
# CITY OF CALAIS, MAINE

## ANNUAL FINANCIAL REPORT

## FOR THE FISCAL YEAR ENDED, JUNE 30, 2025

# City of Calais, Maine

**Annual financial report**
**For the fiscal year ended June 30, 2025**

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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, 2025, 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, 2025, 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, 2024, 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 May 29, 2026 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**
**May 29, 2026**

# 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, 2025.

**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 $33,466,318 (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 $2,320,796. 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, 2025, the City had liabilities of over $4.3 million for postemployment benefits, which has caused the deficit balance in the unrestricted net position. The water, ambulance, and NWSARAS funds ended the fiscal year with deficit unrestricted net position of $438,917, $866,744, and $73,107, respectively.
- The City's total net position increased $2,700,661. Revenues exceeding expenses in the proprietary funds are due to grant funds of $2.3 million related to sewer and water projects. Revenues and exceeded expenditures in governmental funds by over $1 million.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of $6,465,943, an increase of $1,005,001 in comparison with the prior year. Of this amount, $734,869, or 11%, 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 $1,379,735, or approximately 23% of total general fund expenditures and transfers out. The general fund's unrestricted fund balance helps mitigate the combined $1,378,768 deficit unrestricted net position in the water, ambulance, and NWSARAS funds.
- At the end of the current fiscal year, the school department had an ending fund balance of $2,386,889, or 23% of school department expenditures. The day treatment program ended the current fiscal year with a fund balance of $59,740, or 3% 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 13-14 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, and day treatment program, which are considered to be major funds. Data from the other eleven 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 15-19 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 20-22 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 23-24 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 25-54 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 55-58.

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 59-70 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 $33,466,318, at the close of the most recent fiscal year.

| | | Governmental activities | | Business-type activities | |
|---|---|---|---|---|---|
| | | **2025** | **2024 restated** | **2025** | **2024 restated** |
| Assets | | | | | |
| Current and other assets | $ | 8,157,740 | 7,171,588 | 358,349 | (214,460) |
| Capital assets | | 8,412,574 | 8,652,692 | 30,678,237 | 29,642,038 |
| Total assets | | 16,570,314 | 15,824,280 | 31,036,586 | 29,427,578 |
| Total deferred outflows of resources | | 1,396,193 | 1,105,124 | - | - |
| Liabilities | | | | | |
| Long-term liabilities | | 5,297,777 | 5,574,494 | 4,944,949 | 5,246,479 |
| Other liabilities | | 1,383,297 | 1,370,257 | 3,511,298 | 3,121,342 |
| Total liabilities | | 6,681,074 | 6,944,751 | 8,456,247 | 8,367,821 |
| Total deferred inflows of resources | | 399,454 | 278,753 | - | - |
| Net position | | | | | |
| Net investment in capital assets | | 7,802,867 | 7,535,979 | 23,728,901 | 21,559,317 |
| Restricted | | 4,149,499 | 3,567,639 | 105,847 | - |
| Unrestricted | | (1,066,387) | (1,397,718) | (1,254,409) | (499,560) |
| Total net position | $ | 10,885,979 | 9,705,900 | 22,580,339 | 21,059,757 |

Current and other assets increased in governmental activities by nearly $1 million from the prior year. Cash and cash equivalents have increased $1.5 million, prepaid expenses increased $220 thousand, while accounts receivable and internal balances decreased $700 thousand. The $573 thousand increase in current assets for business-type activities was due to increases in grants receivable at year end.

Other liabilities in business-type activities increased $390 thousand from the previous year due to an increase of $1.2 million in accounts payable, mostly for construction. This was offset by a decrease in bond anticipation notes of $865 thousand. The $960 thousand sewer bond anticipation note was converted into long-term debt during the fiscal year.

Long-term liabilities, which consist of notes, leases, compensated absences and postemployment benefit obligations, decreased $578 thousand from the previous year. Notes payable decreased by $853 thousand due to regularly scheduled principal payments of $1.1 million and debt forgiveness of $727 thousand exceeding the issuance of $960 thousand of new debt. The City's net pension and OPEB liabilities increased $135 thousand and $114 thousand, respectively.

By far, the largest portion of the City's net position, $31,531,768, 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, $4,255,346 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 $2,320,796. The deficit is caused primarily by the approximately $4.3 million in postemployment liabilities and deficits in the water and ambulance funds ($1,378,768).

| | | **Governmental activities** | | **Business-type activities** | |
|---|---|---|---|---|---|
| | | **2025** | **2024** | **2025** | **2024** |
| Revenues | | | | | |
| Program revenues | $ | | | | |
| Charges for services | | 2,354,297 | 2,688,030 | 2,725,524 | 2,411,021 |
| Operating grants and cont. | | 11,523,066 | 10,937,132 | 16,701 | 49,819 |
| Capital grants and cont. | | 59,911 | 237,852 | 2,543,393 | 1,141,601 |
| General revenues | | | | | |
| Property taxes | | 4,569,316 | 4,402,221 | - | - |
| Unrestricted grants and cont. | | 1,098,541 | 1,214,708 | - | - |
| Other | | 59,033 | 75,479 | 23,095 | 20,523 |
| Total revenues | | 19,664,164 | 19,555,422 | 5,308,713 | 3,622,964 |
| | | | | | |
| Expenses | | | | | |
| General government | | 1,009,593 | 1,046,865 | - | - |
| City services | | 633,719 | 575,873 | - | - |
| Public safety | | 1,105,754 | 1,115,265 | - | - |
| Public works | | 1,403,448 | 1,313,251 | - | - |
| Education | | 13,572,641 | 13,598,807 | - | - |
| County tax | | 378,348 | 327,887 | - | - |
| Miscellaneous | | 366,383 | 341,798 | - | - |
| Interest on debt | | 69,031 | 49,012 | - | - |
| Sewer | | - | - | 1,348,036 | 1,268,050 |
| Water | | - | - | 676,145 | 593,534 |
| Ambulance | | - | - | 1,709,118 | 1,190,435 |
| Total expenses | | 18,538,917 | 18,368,758 | 3,733,299 | 3,052,019 |
| Increase (decrease) in net position before transfers | | 1,125,247 | 1,186,664 | 1,575,414 | 570,945 |
| Transfers | | 54,832 | 50,821 | (54,832) | (50,821) |
| Increase (decrease) in net position | | 1,180,079 | 1,237,485 | 1,520,582 | 520,124 |
| Net position - beginning, restated | | 9,705,900 | 8,591,938 | 21,059,757 | 20,543,058 |
| Net position - ending | $ | 10,885,979 | 9,829,423 | 22,580,339 | 21,063,182 |

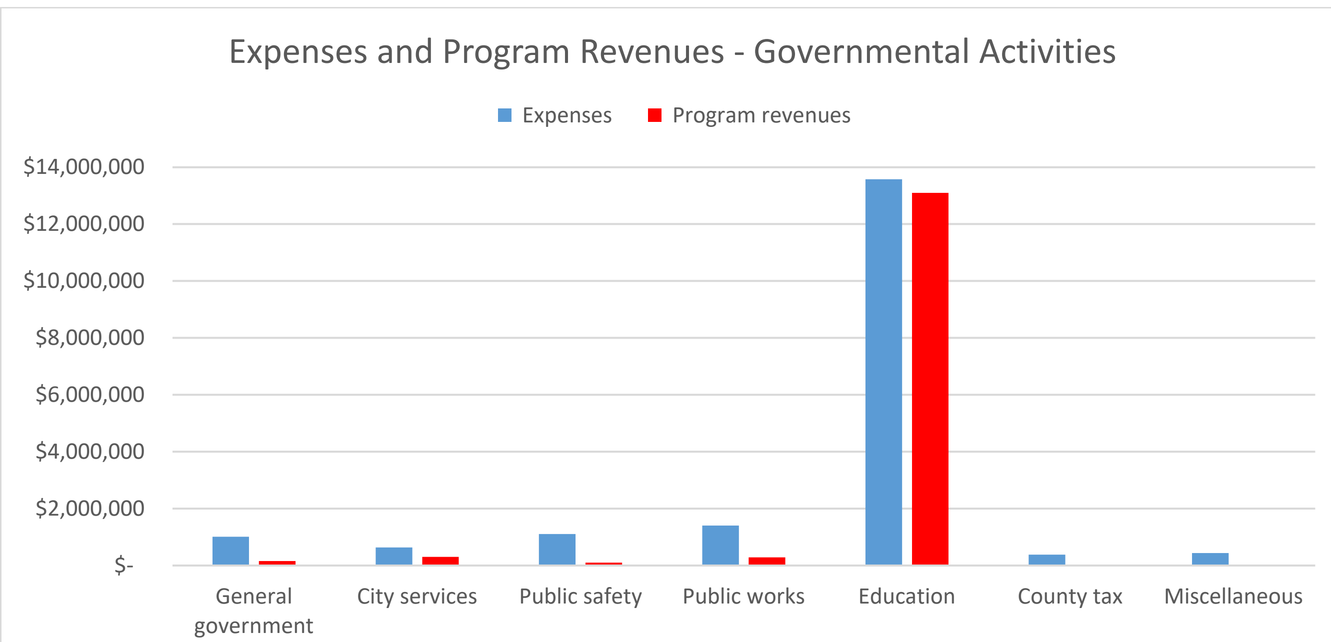
The City's overall net position increased $2,700,661 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**Governmental activities**. During the current fiscal year, net position for governmental activities increased $1,180,079 from the prior fiscal year for an ending balance of $10,885,979. Governmental funds saw an increase in fund balance of $1 million due to revenues exceeding expenditures. Revenues exceeded budgeted figures by $501 thousand and expenditures came in under budget by $836 thousand for the City and school department general funds. These positive variances were offset by a $556 thousand use of fund balance.

Revenues remained fairly consistent with overall prior year figures with a slight increase of $109 thousand. Charges for services were down $334 thousand due to less tuition students at Calais High School and day treatment. Operating and capital grants were up $408 thousand due to receiving ESSER 3 funding related to the prior year and the free appropriate public education grant. A $134 thousand increase in the tax commitment is most of the increase in property tax revenue.

Expenses also remained fairly consistent with the prior year with an increase of $170 thousand. The largest increases were in public works ($90 thousand), city services ($58 thousand), and county tax ($50 thousand). General government and education had decreases of $37 thousand and $26 thousand, respectively.

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 $22,580,339. The total increase in net position for business-type activities (sewer, water, and ambulance) was $1,520,582 or 7.2% from the prior fiscal year. The increase, in large part, is attributable to $2.5 million of grant proceeds received for sewer and water projects and emergency medical services stabilization.

The sewer fund net position increased $1,592,516, due to receiving $2,113,185 in grant revenues and loan forgiveness. The water fund, which is presented for the year ending December 31, 2024, had an increase in net position of $19,579, due to receiving $138,162 in grant revenues. Both ambulance funds saw a decrease in their net position for the year ending June 30, 2025, with the ambulance fund decreasing $52,487 and the NWSARAS ambulance fund decreasing $39,026.

**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, 2025, the City's governmental funds reported combined fund balances of $6,465,943, an increase of $1,005,001 in comparison with the prior year. Of this amount, $734,869, or 11%, 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, $402,562; (2) not spendable because it is legally required to be maintained intact, $511,473; (3) restricted for particular purposes, $3,459,462; (4) committed for particular purposes, $947,933; or (5) assigned for particular purposes, $409,644.

*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 $1,603,733, an increase of $220,187. 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 $970,091 represents 16% of total general fund expenditures, while total fund balance represents 27% of that same amount. When you take the deficit in the ambulance fund of $866,744 into account, the unassigned fund balance would be $103,347, which is 2% of total general fund expenditures.

The school department and day treatment program, both major funds, had an increase in fund balance of $406,202 and a decrease in fund balance of $37,851, respectively. The school department budgeted for a decrease of $200,000 (use of fund balance) for the year ended June 30, 2025. Revenues exceeded budgeted figures by $433,664, due to Mainecare and multilingual learner hardship funds from the State of Maine. Expenditures came in under budget by $480,785. The school department transferred $300,000 to the day treatment program to mitigate the program's $337,851 loss during the 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. The proprietary funds of the City have a combined $1,254,409 deficit in unrestricted net position as of June

30, 2025. The sewer fund has an unrestricted net position balance of $124,359. Unrestricted net position deficits for the water, ambulance, and NWSARAS funds are $438,917, $866,744, and $73,107, respectively.

**General fund budgetary highlights**

***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 | $ | 780,229 | 841,301 | 61,072 |
| Tree growth exemption | | 35,000 | 50,076 | 15,076 |
| MaineCare | | 288,040 | 607,097 | 319,057 |
| Other intergiovernmental - educati | | - | 98,422 | 98,422 |
| Tuition | | 1,571,212 | 1,405,282 | (165,930) |
| Interest and other - education | | - | 144,956 | 144,956 |

State revenue sharing exceeded initial projections. More lots were taken out of tree growth and charged a penalty than originally anticipated. More services and students were covered under MaineCare than originally anticipated. The school department received unanticipated funding from the State of Maine for the Multilingual Learner Hardship program. These amounts were unbudgeted as they were not anticipated during the budget process. Less secondary tuition students than anticipated caused actual figures to come in under budgeted amounts. Positive variances in elementary tuition students help offset that loss. Interest and miscellaneous revenues are unbudgeted at the school department due to the uncertainty of these funds. The school department received $62,651 in interest, $42,551 of excess contributions from the Maine School Management Association, and a $10,000 concept payment from the State of Maine.

| Expenditures | | Estimated expenditures | Actual expenditures | Difference |
|---|---|---|---|---|
| City manager | $ | 97,950 | 116,496 | (18,546) |
| Recreation | | 330,370 | 342,449 | (12,079) |
| Police | | 727,925 | 422,692 | 305,233 |
| Special education | | 1,712,554 | 1,883,969 | (171,415) |
| Career and technical education | | 1,401,487 | 1,287,976 | 113,511 |
| School administration | | 482,813 | 389,698 | 93,115 |

Paying an interim City Manager while the City Manager was out on sick leave caused the city manager line to be overspent. Recreation came in over budget due to the need of replacing a vehicle that was no longer road safe. Police had three open positions for the majority of the year which caused major savings in wages and benefits. The largest driver in the over appropriation of special education was the recording of expenditures related to MaineCare seed funds totaling $229,439. Career and technical came in under budget due to the savings on benefits, supplies and heating oil. Savings in salary and benefits caused school administration to come under budget. Employees chose lesser health plans than originally anticipated in the budget.

**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, 2025, amounts to $39,090,811 (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 2%.

| | | Governmental activities | | Business-type activities | |
|---|---|---|---|---|---|
| | | **2025** | **2024** | **2025** | **2024** |
| Land | $ | 2,907,505 | 2,907,505 | 75,896 | 75,896 |
| Construction in progress | | - | 37,500 | 4,602,947 | 6,468,002 |
| Buildings and improvements | | 1,988,418 | 2,180,355 | 3,591,047 | 3,826,421 |
| Equipment and furniture | | 1,201,486 | 1,100,683 | 118,332 | 68,229 |
| Right-to-use equipment | | 48,113 | 68,741 | - | - |
| Vehicles | | 1,286,481 | 1,300,919 | 81,387 | 142,984 |
| Infrastructure | | 980,571 | 1,056,989 | 22,208,628 | 19,060,506 |
| | $ | 8,412,574 | 8,652,692 | 30,678,237 | 29,642,038 |

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

- Work continued on the North Street sewer upgrades project, with total costs incurred of $1,412,269 during the year.
- The sewer portion of the Main Street sewer upgrades wrapped up and were capitalized at a total cost of $3,710,005. The water department incurred costs related to the project of $432,681.
- A Stryker PowerPRO cot and refurbished power load system were purchased by the ambulance fund for $60,110.
- Work was done on the McAllister Building roof for a total cost of $71,505.
- The City purchased a 2020 John Deere 60G excavator for $60,450.
- A 2018 Ford F-150, 2025 GMC Sierra, and 2025 Ford F-350 were purchased during the year for $24,533, $40,383, and $70,473, respectively.
- Playground equipment was purchased at a total cost of $70,000.
- The school department purchased a convection steamer and steamer kettle combination for $28,775 and $69,500, respectively.
- The school department also purchased a 2025 Chevrolet Suburban $63,012.

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 $5,485,137. The remainder of the City's long-term obligations are comprised of leases payable and bond anticipation notes.

| | | Governmental activities | | Business-type activities | |
|---|---|---|---|---|---|
| | | 2025 | 2024 | 2025 | 2024 |
| Bond anticipation notes | $ | - | - | 2,023,160 | 2,887,782 |
| Notes payable | | 558,961 | 1,108,369 | 4,926,176 | 5,230,239 |
| Leases payable | | 50,746 | 71,433 | - | - |
| | $ | 609,707 | 1,179,802 | 6,949,336 | 8,118,021 |

The City's total debt decreased by $1,738,780 (18.7%) during the current fiscal year. As work continues on water and sewer projects, the City drew down $95,378 in bond anticipation note (BAN) proceeds. These BANs will eventually become notes payable once the projects wrap up. The BAN for the sewer project on Main Street was paid off with the issuance of a $960,000 note payable, $726,624 of which was forgiven. Principal payments of $1,088,608 on notes and leases payable offset the additions of debt. The City issued a $2,136,000 bond with principal forgiveness of $763,000 on May 1, 2025, for the water department. This bond was used to pay off the bond anticipation note. Since the water department is reported as of December 31, 2024, this new bond is not reported in these financial statements. The bond requires annual principal payments and biannual interest payments until maturity on October 1, 2054, with an interest rate of 2.35%.

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 $40,470,000, 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 2025-2026 fiscal year budget.

- The budget for State revenue sharing increased $49,548 over the previous year.
- Due to decreasing interest rates on cash accounts, we have decreased the estimated interest earned on bank accounts revenue by $5,000.
- Employee wages included 3-5% cost of living adjustments and anticipated minimum wage increases of $0.60 per hour.
- Health insurance premiums increased approximately 6.4%.
- Electricity rates are anticipated to increase by approximately 10% toward the end of 2025. Most budgets saw only minor increases. The electrical cost budgeted for streetlights increased by $5,000 and the electrical cost budgeted for the sewer department increased by $7,500.
- Vehicle fuel has proven to be less volatile than in previous years, so budgeted amounts were reduced to an average of $3.25 per gallon for unleaded, and $3.75 per gallon for diesel.
- County taxes increased $94,931, or 25.09%.
- Due to a 16% increase in assessed property values, the mill rate for 2025-2026 taxes dropped from 15.0 to 14.5.
- The City's minimum local share for education increased by $40,843, or 3.37%. This is the minimum amount that the City must contribute for the School to receive the maximum amount of available State Education funding. Additional local share is the amount requested by the School above the required minimum contribution to fund operations. The request for additional local share

increased by $21,430. In 2024-2025, the full amount of additional local share was covered by City fund balance. In 2025-2026, the full amount of additional local share, $233,104, is to be collected through taxes.

- Despite tightened regulations for disposal of sludge from the Wastewater Treatment Plant due to PFAS, the cost of disposal did not increase as much as anticipated. A decrease of $17,000 was estimated.
- The City approved a 10% increase in sewer rates to cover increasing debt service and operating expenses.
- In the 2025 water budget, the City approved a water rate increase of 35% spread over the next two years. The second half of the increase, 17.5%, will be effective on January 1, 2026. The rate increase was included in budgeted amounts for City departmental water usage.

At the end of the current fiscal year, the fund balance in the general fund was $1,603,733, of which $409,644 is budgeted for use of fund balance for the 2025-2026 fiscal year. The school department had a total fund balance of $2,386,889, of which $755,107 has been appropriated for spending in the 2025-2026 fiscal year budget. These actions were taken as additional measures to lessen the burden to local taxpayers.

**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, 2025**

| | | Governmental activities | Business-type activities | Total | |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | $ | 4,562,033 | 270,333 | 4,832,366 | |
| Investments | | 746,813 | - | 746,813 | |
| Taxes receivable | | 331,797 | - | 331,797 | |
| Accounts receivable, net | | 693,960 | 1,345,800 | 2,039,760 | |
| Internal balances | | 1,358,822 | (1,308,822) | 50,000 | * |
| Loans receivable, net | | 51,277 | - | 51,277 | |
| Prepaid items | | 389,440 | - | 389,440 | |
| Inventory | | 23,598 | 51,038 | 74,636 | |
| Capital assets, not being depreciated | | 2,907,505 | 4,678,843 | 7,586,348 | |
| Capital assets, net of accumulated depreciation | | 5,505,069 | 25,999,394 | 31,504,463 | |
| Total assets | | 16,570,314 | 31,036,586 | 47,606,900 | |
| **Deferred outflows of resources** | | | | | |
| Pension related | | 738,919 | - | 738,919 | |
| OPEB related | | 657,274 | - | 657,274 | |
| Total deferred outflows of resources | | 1,396,193 | - | 1,396,193 | |
| **Liabilities** | | | | | |
| Accounts payable | | 195,392 | 1,445,128 | 1,640,520 | |
| Accrued wages and benefits | | 970,684 | 24,754 | 995,438 | |
| Accrued liabilities | | 60,017 | - | 60,017 | |
| Unearned revenue | | 157,204 | - | 157,204 | |
| Accrued interest | | - | 18,256 | 18,256 | |
| Bond anticipation notes | | - | 2,023,160 | 2,023,160 | |
| Noncurrent liabilities: | | | | | |
| Due within one year | | 279,225 | 516,512 | 795,737 | |
| Due in more than one year | | 5,018,552 | 4,428,437 | 9,446,989 | |
| Total liabilities | | 6,681,074 | 8,456,247 | 15,137,321 | |
| **Deferred inflows of resources** | | | | | |
| Pension related | | 153,345 | - | 153,345 | |
| OPEB related | | 246,109 | - | 246,109 | |
| Total deferred inflows of resources | | 399,454 | - | 399,454 | |
| **Net position** | | | | | |
| Net investment in capital assets | | 7,802,867 | 23,728,901 | 31,531,768 | |
| Restricted | | 4,149,499 | 105,847 | 4,255,346 | |
| Unrestricted | | (1,066,387) | (1,254,409) | (2,320,796) | |
| Total net position | $ | 10,885,979 | 22,580,339 | 33,466,318 | |

* due to reporting the water department as of December 31, 2024

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, 2025**

| | | Program revenues | | | Net (expense) revenue and changes in net position | | |
|---|---|---|---|---|---|---|---|
| **Functions/programs** | **Expenses** | **Charges for services** | **Operating grants and contributions** | **Capital grants and contributions** | **Governmental activities** | **Business-type activities** | **Total** |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | $ 1,009,593 | 46,150 | 104,793 | 3,611 | (855,039) | | (855,039) |
| City services | 633,719 | 96,721 | 167,554 | 36,300 | (333,144) | | (333,144) |
| Public safety | 1,105,754 | 76,056 | 5,590 | 20,000 | (1,004,108) | | (1,004,108) |
| Public works | 1,403,448 | 37,347 | 248,981 | - | (1,117,120) | | (1,117,120) |
| Education | 13,572,641 | 2,098,023 | 10,996,148 | - | (478,470) | | (478,470) |
| County tax | 378,348 | - | - | - | (378,348) | | (378,348) |
| Miscellaneous | 366,383 | - | - | - | (366,383) | | (366,383) |
| Interest on debt | 69,031 | - | - | - | (69,031) | | (69,031) |
| Total governmental activities | 18,538,917 | 2,354,297 | 11,523,066 | 59,911 | (4,601,643) | | (4,601,643) |
| Business-type activities: | | | | | | | |
| Sewer | 1,348,036 | 801,993 | 15,406 | 2,113,185 | | 1,582,548 | 1,582,548 |
| Water | 676,145 | 607,275 | 1,072 | 138,162 | | 70,364 | 70,364 |
| Ambulance | 1,709,118 | 1,316,256 | 223 | 292,046 | | (100,593) | (100,593) |
| Total business-type activities | 3,733,299 | 2,725,524 | 16,701 | 2,543,393 | | 1,552,319 | 1,552,319 |
| Total primary government | $ 22,272,216 | 5,079,821 | 11,539,767 | 2,603,304 | (4,601,643) | 1,552,319 | (3,049,324) |
| General revenues and transfers: | | | | | | | |
| Property taxes | | | | | 4,569,316 | - | 4,569,316 |
| Grants and contributions not restricted to specific programs | | | | | 1,098,541 | - | 1,098,541 |
| Unrestricted investment earnings | | | | | 56,891 | 23,095 | 79,986 |
| Miscellaneous | | | | | 2,142 | - | 2,142 |
| Transfers | | | | | 54,832 | (54,832) | - |
| Total general revenues and transfers | | | | | 5,781,722 | (31,737) | 5,749,985 |
| Change in net position | | | | | 1,180,079 | 1,520,582 | 2,700,661 |
| Net position - beginning | | | | | 9,829,423 | 21,063,182 | 30,892,605 |
| Prior period restatements | | | | | (123,523) | (3,425) | (126,948) |
| Net position - beginning, restated | | | | | 9,705,900 | 21,059,757 | 30,765,657 |
| Net position - ending | | | | | $ 10,885,979 | 22,580,339 | 33,466,318 |

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

# City of Calais, Maine

**Balance sheet**
**Governmental funds**
**June 30, 2025**

| | | General | School department | Day treatment program | Total nonmajor funds | Total governmental funds |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | $ | 1,308,157 | 2,706,055 | - | 547,821 | 4,562,033 |
| Investments | | - | - | - | 746,813 | 746,813 |
| Taxes receivable | | 331,797 | - | - | - | 331,797 |
| Accounts receivable, net | | 24,932 | 216,434 | 138,112 | 314,482 | 693,960 |
| Due from other funds | | 1,948,148 | 220,600 | 159,926 | 1,049,038 | 3,377,712 |
| Loans receivable, net | | - | - | - | 51,277 | 51,277 |
| Prepaid items | | 210,876 | 178,564 | - | - | 389,440 |
| Inventory | | 13,122 | - | - | 10,476 | 23,598 |
| Total assets | $ | 3,837,032 | 3,321,653 | 298,038 | 2,719,907 | 10,176,630 |
| **Liabilities** | | | | | | |
| Accounts payable | | 46,939 | 20,285 | 116,506 | 11,662 | 195,392 |
| Accrued wages and benefits | | 48,110 | 737,167 | 121,792 | 63,615 | 970,684 |
| Accrued liabilities | | 42,631 | 17,386 | - | - | 60,017 |
| Unearned revenue | | 157,204 | - | - | - | 157,204 |
| Due to other funds | | 1,629,915 | 159,926 | - | 229,049 | 2,018,890 |
| Total liabilities | | 1,924,799 | 934,764 | 238,298 | 304,326 | 3,402,187 |
| **Deferred inflows of resources** | | | | | | |
| Unavailable revenue - property taxes | | 308,500 | - | - | - | 308,500 |
| Total deferred inflows of resources | | 308,500 | - | - | - | 308,500 |
| **Fund balances** | | | | | | |
| Nonspendable | | 223,998 | 178,564 | - | 511,473 | 914,035 |
| Restricted | | - | 2,208,325 | 59,740 | 1,191,397 | 3,459,462 |
| Committed | | - | - | - | 947,933 | 947,933 |
| Assigned | | 409,644 | - | - | - | 409,644 |
| Unassigned | | 970,091 | - | - | (235,222) | 734,869 |
| Total fund balances | | 1,603,733 | 2,386,889 | 59,740 | 2,415,581 | 6,465,943 |
| Total liabilities, deferred inflows of resources, and fund balances | $ | 3,837,032 | 3,321,653 | 298,038 | 2,719,907 | |

| | |
|---|---|
| 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. | 8,412,574 |
| Other long-term assets are not available to pay for current expenditures and are deferred in the funds | |
| Unavailable revenue - property taxes | 308,500 |
| Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds. | |
| Notes payable | (558,961) |
| Leases payable | (50,746) |
| Compensated absences | (371,645) |
| Net pension liability with related deferred inflows and outflows | (546,534) |
| Net OPEB liability with related deferred inflows and outflows | (60,290) |
| Total OPEB liability with related deferred inflows and outflows | (2,712,862) |
| Net position of governmental funds | 10,885,979 |

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, 2025**

| | | General | School department | Day treatment program | School grants and other funds | Total nonmajor funds | Total governmental funds |
|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | |
| Property taxes | $ | 4,538,116 | - | - | - | - | 4,538,116 |
| Intergovernmental | | 1,153,310 | 7,546,236 | 1,096,710 | - | 2,178,732 | 11,974,988 |
| Charges for services | | 250,090 | 1,405,282 | 636,114 | - | 62,811 | 2,354,297 |
| Student activity fees and fundraisers | | - | - | - | - | 230,440 | 230,440 |
| Investment income (loss) | | 56,891 | 62,651 | - | - | 48,801 | 168,343 |
| Miscellaneous | | 70,670 | 145,351 | | - | 150,759 | 366,780 |
| Total revenues | | 6,069,077 | 9,159,520 | 1,732,824 | - | 2,671,543 | 19,632,964 |
| **Expenditures** | | | | | | | |
| Current: | | | | | | | |
| General government | | 741,989 | - | - | - | 369,234 | 1,111,223 |
| City services | | 546,034 | - | - | - | 72,274 | 618,308 |
| Public safety | | 1,012,209 | - | - | - | 31,141 | 1,043,350 |
| Public works | | 1,080,791 | - | - | - | 161,950 | 1,242,741 |
| Education | | - | 9,469,503 | 2,026,289 | - | 1,826,227 | 13,322,019 |
| County tax | | 378,348 | - | - | - | - | 378,348 |
| Miscellaneous | | 365,133 | - | - | - | 1,250 | 366,383 |
| Debt service | | 79,522 | 394,034 | 44,386 | - | 15,581 | 533,523 |
| Capital outlay | | 66,900 | - | - | - | - | 66,900 |
| Total expenditures | | 4,270,926 | 9,863,537 | 2,070,675 | - | 2,477,657 | 18,682,795 |
| Excess (deficiency) of revenues over (under) expenditures | | 1,798,151 | (704,017) | (337,851) | - | 193,886 | 950,169 |
| **Other financing sources (uses)** | | | | | | | |
| Transfers in | | 63,832 | 1,433,466 | 300,000 | - | 425,144 | 2,222,442 |
| Transfers out | | (1,641,796) | (323,247) | - | - | (202,567) | (2,167,610) |
| Total other financing sources (uses) | | (1,577,964) | 1,110,219 | 300,000 | - | 222,577 | 54,832 |
| Net change in fund balances | | 220,187 | 406,202 | (37,851) | - | 416,463 | 1,005,001 |
| Fund balances - beginning | | 1,383,546 | 1,980,687 | 97,591 | (299,268) | 2,298,386 | 5,460,942 |
| Prior period restatements | | - | - | - | 299,268 | (299,268) | - |
| Fund balances - beginning, restated | | 1,383,546 | 1,980,687 | 97,591 | - | 1,999,118 | 5,460,942 |
| Fund balances - ending | $ | 1,603,733 | 2,386,889 | 59,740 | - | 2,415,581 | 6,465,943 |

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, 2025**

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | $ | 1,005,001 |
| 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 | | 506,755 |
| Depreciation expense | | (636,398) |
| Book value of disposed capital assets | | (110,475) |
| 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 | | 31,200 |
| 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. | | |
| Principal paid on notes | | 530,482 |
| Note balance adjustment | | 18,926 |
| Unspent note proceeds - reduction of note forgiveness | | (63,089) |
| Principal paid on leases | | 20,687 |
| 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 | | (44,702) |
| Changes in pension liabilities and related deferred outflows and inflows of resources | | 96,500 |
| Changes in OPEB liabilities and related deferred outflows and inflows of resources | | (174,808) |
| Change in net position of governmental activities | $ | 1,180,079 |

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, 2025**

| | | Original budget | Final budget | Actual | Variance positive (negative) |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Property taxes | $ | 4,551,881 | 4,551,881 | 4,538,116 | (13,765) |
| Intergovernmental | | 1,072,607 | 1,072,607 | 1,153,310 | 80,703 |
| Charges for services | | 251,700 | 251,700 | 250,090 | (1,610) |
| Interest | | 57,000 | 57,000 | 56,891 | (109) |
| Miscellaneous | | 68,950 | 68,950 | 70,670 | 1,720 |
| Total revenues | | 6,002,138 | 6,002,138 | 6,069,077 | 66,939 |
| **Expenditures** | | | | | |
| Current: | | | | | |
| General government | | 752,539 | 752,539 | 746,989 | 5,550 |
| City services | | 543,910 | 543,910 | 552,034 | (8,124) |
| Public safety | | 1,342,250 | 1,342,250 | 1,033,309 | 308,941 |
| Public works | | 1,127,970 | 1,127,970 | 1,105,072 | 22,898 |
| Education (transfer out) | | 1,433,466 | 1,433,466 | 1,433,466 | - |
| County tax | | 378,348 | 378,348 | 378,348 | - |
| Tax increment financing (transfer out | | 101,598 | 101,598 | 101,598 | - |
| Miscellaneous | | 384,800 | 384,800 | 365,133 | 19,667 |
| Debt service | | 85,404 | 85,404 | 79,522 | 5,882 |
| Capital outlay | | 116,900 | 116,900 | 116,900 | - |
| Total expenditures | | 6,267,185 | 6,267,185 | 5,912,371 | 354,814 |
| Excess (deficiency) of revenues over (under) expenditures | | (265,047) | (265,047) | 156,706 | 421,753 |
| **Other financing sources (uses)** | | | | | |
| Transfers in | | 64,300 | 64,300 | 63,832 | (468) |
| Transfers out | | - | - | (351) | (351) |
| Use of fund balance | | 356,423 | 356,423 | - | (356,423) |
| Total other financing sources (uses) | | 420,723 | 420,723 | 63,481 | (357,242) |
| Net change in fund balance | | 155,676 | 155,676 | 220,187 | 64,511 |
| Fund balance - beginning | | | | 1,383,546 | |
| Fund balance - ending | | | $ | 1,603,733 | |

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, 2025**

| | Original budget | Final budget | Actual | Variance positive (negative) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Local assessments (transfer in) | $ 1,433,466 | 1,433,466 | 1,433,466 | - |
| Intergovernmental | 6,431,423 | 6,431,423 | 6,884,568 | 453,145 |
| Charges for services | 1,571,212 | 1,571,212 | 1,405,282 | (165,930) |
| Interest | - | - | 62,651 | 62,651 |
| Miscellaneous | 61,553 | 61,553 | 145,351 | 83,798 |
| Total revenues | 9,497,654 | 9,497,654 | 9,931,318 | 433,664 |
| **Expenditures** | | | | |
| Current: | | | | |
| Regular instruction | 3,202,156 | 3,202,156 | 2,968,684 | 233,472 |
| Special education | 1,712,554 | 1,712,554 | 1,883,969 | (171,415) |
| Career and technical education | 1,401,487 | 1,401,487 | 1,287,976 | 113,511 |
| Other instruction | 179,799 | 179,799 | 132,587 | 47,212 |
| Student and staff support | 478,892 | 478,892 | 443,846 | 35,046 |
| System administration | 469,639 | 469,639 | 430,334 | 39,305 |
| School administration | 482,813 | 482,813 | 389,698 | 93,115 |
| Transportation | 367,273 | 367,273 | 323,548 | 43,725 |
| Facilities maintenance | 980,609 | 980,609 | 937,193 | 43,416 |
| All other | 10,000 | 10,000 | 10,000 | - |
| Debt service | 397,432 | 397,432 | 394,034 | 3,398 |
| Total expenditures | 9,682,654 | 9,682,654 | 9,201,869 | 480,785 |
| Excess (deficiency) of revenues over (under) expenditures | (185,000) | (185,000) | 729,449 | 914,449 |
| **Other financing sources (uses)** | | | | |
| Transfers out | (15,000) | (15,000) | (323,247) | (308,247) |
| Use of fund balance | 200,000 | 200,000 | - | (200,000) |
| Total other financing sources (uses) | 185,000 | 185,000 | (323,247) | (508,247) |
| Net change in fund balance | - | - | 406,202 | 406,202 |
| Fund balance - beginning | | | 1,980,687 | |
| Fund balance - ending | | | $ 2,386,889 | |

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

# City of Calais, Maine

**Statement of net position**
**Proprietary funds**
**June 30, 2025**
**Water presented as of December 31, 2024**

| | | Sewer | Water | Ambulance | NWSARAS ambulance | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | $ | 37,625 | 48,346 | 165,091 | 19,271 | 270,333 |
| Accounts receivable, net | | 903,953 | 219,851 | 217,009 | 4,987 | 1,345,800 |
| Due from other funds | | 580,877 | - | - | - | 580,877 |
| Inventory | | - | 51,038 | - | - | 51,038 |
| Total current assets | | 1,522,455 | 319,235 | 382,100 | 24,258 | 2,248,048 |
| Noncurrent assets | | | | | | |
| Land | | - | 75,896 | - | - | 75,896 |
| Construction in progress | | 1,576,735 | 3,026,212 | - | - | 4,602,947 |
| Buildings and improvements | | 10,451,710 | 117,321 | - | - | 10,569,031 |
| Equipment and vehicles | | 244,547 | 697,278 | 605,586 | - | 1,547,411 |
| Infrastructure | | 20,946,413 | 10,228,993 | - | - | 31,175,406 |
| Less accumulated depreciation | | (12,883,718) | (3,919,696) | (489,040) | - | (17,292,454) |
| Total noncurrent assets | | 20,335,687 | 10,226,004 | 116,546 | - | 30,678,237 |
| Total assets | | 21,858,142 | 10,545,239 | 498,646 | 24,258 | 32,926,285 |
| **Liabilities** | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | | 1,381,767 | 40,253 | 21,616 | 1,492 | 1,445,128 |
| Accrued wages and benefits | | - | - | 19,521 | 5,233 | 24,754 |
| Accrued interest | | 16,329 | 1,927 | - | - | 18,256 |
| Due to other funds | | - | 715,972 | 1,083,087 | 90,640 | 1,889,699 |
| Bond anticipation notes | | - | 2,023,160 | - | - | 2,023,160 |
| Notes payable - current | | 297,510 | 219,002 | - | - | 516,512 |
| Total current liabilities | | 1,695,606 | 3,000,314 | 1,124,224 | 97,365 | 5,917,509 |
| Noncurrent liabilities: | | | | | | |
| Compensated absences | | - | - | 18,773 | - | 18,773 |
| Notes payable | | 2,308,987 | 2,100,677 | - | - | 4,409,664 |
| Total noncurrent liabilities | | 2,308,987 | 2,100,677 | 18,773 | - | 4,428,437 |
| Total liabilities | | 4,004,593 | 5,100,991 | 1,142,997 | 97,365 | 10,345,946 |
| **Net position** | | | | | | |
| Net investment in capital assets | | 17,729,190 | 5,883,165 | 116,546 | - | 23,728,901 |
| Restricted | | - | - | 105,847 | - | 105,847 |
| Unrestricted | | 124,359 | (438,917) | (866,744) | (73,107) | (1,254,409) |
| Total net position | $ | 17,853,549 | 5,444,248 | (644,351) | (73,107) | 22,580,339 |

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, 2025**
**Water presented for the year ended December 31, 2024**

| | | Sewer | Water | Ambulance | NWSARAS ambulance | Total |
|---|---|---|---|---|---|---|
| **Operating revenues** | | | | | | |
| Charges for services | $ | 796,800 | 607,275 | 1,121,711 | 194,545 | 2,720,331 |
| Interest and lien fees | | 5,193 | - | - | - | 5,193 |
| Miscellaneous | | 15,406 | 1,072 | 223 | - | 16,701 |
| Total operating revenues | | 817,399 | 608,347 | 1,121,934 | 194,545 | 2,742,225 |
| **Operating expenses** | | | | | | |
| Personnel services | | 264,087 | 269,977 | 994,332 | 183,992 | 1,712,388 |
| Contractual services | | 172,313 | 52,555 | 66,225 | 11,703 | 302,796 |
| Utilities | | 81,008 | 38,250 | - | 1,743 | 121,001 |
| Repairs and maintenance | | 20,920 | 335 | 8,046 | 2,412 | 31,713 |
| Materials and supplies | | 73,572 | 105,695 | 208,143 | 15,317 | 402,727 |
| Miscellaneous | | 1,855 | 12,533 | 11,421 | 2,779 | 28,588 |
| Bad debt expense | | 5,699 | 6,562 | 122,585 | 17,210 | 152,056 |
| Depreciation | | 653,492 | 178,193 | 63,210 | - | 894,895 |
| Total operating expenses | | 1,272,946 | 664,100 | 1,473,962 | 235,156 | 3,646,164 |
| Operating income (loss) | | (455,547) | (55,753) | (352,028) | (40,611) | (903,939) |
| **Nonoperating revenues (expenses)** | | | | | | |
| Intergovernmental | | 2,113,185 | 138,162 | 292,046 | - | 2,543,393 |
| Interest income | | 9,968 | 4,047 | 7,495 | 1,585 | 23,095 |
| Gain (loss) on disposal of property | | - | - | - | - | - |
| Interest expense | | (75,090) | (12,045) | | - | (87,135) |
| Total nonoperating revenues (expenses) | | 2,048,063 | 130,164 | 299,541 | 1,585 | 2,479,353 |
| Income (loss) before transfers | | 1,592,516 | 74,411 | (52,487) | (39,026) | 1,575,414 |
| Transfers in (out) | | - | (54,832) | - | - | (54,832) |
| Change in net position | | 1,592,516 | 19,579 | (52,487) | (39,026) | 1,520,582 |
| Net position - beginning | | 16,261,033 | 5,424,669 | (588,439) | (34,081) | 21,063,182 |
| Prior period restatements | | - | - | (3,425) | - | (3,425) |
| Net position - beginning, restated | | 16,261,033 | 5,424,669 | (591,864) | (34,081) | 21,059,757 |
| Net position - ending | $ | 17,853,549 | 5,444,248 | (644,351) | (73,107) | 22,580,339 |

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, 2025**
**Water presented for the year ended December 31, 2024**

| | | Sewer | Water | Ambulance | NWSARAS ambulance | Total |
|---|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | | |
| Receipts from customers | $ | 842,267 | 534,724 | 993,983 | 177,494 | 2,548,468 |
| Payments to suppliers | | (379,355) | (198,590) | (277,999) | (35,162) | (891,106) |
| Payments to employees for salaries and benefits | | (264,087) | (269,977) | (983,492) | (183,161) | (1,700,717) |
| Net cash provided by (used for) operating activities | | 198,825 | 66,157 | (267,508) | (40,829) | (43,355) |
| **Cash flows from noncapital financing activities** | | | | | | |
| Transfers (to) from other funds | | - | (54,832) | - | - | (54,832) |
| (Increase) decrease in due from other funds | | (565,816) | - | - | - | (565,816) |
| Increase (decrease) in due to other funds | | - | 357,957 | 121,482 | 7,186 | 486,625 |
| Net cash provided by (used for) noncapital financing activities | | (565,816) | 303,125 | 121,482 | 7,186 | (134,023) |
| **Cash flows from capital and related financing activities** | | | | | | |
| Acquisition and construction of capital assets | | (121,086) | (491,043) | (60,110) | - | (672,239) |
| Capital grants | | 836,011 | 231,913 | 292,046 | - | 1,359,970 |
| Proceeds from bond anticipation notes | | 421 | 94,957 | - | - | 95,378 |
| Principal paid on bond anticipation notes | | (960,000) | - | - | - | (960,000) |
| Proceeds from capital debt | | 960,000 | 35,300 | - | - | 995,300 |
| Principal paid on capital debt | | (284,155) | (253,284) | - | - | (537,439) |
| Interest paid on capital debt | | (74,763) | (12,453) | - | - | (87,216) |
| Net cash provided by (used for) capital and related financing activities | | 356,428 | (394,610) | 231,936 | - | 193,754 |
| **Cash flows from investing activities** | | | | | | |
| Interest income | | 9,968 | 4,047 | 7,495 | 1,585 | 23,095 |
| Net cash provided by (used for) investing activities | | 9,968 | 4,047 | 7,495 | 1,585 | 23,095 |
| Net increase (decrease) in cash and cash equivalents | | (595) | (21,281) | 93,405 | (32,058) | 39,471 |
| Cash and cash equivalents - beginning | | 38,220 | 69,627 | 71,686 | 51,329 | 230,862 |
| Cash and cash equivalents - ending | $ | 37,625 | 48,346 | 165,091 | 19,271 | 270,333 |
| **Reconciliation of operating income (loss) to net cash provided by (used for) operating activities** | | | | | | |
| Operating income (loss) | | (455,547) | (55,753) | (352,028) | (40,611) | (903,939) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities | | | | | | |
| Depreciation expense | | 653,492 | 178,193 | 63,210 | - | 894,895 |
| (Increase) decrease in accounts receivable | | 30,567 | (67,061) | (5,366) | 159 | (41,701) |
| (Increase) decrease in inventory | | - | 9,053 | - | - | 9,053 |
| Increase (decrease) in accounts payable | | (29,687) | 1,725 | 15,836 | (1,208) | (13,334) |
| Increase (decrease) in accrued wages and benefits | | - | - | 8,307 | 831 | 9,138 |
| Increase (decrease) in compensated absences | | - | - | 2,533 | - | 2,533 |
| Net cash provided by (used for) operating activities | | 198,825 | 66,157 | (267,508) | (40,829) | (43,355) |
| **Schedule of non-cash capital and related financing activities** | | | | | | |
| Forgiveness of principle on capital debt | | 726,624 | - | - | - | - |

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, 2025**

| | | Private-purpose trust funds | Custodial Funds |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ | - | 297,159 |
| Investments | | 71,794 | - |
| Accounts receivable | | - | 40,000 |
| Total assets | | 71,794 | 337,159 |
| **Liabilities** | | | |
| Accounts payable | | - | - |
| Total liabilities | | - | - |
| **Net position** | | | |
| Restricted | | 71,794 | 337,159 |
| Total net position | $ | 71,794 | 337,159 |

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, 2025**

| | | Private-purpose trust funds | Custodial Funds |
|---|---|---|---|
| **Additions** | | | |
| Contributions | $ | - | 49,972 |
| Investment earnings: | | | |
| Investment earnings | | 2,494 | 12,053 |
| Investment costs | | (484) | - |
| Unrealized gain (loss) | | 1,141 | - |
| Total additions | | 3,151 | 62,025 |
| **Deductions** | | | |
| Public safety | | - | 11,239 |
| Education | | - | 47,463 |
| Total deductions | | - | 58,702 |
| Net increase (decrease) in fiduciary net position | | 3,151 | 3,323 |
| Net position - beginning | | 68,643 | 333,836 |
| Net position - ending | $ | 71,794 | 337,159 |

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

## 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.

<u>Joint venture</u>

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 2025, the City of Calais contributed $0 to the Utility. For the year ended June 30, 2025, the Utility did not have a financial audit completed; however unaudited figures show the following as of the year then ended: total assets $4,633,928, total liabilities $3,912,869, and net operating income of

$315,659. The City is contingently liable for a line of credit that the Utility issued in the City's name. At June 30, 2025, the line of credit had a balance of $1,900,000.

**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 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, 2024, 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 for 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 City 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, 2025.

| | | | |
|---|---|---|---|
| City services | $8,124 | Special education | 171,415 |

## 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:

| Capital asset classes | Lives |
|---|---|
| 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 30, 2024, on the assessed value listed as of the previous April 1. Taxes were due on October 15, 2024. Taxes unpaid by the due date are assessed interest at a rate of 8.5%. 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 City 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 $155,676 for the year ended June 30, 2025.

Compensated absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. 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. A portion of 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 sick leave accrual also contains an estimate of the amount of sick time that is "more likely than not" to be used as time off ($131,962). The liability for such leave is reported as incurred in the government-wide 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, 2025.

**B. Deficit fund balance**

At June 30, 2025, the following funds had deficit balances:

| | | | |
|---|---|---|---|
| Ambulance fund | $644,351 | NWSARAS ambulance | 73,107 |
| Scholarship account | 5,000 | CES afterschool program | 53,218 |
| Title IA - disadvantaged | 49,418 | Local entitlement | 9,180 |
| DHHS teen and youth (SBHC) | 747 | School lunch | 98,597 |

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, 2025, the City’s bank balance was $6,127,080, 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, 2025, the City had the following investments:

| | | Investment maturities (in years) | | |
|---|---|---|---|---|
| Investment type | Fair Value | Less than 1 year | 1-5 years | More than 5 years |
| Money market | $102,994 | 102,994 | - | - |
| Certificates of deposit | 715,613 | 465,704 | 249,909 | - |
| Total investments | $818,607 | 568,698 | 249,909 | - |

*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 | $304,111 | 15,398 | - |
| Loans receivable | - | - | 68,809 |
| Allowance for doubtful accounts | (87,102) | (10,411) | (17,532) |
| Total receivable, net | $217,009 | 4,987 | 51,277 |

### E. Capital assets

Capital assets activity for the year ended June 30, 2025, 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 | 37,500 | 32,500 | 70,000 | - |
| Total capital assets, not being depreciated | 2,945,005 | 32,500 | 70,000 | 2,907,505 |
| Capital assets, being depreciated | | | | |
| Buildings and improvements | 3,565,673 | 71,505 | 135,000 | 3,502,178 |
| Furniture and equipment | 2,559,064 | 274,349 | - | 2,833,413 |
| Right-to-use leased equipment | 123,749 | - | - | 123,749 |
| Vehicles | 3,176,352 | 198,401 | 54,959 | 3,319,794 |
| Infrastructure | 1,511,519 | - | - | 1,511,519 |
| Total capital assets, being depreciated | 10,936,357 | 544,255 | 189,959 | 11,290,653 |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | 1,385,318 | 152,967 | 24,525 | 1,513,760 |
| Furniture and equipment | 1,458,381 | 173,546 | - | 1,631,927 |
| Right-to-use leased equipment | 55,008 | 20,268 | - | 75,636 |
| Vehicles | 1,875,433 | 212,839 | 54,959 | 2,033,313 |
| Infrastructure | 454,530 | 76,418 | - | 530,948 |
| Total accumulated depreciation | 5,228,670 | 636,398 | 79,484 | 5,785,584 |
| Total capital assets, being depreciated, net | 5,707,687 | (92,143) | 110,475 | 5,505,069 |
| Total governmental activities capital assets | $8,652,692 | (59,643) | 180,475 | 8,412,574 |

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

| | |
|---|---|
| General government | $22,121 |
| City services | 51,953 |
| Public safety | 68,098 |
| Public works | 159,683 |
| Education | 334,543 |
| Total depreciation expense | $636,398 |

| | 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 | 6,468,002 | 1,844,950 | 3,710,005 | 4,602,947 |
| Total capital assets, not being depreciated | 6,543,898 | 1,844,950 | 3,710,005 | 4,678,843 |
| Capital assets, being depreciated | | | | |
| Buildings and improvements | 10,569,031 | - | - | 10,569,031 |
| Equipment and vehicles | 1,477,182 | 70,229 | - | 1,547,411 |
| Infrastructure | 27,446,486 | 3,725,920 | - | 31,175,406 |
| Total capital assets, being depreciated | 39,495,699 | 3,796,149 | - | 43,291,848 |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | 6,742,610 | 235,374 | - | 6,977,984 |
| Equipment and vehicles | 1,265,969 | 81,723 | - | 1,347,692 |
| Infrastructure | 8,388,980 | 577,798 | - | 8,966,778 |
| Total accumulated depreciation | 16,397,559 | 894,895 | - | 17,292,454 |
| Total capital assets, being depreciated, net | 23,098,140 | 2,901,254 | - | 25,999,394 |
| Total business-type activities capital assets | $29,642,038 | 4,764,204 | 3,710,005 | 30,678,237 |

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

| | |
|---|---|
| Sewer | $653,492 |
| Water | 178,193 |
| Ambulance | 63,210 |
| Total depreciation expense | $894,895 |

**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, 2024; and $2,136,000 with an interest rate of 1.1% and due on May 4, 2025. Bond anticipation note activity for the year ended June 30, 2025, was as follows:

| | Balance beginning of year | Additions | Deletions | Balance end of year |
|---|---|---|---|---|
| Bond anticipation notes | | | | |
| Sewer - Main Street | $959,579 | 421 | 960,000 | - |
| Water main replacement | 1,928,203 | 94,957 | - | 2,023,160 |
| Total bond anticipation notes | $2,887,782 | 95,378 | 960,000 | 2,023,160 |

The water main replacement bond anticipation note was converted to a $2,136,000 bond on May 1, 2025, which is after the December 31, 2024 reporting period for the water department.

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, 2025, was as follows:

| | Balance Beginning of year | Additions | Deletions | Balance end of year |
|---|---|---|---|---|
| Lines of credit | | | | |
| City - $900,000 | $ - | - | - | - |
| School - $800,000 | - | - | - | - |
| Total lines of credit | $ - | - | - | - |

**G. Changes in long-term liabilities**

Changes in the City's long-term liabilities for the year ended June 30, 2025, are as follows:

| | Restated balance beginning of year | Additions | Deletions | Balance end of year | Amount due within one year |
|---|---|---|---|---|---|
| Governmental activities | | | | | |
| Notes payable | $1,108,369 | - | 549,408 | 558,961 | 144,796 |
| Leases | 71,433 | - | 20,687 | 50,746 | 21,317 |
| Compensated absences | 326,943 | 44,702* | - | 371,645 | 113,112 |
| Net pension liability | 997,159 | 156,565 | 21,616 | 1,132,108 | - |
| Net OPEB liability | 64,673 | 2,615 | - | 67,288 | - |
| Total OPEB liability - MEABT | 3,005,917 | 111,112 | - | 3,117,029 | - |
| Total governmental activities | $5,574,494 | 314,994 | 591,711 | 5,297,777 | 279,225 |
| | | | | | |
| Business-type activities | | | | | |
| Notes payable | $5,230,239 | 960,000 | 1,264,063 | 4,926,176 | 516,512 |
| Compensated absences | 16,240 | 2,533* | - | 18,773 | - |
| Total business-type activities | $5,246,479 | 962,533 | 1,264,063 | 4,944,949 | 516,512 |

* Net change in compensated absences.

On May 1, 2025, the City's water department issued a $2,136,000 bond with principal forgiveness of $763,000. The bond requires annual principal payments and biannual interest payments until maturity on October 1, 2054. The interest rate for the bond is 2.35%. The City will pay $536,992 of interest and $95,500 of Maine Municipal Bond Bank fees over the life of the bond. This bond is not shown in the table above or table below due to the water department reporting as of December 31, 2024.

### 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, 2025, are as follows:

| | Original borrowing | Interest rates | Final maturity | Outstand-ing at year end |
|---|---|---|---|---|
| Governmental activities | | | | |
| Information center | $135,000 | 2.50% | 2027 | $30,006 |
| Day treatment land and building | 375,000 | 3.31% | 2027 | 77,968 |
| Middle and High School improvements | 727,558 | 0.00% | 2034 | 177,514 |
| Dump truck | 175,000 | 3.79% | 2028 | 89,280 |
| Dump truck | 264,492 | 4.82% | 2030 | 184,193 |
| Total governmental activities | | | | 558,961 |
| | | | | |
| Business-type activities | | | | |
| Refunding - wastewater projects | $978,822 | 1.00% | 2030 | 263,258 |
| Refunding - wastewater projects | 943,371 | 1.00% | 2030 | 253,724 |
| Sewer - Calais, Washington, and Church | 1,243,000 | 1.00% | 2031 | 399,200 |
| Refunding - wastewater projects | 1,231,000 | 1.50% | 2031 | 408,491 |
| Treatment plant and system upgrades | 777,000 | 2.25% | 2040 | 475,473 |
| Sewer system upgrades - South and Hamilton | 500,000 | 1.38% | 2045 | 376,037 |
| Sewer system upgrades - Manning | 431,000 | 1.00% | 2041 | 48,271 |
| Sewer system upgrades - Palmer | 700,000 | 1.00% | 2041 | 148,667 |
| Sewer system upgrades – Main | 960,000 | 1.80% | 2045 | 233,376 |
| Refinance - new water source | 1,963,998 | 0.00% | 2032 | 572,830 |
| South Street waterline improvements | 1,450,000 | 0.00% | 2037 | 391,929 |
| Water main replacement and chlorine booster | 261,000 | 0.00% | 2039 | 69,382 |
| Water main replacement and chlorine booster | 44,500 | 0.00% | 2039 | 21,508 |
| Water main replacement - Lafayette | 835,000 | 0.00% | 2040 | 292,250 |
| Water main replacement - Germaine | 695,000 | 0.00% | 2042 | 216,608 |
| Refinance - water line improvements | 127,241 | 2.75% | 2026 | 22,646 |
| Upgrade water lines - Clark and School | 305,000 | 1.00% | 2044 | 162,864 |
| Water main replacement - Temperance | 195,593 | 1.00% | 2037 | 86,118 |
| Water main replacement - Union | 596,484 | 1.00% | 2037 | 266,863 |
| Water main replacement - Manning | 342,766 | 1.00% | 2040 | 184,539 |
| 2022 Chevy Silverado | 45,313 | 4.44% | 2029 | 32,142 |
| Total business-type activities | | | | 4,926,176 |
| Total notes payable | | | | $5,485,137 |

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

| Year ending | Governmental activities | | Business-type activities | | | |
|---|---|---|---|---|---|---|
| June 30 | Principal | Interest | Principal | Interest | Fees | Total |
| 2026 | $144,796 | 14,232 | 516,512 | 45,493 | 17,277 | 738,310 |
| 2027 | 141,744 | 9,907 | 521,335 | 40,588 | 17,272 | 730,846 |
| 2028 | 93,027 | 5,270 | 514,455 | 35,586 | 17,269 | 665,607 |
| 2029 | 64,882 | 1,946 | 519,120 | 30,849 | 17,265 | 634,062 |
| 2030 | 35,617 | 161 | 515,799 | 26,168 | 17,260 | 595,005 |
| 2031-2035 | 78,895 | - | 1,281,011 | 86,385 | 31,635 | 1,477,926 |
| 2036-2040 | - | - | 815,463 | 39,767 | 19,117 | 874,347 |
| 2042-2045 | - | - | 242,481 | 8,321 | 3,972 | 254,774 |
| Totals | $558,961 | 31,516 | 4,926,176 | 313,157 | 141,067 | 5,970,877 |

**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, 2025, the value of the lease liability was $50,746. 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 $75,636.

The future principal and interest lease payments as of June 30, 2025, were as follows:

| Year ending<br>June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2026 | $21,317 | 1,231 | 22,548 |
| 2027 | 21,963 | 585 | 22,548 |
| 2028 | 7,466 | 51 | 7,517 |
| Totals | $50,746 | 1,867 | 52,613 |

**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 3.88%.

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 6.75% and 7.5% 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, 2025, was 9.9% of annual pay. The City made contributions to the pension plan of $242,011 for the year ended June 30, 2025.

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, 2025, was 18.98% of annual payroll of which 4.47% of payroll was required from the City and 14.51% was required from the State. The City made contributions to the pension plan of $200,772 for the year ended June 30, 2025.

Proportionate share of the net pension (asset) liability

PLD plan - At June 30, 2025, the City reported a liability of $906,809 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2024, 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 0.2266% at the end of the measurement period and 0.2351% for the beginning of the period, which represents a decrease of 0.0085%.

SET plan - At June 30, 2025, the City reported a liability of $225,299 for its proportionate share of the net pension liability. The State's proportionate share of the net pension liability associated with the City was $4,262,778, for a total of $4,488,077. The pension liability was measured as of June 30, 2024, 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 0.0164% at the end of the measurement period and 0.0163% for the beginning of the period, which represents an increase of 0.0001%.

Actuarial assumptions

The total pension liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions:

| | PLD plan | SET plan |
|---|---|---|
| Actuarial valuation date | June 30, 2024 | June 30, 2024 |
| Measurement date | June 30, 2024 | June 30, 2024 |
| 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, 2024 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, 2024, are summarized in the following table:

| Asset class | Long-term expected real rate of return |
|---|---|
| Public equities | 5.6% |
| U.S. government | 2.2% |
| Private equity | 7.2% |
| Real assets: | |
| Real estate | 5.8% |
| Infrastructure | 5.3% |
| Natural resources | 5.1% |
| Traditional credit | 2.7% |
| Alternative credit | 6.4% |
| Diversifiers | 4.8% |

Discount rate

The discount rate used to measure the collective total pension liability was 6.5% for 2024 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:

| | 1% decrease | Current rate | 1% increase |
|---|---|---|---|
| PLD plan - proportionate share net pension (asset) liability | $2,265,791 | 906,809 | (212,836) |
| SET plan – proportionate share net pension (asset) liability | 472,738 | 225,299 | 19,348 |

Pension expense and deferred items summary

For the year ended June 30, 2025, the City recognized pension expense of $196,019 and $202,620 for its proportionate share of the pension expense for the PLD and SET plans, respectively. Additionally, the City recognized revenue of $643,272 for support provided by the State for the SET plan. At June 30, 2025, the City reported its proportionate share of the deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred outflows | Deferred inflows |
|---|---|---|
| PLD plan | | |
| Differences between expected and actual experience | $269,136 | - |
| Differences between expected and actual investment earnings | - | 94,284 |
| Changes of assumptions | - | - |
| Changes in proportion | - | 28,588 |
| Contributions paid subsequent to the measurement date | 242,011 | - |
| Totals PLD plan | 511,147 | 122,872 |
| SET plan | | |
| Differences between expected and actual experience | 22,789 | - |
| Differences between expected and actual investment earnings | - | 17,159 |
| Changes of assumptions | - | - |
| Changes in proportion | 4,211 | 13,314 |
| Contributions paid subsequent to the measurement date | 200,772 | - |
| Totals SET plan | 227,772 | 30,473 |
| Total deferred outflows and inflows of resources | $738,919 | 153,345 |

Deferred outflows of resources reported $442,783 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ending June 30 | PLD plan | SET plan |
|---|---|---|
| 2026 | $(33,853) | (30,774) |
| 2027 | 210,955 | 29,350 |
| 2028 | (12,567) | 1,254 |
| 2029 | (18,271) | (3,304) |

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.mainepers.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 $9,504 for the year ended June 30, 2025. 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 $18,396 for the year ended June 30, 2025. 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, 2025, the City reported a liability of $67,288 for its proportionate share of the net OPEB liability. The OPEB liability was measured as of June 30, 2024, 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 0.6083% at the end of the measurement period and 0.474% for the beginning of the period, which represents an increase of 0.1343%.

SET plan - At June 30, 2025, 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 $90,419, for a total of $90,419. The OPEB liability was measured as of June 30, 2024, 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, 2024, actuarial valuation was determined using the following actuarial assumptions:

| | PLD plan | SET plan |
|---|---|---|
| Actuarial valuation date | June 30, 2024 | June 30, 2024 |
| Measurement date | June 30, 2024 | June 30, 2024 |
| 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, 2024 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, 2024 are summarized in the following table:

| Asset class | Long-term expected real rate of return |
|---|---|
| Public equities | 5.6% |
| Traditional credit | 2.7% |
| U.S. government securities | 2.2% |

Discount rate

The discount rate used to measure the collective total OPEB liability was 6.5% for 2024 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:

| | 1% decrease | Current rate | 1% increase |
|---|---|---|---|
| PLD plan - proportionate share net OPEB liability | $99,628 | 67,288 | 41,281 |

OPEB expense and deferred items summary

For the year ended June 30, 2025, the City recognized OPEB expense of $2,340 and $10,628 for its proportionate share of the OPEB expense for the PLD and SET plans, respectively. Additionally, the City recognized revenue of $18,396 for support provided by the State for the SET plan. At June 30, 2025, the City reported its proportionate share of the deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred outflows | Deferred inflows |
|---|---|---|
| PLD plan | | |
| Differences between expected and actual experience | $737 | 4,057 |
| Differences between expected and actual investment earnings | - | 5,169 |
| Changes of assumptions | 2,860 | 9,170 |
| Changes in proportion | 19,457 | 7,164 |
| Contributions paid subsequent to the measurement date | 9,504 | - |
| Total deferred outflows and inflows of resources | $32,558 | 25,560 |

Deferred outflows of resources reported $9,504 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, 2026. 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 | PLD plan |
|---|---|
| 2026 | $(7,158) |
| 2027 | 3,850 |
| 2028 | (1,521) |
| 2029 | (519) |
| 2030 | 2,843 |

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.mainepers.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, 2024, membership consisted of:

| | |
|---|---|
| Inactive members currently receiving benefits | 57 |
| Inactive members entitled to but not yet receiving benefits | - |
| Active members | 86 |
| Total | 143 |

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 60% (effective November 1, 2023) 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 40% (effective November 1, 2023 and later) 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, 2025, the City reported a total OPEB liability of $3,117,029. The OPEB liability was measured as of June 30, 2024, and was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Actuarial valuation date | June 30, 2024 |
| Measurement date | June 30, 2024 |
| Actuarial cost method | Entry age normal |
| Assumptions | |
| Inflation rate | 2.75% |
| Annual salary increases | 2.80%-13.03% |
| Healthcare cost trend rates - non-Medicare | 9.00% in 2025 |
| decreasing to | 4.50% in 2045 |
| Healthcare cost trend rates - Medicare | 6.00% in 2025 |
| decreasing to | 4.50% in 2045 |

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, 2024, 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, 2024 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 3.93%. 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 | $3,005,917 |
| Changes for the period | |
| Service cost | 20,691 |
| Interest | 108,588 |
| Changes of benefits | - |
| Differences between expected and actual experience | (226,188) |
| Changes of assumptions | 312,154 |
| Benefit payments | (104,133) |
| Net changes | 111,112 |
| Balances end of year | $3,117,029 |

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 3.93% 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:

| | 1% decrease | Current rate | 1% increase |
|---|---|---|---|
| Total OPEB liability | $3,486,841 | 3,117,029 | 2,804,599 |

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:

| | 1% decrease | Current rate | 1% increase |
|---|---|---|---|
| Total OPEB liability | $2,795,477 | 3,117,029 | 3,498,285 |

OPEB expense and deferred items summary

For the year ended June 30, 2025, the City recognized OPEB expense of $299,836. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

| | Deferred outflows | Deferred inflows |
|---|---|---|
| Differences between expected and actual experience | $55,339 | 193,875 |
| Changes of assumptions | 452,691 | 26,674 |
| Contributions paid subsequent to the measurement date | 116,686 | - |
| Total deferred outflows and inflows of resources | $624,716 | 220,549 |

Deferred outflows of resources reported $116,686 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, 2026. 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 | |
|---|---|
| 2026 | $170,557 |
| 2027 | 44,938 |
| 2028 | 41,807 |
| 2029 | 5,613 |
| 2030 | 12,280 |
| Thereafter | 12,286 |

**M. Fund balance**

Components of fund balance

| | Nonspendable | Restricted | Committed | Assigned |
|---|---|---|---|---|
| General fund | | | | |
| Inventory and prepaids | $223,998 | - | - | - |
| Budget appropriation | - | - | - | 409,644 |
| School department | 178,564 | 2,208,325 | - | - |
| Day treatment | - | 59,740 | - | - |
| Special revenue funds | | | | |
| Assessing | - | - | 120,023 | - |
| City services | - | 276,786 | 7,713 | - |
| Public safety | - | 14,644 | 2,354 | - |
| Public works | - | - | 40,610 | - |
| Economic development | - | 500,105 | - | - |
| Downtown TIF | - | 127,525 | - | - |
| Education | - | 143,788 | 96,525 | - |
| Student activities | - | - | 226,060 | - |
| Capital project funds | - | 4,252 | 454,648 | - |
| Permanent funds | | | | |
| Held in perpetuity | 511,473 | - | - | - |
| Cemetery upkeep | - | 68,081 | - | - |
| Library building maintenance and books | - | 51,294 | - | - |
| Pool maintenance | - | 4,922 | - | - |
| Total | $914,035 | 3,459,462 | 947,933 | 409,644 |

As of June 30, 2025, the school department fund balance totaled $2,386,889 and is reported as nonspendable and restricted for education in the financial statements. Of this total, $631,996 is restricted for career and technical education and $755,107 is assigned for use of surplus for the 2025-2026 fiscal year budget. The remainder would be considered unassigned fund balance and amounted to $821,222.

**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, 2025, is as follows:

| Receivable fund (due from) | Payable fund (due to) | Amount |
|---|---|---|
| General fund | Water fund | $765,972 |
| General fund | Ambulance fund | 1,083,087 |
| General fund | NWSARAS ambulance | 90,640 |
| General fund | Nonmajor funds | 8,449 |
| Sewer fund | General fund | 580,877 |
| Nonmajor funds | General fund | 1,049,038 |
| School department | Nonmajor funds | 220,600 |
| Day treatment | School department | 159,926 |
| Total | | $3,958,589 |

The water fund is reported as of December 31, 2024, and the interfund payable balance reported as of that date is $715,972. The difference of $50,000 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, 2025, is as follows:

| | Transfers in | | | | |
|---|---|---|---|---|---|
| | General fund | School department | Day treatment | Nonmajor funds | Total |
| Transfers out | | | | | |
| General fund | $ - | 1,433,466 | - | 208,330 | 1,641,796 |
| School department | - | - | 300,000 | 23,247 | 323,247 |
| Nonmajor funds | 9,000 | - | - | 193,567 | 202,567 |
| Water fund | 54,832 | - | - | - | 54,832 |
| Total | $63,832 | 1,433,466 | 300,000 | 425,144 | 2,222,442 |

During the year, transfers are used to move revenues from the fund with collection authorization, the general fund, to the school department ($1,433,466), special revenue funds ($161,598), and capital project funds ($46,381). The school department budgeted to move amounts to the school lunch fund ($15,000). The water, economic development, cemetery trust, and library trust funds transferred $54,832, $1,500, $4,000, and $3,500, respectively, to the general fund for administrative costs.

Further, during the year ended June 30, 2025, the City made the following one-time transfers:

> The CIP administration fund (capital project fund) transferred $100,000 to the assessing revaluation fund (special revenue fund) for costs associated with the revaluation.
>
> The general fund and city grants and other funds transferred $351 and $86,868, respectively, to nonmajor special revenue and capital project funds to close out funds with deficits.
>
> The school department transferred $300,000 to the day treatment program to cover a portion of the current year deficit.
>
> The school department fund and a school grant transferred $8,247 and $6,699, respectively to school grants to close out funds with 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, 2025.

**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.

**R. Tax abatements**

The City has entered into a property tax abatement agreement (credit enhancement agreement) with an individual organization under Municipal Tax Increment Financing Districts approved by the State of Maine Department of Economic and Community Development. For the year ended June 30, 2025, Eastern Maine Electric Cooperative received an 80% property tax abatement on all new value created with the construction of a warehouse, which amounted to $20,058.

**S. Construction and other significant commitments**

The City has active construction projects as of June 30, 2025. These projects include the North Street sewer and water infrastructure improvements. At year end, the City's commitments are as follows:

| Project | Spent-to-date | Remaining commitment |
|---|---|---|
| North Street infrastructure improvements | $2,185,136 | 3,759,364 |

**T. Change in accounting principle, change to financial reporting entity, and restatements of beginning balances**

During fiscal year 2025, the City has adopted Governmental Accounting Standards Board Statement No. 101 *Compensated Absences*. Under this new standard, the City is required to record a liability for sick time that is "more likely than not" to be used for time off. Also, the school grants and other funds are no longer reported as a major fund. The following accounts were restated as of July 1, 2024:

| | For the year ended June 30, 2024 | | |
|---|---|---|---|
| Adopting GASB 101 | Original amount | Adjustments | Restated amount |
| Accrued compensated absences - governmental | $203,420 | 123,523 | 326,943 |
| Net position, beginning - governmental | 9,829,423 | (123,523) | 9,705,900 |
| Accrued compensated absences - business-type | 12,815 | 3,425 | 16,240 |
| Net position, beginning - business-type | 21,063,182 | (3,425) | 21,059,757 |
| Net position, beginning - ambulance | (588,439) | (3,425) | (591,864) |
| | | | |
| Fund no longer reported as a major fund | | | |
| School grants and other funds | (299,268) | 299,268 | - |
| Nonmajor special revenue funds | 1,022,281 | (299,268) | 723,013 |

**U. Subsequent events**

Subsequent to June 30, 2025 the City's Water Departement issued drinking water state revolving fund bond anticipation notes with the Maine Municipal Bond Bank for $1,272,600 (North Street) and $1,200,000 (Germaine Street), both with interest rates of 1%, with maturity dates of August 17, 2026, and November 19, 2026, respectively.

# 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**

| | | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **PLD plan** | | | | | | | | | | | |
| City's proportion of the net pension liability | | 0.2266% | 0.2351% | 0.2468% | 0.2761% | 0.2861% | 0.2857% | 0.2843% | 0.2872% | 0.2832% | 0.2737% |
| City's proportionate share of the net pension liability | $ | 906,809 | 750,244 | 656,092 | (88,717) | 1,136,832 | 873,290 | 778,136 | 1,176,018 | 1,504,835 | 873,381 |
| City's covered payroll | | 2,157,356 | 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 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | | 42.03% | 36.68% | 33.99% | -4.74% | 61.87% | 49.71% | 47.55% | 75.89% | 101.01% | 60.97% |
| Plan fiduciary net position as a percentage of the total pension liability | | 91.06% | 92.34% | 93.26% | 100.86% | 88.35% | 90.62% | 91.14% | 86.43% | 81.61% | 88.27% |
| **SET plan** | | | | | | | | | | | |
| City's proportion of the net pension liability | | 0.0164% | 0.0163% | 0.0159% | 0.0183% | 0.0156% | 0.0134% | 0.0151% | 0.0142% | 0.0150% | 0.0137% |
| City's proportionate share of the net pension liability | $ | 225,299 | 246,915 | 236,309 | 154,566 | 254,125 | 196,310 | 203,348 | 206,957 | 265,264 | 185,628 |
| State's proportionate share of the net pension liability associated with the City | | 4,262,778 | 4,171,630 | 3,740,726 | 2,042,971 | 4,385,462 | 3,485,830 | 3,325,142 | 3,402,301 | 4,460,648 | 3,645,902 |
| Total | $ | 4,488,077 | 4,418,545 | 3,977,035 | 2,197,537 | 4,639,587 | 3,682,140 | 3,528,490 | 3,609,258 | 4,725,912 | 3,831,530 |
| City's covered payroll | $ | 4,299,973 | 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 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | | 5.24% | 6.07% | 6.49% | 4.58% | 7.74% | 5.76% | 6.33% | 6.88% | 8.39% | 5.73% |
| Plan fiduciary net position as a percentage of the total pension liability | | 87.59% | 86.03% | 85.79% | 90.90% | 81.03% | 82.73% | 82.90% | 80.78% | 76.21% | 81.18% |

**Schedule of City's pension contributions**
**Maine Public Employees Retirement System**
**Last ten fiscal years**

| | | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **PLD plan** | | | | | | | | | | | |
| Contractually determined contribution | $ | 242,011 | 220,050 | 208,633 | 198,823 | 188,875 | 183,750 | 175,678 | 157,088 | 147,217 | 132,586 |
| Contributions in relation to the contractually required contribution | | (242,011) | (220,050) | (208,633) | (198,823) | (188,875) | (183,750) | (175,678) | (157,088) | (147,217) | (132,586) |
| Contribution deficiency (excess) | $ | - | - | - | - | - | - | - | - | - | - |
| City's covered payroll | | 2,444,657 | 2,157,356 | 2,045,419 | 1,930,324 | 1,870,048 | 1,837,507 | 1,756,765 | 1,636,334 | 1,549,657 | 1,489,726 |
| Contributions as a percentage of covered payroll | | 9.90% | 10.20% | 10.20% | 10.30% | 10.10% | 10.00% | 10.00% | 9.60% | 9.50% | 8.90% |
| **SET plan** | | | | | | | | | | | |
| Contractually determined contribution | $ | 200,772 | 192,208 | 156,306 | 139,923 | 140,239 | 136,403 | 135,213 | 127,520 | 100,975 | 106,239 |
| Contributions in relation to the contractually required contribution | | (200,772) | (192,208) | (156,306) | (139,923) | (140,239) | (136,403) | (135,213) | (127,520) | (100,975) | (106,239) |
| Contribution deficiency (excess) | $ | - | - | - | - | - | - | - | - | - | - |
| City's covered payroll | $ | 4,491,548 | 4,299,973 | 4,069,327 | 3,643,846 | 3,371,129 | 3,281,499 | 3,405,846 | 3,213,091 | 3,005,936 | 3,161,879 |
| Contributions as a percentage of covered payroll | | 4.47% | 4.47% | 3.84% | 3.84% | 4.16% | 4.16% | 3.97% | 3.97% | 3.36% | 3.36% |

# 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 eight years available)**

| | | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| **PLD plan** | | | | | | | | | |
| City's proportion of the net OPEB liability | | 0.6083% | 0.4740% | 0.5038% | 0.5221% | 0.5473% | 0.4873% | 0.4533% | 0.4520% |
| City's proportionate share of the net OPEB liability | $ | 67,288 | 64,673 | 72,963 | 53,900 | 72,205 | 104,264 | 91,571 | 75,573 |
| City's covered-employee payroll | | 2,157,356 | 2,045,419 | 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 | | 3.12% | 3.16% | 3.78% | 2.88% | 3.93% | 5.93% | 5.60% | 4.88% |
| Plan fiduciary net position as a percentage of the total OPEB liability | | 64.98% | 59.71% | 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% | 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 | | 90,419 | 115,105 | 125,062 | 62,154 | 117,806 | 113,459 | 110,371 | 104,614 |
| Total | $ | 90,419 | 115,105 | 125,062 | 62,154 | 117,806 | 113,459 | 110,371 | 104,614 |
| City's covered-employee payroll | $ | 4,299,973 | 4,069,327 | 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% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total OPEB liability | | 66.13% | 56.97% | 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 eight years available)**

| | | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| **PLD plan** | | | | | | | | | |
| Contractually determined contribution | $ | 9,504 | 7,932 | 6,609 | 6,699 | 7,205 | 6,753 | 5,873 | 5,979 |
| Contributions in relation to the contractually required contribution | | (9,504) | (7,932) | (6,609) | (6,699) | (7,205) | (6,753) | (5,873) | (5,979) |
| Contribution deficiency (excess) | $ | - | - | - | - | - | - | - | - |
| City's covered-employee payroll | | 2,444,657 | 2,157,356 | 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 | | 0.39% | 0.37% | 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 seven years available)**

| | | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|---|---|---|
| **Total OPEB liability - MEABT plan** | | | | | | | | |
| Service cost | $ | 20,691 | 33,944 | 42,604 | 36,637 | 11,162 | 9,285 | 10,042 |
| Interest | | 108,588 | 105,330 | 59,103 | 59,432 | 73,169 | 76,832 | 73,823 |
| Changes of benefits | | - | - | - | - | (185,082) | - | - |
| Differences between expected and actual experience | | (226,188) | - | 107,043 | - | 10,924 | - | - |
| Changes of assumptions | | 312,154 | (40,012) | 110,143 | 18,789 | 742,772 | 100,404 | (79,810) |
| Benefit payments | | (104,133) | (69,039) | (73,324) | (74,259) | (84,843) | (81,521) | (78,703) |
| Net change in total OPEB liability - MEABT plan | | 111,112 | 30,223 | 245,569 | 40,599 | 568,102 | 105,000 | (74,648) |
| Total OPEB liability - beginning | | 3,005,917 | 2,975,694 | 2,730,125 | 2,689,526 | 2,121,424 | 2,016,424 | 2,091,072 |
| Total OPEB liability - ending | $ | 3,117,029 | 3,005,917 | 2,975,694 | 2,730,125 | 2,689,526 | 2,121,424 | 2,016,424 |
| Covered-employee payroll | $ | 3,616,203 | 3,683,340 | 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 | | 86.20% | 81.61% | 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:

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Discount rate - PLD | 6.50% | 6.50% | 6.50% | 6.50% | 6.75% | 6.75% | 6.75% | 6.875% | 7.125% | 7.25% |
| Discount rate - SET | 6.50% | 6.50% | 6.50% | 6.50% | 6.75% | 6.75% | 6.75% | 6.875% | 7.125% | 7.125% |
| Inflation rate | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 3.50% | 3.50% |
| Salary increases - PLD | 2.75-11.48% | 2.75-11.48% | 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% |
| Salary increases - SET | 2.80-13.03% | 2.80-13.03% | 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% |
| Cost of living increases - PLD | 1.91% | 1.91% | 1.91% | 1.91% | 1.91% | 2.20% | 2.20% | 2.20% | 2.55% | 3.12% |
| Cost of living increases - SET | 2.20% | 2.20% | 2.20% | 2.20% | 2.20% | 2.20% | 2.20% | 2.20% | 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:

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|
| Discount rate - PLD | 6.50% | 6.50% | 6.50% | 6.50% | 6.75% | 4.98% | 5.13% | 5.41% |
| Discount rate - SET | 6.50% | 6.50% | 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:

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|
| Discount rate | 3.93% | 3.65% | 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, 2025**
**(with comparative totals for the year ended June 30, 2024)**

| | | 2025 | | | |
|---|---|---|---|---|---|
| | Original budget | Final budget | Actual | Variance positive (negative) | 2024 actual |
| **Revenues** | | | | | |
| Property taxes | | | | | |
| Real estate and personal property | $ 3,860,681 | 3,860,681 | 3,826,158 | (34,523) | 3,695,617 |
| Excise taxes | 626,200 | 626,200 | 644,842 | 18,642 | 620,880 |
| Payments in lieu of taxes | 35,000 | 35,000 | 36,147 | 1,147 | 35,085 |
| Interest on taxes | 30,000 | 30,000 | 30,969 | 969 | 26,639 |
| Total property taxes | 4,551,881 | 4,551,881 | 4,538,116 | (13,765) | 4,378,221 |
| Intergovernmental | | | | | |
| State revenue sharing | 780,229 | 780,229 | 841,301 | 61,072 | 942,853 |
| Homestead exemption | 194,629 | 194,629 | 194,639 | 10 | 220,538 |
| Business equipment tax reimbursement | 10,349 | 10,349 | 10,489 | 140 | 10,754 |
| Veterans exemption | - | - | 2,036 | 2,036 | 2,239 |
| Tree growth exemption | 35,000 | 35,000 | 50,076 | 15,076 | 38,324 |
| Snowmobile reimbursement | 500 | 500 | - | (500) | 497 |
| General assistance | 11,900 | 11,900 | 5,977 | (5,923) | 12,360 |
| Urban rural initiative payment | 40,000 | 40,000 | 48,792 | 8,792 | 48,180 |
| Total intergovernmental | 1,072,607 | 1,072,607 | 1,153,310 | 80,703 | 1,275,745 |
| Charges for services | | | | | |
| Administration | 15,000 | 15,000 | 15,614 | 614 | 14,747 |
| School bus storage | 15,000 | 15,000 | 16,250 | 1,250 | 13,750 |
| Code enforcement | 7,500 | 7,500 | 6,491 | (1,009) | 9,768 |
| EMS administration | 76,100 | 76,100 | 75,824 | (276) | 72,790 |
| Motor vehicle agent fees | 6,100 | 6,100 | 5,640 | (460) | 5,770 |
| Library | 4,000 | 4,000 | 4,141 | 141 | 4,790 |
| Recreation | 91,000 | 91,000 | 92,580 | 1,580 | 92,486 |
| Transfer station | 37,000 | 37,000 | 33,550 | (3,450) | 39,139 |
| Total charges for services | 251,700 | 251,700 | 250,090 | (1,610) | 253,240 |
| Interest | 57,000 | 57,000 | 56,891 | (109) | 71,202 |
| Miscellaneous | | | | | |
| Sale of property | 1,000 | 1,000 | - | (1,000) | - |
| Police | 350 | 350 | 310 | (40) | 480 |
| Fire | 1,000 | 1,000 | 403 | (597) | 1,692 |
| Public works | 54,600 | 54,600 | 53,254 | (1,346) | 17,430 |
| Cemetery | 10,000 | 10,000 | 14,561 | 4,561 | 11,108 |
| Other | 2,000 | 2,000 | 2,142 | 142 | 4,277 |
| Total miscellaneous | 68,950 | 68,950 | 70,670 | 1,720 | 34,987 |
| Total revenues | 6,002,138 | 6,002,138 | 6,069,077 | 66,939 | 6,013,395 |

# City of Calais, Maine

**General fund**
**Statement of revenues, expenditures, and changes in fund balance**
**Budget and actual**
**For the year ended June 30, 2025**
**(with comparative totals for the year ended June 30, 2024)**

| | 2025 | | | | |
|---|---|---|---|---|---|
| | Original budget | Final budget | Actual | Variance positive (negative) | 2024 actual |
| **Expenditures** | | | | | |
| Current: | | | | | |
| General government | | | | | |
| City council | 15,674 | 15,674 | 14,806 | 868 | 15,469 |
| City manager | 97,950 | 97,950 | 116,496 | (18,546) | 95,468 |
| City clerk | 112,700 | 112,700 | 102,416 | 10,284 | 99,134 |
| Finance department | 218,315 | 218,315 | 211,900 | 6,415 | 188,145 |
| Legal services | 25,000 | 25,000 | 27,668 | (2,668) | 11,216 |
| Assessing | 114,560 | 114,560 | 117,193 | (2,633) | 107,234 |
| City building | 105,020 | 105,020 | 94,624 | 10,396 | 90,231 |
| St. Croix fire house | 5,020 | 5,020 | 3,782 | 1,238 | 3,260 |
| Public buildings - north | 58,300 | 58,300 | 58,104 | 196 | 55,065 |
| Total general government | 752,539 | 752,539 | 746,989 | 5,550 | 665,222 |
| City services | | | | | |
| Library | 196,140 | 196,140 | 192,685 | 3,455 | 174,954 |
| Recreation | 330,370 | 330,370 | 342,449 | (12,079) | 289,877 |
| Subsidies and donations | 17,400 | 17,400 | 16,900 | 500 | 33,366 |
| Total city services | 543,910 | 543,910 | 552,034 | (8,124) | 498,197 |
| Public safety | | | | | |
| Police | 727,925 | 727,925 | 422,692 | 305,233 | 493,084 |
| Fire | 543,075 | 543,075 | 541,085 | 1,990 | 486,813 |
| Street and traffic lights | 71,250 | 71,250 | 69,532 | 1,718 | 61,308 |
| Total public safety | 1,342,250 | 1,342,250 | 1,033,309 | 308,941 | 1,041,205 |
| Public works | | | | | |
| Public works | 847,675 | 847,675 | 834,112 | 13,563 | 653,886 |
| Transfer station | 122,250 | 122,250 | 121,052 | 1,198 | 110,376 |
| Cemetery | 158,045 | 158,045 | 149,908 | 8,137 | 142,325 |
| Total public works | 1,127,970 | 1,127,970 | 1,105,072 | 22,898 | 906,587 |
| Education (transfer out) | 1,433,466 | 1,433,466 | 1,433,466 | - | 1,193,497 |
| County tax | 378,348 | 378,348 | 378,348 | - | 327,887 |
| Tax increment financing (transfer c | 101,598 | 101,598 | 101,598 | - | 82,073 |
| Miscellaneous | | | | | |
| Hydrants | 240,000 | 240,000 | 220,369 | 19,631 | 206,737 |
| Insurance | 102,000 | 102,000 | 104,047 | (2,047) | 92,506 |
| Contingency | 15,000 | 15,000 | 12,002 | 2,998 | 25,848 |
| Other | 27,800 | 27,800 | 28,715 | (915) | 23,707 |
| Total miscellaneous | 384,800 | 384,800 | 365,133 | 19,667 | 348,798 |
| Debt service | 85,404 | 85,404 | 79,522 | 5,882 | 98,625 |
| Capital outlay | 116,900 | 116,900 | 116,900 | - | 426,460 |
| Total expenditures | 6,267,185 | 6,267,185 | 5,912,371 | 354,814 | 5,588,551 |
| Excess (deficiency) of revenues over (under) expenditures | (265,047) | (265,047) | 156,706 | 421,753 | 424,844 |
| **Other financing sources (uses)** | | | | | |
| Transfers in | 64,300 | 64,300 | 63,832 | (468) | 59,821 |
| Transfers out | - | - | (351) | (351) | - |
| Use of fund balance | 356,423 | 356,423 | - | (356,423) | - |
| Total other financing sources (uses) | 420,723 | 420,723 | 63,481 | (357,242) | 59,821 |
| Net change in fund balance | 155,676 | 155,676 | 220,187 | 64,511 | 484,665 |
| Fund balance - beginning | | | 1,383,546 | | 898,881 |
| Fund balance - ending | | $ | 1,603,733 | | 1,383,546 |

# City of Calais, Maine

**General fund**
**Statement of revenues, expenditures, and changes in fund balance**
**Budget and actual**
**For the year ended June 30, 2025**
**(with comparative totals for the year ended June 30, 2024)**

| | 2025 | | | | |
|---|---|---|---|---|---|
| | Original budget | Final budget | Actual | Variance positive (negative) | 2024 actual |
| **Revenues** | | | | | |
| Local assessments (transfer in) | $ 1,433,466 | 1,433,466 | 1,433,466 | - | 1,193,497 |
| Intergovernmental | | | | | |
| State subsidy | 6,029,495 | 6,029,495 | 6,029,495 | - | 6,362,732 |
| MaineCare | 288,040 | 288,040 | 607,097 | 319,057 | 454,054 |
| Assessments | 113,888 | 113,888 | 149,554 | 35,666 | 111,527 |
| Other | - | - | 98,422 | 98,422 | 262,432 |
| Total intergovernmental | 6,431,423 | 6,431,423 | 6,884,568 | 453,145 | 7,190,745 |
| Charges for services | | | | | |
| Elementary tuition | 258,167 | 258,167 | 341,002 | 82,835 | 216,037 |
| Secondary tuition | 1,040,045 | 1,040,045 | 847,856 | (192,189) | 1,111,409 |
| Special education tuition | 273,000 | 273,000 | 216,424 | (56,576) | 300,140 |
| Total charges for services | 1,571,212 | 1,571,212 | 1,405,282 | (165,930) | 1,627,586 |
| Interest | - | - | 62,651 | 62,651 | 37,569 |
| Miscellaneous | | | | | |
| Ed tech reimbursement | 61,553 | 61,553 | 63,046 | 1,493 | 209,816 |
| Other | - | - | 82,305 | 82,305 | 11,352 |
| Total miscellaneous | 61,553 | 61,553 | 145,351 | 83,798 | 221,168 |
| Total revenues | 9,497,654 | 9,497,654 | 9,931,318 | 433,664 | 10,270,565 |
| **Expenditures** | | | | | |
| Current: | | | | | |
| Regular instruction | 3,202,156 | 3,202,156 | 2,968,684 | 233,472 | 3,064,758 |
| Special education | 1,712,554 | 1,712,554 | 1,883,969 | (171,415) | 1,867,356 |
| Career and technical education | 1,401,487 | 1,401,487 | 1,287,976 | 113,511 | 1,174,421 |
| Other instruction | 179,799 | 179,799 | 132,587 | 47,212 | 140,919 |
| Student and staff support | 478,892 | 478,892 | 443,846 | 35,046 | 404,430 |
| System administration | 469,639 | 469,639 | 430,334 | 39,305 | 425,932 |
| School administration | 482,813 | 482,813 | 389,698 | 93,115 | 436,433 |
| Transportation | 367,273 | 367,273 | 323,548 | 43,725 | 272,983 |
| Facilities maintenance | 980,609 | 980,609 | 937,193 | 43,416 | 871,751 |
| All other | 10,000 | 10,000 | 10,000 | - | - |
| Debt service | 397,432 | 397,432 | 394,034 | 3,398 | 412,001 |
| Total expenditures | 9,682,654 | 9,682,654 | 9,201,869 | 480,785 | 9,070,984 |
| Excess (deficiency) of revenues over (under) expenditures | (185,000) | (185,000) | 729,449 | (47,121) | 1,199,581 |
| **Other financing sources (uses)** | | | | | |
| Transfers out | (15,000) | (15,000) | (323,247) | (308,247) | (56,343) |
| Use of fund balance | 200,000 | 200,000 | - | (200,000) | - |
| Total other financing sources (uses) | 185,000 | 185,000 | (323,247) | (508,247) | (56,343) |
| Net change in fund balance | - | - | 406,202 | | 1,143,238 |
| Fund balance - beginning | | | 1,980,687 | | 837,449 |
| Fund balance - ending | | | $ 2,386,889 | | 1,980,687 |

# City of Calais, Maine

**Combining balance sheet**
**Nonmajor governmental funds**
**June 30, 2025**

| | | Special revenue funds | Capital project funds | Permanent funds | Total nonmajor governmental funds |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | $ | 386,940 | - | 160,881 | 547,821 |
| Investments | | 282,537 | - | 464,276 | 746,813 |
| Accounts receivable, net | | 314,482 | - | - | 314,482 |
| Due from other funds | | 590,138 | 458,900 | - | 1,049,038 |
| Loans receivable, net | | 51,277 | - | - | 51,277 |
| Inventory | | 10,476 | - | - | 10,476 |
| Total assets | $ | 1,635,850 | 458,900 | 625,157 | 2,719,907 |
| **Liabilities** | | | | | |
| Accounts payable | | 11,662 | - | - | 11,662 |
| Accrued wages and benefits | | 63,615 | - | - | 63,615 |
| Due to other funds | | 220,600 | - | 8,449 | 229,049 |
| Total liabilities | | 295,877 | - | 8,449 | 304,326 |
| **Fund balances** | | | | | |
| Nonspendable | | - | - | 511,473 | 511,473 |
| Restricted | | 1,062,848 | 4,252 | 124,297 | 1,191,397 |
| Committed | | 493,285 | 454,648 | - | 947,933 |
| Unassigned | | (216,160) | - | (19,062) | (235,222) |
| Total fund balances | | 1,339,973 | 458,900 | 616,708 | 2,415,581 |
| Total liabilities and fund balances | $ | 1,635,850 | 458,900 | 625,157 | 2,719,907 |

# City of Calais, Maine

**Combining statement of revenues, expenditures, and changes in fund balances**
**Nonmajor governmental funds**
**For the year ended June 30, 2025**

| | | Special revenue funds | Capital project funds | Permanent funds | Total nonmajor governmental funds |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Intergovernmental | $ | 2,178,732 | - | - | 2,178,732 |
| Charges for services | | 62,811 | - | - | 62,811 |
| Student activity fees and fundraisers | | 230,440 | - | - | 230,440 |
| Investment income (loss) | | 20,139 | - | 28,662 | 48,801 |
| Miscellaneous | | 85,398 | 59,911 | 5,450 | 150,759 |
| Total revenues | | 2,577,520 | 59,911 | 34,112 | 2,671,543 |
| **Expenditures** | | | | | |
| Current: | | | | | |
| General government | | 208,011 | 161,223 | - | 369,234 |
| City services | | 69,689 | 910 | 1,675 | 72,274 |
| Public safety | | 7,059 | 24,082 | - | 31,141 |
| Public works | | 57,078 | 104,872 | - | 161,950 |
| Education | | 1,826,227 | - | - | 1,826,227 |
| Miscellaneous | | 1,250 | - | - | 1,250 |
| Debt service | | 15,581 | - | - | 15,581 |
| Total expenditures | | 2,184,895 | 291,087 | 1,675 | 2,477,657 |
| Excess (deficiency) of revenues over (under) expenditures | | 392,625 | (231,176) | 32,437 | 193,886 |
| **Other financing sources (uses)** | | | | | |
| Transfers in | | 319,402 | 105,742 | - | 425,144 |
| Transfers out | | (95,067) | (100,000) | (7,500) | (202,567) |
| Total other financing sources (uses) | | 224,335 | 5,742 | (7,500) | 222,577 |
| Net change in fund balances | | 616,960 | (225,434) | 24,937 | 416,463 |
| Fund balances - beginning | | 723,013 | 684,334 | 591,771 | 1,999,118 |
| Fund balances - ending | $ | 1,339,973 | 458,900 | 616,708 | 2,415,581 |

# City of Calais, Maine

**Combining balance sheet**
**Special revenue funds**
**June 30, 2025**

| | | City grants and other funds | Economic development loan fund | Downtown TIF | School grants and other funds | School lunch | Student activities | Total special revenue funds |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Cash and cash equivalents | $ | - | 160,880 | - | - | - | 226,060 | 386,940 |
| Investments | | - | 282,537 | - | - | - | - | 282,537 |
| Accounts receivable, net | | - | - | - | 292,109 | 22,373 | - | 314,482 |
| Due from other funds | | 457,130 | 5,483 | 127,525 | - | - | - | 590,138 |
| Loans receivable, net | | - | 51,277 | - | - | - | - | 51,277 |
| Inventory | | - | - | - | - | 10,476 | - | 10,476 |
| Total assets | $ | 457,130 | 500,177 | 127,525 | 292,109 | 32,849 | 226,060 | 1,635,850 |
| **Liabilities** | | | | | | | | |
| Accounts payable | | - | 72 | - | 8,242 | 3,348 | - | 11,662 |
| Accrued wages and benefits | | - | - | - | 56,120 | 7,495 | - | 63,615 |
| Due to other funds | | - | - | - | 99,997 | 120,603 | - | 220,600 |
| Total liabilities | | - | 72 | - | 164,359 | 131,446 | - | 295,877 |
| **Fund balances** | | | | | | | | |
| Restricted | | 291,430 | 500,105 | 127,525 | 143,788 | - | - | 1,062,848 |
| Committed | | 170,700 | - | - | 96,525 | - | 226,060 | 493,285 |
| Unassigned | | (5,000) | - | - | (112,563) | (98,597) | - | (216,160) |
| Total fund balances | | 457,130 | 500,105 | 127,525 | 127,750 | (98,597) | 226,060 | 1,339,973 |
| Total liabilities and fund balances | $ | 457,130 | 500,177 | 127,525 | 292,109 | 32,849 | 226,060 | 1,635,850 |

# City of Calais, Maine

**Combining statement of revenues, expenditures, and changes in fund balances**
**Special revenue funds**
**For the year ended June 30, 2025**

| | | City grants and other funds | Economic development loan fund | Downtown TIF | School grants and other funds | School lunch | Student activities | Total special revenue funds |
|---|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | | |
| Intergovernmental | $ | 277,867 | - | - | 1,479,033 | 421,832 | - | 2,178,732 |
| Charges for services | | 4,029 | 2,155 | - | 9,786 | 46,841 | - | 62,811 |
| Student activity fees and fundraisers | | - | - | - | - | - | 230,440 | 230,440 |
| Investment income (loss) | | - | 20,139 | - | - | - | - | 20,139 |
| Miscellaneous | | 64,937 | 6,566 | - | 13,870 | 25 | - | 85,398 |
| Total revenues | | 346,833 | 28,860 | - | 1,502,689 | 468,698 | 230,440 | 2,577,520 |
| **Expenditures** | | | | | | | | |
| Current: | | | | | | | | |
| General government | | 108,065 | 31,697 | 68,249 | - | - | - | 208,011 |
| City services | | 69,689 | - | - | - | - | - | 69,689 |
| Public safety | | 7,059 | - | - | - | - | - | 7,059 |
| Public works | | 40,096 | 16,982 | - | - | - | - | 57,078 |
| Education | | - | - | - | 1,083,918 | 508,370 | 233,939 | 1,826,227 |
| Miscellaneous | | 1,250 | - | - | - | - | - | 1,250 |
| Debt service | | - | 15,581 | - | - | - | - | 15,581 |
| Total expenditures | | 226,159 | 64,260 | 68,249 | 1,083,918 | 508,370 | 233,939 | 2,184,895 |
| Excess (deficiency) of revenues over (under) expenditures | | 120,674 | (35,400) | (68,249) | 418,771 | (39,672) | (3,499) | 392,625 |
| **Other financing sources (uses)** | | | | | | | | |
| Transfers in | | 187,858 | - | 101,598 | 14,946 | 15,000 | - | 319,402 |
| Transfers out | | (86,868) | (1,500) | - | (6,699) | - | - | (95,067) |
| Total other financing sources (uses) | | 100,990 | (1,500) | 101,598 | 8,247 | 15,000 | - | 224,335 |
| Net change in fund balances | | 221,664 | (36,900) | 33,349 | 427,018 | (24,672) | (3,499) | 616,960 |
| Fund balances - beginning | | 235,466 | 537,005 | 94,176 | (299,268) | (73,925) | 229,559 | 723,013 |
| Fund balances - ending | $ | 457,130 | 500,105 | 127,525 | 127,750 | (98,597) | 226,060 | 1,339,973 |

# 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, 2025**

| | | 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 | - |
| FEMA rain disaster | | (4,508) | 110,876 | 19,500 | (86,868) | - |
| Fire department ATV grant | | (7,431) | - | 1,000 | 8,431 | - |
| UME education grant | | 335 | - | - | - | 335 |
| Police drug forfeiture funds | | 867 | - | - | - | 867 |
| Donation - skateboard | | (687) | - | - | 687 | - |
| Animal control | | 2,500 | 232 | 378 | - | 2,354 |
| Wal-Mart grant | | 895 | - | - | - | 895 |
| National opioid settlement | | 122,363 | 58,878 | - | - | 181,241 |
| Scholarship account | | (3,750) | - | 1,250 | - | (5,000) |
| Firefighter training FAC | | 2,738 | - | - | - | 2,738 |
| Firefighter grant | | 2,357 | 4,877 | 5,681 | - | 1,553 |
| J. Baig bequest - firefighters | | 2,000 | - | - | - | 2,000 |
| DARE | | 5,900 | - | - | - | 5,900 |
| Fingerprint clinic | | 1,586 | - | - | - | 1,586 |
| Day camp | | 4,599 | - | - | - | 4,599 |
| Playground | | 500 | - | - | - | 500 |
| Smith Field | | 1,000 | - | - | - | 1,000 |
| JMG grant | | 600 | - | - | - | 600 |
| School basketball | | 1,014 | - | - | - | 1,014 |
| Pavilion project | | (325) | - | - | 325 | - |
| Tennis donations | | (501) | - | - | 501 | - |
| Eaton foundation - library | | 9,675 | 7,500 | 2,608 | - | 14,567 |
| Figure foundation - library | | (310) | - | - | 310 | - |
| Special gift book | | 1,937 | 8,213 | 5,725 | - | 4,425 |
| Pike book fund | | (113) | - | - | 113 | - |
| J. Baig bequest - library | | 1,920 | - | - | - | 1,920 |
| Pike fund income | | 62,662 | 42,122 | 31,881 | - | 72,903 |
| Concert donations | | (2,275) | 5,250 | 2,475 | - | 500 |
| ARPA grant | | - | 78,088 | 78,088 | - | - |
| Assessing revaluation | | - | - | 29,977 | 150,000 | 120,023 |
| Transfer station professional services | | 8,500 | - | - | 1,500 | 10,000 |
| Environmental monitoring | | 9,248 | - | 2,501 | - | 6,747 |
| Tree planting | | 500 | - | - | 500 | 1,000 |
| Tree removal | | 7,038 | - | 8,180 | 2,000 | 858 |
| Chipping program | | 8,800 | - | - | 6,000 | 14,800 |
| Public works insurance claims | | - | - | 5,421 | 5,421 | - |
| ATV pass-through grant | | - | 27,000 | 27,000 | - | - |
| Goode fuel fund | | 7,902 | 3,797 | 4,494 | - | 7,205 |
| | $ | 235,466 | 346,833 | 226,159 | 100,990 | 457,130 |

# 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, 2025**

| | Beginning fund balance | Revenues | Expenditures | Transfers in (out) | Ending fund balance |
|---|---|---|---|---|---|
| Insurance claim | $ 131,061 | - | 45,567 | - | 85,494 |
| Melmac grant - high school | 6,699 | - | - | (6,699) | - |
| Melmac grant - tech center | (4,001) | - | - | 4,001 | - |
| Private grant | 4,102 | - | - | - | 4,102 |
| Tootsie roll grant | 6,199 | 800 | 70 | - | 6,929 |
| Recommissioned computer revenue | (2,434) | - | - | 2,434 | - |
| CES afterschool program | (43,031) | 9,611 | 19,798 | - | (53,218) |
| Tobacco grant | 12,032 | 10,000 | 8,000 | - | 14,032 |
| Free appropriate public education (FAPE) | - | 182,626 | 69,517 | - | 113,109 |
| CTE industry standards | (11,316) | 81,368 | 53,405 | - | 16,647 |
| Advantage ME | - | 20,124 | 20,124 | - | - |
| CTE instructional supply | (3,146) | - | - | 3,146 | - |
| Title IA - disadvantaged | (45,883) | 330,206 | 333,741 | - | (49,418) |
| Title IA - program improvement | - | 43,782 | 43,782 | - | - |
| Title IV - student support | - | 13,493 | 13,493 | - | - |
| Local entitlement | (6,551) | 150,775 | 153,404 | - | (9,180) |
| ESSER 3 | (345,914) | 445,958 | 100,044 | - | - |
| ARP - Homeless children and youth | (1,327) | - | - | 1,327 | - |
| BARR | (4,038) | 22,597 | 22,597 | 4,038 | - |
| CTE - ARP | - | 74,536 | 74,536 | - | - |
| Title IIA - supportive effective instruction | - | 12,122 | 12,122 | - | - |
| Perkins learning center | - | 39,842 | 39,842 | - | - |
| CTE Perkins reserve | - | 14,844 | 14,844 | - | - |
| DHHS teen and youth (SBHC) | 8,280 | 50,005 | 59,032 | - | (747) |
| | $ (299,268) | 1,502,689 | 1,083,918 | 8,247 | 127,750 |

# City of Calais, Maine

**Combining statement of revenues, expenditures, and changes in fund balances**
**Student activity funds**
**For the year ended June 30, 2025**

| | | Beginning fund balance | Revenues | Expenditures | Ending fund balance |
|---|---|---|---|---|---|
| Calais High School | $ | 152,448 | 118,072 | 115,412 | 155,108 |
| St. Croix Technical School | | 67,916 | 39,565 | 47,478 | 60,003 |
| Calais Elementary School | | 9,195 | 72,803 | 71,049 | 10,949 |
| | $ | 229,559 | 230,440 | 233,939 | 226,060 |

# City of Calais, Maine

**Combining statement of revenues, expenditures, and changes in fund balances**
**Capital project funds**
**For the year ended June 30, 2025**

| | Beginning fund balance | Revenues | Expenditures | Transfers in (out) | Ending fund balance |
|---|---|---|---|---|---|
| Triangle Park sidewalk project | $ (43,662) | - | - | 43,662 | - |
| Capital equipment reserve | - | 20,000 | 20,000 | - | - |
| St. Croix roof - insurance claim | 15,814 | - | - | - | 15,814 |
| Nash's Lake dam | 1,846 | - | - | - | 1,846 |
| Recreation pool donations | (15,699) | - | - | 15,699 | - |
| Library - building fund | 29,976 | 35,300 | - | - | 65,276 |
| Land disposition | 106,104 | 3,611 | 12,917 | - | 96,798 |
| Cemetery road repair | 12,825 | - | - | 1,275 | 14,100 |
| Veteran's memorial pavers | 4,162 | 1,000 | 910 | - | 4,252 |
| CIP administration | 310,093 | - | 148,306 | (100,000) | 61,787 |
| CIP fire department | 11,943 | - | 3,337 | - | 8,606 |
| CIP recreation department | 8,869 | - | - | 6,000 | 14,869 |
| CIP police department | 18,012 | - | 745 | 21,100 | 38,367 |
| CIP public works | 157,026 | - | 104,856 | 8,075 | 60,245 |
| CIP transfer station | 4,535 | - | - | 2,000 | 6,535 |
| CIP cemetery | 31,722 | - | 16 | 2,931 | 34,637 |
| CIP North Street building | 30,768 | - | - | 5,000 | 35,768 |
| | $ 684,334 | 59,911 | 291,087 | 5,742 | 458,900 |

# City of Calais, Maine

**Combining statement of revenues, expenditures, and changes in fund balances**
**Permanent funds**
**For the year ended June 30, 2025**

| | | Cemetery trust | Library trust | Poor trust | Beckett pool | Total permanent funds |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Investment earnings | $ | 14,020 | 6,480 | 3,495 | 438 | 24,433 |
| Investment costs | | (1,527) | (1,157) | (678) | (85) | (3,447) |
| Unrealized gain (loss) | | 3,555 | 2,321 | 1,599 | 201 | 7,676 |
| Contributions/donations | | 5,450 | - | - | - | 5,450 |
| Total revenues | | 21,498 | 7,644 | 4,416 | 554 | 34,112 |
| **Expenditures** | | | | | | |
| Current: | | | | | | |
| City services | | - | - | 1,675 | - | 1,675 |
| Total expenditures | | - | - | 1,675 | - | 1,675 |
| Excess (deficiency) of revenues over (under) expenditures | | 21,498 | 7,644 | 2,741 | 554 | 32,437 |
| **Other financing sources (uses)** | | | | | | |
| Transfers out | | (4,000) | (3,500) | - | - | (7,500) |
| Total other financing sources (uses) | | (4,000) | (3,500) | - | - | (7,500) |
| Net change in fund balances | | 17,498 | 4,144 | 2,741 | 554 | 24,937 |
| Fund balances - beginning | | 389,859 | 132,064 | 55,750 | 14,098 | 591,771 |
| Fund balances - ending | $ | 407,357 | 136,208 | 58,491 | 14,652 | 616,708 |

**CITY OF CALAIS, MAINE**

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

**For the Year Ended June 30, 2025**

**CITY OF CALAIS, MAINE**
**Reports Required by *Government Auditing Standards***
**and the Uniform Guidance**
**For the year ended June 30, 2025**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**PETER J HALL CPA LLC**
***A Professional Limited Liability Company***
**439 Preble Street**
**South Portland, Maine 04106**
**207-415-0920**

**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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 29, 2026.

**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**
**May 29, 2026**

**PETER J HALL CPA LLC**

***A Professional Limited Liability Company***

**439 Preble Street**

**South Portland, Maine 04106**

**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, 2025. 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, 2025.

***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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated May 29, 2026, 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**
**May 29, 2026**

# City of Calais, Maine

**Schedule of expenditures of federal awards**
**For the year ended June 30, 2025**

| 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 | 333,741 | | - |
| 84.010 | Title I grants - program improvement | | ME Dept of Education | 3106 | 43,782 | 377,523 | - |
| 84.027 | Special education grants to states | Special education | ME Dept of Education | 3046 | 153,404 | | - |
| 84.048 | Career and technical education - basic grants to states | | ME Dept of Education | 3030 | 39,842 | | - |
| 84.048 | Career and technical education - basic grants to states | | ME Dept of Education | unavailable | 14,844 | 54,686 | - |
| 84.367 | Supporting effective instruction state grants | | ME Dept of Education | 3042 | 12,122 | | - |
| 84.424 | Student support and academic enrichment | | ME Dept of Education | 3345 | 13,493 | | - |
| 84.425U | COVID-19 - Elementary and secondary school emergency relief 3 | | ME Dept of Education | 7071 | 100,044 | | - |
| | **Total department of education** | | | | **711,272** | | |
| **Department of agriculture** | | | | | | | |
| 10.553 | School breakfast program | Child nutrition | ME Dept of Education | 3014 | 57,360 | | - |
| 10.555 | National school lunch program | Child nutrition | ME Dept of Education | 3022/3024 | 142,882 | | - |
| 10.555 | National school lunch program - donated commodities | Child nutrition | ME Dept of Education | n/a | 27,912 | | - |
| 10.559 | Summer food service program for children | Child nutrition | ME Dept of Education | 3016/3018 | 2,108 | | - |
| 10.582 | Fresh fruit and vegetable program | Child nutrition | ME Dept of Education | 3028 | 21,199 | 251,461 | - |
| | **Total department of agriculture** | | | | **251,461** | | |
| **Department of treasury** | | | | | | | |
| 21.027 | COVID-19 - ARPA - Maine jobs and recovery plan | | ME Dept of Education | 2984 | 74,536 | | - |
| 21.027 | COVID-19 - American rescue plan | | Direct | n/a | 76,236 | | - |
| 21.027 | COVID-19 - American rescue plan - water | | Maine Municipal Bond Bank | n/a | 219,428 | | - |
| 21.027 | COVID-19 - American rescue plan | | Maine Dept of Environmental Protection | n/a | 1,386,561 | 1,756,761 | - |
| | **Total department of treasury** | | | | **1,756,761** | | |
| **Environmental protection agency** | | | | | | | |
| 66.202 | Congressionally mandated projects | | Direct | n/a | 755,246 | | - |
| 66.468 | Capitalization grants for drinking water state revolving funds | | Maine Municipal Bond Bank | n/a | 128,091 | | - |
| | **Total environmental protection agency** | | | | **883,337** | | |
| **Department of homeland security** | | | | | | | |
| 97.036 | Disaster recovery | | Direct | n/a | 98,329 | | - |
| | **Total department of homeland security** | | | | **98,329** | | |
| | **Total expenditures of federal awards** | | | | **3,701,160** | | |

# City of Calais, Maine

**Notes to the schedule of expenditures of federal awards**
**June 30, 2025**

### 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, 2025. 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, 2025**

**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** | **Name of Federal Program or Cluster** |
|---|---|
| 21.027 | Coronavirus State and Local Fiscal Recovery Fund |
| 66.202 | Congressionally Mandated Projects |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $750,000 |
| Auditee qualified as low-risk auditee? | No |

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

NONE

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

None

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

None

**PETER J HALL CPA LLC**
***A Professional Limited Liability Company***
**439 Preble Street**
**South Portland, Maine 04106**
**207-415-0920**

**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, 2025, 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 May 29, 2026 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**
**May 29, 2026**

# City of Calais, Maine

**Reconciliation of the financial statements with information uploaded to NEO**
**For the year ended June 30, 2025**

| | | General Fund (100 Series) | Special Revenues (200/700 Series) | School Lunch (600 Series) | Day Treatment (900 Series) | Total |
|---|---|---|---|---|---|---|
| Revenues and Other Financing Sources | | | | | | |
| Per NEO | $ | 9,931,318 | 1,487,322 | 492,324 | 1,751,294 | 13,662,258 |
| Adjustments: | | | | | | |
| On-Behalf Payments | | 661,668 | - | - | - | 661,668 |
| USDA Donated Commodities | | - | - | 27,912 | - | 27,912 |
| Year-End Adjustments Posted After NEO Upload | | - | 30,313 | (36,538) | 281,530 | 275,305 |
| Rounding and Immaterial Differences | | - | - | - | - | - |
| | | 10,592,986 | 1,517,635 | 483,698 | 2,032,824 | 14,627,143 |
| Per fund financial statements (GAAP basis) | | 10,592,986 | 1,517,635 | 483,698 | 2,032,824 | 14,627,143 |
| Remaining variance | $ | - | - | - | - | - |
| Expenditures and Other Financing Uses | | | | | | |
| Per NEO | $ | 9,216,868 | 1,071,647 | 539,490 | 2,070,674 | 12,898,679 |
| Adjustments: | | | | | | |
| On-Behalf Payments | | 661,668 | - | - | - | 661,668 |
| USDA Donated Commodities | | - | - | 27,912 | - | 27,912 |
| Year-End Adjustments Posted After NEO Upload | | 308,248 | 18,970 | (59,032) | - | 268,186 |
| Rounding and Immaterial Differences | | - | - | - | 1 | 1 |
| | | 10,186,784 | 1,090,617 | 508,370 | 2,070,675 | 13,856,446 |
| Per fund financial statements (GAAP basis) | | 10,186,784 | 1,090,617 | 508,370 | 2,070,675 | 13,856,446 |
| Remaining variance | $ | - | - | - | - | - |

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