

## Independent Auditors' Report

To the Board of Selectmen  
Town of Bowdoin  
Bowdoin, Maine

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of the Town of Bowdoin, 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 fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of the Town of Bowdoin, Maine, as of December 31, 2013, and the respective changes in financial position for year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bowdoin, Maine's basic financial statements. The Combining Fund Statements and Other Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Combining Fund Financial Statements and Other Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Purdy Pownall & Company*  
Professional Association

**Portland, Maine**  
**January 27, 2014**

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# TOWN OF BOWDOIN

## *Management's Discussion and Analysis*

### *Town of Bowdoin, Maine For the Year Ended December 31, 2013*

As management of the Town of Bowdoin, Maine, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2013. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

#### **Financial Highlights**

The Town's assets exceed liabilities by \$9,773,757 as of December 31, 2013, compared to \$9,832,649 as of December 31, 2012.

The Town's governmental funds General Fund Balance on a budgetary basis was \$1,130,611 as of December 31, 2013, compared to \$1,022,023 as of December 31, 2012.

#### **Overview of the Financial Statements**

The Management's Discussion and Analysis introduces the Town's basic financial statements. The basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Town also includes in this report supplemental information to the basic financial statements.

#### **Government-wide Financial Statements**

The government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements provide information about the activities of the Town as a whole and present both a long-term and short-term view of the Town's finances. Financial reporting at this level is similar to the accounting used by most private-sector companies.

The Statement of Net Position includes all assets and liabilities, with the difference reported as net position. Over time, increases or decreases in the Town's net position is one indicator of whether its financial health is improving or deteriorating. Evaluation of the overall economic health requires other non-financial factors, such as changes in the Town's property tax base and the condition of the Town's roads, as well as many others.

## Management's Discussion and Analysis - Continued

### Town of Bowdoin, Maine

The Statement of Activities reports the current year change in net position. This statement includes all of the current year's revenues and expenses regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Activities is presented for:

- Governmental activities: Most of the Town's basic services are reported here, including the fire, general administration, streets, and ambulance. Property taxes, fees, fines, and state and federal grants finance most of these activities.

#### The Town as Trustee

#### Reporting the Town's Fiduciary Responsibilities

We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Town is trustee for seven trust funds which are to be used for the needy, the schools and the care of certain cemeteries or cemetery lots.

#### THE TOWN AS A WHOLE

For the year ended December 31, 2013, net asset position changed as follows:

	<b>Governmental Activities</b>
Beginning net asset position	\$ 9,832,649
Decrease in net position	<u>(58,892)</u>
Ending net asset position	<u>\$ 9,773,757</u>

## Management's Discussion and Analysis - Continued

### Town of Bowdoin, Maine

#### Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense) revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

General government	Building permits, agency fees, marriage licenses, and plumbing permits.
Public safety	Fire Department grant receipts.
Public works	State highway aid grant and solid waste fee receipts
Health and welfare	Animal control fees and State general assistance reimbursements.
Community services	Recreation Department fees.

All other governmental revenues are reported as other revenues. It is important to note that all taxes are classified as general revenues even if restricted for a specific purpose.

#### Fund Financial Statements

For governmental activities, these statements focus on how services 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 statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

## Management's Discussion and Analysis - Continued

### Town of Bowdoin, Maine

#### Financial Analysis of the Town as a Whole - Government-wide Financial Statements

The following schedule is a summary of net position for the years ended December 31, 2013 and December 31, 2012:

	<u>2013</u>	<u>2012</u>	<u>Change</u>
<b><u>Governmental Activities</u></b>			
Current and other assets	\$ 2,185,930	\$ 2,037,253	\$ 148,677
Capital assets	7,648,582	7,908,284	(259,702)
<b>Total Assets</b>	<b>9,834,512</b>	<b>9,945,537</b>	<b>(111,025)</b>
Long-term liabilities	52,613	102,108	(49,495)
Other liabilities	8,142	10,780	(2,638)
<b>Total Liabilities</b>	<b>60,755</b>	<b>112,888</b>	<b>(52,133)</b>
Net position:			
Net investment in capital assets	7,648,582	7,908,284	(259,702)
Restricted for endowments	92,957	94,736	(1,779)
Restricted for endowments, nonexpendable	39,364	39,364	-
Unrestricted	1,992,854	1,790,265	202,589
	<u>\$ 9,773,757</u>	<u>\$ 9,832,649</u>	<u>\$ (58,892)</u>

A decrease in the Town's net position is reflected mainly by the depreciation of capital assets.

## Management's Discussion and Analysis - Continued

### Town of Bowdoin, Maine

The following schedule is a summary of the statement of activities for the years ended December 31, 2013 and December 31, 2012:

	<u>Governmental Activities</u>		
	<u>2013</u>	<u>2012</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 23,850	\$ 25,431	\$ (1,581)
Operating grants and contributions	79,131	71,219	7,912
General revenues			
Property taxes	2,950,033	2,707,789	242,244
Excise taxes	465,265	436,902	28,363
Intergovernmental	204,832	188,898	15,934
Other	70,781	82,216	(11,435)
<b>Total Revenues</b>	<u>3,793,892</u>	<u>3,512,455</u>	<u>281,437</u>
Expenses:			
General			
General government	197,223	201,128	(3,905)
Public safety	62,334	65,883	(3,549)
Public works	793,901	775,035	18,866
Health and welfare	53,641	51,584	2,057
Community services	12,255	15,476	(3,221)
County tax	410,141	393,346	16,795
Education	2,275,193	2,152,097	123,096
Unclassified	39,326	33,484	5,842
Capital outlay	2,874	7,649	(4,775)
Interest on long-term debt	5,896	8,885	(2,989)
<b>Total Expenses</b>	<u>3,852,784</u>	<u>3,704,567</u>	<u>148,217</u>
<b>Change in Net Position</b>	<u>\$ (58,892)</u>	<u>\$ (192,112)</u>	<u>\$ 133,220</u>

The revenues increased more than expenses, thus we have a net increase of \$133,220 as we continue to hold down expenses.

## Management's Discussion and Analysis - Continued

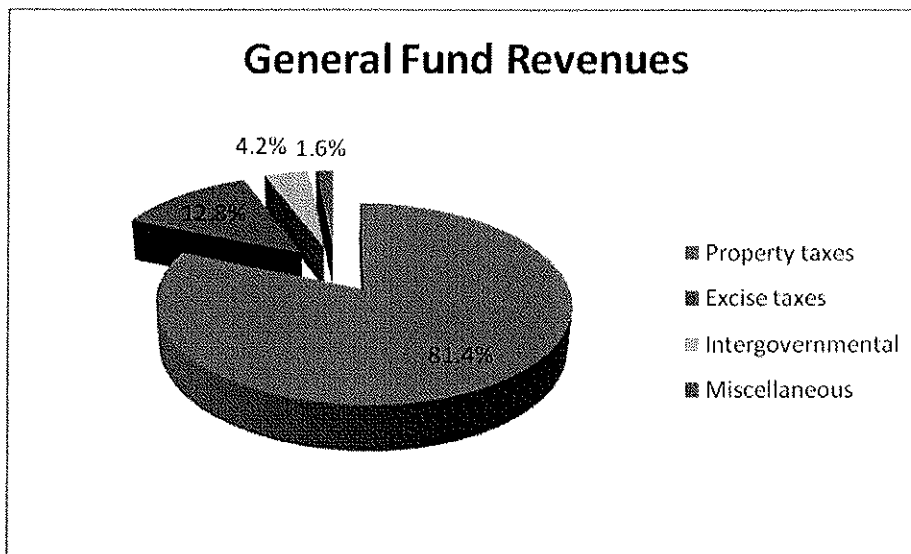
### Town of Bowdoin, Maine

#### Financial Analysis of the Town's Funds - Fund Financial Statements

Our analysis of the Town's major funds begins with the fund financial statements and provides detailed information about the most significant funds-not the Town as a whole. Some funds are required to be established by State law. However, many other funds are established to help control and manage money for particular purposes or to show the Town is meeting legal responsibilities for using certain taxes, grants, and other money.

- **Governmental funds** - Most 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 year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund 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. We describe the relationship, or differences, between governmental activities, reported in the Statement of Net Position and the Statement of Activities, and governmental funds in a reconciliation at the bottom of the fund financial statements.

The Town's general fund operating fund revenues on a budgetary basis were as follows:



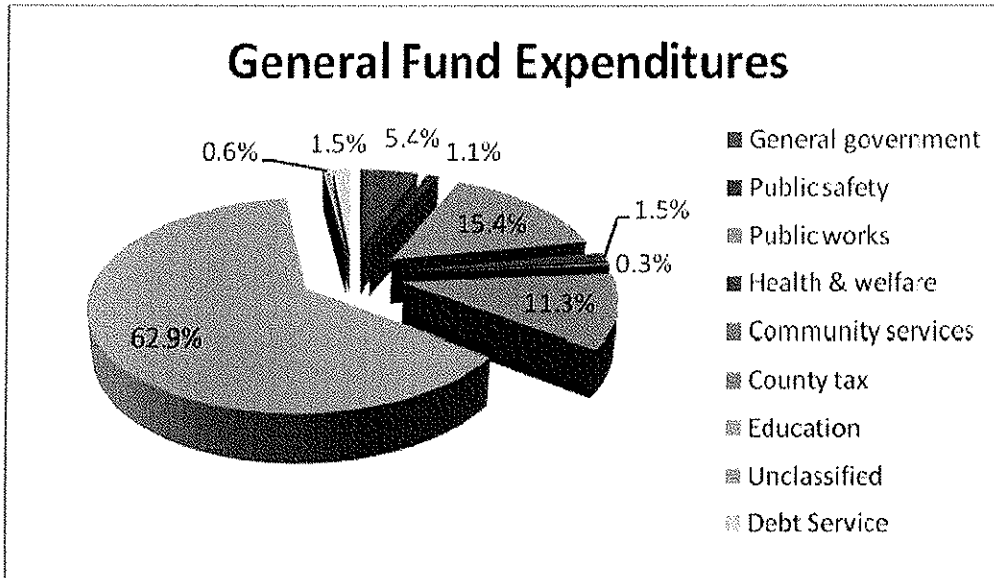
Property taxes and excise taxes are our greatest sources of revenue. Together they made up 94.2% of all revenues, an increase of 0.3% as a percentage of all revenue over 2012.



## Management's Discussion and Analysis - Continued

### Town of Bowdoin, Maine

The Town's general fund operating fund expenditures on a budgetary basis were as follows:



The Town's debt service will be retired in 2014. Our major expenditures continue to be county tax and school taxes.

## **Management's Discussion and Analysis - Continued**

### **Town of Bowdoin, Maine**

#### **Capital Assets**

At year-end, the Town had \$7,648,582 in net capital assets compared to \$7,908,284 last year. No large capital expense items were purchased in 2013.

Capital assets will continue to decline in normal depreciation as we continue to delay the purchase of capital items.

#### **Long Term Liabilities**

At year-end, the Town had \$52,613 in outstanding bonds compared to \$102,108 last year.

The only outstanding bond is with Maine Municipal Bond Bank. This will be paid in full in 2014. The retirement of this debt will add a comparatively small amount to our surplus in 2015.

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

We continue to hold expenses down in anticipation of decreases in state funding. Maine Revenue Sharing will be at most, 60% of what we received in 2013, based on the Governor's current budget.

### **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at 353-6949. Citizens are welcome to visit with the appropriate staff on any financial matters.