

TOWN OF UPTON, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION
YEAR ENDED JUNE 30, 2010

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF UPTON, MASSACHUSETTS

BASIC FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION

YEAR ENDED JUNE 30, 2010

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INDEPENDENT AUDITORS' REPORT

The Honorable Board of Selectmen
Town of Upton, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Upton, Massachusetts, as of and for the year ended June 30, 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 of Upton, Massachusetts'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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Upton, Massachusetts, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof and the budgetary comparison for the general fund for year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a separate report dated March 31, 2011, on our consideration of the Town of Upton, Massachusetts's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 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.



Borgatti Harrison & Co.

Framingham, Massachusetts
March 31, 2011

Management's Discussion and Analysis

TOWN OF UPTON, MASSACHUSETTS

Management's Discussion and Analysis

As management of the Town of Upton (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Upton for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements, which begin on page **14** of this report.

Financial Highlights:

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$44,408,371 (*net assets*). Of this amount, \$5,239,550 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets decreased by \$909,676 in fiscal year 2010.
- The total cost of all Town's services for fiscal 2010 was \$18,854,226.
- As of the close of the fiscal year, the Town's governmental funds reported a combined ending fund balance of \$7,521,416, an increase of \$1,244,268 in comparison with the prior year. A total of \$5,894,913 or **78.4%** of the \$7,521,416 fund balance is considered unreserved at June 30, 2010.
- At the end of the fiscal year, the Town's general fund reported a fund balance of \$1,598,444. The unreserved fund balance for the general fund was \$839,141 or **5.4%** of total general fund expenditures and transfers to other funds. There was a \$302,960 increase in total general fund balance for the year.
- The Town's total bonded debt had a net increase of \$502,557 or **6.9%** during the year. The key factors in this increase were issuance of \$1,364,989 in bond anticipation notes and payments of \$585,600 on general obligation bonds and \$276,832 on bond anticipation notes.

Overview of the Financial Statements:

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the cash flows*. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions and activities of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions and activities that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The governmental activities of the Town include the broad functions of general government; public safety; education; public works; health & human services; and culture and recreation. The business-type activities of the Town include two enterprise activities: the water system and the wastewater system.

The government-wide financial statements can be found on pages **14-15** of this report.

Fund financial statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on the *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains 6 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the stabilization fund, and the capital projects fund, all of which are considered to be major funds. Data from the other 6 funds are combined into a single, aggregated presentation under the caption *non-major governmental funds*.

The basic governmental fund financial statements can be found on pages **16-20** of this report.

Proprietary funds: Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and wastewater operations, both of which are considered to be major funds.

The basic proprietary fund financial statements can be found on pages **21-23** of this report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* included in the government-wide financial statements because the resources of the funds are *not* available to support the Town's own functions and activities. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements provide separate information for the pension trust fund of the Town. All other fiduciary funds are combined into a single, aggregate presentation in the fiduciary fund financial statements under the caption private purpose trust funds.

The fiduciary fund financial statements can be found on pages **24-25** of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages **27-48** of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning all legally adopted budgets. The Town adopts an annual appropriation budget for the general, water, and wastewater funds. Budgetary comparison schedules are presented to demonstrate compliance with the budget on pages of this report.

Government-Wide Financial Analysis:

Net Assets

The following tables present current and prior year data on the government-wide financial statements. The Town voted to create the water and wastewater enterprise funds effective July 1, 2009 and beginning net asset balances have been restated accordingly.

Town of Upton, Massachusetts						
Net Assets						
	2010			2009		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current assets	\$ 8,746,145	\$ 1,222,614	\$ 9,968,759	\$ 8,112,654	\$ -	\$ 8,112,654
Non current assets(except capital assets)	-	960,340	960,340	1,108,563	-	1,108,563
Capital assets	31,947,819	10,278,642	42,226,461	12,637,871	-	12,637,871
Total assets	40,693,964	12,461,596	53,155,560	21,859,088	-	21,859,088
Current liabilities	755,274	1,907,787	2,663,061	1,440,524	-	1,440,524
Long term liabilities	3,843,728	2,240,400	6,084,128	6,253,700	-	6,253,700
Total liabilities	4,599,002	4,148,187	8,747,189	7,694,224	-	7,694,224
Net assets:						
Invested in capital, net of related debt	28,197,819	7,315,052	35,512,871	6,701,833	-	6,701,833
Restricted	3,170,528	485,422	3,655,950	2,890,866	-	2,890,866
Unrestricted	4,726,615	512,935	5,239,550	4,571,165	-	4,571,165
Total net assets	\$ 36,094,962	\$ 8,313,409	\$ 44,408,371	\$ 14,163,864	\$ -	\$ 14,163,864

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$44,408,371 at the close of the most recent fiscal year.

Governmental activities long-term liabilities include \$3,435,000 and business-type activities long-term liabilities include \$2,240,000 in general obligation bonds payable. Long-term liabilities for governmental activities includes \$408,728 for net OPEB obligation.

The largest portion of the Town's total net assets (79.97%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources to repay debt must be provided from other sources, since capital assets themselves, cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (8.2%) represents resources that are subject to restrictions placed on how they may be used by parties external to the Town. The remaining balance of unrestricted net assets, \$5,239,550 or 11.83%, of total net assets may be used to meet the government's on-going obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The government's total net assets increased by \$617,067 during the current fiscal year.

Changes in Net Assets

As noted above, the Town created the water and wastewater enterprise funds effective July 1, 2009. In addition, the Town recorded infrastructure assets as of July 1, 2009 in accordance with GASB 34. As a result, net assets have been restated to reflect these changes. The Town's net assets decreased by \$909,676 or 2.0% during fiscal 2010 and is summarized as follows:

Town of Upton, Massachusetts Changes in Net Assets						
	2,010			2009		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program Revenues:						
Charges for service	\$ 933,806	\$ 801,360	\$ 1,735,166	\$ 1,555,696	\$ -	\$ 1,555,696
Operating grants and contributions	619,947	-	619,947	571,599	-	571,599
Capital grants and contributions	-	-	-	-	-	-
General Revenues:						
Property tax	14,558,568	-	14,558,568	14,036,703	-	14,036,703
Investment Earnings	448,360	-	448,360	(333,235)	-	(333,235)
Grant and contributions not restricted to specific programs	582,161	-	582,161	716,622	-	716,622
Total revenues	17,142,842	801,360	17,944,202	16,547,385	-	16,547,385
Expenses						
General government	842,426	-	842,426	722,632	-	722,632
Public safety	2,733,361	-	2,733,361	2,649,910	-	2,649,910
Education	8,068,183	-	8,068,183	7,983,051	-	7,983,051
Public works	4,079,980	-	4,079,980	2,379,765	-	2,379,765
Health & human services	284,083	-	284,083	353,249	-	353,249
Culture & recreation	354,027	-	354,027	348,183	-	348,183
Employee pensions	229,116	-	229,116	372,816	-	372,816
Insurance	1,065,910	-	1,065,910	704,781	-	704,781
State & county charges	53,133	-	53,133	58,559	-	58,559
Capital Outlay	51,797	-	51,797	7,100	-	7,100
Interest on debt	128,734	197,480	326,214	350,272	-	350,272
Water	-	379,403	379,403	-	-	-
Wastewater	-	386,593	386,593	-	-	-
Total expenses	17,890,750	963,476	18,854,226	15,930,318	-	15,930,318
Increase/Decrease in net assets	(747,908)	(162,116)	(910,024)	617,067	-	617,067
Transfers	(533,445)	533,445	-	-	-	-
Increase/Decrease in net assets	(1,281,353)	371,329	(910,024)	617,067	-	617,067
Net assets - Beginning, as Restated	37,376,315	7,941,732	45,318,047	13,546,797	-	13,546,797
Net assets - End of Year	\$ 36,094,962	\$ 8,313,061	\$ 44,408,023	\$ 14,163,864	\$ -	\$ 14,163,864

Fund Financial Statement Analysis:

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

Governmental funds - The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,521,416, an increase of \$1,244,268 in comparison with the prior year. \$5,894,913 of this amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period; continued appropriations for capital outlay and improvement purposes; non-current loans receivable; non-expendable permanent fund balances; and community preservation program statutory purpose reserves.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the general fund was \$839,141, while the total fund balance was \$1,598,444. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures (including transfers to other funds). Unreserved fund balance represents **5.4%** of total general fund expenditures (including transfers), while total fund balance represents **10.3%** of the same amount.

General Fund Balance Trends

The total general fund balance of the Town increased by \$302,960 or 23.3% during fiscal 2010.

Total fiscal year 2010 general fund revenues and transfers from other funds totaled \$15,759,411 an increase of \$638,322 or 4.2 % over the previous fiscal year.

Property tax growth represents a combination of the 2.5% annual increase allowed in the levy under Proposition 2 ½, new growth, and collection of prior years' delinquent taxes. The Town had an increase in tax revenues of \$681,266, or 4.8%, from the previous year.

Overall the Town had a decrease in intergovernmental revenues from 2009 of \$452,229 or 31.3%.

Town of Upton
General Fund Revenue Trends
June 30, 2010

Revenue Source	Amount	% of Total	Increase/ (Decrease)	% Change
Real estate and Personal Property Tax	13,388,635	85.0%	685,340	5.4%
Motor Vehicle Excise	902,468	5.7%	(4,074)	-0.4%
Intergovernmental	616,255	3.9%	(260,139)	-29.7%
Departmental and other revenues	637,555	4.0%	129,006	25.4%
Investment Income	90,535	0.6%	(7,878)	-8.0%
Miscellaneous	119,463	0.8%	91,567	328.2%
Total Revenues	15,754,911	100.0%	633,822	4.2%
Proceeds from long-term debt	-	0.0%	(88,240)	-100.0%
Transfers from other funds	-	0.0%	4,500	100.0%
Total revenues and transfers from other funds	15,754,911	100.0%	550,082	3.6%

Total general fund expenditures and transfers to other funds totaled \$15,456,451 a decrease of \$557,889 or 3.5% over the previous fiscal year, primarily due to the creation of the two enterprise funds.

Town of Upton
General Fund Expenditure Trends
June 30, 2010

Expenditure Use	Amount	% of Total	Increase/ (Decrease)	% Change
General Government	781,643	5.1%	(99,910)	-11.3%
Public Safety	2,301,974	14.9%	9,641	0.4%
Public Works	1,259,838	8.2%	(753,391)	-37.4%
Health and Human Services	304,030	2.0%	10,045	3.4%
Culture and Recreation	224,577	1.5%	9,122	4.2%
Education	8,016,992	51.9%	70,124	0.9%
Employee Pensions and Benefits	229,116	1.5%	(143,700)	-38.5%
Insurance	657,182	4.3%	(47,599)	-6.8%
Debt Service	793,206	5.1%	(406,380)	-33.9%
State and County Charges	53,133	0.3%	(5,426)	-9.3%
Total expenditures	14,621,691	94.6%	(1,357,474)	-8.5%
Transfers to other funds	834,760	5.4%	799,585	2273.2%
Total expenditures and transfers to other funds	15,456,451	100.0%	(557,889)	-3.5%

General Fund Budgetary Highlights:

The difference between the original budget of \$15,568,019 and the final amended budget of \$16,153,969 (\$585,950 increase in appropriations) of 3.8% can be summarized as follows:

General Government	\$ 52,700
Public Safety	34,100
Public Works	4,639
Health and Human Services	-
Culture and Recreation	-
Insurance	-
Transfers Out	494,511
Total	\$585,950

This increase was funded by a transfer from free cash of \$585,950.

Capital Asset and Debt Administration:

Capital assets – The Town's capital assets for governmental and business-type activities as of June 30, 2010, amounts to \$42,226,458 net of accumulated depreciation. The capital assets include land; buildings; improvements; machinery and equipment; streets, sidewalks, and storm drains; and water and sewer systems.

Town of Upton Capital assets 'June 30, 2010			
	Governmental Activities	Business-type Activities	Total
Land	\$ 3,401,804	\$ -	\$ 3,401,804
Buildings & Improvements	4,465,207	3,756,773	8,221,980
Equipment & machinery	718,326	-	718,326
Infrastructure	23,362,479	5,267,450	28,629,929
Construction in Progress	-	1,254,419	1,254,419
Total	<u>\$ 31,947,816</u>	<u>\$ 10,278,642</u>	<u>\$ 42,226,458</u>

Major capital asset events during 2010 included the following:

- Additional of infrastructure assets in the amount of \$31,154,183.
- Total capital assets, net of accumulated depreciation increased by \$1,565,596.
- Government activity capital assets decreased by \$2,745,122 due to capital asset purchases of \$274,726 less depreciation of capital assets of \$3,019,848.
- Business-type capital assets increased by \$1,179,526 due to construction in process of \$1,254,419 less depreciation of capital assets of \$124,893.

Additional information on the Town's capital assets may be found in **Note 8** to the financial statements.

Long-term debt – At June 30, 2010, the Town had total bonded debt outstanding of \$7,706,929. All debt is a general obligation of the Town.

Town of Upton Debt Summary 'June 30, 2010			
	Governmental Activities	Business-type Activities	Total
Fire Station	\$ 2,275,000	\$ -	\$ 2,275,000
Land Purchase	975,000	-	975,000
Land Purchase	500,000	-	500,000
Wastewater Treatment Plant	-	2,503,700	2,503,700
Water Improvements	-	62,370	62,370
Water & Sewer Improvements	-	1,390,859	1,390,859
Total	\$ 3,750,000	\$ 3,956,929	\$ 7,706,929

Total long-term bonds and loans outstanding at June 30, 2010 increased by \$502,557 or 6.98% from June 30, 2009. Debt principal paid during fiscal year 2010 amounted to \$862,432.

The Town's bonds are rated AA by Moody's Investor Services Inc.

Additional information on the Town's long-term debt can be found in **Note 9** to the financial statements.

Economic Factors and Next Year's Budgets and Rates:

- According to the Commonwealth of Massachusetts Division of Employment and Training, the unemployment rate for the Town for 2003 was 4.7%, which compares favorably with state and national unemployment rate.
- According to the U. S. Department of Commerce, the median family income for the Town for 1999 was \$89,251; the per capita income for the same time was \$34,924. This compares favorably with both state and national incomes.

The Town approved a fiscal year 2011 general fund budget of \$16,125,857, an increase of \$150,231 or 0.9% over the fiscal year 2010 general fund budget.

Requests for Information

This financial report is designed to provide a general overview of the Town of Upton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to James Bates, Administrative Assistant, Town of Upton, P.O. Box 479, Upton, Massachusetts 01568.

Town of Upton, Massachusetts
Statement of Net Assets
June 30, 2010

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Equivalents	\$ 2,653,265	\$ 919,717	\$ 3,572,982
Investments	4,960,203	-	4,960,203
Receivables, net of allowance for uncollectible accounts	982,709	148,900	1,131,609
Restricted cash	28,059	-	28,059
Due from Other Governmental Agencies	121,909	153,997	275,906
 Total current assets	 8,746,145	 1,222,614	 9,968,759
Noncurrent Assets:			
Due from Other Governmental Agencies	-	960,340	960,340
Capital assets, net of accumulated depreciation	31,947,816	10,278,642	42,226,458
 Total noncurrent assets	 31,947,816	 11,238,982	 43,186,798
 Total Assets	 40,693,961	 12,461,596	 53,155,557
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued expenses	433,136	120,997	554,133
Performance bonds	-	-	-
Accrued interest	7,135	70,260	77,395
Bond anticipation note payable	-	1,453,230	1,453,230
Current portion of bonds payable	315,000	263,300	578,300
 Total current liabilities	 755,271	 1,907,787	 2,663,058
Current Liabilities:			
Bonds payable, net of current portion	3,435,000	2,240,400	5,675,400
Other post employment benefits obligation	408,728	-	408,728
 Total noncurrent liabilities	 3,843,728	 2,240,400	 6,084,128
 Total Liabilities	 4,598,999	 4,148,187	 8,747,186
NET ASSETS			
Invested in capital assets, net of related debt	28,197,819	7,315,052	35,512,871
Restricted for:			
Permanent funds:			
Expendable	3,142,469	-	3,142,469
Other purposes	28,059	485,422	513,481
Unrestricted	4,726,615	512,935	5,239,550
 Total net assets	 \$ 36,094,962	 \$ 8,313,409	 \$ 44,408,371

See accompanying notes to financial statements

**Town of Upton, Massachusetts
Statement of Activities
For the Year Ended June 30, 2010**

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Assets					
		Program Revenue			Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities:							
General Government	\$ 842,426	\$ 136,030	\$ 108,529	\$ (597,867)	\$ (2,189,678)		\$ (2,189,678)
Public Safety	2,733,361	433,188	110,495	(3,901,630)			(3,901,630)
Public Works	4,079,980	45,782	132,568	(83,117)			(83,117)
Health and Human Services	284,083	200,966	-	(159,382)			(159,382)
Culture and Recreation	354,027	117,840	76,805	(8,044,139)			(8,044,139)
Education	8,068,183	-	24,044	(128,734)			(128,734)
Interest on Long-term debt	128,734	-	-	(229,116)			(229,116)
Employee Pensions	229,116	-	-	(1,065,910)			(1,065,910)
Insurance	1,065,910	-	-	115,709			115,709
Capital Outlay	51,797	-	167,506	(53,133)			(53,133)
State and County Charges	53,133	-	-	(16,336,997)			(16,336,997)
Total governmental activities	<u>17,890,750</u>	<u>933,806</u>	<u>619,947</u>	<u>(16,336,997)</u>	<u>-</u>	<u>-</u>	<u>(16,336,997)</u>
Business-type activities:							
Water Enterprise	398,845	431,659	-	-	32,814	32,814	
WasteWater Enterprise	564,631	369,701	-	-	(194,930)	(194,930)	
Total business-type activities	<u>963,476</u>	<u>801,360</u>	<u>\$ 619,947</u>	<u>\$ (16,336,997)</u>	<u>(162,116)</u>	<u>(162,116)</u>	<u>(16,499,113)</u>
Total primary government	<u>\$ 18,854,226</u>	<u>\$ 1,735,166</u>	<u>\$ 619,947</u>	<u>\$ (16,336,997)</u>	<u>(162,116)</u>	<u>(162,116)</u>	<u>(16,499,113)</u>
General revenues:							
Property and excise taxes			14,558,568				14,558,568
Investment earnings			448,360		348	348	448,708
Grants and contributions not restricted to specific programs			582,161		-		582,161
Transfers			(533,445)		533,445	533,445	
Total general revenues, special items, and transfers			<u>15,055,644</u>		<u>533,793</u>	<u>533,793</u>	<u>15,589,437</u>
Change in net assets			(1,281,353)		371,677	371,677	(909,676)
Net assets - beginning, as restated			37,376,315		7,941,732	7,941,732	45,318,047
Net assets - ending			<u>\$ 36,094,962</u>		<u>\$ 8,313,409</u>	<u>\$ 8,313,409</u>	<u>\$ 44,408,371</u>

See accompanying notes to financial statements

Town of Upton, Massachusetts
Balance Sheet
Governmental Funds
June 30, 2010

	<u>General Fund</u>	<u>Major Trust Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,815,280	\$ -	\$ 837,985	\$ 2,653,265
Investments	-	3,142,469	1,817,734	4,960,203
Taxes receivable, net	1,029,231	-	14,350	1,043,581
Due from other governments	-	-	121,909	121,909
Restricted cash	-	-	28,059	28,059
Total assets	<u>\$ 2,844,511</u>	<u>\$ 3,142,469</u>	<u>\$ 2,820,037</u>	<u>\$ 8,807,017</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 399,202	\$ -	\$ 25,184	\$ 424,386
Deferred revenue	838,112	-	14,350	852,462
Other payables	8,753	-	-	8,753
Total liabilities	<u>1,246,067</u>	<u>-</u>	<u>39,534</u>	<u>1,285,601</u>
Fund balances:				
Reserved for:				
Debt service	395,354	-	-	395,354
Encumbrances and appropriations	326,391	-	-	326,391
Other purposes	37,558	-	28,059	65,617
Unreserved	839,141	-	-	839,141
Designated for subsequent year	-	-	-	-
Unreserved, reported in non-major:				
Special revenue funds	-	-	2,752,444	2,752,444
Permanent Endowment Fund	-	3,142,469	-	3,142,469
Total fund balances	<u>1,598,444</u>	<u>3,142,469</u>	<u>2,780,503</u>	<u>7,521,416</u>
Total liabilities and fund balances	<u>\$ 2,844,511</u>	<u>\$ 3,142,469</u>	<u>\$ 2,820,037</u>	<u>\$ 8,807,017</u>

See accompanying notes to financial statements

Town of Upton, Massachusetts
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net
Assets
June 30, 2010

Total fund balance, governmental funds \$ 7,521,416

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.

31,947,819

In the Statement of Activities, interest is accrued on outstanding long-term debt whereas in Governmental Funds, interest is not reported until due.

(7,135)

Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.

791,590

Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.

(4,158,728)

Net Assets of Governmental Activities in the Statement of Net Assets \$ 36,094,962

Town of Upton, Massachusetts
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	<u>General Fund</u>	<u>Major Trust Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes and assessments	\$ 14,291,103	-	\$ 284,887	\$ 14,575,990
Fees and fines	333,160	8,150	320,970	662,280
Licenses and permits	304,395	-	-	304,395
Intergovernmental	616,255	-	375,293	991,548
Investment earnings	90,535	306,527	51,298	448,360
Miscellaneous	119,463	-	-	119,463
Contributions and donations	-	50	77,000	77,050
Total revenues	<u>15,754,911</u>	<u>314,727</u>	<u>1,109,448</u>	<u>17,179,086</u>
EXPENDITURES				
General government	781,643	27,674	35,884	845,201
Public Safety	2,301,974	-	223,914	2,525,888
Public Works	1,259,838	56,810	184,559	1,501,207
Health and human services	304,030	17,062	11,521	332,613
Culture and recreation	224,577	3,612	115,657	343,846
Education	8,016,992	51,191	-	8,068,183
Employee pensions	229,116	-	-	229,116
Insurance	657,182	-	-	657,182
Debt Service:				
Principal	606,832	-	-	606,832
Interest and other charges	186,374	-	-	186,374
State and county charges	53,133	-	-	53,133
Capital Outlay	-	-	51,797	51,797
Total Expenditures	<u>14,621,691</u>	<u>156,349</u>	<u>623,332</u>	<u>15,401,372</u>
Excess (deficiency) of revenues over expenditures	<u>1,133,220</u>	<u>158,378</u>	<u>486,116</u>	<u>1,777,714</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt, net	-	-	-	-
Transfers in	4,500	366,814	5,000	376,314
Transfers out	(834,760)	(75,000.00)	-	(909,760)
Total other financing sources and uses	<u>(830,260)</u>	<u>291,814</u>	<u>5,000</u>	<u>(533,446)</u>
Net change in fund balances	302,960	450,192	491,116	1,244,268
Fund balances - beginning, as restated	1,295,484	2,692,277	2,289,387	6,277,148
Fund balances - ending	<u>\$ 1,598,444</u>	<u>\$ 3,142,469</u>	<u>\$ 2,780,503</u>	<u>\$ 7,521,416</u>

See accompanying notes to financial statements

Town of Upton, Massachusetts

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2010**

Net change in fund balances - total governmental funds: \$ 1,244,268

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

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

This is the amount by which capital outlays(\$274,726) exceeded depreciation (\$3,019,848) in the current period.

(2,745,122)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

(36,243)

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

606,832

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Accrued interest not reflected on Governmental funds
Net change in other post employment benefits liability

57,640

(408,728)

Change in net assets of governmental activities

\$ (1,281,353)

Town of Upton, Massachusetts
Budget and Actual (with Variances)
General Fund
For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts,		Variance with Final Budget - Positive (Negative)
			Original	Final	
				Budgetary Basis	
REVENUES					
Taxes and assessments	\$ 14,076,801	\$ 14,076,801	\$ 14,153,279	\$ 76,478	
Fees and fines	262,444	262,444	265,912	3,468	
Licenses and permits	288,805	288,805	304,395	15,590	
Intergovernmental	622,195	622,195	616,255	(5,940)	
Investment earnings	83,926	83,926	90,535	6,609	
Miscellaneous	31,553	31,553	81,313	49,760	
Total revenues	<u>15,365,724</u>	<u>15,365,724</u>	<u>15,511,689</u>	<u>145,965</u>	
EXPENDITURES					
General government	820,677	887,377	799,035	88,342	
Public safety	2,398,609	2,432,709	2,295,335	137,374	
Public works	1,267,740	1,343,643	1,300,832	42,811	
Health and human services	368,827	368,827	304,001	64,826	
Culture and recreation	261,133	261,133	253,519	7,614	
Education	8,083,807	8,016,993	8,016,992	1	
Debt service	1,048,980	1,048,980	1,022,029	26,951	
Employee pensions	412,906	412,906	405,569	7,337	
Insurance	740,200	726,200	657,182	69,018	
State and county charges	53,714	53,714	53,133	581	
Total Expenditures	<u>15,456,593</u>	<u>15,552,482</u>	<u>15,107,627</u>	<u>444,855</u>	
Excess (deficiency) of revenues over expenditures	<u>(90,869)</u>	<u>(186,758)</u>	<u>404,062</u>	<u>590,820</u>	
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term borrowing	-	-	-	-	
Transfers in	-	4,450	4,450	-	
Transfers out	<u>(111,426)</u>	<u>(605,937)</u>	<u>(605,937)</u>	<u>-</u>	
Total other financing sources and uses	<u>(111,426)</u>	<u>(601,487)</u>	<u>(601,487)</u>	<u>-</u>	
Net change in fund balances	<u>(202,295)</u>	<u>(788,245)</u>	<u>(197,425)</u>	<u>590,820</u>	
Fund balances - beginning	<u>1,192,099</u>	<u>1,192,099</u>	<u>1,192,099</u>	<u>-</u>	
Fund balances - ending	<u>\$ 989,804</u>	<u>\$ 403,854</u>	<u>\$ 994,674</u>	<u>\$ 590,820</u>	

See accompanying notes to financial statements

Town of Upton, Massachusetts
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Enterprise Funds		
	Water Enterprise Fund	WasteWater Enterprise Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 374,709	\$ 545,008	\$ 919,717
User fees receivable, net	68,508	80,392	148,900
Due from other governments	-	153,997	153,997
Total current assets	<u>443,217</u>	<u>779,397</u>	<u>1,222,614</u>
Non-current assets:			
Due from other governments	-	960,340	960,340
Capital assets, net of accumulated depreciation	<u>5,660,916</u>	<u>4,617,726</u>	<u>10,278,642</u>
Total non-current assets	<u>5,660,916</u>	<u>5,578,066</u>	<u>11,238,982</u>
Total assets	<u>6,104,133</u>	<u>6,357,463</u>	<u>12,461,596</u>
LIABILITIES			
Current Liabilities:			
Warrants payable	87,166	33,831	120,997
Accrued interest	17,245	53,015	70,260
Notes payable	1,211,769	241,461	1,453,230
Current portion of bonds payable	-	263,300	263,300
Total current liabilities	<u>1,316,180</u>	<u>591,607</u>	<u>1,907,787</u>
Non-current liabilities:			
Bonds payable, net of current portion	-	2,240,400	2,240,400
Total non-current liabilities	-	2,240,400	2,240,400
Total liabilities	<u>1,316,180</u>	<u>2,832,007</u>	<u>4,148,187</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,361,981	2,953,071	7,315,052
Restricted for capital projects	259,505	225,917	485,422
Unrestricted	<u>166,467</u>	<u>346,468</u>	<u>512,935</u>
Total net assets	<u>\$ 4,787,953</u>	<u>\$ 3,525,456</u>	<u>\$ 8,313,409</u>

See accompanying notes to financial statements

Town of Upton, Massachusetts
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	Enterprise Funds		
	Water Enterprise		WasteWater
	Fund	Enterprise Fund	
REVENUES			
Charges for services	\$ 391,318	\$ 245,481	\$ 636,799
Assessments	40,341	124,220	164,561
Total operating revenues	<u>431,659</u>	<u>369,701</u>	<u>801,360</u>
OPERATING EXPENSES			
Personal services	146,406	146,406	292,812
Other supplies and expenses	179,098	169,193	348,291
Depreciation	53,899	70,994	124,893
Total Operating Expenses	<u>379,403</u>	<u>386,593</u>	<u>765,996</u>
Operating income (loss)	<u>52,256</u>	<u>(16,892)</u>	<u>35,364</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	2	346	348
Operating grants and contributions	-	-	-
Interest expense	<u>(19,442)</u>	<u>(178,038)</u>	<u>(197,480)</u>
Total non-operating revenue (expenses)	<u>(19,440)</u>	<u>(177,692)</u>	<u>(197,132)</u>
Income (loss) before contributions and transfers	32,816	(194,584)	(161,768)
Transfers in	216,794	321,151	537,945
Transfers out	<u>(2,250)</u>	<u>(2,250)</u>	<u>(4,500)</u>
Change in net assets	247,360	124,317	371,677
Total net assets - beginning, as restated	<u>4,540,593</u>	<u>3,401,139</u>	<u>7,941,732</u>
Total net assets - ending	<u>\$ 4,787,953</u>	<u>\$ 3,525,456</u>	<u>\$ 8,313,409</u>

See accompanying notes to financial statements

Town of Upton, Massachusetts
Statement of Cash Flows
Proprietary Funds
June 30, 2010

	<u>Water</u> <u>Enterprise</u> <u>Fund</u>	<u>Waste</u> <u>Water</u> <u>Enterprise</u> <u>Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 415,358	\$ 344,163	\$ 759,521
Payments to vendors	(146,406)	(146,406)	(292,812)
Payments to employees	(179,098)	(169,193)	(348,291)
Net cash from operating activities	<u>89,854</u>	<u>28,564</u>	<u>118,418</u>
Cash Flows from Noncapital Financing Activities:			
Net transfers in	214,544	318,901	533,445
Net cash from noncapital financing activities	<u>214,544</u>	<u>318,901</u>	<u>533,445</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from issuance of bonds and notes	1,123,529	241,461	1,364,990
Acquisition and construction of capital assets	(1,122,878)	(60,544)	(1,183,422)
Principal payments on bonds and notes	-	(222,679)	(222,679)
Operating grants	-	-	-
Interest expense	(2,197)	(3,947)	-
Net cash from capital and related financing activities	<u>(1,546)</u>	<u>(45,709)</u>	<u>(41,111)</u>
Cash Flows from Investing Activities:			
Investment income	2	346	-
Net cash from investing activities	<u>2</u>	<u>346</u>	<u>-</u>
Net Change in Cash	302,854	302,102	610,752
Cash, beginning of year	71,855	242,906	314,761
Cash, end of year	<u>\$ 374,709</u>	<u>\$ 545,008</u>	<u>\$ 925,513</u>
Reconciliation of Operating income to Net Cash Provided by (used for) Operating Activities:			
Operating income	\$ 52,256	\$ (16,892)	\$ 35,364
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	53,899	70,994	124,893
Changes in assets and liabilities:			
User fees receivable	(16,301)	(25,538)	(41,839)
Net Cash Provided by (used for) Operating Activities	<u>\$ 89,854</u>	<u>\$ 28,564</u>	<u>\$ 118,418</u>
Non-Cash Investing, Capital and Financing Activities:			
Intergovernmental debt subsidies (MWPAT)	<u>\$ -</u>	<u>\$ 153,997</u>	<u>\$ 153,997</u>

See accompanying notes to financial statements

Town of Upton, Massachusetts
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	<u>Private Purpose</u>
	<u>Trust Fund -</u>
	<u>Simple</u>
ASSETS	
Investments	\$ 620,316
Total assets	<u>620,316</u>
LIABILITIES	
Accounts payable	-
Total liabilities	-
NET ASSETS	
Held in trust for benefits and other purposes	<u>\$ 620,316</u>

See accompanying notes to financial statements

Town of Upton, Massachusetts
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2010

	<u>Private Purpose</u>
	<u>Trust Fund -</u>
	<u>Simple</u>
ADDITIONS	
Contributions	\$
Investment earnings	<u>79,351</u>
Total additions	<u>79,351</u>
DEDUCTIONS	
Scholarships awarded	<u>1,800</u>
Total deductions	<u>1,800</u>
Change in net assets	77,551
Net assets - beginning	<u>542,765</u>
Net assets - ending	<u>\$ 620,316</u>

See accompanying notes to financial statements

TOWN OF UPTON, MASSACHUSETTS

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TOWN OF UPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The Town of Upton, Massachusetts (the "Town") was incorporated in 1735. The Town has an Open Town Meeting form of government and an executive three-member Board of Selectmen. The Town Manager is responsible for the day-to-day administration of the Town under the direction of the Board of Selectmen.

The Town provides general governmental services, including Public Safety - Police and Fire Protection, Highways and Streets, Sanitation, Health and Social Services, Recreation and Cultural, Public Education for grades K through 12, and General Administrative Services.

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

B. Financial Reporting Entity

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- * the organization is legally separate (can sue and be sued in their own name)
- * the Town holds the corporate powers of the organization
- * the Town appoints a voting majority of the organization's board
- * the Town is able to impose its will on the organization
- * the organization has the potential to impose a financial benefit/burden on the Town
- * there is fiscal dependency by the organization on the Town

Based on the aforementioned criteria, the Town of Upton has no component units.

Joint Venture

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

TOWN OF UPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

The Town participates in two joint ventures with other municipalities to pool resources and share costs, risks and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients. The following table identifies the Town's joint ventures and related information:

<u>Name</u>	<u>Purpose</u>	<u>Address</u>	<u>Fiscal 2010 Assessment</u>
Mendon-Upton Regional School District	To provide grades K-12 educational services	Upton, MA 01568	\$7,712,734
Blackstone Valley Vocational Regional School District	To provide grades 9-12 vocational and technical educational services	65 Pleasant Street Upton, MA 01568	304,258

The Mendon-Upton Regional School District (the District) is governed by a six (6) member school committee consisting of 3 elected representatives from the Town of Upton and 3 representatives from the Town of Mendon. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Business manager at the above address. The Town has an approximately 53.2% equity interest in the joint venture.

The Blackstone Valley Vocational Regional School District (the District) is governed by a six (9) member school committee consisting of one (1) elected representative from the Towns of Upton, Sutton, Northbridge, Millbury, Milford, Hopedale, Grafton, Douglas and Blackstone. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Business manager at the above address. The Town has an approximately 3.3% equity interest in the joint venture.

C. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Town. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

TOWN OF UPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

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

Fund Financial Statements:

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

Governmental funds are those funds through which most governmental activities typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Town has presented the following major governmental funds:

General Fund - This fund is the main operating fund of the Town. It is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General fund. The general fund is always considered a major fund.

Permanent Funds - This fund is used to account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support government programs.

The nonmajor governmental funds consist of other special revenue and capital project funds that are aggregated and presented in the **nonmajor governmental funds** column on the governmental funds financial statements. The following describes the general use of these fund types:

Special Revenue Fund - This fund is used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specific purposes.

Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

TOWN OF UPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Proprietary Fund Financial Statements

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and uses the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The Water Enterprise Fund is used to account for water activities. The Wastewater Enterprise Fund is used to account for sewer activities.

Fiduciary Funds (Not included in District-Wide statements)

Private-Purpose Trust Funds - This fund is used to account for resources legally held in trust for student scholarships.

Agency Funds - This fund is used to account for assets held by the Town as an agent for individuals, private organizations, and/or other governmental units.

D. Measurement Focus/Basis of Accounting

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

TOWN OF UPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

The Town considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement costs, landfill postclosure care costs, claims, and judgments are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenue are recognized when received.

E. Budgetary Control

The Town follows the following procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to the Annual Town Meeting, the Town Manager submits a proposed operating budget to the Finance Committee for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. At the Annual Town Meeting, the Finance Committee makes the recommendation to the voters of their concurrence or non-concurrence with the articles. The voters at the Annual Town Meeting then vote to accept or reject the proposed budget articles.
- c. On July 1, the budget is legally enacted.
- d. The Board of Assessors will submit to the Commonwealth of Massachusetts' Department of Revenue the Town's Tax Recapitulatory Sheet. The sheet denotes the appropriations passed by the Town voters, sources of estimated revenues and the proposed tax revenues to be raised. The Commonwealth's Department of Revenue will then certify the tax rate to be used in the assessment of taxes to the local property owners (real and personal).
- e. If a need arises, the Town will convene a special town meeting to act on the recommendations of the Finance Committee for additional appropriations.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2010 approved budget for the general fund was \$15,956,787 in appropriations and carryforwards. During fiscal year 2010, supplemental appropriations totaling \$590,400 were authorized.

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results, except for the effect of encumbrances and continuing appropriations, which are adjusted to the actual results for comparison. Deficits, if any, are raised in the subsequent years budget process.

TOWN OF UPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Cash and Investments

Cash of all funds, including restricted cash, are pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has an equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. An individual fund's pooled Cash and Cash Investments are available upon demand and are considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities not included in the common pooled accounts that are purchased with a maturity of ninety days or less are also considered to be "cash equivalents".

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

H. Inventories of Supplies

Supplies are considered to be expenditures at the time of purchase and are not included in the statement of net assets as inventories.

I. Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

J. Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

K. Capital Assets

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

TOWN OF UPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

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

Buildings and improvements	20-75 Years
Machinery and Equipment	5-10 Years
Infrastructure	10-75 Years

L. Net Assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations on their use either through the enabling legislations adopted by the town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M. Encumbrances and Continuing Appropriations

Encumbrance accounting, under which purchase orders, contracts and other commitments for fund expenditures are recorded in order to reserve portions of the applicable appropriation, is employed in the governmental funds. Open encumbrances at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Certain unexpended and unencumbered appropriations for incomplete projects are carried over to succeeding years. Such continuing appropriations are accounted for similar to encumbrances. Other unencumbered appropriations lapse at year-end.

N. Claims and Judgments

Estimated losses from judgments and claims are recorded in the Government-Wide financial statements as a liability and as an expense if the loss is probable and amounts can be reasonably estimated.

O. Reconciliation of Government-Wide and Fund Financial Statements

A summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total net assets (deficit) for governmental activities as shown on the government-wide statement of net assets is presented in an accompanying schedule to the governmental funds balance sheet. The asset and liability elements, which comprise the reconciliation difference, stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

TOWN OF UPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

P. Allowance for uncollectible Accounts

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- * Personal property taxes
- * Real estate taxes deemed not lienable
- * Motor vehicle and other excise taxes

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts is not reported:

- * Real estate taxes and tax liens
- * Water and sewer
- * Special assessments

2 - PROPERTY TAXES

Real and personal property taxes are based on values assessed as of each January 1 and are normally due on the subsequent August 1, November 1, February 1 and May 1. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Taxes due and unpaid after the respective due dates are subject to interest and penalties.

The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables in the fiscal year of the levy. Property tax revenues are recorded in accordance with the modified accrual basis of accounting as previously described.

A statewide tax limitation statute known as "Proposition 2-1/2" limits the property tax levy to an amount equal to 2-1/2% of the value of all taxable property in the Town. A secondary limitation is that the levy in a fiscal year may not exceed the preceding year's allowable tax levy by more than 2-1/2%, plus taxes levied on certain property newly added to the tax rolls. Certain Proposition 2-1/2 taxing limitations can be overridden by a town-wide referendum vote.

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2-1/2 and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenues projected to be received by the Town, including available funds.

THE TOWN OF UPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)3 - BUDGETARY BASIS OF ACCOUNTING

The Town of Upton prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the Town's method (budget basis) in the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis in the General Fund are that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).

Adjustments necessary to convert the General Fund's excess of revenues and other sources over expenditures and other uses on the budget basis to a GAAP basis are provided below:

Excess of revenues over expenditures - budget basis	\$ 404,062
Adjustment or property tax revenues to modified accrual basis	68,912
Record revenue recognized for grants and other reserves	67,248
Record Expenditure recognized for grants and other reserves	(69,278)
Record enterprise fund debt service as transfer out	228,823
Record water and sewer receivables in enterprise funds	107,062
End of year adjustment for encumbrances not recognized as expenditures	<u>326,391</u>
Excess of revenues and other sources over expenditures and other uses - GAAP basis	\$ 1,133,220
	=====

4 - DEPOSITS AND INVESTMENTS

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization or insurance protection by the financial institutions involved. Investments can be made in securities unconditionally guaranteed by the U.S. Government with maturities of 90 days or less which are collateralized by such securities. The Town also has the authority to purchase units in the Massachusetts Municipal Depository Trust (MMDT), a pooled fund managed for the Commonwealth.

The Town has expanded investment powers, including the ability to invest in equity securities, corporate bonds and other specified investments in relation to the Town's restricted investments in the Permanent Funds.

The composition of the Town's deposits and investments fluctuates throughout the year depending primarily on the timing of property tax receipts, water and sewer revenues, proceeds from borrowings, collections of state and federal aid, and capital outlays.

TOWN OF UPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. As of June 30, 2010, \$285,782 of the Town's bank balance of \$3,694,929 was uninsured and uncollateralized and, therefore, exposed to custodial credit risk.

Investment Summary

The Town's investments at June 30, 2010, are presented below. All investments are presented by investment type, with debt securities presented by maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Debt Securities:					
U.S. Agencies	\$1,246,055	\$ -	\$ 635,229	\$ 610,826	\$ -
U.S. Treasuries	125,010		125,010		
Corporate Bonds	106,234	-	106,234	-	-
Certificate's of Deposit	428,687	75,903	352,784	-	-
Money market mutual funds	<u>380,199</u>	<u>380,199</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,286,185</u>	<u>\$ 456,102</u>	<u>\$1,219,257</u>	<u>\$ 610,826</u>	<u>\$ -</u>
Other Investments:					
Bond Funds	2,039,600				
Equity Securities	118,444				
Alternative Investments	101,224				
Equity Mutual Funds	<u>1,035,066</u>				
	<u>\$5,580,519</u>				
	<u>=====</u>				

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Interest Rate Risk of Debt Securities - Investments

Interest rate risk of debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment.

TOWN OF UPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)Credit Risk of Debt Securities - Investments

Credit risk of debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. As of June 30, 2010, the credit quality ratings of the Town's investments are as follows:

Investment Type	Value	Quality Ratings*					
		Fair	AAA	AA+	AA	A+	Unrated
U.S. Agencies	\$1,246,055	\$1,246,055	\$ -	\$ -	\$ -	\$ -	\$ -
Bond Funds	2,145,834	-	106,234	81,613	171,490	1,786,497	
U.S. Treasuries	125,010	125,010	-	-	-	-	-
Equity Mutual Funds	1,035,066	-	-	-	-	1,035,066	
Equity Securities	118,444	-	-	-	-	118,444	
Alternative Investments	101,224	-	-	-	-	101,224	
	\$4,771,633	\$1,371,065	\$ 106,234	\$ 81,613	\$ 171,490	\$3,041,231	
	=====	=====	=====	=====	=====	=====	=====

* Per the rating scale of Standard & Poor's (a national credit rating organization)

5 - PENSION PLANSWorcester Regional Contributory Retirement System

Plan Description and Provisions

The Town provides pension benefits for substantially all employees except School Department employees through the Worcester Regional Contributory Retirement System (WRCRS), a Cost-Sharing Multiple Employer Employee Retirement System established under the Massachusetts Contributory Retirement Law. Benefit provisions and contribution requirements are established by state law.

The system provides for retirement benefits up to a maximum of two and one-half times (2-1/2x) the number of years of service, expressed as a percentage, times a member's average annual compensation for the past three years. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

Members of the system become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining twenty years of service. The plan also provides for early retirement at age 55 if the Participant (1) has a record of 10 years of creditable service, (2) was on the Town payroll on January 1, 1978, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the Fund. Plan members who become permanently and totally disabled may be eligible to receive a disability retirement allowance.

TOWN OF UPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

The County of Worcester issues a publicly available financial report that includes financial statements and required supplementary information for WRCRS.

Funding Policy

Active plan members contribute either 5, 7, 8, or 9% of their gross regular compensation depending on the date upon which their membership began, on a pre-tax basis. The Town is required to contribute at an actuarially determined rate; the current average rate is 12.4% of annual covered payroll. The contribution requirements of plan members are established and may be amended by the WRCRS board of Trustees.

Annual Pension Cost

For 2010, the Town's annual pension cost of \$352,906 was equal to the Town's required and actual contributions. The periodic employer contributions to the retirement system are determined on an actuarial basis using the entry age normal actuarial cost method. Normal cost is funded on a current basis. The unfunded actuarial accrued liability is funded on a schedule that ends no later than the year 2028. The annual amortization of the unfunded actuarial liability increases each year by 4.5%. The funding strategy for normal cost and the unfunded actuarial accrued liability should provide sufficient resources to pay employee pension benefits on a timely basis. The Commonwealth of Massachusetts currently reimburses the System on a quarterly basis for the portion of benefit payments owing to cost-of-living increases granted after the implementation of Proposition 2-1/2.

The significant actuarial assumptions used in the determination of the standardized measure of the pension benefit obligation and contribution are summarized below:

- * The rate of return on the investment of present and future assets is 8% per year, compounded annually.
- * Future pension payments reflect an assumption of a 5.5% salary increase per year.
- * Future pension payments reflect no post-retirement benefit increases.

Three Year Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>
2008	\$279,841	100%
2009	322,923	100%
2010	352,906	100%

TOWN OF UPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Massachusetts Teachers' Retirement System, a Noncontributing Employer Plan

The majority of the employees of the School Department participate in a contributory retirement plan administered by the Massachusetts Teachers' Retirement Board. Benefit provisions and contribution requirements are established by state law. Eligibility requirements for participation are as follows:

- * The employee must be employed on at least a half-time basis in a contracted professional position within a public school system located in Massachusetts.
- * The employee must be certified by the Massachusetts Department of Education for a position which requires certification.

Participation in the plan requires that members contribute a fixed percentage of their compensation (either 5%, 7%, 8%, or 9%) each pay period. This percentage varies depending upon the date of employment. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. Employee contributions vest immediately. After 10 years of service employee benefits become fully vested. After 20 years of service, or upon having attained the age of 55 with at least 10 years of service, employees are eligible to receive benefits under the plan. Benefits are based on the average of the three highest-salaried years of employee service and are determined in a manner similar to the provisions of WRCRS.

The Town has no obligation to contribute to this plan. All pension benefits and expenses paid by the Teachers Retirement Board are funded by the Commonwealth of Massachusetts. Payments made by the Commonwealth of Massachusetts on behalf of the Town amounted to \$ - and are reflected as revenues and corresponding expenditure in the Town's financial statements.

6 - POST RETIREMENT BENEFITS

The Town pays 50 percent of the cost of insurance premiums for health benefits for all personnel who attain retirement age while in the employment of the Town. These costs are appropriated and expended in the fiscal year incurred. For fiscal year ended June 30, 2010, there were 10 retirees receiving benefits and the approximate cost to the Town was \$47,206.

7 - DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

TOWN OF UPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)8 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 3,401,804	\$ -	\$ -	\$ 3,401,804
Construction in Progress	—	—	—	—
Total capital assets, not being depreciated	<u>3,401,804</u>	<u>—</u>	<u>—</u>	<u>3,401,804</u>
Capital assets, being depreciated				
Buildings and improvements	6,116,450	6,398	—	6,122,848
Infrastructure	49,556,450	173,066	—	49,729,516
Equipment	<u>3,496,593</u>	<u>95,262</u>	<u>—</u>	<u>3,591,855</u>
Total capital assets, being depreciated	<u>59,169,493</u>	<u>274,726</u>	<u>—</u>	<u>59,444,219</u>
Less accumulated depreciation for:				
Buildings and improvements	1,527,764	129,877	—	1,657,641
Infrastructure	23,683,965	2,683,072	—	26,367,037
Equipment	<u>2,666,630</u>	<u>206,899</u>	<u>—</u>	<u>2,873,529</u>
Total accumulated depreciation	<u>27,878,359</u>	<u>3,019,848</u>	<u>—</u>	<u>30,898,207</u>
Total capital assets, being depreciated, net	<u>31,291,134</u>	<u>(2,745,122)</u>	<u>—</u>	<u>28,546,012</u>
Governments activities capital assets, net	\$ 34,692,938	\$ (2,745,122)	\$ —	\$ 31,947,816
	=====	=====	=====	=====
Business-Type Activities:				
Capital assets, not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Construction in Progress	—	<u>1,254,419</u>	—	<u>1,254,419</u>
Total capital assets, not being depreciated	<u>—</u>	<u>1,254,419</u>	<u>—</u>	<u>1,254,419</u>
Capital assets, being depreciated				
Buildings	5,006,912	—	—	5,006,912
Equipment	—	—	—	—
Infrastructure	<u>6,324,839</u>	<u>50,000</u>	<u>—</u>	<u>6,374,839</u>
Total capital assets, being depreciated	<u>11,331,751</u>	<u>50,000</u>	<u>—</u>	<u>11,381,751</u>
Less accumulated depreciation for:				
Buildings	1,189,494	60,645	—	1,250,139
Equipment	—	—	—	—
Infrastructure	<u>1,043,141</u>	<u>64,248</u>	<u>—</u>	<u>1,107,389</u>
Total accumulated depreciation	<u>2,232,635</u>	<u>124,893</u>	<u>—</u>	<u>2,357,528</u>
Total capital assets, being depreciated, net	<u>9,099,116</u>	<u>(74,893)</u>	<u>—</u>	<u>9,024,223</u>
Business-type activities capital assets, net	\$ 9,099,116	\$ 1,179,526	\$ —	\$ 10,278,642
	=====	=====	=====	=====

TOWN OF UPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Depreciation expense was charged as direct expenses to programs of the primary government as follows:

Governmental activities:	
General government	\$ 3,224
Public safety	242,471
Public works	2,751,839
Health and human services	12,133
Culture and recreation	<u>10,181</u>
 Total depreciation expense - governmental activities	 \$3,019,848 =====
Business-type activities:	
Water enterprise	\$ 53,899
Wastewater enterprise	<u>70,994</u>
 Total depreciation expense - business-type activities	 \$ 124,893 =====

9 - DEBT

Unmatured general obligation bonds and bans payable consist of the following:

<u>Purpose of Issue</u>	<u>Governmental</u>	<u>Business-type</u>
General Obligation Bonds:		
Fire Station, serial issue maturities through 2020, bearing interest rates of 3.5% to 5.0%	\$ 2,275,000	\$ -
Steffans Land Purchase, serial issue maturities through 2020, bearing interest rates of 3.5% to 5.0%	975,000	-
Steffans Land purchase, serial issue maturities through 2019, bearing interest rates of 2.5% to 5.0%	500,000	-
Wastewater Treatment Facility Upgrade, MWPAT note, serial issue maturities through 2018, bearing interest rate of 0%	<u>-</u>	<u>2,503,700</u>
	<u>3,750,000</u>	<u>2,503,700</u>
Bond Anticipation Notes:		
Water Improvements, bond anticipation note, due August 2010, bearing interest rate of 1.25%	-	62,370
Water & Sewer Improvements, bond anticipation note, due August 2010, bearing interest rate of 1.65%	<u>-</u>	<u>1,390,859</u>
	<u>-</u>	<u>1,453,229</u>
	\$ 3,750,000	\$ 3,956,929
	=====	=====

TOWN OF UPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Transactions for the year ended June 30, 2010 are summarized as follows:

	Balance July 1	Issues or Additions	Payments or Expenditures	Balance June 30	Due Within One Year
<u>Governmental Type Activities</u>					
General Obligation Bonds	\$ 4,080,000	\$ -	\$ 330,000	\$ 3,750,000	\$ 315,000
Bond Anticipation Notes	<u>276,832</u>	<u>-</u>	<u>276,832</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>4,356,832</u>	<u>-</u>	<u>606,832</u>	<u>3,750,000</u>	<u>315,000</u>
<u>Business Type Activities</u>					
General Obligation Bonds	2,759,300	-	255,600	2,503,700	263,300
Bond Anticipation Notes	<u>88,240</u>	<u>1,364,989</u>	<u>-</u>	<u>1,453,229</u>	<u>-</u>
Total business-type activities	<u>2,847,540</u>	<u>1,364,989</u>	<u>255,600</u>	<u>3,956,929</u>	<u>263,300</u>
Total government	\$ 7,204,372	\$ 1,364,989	\$ 862,432	\$ 7,706,929	\$ 578,300
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

Annual Requirements to Retire Debt Obligations -

The annual aggregate maturities for each bond type for the years subsequent to June 30, 2010 are as follows:

General Obligation Bonds

Year Ending	Governmental Activities		Business-type Activities			
	June 30	Principal	Interest	Principal	Interest	Total
2011	\$ 315,000	\$ 171,425	\$ 263,300	\$ 113,356	\$ 863,081	
2012	325,000	158,950	271,300	99,657	854,907	
2013	340,000	146,075	144,500	220,575	851,150	
2014	350,000	131,500	282,000	85,479	848,979	
2015	365,000	115,500	290,500	70,809	841,809	
2016	380,000	98,510	299,300	55,695	833,505	
2017	395,000	80,750	308,400	40,123	824,273	
2018	410,000	61,500	317,600	24,280	813,380	
2019	425,000	41,500	326,800	8,170	801,470	
2020	<u>445,000</u>	<u>20,750</u>	<u>-</u>	<u>-</u>	<u>465,750</u>	
	3,750,000	1,026,460	2,503,700	718,144	7,998,304	
<u>Bond anticipation notes</u>						
notes	<u>-</u>	<u>-</u>	<u>1,453,229</u>	<u>23,233</u>	<u>1,476,462</u>	
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	
	\$ 3,750,000	\$ 1,026,460	\$ 3,956,929	\$ 741,377	\$ 9,474,766	
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	

TOWN OF UPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

General Obligation Bonds -

General obligation bonds are backed by the full faith and credit of the Town. The state has approved school construction assistance subject to annual appropriation by the legislature to partially provide resources for future principal and interest requirements.

Bond anticipation notes are classified as general obligation bonds when the criteria established by FASB-6 (Classification of Short-term Obligations Expected to be Refinanced) are satisfied.

Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the Town to rebate excess arbitrage earnings from bond proceeds to the federal government.

Bonds Authorized and Unissued -

The Town is subject to a dual level general debt limit; the normal debt limit and the double debt limit. Such limits are equal to 2-1/2% and 5%, respectively, of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Emergency Finance Board. Additionally, there may be categories of general obligation debt which are exempt from the debt limit but are subject to other limitations, including debt incurred under the Funding Loan Act of 1971.

10 - TEMPORARY BORROWINGS

Under state law and by authorization of the Board of Selectmen, the Town is authorized to borrow on a temporary basis to fund the following:

1. Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANs or TANs).
2. Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs).
3. Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of Federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the Town and carry maturity dates which are limited by statute.

TOWN OF UPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)11 - CONTINGENCIES

The Town is a party to numerous legal proceedings, many of which normally occur in governmental operations. The legal proceedings, in the opinion of Town Counsel, are not likely to have a material adverse impact on the Town's financial position.

The Town is contingently liable for its proportionate share of debt of the Blackstone Valley Vocational Regional School District and the Mendon-Upton Regional School District.

Amounts received or receivable from grantor agencies are subject to audit and adjustments by the grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Town. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

12 - RESERVATIONS OF FUND BALANCES FOR COMBINED NONMAJOR FUNDS

Reservations of fund balances for combined nonmajor funds in the Governmental Funds Balance Sheet are as follows:

Grants and revolving accounts	\$ 208,299
Capital project fund	-
CPA fund	<u>2,597,388</u>
	\$2,805,687
	=====

13 - ACCOUNTS RECEIVABLE

At June 30, 2010, receivables, including the applicable allowances for uncollectible accounts are as follows:

	Allowances		
	Gross <u>Amount</u>	for <u>Uncollectibles</u>	Net <u>Amount</u>
Governmental Funds:			
Real estate and personal property taxes	\$ 718,498	\$ 25,575	\$ 692,923
Tax liens	187,898	-	187,898
Motor vehicle and other excise taxes	122,835	35,297	87,538
CPA	<u>14,350</u>	<u>-</u>	<u>14,350</u>
	\$1,043,581	\$ 60,872	\$ 982,709
	=====	=====	=====
Business-type Funds:			
Water charges	\$ 68,508	\$ -	\$ 68,508
Sewer charges	80,392	-	80,392
Intergovernmental	<u>1,114,337</u>	<u>-</u>	<u>1,114,337</u>
	\$1,263,237	\$ -	\$1,263,237
	=====	=====	=====

TOWN OF UPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)14 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2010, are as follows:

Transfers Out	Major		Nonmajor		Enterprise	Total
	General Fund	Trust Funds	Governmental Funds	Funds		
General Fund	\$ -	\$ 366,814	\$ 5,000	\$ 234,122	\$ 605,936 (1)	
General Fund	-	-	-	228,823	228,823 (4)	
Major Trust Funds	-	-	-	75,000	75,000 (2)	
Enterprise Funds	<u>4,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,500</u> (3)	
	\$ 4,500	\$ 366,814	\$ 5,000	\$ 537,945	\$ 914,259	
	=====	=====	=====	=====	=====	=====

- (1) Represents budgeted transfer to major stabilization trust funds (\$366,814), water enterprise fund (\$73,597), wastewater enterprise fund (\$94,525), water capital project fund (\$66,000) and nonmajor 275th anniversary fund (\$5,000).
- (2) Represents budgeted transfer to water capital project fund (\$75,000).
- (3) Represents budgeted transfer from water enterprise fund (\$2,250) and wastewater enterprise fund (\$2,250).
- (4) Represents non-budgeted transfer to enterprise funds (\$228,823) for debt service budgeted in general fund.

15 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Fiscal year 2010 is the initial year that the Town has implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions (GASB 45). As allowed by GASB 45, the Town has established the net OPEB obligation at zero at the beginning of the year and has applied the measurement and recognition of GASB 45 on a prospective basis.

Plan Description - The Town provides health insurance coverage for its retirees and their survivors (hereinafter referred to as the "Plan") as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the Massachusetts General Laws (MGL) assigns authority to establish and amend benefit provisions. Changes to the plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants as of July 1, 2009, the latest actuarial valuation, is as follows:

Active employees.....	54
Retired employees and beneficiaries.....	<u>9</u>
Total	63
	====

TOWN OF UPTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy - The contribution requirements of the Plan and the Town are negotiated between the Town and union representatives. The current required health insurance contribution rates of Plan members and the Town varies based upon the type of plan selected and whether the selection is a single plan or a family plan. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis.

Annual OPEB and Net OPEB Obligation - The Town's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation are summarized in the following table:

Normal cost	\$ 210,179
Amortization of unfunded actuarial accrued liability	239,050
Interest	<u>17,969</u>
	467,198
Contributions made	<u>58,470</u>
	408,728
Increase in net OPEB obligation	408,728
Net OPEB obligation, beginning of year	<u>-</u>
	408,728
Net OPEB obligation, end of year	\$ 408,728
	=====

Trend information regarding annual pension cost, the percentage of the annual pension cost contribution and the net pension obligation is as follows:

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of <u>Annual OPEB Cost Contributed</u>	Net OPEB <u>Obligation</u>
6/30/2010	\$ 467,198	12.52%	\$ 408,728

Funded Status and Funding Progress - The funded status of the Plan at July 1, 2009, the most recent actuarial valuation, was as follows:

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(A)</u>	Accrued Liability (AAL) Projected Unit Credit <u>(B)</u>	Unfunded AAL (UAAL) <u>(B-A)</u>	Funded Ratio <u>(A/B)</u>	Covered Payroll <u>(C)</u>	UAAL as a Percentage of Covered Payroll <u>((B-A)/C)</u>
07/01/09	\$ -	\$ 4,298,116	\$ 4,298,116	-	\$ 2,746,676	156.5%

TOWN OF UPTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation date:	July 1, 2009
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level Dollar Amount
Remaining amortization period:	30 Years
Interest discount rate:	4.0 %
Healthcare/Medical cost trend rate:	10% decreasing by 1% to an ultimate level of 5% per year in fiscal 2014

16 - RESTATEMENT AND RECLASSIFICATIONS

Certain reclassifications and corrections were made to the Fiscal 2009 financial statements affecting beginning fund balances as follows:

	Major				
	General	Trust	Nonmajor	Total	Enterprise
	Fund	Fund	Fund		Funds
Balance June 30, 2009	\$ 1,548,421	\$ 2,861,162	\$ 2,289,387	\$ 6,698,970	\$ -
Reclass assets, liabilities, and fund balances to newly enacted enterprise funds -					
Accounts receivable	(107,061)	-	-	(107,061)	107,061
Fund balances	(314,761)	-	-	(314,761)	314,761
Infrastructure assets	-	-	-	-	5,281,698
Capital assets	-	-	-	-	3,817,418
Debt	-	-	-	-	(2,847,540)
Due from other governments	-	-	-	-	1,268,334
Balance June 30, 2009, as restated	\$ 1,126,599	\$ 2,861,162	\$ 2,289,387	\$ 6,277,148	\$ 7,941,732
	=====	=====	=====	=====	=====

TOWN OF UPTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS
(Continued)

Certain reclassifications and corrections were made to the Fiscal 2009 financial statements affecting beginning net asset balances as follows:

	Governmental Activities	<u>Business-Type Activities</u>			<u>Total</u>
		<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Balance June 30, 2009	\$14,163,864	\$ -	\$ -	\$14,163,864	
To implement the retroactive infrastructure reporting required by GASB 34	25,872,485	4,504,771	776,927	31,154,183	
Reclass assets, liabilities, and fund balances to newly enacted enterprise funds -					
Accounts receivable	(107,061)	52,207	54,854	-	
Fund balances	(314,761)	71,855	242,906	-	
Capital assets	(3,817,418)	-	3,817,418	-	
Debt	2,847,540	(88,240)	(2,759,300)	-	
Due from other governments	<u>(1,268,334)</u>	<u>-</u>	<u>1,268,334</u>	<u>-</u>	
Balance June 30, 2009, as restated	\$37,376,315	\$ 4,540,593	\$ 3,401,139	\$45,318,047	
	=====	=====	=====	=====	=====

ACCOMPANYING INFORMATION

**BORGATTI
HARRISON
& CO.**

INDEPENDENT AUDITOR'S REPORT ON ACCOMPANYING INFORMATION

The Honorable Board of Selectmen
Town of Upton, Massachusetts

Our report on our audit of the financial statements of the Town of Upton for June 30, 2010 appears on pages 1 and 2. That audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of treasurer's cash is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Borgatti Harrison & Co.

Borgatti Harrison & Co.

Framingham, Massachusetts
March 31, 2011

TOWN OF UPTON, MASSACHUSETTS

SCHEDULE OF TREASURER'S CASH

JUNE 30, 2010

Non-Interest bearing accounts:

Unibank for Savings \$ 63,137

Interest bearing bank accounts:

Century Bank	416,360
TD Banknorth	71,203
Bank of Canton	369,422
Eastern Bank	157,403
Massachusetts Municipal Depository Trust	790,942
Unibank for Savings	<u>1,732,574</u>

3,537,904

Pooled Investments:

RBC Dain Tauscher	3,393,720
Commonwealth Financial	<u>2,186,799</u>

5,580,519

Total treasurer's cash	\$ 9,181,560
	=====

See accompanying auditor's report on accompanying information