

Independent Auditors' Report

**To the Board of Selectmen
Town of Bowdoin
Bowdoin, Maine**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Bowdoin, Maine, as of and for the year ended December 31, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Bowdoin, Maine as of December 31, 2010, and the respective changes in financial position and the respective budgetary comparison for the general fund, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bowdoin, Maine's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements 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 Powers & Company
Professional Association

Portland, Maine
January 31, 2011

Town of Bowdoin, Maine

Management's Discussion and Analysis For the Year Ended 12/31/2010

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, 2010. 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 \$10,270,909 as of December 31, 2010, compared to \$10,475,118 as of December 31, 2009.

The Town's governmental funds General Fund Balance was \$1,113,518 as of December 31, 2010, compared to \$1,160,966 as of December 31, 2009.

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 Assets 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 Assets includes all assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in the Town's net assets are 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 assets. This statement includes all of the current year's revenues and expenses regardless of when cash is received or paid.

The Statement of Net Assets 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 AS A WHOLE

For the year ended December 31, 2010, net assets changed as follows:

	Governmental Activities
Beginning net assets	\$10,475,118
Decrease in net assets	<u>(204,209)</u>
Ending net assets	<u>\$10,270,909</u>

The decrease in net assets is 30,000 less than 2009 as we continue to curb spending and hold down taxes.

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 nets assets for the years ended December 31, 2010 and December 31, 2009

	<u>Governmental Activities</u>		
	<u>2010</u>	<u>2009</u>	<u>Change</u>
Current and other assets	\$ 2,071,164	\$ 2,053,431	\$ 17,733
Capital assets	8,408,996	8,670,160	(261,164)
Total Assets	10,480,160	10,723,591	(243,431)
Long-term liabilities	148,669	192,471	(43,802)
Other liabilities	60,582	56,002	4,580
Total Liabilities	209,251	248,473	(39,222)
Net assets:			
Invested in capital assets, net of related debt	8,408,996	8,670,160	(261,164)
Unrestricted	1,861,913	1,804,958	56,955
	<u>\$ 10,270,909</u>	<u>\$ 10,475,118</u>	<u>\$ (204,209)</u>

The capital assets show a large decrease due to depreciation.

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, 2010 and December 31, 2009:

	<u>Governmental Activities</u>		
	<u>2010</u>	<u>2009</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 16,311	\$ 16,311	\$ -
Operating grants and contributions	76,230	75,838	392
General revenues			
Property taxes	2,496,177	2,360,281	135,896
Excise taxes	415,552	412,646	2,906
Intergovernmental	189,253	241,415	(52,162)
Other	82,399	132,715	(50,316)
Total Revenues	<u>3,275,922</u>	<u>3,239,206</u>	<u>36,716</u>
Expenses:			
General			
General government	198,765	199,460	(695)
Public safety	65,424	46,920	18,504
Public works	719,982	743,312	(23,330)
Health and welfare	55,338	46,263	9,075
Community services	14,886	9,327	5,559
County tax	357,272	349,317	7,955
Education	2,033,550	2,021,426	12,124
Unclassified	20,561	42,408	(21,847)
Interest on long-term debt	14,353	16,800	(2,447)
Total Expenses	<u>3,480,131</u>	<u>3,475,233</u>	<u>4,898</u>
Change in Net Assets	<u>\$ (204,209)</u>	<u>\$ (236,027)</u>	<u>\$ 31,818</u>

Increased costs in public safety mainly due to increasing regulatory standards were defrayed in part by safety grants.

Management's Discussion and Analysis - Continued

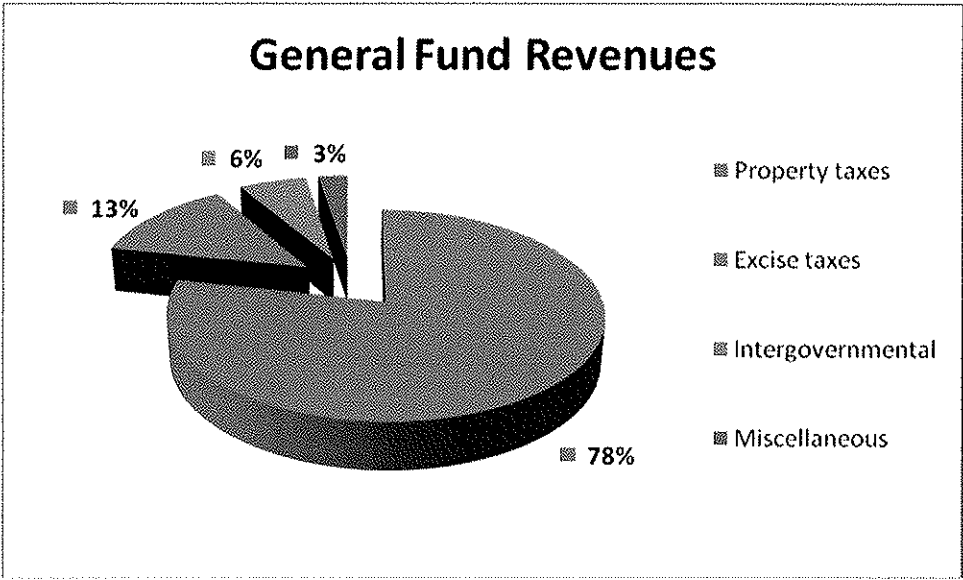
Town of Bowdoin, Maine

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. The Town reports governmental funds.

- 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 Assets and the Statement of Activities, and governmental funds in reconciliation at the bottom of the fund financial statements.

Current year revenues were made up of the following:

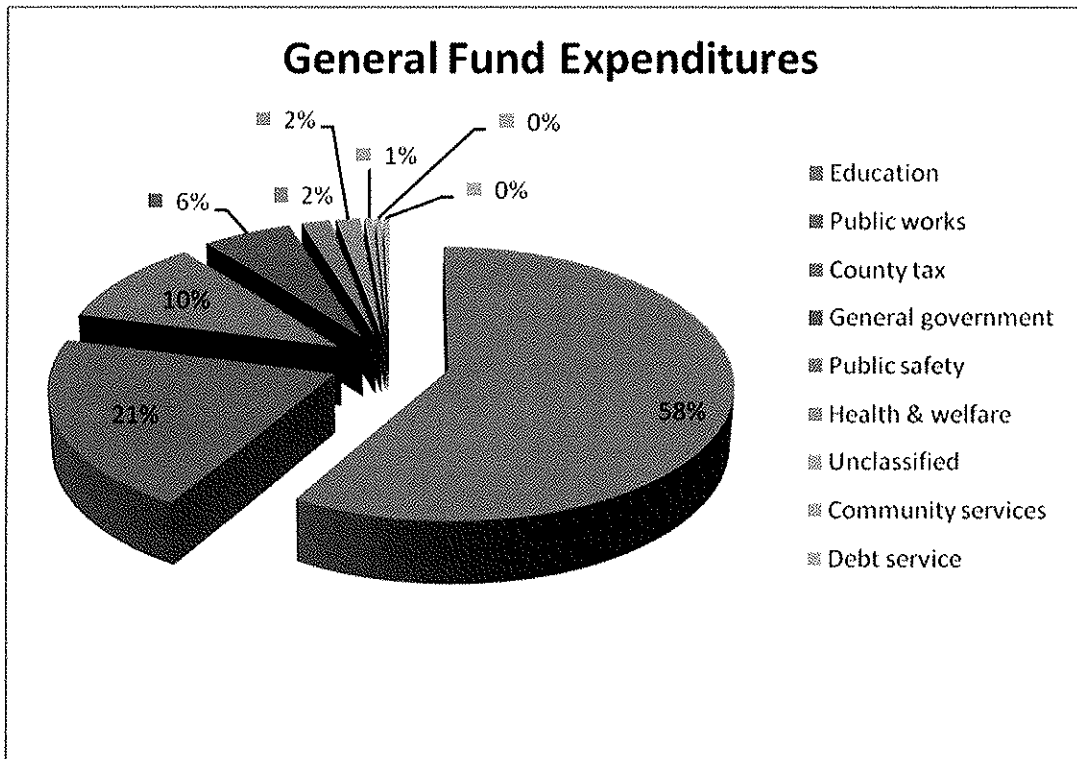


This ratio is consistent with previous years.

Management's Discussion and Analysis - Continued

Town of Bowdoin, Maine

Current year expenditures were made up of the following:



Education expense at 58% of all expense is down 4% from 2009. Public works is up by 5%.

Management's Discussion and Analysis - Continued

Town of Bowdoin, Maine

Capital Assets

At year-end, the Town had \$8,408,996 in net capital assets compared to \$8,670,160 last year. No large capital expense items were purchased in 2010.

With the economy in mind, we are holding off on large capital expense items.

Long Term Liabilities

At year-end, the Town had \$192,471 in outstanding bonds compared to \$233,677 last year.

The only outstanding bond is the one with Maine Municipal Bond Bank. This will be paid in full in 2014.

This change in balance reflects our annual bond payment for 2010.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

We expect to continue to hold the line on spending as much as possible to keep taxes down.

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.