

Town of Vienna, Maine

December 31, 2013

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Stephen T. Hopkins, CPA, PC

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Independent Auditors' Report

Board of Selectmen
Town of Vienna, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Vienna, Maine, as of and for the year ended December 31, 2013, 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 the 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 controls 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 judgement, 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 controls 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 controls. 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.

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 11 to the financial statements, management has not recorded capital assets in the governmental activities and, accordingly, has not recorded depreciation expense for capital assets. Accounting principles generally accepted in the United States of America require that capital assets be capitalized and depreciated when present, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Adverse Opinion on Governmental Activities

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Town of Vienna, Maine, as of December 31, 2013, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

As discussed in Note 11 to the financial statements, the financial statements do not include the financial information of an entity determined to be a component unit. Accounting principles generally accepted in the United States of America require that the financial reporting entity consist of the primary government and its component units, organizations for which the primary government is financially accountable or for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In addition, accounting principles generally accepted in the United States of America require the financial data for component units to be reported with the financial data of the Town's primary government unless the Town also issues financial statements for the financial reporting entity that include the financial data for its component units. The Town has not issued such reporting entity financial statements. Information regarding the assets, liabilities, net position, revenues and expenses of this discretely presented component unit were not provided so therefore the financial effect of this exclusion cannot be determined.

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of the Town of Vienna, Maine, as of December 31, 2013, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Town of Vienna, Maine, as of December 31, 2013, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund 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 on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Vienna, Maine's basic financial statements. The combining and individual fund financial statements, and other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements, and other supplementary information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information described above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Stephen T. Hopkins, CPA, PC



Scarborough, Maine
November 27, 2014

Town of Vienna, Maine
Management's Discussion and Analysis
December 31, 2013

Our discussion and analysis of the Town of Vienna, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended December 31, 2013. Please read this analysis in conjunction with the basic financial statements, notes to the basic financial statements, and required supplementary information of the Town. This management discussion and analysis is being presented for the current fiscal year with a focus on the comparative analysis of the information on the governmental activities of the Town as found in the government-wide financial statements.

Financial Highlights - Government-wide financial statements

- The Town's *unrestricted* cash balance as of the end of the current fiscal year was \$263,086. This unrestricted balance represents assets of the Town which are not specifically restricted for use in one of the Town's major or non-major funds. This balance compares to \$145,818 as of the end of the prior fiscal year. This represents an increase of \$117,268 or approximately 80.42%.
- The Town's *restricted* cash balance as of the end of the current fiscal year was \$48,003. This restricted balance represents assets of the Town which are specifically restricted for use in one of the Town's major and non-major funds such as the Dorothy Waught trust, the cemetery perpetual care funds, the fire capital equipment reserve, the community building improvement reserve and the cemetery improvement reserve received by the Town but not yet spent. These balances are broken down in more detail in note 3 on page 25. This balance compares to \$46,181 as of the end of the prior fiscal year.
- The Town's total assets exceeded its total liabilities by \$354,103 (net position) as of the end of the current fiscal year. This compares to the prior fiscal year when total assets exceeded total liabilities by \$301,030. This represents an increase of \$53,073 or approximately 17.63%.
- The Town's *restricted* net position is made up of two different material components. The first component is the expendable portion which is made up of amounts which are restricted for a certain purpose but which can only be expended for that purpose. State statute requires that any remaining unspent and budgeted amounts relating to education be carried over for educational purposes. This mandate is considered a form of enabling legislation imposed by the State. In addition, the unspent amounts left over from current year budgeted expense categories. In other words the amount of a particular annual budgeted appropriation which was not spent in the current fiscal year. These unspent amounts are approved to be carried over to the following fiscal year by the inhabitants of the Town at the annual town meeting, a special town meeting, or at the discretion of the Board of Selectmen. Also, funds set aside or received for special purposes or the accumulation of funds for future special purposes which do not fall within the day-to-day activities and operations of the Town are classified as expendable restricted net position. This expendable component of the total restricted net position balance of the Town was \$52,066 (14.70% of total net position) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$48,972 (16.27% of total net position). See page 5 of the management's discussion and analysis for more details on the individual amounts making up the restricted net position balances of the town.
- The second component of the Town's *restricted* net position balance is non-expendable funds which are made up of funds which are either non-spendable based on donor imposed restrictions or based on the form of the item. An example of non-expendable balances would be the principal portion of trust funds which cannot be spent and the offset of the recorded inventory and prepaid item balances which are not in a spendable form. This component of the total restricted net position balance of the Town was \$12,998 (3.67% of total net position) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$13,099 (4.35% of total net position).
- The Town's *unrestricted* net position balance is the component of net position which is used to finance the day-to-day activities and operations without constraints imposed by creditors, grantors, contributors, the annual town meeting, special town meetings, or other rules and regulations as imposed by other governments or enabling legislation. The total unrestricted net position balance of the Town was \$289,039 (81.63% of total net position) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$238,959 (79.38% of total net position). This represents an increase of \$50,080 or approximately 20.96% and can be partially explained by the following current year changes in revenues and expenses.
- The Town's total revenues for its governmental activities were \$1,166,941 for the current fiscal year. This compares to \$1,138,385 for the prior fiscal year. This represents an increase of \$28,556 or approximately 2.51%. Page 6 more fully compares the change in revenues by type between the current fiscal year and the prior fiscal year.
- The Town's total expenses for its governmental activities were \$1,113,868 for the current fiscal year. This compares to \$1,053,155 for the prior fiscal year. This represents an increase of \$60,713 or approximately 5.76%. Page 6 more fully compares the change in expenses by type between the current fiscal year and the prior fiscal year.

Town of Vienna, Maine
Management's Discussion and Analysis
December 31, 2013

Using this annual report

This annual report consists of a series of financial statements. The government-wide financial statements consist of the Statement of net position and the Statement of activities which are shown on pages 9 and 10 and which provide information about the activities of the Town as a whole and present a longer-view of the Town's finances. The fund financial statements consist of the Balance sheet and the Statement of revenues, expenditures, and changes in fund balances which are shown on pages 11 and 13 and tell how the services of the Town were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide financial statements by providing information about the Town's most significant funds. Budget to actual information is reported in these fund financial statements for the general fund on pages 15 and 16.

Reporting the Town as a whole

Our analysis of the Town as a whole begins on page 9 with the Statement of net position. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the current fiscal year's activities?" The statement of net position and the statement of activities report information about the Town as a whole and about its activities in a way that helps answer this question. The statement of net position includes all of the assets and liabilities of the Town using the accrual basis of accounting. This basis of accounting is similar to the accounting policies and procedure utilized by most private-sector (for profit) companies. All of the current fiscal year revenues and expenses are taken into account regardless of when cash is received or paid in the statement of activities.

These two statements report the Town's net position and the changes in these net position. You can think of these net position as one way to measure the financial health and financial position of the Town. The net position balance is made up of the difference between the assets and liabilities of the Town. Over time, increases and decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. However, you also need to consider other non-financial factors which affect the overall financial health of the Town such as changes in the property tax base, the conditions of the infrastructure of the Town, and the general economy present at the time. These two statements are divided into three different kinds of activities on the reporting level. These categories are governmental, business-type, and discretely presented component units. The Town's activities are classified solely as governmental activities and are characterized as follows:

- **Governmental activities** - All of the Town's basic services are reported here, including general government, fire department and rescue services, safety and health, highways and roads, special assessments, cemeteries, reserve and capital accounts, and other unclassified programs and activities. Property taxes, charges for services, State and Federal operating and capital grants (when received) and other funding, and other miscellaneous revenues finance most of these activities in whole or in part.

Reporting the Town's most significant funds

Our analysis of the Town's major funds begins on page 11 with the Balance sheet. The fund financial statements provide detailed information about the most significant funds of the Town but not a combined picture of the Town as a whole. Some of these funds could be required to be established by State law or by bond covenants. In addition, the Board of Selectmen of the Town have the authority to establish funds which it uses to help control and manage the money of the Town for particular purposes or to show that it is meeting any legal responsibilities for using certain taxes, grants, or other monies granted to the Town or as directed by the inhabitants of the Town. The Town uses governmental funds which are characterized as follows:

- **Governmental funds** - All of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end that are available for spending. These funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting measures cash and all other financial assets that can readily be converted into cash. The governmental fund financial statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs and activities. The relationship between governmental activities and governmental funds is presented in a reconciliation at the bottom of the fund financials.

Town of Vienna, Maine
Management's Discussion and Analysis
December 31, 2013

The Town as a whole - Assets, liabilities, and net position

The information provided below represents government-wide information for the governmental activities of the Town for the current fiscal year as compared to the prior fiscal year. As shown below the Town maintains an adequate current ratio. The current ratio compares the current assets (total assets minus restricted cash) of the Town to its current liabilities (total liabilities minus the long-term debt due after one year) and gives an indication of the Town's ability to pay current obligations. As of the end of the current fiscal year the current ratio of the Town was 10.80 to 1 compared to the end of the prior fiscal year when the current ratio was 17.19 to 1. This represents an decrease of approximately 37.17%. Another indication of the Town's ability to meet its current obligations with current assets is called its working capital. This is calculated by subtracting the current liabilities (as defined above) from the current assets (as defined above). As of the end of the current fiscal year the Town's positive working capital balance was \$398,354. This compares to the prior fiscal year positive balance of \$357,849. This represents an increase of approximately 11.32%.

	Governmental fund types		Percentage of total	
	2013	2012	2013	2012
Current and other assets				
Unrestricted cash	\$ 263,086	\$ 145,818	54.02%	34.22%
Real estate taxes and liens receivable	158,734	217,626	32.59%	51.07%
Other current assets	17,168	16,506	3.53%	3.87%
Restricted cash	48,003	46,181	9.86%	10.84%
Capital assets	-	-	-	-
	<u>\$ 486,991</u>	<u>\$ 426,131</u>	<u>100.00%</u>	<u>100.00%</u>
Current and other liabilities	\$ 30,161	\$ 12,118	22.70%	9.69%
Long-term debt due within one year	10,473	9,983	7.88%	7.98%
Long-term debt due after one year	92,254	103,000	69.42%	82.33%
	<u>\$ 132,888</u>	<u>\$ 125,101</u>	<u>100.00%</u>	<u>100.00%</u>
Net position:				
Net investment in capital assets	\$ -	\$ -	-	-
Restricted	65,064	62,071	18.37%	20.62%
Unrestricted	289,039	238,959	81.63%	79.38%
	<u>\$ 354,103</u>	<u>\$ 301,030</u>	<u>100.00%</u>	<u>100.00%</u>
Restricted net position:				
Expendable:				
Carried balances for future expenditures	\$ 5,387	\$ 3,337		
Dorothy Waugh trust funds	32,900	25,619		
Non-principal cemetery perpetual care funds	1,449	1,449		
Fire equipment capital reserve funds	4,336	10,680		
Community building improvement reserve	6,813	6,706		
Cemetery improvement reserve	1,181	1,181		
	<u>52,066</u>	<u>48,972</u>		
Non-expendable:				
Prepaid expenses	7,589	8,090		
Principal cemetery perpetual care funds	5,409	5,009		
	<u>12,998</u>	<u>13,099</u>		
	<u>\$ 65,064</u>	<u>\$ 62,071</u>		

Town of Vienna, Maine
Management's Discussion and Analysis
December 31, 2013

The Town as a whole - Revenues, expenses, and changes in net position

The information provided below represents government-wide information for the governmental activities of the Town for the current fiscal year as compared to the prior fiscal year. The revenues and expenses shown below are recorded on the accrual basis of accounting. Program revenues received by the Town specifically relating to or generated by individual departments are applied to the departmental expenditures to determine the amount and percentage of total Town expenditures actually financed by general revenues. This amount and percentage is shown at the bottom of this schedule and should be used to give the reader an indication of how the Town's activities were financed during the current fiscal year in comparison to the prior fiscal year. The comparison of expenses shown below indicates that the general make-up of the Town's spending by department as a percentage of total spending was consistent for the current fiscal year in comparison to the prior fiscal year.

	Governmental fund types		Percentage of total	
	2013	2012	2013	2012
Program revenues				
Charges for services	\$ 7,272	\$ 9,021	0.62%	0.79%
Operating grants	26,715	27,128	2.29%	2.38%
Capital grants	-	-	-	-
General revenues				
Property taxes, interest and liens	971,858	931,608	83.28%	81.83%
Excise taxes	90,687	85,778	7.77%	7.54%
State revenue sharing	31,341	42,786	2.69%	3.76%
State homestead reimbursement	16,123	18,570	1.38%	1.63%
Other state revenue	5,657	6,463	0.48%	0.57%
Checking and savings interest	-	113	-	0.01%
Other miscellaneous revenues	17,288	16,918	1.49%	1.49%
Total revenues	<u>1,166,941</u>	<u>1,138,385</u>	<u>100.00%</u>	<u>100.00%</u>
Expenses				
General government	86,644	87,047	7.78%	8.26%
Fire department and rescue services	55,036	46,085	4.94%	4.38%
Safety and health	63,161	61,293	5.67%	5.82%
Highways and roads	289,116	278,114	25.96%	26.41%
Special assessments	594,161	546,316	53.34%	51.87%
Cemeteries	3,602	2,970	0.32%	0.28%
Reserve and capital accounts	-	-	-	-
Unclassified	17,220	25,845	1.55%	2.45%
Debt service				
Interest	4,928	5,485	0.44%	0.53%
Total expenses	<u>1,113,868</u>	<u>1,053,155</u>	<u>100.00%</u>	<u>100.00%</u>
Change in net position	53,073	85,230		
Net position - January 1	<u>301,030</u>	<u>215,800</u>		
Net position - December 31	<u>\$ 354,103</u>	<u>\$ 301,030</u>		
Expenses financed by general revenues:				
Total expenses	\$ 1,113,868	\$ 1,053,155		
Less charges for services	-7,272	-9,021		
Less operating grants and contributions	-26,715	-27,128		
Less capital grants and contributions	-	-		
	<u>\$ 1,079,881</u>	<u>\$ 1,017,006</u>	<u>96.95%</u>	<u>96.57%</u>

Town of Vienna, Maine
Management's Discussion and Analysis
December 31, 2013

Capital assets

The capital assets of the Town include land, land improvements, buildings, building improvements, vehicles, equipment, and infrastructure assets that are used in the operations of the Town and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly longer period of time than other capital assets. The types of infrastructure assets that would normally be recorded by the Town include but are not limited to improved town roads, unimproved town roads, and bridges. The infrastructure assets of the Town are required to be reported in accordance with GAAP. The basic financial statements of the Town do not presently include balances and information in regard to the capital assets of the Town due to a lack of complete and accurate detail of these items. The Town is presently working towards preparing this information and its goal of including these assets in the basic financial statements in a subsequent fiscal year.

Debt administration

The debt of the town is made up of long-term bonds and notes payable. All long-term debt is incurred through the approval of the inhabitants of the Town in accordance with applicable state statutes. The comparison of the outstanding debt shown below indicates that the general make-up of the Town's different types of debt as a percentage of total debt was consistent for the current fiscal year in comparison to the prior fiscal year. The portion due within one year for bonds payable was consistent due to the fact that as the Town pays down the principal amount on this debt, the payment amount attributable to interest decreases and in-turn the amount attributable to principal increases. The portion due after one year decreased due to current fiscal year retirements. More detailed information on the debt of the Town can be found in note 5 on page 26.

	Governmental Activities		Percentage of total	
	2013	2012	2013	2012
Bonds payable:				
Portion due within one year	\$ 10,473	\$ 9,983	10.19%	8.83%
Portion due after one year	92,254	103,000	89.81%	91.17%
Total debt	<u>\$ 102,727</u>	<u>\$ 112,983</u>	<u>100.00%</u>	<u>100.00%</u>

Financial highlights - Fund financial statements

The previous sections of this management discussion and analysis have been presented for the current fiscal year with a focus on the comparative analysis of the information on the governmental activities of the Town as found in the government-wide financial statements. Comparative financial information has not been included for the fund financial statements of the Town. The following financial highlights, however, do relate to the balances and results of the activities of the Town's individual funds as found in its fund financial statements. Detailed current year information on the Town's individual funds can be found on the Balance sheet on page 11 and the Statement of revenues, expenditures, and changes in fund balances on pages 13.

- The net change in fund balance (excess of expenditures over revenues) for the Town's general fund was a positive \$89,857 for the current fiscal year in comparison to a positive \$51,964 for the prior fiscal year. This represents a favorable increase of approximately 72.92% and relates in part to the following budgetary highlights from the current and prior fiscal year.
- The actual revenues received in the Town's general fund were \$82,093 higher than the budgeted revenues for the current fiscal year which is a favorable variance in comparison to \$30,789 higher for the prior fiscal year which was also a favorable variance. This is in part the result of a higher than normal tax collection rate. The outstanding taxes and liens receivable balance for the current fiscal year is \$158,734 which is in comparison to the prior fiscal year balance of \$217,626. This decrease in the outstanding balance represents the higher than normal tax collection rate which resulted in tax revenue \$66,768 above the budgeted amount for the current fiscal year in comparison to (\$6,545) below the budgeted amount for the prior fiscal year. In addition, during the current fiscal year actual state revenue sharing was (\$15,694) below the budgeted amount, state road assistance revenue was \$26,410 above the budgeted amount and other state revenue was \$5,962 above the budgeted amount.

Town of Vienna, Maine
Management's Discussion and Analysis
December 31, 2013

- The actual program expenditures in the Town's general fund were \$17,101 higher than the budgeted expenditures for the current fiscal year which is an unfavorable variance in comparison to \$4,956 higher than the budgeted expenditures for the prior fiscal year which was also an unfavorable variance. These over expenditures are due mostly to the road construction and paving account which ended up \$25,999 over expended in comparison to the amount budgeted. This over expenditure is offset by a number of smaller under expenditures and over expenditures. More detail on the individual line items that were over or under their budgeted amounts can be found on Statement E on pages 15 and 16.
- In the current and the prior fiscal year the Town budgeted to utilize a portion of its general fund balance which is labeled within the financial statements as assigned - unassigned fund balance approved to be applied against the upcoming budget. These funds are in effect left over budget amounts from prior fiscal years which have been set aside to be spent on specific items or activities in the current or subsequent fiscal years. Budgeting to use surplus in any way is the same as budgeting for a loss due to the fact that prior year accumulated balances cannot be shown as current year revenues. The current fiscal year budgeted use of this assigned general fund balance equaled \$3,337 which compares to a budgeted use of \$3,337 for the prior fiscal year.
- In the current and the prior fiscal year the Town did not budget to utilize any of its unassigned general fund balance to offset current or prior fiscal year expenditures. Budgeting to use surplus in any way is the same as budgeting for a loss due to the fact that prior year accumulated balances cannot be shown as current year revenues.

Economic factors and next year's budgets and rates

The Town believes it has maintained an adequate unrestricted net position and unassigned fund balance to sustain the governmental activities and operations in case of an emergency situation but not for an extended period of time such as the industry accepted standard of at least an estimated two month period of time. The general fund of the Town had an operating profit during the current fiscal year of \$89,857 and an operating profit in the prior fiscal year of \$51,964. The Town hopes that this positive trend will continue through future fiscal years. The Town is receiving funds from the Dorothy Waugh trust for the maintenance, upkeep, and preservation of the building known as the Vienna Town Hall. The hope is that this stream of income will be able to absorb certain expenses originally financed through appropriations. Management believes that this will assist in achieving positive results within the general fund in future fiscal years.

Contacting the Town's financial management

This financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability. If you have questions about this report or need additional financial information, contact the Treasurer or a member of the Board of Selectmen at Town Hall.

Town of Vienna, Maine
Statement of net position
December 31, 2013

Assets	<u>Governmental activities</u>
Current assets:	
Unrestricted cash in banks	\$ 220,944
Unrestricted cash on hand	42,142
Accounts receivable	
Real estate taxes	89,184
Real estate liens	69,550
Other	9,579
Prepaid expenses	7,589
Total current assets	<u>438,988</u>
Other assets	
Restricted cash	<u>48,003</u>
Total Assets	<u>\$ 486,991</u>
Liabilities	
Accounts payable and other liabilities	\$ 12,787
Accrued interest payable	1,602
Prepaid taxes	1,628
Deferred revenue other	14,144
Long-term debt	
Portion due within one year	10,473
Portion due after one year	92,254
Total liabilities	<u>132,888</u>
Net Position	
Restricted	
Expendable	52,066
Non-expendable	12,998
Unrestricted	289,039
Total net position	<u>354,103</u>
Total liabilities and net position	<u>\$ 486,991</u>

See the accompanying notes to the basic financial statements.

Town of Vienna, Maine
Statement of activities
For the year ended December 31, 2013

Primary government:	Expenses	Program revenues			Net (expense)
		Charges for services	Operating grants and contributions	Capital grants and contributions	revenue and changes in net position
Governmental activities:					Total governmental activities
Current:					
General government	\$ -86,644	\$ 5,354	\$ -	\$ -	\$ -81,290
Fire department and rescue services	-55,036	-	-	-	-55,036
Safety and health	-63,161	1,518	-	-	-61,643
Highways and roads	-289,116	-	26,410	-	-262,706
Special assessments	-594,161	-	-	-	-594,161
Cemeteries	-3,602	400	-	-	-3,202
Reserve and capital accounts	-	-	-	-	-
Unclassified	-17,220	-	305	-	-16,915
Debt service:					
Interest	-4,928	-	-	-	-4,928
	<u>\$ -1,113,868</u>	<u>\$ 7,272</u>	<u>\$ 26,715</u>	<u>\$ -</u>	<u>-1,079,881</u>

General revenues:

Property taxes, interest, and lien fees	971,858
Excise taxes	90,687
State revenue sharing	31,341
State homestead reimbursement	16,123
Other unclassified state revenues	5,657
Other miscellaneous revenues	17,288
Total general revenues	<u>1,132,954</u>

Change in net position 53,073

Net position - January 1 301,030

Net position - December 31 \$ 354,103

See the accompanying notes to the basic financial statements.

Town of Vienna, Maine
Balance sheet - Governmental funds
December 31, 2013

	General fund	Dorothy Waugh trust fund	Non-major governmental funds	Total governmental funds
Assets				
Cash in banks	\$ 267,078	\$ -	\$ 1,869	\$ 268,947
Cash on hand	42,142	-	-	42,142
Receivables (net of allowance)				
Real estate taxes	89,184	-	-	89,184
Real estate liens	69,550	-	-	69,550
Other	5,404	4,175	-	9,579
Prepaid expenditures	6,923	666	-	7,589
Due from other funds	-	28,815	17,319	46,134
Total assets	\$ 480,281	\$ 33,656	\$ 19,188	\$ 533,125
Liabilities				
Accounts payable and other liabilities	\$ 12,697	\$ 90	\$ -	\$ 12,787
Prepaid taxes	1,628	-	-	1,628
Deferred revenue	14,144	-	-	14,144
Due to other funds	46,134	-	-	46,134
Total liabilities	74,603	90	-	74,693
Deferred inflows of resources				
Unavailable revenue - property taxes	133,182	-	-	133,182
Total deferred inflows of resources	133,182	-	-	133,182
Fund balances				
Non-spendable	6,923	666	5,409	12,998
Restricted	-	32,900	1,449	34,349
Committed	-	-	12,330	12,330
Assigned	5,387	-	-	5,387
Unassigned	260,186	-	-	260,186
Total fund balances	272,496	33,566	19,188	325,250
Total liabilities, deferred inflows of resources and fund balances	\$ 480,281	\$ 33,656	\$ 19,188	\$ 533,125

See the accompanying notes to the basic financial statements.

Town of Vienna, Maine
Reconciliation of Statement C to Statement A
for all governmental funds and activities
December 31, 2013

Fund balances of governmental funds as shown on Statement C	\$	325,250
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Amounts reported for governmental activities in the government-wide financial statements (Statement A) are different than the amounts reported in the fund financial statements (Statement C) and must therefore be modified as follows:

- | | | | |
|---|--|---------|----------|
| 1 | The majority of the property tax receivable long-term asset is not available to pay for current period expenditures and therefore it is reported as a deferred inflow of resources on Statement C however this amount is considered earned when billed and in turn recorded as revenue on Statement A and therefore must be added back in: | | 133,182 |
| 2 | Interest on long-term debt is only recorded as a liability on Statement C when the payment is due, however it is recorded on Statement A as the amount is accrued in accordance with the terms of the liability and therefore must be subtracted out:
Bonds payable | | -1,602 |
| 3 | Long-term liabilities, are not due and payable in the current period and therefore are not reported on Statement C however they are reported on Statement A and therefore they must be subtracted out:
Bonds and notes payable | | -102,727 |
| 4 | Inter fund receivable and payable balances between governmental funds are reported on Statement C but eliminated on the Statement A:
Inter fund receivables | 46,134 | |
| | Inter fund payables | -46,134 | |
| | | - | |

Net position of governmental activities as shown on Statement A	\$	<u>354,103</u>
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See the accompanying notes to the basic financial statements.

Town of Vienna, Maine
Statement of revenues, expenditures, and changes in fund balances - Governmental funds
For the year ended December 31, 2013

	General fund	Dorothy Waugh trust fund	Non-major governmental funds	Total governmental funds
Revenues				
Property taxes, interest, and lien fees	\$ 1,020,666	\$ -	\$ -	\$ 1,020,666
Excise taxes	90,687	-	-	90,687
Intergovernmental revenues				
State revenue sharing	31,341	-	-	31,341
State road assistance	26,410	-	-	26,410
State homestead reimbursement	16,123	-	-	16,123
Other state revenue	5,962	-	-	5,962
Other miscellaneous revenues	7,960	15,505	1,095	24,560
Total revenues	<u>1,199,149</u>	<u>15,505</u>	<u>1,095</u>	<u>1,215,749</u>
Expenditures				
Current				
General government	80,668	5,976	-	86,644
Fire department and rescue services	48,191	-	6,845	55,036
Safety and health	63,161	-	-	63,161
Highways and roads	289,116	-	-	289,116
Special assessments	594,161	-	-	594,161
Cemeteries	3,602	-	-	3,602
Reserve and capital accounts	-	-	-	-
Unclassified	15,151	2,069	-	17,220
Debt service				
Principle	10,256	-	-	10,256
Interest	5,073	-	-	5,073
Total expenditures	<u>1,109,379</u>	<u>8,045</u>	<u>6,845</u>	<u>1,124,269</u>
Excess of revenues over over (under) expenditures	<u>89,770</u>	<u>7,460</u>	<u>-5,750</u>	<u>91,480</u>
Other financing sources (uses)				
Operating transfers in	194	-	107	301
Operating transfers out	-107	-	-194	-301
Total other financing sources (uses)	<u>87</u>	<u>-</u>	<u>-87</u>	<u>-</u>
Net change in fund balances	89,857	7,460	-5,837	91,480
Fund balances - January 1	<u>182,639</u>	<u>26,106</u>	<u>25,025</u>	<u>233,770</u>
Fund balances - December 31	<u>\$ 272,496</u>	<u>\$ 33,566</u>	<u>\$ 19,188</u>	<u>\$ 325,250</u>

See the accompanying notes to the basic financial statements.

Town of Vienna, Maine
Reconciliation of Statement D and Statement B
for all governmental funds and activities
For the year ended December 31, 2013

Net changes in governmental fund balances as shown on Statement D \$ 91,480

Amounts recorded for governmental activities in the government-wide financial statements (Statement B) are different than the amounts reported in the fund financial statements (Statement D) and therefore must be modified as follows:

1	Property tax revenues are recognized on Statement D as described in note 1G of the notes to the financial statements however property tax revenues are recorded in the full amount of the annual levy in Statement B and therefore the current year adjustment described in note 1G must be added back in or subtracted back out.		-48,808
2	The basis of presentation and revenue recognition is different from the government-wide financial statements shown on Statement B and the fund financial statements shown on Statement D. This difference in revenue recognition policies results in certain revenue amount being recorded in Statement B and deferred in Statement D.		
	Prior year accrued interest amount on bonds payable	1,747	
	Current year accrued interest amount on bonds payable	-1,602	145
3	Payments on and changes in long-term liabilities are recorded as current year activities on Statement D however they are shown as increases or decreases in liability accounts in the government-wide financial statements and therefore must be adjusted accordingly:		
	Bonds and notes payable repayment		10,256
4	Interfund transfers between governmental funds are reported on Statement D but must be eliminated on Statement B:		
	Operating transfers in	301	
	Operating transfers out	-301	-
	Change in net position of governmental activities as shown on Statement B		\$ 53,073

See the accompanying notes to the basic financial statements.

Town of Vienna, Maine
Statement of revenues, expenditures, and changes in fund balance
Budget and actual (Budgetary basis) - General fund
For the year ended December 31, 2013

	Original budget	Budget revisions	Final budget	Actual	Variance
Revenues					
Property taxes, interest and liens	\$ 953,898	\$ -	\$ 953,898	\$ 1,020,666	\$ 66,768
Excise taxes	85,000	-	85,000	90,687	5,687
Intergovernmental revenues:					
State revenue sharing	47,035	-	47,035	31,341	-15,694
State road assistance	-	-	-	26,410	26,410
State homestead reimbursement	16,123	-	16,123	16,123	-
Other state revenue	-	-	-	5,962	5,962
Other miscellaneous revenues	15,000	-	15,000	7,960	-7,040
Total revenues	<u>1,117,056</u>	<u>-</u>	<u>1,117,056</u>	<u>1,199,149</u>	<u>82,093</u>
Expenditures					
General government:					
General administrative expenses	18,212	-	18,212	18,636	-424
Tax anticipation note interest	2,000	-	2,000	2,145	-145
Salaries and wages	43,000	-	43,000	43,000	-
Payroll taxes	6,000	-	6,000	4,442	1,558
Community building operations	7,000	-107	6,893	6,893	-
Elections	1,300	-	1,300	726	574
Property tax related fees	-	-	-	3,158	-3,158
Legal fees	1,000	-	1,000	-	1,000
Plumbing inspector	500	-	500	856	-356
Assessor	1,000	-	1,000	752	248
Deputies training	600	-	600	-	600
Court attendance	250	-	250	-	250
Planning board	-	-	-	60	-60
	<u>80,862</u>	<u>-107</u>	<u>80,755</u>	<u>80,668</u>	<u>87</u>
Fire department and rescue services:					
Operations	30,500	194	30,694	30,694	-
Osha professional services	593	-	593	-	593
Mount Vernon rescue	3,500	-	3,500	3,500	-
F.M.H. ambulance services	13,999	-	13,999	13,997	2
	<u>48,592</u>	<u>194</u>	<u>48,786</u>	<u>48,191</u>	<u>595</u>
Safety and health:					
Waste management	55,000	-	55,000	52,593	2,407
Landfill	2,744	-	2,744	450	2,294
30 mile river watershed association	1,500	-	1,500	2,300	-800
Street lights	1,650	-	1,650	1,583	67
Animal control	3,600	-	3,600	3,634	-34
Dispatch and PSAP services	2,964	-	2,964	2,541	423
Health officer	50	-	50	60	-10
	<u>67,508</u>	<u>-</u>	<u>67,508</u>	<u>63,161</u>	<u>4,347</u>
Highways and roads:					
Roads construction and paving	55,000	-	55,000	80,999	-25,999
Roads maintenance	55,000	-	55,000	54,643	357
Winter roads plowing contract	152,000	-	152,000	153,474	-1,474
	<u>262,000</u>	<u>-</u>	<u>262,000</u>	<u>289,116</u>	<u>-27,116</u>

See the accompanying notes to the basic financial statements.

Town of Vienna, Maine
Statement of revenues, expenditures, and changes in fund balance
Budget and actual (Budgetary basis) - General fund
For the year ended December 31, 2013

	Original budget	Budget revisions	Final budget	Actual	Variance
Special assessments:					
County tax	\$ 68,317	\$ -	\$ 68,317	\$ 68,317	\$ -
School administrative district No. 9	524,473	-	524,473	525,844	-1,371
	<u>592,790</u>	<u>-</u>	<u>592,790</u>	<u>594,161</u>	<u>-1,371</u>
Cemeteries:					
Franklin cemetery	500	-	500	500	-
Town cemetery maintenance	3,100	-	3,100	3,102	-2
	<u>3,600</u>	<u>-</u>	<u>3,600</u>	<u>3,602</u>	<u>-2</u>
Reserve and capital accounts:					
Contingency	2,500	-	2,500	-	2,500
Unclassified:					
Town insurances	12,250	-	12,250	9,274	2,976
Appropriated gifts	5,260	-	5,260	5,260	-
General assistance	1,500	-	1,500	-	1,500
Fpld	-	-	-	312	-312
Vienna mountaineers	-	-	-	305	-305
	<u>19,010</u>	<u>-</u>	<u>19,010</u>	<u>15,151</u>	<u>3,859</u>
Debt service:					
Principle	10,256	-	10,256	10,256	-
Interest	5,073	-	5,073	5,073	-
	<u>15,329</u>	<u>-</u>	<u>15,329</u>	<u>15,329</u>	<u>-</u>
Total expenditures	<u>1,092,191</u>	<u>87</u>	<u>1,092,278</u>	<u>1,109,379</u>	<u>-17,101</u>
Excess of revenues over (under) expenditures	<u>24,865</u>	<u>-</u>	<u>24,778</u>	<u>89,770</u>	<u>64,992</u>
Other financing sources (uses)					
Utilization of unassigned surplus	-	-	-	-	-
Utilization of assigned surplus	3,337	-	3,337	-	-3,337
Operating transfers in	-	194	194	194	-
Operating transfers out	-	-107	-107	-107	-
Total other financing sources (uses)	<u>3,337</u>	<u>87</u>	<u>3,424</u>	<u>87</u>	<u>-3,337</u>
Net change in fund balance	28,202	-	28,202	89,857	61,655
Fund Balance - January 1				<u>182,639</u>	
Fund Balance - December 31				<u>\$ 272,496</u>	

See the accompanying notes to the basic financial statements.

Town of Vienna, Maine
Notes to the financial statements
December 31, 2013

The Town of Vienna, Maine (the Town) is located in the eastern section of Maine and is located in Kennebec County. The Town is a municipal corporation which is governed by an elected Board of Selectmen.

Note 1 - Summary of significant accounting policies

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting. Standards of accounting and financial reporting issued by the Financial Accounting Standards Board, Accounting Principles Board Opinions, and the Accounting Research Bulletins of the American Institute of Certified Public Accountants Committee on Accounting Procedure on or before November 30, 1989, generally are followed in the government-wide financial statements, when applicable, to the extent that those standards do not conflict with or contradict pronouncements of the GASB. The basic financial statements of the Town consist of government-wide financial statements and fund financial statements. The basis of presentation, measurement focus, and basis of accounting differ for these two types of financial statements and are described separately in Section B and C below. The other following sections represent a summary of the significant accounting policies as applied by the Town.

A. Reporting entity

The financial reporting entity consists of the primary government and its component units, organizations for which the primary government is financially accountable or for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government 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 that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

The Town has determined that the Vienna Volunteer Fire Department meets the definition of a component unit due to its fiscal dependence on the Town and the nature and significance of their relationship. For a legally separate entity to be considered fiscally independent it must, among other things, have the authority to determine its budget without the primary government having the authority to approve and modify that budget. The Town approves a certain amount of money on an annual basis to be used for fire fighting activities for the Fire Department which in turn funds a portion of its operations. Though the Town does not directly have the authority to approve or modify the budget of the Department, it does indirectly do this by deciding the amount that it will or will not appropriate on an annual basis for fire fighting activities. In addition, the fire safety complex, fire trucks and other equipment used by the Department are purchased by the Town. This also creates a level of fiscal dependence due to the fact that the Department could not function in its current capacity without this assistance. In addition to the level of fiscal dependence between the Town and the Department, the nature and significance of the relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The activities of the Department should be shown on the Town's financial statements as a discretely presented component unit as opposed to a blended component unit in accordance with the provisions of GASB Statement No. 14 as amended by Statement Nos. 39 and 61. Audited financial information of the Department, however, have not been included in the accompanying government-wide financial statements and therefore the independent auditors' report includes an opinion modification.

B. Government-wide financial statements

1. Basis of presentation

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information about the Town as a whole without displaying individual funds or fund types. These statements distinguish between the primary government as well as the governmental and business type activities of the Town. These statements do not include information about the fiduciary activities and funds of the Town or component units which are fiduciary in nature. Fiduciary activities and funds report assets which are held by the Town in a trustee or agency capacity and which cannot be used to support the activities and programs of the Town.

Town of Vienna, Maine
Notes to the financial statements
December 31, 2013

The statement of net position presents the financial position of the governmental and business-type activities of the primary government of the Town at the end of the fiscal year. This statement reports the assets, liabilities, and net position of the Town. The assets and liabilities are presented in the order of their relative liquidity. The liquidity of assets is determined by how readily they are expected to be converted into cash and whether there are restrictions in place limiting their use by the Town. The liquidity of liabilities is determined by their maturity or by when cash will be used to liquidate them. The net position balance of the Town consists of the net investment in capital assets (net of accumulated depreciation and reduced by the total outstanding debt incurred to purchase the assets), restricted and unrestricted amounts. Restricted net position is present when constraints are imposed externally by creditors, grantors, contributors, other governments, or by law through constitutional provisions or enabling legislation. Unrestricted net position consists of all net position balances not meeting the definition of invested in capital assets or restricted. Internal balances between individual funds within the governmental and business-type activities are eliminated in this statement to minimize the "grossing-up" of assets and liabilities. These internal balances are also known as inter-fund receivables and payables and are shown in the fund financial statements as due to and due from other funds. Any residual amounts due between the governmental and business-type activities of the Town would be shown as an internal balance and disclosed separately.

The statement of activities presents the operations of the governmental and business-type activities of the primary government of the Town for the fiscal year. The operations of the Town are shown in a format which reports the net (expense) revenue of the individual functions of the Town. The purpose of this net (expense) revenue format is to report the relative financial burden of each of the Town's functions on the taxpayers. Program revenue is applied to each function based on which function generated the specific charges for services and for which functions the operating and capital grants have been received. All taxes are shown as general revenues regardless of whether they were levied for a specific purpose or function. The categories of individual functions correspond to the different departments and operations of the Town. Indirect expenses which benefit the Town as a whole are not required to be allocated among the other functions of the Town and therefore they are not allocated. Depreciation expense is allocated to the specific functions (sometimes referred to as departments) of the Town based on which function purchased or benefits from the assets. Depreciation on assets shared between two or more functions is allocated based on the percentage purchased by each function. If the benefit received from these assets shifts from the function making the purchase to another function in a material amount, the depreciation amount being charged will be shifted accordingly. Depreciation on capital assets which benefit all of the functions of the Town, such as infrastructure assets, is shown as a separate line item. Internal activity between individual funds within the governmental and business-type activities are eliminated in this statement. This internal activity is also known as transfers in and out and is shown in the fund financial statements as such. The above information relating to the government-wide financial statements basis of presentation reference both governmental and business-type activities. The Town currently does not have any business-type activities.

2. Measurement focus and basis of accounting

The statement of net position and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting would be used for both governmental and business type activities of the primary government of the Town. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. In other words, revenues and the related assets are recognized when they are earned and expenses and the related liabilities are recognized when they are incurred. The Town does not have an established policy relating to the use of restricted and unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Absent of an established policy which addresses this situation, accounting guidance states that it should consider that restricted amounts would be reduced first and then unrestricted amounts.

C. Fund financial statements

1. Basis of presentation

The fund financial statements of the Town consist of a balance sheet with a reconciliation to the government-wide statement of net position, a statement of revenues, expenditures, and changes in fund balances with a reconciliation to the government-wide statement of activities, a budgetary comparison schedule for the general fund, and a statement of fiduciary net position. These fund financial statements are designed to report additional and more detailed information about the primary government. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts which record cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with any special regulations, restrictions, or limitations which may exist. The types of funds shown for the Town are governmental funds and fiduciary funds. The focus of these fund financial statements are on major funds as defined by GASB Statement No. 34. All major funds are reported in a separate column with all non-major funds being aggregated and reported in a single column.

Town of Vienna, Maine
Notes to the financial statements
December 31, 2013

Governmental fund reporting focuses primarily on the sources, uses, and balances of the current financial resources of the Town. The governmental funds used by the Town include the general fund. Other non-major governmental fund types used by the Town may include special revenue funds, capital project funds, and permanent funds. The general use and purpose of these individual governmental fund types are as follows. The individual names of each fund within each non-major governmental fund type can be found in the accompanying combining schedules and the purpose of the fund is generally self explanatory within each title.

- a. General fund - The general fund is the main operating fund of the Town. It is used to account for and report all financial resources not accounted for and reported in another fund.
- b. Special revenue funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term proceeds of specific revenue sources establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The specific restricted or committed revenues may be initially received in another fund and subsequently distributed to a special revenue fund, however, those amounts should not be recognized as revenue in the fund initially receiving them but rather be shown as revenue in the special revenue fund in which they will be expended for the specified purpose. The restricted or committed proceeds of the specific revenue sources should be expected to continue to make up a substantial portion of the resources flowing into the fund. Other financial resources such as investment income and transfers from other funds may also be reported within a special revenue fund as long as those resources are restricted, committed or assigned to the specified purpose of the fund. The current special revenue funds of the Town include the fire capital equipment reserve, the community building improvement reserve and the cemetery improvement reserve.
- c. Capital project funds - Capital project funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, such as the acquisition or construction of capital facilities and other capital assets. The Town does not currently have any capital project funds.
- d. Permanent funds - Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs and in effect the benefit of the Town or its citizens. The cemetery perpetual funds non-major fund is currently the only permanent fund of the Town.

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the programs of the Town. The Town does not currently have any fiduciary funds such as agency funds which are used to report resources held by the Town in a purely custodial capacity.

The balance sheet is used to report information about the current financial resources (assets, liabilities, and fund balances) of each major governmental fund and for all non-major governmental funds in the aggregate. The fund balance amounts within the governmental funds are segregated between non-spendable, restricted, committed, assigned and unassigned amounts. These balances are shown on the face of the balance sheet in the aggregate but are broken out into the required detail in note 1P starting on page 23. An accompanying schedule is also required to be completed to reconcile the total governmental fund balance to the total net position balance of the governmental activities of the Town as shown on the government-wide statement of net position.

The statement of revenues, expenditures, and changes in fund balances is used to report information about the inflows, outflows, and balances of current financial resources of each major governmental fund and all non-major funds in the aggregate. Revenues are classified by major revenue sources while expenditures are classified by categories of individual functions corresponding to the different departments and operations of the Town. The proceeds from the issuance of long-term debt and operating transfers between individual funds are shown as other financing sources and uses. An accompanying schedule is also required to be completed to reconcile the total change in governmental fund balances to the total change in net position of the governmental activities of the Town as shown on the government-wide statement of activities.

The budgetary comparison information is required to be presented for the general fund and each major special revenue or capital project fund that has a legally adopted annual budget. This statement shows the original budget as voted on and appropriated, the changes made to each individual departmental line item within the budget, and the final budget which is compared to the actual revenue and expenditure balances to come up with the favorable or unfavorable variance numbers.

The statement of fiduciary net position shows information in regard to the assets and liabilities of the fiduciary funds of the Town (agency funds). The statement of changes in fiduciary net position shows information in regard to the additions to, subtractions from, and net increase or decrease for the year in fiduciary fund net position. The Town does not currently have any fiduciary funds and therefore neither of these are currently included in the basic financial statements.

Town of Vienna, Maine
Notes to the financial statements
December 31, 2013

2. Measurement focus and basis of accounting

The balance sheet and the statement of revenues, expenditures, and changes in fund balances are prepared using the current financial resources measurement focus and the modified accrual basis of accounting for all governmental and fiduciary funds. Capital assets and long-term debt are not recorded as assets or liabilities on the balance sheet of the Town. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Under the modified accrual basis of accounting revenues are recognized when they become measurable and available as net current assets. Property tax revenues are recognized when they become available. Available includes those property taxes receivable which are expected to be collected within the first sixty days after the end of the current fiscal year. Miscellaneous revenues are recorded when received because they are generally not measurable until actually received. Intergovernmental revenues are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available. The Town generally considers intergovernmental revenues which are received within the first sixty days after the end of the current fiscal year to be both measurable and available. Expenditures are generally recognized under this basis of accounting when the related fund liability is incurred. Exceptions to this general rule include general long-term debt principal and interest which is recognized when due.

D. Cash and cash equivalents

Cash and cash equivalents include amounts in demand deposit accounts as well as all highly liquid short-term investments with a maturity date within three months of the date acquired by the Town.

E. Investments

The Town's policy to value investments at their fair value as of the end of the fiscal year. Some of the types of investments authorized by the State of Maine include obligations of the United States Government, obligations fully insured or guaranteed by the government or governmental agency, and repurchase agreements. The Town may vote to accept other types of investments than those authorized by the State in situations where they have been donated to the Town. The Town did not have any investments as of the end of the current or prior fiscal year.

F. Receivables

All property tax, intergovernmental, and other receivables are reported net of any allowance for doubtful accounts. Fund financial statement accounts receivable balances include property tax principal amounts, intergovernmental amounts and other miscellaneous agreements, and other receivable amounts which consist primarily of money due for the Dorothy Waugh Trust fund which is for the current fiscal year but which was received in January of 2014. The current year ending property tax receivable balance is \$89,184 for real estate taxes due and \$69,550 for real estate liens due. The current year other receivable balance of \$9,579 is made up of the Dorothy Waugh Trust fund in the amount of \$4,175, amounts due from the state for homestead reimbursements in the amount of \$3,956 and snowmobile reimbursements in the amount of \$305 and other miscellaneous receivables in the amount of \$1,143. Government-wide financial statements include all of the above mentioned receivable types and, in addition, should include the accumulated delinquent interest and fees on the property tax principal amounts. The financial statements do not currently include this delinquent interest balance as it has been found to be immaterial to the financial statements. The Town will book an unbilled receivable in situations when a grant or contract has incurred expenditures which will be reimbursed by a funding source but which have not yet been fully received in cash for the amount incurred. The current allowance for doubtful accounts in relation to the above mentioned accounts receivable balances was estimated to be \$0. The Town considers past experience with receivable balance collections and current aging report details when determining its calculation for an allowance for doubtful accounts. Receivables are only written off once it has been determined that all other methods of collection have been utilized without success.

G. Revenue recognition - property taxes

The Town's property tax for the current year was levied May 19, 2013, on the assessed value listed as of April 1, 2013, for all real estate and personal property located in the Town. Taxes were due in two installments by June 15, 2013 and September 15, 2013. Interest on unpaid taxes commenced after each due date, at a rate of 1.575% per annum or the maximum amount allowed by the state if larger. Tax liens are placed on real property within twelve months following the tax commitment date if the taxes are not paid in full. The town has the authority to foreclose on property eighteen months after the filing of the lien if the tax lien amounts and the associated costs have still not been paid in full. As described earlier, in the fund financial statements property tax revenues are recorded in the amount of the annual principle property tax assessment with an adjustment being made for the amount of principle expected to be collected within the first sixty days after the end of the current fiscal year. In the government-wide financial statements, only the current year principle assessment is recorded as revenue and therefore any adjustment made would need to be reversed.

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H. Inventories

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used which is in accordance with the consumption method. On the fund financial statements, inventories are presented at cost on a first-in, first-out basis and are recorded as expenditures when used. The Town currently has no material and reported inventory amounts.

I. Tax acquired property

Property which has been foreclosed on by the Town due to non-payment of taxes or other similar situations is classified as tax acquired property at the value of the original outstanding tax receivable amount. Interest and fees on the property are recorded at such time when the property is sold. The amount of the sale is first credited against the tax acquired property account on the balance sheet and then the remaining amount is credited against the sale of Town property account on the income statement. The town did not have any tax acquired property activity during the current fiscal year.

J. Prepaid items

Payments made to vendors for services and in certain circumstances goods that will benefit periods beyond the end of the fiscal year are recorded as prepaid expenses-expenditures using the consumption method by recording an asset for the prepaid amount and reflecting the expense-expenditure in the subsequent year (s) in which the services are consumed. Expenditures relatively minor in nature for insurance and similar services extending over more than one accounting period need not be allocated between or among accounting periods, but may be accounted for as expenditures of the period of acquisition. The Town considers relatively minor in nature to include aggregated similar items not exceeding \$2,500. Payments made to vendors for services and in certain circumstances goods that will only benefit periods beyond the end of the fiscal year which are related to grants and other governmental fund activities are recorded as prepaid expenses-expenditures regardless of the dollar amount.

K. Capital assets

The Town does not presently record capital assets on the government-wide financial statements. This is not in accordance with generally accepted accounting principles and therefore the audit report has been modified for this omission. The Town does plan to record these capital assets at some future date and accordingly this description is being included to describe how the capital assets of the Town will be accounted for. Capital assets of the Town include land, land improvements, buildings, building improvements, vehicles, equipment, infrastructure, and all other tangible and intangible assets which may arise that are used in operations and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly greater number of years than most capital assets. The types of infrastructure assets recorded by the Town would include improved and unimproved town roads, and bridges. All improvements to infrastructure and other capital assets are capitalized which add to the value or materially extend the life of the asset. All capital assets of the Town are recorded at historical cost or estimated historical cost when the actual amount is not available. The historical cost of these assets includes not only the cost of the asset but also capitalized interest charges and other direct costs associated with placing the asset into its intended location and its intended use. The Town maintains a capitalization threshold of \$5,000 for all capital assets with the exception of land purchases which are recorded regardless of amount. Donated capital assets are reported at their estimated fair value at the time of acquisition plus other direct costs associated with placing the asset into its intended location and intended use. Capital assets are only shown on the government-wide statement of net position.

Land and land improvements are not depreciated. All other individual capital assets of the Town are depreciated over their estimated useful lives using the straight line method. Under this method, the recorded cost of each capital asset less any estimated residual value is divided by the estimated useful life resulting in an even amount of depreciation to be taken on an annual basis. The estimated residual value is the amount that the capital asset is expected to be worth at the end of its useful life. The general estimated useful lives for specific types of capital assets are 3 - 10 years for equipment, 5 - 10 years for vehicles, 30 - 50 years for buildings and building improvements and infrastructure. Capital assets which are under construction but not yet completed are recorded as construction in progress. These capital assets will not begin to be depreciated until they are completed. Depreciation expense is allocated to the specific functions (sometimes referred to as departments) of the Town based on which function purchased or benefits from the assets. Depreciation on assets shared between two or more functions is allocated based on the percentage purchased by each function. If the benefit received from these assets shifts from the function making the purchase to another function in a material amount, the depreciation amount being charged will be shifted accordingly. Depreciation on capital assets which benefit all of the functions of the Town, such as infrastructure assets, is shown as a separate line item. Depreciation expense on capital assets is only shown on the government-wide statement of activities and is added to the individual function or department as described above

Town of Vienna, Maine
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L. Inter fund receivables and payables

Inter fund receivables and payables represent the balance of activity between the different funds of the Town. These activities include but are not limited to transfers which were not physically made but need to be recorded to keep track of the individual fund balances, a portion of the annual tax commitment applicable to certain special revenue and other funds of the Town which are shown as transfers within the annual budget document approved by the inhabitants of the Town and cash receipts which may have been deposited in the cash account of one fund but which are for the use of another fund. The actual receipt of this tax revenue and other revenues is not deposited into the individual funds but rather into the general fund and accounted for as an inter fund receivable. Expenditures for one fund paid for out of another fund are also included in these balances. The balance of inter fund receivables and inter fund payables as shown on the balance sheet must equal. These inter fund balances and related activities have been eliminated in the government-wide statement of net position and the statement of activities.

M. Deferred revenue and Deferred inflows of resources

On the government-wide financial statements, revenue amounts which have been received in cash but not yet earned or recognized are recorded as deferred revenue. Codification of Governmental Accounting and Financial Reporting Standards section 1600.114 states that in regard to the modified accrual basis of accounting, material revenues received prior to the normal time of receipt should be recorded as deferred revenue. The town received state revenue during the current fiscal year in the amount of \$13,144 that relates to the upcoming fiscal year and a miscellaneous vendor deposit in the amount of \$1,000 which have been classified as deferred revenue on both the government-wide and the fund financial statements. The acquisition of net position or fund balance amounts which apply to future periods will not be recognized as an inflow of resources (revenue) until that time. On the fund financial statements, property taxes receivable not expected to be received within the first 60 days after the fiscal year end (i.e. not measurable and available) are recorded as deferred inflows of resources. The current fiscal year deferred inflow of resources balance relating to these property taxes receivable is \$133,182.

N. Budgets

The Town's policy is to adopt an annual budget for operations accounted for in the general fund. The budget is presented on the modified accrual basis of accounting (except in relation to teacher on-behalf payments made by the State which are not budgeted for and encumbrances) which is consistent with generally accepted accounting principles. In addition, the budget occasionally calls for certain amounts to be transferred or allocated to specific funds which have been set up by the Town for specific purposes. A portion of the budgeted revenues to be raised by the annual tax commitment is considered by the Town to be a specific revenue source which is committed to expenditure for these specified purposes. The budget calls for the revenue to be shown within the general fund and a transfer out to be shown to each of these specific funds. In accordance with the true accounting definition of a special revenue fund, specific revenue sources which in this case would be a portion of the annual tax commitment would be required to be shown as revenue of the specific fund. Therefore, on the Statement of revenues, expenditures and changes in fund balances (Statement D) property tax revenues would be shown for these specific special revenue funds with no transfers in or out being shown in either the general fund or the special revenue funds. On the Budget to actual statement for the general fund (Statement E) these amounts would be shown as property tax revenues for the general fund and as transfers out for the general fund in accordance with the approved budget of the Town. The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each general function of the Town. Appropriations cannot be transferred or increased without Town approval obtained from a special Town meeting. Budget appropriations lapse at the end of the fiscal year, with the exception of those items voted on by the Town to be carried during the budget process. The following procedures are followed in establishing the budgetary data reflected in the financial statements.

1. Early in the current fiscal year the Town prepared a budget for the fiscal year beginning January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Town of Vienna was then called for the purpose of adopting the proposed budget after public notice of the meeting and warrant items was given.
3. The budget was adopted subsequent to passage by the inhabitants of the Town at a meeting on March 8, 2013.

O. Encumbrance accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of the materials or services. For budgetary purposes, most appropriations lapse at fiscal year-end. The Town does not utilize encumbrance accounting, therefore, reservation of fund balance is not provided for at December 31, 2013. Accordingly, no difference exists between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

Town of Vienna, Maine
Notes to the financial statements
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P. Fund balance classification policies and procedures - fund financial statements only

The fund balance amounts of the governmental funds of the Town on the balance sheet are broken down between nonspendable, restricted, committed, assigned and unassigned. These fund balance classifications are described as follows:

- a. **Nonspendable fund balance** - Nonspendable fund balance include amounts that cannot be spent because they are either (a) not in a spendable form such as inventories or prepaid expenditures or (b) they are legally or contractually required to be maintained intact such as the principal portion of a permanent fund. The nonspendable fund balance amounts as reported by the Town consist of the corresponding amount of the recorded inventory and prepaid expenditures when applicable and the principal balance of the cemetery perpetual funds permanent fund.
- b. **Restricted fund balances** - Restricted fund balance include amounts that are restricted to a specific purpose when the restraints are placed on the use of the resources either by (a) externally imposed creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources from external sources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The restricted fund balance amounts of the Town consist of the residual fund balance amounts at the end of the fiscal year as they relate to grants received from either state, federal or local funding sources or contributions received to be spent for specific purposes. These amounts are restricted to be expended on the items outlined within the funding agreement with the Town and cannot be used for any other specified purposes. In addition, State statute requires that any remaining unspent and budgeted amounts relating to education be carried over for educational purposes. This mandate is considered a form of enabling legislation imposed by the State and therefore any remaining funds are classified as restricted fund balance.
- c. **Committed fund balance** - Committed fund balance include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority. These committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Board of Selectmen is considered to be the highest level of decision making authority within the Town for determining committed fund balance amounts. The Board of Selectmen has the final approval for the budget amounts which are presented to the citizens of the Town for approval and in turn the establishment of the related special revenue or capital project funds. The approval of the annual town budget occasionally includes amounts characterized as specific revenue sources as a portion of either the annual tax commitment or other specific revenue sources contained and voted on within the annual budget. An example of a committed fund balance amount would relate to an approved transfer to an established capital project or special revenue fund. The residual fund balance amount within these funds at the end of the fiscal year would be classified as committed fund balance. Any subsequent change in the specific purpose or use of these committed funds would need to be approved either at the annual town meeting or a special town meeting.
- d. **Assigned fund balance** - Assigned fund balance include amounts that are constrained by the Town with the intent to be used for specific purposes, but which are neither restricted or committed. The intent to use funds for specific purposes is to be assigned by either town meeting appropriations or the Board of Selectmen. The Board of Selectmen have the authority to accept funds on behalf of the Town which are specific revenue sources to be used for specific purposes and to establish special revenue or capital project funds to account and report these amounts. Assigned special revenue and capital project funds are usually made up of small streams of specific revenue sources for specific purposes for which there is a perceived benefit to segregating and reporting the funds rather than including them within the general fund. In addition, annual budgetary encumbrances outstanding at the end of the fiscal year would be classified by the Town as assigned amounts within the general or specific special revenue or capital project funds. Current fiscal year remaining balances that have been approved to be carried forward to the next fiscal year are classified as assigned fund balance within the general fund. Subsequent fiscal year budgeted appropriations of the unassigned general fund balance are also reported as assigned fund balance amounts of the general fund at the end of the current fiscal year.
- e. **Unassigned fund balance** - Unassigned fund balance is the residual classification for the general fund of the Town. This classification represents fund balance amounts that have not been assigned to other funds and that have not been restricted, committed or assigned to specific purposes within the general fund. Unassigned fund balance amounts are normally only recorded within the general fund. However, unassigned amounts can be recorded within any fund when they represent the residual deficit fund balances of a particular fund which has no restricted, committed or assigned fund balance amounts which can absorb the deficit.

Town of Vienna, Maine
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The Town does not have an established policy relating to the use of unrestricted fund balance amounts as it relates to when it considers committed, assigned or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of these three unrestricted classifications could be used. Absent of an established policy which addresses this situation, accounting guidance states that it should consider that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts. In addition, restricted fund balance amounts are considered to have been spent prior to unrestricted amounts under the same circumstances. The following table is designed to provide more detailed information regarding the aggregated fund balance classifications which are included on the balance sheet.

	General fund	Dorothy Waugh trust fund	Non-major governmental funds	Total governmental funds
Fund balances:				
Nonspendable:				
Prepaid items	\$ 6,923	\$ 666	\$ -	\$ 7,589
Principal cemetery perpetual care funds	-	-	5,409	5,409
Restricted:				
Dorothy Waugh trust fund	-	32,900	-	32,900
Non-principal cemetery perpetual care funds	-	-	1,449	1,449
Committed:				
Fire equipment capital reserve funds	-	-	4,336	4,336
Community building improvement reserve	-	-	6,813	6,813
Cemetery improvement reserve	-	-	1,181	1,181
Assigned:				
Unassigned fund balance approved to be applied against the upcoming budget	5,387	-	-	5,387
Unassigned				
Residual general fund balance	260,186	-	-	260,186
Total fund balances	\$ 272,496	\$ 33,566	\$ 19,188	\$ 325,250

Q. Major funds - Fund financial statements only

The focus of the governmental funds of the Town is on the major funds. The general fund of the Town must always be shown as a major fund. In addition, other governmental funds are shown as major based on the following criteria.

- a. The total assets, liabilities, revenues, and expenditures of an individual governmental or enterprise (if present) fund are at least 10% of the corresponding totals for all funds of the governmental or enterprise (if present) fund type.
- b. The total assets, liabilities, revenues, and expenditures of an individual governmental or enterprise (if present) fund are at least 5% of the corresponding totals for all governmental and enterprise (if present) funds combined.
- c. Any other individual governmental or enterprise (if present) fund that the Town believes is particularly important to the financial statement users whether because of public interest, consistency, or other reasons.

For the purposes of the current fiscal year fund financial statements, only the Dorothy Waugh trust fund has been considered to be a major fund. This fund is used to account for the funds received from a trust set up by the late Dorothy Waugh. The agreement states, in part, that approximately 40% of the net income from this trust be provided to the Town of Vienna for the maintenance, preservation, and upkeep of the building known as the Vienna Town House. In addition, the allowable expenditures incurred by the town for these purposes are accounted for within this fund.

R. Unclassified and program expenditures

The Town uses a departmental expenditure category labeled unclassified to account for certain types of expenditures that they do not feel truly fall into the traditional departmental expenditure categories of the Town. The general fund classifies town insurances, appropriated gifts to third parties and other miscellaneous expense types into this departmental expenditure category.

Town of Vienna, Maine
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S. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

Note 2 - Cash

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a formal deposit policy for custodial credit risk beyond the requirements of State statutes. At year end, the carrying amount of the Town's deposits was \$268,947 with the corresponding bank balances of accounts at various financial institutions totaling \$279,963. The difference between the two amounts being represented by timing differences with outstanding checks and deposits in transit. FDIC insurance covers all deposit accounts, including checking and savings accounts, money market deposit accounts and certificates of deposit. The standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. For government accounts the ownership category is per official custodian. Based on the standard insurance amount, a total of \$28,094 of the Town's cash balances as of the end of the fiscal year were not covered by FDIC and thus were uninsured.

Note 3 - Restricted cash - government-wide financial statements only

The Town breaks cash and investments down between a regular current asset and an other asset restricted on the government-wide statement of net position. The other assets restricted cash amount is made up of cash balances which are restricted for a specific purpose in subsequent fiscal years. The current year amount shown on the government-wide statement of net position can be broken down as follows.

Balance of Dorothy Waugh restricted trust funds	\$	28,815
Balance of fire capital equipment reserve		4,336
Balance of community building improvement reserve		6,813
Balance of cemetery improvement reserve		1,181
Balance of cemetery perpetual care funds		6,858
		\$ 48,003

Note 4 - Inter fund Receivables, payables and transfers - fund financial statements only

The Town maintains a cash pool that is available for use by all funds. Each fund's portion of this pool is displayed on the balance sheet as "due to or from other funds" under each fund's caption. The purpose for inter fund balances is to keep track of each fund's position in this cash pool. These balances are not expected to be repaid due to the fact that they simply represent funds collected or spent by one fund on behalf of another fund. Only the balances for the general fund are being shown due to the fact that all inter fund balances are either due to or due from the general fund.

	Receivable due from	Payable due to
General Fund:		
Dorothy Waugh trust fund	\$ -	\$ 28,815
Non-major special revenue funds		
Fire capital equipment reserve	-	4,336
Community building improvement reserve	-	6,813
Cemetery improvement reserve	-	1,181
Non-major permanent funds		
Cemetery perpetual funds	-	4,989
	\$ -	\$ 46,134

Town of Vienna, Maine
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Transfers in and out represent budgeted transfers which are not always physically made but need to be recorded to keep track of the individual fund balances and the transfers of income earned from one individual fund to another in accordance with the requirements of the individual funds. There were no transfers made by the Town during the current fiscal year which were significant which have been deemed not to have occurred on a routine basis and which are inconsistent with the activities of the fund (s) making the transfer (s). The following information represents inter fund transfers by individual major fund and non-major funds. The amounts shown for these three transfers represent the leftover positive and negative budget amounts per the annual town warrant.

General Fund	Operating transfers in	Operating transfers out
Non-major special revenue funds		
Fire capital equipment reserve	\$ 194	\$ -
Community building improvement reserve	-	-107
Cemetery improvement reserve	-	-
	<u>\$ 194</u>	<u>\$ -107</u>

Note 5 - Long-term liabilities - government-wide financial statements only

Governmental activities:	Balance 01/01/13	Additions	Reductions	Balance 12/31/13	Amount due within one year
Outstanding payables:					
\$180,000 bond payable	\$ 110,368	\$ -	\$ -9,172	\$ 101,196	\$ 9,334
\$5,277 note payable	2,615	-	-1,084	1,531	1,139
Total outstanding payables	<u>\$ 112,983</u>	<u>\$ -</u>	<u>\$ -10,256</u>	<u>\$ 102,727</u>	<u>\$ 10,473</u>

The following is a summary of the terms, conditions, and ending balance as of December 31, 2013 of the outstanding long-term bonds payable of the Town:

<p>\$180,000 bond payable issued in September of 2002 to finance the purchase of a fire truck. Annual payments are \$14,141 which includes interest at a rate of 4.75% due in March of each fiscal year. The final annual bond payment is due in March of 2022.</p>	\$ 101,196
<p>\$5,277 note payable issued in May of 2010 to finance the purchase of a photocopier for town hall. Monthly payments are \$99 including interest at a rate of 4.87%. Through April of 2015.</p>	<u>1,531</u> <u>\$ 102,727</u>

The following is a summary of the total outstanding bonds and notes payable principal and interest requirements for the above referenced bonds and notes payable for the fiscal years ending December 31,:

	Principal	Interest	Total		Principal	Interest	Total
2014	\$ 10,473	\$ 4,856	\$ 15,329	2019	\$ 11,772	\$ 2,369	\$ 14,141
2015	10,170	4,367	14,537	2020	12,331	1,810	14,141
2016	10,242	3,899	14,141	2021	12,917	1,224	14,141
2017	10,728	3,413	14,141	2022	12,856	611	13,467
2018	11,238	2,903	14,141		<u>\$ 102,727</u>	<u>\$ 25,452</u>	<u>\$ 128,179</u>

Town of Vienna, Maine
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Note 6 - Landfill closure

The Vienna landfill is at 100% capacity to date. Therefore, the estimated remaining landfill life is zero years. Recognition of any liability for closure and postclosure costs is based on landfill capacity used to date. No liability has been recorded as of the balance sheet date. Even though the landfill capping has been completed, the Town will continue to assess the need to set aside landfill reserve funds for such a situation whereas the State or Federal government may require subsequent work to be performed as a result of new laws and regulations or State testing or for deficiencies which may have occurred in the original capping and not yet been detected. Federal and state laws require that certain post closure care be met. The Town estimates that on an annual basis, some costs will be incurred for post closure care. This annual amount will be paid for within the Town's annual operating budget. No assets of the Town have been set aside for these post closure care costs.

Note 7 - Expenditures over appropriations

The following individual budgeted expenditures were exceeded by actual expenditures. The balance shown in the column labeled budgeted expenditures is equal to both the current year budgeted expenditure plus the prior year carried balance.

Account	Budgeted expenditures	Actual expenditures	Excess	Allocated revenues	Balance
General administrative expenses	\$ 18,212	\$ -18,636	\$ -424	\$ 2,912	\$ 2,488
Tax anticipation note interest	2,000	-2,145	-145	-	-145
Property tax related fees	-	-3,158	-3,158	1,848	-1,310
Plumbing inspector	500	-856	-356	360	4
Planning board	-	-60	-60	234	174
30 mile river watershed association	1,500	-2,300	-800	959	159
Animal control	3,600	-3,634	-34	559	525
Health officer	50	-60	-10	-	-10
Road construction and paving	55,000	-80,999	-25,999	26,410	411
Winter roads plowing contract	152,000	-153,474	-1,474	-	-1,474
School administrative district No. 9	524,473	-525,844	-1,371	-	-1,371
Town cemetery maintenance	3,100	-3,102	-2	400	398
Fpld	-	-312	-312	-	-312
Vienna mountaineers	-	-305	-305	305	-
	<u>\$ 760,435</u>	<u>\$ -794,885</u>	<u>\$ -34,450</u>	<u>\$ 33,987</u>	<u>\$ -463</u>

Note 8 - Restricted and assigned for future years' expenditures

Each year the governing board of the town determine which remaining general fund expenditure balances will be carried forward for future years' expenditure. This is either based on the specific warrant articles as voted on at the town's annual town meeting or other legislative or local requirements. As of December 31, 2013, the town has restricted and assigned the remaining general fund expenditure balances for osha professional services in the amount of \$593, landfill in the amount of \$2,294, legal services in the amount of \$1,000 and general assistance in the amount of \$1,500 for a total restricted and assigned balance of \$5,387.

Note 9 - Contingencies, commitments, risk of loss

The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. The town is a member of the Mt. Blue Regional School District. The information supplied to the town for the school district shows outstanding debt of \$65,024,988 as of December 31, 2013. The town's percentage of this debt is 4.90% for a total of \$3,186,224. The town is also a member of the County of Kennebec. The information supplied to the town for the county shows no outstanding debt as of December 31, 2013. The Town is at risk of loss due to items such as lawsuits, automobile claims, and theft. The Town has purchased commercial insurance coverage for any of these types of loss which may occur. The Town believes the amounts of coverage in force are adequate and in compliance with all applicable laws, rules, and regulations. The Town has not had any significant reductions in insurance coverage from the prior fiscal year by major category of risk. The amount of settlements have not exceeded insurance coverage during any of the previous three fiscal years.

Town of Vienna, Maine
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Note 10 - Related party transactions

Section 2300.107 of the Codification of Governmental Accounting and Financial Reporting Standards requires that governmental entities disclose material related party transactions in the notes to the financial statements. In a governmental engagement, related parties include members of the governing body, board members, administrative officials, and the immediate families of these parties. In accordance with generally accepted accounting principles, the following items are required to be disclosed in relation to related party transactions.

1. The nature of the relationship
2. A description of the transactions and other information deemed necessary to an understanding of the effects of the transactions on the financial statements.
3. The dollar amount of transactions and the effects of any changes in the method of establishing terms.

The road commissioner of the Town is an elected position and would therefore fall under the related party designation of administrative official. The road commissioner of the Town is a non salaried position per the annual Town warrant. The outgoing road commissioner of the Town contracted with the Town for his services and the rental of his equipment to perform road maintenance and repairs. In addition, the outgoing road commissioner was paid as an employee. The amounts of these related party transactions during the current fiscal year were not material in relation to the basic financial statements taken as a whole and therefore are not required to be disclosed.

In addition, an immediate family member of the outgoing road commissioner was the owner of a company that contracted with the town for road maintenance and plowing services. The amounts of these related party transactions were material in relation to the basic financial statements taken as a whole. In accordance with the required disclosure listed in item number three above, the following are the approximate dollar amounts of the related party transactions. Contracted services in the amount of approximately \$121,312.

The incoming road commissioner of the Town contracted with the Town for his services and the rental of his equipment to perform road maintenance and repairs, however, he was not paid as an employee. The amount of these related party transactions were material in relation to the basic financial statements taken as a whole. In accordance with the required disclosure listed in item number three above, the following is the approximate dollar amounts of the related party transactions. Contracted services in the amount of approximately \$36,777. This and other financial information in regard to the Town and its functions are a matter of public record as they relate to the freedom of information act.

Note 11 - Financial statement modifications

The basic financial statements of the Town do not include the value and classification of the Town's capital assets which must be present for the statements to be in accordance with accounting principles generally accepted in the United States of America. At present, the Town does not have a detailed, accurate, and reliable record of its capital assets. An accurate estimate of the value of this omission cannot be made as of December 31, 2013. When an inventory is done, the capital assets of the Town in addition to any related accumulated depreciation will be added to the basic financial statements in accordance with accounting principles generally accepted in the United States of America. The management of the Town has stated that this inventory will be completed for the upcoming fiscal year.

The basic financial statements of the Town do not include the activities and balances of the Vienna Volunteer Fire Department which has been determined to be a component unit of the Town in accordance with Government Accounting Standards Board Statement No. 14 as amended by Statement Nos. 39 and 61. Section 2600.102 of the Codification of Governmental Accounting and Financial Reporting Standards states that, "the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete". With the Department being considered a component unit, its actual revenues and expenditures should be shown as a special revenue fund of the Town. Any annual Town appropriation should be shown as an operating transfer out for the general fund and as an operating transfer in for the special revenue fund. Any remaining balances at the end of the fiscal year should be shown as fund balance and would be carried from year to year as other Town special revenue funds do.

Town of Vienna, Maine
Notes to the financial statements
December 31, 2013

Note 12 - Subsequent events

The Town has evaluated subsequent events through November 27, 2014, the date to which the financial statements were available to be issued. There were no recognized subsequent events that would require adjustments to the financial statements and there were no non-recognized subsequent events that would require disclosure in the notes to the financial statements.

Note 13 - New accounting pronouncements

The Town implemented Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* during the current fiscal year. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Certain transactions that require the use of deferred outflows of resources or deferred inflows of resources have already been addressed in GASB pronouncements. For example, Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, provides for the reporting of deferred outflows of resources and deferred inflows of resources for the changes in fair value of qualified hedging derivatives. Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, also includes a requirement to report deferred inflows of resources in specific cases for consideration received in a service concession arrangement. The Town did not have any transactions or balances meeting the definition of deferred outflow of resources or deferred inflow of resources as described in Statement No. 53 or Statement No. 60 as shown on the government-wide financial statements. Deferred inflows of resources have been recorded on the fund financial statements as described in note 1M to the financial statements.

Town of Vienna, Maine
Combining Balance sheet and Combining Statement of revenues,
expenditures and changes in fund balances - Non-major funds
As of and for the year ended December 31, 2013

	Cemetery perpetual funds	Fire capital equipment reserve	Community building improvement reserve	Cemetery improvement reserve	Total Non-major funds
Assets					
Cash in banks	\$ 1,869	\$ -	\$ -	\$ -	\$ 1,869
Due from other funds	4,989	4,336	6,813	1,181	17,319
Total assets	6,858	4,336	6,813	1,181	19,188
Liabilities					
Accounts payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund balances					
Nonspendable	5,409	-	-	-	5,409
Restricted	1,449	-	-	-	1,449
Committed	-	4,336	6,813	1,181	12,330
Assigned	-	-	-	-	-
Total fund balances	6,858	4,336	6,813	1,181	19,188
Total liabilities and fund balances	\$ 6,858	\$ 4,336	\$ 6,813	\$ 1,181	\$ 19,188
Revenues					
Other state revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Checking and savings interest	-	-	-	-	-
Other miscellaneous revenues	400	695	-	-	1,095
Total revenues	400	695	-	-	1,095
Expenditures					
Fire department and rescue services	-	6,845	-	-	6,845
Highways and roads	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total expenditures	-	6,845	-	-	6,845
Excess of revenues over (under) expenditures	400	-6,150	-	-	-5,750
Other financing sources (uses)					
Operating transfers in	-	-	107	-	107
Operating transfers (out)	-	-194	-	-	-194
Total other financing sources (uses)	-	-194	107	-	-87
Net change in fund balances	400	-6,344	107	-	-5,837
Fund balances - January 1	6,458	10,680	6,706	1,181	25,025
Fund balances - December 31	\$ 6,858	\$ 4,336	\$ 6,813	\$ 1,181	\$ 19,188

Town of Vienna, Maine
 Schedule of non-major permanent funds activity and balances -
 Cemetery perpetual care funds
 For the year ended December 31, 2013

Cemetery	Funds provided in name of (year):	Principle amount	Accrued interest	Total
Carr	Alice Teague (1939)	\$ 51	\$ 228	\$ 279
Carr	Vesta C. Craig (1979)	100	211	311
Franklin	Nancy Soper (1939)	300	606	906
Franklin	Carrie Bean (1939)	500	245	745
Village	Elbridge N. Allen (1939)	30	2	32
Village	Frank & Cora Kennedy (1939)	113	11	124
Village	Benjamin & R.L. Folsom (1939)	100	9	109
Village	Samuel & Nathaniel Mooers (1939)	200	19	219
Village	Etta Davis (1939)	200	19	219
Seavey	Bean Lot (1941)	115	16	131
Town of Vienna	Lot purchases - 2001	200	15	215
Town of Vienna	Lot purchases - 2002	600	43	643
Town of Vienna	Lot purchases - 2004	300	17	317
Town of Vienna	Lot purchases - 2005	200	6	206
Town of Vienna	Lot purchases - 2007	600	1	601
Town of Vienna	Lot purchases - 2009	200	-	200
Town of Vienna	Lot purchases - 2010	700	1	701
Town of Vienna	Lot purchases - 2011	500	-	500
Town of Vienna	Lot purchases - 2013	400	-	400
		<u>\$ 5,409</u>	<u>\$ 1,449</u>	<u>\$ 6,858</u>

Footnotes:**Carr & Franklin & Village cemeteries**

The Town does not maintain these cemeteries and therefore all interest accrued on these funds must be maintained in the custody of the Town until requested by the appropriate organization or individual responsible for the maintenance of these cemeteries.

Seavey & Town of Vienna cemeteries

The Town does maintain these cemeteries and therefore all interest accrued on these funds may be withdrawn by the Town when needed and applied to the annual Town expenditure related to Town cemetery maintenance. This account balance must be carried forward on an annual basis to ensure that these funds are used for their specific purpose.

Town of Vienna, Maine
Schedule of departmental operations - General fund
For the year ended December 31, 2013

	12/31/12 carried balances	Budgeted expenditures	Allocated revenues	Total available	Expenditures	Lapses	12/31/13 carried balances
General government:							
General administrative expenses	\$ -	\$ 18,212	\$ 2,912	\$ 21,124	\$ 18,636	\$ 2,488	-
Tax anticipation note interest	-	2,000	-	2,000	2,145	-145	-
Salaries and wages	-	43,000	-	43,000	43,000	-	-
Payroll taxes	-	6,000	-	6,000	4,442	1,558	-
Community building operations	-	6,893	-	6,893	6,893	-	-
Elections	-	1,300	-	1,300	726	574	-
Property tax related fees	-	-	1,848	1,848	3,158	-1,310	-
Legal fees	-	1,000	-	1,000	-	-	1,000
Plumbing inspector	-	500	360	860	856	4	-
Assessor	-	1,000	-	1,000	752	248	-
Deputies training & court attendance	-	850	-	850	-	850	-
Planning board	-	-	234	234	60	174	-
	-	80,755	5,354	86,109	80,668	4,441	1,000
Fire department and rescue services:							
Operations	-	30,500	194	30,694	30,694	-	-
Osha professional services	593	-	-	593	-	-	593
Mount Vernon rescue	-	3,500	-	3,500	3,500	-	-
F.M.H. ambulance services	-	13,999	-	13,999	13,997	2	-
	593	47,999	194	48,786	48,191	2	593
Safety and health:							
Waste management	-	55,000	-	55,000	52,593	2,407	-
Landfill	2,744	-	-	2,744	450	-	2,294
30 Mile river watershed association	-	1,500	959	2,459	2,300	159	-
Street lights	-	1,650	-	1,650	1,583	67	-
Animal control and health officer	-	3,650	559	4,209	3,694	515	-
Dispatch and PSAP services	-	2,964	-	2,964	2,541	423	-
	2,744	64,764	1,518	69,026	63,161	3,571	2,294
Highways and roads:							
Roads construction and paving	-	55,000	26,410	81,410	80,999	411	-
Roads maintenance	-	55,000	-	55,000	54,643	357	-
Winter road plowing contract	-	152,000	-	152,000	153,474	-1,474	-
	-	262,000	26,410	288,410	289,116	-706	-

Town of Vienna, Maine
Schedule of departmental operations - General fund
For the year ended December 31, 2013

	12/31/12 carried balances	Budgeted expenditures	Allocated revenues	Total available	Expenditures	Lapses	12/31/13 carried balances
Special assessments:							
County tax	\$ -	\$ 68,317	-	\$ 68,317	\$ 68,317	\$ -	\$ -
School administrative district No. 9	-	524,473	-	524,473	525,844	-1,371	-
	-	592,790	-	592,790	594,161	-1,371	-
Cemeteries:							
Franklin cemetery	-	500	-	500	500	-	-
Town cemetery maintenance	-	3,100	400	3,500	3,102	398	-
	-	3,600	400	4,000	3,602	398	-
Reserve and capital accounts:							
Contingency	-	2,500	-	2,500	-	2,500	-
Unclassified:							
Town insurances	-	12,250	-	12,250	9,274	2,976	-
Appropriated gifts	-	5,260	-	5,260	5,260	-	-
General assistance	-	1,500	-	1,500	-	-	1,500
Fpld	-	-	-	-	312	-312	-
Vienna mountaineers	-	-	305	305	305	-	-
	-	19,010	305	19,315	15,151	2,664	1,500
Debt service:							
Principle	-	10,256	-	10,256	10,256	-	-
Interest	-	5,073	-	5,073	5,073	-	-
	-	15,329	-	15,329	15,329	-	-
Sub-total	3,337	1,088,747	34,181	1,126,265	1,109,379	13,549	3,337
Operating transfers out							
Fire capital equipment reserve	-	-	-	-	-	-	-
Community building improvement reserve	-	107	-	107	107	-	-
Cemetery improvement reserve	-	-	-	-	-	-	-
Totals	\$ 3,337	\$ 1,088,854	\$ 34,181	\$ 1,126,372	\$ 1,109,486	\$ 11,499	\$ 5,387

Town of Vienna, Maine
Notes to the schedule of departmental operations - General fund
December 31, 2013

The accompanying schedule of departmental operations is presented on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles. The column captioned prior year carried balances is equal to the actual balances carried forward from the prior fiscal year. This column includes both budgeted use of the carried balances and utilization of the remaining unbudgeted use of the carried balances. The prior fiscal year financial statements indicated a balance to be carried forward to the current fiscal year of \$3,337. The column captioned budgeted expenditures is equal to the amounts of total expenditures as approved by the inhabitants of the Town of Vienna, Maine at the annual Town meeting held March 8, 2013. The column captioned allocated revenues is equal to the amount of revenues received from specific revenue sources for the specific line items to be used in determining the total amount to be carried or lapsed. The actual revenue amount received cannot always be used here because that number may already be included in the total budgeted expenditures column. The following is a reconciliation between the total budgeted expenditures amount shown on the schedule of departmental operations - General fund and the total assessments number as contained on the certificate of assessment for the Town for the year ending December 31, 2013.

Total budgeted expenditures per schedule of departmental operations	\$	1,088,854
Add:		
Budgeted tax abatements to be given netted against property tax revenue		10,000
Budgeted overlay (loss)		28,202
Less:		
Budgeted use of unassigned surplus subsequent to the annual Town meeting		-
Total corrected assessments per certificate of assessment for the Town	\$	1,127,056

Stephen T. Hopkins, CPA, PC

Auditing, Accounting, and Consulting Services

214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 470 - 5050

Independent Auditors' Report on internal control over financial reporting and on compliance and other matters

Board of Selectmen
Town of Vienna, Maine

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Vienna, Maine, as of and for the year ended December 31, 2013, which collectively comprise the Town of Vienna, Maine's basic financial statements and have issued our report thereon dated November 27, 2014. A modified opinion was issued on the financial statements of the Town of Vienna, Maine as it relates to the government-wide financial statement exclusion of capital assets and the financial information of an entity determined to be a component unit. This modification is described in more detail in the Independent Auditors' Report on pages 1 and 2 of the financial statements and note 11 on page 28 of the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal control over financial reporting

In planning and performing our audit, we considered the Town of Vienna, Maine's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Vienna, Maine's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Vienna, Maine's internal control over financial reporting.

Our consideration of internal control over financial reporting 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 financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we considered to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 labeled as item number 13-04 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. We consider the deficiencies described in the accompanying schedule of findings and labeled as item numbers 13-01, 13-02 and 13-03 to be significant deficiencies.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Town of Vienna, Maine's financial statements are free of 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 material instances of noncompliance or other matters that we consider are required to be reported.

The Town of Vienna, Maine's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Town of Vienna, Maine's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Selectmen and other members of management of the Town of Vienna, Maine, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stephen T. Hopkins, CPA, PC

A handwritten signature in cursive script that reads "Stephen T. Hopkins, CPA, PC".

Scarborough, Maine
November 27, 2014

Town of Vienna, Maine
Schedule of Findings
December 31, 2013

13-01 - Accounting policies and procedures manual

Criteria:

The management of the Town is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis in addition to ensuring that the assets of the Town are being safeguarded.

Condition:

The Town does not currently have an accurate and in-depth accounting policies and procedures manual which would document the system of internal controls necessary to allow the prevention or detection and correction of misstatements on a timely basis. Without a documented system of internal control related policies and procedures it cannot be determined that the procedures being followed during the day to day accounting activities are adequate to prevent or detect and correct misstatements on a timely basis. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context:

This type of manual is used to provide a general description of the general functions and specific duties of all personnel involved in the accounting, cash receipting, and bill paying system of the Town. The manual is also used to document the specific steps to be used in all accounting functions such as the processing of cash disbursements, the recording and deposit of cash receipts and the steps necessary to process payroll.

Effect:

The two main goals of developing and documenting an effective set of accounting policies and procedures is to provide reasonable assurance that the Town's specific objectives will be achieved and to set up a system of checks and balances which safeguard the assets of the Town. Without this set of policies and procedures there can be no reasonable assurance present that the Town's specific objective are being achieved or that its' assets are being safeguarded.

Cause:

The reason for this condition would appear to be a lack of available time and available resources within the accounting function of the Town.

Recommendation:

The Board of Selectmen should be involved with the development of a written policies and procedures manual that addresses the financial operations of the Town and specific duties of all personnel involved in the accounting, cash receipting, and bill paying system of the Town. This manual should address the general accounting functions of the Town and the overall financial policies of the Town as well as any other specific area (s) as so requested by the Board of Selectmen or other members of management of the Town. The final draft should be presented to the Board of Selectmen for approval. The accounting department would be responsible for implementing the specific policies and procedures. Any questions or disputes in regard to the implementation and operation of these policies and procedures should be presented to the Board of Selectmen for resolution. In addition, any subsequent amendments, revisions, or additions to this manual should be presented to the Board of Selectmen for approval.

Views of responsible officials and planned corrective actions:

This finding has been discussed with management and they appear to understand the importance of such a set of policies and procedures. The Town is currently working on developing an accounting policies and procedures manual. Once an adequate manual has been developed and is being followed, management believes that this significant deficiency will be eliminated.

Town of Vienna, Maine
Schedule of Findings
December 31, 2013

13-02 - Expenditures over appropriations

Criteria:

The management of the Town is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis in addition to ensuring that the assets of the Town are being safeguarded.

Condition:

The Town does not currently have an adequate system of controls in place to prevent budgeted line items from being over expended. During the current fiscal year the expenditure amounts voted on and approved by the inhabitants of the Town for fourteen different line items were exceeded by a total of \$34,450. A listing of these accounts and any subsequent revenues received can be found in note 7 on page 27. The inhabitants of the Town approve the amount to be expended on particular line items at the annual town meeting. These expenditure amounts should reflect the gross amount of the planned expenditure without regard to anticipated revenues. These anticipated revenues should also be budgeted and be used to offset the approved gross expenditures. Without a system of controls in place and control or oversight over these financial transactions there can be no reasonable assurance present that the activities voted on and approved by the inhabitants of the Town's specific are being achieved. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context:

This type of internal control system is used to provide reasonable assurance that the assets of the Town are being safeguarded and that only the activities approved by the inhabitants of the Town in content and amount are being incurred by the Town.

Effect:

Without an adequate system of controls in place to prevent the over expenditure of budgeted line items, there can be no reasonable assurance present that the Town's specific objective are being achieved or that its' assets are being safeguarded.

Cause:

The reason for this condition would appear to be a lack of available time and available resources within the accounting function of the Town.

Recommendation:

We recommend that the Town present the gross budgeted expenditures to the inhabitants of the town along with the budgeted revenue sources to fund these items at the annual town meeting for approval. In addition, we recommend that the Town develop a system of controls to more closely monitor and prevent budgeted line items from being over expended.

Views of responsible officials and planned corrective actions:

This finding has been discussed with management and they appear to understand the importance of such a system of controls and it would appear that the management of the Town intends to work toward the creation and implementation of such a system. Once an adequate system has been developed, implemented and is being followed, management believes that this significant deficiency will be eliminated.

Town of Vienna, Maine
Schedule of Findings
December 31, 2013

13-03 - Bank account reconciliations

Criteria:

The management of the Town is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis in addition to ensuring that the assets of the Town are being safeguarded.

Condition:

For the current fiscal year, bank reconciliations for the Town's general checking account were not being signed and dated when prepared and they were not being dated when being reviewed by an individual (s) outside of the accounting function on a consistent basis. Eleven of the twelve general checking account bank reconciliations were initialed as being reviewed, however, none of the reconciliations included a date showing when the review had been made. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context:

Monthly bank reconciliations were prepared for the Town's general checking account during the fiscal year and based on the system print date on each reconciliation report they were prepared in a relatively timely manner. However, the individual performing the bank reconciliation should ideally sign and date the reconciliation so that someone reviewing the reconciliations can determine whether or not the individual preparing the reconciliations was independent of the cash receipting and expenditure process. In addition, the individual (s) performing the review of the reconciliation should ideally sign and date the reconciliation report after it has been reviewed so that someone reviewing the reconciliations can determine whether or not the review was performed by someone independent of the cash receipting and expenditure process as well as whether or the review was performed in a timely manner.

Effect:

Without monthly bank reconciliations containing the appropriate documentation regarding who and when they were prepared and reviewed, it is difficult to be confident that an accurate financial picture of the Town is available at all times during the fiscal year. Without an accurate financial picture there can be no reasonable assurance present that the Town's specific objectives are being achieved or that its' assets are being safeguarded. In addition, the purpose of a review by an individual outside of the accounting function is to question items and variances that may occur and ensure that they are corrected. An explanation of any such variances that may occur is important in ensuring the safeguarding of the assets of the Town.

Cause:

The reason for this condition would appear to be a lack of available time and available resources within and outside of the accounting function of the Town.

Recommendation:

We recommend that a more adequate set of policies and procedures be developed and followed to ensure that all bank reconciliations are prepared, reviewed, signed off on and dated in a timely manner. Also, the individual responsible for reviewing bank reconciliations should not sign off on a reconciliation until such a time as there are no unknown variances being reported.

Views of responsible officials and planned corrective actions:

This finding has been discussed with management and they appear to understand the importance of such a system of controls and it would appear that the management of the Town intends to work toward the creation and implementation of such a system. Once an adequate system has been developed, implemented and is being followed, management believes that this significant deficiency will be eliminated.

Town of Vienna, Maine
Schedule of Findings
December 31, 2013

13-04 - Inadequate segregation of duties

Criteria:

The management of the Town is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis in addition to ensuring that the assets of the Town are being safeguarded.

Condition:

Presently the bank reconciliation process and the depositing of Town collected funds are performed by the Treasurer. In addition, the Treasurer signs all accounts payable and payroll checks. This situation creates a significant lack of segregation of duties as it relates to the cash balances of the Town. We do consider this condition to represent a material weakness in internal control over financial reporting.

Context:

This lack of segregation of duties is common in small municipalities where only a small number of individuals are employed by the governmental unit. However, in order to ensure that the cash balances and in turn the assets of the Town are being safeguarded, an adequate set of internal controls should be developed to address the fact that there are limited resources or processes available to the town due to a small number of employees.

Effect:

Without adequate segregation of duties, it is difficult to be confident that an accurate financial picture of the Town is available at all times during the fiscal year. Without an accurate financial picture there can be no reasonable assurance present that the Town's specific objectives are being achieved or that its' assets are being safeguarded.

Cause:

The reason for this condition would appear to be simply a lack of available resources within the Town which is common for relatively small municipalities with relatively small operating and administrative budgets.

Recommendation:

We recommend that a more adequate set of policies and procedures be developed to overcome this inherent lack of segregation of duties. An extra set of checks and balances such as using numerical sequenced cash receipts signed by both parties, a documented review of account reconciliations, and more importantly a documented review of all cash and bank account reconciliations. In addition, the Town could either transfer the check signing duties from the Treasurer to another member of management or install a two signature system.

Views of responsible officials and planned corrective actions:

This finding has been discussed with management and they appear to understand the importance of such a system of controls and it would appear that the management of the Town intends to work toward the creation and implementation of such a system. Once an adequate system has been developed, implemented and is being followed, management believes that this significant deficiency will be eliminated.