

City of Calais, Maine

**ANNUAL FINANCIAL STATEMENTS**  
**(with required and other supplementary information)**

For the Year Ended June 30, 2014

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## Independent Auditor's Report

City Council  
City of Calais, Maine

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Calais, Maine as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Calais, Maine, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 6 through 13 and 43 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consists of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Calais, Maine's basic financial statements. The other supplementary information on Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the State of Maine Department of Education, and is also not a required part of the basic financial statements. The reconciliation of audit adjustments to annual financial data submitted to MEDMS financial system is presented as required by the laws of the State of Maine and is also not a required part of the basic financial statements.

The other supplementary information on Schedules 1 through 8, the schedule of expenditures of federal awards, and the reconciliation of audit adjustments to annual financial data submitted to MEDMS financial system are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, Schedules 1 through 8, the schedule of expenditures of federal awards, and the reconciliation of audit adjustments to annual financial data submitted to MEDMS financial system are fairly stated in all material respects in relation to the basic financial statements as a whole.

*Brantley Thibodeau & Associates*

May 8, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)**

June 30, 2014

The Management Discussion and Analysis ("MD&A") is a report of the City of Calais's fiscal activity for the year ending June 30, 2014. The report is presented in a manner that fairly represents the City's present financial position in respect to all funds and accounts. Included is all the information to accurately understand the City's financial position, and the data is correct to the best of our knowledge and belief.

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

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

### **THE COMMUNITY**

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

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

The City of Calais has a wealth of historic and archaeological resources as a result of its location at the head of the tide of the St. Croix River. The City is investing in the Waterfront Park as part of its downtown revitalization efforts. For continuing efforts for economic development in our downtown in 2012 by the Downtown Revitalization Coalition, the City received the Maine Downtown Network Designation.

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

### **FINANCIAL INFORMATION**

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

## FINANCIAL HIGHLIGHTS

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

- The balance of the City's cash assets as of June 30, 2014 was \$1,093,084.
- The City's debt decreased by \$453,251 for a balance of \$10,168,616.
- The City's net position increased by a total of \$397,823.
- The fund balance as reported in the City's financial statements decreased by \$32,929 to a total of \$3,362,233.
- On a budget basis balance the City's expenditures exceeded its revenues by \$20,021. The City had budgeted a deficiency of \$535,855. This is a positive budget variance of \$515,834.

## OVERVIEW OF FINANCIAL STATEMENTS

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

### Government-Wide Financial Statements

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

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

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

### Fund Financial Statements

The City segregates accounts into three basic funds. Each fund is determined to separate information in order to accurately report specific account activities. The determination of various funds is based upon accounting standards and legal requirements. The three funds for the City are General Fund (Primary Fund), Special Revenue Fund, and Other Governmental Funds (Permanent Funds and Capital Projects).

#### *General Fund*

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

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

### *Proprietary Funds*

The City maintains only one type of proprietary fund. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its ambulance, sewer, and water department operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

### *Fiduciary Funds*

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the City cannot use these funds to finance its operations. The basic fiduciary fund financial statements can be found on pages 23-24 of this report.

### *Other Governmental Funds*

Other Governmental Funds are comprised of permanent funds and capital reserve funds. These funds were each individually determined to be non-major and are required to be categorized and grouped into other governmental funds. A separate schedule is provided in the other supplemental information.

### Notes to Financial Statements

The notes to the financial statements are included in the audit to give specific comment to certain areas. These are a crucial part of the audit and are closely monitored by City administration. The reason they are monitored is that they provide additional insight into activities of the City. These can show areas of strength and weakness for continued success and improvement. The notes to the financial statements are included on pages 25-42.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning financial performance (budget and actual with budget to GAAP differences and budget and actual with variances). Required supplementary information can be found on pages 43-44.

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

## **GOVERNMENT-WIDE ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$21,642,381 as of June 30, 2014.

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

The City's financial position is the product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The positive balance for net investment in capital assets is the result of the completion of several projects during the current fiscal year.



## Net Position for the Period Ending June 30, 2014

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 5,213,962	\$ 5,067,922	\$ (530,956)	\$ 410,471	\$ 4,180,069	\$ 5,478,393
Capital assets	<u>5,131,324</u>	<u>5,227,216</u>	<u>23,558,455</u>	<u>23,235,195</u>	<u>28,689,779</u>	<u>28,462,411</u>
Total Assets	<u>10,345,286</u>	<u>10,295,138</u>	<u>23,027,499</u>	<u>23,645,666</u>	<u>32,869,848</u>	<u>33,940,804</u>
Current liabilities	1,342,760	1,514,448	90,959	1,313,803	1,433,719	2,828,251
Noncurrent liabilities	<u>783,893</u>	<u>779,225</u>	<u>9,384,723</u>	<u>9,088,770</u>	<u>10,168,616</u>	<u>9,867,995</u>
Total Liabilities	<u>2,126,653</u>	<u>2,293,673</u>	<u>9,475,682</u>	<u>10,402,573</u>	<u>11,602,335</u>	<u>12,696,246</u>
Deferred inflows	<u>128,069</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,069</u>	<u>-</u>
Net Position (Accumulated Deficit)						
Net Investment in capital assets	4,347,431	4,296,203	14,305,620	14,039,259	18,653,051	18,335,462
Restricted	1,759,984	1,356,670	429,021	334,793	2,189,005	1,691,463
Unrestricted	<u>1,983,149</u>	<u>2,348,592</u>	<u>(1,182,824)</u>	<u>(1,130,959)</u>	<u>800,325</u>	<u>1,217,633</u>
Total Net Position	<u>\$ 8,090,564</u>	<u>\$ 8,001,465</u>	<u>\$13,551,817</u>	<u>\$13,243,093</u>	<u>\$21,642,381</u>	<u>\$21,244,558</u>

A portion of the City's net position, 10.1%, represents resources that are restricted. Unrestricted net position of \$800,325 may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2014, the City is able to report positive balances in all three categories of net position for the government as a whole, as well as for its governmental activities. The City was only able to report positive balances in two of the three categories of its net position for the business-type activities.

The following table presents a summary of revenues and expenses for the fiscal year ended June 30, 2014.

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
<b>REVENUES</b>						
Charges for services and other	\$ 442,424	\$ 529,806	\$ 2,603,873	\$ 2,323,656	\$ 3,046,297	\$ 2,853,462
Operating grants and contributions	8,438,381	8,667,724	81,090	-	8,748,814	8,667,724
Capital grants and contributions	-	-	350,482	2,241,218	350,482	2,241,218
Property taxes	3,776,238	3,404,144	-	-	3,776,238	3,404,144
Excise and miscellaneous taxes	500,798	483,233	-	-	500,798	483,233
Grants and contributions not restricted to specific purpose	500,489	591,420	-	-	500,489	591,420
Unrestricted investment income	77,307	48,060	2,994	-	80,301	48,060
Special item – gain (loss) on disposal of assets	<u>(36,761)</u>	<u>23,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,213</u>
Total Revenues	<u>13,698,876</u>	<u>13,747,600</u>	<u>3,035,445</u>	<u>4,564,874</u>	<u>16,734,321</u>	<u>18,312,474</u>
<b>EXPENSES AND TRANSFERS</b>						
City council	15,829	15,863	-	-	15,829	15,863
Administration, finance and development	520,805	479,288	-	-	520,805	479,288
Library	205,612	221,844	-	-	205,612	221,844
Parks and recreation	189,169	170,056	-	-	189,169	170,056
Police department	712,643	703,973	-	-	712,643	703,973
Fire department	452,458	455,117	-	-	452,458	455,117
Public works	916,913	591,006	-	-	916,913	591,006
Insurance	61,035	50,704	-	-	61,035	50,704
County	262,937	254,197	-	-	262,937	254,197
Education	9,422,753	9,393,779	-	-	9,422,753	9,393,779

On-behalf payments -						
State of Maine	423,841	435,600	-	-	423,841	435,600
Program	139,253	698,659	-	-	139,253	698,659
Miscellaneous	259,968	247,918	-	-	259,968	247,918
Interest on long-term						
debt	20,415	34,858	-	-	20,415	34,858
Capital outlay	60,059	467,483	-	-	60,059	467,483
Business-type activities	-	-	2,675,802	2,527,676	2,675,802	2,527,676
Total Expenses	<u>13,663,690</u>	<u>14,220,345</u>	<u>2,675,802</u>	<u>2,527,676</u>	<u>16,339,492</u>	<u>16,748,021</u>
Change in net position	35,186	472,745)	362,637	2,037,198	397,823	1,564,453
Restatement of beginning net						
position	<u>53,913</u>	<u>-</u>	<u>(53,913)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position, beginning						
of year, restated	<u>8,055,378</u>	<u>8,474,210</u>	<u>13,189,180</u>	<u>11,205,895</u>	<u>21,244,558</u>	<u>19,680,105</u>
Net position, end of year	<u>\$ 8,090,564</u>	<u>\$ 8,001,465</u>	<u>\$13,551,817</u>	<u>\$13,243,093</u>	<u>\$21,642,381</u>	<u>\$21,244,558</u>

## Analysis of the City's Operations

### *Governmental Activities*

Governmental activities increased net position by \$35,186 of the total increase in net position. Net investment in capital assets increased by \$52,188 or 1.2% due to purchases of equipment and vehicles and repayment of debt exceeding depreciation expense and loan proceeds. Unrestricted net position decreased by \$365,443.

Total revenues for governmental activities increased from the prior year by \$318,434. Operating grants and contributions increased \$184,425, or 2.1% over the prior year. Property tax revenues increased \$372,094 or 10.93%, from the prior fiscal year.

Expenses of governmental activities include depreciation expense of \$311,577, an increase of \$60,195 from the prior fiscal year. Depreciation expense has been allocated and is included in the various function/program expenses of the City.

### *Business-type Activities*

Net position from business-type activities increased by \$308,724 from \$13,243,093 to 13,551,817, including a reclassification of net position related to long term debt of (\$53,913). Net investment in capital assets increased by \$266,361 primarily due to ongoing sewer and water projects.

Charges for services decreased \$249,589 or 8.75% from the prior year.

Depreciation expense increased \$14,735 from the prior year to \$751,313.

## Financial Analysis of the City's Funds

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

### *Governmental funds*

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. As the City completed the year, its governmental funds reported a combined fund balance of \$3,362,233, \$32,929 lower than the previous year. As analysis of transactions affecting the change in the combined fund balance of the City's governmental funds is as follows:

Revenues include property taxes totaling \$3,705,438. Excise taxes accounted for \$500,798 in total revenue. On behalf payments amounted to \$423,841 during year ended June 30, 2014. Additional information on these "on-behalf" payments can be found in the notes to the basic financial statements.

Total governmental fund expenditures for the year were \$13,752,604 and are broken down as follows:

	2014	2013
City council	\$ 15,829	\$ 15,863
Administration, finance and development	506,452	491,881
Library	188,862	207,734
Parks and recreation	165,643	163,127
Police department	661,789	698,174
Fire department	404,143	418,089
Public works	801,837	801,134
Insurance	61,035	50,704
County	262,937	254,197
Education	9,405,883	9,467,777
On-behalf payments – State of Maine	423,841	435,600
Program	139,253	698,659
Miscellaneous	259,968	247,918
Debt service		
Principal	143,306	717,925
Interest on long-term debt	20,415	34,858
Capital outlay	<u>291,411</u>	<u>467,483</u>
<b>Total Governmental Funds Expenditures</b>	<b><u>\$13,752,604</u></b>	<b><u>\$15,171,123</u></b>

The City paid \$291,411 in capital outlays during the year. In total, \$257,186 was capitalized for equipment, vehicles and various other improvements.

#### *Proprietary funds*

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

Net position of the proprietary fund reported a combined balance of \$13,551,817, \$308,724 higher than the previous year.

Total proprietary fund expenses for the year were \$2,675,802 and are broken down as follows:

Sewer fund	\$1,169,048
Ambulance fund	958,116
Water fund	<u>548,638</u>
<b>Total Proprietary Funds Expenses</b>	<b><u>\$2,675,802</u></b>

### **Capital Asset and Debt Administration**

#### **Capital Assets**

The City's capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$28,689,779, net of accumulated depreciation. The investment in capital assets includes, land, building and improvements, equipment and furniture, vehicles, infrastructure and construction in progress.

The following summarizes capital assets at year end:

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$3,089,305	\$3,089,305	\$ 75,896	\$ 75,896	\$ 3,165,201	\$ 3,165,201
Construction in progress	87,331	87,331	212,157	347,131	299,488	434,462
Infrastructure	116,956	-	22,277,171	21,134,741	22,394,127	21,134,741
Buildings and Improvements	1,703,664	1,671,331	8,446,521	8,432,021	10,150,185	10,103,352
Equipment and furniture	1,688,837	1,879,487	1,075,529	669,524	2,764,366	2,549,011
Vehicles	<u>1,777,231</u>	<u>1,833,314</u>	<u>293,075</u>	<u>487,019</u>	<u>2,070,306</u>	<u>2,320,333</u>
Total capital assets	8,463,324	8,560,768	32,380,349	31,146,332	40,843,673	39,707,100
Accumulated depreciation	<u>(3,332,000)</u>	<u>(3,333,552)</u>	<u>(8,821,894)</u>	<u>(7,911,137)</u>	<u>(12,153,894)</u>	<u>(11,244,689)</u>
Capital assets, net	<u>\$5,131,324</u>	<u>\$5,227,216</u>	<u>\$23,558,455</u>	<u>\$23,235,195</u>	<u>\$28,689,779</u>	<u>\$28,462,411</u>

The significant change in capital assets is related to the various construction projects for water and sewer funds. Additional information on the City's capital assets can be found in Note 3 on pages 34-35 of this report.

### Debt Administration

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

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Bonds and notes payable	\$706,128	\$886,184	\$9,384,723	\$9,690,854	\$10,090,851	\$10,577,038
Capital lease Obligations	<u>77,765</u>	<u>44,829</u>	<u>-</u>	<u>-</u>	<u>77,765</u>	<u>44,829</u>
Totals	<u>\$783,893</u>	<u>\$ 931,013</u>	<u>\$9,384,723</u>	<u>\$9,690,854</u>	<u>\$10,168,616</u>	<u>\$10,621,867</u>

During the fiscal year, the City's total debt decreased by \$453,251 or 4.3%.

A summary of the City's debt activity for the year ended June 30, 2014 is detailed in Note 4 on pages 35-38 of this report.

### REQUIRED SUPPLEMENTARY INFORMATION

#### General Fund Budgetary Highlights

The City recognizes revenues and expenditures on a budget basis that differs from how revenues and expenditures should be recognized under generally accepted accounting principles (GAAP).

Additional information about this difference can be found in the notes to the basic financial statements. The amount of the difference is disclosed on page 43 of the financial statements.

#### BUDGETARY HIGHLIGHTS

The following is a discussion of the budgetary highlights during the fiscal year ended June 30, 2014.

During the year, actual revenues exceeded budgeted revenues by \$311,784. Most of this variance resulted from under-anticipated education revenue.

Budgeted expenditures exceeded actual expenditures by \$120,734. Most of this variance resulted from over anticipated public works and education expenditures.

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

In this coming fiscal year, the City's budget continues to be impacted by the slowdown in economic growth. Sales prices of houses in the City continue to be steady, although we are seeing an increase in their marketing time. The homestead exemption for the upcoming year is \$9,600, which is the same as the 2014-2015 fiscal year.

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

The fiscal year 2015-2016 budgeted revenues for sewer remain the same as 2014-2015, with no increase in fees to the sewer users.

## **REQUEST FOR INFORMATION**

The financial report is designed to provide our citizens and customers with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Director, at P.O. Box 413, Calais, Maine 04619 or call (207) 454-2521, Ext. 12.

**City of Calais**  
**Statement of Net Position**  
**June 30, 2014**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and equivalents	\$ 632,082	\$ 461,002	\$ 1,093,084
Investments	1,077,326	-	1,077,326
Taxes receivables	436,805	-	436,805
Accounts receivable, net of allowance of \$69,415	26,697	942,362	969,059
Internal balances	2,124,749	(2,124,749)	-
Loans receivable, net of allowance of \$48,886	399,477	-	399,477
Due from lender	-	151,978	151,978
Due from other governmental agencies	484,027	-	484,027
Inventories	32,799	38,451	71,250
Capital assets, not being depreciated	3,176,636	288,053	3,464,689
Capital assets, being depreciated, net of accumulated depreciation	1,954,688	23,270,402	25,225,090
Total assets	<u>10,345,286</u>	<u>23,027,499</u>	<u>33,372,785</u>
<b>LIABILITIES</b>			
Accrued wages	479,597	7,870	487,467
Accrued compensated absences	44,337	11,158	55,495
Accounts payable	103,674	39,317	142,991
Payroll withholdings payable	36,517	-	36,517
Accrued interest payable	-	32,613	32,613
Due to other governmental agencies	7,325	-	7,325
Line of credit	665,000	1	665,001
Unearned revenue	6,310	-	6,310
Long-term liabilities			
Due within one year			
Bonds and notes payable	128,677	628,531	757,208
Capital leases payable	21,580	-	21,580
Due in more than one year			
Bonds and notes payable	577,451	8,756,192	9,333,643
Capital leases payable	56,185	-	56,185
Total liabilities	<u>2,126,653</u>	<u>9,475,682</u>	<u>11,602,335</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid taxes	128,069	-	128,069
<b>NET POSITION</b>			
Net investment in capital assets	4,347,431	14,305,620	18,653,051
Restricted, non-expendable			
Permanent fund principal	495,464	-	495,464
Restricted, expendable			
Permanent fund income	83,741	-	83,741
Education grants	89,737	-	89,737
Non-education grants	1,091,042	-	1,091,042
Capital projects	-	306,218	306,218
Vehicle replacement	-	122,803	122,803
Unrestricted (deficit)	1,983,149	(1,182,824)	800,325
Total net position	<u>\$ 8,090,564</u>	<u>\$ 13,551,817</u>	<u>\$ 21,642,381</u>

**City of Calais**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental activities							
City council	\$ 15,829	\$ -	\$ -	\$ -	\$ (15,829)	\$ -	\$ (15,829)
Administration, finance and development	520,805	156,476	-	-	(364,329)	-	(364,329)
Library	205,612	6,564	-	-	(199,048)	-	(199,048)
Parks and recreation	189,169	56,893	-	-	(132,276)	-	(132,276)
Police department	712,643	8,983	-	-	(703,660)	-	(703,660)
Fire department	452,458	-	-	-	(452,458)	-	(452,458)
Public works - general	625,838	56,075	43,500	-	(526,263)	-	(526,263)
Public works - street lights	78,999	-	-	-	(78,999)	-	(78,999)
Public works - solid waste disposal	79,612	-	-	-	(79,612)	-	(79,612)
Public works - cemetery	79,341	-	-	-	(79,341)	-	(79,341)
Public buildings - North Street	53,123	-	-	-	(53,123)	-	(53,123)
Insurance	61,035	-	-	-	(61,035)	-	(61,035)
County	262,937	-	-	-	(262,937)	-	(262,937)
Education	9,422,753	101,245	7,902,714	-	(1,418,794)	-	(1,418,794)
On-behalf payments - State of Maine	423,841	-	423,841	-	-	-	-
Grants and other contributions	139,253	19,241	68,326	-	(51,686)	-	(51,686)
Miscellaneous	259,968	36,947	-	-	(223,021)	-	(223,021)
Interest on long-term debt	20,415	-	-	-	(20,415)	-	(20,415)
Capital outlay	60,059	-	-	-	(60,059)	-	(60,059)
Total governmental activities	13,663,690	442,424	8,438,381	-	(4,782,885)	-	(4,782,885)
Business-type activities							
Sewer fund	1,169,048	951,879	-	350,482	-	133,313	133,313
Ambulance fund	958,116	1,015,273	-	-	-	57,157	57,157
Water fund	548,638	636,721	81,090	-	-	169,173	169,173
Total business-type activities	2,675,802	2,603,873	81,090	350,482	-	359,643	359,643
	<u>\$ 16,339,492</u>	<u>\$ 3,046,297</u>	<u>\$ 8,519,471</u>	<u>\$ 350,482</u>	<u>(4,782,885)</u>	<u>359,643</u>	<u>(4,423,242)</u>
<b>General revenues</b>							
Taxes							
Property taxes, levied for general purposes					3,776,238	-	3,776,238
Excise and miscellaneous taxes					500,798	-	500,798
Grants and contributions not restricted to specific programs					500,489	-	500,489
Unrestricted investment earnings					77,307	2,994	80,301
<b>Special item - loss on disposal of assets</b>					<u>(36,761)</u>	<u>-</u>	<u>(36,761)</u>
Total general revenues and special item					4,818,071	2,994	4,821,065
Change in net position					35,186	362,637	397,823
<b>NET POSITION - BEGINNING</b>					8,001,465	13,243,093	21,244,558
Reclass prior year long-term debt					53,913	(53,913)	-
<b>NET POSITION - BEGINNING, RESTATED</b>					8,055,378	13,189,180	21,244,558
<b>NET POSITION - ENDING</b>					<u>\$ 8,090,564</u>	<u>\$ 13,551,817</u>	<u>\$ 21,642,381</u>

**City of Calais**  
**Balance Sheet -**  
**Governmental Funds**  
**June 30, 2014**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 213,971	\$ 91,862	\$ 326,249	\$ 632,082
Investments	-	545,873	531,453	1,077,326
Taxes receivable	436,805	-	-	436,805
Accounts receivable	23,197	3,500	-	26,697
Due from other funds	2,135,408	97,651	274,186	2,507,245
Loans receivable, net of allowance of \$48,886	-	399,477	-	399,477
Receivable from other governments	419,888	64,139	-	484,027
Inventories	23,364	9,435	-	32,799
	<u>\$ 3,252,633</u>	<u>\$ 1,211,937</u>	<u>\$ 1,131,888</u>	<u>\$ 5,596,458</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accrued wages	\$ 462,114	\$ 17,483	\$ -	\$ 479,597
Accrued compensated absences	44,337	-	-	44,337
Accounts payable	96,309	7,365	-	103,674
Payroll withholdings payable	36,517	-	-	36,517
Due to other funds	371,836	-	10,660	382,496
Payable to other governments	7,325	-	-	7,325
Line of credit	665,000	-	-	665,000
Unearned revenue	-	6,310	-	6,310
Total liabilities	<u>1,683,438</u>	<u>31,158</u>	<u>10,660</u>	<u>1,725,256</u>
<b>Deferred inflows of resources</b>				
Taxes paid in advance	128,069	-	-	128,069
Property taxes	380,900	-	-	380,900
Total deferred inflows of resources	<u>508,969</u>	<u>-</u>	<u>-</u>	<u>508,969</u>
<b>Fund balances</b>				
<b>Nonspendable for</b>				
Inventories	23,364	9,435	-	32,799
Lending programs	-	399,477	-	399,477
Endowments	-	-	495,464	495,464
<b>Restricted for</b>				
Education grants	-	80,302	-	80,302
Non-education grants	-	691,565	-	691,565
Permanent fund	-	-	83,741	83,741
<b>Committed for</b>				
Equipment	-	-	239,775	239,775
Vocational Center	-	-	11,213	11,213
Capital projects	-	-	291,035	291,035
Unassigned- education (deficit)	(134,952)	-	-	(134,952)
Unassigned	1,171,814	-	-	1,171,814
	<u>1,060,226</u>	<u>1,180,779</u>	<u>1,121,228</u>	<u>3,362,233</u>
	<u>\$ 3,252,633</u>	<u>\$ 1,211,937</u>	<u>\$ 1,131,888</u>	<u>\$ 5,596,458</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,252,633</u>	<u>\$ 1,211,937</u>	<u>\$ 1,131,888</u>	<u>\$ 5,596,458</u>



**City of Calais**  
**Reconciliation of the Governmental Funds Balance**  
**Sheet to the Statement of Net Position**  
**June 30, 2014**

Total fund balance, governmental funds	\$ 3,362,233
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	5,131,324
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds.	
Deferred inflows related to property taxes	380,900
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	<u>(783,893)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 8,090,564</u>

**City of Calais**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 3,705,438	\$ -	\$ -	\$ 3,705,438
Excise taxes	500,798	-	-	500,798
Intergovernmental education	7,223,338	679,376	-	7,902,714
Intergovernmental other	543,988	68,326	-	612,314
Charges for services and other	284,991	19,241	36,947	341,179
Charges for services - education	-	88,857	-	88,857
Principal contributions	-	-	2,250	2,250
Investment and interest income	1,860	23,044	42,247	67,151
Realized gains (losses) on investments	-	132	56	188
Unrealized gains (losses) on investments	-	3,612	4,106	7,718
On-behalf payments - State of Maine	423,841	-	-	423,841
Other income - education	-	12,388	-	12,388
	<u>12,684,254</u>	<u>894,976</u>	<u>85,606</u>	<u>13,664,836</u>
<b>EXPENDITURES</b>				
Current				
City council	15,829	-	-	15,829
Administration, finance and development	505,585	-	867	506,452
Library	140,556	-	48,306	188,862
Parks and recreation	164,256	-	1,387	165,643
Police department	661,789	-	-	661,789
Fire department	404,143	-	-	404,143
Public works - general	535,060	-	-	535,060
Public works - street lights	78,999	-	-	78,999
Public works - solid waste disposal	74,052	-	-	74,052
Public works - cemetery	73,611	-	-	73,611
Public buildings - North Street	40,115	-	-	40,115
Insurance	61,035	-	-	61,035
County	262,937	-	-	262,937
Education	8,589,216	816,667	-	9,405,883
On-behalf payments - State of Maine	423,841	-	-	423,841
Grants and other contributions	-	139,253	-	139,253
Miscellaneous	248,935	-	11,033	259,968
Debt service				
Principal	95,157	-	48,149	143,306
Interest and other charges	17,001	-	3,414	20,415
Capital outlay	135,203	-	156,208	291,411
	<u>12,527,320</u>	<u>955,920</u>	<u>269,364</u>	<u>13,752,604</u>
Excess (deficiency) of revenues over expenditures	<u>156,934</u>	<u>(60,944)</u>	<u>(183,758)</u>	<u>(87,768)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital leases	50,098	-	-	50,098
Transfers in	318,450	-	484,750	803,200
Transfers out	(484,750)	-	(318,450)	(803,200)
	<u>(116,202)</u>	<u>-</u>	<u>166,300</u>	<u>50,098</u>
<b>SPECIAL ITEM</b>				
Proceeds from sale of property	4,741	-	-	4,741
Net change in fund balances	45,473	(60,944)	(17,458)	(32,929)
<b>FUND BALANCE - BEGINNING</b>	<u>1,014,753</u>	<u>1,241,723</u>	<u>1,138,686</u>	<u>3,395,162</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,060,226</u>	<u>\$ 1,180,779</u>	<u>\$ 1,121,228</u>	<u>\$ 3,362,233</u>

See accompanying notes to basic financial statements.

**City of Calais**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2014**

Net change in fund balances - total governmental funds: \$ (32,929)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital outlay	\$ 257,187	
Depreciation	<u>(311,578)</u>	(54,391)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.

Proceeds from disposition of assets	(4,741)	
Costs related to proceeds	<u>(36,761)</u>	(41,502)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. More specifically, this amount represents the change in deferred property taxes.

70,800

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments.

93,208

Change in net position of governmental activities

\$ 35,186

**City of Calais**  
**Statement of Net Position - Proprietary Funds**  
**June 30, 2014**

	<b>Enterprise Funds</b>			<b>Total</b>
	<b>Sewer Fund</b>	<b>Ambulance Fund</b>	<b>Water Fund*</b>	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 18,340	\$ 73,747	\$ 368,915	\$ 461,002
Accounts receivable, net of ambulance allowance of \$64,415 and water allowance of \$5,000	385,435	406,395	150,532	942,362
Receivables from other governments	-	-	-	-
Due from lender	131,888	-	20,090	151,978
Inventories	-	-	38,451	38,451
Total current assets	<u>535,663</u>	<u>480,142</u>	<u>577,988</u>	<u>1,593,793</u>
Noncurrent assets				
Property, plant and equipment	23,016,648	548,446	8,815,255	32,380,349
Accumulated depreciation	<u>(6,308,997)</u>	<u>(466,895)</u>	<u>(2,046,002)</u>	<u>(8,821,894)</u>
Total noncurrent assets	<u>16,707,651</u>	<u>81,551</u>	<u>6,769,253</u>	<u>23,558,455</u>
Total assets	<u>17,243,314</u>	<u>561,693</u>	<u>7,347,241</u>	<u>25,152,248</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	-	511	38,806	39,317
Accrued wages	-	7,870	-	7,870
Accrued compensated absences	-	11,158	-	11,158
Accrued interest payable	28,125	229	4,259	32,613
Due to other funds	1,223,877	625,720	275,152	2,124,749
Line of credit	-	1	-	1
Bonds payable	<u>360,693</u>	<u>79,638</u>	<u>188,200</u>	<u>628,531</u>
Total current liabilities	1,612,695	725,127	506,417	2,844,239
Noncurrent liabilities				
Bonds payable	<u>5,180,842</u>	<u>-</u>	<u>3,575,350</u>	<u>8,756,192</u>
Total liabilities	<u>6,793,537</u>	<u>725,127</u>	<u>4,081,767</u>	<u>11,600,431</u>
<b>NET POSITION</b>				
Net investment in capital assets	11,298,004	1,913	3,005,703	14,305,620
Restricted for capital projects reserves	232,417	-	73,801	306,218
Restricted for vehicle replacement	-	122,803	-	122,803
Unrestricted (deficit)	<u>(1,080,644)</u>	<u>(288,150)</u>	<u>185,970</u>	<u>(1,182,824)</u>
Total net position (deficit)	<u>\$ 10,449,777</u>	<u>\$ (163,434)</u>	<u>\$ 3,265,474</u>	<u>\$ 13,551,817</u>

\* Note - the Water Fund's balances are as of the end of its fiscal year which is December 31, 2013.

**City of Calais**  
**Statement of Revenues, Expenses and Changes in Fund Net Position -**  
**Proprietary Funds**  
**For the Year Ended June 30, 2014**

	<b>Enterprise Funds</b>			<b>Total</b>
	<b>Sewer Fund</b>	<b>Ambulance Fund</b>	<b>Water Fund*</b>	
<b>REVENUES</b>				
Charges for services	\$ 910,615	\$ 984,160	\$ 635,228	\$ 2,530,003
Interest and lien fees	23,817	-	-	23,817
Miscellaneous	17,447	31,113	-	48,560
<b>Total operating revenues</b>	<b>951,879</b>	<b>1,015,273</b>	<b>635,228</b>	<b>2,602,380</b>
<b>OPERATING EXPENSES</b>				
Personal services	239,237	689,960	238,165	1,167,362
Contractual services	111,839	29,167	34,587	175,593
Utilities	103,807	-	28,085	131,892
Repairs and maintenance	3,187	9,196	-	12,383
Materials and supplies	63,818	53,884	55,835	173,537
Miscellaneous	8,101	35,036	28,307	71,444
Bad debt expense	-	80,471	-	80,471
Depreciation	537,663	57,576	156,074	751,313
Reserves expenses	2,231	-	-	2,231
Capital outlay	2,904	-	-	2,904
<b>Total operating expenses</b>	<b>1,072,787</b>	<b>955,290</b>	<b>541,053</b>	<b>2,569,130</b>
<b>Operating income (loss)</b>	<b>(120,908)</b>	<b>59,983</b>	<b>94,175</b>	<b>33,250</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Capital grants and contributions	350,482	-	20,090	370,572
Interest income	-	1,718	1,276	2,994
Forgiveness of debt - Maine Municipal Bond Bank	-	-	61,000	61,000
Miscellaneous non-operating revenues (expenses)	-	(2,062)	1,493	(569)
Interest expense	(96,261)	(764)	(7,585)	(104,610)
<b>Total nonoperating revenues (expenses)</b>	<b>254,221</b>	<b>(1,108)</b>	<b>76,274</b>	<b>329,387</b>
<b>Change in net position</b>	<b>133,313</b>	<b>58,875</b>	<b>170,449</b>	<b>362,637</b>
<b>NET POSITION - BEGINNING (DEFICIT)</b>	<b>10,370,377</b>	<b>(222,309)</b>	<b>3,095,025</b>	<b>13,243,093</b>
Reclass long-term debt from governmental activities	(53,913)	-	-	(53,913)
<b>NET ASSETS - BEGINNING, RESTATED (DEFICIT)</b>	<b>10,316,464</b>	<b>(222,309)</b>	<b>3,095,025</b>	<b>13,189,180</b>
<b>NET POSITION - ENDING (DEFICIT)</b>	<b>\$ 10,449,777</b>	<b>\$ (163,434)</b>	<b>\$ 3,265,474</b>	<b>\$ 13,551,817</b>

\* Note - the Water Fund's balances are as of the end of its fiscal year which is December 31, 2013.

**City of Calais**  
**Statement of Cash Flows -**  
**Proprietary Fund**  
**For the Year Ended June 30, 2014**

	<b>Enterprise Funds</b>			<b>Total</b>
	<b>Sewer Fund</b>	<b>Ambulance Fund</b>	<b>Water Fund*</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Received from user charges	\$ 963,920	\$ 809,751	\$ 630,536	\$ 2,404,207
Payments for administrative services	(239,237)	(687,780)	(237,324)	\$(1,164,341)
Payments to suppliers for goods and services	(255,703)	73,622	(140,520)	(322,601)
Net cash provided by operating activities	<u>468,980</u>	<u>195,593</u>	<u>252,692</u>	<u>917,265</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(857,572)	(53,201)	(459,718)	(1,370,491)
Bonds and bond anticipation note drawdowns	209,373	-	441,655	651,028
Proceeds from debt	-	-	597,738	597,738
Interest paid on debt	(102,634)	(1,360)	(6,486)	(110,480)
Repayment of debt	(355,139)	(79,193)	(767,451)	(1,201,783)
Miscellaneous non-operating revenues (expenses)	-	(2,062)	1,493	(569)
Grant contributions	646,400	-	20,090	666,490
Net cash used by capital and related financing activities	<u>(459,572)</u>	<u>(135,816)</u>	<u>(172,679)</u>	<u>(768,067)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on cash	-	1,718	1,276	2,994
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	9,408	61,495	81,289	152,192
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>8,932</u>	<u>12,252</u>	<u>287,626</u>	<u>308,810</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 18,340</u>	<u>\$ 73,747</u>	<u>\$ 368,915</u>	<u>\$ 461,002</u>
<b>Supplemental information</b>				
Interest paid during the fiscal year	<u>\$ (102,634)</u>	<u>\$ (1,360)</u>	<u>\$ (6,486)</u>	<u>\$ (110,480)</u>
<b>Reconciliation of operating loss to net cash used by operating activities</b>				
Operating income (loss)	\$ (120,908)	\$ 59,983	\$ 94,175	\$ 33,250
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	537,663	57,576	156,074	751,313
(Increase) decrease in the following assets				
Inventories	-	-	6,609	6,609
Accounts receivable	12,041	(125,051)	(4,692)	(117,702)
Increase (decrease) in the following liabilities				
Compensated absences payable	-	2,537	-	2,537
Accrued payroll payable	-	(357)	-	(357)
Interfund payables	55,590	205,265	-	260,855
Accounts payable and other accrued liabilities	(15,406)	(4,360)	526	(19,240)
Net cash provided by operating activities	<u>\$ 468,980</u>	<u>\$ 195,593</u>	<u>\$ 252,692</u>	<u>\$ 917,265</u>

**City of Calais**  
**Statement of Fiduciary Net Position -**  
**Fiduciary Funds**  
**June 30, 2014**

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 202,218
Investments	65,223	-
	<u>65,223</u>	<u>-</u>
Total assets	<u>65,223</u>	<u>202,218</u>
<b>LIABILITIES</b>		
Due to other governmental agencies	-	80,278
Due to student groups	-	121,940
	<u>-</u>	<u>121,940</u>
Total liabilities	<u>-</u>	<u>202,218</u>
<b>NET POSITION</b>		
Restricted, nonexpendable	55,922	-
Expendable for scholarships	9,301	-
	<u>9,301</u>	<u>-</u>
Total net position	<u>\$ 65,223</u>	<u>\$ -</u>

**City of Calais**  
**Statement of Changes in Fiduciary Net Position -**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2014**

	<u>Purpose Trust Funds</u>
<b>ADDITIONS</b>	
Investment income	\$ 979
Realized gains on investments	6
Unrealized gains on investments	<u>465</u>
Net investment earnings	<u>1,450</u>
<b>DEDUCTIONS</b>	
Scholarships	1,750
Administrative expenses	<u>423</u>
Total deductions	<u>2,173</u>
Change in net assets	(723)
<b>NET POSITION - BEGINNING</b>	<u>65,946</u>
<b>NET POSITION - ENDING</b>	<u><u>\$ 65,223</u></u>



**City of Calais, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Calais, Maine (the City), was incorporated as a city in 1851 under the laws of the State of Maine. The City operates under a council-manager form of government and provides the following services: general government services, public safety, public works, health and welfare, education, library and recreation.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board, when applicable. The more significant accounting policies of the City are described below.

**A. FINANCIAL REPORTING ENTITY**

In evaluating the City as a reporting entity, management has addressed all potential component units for which the City may be financially accountable and, as such, should be included within the City's financial statements. In accordance with GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the City is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits or to impose specific financial burdens on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading. Based on the application of these criteria, there are no entities that should be included as part of these financial statements.

**B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS**

The government-wide financial statements report information of all activities of the City, except for fiduciary funds. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The business-type activities of the City include the sewer fund, the ambulance fund, and the water department fund.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given program; and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**City of Calais, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS**

The City segregates transactions related to certain functions or activities in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental, proprietary and fiduciary activities. The governmental and proprietary statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column, when applicable. The fiduciary statements aggregate and present each fund type as a separate column on the fund financial statements.

**1. Governmental Funds**

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources.

The City has presented the following major governmental funds:

*General Fund*

The general fund is the primary operating fund of the City and is always classified as a major fund. This fund is used to account for all financial resources not accounted for in other funds.

*Special Revenue Fund*

The special revenue fund is used to account for the proceeds of specific revenue sources that are legally or contractually restricted to expenditures for specified purposes. This fund includes federal and state grants for specific purposes.

**2. Proprietary Funds**

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting, in essentially the same manner as a private entity. The accounting objectives are determinations of net income, financial position and cash flow.

The City has presented the following major proprietary funds:

*Enterprise Funds*

The enterprise funds are used to account for the operations of the sewer department, ambulance department and the water department. Activities of the funds include administration, operations and maintenance of each department and billing and collection activities. The funds also account for the accumulation of resources and the payment of long-term debt for each department. All costs are financed through user charges with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

All amounts applicable to the water department in the financial statements are for the year ended December 31, 2013.

**City of Calais, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS (CONTINUED)**

**2. Proprietary Funds (Continued)**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel, contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**3. Fiduciary Funds (not included in the government-wide statements)**

*Private Purpose Funds*

Private purpose funds are funds held by the City in a trustee capacity and are accounted for in essentially the same manner as a proprietary fund. Capital maintenance of private purpose funds is critical. The City accounts for the activities of scholarship accounts using this fund type.

*Agency Funds*

Agency funds account for assets held by the City in a purely custodial capacity and include student activities funds and funds held on behalf of the Calais School District Trustees and the Calais Fire Department Association. Since agency funds are custodial in nature, they do not involve the measurement of results of operations.

**D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

Measurement focus refers to what is being measured; basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities, whether current or non-current, are included on the statement of net position and the operating statements present increases, revenues, and decreases, expenses, in net total position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, intergovernmental revenues and charges for services. All other governmental fund revenues are recognized when received.

**City of Calais, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. BUDGETS AND BUDGETARY ACCOUNTING**

The City utilizes a formal budgetary accounting system to control revenues accounted for in the general fund. These budgets are established in accordance with the various laws which govern the City's operations.

Payments made by the State of Maine to the Maine Public Employees Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund in accordance with generally accepted accounting principles.

Generally, appropriations for the general fund lapse at year end, except for balances approved to be carried forward by City Council. In accordance with legal requirements of the State of Maine all education balances are continued.

Formal budgets are not adopted for the other funds. Grant procedures for many of the revenues included in the special revenue funds require submission of a budget. However, such budgets are not subject to formal adoption procedures and are normally prepared based upon the grant period which does not necessarily correspond with the City's fiscal year.

**F. FINANCIAL STATEMENT AMOUNTS**

**1. Deposits and Investments**

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments, except for money market mutual funds, with a maturity of three months or less to be cash equivalents. Additional information is presented in Note 2.

Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Additional information is presented in Note 2.

**2. Inventories**

Inventories of gasoline in the general fund are valued at the lower of cost or market value using the first-in, first-out method.

Inventories of food and supplies in the school lunch program in the special revenue fund are valued at the lower of cost or market value using the first-in, first-out method.

Inventories of the water fund in the enterprise funds are valued at the lower of cost or market value using the first-in, first-out method. Adjustments are made to inventory for obsolete and slow moving inventory so as to state inventory at its net realizable value.

**3. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the government-wide financial statement of net position. Any residual balances between the governmental activities and fiduciary funds are reported in the statement of net position as "due to/from fiduciary funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

**City of Calais, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)**

**4. Interfund Transfers**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of the governmental funds on the fund financial statements. For the purposes of the government-wide statement of activities, all interfund transfers between individual funds within governmental activities and individual funds within business-type activities have been eliminated.

**5. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and over one year of useful life. Infrastructure assets capitalized have an original cost of \$25,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	20-50 years
Infrastructure	50-100 years
Machinery and equipment	3-50 years
Vehicles	3-25 years

The City elected to utilize the infrastructure transition option in the implementation of GASB Statement #34 which does not require the City to retroactively capitalize certain infrastructure assets.

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**6. Long-term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of notes or bonds payable and capital leases.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

**City of Calais, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)**

**6. Long-term Debt (Continued)**

The City's policies regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these governmental compensated absences is recorded in both the government-wide and fund financials. The proprietary funds report the liability as it is incurred in both the government-wide and fund financials.

**7. Use of Estimates**

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

**8. Government-wide Net Position**

Net position represents the difference between assets and liabilities in the government-wide financial statements.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The remaining net position is reported as unrestricted. For expenditures that qualify for either classification, amounts will be first spent from restricted net position then from unrestricted net position.

**9. Governmental Fund Balances**

Fund balance represents the difference between assets and liabilities in the fund financial statements. Fund balance must be properly reported within one of the five fund balance categories listed below:

*Nonspendable*, such as fund balances associated with inventories or prepaid expenses. The nonspendable fund balance may also include amounts that are required to be maintained intact, such as the corpus of an endowment fund.

*Restricted* fund balance category includes amounts that can be used only for the specific purposes stipulated by constitution, grantors or through enabling legislation.

*Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision making authority, which is a vote of the City Council.

**City of Calais, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)**

**9. Government Fund Balances (Continued)**

*Assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The City Council is authorized, and other bodies or individuals may be authorized to assign funds for a particular purpose, under authority granted by City's adopted fund balance policy.

*Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

The City has formally adopted a fund balance policy that addresses the requirements of GASB 54. For expenditures that qualify for multiple categories, amounts will be first spent from restricted fund balance, followed by committed fund balance, then assigned fund balance, and finally unassigned fund balance, except in the case of capital reserves, which are considered to be spent only after general fund appropriations are fully utilized or upon approval of the City Council. The City has adopted a minimum fund balance policy which requires that an amount between 12% and 16% of the City's current fiscal year budgeted expenditures be maintained as unassigned fund balance. In the event that the balance drops below the established minimum level, the City Council will develop a written plan to replenish the fund balance to the established minimum level within three fiscal years.

**10. Revenue Recognition - Property Taxes**

Property taxes were levied on assessed values of April 1, 2013, and were due on October 1, 2013. Interest was charged at a rate of 7.00% per annum on amounts not paid by the due date. Upon the expiration of eight months, and within one year from the date of the original commitment, a tax lien is recorded for all delinquent taxes on real estate. Liens were filed June 27, 2014.

For purposes of the fund financial statements, property taxes assessed and collected during the year ended June 30, 2014, and during the first sixty days of the following fiscal year are recognized as revenue in 2014. Receivables estimated to be collectible after the sixty day period are recorded as deferred inflows of resources in the general fund.

Assessed value	
Real estate	\$140,211,360
Personal property	<u>9,182,300</u>
	\$149,393,660
Tax rate (per \$1,000)	<u>25.30</u>
Commitment	\$ 3,779,660
Supplemental taxes assessed	<u>1,158</u>
	\$ 3,780,818
Less collections and abatements	<u>(3,462,016)</u>
Receivable at June 30, 2014	<u>\$ 318,802</u>
Collection rate	91.8%

**City of Calais, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)**

**11. New Governmental Accounting Standards**

During the year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The intent of this statement is to clarify the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

**12. Recent Accounting Pronouncements**

In June, 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The statement is effective for periods beginning after June 15, 2014. The effect of this Statement on the City's financial statements is not known at this time.

**NOTE 2. DEPOSITS AND INVESTMENTS**

**Deposits**

*Custodial Credit Risk:* Custodial credit risk is the risk that in the event of a bank 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, 2014, the City reported deposits of \$1,295,302 with bank balances of \$1,845,053. Of the City's total bank balance of \$1,845,053, \$1,220,116 was exposed to custodial credit risk. The entire exposed amount was collateralized by underlying securities held by the related bank, which were not in the City's name.

Deposits have been reported as follows:

Reported in governmental funds	\$ 632,082
Reported in proprietary funds	461,002
Reported in agency funds	<u>202,218</u>
Total deposits	<u>\$1,295,302</u>

**Investments**

Statutes authorize the City to invest in certificates of deposit, repurchase agreements, and other available bank investments. In addition, the City can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law. The trust and agency fund is also authorized to invest in various instruments in accordance with laws of the State of Maine.

The City's investments at June 30, 2014 are as follows:

Certificates of deposit	\$ 525,498
US Agency Notes	<u>617,051</u>
Total investments	<u>\$ 1,142,549</u>



**City of Calais, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

*Custodial Credit Risk:* Custodial credit risk is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments. The City does not have an investment policy for custodial credit risk. The City's investments at June 30, 2014 of \$1,142,549, invested in U.S. Agency notes and certificates of deposit are exposed to custodial credit risk as the investments are not in the City's name.

*Concentration of Credit Risk:* The City does not have investments that meet the criteria to be classified as a concentration of credit risk investment. The City does not have a policy related to concentration of credit risk.

*Interest Rate Risk:* The City does not have a policy related to investment rate risk. The City is required to disclose the interest rate risk of its debt investments as follows:

	<b>Due in less than one year</b>	<b>Due in 1-5 years</b>	<b>Due in more than five years</b>
U.S. Agency notes	\$ -	\$ 244,044	\$ 373,007
Certificates of deposit	<u>80,238</u>	<u>420,508</u>	<u>24,752</u>
Total debt investments	<u>\$ 80,238</u>	<u>\$ 664,552</u>	<u>\$ 397,759</u>

Investments of \$1,142,549 have been reported as follows:

Reported in governmental funds	\$1,077,326
<i>Investments not included in government-wide statements</i>	
Reported in fiduciary funds	<u>65,223</u>
Total investments	<u>\$1,142,549</u>

**City of Calais, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**NOTE 3. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 is as follows:

	<b>Balance 6/30/13</b>	<b>Additions/ Completion</b>	<b>Retire- ments/</b>	<b>Balance 6/30/14</b>
<b>Governmental Activities</b>				
<i>Capital assets not being depreciated</i>				
Land	\$ 3,089,305	\$ -	\$ -	\$ 3,089,305
Construction in progress	<u>87,331</u>	<u>-</u>	<u>-</u>	<u>87,331</u>
Total capital assets not being depreciated	<u>3,176,636</u>	<u>-</u>	<u>-</u>	<u>3,176,636</u>
<i>Capital assets being depreciated</i>				
Buildings and improvements	1,671,331	32,333	-	1,703,664
Infrastructure	-	116,956	-	116,956
Equipment and furniture	1,879,487	63,598	(254,248)	1,688,837
Vehicles	<u>1,833,314</u>	<u>44,300</u>	<u>(100,383)</u>	<u>1,777,231</u>
Total capital assets being depreciated	<u>5,384,132</u>	<u>257,187</u>	<u>(354,631)</u>	<u>5,286,688</u>
<i>Less accumulated depreciation for</i>				
Buildings and improvements	(890,475)	(50,343)	-	(940,818)
Infrastructure	-	(4,386)	-	(4,386)
Equipment and furniture	(1,228,021)	(142,356)	231,859	(1,138,518)
Vehicles	<u>(1,215,056)</u>	<u>(114,493)</u>	<u>81,271</u>	<u>(1,215,056)</u>
Total accumulated depreciation	<u>(3,333,552)</u>	<u>(311,578)</u>	<u>313,130</u>	<u>(3,332,000)</u>
Total capital assets, being depreciated net	<u>2,050,580</u>	<u>(54,391)</u>	<u>(41,501)</u>	<u>1,954,688</u>
Governmental activities capital assets, net	<u>\$ 5,227,216</u>	<u>\$ (54,391)</u>	<u>\$ (41,501)</u>	<u>\$ 5,131,324</u>
<b>Business-type activities</b>				
<i>Capital assets not being depreciated</i>				
Land and organizational costs	\$ 75,896	\$ -	\$ -	\$ 75,896
Construction in progress	<u>347,131</u>	<u>1,021,374</u>	<u>(1,156,348)</u>	<u>212,157</u>
Total capital assets not being depreciated	<u>423,027</u>	<u>1,021,374</u>	<u>(1,156,348)</u>	<u>288,053</u>
<i>Capital assets being depreciated</i>				
Infrastructure	21,134,741	1,142,430	-	22,277,171
Buildings and improvements	8,432,021	14,500	-	8,446,521
Equipment, furniture and vehicles	<u>1,156,543</u>	<u>212,061</u>	<u>-</u>	<u>1,368,604</u>
Total capital assets, being depreciated	<u>30,723,305</u>	<u>1,368,991</u>	<u>-</u>	<u>32,092,296</u>
<i>Less accumulated depreciation for</i>				
Infrastructure	(3,096,082)	(423,307)	-	(3,519,389)
Buildings and improvements	(3,827,415)	(258,679)	-	(4,086,094)
Equipment, furniture and vehicles	<u>(987,640)</u>	<u>(228,771)</u>	<u>-</u>	<u>(1,216,411)</u>
Total accumulated depreciation	<u>(7,911,137)</u>	<u>(910,757)</u>	<u>-</u>	<u>(8,821,894)</u>
Total capital assets, being depreciated net	<u>22,812,168</u>	<u>458,234</u>	<u>-</u>	<u>23,270,402</u>
Business-type activities capital assets, net	<u>\$23,235,195</u>	<u>\$ 1,479,608</u>	<u>\$(1,156,348)</u>	<u>\$23,558,455</u>

**City of Calais, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**NOTE 3. CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged as a direct expense to programs as follows:

<i>Governmental activities</i>	
Administration	\$ 14,352
Library	16,750
Parks and recreation	23,526
Police department	50,854
Fire department	48,315
Public works – general	90,778
Public works – solid waste	5,560
Public works – cemetery	5,730
Public buildings – North Street	13,008
Education	<u>42,704</u>
Total depreciation expense – Governmental activities	<u>\$ 311,578</u>
 <i>Business-type activities</i>	
Sewer fund	\$ 537,663
Ambulance fund	57,576
Water fund	<u>156,074</u>
Total depreciation expense – Business-type activities	<u>\$ 751,313</u>

**NOTE 4. LONG-TERM LIABILITIES**

The following is a summary of long-term liabilities for the year ended June 30, 2014.

	<b>Balance June 30, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2014</b>	<b>Portion due within one year</b>
<b>Governmental Liabilities</b>					
<b>General Obligation Notes Payable</b>					
<i>The First, N.A.</i>					
2013 Municipal Note, due 2017, with annual principal and interest payments. Interest at 1.35%.	\$ 53,913	\$ -	\$ (53,913)	\$ -	\$ -
2013 Municipal Note, due 2018, with annual principal and interest payments. Interest at 1.40%	247,279	-	(48,149)	199,130	48,765
<i>Machias Savings Bank</i>					
2013 Municipal Note, due 2020, with annual principal and interest payments. Interest at 2.20%	<u>584,992</u>	<u>-</u>	<u>(77,994)</u>	<u>506,998</u>	<u>79,912</u>
Total general obligation notes payable	886,184	-	(180,056)	706,128	128,677
<b>Capital Leases</b>	<u>44,829</u>	<u>50,098</u>	<u>(17,162)</u>	<u>77,765</u>	<u>21,580</u>
Total governmental long-term liabilities	<u>\$ 931,013</u>	<u>\$ 50,098</u>	<u>\$ (197,218)</u>	<u>\$ 783,893</u>	<u>\$ 150,257</u>

**City of Calais, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**NOTE 4. LONG-TERM LIABILITIES (CONTINUED)**

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014*	Portion due within one year
<b>Business-type Activities Liabilities</b>					
<b>Proprietary Funds Bonds and</b>					
<b>Notes Payable</b>					
2010 Water – Municipal Bond due 2021, with annual principal and interest payments. Interest at 3.13%. <i>The First, N.A.</i>	\$ 137,354	\$ -	\$ (137,354)	\$ -	\$ -
2013 Sewer Note, due 2017, with annual principal and interest payments. Interest at 1.35%.	-	53,913	(13,346)	40,567	13,341
2004 Water – Note Payable due 2019, with annual principal and interest payments. Interest at 3.49%.	26,535	-	(26,535)	-	-
2013 Water – Note Payable due 2020, with annual principal and interest payments. Interest at 2.025%.	-	27,497	(3,833)	23,663	3,750
2013 Water – Note Payable due 2021, with annual principal and interest payments. Interest at 2.25%.	-	138,000	(16,718)	121,282	16,192
<i>Machias Savings Bank</i>					
2013 Water – Note Payable due 2026, with annual principal and interest payments. Interest at 2.75%.	-	127,241	-	127,241	8,256
<i>Maine Municipal Bond Bank</i>					
2002 Sewer - Municipal Bond, due 2022, with annual principal and semi-annual interest payments. Interest at 2.355%.	1,175,048	-	(118,739)	1,056,309	121,535
2013 Ambulance–Note Payable due 2015, with annual principal and interest payments. Interest at 1.15%	158,831	-	(79,193)	79,638	79,638
2009 Sewer - Municipal Bond, due 2030, with annual principal and semi-annual interest payments. Interest at 1.000%.	844,124	-	(45,801)	798,323	46,258
2010 Sewer - Municipal Bond, due 2030, with annual principal and semi-annual interest payments. Interest at 1.000%.	813,551	-	(44,142)	769,409	44,583
2008 Water - Municipal Bond, due 2031, with annual principal payments. Interest at 0.000%.	1,554,824	-	(81,833)	1,472,991	81,833
2009 Water - Municipal Bond, due 2036, with annual principal payments. Interest at 0.000%.	783,857	-	(32,661)	751,196	32,661
2009 Water - Municipal Bond, due 2039, with annual principal payments. Interest at 0.000%.	39,308	-	(1,483)	37,825	1,483
2009 Water - Municipal Bond, due 2039, with annual principal payments. Interest at 0.000%.	126,802	-	(4,785)	122,017	4,785
2009 Water - Municipal Bond, due 2039, with annual principal payments. Interest at 0.000%.	526,051	-	(19,484)	506,567	199,483
2012 Water – Municipal Bond, due 2042, with annual principal payments. Interest at 0.000%.	369,508	-	(12,741)	356,767	12,742

**City of Calais, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**NOTE 4. LONG-TERM LIABILITIES (CONTINUED)**

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014*	Portion due within one year
<b>Proprietary Funds Bonds and Notes Payable (Continued)</b>					
2014 Water – Municipal Bond, due 2044, with annual principal payments. Interest at 1.000%.	-	244,000	-	244,000	7,015
2010 Sewer - Municipal Bond, due 2031, with annual principal and semi-annual interest payments. Interest at 1.000%.	1,129,533	-	(57,586)	1,071,947	58,162
2011 Sewer - Municipal Bond, due 2031, with annual principal and semi-annual interest payments. Interest at 1.500%.	1,123,730	-	(54,844)	1,068,886	55,667
<i>Rural Development</i>					
2012 Sewer - Municipal Bond, due 2040, with annual principal and semi-annual interest payments. Interest at 2.25%.	756,774	-	(20,680)	736,094	21,146
<i>Bar Harbor Bank and Trust</i>					
2005 General obligation water bond, due 2025, with annual principal and interest Payments. Interest at 3.99%.	<u>125,024</u>	<u>-</u>	<u>(125,024)</u>	<u>-</u>	<u>-</u>
Total proprietary fund bonds payable	<u>9,690,854</u>	<u>590,651</u>	<u>(896,782)</u>	<u>9,384,723</u>	<u>628,531</u>
Total general and proprietary fund long-term liabilities	<u>\$10,621,867</u>	<u>\$ 640,749</u>	<u>\$ 1,094,000</u>	<u>\$10,168,616</u>	<u>\$ 778,788</u>

\*All Water department liabilities are as of December 31, 2013.

**General obligation and proprietary fund bonds and notes payable**

Future maturities of general obligation and proprietary fund bonds and notes payable are as follows:

Year ended June 30	General Obligations		Proprietary Obligations		Total
	Principal	Interest	Principal	Interest	
2015	\$128,677	\$14,097	\$ 628,531	\$ 97,160	\$ 868,465
2016	131,142	11,632	555,475	90,108	788,357
2017	133,631	9,143	562,178	83,366	788,318
2018	136,163	6,553	555,122	76,490	774,328
2019	87,284	3,937	561,909	69,661	722,791
2020-2024	89,231	1,990	2,544,119	239,920	2,875,260
2025-2029	-	-	2,148,584	120,138	2,268,722
2030-2034	-	-	1,178,649	45,168	1,223,817
2035-2039	-	-	506,694	19,568	526,262
2040-2044	<u>-</u>	<u>-</u>	<u>143,462</u>	<u>2,213</u>	<u>145,675</u>
	<u>\$706,128</u>	<u>\$47,352</u>	<u>\$9,384,723</u>	<u>\$843,791</u>	<u>\$10,981,995</u>

In accordance with Maine law, no municipality shall incur debt for specific purposes in excess of certain percentages of State valuation of such municipality. At June 30, 2014, the City was in compliance with these limitations.

During the year ended June 30, 2014, the City was approved under the State *Drinking Water Revolving Loan Fund*. Under this program a total of \$61,000, which represents 20% of the original loan amount, was forgiven by the Maine Municipal Bond Bank.

**City of Calais, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**NOTE 4. LONG-TERM LIABILITIES (CONTINUED)**

**Obligations under capital leases**

The City is the lessee of photocopiers under capital leases expiring in 2016, 2017, and 2019. The liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair market value of the asset acquired.

As of June 30, 2014, the City had recorded \$151,394 in governmental activities equipment related to outstanding capital leases. Amortization of these assets is included with depreciation expense. Accumulated depreciation for these assets at June 30, 2014 is \$97,679.

Minimum future lease payments under capital leases as of June 30, 2014 are:

2015	\$ 25,596
2016	25,596
2017	14,788
2018	13,402
2019	<u>8,010</u>
	87,392
Less amount representing interest	<u>(9,627)</u>
Present value of minimum lease payments	<u>\$77,765</u>

**Overlapping Debt**

The City is contingently responsible for a proportionate share of the overlapping debt of the City of Calais School District Trustees. At June 30, 2014, the Trustees had debt outstanding of \$4,271,850 of which the City's share was 100% for a total of \$4,271,850.

**NOTE 5. OPERATING LEASES**

**Obligations under operating leases**

The City is currently committed to operating lease payments of \$91,279 over the next three years for copiers and portable classroom leases. Future lease payment requirements are as follows:

2015	\$60,207
2016	30,934
2017	<u>138</u>
	<u>\$91,279</u>

Operating lease payments were \$62,195 for fiscal year 2013.

**NOTE 6. BOND ANTICIPATION NOTES AND LINE OF CREDIT**

The City entered into temporary financing agreements as follows for the year ended June 30, 2014:

	<b>Purpose of Financing</b>	<b>Balance 7/1/13</b>	<b>Draws</b>	<b>Paid</b>	<b>Balance 6/30/14</b>
The First, N.A. Maine Municipal Bond Bank	Cash Flow - general	\$500,000	\$165,000	\$ -	\$665,000
	Project-proprietary	<u>305,000</u>	-	<u>(305,000)</u>	-
		<u>\$805,000</u>	<u>\$ 165,000</u>	<u>\$(305,000)</u>	<u>\$665,000</u>

**City of Calais, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**NOTE 7. INTERFUND TRANSACTIONS**

During the course of normal operations the City has numerous transactions between funds including expenditures and transfers.

Individual fund interfund receivable and payables balances at June 30, 2014 arising from these transactions were as follows:

	<u>Receivable</u>	<u>Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$2,135,408	\$ 371,836	\$ 318,450	\$ 484,750
Special revenue fund	97,651	-	-	-
Nonmajor governmental funds	274,186	10,660	484,750	318,450
Enterprise fund	-	2,124,749	-	-
	<u>\$2,507,245</u>	<u>\$2,507,245</u>	<u>\$ 803,200</u>	<u>\$ 803,200</u>

Transfers are used to (1) move revenues that are collected in accordance with the budget to the appropriate fund to expend and (2) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorization.

**NOTE 8. NET INVESTMENT IN CAPITAL ASSETS**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds payable, adding back any unspent proceeds. The City's net investment in capital assets was calculated as follows at June 30, 2014:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital assets	\$ 8,463,324	\$ 32,380,349
Accumulated depreciation	(3,332,000)	(8,821,894)
Related bonds payable	(706,128)	(9,384,723)
Related capital leases payable	(77,765)	-
Unspent bond proceeds	-	(131,888)
Total balance	<u>\$ 4,347,431</u>	<u>\$ 14,305,620</u>

**NOTE 9. COMMITTED - CAPITAL PROJECTS**

At June 30, 2014, the committed fund balance for capital projects was comprised of the following:

Animal control fees	\$ 2,003
Arts council donations	199
Concert donations	3,207
Firefighter training and other projects	2,873
Land disposition	800
Library donations and projects	23,317
Meridian park	825
Nursing home	120
Police - DARE and other projects	9,763
Recreation	4,157
Skateboard park	(100)
Transfer station	2,870
Public works	13,500
Veteran's Memorial	1,412
WCPA purchase	<u>226,089</u>
	<u>\$291,035</u>

**City of Calais, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**NOTE 10. RESTATED BEGINNING BALANCES**

The City restated the beginning governmental fund and sewer fund balances by \$53,913 to reflect the reclassification of fully depreciated assets of \$159,444 and the remaining long-term debt of \$53,913.

**NOTE 11. PENSION PLANS**

**Defined Benefit Pension Plans**

*Teachers and Other Qualified Educators*

All School teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's teacher group. The teacher's group is a cost-sharing, multiple-employer defined benefit plan with a special funding situation established by the Maine State Legislature. The Maine Public Employees Retirement System (MainePERS) provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the state legislature. The MainePERS issues a publicly available financial report that includes financial statements and required supplementary information for the teacher's group. That report may be obtained by calling 1-800-451-9800.

Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education (DOE) is required, by state statute, to contribute 13.03% of compensation for non-federally funded employees. The City's school department is required to contribute 2.65% of compensation to cover the normal costs for non-federally funded employees. The school department is also required to contribute 16.15% of compensation for federally funded employees.

The contributions for the year ended June 30, 2014 were as follows:

	Covered Payroll	Contribution Percentage	Contribution Amount
Employee contribution	\$ 3,426,161	7.65%	\$ 262,101
State DOE contribution for non-federally funded employees	3,252,810	13.03%	423,841
Employer contribution for normal costs of non-federally funded employees	3,252,810	2.65%	86,199
Employer contribution for federally funded employees	173,351	16.15%	27,996

*All Other Employees – Plan Description*

The City has contributed to the MainePERS Participating Local District Consolidated Retirement Plan, a cost-sharing multiple-employer defined benefit plan. The City's payroll for the year ended June 30, 2014 for employees covered by this plan was \$1,636,481.



**City of Calais, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**NOTE 11. PENSION PLANS (CONTINUED)**

All full-time City employees are eligible to participate in the MainePERS. Benefits vest after five years of service. Beyond the five year period, the employee would receive a certain benefit upon attaining the age of sixty, this benefit would be computed at that time. Employees who retire at or after age 60 with 1 year credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2% of the average of their highest three year earnings. The MainePERS also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. A copy of the most recent financial report for the plan may be obtained from the MainePERS by calling 1-800-451-9800.

*All Other Employees – Funding Status and Progress*

Participating City employees are required to contribute 6.5% of their annual salary to the Plan by State Statute. The City is required to pay contributions as determined on an annual basis by the Plan's actuaries.

	Year ended 6/30/14		Year ended 6/30/13		Year ended 6/30/12	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Employer	\$ 74,008	4.52%	\$ 51,892	3.11%	\$ 32,209	1.93%
Employee	106,372	6.50	108,340	6.50	108,329	6.50

**Deferred Compensation Plan**

The City also provides a 457 Deferred Compensation Plan administered by International City Manager Association (ICMA) Retirement Corporation. A copy of the most recent financial report may be obtained from the plan administrator. The City does not contribute to the plan. Employees elected to defer \$140 under this plan.

**NOTE 12. RISK COVERAGE AND PARTICIPATION IN PUBLIC ENTITY RISK POOL**

The City is exposed to various risks of losses related to torts, theft, damage, and destruction of assets, injuries to employees, and natural disasters. The City maintains various commercial policies and membership in various risk pools to mitigate these risks to an acceptable level and to limit the City's exposure to losses.

The City's School Department is a member of the Maine School Management Association - Unemployment Compensation Trust Fund ("MSMA"). MSMA was created to formulate, develop and administer a program of modified self-funding for MSMA's membership, obtain lower costs for unemployment compensation coverage and develop a comprehensive loss control program. The School Department contributes to MSMA based on the first \$12,000 of wages for unemployment compensation. Each member has its reserve, which is determined by the actuary. If the reserve is higher than is determined by the actuary, excess contributions are returned to the member. The annual rate set by MSMA's actuary is based on the member's reserve and on estimated future claims. Each member is responsible for its own excess of claims over reserve.

**NOTE 13. COMMITMENTS**

At June 30, 2014, the City, through its school department, is committed to \$983,811 for the balance of the five year transportation contract which ends in 2017. The City, through its school department is also committed to \$68,622 for the balance of its three year clinical assessment and treatment services contract, which ends in 2014. The City is committed to \$1,124,236 for engineering costs associated with various water and sewer projects for the City.

**City of Calais, Maine**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**NOTE 14. CONTINGENCIES**

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the City's financial position.

The City participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the City's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

**City of Calais**  
**Budget and Actual (with Budget to GAAP Differences) - General Fund**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts			Actual Amounts - Budgetary Basis	Budget to GAAP Differ- ences*	Actual Amounts - GAAP Basis
	Original	Change	Final			
<b>REVENUES</b>						
Property taxes	\$ 3,779,660	\$ -	\$ 3,779,660	\$ 3,705,438	\$ -	\$ 3,705,438
Excise taxes	468,000	-	468,000	500,798	-	500,798
Intergovernmental education	7,196,742	(313,900)	6,882,842	7,223,338	-	7,223,338
Intergovernmental other	539,068	-	539,068	543,988	-	543,988
Charges for services	277,059	-	277,059	284,991	-	284,991
On-behalf payments - State of Maine	-	-	-	-	423,841	423,841
Investment income	2,000	-	2,000	1,860	-	1,860
<b>Total revenues</b>	<b>12,262,529</b>	<b>(313,900)</b>	<b>11,948,629</b>	<b>12,260,413</b>	<b>423,841</b>	<b>12,684,254</b>
<b>EXPENDITURES</b>						
<b>Current</b>						
City council	15,935	-	15,935	15,829	-	15,829
Administration, finance and development	516,808	-	516,808	517,346	(11,761)	505,585
Library	143,998	-	143,998	141,800	(1,244)	140,556
Parks and recreation	182,186	-	182,186	164,664	(408)	164,256
Police department	710,404	-	710,404	670,046	(8,257)	661,789
Fire department	427,159	-	427,159	413,616	(9,473)	404,143
Public works - general	577,641	-	577,641	542,534	(7,474)	535,060
Public works - street lights	78,200	-	78,200	78,999	-	78,999
Public works - solid waste disposal	98,567	-	98,567	74,052	-	74,052
Public works - cemetery	94,993	-	94,993	75,998	(2,387)	73,611
Public buildings - North Street	44,650	-	44,650	40,115	-	40,115
Insurance	52,700	-	52,700	61,035	-	61,035
County	262,937	-	262,937	262,937	-	262,937
Education	8,612,735	-	8,612,735	8,634,643	(45,427)	8,589,216
On-behalf payments - State of Maine	-	-	-	-	423,841	423,841
Miscellaneous	244,369	-	244,369	248,935	-	248,935
<b>Debt service</b>						
Principal	77,994	-	77,994	77,994	17,163	95,157
Interest and other charges	13,228	-	13,228	13,227	3,774	17,001
Capital outlay	85,105	-	85,105	85,105	50,098	135,203
<b>Total expenditures</b>	<b>12,239,609</b>	<b>-</b>	<b>12,239,609</b>	<b>12,118,875</b>	<b>408,445</b>	<b>12,527,320</b>
Excess (deficiency) of revenues over expenditures	22,920	(313,900)	(290,980)	141,538	15,396	156,934
<b>OTHER FINANCING SOURCES (USES)</b>						
Use of carryover fund balance	535,855	-	535,855	-	-	-
Overlay	(83,455)	-	(83,455)	-	-	-
Proceeds from capital lease	-	-	-	-	50,098	50,098
Transfers in	7,430	313,900	321,330	318,450	-	318,450
Transfers out	(484,750)	-	(484,750)	(484,750)	-	(484,750)
<b>Total other financing sources (uses)</b>	<b>(24,920)</b>	<b>313,900</b>	<b>288,980</b>	<b>(166,300)</b>	<b>50,098</b>	<b>(116,202)</b>
<b>SPECIAL ITEM</b>						
Proceeds from sale of capital assets	2,000	-	2,000	4,741	-	4,741
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(20,021)</b>	<b>65,494</b>	<b>45,473</b>
<b>FUND BALANCE - BEGINNING</b>				<b>1,014,753</b>	<b>-</b>	<b>1,014,753</b>
<b>FUND BALANCE - ENDING</b>				<b>\$ 994,732</b>	<b>\$ 65,494</b>	<b>\$ 1,060,226</b>

\* - Adjustments necessary to convert the general fund's net change in fund balances on the budget basis to a GAAP basis are provided below:

Net change in fund balances - budget basis	\$ (20,021)
On behalf payments revenue	423,841
On behalf payments expenditures	(423,841)
Proceeds from capital lease	50,098
Capital lease purchases	(50,098)
Change in accrued wages and accrued compensated absences	65,494
<b>Net change in fund balances - GAAP basis</b>	<b>\$ 45,473</b>

**City of Calais**  
**Budget and Actual (with Variances) - General Fund**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts			Actual Amounts - Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Change	Final		
<b>REVENUES</b>					
Property taxes	\$ 3,779,660	\$ -	\$ 3,779,660	\$ 3,705,438	\$ (74,222)
Excise taxes	468,000	-	468,000	500,798	32,798
Intergovernmental education	7,196,742	(313,900)	6,882,842	7,223,338	340,496
Intergovernmental other	539,068	-	539,068	543,988	4,920
Charges for services	277,059	-	277,059	284,991	7,932
Investment earnings	2,000	-	2,000	1,860	(140)
Total revenues	12,262,529	(313,900)	11,948,629	12,260,413	311,784
<b>EXPENDITURES</b>					
Current					
City council	15,935	-	15,935	15,829	106
Administration, finance and development	516,808	-	516,808	517,346	(538)
Library	143,998	-	143,998	141,800	2,198
Parks and recreation	182,186	-	182,186	164,664	17,522
Police department	710,404	-	710,404	670,046	40,358
Fire department	427,159	-	427,159	413,616	13,543
Public works - general	577,641	-	577,641	542,534	35,107
Public works - street lights	78,200	-	78,200	78,999	(799)
Public works - solid waste disposal	98,567	-	98,567	74,052	24,515
Public works - cemetery	94,993	-	94,993	75,998	18,995
Public buildings - North Street	44,650	-	44,650	40,115	4,535
Insurance	52,700	-	52,700	61,035	(8,335)
County	262,937	-	262,937	262,937	-
Education	8,612,735	-	8,612,735	8,634,643	(21,908)
Miscellaneous	244,369	-	244,369	248,935	(4,566)
Debt service					
Principal	77,994	-	77,994	77,994	-
Interest and other charges	13,228	-	13,228	13,227	1
Capital outlay	85,105	-	85,105	85,105	-
Total expenditures	12,239,609	-	12,239,609	12,118,875	120,734
Excess (deficiency) of revenues over expenditures	22,920	(313,900)	(290,980)	141,538	432,518
<b>OTHER FINANCING SOURCES (USES)</b>					
Use of carryover fund balance	535,855	-	535,855	-	(535,855)
Overlay	(83,455)	-	(83,455)	-	83,455
Transfers in	7,430	313,900	321,330	318,450	(2,880)
Transfers out	(484,750)	-	(484,750)	(484,750)	-
Total other financing sources (uses)	(24,920)	313,900	288,980	(166,300)	(455,280)
<b>SPECIAL ITEM</b>					
Proceeds from sale capital assets	2,000	-	2,000	4,741	2,741
Net change in fund balances	\$ -	\$ -	\$ -	(20,021)	\$ (20,021)
<b>FUND BALANCE - BEGINNING</b>				1,014,753	
<b>FUND BALANCE - ENDING</b>				\$ 994,732	

**City of Calais**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
**June 30, 2014**

	<u>Capital Projects</u>	<u>Permanent Fund</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 267,837	\$ 58,412	\$ 326,249
Investments	-	531,453	531,453
Due from other funds	274,186	-	274,186
	<u>542,023</u>	<u>589,865</u>	<u>1,131,888</u>
Total assets	<u>\$ 542,023</u>	<u>\$ 589,865</u>	<u>\$ 1,131,888</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Due to other funds	\$ -	\$ 10,660	\$ 10,660
Fund balances			
Nonspendable for			
Endowments	-	495,464	495,464
Restricted for			
Permanent fund	-	83,741	83,741
Committed for			
Equipment	239,775	-	239,775
Vocational Center	11,213	-	11,213
Capital projects	291,035	-	291,035
	<u>542,023</u>	<u>579,205</u>	<u>1,121,228</u>
Total fund balances	<u>542,023</u>	<u>579,205</u>	<u>1,121,228</u>
Total liabilities and fund balances	<u>\$ 542,023</u>	<u>\$ 589,865</u>	<u>\$ 1,131,888</u>

**City of Calais**  
**Combining Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2014**

	<u>Capital Projects</u>	<u>Permanent Fund</u>	<u>Totals</u>
<b>REVENUES</b>			
Charges for services	\$ 17,637	\$ -	\$ 17,637
Principal contributions	-	2,250	2,250
Investment income	32,526	9,721	42,247
Realized gains (losses) on investments	-	56	56
Unrealized gains (losses) on investments	-	4,106	4,106
Other income	19,310	-	19,310
	<u>69,473</u>	<u>16,133</u>	<u>85,606</u>
<b>EXPENDITURES</b>			
Current			
Administration, finance and development	867	-	867
Library	44,438	3,868	48,306
Cemetery	-	2,455	2,455
Parks and recreation	1,387	-	1,387
Miscellaneous	6,035	2,543	8,578
Debt service			
Principal	48,149	-	48,149
Interest and other charges	3,414	-	3,414
Capital outlay	156,208	-	156,208
	<u>260,498</u>	<u>8,866</u>	<u>269,364</u>
Excess (deficiency) of revenues over expenditures	<u>(191,025)</u>	<u>7,267</u>	<u>(183,758)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	484,750	-	484,750
Transfers out	<u>(318,450)</u>	<u>-</u>	<u>(318,450)</u>
Total other financing sources (uses)	<u>166,300</u>	<u>-</u>	<u>166,300</u>
Net change in fund balances	(24,725)	7,267	(17,458)
<b>FUND BALANCES - BEGINNING</b>	<u>566,748</u>	<u>571,938</u>	<u>1,138,686</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 542,023</u>	<u>\$ 579,205</u>	<u>\$ 1,121,228</u>

**City of Calais, Maine**  
**Combining Statement of Revenues, Expenditures and Changes**  
**In Fund Balance - Special Revenue Funds**  
**For the Year Ended June 30, 2014**

	REVENUES							EXPENDITURES			Excess of Revenues Over (Under) Expenditures	Net Change in Fund Balance	FUND BALANCE			
	Inter-governmental	Investment Income	Realized Gains/(Losses)	Unrealized Gains/(Losses)	Charges for Services	Other Income	Total Revenues	Program	Educa-tion	Total Expend-itures			Beginning	Ending		
<b>Non-Education Grants</b>																
Banks walkway grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 306	\$ 306	
Dawson program income	-	-	-	-	19,241	-	19,241	20,916	-	20,916	(1,675)	(1,675)	11,184	9,509		
Downtown community enterprise	-	-	-	-	-	-	-	4,199	-	4,199	(4,199)	(4,199)	7,297	3,098		
Façade grant	14,296	-	-	-	-	-	14,296	14,296	-	14,296	-	-	-	-		
Fire MEHAF grant	-	-	-	-	-	4,750	4,750	4,750	-	4,750	-	-	-	-		
Pet smart grant	-	-	-	-	-	-	-	12,614	-	12,614	(12,614)	(12,614)	18,326	5,712		
Project canopy	4,000	-	-	-	-	-	4,000	4,000	-	4,000	-	-	-	-		
Police stone garden grant	21,403	-	-	-	-	-	21,403	21,403	-	21,403	-	-	-	-		
Police 2010 JAG grant	7,341	-	-	-	-	-	7,341	7,341	-	7,341	-	-	-	-		
Police 2012 JAG grant	2,205	-	-	-	-	-	2,205	2,205	-	2,205	-	-	-	-		
Rental rehabilitation	-	4	-	2	-	-	6	2	-	2	4	4	272	276		
Summer food program	7,382	-	-	-	-	226	7,608	7,405	-	7,405	203	203	-	203		
FEMA rain disaster grant	6,598	-	-	-	-	-	6,598	6,598	-	6,598	-	-	-	-		
Urban development action grant	-	20,387	123	3,359	-	25	23,894	15,874	-	15,874	8,020	8,020	994,338	1,002,358		
Uptown loan	-	2,653	9	251	-	100	3,013	17,650	-	17,650	(14,637)	(14,637)	84,217	69,580		
<b>Total non-education grants</b>	<b>63,225</b>	<b>23,044</b>	<b>132</b>	<b>3,612</b>	<b>19,241</b>	<b>5,101</b>	<b>114,355</b>	<b>139,253</b>	<b>-</b>	<b>139,253</b>	<b>(24,898)</b>	<b>(24,898)</b>	<b>1,115,940</b>	<b>1,091,042</b>		
<b>Education Grants</b>	<b>679,376</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>88,857</b>	<b>12,388</b>	<b>780,621</b>	<b>300,436</b>	<b>516,231</b>	<b>816,667</b>	<b>(36,046)</b>	<b>(36,046)</b>	<b>125,783</b>	<b>89,737</b>		
<b>Total special revenue</b>	<b>\$ 742,601</b>	<b>\$ 23,044</b>	<b>\$ 132</b>	<b>\$ 3,612</b>	<b>\$ 108,098</b>	<b>\$ 17,489</b>	<b>\$ 894,976</b>	<b>\$ 439,689</b>	<b>\$ 516,231</b>	<b>\$ 955,920</b>	<b>\$ (60,944)</b>	<b>\$ (60,944)</b>	<b>\$ 1,241,723</b>	<b>\$ 1,180,779</b>		

**City of Calais, Maine**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Permanent Trust Funds**  
**For the Year Ended June 30, 2014**

	<b>Cemetery Trust Funds</b>	<b>Library Trust Funds</b>	<b>Poor Trust Funds</b>	<b>Beckett Pool Funds</b>	<b>Totals</b>
<b>NONEXPENDABLE PRINCIPAL</b>					
Revenues					
Additional principal	\$ 2,000	\$ 250	\$ -	\$ -	\$ 2,250
Realized capital gains (losses)	36	10	9	1	56
Unrealized capital gains (losses)	<u>2,659</u>	<u>712</u>	<u>652</u>	<u>83</u>	<u>4,106</u>
Increase in fund balance	4,695	972	661	84	6,412
<b>FUND BALANCE, BEGINNING</b>	<u>316,731</u>	<u>84,850</u>	<u>77,721</u>	<u>9,750</u>	<u>489,052</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 321,426</u>	<u>\$ 85,822</u>	<u>\$ 78,382</u>	<u>\$ 9,834</u>	<u>\$ 495,464</u>
<b>EXPENDABLE INCOME</b>					
Revenues					
Investment income	\$ 5,700	\$ 2,477	\$ 1,372	\$ 172	\$ 9,721
Expenses	(2,455)	(988)	(2,468)	(75)	(5,986)
Transfers out	<u>-</u>	<u>(2,880)</u>	<u>-</u>	<u>-</u>	<u>(2,880)</u>
Increase (decrease) in fund balance	3,245	(1,391)	(1,096)	97	855
<b>FUND BALANCE (DEFICIT), BEGINNING</b>	<u>29,827</u>	<u>58,061</u>	<u>(8,054)</u>	<u>3,052</u>	<u>82,886</u>
<b>FUND BALANCE (DEFICIT), ENDING</b>	<u>\$ 33,072</u>	<u>\$ 56,670</u>	<u>\$ (9,150)</u>	<u>\$ 3,149</u>	<u>\$ 83,741</u>
<b>TOTAL NONEXPENDABLE PRINCIPAL AND EXPENDABLE FUND BALANCE, ENDING</b>	<u>\$ 354,498</u>	<u>\$ 142,492</u>	<u>\$ 69,232</u>	<u>\$ 12,983</u>	<u>\$ 579,205</u>



**City of Calais, Maine**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Poor Trust Funds**  
**For the Year Ended June 30, 2014**

	<b>Chase Poor</b>	<b>J. Lewis Saunders</b>	<b>Lucy Wentworth</b>	<b>Clapp</b>	<b>Total</b>
<b>NONEXPENDABLE PRINCIPAL</b>					
Revenues					
Realized capital gains	\$ 7	\$ 2	\$ -	\$ -	\$ 9
Unrealized capital gains	<u>490</u>	<u>139</u>	<u>13</u>	<u>10</u>	<u>652</u>
Increase in fund balance	497	141	13	10	661
<b>FUND BALANCE, BEGINNING</b>	<u>58,328</u>	<u>16,630</u>	<u>1,486</u>	<u>1,277</u>	<u>77,721</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 58,825</u>	<u>\$ 16,771</u>	<u>\$ 1,499</u>	<u>\$ 1,287</u>	<u>\$ 78,382</u>
<b>EXPENDABLE INCOME</b>					
Revenues					
Investment income	\$ 1,029	\$ 293	\$ 26	\$ 23	\$ 1,371
Expenses	<u>(2,319)</u>	<u>(127)</u>	<u>(11)</u>	<u>(10)</u>	<u>(2,467)</u>
Increase (decrease) in fund balance	(1,290)	166	15	13	(1,096)
<b>FUND BALANCE (DEFICIT), BEGINNING</b>	<u>290</u>	<u>214</u>	<u>120</u>	<u>(8,678)</u>	<u>(8,054)</u>
<b>FUND BALANCE (DEFICIT), ENDING</b>	<u>\$ (1,000)</u>	<u>\$ 380</u>	<u>\$ 135</u>	<u>\$ (8,665)</u>	<u>\$ (9,150)</u>

**City of Calais, Maine**  
**Taxes Receivable, Tax Liens, and Tax Acquired Property - General Fund**  
**For the Year Ended June 30, 2014**

Taxes receivable	
2013	\$ 13,943
2012	287
2010	<u>213</u>
	<u>14,443</u>
Tax liens and tax acquired property	
2013	304,859
2012	116,268
2011	<u>1,235</u>
	<u>422,362</u>
Total taxes receivable, tax liens, and tax acquired property	<u>\$ 436,805</u>

**City of Calais**  
**City of Calais School Department**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - School Department**  
**For the Year Ended June 30, 2014**

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Local assessments	\$ 1,415,993	\$ 1,415,993	\$ -
State subsidy	4,176,418	4,176,418	-
Intergovernmental	1,512,400	1,640,448	128,048
Tuition and fees	1,461,287	1,637,689	176,402
Other	<u>46,637</u>	<u>61,644</u>	<u>15,007</u>
Total revenues	<u>8,612,735</u>	<u>8,932,192</u>	<u>319,457</u>
<b>EXPENDITURES</b>			
Regular instruction	2,711,277	2,711,258	19
Special education	2,142,898	2,214,949	(72,051)
Technical education	775,494	775,494	-
Other Instruction	126,970	121,512	5,458
Student and staff support	348,946	312,422	36,524
System administration	313,463	286,110	27,353
School administration	349,566	344,287	5,279
Transportation and buses	369,155	369,155	-
Facilities maintenance	902,743	902,743	-
Debt service and other commitments	<u>572,223</u>	<u>572,223</u>	<u>-</u>
Total expenditures	<u>8,612,735</u>	<u>8,610,153</u>	<u>2,582</u>
Excess of revenues over expenditures	<u>-</u>	<u>322,039</u>	<u>\$ 322,039</u>
<b>FUND BALANCE (DEFICIT) - BEGINNING</b>	<u>(456,991)</u>	<u>(456,991)</u>	
<b>FUND BALANCE (DEFICIT) - ENDING</b>	<u>\$ (456,991)</u>	<u>\$ (134,952)</u>	

**City of Calais**  
**City of Calais School Department**  
**Combining Schedule of Special Revenue Fund Activity**  
**For the Year Ended June 30, 2014**

	<b>June 30, 2013</b>				<b>June 30, 2014</b>
	<b>Balance</b>	<b>Revenues</b>	<b>Transfers*</b>	<b>Expenditures</b>	<b>Balance</b>
<i>Federal grants</i>					
Title 1A Disadvantaged	\$ 2,231	\$ 255,370	\$ (3,511)	\$ 254,090	\$ -
Local Entitlement	540	106,385	(540)	106,385	-
Preschool handicapped	(520)	3,977	520	3,977	-
Title VI - Reap	-	5,892	3,511	9,403	-
Title IIA - Teacher Quality	2,895	34,894	-	37,789	-
Homeland Security Grant	-	6,270	-	6,270	-
Carl Perkins	-	30,570	-	30,570	-
HRSA Grant - School Based Health	3,030	985	-	3,936	79
	<u>8,176</u>	<u>444,343</u>	<u>(20)</u>	<u>452,420</u>	<u>79</u>
<i>State grants</i>					
Regional Support Unit	2,108	-	-	-	2,108
IT-V	6,113	-	-	-	6,113
HIV Prevention	134	-	-	-	134
DHHS Teen & Youth	17,483	61,865	-	61,907	17,441
Dental	112	400	-	400	112
Proficiency based education	-	5,617	-	75	5,542
	<u>25,950</u>	<u>67,882</u>	<u>-</u>	<u>62,382</u>	<u>31,450</u>
<i>Local grants</i>					
Kellogg Grant	520	-	-	-	520
Maine Dairy	28	-	-	-	28
Alcohol Abuse Reduction Grant	(106)	-	106	-	-
Suicide Prevention Grant	5,788	-	-	-	5,788
Tootsie Roll Grant	2,886	600	-	1,652	1,834
Recommissioned Computer Revenue	2,086	-	-	-	2,086
Maine Indian Education - Afterschool	3,550	-	-	-	3,550
Anatomy of Leadership	(119)	-	119	-	-
T.A.G.	3,046	-	-	-	3,046
Underwater Robotics	5	-	-	-	5
Music Grant	(19)	-	19	-	-
EPGY	5,624	-	-	-	5,624
Private Dormant Grants	31,359	-	-	-	31,359
	<u>54,648</u>	<u>600</u>	<u>244</u>	<u>1,652</u>	<u>53,840</u>
Total federal, state and local grants	88,774	512,825	224	516,454	85,369
School Hot Lunch Program	37,009	267,795	-	300,436	4,368
Totals	<u>\$ 125,783</u>	<u>\$ 780,620</u>	<u>\$ 224</u>	<u>\$ 816,890</u>	<u>\$ 89,737</u>

\*School general fund absorbed deficit fund balances for local grants

**Report on Compliance  
With the Requirements of the  
Maine School Finance Act**

City Council  
City of Calais, Maine

We audited the financial statements of City of Calais, Maine as of and for the year ended June 30, 2014, and have issued our report thereon dated May 8, 2015.

The management of City of Calais, Maine is responsible for the City's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the City's compliance with laws and regulations, noncompliance with which could have a material effect on the financial statements of City of Calais, Maine.

Title 20-A Sec 6051 requires certain written assurances with respect to school audits. Our audit of compliance with laws and regulations consisted of, at a minimum, the following:

1. The audit has been conducted in accordance with applicable state and federal laws relating to financial and compliance audits as indicated in federal Office of Management and Budget circulars.
2. Budgetary controls were in place.
3. A determination of whether or not the annual financial data submitted to the department is correct.
4. A determination of whether or not the City has exceeded its authority to expend funds as provided by the total budget summary article.
5. The City has complied with applicable provisions of the Essential Services and Program Funding Act.
6. A determination of whether the City has complied with the applicable provisions of the unexpended balances requirements established under section 15004.
7. The City has complied with transfer limitations between budget cost centers pursuant to section 1485, subsection 4.
8. The City has complied with budget content requirements pursuant to section 15693, subsection 1 and cost center summary budget format requirements pursuant to sections 1305C, 1485, 1701C and 2307.

The results of our tests indicate that, for the items tested, City of Calais, Maine did comply with its authority to expend funds. However, the City complied with the remaining provisions of Maine laws and regulations. Nothing came to our attention that caused us to believe that, for the items not tested, City of Calais, Maine was not in compliance with Maine laws and regulations.

*Brantner Thibodeau & Associates*

May 8, 2015

**City of Calais School Department**  
**Reconciliation of Audit Adjustments to MEDMS Financial Reporting System**  
**For the Year Ended June 30, 2014**

	<b>General Fund</b>	<b>Special Revenue</b>	<b>Total</b>
<i>June 30, 2014 balance per MEDMS Financial System</i>	\$ (280,697)	\$ 86,481	\$ (194,216)
<b>Fund Balance Adjustments</b>			
Record Adult Education fund balance	7,701	-	7,701
Record Food Service fund balance	-	4,368	4,368
Record Perloff grant fund balance	-	5	5
Record Music grant fund balance	-	(19)	(19)
Reclass MaineCare fund balance	(19,496)	19,496	-
Reclass E-rate fund balance	5,990	(5,990)	-
<b>Closed fund balance</b>	<u>(286,502)</u>	<u>104,341</u>	<u>(182,161)</u>
<b>Revenue Adjustments</b>			
Record adjustment for accounts receivable	160,120	(13,806)	146,314
Remove E-rate revenue	-	(22,695)	(22,695)
	<u>160,120</u>	<u>(36,501)</u>	<u>123,619</u>
<b>Expenditure Adjustments</b>			
Accounts payable current year	(8,570)	(798)	(9,368)
Remove E-rate transfer	-	22,695	22,695
	<u>(8,570)</u>	<u>21,897</u>	<u>13,327</u>
<b>GAAP Basis Fund Balance</b>	<u>\$ (134,952)</u>	<u>\$ 89,737</u>	<u>\$ (45,215)</u>

**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance With *Government Auditing Standards***

City Council  
City of Calais, Maine

We have audited, 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, the financial statements of the governmental activities, the 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, 2014, and the related notes to the financial statements, which collectively comprise City of Calais, Maine's basic financial statements and have issued our report thereon dated May 8, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Calais, Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Calais, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Calais, Maine's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item #2014-001 to be a material weakness.

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.

### **Compliance and Other Matters**

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

We noted certain other matters that we have reported to management of City of Calais, Maine, in a separate letter dated May 8, 2015.

### **City of Calais, Maine's Response to Findings**

City of Calais, Maine's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Calais, Maine's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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.

*Brantron Thibodeau & Associates*

May 8, 2015



**Independent Auditor's Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by OMB Circular A-133**

City Council  
City of Calais, Maine

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

We have audited City of Calais, Maine's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Calais, Maine's major federal programs for the year ended June 30, 2014. City of Calais, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Calais, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Calais, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, City of Calais, Maine, complied, in all material respects, with the 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, 2014.

### **Report on Internal Control Over Compliance**

Management of City of Calais, Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Calais, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Calais, Maine's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there that 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 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Brantron Thibodeau & Associates*

May 8, 2015

City of Calais, Maine  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year ended June 30, 2014

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disburse- ments/ Expenditures
<i>U.S. Housing and Urban Development</i>			
Passed through State Department of Economic and Community Development			
Community Development Block Grant	14.228	2012101700000001616	\$ 270,702
Community Development Block Grant	14.228	2013101700000001962	20,090
Community Development Block Grant- façade	14.228	2013101700000001962	<u>14,296</u>
Total Department of Housing and Urban Development			<u>305,088</u>
<i>U.S. Department of Justice</i>			
Direct			
Office of Justice Programs	16.738	2010DJBX0126	7,341
Office of Justice Programs	16.738	2012DJBX0451	<u>2,205</u>
Total Department of Justice			<u>9,546</u>
<i>U.S. Department of Environmental Protection</i>			
Passed through State Department of Health and Human Services			
Clean Water State Revolving Loan Fund Program	66.458	C230253-06	160,487
Drinking Water State Revolving Loan Fund Program	66.468	ME0090290	<u>441,655</u> *
Total Department of Environmental Protection			<u>602,142</u>
<i>U.S. Department of Homeland Security</i>			
Direct			
2009 Homeland Security Grant Program	97.067	Not known	21,402
Passed through State Department of Emergency Management			
Homeland Security Grant Program	97.067	2010-SS-TO-0090	6,270
Public Assistance Program - FEMA1953DRME	97.036	Not known	<u>6,598</u>
Total Department of Homeland Security			<u>34,270</u>
<i>U.S. Department of Education</i>			
Passed through State Department of Education			
Title I Grants to Local Educational Agencies	84.010	013-05A-3107-13	254,091
Improving Teacher Quality Grant	84.367	013-05A-3042-11	37,788
<i>Special Education Cluster</i>			
Special Education - Grants to States	84.027	013-05A-3046-12	106,385
Special Education - Preschool Grant	84.173	013-05A-6241-23	3,977
Title I-C Basic Grant (Carl Perkins)	84.048	013-05A-3030-08	30,570
Rural Education Achievement Program	84.358	013-05A-3005-03	<u>9,403</u>
Total Department of Education			<u>442,214</u>
<i>U.S. Department of Health and Human Services</i>			
Direct			
School Based Health	93.501	Not known	<u>3,936</u>
<i>U.S. Department of Agriculture</i>			
Direct			
ARRA-Waste and waste disposal systems for rural communities	10.781	Not known	79,780
Passed through State Department of Conservation			
Urban and Community Forestry Program	10.675	Not known	<u>4,000</u>
Total U.S. Department of Agriculture			<u>83,780</u>
Passed through State Department of Education			
Fresh Fruit and Vegetable Program	10.582	013-05A-3028-05	11,519
<i>Cluster</i>			
School Lunch Program	10.555	013-05A-3024-05	118,364
School Lunch Program - Donated Commodities	10.555	013-05A-3024-05	12,149
School Breakfast Program	10.553	013-05A-3014-05	33,498
Summer Food Service Program for Children	10.559	013-05A-3016-05	<u>7,382</u>
			<u>182,912</u>
Total Department of Agriculture			<u>266,692</u>
Total expenditures of federal awards			<u>\$ 1,663,888</u>

\* Grants recorded in the water fund are reported on the water fund's fiscal year year ended December 31, 2013.

**City of Calais, Maine**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

**PURPOSE OF THE SCHEDULE**

Office of Management and Budget (OMB) Circular A-133, requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal award program as identified in the catalog of Federal Domestic Assistance (CFDA).

**SIGNIFICANT ACCOUNTING POLICIES**

**1. REPORTING ENTITY**

The accompanying schedule includes all federal award programs of City of Calais, Maine for the fiscal year ended June 30, 2014. The reporting entity is defined in the Notes to the Financial Statements of City of Calais, Maine. All amounts applicable to the water fund in the financial statements are for the year ended December 31, 2013.

**2. BASIS OF PRESENTATION**

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

- a. Pursuant to OMB Circular A-133, federal financial assistance is defined as assistance provided by federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.
- b. OMB Circular A-133 establishes the level of expenditures to be used in defining major federal financial award programs. Major programs for the City have been identified in the Schedule of Findings and Questioned Costs.
- c. Pass-through entity identifying numbers are presented where available.

**3. BASIS OF ACCOUNTING**

The information presented in the Schedule of Expenditures of Federal Awards is presented on a basis consistent with the City's general purpose financial statements. The grants included are all accounted for on a modified accrual basis of accounting which is described in the notes to the general purpose financial statements.

**4. NONCASH AWARDS**

The amount reported on the schedule is the value of commodities received by the City during the current year and priced as prescribed by USDA and is included in the National School Lunch Program total.

**City of Calais, Maine**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2014**

**Section I — Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued - Government-wide  
 Financial Statements - *Unmodified opinion*

Internal control over financial reporting

- Material weakness(es) identified? -  X  yes       no
- Significant deficiency(ies) identified that are not  
 considered to be material weakness(es)? -       yes  X  no
- Noncompliance material to financial statements noted? -       yes  X  no

**Federal Awards**

Internal control over major programs

- Material weakness(es) identified? -       yes  X  no
- Significant deficiency(ies) identified that are not  
 considered to be material weakness(es)? -       yes  X  no

Type of auditor’s report issued on compliance  
 for major programs - *Unmodified opinion*

Any audit findings disclosed that are required  
 to be reported in accordance with Section .510(a)  
 of Circular A-133? -       yes  X  no

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants
66.468	Capitalization Grants for Drinking Water State Revolving Funds
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between  
 Type A and Type B programs - \$300,000

Auditee qualified as low-risk auditee? -       yes  X  no

**City of Calais, Maine**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2014**

**Section II — Financial Statement Findings**

**#2014-001**

<i>Criteria or specific requirement</i>	Internal control over financial reporting
<i>Condition</i>	Management did not have appropriate controls over the preparation of the financial statements and over school department reporting which resulted in significant and material audit adjustments to several funds. Inappropriate reviews of accounting entries or system inputs lead to significant additional services.
<i>Context</i>	Mostly because of a turnover in key staff, management has relied on its auditors to prepare the financial statements and footnote disclosures for them to review and approve as well as some components of supporting schedules. In addition, because of the turnover, significant effort was required by auditors to investigate variances between the records, and many adjustments were required to make the trial balance match underlying supporting documentation. City and School maintain separate records of school activity, and these sets of records did not match and did not reconcile to one another after the fiscal year end.
<i>Effect</i>	Management may not be able to identify an error or misstatement in the financial statements.
<i>Cause</i>	Turnover in key financial staff has affected the City's control over financial reporting. Lack of appropriate level of communication between City and School Finance Directors, and the established reconciliation procedure was not maintained during the financial closing of City financial statements.
<i>Recommendation</i>	The City should ensure that staff receives the training necessary to address this finding, consider implementing cross-training of all functions to minimize the impact of turnover of personnel and year end closing procedures are maintained with the new personnel. We also recommend the City and School Department continue with their established reconciliation procedure.
<i>Management's response</i>	The School Department continues to use auditor financial schedules to assist in the preparation of the audit. The entries to include the School Department into the financial statements still require some assistance from the auditor. Management and the School Department continue to need some assistance when analyzing equity of the various funds, but will continue its efforts to minimize auditor assistance. Management is making sure that finance personnel attend adequate training. Management will consider the feasibility of implementing cross-training of all functions. Management will implement procedures to strengthen internal controls over construction projects by reviewing project information to ensure activity is properly recorded. Management will continue to work with the School Department to ensure that the information required to be reported by the School Department will be provided at audit.

**Section III — Federal Award Findings and Questioned Costs**

None

- Criteria or specific requirement*
- Condition*
- Context*
- Effect*
- Cause*
- Recommendation*
- Management's response*

**City of Calais, Maine**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2014**

<i>Condition</i>	<p style="text-align: center;"><b>#2013-001</b></p> Management does not control the preparation of the financial statements and project reporting which also results in significant audit adjustments to several funds and restatements to the financial statements. Inappropriate reviews of accounting entries or system inputs lead to significant accounting services.
<i>Status</i>	This situation continues in the current fiscal year, and this finding has been modified and reported as #2014-001.