures	7,726,475	1,801,772	904,495	383,182
Net transfers in (out)	1,459,145	-	-	15,000

*See accompanying auditor's report.*

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



**CITY OF CALAIS, MAINE**

**Annual Financial Report**

**For the Year Ended June 30, 2020**

**CITY OF CALAIS, MAINE**  
**Annual Financial Report**  
**For the year ended June 30, 2020**

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**CITY OF CALAIS, MAINE**  
**Annual Financial Report**  
**For the year ended June 30, 2020**

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Certified Public Accountants and Business Consultants

## 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, 2020, 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, 2020, 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.

### ***Emphasis of Matter***

As described in the notes to the financial statements, in 2020, the City adopted new accounting guidance GASBS No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

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. The Calais Water Department's financial position is reported as of December 31, 2019, and the changes in financial position and cash flows for the year then ended. 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 and the pension and OPEB liability schedules 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 April 28, 2021 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Calais, Maine's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Calais, Maine's internal control over financial reporting and compliance.



April 28, 2021  
South Portland, Maine

**CITY OF CALAIS, MAINE**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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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, 2020. 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.

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**

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**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, 2020 was \$2,860,014 (combined governmental activities and business-type activities).
- The City's long-term debt decreased by \$750,141, for a balance of \$7,183,745 (combined governmental activities and business-type activities).
- The City's net position decreased by a total of \$261,944 (combined governmental activities and business-type activities) after restating beginning net position to move School Department student activity funds to a special revenue fund as required under GASB 84.
- Fund balance as reported in the City's fund financial statements decreased by \$521,842 to a total of \$4,578,112.
- On a budgetary basis, the City's revenues and other financing sources exceeded its expenditures and other financing uses by \$38,014. The School Department's revenues and other financing sources exceeded its expenditures and other financing uses by \$111,156.

**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 financial statements. 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 finances 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**

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*General Fund (including School Department Operations)*

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 as supplemental information.

Notes to Basic Financial Statements

The notes to the basic financial statements are included in the financial statements to give specific comment to certain areas. These are a crucial part of the financial statements 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 26-51.

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 52-57.

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 \$23,708,674 as of June 30, 2020.

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, 2020, with a restated June 30, 2019**

	Governmental Activities		Business-type Activities		Total	
	2020	2019*	2020	2019	2020	2019*
Current & other assets	\$ 6,719,839	7,089,842	(1,620,830)	(1,780,713)	5,099,009	5,309,129
Capital assets, net	5,957,664	5,996,718	26,354,153	26,017,990	32,311,817	32,014,708
Total assets	12,677,503	13,086,560	24,733,323	24,237,277	37,410,826	37,323,837
Deferred outflows						
related to pensions	488,733	463,234	-	-	488,733	463,234
Deferred outflows						
related to OPEB	135,146	96,122	-	-	135,146	96,122
Total deferred outflows	623,879	559,356	-	-	623,879	559,356
Current liabilities	1,612,427	1,465,388	1,753,092	893,415	3,365,519	2,358,803
Noncurrent liabilities	3,750,436	3,705,562	6,941,469	7,545,734	10,691,905	11,251,296
Total liabilities	5,362,863	5,170,950	8,694,561	8,439,149	14,057,424	13,610,099
Deferred inflows						
related to pensions	259,000	220,435	-	-	259,000	220,435
Deferred inflows						
related to OPEB	9,607	82,041	-	-	9,607	82,041
Total deferred inflows	268,607	302,476	-	-	268,607	302,476
Net investment in						
capital assets	5,695,554	5,596,818	18,031,809	17,826,817	23,727,363	23,423,635
Restricted	2,084,061	2,315,220	-	-	2,084,061	2,315,220
Unrestricted	(109,703)	260,452	(1,993,047)	(2,028,689)	(2,102,750)	(1,768,237)
<b>Total net position</b>	<b>\$ 7,669,912</b>	<b>8,172,490</b>	<b>16,038,762</b>	<b>15,798,128</b>	<b>23,708,674</b>	<b>23,970,618</b>

A portion of the City's net position, 8.8%, represents resources that are restricted. The deficit unrestricted net position of the Governmental Activities of \$109,703 includes actuarial estimates of pension and OPEB liabilities. The amount of unrestricted net position that may be used to meet the ongoing obligations to citizens and creditors for Governmental Activities is \$3,185,585, when you do not take into account the actuarially calculated for the net pension liability of \$1,069,600 and OPEB liability of \$2,225,688. There is a deficit unrestricted net position of \$1,993,047 for Business-type Activities.

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

As of June 30, 2020, the City is able to report positive balances in two of the three categories of net position for its governmental activities, 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, 2020.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>REVENUES</b>						
Charges for services	\$ 2,590,210	2,333,548	2,283,444	2,441,499	4,873,654	4,775,047
Operating grants and contributions	7,919,106	7,920,495	-	-	7,919,106	7,920,495
Capital grants and contributions	79,500	61,514	268,385	910,159	347,885	971,673
Property taxes	3,811,417	3,800,082	-	-	3,811,417	3,800,082
Excise taxes	573,045	612,096	-	-	573,045	612,096
Grants and contributions not restricted to specific purpose	635,045	499,404	-	-	635,045	499,404
Unrestricted investment earnings (loss)	76,527	71,073	15,285	14,846	91,812	85,919
Miscellaneous revenues	5,549	308	-	-	5,549	308
<b>Total revenues</b>	<b>15,690,399</b>	<b>15,298,520</b>	<b>2,567,114</b>	<b>3,366,504</b>	<b>18,257,513</b>	<b>18,665,024</b>
<b>EXPENSES</b>						
General government	1,296,545	387,428	-	-	1,296,545	387,428
City services	468,141	438,386	-	-	468,141	438,386
Public safety	1,005,348	1,013,933	-	-	1,005,348	1,013,933
Public works	1,010,655	975,195	-	-	1,010,655	975,195
County tax	284,159	296,926	-	-	284,159	296,926
Unclassified	313,976	288,375	-	-	313,976	288,375
Education	11,415,904	10,910,507	-	-	11,415,904	10,910,507
Interest on debt service	5,760	97,613	-	-	5,760	97,613
Capital maintenance	45,695	15,982	-	-	45,695	15,982
Sewer	-	-	1,218,338	1,203,060	1,218,338	1,203,060
Ambulance	-	-	931,622	924,123	931,622	924,123
Water	-	-	523,314	516,042	523,314	516,042
<b>Total expenses</b>	<b>15,846,183</b>	<b>14,424,345</b>	<b>2,673,274</b>	<b>2,643,225</b>	<b>18,519,457</b>	<b>17,067,570</b>
Excess (deficiency) before transfers	(155,784)	874,175	(106,160)	723,279	(261,944)	1,597,454
Transfers	(346,794)	52,910	346,794	(52,910)	-	-
Change in net position	(502,578)	927,085	240,634	670,369	(261,944)	1,597,454
Net position, beginning of year, restated	8,172,490	7,114,098	15,798,128	15,127,759	23,970,618	22,241,857
<b>Net position, end of year</b>	<b>\$ 7,669,912</b>	<b>8,041,183</b>	<b>16,038,762</b>	<b>15,798,128</b>	<b>23,708,674</b>	<b>23,839,311</b>

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

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**Analysis of the City's Operations**

*Governmental Activities*

Governmental activities decreased net position by \$502,578. Net investment in capital assets increased by \$98,736, or 1.8%, due to purchases of capital assets and repayment of debt principal exceeding depreciation expense.

Total revenues for governmental activities increased from the prior year by \$391,879. Property tax revenues increased \$11,335 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 \$270,794, increased \$1,421,838 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 increased by \$240,634 from \$15,798,128 to \$16,038,762. Net investment in capital assets increased by \$204,992, primarily due to ongoing sewer and water projects, most of which were funded with grant revenues.

Charges for services decreased \$158,055, or less than 6.5%, from the prior year, primarily due to decreased ambulance calls and insurance reimbursement as a result of the Covid-19 pandemic which began in March 2020.

Depreciation expense decreased \$20,973 from the prior year to \$810,815.

**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 \$4,578,112, \$521,842 lower 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 \$3,806,617. Excise taxes accounted for \$573,045 in total revenue.



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

Total governmental fund expenditures for the year were \$15,860,647 and are broken down as follows:

	<b>2020</b>	<b>2019</b>
General government	\$ 949,184	\$ 668,732
City services	434,725	406,066
Public safety	967,624	983,461
Public works	863,250	930,569
County tax	284,159	296,926
Unclassified	313,976	288,375
Education	11,022,163	10,513,289
Debt service	605,506	585,686
Capital outlay	420,060	469,052
<b>Total governmental fund expenditures</b>	<b>\$ 15,860,647</b>	<b>\$ 15,142,156</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 \$16,038,762, \$240,634 higher than the previous year.

Total proprietary fund operating expenses for the year were \$2,638,719 and are broken down as follows:

Sewer fund	\$ 1,146,871
Calais Ambulance fund	778,987
NWSARAS Ambulance fund	151,991
Water fund	560,870
<b>Total Proprietary Fund Expenses</b>	<b>\$ 2,638,719</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, 2020 amount to \$32,311,817, 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	
	2020	2019	2020	2019	2020	2019
Land	\$ 2,907,505	3,111,905	75,896	75,896	2,983,401	3,187,801
Construction in progress	143,247	138,478	2,485,466	1,694,332	2,628,713	1,832,810
Buildings and improvements	1,906,875	1,883,728	8,462,771	8,462,771	10,369,646	10,346,499
Furniture, equipment and vehicles	3,990,526	3,942,001	1,436,736	1,508,284	5,427,262	5,450,285
Infrastructure	1,058,700	785,470	27,035,158	26,706,170	28,093,858	27,491,640
<b>Total capital assets</b>	<b>10,006,853</b>	<b>9,861,582</b>	<b>39,496,027</b>	<b>38,447,453</b>	<b>49,502,880</b>	<b>48,309,035</b>
Accumulated depreciation	(4,049,189)	(3,864,864)	(13,141,874)	(12,429,463)	(17,191,063)	(16,294,327)
<b>Capital assets, net</b>	<b>\$ 5,957,664</b>	<b>5,996,718</b>	<b>26,354,153</b>	<b>26,017,990</b>	<b>32,311,817</b>	<b>32,014,708</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 notes payable and several financed purchases from various lending sources.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Notes payable	\$ 159,737	280,753	6,921,635	7,533,986	7,081,372	7,814,739
Financed purchase obligations	102,373	119,147	-	-	102,373	119,147
<b>Totals</b>	<b>\$ 262,110</b>	<b>399,900</b>	<b>6,921,635</b>	<b>7,533,986</b>	<b>7,183,745</b>	<b>7,933,886</b>

During the fiscal year, the City's total debt decreased by \$750,141 or 9.5%.

A summary of the City's debt activity for the year ended June 30, 2020 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**

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**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, 2020.

During the year, budgeted revenues exceeded actual revenues by \$74,562. Most of this variance resulted from over-anticipated tax and education revenue.

Budgeted expenditures exceeded actual expenditures by \$374,337. 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 98% 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 a slowdown in economic growth. Sales prices of houses in the City continue to be steady, however, their marketing time was less than normal due to an influx of out-of-state buyers.

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 infrastructure by utilization of reserve funds.

The fiscal year 2020-2021 budgeted revenues for sewer remain the same as 2019-2020, 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, 2020**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,380,592	184,810	1,565,402
Investments	1,294,612	-	1,294,612
Receivables:			
Taxes	566,924	-	566,924
Due from other governments	733,094	-	733,094
Accounts, net	14,974	658,757	673,731
Loans, net	216,686	-	216,686
Cash held in escrow	-	40,348	40,348
Internal balances	2,459,828	(2,554,257)	(94,429) *
Prepaid expenses	34,577	-	34,577
Inventory	18,552	49,512	68,064
Capital assets, not being depreciated	3,050,752	2,561,362	5,612,114
Capital assets, net of accumulated depreciation	2,906,912	23,792,791	26,699,703
Total assets	12,677,503	24,733,323	37,410,826
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	488,733	-	488,733
Deferred outflows of resources related to OPEB	135,146	-	135,146
Total deferred outflows of resources	623,879	-	623,879
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	433,497	278,978	712,475
Accrued payroll and benefits	707,834	4,760	712,594
Taxes paid in advance	171,096	-	171,096
Line of credit	300,000	-	300,000
Accrued interest	-	28,297	28,297
Bond anticipation notes payable	-	1,441,057	1,441,057
Noncurrent liabilities:			
Due within one year	50,175	610,987	661,162
Due in more than one year	3,700,261	6,330,482	10,030,743
Total liabilities	5,362,863	8,694,561	14,057,424
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	259,000	-	259,000
Deferred inflows of resources related to OPEB	9,607	-	9,607
Total deferred inflows of resources	268,607	-	268,607
<b>NET POSITION</b>			
Net investment in capital assets	5,695,554	18,031,809	23,727,363
Restricted for:			
Permanent funds - nonexpendable principal	466,828	-	466,828
Permanent funds - expendable	143,279	-	143,279
Education	903,927	-	903,927
Grants and restricted programs	570,027	-	570,027
Unrestricted	(109,703)	(1,993,047)	(2,102,750)
Total net position	\$ 7,669,912	16,038,762	23,708,674

*See accompanying notes to basic financial statements.*

\* Due to Water Fund being presented as of December 31, 2019.

CITY OF CALAIS, MAINE  
Statement of Activities  
For the year ended June 30, 2020

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	\$ 1,296,545	105,390	9,284	-	(1,181,871)	-	(1,181,871)
City services	468,141	51,633	51,639	-	(364,869)	-	(364,869)
Public safety	1,005,348	-	1,132	-	(1,004,216)	-	(1,004,216)
Public works	1,010,655	46,726	62,777	-	(901,152)	-	(901,152)
County tax	284,159	-	-	-	(284,159)	-	(284,159)
Unclassified	313,976	-	-	-	(313,976)	-	(313,976)
Education	11,415,904	2,386,461	7,794,274	-	(1,235,169)	-	(1,235,169)
Interest on debt service	5,760	-	-	-	(5,760)	-	(5,760)
Capital maintenance	45,695	-	-	79,500	33,805	-	33,805
Total governmental activities	15,846,183	2,590,210	7,919,106	79,500	(5,257,367)	-	(5,257,367)
Business-type activities:							
Sewer	1,218,338	868,432	-	231,295	-	(118,611)	(118,611)
Ambulance	931,622	791,550	-	33,790	-	(106,282)	(106,282)
Water	523,314	623,462	-	3,300	-	103,448	103,448
Total business-type activities	2,673,274	2,283,444	-	268,385	-	(121,445)	(121,445)
<b>Total primary government</b>	<b>\$ 18,519,457</b>	<b>4,873,654</b>	<b>7,919,106</b>	<b>347,885</b>	<b>(5,257,367)</b>	<b>(121,445)</b>	<b>(5,378,812)</b>
General revenues:							
Property taxes					\$ 3,811,417	-	3,811,417
Motor vehicle excise taxes					573,045	-	573,045
Grants and contributions not restricted to specific programs:							
State revenue sharing					384,281	-	384,281
Homestead and BETE exemptions					219,057	-	219,057
Other					31,707	-	31,707
Unrestricted investment earnings (loss)					76,527	15,285	91,812
Miscellaneous revenues					5,549	-	5,549
Transfers					(346,794)	346,794	-
Total general revenues and transfers					4,754,789	362,079	5,116,868
Change in net position					(502,578)	240,634	(261,944)
Net position - beginning, as restated					8,172,490	15,798,128	23,970,618
<b>Net position - ending</b>					<b>\$ 7,669,912</b>	<b>16,038,762</b>	<b>23,708,674</b>

*See accompanying notes to basic financial statements.*

**CITY OF CALAIS, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

	General	School Department Operations	Day Treatment	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 117,233	1,075,952	-	187,407	1,380,592
Investments	-	-	-	1,294,612	1,294,612
Receivables:					
Taxes	566,924	-	-	-	566,924
Due from other governments	58,052	275,693	135,539	263,810	733,094
Accounts	7,010	7,285	679	-	14,974
Loans, net	-	-	-	216,686	216,686
Interfund loans receivable	2,873,598	69,891	147,240	206,963	3,297,692
Prepaid expenditures	34,577	-	-	-	34,577
Inventory	7,134	-	-	11,418	18,552
<b>Total assets</b>	<b>\$ 3,664,528</b>	<b>1,428,821</b>	<b>283,458</b>	<b>2,180,896</b>	<b>7,557,703</b>
<b>LIABILITIES</b>					
Accounts payable	179,955	193,230	14,370	16,179	403,734
Accrued payroll and benefits	13,506	606,367	54,545	33,416	707,834
Payroll withholdings payable	22,018	-	-	-	22,018
Payable to other governments	7,745	-	-	-	7,745
Interfund loans payable	204,855	-	-	633,009	837,864
Taxes paid in advance	171,096	-	-	-	171,096
Line of credit	300,000	-	-	-	300,000
<b>Total liabilities</b>	<b>899,175</b>	<b>799,597</b>	<b>68,915</b>	<b>682,604</b>	<b>2,450,291</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	529,300	-	-	-	529,300
<b>Total deferred inflows of resources</b>	<b>529,300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>529,300</b>
<b>FUND BALANCES</b>					
Nonspendable	41,711	-	-	466,828	508,539
Restricted	-	629,224	214,543	773,466	1,617,233
Committed	-	-	-	422,693	422,693
Assigned	48,820	-	-	-	48,820
Unassigned	2,145,522	-	-	(164,695)	1,980,827
<b>Total fund balances</b>	<b>2,236,053</b>	<b>629,224</b>	<b>214,543</b>	<b>1,498,292</b>	<b>4,578,112</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 3,664,528</b>	<b>1,428,821</b>	<b>283,458</b>	<b>2,180,896</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.					5,957,664
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.					529,300
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:					
Accrued compensated absences					(193,038)
Financed purchases					(102,373)
Notes from direct borrowing					(159,737)
Net OPEB liability with associated deferred inflows and outflows of resources					(96,005)
Total OPEB liability with associated deferred inflows and outflows of resources					(2,004,144)
Net pension liability with associated deferred inflows and outflows of resources					(839,867)
<b>Net position of governmental activities</b>				<b>\$ 7,669,912</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, 2020**

	General	School Department Operations	Day Treatment	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 4,379,662	-	-	-	4,379,662
Intergovernmental	686,501	5,472,153	946,025	1,168,372	8,273,051
Charges for services	194,974	1,471,286	838,485	85,465	2,590,210
Student activity fees and fundraisers	-	-	-	131,064	131,064
Investment earnings	11,451	-	-	65,076	76,527
Unclassified	23,081	17,551	21,780	172,673	235,085
Total revenues	5,295,669	6,960,990	1,806,290	1,622,650	15,685,599
<b>Expenditures:</b>					
Current:					
General government	597,192	-	-	351,992	949,184
City services	397,140	-	-	37,585	434,725
Public safety	967,023	-	-	601	967,624
Public works	860,391	-	-	2,859	863,250
County tax	284,159	-	-	-	284,159
Unclassified	313,889	-	-	87	313,976
Education	-	7,830,248	1,801,772	1,390,143	11,022,163
Debt service	111,194	478,731	-	15,581	605,506
Capital outlay	289,451	-	-	130,609	420,060
Total expenditures	3,820,439	8,308,979	1,801,772	1,929,457	15,860,647
Excess (deficiency) of revenues over (under) expenditures	1,475,230	(1,347,989)	4,518	(306,807)	(175,048)
<b>Other financing sources (uses):</b>					
Transfers from other funds	84,756	1,474,145	-	127,009	1,685,910
Transfers to other funds	(1,521,972)	(15,000)	-	(495,732)	(2,032,704)
Total other financing sources (uses)	(1,437,216)	1,459,145	-	(368,723)	(346,794)
Net change in fund balances	38,014	111,156	4,518	(675,530)	(521,842)
Fund balances, beginning of year, as restated	2,198,039	518,068	210,025	2,173,822	5,099,954
<b>Fund balances, end of year</b>	<b>\$ 2,236,053</b>	<b>629,224</b>	<b>214,543</b>	<b>1,498,292</b>	<b>4,578,112</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, 2020**

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Net change in fund balances - total governmental funds (from Statement 4) \$ (521,842)

Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

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.

Capital outlays	458,740	
Less: depreciation expense	(270,794)	
Less: book loss on disposal of capital assets	(227,000)	(39,054)

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.

4,800

Some revenues (expenses) reported in the Statement of Activities do not provide (require the use of) current financial resources and therefore, are not reported as revenues (expenditures) in the governmental funds.

These are the changes in other asset (liability)-related amounts:

Accrued compensated absences	23,145	
Net OPEB liability, including related deferred inflows and outflows	158	
Total OPEB liability, including related deferred inflows and outflows	(6,393)	
Net pension liability, including related deferred inflows and outflows	(101,182)	(84,272)

The issuance of long-term debt (direct borrowings/financed purchases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net position. These are the changes in long-term debt and related amounts:

Principal payments on notes from direct borrowings	121,016	
Principal payments on financed purchases	16,774	137,790

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**Change in net position of governmental activities (see Statement 2) \$ (502,578)**

*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, 2020**

	General Fund				School Department Operations Fund			
	Budgeted amounts		Actual	Variance with final budget positive (negative)	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final			Original	Final		
Revenues:								
Taxes	\$ 4,438,124	4,438,124	4,379,662	(58,462)	-	-	-	-
Intergovernmental	636,535	636,535	686,501	49,966	5,115,454	5,115,454	4,874,649	(240,805)
Charges for services	232,762	232,762	194,974	(37,788)	1,254,336	1,254,336	1,471,286	216,950
Interest earned	7,500	7,500	11,451	3,951	-	-	-	-
Unclassified	21,375	21,375	23,081	1,706	27,631	27,631	17,551	(10,080)
<b>Total revenues</b>	<b>5,336,296</b>	<b>5,336,296</b>	<b>5,295,669</b>	<b>(40,627)</b>	<b>6,397,421</b>	<b>6,397,421</b>	<b>6,363,486</b>	<b>(33,935)</b>
Expenditures:								
Current:								
General government	602,229	615,167	597,192	17,975	-	-	-	-
City services	412,921	431,681	397,140	34,541	-	-	-	-
Public safety	1,051,617	1,059,839	967,023	92,816	-	-	-	-
Public works	906,950	913,088	860,391	52,697	-	-	-	-
County tax	284,159	284,159	284,159	-	-	-	-	-
Unclassified	297,632	312,632	313,889	(1,257)	-	-	-	-
Education	-	-	-	-	7,529,993	7,529,993	7,232,744	297,249
Debt service	111,223	111,223	111,194	29	481,859	481,859	478,731	3,128
Capital outlay	146,500	166,610	289,451	(122,841)	-	-	-	-
<b>Total expenditures</b>	<b>3,813,231</b>	<b>3,894,399</b>	<b>3,820,439</b>	<b>73,960</b>	<b>8,011,852</b>	<b>8,011,852</b>	<b>7,711,475</b>	<b>300,377</b>
Excess (deficiency) of revenues over (under) expenditures	1,523,065	1,441,897	1,475,230	33,333	(1,614,431)	(1,614,431)	(1,347,989)	266,442
Other financing sources (uses):								
Transfers from other funds	84,750	84,750	84,756	6	1,474,145	1,474,145	1,474,145	-
Transfers to other funds	(1,474,145)	(1,474,145)	(1,521,972)	(47,827)	(15,000)	(15,000)	(15,000)	-
Use of surplus	-	81,168	-	(81,168)	155,286	155,286	-	(155,286)
<b>Total other financing sources (uses)</b>	<b>(1,389,395)</b>	<b>(1,308,227)</b>	<b>(1,437,216)</b>	<b>(128,989)</b>	<b>1,614,431</b>	<b>1,614,431</b>	<b>1,459,145</b>	<b>(155,286)</b>
Net change in fund balances	133,670	133,670	38,014	(95,656)	-	-	111,156	111,156
Fund balances, beginning of year			2,198,039				518,068	
<b>Fund balances, end of year</b>	<b>\$</b>		<b>2,236,053</b>				<b>629,224</b>	

*See accompanying notes to basic financial statements.*

**CITY OF CALAIS, MAINE**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2020**  
**(Water Fund presented as of December 31, 2019)**

	Business-type Activities - Enterprise Funds				Totals
	Sewer Fund	NWSARAS Ambulance	Ambulance Fund	Water Fund	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 8,292	16,572	43,200	116,746	184,810
Accounts receivable, net	357,068	31,456	124,790	145,443	658,757
Cash held in escrow	18,826	-	-	21,522	40,348
Inventory	-	-	-	49,512	49,512
Total current assets	384,186	48,028	167,990	333,223	933,427
Noncurrent assets:					
Property, plant, and equipment:					
Land	-	-	-	75,896	75,896
Construction in progress	2,485,466	-	-	-	2,485,466
Buildings and improvements	8,348,925	-	-	113,846	8,462,771
Equipment, furniture, and vehicles	234,428	-	567,851	634,457	1,436,736
Infrastructure	16,848,346	-	-	10,186,812	27,035,158
Less accumulated depreciation	(9,769,059)	-	(340,318)	(3,032,497)	(13,141,874)
Total noncurrent assets	18,148,106	-	227,533	7,978,514	26,354,153
Total assets	18,532,292	48,028	395,523	8,311,737	27,287,580
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	236,750	2,051	18,432	21,745	278,978
Accrued payroll and benefits	-	1,082	3,678	-	4,760
Accrued interest	23,854	-	-	4,443	28,297
Interfund loans payable	1,744,547	2,701	675,806	131,203	2,554,257
Bond anticipation notes payable	1,112,069	-	-	328,988	1,441,057
Current portion of notes	398,340	-	13,720	198,927	610,987
Total current liabilities	3,515,560	5,834	711,636	685,306	4,918,336
Noncurrent liabilities:					
Compensated absences payable	-	-	19,834	-	19,834
Notes from direct borrowing	3,386,347	-	-	2,924,301	6,310,648
Total noncurrent liabilities	3,386,347	-	19,834	2,924,301	6,330,482
Total liabilities	6,901,907	5,834	731,470	3,609,607	11,248,818
<b>NET POSITION</b>					
Net investment in capital assets	13,270,176	-	213,813	4,547,820	18,031,809
Unrestricted	(1,639,791)	42,194	(549,760)	154,310	(1,993,047)
Total net position	\$ 11,630,385	42,194	(335,947)	4,702,130	16,038,762

*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, 2020**  
**(Water Fund presented for the year ended December 31, 2019)**

	Business-type Activities - Enterprise Funds				Totals
	Sewer Fund	NWSARAS Ambulance	Ambulance Fund	Water Fund	
Operating revenues:					
Charges for services	\$ 854,762	149,015	635,605	623,302	2,262,684
Miscellaneous	13,670	-	6,930	160	20,760
<b>Total operating revenues</b>	<b>868,432</b>	<b>149,015</b>	<b>642,535</b>	<b>623,462</b>	<b>2,283,444</b>
Operating expenses:					
Personnel services	211,844	109,237	633,621	277,813	1,232,515
Contractual services	148,963	20,216	48,165	37,599	254,943
Utilities	98,117	899	1,777	19,748	120,541
Repairs and maintenance	11,185	803	8,718	994	21,700
Materials and supplies	67,615	10,103	32,637	33,420	143,775
Miscellaneous	3,542	2,409	5,131	14,096	25,178
Bad debt expense	6,929	8,324	12,537	1,462	29,252
Depreciation	598,676	-	36,401	175,738	810,815
<b>Total operating expenses</b>	<b>1,146,871</b>	<b>151,991</b>	<b>778,987</b>	<b>560,870</b>	<b>2,638,719</b>
<b>Operating income (loss)</b>	<b>(278,439)</b>	<b>(2,976)</b>	<b>(136,452)</b>	<b>62,592</b>	<b>(355,275)</b>
Nonoperating revenue (expense):					
Interest income	12,573	394	1,130	1,188	15,285
Capital grants and contributions	231,295	5,001	28,789	3,300	268,385
Interest expense	(71,467)	-	(644)	(12,450)	(84,561)
<b>Total nonoperating revenue (expense)</b>	<b>172,401</b>	<b>5,395</b>	<b>29,275</b>	<b>(7,962)</b>	<b>199,109</b>
<b>Net income (loss) before transfers</b>	<b>(106,038)</b>	<b>2,419</b>	<b>(107,177)</b>	<b>54,630</b>	<b>(156,166)</b>
Transfers:					
Transfers from (to) other funds	396,800	(3,165)	3,165	-	396,800
<b>Total transfers</b>	<b>396,800</b>	<b>(3,165)</b>	<b>3,165</b>	<b>-</b>	<b>396,800</b>
<b>Change in net position</b>	<b>290,762</b>	<b>(746)</b>	<b>(104,012)</b>	<b>54,630</b>	<b>240,634</b>
<b>Total net position, beginning of year</b>	<b>11,339,623</b>	<b>42,940</b>	<b>(231,935)</b>	<b>4,647,500</b>	<b>15,798,128</b>
<b>Total net position, end of year</b>	<b>\$ 11,630,385</b>	<b>42,194</b>	<b>(335,947)</b>	<b>4,702,130</b>	<b>16,038,762</b>

*See accompanying notes to basic financial statements.*

**CITY OF CALAIS, MAINE**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2020**  
**(Water Fund presented for the year ended December 31, 2019)**

	Business-type Activities - Enterprise Funds				Totals
	Sewer Fund	NWSARAS Ambulance	Ambulance Fund	Water Fund	
Cash flows from operating activities:					
Receipts from customers and users	\$ 869,438	156,692	693,103	674,230	2,393,463
Payments to suppliers	(219,676)	(42,912)	(95,357)	(118,666)	(476,611)
Payments to employees/employee services	(211,844)	(110,189)	(630,449)	(277,813)	(1,230,295)
Net cash provided by (used in) operating activities	437,918	3,591	(32,703)	277,751	686,557
Cash flows from non-capital financing activities:					
Transfers from (to) other funds	396,800	(3,165)	3,165	-	396,800
Increase (decrease) in interfund loans payable	(231,270)	(34,582)	44,837	31,708	(189,307)
Net cash provided by (used in) non-capital financing activities	165,530	(37,747)	48,002	31,708	207,493
Cash flows from capital and related financing activities:					
Purchase of capital assets	(1,116,822)	-	-	(30,156)	(1,146,978)
Capital grants and contributions	231,295	5,001	28,789	3,300	268,385
Proceeds from bond anticipation note	735,022	-	-	8,500	743,522
Principal payments on debt	(392,095)	-	(21,874)	(198,382)	(612,351)
Interest paid on debt	(73,285)	-	(644)	(12,835)	(86,764)
Net cash provided by (used in) capital and related financing activities	(615,885)	5,001	6,271	(229,573)	(834,186)
Cash flows from investing activities:					
Interest income	12,573	394	1,130	1,188	15,285
Net cash provided by (used in) investing activities	12,573	394	1,130	1,188	15,285
Increase (decrease) in cash and cash equivalents	136	(28,761)	22,700	81,074	75,149
Cash and cash equivalents, beginning of year	8,156	45,333	20,500	35,672	109,661
<b>Cash and cash equivalents, end of year</b>	<b>\$ 8,292</b>	<b>16,572</b>	<b>43,200</b>	<b>116,746</b>	<b>184,810</b>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (278,439)	(2,976)	(136,452)	62,592	(355,275)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	598,676	-	36,401	175,738	810,815
(Increase) decrease in operating assets:					
Accounts receivable, net	1,006	7,677	50,568	50,768	110,019
Inventory	-	-	-	(5,446)	(5,446)
Increase (decrease) in operating liabilities:					
Accounts payable	116,675	(158)	13,608	(5,901)	124,224
Accrued wages and benefits	-	(952)	(4,914)	-	(5,866)
Accrued compensated absences	-	-	8,086	-	8,086
Net cash provided by (used in) operating activities	437,918	3,591	(32,703)	277,751	686,557

*See accompanying notes to basic financial statements.*

**CITY OF CALAIS, MAINE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2020**

		Private- purpose Trust Funds	Custodial Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$	248	168,046
Investments		71,160	-
<b>Total assets</b>		<b>71,408</b>	<b>168,046</b>
<b>LIABILITIES</b>			
Accounts payable		2,925	-
<b>Total liabilities</b>		<b>2,925</b>	<b>-</b>
<b>NET POSITION</b>			
Restricted	\$	68,483	168,046

*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, 2020**

	Private- purpose Trust Funds	Custodial Funds
Additions:		
Donations	\$ 325	-
Contributions	-	60,011
Investment income (loss)	3,535	1,438
Total additions	3,860	61,449
Deductions:		
Scholarships and other	489	31,232
Total deductions	489	31,232
Change in net position	3,371	30,217
Net position, beginning of year	65,112	137,829
<b>Net position, end of year</b>	<b>\$ 68,483</b>	<b>168,046</b>

*See accompanying notes to basic financial statements.*

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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 of Baileyville and the 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 2020, the City of Calais contributed \$0 to the Utility. For the year ended June 30, 2020, the Utility did not have a financial audit completed; however unaudited figures show the following as of the year then ended: total assets \$2,101,919, total liabilities \$2,887,760, and a net loss of \$361,166. The City is contingently liable for a line of credit that the Utility issued in the City's name. At June 30, 2020, the line of credit had a balance of \$1,595,718.

**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.



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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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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, 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**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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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.

*Custodial funds* are custodial in nature and are reported on the economic resources measurement focus. Custodial funds are accounted for using the *accrual basis of accounting*. The funds are used to account for assets and related activity for those assets that the City holds 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**

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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**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 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**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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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.

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**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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**A. Budgets**

The City utilizes a formal budgetary accounting system to control revenues and expenditures accounted for in the General Fund, which includes School Department Operations. 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, 2020, expenditures exceeded appropriations in the following areas:

Unclassified – City	\$ 1,257	School administration – School	201
Capital outlay – City	122,841	Transportations and buses – School	5,428
Regular instruction – School	82,965		

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

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED**

**C. Deficit Fund Balances**

At June 30, 2020, the following funds had deficit fund balances and net position:

Triangle Park sidewalk project	\$ 43,662	Mano en Mano	3,311
Recreation Pool Donation	15,699	Scholarship Account	1,750
Title IA – Disadvantage	2,220	Donation - Skateboard	937
Title IA – Program Improvement	5,480	Recreation Pavilion Park	325
Local Entitlement	21,539	Recreation Tennis Donations	501
Perkins Learning Center	3,222	Library Figure Foundation	310
Momentum	7,455	Library Pike Book Fund	113
DHHS Teen and Youth	1,607	Shore and Harbor (BIG) Grant	4,971
Rotary Grant – BARR	694	DEP Pumpout (BIG) Grant	7,099
CES Afterschool Program	7,308	Ambulance Fund	335,947
School Lunch	36,492		

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 School Department Operations 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 \$597,504. 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. Investments in FNMA held by the City are Level 1 inputs.

As of June 30, 2020, 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	\$ 1,315,586	252,461	1,063,125	-
Federal National Mortgage Assoc.	50,186	50,186	-	-
Totals	\$ 1,365,772	302,647	1,063,125	-

*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, 2020, 100% of the City’s bank balance of \$2,012,591 was covered by FDIC insurance, fully insured, or collateralized.

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

**DEPOSITS AND INVESTMENTS, CONTINUED**

*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, 2020, 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.

**ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS**

As of June 30, 2020, the City had the following accounts and loans receivable with allowance for uncollectible account balances:

	<u>Ambulance Fund</u>	<u>NWSARS Fund</u>	<u>UDAG Loan Fund</u>
Accounts receivable	\$ 188,999	39,780	-
Loans receivable	-	-	610,136
Allowance for uncollectible accounts	(64,209)	(8,324)	(393,450)
<b><u>Accounts and loans receivable, net</u></b>	<b><u>\$ 124,790</u></b>	<b><u>31,456</u></b>	<b><u>216,686</u></b>

**PROPERTY TAX**

Property taxes for the current year were committed on July 12, 2019, 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 \$133,670 for the year ended June 30, 2020.

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>2020</u>	<u>2019</u>
Assessed value	\$ 148,621,500	147,745,400
<u>Tax rate (per \$1,000)</u>	<u>25.30</u>	<u>25.30</u>
Commitment	3,760,124	3,737,958
<u>Less: Collections</u>	<u>3,474,860</u>	<u>3,464,282</u>
<b><u>Current year taxes receivable at end of year</u></b>	<b><u>\$ 285,265</u></b>	<b><u>273,676</u></b>



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

**PROPERTY TAX, CONTINUED**

Due date - current year	October 1, 2019	October 1, 2018
Interest rate on delinquent taxes	9.00%	8.00%
Collection rate	92.4%	92.7%

**CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance June 30, <u>2019</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2020</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 138,478	143,247	138,478	143,247
Land	3,111,905	5,600	210,000	2,907,505
Total capital assets not being depreciated	3,250,383	148,847	348,478	3,050,752
Capital assets, being depreciated:				
Buildings and improvements	1,883,728	33,747	10,600	1,906,875
Furniture and equipment	2,099,727	104,685	68,219	2,136,193
Vehicles	1,842,274	36,709	24,650	1,854,333
Infrastructure	785,470	273,230	-	1,058,700
Total capital assets being depreciated	6,611,199	448,371	103,469	6,956,101
Less accumulated depreciation for:				
Buildings and improvements	1,096,574	40,837	10,600	1,126,811
Furniture and equipment	1,251,598	102,053	51,219	1,302,432
Vehicles	1,400,329	79,499	24,650	1,455,178
Infrastructure	116,363	48,405	-	164,768
Total accumulated depreciation	3,864,864	270,794	86,469	4,049,189
Total capital assets being depreciated, net	2,746,335	177,577	17,000	2,906,912
<b>Governmental activities capital assets, net</b>	<b>\$ 5,996,718</b>	<b>326,424</b>	<b>365,478</b>	<b>5,957,664</b>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 75,896	-	-	75,896
Construction in progress	1,694,332	1,120,122	328,988	2,485,466
Total capital assets not being depreciated	1,770,228	1,120,122	328,988	2,561,362
Capital assets, being depreciated:				
Buildings and improvements	8,462,771	-	-	8,462,771
Equipment, furniture, and vehicles	1,508,284	26,856	98,404	1,436,736
Infrastructure	26,706,170	328,988	-	27,035,158
Total capital assets being depreciated	36,677,225	355,844	98,404	36,934,665

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

**CAPITAL ASSETS, CONTINUED**

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance June 30, <u>2019</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2020</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 5,381,676	259,685	-	5,641,361
Equipment, furniture, and vehicles	1,194,334	47,977	98,404	1,143,907
Infrastructure	5,853,453	503,153	-	6,356,606
Total accumulated depreciation	12,429,463	810,815	98,404	13,141,874
Total capital assets being depreciated, net	24,247,762	(454,971)	-	23,792,791
<b>Business-type activities capital assets, net</b>	<b>\$ 26,017,990</b>	<b>665,151</b>	<b>328,988</b>	<b>26,354,153</b>

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

Governmental activities:	
General government	\$ 5,907
City services	33,416
Public safety	37,724
Public works	147,405
Education	46,342
<b>Total depreciation expense – governmental activities</b>	<b>\$ 270,794</b>
Business-type activities:	
Sewer fund	\$ 598,676
Ambulance fund	36,401
Water fund	175,738
<b>Total depreciation expense – business-type activities</b>	<b>\$ 810,815</b>

**LONG-TERM DEBT**

Long-term liability activity for the year ended June 30, 2020 was as follows:

	Beginning <u>balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>balance</u>	Due within <u>one year</u>
<b>Governmental activities:</b>					
Notes payable	\$ 280,753	-	121,016	159,737	31,352
Financed purchases	119,147	-	16,774	102,373	18,823
Compensated absences	216,183	20,389	43,534	193,038	-
OPEB liabilities	2,107,995	117,693	-	2,225,688	-
Net pension liability	981,484	88,116	-	1,069,600	-
<b>Governmental activities long-term liabilities</b>	<b>\$ 3,705,562</b>	<b>226,198</b>	<b>181,324</b>	<b>3,750,436</b>	<b>50,175</b>

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

**LONG-TERM DEBT, CONTINUED**

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
<b>Business-type activities:</b>					
Notes payable	\$ 7,533,986	-	612,351	6,921,635	610,987
Compensated absences	11,748	8,086	-	19,834	-
<b>Business-type activities</b>					
<b>long-term liabilities</b>	<b>\$ 7,545,734</b>	<b>8,086</b>	<b>612,351</b>	<b>6,941,469</b>	<b>610,987</b>

**FINANCED PURCHASES**

The City has entered into financed purchase agreements for financing the acquisition of equipment. These financing agreements qualify as financed purchase agreements for accounting purposes, and therefore, has been recorded at the present value of future minimum lease payments as of the date of its inception.

The following is a schedule of future minimum payments under the financed purchase agreements at June 30, 2020:

2021	\$ 22,698
2022	22,698
2023	22,698
2024	22,698
2025	22,696
Total payments	113,488
Less amount representing interest	(11,115)
<b>Total future minimum lease payments</b>	<b>\$ 102,373</b>

Amounts capitalized under leases are \$119,147 for governmental activities. Accumulated depreciation for these capital assets is \$23,829.

**NOTES FROM DIRECT BORROWING**

Notes from direct borrowing at June 30, 2020 are comprised of the following:

	<u>Date of issue</u>	<u>Original amount issued</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>Balance June 30, 2020</u>
<b>Governmental activities:</b>					
Information center note	6/20/16	\$ 135,000	2027	2.50%	\$ 98,792
Street sweeper note	5/15/19	80,000	2024	2.82%	60,945
<b>Total governmental activities</b>					<b>159,737</b>

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

**NOTES FROM DIRECT BORROWING, CONTINUED**

Business-type activities:

2016 ambulance note	3/4/16	\$ 98,000	2021	2.30%	13,720
2009 sewer note	10/26/09	978,822	2030	1.00%	513,740
2010-FS-CW	12/22/10	2,263,000	2031	1.00%	714,135
2010-SR-CW	6/29/10	943,371	2030	1.00%	495,133
2011-FR-CW	3/28/11	1,231,000	2031	1.50%	722,104
2012 Rural Development	12/2/11	777,000	2040	2.25%	601,864
2016 Rural Development	12/22/16	500,000	2045	1.375%	454,917
2002 sewer bond	2/16/02	2,350,000	2022	2.36%	282,794
2013 water note	1/29/13	127,241	2026	2.75%	74,135*
2008 water note	6/17/08	1,963,998	2031	0.00%	981,994*
2009 water note	1/15/09	914,500	2036	0.00%	555,232*
2009 water note	6/17/09	44,500	2039	0.00%	28,925*
2009 water note	6/17/09	143,550	2039	0.00%	93,308*
2009 water note	12/17/09	584,500	2039	0.00%	389,667*
2012 water note	6/22/12	382,250	2042	0.00%	280,317*
2014 water note	11/22/13	305,000	2044	1.00%	200,846*
2016 water note	12/21/16	195,593	2037	1.00%	133,004*
2017 water note	8/14/17	596,484	2037	1.00%	385,800*
<b>Total business-type activities</b>					<b>6,921,635</b>
<b>Total notes from direct borrowing</b>					<b>\$ 7,081,372</b>

\* All outstanding notes payable for the Water Fund are reported as of December 31, 2019.

The annual requirements to amortize all long-term debt outstanding as of June 30, 2020 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>
2021	\$ 31,352	4,230	35,582	610,987	68,003	678,990
2022	32,205	3,376	35,581	604,356	60,640	664,996
2023	33,075	2,506	35,581	465,179	49,938	515,117
2024	18,637	1,612	20,249	469,096	45,938	515,034
2025	14,451	1,130	15,581	473,070	41,880	514,950
2026-2030	30,017	1,146	31,163	2,390,602	147,481	2,538,083
2031-2035	-	-	-	1,105,813	68,906	1,174,719
2036-2040	-	-	-	636,594	29,788	666,382
2041-2045	-	-	-	165,938	5,241	171,179
<b>Total</b>	<b>\$ 159,737</b>	<b>14,000</b>	<b>173,737</b>	<b>6,921,635</b>	<b>517,815</b>	<b>7,439,450</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 \$7,081,372 at June 30, 2020 was within the statutory limit.

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

**OVERLAPPING DEBT**

In addition to the notes and bonds payable, the City is contingently responsible for the following overlapping debt as of June 30, 2020:

<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	\$ 1,941,750	100%	1,941,750
2017 loan payable - \$375,000	269,571	100%	269,571
<b><u>Total overlapping debt</u></b>			<b><u>\$ 2,211,321</u></b>

All outstanding overlapping debt will be paid through the School Operations Fund. The annual requirements to amortize all long-term debt outstanding as of June 30, 2020 are as follows:

<u>Overlapping Debt</u>			
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 424,050	82,405	506,455
2022	425,267	64,862	490,129
2023	426,525	46,774	473,299
2024	427,813	28,390	456,203
2025	429,171	9,065	438,236
2026-2027	78,495	2,551	81,046
<b><u>Total</u></b>	<b><u>\$ 2,211,321</u></b>	<b><u>234,047</u></b>	<b><u>2,445,368</u></b>

**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 2.85%. Interest is payable and due each month based on the outstanding balance. Line of credit activity for the year ended June 30, 2020 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
City	\$ 200,000	700,000	600,000	300,000
School Department	-	-	-	-
<b><u>Total lines of credit payable</u></b>	<b><u>\$ 200,000</u></b>	<b><u>700,000</u></b>	<b><u>600,000</u></b>	<b><u>300,000</u></b>

Additionally, the City holds a line of credit the First in the amount of \$800,000 and interest rate of 5.50%. As of June 30, 2020 the City has not yet drawn on this line of credit and the full principal balance is available to provide emergency financing for the City.

**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: \$431,000 with an interest rate of 1.00% and due on September 25, 2020; \$400,000 with an interest rate of 1.00% and due July 5, 2021; and \$700,000 with an interest rate of 1% and due on July 5, 2021 and the water fund: \$457,000 with an interest rate of 1.00% and due on September 25, 2020. Bond anticipation note activity for the year ended June 30, 2020 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Clean water revolving	\$ 91,974	94,653	-	186,627
Clean water revolving	-	626,122	-	626,122
Water – Manning Street	320,488	8,500	-	328,988
Sewer – Manning Street	285,073	14,247	-	299,320
<b>Total bond anticipation notes</b>	<b>\$ 697,535</b>	<b>743,522</b>	<b>-</b>	<b>1,441,057</b>

**INTERFUND BALANCES AND TRANSFERS**

As of June 30, 2020, 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	\$ 2,873,598	204,855	(1,437,216)
School Department Operations	69,891	-	1,459,145
Day Treatment	147,240	-	-
Proprietary Funds:			
Sewer Fund	-	1,744,547	396,800
NWSARAS Ambulance	-	2,701	(3,165)
Ambulance Fund	-	675,806	3,165
Water Fund *	-	36,774	(50,006)
Other Governmental Funds	206,963	633,009	(368,723)
<b>Totals</b>	<b>\$ 3,297,692</b>	<b>3,297,692</b>	<b>-</b>

\* Interfund loans receivable and payable do not equal due to the Water Department being reported as of December 31, 2019. Transfers for the Water Department are classified as operating expenses on the statement of revenues, expenses, and changes in net position (Statement 8).

**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:

2021	\$ 454,223
2022	468,667
<b>Total</b>	<b>\$ 922,890</b>

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

**FUND BALANCE**

As of June 30, 2020, 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	\$ 41,711	-	-	-	41,711
Principal for permanent funds	-	-	-	466,828	466,828
<b>Total nonspendable</b>	<b>41,711</b>	<b>-</b>	<b>-</b>	<b>466,828</b>	<b>508,539</b>
<b>Restricted:</b>					
City services	-	-	-	41,292	41,292
Public safety	-	-	-	15,562	15,562
Education	-	629,224	214,543	60,160	903,927
Loan funds	-	-	-	513,173	513,173
Permanent funds	-	-	-	143,279	143,279
<b>Total restricted</b>	<b>-</b>	<b>629,224</b>	<b>214,543</b>	<b>773,466</b>	<b>1,617,233</b>
<b>Committed:</b>					
Education	-	-	-	197,217	197,217
Public works	-	-	-	17,494	17,494
Capital projects	-	-	-	207,982	207,982
<b>Total committed</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>422,693</b>	<b>422,693</b>
<b>Assigned:</b>					
Subsequent budget	48,820	-	-	-	48,820
<b>Total assigned</b>	<b>48,820</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,820</b>
<b>Unassigned</b>	<b>2,145,522</b>	<b>-</b>	<b>-</b>	<b>(164,695)</b>	<b>1,980,827</b>
<b>Total fund balance</b>	<b>\$ 2,236,053</b>	<b>629,224</b>	<b>214,543</b>	<b>1,498,292</b>	<b>4,578,112</b>

**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 notes and financed purchases payable and adding back any unspent proceeds. The City's net investment in capital assets was calculated as follows at June 30, 2020:

	Governmental activities	Business-type activities
Capital assets	\$ 10,006,853	39,496,027
Accumulated depreciation	(4,049,189)	(13,141,874)
Bond anticipation notes	-	(1,441,057)
Notes from direct borrowing	(159,737)	(6,921,635)
Unspent note proceeds	-	40,348
Financed purchase agreements payable	(102,373)	-
<b>Total net investment in capital assets</b>	<b>\$ 5,695,554</b>	<b>18,031,809</b>

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

**NEW PRONOUNCEMENT**

For the fiscal year ended June 30, 2020, the City has elected to implement Statement No. 84 of the Government Accounting Standards Board – *Fiduciary Activities*. As a result, on implementing GASB Statement No. 84, the City has restated beginning net position and fund balances as follows:

	<u>Governmental Activities</u>	<u>Special Revenue Funds</u>
Fund balance, as previously reported	\$ 8,041,183	911,360
Implementation of GASB 84	131,307	131,307
<b><u>Fund balance, as restated</u></b>	<b><u>\$ 8,172,490</u></b>	<b><u>1,042,667</u></b>

**RISK MANAGEMENT**

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. Based on the coverage provided by the commercial insurance the City purchases, the City is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2020.

The School Department is exposed to various risks of loss related to tort, theft of, damage to and destruction of assets, errors, and omissions, and natural disasters for which the School Department either carries commercial insurance, or participates in public entity risk pools. Currently, the School Department participates in a public entity risk pool sponsored by the Maine School Management Association. Based on the coverage provided by the pool, as well as coverage provided by commercial insurance purchased, the School Department is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2020.

**NET PENSION LIABILITY**

***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**

**NET PENSION LIABILITY, 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 between 7.35% and 8.1% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2020 was 10.0% of annual payroll. Contributions to the pension plan from the City were \$183,750 for the year ended June 30, 2020.

**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, 2020, was 18.49% of annual payroll of which 4.16% of payroll was required from the City and 14.33% was required from the State. Contributions to the pension plan from the City were \$136,403 for the year ended June 30, 2020.

***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, 2019, 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, 2020, the City reported a liability of \$873,290 for its proportionate share of the net pension liability. At June 30, 2019, the City's proportion of the PLD Plan was 0.2857%.

**SET Plan** - At June 30, 2020, 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	\$ 196,310
State's proportionate share of the net pension liability	
<u>associated with the City</u>	<u>3,485,830</u>
<b><u>Total</u></b>	<b><u>\$3,682,140</u></b>

At June 30, 2019, the City's proportion of the SET Plan was 0.0134%

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

**NET PENSION LIABILITY, CONTINUED**

For the year ended June 30, 2020, the City recognized pension expense of \$277,975 for the PLD Plan and \$613,599 for the SET Plan with revenue of \$470,239 for support provided by the State. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>PLD Plan</u>		<u>SET Plan</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 103,400	-	15,270	-
Changes of assumptions	44,226	-	5,684	-
Net difference between projected and actual earnings on pension plan investments	-	218,737	-	27,709
Changes in proportion and differences between City contributions and proportionate share of contributions	-	843	-	11,711
City contributions subsequent to the measurement date	183,750	-	136,403	-
<b>Total</b>	<b>\$ 331,376</b>	<b>219,580</b>	<b>157,357</b>	<b>39,420</b>

\$320,153 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	<u>PLD Plan</u>	<u>SET Plan</u>
2021	\$35,527	5,143
2022	(93,493)	(17,469)
2023	(13,849)	(6,227)
2024	(139)	87

**Actuarial Assumptions** - The total pension liability in the June 30, 2019 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	6.75%	6.75%
Cost of living benefit increases, per annum	1.91%	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**

**NET PENSION LIABILITY, CONTINUED**

The actuarial assumptions used in the June 30, 2019 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, 2019 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 6.75% 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 6.75% 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 (5.75%) or 1 percentage-point higher (7.75%) than the current rate:

<u>PLD Plan</u>	1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
City's proportionate share of the net pension liability	\$ 1,989,298	873,290	(170,629)

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

**NET PENSION LIABILITY, CONTINUED**

<u>SET Plan</u>	1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
City's proportionate share of the net pension liability	\$ 354,924	196,310	64,134

**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, 2020.

**OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE**

**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 publicly available financial reports that are available at [www.maineipers.org](http://www.maineipers.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 \$6,753 for the year ended June 30, 2020. Employees are not required to contribute to the PLD OPEB plan.

**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 \$10,443 for the year ended June 30, 2020. Employers and employees are not required to contribute to the OPEB plan.

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

**OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE, CONTINUED**

***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, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. 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, 2020, the City reported a liability of \$104,264 for its proportionate share of the net OPEB liability. At June 30, 2019, the City’s proportion was 0.4873%.

**SET OPEB Plan** – At June 30, 2020, 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 \$113,459 as of June 30, 2020. At June 30, 2019, the City’s proportion was 0.00%.

For the year ended June 30, 2020, the City recognized OPEB expense of \$6,595 for the PLD OPEB Plan. For the year ended June 30, 2020, the City recognized OPEB expense of \$10,443 and also revenues of \$10,443 for support provided by the State related to the SET OPEB plan. At June 30, 2020, the City reported no deferred outflows of resources nor deferred inflows of resources related to the SET OPEB plan. At June 30, 2020, 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	\$ -	4,944
Net difference between projected and actual earnings on OPEB plan investments	-	4,663
Difference between expected and actual experience	6,646	-
Changes in proportion and differences between City contributions and proportionate share of contributions	4,467	-
City contributions subsequent to the measurement date	6,753	-
Total	\$ 17,866	9,607

\$6,753 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, 2021. 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:		
2021	\$	(2,041)
2022		(2,041)
2023		(1,066)
2024		4,686
2025		1,968

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

**OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE, CONTINUED**

**Actuarial Assumptions** - The total OPEB liability in the June 30, 2019 actuarial valuations was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

	PLD OPEB Plan	SET OPEB Plan
Inflation	2.75%	2.75%
Salary increases	2.75% - 9.00%	2.75% - 14.50%
Investment rate of return	6.75%	6.75%

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

The actuarial assumptions used in the June 30, 2019 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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	70.0%	6.0%
Real estate	5.0%	5.2%
Traditional credit	15.0%	3.0%
US Government Securities	10.0%	2.3%

**Discount Rate** - The rate used to measure the net OPEB liability for the PLD OPEB plan was 4.98% which is a blend of the assumed long-term expected rate of return of 6.75% and a municipal bond index rate of 3.5%, based on the Bond Buyer GO 20-Year Municipal Bond Index as of June 30, 2019. 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 2050. Therefore, the portion of the future projected benefit payments after 2050 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.

The rate used to measure the net OPEB liability for the SET OPEB plan was 6.75%. 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.

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

**OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE, CONTINUED**

**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 4.98%, 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 (3.98%) or 1 percentage-point higher (5.98%) than the current rate:

	1% Decrease (3.98%)	Discount Rate (4.98%)	1% Increase (5.98%)
Net OPEB liability	\$ 137,691	104,264	77,912

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.

**OTHER POSTEMPLOYMENT BENEFITS (OPEB) – HEALTH INSURANCE – MEABT**

**General Information about the OPEB Plan**

**Plan Description** - The City sponsors a post-retirement benefit plan providing health insurance to retiring employees. The plan is a single-employer defined benefit OPEB plan administered by the Maine Education Association Benefits Trust (MEABT). The State Legislature has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**Benefits Provided** - MEABT provides healthcare insurance benefits for retirees and their dependents. The employee must have participated in the MEABT health plan for the 12 months prior to retirement and have 10 years of continuous active service and enrollment in the health plan (under age 50), or 5 years of continuous active service and enrollment in the health plan (age 50 or above), in order to be eligible for postretirement benefits. The retiree is eligible for a State subsidy of 45% of the blended single premium for the retiree only. Under State laws, the blended premium is determined by blending rates for active members and retired members. The retiree pays 55% of the blended premium rate for coverage selected. Spouses must contribute 100% of the blended premium amounts. Thus, the total premium is paid for by both the State and the retiree and or spouse.

*Employees Covered by Benefit Terms* – At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	48
Inactive employee entitled to but not yet receiving benefits	-
Active employees	77
Total	<u>125</u>

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

**OTHER POSTEMPLOYMENT BENEFITS (OPEB) – HEALTH INSURANCE – MEABT, CONTINUED**

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

The City’s total OPEB liability of \$2,121,424 was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2018.

*Changes in the Total OPEB Liability*

Balance at June 30, 2019	\$ 2,016,424
Changes for the year:	
Service cost	9,285
Interest	76,832
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	100,404
Benefit payments	<u>(81,521)</u>
Net changes	<u>105,000</u>
Balance at June 30, 2020	<u>\$ 2,121,424</u>

Change in assumptions reflects a change in the discount rate from 3.87% to 3.50%.

For the year ended June 30, 2020, The City recognized OPEB expense of \$90,236. At June 30, 2020, The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumption or other inputs	\$ 32,437	-
City contributions subsequent to measurement date	84,843	-
Total	<u>\$ 117,280</u>	<u>-</u>

\$84,843 is reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021. 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:	
2021	\$ 4,119
2022	4,119
2023	4,119
2024	20,080



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

**OTHER POSTEMPLOYMENT BENEFITS (OPEB) – HEALTH INSURANCE – MEABT, CONTINUED**

**Actuarial Assumptions** - The total OPEB liability in the June 30, 2018 actuarial valuation for the total OPEB liability was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	Not reported
Salary increases	2.75% - 14.50% per year
Discount rate	3.50% per annum
Healthcare cost trend rates - Pre-Medicare	5.55% for 2018 grading over 15 years to 3.73%
Healthcare cost trend rates - Medicare	3.72% for 2018 grading over 15 years to 2.81%
Retirees' share of the benefit related costs	55% of the blended premium rate with a State subsidy for the remaining 45% of the blended premium rate

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period June 30, 2012 through June 30, 2015.

**Discount Rate** - The rate used to measure the total OPEB liability was 3.50% per annum. Since the plan is pay as you go and is not funded, the discount rate was based upon high quality AA/Aa or higher bond yields in effect for 20 years, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate** - The following presents the City's total OPEB liability calculated using the discount rate of 3.50%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.50%) or 1 percentage-point higher (4.50%) than the current rate:

		1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$	2,433,549	2,121,424	1,865,960

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates** - The following presents the City's total OPEB liability calculated using the healthcare cost trend rates, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

		1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	\$	1,836,212	2,121,424	2,469,894

**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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>PLD Plan</b>						
City's proportion of the net pension liability	\$ 0.2857%	0.2843%	0.2872%	0.2832%	0.2737%	0.3073%
City's proportionate share of the net pension liability	873,290	778,136	1,176,018	1,504,835	873,381	472,801
City's covered payroll	1,756,765	1,636,334	1,549,657	1,489,726	1,432,520	1,636,481
City's proportionate share of the net pension liability as a percentage of its covered payroll	49.71%	47.55%	75.89%	101.01%	60.97%	28.89%
Plan fiduciary net position as a percentage of the total pension liability	90.62%	91.14%	86.43%	81.61%	88.27%	94.10%
<b>SET Plan</b>						
City's proportion of the net pension liability	0.0134%	0.0151%	0.0142%	0.0150%	0.0137%	0.0162%
City's proportionate share of the net pension liability	196,310	203,348	206,957	265,264	185,628	174,495
State's proportionate share of the net pension liability associated with the City	3,485,830	3,325,142	3,402,301	4,460,648	3,645,902	3,125,546
<b>Total</b>	<b>\$ 3,682,140</b>	<b>3,528,490</b>	<b>3,609,258</b>	<b>4,725,912</b>	<b>3,831,530</b>	<b>3,300,041</b>
City's covered payroll	\$ 3,405,846	3,212,091	3,005,936	3,161,879	3,236,834	3,426,161
City's proportionate share of the net pension liability as a percentage of its covered payroll	5.76%	6.33%	6.88%	8.39%	5.73%	5.09%
Plan fiduciary net position as a percentage of the total pension liability	82.73%	82.90%	80.78%	76.21%	81.18%	83.91%

\* Only six 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's Pension Contributions**  
**Maine Public Employees Retirement System Consolidated Plan (PLD) and State Employee and Teacher Plan (SET)**  
 Last 10 Fiscal Years\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>PLD Plan</b>							
Contractually required contribution	\$ 183,750	175,678	157,088	147,217	132,586	111,737	106,371
Contributions in relation to the contractually required contribution	(183,750)	(175,678)	(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>	<b>-</b>	<b>-</b>
City's covered payroll	1,837,507	1,756,765	1,636,334	1,549,657	1,489,726	1,432,520	1,636,481
Contributions as a percentage of covered payroll	10.00%	10.00%	9.60%	9.50%	8.90%	7.80%	6.50%
<b>SET Plan</b>							
Contractually required contribution	136,403	135,213	127,520	100,975	106,239	85,776	90,793
Contributions in relation to the contractually required contribution	(136,403)	(135,213)	(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>	<b>-</b>	<b>-</b>
City's covered payroll	\$ 3,281,499	3,405,846	3,212,091	3,005,936	3,161,879	3,236,834	3,426,161
Contributions as a percentage of covered payroll	4.16%	3.97%	3.97%	3.36%	3.36%	2.65%	2.65%

\* Only seven 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\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b><u>PLD OPEB Plan</u></b>			
City's proportion of the net OPEB liability	0.4873%	0.4533%	0.4520%
City's proportion share of the net OPEB liability	104,264	91,571	75,573
City's covered-employee payroll	\$ 1,756,765	1,636,334	1,549,657
City's proportionate share of the net OPEB liability as a percentage of covered-employee payroll	5.93%	5.60%	4.88%
Plan fiduciary net position as a percentage of the total OPEB liability	43.18%	43.92%	47.42%
<b><u>SET OPEB Plan</u></b>			
City's proportion of the net OPEB liability	0.00%	0.00%	0.00%
City's proportion share of the net OPEB liability	-	-	-
State's proportionate share of the net OPEB liability associated with the City	113,459	110,371	104,614
<b>Total</b>	<b><u>\$ 113,459</u></b>	<b><u>110,371</u></b>	<b><u>104,614</u></b>
Plan fiduciary net position as a percentage of the total OPEB liability	49.22%	48.04%	47.29%

\* Only three 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**

<b>Schedule of City's OPEB Contributions</b>			
Last 10 Fiscal Years*			
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b><u>PLD OPEB Plan</u></b>			
Contractually required contribution	\$ 6,753	5,873	5,979
Contributions in relation to the contractually required contribution	(6,753)	(5,873)	(5,979)
<b><u>Contribution deficiency (excess)</u></b>	<b><u>\$ -</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
City's covered employee payroll	\$ 1,837,507	1,756,765	1,636,334
Contributions as a percentage of covered payroll	0.37%	0.33%	0.37%

\* Only three years of information available.

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

**Schedule of Changes in the City's Total Health Plan - MEABT OPEB Liability and Related Ratios**  
Last 10 Fiscal Years\*

	<u>2020</u>	<u>2019</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 9,285	10,042
Interest	76,832	73,823
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions or other inputs	100,404	(79,810)
Benefit payments	<u>(81,521)</u>	<u>(78,703)</u>
<b>Net change in total OPEB Liability</b>	105,000	(74,648)
Total OPEB liability - beginning	<u>2,016,424</u>	<u>2,091,072</u>
<b>Total OPEB liability - ending</b>	<b><u>\$ 2,121,424</u></b>	<b><u>2,016,424</u></b>
Covered-employee payroll	\$ 3,632,910	3,535,679
Total OPEB liability as a percent of covered-employee payroll	58.4%	57.0%

\*Only two years of information available.

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

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**Net Pension Liability**

**Changes of Benefit Terms** - None

**Changes of Assumptions** - The following are changes in actuarial assumptions used in the most recent valuations:

	<u>2018</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Discount rate - PLD	6.75%	6.875%	7.125%	7.25%	7.25%
Discount rate - SET	6.75%	6.875%	7.125%	7.125%	7.25%
Inflation rate	2.75%	2.75%	3.50%	3.50%	3.50%
Salary increases - PLD	2.75-9.00%	2.75-9.00%	3.50-9.50%	3.50-9.50%	3.50-9.50%
Salary increases - SET	2.75-14.50%	2.75-14.50%	3.50-13.50%	3.50-13.50%	3.50-13.50%
Cost of living increases - PLD	1.91%	2.20%	2.55%	3.12%	3.12%
Cost of living increases - SET	2.20%	2.20%	2.55%	2.55%	2.55%

Mortality rates:

In 2015, mortality rates were based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA. In 2016 and going forward, mortality rates were based on the RP2014 Total Data Set Health Annuitant Mortality Table.

**Net OPEB Liability**

**Changes of Benefit Terms** - None

**Changes of Assumptions** - The following are changes in actuarial assumptions used in the most recent valuations:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Discount rate - SET	6.75%	6.75%	6.875%
Discount rate - PLD	4.98%	5.13%	5.41%

**Total OPEB Liability**

**Changes of Benefit Terms** - None

**Changes of Assumptions** - Changes of assumptions and other inputs reflects the changes in the discount rate each period. The following are the discount rates used in each period:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Discount rate - MEABT Health Plan	3.50%	3.87%	3.58%

*\* This schedule is intended to show information for ten years, but only the years in which changes occurred have been displayed. Additional years' information will be displayed as it becomes available.*

## **GENERAL FUND**



**CITY OF CALAIS, MAINE**  
**General Fund**  
**Comparative Balance Sheets**  
**June 30, 2020 and 2019**

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 117,233	263,722
Taxes receivable	566,924	565,408
Due from other governments	58,052	53,149
Accounts receivable	7,010	2,515
Interfund loans receivable	2,873,598	3,042,431
Prepaid expenditures	34,577	32,450
Inventory	7,134	11,959
<b>Total assets</b>	<b>\$ 3,664,528</b>	<b>3,971,634</b>
<b>LIABILITIES</b>		
Accounts payable	179,955	103,409
Accrued payroll and benefits	13,506	33,582
Payroll withholdings payable	22,018	50,235
Payable to other governments	7,745	7,581
Interfund loans payable	204,855	619,527
Due to School Department	-	77,751
Taxes paid in advance	171,096	157,010
Line of credit	300,000	200,000
<b>Total liabilities</b>	<b>899,175</b>	<b>1,249,095</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - property taxes	529,300	524,500
<b>Total deferred inflows of resources</b>	<b>529,300</b>	<b>524,500</b>
<b>FUND BALANCES</b>		
Nonspendable - inventory and prepaid	41,711	44,409
Assigned	48,820	-
Unassigned	2,145,522	2,153,630
<b>Total fund balances</b>	<b>2,236,053</b>	<b>2,198,039</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 3,664,528</b>	<b>3,971,634</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, 2020**  
**(with comparative actual amounts for the year ended June 30, 2019)**

	2020		Variance positive (negative)	2019 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 3,760,124	3,728,059	(32,065)	3,740,388
Excise taxes	608,000	573,045	(34,955)	612,096
Payments in lieu of taxes	25,000	28,549	3,549	29,166
Interest on taxes	45,000	50,009	5,009	52,328
Total taxes	4,438,124	4,379,662	(58,462)	4,433,978
Intergovernmental:				
State revenue sharing	342,182	384,281	42,099	242,243
Homestead exemption	204,392	204,392	-	204,304
Business equipment tax reimbursement	14,557	14,665	108	21,581
Veterans exemption	-	3,427	3,427	3,553
Tree growth reimbursement	25,000	28,280	3,280	27,723
Snowmobile reimbursement	1,000	708	(292)	602
General assistance	9,100	9,284	184	6,396
Urban rural initiative payment	40,304	41,464	1,160	40,304
Total intergovernmental	636,535	686,501	49,966	546,706
Charges for services:				
Administration	15,000	13,534	(1,466)	15,505
Code enforcement	2,500	4,269	1,769	2,886
EMS administration	67,800	70,497	2,697	69,137
Motor vehicle agent fees	5,900	5,253	(647)	5,601
Building rentals	3,062	3,062	-	3,062
Library	5,500	5,189	(311)	2,773
Recreation	93,500	46,444	(47,056)	88,829
Transfer station	39,500	46,726	7,226	39,920
Total charges for services	232,762	194,974	(37,788)	227,713
Interest earned	7,500	11,451	3,951	10,013
Unclassified:				
Sale of property	1,000	5,324	4,324	-
Police	1,150	615	(535)	3,427
Fire	-	4	4	2
Public works	7,425	10,990	3,565	6,666
Cemetery	11,700	5,923	(5,777)	8,381
Unclassified - City	100	225	125	308
Total unclassified	21,375	23,081	1,706	18,784
Total revenues	5,336,296	5,295,669	(40,627)	5,237,194

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

	2020			2019 Actual
	Budget	Actual	Variance positive (negative)	
Expenditures:				
Current:				
General government:				
City council	\$ 15,202	14,702	500	15,076
City manager	92,409	86,497	5,912	130,814
City clerk	89,564	88,368	1,196	79,620
Finance department	168,256	166,316	1,940	136,775
Legal services	23,400	18,527	4,873	26,258
Assessing	90,354	92,661	(2,307)	87,823
City building	79,787	79,276	511	71,522
St. Croix fire house	2,130	1,149	981	1,579
Public buildings - north	54,065	49,696	4,369	43,853
Total general government	615,167	597,192	17,975	593,320
City services:				
Library	163,140	133,130	30,010	145,212
Recreation	252,161	247,921	4,240	226,322
Subsidies and donations	16,380	16,089	291	2,882
Total City services	431,681	397,140	34,541	374,416
Public safety:				
Police	564,538	487,743	76,795	520,904
Fire	416,301	404,332	11,969	387,673
Street and traffic lights	79,000	74,948	4,052	68,425
Total public safety	1,059,839	967,023	92,816	977,002
Public works:				
Public works	691,313	651,705	39,608	724,507
Transfer station	98,600	101,992	(3,392)	94,222
Cemetery	123,175	106,694	16,481	96,392
Total public works	913,088	860,391	52,697	915,121
County tax	284,159	284,159	-	296,926
Unclassified:				
Miscellaneous	233,632	233,683	(51)	227,561
Insurance	64,000	65,997	(1,997)	59,495
Contingency	15,000	14,209	791	1,240
Total unclassified	312,632	313,889	(1,257)	288,296

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

	2020		Variance positive (negative)	2019 Actual
	Budget	Actual		
Expenditures, continued:				
Debt service	\$ 111,223	111,194	29	91,222
Capital outlay	166,610	289,451	(122,841)	235,835
Total expenditures	3,894,399	3,820,439	73,960	3,772,138
Excess (deficiency) of revenues over (under) expenditures	1,441,897	1,475,230	33,333	1,465,056
Other financing sources (uses):				
Use of surplus	81,168	-	(81,168)	-
Transfers from other funds	84,750	84,756	6	68,410
Transfer out - Education Local Appropriation	(1,474,145)	(1,474,145)	-	(1,474,145)
Transfers to other funds	-	(47,827)	(47,827)	(46,698)
Proceeds from issuance of notes payable	-	-	-	80,000
Total other financing sources (uses)	(1,308,227)	(1,437,216)	(128,989)	(1,372,433)
Net change in fund balance	133,670	38,014	(95,656)	92,623
Fund balance, beginning of year		2,198,039		2,105,416
<b>Fund balance, end of year</b>	<b>\$</b>	<b>2,236,053</b>		<b>2,198,039</b>

## **SCHOOL DEPARTMENT OPERATIONS**

**CITY OF CALAIS, MAINE**  
**School Department Operations**  
**Comparative Balance Sheets**  
**June 30, 2020 and 2019**

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,075,952	1,018,753
Due from other governments	275,693	220,212
Accounts receivable	7,285	-
Due from City	-	77,751
Interfund loans receivable	69,891	-
<b>Total assets</b>	<b>\$ 1,428,821</b>	<b>1,316,716</b>
<b>LIABILITIES</b>		
Accounts payable	193,230	106,672
Accrued payroll and benefits	606,367	601,027
Interfund loans payable	-	90,949
<b>Total liabilities</b>	<b>799,597</b>	<b>798,648</b>
<b>FUND BALANCES</b>		
Restricted:		
Assigned for subsequent budget	137,152	155,285
Unassigned	492,072	362,783
<b>Total fund balances</b>	<b>629,224</b>	<b>518,068</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,428,821</b>	<b>1,316,716</b>

**CITY OF CALAIS, MAINE**  
**School Department Operations**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual**  
**For the year ended June 30, 2020**  
**(with comparative actual amounts for the year ended June 30, 2019)**

	2020		Variance positive (negative)	2019 Actual
	Budget	Actual		
Revenues:				
Intergovernmental:				
State subsidy	\$ 4,545,886	4,624,630	78,744	4,614,500
MaineCare/Medicare	459,500	141,926	(317,574)	390,160
Assessments	110,068	108,093	(1,975)	103,028
Charges for services:				
Tuition - elementary	180,701	273,590	92,889	229,240
Tuition - secondary	839,635	931,960	92,325	857,423
Tuition - special	234,000	265,736	31,736	235,134
Other revenues	27,631	17,551	(10,080)	30,166
Total revenues	6,397,421	6,363,486	(33,935)	6,459,651
Expenditures:				
Current:				
Regular instruction	2,653,784	2,736,749	(82,965)	2,659,733
Special education	1,318,523	1,158,113	160,410	1,165,388
Career and technical education	959,419	878,856	80,563	931,215
Other instruction	161,853	153,970	7,883	142,167
Student and staff support	424,277	323,278	100,999	286,958
System administration	399,695	395,589	4,106	377,797
School administration	287,227	287,428	(201)	274,289
Transportation and buses	377,910	383,338	(5,428)	396,446
Facilities maintenance	947,305	915,423	31,882	772,051
Debt service assessments:				
Principal	388,350	386,350	2,000	388,350
Interest	93,509	92,381	1,128	106,114
Total expenditures	8,011,852	7,711,475	300,377	7,500,508
Excess (deficiency) of revenues over (under) expenditures	(1,614,431)	(1,347,989)	266,442	(1,040,857)
Other financing sources (uses):				
Transfer in - Local Appropriation	1,474,145	1,474,145	-	1,474,145
Transfers to other funds	(15,000)	(15,000)	-	(15,000)
Use of surplus	155,286	-	(155,286)	-
Total other financing sources (uses)	1,614,431	1,459,145	(155,286)	1,459,145
Net change in fund balance - GAAP basis	-	111,156	111,156	418,288
Fund balance, beginning of year		518,068		99,780
<b>Fund balance, end of year</b>	<b>\$</b>	<b>629,224</b>		<b>518,068</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**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2020**

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 170,541	-	16,866	187,407
Investments	660,986	-	633,626	1,294,612
Due from other governments	263,810	-	-	263,810
Loans receivable, net	216,686	-	-	216,686
Interfund loans receivable	58,342	148,621	-	206,963
Inventory	11,418	-	-	11,418
<b>Total assets</b>	<b>\$ 1,381,783</b>	<b>148,621</b>	<b>650,492</b>	<b>2,180,896</b>
<b>LIABILITIES</b>				
Accounts payable	16,179	-	-	16,179
Accrued payroll and benefits	33,416	-	-	33,416
Interfund loans payable	592,624	-	40,385	633,009
<b>Total liabilities</b>	<b>642,219</b>	<b>-</b>	<b>40,385</b>	<b>682,604</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	466,828	466,828
Restricted	630,187	-	143,279	773,466
Committed	214,711	207,982	-	422,693
Unassigned	(105,334)	(59,361)	-	(164,695)
<b>Total fund balances</b>	<b>739,564</b>	<b>148,621</b>	<b>610,107</b>	<b>1,498,292</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,381,783</b>	<b>148,621</b>	<b>650,492</b>	<b>2,180,896</b>

**CITY OF CALAIS, MAINE**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the year ended June 30, 2020**

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
Revenues:				
Intergovernmental	\$ 1,168,372	-	-	1,168,372
Charges for services	85,465	-	-	85,465
Student activity fees and fundraisers	131,064	-	-	131,064
Investment income (loss)	33,449	-	31,627	65,076
Unclassified	86,123	79,500	7,050	172,673
<b>Total revenues</b>	<b>1,504,473</b>	<b>79,500</b>	<b>38,677</b>	<b>1,622,650</b>
Expenditures:				
Current:				
General government	348,805	-	3,187	351,992
City services	36,449	-	1,136	37,585
Public safety	601	-	-	601
Public works	-	-	2,859	2,859
Unclassified	-	-	87	87
Education	1,006,961	-	-	1,006,961
Food services	383,182	-	-	383,182
Debt service	15,581	-	-	15,581
Capital outlay	-	130,609	-	130,609
<b>Total expenditures</b>	<b>1,791,579</b>	<b>130,609</b>	<b>7,269</b>	<b>1,929,457</b>
Excess (deficiency) of revenues over (under) expenditures	(287,106)	(51,109)	31,408	(306,807)
Other financing sources (uses):				
Transfer from other funds	69,035	57,974	-	127,009
Transfer to other funds	(85,032)	(402,700)	(8,000)	(495,732)
<b>Total other financing sources (uses)</b>	<b>(15,997)</b>	<b>(344,726)</b>	<b>(8,000)</b>	<b>(368,723)</b>
Net change in fund balances	(303,103)	(395,835)	23,408	(675,530)
Fund balances, beginning of year, as restated	1,042,667	544,456	586,699	2,173,822
<b>Fund balances, end of year</b>	<b>\$ 739,564</b>	<b>148,621</b>	<b>610,107</b>	<b>1,498,292</b>

**CITY OF CALAIS, MAINE**  
**Nonmajor Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2020**

		City Special Revenue Funds	UDAG Economic Development Loan Fund	Uptown Loan Fund	School Special Revenue Funds	Student Activites Fund	School Lunch	Totals
<b>ASSETS</b>								
Cash and cash equivalents	\$	-	8,886	-	-	161,655	-	170,541
Investments		-	660,986	-	-	-	-	660,986
Due from other governments		-	-	-	214,414	-	49,396	263,810
Loans receivable, net		-	216,686	-	-	-	-	216,686
Interfund loans receivable		58,342	-	-	-	-	-	58,342
Inventory		-	-	-	-	-	11,418	11,418
<b>Total assets</b>	<b>\$</b>	<b>58,342</b>	<b>886,558</b>	<b>-</b>	<b>214,414</b>	<b>161,655</b>	<b>60,814</b>	<b>1,381,783</b>
<b>LIABILITIES</b>								
Accounts payable		-	-	-	4,533	-	11,646	16,179
Accrued payroll and benefits		-	-	-	33,416	-	-	33,416
Interfund loans payable		-	373,385	-	133,579	-	85,660	592,624
<b>Total liabilities</b>		<b>-</b>	<b>373,385</b>	<b>-</b>	<b>171,528</b>	<b>-</b>	<b>97,306</b>	<b>642,219</b>
<b>FUND BALANCES</b>								
Restricted		56,854	513,173	-	60,160	-	-	630,187
Committed		17,494	-	-	35,562	161,655	-	214,711
Unassigned		(16,006)	-	-	(52,836)	-	(36,492)	(105,334)
<b>Total fund balances (deficits)</b>		<b>58,342</b>	<b>513,173</b>	<b>-</b>	<b>42,886</b>	<b>161,655</b>	<b>(36,492)</b>	<b>739,564</b>
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b>58,342</b>	<b>886,558</b>	<b>-</b>	<b>214,414</b>	<b>161,655</b>	<b>60,814</b>	<b>1,381,783</b>

**CITY OF CALAIS, MAINE**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the year ended June 30, 2020**

	City Special Revenue (Schedule 1)	UDAG Economic Development Loan Fund	Uptown Loan Fund	School Special Revenue (Schedule 2)	Student Activites Fund (Schedule 5)	School Lunch	Totals
Revenues:							
Intergovernmental	\$ -	-	-	895,024	-	273,348	1,168,372
Charges for services	-	8,775	-	9,349	-	67,341	85,465
Student activity fees and fundraisers	-	-	-	-	131,064	-	131,064
Investment income (loss)	-	33,449	-	-	-	-	33,449
Unclassified	48,794	-	-	34,749	-	2,580	86,123
<b>Total revenues</b>	<b>48,794</b>	<b>42,224</b>	<b>-</b>	<b>939,122</b>	<b>131,064</b>	<b>343,269</b>	<b>1,504,473</b>
Expenditures:							
Current:							
General government	1,155	347,650	-	-	-	-	348,805
City services	36,449	-	-	-	-	-	36,449
Public safety	601	-	-	-	-	-	601
Education	1,750	-	-	904,495	100,716	-	1,006,961
Food services	-	-	-	-	-	383,182	383,182
Debt service	-	15,581	-	-	-	-	15,581
<b>Total expenditures</b>	<b>39,955</b>	<b>363,231</b>	<b>-</b>	<b>904,495</b>	<b>100,716</b>	<b>383,182</b>	<b>1,791,579</b>
Excess (deficiency) of revenues over (under) expenditures	8,839	(321,007)	-	34,627	30,348	(39,913)	(287,106)
Other financing sources (uses):							
Transfers from (to) other funds	(27,676)	54,035	(57,356)	-	-	15,000	(15,997)
<b>Total other financing sources (uses)</b>	<b>(27,676)</b>	<b>54,035</b>	<b>(57,356)</b>	<b>-</b>	<b>-</b>	<b>15,000</b>	<b>(15,997)</b>
<b>Net change in fund balances</b>	<b>(18,837)</b>	<b>(266,972)</b>	<b>(57,356)</b>	<b>34,627</b>	<b>30,348</b>	<b>(24,913)</b>	<b>(303,103)</b>
Fund balances (deficits), beginning of year, as restated	77,179	780,145	57,356	8,259	131,307	(11,579)	1,042,667
<b>Fund balances (deficits), end of year</b>	<b>\$ 58,342</b>	<b>513,173</b>	<b>-</b>	<b>42,886</b>	<b>161,655</b>	<b>(36,492)</b>	<b>739,564</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, 2020**

	Balances (deficits) beginning of year	Revenues		Expenditures	Transfers in (out)	Balances (deficits) end of year
		Inter- governmental	Other			
General government:						
3625 Economic Development - Dawson	\$ 24,584	-	-	1,155	(23,429)	-
City services:						
2830 Donation - Skateboard	(937)	-	-	-	-	(937)
3624 Wal-Mart Grant	-	-	1,000	-	-	1,000
3660 Recreation Day Camp	-	-	2,109	-	-	2,109
3661 Recreation Playground	500	-	-	-	-	500
3662 Recreation Smith Field	1,000	-	-	-	-	1,000
3665 Recreation JMG Grant	600	-	-	-	-	600
3666 Recreation School Basketball	909	-	-	-	-	909
3667 Recreation Pavilion Project	(325)	-	-	-	-	(325)
3668 Recreation Tennis Donations	(501)	-	-	-	-	(501)
3758 Library - Eaton Foundation	2,035	-	250	1,288	-	997
3760 Library - Figure Foundation	-	-	-	310	-	(310)
3762 Library - Special Gift Book	940	-	1,662	2,406	-	196
3763 Library - Pike Book Fund	(113)	-	-	-	-	(113)
3764 J. Baig Bequest - Library	1,920	-	-	-	-	1,920
3771 Library - Pike Fund Income	21,196	-	43,260	32,445	-	32,011
3778 Concert Donations	50	-	-	-	-	50
3779 Triangle Park Donations	8,047	-	-	-	(8,047)	-
Public safety:						
1725 Shore and Harbor (BIG) Grant	(4,971)	-	-	-	-	(4,971)
1789 Police Drug Forfeiture Funds	867	-	-	-	-	867
3600 Animal Control Fees	2,196	-	513	238	-	2,471
3635 Firefighter Training FAC	2,738	-	-	-	-	2,738
3638 J. Baig Bequest - Firefighters	2,000	-	-	-	-	2,000
3640 Police - DARE	5,900	-	-	-	-	5,900
3642 Police - Fingerprint Clinic	1,949	-	-	363	-	1,586
Public works:						
1726 DEP Pumpout (BIG) Grant	(7,099)	-	-	-	-	(7,099)
3874 Transfer Station Prof Services	4,000	-	-	-	-	4,000
3875 Transfer Station Environ Monit	758	-	-	-	2,050	2,808
3877 PW Tree Planting	1,173	-	-	-	-	1,173
3878 PW Tree Removal	2,213	-	-	-	-	2,213
3879 PW Chipping Program	5,550	-	-	-	1,750	7,300
Unclassified:						
3633 Scholarship Account	-	-	-	1,750	-	(1,750)
<b>Total City special revenue funds</b>	<b>\$ 77,179</b>	<b>-</b>	<b>48,794</b>	<b>39,955</b>	<b>(27,676)</b>	<b>58,342</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, 2020**

		Balances (deficits) beginning of year	Revenues	Expenditures	Balances (deficits) end of year
Federal programs:					
2300	Title IA - Disadvantaged	\$ (28,851)	294,454	267,823	(2,220)
2310	Title IA - Program Improvement	(5,480)	-	-	(5,480)
2400	Title IV - Student Support	-	8,432	8,432	-
2470	Local Entitlement	(39,958)	117,856	99,437	(21,539)
2510	Preschool	1,397	-	-	1,397
2635	Project AWARE	3,472	226,631	224,202	5,901
2670	Rural Low Income	2,188	69,325	69,326	2,187
2700	Title IIA - Supporting Effective Instruction	11,537	2,394	2,269	11,662
2860	Perkins Learning Center	(257)	23,797	26,762	(3,222)
2915	HRSA Grant - School Based Health	79	-	-	79
Total federal programs		(55,873)	742,889	698,251	(11,235)
State programs:					
2015	Melmac Grant - High School	9,877	-	2,085	7,792
2017	Melmac Grant - Tech Center	5,175	16,000	10,851	10,324
2214	CTE Industry Standards	4,998	52,470	51,777	5,691
2220	Dental	113	-	-	113
2230	IT-V	6,113	-	-	6,113
2232	Proficiency Based Education	4,450	-	-	4,450
2233	PEP Grant	1,981	-	-	1,981
2237	Advantage ME	172	18,625	18,627	170
2238	Momentum	(7,455)	-	-	(7,455)
2248	FEDES Grant	-	17,084	17,084	-
2250	Regional Support Unit	2,108	-	-	2,108
2900	HIV Prevention	134	-	-	134
2905	Youth Suicide Prevention	58	-	-	58
7020	DHHS Teen and Youth	5,569	48,886	56,062	(1,607)
Total state programs		33,293	153,065	156,486	29,872
Other programs:					
2010	Kellogg Grant	520	-	-	520
2020	Maine Dairy	28	-	-	28
2025	Rotary Grant - BARR	(574)	33,170	33,290	(694)
2060	Local Funds	6,921	-	-	6,921
2071	Wellness Grant	2,343	-	-	2,343
2080	Suicide Prevention Grant	7,497	-	-	7,497
2090	Tootsie Roll Grant	3,467	890	443	3,914
2100	Recommissioned Computer Revenue	435	-	71	364
2130	Maine Indian Education - Afterschool	3,550	-	-	3,550
2135	CES Afterschool Program	(462)	9,108	15,954	(7,308)
2145	Mano en Mano	(3,311)	-	-	(3,311)
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		30,839	43,168	49,758	24,249
<b>Totals</b>		<b>\$ 8,259</b>	<b>939,122</b>	<b>904,495</b>	<b>42,886</b>

**CITY OF CALAIS, MAINE**  
**Capital Project Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the year ended June 30, 2020**

	Balances (deficits) beginning of year	Revenues	Expenditures	Transfers in (out)	Balances (deficits) end of year
1735 Triangle Park sidewalk project	\$ -	-	51,709	8,047	(43,662)
3623 WCPA Purchase Escrow	322,292	74,508	-	(396,800)	-
3630 Nash's Lake Dam	1,846	-	-	-	1,846
3664 Recreation Pool Donations	(13,758)	-	1,941	-	(15,699)
3761 Library - Building Fund	28,968	-	10,770	4,325	22,523
3785 Land Disposition	33,244	4,992	615	-	37,621
3870 Cemetery Road Repair	6,000	-	-	2,000	8,000
3900 Veteran's Memorial Pavers	2,412	-	100	-	2,312
4202 CIP Administration	8,863	-	5,420	-	3,443
4205 CIP Fire Department	28,242	-	12,787	1,790	17,245
4210 CIP Recreation Dept	5,906	-	-	(5,900)	6
4215 CIP Police Dept	11,827	-	-	4,000	15,827
4220 CIP Public Works	92,626	-	47,267	37,812	83,171
4225 CIP Transfer Station	2,335	-	-	-	2,335
4230 CIP Cemetery	9,277	-	-	-	9,277
4240 CIP North Street Building	2,268	-	-	-	2,268
2120 School - SCRTC Reserve Fund	2,108	-	-	-	2,108
<b>Total nonmajor capital projects</b>	<b>\$ 544,456</b>	<b>79,500</b>	<b>130,609</b>	<b>(344,726)</b>	<b>148,621</b>



**CITY OF CALAIS, MAINE**  
**Permanent Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the year ended June 30, 2020**

	Cemetery Trust Funds	Library Trust Funds	Poor Trust Funds	Beckett Pool Funds	Totals
Revenues:					
Contributions/donations	\$ 4,400	2,650	-	-	7,050
Investment income	8,602	2,212	2,021	254	13,089
Unrealized gain (loss)	12,027	3,210	2,933	368	18,538
Total revenues	25,029	8,072	4,954	622	38,677
Expenditures:					
Current:					
General government	-	-	3,187	-	3,187
City services	-	1,136	-	-	1,136
Public works	2,859	-	-	-	2,859
Unclassified	-	-	-	87	87
Total expenditures	2,859	1,136	3,187	87	7,269
Excess (deficiency) of revenues over (under) expenditures	22,170	6,936	1,767	535	31,408
Other financing sources (uses):					
Transfer to other funds	(4,000)	(4,000)	-	-	(8,000)
Total other financing sources (uses)	(4,000)	(4,000)	-	-	(8,000)
Net change in fund balances	18,170	2,936	1,767	535	23,408
Fund balances, beginning of year	370,461	138,296	64,407	13,535	586,699
<b>Fund balances, end of year</b>	<b>\$ 388,631</b>	<b>141,232</b>	<b>66,174</b>	<b>14,070</b>	<b>610,107</b>

**CITY OF CALAIS, MAINE**  
**Student Activity Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the year ended June 30, 2020**

	(Restated) Fund Balances Beginning of year	Revenues	Expenditures	Fund Balances End of year
Calais High School	105,807	92,035	61,706	136,136
St. Croix Technical Center	19,559	12,566	20,540	11,585
Calais Elementary School	5,941	26,463	18,470	13,934
<b>Totals</b>	<b>\$ 131,307</b>	<b>131,064</b>	<b>100,716</b>	<b>161,655</b>

**CITY OF CALAIS, MAINE**

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

**For the Year Ended June 30, 2020**

**CITY OF CALAIS, MAINE**  
**Reports Required by *Government Auditing Standards***  
**and Uniform Guidance**  
**For the Year Ended June 30, 2020**

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**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, 2020, 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 April 28, 2021.

**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) 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.

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 have not been 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 (2020-001 through 2020-002).

**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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City of Calais, Maine in a separate letter dated April 28, 2021.

**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.



April 28, 2021  
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, 2020. 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 qualified and unmodified opinions on compliance for major federal programs. 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 2020-003 for Special Tests – 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, 2020.

***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, 2020.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-004. Our opinion on each major federal program is not modified with respect to this matter.

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. 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 response.

**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.

*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.



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

*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, 2020, 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 April 28, 2021, 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.



April 28, 2021  
South Portland, Maine

**CITY OF CALAIS, MAINE**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2020**

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 Special Education Cluster:	84.010	3107	\$ 267,823		-
Special Education State Grants Individuals with Disabilities Act	84.027	3046	99,437		-
Total Special Education Cluster				99,437	
Career and Technical Education - Perkins	84.048	3030	26,762		-
Title IV, Student Support and Academic Enrichment	84.424	3345	8,432		-
Title VI, Rural Education	84.358	3305	69,326		-
Title IIA, Supporting Effective Instruction	84.367	3042	2,269		-
Total U.S. Department of Education			474,049		-
U.S. Department of Health and Human Services,					
Passed through the Maine Department of Education:					
Project AWARE	93.243	N/A	224,202		-
Total U.S. Department of Health and Human Services			224,202		-
U.S. Department of Agriculture,					
Direct Program:					
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	239,795		-
Passed through the Maine Department of Education:					
Child Nutrition Cluster:					
National School Lunch Program	10.555	3022/3024	104,653		-
School Breakfast Program	10.553	3014	43,866		-
Summer Food Service Program	10.559	3016/3018	15,784		-
COVID 19 - Summer Food Service Program	10.559	7008/7009	74,760		-
Food Donation Program	10.555	N/A	11,876		-
Total Child Nutrition Cluster				250,939	
Fresh Fruits and Vegetables	10.582	3028	16,087		-
Total U.S. Department of Agriculture			506,821		-

**CITY OF CALAIS, MAINE**  
**Schedule of Expenditures of Federal Awards, Continued**  
**For the year ended June 30, 2020**

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA number</b>	<b>Pass- through number</b>	<b>Federal expenditures</b>	<b>CFDA/ cluster totals</b>	<b>Passed through to subrecipients</b>
U.S. Department of Housing and Urban Development, Passed through Maine Department of Economic and Community Development: Community Development Block Grant (Public Infrastructure Grant)	14.228	N/A	\$ 22,190		-
Total U.S. Department of Housing and Urban Development			22,190		-
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	700,000		-
Total Clean Water State Revolving Fund Cluster				700,000	
Total Environmental Protection Agency			700,000		-
<b>Totals</b>			<b>\$ 1,927,262</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, 2020**

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**PURPOSE OF THE SCHEDULE**

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Office of Management and Budget (OMB) 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).

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**SIGNIFICANT ACCOUNTING POLICIES**

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- A. Reporting Entity - The accompanying schedule includes all federal award programs of the City of Calais, Maine for the fiscal year ended June 30, 2020. 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, 2020**

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**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>
84.010	Title IA
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? Yes

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

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

SIGNIFICANT DEFICIENCIES

**2020-001 – Preparation of Financial Statements**

Criteria: Client personnel designated as having responsibility over the financial reporting process 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.

Statement of Condition: 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.

Cause: The City does not employ an individual that possesses the expertise to prepare a complete set of financial statements that are in accordance with generally accepted accounting principles.

Effect: 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.

Recommendation: 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, which we feel management is fully capable of doing given their collective municipal financial reporting experience.

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.*

**2020-002 – Material Audit Adjusting Journal Entries (City and School Department)**

Criteria: The general ledger includes activity and balances of the City and School Department's asset, liability, revenue, and expenditure/expense accounts. These accounts should be reconciled monthly with supporting ledgers to ensure accuracy of balance throughout the year.

Statement of Condition: Many of these accounts required audit adjustments at year-end, including sewer capital assets, School Department payables, School Department receivables, School Department accrued salaries, and various revenue and expenditure/expense accounts. Both individually and in the aggregate, these entries were material to the financial statements.

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

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

Cause: The City finance staff are not comfortable with certain entries related to year end accruals and waits until the auditor proposes correcting entries to adjust these accounts annually. For the School Department, changes in the year end close process in ADS caused management to struggle with year end account reconciliations.

Effect: Whenever the auditor is required to propose a material amount of entries, the risk of material misstatement due to fraud or error increases significantly.

Recommendation: 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 and School Department 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:

- Reconcile receivables and payable listings with general ledger
- Review of direct fund balance posts and properly classify these entries out of fund balance
- Review waste water project draws and expenditures and ensure activity has been posted to accurate general ledger accounts

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 reconciled monthly. Finance staff will attempt to reconcile the accounts at least quarterly. The UDAG Loan fund 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.

*The School Department will be taking the recommendation of RKO and create monthly checklist that includes reconciling accounts on the general ledger.*

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

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

**2020-003 – Child Nutrition Cluster – Verifications**

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.

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

Effect: Two students (same application) that should have been changed to reduced but 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 miscalculated the household income while reviewing the supporting documents received during the verification process.

Recommendation: Management should take extra care in reviewing the supporting income documentation during the verification process. Additionally, a second individual should be assigned to review the verification report prior to submission to help ensure errors are detected and corrected in a timely manner.

Questioned Costs: None

Management's response/corrective action plan: *The superintendent will meet with the lead kitchen workers and develop a plan that will help catch verification errors.*

**2020-004 – Uniform Guidance Procurement Standards**

Criteria: One of the more significant provisions of the Uniform Guidance that affects the City and School Department is the procurement standards under 2 CFR sections 200.318 through 200.326. Under the new procurement standards, the City and School Department is required to have a documented purchasing policy, which at a minimum, incorporates the provisions of the Uniform Guidance.

Statement of Condition: The Office of Management and Budget (OMB) revised regulations applicable to federally funded programs. The new regulations are contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Uniform Guidance replaced OMB Circulars A-133, A-87, and A-110 and incorporates new requirements for grant recipients. The Uniform Guidance includes not only protocols for program management and administration, but also updates compliance regulations for federal awards. Currently the City and School Department do not have a formal written procurement policy that incorporates all provisions of the Uniform Guidance procurement standards.



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

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

Cause: The City and School Department have not adopted a procurement policy that covers all aspects required by the Uniform Guidance. However, during our testing of procurement over federal expenditures, we did not notate any violations of the Uniform Guidance procurement standards.

Effect: Items required by the Uniform Guidance procurement standards that are not currently addressed in the City and School Department's procurement policy are as follows:

- Contracting with small and minority businesses, women's business enterprises, and labor surplus area firms
- Bonding requirements
- Contract provisions
- Subrecipient and contractor determinations

Recommendation: We recommend that management review the applicable provisions of the Uniform Guidance procurement standards and update the City and School Department's procurement policy appropriately. This would include adding any missing components to the City and School Department's current procurement policy and updating definitions of types of procurement, i.e., micro-purchases, small purchases, and small acquisition threshold, to match the language used in the Uniform Guidance procurement standards.

Management response/corrective action plan: *The City and School department will develop procurement policies in FY 2022 to meet the requirements of the Uniform Guidance.*

**Contact for City comments:**

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Fax: (207) 454-2757

**Contact for School comments:**

Julie Murray, Bookkeeper  
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Phone: (207) 454-7561  
Fax: (207) 454-2516

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

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

**2019-001 – Preparation of Financial Statements**

Criteria: Client personnel designated as having responsibility over the financial reporting process 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.

Statement of Condition: 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.

Cause: The City does not employ an individual that possesses the expertise to prepare a complete set of financial statements that are in accordance with generally accepted accounting principles.

Effect: 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.

Recommendation: 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, which we feel management is fully capable of doing given their collective municipal financial reporting experience.

Status: This comment was repeated in fiscal year 2020.

**2019-002 – Material Audit Adjusting Journal Entries (City and School Department)**

Criteria: The general ledger includes activity and balances of the City and School Department's asset, liability, revenue, and expenditure/expense accounts. These accounts should be reconciled monthly with supporting ledgers to ensure accuracy of balance throughout the year.

Statement of Condition: Many of these accounts required audit adjustments at year-end, including sewer capital assets, UDAG and Uptown loan receivables, School Department fund balance, School Department payables, School Department receivables, School Department accrued salaries, and various revenue and expenditure/expense accounts. Both individually and in the aggregate, these entries were material to the financial statements.

Cause: The City and School Department finance staff are not comfortable with certain entries related to year end accruals and waits until the auditor proposes correcting entries to adjust these accounts annually. Additionally, some of the School Department entries were directly related to a data loss that occurred during the fiscal year.

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

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

Effect: Whenever the auditor is required to propose a material amount of entries, the risk of material misstatement due to fraud or error increases significantly.

Recommendation: 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 and School Department 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:

- Reconcile receivables and payable listings with general ledger
- Review of direct fund balance posts and properly classify these entries out of fund balance
- Review waste water project draws and expenditures and ensure activity has been posted to accurate general ledger accounts
- Reconciliation of UDAG and Uptown Loan funds with loan fund Excel workbook

Status: The UDAG and Uptown loans have been reconciled and we did not have issues with them in 2020. Other areas of this comment have been repeated in 2020.

**2019-003 – Account Structure of the City General Ledger (City)**

Criteria: The internal account structure of the City should be set up in a manner that accomplishes the financial reporting objectives of management. All individual funds should be separated with individual fund names and fund numbers.

Statement of Condition: Currently, nearly all of the individual nonmajor governmental funds (special revenue and capital project funds) are recorded as single account lines in the general fund assets and liabilities.

Cause: When the current software package was purchased, management team at the time did not possess the financial reporting experience to accurately set up the funds accurately to meet its financial reporting goals.

Effect: 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.

Recommendation: 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.

Status: This comment was not repeated as a significant deficiency in 2020.

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

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

**2019-004 – Information Technology (IT) Security (School Department)**

Criteria: Prudent security over the School Department’s general ledger is necessary to ensure that information not be stolen or lost due to security threats that the school faces on a daily basis.

Statement of Condition: During the fiscal year, management experienced a ransomware attack on two of three servers that store the general ledger back up. When management went to retrieve the back up information from the third server that was unaffected by the ransomware, management found out that back ups had not been run for months and the information was lost.

Cause: The IT department was not following established controls that require monthly testing of the back up servers to ensure that current back ups are available for emergency situations.

Effect: The finance team of the School Department had to manually reenter seven months of transactions to reestablish the general ledger activity through February 2019.

Recommendation: We suggest that management review internal IT control policies with the IT director that require monthly testing of the backups. Additionally, another control should be added that requires physical signoffs by staff when backups are performed. This will help management monitor that the controls are being followed as intended.

Status: These issues have been corrected in 2020.

**2019-005 – Uniform Guidance Procurement Standards**

Criteria: One of the more significant provisions of the Uniform Guidance that affects the City and School Department is the procurement standards under 2 CFR sections 200.318 through 200.326. Under the new procurement standards, the City and School Department is required to have a documented purchasing policy, which at a minimum, incorporates the provisions of the Uniform Guidance.

Statement of Condition: The Office of Management and Budget (OMB) revised regulations applicable to federally funded programs. The new regulations are contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Uniform Guidance replaced OMB Circulars A-133, A-87, and A-110 and incorporates new requirements for grant recipients. The Uniform Guidance includes not only protocols for program management and administration, but also updates compliance regulations for federal awards. Currently the City and School Department do not have a formal written procurement policy that incorporates all provisions of the Uniform Guidance procurement standards.

Cause: The City and School Department have not adopted a procurement policy that covers all aspects required by the Uniform Guidance. However, during our testing of procurement over federal expenditures, we did not notate any violations of the Uniform Guidance procurement standards.

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

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

Effect: Items required by the Uniform Guidance procurement standards that are not currently addressed in the City and School Department's procurement policy are as follows:

- Contracting with small and minority businesses, women's business enterprises, and labor surplus area firms
- Bonding requirements
- Contract provisions
- Subrecipient and contractor determinations

Recommendation: We recommend that management review the applicable provisions of the Uniform Guidance procurement standards and update the City and School Department's procurement policy appropriately. This would include adding any missing components to the City and School Department's current procurement policy and updating definitions of types of procurement, i.e., micro-purchases, small purchases, and small acquisition threshold, to match the language used in the Uniform Guidance procurement standards.

Status: This comment has been repeated in 2020.