



CITY OF CALAIS, MAINE

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED, JUNE 30, 2023

City of Calais, Maine

Annual financial report

For the fiscal year ended June 30, 2023

Table of contents

	Page
Independent auditor's report	i
Management's discussion and analysis	1
Basic financial statements:	
Government-wide financial statements:	
Statement of net position	12
Statement of activities	13
Fund financial statements:	
Balance sheet - governmental funds	14
Statement of revenues, expenditures, and changes in fund balances - governmental funds	15
Reconciliation of the statement of revenues, expenditures, and changes in fund balances - governmental funds to the government-wide statement of activities	16
Statement of revenues, expenditures, and changes in fund balances - budget and actual - general fund	17
school department	18
Statement of net position - proprietary funds	19
Statement of revenues, expenses, and changes in net position - proprietary funds	20
Statement of cash flows - proprietary funds	21
Statement of fiduciary net position - fiduciary funds	22
Statement of changes in fiduciary net position - fiduciary funds	23
Notes to the basic financial statements	24
Required supplementary information:	
Schedule of City's proportionate share of the net pension liability	53
Schedule of City's pension contributions	53
Schedule of City's proportionate share of the net OPEB liability	54
Schedule of City's OPEB contributions	54
Schedule of changes in the City's total OPEB liability and related ratios	55
Notes to required supplementary information	56

City of Calais, Maine

Annual financial report

For the fiscal year ended June 30, 2023

Table of contents

Page

Combining and individual fund financial statements:

Statement of revenues, expenditures, and changes in fund balances - budget and actual -
general fund

57

school department

59

Combining balance sheet - nonmajor governmental funds

60

Combining statement of revenues, expenditures, and changes in fund balances -
nonmajor governmental funds

61

Combining balance sheet - special revenue funds

62

Combining statement of revenues, expenditures, and changes in fund balances -
special revenue funds

63

city grants and other funds

64

school grants and other funds

65

student activity funds

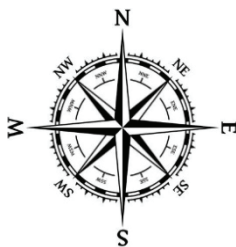
66

capital project funds

67

permanent funds

68



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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Calais, Maine

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Calais ("the City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2023, and the respective changes in financial position thereof and the budgetary comparisons for the general fund and the school department for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As described on page 26 in the notes to basic financial statements, the Calais Water Department reports on a calendar year basis as opposed to a fiscal year. The Calais Water Department's financial position is reported as of December 31, 2022, and the changes in financial position and cash flows for the year then ended. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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 September 30, 2024, on our consideration of the City'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'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's internal control over financial reporting and compliance.

Peter J. Hall CPA LLC
PETER J HALL CPA LLC

**South Portland, Maine
September 30, 2024**

City of Calais, Maine

Management's Discussion and Analysis

As management of the City of Calais, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023.

Financial highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$29,134,996 (net position). The unrestricted net position, which represents the amounts available to meet the City's ongoing obligations to citizens and creditors, was a deficit of \$1,707,852. The City is committed to providing postemployment benefits to its employees. As a result, the City recognizes substantial liabilities in the financial statements for these benefits. As of June 30, 2023, the City had liabilities of nearly \$4 million for postemployment benefits, which has caused the deficit balance in the unrestricted net position. The ambulance fund ended the fiscal year with deficit unrestricted net position of \$591,004, which has also contributed to the deficit in unrestricted net position.
- The City's total net position increased \$2,357,421. Revenues exceeding expenses in the proprietary funds are due to grant funds of \$1,612,623 related to sewer projects. Revenues and debt proceeds exceeded expenditures in governmental funds by nearly \$300 thousand.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$4,291,893, a decrease of \$2,532,451 in comparison with the prior year. Of this amount, \$521,259, or 12%, is available for spending at the government's discretion (*unassigned fund balance*), although when taking the deficit unrestricted net position balance of the ambulance into account, the City would have a deficit unassigned fund balance.
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of *fund balance*) for the general fund was \$854,934, or approximately 15.6% of total general fund expenditures and transfers out, not including the one-time transfer to the sewer fund of \$2,877,269. The general fund's unrestricted fund balance helps mitigate the \$591,004 deficit unrestricted net position in the ambulance fund.
- At the end of the current fiscal year, the School Department had an ending fund balance of \$837,449, or 8% of School Department expenditures. The day treatment program ended the current fiscal year with a fund balance of \$171,583, or 8% of day treatment expenditures.

Overview of the financial statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, recreation, and education. The business-type activities of the City include sewer, water, and ambulance services. The water fund is reported on a December 31 year end to coincide with requirements of the Maine Public Utilities Commission.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, school department, day treatment program, and school grants and other funds which are considered to be major funds. Data from the other ten

governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts an annual appropriated budget for its general fund and school department. A budgetary comparison statement has been provided for each to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 14-18 of this report.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and ambulance operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer, water, and ambulance operations, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 19-21 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains two different types of fiduciary funds. The *private-purpose trust fund* is used to report resources held for scholarships awarded to students who attended Calais Schools. The *custodial funds* report resources, not in a trust, that are held by the City for other parties outside of the City's reporting entity, for the Calais School District Trustees and the Calais Fire Department Association.

The fiduciary fund financial statements can be found on pages 22-23 of this report.

Notes to the financial statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-52 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found immediately after the notes to the financial statements on pages 53-56.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and schedules can be found on pages 57-68 of this report.

Government-wide overall financial analysis

As noted earlier, net position over time may serve 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 \$29,134,996, at the close of the most recent fiscal year.

	Governmental activities		Business-type activities	
	2023	2022	2023	2022
Assets				
Current and other assets	\$ 6,750,444	9,851,255	78,167	(2,330,776)
Capital assets	8,640,395	7,210,283	28,905,927	26,372,073
Total assets	15,390,839	17,061,538	28,984,094	24,041,297
Total deferred outflows of resources	1,382,800	1,508,246	-	-
Liabilities				
Long-term liabilities	5,588,293	4,852,023	5,706,916	6,348,414
Other liabilities	2,142,162	2,076,343	2,734,120	1,030,246
Total liabilities	7,730,455	6,928,366	8,441,036	7,378,660
Total deferred inflows of resources	451,246	1,526,480	-	-
Net position				
Net investment in capital assets	7,246,516	6,075,601	21,109,199	19,915,238
Restricted	2,487,133	2,836,788	-	-
Unrestricted	(1,141,711)	1,202,549	(566,141)	(3,252,601)
Total net position	\$ 8,591,938	10,114,938	20,543,058	16,662,637

Current and other assets decreased in governmental activities by \$3.1 million from the prior year. Cash and cash equivalents have decreased \$856 thousand, and cash held at Maine Municipal Bond Bank decreased \$590 thousand, which corresponds with the increase in capital assets of \$1.4 million. The general fund also made a one-time transfer to the sewer fund of nearly \$2.9 million to cover deficits that have accumulated over the years.

Capital assets increased \$4 million due to upgrades to water and sewer infrastructure on Main Street, projects for improvements at the schools utilizing ESSER funding, and the purchase of five buses as the School Department no longer has a transportation provider and has undertaken those services in-house.

Other liabilities in business-type activities increased \$1.7 million from the previous year due to an increase in bond anticipation notes related to the water and sewer infrastructure upgrades on Main Street.

Long-term liabilities, which consist of notes, leases, compensated absences and postemployment benefit obligations, increased \$95 thousand from the previous year. The City's net pension and OPEB liabilities increased \$826 thousand and \$264 thousand, respectively. Notes payable decreased by \$941 thousand due to regularly scheduled principal payments of \$1.1 million exceeding the issuance of \$175 thousand of new debt.

By far, the largest portion of the City's net position, \$28,355,715, reflects its investment in capital assets (e.g., land, buildings, equipment, vehicles, and infrastructure), net of accumulated depreciation and less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$2,487,133 represents resources that are subject to external restrictions on how they may be used. As of the end of the current year, the City's unrestricted net position was a deficit balance of \$1,707,852. The deficit is caused primarily by the approximately \$4 million in postemployment liabilities and the deficit in the ambulance fund (\$591,004).

The City's overall net position increased \$2,357,421 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

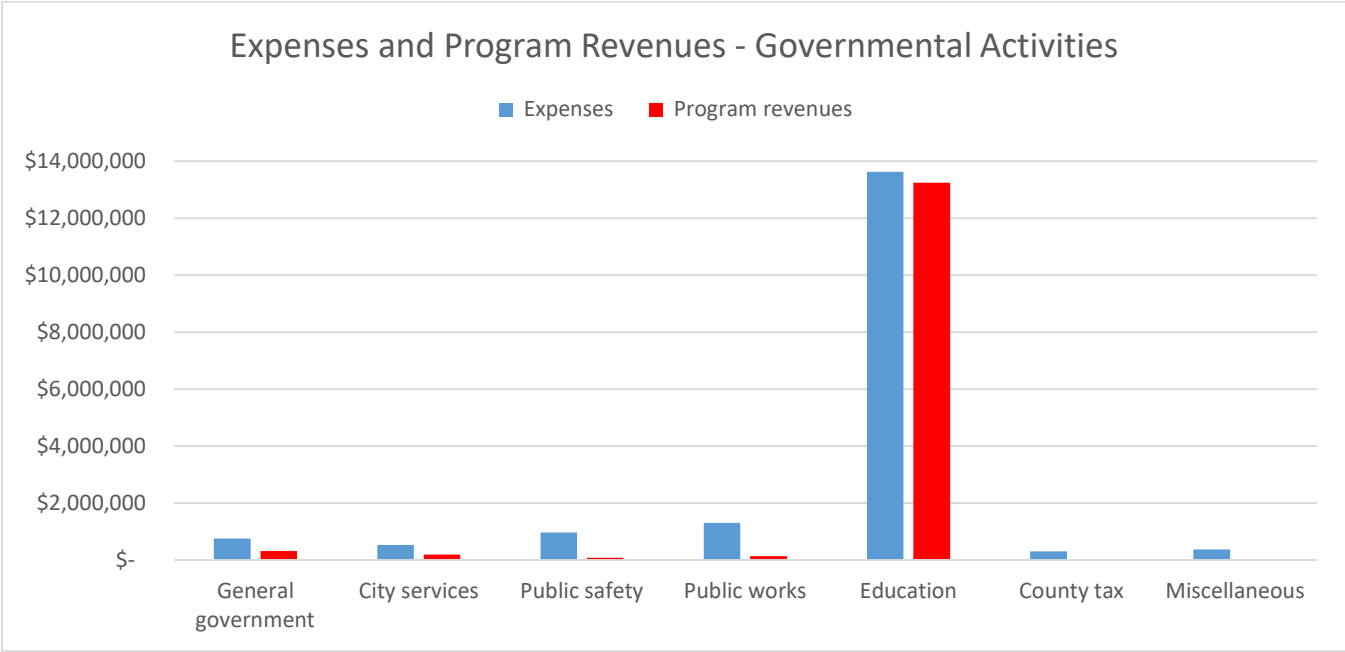
	Governmental activities		Business-type activities	
	2023	2022	2023	2022
Revenues				
Program revenues	\$			
Charges for services	2,505,882	2,586,215	2,305,140	2,400,781
Operating grants and cont.	10,830,393	9,697,313	13,303	17,920
Capital grants and cont.	630,439	995,920	1,622,623	812,362
General revenues				
Property taxes	4,004,325	4,314,690	-	-
Unrestricted grants and cont.	1,133,007	1,111,237	-	-
Other	41,438	8,416	9,655	17,466
Total revenues	19,145,484	18,713,791	3,950,721	3,248,529
Expenses				
General government	749,740	612,785	-	-
City services	524,441	517,957	-	-
Public safety	959,185	967,086	-	-
Public works	1,300,118	1,101,680	-	-
Education	13,633,807	12,226,258	-	-
County tax	300,967	279,314	-	-
Miscellaneous	319,832	322,932	-	-
Interest on debt	53,637	60,936	-	-
Sewer	-	-	1,298,598	1,304,914
Water	-	-	594,121	508,763
Ambulance	-	-	1,004,338	999,252
Total expenses	17,841,727	16,088,948	2,897,057	2,812,929
Increase (decrease) in net position before transfers	1,303,757	2,624,843	1,053,664	435,600
Transfers	(2,826,757)	57,711	2,826,757	(57,711)
Increase (decrease) in net position	(1,523,000)	2,682,554	3,880,421	377,889
Net position - beginning	10,114,938	7,432,384	16,662,637	16,284,748
Net position - ending	\$ 8,591,938	10,114,938	20,543,058	16,662,637

Governmental activities. During the current fiscal year, net position for governmental activities decreased \$1,523,000 from the prior fiscal year for an ending balance of \$8,591,938. Governmental funds saw a decrease in fund balance of \$2.5 million due to a one-time transfer of \$2.9 million to the sewer fund to cover accumulated deficits. Capitalized expenditures amounted to \$1,963,788, principal payments on debt were \$505,482. Depreciation expense on capital assets was \$529,889 and debt issuances totaled \$764,679 during the year.

Revenues increased \$430 thousand from the prior year due to increases in grants and contributions related to education of \$531 thousand. General government saw an increase in revenues due to the payoff of previously written off loans (\$207 thousand). These increases were partially offset by a \$310 thousand decrease in property tax revenue.

Expenses were up \$1.7 million from the prior year. Education expenses increased \$1.4 million, a portion of which is due to increases in salaries and benefits, some of which are utilizing grant funds. The School Department no longer utilizes a transportation provider and has taken on this responsibility in-house. The School Department also has ongoing projects related to school buildings and grounds improvements. Public works and general government expenses are up \$198,438 and \$136,955, respectively, when compared to the prior year.

As shown in the chart below, revenues generated by the City’s programs are not sufficient to cover the costs. The City relies on property taxes, excise taxes, investment income and other general revenues to cover the costs associated with the various programs.



Business-type activities. For the City’s business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$20,543,058. The total increase in net position for business-type activities (sewer, water, and ambulance) was \$1,003,152 or 6% from the prior fiscal year. When factoring in the one-time transfer of \$2,877,269 from the general fund, net position in the business-type activities increased \$3,880,421. The increase, in large part, is attributable to \$1.6 million of grant proceeds received for sewer projects.

The water fund, which is presented for the year ending December 31, 2022, had a decrease in net position of \$9,669. Both ambulance funds saw a decrease in their net position for the year ending June 30, 2023, with the ambulance fund decreasing \$103,881 and the NWSARAS ambulance fund decreasing \$39,338.

Financial analysis of governmental funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-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. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At June 30, 2023, the City's governmental funds reported combined fund balances of \$4,291,893, a decrease of \$2,532,451 in comparison with the prior year. Of this amount, \$521,259, or 12%, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is (1) not in spendable form, \$219,476; (2) not spendable because it is legally required to be maintained intact, \$494,540; (3) restricted for particular purposes, \$1,817,064; (4) committed for particular purposes, \$1,239,554; or (5) assigned for particular purposes, \$0.

Analysis of Individual Funds

The general fund is the chief operating fund of the City. At the end of the current fiscal year, fund balance of the general fund was \$898,881, a decrease of \$2,549,503. This large decrease is due to a one-time transfer of \$2,877,269 to the sewer fund to cover deficits that have accumulated over the years. When not taking that transfer into account, fund balance in the general fund increased by \$327,766. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers. Unassigned fund balance of \$854,934 represents 15.6% of total general fund expenditures, while total fund balance represents 16.4% of that same amount. When you take the deficit in the ambulance fund of \$591,004 into account, the unassigned fund balance would be \$263,930, which is 4.8% of total general fund expenditures.

The school department and day treatment program, both major funds, had decreases in fund balance of \$375,059 and \$195,111, respectively. The school department budgeted for a decrease of \$535,463 (use of fund balance) for the year ended June 30, 2023. Revenues exceeded budgeted figures by \$153,616, due to secondary tuition. Expenditures came in under budget by \$6,788. School grants and other funds saw an increase in fund balance of \$205,913, mainly due to receiving insurance recoveries that will be disbursed in the next fiscal year.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the business-type activities portion of the government-wide financial statements, but in more detail.

Unrestricted net position for the ambulance funds is a deficit balance of \$591,004. The water fund, which is reported as of December 31, 2022, had an unrestricted net position deficit of \$7,787 and the NWSARAS ambulance fund had an unrestricted net position of \$32,650. As noted earlier in the discussion of business-type activities, the increase for the sewer fund was due to receiving \$1.6 million in grant revenues and a one-time transfer from the general fund of \$2,877,269, which eliminated the sewer fund unrestricted net position deficit.

General fund budgetary highlights

Original budget compared to final budget. During the year, the City made an error while committing the 2023 fiscal year taxes. The original budget passed by the City Council called for a tax commitment of \$3,754,762. The error on the certificate assessment, which was due to using an incorrect figure for municipal appropriations, decreased the tax commitment by \$438,135 to \$3,316,627. The City Council also approved a one-time transfer of \$2,877,269 to the sewer fund to cover deficits that have accumulated over the years.

Final budget compared to actual results. The most significant differences between estimated revenues and actual revenues were as follows:

Revenue source		Estimated revenues	Actual revenues	Difference
State revenue sharing	\$	763,289	846,185	82,896
Interest		4,500	32,547	28,047
Public works		8,730	30,803	22,073
Secondary tuition		880,256	1,037,202	156,946
Special education tuition		224,300	261,155	36,855

The City received more state revenue sharing than what was originally projected during the budget process. Interest rates at the bank increased from under 1% to 4% during the year. Public works revenue was higher than budgeted due to the School Department reimbursing the City for half of the diesel mechanic position. More tuition children than anticipated caused positive variances for those revenues.

Expenditures		Estimated expenditures	Actual expenditures	Difference
Legal services	\$	35,000	7,735	27,265
Police		617,375	383,415	233,960
Public works		823,110	691,538	131,572
Career and technical education		1,426,645	1,273,886	152,759
Student and staff support		385,675	438,626	(52,951)

There were less legal services needed than anticipated during the year. Police expenditures were under budget due to two open positions that remained unfilled for most of the year. This caused savings in wages and benefits. Public works had savings in wages, benefits, and fuel. The City budgeted for family plans for new employees and for higher increases in per gallon fuel costs. Career and technical came in under budget due to the savings on benefits, repairs that were budgeted but undertaken during the year, and programs that were part of the original budget not taking place. Student and staff support was over

budget due to a nurse position being allocated to student and staff support as opposed to special education where the position was originally budgeted.

Capital asset and debt administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounts to \$37,546,322 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, and infrastructure. The total increase in capital assets for the current fiscal year was 12%.

	Governmental activities		Business-type activities	
	2023	2022	2023	2022
Land	\$ 2,907,505	2,907,505	75,896	75,896
Construction in progress	425,970	338,240	4,990,279	1,615,250
Buildings and improvements	1,711,075	850,742	4,065,126	4,335,385
Equipment and furniture	1,196,949	1,116,912	49,809	67,310
Right-to-use equipment	89,369	109,997	-	-
Vehicles	1,176,120	677,062	161,505	202,400
Infrastructure	1,133,407	1,209,825	19,563,312	20,075,832
	<u>\$ 8,640,395</u>	<u>7,210,283</u>	<u>28,905,927</u>	<u>26,372,073</u>

Major capital assets events during the current fiscal year included the following:

- Work continued on the Main Street water and sewer upgrades project, with total costs incurred of \$3,304,799 during the year.
- The City purchased an International dump truck and fuel pump and control system at a cost of \$177,670 and \$38,915, respectively.
- The School Department had various projects ongoing during the year with a total cost of \$722,995. This included finishing projects for siding, snow guards, doors, windows, security access system, and an addition on the day treatment building. They also started projects at the elementary and high school to install variable refrigerant flow (VRF) systems.
- The School Department purchased five Freightliner buses at a total cost of \$483,320.
- Multiple paving projects at the School Department were completed for \$334,118.
- Police training equipment was purchased for the career and technical school for \$146,995.

Additional information on the City's capital assets can be found in Note III.E of this report.

Long-term Debt. At the end of the current fiscal year, the City had total notes outstanding of \$7,063,435. The remainder of the City's long-term obligations are comprised of leases payable and bond anticipation notes.

	Governmental activities		Business-type activities	
	2023	2022	2023	2022
Bond anticipation notes	\$ -	-	2,161,849	205,418
Notes payable	1,365,458	1,676,452	5,697,977	6,327,807
Leases payable	91,510	110,998	-	-
	<u>\$ 1,456,968</u>	<u>1,787,450</u>	<u>7,859,826</u>	<u>6,533,225</u>

The City's total debt increased by \$996,119 (12%) during the current fiscal year. As work continues on the Main Street water and sewer project, the City drew down \$1,956,430 in bond anticipation note (BAN) proceeds. These BANs will eventually become notes payable once the project wraps up. The City also issued a note payable of \$175,000 to purchase a dump truck. Principal payments of \$1,135,311 on notes and leases payable partially offset the additions of debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of the valuation of taxable property within the jurisdiction. The current debt limitation for the City is \$29,812,500, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note III.F through III.I of this report.

Economic factors and next year's budgets and rates

The following economic factors currently affect the City and were considered in developing the 2023-2024 fiscal year budget.

- The budget for State revenue sharing was increased \$162,621 over the previous year.
- Due to increased interest rates on cash accounts, we have increased the estimated interest earned on bank accounts revenue by \$31,500.
- Employee wages included 2-5% cost of living adjustments and anticipated minimum wage increases of \$1.00 per hour.
- Health insurance premiums increased approximately 4%.
- Vehicle fuel has proven to be less volatile than in previous years, so budgeted amounts were lowered significantly to be as high as \$4.00 per gallon for unleaded, and \$4.50 per gallon for diesel.
- County taxes increased \$26,920, or 8.94%.
- Due to a 29% increase in assessed property values, the mill rate for 2023-2024 taxes dropped from 19.0 to 17.0.
- Sludge disposal for wastewater treatment increased significantly, primarily due to tightened regulations for disposal due to PFAS. This increase was absorbed by paying off some existing debt obligations during FY2023.
- The City budgeted to contribute \$12,000 from the General Fund to cover the estimated 2023 Water Dept budget shortfall rather than increase water rates.

At the end of the current fiscal year, the fund balance in the general fund was \$898,881. The City transferred \$2,877,269 to the sewer fund to eliminate deficits that have accumulated over the years. The deficit balance in the ambulance fund has increased to \$451,574 during the fiscal year.

Requests for information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 11 Church Street, Calais, Maine, 04619.

BASIC FINANCIAL STATEMENTS



City of Calais, Maine

Statement of net position

June 30, 2023

	Governmental activities	Business-type activities	Total
Assets			
Cash and cash equivalents	\$ 1,891,282	235,462	2,126,744
Investments	680,773	-	680,773
Cash held by Maine Municipal Bond Bank	63,089	63,098	126,187
Taxes receivable	277,143	-	277,143
Accounts receivable, net	1,812,440	1,065,378	2,877,818
Internal balances	1,705,601	(1,345,464)	360,137 *
Loans receivable, net	91,228	-	91,228
Prepaid items	203,617	-	203,617
Inventory	25,271	59,693	84,964
Capital assets, not being depreciated	3,333,475	5,066,175	8,399,650
Capital assets, net of accumulated depreciation	5,306,920	23,839,752	29,146,672
Total assets	15,390,839	28,984,094	44,374,933
Deferred outflows of resources			
Pension related	691,639	-	691,639
OPEB related	691,161	-	691,161
Total deferred outflows of resources	1,382,800	-	1,382,800
Liabilities			
Accounts payable	213,091	531,654	744,745
Accrued wages and benefits	830,273	20,964	851,237
Accrued liabilities	37,927	-	37,927
Line of credit	682,173	-	682,173
Unearned revenue	378,698	-	378,698
Accrued interest	-	19,653	19,653
Bond anticipation notes	-	2,161,849	2,161,849
Noncurrent liabilities:			
Due within one year	609,612	507,114	1,116,726
Due in more than one year	4,978,681	5,199,802	10,178,483
Total liabilities	7,730,455	8,441,036	16,171,491
Deferred inflows of resources			
Pension related	421,470	-	421,470
OPEB related	29,776	-	29,776
Total deferred inflows of resources	451,246	-	451,246
Net position			
Net investment in capital assets	7,246,516	21,109,199	28,355,715
Restricted	2,487,133	-	2,487,133
Unrestricted	(1,141,711)	(566,141)	(1,707,852)
Total net position	\$ 8,591,938	20,543,058	29,134,996

* due to reporting the water department as of December 31, 2022

The notes to financial statements are an integral part of this statement.

City of Calais, Maine

Statement of activities

For the year ended June 30, 2023

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Primary government:							
Governmental activities:							
General government	\$ 749,740	45,932	243,738	25,549	(434,521)		(434,521)
City services	524,441	91,456	99,227	1,800	(331,958)		(331,958)
Public safety	959,185	72,333	4,066	-	(882,786)		(882,786)
Public works	1,300,118	41,089	90,761	-	(1,168,268)		(1,168,268)
Education	13,633,807	2,255,072	10,392,601	603,090	(383,044)		(383,044)
County tax	300,967	-	-	-	(300,967)		(300,967)
Miscellaneous	319,832	-	-	-	(319,832)		(319,832)
Interest on debt	53,637	-	-	-	(53,637)		(53,637)
Capital maintenance	-	-	-	-	-		-
Total governmental activities	17,841,727	2,505,882	10,830,393	630,439	(3,875,013)		(3,875,013)
Business-type activities:							
Sewer	1,298,598	822,440	12,803	1,612,623		1,149,268	1,149,268
Water	594,121	623,795	290	10,000		39,964	39,964
Ambulance	1,004,338	858,905	210	-		(145,223)	(145,223)
Total business-type activities	2,897,057	2,305,140	13,303	1,622,623		1,044,009	1,044,009
Total primary government	\$ 20,738,784	4,811,022	10,843,696	2,253,062	(3,875,013)	1,044,009	(2,831,004)
General revenues and transfers:							
Property taxes					4,004,325	-	4,004,325
Grants and contributions not restricted to specific programs					1,133,007	-	1,133,007
Unrestricted investment earnings					32,547	9,655	42,202
Miscellaneous					8,891	-	8,891
Transfers					(2,826,757)	2,826,757	-
Total general revenues and transfers					2,352,013	2,836,412	5,188,425
Change in net position					(1,523,000)	3,880,421	2,357,421
Net position - beginning					10,114,938	16,662,637	26,777,575
Net position - ending					\$ 8,591,938	20,543,058	29,134,996

The notes to financial statements are an integral part of this statement.

City of Calais, Maine

Balance sheet
Governmental funds
June 30, 2023

		General	School department	Day treatment program	School grants and other funds	Total nonmajor funds	Total governmental funds
Assets							
Cash and cash equivalents	\$	587,463	782,747	-	-	521,072	1,891,282
Investments		-	-	-	-	680,773	680,773
Taxes receivable		277,143	-	-	-	-	277,143
Accounts receivable, net		42,535	214,725	190,407	1,345,615	19,158	1,812,440
Due from other funds		1,706,225	1,171,348	156,420	-	1,188,631	4,222,624
Loans receivable, net		-	-	-	-	91,228	91,228
Prepaid items		28,088	175,529	-	-	-	203,617
Inventory		15,859	-	-	-	9,412	25,271
Total assets	\$	2,657,313	2,344,349	346,827	1,345,615	2,510,274	9,204,378
Liabilities							
Accounts payable		90,537	47,349	64,899	8,883	1,423	213,091
Accrued wages and benefits		44,610	617,271	110,345	46,304	11,743	830,273
Accrued liabilities		34,240	3,687	-	-	-	37,927
Line of credit		-	682,173	-	-	-	682,173
Unearned revenue		147,114	-	-	-	231,584	378,698
Due to other funds		1,188,631	156,420	-	1,030,476	141,496	2,517,023
Total liabilities		1,505,132	1,506,900	175,244	1,085,663	386,246	4,659,185
Deferred inflows of resources							
Unavailable revenue - property taxes		253,300	-	-	-	-	253,300
Total deferred inflows of resources		253,300	-	-	-	-	253,300
Fund balances							
Nonspendable		43,947	175,529	-	-	494,540	714,016
Restricted		-	661,920	171,583	89,282	894,279	1,817,064
Committed		-	-	-	276,525	963,029	1,239,554
Unassigned		854,934	-	-	(105,855)	(227,820)	521,259
Total fund balances		898,881	837,449	171,583	259,952	2,124,028	4,291,893
Total liabilities, deferred inflows of resources, and fund balances	\$	2,657,313	2,344,349	346,827	1,345,615	2,510,274	

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.	8,640,395
Other long-term assets are not available to pay for current expenditures and are deferred in the funds	
Unavailable revenue - property taxes	253,300
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.	
Cash held by the Maine Municipal Bond Bank related to notes payable	63,089
Notes payable	(1,365,458)
Leases payable	(91,510)
Compensated absences	(190,267)
Net pension liability with related deferred inflows and outflows	(622,232)
Net OPEB liability with related deferred inflows and outflows	(71,058)
Total OPEB liability with related deferred inflows and outflows	(2,316,214)
Net position of governmental funds	8,591,938

The notes to financial statements are an integral part of this statement.

City of Calais, Maine

Statement of revenues, expenditures, and changes in fund balances

Governmental funds

For the year ended June 30, 2023

		General	School department	Day treatment program	School grants and other funds	Total nonmajor funds	Total governmental funds
Revenues							
Property taxes	\$	4,048,825	-	-	-	-	4,048,825
Intergovernmental		1,184,669	6,992,459	1,239,946	1,861,548	495,455	11,774,077
Charges for services		242,919	1,462,848	716,564	10,775	72,776	2,505,882
Student activity fees and fundraisers		-	-	-	-	162,656	162,656
Investment income (loss)		32,547	-	-	-	6,112	38,659
Miscellaneous		54,128	62,802	200	267,718	275,037	659,885
Total revenues		5,563,088	8,518,109	1,956,710	2,140,041	1,012,036	19,189,984
Expenditures							
Current:							
General government		634,910	-	-	-	184,039	818,949
City services		448,093	-	-	-	37,521	485,614
Public safety		910,144	-	-	-	8,869	919,013
Public works		910,895	-	-	-	9,141	920,036
Education		-	9,624,713	2,107,067	1,934,128	1,254,873	14,920,781
County tax		300,967	-	-	-	-	300,967
Miscellaneous		319,082	-	-	-	750	319,832
Debt service		50,199	429,097	44,754	-	15,581	539,631
Capital outlay		435,534	-	-	-	-	435,534
Total expenditures		4,009,824	10,053,810	2,151,821	1,934,128	1,510,774	19,660,357
Excess (deficiency) of revenues over (under) expenditures		1,553,264	(1,535,701)	(195,111)	205,913	(498,738)	(470,373)
Other financing sources (uses)							
Transfers in		60,012	1,175,642	-	-	305,436	1,541,090
Transfers out		(4,337,779)	(15,000)	-	-	(15,068)	(4,367,847)
Notes and leases issued		175,000	-	-	-	589,679	764,679
Total other financing sources (uses)		(4,102,767)	1,160,642	-	-	880,047	(2,062,078)
Net change in fund balances		(2,549,503)	(375,059)	(195,111)	205,913	381,309	(2,532,451)
Fund balances - beginning		3,448,384	1,212,508	366,694	54,039	1,742,719	6,824,344
Fund balances - ending	\$	898,881	837,449	171,583	259,952	2,124,028	4,291,893

The notes to financial statements are an integral part of this statement.

City of Calais, Maine

Reconciliation of the statement of revenues, expenditures, and changes in fund balances - governmental funds to the government-wide statement of activities For the year ended June 30, 2023

Net change in fund balances - total governmental funds	\$	(2,532,451)
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Governmental funds report capital outlays as expenditures. However, in the statement of net position, the cost of these assets is allocated over their useful lives and reported as depreciation expense.

Capital outlays	1,963,788
Depreciation expense	(529,889)
Book value of disposed capital assets	(3,787)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Earned but unavailable taxes	(44,500)
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Notes issued	(764,679)
Principal paid on notes	485,994
Principal paid on leases	19,488

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	24,432
Changes in pension liabilities and related deferred outflows and inflows of resources	54,171
Changes in OPEB liabilities and related deferred outflows and inflows of resources	(195,567)

Change in net position of governmental activities	\$	<u>(1,523,000)</u>
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The notes to financial statements are an integral part of this statement.

City of Calais, Maine

General fund

Statement of revenues, expenditures, and changes in fund balance

Budget and actual

For the year ended June 30, 2023

	Original budget	Final budget	Actual	Variance positive (negative)
Revenues				
Property taxes	\$ 4,466,762	4,028,627	4,048,825	20,198
Intergovernmental	1,085,274	1,085,274	1,184,669	99,395
Charges for services	210,225	210,225	242,919	32,694
Interest	4,500	4,500	32,547	28,047
Miscellaneous	22,580	22,580	54,128	31,548
Total revenues	5,789,341	5,351,206	5,563,088	211,882
Expenditures				
Current:				
General government	715,770	715,770	644,410	71,360
City services	471,565	471,565	450,962	20,603
Public safety	1,154,250	1,154,250	910,144	244,106
Public works	1,065,185	1,065,185	939,980	125,205
Education (transfer out)	1,175,642	1,175,642	1,175,642	-
County tax	300,967	300,967	300,967	-
Tax increment financing (transfer out)	46,960	46,960	46,698	262
Miscellaneous	328,227	328,227	319,082	9,145
Debt service	53,226	53,226	50,199	3,027
Capital outlay	457,250	457,250	457,250	-
Total expenditures	5,769,042	5,769,042	5,295,334	473,708
Excess (deficiency) of revenues over (under) expenditures	20,299	(417,836)	267,754	685,590
Other financing sources (uses)				
Transfers in	61,400	61,400	60,012	(1,388)
Transfers out	-	(2,877,269)	(2,877,269)	-
Use of fund balance	63,650	2,940,919	-	(2,940,919)
Total other financing sources (uses)	125,050	125,050	(2,817,257)	(2,942,307)
Net change in fund balance	145,349	(292,786)	(2,549,503)	(2,256,717)
Fund balance - beginning			3,448,384	
Fund balance - ending			\$ 898,881	

The notes to financial statements are an integral part of this statement.

City of Calais, Maine

School department

Statement of revenues, expenditures, and changes in fund balance

Budget and actual

For the year ended June 30, 2023

		Original budget	Final budget	Actual	Variance positive (negative)
Revenues					
Local assessments (transfer in)	\$	1,175,642	1,175,642	1,175,642	-
Intergovernmental		6,469,614	6,469,614	6,454,273	(15,341)
Charges for services		1,281,754	1,281,754	1,462,848	181,094
Miscellaneous		74,939	74,939	62,802	(12,137)
Total revenues		9,001,949	9,001,949	9,155,565	153,616
Expenditures					
Current:					
Regular instruction		3,033,836	3,033,836	3,096,577	(62,741)
Special education		1,489,955	1,489,955	1,486,023	3,932
Career and technical education		1,426,645	1,426,645	1,273,886	152,759
Other instruction		156,136	156,136	153,148	2,988
Student and staff support		385,675	385,675	438,626	(52,951)
System administration		448,456	448,456	487,581	(39,125)
School administration		425,449	425,449	423,168	2,281
Transportation		839,786	839,786	851,758	(11,972)
Facilities maintenance		884,073	884,073	875,760	8,313
Debt service		432,401	432,401	429,097	3,304
Total expenditures		9,522,412	9,522,412	9,515,624	6,788
Excess (deficiency) of revenues over (under) expenditures		(520,463)	(520,463)	(360,059)	160,404
Other financing sources (uses)					
Transfers out		(15,000)	(15,000)	(15,000)	-
Use of fund balance		535,463	535,463	-	(535,463)
Total other financing sources (uses)		520,463	520,463	(15,000)	(535,463)
Net change in fund balance		-	-	(375,059)	(375,059)
Fund balance - beginning				1,212,508	
Fund balance - ending				\$ 837,449	

The notes to financial statements are an integral part of this statement.

City of Calais, Maine

Statement of net position

Proprietary funds

June 30, 2023

Water presented as of December 31, 2022

	Sewer	Water	Ambulance	NWSARAS ambulance	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 134,702	30,313	65,823	4,624	235,462
Cash held by MMBB	27,798	35,300	-	-	63,098
Accounts receivable, net	673,511	190,593	159,777	41,497	1,065,378
Inventory	-	59,693	-	-	59,693
Total current assets	836,011	315,899	225,600	46,121	1,423,631
Noncurrent assets					
Land	-	75,896	-	-	75,896
Construction in progress	3,643,094	1,347,185	-	-	4,990,279
Buildings and improvements	10,451,710	117,321	-	-	10,569,031
Equipment and vehicles	234,428	645,299	526,756	-	1,406,483
Infrastructure	17,236,408	10,213,078	-	-	27,449,486
Less accumulated depreciation	(11,649,627)	(3,561,865)	(373,756)	-	(15,585,248)
Total noncurrent assets	19,916,013	8,836,914	153,000	-	28,905,927
Total assets	20,752,024	9,152,813	378,600	46,121	30,329,558
Liabilities					
Current liabilities:					
Accounts payable	425,477	99,832	4,276	2,069	531,654
Accrued wages and benefits	-	-	17,268	3,696	20,964
Accrued interest	16,944	2,709	-	-	19,653
Due to other funds	365,792	185,845	786,121	7,706	1,345,464
Bond anticipation notes	883,339	1,278,510	-	-	2,161,849
Notes payable - current	280,891	212,653	13,570	-	507,114
Total current liabilities	1,972,443	1,779,549	821,235	13,471	4,586,698
Noncurrent liabilities:					
Compensated absences	-	-	8,939	-	8,939
Notes payable	2,657,033	2,533,830	-	-	5,190,863
Total noncurrent liabilities	2,657,033	2,533,830	8,939	-	5,199,802
Total liabilities	4,629,476	4,313,379	830,174	13,471	9,786,500
Net position					
Net investment in capital assets	16,122,548	4,847,221	139,430	-	21,109,199
Unrestricted	-	(7,787)	(591,004)	32,650	(566,141)
Total net position	\$ 16,122,548	4,839,434	(451,574)	32,650	20,543,058

The notes to financial statements are an integral part of this statement.

City of Calais, Maine

Statement of revenues, expenditures, and changes in net position

Proprietary funds

For the year ended June 30, 2023

Water presented for the year ended December 31, 2022

	Sewer	Water	Ambulance	NWSARAS ambulance	Total
Operating revenues					
Charges for services	\$ 818,309	623,795	682,202	176,703	2,301,009
Interest and lien fees	4,131	-	-	-	4,131
Miscellaneous	12,803	290	210	-	13,303
Total operating revenues	835,243	624,085	682,412	176,703	2,318,443
Operating expenses					
Personnel services	243,022	229,130	597,917	174,366	1,244,435
Contractual services	192,770	68,046	35,874	10,890	307,580
Utilities	92,658	33,410	726	1,070	127,864
Repairs and maintenance	17,537	1,871	8,137	3,429	30,974
Materials and supplies	71,495	55,087	49,087	17,052	192,721
Miscellaneous	4,712	13,030	12,932	1,598	32,272
Bad debt expense	8,203	890	33,253	8,221	50,567
Depreciation	612,153	179,622	49,400	-	841,175
Total operating expenses	1,242,550	581,086	787,326	216,626	2,827,588
Operating income (loss)	(407,307)	42,999	(104,914)	(39,923)	(509,145)
Nonoperating revenues (expenses)					
Intergovernmental	1,612,623	10,000	-	-	1,622,623
Interest income	6,772	879	1,419	585	9,655
Interest expense	(56,048)	(13,035)	(386)	-	(69,469)
Total nonoperating revenues (expenses)	1,563,347	(2,156)	1,033	585	1,562,809
Income (loss) before transfers	1,156,040	40,843	(103,881)	(39,338)	1,053,664
Transfers in (out)	2,877,269	(50,512)	-	-	2,826,757
Change in net position	4,033,309	(9,669)	(103,881)	(39,338)	3,880,421
Net position - beginning	12,089,239	4,849,103	(347,693)	71,988	16,662,637
Net position - ending	\$ 16,122,548	4,839,434	(451,574)	32,650	20,543,058

The notes to financial statements are an integral part of this statement.

City of Calais, Maine

Statement of cash flows

Proprietary funds

For the year ended June 30, 2023

Water presented for the year ended December 31, 2022

	Sewer	Water	Ambulance	NWSARAS ambulance	Total
Cash flows from operating activities					
Receipts from customers	\$ 862,355	630,397	581,987	142,224	2,216,963
Payments to suppliers	(359,245)	(180,045)	(106,597)	(33,108)	(678,995)
Payments to employees for salaries and benefits	(243,022)	(229,130)	(602,049)	(173,287)	(1,247,488)
Net cash provided by (used for) operating activities	260,088	221,222	(126,659)	(64,171)	290,480
Cash flows from noncapital financing activities					
Transfers (to) from other funds	2,877,269	(50,512)	-	-	2,826,757
Increase (decrease) in due to other funds	(2,053,970)	68,631	172,114	5,459	(1,807,766)
Net cash provided by (used for) noncapital financing activities	823,299	18,119	172,114	5,459	1,018,991
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(2,381,059)	(1,274,510)	-	-	(3,655,569)
Proceeds from the sale of capital assets	-	-	-	-	-
Capital grants	1,186,829	10,000	-	-	1,196,829
Proceeds from bond anticipation notes	677,921	1,278,510	-	-	1,956,431
Principal paid on bond anticipation notes	-	-	-	-	-
Proceeds from capital debt	13,292	-	-	-	13,292
Principal paid on capital debt	(397,784)	(211,951)	(20,095)	-	(629,830)
Interest paid on capital debt	(58,034)	(13,977)	(386)	-	(72,397)
Net cash provided by (used for) capital and related financing activities	(958,835)	(211,928)	(20,481)	-	(1,191,244)
Cash flows from investing activities					
Interest income	6,772	879	1,419	585	9,655
Net cash provided by (used for) investing activities	6,772	879	1,419	585	9,655
Net increase (decrease) in cash and cash equivalents	131,324	28,292	26,393	(58,127)	127,882
Cash and cash equivalents - beginning	3,378	2,021	39,430	62,751	107,580
Cash and cash equivalents - ending	\$ 134,702	30,313	65,823	4,624	235,462
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	(407,307)	42,999	(104,914)	(39,923)	(509,145)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation expense	612,153	179,622	49,400	-	841,175
(Increase) decrease in accounts receivable	35,315	7,202	(67,172)	(26,258)	(50,913)
(Increase) decrease in inventory	-	(9,880)	-	-	(9,880)
Increase (decrease) in accounts payable	19,927	1,279	159	931	22,296
Increase (decrease) in accrued wages and benefits	-	-	7,536	1,079	8,615
Increase (decrease) in compensated absences	-	-	(11,668)	-	(11,668)
Net cash provided by (used for) operating activities	260,088	221,222	(126,659)	(64,171)	290,480

The notes to financial statements are an integral part of this statement.

City of Calais, Maine

Statement of fiduciary net position

Fiduciary funds

June 30, 2023

	Private-purpose trust funds	Custodial Funds
Assets		
Cash and cash equivalents	\$ -	264,821
Investments	65,896	-
Due from other funds	-	-
Total assets	<u>65,896</u>	<u>264,821</u>
Liabilities		
Accounts payable	-	-
Due to other funds	-	-
Total liabilities	<u>-</u>	<u>-</u>
Net position		
Restricted	<u>65,896</u>	<u>264,821</u>
Total net position	<u>\$ 65,896</u>	<u>264,821</u>

The notes to financial statements are an integral part of this statement.

City of Calais, Maine

Statement of changes in fiduciary net position

Fiduciary funds

For the year ended June 30, 2023

	Private-purpose trust funds	Custodial Funds
Additions		
Contributions	\$ -	66,391
Investment earnings:		
Investment earnings	1,445	4,699
Investment costs	(448)	-
Unrealized gain (loss)	(948)	-
Total additions	49	71,090
Deductions		
Scholarships	-	-
Public safety	-	7,716
Education	-	17,873
Total deductions	-	25,589
Net increase (decrease) in fiduciary net position	49	45,501
Net position - beginning	65,847	219,320
Net position - ending	\$ 65,896	264,821

The notes to financial statements are an integral part of this statement.

City of Calais, Maine

Notes to the financial statements

June 30, 2023

I. Summary of significant accounting policies

The financial statements of the City of Calais, Maine (City) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report financial information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting entity

The City is a municipal corporation governed by an elected mayor and six-member Governing Council (City Council). The School Department is governed by an elected five-member School Board. The accompanying financial statements present information for the primary government. The City is not financially accountable for any other organizations and therefore does not report any component units.

Joint venture

The City of Calais has entered into a joint venture with the Town of Baileyville. Downeast Broadband Utility (the Utility) was formed in 2017 through an interlocal agreement between the two communities. The Utility'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 grown to include the Towns of Alexander, Cooper, Princeton, and Indian Township. The Utility has authorization to establish rates, collect revenues, and undertake all other actions necessary and appropriate for a regional municipal utility district. This joint venture is considered a separate reporting entity and has not been included within the financial statements of the City.

In fiscal year 2023, the City of Calais contributed \$0 to the Utility. For the year ended June 30, 2023, the Utility did not have a financial audit completed; however unaudited figures show the following as of the year then ended: total assets \$3,205,351, total liabilities \$3,806,743, and a net operating loss of \$9,834.

The City is contingently liable for a line of credit that the Utility issued in the City's name. At June 30, 2023, the line of credit had a balance of \$1,894,021.

C. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. 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.

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 general fund and the enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

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 accounted for in another fund.

The *school department fund* is the School Department's primary operating fund. It accounts for all financial resources of the school department, except those accounted for in another fund.

The *day treatment program fund* accounts for the day treatment program administered by the school department.

The *school grants and other funds* account for federal, state, and local grants awarded to the School Department.

The City reports the following major enterprise funds:

The *sewer fund* accounts for the operation of the City's sewer department.

The *water fund* accounts for the operation of the City's water department. Due to the requirements under the Maine Public Utilities Commission, 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 December 31, 2022, which represents the latest available audited information.

The *ambulance fund* accounts for the operation of the City's ambulance services.

The *NWSARAS ambulance fund* accounts for ambulance services provided to the Town of Danforth.

Additionally, the City reports the following fund type:

The *private-purpose trust fund* accounts for scholarships and other programs that benefit students.

The *custodial funds* account for monies held for the Calais School Department Trustees and the Calais Fire Department Association, to which the City provides accounting services.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide, proprietary, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they

have been earned and 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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, postemployment benefits and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the City the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Property taxes, charges for service, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

F. Budgetary information

Budgetary basis of accounting

An annual budget of the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). The capital project funds are appropriated on a project-length basis. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards) and sometimes span a period of more than one year.

The general fund budget is legally adopted by the Town Council through the passage of an appropriation resolution. By State law, that portion appropriated for educational purposes must be validated through a referendum vote. The budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America except for teachers' salaries, which are budgeted on a cash basis, and Maine Public Employees Retirement System on-behalf payments as described in the stewardship, compliance and accountability footnote. The level of control (level at which expenditures may not exceed budget) is the article level. Generally, all unexpended budgetary accounts lapse to fund balance at the close of the fiscal year.

Excess of expenditures over appropriations

The following appropriations were overspent as of June 30, 2023.

Regular instruction	\$62,741	Student and staff support	52,951
System administration	39,125	Transportation	11,972

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Cash and cash equivalents

The City's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the City's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end. State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of fuel, food, and expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, water and sewer lines, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. For infrastructure assets the same estimated minimum useful life is used (in excess of two years), but only those infrastructure projects that cost more than \$10,000 are reported as capital assets.

As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed in note I.G. Leases below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, the right to use leased equipment, and infrastructure of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Buildings and improvements	10-50
Furniture, equipment, and vehicles	3-25
Right-to-use leased equipment	5-10
Infrastructure	10-100

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position includes a separate section for *deferred outflows of resources*. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. They are deferred amounts related to pension and OPEB. The deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

In addition to liabilities, the statement of financial position includes a separate section for *deferred inflows of resources*. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. *Unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide financial statements the City reports deferred amounts related to pension and OPEB.

Net position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of notes and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Although not a formal policy, the City considers restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called “fund balance.” The City’s governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

Nonspendable fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

Committed fund balance represents amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the City’s Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the City Council adopts another ordinance to remove or revise the limitation.

Assigned fund balance represents amounts that are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

As previously mentioned, sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In

order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Although not a formal policy, the City considers restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Leases

Lessee: The City is a lessee for a noncancellable lease of copier equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

H. Revenues and expenditures/expenses

Program revenues

Amounts reported as *program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function or segment, and (2) grants and contributions (including special assessments) that are restricted to

meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

Property taxes were committed on August 24, 2022, on the assessed value listed as of the previous April 1. Taxes were due on October 3, 2022. Taxes unpaid by the due date are assessed interest at a rate of 4%. Tax liens are placed on real property of delinquent tax accounts within twelve months following the date taxes are committed for collection. Maine law permits the Town to levy taxes up to 105% of its net property tax requirement (budgeted expenditures less budgeted non-property tax revenues) for the related fiscal period. The amount raised in excess of 100% is referred to as overlay and amounted to \$145,349 for the year ended June 30, 2023.

Compensated absences

The City’s policy permits employees to accumulate earned but unused vacation and sick leave, which are eligible for payment upon separation from government service. Sick leave is valued based on the vesting method that calculates the amount of sick leave that is expected to become eligible for payout at termination. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Proprietary funds operating and non-operating revenues and expenses

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 proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds 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.

II. Stewardship, compliance, and accountability

A. Violations of legal or contractual provisions

Note I.F. Excess of expenditures over appropriations describes any budgetary violations that occurred for the year ended June 30, 2023.

B. Deficit fund balance

At June 30, 2023, the following funds had deficit balances:

Ambulance fund	\$451,574	Shore and harbor grant	4,971
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DEP pumpout grant	7,099	Fire department ATV grant	3,699
Donation - skateboard	687	Scholarship account	3,250
Pavilion project	325	Tennis donations	501
Figure foundation	310	Pike book fund	113
Melmac grant - tech center	3,300	Rotary grant	694
Local funds	445	Recommissioned computer	1,312
CES afterschool program	32,612	Mano en mano	3,311
Momentum	7,455	CTE instructional supply	2,162
Title IA - disadvantaged	9,299	Title IA program improvement	5,480
Local entitlement	22,488	Coronavirus relief funds 1	9,250
Coronavirus relief funds 2	5,812	ESSER 2	23
Project AWARE	1,600	Perkins learning center	612
School lunch	72,395	Triangle Park sidewalk project	43,662
Recreation pool donations	15,699	St. Croix Tech Center reserve	1,468
Middle and high school projects	51,588		

These deficits will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers from other funds).

III. Detailed notes on activities and funds

A. Cash and investments

It is the policy of the City to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City, and confirming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital), liquidity, and yield. The City is not invested in any obligations typically known as derivatives.

B. Cash deposits with financial institutions

Custodial credit risk - deposits. In the case of deposits, this is the risk that, in the event of a bank's failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2023, the City's bank balance was \$2,929,472, all of which was covered by F.D.I.C. or collateralized with securities held by the pledging or financial institution's trust department.

C. Investments

State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. Agencies, mutual funds with portfolios of securities issued or guaranteed by the United States Government, or agreements to repurchase these same obligations, negotiable and non-negotiable certificates of deposit, municipal bonds, commercial paper, and corporate bonds.

Interest rate risk. Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The City does not have an investment policy for interest rate risk.

As of June 30, 2023, the City had the following investments:

Investment type	Fair Value	Investment maturities (in years)		
		Less than 1 year	1-5 years	More than 5 years
Money market	\$73,955	73,955	-	-
Certificates of deposit	672,714	426,910	245,804	-
Total investments	\$746,669	500,865	245,804	-

Credit risk. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City does not have an investment policy for credit risk. The money market and certificates of deposit are not rated.

Custodial credit risk - investments. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk.

Concentration of credit risk. The concentration of credit risk is the risk of loss that may be caused by the City's investment in a single issuer. The City does not have an investment policy for concentration of credit risk.

Fair value of investments. The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows: *Level 1* - quoted prices for identical investments in active markets; *Level 2* - observable inputs other than those in Level 1; and *Level 3* - unobservable inputs. Certificates of deposit are classified in level 2 and are valued using broker quotes that utilize observable market inputs.

D. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for doubtful accounts) line for certain funds and aggregated columns. Below is the detail of receivables for the ambulance fund, NWSARAS ambulance fund, and the economic development loan fund, including the applicable allowances for doubtful accounts:

	Ambulance	NWSARAS ambulance	Economic develop loan
Accounts receivable	\$201,280	44,782	-
Loans receivable	-	-	155,812
Allowance for doubtful accounts	(41,503)	(3,285)	(64,584)
Total receivable, net	\$159,777	41,497	91,228

E. Capital assets

Capital assets activity for the year ended June 30, 2023, was as follows:

	Balance Beginning of year	Additions	Deletions	Balance end of year
Governmental activities				
Capital assets, not being depreciated				
Land	\$2,907,505	-	-	2,907,505
Construction in progress	338,240	722,995	635,265	425,970
Total capital assets, not being depreciated	3,245,745	722,995	635,265	3,333,475
Capital assets, being depreciated				
Buildings and improvements	2,067,695	969,383	89,485	2,947,593
Furniture and equipment	2,597,681	245,685	344,972	2,498,394
Right-to-use leased equipment	123,749	-	-	123,749
Vehicles	2,301,572	660,990	107,390	2,855,172
Infrastructure	1,511,519	-	-	1,511,519
Total capital assets, being depreciated	8,602,216	1,876,058	541,847	9,936,427
Less accumulated depreciation for				
Buildings and improvements	1,216,953	109,050	89,485	1,236,518
Furniture and equipment	1,480,769	164,648	343,972	1,304,445
Right-to-use leased equipment	13,752	20,628	-	34,380
Vehicles	1,624,510	159,145	104,603	1,679,052
Infrastructure	301,694	76,418	-	378,112
Total accumulated depreciation	4,637,678	529,889	538,060	4,629,507
Total capital assets, being depreciated, net	3,964,538	1,346,169	3,787	5,306,920
Total governmental activities capital assets	\$7,210,283	2,069,164	639,052	8,640,395

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

General government	\$7,725
City services	39,215
Public safety	59,202
Public works	153,545
Education	270,202
Total depreciation expense	\$529,889

	Balance Beginning of year	Additions	Deletions	Balance end of year
Business-type activities				
Capital assets, not being depreciated				
Land	\$75,896	-	-	75,896
Construction in progress	1,615,250	3,375,029	-	4,990,279
Total capital assets, not being depreciated	1,691,146	3,375,029	-	5,066,175
Capital assets, being depreciated				
Buildings and improvements	10,569,031	-	-	10,569,031
Equipment and vehicles	1,459,377	-	52,894	1,406,483
Infrastructure	27,449,486	-	-	27,449,486
Total capital assets, being depreciated	39,477,894	-	52,894	39,425,000
Less accumulated depreciation for				
Buildings and improvements	6,233,646	270,259	-	6,503,905
Equipment and vehicles	1,189,667	58,396	52,894	1,195,169
Infrastructure	7,373,654	512,520	-	7,886,174
Total accumulated depreciation	14,796,967	841,175	52,894	15,585,248
Total capital assets, being depreciated, net	24,680,927	(841,175)	-	23,839,752
Total business-type activities capital assets	\$26,372,073	2,533,854	-	28,905,927

Depreciation expense was charged to the functions/programs of the business-type activities of the primary government as follows:

Sewer	\$612,153
Water	179,622
Ambulance	49,400
Total depreciation expense	\$841,175

F. Short-term debt and lines of credit

The City issued bond anticipation notes for interim financing until long-term bonds are issued. The bond anticipation notes were for the sewer and water funds: \$960,000 with an interest rate of 1.00% and due on December 16, 2023; and \$1,283,800 with an interest rate of 1.1% and due on May 4, 2024. Bond anticipation note activity for the year ended June 30, 2023, was as follows:

	Balance Beginning of year	Additions	Deletions	Balance end of year
Bond anticipation notes				
Sewer - Main Street	\$205,418	677,920	-	883,338
Water main replacement	-	1,278,510	-	1,278,510
Total bond anticipation notes	\$205,418	1,956,430	-	2,161,848

The City of Calais currently has a line of credit with the First, with a credit limit of \$900,000 and an interest rate of 1.03%. The Calais School Department also has a line of credit with the First, with a credit limit of \$800,000 and an interest rate of 1.35%. Interest is payable and due each month based on the outstanding balance. Line of credit activity for the year ended June 30, 2023, was as follows:

	Balance Beginning of year	Additions	Deletions	Balance end of year
Lines of credit				
City - \$900,000	\$ -	800,000	800,000	-
School - \$800,000	260,897	483,320	62,044	682,173
<u>Total lines of credit</u>	<u>\$260,897</u>	<u>1,283,320</u>	<u>862,044</u>	<u>682,173</u>

G. Changes in long-term liabilities

Changes in the City's long-term liabilities for the year ended June 30, 2023, are as follows:

	Balance Beginning of year	Additions	Deletions	Balance end of year	Amount due within one year
Governmental activities					
Notes payable	\$1,676,452	175,000	485,994	1,365,458	500,549
Leases	110,998	-	19,488	91,510	20,077
Compensated absences	214,699	-	24,432	190,267	88,986
Net pension liability	65,849	826,552	-	892,401	-
Net OPEB liability	53,900	19,063	-	72,963	-
Total OPEB liability - MEABT	2,730,125	245,569	-	2,975,694	-
<u>Total governmental activities</u>	<u>\$4,852,023</u>	<u>1,266,184</u>	<u>529,914</u>	<u>5,588,293</u>	<u>609,612</u>
Business-type activities					
Notes payable	\$6,327,807	-	629,830	5,697,977	507,114
Compensated absences	20,607	-	11,668	8,939	-
<u>Total business-type activities</u>	<u>\$6,348,414</u>	<u>-</u>	<u>641,498</u>	<u>5,706,916</u>	<u>507,114</u>

H. Notes payable

The City issues notes payable to provide funds for the acquisition and construction of major capital facilities, infrastructure, and equipment. Bonds and notes payable at June 30, 2023, are as follows:

	Original borrowing	Interest rates	Final maturity	Outstand- ing at year end
Governmental activities				
Information center	\$135,000	2.50%	2027	\$58,555
Street sweeper	45,568	2.81%	2024	10,525
School renovations	7,766,994	3.0%-7.0%	2025	776,700
Day treatment land and building	375,000	3.31%	2027	158,257
Middle and High School improvements	727,558	0.00%	2034	218,267
Dump truck	175,000	3.79%	2028	143,154
Total governmental activities				1,365,458
Business-type activities				
Refunding - wastewater projects	\$978,822	1.00%	2030	364,949
Refunding - wastewater projects	943,371	1.00%	2030	351,731
Sewer - Calais, Washington, and Church	1,243,000	1.00%	2031	527,057
Refunding - wastewater projects	1,231,000	1.50%	2031	536,745
Treatment plant and system upgrades	777,000	2.25%	2040	527,723
Sewer system upgrades - South and Hamilton	500,000	1.38%	2045	408,308
Sewer system upgrades - Manning	431,000	1.00%	2041	55,770
Sewer system upgrades - Palmer	700,000	1.00%	2041	165,641
Refinance - new water source	1,963,998	0.00%	2032	736,495
South Street waterline improvements	1,450,000	0.00%	2037	457,250
Water main replacement and chlorine booster	261,000	0.00%	2039	78,952
Water main replacement and chlorine booster	44,500	0.00%	2039	24,475
Water main replacement - Lafayette	835,000	0.00%	2040	331,217
Water main replacement - Germaine	695,000	0.00%	2042	242,092
Refinance - water line improvements	127,241	2.75%	2026	44,117
Upgrade water lines - Clark and School	305,000	1.00%	2044	178,284
Water main replacement - Temperance	195,593	1.00%	2037	109,532
Water main replacement - Union	596,484	1.00%	2037	322,372
Water main replacement - Manning	342,766	1.00%	2040	221,697
Ambulance	60,000	1.53%	2024	13,570
Total business-type activities				5,697,977
Total notes payable				\$7,063,435

The debt service requirements for the City's bonds and notes are as follows:

Year ending <u>June 30</u>	<u>Governmental activities</u>		<u>Business-type activities</u>			<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	
2024	\$500,549	36,965	507,114	49,367	16,750	1,110,745
2025	492,828	15,897	497,761	44,986	16,745	1,068,217
2026	107,559	7,131	502,037	40,626	16,741	674,094
2027	102,597	4,727	506,396	36,181	16,737	666,638
2028	52,792	2,116	498,977	31,713	16,733	602,331
2029-2033	109,133	-	1,870,509	100,631	53,639	2,133,912
2034-2038	-	-	887,126	47,875	20,013	955,014
2039-2043	-	-	376,435	12,287	5,351	394,073
2044-2048	-	-	51,622	966	-	52,588
Totals	\$1,365,458	66,836	5,697,977	364,632	162,709	7,657,612

I. Leases

Leases payable

The City entered into a six-year lease agreement as lessee for the use of copier equipment. An initial lease liability was recorded in the amount of \$123,670. As of June 30, 2023, the value of the lease liability was \$91,510. The City is required to make monthly principal and interest payments of \$1,879. The City used an incremental borrowing rate of 3% when calculating the lease liability. The copier equipment has a six-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$123,749 and had accumulated amortization of \$34,380.

The future principal and interest lease payments as of June 30, 2023, were as follows:

Year ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$20,077	2,471	22,548
2025	20,687	1,861	22,548
2026	21,317	1,231	22,548
2027	21,963	585	22,548
2028	7,466	51	7,517
Totals	\$91,510	6,199	97,709

J. Pension plans

Plan description

The City participates in the Participating Local District (PLD) Consolidated and the State Employee and Teacher (SET) Plans, which are cost-sharing, multiple-employer defined benefit pension plans administered by the Maine Public Employees Retirement System (MPERS), which is a component unit of the State of Maine. MPERS assets are held in trust for the plan beneficiaries. MPERS is established and administered under the laws of the State of Maine.

Benefits provided

Benefit terms are established in Maine statute; in the case of the PLD plan, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Legislature to amend them. MPERS retirement programs 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 (effective October 1, 1999, the prior ten-year requirement was reduced by legislative action to five years for SET members; separate legislation enacted the same reduced requirement for employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for SET members is age 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. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. MPERS also provides disability and death benefits which are established by statute for SET members and by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the MPERS Board of Trustees and is currently 1.52%.

Contributions

Retirement benefits are funded by contributions from employee and employers and by earnings from investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Employee and employer contribution rates are each a percentage of applicable employee compensation. Employee contribution rates are defined by law, or by the MPERS Board of Trustees and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined through actuarial valuations.

PLD plan – Employees were required to contribute 6.85% and 7.6% of their annual pay for the age 65 AC Plan and the age 60 AC Plan, respectively. The City's contractually required rate for the year

ended June 30, 2023, was 10.2% of annual pay. The City made contributions to the pension plan of \$208,633 for the year ended June 30, 2023.

SET plan - Maine statute requires the State to contribute a portion of the City's contractually required contributions. Employees were required to contribute 7.65% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2023, was 18.13% of annual payroll of which 3.84% of payroll was required from the City and 14.29% was required from the State. The City made contributions to the pension plan of \$156,306 for the year ended June 30, 2023.

Proportionate share of the net pension (asset) liability

PLD plan - At June 30, 2023, the City reported a liability of \$656,092 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the pension liability was based on the City's contributions recognized by the plan during the measurement period, adjusted for contributions for employer-specific and employer-paid employee contributions. The City's proportionate share was 0.2468% at the end of the measurement period and 0.2761% for the beginning of the period, which represents a decrease of 0.0293%.

SET plan - At June 30, 2023, the City reported a liability of \$236,309 for its proportionate share of the net pension liability. The State's proportionate share of the net pension liability associated with the City was \$3,740,726, for a total of \$3,977,035. The pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the pension liability was based on unfunded actuarial liability contributions to the plan. The City's proportionate share was 0.0159% at the end of the measurement period and 0.0183% for the beginning of the period, which represents a decrease of 0.0024%.

Actuarial assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions:

	<u>PLD plan</u>	<u>SET plan</u>
Actuarial valuation date	June 30, 2022	June 30, 2022
Measurement date	June 30, 2022	June 30, 2022
Actuarial cost method	Entry age normal	Entry age normal
Assumptions		
Investment rate of return	6.50%	6.50%
Inflation rate	2.75%	2.75%
Annual salary increases	2.75%-11.48%	2.80%-13.03%
Cost of living adjustments	1.91%	2.20%

Mortality rates for PLD members are based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model. Mortality rates for teachers are based on the 2010 Public Plan Teacher Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

The actuarial assumptions used for the year ended June 30, 2022 actuarial valuation were based on the results of an actuarial experience study for the period of July 1, 2015 through June 30, 2020.

Long-term expected rate of return

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 class of assets. 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 geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2022, are summarized in the following table:

<u>Asset class</u>	<u>Long-term expected real rate of return</u>
Public equities	6.0%
U.S. government	2.3%
Private equity	7.6%
Real assets:	
Real estate	5.2%
Infrastructure	5.3%
Natural resources	5.0%
Traditional credit	3.2%
Alternative credit	7.4%
Diversifiers	5.9%

Discount rate

The discount rate used to measure the collective total pension liability was 6.5% for 2022 for each plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount rate sensitivity analysis

The following presents the City's proportionate share of the net pension liability, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	<u>1% decrease</u>	<u>Current rate</u>	<u>1% increase</u>
PLD plan - proportionate share net pension (asset) liability	\$1,938,283	656,092	(403,684)
SET plan – proportionate share net pension (asset) liability	462,749	236,309	47,774

Pension expense and deferred items summary

For the year ended June 30, 2023, the City recognized pension expense of \$143,555 and \$203,460 for its proportionate share of the pension expense for the PLD and SET plans, respectively. Additionally, the City recognized revenue of \$523,284 for support provided by the State for the SET plan. At June 30, 2023, the City reported its proportionate share of the deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows</u>	<u>Deferred inflows</u>
PLD plan		
Differences between expected and actual experience	\$121,930	-
Differences between expected and actual investment earnings	-	275,365
Changes of assumptions	133,164	-
Changes in proportion	-	66,310
Contributions paid subsequent to the measurement date	208,633	-
<u>Totals PLD plan</u>	<u>463,727</u>	<u>341,675</u>
SET plan		
Differences between expected and actual experience	11,772	-
Differences between expected and actual investment earnings	-	46,542
Changes of assumptions	45,885	-
Changes in proportion	13,949	33,253
Contributions paid subsequent to the measurement date	156,306	-
<u>Totals SET plan</u>	<u>227,912</u>	<u>79,795</u>
<u>Total deferred outflows and inflows of resources</u>	<u>\$691,639</u>	<u>421,470</u>

Deferred outflows of resources reported \$364,939 related to pensions resulting from the City's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending		
<u>June 30</u>	<u>PLD plan</u>	<u>SET plan</u>
2024	\$43,668	33,729
2025	(88,512)	(27,203)
2026	(171,072)	(36,664)
2027	129,334	21,950

Pension plan fiduciary net position

The MPERS fiduciary net position has been determined using the same basis used to determine the net pension liability, deferred outflows and inflows of resources related to pension, and pension expense. For this purpose, revenues are recognized when earned and expenses are recognized when incurred.

Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

Detailed information about the MPERS fiduciary net position is available in a separately issued MPERS financial report. That report may be obtained on the MPERS website at www.mainebers.org.

K. Other postemployment benefit (OPEB) obligations – life insurance

Plan description

The City participates in the Participating Local District (PLD) Consolidated and the State Employee and Teacher (SET) Group Life Insurance Plans, which are cost-sharing, multiple-employer defined benefit OPEB plans administered by the Maine Public Employees Retirement System (MPERS), which is a component unit of the State of Maine. MPERS assets are held in trust for the plan beneficiaries. MPERS is established and administered under the laws of the State of Maine.

Benefits provided

The group life insurance plans provide basic group life insurance benefits, during retirement, to retirees who participated in the plans prior to retirement for a minimum of 10 years (the 10-year participation requirement does not apply to recipients of disability retirement benefits).

The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic group life insurance is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

Contributions and funding policy

Premium rates are those determined by the MPERS Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. PLD employers are required to remit a premium of \$0.46 per \$1,000 of coverage for covered active employees, a portion of which is to provide a level of coverage in retirement. PLD employers with retired PLD employees continue to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retired period.

The City made contributions to the PLD plan of \$6,609 for the year ended June 30, 2023. Employees are not required to contribute to the PLD plan. The State of Maine made contributions to the SET plan on-behalf of the City of \$14,902 for the year ended June 30, 2023. The City and employees are not required to contribute to the SET plan.

Proportionate share of the net OPEB liability

PLD plan - At June 30, 2023, the City reported a liability of \$72,963 for its proportionate share of the net OPEB liability. The OPEB liability was measured as of June 30, 2022, 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 OPEB liability was based on the City's contributions recognized by the plan during the

measurement period. The City’s proportionate share was 0.5038% at the end of the measurement period and 0.5221% for the beginning of the period, which represents a decrease of 0.0183%.

SET plan - At June 30, 2023, the City reported no liability for its proportionate share of the net OPEB liability. The State’s proportionate share of the net OPEB liability associated with the City was \$125,026, for a total of \$125,026. The OPEB liability was measured as of June 30, 2022, 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 OPEB liability was 0% at the end of the measurement period.

Actuarial assumptions

The total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions:

	<u>PLD plan</u>	<u>SET plan</u>
Actuarial valuation date	June 30, 2022	June 30, 2022
Measurement date	June 30, 2022	June 30, 2022
Actuarial cost method	Entry age normal	Entry age normal
Asset valuation method	Fair value	Fair value
Assumptions		
Investment rate of return	6.50%	6.50%
Inflation rate	2.75%	2.75%
Annual salary increases	2.75%-11.48%	2.80%-13.03%

Mortality rates for PLD members are based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model. Mortality rates for teachers are based on the 2010 Public Plan Teacher Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

The actuarial assumptions used for the year ended June 30, 2022 actuarial valuation were based on the results of an actuarial experience study for the period of July 1, 2015 through June 30, 2020.

Long-term expected rate of return

Assets of the plans are pooled for investment purposes and are allocated to each plan based on each plan’s fiduciary net position. The long-term expected rate of return on the Plans’ investments was determined using a building-block method in which best-estimate 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 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 geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Asset class</u>	<u>Long-term expected real rate of return</u>
Public equities	6.0%
Real estate	5.2%
Traditional credit	3.0%
U.S. government securities	2.3%

Discount rate

The discount rate used to measure the collective total OPEB liability was 6.5% for 2022 for the plans. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount rate sensitivity analysis

The following presents the City's proportionate share of the net OPEB liability, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	<u>1% decrease</u>	<u>Current rate</u>	<u>1% increase</u>
PLD plan - proportionate share net OPEB liability	\$99,028	72,963	52,035

OPEB expense and deferred items summary

For the year ended June 30, 2023, the City recognized OPEB expense of \$179 and \$13,285 for its proportionate share of the OPEB expense for the PLD and SET plans, respectively. Additionally, the City recognized revenue of \$14,902 for support provided by the State for the SET plan. At June 30, 2023, the City reported its proportionate share of the deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred outflows</u>	<u>Deferred inflows</u>
PLD plan		
Differences between expected and actual experience	\$3,549	646
Differences between expected and actual investment earnings	6,308	-
Changes of assumptions	6,067	22,784
Changes in proportion	9,148	6,346
Contributions paid subsequent to the measurement date	6,609	-
<u>Total deferred outflows and inflows of resources</u>	<u>\$31,681</u>	<u>29,776</u>

Deferred outflows of resources reported \$6,609 related to OPEB resulting from the City's contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in

the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending	
<u>June 30</u>	<u>PLD plan</u>
2024	\$204
2025	(2,601)
2026	(4,924)
2027	3,816
2028	(632)
Thereafter	(567)

OPEB plan fiduciary net position

The MPERS fiduciary net position has been determined using the same basis used to determine the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

Detailed information about the MPERS fiduciary net position is available in a separately issued MPERS financial report. That report may be obtained on the MPERS website at www.maineopers.org.

L. Other postemployment benefit (OPEB) obligations – health insurance

Plan description

The State offers a post-retirement benefit plan providing health insurance to certain retiring School Department employees. The State sponsors 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*.

Plan membership

At June 30, 2022, membership consisted of:

Inactive members currently receiving benefits	52
Inactive members entitled to but not yet receiving benefits	-
<u>Active members</u>	<u>86</u>
<u>Total</u>	<u>138</u>

Benefits provided

Healthcare insurance benefits are provided 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 55% of the blended single premium for the retiree only. Under State law, the blended premium is determined by blending rates for active members and retired members. The retiree pays 45% of the blended premium rate for coverage elected. 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).

Net OPEB liability

At June 30, 2023, the City reported a total OPEB liability of \$2,975,694. The OPEB liability was measured as of June 30, 2022, and was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions:

Actuarial valuation date	June 30, 2022
Measurement date	June 30, 2022
Actuarial cost method	Entry age normal
Assumptions	
Inflation rate	2.70%
Annual salary increases	2.80%-13.03%
Healthcare cost trend rates - non-Medicare	7.96% in 2023
decreasing to	4.00% in 2043
Healthcare cost trend rates - Medicare	0.00% in 2023
increasing to	4.29% in 2043

The rates of mortality are based on the 2010 Public Plan Teacher Benefits Weighted Healthy Retiree Mortality Table.

Actuarial assumptions used for the June 30, 2022, valuation are the teacher assumptions that were used by the Maine Public Employees Retirement System State Employee and Teacher Retirement Program valuation at June 30, 2022 and are based on the experience study covering the period from June 30, 2015 through June 30, 2020.

Discount rate

Using the Bond Buyer 20-Bond GO Index, the discount rate used to measure the total OPEB liability was 3.54%. These rates are assumed to be an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in total OPEB liability

Balances beginning of year	\$2,730,125
Changes for the period	
Service cost	42,604
Interest	59,103
Changes of benefits	-
Differences between expected and actual experience	107,043
Changes of assumptions	110,143
Benefit payments	(73,324)
Net changes	245,569
Balances end of year	<u>\$2,975,694</u>

Discount rate and healthcare rate sensitivity analysis

The following is a sensitive analysis of the total OPEB liability to changes in the discount rate and the healthcare cost trend rate. The table below presents the total OPEB liability calculated using the discount rate of 3.54% as well as what the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>1% decrease</u>	<u>Current rate</u>	<u>1% increase</u>
Total OPEB liability	\$3,384,994	2,975,694	2,633,743

The table below presents the total OPEB liability calculated using the healthcare rates disclosed above as well as what the total OPEB liability would be if it were calculated using a healthcare rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>1% decrease</u>	<u>Current rate</u>	<u>1% increase</u>
Total OPEB liability	\$2,623,059	2,975,694	3,398,139

OPEB expense and deferred items summary

For the year ended June 30, 2023, the City recognized OPEB expense of \$270,772. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	<u>Deferred outflows</u>	<u>Deferred inflows</u>
Differences between expected and actual experience	\$94,663	-
Changes of assumptions	495,778	-
Contributions paid subsequent to the measurement date	69,039	-
Total deferred outflows and inflows of resources	<u>\$659,480</u>	<u>-</u>

Deferred outflows of resources reported \$69,039 related to OPEB resulting from the City's contributions subsequent to the measurement date that will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending

June 30

2024	\$185,026
2025	164,946
2026	164,946
2027	39,327
2028	39,196

M. Fund balance

Components of fund balance

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General fund				
Inventory and prepaids	\$43,947	-	-	-
Budget appropriation	-	-	-	-
School department	175,529	661,920	-	-
Day treatment	-	171,583	-	-
School grants and other purposes	-	89,282	276,525	-
Special revenue funds				
City services	-	112,724	7,673	-
Public safety	-	15,448	2,854	-
Public works	-	-	37,063	-
Economic development loans	-	629,299	-	-
Downtown TIF	-	31,591	-	-
Student activities	-	-	218,426	-
Capital project funds				
Town capital projects	-	4,532	697,013	-
Permanent funds				
Held in perpetuity	494,540	-	-	-
Cemetery upkeep	-	50,202	-	-
Library building maintenance and books	-	46,371	-	-
Pool maintenance	-	4,112	-	-
Total	\$714,016	1,817,064	1,239,554	-

As of June 30, 2023, the school department fund balance totaled \$837,449 and is reported as nonspendable and restricted for education in the financial statements. Of this total, \$339,404 is restricted for career and technical education and \$534,847 is assigned for use of surplus for the 2023-2024 fiscal year budget. The remainder would be considered unassigned fund balance and amounted to a \$36,802 deficit.

N. Interfund balances

The outstanding balances between funds result from receipts and disbursements being made through consolidated cash accounts held by the general fund. The composition of interfund balances as of June 30, 2023, is as follows:

<u>Receivable fund (due from)</u>	<u>Payable fund (due to)</u>	<u>Amount</u>
General fund	Sewer fund	\$365,792
General fund	Water fund	545,982
General fund	Ambulance fund	786,121
General fund	NWSARAS ambulance	7,706
General fund	Nonmajor funds	624
School department	School grants and other funds	1,030,476
School department	Nonmajor funds	140,872
Day treatment	School department	156,420
<u>Nonmajor funds</u>	<u>General fund</u>	<u>1,188,631</u>
<u>Total</u>		<u>\$4,222,624</u>

The water fund is reported as of December 31, 2022, and the interfund payable balance reported as of that date is \$185,845. The difference of \$360,137 is reported as the internal balance amount on the statement of net position.

O. Interfund transfers

The composition of interfund transfers for the year ended June 30, 2023, is as follows:

	<u>Transfers in</u>				
	<u>General fund</u>	<u>School department</u>	<u>Nonmajor funds</u>	<u>Sewer fund</u>	<u>Total</u>
<u>Transfers out</u>					
General fund	\$ -	1,175,642	284,868	2,877,269	4,337,779
School department	-	-	15,000	-	15,000
Nonmajor funds	9,500	-	5,568	-	15,068
Water fund	50,512	-	-	-	50,512
<u>Total</u>	<u>\$60,012</u>	<u>1,175,642</u>	<u>305,436</u>	<u>2,877,269</u>	<u>4,418,359</u>

During the year, transfers are used to move revenues from the fund with collection authorization, the general fund, to the school department (\$1,175,642), special revenue funds (\$51,163), and capital project funds (\$233,705). The school department budgeted to move amounts to the school lunch fund (\$15,000). The water, economic development, cemetery trust, and library trust funds transfer \$50,512, \$3,000, \$4,000, and \$2,500, respectively, to the general fund for administrative costs.

Further, during the year ended June 30, 2023, the City made the following one-time transfers:

Transfer of \$2,877,269 from general fund to the sewer fund to cover accumulated deficits.

P. 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. The City carries commercial insurance and participates in public entity risk pools sponsored by the Maine Municipal Association and the Maine School Management Association. Based on the coverages provided, the City is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2023.

Q. Contingencies

The City participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the City's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City anticipates such amounts, if any, will be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

City of Calais, Maine

Required supplementary information

Schedule of City's proportionate share of the net pension liability

Maine Public Employees Retirement System

Last ten fiscal years (only nine years available)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
PLD plan									
City's proportion of the net pension liability	0.2468%	0.2761%	0.2861%	0.2857%	0.2843%	0.2872%	0.2832%	0.2737%	0.3073%
City's proportionate share of the net pension liability	\$ 656,092	(88,717)	1,136,832	873,290	778,136	1,176,018	1,504,835	873,381	472,801
City's covered payroll	1,930,324	1,870,048	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	33.99%	-4.74%	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	93.26%	100.86%	88.35%	90.62%	91.14%	86.43%	81.61%	88.27%	94.10%
SET plan									
City's proportion of the net pension liability	0.0159%	0.0183%	0.0156%	0.0134%	0.0151%	0.0142%	0.0150%	0.0137%	0.0162%
City's proportionate share of the net pension liability	\$ 236,309	154,566	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	3,740,726	2,042,971	4,385,462	3,485,830	3,325,142	3,402,301	4,460,648	3,645,902	3,125,546
Total	\$ 3,977,035	2,197,537	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	\$ 3,643,846	3,371,129	3,281,499	3,405,846	3,213,091	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	6.49%	4.58%	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	85.79%	90.90%	81.03%	82.73%	82.90%	80.78%	76.21%	81.18%	83.91%

Schedule of City's pension contributions

Maine Public Employees Retirement System

Last ten fiscal years (only nine years available)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
PLD plan									
Contractually determined contribution	\$ 208,633	198,823	188,875	183,750	175,678	157,088	147,217	132,586	111,737
Contributions in relation to the contractually required contribution	(208,633)	(198,823)	(188,875)	(183,750)	(175,678)	(157,088)	(147,217)	(132,586)	(111,737)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-
City's covered payroll	2,045,419	1,930,324	1,870,048	1,837,507	1,756,765	1,636,334	1,549,657	1,489,726	1,432,520
Contributions as a percentage of covered payroll	10.20%	10.30%	10.10%	10.00%	10.00%	9.60%	9.50%	8.90%	7.80%
SET plan									
Contractually determined contribution	\$ 156,306	139,923	140,239	136,403	135,213	127,520	100,975	106,239	85,776
Contributions in relation to the contractually required contribution	(156,306)	(139,923)	(140,239)	(136,403)	(135,213)	(127,520)	(100,975)	(106,239)	(85,776)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-
City's covered payroll	\$ 4,069,327	3,643,846	3,371,129	3,281,499	3,405,846	3,213,091	3,005,936	3,161,879	3,236,834
Contributions as a percentage of covered payroll	3.84%	3.84%	4.16%	4.16%	3.97%	3.97%	3.36%	3.36%	2.65%

City of Calais, Maine

Required supplementary information

Schedule of City's proportionate share of the net OPEB liability

Maine Public Employees Retirement System

Last ten fiscal years (only six years available)

	2023	2022	2021	2020	2019	2018
PLD plan						
City's proportion of the net OPEB liability	0.5038%	0.5221%	0.5473%	0.4873%	0.4533%	0.4520%
City's proportionate share of the net OPEB liability	\$ 72,963	53,900	72,205	104,264	91,571	75,573
City's covered-employee payroll	1,930,324	1,870,048	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 its covered-employee payroll	3.78%	2.88%	3.93%	5.93%	5.60%	4.88%
Plan fiduciary net position as a percentage of the total OPEB liability	55.88%	67.26%	55.39%	43.18%	43.92%	47.42%
SET plan						
City's proportion of the net OPEB liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
City's proportionate share of the net OPEB liability	\$ -	-	-	-	-	-
State's proportionate share of the net OPEB liability associated with the City	125,062	62,154	117,806	113,459	110,371	104,614
Total	\$ 125,062	62,154	117,806	113,459	110,371	104,614
City's covered-employee payroll	\$ 3,643,846	3,371,129	3,281,499	3,405,846	3,213,091	3,005,936
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	52.39%	62.90%	49.51%	49.22%	48.04%	47.29%

Schedule of City's OPEB contributions

Maine Public Employees Retirement System

Last ten fiscal years (only six years available)

	2023	2022	2021	2020	2019	2018
PLD plan						
Contractually determined contribution	\$ 6,609	6,699	7,205	6,753	5,873	5,979
Contributions in relation to the contractually required contribution	(6,609)	(6,699)	(7,205)	(6,753)	(5,873)	(5,979)
Contribution deficiency (excess)	\$ -	-	-	-	-	-
City's covered-employee payroll	2,045,419	1,930,324	1,870,048	1,837,507	1,756,765	1,636,334
Contributions as a percentage of covered-employee payroll	0.32%	0.35%	0.39%	0.37%	0.33%	0.37%

City of Calais, Maine

Required supplementary information

Schedule of changes in the City's total OPEB liability and related ratios

Last ten fiscal years (only five years available)

	2023	2022	2021	2020	2019
<u>Total OPEB liability - MEABT plan</u>					
Service cost	\$ 42,604	36,637	11,162	9,285	10,042
Interest	59,103	59,432	73,169	76,832	73,823
Changes of benefits	-	-	(185,082)	-	-
Differences between expected and actual experience	107,043	-	10,924	-	-
Changes of assumptions	110,143	18,789	742,772	100,404	(79,810)
Benefit payments	(73,324)	(74,259)	(84,843)	(81,521)	(78,703)
Net change in total OPEB liability - MEABT plan	245,569	40,599	568,102	105,000	(74,648)
 Total OPEB liability - beginning	 2,730,125	 2,689,526	 2,121,424	 2,016,424	 2,091,072
Total OPEB liability - ending	\$ 2,975,694	2,730,125	2,689,526	2,121,424	2,016,424
 Covered-employee payroll	 \$ 3,593,502	 3,518,255	 3,432,444	 3,632,910	 3,535,679
Total OPEB liability as a percentage of covered-employee payroll	82.81%	77.60%	78.36%	58.39%	57.03%

City of Calais, Maine

Notes to required supplementary information

Pension plans

Changes of benefit terms - None

Changes of assumptions - The following are changes in actuarial assumptions used in valuations:

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Discount rate - PLD	6.50%	6.50%	6.75%	6.75%	6.75%	6.875%	7.125%	7.25%	7.25%
Discount rate - SET	6.50%	6.50%	6.75%	6.75%	6.75%	6.875%	7.125%	7.125%	7.25%
Inflation rate	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	3.50%	3.50%	3.50%
Salary increases - PLD	2.75-11.48%	2.75-11.48%	2.75% + merit	2.75-9.00%	2.75-9.00%	2.75-9.00%	3.50-9.50%	3.50-9.50%	3.50-9.50%
Salary increases - SET	2.80-13.03%	2.80-13.03%	2.75% + merit	2.75-14.50%	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%	1.91%	2.20%	2.20%	2.20%	2.55%	3.12%	3.12%
Cost of living increases - SET	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	2.55%	2.55%	2.55%

Mortality rates - **2015**: RP2000 Combined Mortality Table projected forward to 2015 using Scale AA. **2016**: RP2014 Total Data Set Healthy Annuitant Mortality Table. **2021**: 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table (PLD) and 2010 Public Plan Teacher Benefits-Weighted Healthy Retiree Mortality Table (SET).

Other postemployment benefit (OPEB) obligations - life insurance

Changes of benefit terms - None

Changes of assumptions - The following are changes in actuarial assumptions used in valuations:

	2022	2021	2020	2019	2018	2017
Discount rate - PLD	6.50%	6.50%	6.75%	4.98%	5.13%	5.41%
Discount rate - SET	6.50%	6.50%	6.75%	6.75%	6.75%	6.875%

Other postemployment benefit (OPEB) obligations - health insurance

Changes of benefit terms - In 2020, implemented the Medicare Advantage plan.

Changes of assumptions - The following are changes in actuarial assumptions used in valuations:

	2022	2021	2020	2019	2018	2017
Discount rate	3.54%	2.16%	2.21%	3.50%	3.87%	3.58%

City of Calais, Maine

General fund

Statement of revenues, expenditures, and changes in fund balance

Budget and actual

For the year ended June 30, 2023

(with comparative totals for the year ended June 30, 2022)

		2023				
		Original budget	Final budget	Actual	Variance positive (negative)	2022 actual
Revenues						
Property taxes						
Real estate and personal property	\$	3,754,762	3,316,627	3,350,736	34,109	3,700,033
Excise taxes		638,000	638,000	625,040	(12,960)	626,440
Payments in lieu of taxes		28,000	28,000	39,300	11,300	28,320
Interest on taxes		46,000	46,000	33,749	(12,251)	49,897
Total property taxes		4,466,762	4,028,627	4,048,825	20,198	4,404,690
Intergovernmental						
State revenue sharing		763,289	763,289	846,185	82,896	811,562
Homestead exemption		234,128	234,128	234,128	-	251,556
Business equipment tax reimbursement		10,757	10,757	10,887	130	13,026
Veterans exemption		-	-	2,576	2,576	3,034
Tree growth exemption		27,000	27,000	39,231	12,231	32,059
Snowmobile reimbursement		1,000	1,000	596	(404)	609
General assistance		9,100	9,100	9,710	610	4,523
Urban rural initiative payment		40,000	40,000	41,356	1,356	41,508
Total intergovernmental		1,085,274	1,085,274	1,184,669	99,395	1,157,877
Charges for services						
Administration		15,000	15,000	15,446	446	16,355
School bus storage		-	-	12,500	12,500	-
Code enforcement		3,500	3,500	8,975	5,475	3,923
EMS administration		72,325	72,325	71,458	(867)	69,869
Motor vehicle agent fees		5,900	5,900	5,891	(9)	6,147
Library		5,500	5,500	3,935	(1,565)	3,446
Recreation		74,000	74,000	87,521	13,521	70,838
Transfer station		34,000	34,000	37,193	3,193	35,981
Total charges for services		210,225	210,225	242,919	32,694	206,559
Interest						
		4,500	4,500	32,547	28,047	5,260
Miscellaneous						
Sale of property		1,000	1,000	5,140	4,140	-
Police		1,150	1,150	515	(635)	360
Fire		1,000	1,000	1,194	194	3,648
Public works		8,730	8,730	30,803	22,073	10,626
Cemetery		10,500	10,500	12,725	2,225	13,001
Other		200	200	3,751	3,551	3,156
Total miscellaneous		22,580	22,580	54,128	31,548	30,791
Total revenues		5,789,341	5,351,206	5,563,088	211,882	5,805,177

City of Calais, Maine

General fund

Statement of revenues, expenditures, and changes in fund balance

Budget and actual

For the year ended June 30, 2023

(with comparative totals for the year ended June 30, 2022)

	2023			Variance positive (negative)	2022 actual
	Original budget	Final budget	Actual		
Expenditures					
Current:					
General government					
City council	15,786	15,786	15,156	630	15,187
City manager	93,675	93,675	92,666	1,009	87,421
City clerk	140,150	140,150	129,288	10,862	86,674
Finance department	179,544	179,544	162,898	16,646	192,076
Legal services	35,000	35,000	7,735	27,265	39,603
Assessing	104,285	104,285	101,667	2,618	98,493
City building	86,300	86,300	80,652	5,648	85,027
St. Croix fire house	2,930	2,930	4,030	(1,100)	870
Public buildings - north	58,100	58,100	50,318	7,782	45,811
Total general government	715,770	715,770	644,410	71,360	651,162
City services					
Library	170,830	170,830	160,567	10,263	155,890
Recreation	274,355	274,355	264,419	9,936	254,718
Subsidies and donations	26,380	26,380	25,976	404	15,989
Total city services	471,565	471,565	450,962	20,603	426,597
Public safety					
Police	617,375	617,375	383,415	233,960	384,173
Fire	457,125	457,125	459,962	(2,837)	427,162
Street and traffic lights	79,750	79,750	66,767	12,983	76,851
Total public safety	1,154,250	1,154,250	910,144	244,106	888,186
Public works					
Public works	823,110	823,110	691,538	131,572	693,537
Transfer station	103,650	103,650	110,529	(6,879)	102,976
Cemetery	138,425	138,425	137,913	512	112,548
Total public works	1,065,185	1,065,185	939,980	125,205	909,061
Education (transfer out)	1,175,642	1,175,642	1,175,642	-	1,255,233
County tax	300,967	300,967	300,967	-	279,314
Tax increment financing (transfer c	46,960	46,960	46,698	262	-
Miscellaneous					
Hydrants	206,737	206,737	206,737	-	206,737
Insurance	78,000	78,000	80,691	(2,691)	77,769
Contingency	20,000	20,000	10,548	9,452	18,529
Other	23,490	23,490	21,106	2,384	19,897
Total miscellaneous	328,227	328,227	319,082	9,145	322,932
Debt service	53,226	53,226	50,199	3,027	20,000
Capital outlay	457,250	457,250	457,250	-	473,461
Total expenditures	5,769,042	5,769,042	5,295,334	473,708	5,225,946
Excess (deficiency) of revenues over (under) expenditures	20,299	(417,836)	267,754	685,590	579,231
Other financing sources (uses)					
Transfers in	61,400	61,400	60,012	(1,388)	57,711
Use of fund balance	63,650	2,940,919	-	(2,940,919)	-
Total other financing sources (uses)	125,050	125,050	(2,817,257)	(2,942,307)	57,711
Net change in fund balance	145,349	(292,786)	(2,549,503)	(2,256,717)	636,942
Fund balance - beginning			3,448,384		2,811,442
Fund balance - ending			\$ 898,881		3,448,384

City of Calais, Maine

General fund

Statement of revenues, expenditures, and changes in fund balance

Budget and actual

For the year ended June 30, 2023

(with comparative totals for the year ended June 30, 2022)

	2023				
	Original budget	Final budget	Actual	Variance positive (negative)	2022 actual
Revenues					
Local assessments (transfer in) \$	1,175,642	1,175,642	1,175,642	-	1,255,233
Intergovernmental					
State subsidy	6,094,699	6,094,699	6,051,330	(43,369)	5,417,469
MaineCare	270,000	270,000	294,146	24,146	189,827
Assessments	104,915	104,915	108,797	3,882	115,566
Efficiency Maine	-	-	-	-	116,708
Total intergovernmental	6,469,614	6,469,614	6,454,273	(15,341)	5,839,570
Charges for services					
Elementary tuition	177,198	177,198	164,491	(12,707)	181,147
Secondary tuition	880,256	880,256	1,037,202	156,946	996,222
Special education tuition	224,300	224,300	261,155	36,855	272,490
Total charges for services	1,281,754	1,281,754	1,462,848	181,094	1,449,859
Miscellaneous					
Other	74,939	74,939	62,802	(12,137)	32,126
Total miscellaneous	74,939	74,939	62,802	(12,137)	32,126
Total revenues	9,001,949	9,001,949	9,155,565	153,616	8,576,788
Expenditures					
Current:					
Regular instruction	3,033,836	3,033,836	3,096,577	(62,741)	2,863,577
Special education	1,489,955	1,489,955	1,486,023	3,932	1,223,778
Career and technical education	1,426,645	1,426,645	1,273,886	152,759	1,094,823
Other instruction	156,136	156,136	153,148	2,988	157,580
Student and staff support	385,675	385,675	438,626	(52,951)	383,771
System administration	448,456	448,456	487,581	(39,125)	386,351
School administration	425,449	425,449	423,168	2,281	373,547
Transportation	839,786	839,786	851,758	(11,972)	673,092
Facilities maintenance	884,073	884,073	875,760	8,313	890,930
Debt service	432,401	432,401	429,097	3,304	445,910
Total expenditures	9,522,412	9,522,412	9,515,624	6,788	8,493,359
Excess (deficiency) of revenues over (under) expenditures	(520,463)	(520,463)	(360,059)	146,828	83,429
Other financing sources (uses)					
Transfers out	(15,000)	(15,000)	(15,000)	-	(15,000)
Use of fund balance	535,463	535,463	-	(535,463)	-
Total other financing sources (uses)	520,463	520,463	(15,000)	(535,463)	(15,000)
Net change in fund balance	-	-	(375,059)		68,429
Fund balance - beginning			1,212,508		1,144,079
Fund balance - ending		\$	837,449		1,212,508

City of Calais, Maine

Combining balance sheet Nonmajor governmental funds June 30, 2023

	Special revenue funds	Capital project funds	Permanent funds	Total nonmajor governmental funds
Assets				
Cash and cash equivalents	\$ 369,749	-	151,323	521,072
Investments	258,300	-	422,473	680,773
Accounts receivable, net	19,158	-	-	19,158
Due from other funds	546,447	642,184	-	1,188,631
Loans receivable, net	91,228	-	-	91,228
Inventory	9,412	-	-	9,412
Total assets	\$ 1,294,294	642,184	573,796	2,510,274
Liabilities				
Accounts payable	1,423	-	-	1,423
Accrued wages and benefits	11,743	-	-	11,743
Unearned revenue	231,584	-	-	231,584
Due to other funds	87,816	53,056	624	141,496
Total liabilities	332,566	53,056	624	386,246
Fund balances				
Nonspendable	-	-	494,540	494,540
Restricted	789,062	4,532	100,685	894,279
Committed	266,016	697,013	-	963,029
Unassigned	(93,350)	(112,417)	(22,053)	(227,820)
Total fund balances	961,728	589,128	573,172	2,124,028
Total liabilities and fund balances	\$ 1,294,294	642,184	573,796	2,510,274

City of Calais, Maine

Combining statement of revenues, expenditures, and changes in fund balances

Nonmajor governmental funds

For the year ended June 30, 2023

	Special revenue funds	Capital project funds	Permanent funds	Total nonmajor governmental funds
Revenues				
Intergovernmental	\$ 495,455	-	-	495,455
Charges for services	72,776	-	-	72,776
Student activity fees and fundraisers	162,656	-	-	162,656
Investment income (loss)	3,949	-	2,163	6,112
Miscellaneous	243,288	27,349	4,400	275,037
Total revenues	978,124	27,349	6,563	1,012,036
Expenditures				
Current:				
General government	93,163	90,876	-	184,039
City services	34,541	780	2,200	37,521
Public safety	3,946	4,923	-	8,869
Public works	916	8,225	-	9,141
Education	614,473	640,400	-	1,254,873
Debt service	15,581	-	-	15,581
Total expenditures	763,370	745,204	2,200	1,510,774
Excess (deficiency) of revenues over (under) expenditures	214,754	(717,855)	4,363	(498,738)
Other financing sources (uses)				
Transfers in	66,163	239,273	-	305,436
Transfers out	(3,000)	(5,568)	(6,500)	(15,068)
Notes issued	-	589,679	-	589,679
Total other financing sources (uses)	63,163	823,384	(6,500)	880,047
Net change in fund balances	277,917	105,529	(2,137)	381,309
Fund balances - beginning	683,811	483,599	575,309	1,742,719
Fund balances - ending	\$ 961,728	589,128	573,172	2,124,028

City of Calais, Maine

Combining balance sheet
Special revenue funds
June 30, 2023

	City grants and other funds	Economic development loan fund	Downtown TIF	School lunch	Student activities	Total special revenue funds
Assets						
Cash and cash equivalents	\$ -	151,323	-	-	218,426	369,749
Investments	-	258,300	-	-	-	258,300
Accounts receivable, net	-	-	-	19,158	-	19,158
Due from other funds	386,391	128,465	31,591	-	-	546,447
Loans receivable, net	-	91,228	-	-	-	91,228
Inventory	-	-	-	9,412	-	9,412
Total assets	\$ 386,391	629,316	31,591	28,570	218,426	1,294,294
Liabilities						
Accounts payable	-	17	-	1,406	-	1,423
Accrued wages and benefits	-	-	-	11,743	-	11,743
Unearned revenue	231,584	-	-	-	-	231,584
Due to other funds	-	-	-	87,816	-	87,816
Total liabilities	231,584	17	-	100,965	-	332,566
Fund balances						
Restricted	128,172	629,299	31,591	-	-	789,062
Committed	47,590	-	-	-	218,426	266,016
Unassigned	(20,955)	-	-	(72,395)	-	(93,350)
Total fund balances	154,807	629,299	31,591	(72,395)	218,426	961,728
Total liabilities and fund balances	\$ 386,391	629,316	31,591	28,570	218,426	1,294,294

City of Calais, Maine

Combining statement of revenues, expenditures, and changes in fund balances

Special revenue funds

For the year ended June 30, 2023

		City grants and other funds	Economic development loan fund	Downtown TIF	School lunch	Student activities	Total special revenue funds
Revenues							
Intergovernmental	\$	87,093	-	-	408,362	-	495,455
Charges for services		4,771	3,120	-	64,885	-	72,776
Student activity fees and fundraisers		-	-	-	-	162,656	162,656
Investment income (loss)		-	3,949	-	-	-	3,949
Miscellaneous		35,854	207,434	-	-	-	243,288
Total revenues		127,718	214,503	-	473,247	162,656	978,124
Expenditures							
Current:							
General government		32,355	48,562	12,246	-	-	93,163
City services		34,541	-	-	-	-	34,541
Public safety		3,946	-	-	-	-	3,946
Public works		916	-	-	-	-	916
Education		-	-	-	483,268	131,205	614,473
Debt service		-	15,581	-	-	-	15,581
Total expenditures		72,508	64,143	12,246	483,268	131,205	763,370
Excess (deficiency) of revenues over (under) expenditures		55,210	150,360	(12,246)	(10,021)	31,451	214,754
Other financing sources (uses)							
Transfers in		4,465	-	46,698	15,000	-	66,163
Transfers out		-	(3,000)	-	-	-	(3,000)
Total other financing sources (uses)		4,465	(3,000)	46,698	15,000	-	63,163
Net change in fund balances		59,675	147,360	34,452	4,979	31,451	277,917
Fund balances - beginning		95,132	481,939	(2,861)	(77,374)	186,975	683,811
Fund balances - ending	\$	154,807	629,299	31,591	(72,395)	218,426	961,728

City of Calais, Maine

Combining statement of revenues, expenditures, and changes in fund balances

City grants and other funds

For the year ended June 30, 2023

	Beginning fund balance	Revenues	Expenditures	Transfers in (out)	Ending fund balance
Shore and harbor (BIG) grant	\$ (4,971)	-	-	-	(4,971)
DEP pumpout (BIG) grant	(7,099)	-	-	-	(7,099)
Fire department ATV grant	-	-	3,699	-	(3,699)
UME education grant	(905)	1,964	724	-	335
Project canopy	-	5,783	5,783	-	-
Police drug forfeiture funds	867	-	-	-	867
Donation - skateboard	(687)	-	-	-	(687)
Animal control	2,226	875	247	-	2,854
Wal-Mart grant	895	-	-	-	895
National opioid settlement	-	46,598	-	-	46,598
Scholarship account	(2,500)	-	750	-	(3,250)
Firefighter training FAC	2,738	-	-	-	2,738
Firefighter grant	-	2,357	-	-	2,357
J. Baig bequest - firefighters	2,000	-	-	-	2,000
DARE	5,900	-	-	-	5,900
Fingerprint clinic	1,586	-	-	-	1,586
Day camp	3,899	700	-	-	4,599
Playground	500	-	-	-	500
Smith Field	1,000	-	-	-	1,000
JMG grant	600	-	-	-	600
School basketball	974	-	-	-	974
Pavilion project	(325)	-	-	-	(325)
Tennis donations	(501)	-	-	-	(501)
Eaton foundation - library	6,710	-	2,327	-	4,383
Figure foundation - library	(310)	-	-	-	(310)
Special gift book	2,731	2,491	2,683	-	2,539
Pike book fund	(113)	-	-	-	(113)
J. Baig bequest - library	1,920	-	-	-	1,920
Pike fund income	48,154	30,699	23,024	-	55,829
Concert donations	225	-	-	-	225
ARPA grant	-	32,355	32,355	-	-
Transfer station professional services	5,500	-	-	1,500	7,000
Environmental monitoring	6,808	-	-	440	7,248
Tree planting	2,173	-	-	500	2,673
Tree removal	4,263	-	-	775	5,038
Chipping program	7,550	-	-	1,250	8,800
Goode fuel fund	3,324	3,896	916	-	6,304
\$	95,132	127,718	72,508	4,465	154,807

City of Calais, Maine

Combining statement of revenues, expenditures, and changes in fund balances
School grants and other funds
For the year ended June 30, 2023

	Beginning fund balance	Revenues	Expenditures	Ending fund balance
Insurance claim	\$ -	265,818	18,604	247,214
Kellogg grant	520	-	-	520
Melmac grant - high school	6,699	-	-	6,699
Melmac grant - tech center	13,381	2,000	18,681	(3,300)
Maine dairy	28	-	-	28
Rotary grant - BARR	(694)	-	-	(694)
Tobacco grant	-	23,000	347	22,653
Local funds	(1,445)	1,000	-	(445)
Wellness grant	2,343	-	690	1,653
Suicide prevention grant	7,497	-	-	7,497
Tootsie roll grant	4,937	900	199	5,638
Recommissioned computer revenue	(377)	-	935	(1,312)
Maine indian education - afterschool	3,550	-	-	3,550
CES afterschool program	(18,561)	6,589	20,640	(32,612)
Mano en mano	(3,311)	-	-	(3,311)
T.A.G.	3,046	-	-	3,046
Underwater robotics	5	-	-	5
EPGY	5,624	-	-	5,624
Private dormant grants	1,750	-	-	1,750
CTE industry standards	34,979	36,659	54,991	16,647
Dental	113	-	-	113
IT-V	6,113	-	-	6,113
Proficiency based education	4,450	-	-	4,450
PEP grant	1,981	-	-	1,981
Advantage ME	170	-	-	170
Momentum	(7,455)	-	-	(7,455)
CTE instructional supply	-	40,093	42,255	(2,162)
FEDES grant	3,096	-	-	3,096
Regional support unit	2,108	-	-	2,108
Title IA - disadvantaged	(2,281)	275,090	282,108	(9,299)
Title IA - program improvement	-	50,135	50,135	-
Title IA - program improvement	(5,480)	-	-	(5,480)
Local entitlement	(21,539)	111,545	112,494	(22,488)
Preschool	1,397	-	-	1,397
ESSER 1	-	86,289	86,289	-
Coronavirus relief funds 1	(9,250)	-	-	(9,250)
Coronavirus relief - day programming	189	-	-	189
Coronavirus relief funds 2	(5,812)	-	-	(5,812)
ESSER 2	(23)	53,286	53,286	(23)
ESSER 3	-	819,493	819,493	-
ARP - Homeless children and youth	-	1,992	1,992	-
Computer science mobile lab	1,500	24,062	24,062	1,500
CTE - State fiscal recovery funds	-	146,995	146,995	-
Project AWARE	(1,600)	-	-	(1,600)
Rural low income	1,554	85,906	85,906	1,554
Title IIA - supportive effective instruction	12,170	-	-	12,170
Perkins learning center	(612)	41,307	41,307	(612)
HIV prevention	134	-	-	134
Youth suicide prevention	58	-	-	58
HRSA grant - school based health	79	-	-	79
DHHS teen and youth	13,008	67,882	72,719	8,171
	\$ 54,039	2,140,041	1,934,128	259,952

City of Calais, Maine

Combining statement of revenues, expenditures, and changes in fund balances

Student activity funds

For the year ended June 30, 2023

	Beginning fund balance	Revenues	Expenditures	Ending fund balance
Calais High School	\$ 149,605	122,817	110,189	162,233
St. Croix Technical School	33,626	25,829	5,439	54,016
Calais Elementary School	3,744	14,010	15,577	2,177
\$	<u>186,975</u>	<u>162,656</u>	<u>131,205</u>	<u>218,426</u>

City of Calais, Maine

Combining statement of revenues, expenditures, and changes in fund balances

Capital project funds

For the year ended June 30, 2023

	Beginning fund balance	Revenues	Expenditures	Notes issued	Transfers in (out)	Ending fund balance
Triangle Park sidewalk project	\$ (43,662)	-	-	-	-	(43,662)
St. Croix roof - insurance claim	15,639	-	14,433	-	-	1,206
Nash's Lake dam	1,846	-	-	-	-	1,846
Recreation pool donations	(15,699)	-	-	-	-	(15,699)
Library - building fund	29,976	-	-	-	-	29,976
Land disposition	138,771	25,549	49,971	-	-	114,349
Cemetery road repair	10,275	-	-	-	1,275	11,550
Veteran's memorial pavers	3,512	1,800	780	-	-	4,532
CIP administration	187,942	-	26,472	-	187,459	348,929
CIP fire department	19,594	-	3,628	-	-	15,966
CIP recreation department	8,437	-	-	-	(5,568)	2,869
CIP police department	20,477	-	1,295	-	-	19,182
CIP public works	75,246	-	8,225	-	30,194	97,215
CIP transfer station	2,335	-	-	-	2,200	4,535
CIP cemetery	13,977	-	-	-	8,645	22,622
CIP North Street building	17,268	-	-	-	9,500	26,768
School - SCRTC reserve fund	(1,468)	-	-	-	-	(1,468)
Middle and high school projects	(867)	-	640,400	589,679	-	(51,588)
	\$ 483,599	27,349	745,204	589,679	233,705	589,128

City of Calais, Maine

Combining statement of revenues, expenditures, and changes in fund balances

Permanent funds

For the year ended June 30, 2023

		Cemetery trust	Library trust	Poor trust	Beckett pool	Total permanent funds
Revenues						
Investment earnings	\$	5,867	3,791	2,025	254	11,937
Investment costs		(1,414)	(1,070)	(628)	(79)	(3,191)
Unrealized gain (loss)		(2,976)	(2,111)	(1,329)	(167)	(6,583)
Contributions/donations		4,400	-	-	-	4,400
Total revenues		5,877	610	68	8	6,563
Expenditures						
Current:						
City services		-	-	2,200	-	2,200
Total expenditures		-	-	2,200	-	2,200
Excess (deficiency) of revenues over (under) expenditures		5,877	610	(2,132)	8	4,363
Other financing sources (uses)						
Transfers out		(4,000)	(2,500)	-	-	(6,500)
Total other financing sources (uses)		(4,000)	(2,500)	-	-	(6,500)
Net change in fund balances		1,877	(1,890)	(2,132)	8	(2,137)
Fund balances - beginning		374,671	131,201	55,830	13,607	575,309
Fund balances - ending	\$	376,548	129,311	53,698	13,615	573,172

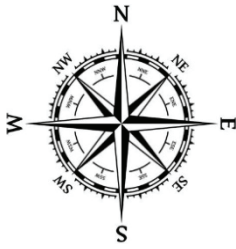
CITY OF CALAIS, MAINE

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

For the Year Ended June 30, 2023

CITY OF CALAIS, MAINE
Reports Required by *Government Auditing Standards*
and the Uniform Guidance
For the year ended June 30, 2023

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



PETER J HALL CPA LLC
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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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Calais, Maine (“the City”) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated September 30, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’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’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

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

Report on Compliance and Other Matters

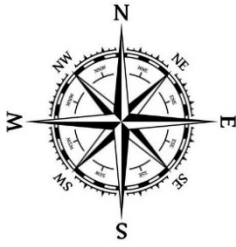
As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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*.

Purpose of This Report

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

Peter J. Hall CPA LLC
PETER J HALL CPA LLC

**South Portland, Maine
September 30, 2024**



PETER J HALL CPA LLC
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439 Preble Street
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207-415-0920

**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

Opinion on Each Major Federal Program

We have audited the City of Calais, Maine's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Calais, Maine's major federal programs for the year ended June 30, 2023. 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.

In our opinion, the City of Calais, Maine ("the City") 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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

We have audited the financial statements of the governmental activities, 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated September 30, 2024, which contained unmodified opinions on those financial statements. Our audit was performed 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.

Peter J Hall CPA LLC
PETER J HALL CPA LLC

South Portland, Maine
September 30, 2024

City of Calais, Maine

Schedule of expenditures of federal awards
For the year ended June 30, 2023

Federal agency/ listing number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor number	Program expenditures	Cluster/ listing total	Pass-through to sub- recipients
Department of education							
84.010	Title I grants to local educational agencies		ME Dept of Education	3107	282,108		-
84.010	Title I grants - program improvement		ME Dept of Education	3106	50,135	332,243	-
84.048	Career and technical education - basic grants to states		ME Dept of Education	3030	41,307		-
84.027	Special education grants to states	Special education	ME Dept of Education	3046	112,494		-
84.358	Rural education		ME Dept of Education	3305	85,906		-
84.425D	COVID-19 - Elementary and secondary school emergency relief 1		ME Dept of Education	7006	86,289		-
84.425D	COVID-19 - Elementary and secondary school emergency relief 2		ME Dept of Education	7041	53,286		-
84.425U	COVID-19 - Elementary and secondary school emergency relief 3		ME Dept of Education	7071	819,493		-
84.425U	COVID-19 - ARP homeless children and youth		ME Dept of Education	3161	1,992		-
84.425C	COVID-19 - Governor's emergency education relief		ME Dept of Education	7051	24,062	985,122	-
Total department of education					1,557,072		
Department of agriculture							
10.553	School breakfast program	Child nutrition	ME Dept of Education	3014	54,996		-
10.555	National school lunch program	Child nutrition	ME Dept of Education	3022/3024	147,078		-
10.555	National school lunch program - donated commodities	Child nutrition	ME Dept of Education	n/a	22,757		-
10.555	Supply chain assistance	Child nutrition	ME Dept of Education	6670	24,337		-
10.559	Summer food service program for children	Child nutrition	ME Dept of Education	3016/3018	15,203		-
10.582	Fresh fruit and vegetable program	Child nutrition	ME Dept of Education	3028	22,239	286,610	-
10.575	COVID-19 - Pandemic EBT Administration costs		ME Dept of Education	1322	1,256		-
Total department of agriculture					287,866		
Department of treasury							
21.027	COVID-19 - American rescue plan		Direct	n/a	32,355		-
21.027	COVID-19 - American rescue plan - water		Maine Municipal Bond Bank	n/a	337,200		-
21.027	COVID-19 - Maine jobs and recovery plan		ME Dept of Education	8004	146,995	516,550	-
Total department of treasury					516,550		
Environmental protection agency							
66.458	Capitalization Grants for Clean Water State Revolving Funds	CWSRF	Maine Municipal Bond Bank	n/a	105,152		-
66.468	Capitalization Grants for Drinking Water State Revolving Funds	DWSRF	Maine Municipal Bond Bank	n/a	2,484,313		-
Total environmental protection agency					2,589,465		
Total expenditures of federal awards					4,950,953		

City of Calais, Maine

Notes to the schedule of expenditures of federal awards

June 30, 2023

I. 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.

II. Summary of 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, 2023. The reporting entity is defined in the notes to the financial statements of the City.

B. Basis of presentation

The information in the accompanying schedule of expenditures of federal awards is presented in accordance with the Uniform Guidance. 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.

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 are identified in the summary of auditor's results section 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. Indirect cost rate

The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF CALAIS, MAINE
Schedule of Findings and Questioned Costs
For the year ended June 30, 2023

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? None reported

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: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? No

Identification of major federal programs:

Assistance Listing

84.425

66.468

Name of Federal Program or Cluster

Education Stabilization Fund

Drinking Water State Revolving Funds Cluster

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

Auditee qualified as low-risk auditee? No

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

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

NONE

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

Section III - Findings and Questioned Costs for Federal Awards

None

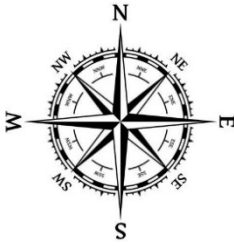
CITY OF CALAIS, MAINE
Schedule of Findings and Questioned Costs, Continued

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

2022-001 - Wage Rate Requirements

Condition: The City's School Department expended ESSER funds for construction projects to which the wage rate requirements discussed here were applicable, but did not obtain from the contractors involved certified payrolls confirming that such contractors had complied with these wage rate requirements.

Current Status: This finding is not repeated for the current year.



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South Portland, Maine 04106
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH MAINE STATE STATUTE REQUIREMENTS

School Board and City Council
City of Calais, Maine

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of City of Calais, Maine as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Calais, Maine's basic financial statements and which include the financial information of the Calais School Department. We issued our report thereon dated September 30, 2024 which contained unmodified opinions on those financial statements.

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

In connection with that audit, we:

1. Considered whether the Calais School Department has complied with budget content requirements of section 15693.
2. Considered whether the Calais School Department has complied with transfer limitations between budget cost centers pursuant to section 1485.
3. Considered whether the Calais School Department has exceeded its authority to expend funds in total.
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*. Nothing came to our attention to indicate the Calais School Department had not complied with the above listed items (items #1 - #6).

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 Financial Statements with Information Uploaded to NEO 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.

Peter J. Hall CPA LLC
PETER J HALL CPA LLC

South Portland, Maine
September 30, 2024

City of Calais, Maine

Reconciliation of the financial statements with information uploaded to NEO
For the year ended June 30, 2023

		General Fund (100 Series)	Special Revenues (200/700 Series)	Capital Projects (400 Series)	School Lunch (600 Series)	Day Treatment (900 Series)	Total
Revenues and Other Financing Sources							
Per NEO	\$	9,155,566	2,140,042	589,679	465,491	1,956,710	14,307,488
Adjustments:							
On-Behalf Payments		538,186	-	-	-	-	538,186
USDA Donated Commodities		-	-	-	22,757	-	22,757
Rounding and Immaterial Differences		(1)	(1)	-	(1)	-	(3)
		9,693,751	2,140,041	589,679	488,247	1,956,710	14,868,428
Per fund financial statements (GAAP basis)		9,693,751	2,140,041	589,679	488,247	1,956,710	14,868,428
Remaining variance	\$	-	-	-	-	-	-
Expenditures and Other Financing Uses							
Per NEO	\$	9,530,624	1,934,130	640,399	460,511	2,151,822	14,717,486
Adjustments:							
On-Behalf Payments		538,186	-	-	-	-	538,186
USDA Donated Commodities		-	-	-	22,757	-	22,757
Rounding and Immaterial Differences		-	(2)	1	-	(1)	(2)
		10,068,810	1,934,128	640,400	483,268	2,151,821	15,278,427
Per fund financial statements (GAAP basis)		10,068,810	1,934,128	640,400	483,268	2,151,821	15,278,427
Remaining variance	\$	-	-	-	-	-	-

The Schedules Presented Above Do Not Include Student Activities Funds, Which Have Not Been Reported in NEO