

2016

Town of Lyman Maine Independent Auditors' Report and Financial Statements June 30, 2016

Lyman, Me.

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TOWN OF LYMAN, MAINE

INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS

JUNE 30, 2016

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Maine Municipal Audit Services, PA

Mindy J. Cyr, CPA

Independent Auditors' Report

To the Board of Selectmen
Town of Lyman
Lyman, Maine

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Town of Lyman, Maine, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town'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 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. 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 and the aggregate remaining fund information of the Town of Lyman, Maine, as of June 30, 2016, and the respective changes in financial position 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 on page 5-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information on page 20 is required by accounting principles generally accepted in the United States of America. This 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. The budgetary comparison schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements.

Other Information

The other supplemental information section is the responsibility of management and the schedules 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 to the basic financial statements. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maine Municipal Audit Services, PA

Levant, Maine
August 3, 2016

Town of Lyman
Management's Discussion and Analysis
Fiscal Year ending June 30, 2016

www.lyman-me.gov

Management of the Town of Lyman offers this management's discussion and analysis report that will provide information that should be used in conjunction with the outside audit report for fiscal year ending June 30, 2016.

Overview of the Financial Statements:

The discussion and analysis report is intended to serve as an introductory to the full audit report. The audit report consists of three components: government-wide financial statements; fund financial statements, and the notes to the financial statements. This report is intended to explain some of these financial statements in a concise and non-financial terminology.

Government-wide Financial Statements:

The government-wide financial statements present the Town's financial position as of a certain date using some common financial reporting tools and using the modified accrual basis of accounting. The governmental activities that are reported include: general government, public safety, public works, health, social services, education and cemetery, parks and recreation activities.

Fund Financial Statements:

A fund is a group of related accounts that have been grouped together to maintain control over activities that are segregated for specific purposes and objectives. These funds include: trust fund accounts.

Trust Fund Accounts include funds set aside by a specific trust fund document or by state law.

Notes to the Financial Statements:

The notes provide the reader with additional information about the Town that will help understand the financial data provided by our outside audit firm and our financial statements.

Government Wide Financial Analysis:

The audit report shows that the Town increased our net position by \$617,402.80 for the year ending June 30, 2016. Ending Net Position is \$6,851,160.05. The Town has no long-term debt and paid off a short term lease payable of \$33,985.50 in the year ended June 30, 2016.

Town of Lyman
Management's Discussion and Analysis
Fiscal Year ending June 30, 2016

www.lyman-me.gov

Differences between the original and final budget for the general fund are typically caused by the usage of assigned and unassigned fund balances along with applied revenues.

All Town departments finished the year under budget. The general fund actual revenues totaled \$6,950,591.66, with actual expenditures totaling \$6,576,326.95.

Contacting the Town's Management:

If you have any questions about this report or need additional financial information, contact the Town Office at 11 South Waterboro Road, Lyman, Maine 04002.

Town of Lyman, Maine
Statement of Net Position
June 30, 2016

		<u>Total Governmental Activities</u>
ASSETS:		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 3,271,874.86	
Investments	20,000.00	
Accounts receivable	6,479.45	
Taxes receivable	213,485.71	
Tax liens receivable	60,362.49	
Tax acquired property	6,207.33	
<i>Total current assets</i>		\$ 3,578,409.84
<i>Non-current assets:</i>		
Subdivision escrow collateral	23,000.86	
Capital assets, net of accumulated depreciation	2,998,664.00	
Non-depreciable capital assets	485,553.00	
<i>Total non-current assets</i>		<u>3,507,217.86</u>
TOTAL ASSETS		<u>\$ 7,085,627.70</u>
LIABILITIES:		
<i>Current liabilities:</i>		
Accounts payable	\$ 11,713.75	
Gravel pit escrow deposits	158,000.00	
Due to other governments	16,301.61	
Subdivision escrow deposits	23,000.86	
Other current liabilities	17,420.53	
<i>Total current liabilities</i>		<u>\$ 226,436.75</u>
TOTAL LIABILITIES		226,436.75
DEFERRED INFLOWS OF RESOURCES:		
Prepaid property taxes	8,030.90	
TOTAL DEFERRED INFLOWS OF RESOURCES		8,030.90
NET POSITION:		
Invested in capital assets, net of related debt	3,484,217.00	
Restricted	27,456.74	
Unrestricted	3,339,486.31	
TOTAL NET POSITION		<u>6,851,160.05</u>
TOTAL LIABILITIES AND NET POSITION		<u>\$ 7,085,627.70</u>

The accompanying notes are an integral part of this statement.

Town of Lyman, Maine
Statement of Activities
For the Year Ended June 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	
				Governmental Activities	Total
<i>Governmental activities:</i>					
General government	\$ 631,272.33	\$ 21,992.10	\$ -	\$ (609,280.23)	\$ (609,280.23)
Public safety	338,019.15	-	-	(338,019.15)	(338,019.15)
Public works	469,034.27	-	48,912.00	(420,122.27)	(420,122.27)
Health and sanitation	140,144.56	26,251.07	-	(113,893.49)	(113,893.49)
Social services	9,042.00	-	371.00	(8,671.00)	(8,671.00)
Education	4,201,797.00	-	-	(4,201,797.00)	(4,201,797.00)
County tax	245,601.19	-	-	(245,601.19)	(245,601.19)
Recreation	47,924.84	-	-	(47,924.84)	(47,924.84)
Unclassified	92,978.62	-	-	(92,978.62)	(92,978.62)
Reserves	12,271.49	-	-	(12,271.49)	(12,271.49)
Depreciation	158,513.00	-	-	(158,513.00)	(158,513.00)
<i>Total governmental activities</i>	<i>6,346,598.45</i>	<i>48,243.17</i>	<i>49,283.00</i>	<i>(6,249,072.28)</i>	<i>(6,249,072.28)</i>
<i>Total primary government</i>	<i>6,346,598.45</i>	<i>48,243.17</i>	<i>49,283.00</i>	<i>(6,249,072.28)</i>	<i>(6,249,072.28)</i>
<i>General revenues:</i>					
Property taxes, levied for general purposes					5,517,933.78
Excise taxes					937,779.55
Licenses and permits					48,860.68
<i>Grants and contributions not restricted to specific programs:</i>					
Homestead exemption					66,250.00
State revenue sharing					141,811.44
Tree growth					5,701.15
Other					7,131.32
Interest income					39,054.46
Miscellaneous revenues					101,952.70
<i>Total general revenues and transfers</i>					<i>6,866,475.08</i>
<i>Changes in net position</i>					617,402.80
NET POSITION - BEGINNING					6,233,757.25
NET POSITION - ENDING					\$ 6,851,160.05

The accompanying notes are an integral part of this statement.

Town of Lyman, Maine
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 3,265,282.52	\$ 6,592.34	\$ 3,271,874.86
Investments	-	20,000.00	20,000.00
Subdivision escrow collateral	23,000.86	-	23,000.86
Accounts receivable	6,479.45	-	6,479.45
Due from other funds	-	-	-
Tax acquired property	6,207.33	-	6,207.33
Taxes receivable	213,485.71	-	213,485.71
Tax liens receivable	60,362.49	-	60,362.49
TOTAL ASSETS	\$ 3,574,818.36	\$ 26,592.34	\$ 3,601,410.70
LIABILITIES AND FUND BALANCES:			
<i>Liabilities:</i>			
Prepaid property taxes	\$ 8,030.90	\$ -	\$ 8,030.90
Accounts payable	11,713.75	-	11,713.75
Due to other governments	16,301.61	-	16,301.61
Subdivision escrow deposits	23,000.86	-	23,000.86
Gravel pit escrow deposits	158,000.00	-	158,000.00
Deferred property taxes	219,078.00	-	219,078.00
Other current liabilities	17,420.53	-	17,420.53
<i>Total liabilities</i>	453,545.65	-	453,545.65
<i>Fund balances:</i>			
Non-spendable	6,207.33	-	6,207.33
Restricted	864.40	26,592.34	27,456.74
Assigned	354,813.56	-	354,813.56
Unassigned	2,759,387.42	-	2,759,387.42
<i>Total fund balances</i>	3,121,272.71	26,592.34	3,147,865.05
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,574,818.36	\$ 26,592.34	
<i>Amounts reported for governmental activities in the Statement of Net Position (Stmt. 1) are different because:</i>			
Depreciable and non-depreciable capital assets as reported in Statement 1			3,484,217.00
Deferred property taxes not reported on Statement 1			219,078.00
NET POSITION OF GOVERNMENTAL ACTIVITIES			\$ 6,851,160.05

The accompanying notes are an integral part of this statement.

Town of Lyman, Maine
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Property taxes	\$ 5,504,546.78	\$ -	\$ 5,504,546.78
Excise taxes	937,779.55	-	937,779.55
Intergovernmental revenue	270,176.91	-	270,176.91
Charges for services	48,243.17	-	48,243.17
Licenses and permits	48,860.68	-	48,860.68
Interest income	39,031.87	22.59	39,054.46
Other revenues	101,952.70	-	101,952.70
<i>Total revenues</i>	6,950,591.66	22.59	6,950,614.25
EXPENDITURES:			
General government	631,272.33	-	631,272.33
Public safety	338,019.15	-	338,019.15
Public works	818,210.27	-	818,210.27
Health and sanitation	140,144.56	-	140,144.56
Social services	9,042.00	-	9,042.00
Education	4,201,797.00	-	4,201,797.00
County tax	245,601.19	-	245,601.19
Recreation	54,104.84	-	54,104.84
Unclassified	91,878.62	1,100.00	92,978.62
Reserve accounts	46,256.99	-	46,256.99
<i>Total expenditures</i>	6,576,326.95	1,100.00	6,577,426.95
<i>Excess (deficiency) of revenues over (under) expenditures</i>	374,264.71	(1,077.41)	373,187.30
<i>Net change in fund balances</i>	374,264.71	(1,077.41)	373,187.30
FUND BALANCES - BEGINNING	2,747,008.00	27,669.75	2,774,677.75
FUND BALANCES - ENDING	\$ 3,121,272.71	\$ 26,592.34	\$ 3,147,865.05

The accompanying notes are an integral part of this statement.

(Continued)

Town of Lyman, Maine
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds (Statement 4)	\$ 373,187.30
<p>Amounts reported for governmental activities in the Statement of Activities (Stmt. 2) are different due to the following items:</p>	
<p>Depreciation expense recorded on Statement of Activities, yet not required to be recorded as expenditures on Governmental Funds Report</p>	(158,513.00)
<p>Capital outlays expensed on the Governmental Funds Report (Stmt. 4), yet not considered an expense for the purposes of Statement of Activities (Stmt. 2)</p>	355,356.00
<p>Revenues in the Statement of Activities (Stmt 2) 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 and other deferred revenue.</p>	13,387.00
<p>Proceeds from lease payable recognized as revenue on Statement 4, yet not recognized as revenue in the Statement of Activities (Statement 2)</p>	33,985.50
<hr/>	
Changes in net position of governmental activities (see Stmt. 2)	\$ 617,402.80

The accompanying notes are an integral part of this statement.

**TOWN OF LYMAN, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town operates under a selectmen-treasurer form of government and is incorporated under the laws of the State of Maine.

The accounting policies of the Town conform to U.S. generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*, and its amendments, established new financial reporting requirements for governments and caused the Town to restructure much of the information presented in the past. The more significant of the government’s accounting policies are described below.

In evaluating how to define the Town for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GASB Statement No. 14 *The Financial Reporting Entity* as amended by GASB Statement No. 39. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. Based on the criteria, it was determined that no other entities should be included in the Town’s financial statements.

B. Basis of Presentation

The Town’s basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town’s major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

Government-Wide Financial Statements

The Government-wide financial statements consist of a Statement of Net Position and a Statement of Activities and reports information on all of the non-fiduciary activities of the Town as a whole.

The Statement of Net Position reports all financial and capital resources of the Town and reports the difference between assets and liabilities, as “net position” not fund balance or equity. The Statement of Activities shows the degree to which the direct expenses of a given function or segment are offset by program revenue and reflects the “net (expense) revenue” of the Town’s individual functions before applying general revenues. The Town has elected not to allocate indirect costs among programs. Program revenues include 1) charges to customers for services and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

**TOWN OF LYMAN, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. The focus of governmental and proprietary fund financial statements is on major funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being aggregated and displayed in a single column. The General Fund is always a major fund.

Because of the basis of accounting and reporting differences, summary reconciliations to the Government-wide financial statements are presented at the end of each applicable fund financial statement.

C. Measurement Focus and Basis of Accounting

Governmental Fund Types

General Fund – The general fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Permanent Fund – This fund is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs. A permanent fund would be used, for example, to account for the perpetual care endowment of a municipal cemetery.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is a conceptual description of the timing of the accounting measurements made.

The Government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting in accordance with GASB #34. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

As a general rule, the effect of interfund activity has been eliminated from the Government-wide financial statements.

**TOWN OF LYMAN, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis concept, revenues are recognized when they become measurable (estimable as to the net amount to be collected) and available as current assets. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

When both restricted and unrestricted resources are available, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for the general fund only. Annual operating budgets are adopted each fiscal year by the registered voters of the Town at their annual Town meeting. Budgets are established in accordance with generally accepted accounting principles. All unencumbered budget appropriations lapse at the end of the year unless specifically designated by the Board of Selectmen or required by law.

E. Assets, Liabilities, Fund Equity, Revenue, Expenditures and Expenses

Cash and Cash Equivalents

Cash and cash equivalents include currency on hand, demand deposits with financial institutions, and other accounts with an original maturity of three months or less when purchased. Investments are recorded at fair value.

Interfund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**TOWN OF LYMAN, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-50
Infrastructure	50-100
Machinery and Equipment	3-50

Net Position and Fund Balances

In the Government-wide financial statements, the difference between the Town's total assets and total liabilities represents net position. Net position displays three components – invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net assets available for future operations.

In the Fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. These designations are categorized as follows:

Non-spendable – Funds that are not in spendable form, such as funds that are legally required to be maintained in tact (corpus of a permanent fund).

Restricted – Funds that can be spent only for specific purposes because of constitutional provisions or enabling legislation.

Assigned – Funds intended to be used for specific purposes set by the Board of Selectmen.

Unassigned – Funds available for any purpose.

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenue arises when resources are received by the Town before it has legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

**TOWN OF LYMAN, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Property taxes for the current year were committed on August 3, 2015, on the assessed value listed as of April 1, 2015, for all real and personal property located in the Town. Payment of taxes was due on October 2, 2015 and April 2, 2016, with interest at 7% on all tax bills unpaid as of the due date.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay and amounted to \$74,643.97 for the year ended June 30, 2016.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

Risk Management

The Town pays insurance premiums to certain agencies to cover risks that may occur in normal operations. The Town purchases employee fidelity bond coverage. There have been no significant reductions in insurance coverage from the prior year. No settlements of claims have exceeded insurance coverage in the current year.

The Town is a member of the Maine Municipal Association – Worker Compensation Trust Fund (“Fund”). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund’s membership, obtain lower costs for worker compensation coverage and develop a comprehensive loss control program. The Town pays an annual premium to the Fund for its workers compensation coverage. The Town’s agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will provide, through commercial companies reinsurance contracts, individual stop loss coverage for member Towns’ claims in excess of \$400,000, with an excess limit of \$2,000,000.

The Town is a member of the Maine Municipal Association – Property Casualty Pool (“Pool”). The Pool was created to obtain lower rates for its members. The Town pays an annual premium for its property and liability coverage. Under the property coverage portion of the Pool, coverage is provided, after the deductible is met, to \$26,000,000. Under the liability portion of the Pool, coverage is provided, after the deductible is met, to \$1,000,000.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense. Actual results could differ from those estimates.

**TOWN OF LYMAN, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

2. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk of deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized or collateralized by securities held by the pledging financial institution's trust department but not in the Town's name. At June 30, 2016, cash deposits had a carrying value of \$3,271,874.86. Of the deposited amounts, \$250,000 of demand deposits and \$250,000 of savings deposits per bank were covered by federal depository insurance. Deposits above FDIC are covered by an irrevocable stand by letter of credit. Accordingly, the Town was not exposed to credit risk at June 30, 2016.

Investments

Currently the Town does not have a policy for custodial credit risk for investments, but instead follows the state statutes, which authorize the Town to invest in obligations of the U.S. Treasury, agencies, mutual funds, and repurchase agreements. The Town's investment in U.S. Treasury Obligations, \$20,000, is not exposed to custodial credit risk because the security is registered in the Town's name.

3. CAPITAL ASSETS

Governmental activities:	Balance 7/1/15	Additions	Deletions	Balance 6/30/16
<i>Capital assets:</i>				
Land	\$ 485,553.00	\$ -	\$ -	\$ 485,553.00
Buildings & improvements	942,693.00	6,180.00	-	948,873.00
Equipment & vehicles	280,058.00	-	-	280,058.00
Infrastructure	2,180,110.00	349,176.00	-	2,529,286.00
Total capital assets	3,888,414.00	355,356.00	-	4,243,770.00
<i>Less accumulated depreciation</i>	(601,040.00)	(158,513.00)	-	(759,553.00)
Governmental activities Capital assets, net	\$ 3,287,374.00	\$ 196,843.00	\$ -	\$ 3,484,217.00

Depreciation expense can be allocated to departments as follows:

General government	\$ 7,031
Public safety	20,963
Public works	129,290
Parks & recreation	1,229
	<u>\$ 158,513</u>

**TOWN OF LYMAN, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

4. PENDING LITIGATION

According to Town management, there are no matters that would result in adverse losses, claims, or assessments against the Town through the date of the audit report.

5. FUND BALANCES

Non-spendable:

Tax acquired property	<u>\$ 6,207.33</u>
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Restricted:

Animal control	\$ 864.40
Non-major permanent funds (Schedule C)	<u>26,592.34</u>
	<u>\$ 27,456.74</u>

Assigned:

Revaluation account	\$ 88,405.02
Fire truck account	13,872.76
Capital improvements account	95,904.28
Computer reserve	12,770.64
Tax map reserve	7,259.07
Transfer station reserve	1,007.97
Town hall reserve	45,630.09
Ambulance reserve	72,138.73
GMFR facilities and equipment reserve	2,825.00
Bunganut Lake park stairs	<u>15,000.00</u>
	<u>\$ 354,813.56</u>

6. SUBSEQUENT EVENTS

Management has made an evaluation of subsequent events to and including the audit report date, which was the date the financial statements were available to be issued, and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.

7. SUBDIVISION ESCROW COLLATERAL

The Town has a policy that requires collateral from subdivision contractors who are planning to build within the Town. The amount of collateral required is 150% of the estimated cost of the roads to be built in the subdivision.

**TOWN OF LYMAN, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

7. SUBDIVISION ESCROW COLLATERAL (CONTINUED)

Under this agreement the contractors are required to deposit the amount of collateral into a bank account. Only the Town's Treasurer has the authority to withdraw funds, and is required to release the funds back to the contractor upon receiving confirmation from the Code Enforcement Officer that the Town's consulting engineer has approved the refund payment based on a site inspection, and has certified that a certain percentage of the required work has been performed by the contractor. At June 30, 2016, the Town held such collateral in the amount of \$23,000.86.

8. JOINT VENTURES

The Town is a member of a joint venture with 45 other municipalities throughout Cumberland, Oxford, and York counties. Ecomaine is a solid waste management corporation that creates electricity through its processing of waste and operates as an extensive recycling program. Interlocal agreements between ecomaine and the participating communities require the members to deliver certain solid waste produced within the community to ecomaine for processing, and to make payments and pay tipping fees for such processing. The Town has no measurable equity interest and therefore has not reported an asset in the financial statements in connection with its participation in ecomaine.

9. DEFERRED COMPENSATION PLAN

The Town offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and maintained by International City Management Association Retirement Corporation (ICMA-RC). The plan allows employees to defer a portion of their salary, plus town contributions, until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The contribution requirements of plan members and the Town are established and may be amended by a vote of the Board of Selectmen. Typically, the Town will contribute 3% of the annual salary of a full-time employee participating in the plan.

The Town's contributions to the plan including employee contributions for the year ended June 30, 2016 totaled \$19,698.

**Town of Lyman, Maine
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (negative)
REVENUES:				
Property taxes	\$ 5,518,260.40	\$ 5,518,260.40	\$ 5,504,546.78	\$ (13,713.62)
Excise taxes	725,000.00	725,000.00	937,779.55	212,779.55
Intergovernmental revenue	249,583.26	249,583.26	270,176.91	20,593.65
Charges for services	-	-	48,243.17	48,243.17
Licenses and permits	-	-	48,860.68	48,860.68
Interest income	-	1,120.11	39,031.87	37,911.76
Other revenues	58,345.51	58,345.51	101,952.70	43,607.19
<i>Total revenues</i>	6,551,189.17	6,552,309.28	6,950,591.66	398,282.38
EXPENDITURES:				
General government	750,202.00	750,202.00	631,272.33	118,929.67
Public safety	333,322.50	340,572.38	338,019.15	2,553.23
Public works	758,832.00	819,883.97	818,210.27	1,673.70
Health and sanitation	152,735.00	152,735.00	140,144.56	12,590.44
Social services	12,700.00	12,700.00	9,042.00	3,658.00
Education	4,201,797.00	4,201,797.00	4,201,797.00	-
County tax	245,601.19	245,601.19	245,601.19	-
Recreation	66,690.00	66,690.00	54,104.84	12,585.16
Unclassified	142,386.01	142,386.01	91,878.62	50,507.39
Reserve accounts	112,279.50	386,070.55	46,256.99	339,813.56
<i>Total expenditures</i>	6,776,545.20	7,118,638.10	6,576,326.95	542,311.15
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(225,356.03)	(566,328.82)	374,264.71	(144,028.77)
<i>Net changes in fund balances</i>	(225,356.03)	(566,328.82)	374,264.71	(144,028.77)
FUND BALANCES - BEGINNING			2,747,008.00	
FUND BALANCES - ENDING			\$ 3,121,272.71	

Town of Lyman, Maine
Combining Balance Sheet - All Other Non-Major Governmental Funds
June 30, 2016

	<i>PERMANENT FUNDS</i>				Total Non-Major Governmental Funds
	H. Cousens Educational Fund	J. Emmons Cemetery Fund	E. Rumery Cemetery Fund	J. Littlefield Fund	
ASSETS:					
Cash	\$ 2,154.63	\$ 222.81	\$ 2,331.64	\$ 1,883.26	\$ 6,592.34
Investments	20,000.00	-	-	-	20,000.00
TOTAL ASSETS	\$ 22,154.63	\$ 222.81	\$ 2,331.64	\$ 1,883.26	\$ 26,592.34
LIABILITIES AND FUND BALANCE:					
<i>Fund Balance:</i>					
Restricted	22,154.63	222.81	2,331.64	1,883.26	26,592.34
<i>Total fund balance</i>	22,154.63	222.81	2,331.64	1,883.26	26,592.34
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,154.63	\$ 222.81	\$ 2,331.64	\$ 1,883.26	\$ 26,592.34

Town of Lyman, Maine
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
All Other Non-Major Governmental Funds
For the Year Ended June 30, 2016

	<i>PERMANENT FUNDS</i>				Total Non-Major Governmental
	H. Cousens	J. Emmons	E. Rumery	J. Littlefield	
	<u>Educational Fund</u>	<u>Cemetery Fund</u>	<u>Cemetery Fund</u>	<u>Fund</u>	<u>Funds</u>
REVENUES:					
Interest income	\$ 7.73	\$ 0.75	\$ 7.80	\$ 6.31	\$ 22.59
<i>Total revenues</i>	<u>7.73</u>	<u>0.75</u>	<u>7.80</u>	<u>6.31</u>	<u>22.59</u>
EXPENDITURES:					
Scholarships awarded	1,100.00	-	-	-	1,100.00
<i>Total expenditures</i>	<u>1,100.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,100.00</u>
EXCESS (DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,092.27)</u>	<u>0.75</u>	<u>7.80</u>	<u>6.31</u>	<u>(1,077.41)</u>
<i>NET CHANGE IN FUND BALANCES</i>	(1,092.27)	0.75	7.80	6.31	(1,077.41)
FUND BALANCE - BEGINNING OF YEAR	23,246.90	222.06	2,323.84	1,876.95	27,669.75
FUND BALANCE - END OF YEAR	<u>\$ 22,154.63</u>	<u>\$ 222.81</u>	<u>\$ 2,331.64</u>	<u>\$ 1,883.26</u>	<u>\$ 26,592.34</u>

**Town of Lyman, Maine
Schedule of Taxes Receivable
General Fund
June 30, 2016**

<i>Taxes receivable:</i>		
Real	\$ 201,752.60	
Personal property	<u>11,733.11</u>	
		\$ 213,485.71
 <i>Tax liens receivable:</i>		
2015	<u>60,362.49</u>	
		60,362.49
 <i>Tax acquired property</i>		
	<u>6,207.33</u>	
		<u>6,207.33</u>
 TOTAL TAXES RECEIVABLE AND TAX LIENS RECEIVABLE		 <u>\$ 280,055.53</u>

Town of Lyman, Maine
Schedule of Departmental Operations
For the Year Ended June 30, 2016

	Balance 7/1/2015	Appropriations	Transfers & Additional Appropriations	Total Available	Expenditures	Lapsed	Balances Carried
GENERAL GOVERNMENT							
Wages and salaries	\$ -	\$ 408,291.00	\$ -	\$ 408,291.00	\$ 370,634.24	\$ 37,656.76	\$ -
Operating expenses	-	93,815.00	-	93,815.00	84,330.47	9,484.53	-
Professional services	-	53,736.00	-	53,736.00	43,670.61	10,065.39	-
Town building repairs and maintenance	-	10,000.00	-	10,000.00	8,241.77	1,758.23	-
Insurance	-	156,300.00	-	156,300.00	102,647.28	53,652.72	-
Mowing and maintaining town grounds	-	25,560.00	-	25,560.00	21,577.96	3,982.04	-
Safety and security	-	2,500.00	-	2,500.00	170.00	2,330.00	-
<i>Total</i>	-	750,202.00	-	750,202.00	631,272.33	118,929.67	-
PUBLIC SAFETY							
GMFD	-	314,627.50	-	314,627.50	313,127.28	1,500.22	-
Animal control	7,249.88	11,795.00	-	19,044.88	18,180.48	-	864.40
Street signs	-	2,000.00	-	2,000.00	1,811.39	188.61	-
Street lights/electricity	-	4,900.00	-	4,900.00	4,900.00	-	-
<i>Total</i>	7,249.88	333,322.50	-	340,572.38	338,019.15	1,688.83	864.40
PUBLIC WORKS							
Road construction	61,051.97	218,912.00	-	279,963.97	279,963.97	-	-
Road resurfacing	-	175,000.00	-	175,000.00	175,000.00	-	-
Road repairs	-	95,000.00	-	95,000.00	88,214.23	6,785.77	-
Plowing/sanding	-	269,920.00	-	269,920.00	275,032.07	(5,112.07)	-
<i>Total</i>	61,051.97	758,832.00	-	819,883.97	818,210.27	1,673.70	-
HEALTH AND SANITATION							
Solid waste disposal	-	152,735.00	-	152,735.00	140,144.56	12,590.44	-
<i>Total</i>	-	152,735.00	-	152,735.00	140,144.56	12,590.44	-

Town of Lyman, Maine
Schedule of Departmental Operations
For the Year Ended June 30, 2016

	Balance 7/1/2015	Appropriations	Transfers & Additional Appropriations	Total Available	Expenditures	Lapsed	Balances Carried
SOCIAL SERVICES							
General assistance	-	2,500.00	-	2,500.00	742.00	1,758.00	-
Agency donations	-	10,200.00	-	10,200.00	8,300.00	1,900.00	-
<i>Total</i>	-	12,700.00	-	12,700.00	9,042.00	3,658.00	-
EDUCATION							
	-	4,201,797.00	-	4,201,797.00	4,201,797.00	-	-
COUNTY TAX							
	-	245,601.19	-	245,601.19	245,601.19	-	-
RECREATION							
Bunganut Lake park	-	33,365.00	-	33,365.00	32,267.51	1,097.49	-
Bunganut Lake park - well drilling	-	-	-	-	6,180.00	(6,180.00)	-
Bunganut Lake park - stairs	-	15,000.00	-	15,000.00	-	-	15,000.00
Parks and recreation	-	18,325.00	-	18,325.00	15,657.33	2,667.67	-
<i>Total</i>	-	66,690.00	-	66,690.00	54,104.84	(2,414.84)	15,000.00
UNCLASSIFIED							
Contingency	-	8,000.00	-	8,000.00	1,905.54	6,094.46	-
Twelve-town group	-	500.00	-	500.00	300.00	200.00	-
Conservation committee	-	1.00	-	1.00	-	1.00	-
Military graves	-	1,400.00	-	1,400.00	1,366.14	33.86	-
Charter commission	-	5,000.00	-	5,000.00	2,982.93	2,017.07	-
Cousens School - hazardous materials	-	46,066.01	-	46,066.01	4,905.01	41,161.00	-
Forestry - Lyman Plantation	-	2,000.00	-	2,000.00	-	2,000.00	-
Comprehensive plan review	-	2,500.00	-	2,500.00	2,500.00	-	-
Scholarships	-	-	-	-	1,000.00	(1,000.00)	-
Community library	-	76,919.00	-	76,919.00	76,919.00	-	-
<i>Total</i>	-	142,386.01	-	142,386.01	91,878.62	50,507.39	-
RESERVE ACCOUNTS							
Computer reserve account	14,928.67	-	43.92	14,972.59	2,201.95	-	12,770.64
Capital improvement reserve account	75,641.00	20,000.00	263.28	95,904.28	-	-	95,904.28
Revaluation account	78,138.06	10,000.00	266.96	88,405.02	-	-	88,405.02
Town hall reserve account	35,506.19	10,000.00	123.90	45,630.09	-	-	45,630.09
Transfer station reserve	1,004.60	-	3.37	1,007.97	-	-	1,007.97
Tax maps	5,240.53	2,000.00	18.54	7,259.07	-	-	7,259.07
Ambulance reserve	59,636.57	12,279.50	222.66	72,138.73	-	-	72,138.73
GMFR facilities and equipment reserve	-	8,000.00	-	8,000.00	5,175.00	-	2,825.00
Fire truck reserve	2,575.32	50,000.00	177.48	52,752.80	38,880.04	-	13,872.76
<i>Total</i>	272,670.94	112,279.50	1,120.11	386,070.55	46,256.99	-	339,813.56
TOTAL EXPENDITURES	\$ 340,972.79	\$ 6,776,545.20	\$ 1,120.11	\$ 7,118,638.10	\$ 6,576,326.95	\$ 186,633.19	\$ 355,677.96