

February 23, 2022

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, 2021. 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 Council on May 27, 2021. 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 17, 2021, 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. No new accounting policies were adopted and the application of existing policies was not changed during 2021. 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 February 23, 2022, 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 "Raymond Kursten Ouellette". The signature is written in a cursive style with a large initial 'R'.

City of Calais
Adjusting Journal Entries - City
6/30/2021

			<u>Debit</u>	<u>Credit</u>
1	G1-1830-00	Special Gas Account		4,847.89
	E0410-5510	Fuel/Oil/Lube	4,847.89	
<i>To bring fuel inventory to actual as of June 30, 2021.</i>				
2	G1320-12	2012 PP Taxes		69.59
	G1310-13	2013 RE Taxes		3,475.00
	G1310-14	2014 RE Taxes	135.64	
	G1310-16	2016 RE Taxes		1,121.57
	G1310-17	2017 RE Taxes	9.67	
	G1310-18	2018 RE Taxes	265.24	
	G1310-20	2020 RE Taxes	19.92	
	R0100-0220	2020 Taxes	4,235.69	
<i>To eliminate trivial variances within tax receivable accounts.</i>				
3	08-8275-00	Ambulance Allowance for Bad Debt	34,962.73	
	E8000-6509	Bad Debt		34,962.73
	06-8275-00	Ambulance Allowance for Bad Debt	6,377.79	
	E6000-9850	AMB Bad Debt		6,377.79
<i>To adjust A/R Allowance account to actual as of 6/30/2021.</i>				
4	R7000-7700	WWTP GRANT REVENUE	18,826.51	
	07-7206-00	Sewer A/R MMBB 340,000		18,826.51
<i>To remove receivable that was fully drawn down.</i>				
5	01-2910-00	Deferred property taxes	141,500.00	
	R0100-0220	2020 Taxes		141,500.00
<i>To adjust deferred property taxes to actual.</i>				
6	02-0100-00	FIS - Cemetery Trust		1,348.93
	02-0132-00	Cemetery Reserve	2,931.75	
	02-0135-00	Cemetery Interest		1,582.82
	02-0200-00	FIS - Perpetual Care	753.33	
	02-0235-00	Interest - Perpetual Care		753.33
	02-0300-00	FIS - Library	6,000.28	
	02-0301-00	FNB of BH - Library		2,100.64
	02-0302-00	CSFL - Library		254.61
	02-0335-00	Interest - Library		3,645.03
	02-0400-00	FIS - Poor Trust		2.27
	02-0435-00	Interest Poor	2.27	
	02-0500-00	FIS - Scholarship		1.43
	02-0535-00	Interest Scholarship	1.43	
	02-0600-00	FIS - Beckett		0.28
	02-0635-00	Beckett Interest	0.28	
<i>To balance trust fund investment accounts.</i>				

7	R7000-7700	Debt forgiveness		345,231.00
	R7000-7700	Grant revenue	526,886.99	
	07-7461-00	Sewer BP 2017FS		85,769.00
	07-7468-00	Sewer BP Manning Street	276,000.39	
	07-7469-00	Sewer BP Palmer Street 400K		195,287.13
	07-7471-00	Sewer BP Palmer Street 700K		73,877.71
	07-7472-00	2019 BAN		164,341.15
	07-7207-00	Sewer A/R MMBB 431,000	21,374.00	
	07-7320-00	Sewer Construction in Progress	138,476.74	
	07-7381-00	Sewer Rd South Harriston Street	8,500.00	
	07-7383-00	Sewer CDBG Summer Street		74,207.26
	07-7388-00	Sewer Palmer Street		181,706.17
	07-7389-00	Sewer 2020 System Improvement	190,412.93	
	07-7391-00	Sewer 2020 Main Street		710.13
	07-7500-00	DEP/SRF Asset Management		40,521.50
	G7-7625-00	Sewer Invested Capital Assets	6,000.00	
	E7000-5920	Building Maintenance		6,000.00

To correct debt and BAN balances. To move items recorded directly to net position to proper accounts.

8	07-7450-00	Sewer notes payable		177.49
	7100-2071	2017FS Int	177.49	
	08-2290-00	Ambulance monitor loan		1,725.76
	8000-9020	Monitors-PR	1,725.76	

To remove debit balances for loan accounts.

9	7-7350-00	Sewer Accum Depreciation		594,487.42
	7000-8060	Drec/Asset	594,487.42	
	08-8320-00	Ambulance Accum Depreciation		40,733.33
	8000-8060	Depreciation expense	40,733.33	

To post current year waste water and ambulance depreciation expense.

City of Calais
Adjusting Journal Entries - School Department
June 30, 2021

		Debit	Credit
1	6000-0000-0000-11710-000	Inventory	2,051.18
	6000-0000-3100-56300-900	School Lunch Food	2,051.18
	<i>To adjust inventory to balance at year end.</i>		
2	1000-0000-0000-10102-000	School Cash Account	603,975.44
	1000-0000-0000-12100-000	Accounts Receivable	1,524.32
	1000-0000-0000-12100-000	Accounts Receivable	20,314.75
	1000-0000-0000-12101-000	Accounts Receivable- Baring	44,961.83
	1000-0000-0000-12102-000	Accounts Receivable- Robbinston	149,864.48
	1000-0000-0000-12103-000	Accounts Receivable- Alexander	3,831.24
	1000-0000-0000-12104-000	Accounts Receivable- Charlotte	5,746.82
	1000-0000-0000-12105-000	Accounts Receivable- Crawford	1,959.80
	1000-0000-0000-12107-000	Accounts Receivable- Perry	3,831.24
	1000-0000-0000-12112-000	Accounts Receivable- Pleasant Point	6,313.37
	1000-0000-0000-12120-000	Accounts Receivable- Edmunds	1,524.32
	1000-0000-0000-12132-000	Accounts Receivable- East Machias	4,385.88
	2300-0000-0000-12100-000	Accounts Receivable	98,233.65
	2400-0000-0000-12100-000	Accounts Receivable - Title IV	7,747.71
	2470-0000-0000-12100-000	Accounts Receivable	33,493.49
	2670-0000-0000-12100-000	Accounts Receivable	1,223.96
	2700-0000-0000-12100-000	Accounts Receivable	20,000.00
	6000-0000-0000-12100-000	Accounts Receivable- Due from State	49,468.83
	6000-0000-0000-43250-000	State Subsidy Lunch	17,059.12
	9000-0000-0000-12100-000	Accounts Receivable	135,539.27
	<i>To reverse prior year entry to General Fund cash account that removed AR from cash.</i>		
3	2300-0000-0000-44517-000	NCLB Title 1A Disadvantaged	6,824.00
	2300-0000-0000-12100-000	Accounts Receivable	6,824.00
	<i>To reverse prior year receivable.</i>		
4	6000-0000-0000-12100-000	Accounts Receivable- Due from State	32,441.16
	6000-0000-0000-41610-000	FFVP	2,026.98
	6000-0000-0000-43250-000	State Subsidy Lunch	30,414.18
	<i>To record current year receivables for School Lunch.</i>		
5	2606-0000-0000-12100-000	Accounts Receivable	20,902.80
	2606-0000-0000-44542-000	CRF Revenue	20,902.80
	2608-0000-0000-12100-000	Accounts Receivable	62,071.53
	2608-0000-0000-44542-000	CRF - Day Programming	62,071.53
	2609-0000-0000-12100-000	Accounts Receivable	50,335.75
	2609-0000-0000-44542-000	CRF 2	50,335.75
	2614-0000-0000-12100-000	Accounts Receivable	290,567.59
	2614-0000-0000-44531-000	ESSER II	290,567.59
	2670-0000-0000-12100-000	Accounts Receivable	25,546.62
	2670-0000-0000-44590-000	Title VI Rural and Low Income	25,546.62
	2860-0000-0000-12100-000	Accounts Receivable	2,645.00
	2860-0000-0000-44532-000	Carl Perkins	2,645.00
	<i>To book current year receivables.</i>		
5	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 reverse prior year General Fund accounts payable.</i>		

6	1000-0000-0000-20100-000	ACCOUNTS PAYABLE		75,703.84
	1000-0000-2700-55140-900	Purchased Transportation Services from p	75,703.84	
	<i>To record payables found in search for unrecorded liabilities.</i>			

City of Calais
Passed Adjusting Journal Entries - School Department
June 30, 2021

			<u>Debit</u>	<u>Credit</u>
1	1000-0000-0000-10102-000	School Cash Account		11,286.82
	1000-0000-0000-4xxx-xxx	Various revenue and expenditure accounts	11,286.82	
	<i>To remove improper items from the bank reconciliation.</i>			



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P.O. Box 413
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www.calaismaine.org

February 23, 2022

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, 2021, 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 February 23, 2022, 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 17, 2021, 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.
- 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.

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."

- 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

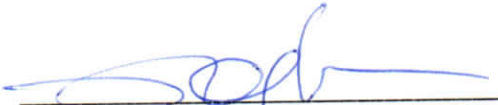
- any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 48) With respect to the supplementary information other than RSI (schedule of expenditures of federal awards, combining and individual fund financial statements):
- a) We acknowledge our responsibility 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.



Signed - Michael Ellis



Signed - Ronald Jenkins

February 23, 2022

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, 2021, 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 (2021-001 through 2021-002) 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 "Raymond Kurtan 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, 2021

SIGNIFICANT DEFICIENCIES

2021-001 – 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.*

2021-002 – 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: Multiple accounts required audit adjustments at year-end, including sewer capital assets, sewer short-term and long-term debt, School Department receivables, 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

Cause: The City has multiple ongoing sewer projects with multiple funding sources, including the Maine Municipal Bond Bank and Rural Development. Amounts received from these funding sources were not posted to the correct accounts. The School Department had many new funding sources pertaining to Coronavirus Relief. Multiple grant fund receivables were not recorded at year end.

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 grant receivables listings with general ledger balances and compare revenues to expenditures in each grant fund to ensure that all funds were requested for reimbursement
- 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. 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.

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.

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

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 Receipts

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

Management's response/corrective action plan: 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.

Accounting Structure of the City General Ledger

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, 2021, 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 February 23, 2022, 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 one cost center with actual expenditures in excess of budgeted amounts. However, in total, the School Department did not exceed its authority to expend funds.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying *Schedule of Reconciliation of the NEO Financial System with Audited Financial Statements* is presented for purposes of additional analysis as required by regulation of the Maine Department of Education and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

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

February 23, 2022
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, 2021

	School Department Operations	Day Treatment	School Special Revenues	School Lunch Program
Revenues and other financing sources:				
Per NEO	\$ 8,335,069	1,776,500	2,450,642	228,293
Adjustments:				
Donated commodities	-	-	-	8,992
Adjustment for receivables	-	-	-	32,441
Transfer from general fund	-	-	-	15,000
Amount located in capital projects (Schedule 3)	-	-	(3,470)	-
Adjusted NEO balance	8,335,069	1,776,500	2,447,172	284,726
Per financial statements (Statement 4, Exhibits B-2 and D-2):	8,335,069	1,776,500	2,447,172	284,750
Variances	\$ -	-	-	(24)
	School Department Operations	Day Treatment	School Special Revenues	School Lunch Program
Expenditures and other financing uses:				
Per NEO	\$ 7,820,214	1,656,799	2,443,177	336,553
Adjustments:				
Donated commodities	-	-	-	8,992
Amount located in capital projects (Schedule 3)	-	-	(7,046)	-
Adjusted NEO balance	7,820,214	1,656,799	2,436,131	345,545
Per financial statements (Statement 4, Exhibits B-2 and D-2):	7,820,214	1,656,799	2,436,131	345,545
Variances	\$ -	-	-	-
Reconciliation between financial statements and NEO report:				
Revenues	\$ 6,983,733	1,776,500	2,447,172	269,750
Transfers in	1,351,336	-	-	15,000
Total revenues	8,335,069	1,776,500	2,447,172	284,750
Expenditures	7,805,214	1,656,799	2,436,131	345,545
Transfers out	15,000	-	-	-
Total expenditures	7,820,214	1,656,799	2,436,131	345,545
Net transfers in (out)	1,336,336	-	-	15,000

See accompanying auditor's report.

Note: This schedule excludes student activity 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, 2021

CITY OF CALAIS, MAINE
Annual Financial Report
For the year ended June 30, 2021

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CITY OF CALAIS, MAINE
Annual Financial Report
For the year ended June 30, 2021

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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, 2021, 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, 2021, 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 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, 2020, 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 February 23, 2022 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.



February 23, 2022
South Portland, Maine

CITY OF CALAIS, MAINE
Management's Discussion and Analysis
June 30, 2021

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, 2021. 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 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

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, 2021 was \$2,994,224 (combined governmental activities and business-type activities).
- The City's notes payable decreased by \$273,441, for a balance of \$6,910,304 (combined governmental activities and business-type activities). The City also has \$1,229,329 of bond anticipation notes payable, which is a decrease of \$211,728 from the prior year.
- The City's net position increased by a total of \$1,792,826 (combined governmental activities and business-type activities).
- Fund balance as reported in the City's fund financial statements increased by \$1,236,095 to a total of \$5,814,207.
- On a budgetary basis, the City's revenues and other financing sources exceeded its expenditures and other financing uses by \$575,389. The School Department's revenues and other financing sources exceeded its expenditures and other financing uses by \$514,855.

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

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 \$25,501,500 as of June 30, 2021.

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, 2021, with a restated June 30, 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current & other assets	\$ 7,352,783	6,719,839	(1,925,606)	(1,620,830)	5,427,177	5,099,009
Capital assets, net	6,378,928	5,957,664	26,284,507	26,354,153	32,663,435	32,311,817
Total assets	13,731,711	12,677,503	24,358,901	24,733,323	38,090,612	37,410,826
Deferred outflows						
related to pensions	489,269	488,733	-	-	489,269	488,733
Deferred outflows						
related to OPEB	752,511	135,146	-	-	752,511	135,146
Total deferred outflows	1,241,780	559,356	-	-	1,241,780	623,879
Current liabilities	1,150,776	1,612,427	1,347,458	1,753,092	2,498,234	3,365,519
Noncurrent liabilities	4,560,219	3,750,436	6,726,695	6,941,469	11,286,914	10,691,905
Total liabilities	5,710,995	5,170,950	8,074,153	8,694,561	13,785,148	14,057,424
Deferred inflows						
related to pensions	-	259,000	-	-	-	259,000
Deferred inflows						
related to OPEB	45,744	9,607	-	-	45,744	9,607
Total deferred inflows	45,744	302,476	-	-	45,744	268,607
Net investment in						
capital assets	6,164,089	5,695,554	18,416,387	18,031,809	24,580,476	23,727,363
Restricted	2,706,291	2,084,061	-	-	2,706,291	2,084,061
Unrestricted	346,372	(109,703)	(2,131,639)	(1,993,047)	(1,785,267)	(2,102,750)
Total net position	\$ 9,216,752	7,669,912	16,284,748	16,038,762	25,501,500	23,708,674

A portion of the City's net position, 10.6%, represents resources that are restricted. The unrestricted net position of the Governmental Activities of \$346,372 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 \$3,303,024, when you do not take into account the actuarially calculated liabilities and

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

deferred inflows and outflows of resources for the net pension and OPEB liabilities. There is a deficit unrestricted net position of \$2,131,639 for Business-type Activities.

As of June 30, 2021, the City is able to report positive balances in two of the three categories of net position for the business-type activities and the government as a whole. Governmental activities have a positive unrestricted net position. The following table presents a summary of revenues and expenses for the fiscal year ended June 30, 2021.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
REVENUES						
Charges for services	\$ 2,657,833	2,590,210	2,457,973	2,283,444	5,115,806	4,873,654
Operating grants and contributions	9,836,838	7,919,106	38,309	-	9,875,147	7,919,106
Capital grants and contributions	68,644	79,500	483,777	268,385	552,421	347,885
Property taxes	3,681,479	3,811,417	-	-	3,681,479	3,811,417
Excise taxes	653,931	573,045	-	-	653,931	573,045
Grants and contributions not restricted to specific purpose	879,301	635,045	-	-	879,301	635,045
Unrestricted investment earnings (loss)	24,515	76,527	15,863	15,285	40,378	91,812
Miscellaneous revenues	816	5,549	-	-	816	5,549
Total revenues	17,803,357	15,690,399	2,995,922	2,567,114	20,799,279	18,257,513
EXPENSES						
General government	687,579	1,296,545	-	-	687,579	1,296,545
City services	434,353	468,141	-	-	434,353	468,141
Public safety	946,617	1,005,348	-	-	946,617	1,005,348
Public works	976,773	1,010,655	-	-	976,773	1,010,655
County tax	278,425	284,159	-	-	278,425	284,159
Unclassified	293,287	313,976	-	-	293,287	313,976
Education	12,664,660	11,415,904	-	-	12,664,660	11,415,904
Interest on debt service	4,251	5,760	-	-	4,251	5,760
Capital maintenance	17,052	45,695	-	-	17,052	45,695
Sewer	-	-	1,185,713	1,218,338	1,185,713	1,218,338
Ambulance	-	-	937,006	931,622	937,006	931,622
Water	-	-	580,737	523,314	580,737	523,314
Total expenses	16,302,997	15,846,183	2,703,456	2,673,274	19,006,453	18,519,457
Excess (deficiency) before transfers	1,500,360	(155,784)	292,466	(106,160)	1,792,826	(261,944)
Transfers	46,480	(346,794)	(46,480)	346,794	-	-
Change in net position	1,546,840	(502,578)	245,986	240,634	1,792,826	(261,944)
Net position, beginning of year	7,669,912	8,172,490	16,038,762	15,798,128	23,708,674	23,970,618
Net position, end of year	\$ 9,216,752	7,669,912	16,284,748	16,038,762	25,501,500	23,708,674

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

Analysis of the City's Operations

Governmental Activities

Governmental activities increased net position by \$1,546,840. Net investment in capital assets increased by \$468,535, or 8.2%, 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 \$2,112,958. Property tax revenues decreased \$129,938 or 3.4%, from the prior fiscal year, primarily due to a decrease in personal property values as businesses deferred replacing equipment during the Covid-19 pandemic, which began in March 2020.

Expenses of governmental activities, including depreciation expense of \$300,406, increased \$456,814 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 \$245,986 from \$16,038,762 to \$16,284,748. Net investment in capital assets increased by \$384,578, primarily due to purchases of capital assets and repayment of debt principal exceeding depreciation expense.

Charges for services increased \$174,529, or 7.6%, from the prior year, as ambulance calls and insurance reimbursements return to normal after the Covid-19 pandemic.

Depreciation expense increased \$4,620 from the prior year to \$815,435.

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 \$5,814,207, \$1,236,095 higher than the previous year. An 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 \$3,732,687. Excise taxes accounted for \$653,931 in total revenue. Revenues totaled \$17,944,857 for governmental funds

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

Total governmental fund expenditures for the year were \$16,755,242 and are broken down as follows:

	2021	2020
General government	\$ 612,540	\$ 949,184
City services	415,618	434,725
Public safety	973,049	967,624
Public works	830,618	863,250
County tax	278,425	284,159
Unclassified	293,287	313,976
Education	12,497,261	11,022,163
Debt service	494,952	605,506
Capital outlay	359,492	420,060
Total governmental fund expenditures	\$ 16,755,242	\$ 15,860,647

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 \$16,284,748, \$245,986 higher than the previous year.

Total proprietary fund operating expenses for the year were \$2,646,659 and are broken down as follows:

Sewer fund	\$ 1,109,802
Calais Ambulance fund	783,263
NWSARAS Ambulance fund	153,240
Water fund	<u>600,354</u>
Total Proprietary Fund Expenses	<u>\$ 2,646,659</u>

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, 2021 amount to \$32,663,435, 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:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	\$ 2,907,505	2,907,505	75,896	75,896	2,983,401	2,983,401
Construction in progress	47,076	143,247	3,133,989	2,485,466	3,181,065	2,628,713
Buildings and improvements	1,989,462	1,906,875	8,468,771	8,462,771	10,458,233	10,369,646
Furniture, equipment and vehicles	4,376,533	3,990,526	1,501,736	1,436,736	5,878,269	5,427,262
Infrastructure	1,314,109	1,058,700	27,061,424	27,035,158	28,375,533	28,093,858
Total capital assets	10,634,685	10,006,853	40,241,816	39,496,027	50,876,501	49,502,880
Accumulated depreciation	(4,255,757)	(4,049,189)	(13,957,309)	(13,141,874)	(18,213,066)	(17,191,063)
Capital assets, net	\$ 6,378,928	5,957,664	26,284,507	26,354,153	32,663,435	32,311,817

The change in capital assets is related to Council's commitment to a paving program, as well as 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 bond anticipation notes from various lending sources.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Notes payable	\$ 214,839	262,110	6,695,465	6,921,635	6,910,304	7,183,745
Bond anticipation notes	-	-	1,229,329	1,441,057	1,229,329	1,441,057
Totals	\$ 214,839	262,110	7,924,794	8,362,692	8,139,633	8,624,802

During the fiscal year, the City's total debt decreased by \$485,169 or 5.63%.

A summary of the City's debt activity for the year ended June 30, 2021 is detailed in the Notes to Basic Financial Statements on pages 36-39 of this report.

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

BUDGETARY HIGHLIGHTS

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

The following is a discussion of the budgetary highlights for the fiscal year ended June 30, 2021.

During the year, actual revenues exceeded budgeted revenues by \$472,927. Most of this variance resulted from over-anticipated tax, state revenue sharing, and education tuition revenue.

Budgeted expenditures exceeded actual expenditures by \$858,496. 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 would bring high-speed, reliable internet to the citizens of Calais and Baileyville. The project was ground-breaking in that DBU owns the infrastructure and leases it to providers via an open-access network. As of June 30, 2021, the project was considered substantially complete, with only an extension to the Nash's Lake area left to be built. With this infrastructure in place, approximately 98% of Calais' citizens now have access to reliable, high-speed internet.

The City has backed a \$1,900,000 loan for Downeast Broadband Utility to build the fiber infrastructure in Calais. As the fiber was put into place, it began 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 increased significantly and their marketing time was less than normal due to an influx of out-of-state buyers driven by the Covid-19 pandemic, which began in March 2020.

Council continues to balance its goals with estimated incoming revenue. State Revenue Sharing was increased this year, as the State's Revenue Sharing contribution was restored to 5%. Excise collections have seen a slight decline as new and used vehicles have been increasingly difficult to find. The City remains committed to its replacement policy and is able to maintain upgrading its infrastructure through the utilization of reserve funds.

The fiscal year 2021-2022 budgeted revenues for sewer remain the same as 2020-2021, 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, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,882,436	230,528	2,112,964
Investments	881,260	-	881,260
Receivables:			
Taxes	448,365	-	448,365
Due from other governments	978,325	-	978,325
Accounts, net	3,736	695,525	699,261
Loans, net	194,740	-	194,740
Cash held in escrow	-	56,674	56,674
Internal balances	2,903,431	(2,952,513)	(49,082) *
Prepaid expenses	38,244	-	38,244
Inventory	22,246	44,180	66,426
Capital assets, not being depreciated	2,954,581	3,209,885	6,164,466
Capital assets, net of accumulated depreciation	3,424,347	23,074,622	26,498,969
Total assets	13,731,711	24,358,901	38,090,612
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	489,269	-	489,269
Deferred outflows of resources related to OPEB	752,511	-	752,511
Total deferred outflows of resources	1,241,780	-	1,241,780
LIABILITIES			
Accounts payable and other current liabilities	381,489	81,159	462,648
Accrued payroll and benefits	595,797	8,219	604,016
Taxes paid in advance	173,490	-	173,490
Accrued interest	-	28,751	28,751
Bond anticipation notes payable	-	1,229,329	1,229,329
Noncurrent liabilities:			
Due within one year	51,820	628,052	679,872
Due in more than one year	4,508,399	6,098,643	10,607,042
Total liabilities	5,710,995	8,074,153	13,785,148
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to OPEB	45,744	-	45,744
Total deferred inflows of resources	45,744	-	45,744
NET POSITION			
Net investment in capital assets	6,164,089	18,416,387	24,580,476
Restricted for:			
Permanent funds - nonexpendable principal	466,828	-	466,828
Permanent funds - expendable	128,389	-	128,389
Education	1,561,924	-	1,561,924
Grants and restricted programs	549,150	-	549,150
Unrestricted	346,372	(2,131,639)	(1,785,267)
Total net position	\$ 9,216,752	16,284,748	25,501,500

See accompanying notes to basic financial statements.

* Due to Water Fund being presented as of December 31, 2020.

CITY OF CALAIS, MAINE
Statement of Activities
For the year ended June 30, 2021

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	\$ 687,579	96,240	16,495	-	(574,844)	-	(574,844)
City services	434,353	44,213	34,703	-	(355,437)	-	(355,437)
Public safety	946,617	-	817	-	(945,800)	-	(945,800)
Public works	976,773	43,406	65,000	-	(868,367)	-	(868,367)
County tax	278,425	-	-	-	(278,425)	-	(278,425)
Unclassified	293,287	-	-	-	(293,287)	-	(293,287)
Education	12,664,660	2,473,974	9,719,823	-	(470,863)	-	(470,863)
Interest on debt service	4,251	-	-	-	(4,251)	-	(4,251)
Capital maintenance	17,052	-	-	68,644	51,592	-	51,592
Total governmental activities	16,302,997	2,657,833	9,836,838	68,644	(3,739,682)	-	(3,739,682)
Business-type activities:							
Sewer	1,185,713	853,585	-	398,085	-	65,957	65,957
Ambulance	937,006	977,212	38,309	-	-	78,515	78,515
Water	580,737	627,176	-	85,692	-	132,131	132,131
Total business-type activities	2,703,456	2,457,973	38,309	483,777	-	276,603	276,603
Total primary government	\$ 19,006,453	5,115,806	9,875,147	552,421	(3,739,682)	276,603	(3,463,079)
General revenues:							
Property taxes					\$ 3,681,479	-	3,681,479
Motor vehicle excise taxes					653,931	-	653,931
Grants and contributions not restricted to specific programs:							
State revenue sharing					547,438	-	547,438
Homestead and BETE exemptions					300,657	-	300,657
Other					31,206	-	31,206
Unrestricted investment earnings (loss)					24,515	15,863	40,378
Miscellaneous revenues					816	-	816
Transfers					46,480	(46,480)	-
Total general revenues and transfers					5,286,522	(30,617)	5,255,905
Change in net position					1,546,840	245,986	1,792,826
Net position - beginning					7,669,912	16,038,762	23,708,674
Net position - ending					\$ 9,216,752	16,284,748	25,501,500

See accompanying notes to basic financial statements.

CITY OF CALAIS, MAINE
Balance Sheet
Governmental Funds
June 30, 2021

	General	School Department Operations	Day Treatment	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 265,050	1,322,249	-	295,137	1,882,436
Investments	-	-	-	881,260	881,260
Receivables:					
Taxes	448,365	-	-	-	448,365
Due from other governments	87,225	96,000	92,480	702,620	978,325
Accounts	3,736	-	-	-	3,736
Loans, net	-	-	-	194,740	194,740
Interfund loans receivable	3,023,032	271,337	420,182	317,025	4,031,576
Prepaid expenditures	38,244	-	-	-	38,244
Inventory	12,879	-	-	9,367	22,246
Total assets	\$ 3,878,531	1,689,586	512,662	2,400,149	8,480,928
LIABILITIES					
Accounts payable	138,343	90,008	92,272	31,547	352,170
Accrued payroll and benefits	20,069	455,499	86,146	34,083	595,797
Payroll withholdings payable	22,429	-	-	-	22,429
Payable to other governments	6,890	-	-	-	6,890
Interfund loans payable	318,068	-	-	810,077	1,128,145
Taxes paid in advance	173,490	-	-	-	173,490
Line of credit	-	-	-	-	-
Total liabilities	679,289	545,507	178,418	875,707	2,278,921
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	387,800	-	-	-	387,800
Total deferred inflows of resources	387,800	-	-	-	387,800
FUND BALANCES					
Nonspendable	51,123	-	-	466,828	517,951
Restricted	-	1,144,079	334,244	761,140	2,239,463
Committed	-	-	-	537,572	537,572
Assigned	53,400	-	-	-	53,400
Unassigned	2,706,919	-	-	(241,098)	2,465,821
Total fund balances	2,811,442	1,144,079	334,244	1,524,442	5,814,207
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,878,531	1,689,586	512,662	2,400,149	
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.					6,378,928
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.					387,800
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:					
Accrued compensated absences					(192,692)
Notes from direct borrowing					(214,839)
Net OPEB liability with associated deferred inflows and outflows of resources					(86,992)
Total OPEB liability with associated deferred inflows and outflows of resources					(1,967,972)
Net pension liability with associated deferred inflows and outflows of resources					(901,688)
Net position of governmental activities					\$ 9,216,752

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, 2021

	General	School Department Operations	Day Treatment	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 4,476,910	-	-	-	4,476,910
Intergovernmental	922,576	5,950,187	941,810	2,693,981	10,508,554
Charges for services	183,859	1,617,020	834,690	22,264	2,657,833
Student activity fees and fundraisers	-	-	-	100,319	100,319
Investment earnings	2,940	-	-	21,575	24,515
Unclassified	22,084	32,849	-	121,793	176,726
Total revenues	5,608,369	7,600,056	1,776,500	2,959,932	17,944,857
Expenditures:					
Current:					
General government	580,625	-	-	31,915	612,540
City services	389,367	-	-	26,251	415,618
Public safety	972,755	-	-	294	973,049
Public works	820,158	-	-	10,460	830,618
County tax	278,425	-	-	-	278,425
Unclassified	293,198	-	-	89	293,287
Education	-	7,959,284	1,656,799	2,881,178	12,497,261
Debt service	17,118	462,253	-	15,581	494,952
Capital outlay	281,414	-	-	78,078	359,492
Total expenditures	3,633,060	8,421,537	1,656,799	3,043,846	16,755,242
Excess (deficiency) of revenues over (under) expenditures	1,975,309	(821,481)	119,701	(83,914)	1,189,615
Other financing sources (uses):					
Transfers from other funds	61,980	1,351,336	-	125,564	1,538,880
Transfers to other funds	(1,461,900)	(15,000)	-	(15,500)	(1,492,400)
Total other financing sources (uses)	(1,399,920)	1,336,336	-	110,064	46,480
Net change in fund balances	575,389	514,855	119,701	26,150	1,236,095
Fund balances, beginning of year	2,236,053	629,224	214,543	1,498,292	4,578,112
Fund balances, end of year	\$ 2,811,442	1,144,079	334,244	1,524,442	5,814,207

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, 2021

Net change in fund balances - total governmental funds (from Statement 4)	\$	1,236,095
<p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital outlays		740,981
Less: depreciation expense		(300,406)
Less: book loss on disposal of capital assets		(19,311)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the change in available revenue - property taxes.</p>		
		(141,500)
<p>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:</p>		
Accrued compensated absences		346
Net OPEB liability, including related deferred inflows and outflows		9,013
Total OPEB liability, including related deferred inflows and outflows		36,172
Net pension liability, including related deferred inflows and outflows		(61,821)
<p>The issuance of long-term debt 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:</p>		
Principal payments on notes from direct borrowings		47,271
Change in net position of governmental activities (see Statement 2)	\$	1,546,840

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, 2021

	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	\$ 4,330,726	4,330,726	4,476,910	146,184	-	-	-	-
Intergovernmental	705,662	705,662	922,576	216,914	5,510,095	5,510,095	5,333,864	(176,231)
Charges for services	237,502	237,502	183,859	(53,643)	1,313,640	1,313,640	1,617,020	303,380
Interest earned	3,500	3,500	2,940	(560)	-	-	-	-
Unclassified	18,050	18,050	22,084	4,034	-	-	32,849	32,849
Total revenues	5,295,440	5,295,440	5,608,369	312,929	6,823,735	6,823,735	6,983,733	159,998
Expenditures:								
Current:								
General government	634,798	634,798	593,625	41,173	-	-	-	-
City services	425,136	425,136	389,367	35,769	-	-	-	-
Public safety	1,071,467	1,107,979	980,955	127,024	-	-	-	-
Public works	922,900	922,900	827,158	95,742	-	-	-	-
County tax	278,425	278,425	278,425	-	-	-	-	-
Unclassified	323,366	323,366	293,198	30,168	-	-	-	-
Education	-	-	-	-	7,831,461	7,831,461	7,342,961	488,500
Debt service	20,001	20,001	17,118	2,883	465,762	465,762	462,253	3,509
Capital outlay	299,947	397,506	363,778	33,728	-	-	-	-
Total expenditures	3,976,040	4,110,111	3,743,624	366,487	8,297,223	8,297,223	7,805,214	492,009
Excess (deficiency) of revenues over (under) expenditures	1,319,400	1,185,329	1,864,745	679,416	(1,473,488)	(1,473,488)	(821,481)	652,007
Other financing sources (uses):								
Transfers from other funds	67,500	67,500	61,980	(5,520)	1,351,336	1,351,336	1,351,336	-
Transfers to other funds	(1,351,336)	(1,351,336)	(1,351,336)	-	(15,000)	(15,000)	(15,000)	-
Use of surplus	49,582	183,653	-	(183,653)	137,152	137,152	-	(137,152)
Total other financing sources (uses)	(1,234,254)	(1,100,183)	(1,289,356)	(189,173)	1,473,488	1,473,488	1,336,336	(137,152)
Net change in fund balances	85,146	85,146	575,389	490,243	-	-	514,855	514,855
Fund balances, beginning of year			2,236,053				629,224	
Fund balances, end of year	\$		2,811,442				1,144,079	

See accompanying notes to basic financial statements.

CITY OF CALAIS, MAINE
Statement of Net Position
Proprietary Funds
June 30, 2021
(Water Fund presented as of December 31, 2020)

	Business-type Activities - Enterprise Funds				Totals
	Sewer Fund	NWSARAS Ambulance	Ambulance Fund	Water Fund	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 54,498	14,494	130,078	31,458	230,528
Accounts receivable, net	305,246	30,119	161,988	198,172	695,525
Cash held in escrow	21,374	-	-	35,300	56,674
Interfund loans receivable	-	36,516	-	-	36,516
Inventory	-	-	-	44,180	44,180
Total current assets	381,118	81,129	292,066	309,110	1,063,423
Noncurrent assets:					
Property, plant, and equipment:					
Land	-	-	-	75,896	75,896
Construction in progress	3,133,989	-	-	-	3,133,989
Buildings and improvements	8,354,925	-	-	113,846	8,468,771
Equipment, furniture, and vehicles	234,428	-	632,851	634,457	1,501,736
Infrastructure	16,848,346	-	-	10,213,078	27,061,424
Less accumulated depreciation	(10,363,547)	-	(381,051)	(3,212,711)	(13,957,309)
Total noncurrent assets	18,208,141	-	251,800	7,824,566	26,284,507
Total assets	18,589,259	81,129	543,866	8,133,676	27,347,930
LIABILITIES					
Current liabilities:					
Accounts payable	37,766	4,396	6,176	32,821	81,159
Accrued payroll and benefits	-	1,235	6,984	-	8,219
Accrued interest	23,854	-	-	4,897	28,751
Interfund loans payable	2,115,468	-	735,797	137,764	2,989,029
Bond anticipation notes payable	1,229,329	-	-	-	1,229,329
Current portion of notes	408,775	-	19,801	199,476	628,052
Total current liabilities	3,815,192	5,631	768,758	374,958	4,964,539
Noncurrent liabilities:					
Compensated absences payable	-	-	31,230	-	31,230
Notes from direct borrowing	3,063,520	-	33,669	2,970,224	6,067,413
Total noncurrent liabilities	3,063,520	-	64,899	2,970,224	6,098,643
Total liabilities	6,878,712	5,631	833,657	3,345,182	11,063,182
NET POSITION					
Net investment in capital assets	13,527,891	-	198,330	4,690,166	18,416,387
Unrestricted	(1,817,344)	75,498	(488,121)	98,328	(2,131,639)
Total net position	\$ 11,710,547	75,498	(289,791)	4,788,494	16,284,748

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, 2021
(Water Fund presented for the year ended December 31, 2020)

	Business-type Activities - Enterprise Funds				Totals
	Sewer Fund	NWSARAS Ambulance	Ambulance Fund	Water Fund	
Operating revenues:					
Charges for services	\$ 828,686	184,228	792,929	625,760	2,431,603
Interest and lien fees	7,159	-	-	-	7,159
Miscellaneous	17,740	-	55	1,416	19,211
Total operating revenues	853,585	184,228	792,984	627,176	2,457,973
Operating expenses:					
Personnel services	228,138	113,958	634,572	270,782	1,247,450
Contractual services	109,984	21,766	49,913	58,382	240,045
Utilities	86,862	1,056	1,815	31,323	121,056
Repairs and maintenance	19,108	616	12,826	3,434	35,984
Materials and supplies	58,876	10,036	28,162	49,539	146,613
Miscellaneous	3,036	3,531	8,466	6,680	21,713
Bad debt expense	9,310	2,277	6,776	-	18,363
Depreciation	594,488	-	40,733	180,214	815,435
Total operating expenses	1,109,802	153,240	783,263	600,354	2,646,659
Operating income (loss)	(256,217)	30,988	9,721	26,822	(188,686)
Nonoperating revenue (expense):					
Interest income	14,205	112	833	713	15,863
Grants and contributions	52,854	5,670	32,639	85,692	176,855
Loan forgiveness	345,231	-	-	-	345,231
Interest expense	(75,911)	-	(503)	(26,863)	(103,277)
Total nonoperating revenue (expense)	336,379	5,782	32,969	59,542	434,672
Net income (loss) before transfers	80,162	36,770	42,690	86,364	245,986
Transfers:					
Transfers from (to) other funds	-	(3,466)	3,466	-	-
Total transfers	-	(3,466)	3,466	-	-
Change in net position	80,162	33,304	46,156	86,364	245,986
Total net position, beginning of year	11,630,385	42,194	(335,947)	4,702,130	16,038,762
Total net position, end of year	\$ 11,710,547	75,498	(289,791)	4,788,494	16,284,748

See accompanying notes to basic financial statements.

CITY OF CALAIS, MAINE
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2021
(Water Fund presented for the year ended December 31, 2020)

	Business-type Activities - Enterprise Funds				Totals
	Sewer Fund	NWSARAS Ambulance	Ambulance Fund	Water Fund	
Cash flows from operating activities:					
Receipts from customers and users	\$ 905,407	185,565	755,786	574,447	2,421,205
Payments to suppliers	(486,160)	(36,937)	(120,214)	(132,950)	(776,261)
Payments to employees/employee services	(228,138)	(113,805)	(619,870)	(270,782)	(1,232,595)
Net cash provided by (used in) operating activities	191,109	34,823	15,702	170,715	412,349
Cash flows from non-capital financing activities:					
Transfers from (to) other funds	-	(3,466)	3,466	-	-
Increase (decrease) in interfund loans payable	370,921	(39,217)	59,991	6,561	398,256
Net cash provided by (used in) non-capital financing activities	370,921	(42,683)	63,457	6,561	398,256
Cash flows from capital and related financing activities:					
Purchase of capital assets	(654,523)	-	(65,000)	(26,266)	(745,789)
Capital grants and contributions	52,854	5,670	32,639	-	91,163
Proceeds from bond anticipation note	513,682	-	-	-	513,682
Principle payments on bond anticipation note	-	-	-	(328,988)	(328,988)
Proceeds from issuance of debt	32,031	-	60,000	328,988	421,019
Principal payments on debt	(398,162)	-	(20,250)	(210,602)	(629,014)
Interest paid on debt	(75,911)	-	(503)	(26,409)	(102,823)
Net cash provided by (used in) capital and related financing activities	(530,029)	5,670	6,886	(263,277)	(780,750)
Cash flows from investing activities:					
Interest income	14,205	112	833	713	15,863
Net cash provided by (used in) investing activities	14,205	112	833	713	15,863
Increase (decrease) in cash and cash equivalents	46,206	(2,078)	86,878	(85,288)	45,718
Cash and cash equivalents, beginning of year	8,292	16,572	43,200	116,746	184,810
Cash and cash equivalents, end of year	\$ 54,498	14,494	130,078	31,458	230,528
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (256,217)	30,988	9,721	26,822	(188,686)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	594,488	-	40,733	180,214	815,435
(Increase) decrease in operating assets:					
Accounts receivable, net	51,822	1,337	(37,198)	(52,729)	(36,768)
Inventory	-	-	-	5,332	5,332
Increase (decrease) in operating liabilities:					
Accounts payable	(198,984)	2,345	(12,256)	11,076	(197,819)
Accrued wages and benefits	-	153	3,306	-	3,459
Accrued compensated absences	-	-	11,396	-	11,396
Net cash provided by (used in) operating activities	191,109	34,823	15,702	170,715	412,349

See accompanying notes to basic financial statements.

CITY OF CALAIS, MAINE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

		Private- purpose Trust Funds	Custodial Funds
ASSETS			
Cash and cash equivalents	\$	-	162,023
Investments		68,252	-
Total assets		68,252	162,023
LIABILITIES			
Accounts payable		-	-
Total liabilities		-	-
NET POSITION			
Restricted	\$	68,252	162,023

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, 2021

	Private- purpose Trust Funds	Custodial Funds
Additions:		
Contributions	\$ -	18,252
Investment income (loss)	276	676
Total additions	276	18,928
Deductions:		
Scholarships and other	507	24,951
Total deductions	507	24,951
 Change in net position	 (231)	 (6,023)
 Net position, beginning of year	 68,483	 168,046
 Net position, end of year	 \$ 68,252	 162,023

See accompanying notes to basic financial statements.

CITY OF CALAIS, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Downeast Broadband Utility (the Utility) was formed in 2017 through an interlocal agreement between the two communities. Downeast Broadband Corporation's primary purposes according to the agreement was to establish, construct, and maintain a fiber network to provide broadband service in the Town 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 2021, the City of Calais contributed \$0 to the Utility. For the year ended June 30, 2021, the Utility did not have a financial audit completed; however unaudited figures show the following as of the year then ended: total assets \$2,436,225, total liabilities \$3,302,622, and a net operating loss of \$80,556. The City is contingently liable for a line of credit that the Utility issued in the City's name. At June 30, 2021, the line of credit had a balance of \$1,865,718.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The City reports the following major proprietary funds:

- The *Sewer Fund* accounts for the operation of the City's sewer department.
- The *NWSARAS Ambulance Fund* accounts for the City providing services to the Town of Danforth.
- The *Ambulance Fund* accounts for the operation of the City's ambulance services.
- The *Water Fund** accounts for the operation of the City's water department.

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

1. Cash and Investments

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

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

2. Interfund Receivables/Payables

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

3. Inventories

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

4. Capital Assets

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

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

5. Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the statement of net position and balance sheet will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows of resources and deferred inflows of resources, represent a consumption or acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time. The governmental funds report one type of deferred inflows of resources, unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental activities have deferred outflows and inflows that relate to the net pension and OPEB liabilities, which include the City's contributions subsequent to the measurement date, which is recognized as a reduction of the net pension and OPEB liabilities in the subsequent year. They include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between City contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan. They also include the net difference between projected and actual earnings on plan investments, which is deferred and amortized over a five-year period.

6. Compensated Absences

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

7. Long-term Obligations

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

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

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (PLD Plan) and the Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

9. Other Post-employment Benefits (OPEB)

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

10. Interfund Transactions

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

11. Use of Estimates

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

12. Fund Equity

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

13. Comparative Data

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The City utilizes a formal budgetary accounting system to control revenues and expenditures accounted for in the General Fund, 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.

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 \$616,323. 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.

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.

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2021, expenditures exceeded appropriations in the following areas:

Transfer station	\$ 1,575
Regular instruction	22,210

C. Deficit Fund Balances

At June 30, 2021, the following funds had deficit fund balances and net position:

Triangle Park sidewalk project	\$ 43,662	CES Afterschool Program	15,376
Recreation Pool Donation	15,699	Mano en Mano	3,311
SCRTC Reserve Fund	1,468	School Lunch	97,287
Title IA – Disadvantage	2,220	Scholarship Account	2,500
Title IA – Program Improvement	5,480	Donation - Skateboard	687
Local Entitlement	21,539	Recreation Pavilion Park	325
Coronavirus Relief Funds 1	8,251	Recreation Tennis Donations	501
Coronavirus Relief Funds 2	274	Library Figure Foundation	310
ESSER 2	23	Library Pike Book Fund	113
Perkins Learning Center	253	Shore and Harbor (BIG) Grant	4,971
Momentum	7,455	DEP Pumpout (BIG) Grant	7,099
Rotary Grant – BARR	694	Ambulance Fund	289,791
Project AWARE	1,600		

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

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, 2021, 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	\$ 949,512	201,875	694,631	53,006

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, 2021, 100% of the City’s bank balance of \$2,731,451 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. 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, 2021, 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	\$ 191,234	32,065	-
Loans receivable	-	-	595,143
Allowance for uncollectible accounts	(29,246)	(1,946)	(400,403)
<u>Accounts and loans receivable, net</u>	<u>\$ 161,988</u>	<u>30,119</u>	<u>194,740</u>

PROPERTY TAX

Property taxes for the current year were committed on August 18, 2020, 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 \$85,146 for the year ended June 30, 2021.

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>2021</u>	<u>2020</u>
Assessed value	\$ 142,005,000	148,621,500
<u>Tax rate (per \$1,000)</u>	<u>25.30</u>	<u>25.30</u>
Commitment	3,592,726	3,760,124
<u>Less: Collections</u>	<u>3,390,682</u>	<u>3,474,860</u>
<u>Current year taxes receivable at end of year</u>	<u>\$ 202,044</u>	<u>285,265</u>
Due date - current year	October 1, 2020	October 1, 2019
Interest rate on delinquent taxes	8.00%	9.00%
Collection rate	94.4%	92.4%

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

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance June 30, <u>2020</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2021</u>
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 143,247	65,176	161,347	47,076
Land	2,907,505	-	-	2,907,505
Total capital assets not being depreciated	3,050,752	65,176	161,347	2,954,581
Capital assets, being depreciated:				
Buildings and improvements	1,906,875	82,587	-	1,989,462
Furniture and equipment	2,136,193	285,860	86,195	2,335,858
Vehicles	1,854,333	203,342	17,000	2,040,675
Infrastructure	1,058,700	265,363	9,954	1,314,109
Total capital assets being depreciated	6,956,101	837,152	113,149	7,680,104
Less accumulated depreciation for:				
Buildings and improvements	1,126,811	40,124	-	1,166,935
Furniture and equipment	1,302,432	114,049	81,035	1,335,446
Vehicles	1,455,178	82,697	9,775	1,528,100
Infrastructure	164,768	63,536	3,028	225,276
Total accumulated depreciation	4,049,189	300,406	93,838	4,255,757
Total capital assets being depreciated, net	2,906,912	536,746	19,311	3,424,347
Governmental activities capital assets, net	\$ 5,957,664	601,922	180,658	6,378,928
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 2,485,466	648,523	-	3,133,989
Land	75,896	-	-	75,896
Total capital assets not being depreciated	2,561,362	648,523	-	3,209,885
Capital assets, being depreciated:				
Buildings and improvements	8,462,771	6,000	-	8,468,771
Equipment, furniture, and vehicles	1,436,736	65,000	-	1,501,736
Infrastructure	27,035,158	26,266	-	27,061,424
Total capital assets being depreciated	36,934,665	97,266	-	37,031,931
Less accumulated depreciation for:				
Buildings and improvements	5,641,361	260,286	-	5,901,647
Equipment, furniture, and vehicles	1,143,907	50,653	-	1,194,560
Infrastructure	6,356,606	504,496	-	6,861,102
Total accumulated depreciation	13,141,874	815,435	-	13,957,309
Total capital assets being depreciated, net	23,792,791	(718,169)	-	23,074,622
Business-type activities capital assets, net	\$ 26,354,153	(69,646)	-	26,284,507

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

CAPITAL ASSETS, CONTINUED

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

Governmental activities:	
General government	\$ 18,879
City services	36,090
Public safety	33,343
Public works	150,979
Education	61,115

<u>Total depreciation expense – governmental activities</u>	<u>\$ 300,406</u>
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Business-type activities:	
Sewer fund	\$ 594,488
Ambulance fund	40,733
Water fund	180,214

<u>Total depreciation expense – business-type activities</u>	<u>\$ 815,435</u>
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LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2021 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Notes payable	\$ 262,110	-	47,271	214,839	51,820
Compensated absences	193,038	-	346	192,692	-
OPEB liabilities	2,225,688	568,102	32,059	2,761,731	-
Net pension liability	1,069,600	321,357	-	1,390,957	-
Governmental activities long-term liabilities	<u>\$ 3,750,436</u>	<u>889,459</u>	<u>79,676</u>	<u>4,560,219</u>	<u>51,820</u>
Business-type activities:					
Notes payable	\$ 6,921,635	833,766	1,059,936	6,695,465	628,052
Compensated absences	19,834	11,396	-	31,230	-
Business-type activities long-term liabilities	<u>\$ 6,941,469</u>	<u>845,162</u>	<u>1,059,936</u>	<u>6,726,695</u>	<u>628,052</u>

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

NOTES FROM DIRECT BORROWING

Notes from direct borrowing at June 30, 2021 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, 2021</u>
Governmental activities:					
Information center	6/20/16	\$ 135,000	2027	2.50%	\$ 85,721
Street sweeper	5/15/19	80,000	2024	2.82%	45,568
Copier	3/12/19	31,000	2025	4.13%	21,738
Copier	3/12/19	88,147	2025	4.13%	61,812
Total governmental activities					214,839
Business-type activities:					
Ambulance	2/19/21	\$ 60,000	2024	1.53%	53,470
2002 sewer	2/16/02	2,350,000	2022	2.36%	143,043
2009 sewer	10/26/09	978,822	2030	1.00%	464,635
2010-FS-CW	12/22/10	2,263,000	2031	1.00%	652,395
2010-SR-CW	6/29/10	943,371	2030	1.00%	447,808
2011-FR-CW	3/28/11	1,231,000	2031	1.50%	661,235
2017-FS	9/24/20	431,000	2041	1.00%	85,769
2012 Rural Development	12/2/11	777,000	2040	2.25%	577,699
2016 Rural Development	12/22/16	500,000	2045	1.375%	439,711
2013 water	1/29/13	127,241	2026	2.75%	64,398*
2008 water	6/17/08	1,963,998	2031	0.00%	900,161*
2009 water	1/15/09	1,450,500	2036	0.00%	522,572*
2009 water	6/17/09	44,500	2039	0.00%	27,442*
2009 water	6/17/09	261,000	2039	0.00%	88,523*
2009 water	12/17/09	835,000	2039	0.00%	370,183*
2012 water	6/22/12	695,000	2042	0.00%	267,575*
2014 water	11/22/13	305,000	2044	1.00%	193,400*
2016 water	12/21/16	195,593	2037	1.00%	125,180*
2017 water	8/14/17	596,484	2037	1.00%	364,867*
2020 water	9/24/20	342,766	2041	1.00%	245,399*
Total business-type activities					6,695,465
Total notes from direct borrowing					\$ 6,910,304

* All outstanding notes payable for the Water Fund are reported as of December 31, 2020.

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 \$6,910,304 at June 30, 2021 was within the statutory limit.

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

NOTES FROM DIRECT BORROWING

The annual requirements to amortize all long-term debt outstanding as of June 30, 2021 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>
2022	\$ 51,820	6,459	58,279	628,052	63,682	691,734
2023	53,516	4,763	58,279	501,011	54,452	555,463
2024	42,838	3,013	45,851	498,539	49,998	548,537
2025	36,648	1,630	38,278	489,112	45,703	534,815
2026	14,821	760	15,581	493,301	41,428	534,729
2027-2031	15,196	385	15,581	2,375,799	143,116	2,518,915
2032-2036	-	-	-	979,272	72,266	1,051,538
2037-2041	-	-	-	606,299	29,251	635,550
2042-2045	-	-	-	124,080	3,446	127,526
Total	\$ 214,839	17,010	231,849	6,695,465	503,342	7,198,807

OVERLAPPING DEBT

In addition to the notes and bonds payable, the City is contingently responsible for the following overlapping debt as of June 30, 2021:

<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	\$ 1,553,400	100%	1,553,400
2017 loan payable - \$375,000	233,871	100%	233,871
Total overlapping debt			\$ 1,787,271

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, 2021 are as follows:

<u>June 30,</u>	<u>Overlapping Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 425,266	64,862	490,128
2023	426,525	46,773	473,298
2024	427,813	28,390	456,203
2025	429,171	9,065	438,236
2026	42,212	1,990	44,202
2027	36,284	562	36,846
Total	\$ 1,787,271	151,642	1,938,913

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

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, 2021 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
City	\$ 300,000	200,000	500,000	-
School Department	-	-	-	-
Total lines of credit payable	\$ 300,000	200,000	500,000	-

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, 2021, 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.

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; \$960,000 with an interest rate of 1.00% and due on December 16, 2022 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, 2021 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Clean water revolving	\$ 186,627	178,361	-	364,988
Clean water revolving	626,122	73,878	-	700,000
Water – Manning Street	328,988	-	328,988	-
Sewer – Manning Street	299,320	97,101	396,421	-
Sewer – Main Street	-	164,341	-	164,341
Total bond anticipation notes	\$ 1,441,057	513,681	725,409	1,229,329

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

INTERFUND BALANCES AND TRANSFERS

As of June 30, 2021, the balances of interfund loans receivable/payable and transfers were as follows:

<u>Fund</u>	<u>Interfund loans receivable</u>	<u>Interfund loans payable</u>	<u>Transfers in (out)</u>
General Fund	\$ 3,023,032	318,068	(1,399,920)
School Department Operations	271,337	-	1,336,336
Day Treatment	420,182	-	-
Proprietary Funds:			
Sewer Fund	-	2,115,468	-
NWSARAS Ambulance	36,516	-	(3,466)
Ambulance Fund	-	735,797	3,466
Water Fund *	-	137,764	(46,480)
Other Governmental Funds	317,025	810,077	110,064
Totals	\$ 4,068,092	4,117,174	-

* Interfund loans receivable and payable do not equal due to the Water Department being reported as of December 31, 2020. 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:

<u>2022</u>	<u>\$ 468,667</u>
<u>Total</u>	<u>\$ 468,667</u>

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

FUND BALANCE

As of June 30, 2021, fund balance components consisted of the following:

	General Fund	School Department Operations	Day Treatment	Other Governmental Funds	Total
Nonspendable:					
Inventory and prepaid expenditures	\$ 51,123	-	-	-	51,123
Principal for permanent funds	-	-	-	466,828	466,828
Total nonspendable	51,123	-	-	466,828	517,951
Restricted:					
City services	-	-	-	43,296	43,296
Public safety	-	-	-	13,091	13,091
Education	-	1,144,079	334,244	83,601	1,561,924
Loan funds	-	-	-	492,763	492,763
Permanent funds	-	-	-	128,389	128,389
Total restricted	-	1,144,079	334,244	761,140	2,239,463
Committed:					
City services	-	-	-	6,973	6,973
Public safety	-	-	-	2,501	2,501
Education	-	-	-	200,024	200,024
Public works	-	-	-	21,494	21,494
Capital projects	-	-	-	306,580	306,580
Total committed	-	-	-	537,572	537,572
Assigned:					
Subsequent budget	53,400	-	-	-	53,400
Total assigned	53,400	-	-	-	53,400

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, 2021:

	Governmental activities	Business-type activities
Capital assets	\$ 10,634,685	40,241,816
Accumulated depreciation	(4,255,757)	(13,957,309)
Bond anticipation notes	-	(1,229,329)
Notes from direct borrowing	(214,839)	(6,695,465)
Unspent note proceeds	-	56,674
Total net investment in capital assets	\$ 6,164,089	18,416,387

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

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, 2021.

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, 2021.

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.

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).

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, 2021 was 10.1% of annual payroll. Contributions to the pension plan from the City were \$188,875 for the year ended June 30, 2021.

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

NET PENSION LIABILITY, CONTINUED

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, 2021, 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 \$140,239 for the year ended June 30, 2021.

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, 2020, 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, 2021, the City reported a liability of \$1,136,832 for its proportionate share of the net pension liability. At June 30, 2020, the City's proportion of the PLD Plan was 0.2861%.

SET Plan - At June 30, 2021, 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	\$ 254,125
State's proportionate share of the net pension liability associated with the City	4,385,462
Total	\$ 4,639,587

At June 30, 2020, the City's proportion of the SET Plan was 0.0156%

For the year ended June 30, 2021, the City recognized pension expense of \$242,648 for the PLD Plan and \$631,369 for the SET Plan with revenue of \$483,083 for support provided by the State. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

NET PENSION LIABILITY, CONTINUED

	<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	\$ 55,720	-	2,745	-
Net difference between projected and actual earnings on pension plan investments	73,975	-	10,534	-
Changes in proportion and differences between City contributions and proportionate share of contributions	2,995	-	14,186	-
City contributions subsequent to the measurement date	188,875	-	140,239	-
Total	\$ 321,565	-	167,704	-

\$329,114 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, 2022. 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>
2022	\$ (36,440)	(1,471)
2023	43,322	10,327
2024	62,834	9,353
2025	62,974	9,256

Actuarial Assumptions - The total pension liability in the June 30, 2020 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% + merit	2.75% + merit
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.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

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

NET PENSION LIABILITY, CONTINUED

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, 2020 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%	7.2%
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	\$ 2,389,161	1,136,832	111,708
 <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	\$ 440,728	254,125	98,596

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

NET PENSION LIABILITY, CONTINUED

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, 2021.

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.

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 \$7,205 for the year ended June 30, 2021. 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 \$13,228 for the year ended June 30, 2021. Employers and employees are not required to contribute to the OPEB plan.

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

The net OPEB liability for each plan was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating employers, actuarially determined.

PLD OPEB Plan – At June 30, 2021, the City reported a liability of \$72,205 for its proportionate share of the net OPEB liability. At June 30, 2020, the City's proportion was 0.5473%.

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE, CONTINUED

SET OPEB Plan – At June 30, 2021, 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 \$117,806 as of June 30, 2021. At June 30, 2020, the City’s proportion was 0.00%.

For the year ended June 30, 2021, the City recognized OPEB gain of \$1,808 for the PLD OPEB Plan. For the year ended June 30, 2021, the City recognized OPEB expense of \$13,228 and revenues of \$13,228 for support provided by the State related to the SET OPEB plan. At June 30, 2021, the City reported no deferred outflows of resources nor deferred inflows of resources related to the SET OPEB plan. At June 30, 2021, 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	\$ -	43,941
Net difference between projected and actual earnings on OPEB plan investments	-	1,803
Difference between expected and actual experience	8,914	-
Changes in proportion and differences between City contributions and proportionate share of contributions	14,838	-
City contributions subsequent to the measurement date	7,205	-
Total	\$ 30,957	45,744

\$7,205 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, 2022. 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:	
2022	\$ (7,402)
2023	(6,307)
2024	74
2025	(2,970)
2026	(5,387)

Actuarial Assumptions - The total OPEB liability in the June 30, 2020 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.

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE, CONTINUED

The actuarial assumptions used in the June 30, 2020 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 and SET OPEB plans 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.

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 6.75%, 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 (5.75%) or 1 percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB liability	\$ 97,246	72,205	52,077

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

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

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

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	51
Inactive employee entitled to but not yet receiving benefits	-
Active employees	83
Total	134

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

The City’s total OPEB liability of \$2,689,526 was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

Changes in the Total OPEB Liability

Balance at June 30, 2020	\$ 2,121,424
Changes for the year:	
Service cost	11,162
Interest	73,169
Changes of benefit terms	(185,082)
Differences between expected and actual experience	10,924
Changes in assumptions or other inputs	742,772
Benefit payments	(84,843)
Net changes	568,102
Balance at June 30, 2021	\$ 2,689,526

Change in assumptions reflects a change in the discount rate from 3.50% to 2.21%. Changes of benefits relate to the implementation of the Medicare Advantage plan.

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

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

For the year ended June 30, 2021, The City recognized OPEB expense of \$28,984. At June 30, 2021, 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 in assumptions	\$ 638,192	-
Differences between expected and actual experience	9,103	-
City contributions subsequent to measurement date	74,259	-
Total	\$ 721,554	-

\$74,259 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, 2022. 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:	
2022	\$ 129,735
2023	129,735
2024	145,696
2025	125,616
2026	125,616

Actuarial Assumptions - The total OPEB liability in the June 30, 2020 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	2.00%
Salary increases	2.75% per year
Discount rate	2.21% per annum
Healthcare cost trend rates - Pre-Medicare	6.21% for 2021 grading over 20 years to 3.25%
Healthcare cost trend rates - Medicare	0.00% for 2021 grading over 20 years to 3.25%
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, 2020 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 2.21% 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.

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

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

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 2.21%, 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 (1.21%) or 1 percentage-point higher (3.21%) than the current rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 3,109,303	2,689,526	2,343,638

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	\$ 2,325,547	2,689,526	3,133,685

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PLD Plan							
City's proportion of the net pension liability	\$ 0.2861%	0.2857%	0.2843%	0.2872%	0.2832%	0.2737%	0.3073%
City's proportionate share of the net pension liability	1,136,832	873,290	778,136	1,176,018	1,504,835	873,381	472,801
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
City's proportionate share of the net pension liability as a percentage of its covered payroll	61.87%	49.71%	47.55%	75.89%	101.01%	60.97%	28.89%
Plan fiduciary net position as a percentage of the total pension liability	88.35%	90.62%	91.14%	86.43%	81.61%	88.27%	94.10%
SET Plan							
City's proportion of the net pension liability	0.0156%	0.0134%	0.0151%	0.0142%	0.0150%	0.0137%	0.0162%
City's proportionate share of the net pension liability	254,125	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	4,385,462	3,485,830	3,325,142	3,402,301	4,460,648	3,645,902	3,125,546
Total	\$ 4,639,587	3,682,140	3,528,490	3,609,258	4,725,912	3,831,530	3,300,041
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
City's proportionate share of the net pension liability as a percentage of its covered payroll	7.74%	5.76%	6.33%	6.88%	8.39%	5.73%	5.09%
Plan fiduciary net position as a percentage of the total pension liability	81.03%	82.73%	82.90%	80.78%	76.21%	81.18%	83.91%

* Only seven 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PLD Plan								
Contractually required contribution	\$ 188,875	183,750	175,678	157,088	147,217	132,586	111,737	106,371
Contributions in relation to the contractually required contribution	(188,875)	(183,750)	(175,678)	(157,088)	(147,217)	(132,586)	(111,737)	(106,371)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-
City's covered payroll	1,870,048	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	10.10%	10.00%	10.00%	9.60%	9.50%	8.90%	7.80%	6.50%
SET Plan								
Contractually required contribution	140,239	136,403	135,213	127,520	100,975	106,239	85,776	90,793
Contributions in relation to the contractually required contribution	(140,239)	(136,403)	(135,213)	(127,520)	(100,975)	(106,239)	(85,776)	(90,793)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-
City's covered payroll	\$ 3,371,129	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%	4.16%	3.97%	3.97%	3.36%	3.36%	2.65%	2.65%

* Only eight 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
PLD OPEB Plan				
City's proportion of the net OPEB liability	0.5473%	0.4873%	0.4533%	0.4520%
City's proportion share of the net OPEB liability	\$ 72,205	104,264	91,571	75,573
City's covered-employee payroll	1,837,507	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	3.93%	5.93%	5.60%	4.88%
Plan fiduciary net position as a percentage of the total OPEB liability	55.39%	43.18%	43.92%	47.42%
SET OPEB Plan				
City's proportion of the net OPEB liability	0.00%	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	117,806	113,459	110,371	104,614
Total	\$ 117,806	113,459	110,371	104,614
Plan fiduciary net position as a percentage of the total OPEB liability	49.51%	49.22%	48.04%	47.29%

* Only four years of information available.

The amounts presented for each fiscal year were determined as of the prior fiscal year.

CITY OF CALAIS, MAINE
Required Supplementary Information, Continued

Schedule of City's OPEB Contributions				
Last 10 Fiscal Years*				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>PLD OPEB Plan</u>				
Contractually required contribution	\$ 7,205	6,753	5,873	5,979
Contributions in relation to the contractually required contribution	(7,205)	(6,753)	(5,873)	(5,979)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered employee payroll	\$ 1,870,048	1,837,507	1,756,765	1,636,334
Contributions as a percentage of covered payroll	0.39%	0.37%	0.33%	0.37%

* Only four 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>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB Liability			
Service cost	\$ 11,162	9,285	10,042
Interest	73,169	76,832	73,823
Changes of benefit terms	(185,082)	-	-
Differences between expected and actual experience	10,924	-	-
Changes of assumptions or other inputs	742,772	100,404	(79,810)
Benefit payments	(84,843)	(81,521)	(78,703)
Net change in total OPEB Liability	568,102	105,000	(74,648)
Total OPEB liability - beginning	2,121,424	2,016,424	2,091,072
Total OPEB liability - ending	\$ 2,689,526	2,121,424	2,016,424
Covered-employee payroll	\$ 3,432,444	3,632,910	3,535,679
Total OPEB liability as a percent of covered-employee payroll	78.4%	58.4%	57.0%

*Only three years of information available.

CITY OF CALAIS, MAINE
Notes to Required Supplementary Information

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>2020</u>	<u>2018</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Discount rate - PLD	6.75%	6.75%	6.875%	7.125%	7.25%	7.25%
Discount rate - SET	6.75%	6.75%	6.875%	7.125%	7.125%	7.25%
Inflation rate	2.75%	2.75%	2.75%	3.50%	3.50%	3.50%
Salary increases - PLD	2.75 + merit	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 + merit	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%	1.91%	2.20%	2.55%	3.12%	3.12%
Cost of living increases - SET	2.20%	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Discount rate - SET	6.75%	6.75%	6.75%	6.875%
Discount rate - PLD	6.75%	4.98%	5.13%	5.41%

Total OPEB Liability

Changes of Benefit Terms - Implementation of the Medicare Advantage plan in 2020.

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Discount rate - MEABT	2.21%	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, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 265,050	117,233
Taxes receivable	448,365	566,924
Due from other governments	87,225	58,052
Accounts receivable	3,736	7,010
Interfund loans receivable	3,023,032	2,873,598
Prepaid expenditures	38,244	34,577
Inventory	12,879	7,134
Total assets	\$ 3,878,531	3,664,528
LIABILITIES		
Accounts payable	138,343	179,955
Accrued payroll and benefits	20,069	13,506
Payroll withholdings payable	22,429	22,018
Payable to other governments	6,890	7,745
Interfund loans payable	318,068	204,855
Taxes paid in advance	173,490	171,096
Line of credit	-	300,000
Total liabilities	679,289	899,175
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	387,800	529,300
Total deferred inflows of resources	387,800	529,300
FUND BALANCES		
Nonspendable - inventory and prepaid	51,123	41,711
Assigned	53,400	48,820
Unassigned	2,706,919	2,145,522
Total fund balances	2,811,442	2,236,053
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,878,531	3,664,528

CITY OF CALAIS, MAINE
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the year ended June 30, 2021
(with comparative actual amounts for the year ended June 30, 2020)

	2021		Variance positive (negative)	2020 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 3,592,726	3,732,687	139,961	3,728,059
Excise taxes	668,000	653,931	(14,069)	573,045
Payments in lieu of taxes	28,000	28,346	346	28,549
Interest on taxes	42,000	61,946	19,946	50,009
Total taxes	4,330,726	4,476,910	146,184	4,379,662
Intergovernmental:				
State revenue sharing	330,761	547,438	216,677	384,281
Homestead exemption	284,950	284,950	-	204,392
Business equipment tax reimbursement	15,593	15,707	114	14,665
Veterans exemption	-	3,326	3,326	3,427
Tree growth reimbursement	25,000	27,880	2,880	28,280
Snowmobile reimbursement	1,000	649	(351)	708
General assistance	8,358	4,326	(4,032)	9,284
Urban rural initiative payment	40,000	38,300	(1,700)	41,464
Total intergovernmental	705,662	922,576	216,914	686,501
Charges for services:				
Administration	15,000	14,637	(363)	13,534
Code enforcement	3,500	6,170	2,670	4,269
EMS administration	69,240	69,218	(22)	70,497
Motor vehicle agent fees	6,200	6,215	15	5,253
Building rentals	3,062	-	(3,062)	3,062
Library	5,500	3,287	(2,213)	5,189
Recreation	94,000	40,926	(53,074)	46,444
Transfer station	41,000	43,406	2,406	46,726
Total charges for services	237,502	183,859	(53,643)	194,974
Interest earned	3,500	2,940	(560)	11,451
Unclassified:				
Sale of property	1,000	-	(1,000)	5,324
Police	1,150	465	(685)	615
Fire	-	28	28	4
Public works	7,700	8,216	516	10,990
Cemetery	8,000	12,559	4,559	5,923
Unclassified - City	200	816	616	225
Total unclassified	18,050	22,084	4,034	23,081
Total revenues	5,295,440	5,608,369	312,929	5,295,669

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

	2021			2020 Actual
	Budget	Actual	Variance positive (negative)	
Expenditures:				
Current:				
General government:				
City council	\$ 15,231	15,230	1	14,702
City manager	85,050	84,301	749	86,497
City clerk	90,790	82,365	8,425	88,368
Finance department	186,510	183,064	3,446	166,316
Legal services	23,400	13,670	9,730	18,527
Assessing	96,660	92,154	4,506	92,661
City building	80,962	74,559	6,403	79,276
St. Croix fire house	2,130	1,588	542	1,149
Public buildings - north	54,065	46,694	7,371	49,696
Total general government	634,798	593,625	41,173	597,192
City services:				
Library	162,430	143,154	19,276	133,130
Recreation	246,326	230,184	16,142	247,921
Subsidies and donations	16,380	16,029	351	16,089
Total City services	425,136	389,367	35,769	397,140
Public safety:				
Police	611,354	511,845	99,509	487,743
Fire	417,625	398,373	19,252	404,332
Street and traffic lights	79,000	70,737	8,263	74,948
Total public safety	1,107,979	980,955	127,024	967,023
Public works:				
Public works	702,325	613,290	89,035	651,705
Transfer station	98,600	100,175	(1,575)	101,992
Cemetery	121,975	113,693	8,282	106,694
Total public works	922,900	827,158	95,742	860,391
County tax	278,425	278,425	-	284,159
Unclassified:				
Hydrants	206,737	206,737	-	206,737
Insurance	70,800	70,301	499	65,997
Miscellaneous	25,829	16,108	9,721	26,946
Contingency	20,000	52	19,948	14,209
Total unclassified	323,366	293,198	30,168	313,889

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

	2021		Variance positive (negative)	2020 Actual
	Budget	Actual		
Expenditures, continued:				
Debt service	\$ 20,001	17,118	2,883	111,194
Capital outlay	397,506	363,778	33,728	289,451
Total expenditures	4,110,111	3,743,624	366,487	3,820,439
Excess (deficiency) of revenues over (under) expenditures	1,185,329	1,864,745	679,416	1,475,230
Other financing sources (uses):				
Use of surplus	183,653	-	(183,653)	-
Transfers from other funds	67,500	61,980	(5,520)	84,756
Transfer out - Education Local Appropriation	(1,351,336)	(1,351,336)	-	(1,474,145)
Transfers to other funds	-	-	-	(47,827)
Total other financing sources (uses)	(1,100,183)	(1,289,356)	(189,173)	(1,437,216)
Net change in fund balance	85,146	575,389	490,243	38,014
Fund balance, beginning of year		2,236,053		2,198,039
Fund balance, end of year	\$	2,811,442		2,236,053

SCHOOL DEPARTMENT OPERATIONS

CITY OF CALAIS, MAINE
School Department Operations
Comparative Balance Sheets
June 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,322,249	1,075,952
Due from other governments	96,000	275,693
Accounts receivable	-	7,285
Interfund loans receivable	271,337	69,891
Total assets	\$ 1,689,586	1,428,821
LIABILITIES		
Accounts payable	90,008	193,230
Accrued payroll and benefits	455,499	606,367
Total liabilities	545,507	799,597
FUND BALANCES		
Restricted:		
Assigned for subsequent budget	346,473	137,152
Unassigned	797,606	492,072
Total fund balances	1,144,079	629,224
Total liabilities and fund balances	\$ 1,689,586	1,428,821

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, 2021
(with comparative actual amounts for the year ended June 30, 2020)

	2021		Variance positive (negative)	2020 Actual
	Budget	Actual		
Revenues:				
Intergovernmental:				
State subsidy	\$ 5,126,475	5,050,821	(75,654)	4,624,630
MaineCare/Medicare	268,396	167,819	(100,577)	141,926
Assessments	115,224	115,224	-	108,093
Charges for services:				
Tuition - elementary	187,394	253,065	65,671	273,590
Tuition - secondary	877,746	1,078,023	200,277	931,960
Tuition - special	248,500	285,932	37,432	265,736
Other revenues	-	32,849	32,849	17,551
Total revenues	6,823,735	6,983,733	159,998	6,363,486
Expenditures:				
Current:				
Regular instruction	2,699,209	2,721,419	(22,210)	2,736,749
Special education	1,323,295	1,156,098	167,197	1,158,113
Career and technical education	1,114,801	991,609	123,192	878,856
Other instruction	168,861	128,451	40,410	153,970
Student and staff support	436,978	360,853	76,125	323,278
System administration	423,388	412,767	10,621	395,589
School administration	356,695	354,926	1,769	287,428
Transportation and buses	389,186	384,555	4,631	383,338
Facilities maintenance	919,048	832,283	86,765	915,423
Debt service assessments:				
Principal	388,350	388,350	-	386,350
Interest	77,412	73,903	3,509	92,381
Total expenditures	8,297,223	7,805,214	492,009	7,711,475
Excess (deficiency) of revenues over (under) expenditures	(1,473,488)	(821,481)	652,007	(1,347,989)
Other financing sources (uses):				
Transfer in - Local Appropriation	1,351,336	1,351,336	-	1,474,145
Transfers to other funds	(15,000)	(15,000)	-	(15,000)
Use of surplus	137,152	-	(137,152)	-
Total other financing sources (uses)	1,473,488	1,336,336	(137,152)	1,459,145
Net change in fund balance - GAAP basis	-	514,855	514,855	111,156
Fund balance, beginning of year		629,224		518,068
Fund balance, end of year	\$	1,144,079		629,224

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, 2021

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 241,258	-	53,879	295,137
Investments	340,347	-	540,913	881,260
Due from other governments	702,620	-	-	702,620
Loans receivable, net	194,740	-	-	194,740
Interfund loans receivable	70,849	245,751	425	317,025
Inventory	9,367	-	-	9,367
Total assets	\$ 1,559,181	245,751	595,217	2,400,149
LIABILITIES				
Accounts payable	31,547	-	-	31,547
Accrued payroll and benefits	34,083	-	-	34,083
Interfund loans payable	810,077	-	-	810,077
Total liabilities	875,707	-	-	875,707
FUND BALANCES				
Nonspendable	-	-	466,828	466,828
Restricted	632,751	-	128,389	761,140
Committed	230,992	306,580	-	537,572
Unassigned	(180,269)	(60,829)	-	(241,098)
Total fund balances	683,474	245,751	595,217	1,524,442
Total liabilities and fund balances	\$ 1,559,181	245,751	595,217	2,400,149

CITY OF CALAIS, MAINE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2021

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
Revenues:				
Intergovernmental	\$ 2,693,981	-	-	2,693,981
Charges for services	22,264	-	-	22,264
Student activity fees and fundraisers	100,319	-	-	100,319
Investment income (loss)	18,806	-	2,769	21,575
Unclassified	47,224	68,644	5,925	121,793
Total revenues	2,882,594	68,644	8,694	2,959,932
Expenditures:				
Current:				
General government	28,304	-	3,611	31,915
City services	24,827	-	1,424	26,251
Public safety	294	-	-	294
Public works	-	-	10,460	10,460
Unclassified	-	-	89	89
Education	2,535,633	-	-	2,535,633
Food services	345,545	-	-	345,545
Debt service	15,581	-	-	15,581
Capital outlay	-	78,078	-	78,078
Total expenditures	2,950,184	78,078	15,584	3,043,846
Excess (deficiency) of revenues over (under) expenditures	(67,590)	(9,434)	(6,890)	(83,914)
Other financing sources (uses):				
Transfer from other funds	19,000	106,564	-	125,564
Transfer to other funds	(7,500)	-	(8,000)	(15,500)
Total other financing sources (uses)	11,500	106,564	(8,000)	110,064
Net change in fund balances	(56,090)	97,130	(14,890)	26,150
Fund balances, beginning of year	739,564	148,621	610,107	1,498,292
Fund balances, end of year	\$ 683,474	245,751	595,217	1,524,442

CITY OF CALAIS, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2021

	City Special Revenue Funds	UDAG Economic Development Loan Fund	School Special Revenue Funds	Student Activites Fund	School Lunch	Totals
ASSETS						
Cash and cash equivalents	\$ -	78,036	-	163,222	-	241,258
Investments	-	340,347	-	-	-	340,347
Due from other governments	-	-	657,046	-	45,574	702,620
Loans receivable, net	-	194,740	-	-	-	194,740
Interfund loans receivable	70,849	-	-	-	-	70,849
Inventory	-	-	-	-	9,367	9,367
Total assets	\$ 70,849	613,123	657,046	163,222	54,941	1,559,181
LIABILITIES						
Accounts payable	-	334	29,965	-	1,248	31,547
Accrued payroll and benefits	-	-	34,083	-	-	34,083
Interfund loans payable	-	120,026	539,071	-	150,980	810,077
Total liabilities	-	120,360	603,119	-	152,228	875,707
FUND BALANCES						
Restricted	56,387	492,763	83,601	-	-	632,751
Committed	30,968	-	36,802	163,222	-	230,992
Unassigned	(16,506)	-	(66,476)	-	(97,287)	(180,269)
Total fund balances (deficits)	70,849	492,763	53,927	163,222	(97,287)	683,474
Total liabilities and fund balances	\$ 70,849	613,123	657,046	163,222	54,941	1,559,181

CITY OF CALAIS, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2021

	City Special Revenue (Schedule 1)	UDAG Economic Development Loan Fund	School Special Revenue (Schedule 2)	Student Activites Fund (Schedule 5)	School Lunch	Totals
Revenues:						
Intergovernmental	\$ 12,169	-	2,440,274	-	241,538	2,693,981
Charges for services	-	-	2,582	-	19,682	22,264
Student activity fees and fundraisers	-	-	-	100,319	-	100,319
Investment income (loss)	-	18,806	-	-	-	18,806
Unclassified	34,378	-	4,316	-	8,530	47,224
Total revenues	46,547	18,806	2,447,172	100,319	269,750	2,882,594
Expenditures:						
Current:						
General government	12,169	16,135	-	-	-	28,304
City services	24,827	-	-	-	-	24,827
Public safety	294	-	-	-	-	294
Public works	-	-	-	-	-	-
Education	750	-	2,436,131	98,752	-	2,535,633
Food services	-	-	-	-	345,545	345,545
Debt service	-	15,581	-	-	-	15,581
Total expenditures	38,040	31,716	2,436,131	98,752	345,545	2,950,184
Excess (deficiency) of revenues over (under) expenditures	8,507	(12,910)	11,041	1,567	(75,795)	(67,590)
Other financing sources (uses):						
Transfers from (to) other funds	4,000	(7,500)	-	-	15,000	11,500
Total other financing sources (uses)	4,000	(7,500)	-	-	15,000	11,500
Net change in fund balances	12,507	(20,410)	11,041	1,567	(60,795)	(56,090)
Fund balances (deficits), beginning of year	58,342	513,173	42,886	161,655	(36,492)	739,564
Fund balances (deficits), end of year	\$ 70,849	492,763	53,927	163,222	(97,287)	683,474

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, 2021

	Balances (deficits) beginning of year	Revenues		Expenditures	Transfers in (out)	Balances (deficits) end of year
		Inter- governmental	Other			
General government:						
1792 Keep ME Healthy	\$ -	12,169	-	12,169	-	-
City services:						
2830 Donation - Skateboard	(937)	-	250	-	-	(687)
3624 Wal-Mart Grant	1,000	-	-	-	-	1,000
3660 Recreation Day Camp	2,109	-	1,790	-	-	3,899
3661 Recreation Playground	500	-	-	-	-	500
3662 Recreation Smith Field	1,000	-	-	-	-	1,000
3665 Recreation JMG Grant	600	-	-	-	-	600
3666 Recreation School Basketball	909	-	65	-	-	974
3667 Recreation Pavilion Project	(325)	-	-	-	-	(325)
3668 Recreation Tennis Donations	(501)	-	-	-	-	(501)
3758 Library - Eaton Foundation	997	-	-	859	-	138
3760 Library - Figure Foundation	(310)	-	-	-	-	(310)
3762 Library - Special Gift Book	196	-	2,685	2,020	-	861
3763 Library - Pike Book Fund	(113)	-	-	-	-	(113)
3764 J. Baig Bequest - Library	1,920	-	-	-	-	1,920
3771 Library - Pike Fund Income	32,011	-	29,264	21,948	-	39,327
3778 Concert Donations	50	-	-	-	-	50
Public safety:						
1725 Shore and Harbor (BIG) Grant	(4,971)	-	-	-	-	(4,971)
1789 Police Drug Forfeiture Funds	867	-	-	-	-	867
3600 Animal Control Fees	2,471	-	324	294	-	2,501
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	1,586	-	-	-	-	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	2,808	-	-	-	2,000	4,808
3877 PW Tree Planting	1,173	-	-	-	500	1,673
3878 PW Tree Removal	2,213	-	-	-	750	2,963
3879 PW Chipping Program	7,300	-	-	-	750	8,050
Unclassified:						
3633 Scholarship Account	(1,750)	-	-	750	-	(2,500)
Total City special revenue funds	\$ 58,342	12,169	34,378	38,040	4,000	70,849

CITY OF CALAIS, MAINE
School Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2021

	Balances (deficits) beginning of year	Revenues	Expenditures	Balances (deficits) end of year
Federal programs:				
2300 Title IA - Disadvantaged	\$ (2,220)	268,266	268,266	(2,220)
2310 Title IA - Program Improvement	(5,480)	-	-	(5,480)
2470 Local Entitlement	(21,539)	104,334	104,334	(21,539)
2510 Preschool	1,397	-	-	1,397
2605 ESSER 1	-	13,109	13,109	-
2606 Coronavirus Relief Funds 1	-	636,625	644,876	(8,251)
2608 Coronavirus Relief Funds Day Programming	-	91,846	91,657	189
2609 Coronavirus Relief Funds 2	-	654,378	654,652	(274)
2614 ESSER 2	-	290,568	290,591	(23)
2635 Project AWARE	5,901	68,280	75,781	(1,600)
2670 Rural Low Income	2,187	72,295	73,778	704
2700 Title IIA - Supporting Effective Instruction	11,662	2,300	1,792	12,170
2860 Perkins Learning Center	(3,222)	55,093	52,124	(253)
2870 Perkins Alignment Grant	-	12,779	12,779	-
2915 HRSA Grant - School Based Health	79	-	-	79
Total federal programs	(11,235)	2,269,873	2,283,739	(25,101)
State programs:				
2015 Melmac Grant - High School	7,792	2,000	3,093	6,699
2017 Melmac Grant - Tech Center	10,324	14,000	12,383	11,941
2214 CTE Industry Standards	5,691	93,795	77,079	22,407
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	170	-	-	170
2238 Momentum	(7,455)	-	-	(7,455)
2248 FEDES Grant	-	3,096	-	3,096
2250 Regional Support Unit	2,108	-	-	2,108
2900 HIV Prevention	134	-	-	134
2905 Youth Suicide Prevention	58	-	-	58
7020 DHHS Teen and Youth	(1,607)	60,888	49,489	9,792
Total state programs	29,872	173,779	142,044	61,607
Other programs:				
2010 Kellogg Grant	520	-	-	520
2020 Maine Dairy	28	-	-	28
2025 Rotary Grant - BARR	(694)	-	-	(694)
2060 Local Funds	6,921	1,000	-	7,921
2071 Wellness Grant	2,343	-	-	2,343
2080 Suicide Prevention Grant	7,497	-	-	7,497
2090 Tootsie Roll Grant	3,914	316	76	4,154
2100 Recommissioned Computer Revenue	364	-	-	364
2130 Maine Indian Education - Afterschool	3,550	-	-	3,550
2135 CES Afterschool Program	(7,308)	2,204	10,272	(15,376)
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	24,249	3,520	10,348	17,421
Totals	\$ 42,886	2,447,172	2,436,131	53,927

CITY OF CALAIS, MAINE
Capital Project Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2021

	Balances (deficits) beginning of year	Revenues	Expenditures	Transfers in (out)	Balances (deficits) end of year
1735 Triangle Park sidewalk project	\$ (43,662)	-	-	-	(43,662)
3630 Nash's Lake Dam	1,846	-	-	-	1,846
3664 Recreation Pool Donations	(15,699)	-	-	-	(15,699)
3761 Library - Building Fund	22,523	-	1,547	-	20,976
3785 Land Disposition	37,621	64,774	5,779	-	96,616
3870 Cemetery Road Repair	8,000	-	-	1,000	9,000
3900 Veteran's Memorial Pavers	2,312	400	-	-	2,712
4202 CIP Administration	3,443	-	3,000	31,250	31,693
4205 CIP Fire Department	17,245	-	8,146	24,200	33,299
4207 CIP Library	-	-	-	18,012	18,012
4210 CIP Recreation Dept	6	-	-	3,903	3,909
4215 CIP Police Dept	15,827	-	-	-	15,827
4220 CIP Public Works	83,171	-	52,560	16,199	46,810
4225 CIP Transfer Station	2,335	-	-	-	2,335
4230 CIP Cemetery	9,277	-	-	2,000	11,277
4240 CIP North Street Building	2,268	-	-	10,000	12,268
2120 School - SCRTC Reserve Fund	2,108	3,470	7,046	-	(1,468)
Total nonmajor capital projects	\$ 148,621	68,644	78,078	106,564	245,751

CITY OF CALAIS, MAINE
Permanent Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2021

	Cemetery Trust Funds	Library Trust Funds	Poor Trust Funds	Beckett Pool Funds	Totals
Revenues:					
Contributions/donations	\$ 5,925	-	-	-	5,925
Investment income	9,244	3,711	2,214	278	15,447
Unrealized gain (loss)	(7,610)	(3,013)	(1,826)	(229)	(12,678)
Total revenues	7,559	698	388	49	8,694
Expenditures:					
Current:					
General government	-	-	3,611	-	3,611
City services	-	1,424	-	-	1,424
Public works	10,460	-	-	-	10,460
Unclassified	-	-	-	89	89
Total expenditures	10,460	1,424	3,611	89	15,584
Excess (deficiency) of revenues over (under) expenditures	(2,901)	(726)	(3,223)	(40)	(6,890)
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	(6,901)	(4,726)	(3,223)	(40)	(14,890)
Fund balances, beginning of year	388,631	141,232	66,174	14,070	610,107
Fund balances, end of year	\$ 381,730	136,506	62,951	14,030	595,217

CITY OF CALAIS, MAINE
Student Activity Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2021

	Fund Balances Beginning of year	Revenues	Expenditures	Fund Balances End of year
Calais High School	136,136	70,340	67,195	139,281
St. Croix Technical Center	11,585	16,444	7,867	20,162
Calais Elementary School	13,934	13,535	23,690	3,779
Totals	\$ 161,655	100,319	98,752	163,222

CITY OF CALAIS, MAINE

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

For the Year Ended June 30, 2021

CITY OF CALAIS, MAINE
Reports Required by *Government Auditing Standards*
and Uniform Guidance
For the Year Ended June 30, 2021

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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, 2021, 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 February 23, 2022.

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 (2021-001 and 2021-002).

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 February 23, 2022.

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.



February 23, 2022
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, 2021. The City of Calais, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each 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 major federal programs for the year ended June 30, 2021.

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

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 2021-003. Our opinion on each major federal program is not modified with respect to this matter.

City of Calais, Maine's responses to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Calais, Maine's response was 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. 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.

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

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, 2021, 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 February 23, 2022, 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.



February 23, 2022
South Portland, Maine

CITY OF CALAIS, MAINE
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2021

Federal Grantor/Pass-through Grantor/Program Title	Assistance listing number	Pass-through number	Federal expenditures	Listing/cluster totals	Passed through to subrecipients
U.S. Department of Education,					
Passed through the Maine Department of Education:					
Title IA, Disadvantaged	84.010	3107	\$ 268,266		-
Special Education Cluster:					
Special Education State Grants Individuals with Disabilities Act	84.027	3046	104,334		-
Total Special Education Cluster				104,334	
Elementary and Secondary School Emergency Relief 1 - COVID-19	84.425D	7006	13,109		-
Elementary and Secondary School Emergency Relief 2 - COVID-19	84.425D	7041	290,591	303,700	-
Career and Technical Education - Perkins	84.048	3030	52,124		-
Career and Technical Education - Perkins Alignment	84.048	3040	12,779	64,903	-
Title VI, Rural Education	84.358	3305	73,778		-
Title IIA, Supporting Effective Instruction	84.367	3042	1,792		-
Total U.S. Department of Education			816,773		-
U.S. Department of Health and Human Services,					
Direct program:					
CARES Act Provider Relief Fund - COVID-19	93.498	N/A	38,309		-
Passed through the Maine Department of Education:					
Project AWARE	93.243	N/A	75,781		-
Total U.S. Department of Health and Human Services			114,090		-
U.S. Department of Agriculture,					
Direct Program:					
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	52,854		-
Passed through the Maine Department of Education:					
Child Nutrition Cluster:					
School Breakfast Program	10.553	3014	612		-
Summer Food Service Program	10.559	3016/3018	211,224		-
Food Donation Program	10.555	N/A	8,992		-
Total Child Nutrition Cluster				220,828	
Fresh Fruits and Vegetables	10.582	3028	17,016		-
Total U.S. Department of Agriculture			290,698		-
U.S. Department of the Treasury,					
Passed through the Maine Department of Health and Human Services:					
Keep ME Healthy - COVID-19	21.019	COM-20-3011	12,169		-
Passed through the Maine Department of Education:					
Coronavirus Relief Fund 1 - COVID-19	21.019	7010	644,876		-
Coronavirus Relief Fund Day Programming - COVID-19	21.019	7020	91,657		-
Coronavirus Relief Fund 2 - COVID-19	21.019	7015	654,652	1,403,354	-
Total U.S. Department of Treasury			1,403,354		-
Totals			\$ 2,624,915		-

See accompanying notes to schedule of expenditures of federal awards.

CITY OF CALAIS, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2021

PURPOSE OF THE SCHEDULE

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

SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity - The accompanying schedule includes all federal award programs of the City of Calais, Maine for the fiscal year ended June 30, 2021. 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, 2021

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: Unqualified

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

Identification of major federal programs:

<u>Assistance Listing</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Funds

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

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

SIGNIFICANT DEFICIENCIES

2021-001 – 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.*

2021-002 – 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: Multiple accounts required audit adjustments at year-end, including sewer capital assets, sewer short-term and long-term debt, School Department receivables, 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

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

Cause: The City has multiple ongoing sewer projects with multiple funding sources, including the Maine Municipal Bond Bank and Rural Development. Amounts received from these funding sources were not posted to the correct accounts. The School Department had many new funding sources pertaining to Coronavirus Relief. Multiple grant fund receivables were not recorded at year end.

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 grant receivables listings with general ledger balances and compare revenues to expenditures in each grant fund to ensure that all funds were requested for reimbursement
- 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. 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

Section III - Findings and Questioned Costs for Federal Awards

2021-003 – 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.

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.*

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

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

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.

Status: This comment was repeated in fiscal year 2021.

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.

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.

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

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

Effect: 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

Status: The School Department accrued salaries have been reconciled and we did not have issues with them in 2020. Other areas of this comment have been repeated in 2021.

2020-003 – Child Nutrition Cluster – Verifications

Criteria: By November 15th 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

Status: This program was not tested as major in 2021.

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

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

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.

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.

Status: This comment has been repeated in 2021.