

TOWN OF WELLESLEY, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED JUNE 30, 2011



The new Wellesley High School will be ready to open ahead of schedule in February 2012.

TOWN OF WELLESLEY, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year ended June 30, 2011



Prepared by:

The Finance Department of the Town of Wellesley, Massachusetts

TOWN OF WELLESLEY, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2011

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Introductory Section

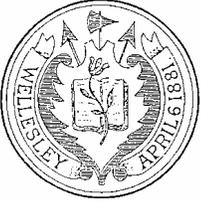


Economic recovery? A new Whole Foods Market opened on the site of the old Star Market.

Town of Wellesley, Massachusetts
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2011

Introductory Section

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Town of Wellesley

525 Washington Street
Wellesley, MA 02482

Letter of Transmittal

November 17, 2011

To the Honorable Board of Selectmen and Citizens of the Town of Wellesley:

State law requires the Town of Wellesley to publish at the close of each fiscal year a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue this Comprehensive Annual Financial Report (CAFR) of the Town of Wellesley, Massachusetts, for the fiscal year ending June 30, 2011 for your review.

This report consists of management's representations concerning the finances of the Town. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town has established a comprehensive internal control framework that is designed both to protect the Town's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that this financial report is complete and reliable in all material respects.

The Town's financial statements have been audited by Powers & Sullivan, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended June 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion on the Town's financial statements for the fiscal year ended June 30, 2011, and that they are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town was part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. These reports are available in the Town's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditors.

Profile of the Town

The Town of Wellesley was incorporated in 1881 and is located in Norfolk County. It is approximately 15 miles west of Boston and is bordered by Natick on the west, Weston and Newton on the north, Needham on the east and southeast, and Dover on the south. It is approximately 10.51 square miles in area and, according to the 2010 U.S. Census records, has a population of 27,982 persons.

The main highways serving the Town are State Routes 9, 16, 135, 128 and the Massachusetts Turnpike. The Massachusetts Bay Transportation Authority (MBTA) provides railroad services to Boston and Framingham.

The Town operates under the Representative Town Meeting form of government with public officers serving as ex-officio members of the town meeting. The legislative body consists of 240 members elected by precincts. Administrative affairs are managed by a five member Board of Selectmen, with the assistance of an Executive Director.

The administration of the general government is the responsibility of a five-member Board of Selectmen; local school affairs are administered by a five-member School Committee; public works are administered by a three-member Board of Public Works; the Municipal Light Plant is administered by a five-member Municipal Light Board that is comprised of the three-member Board of Public Works and two members appointed by the Board of Selectmen; and library affairs are administered by a six-member Board of Library Trustees.

Municipal Services

The Town provides general governmental services within its boundaries including public education in grades kindergarten through twelve, police and fire protection, collection and treatment of sewage, water distribution, electric services, public works, streets, parks and recreation, veteran's services, health and sanitation, and libraries. The water and sewer enterprise funds are self-supporting. The Town maintains a solid waste recycling and disposal facility.

The Town owns and operates a self-supporting municipal light plant. The Municipal Light Board carries out the responsibilities of the Municipal Electric Commissioners as provided for in Massachusetts General Laws, Chapter 164.

Financial Dashboard

- General Fund balance has increased 6.63% and represents 16.7% of expenditures.
- Other Postemployment Benefits (OPEB) funds set aside total \$17.3 million.
- Pension assets have increased 8.76%.
- Community Preservation Fund balance totals \$7.3 million.
- High School borrowing is almost completed. Substantial long-term interest savings (compared with modeled costs) have been realized through favorable interest rates and shorter terms.

Factors Affecting Economic Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town operates.

The Town continues to reflect a stronger economic condition than other communities - both within the Commonwealth and nationally. Per capita income in Massachusetts is significantly higher than the national average, and Wellesley's per capita income is several times the state average. The Massachusetts unemployment rate is at least a point lower than the national rate, and Wellesley's unemployment rate is almost

half the state's rate. According to Department of Revenue statistics, Wellesley's unemployment rate was 4.7% in 2011. The Town remains a very desirable community because of its proximity to Boston and the quality of services provided. Although residential sales have slowed in certain price ranges because of the overall negative economic climate, interest in the community remains strong; as evidenced by increasing school enrollment and relatively stable housing prices.

Wellesley is home to urban professionals whose wealth levels are among the highest in the Commonwealth (over 200% of state values per the 2000 census). Relative wealth is also seen in the owner occupied median housing value, which, at \$786,000 is more than twice that of the state and four times that of the nation. Although the Town is 87% residential, commercial activity is diversified and the presence of Wellesley College, Babson College, and Massachusetts Bay Community College contribute to a lower unemployment rate and greater economic stability.

The Town continues to manage its financial affairs in a prudent manner. It has maintained its **"excellent"** bond rating of Aaa by incorporating long range planning tools such as a Town-wide Financial Plan; maintaining reserve balances despite tight budgets; investing in technology to ensure efficient operations; and maintaining an aggressive pay-as-you-go financing strategy for capital improvements.

The Town has also enhanced its revenue flexibility by establishing enterprise funds. This has allowed the Town to shift one hundred percent of the operating cost and capital improvements to the users of electric, water, and sewer services so that no tax support goes towards providing these services. All related debt is funded through user fees. By doing so the Town is able to provide the maximum tax dollars available to all other services.

School Infrastructure

The Town has made significant investments in its schools during the last five years. The middle school was renovated at a cost of \$26 million; over \$8 million has been expended on elementary school infrastructure, including roofs and heating systems; and the Town is nearing completion of a new high school at a cost of approximately \$116 million, with up to \$44 million in reimbursements committed by the Massachusetts School Building Authority (MSBA). To date, the Town has expended \$63.3 million on the high school project and has received \$21.5 million of reimbursements from the MSBA. The new high school is scheduled to open in early calendar 2012.

Other Capital Investment

The Town has recently completed reconstruction of Weston Road, a main thoroughfare. A new Department of Public works Administrative Building is being constructed, the Town is studying the facility needs of its Council on Aging, and several significant recreational projects are contemplated. The Town has a significant balance in its Community Preservation Act fund (\$7.3 million), and this fund has financed a number of significant projects since its 2003 inception.

Internal Controls

The Town continues to reinforce some of its core values by providing ongoing educational programs to its boards, management, and staff in the areas of government transparency, ethics, and fraud prevention. The Town has implemented formal policies on cash control and investment, and continues to reevaluate fraud risk and internal controls. The Town has documented key financial routines and has cross-trained key financial staff. The Town has an active audit committee that oversees a timely audit and expedites operating concerns to management and the governing boards.

Budgetary Controls

The Board of Selectmen is responsible for annually coordinating the preparation and maintenance of the Town-Wide Financial Plan (TWFP). The TWFP includes a forecast of the Town's sources and uses of funds for the current fiscal year and for the next two following fiscal years. The Selectmen work with the various boards established within the Town to coordinate both the preparation of a town-wide budget for the upcoming fiscal year, and a plan for the subsequent year. This budget is then presented to the Annual Town Meeting by the Selectmen, together with comments and recommendations of the Advisory Committee.

The level of budgetary control is established by Town Meeting and this approval defines the level at which expenditures may not exceed appropriations. This level is typically at the individual department salary and expense level. The state of the art financial system has a number of built in controls and department managers have ready access to their budgets. Once payment requests are reviewed and approved by department heads, the Finance Director/Town Accountant is responsible for further review - ensuring all payroll and invoices are within the budgetary control level before authorizing payment. Additional appropriations may be approved at subsequent Town Meetings. The Advisory Committee may approve during the year a transfer from a reserve fund established at Town Meeting. These controls ensure compliance with the budget approved by Town Meeting.

Cash Management

Cash management is under the control of the Town Treasurer/Collector, who monitors the Town's cash flow and provides for the investment of Town funds. The Treasurer/Collector seeks to maintain adequate protection and liquidity of funds while maximizing the returns available to the Town in accordance with a formal town policy. Quarterly tax billings and excellent collection rates have avoided the need to borrow on a short-term basis to maintain cash flow. The Town's investment options are governed by Massachusetts General Laws and focus on safety, liquidity and yield.

Risk Management

The Town manages its risk through a combination of self-insured programs and premium based coverage with commercial insurance carriers. Workers compensation and unemployment risks are self-insured while exposures to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters are covered through policies purchased from commercial carriers. Third-party coverage is maintained for individual workers' compensation claims in excess of \$500,000. In addition the Town administers a worker's compensation internal service fund and has recorded its incurred-but-not-reported liability based on an annual actuarial valuation. Additional information on the Town's risk management activity can be found in the notes to the financial statements.

Pension and Other Postemployment Benefits

The Town contributes to the Wellesley Contributory Retirement System, a defined benefit pension plan administered by the Wellesley Contributory Retirement Board. An independent actuary engaged by the Board calculates the amount of the annual contribution that the Town must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As required by law, the Town fully funds each year's annual required contribution to the pension plan as determined by the actuary. The System is one of the few in Massachusetts that had been fully funded (1/01/08 actuarial valuation) prior to the economic downturn of the financial markets in recent years. Based on the most recent actuarial valuation performed as of January 1, 2010, the System's Funded Ratio was 86.7%. A new valuation will be performed as of January 1, 2012.

The Town also provides postemployment health care benefits for certain retirees and their dependents. Recently the GASB issued Statement #43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans and Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB), which were implemented in fiscal years 2007 and 2008, respectively. The Town recognized early the need to provide for this benefit, and *Chapter 88 of the Acts of 2004 – An Act Authorizing the Town of Wellesley to Establish a Group Insurance Liability Fund* was enacted so the Town could officially determine the structure and management of the fund. The Commonwealth approved additional legislation, *Chapter 25 of the Acts of 2008*, to enable the Town to raise additional taxes specifically to begin funding the liability. The Town has obtained various estimates of the liability and began making contributions to the OPEB trust in 2007. Town Meeting approved an \$18 million capital exclusion to be added to the tax levy for the fiscal years 2008 through 2017 (\$1.8 million per year for 10 years) and the Town is paying another \$1,200,000 per year within the levy to fund the annual required contribution. The three Enterprise funds are funding their portion of the liability during the same time frame. The Town has taken steps to reduce the OPEB liability, as well as current health insurance costs, by migrating all active employees to new, higher co-pay (“Rate Saver”) health insurance plans. Implementation of these plans has been a multi-year effort and has required complex union negotiations.

We refer you to the notes to the basic financial statements for more information on these matters.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Wellesley for its Comprehensive Annual Financial Reports (CAFR) for the prior seven fiscal years. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

We would like to express our appreciation to the Finance Department and the members of the other departments who assisted and contributed to the preparation of this report. Credit must also be given to the Board of Selectmen for their unflinching support for maintaining the highest standards of professionalism in the management of the Town’s finances.

Respectively submitted,



Hans Larsen
Executive Director of General Government Services



Sheryl Strother
Finance Director/Town Accountant

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Wellesley
Massachusetts

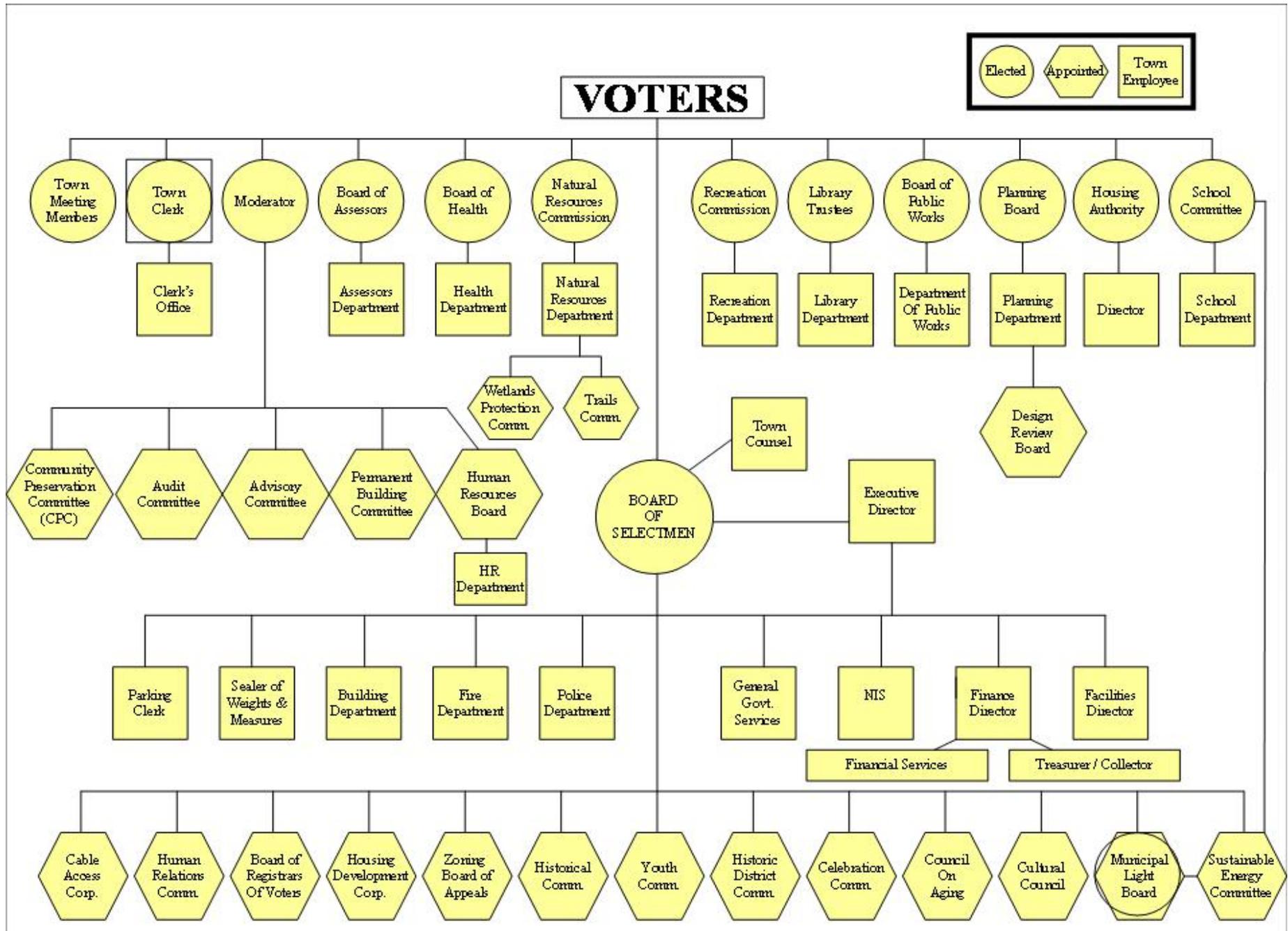
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



Principal Town Officials

<u>Elected Officials</u>		<u>Term Expires</u>
Board of Selectmen	Barbara D. Searle, Chairperson	2014
	Terri Tsagaris, Vice Chairperson	2012
	Owen H. Dugan	2012
	Katherine L. Babson, Jr.	2014
	Ellen F. Gibbs	2013
Moderator	Margaret Ann (Peg) Metzger	2011
Town Clerk	Kathleen F. Nagle	2012
School Committee	Suzy Littlefield, Chairperson	2013
	Diane Campbell, Vice Chairperson	2014
	Wendy Paul, Secretary	2014
	KC Kato	2012
	Ilissa Povich	2012

Appointed Officials

Executive Director of General Government Services	Hans Larsen
Superintendent of Public Schools	Bella Wong
Town Counsel	Albert S. Robinson
Finance Director/Town Accountant	Sheryl Strother
Chief Assessor	Donna Lee McCabe
Treasurer/Collector	Marc V. Waldman
Fire Chief	Richard DeLorie
Police Chief	Terrence M. Cunningham
Human Resources Director	Susan Adler
Library Director	Janice G. Coduri
Public Works Director	Michael Pakstis
Municipal Light Plant Manager	Richard F. Joyce
Network and Information Systems	Thomas J. D'Orazio
Building Inspector and Zoning Enforcement Officer	Michael Grant
Planning Director	Meghan C. Jop

Financial Section



A peaceful view of Elm Park.

Town of Wellesley, Massachusetts
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2011

Financial Section

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Independent Auditors' Report

To the Honorable Board of Selectmen and
the Audit Committee
Town of Wellesley, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Wellesley, Massachusetts, as of and for the fiscal year ended June 30, 2011 (except for the Wellesley Contributory Retirement System which is as of and for the year ended December 31, 2010), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Wellesley, Massachusetts' 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Wellesley, Massachusetts, as of June 30, 2011 (except for the Wellesley Contributory Retirement System which is as of December 31, 2010), and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note 14, the Town has restated beginning net assets of the Electric Department Enterprise Fund as well as beginning net assets of the business-type activities.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2011, on our consideration of the Town of Wellesley, Massachusetts' internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining and individual fund statements and schedules, as listed in the table of contents, are presented for the purpose of supplementary analysis and are not a required part of the financial statements of the Town of Wellesley, Massachusetts. Such supplementary information has been subjected to the auditing procedures

applied in the audit of the financials statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Management's discussion and analysis, located on the following pages, and general fund schedule of revenues, expenditures and changes in fund balance – budgetary basis, the other postemployment benefit plan schedule of funding progress and employer contributions, and the other postemployment benefit plan schedule of actuarial methods and assumptions, located after the notes to the basic financial statements, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The introductory section and statistical tables, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Powers + Juliani, LLC". The signature is written in a cursive, flowing style.

Wakefield, Massachusetts
November 17, 2011

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Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Wellesley, Massachusetts, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town of Wellesley for the fiscal year ended June 30, 2011. This is the ninth year our financial statements have been prepared under the Government Accounting Standards Board Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. We encourage readers to consider the information presented in this report in conjunction with additional information that we have furnished in our letter of transmittal.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

Governments must adhere to GASB pronouncements in order to issue their financial statements in conformity with GAAP. The users of financial statements also rely on the independent auditor's opinion. If the Town's financial statements have significant departures from GAAP the independent auditors may issue a qualified opinion or a disclaimer (where no opinion is given). These types of opinions may have an adverse effect on the Town's bond rating and its ability to borrow money at favorable interest rates. The Town has enjoyed an unqualified opinion on its financial statements for many years.

Financial Highlights

- The government-wide assets of the Town of Wellesley exceeded its liabilities at the close of the most recent fiscal year by \$171.8 million and \$89.9 million (net assets) for governmental activities and business-type activities, respectively.
- Of these amounts, 19% or \$51 million (total primary governmental unrestricted net assets) may be used to meet the government's on-going obligations to citizens and creditors.
- At the close of the current fiscal year, the Town of Wellesley's general fund reported an ending fund balance of \$21.7 million, an increase of \$1.4 over the prior year. Total fund balance represents 16.7% of total general fund expenditures. Approximately \$16 million of this total amount is unassigned and available for appropriation at the Town's discretion.
- The Town of Wellesley's total governmental debt increased by approximately \$13.2 million during the current fiscal year. The increase is the result of \$22.6 million of new issuances for high school construction less \$9.4 million of principal payments on debt previously incurred for school construction and various public works projects.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Wellesley's basic financial statements. The Town's basic financial statements comprise 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.

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 private-sector businesses.

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 Town'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 or the related cash flows. Thus, revenues and expenses are reported in this statement for some items that 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 that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public education, public works, health and human services, library, recreation, traffic and parking management, community preservation, and interest. The business-type activities include the activities of the sewer, water, and electric enterprise funds.

In addition to the primary government the Town has also included the financial statements of the Wellesley Housing Development Corporation; a component unit of the Town. Although the Corporation is a separate legal entity, it receives a significant portion of its operating budget from the Town of Wellesley, and therefore the financial information for this component unit is reported separately from the financial information presented for the primary government itself.

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, governmental fund statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable 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 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 three major governmental funds that are presented separately in the governmental fund financial statements. The remaining non-major funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains two types of proprietary funds.

Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its sewer, water, and electric operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for sewer, water, and electric operations, all of which are considered major funds of the Town.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town maintains an internal service fund to account for health insurance, self-insured worker's compensation, information technology services, and fleet maintenance and fuel.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to 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.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Wellesley, assets exceeded liabilities by \$261.7 million at the close of the fiscal year 2011.

Government-wide net assets of \$199.1 million (76%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town of Wellesley's net assets, \$11.8 million (5%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$50.8 million (19%), may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Wellesley 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.

Details related to the Town's governmental, business-type, and component unit activities follow.

Governmental activities. The governmental activities net assets increased by \$25.3 million during the current fiscal year as compared to an increase in net assets of \$10.9 million during the prior fiscal year. A key element of the change relates to an \$11.9 million increase in capital grant revenues, which is primarily comprised of MSBA reimbursements for construction of the new high school. The Town experienced an overall 6% increase in the other revenue categories. The increase is primarily the result of increased real estate taxes, fueled by additional excluded debt related to the high school project; and from charges for services, offset by a significant decrease in investment income attributable to the global economy. Expenses increased 4% over the prior year mainly related to the education function.

	2011	2010
Assets:		
Current assets.....	\$ 87,617,389	\$ 90,448,767
Noncurrent assets (excluding capital).....	5,660,510	5,957,219
Capital assets, non depreciable.....	77,839,179	32,217,469
Capital assets, net of accumulated depreciation.....	131,131,288	134,979,015
Total assets.....	302,248,366	263,602,470
Liabilities:		
Current liabilities (excluding debt).....	13,586,668	13,811,786
Noncurrent liabilities (excluding debt).....	449,564	363,747
Current debt.....	9,869,128	9,496,948
Noncurrent debt.....	106,588,272	93,500,246
Total liabilities.....	130,493,632	117,172,727
Net Assets:		
Invested in capital assets, net of related debt.....	122,874,236	98,914,209
Restricted.....	11,789,893	11,181,819
Unrestricted.....	37,090,605	36,333,715
Total net assets.....	\$ 171,754,734	\$ 146,429,743

Governmental capital assets increased during the year by \$41.8 million. This was the result of \$49.5 million of additions, primarily in the areas of school buildings and related improvements. Costs associated with the new high school totaling \$63.3 million are currently classified as construction in progress on the non depreciable capital asset line above. Depreciation expense was recorded in the amount of \$7.7 million. Non-current assets include a \$3.2 million asset relating to the Town's pre-funding of the Other Postemployment Benefit (OPEB) liability. The Enterprise Funds have a pre-funding asset of \$253,000 which has been funded directly through the rates charged by those funds.

	2011		2010
Program revenues:			
Charges for services.....	\$ 10,230,340	\$	9,527,490
Operating grants and contributions.....	24,546,874		22,572,919
Capital grants and contributions.....	17,881,699		5,967,583
General Revenues:			
Real estate and personal property taxes.....	99,994,520		93,769,116
Motor vehicle and other excise taxes.....	4,248,596		3,945,790
Community preservation tax.....	897,294		844,254
Nonrestricted grants and contributions, and other.....	2,158,510		2,327,910
Unrestricted investment income.....	738,342		1,801,769
Total revenues.....	160,696,175		140,756,831
Expenses:			
General government.....	8,039,353		8,576,509
Public safety.....	14,807,588		14,139,090
Public education.....	90,309,800		86,694,832
Public works.....	10,574,130		10,280,799
Health and human services.....	1,481,237		1,319,220
Library.....	3,639,739		3,317,361
Recreation.....	2,535,659		2,701,249
Traffic and parking management.....	523,460		580,125
Community preservation.....	669,739		129,981
Interest.....	3,790,479		3,107,717
Total expenses.....	136,371,184		130,846,883
Excess before transfers.....	24,324,991		9,909,948
Other transfers.....	1,000,000		1,000,000
Change in net assets.....	\$ 25,324,991	\$	10,909,948

Other financial notes related to governmental activities:

- Charges for services represented 7% of governmental activities resources. The Town can exercise more control over this category of revenue than any other. Fees charged for services rendered that are set by the Town are included in this category.
- Operating grants and contributions accounted for 15% percent of the governmental activities resources. Most of these resources apply to educational operations. These resources offset costs within the school department and supplement their General Fund operating budget.
- Property taxes are by far the most significant revenue source for the Town's governmental activities. They comprised 62% of current resources. A significant portion of property taxes relates to excluded debt and a capital exclusion to fund the OPEB liability.
- Other taxes and other revenues comprised a total of 16% percent of the governmental activities resources. These primarily include capital grants, motor vehicle and other excise taxes, non-restricted grants and contributions, and investment earnings.
- Education is by far the largest governmental activity of the Town. Approximately \$47 million in taxes and other revenue (general revenues) were needed to cover its Fiscal 2011 operating expenses, net of related program revenues. A pension contribution of approximately \$10.7 million made by the state on-behalf of Wellesley teachers was recorded as an expense and grant revenue. Public safety and public

works are the second and third largest activities of the Town. Approximately \$11.5 million and \$8.6 million, respectively, of general revenues were needed to cover their fiscal 2011 operating expenses, net of related program revenues.

Business-type activities. Business-type activities increased the Town's net assets by \$5.2 million compared to an increase of \$1.2 million during the previous fiscal year (a change of \$4.0 million). Total operating revenues increased by \$2.4 million, mainly from the sewer and water departments, while total operating expenses decreased by \$1.6 million, mainly from the electric department. The sewer and electric departments also had increases in capital contributions of approximately \$300,000.

During fiscal year 2011, the Electric Light department discovered customer billing errors caused by a metering calculation that affected recorded revenues in fiscal years beginning in 2005. A re-statement was made reducing beginning net assets by approximately \$864,000 and 2010 revenues were restated downwards by approximately \$216,000 in the table below.

As shown below, business-type activities assets exceeded liabilities by \$89.9 million at the close of fiscal year 2011. Invested in capital assets, net of related debt was \$76.2 million (85%) while unrestricted net assets were \$13.7 million (15%). The Electric Light department experienced a \$3.8 million increase in net assets, after transferring \$1 million to the governmental activities, while the water and sewer funds recovered all of their costs through rates. The sewer and water departments' net assets each increased by \$544,000 and \$895,000, respectively. These results continue to reflect management's goal of maintaining the systems while only charging users for the cost of operations.

	2011	2010 (As Restated)
Assets:		
Current assets.....	\$ 17,669,797	\$ 16,401,091
Noncurrent assets (excluding capital).....	403,157	377,214
Capital assets, non depreciable.....	2,075,622	1,814,782
Capital assets, net of accumulated depreciation.....	82,361,778	80,109,206
Total assets.....	102,510,354	98,702,293
Liabilities:		
Current liabilities (excluding debt).....	4,050,828	4,267,654
Noncurrent liabilities (excluding debt).....	307,452	18,786
Current debt.....	1,093,681	1,073,160
Noncurrent debt.....	7,120,738	7,732,579
Total liabilities.....	12,572,699	13,092,179
Net Assets:		
Invested in capital assets, net of related debt.....	76,222,981	73,118,249
Unrestricted.....	13,714,674	11,628,207
Total net assets.....	\$ 89,937,655	\$ 84,746,456

Non-current assets (excluding capital) consist primarily of the Electric Light Department's \$150,000 investment in a local purchasing consortium for its power sources and the enterprise funds' pre-funding contributions to the OPEB liability.

Non-current liabilities (excluding debt) consists primarily of Electric Department refunds due customers in the amount of \$293,000.

	2011	2010 (As Restated)
Program revenues:		
Charges for services.....	\$ 47,059,342	\$ 44,948,637
Capital grants and contributions.....	1,298,898	1,020,856
Total revenues.....	48,358,240	45,969,493
Expenses:		
Sewer.....	6,494,844	6,368,443
Water.....	5,341,473	5,101,386
Electric department.....	30,330,724	32,292,755
Total expenses.....	42,167,041	43,762,584
Excess before transfers.....	6,191,199	2,206,909
Transfers.....	(1,000,000)	(1,000,000)
Change in net assets.....	\$ 5,191,199	\$ 1,206,909

Component Unit. The Town has included the activities of the Wellesley Housing Development Corporation, a component unit of the Town. The Corporation had total revenues of \$630,000, mainly from payments from the Town's Community Preservation Fund, and ending net assets of \$604,000. The Corporation's mission is to sponsor and assist in the development of affordable housing opportunities for persons of low and moderate income in the Town of Wellesley in order to implement the Town's Affordable Housing Policy.

Financial Analysis of the Government's Major Funds

As noted earlier, The Town of Wellesley 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 expendable resources. Such information is useful in assessing the Town's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Fiscal year 2011 was the Town's initial year of implementation of GASB #54, Fund Balance Reporting and Governmental Fund Type Definitions. The implementation of this standard has changed the fund balance components into nonspendable, restricted, committed, assigned, and unassigned. Additionally, under the new standard, the Town's stabilization fund is reported within the general fund as unassigned.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$65.2 million, a decrease of \$2.2 million for the year. The decrease is primarily due capital expenditures exceeding proceeds from the issuance of long-term debt and intergovernmental revenue. Additionally, the overall change from the prior year is due to a \$1.7 million increase education grant expenditures that is offset by an increase of \$551,000 in intergovernmental and department and other revenues. The final component of the overall change from the prior year is the increased fund balance of the general fund. Please see the paragraph below for further discussion of the general fund increased fund balance.

General Fund

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$16 million, while the total fund balance was \$21.7 million. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to total fund expenditures. The unassigned fund balance represents 12.3% of total general fund expenditures, while the total fund balance represents 16.7% of that same amount. Fund balance of the General Fund increased \$1.4 million during fiscal year 2011 partly as a result of a premium from the issuance of long-term debt (\$347,000) and higher than anticipated local receipts (\$1,600,000).

Highway Chapter 90 Major Fund

This fund is a special revenue fund that accounts for activities associated with on-going road and sidewalk projects that are funded with grants from the Commonwealth of Massachusetts. At June 30, 2011, fund assets consist of \$3 million in receivables due from the Commonwealth. Current year revenues were equal to current year expenditures and at the end of the year the ending fund balance was zero.

High School Construction Major Fund

This fund is a capital project fund that accounts for activities and resources associated with the construction of a new high school for the Town. During FY2011, the Town incurred construction costs of \$43 million, issued \$22 million in new general obligation bonds and received \$16.8 million in reimbursements from the Commonwealth of Massachusetts through the MSBA. The ending fund balance was \$25.2 million and will be used to fund future construction costs. Future construction costs will be reimbursed to the Town, by the MSBA, at a rate of 40% of eligible costs.

Proprietary funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The final budget increased over the original budget by approximately \$2.8 million. The main components of this increase relate to an additional \$1,750,000 to fund repairs to the Wellesley Middle School building, \$750,000 to fund snow and ice removal costs, \$205,000 to fund capital needs of the Natural Resources Commission, and \$26,300 additional operating funds for the Council on Aging.

Total general fund revenues were \$1.6 million greater than budgeted amounts, most notably, because of unbudgeted tax liens, motor vehicle excise, building permit receipts, and transfer station initiatives; partly offset by reduced investment income which was \$648,000 less than budgeted.

Capital Assets and Debt Management

In conjunction with the operating budget, the Town annually prepares a capital budget which includes detailed information concerning those capital requests for the upcoming fiscal year as well as summary information for the following four fiscal years to identify current projections of what level of capital outlay will be required in future years.

As part of the capital plan the Town has historically financed the acquisition of a portion of its capital assets from current revenue. As noted earlier, this policy will continue to improve the financial position as net assets will increase by the amount of acquisitions less the current depreciation.

Major capital assets are funded by the issuance of long-term debt. Outstanding long-term debt of the general government, as of June 30, 2011, totaled \$115 million, of which, \$104.5 million is related to school projects, \$3.5 million is related to the library, \$3.5 million is related to the Warren building renovation, leaving a balance of \$3.5 million for other Town projects.

The enterprise funds have \$3.5 million in sewer enterprise debt and \$4.6 million in water enterprise debt that is fully supported by the rates and do not rely on a general fund subsidy.

The Town's major capital projects have been school construction projects totaling approximately \$120 million over the past 10 years. The Commonwealth of Massachusetts, through the MSBA, has provided approximately \$12.7 million in the form of a grant equal to 57% of the approved costs, as defined, of the Bates and Sprague elementary school expansion and renovation projects which have been completed. The Town expects the MSBA to fund approximately 40% of allowable construction costs of the new high school project which has a revised total cost estimated at approximately \$116 million.

Please refer to notes 4, 6, and 7 to the financial statements for further discussion of the major capital and debt activity.

Pension Trust Fund

The Pension Trust Fund (System) recognized net investment gains totaling \$14.1 million for the calendar year ended December 31, 2010. These gains were partially offset by \$9.7 million of retirement benefits paid, administration costs and transfers to other systems. Total net assets of the System amounted to \$117.4 million at December 31, 2010. Based on the most recent actuarial valuation performed as of January 1, 2010, the System's Funded Ratio was 86.7%.

Other Postemployment Benefits

As of June 30, 2011 the Town has recognized an asset for other postemployment benefits in the amount of \$3.4 million. The current year Annual OPEB Cost amounted to \$9,127,366 and the Town contributed \$9,478,438 through a combination of benefit payments and pre-funding contributions to the OPEB Trust fund. The assets set aside in trust for future benefits amounted to \$17.3 million at fiscal year end. Based on the most recent actuarial valuation performed as of June 30, 2010, the Plan's funded ratio was 8.87%.

Discretely Presented Component Unit

The net assets of the Component Unit represent the Wellesley Housing Development Corporation, a separate legal entity established in 1998 to preserve and create affordable housing in Wellesley, Massachusetts.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, 525 Washington Street, Wellesley, MA 02482.

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Wellesley Housing Development Corporation
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 72,779,316	\$ 10,503,915	\$ 83,283,231	\$ 105,871
Investments.....	5,324,235	400,500	5,724,735	-
Receivables, net of allowance for uncollectibles:				
Real estate, personal property and tax deferrals.....	3,008,164	-	3,008,164	-
Tax liens.....	888,536	-	888,536	-
Motor vehicle excise taxes.....	232,046	-	232,046	-
User charges.....	-	4,382,736	4,382,736	-
Departmental and other.....	159,672	-	159,672	-
Intergovernmental.....	5,225,420	-	5,225,420	-
Inventory.....	-	746,439	746,439	-
Purchased power advance deposits.....	-	1,525,369	1,525,369	-
Other assets.....	-	110,838	110,838	-
Properties held for resale.....	-	-	-	1,109,000
Total Current Assets.....	87,617,389	17,669,797	105,287,186	1,214,871
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Intergovernmental.....	2,487,974	-	2,487,974	-
Investment in Energy New England, LLC.....	-	150,000	150,000	-
Other postemployment benefits asset.....	3,172,536	253,157	3,425,693	-
Capital assets, non depreciable.....	77,839,179	2,075,622	79,914,801	-
Capital assets, net of accumulated depreciation.....	131,131,288	82,361,778	213,493,066	-
Total Noncurrent Assets.....	214,630,977	84,840,557	299,471,534	-
TOTAL ASSETS.....	302,248,366	102,510,354	404,758,720	1,214,871
LIABILITIES				
CURRENT:				
Warrants payable.....	7,550,364	2,516,051	10,066,415	5,577
Refunds due customers.....	-	446,507	446,507	-
Accrued payroll.....	4,337,853	124,660	4,462,513	-
Tax refunds payable.....	603,284	-	603,284	-
Accrued interest.....	644,429	19,095	663,524	-
Other liabilities.....	-	922,215	922,215	-
Unearned revenues.....	58,338	-	58,338	-
Compensated absences.....	107,400	22,300	129,700	-
Workers' compensation.....	285,000	-	285,000	-
Notes payable.....	-	-	-	200,000
Bonds payable.....	9,869,128	1,093,681	10,962,809	-
Total Current Liabilities.....	23,455,796	5,144,509	28,600,305	205,577
NONCURRENT:				
Refunds due customers.....	-	292,507	292,507	-
Compensated absences.....	71,564	14,945	86,509	-
Workers' compensation.....	378,000	-	378,000	-
Notes payable.....	-	-	-	404,997
Bonds payable.....	106,588,272	7,120,738	113,709,010	-
Total Noncurrent Liabilities.....	107,037,836	7,428,190	114,466,026	404,997
TOTAL LIABILITIES.....	130,493,632	12,572,699	143,066,331	610,574
NET ASSETS				
Invested in capital assets, net of related debt.....	122,874,236	76,222,981	199,097,217	-
Restricted for:				
Permanent funds:				
Expendable.....	1,775,668	-	1,775,668	-
Nonexpendable.....	210,612	-	210,612	-
Grants and gifts.....	2,518,254	-	2,518,254	-
Community preservation.....	7,285,359	-	7,285,359	-
Unrestricted.....	37,090,605	13,714,674	50,805,279	604,297
TOTAL NET ASSETS.....	\$ 171,754,734	\$ 89,937,655	\$ 261,692,389	604,297

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 8,039,353	\$ 1,320,503	\$ 47,837	\$ -	\$ (6,671,013)
Public safety.....	14,807,588	3,139,731	206,918	-	(11,460,939)
Public education.....	90,309,800	2,945,519	23,240,231	16,833,405	(47,290,645)
Public works.....	10,574,130	855,872	304,302	836,138	(8,577,818)
Health and human services.....	1,481,237	121,273	50,920	-	(1,309,044)
Library.....	3,639,739	73,986	40,244	-	(3,525,509)
Recreation.....	2,535,659	1,125,832	656,422	-	(753,405)
Traffic and parking management.....	523,460	647,624	-	-	124,164
Community preservation.....	669,739	-	-	212,156	(457,583)
Interest.....	3,790,479	-	-	-	(3,790,479)
Total Governmental Activities.....	136,371,184	10,230,340	24,546,874	17,881,699	(83,712,271)
<i>Business-Type Activities:</i>					
Sewer.....	6,494,844	6,851,259	-	188,010	544,425
Water.....	5,341,473	6,236,541	-	-	895,068
Electric department.....	30,330,724	33,971,542	-	1,110,888	4,751,706
Total Business-Type Activities.....	42,167,041	47,059,342	-	1,298,898	6,191,199
Total Primary Government.....	\$ 178,538,225	\$ 57,289,682	\$ 24,546,874	\$ 19,180,597	\$ (77,521,072)
Component Unit:					
Wellesley Housing Development Corporation.....	\$ 120,187	\$ -	\$ 628,900	\$ -	\$ 508,713

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Wellesley Housing Development Corporation
Changes in net assets:				
Net (expense) revenue from previous page.....	\$ (83,712,271)	\$ 6,191,199	\$ (77,521,072)	\$ 508,713
<i>General revenues:</i>				
Real estate and personal property taxes, net of tax refunds.....	99,583,626	-	99,583,626	-
Tax liens.....	410,894	-	410,894	-
Motor vehicle and other excise taxes.....	4,248,596	-	4,248,596	-
Community preservation tax.....	897,294	-	897,294	-
Penalties and interest on taxes.....	369,700	-	369,700	-
Payments in lieu of taxes.....	528,646	-	528,646	-
Grants and contributions not restricted to specific programs.....	1,260,164	-	1,260,164	-
Unrestricted investment income.....	738,342	-	738,342	1,330
<i>Other transfers, net</i>	1,000,000	(1,000,000)	-	-
Total general revenues and transfers.....	109,037,262	(1,000,000)	108,037,262	1,330
Change in net assets.....	25,324,991	5,191,199	30,516,190	510,043
<i>Net Assets:</i>				
Beginning of year, (as restated).....	146,429,743	84,746,456	231,176,199	94,254
End of year.....	\$ 171,754,734	\$ 89,937,655	\$ 261,692,389	\$ 604,297

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2011

ASSETS	General	Highway Chapter 90	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 23,933,531	\$ -	\$ 29,531,934	\$ 16,619,336	\$ 70,084,801
Investments.....	1,840,862	-	1,155,492	1,946,362	4,942,716
Receivables, net of uncollectibles:					
Real estate, personal property and tax deferrals	3,008,164	-	-	-	3,008,164
Tax liens.....	888,536	-	-	-	888,536
Motor vehicle excise taxes.....	232,046	-	-	-	232,046
Departmental and other.....	30,122	-	-	113,620	143,742
Intergovernmental.....	3,114,915	3,040,768	1,333,387	224,324	7,713,394
Due from other funds.....	909,745	-	-	-	909,745
TOTAL ASSETS.....	\$ 33,957,921	\$ 3,040,768	\$ 32,020,813	\$ 18,903,642	\$ 87,923,144
LIABILITIES					
LIABILITIES:					
Warrants payable.....	\$ 504,024	\$ -	\$ 6,807,912	\$ 234,206	\$ 7,546,142
Accrued payroll.....	4,239,527	-	-	69,324	4,308,851
Tax refunds payable.....	603,284	-	-	-	603,284
Deferred revenues and advance collections.....	6,865,120	2,131,023	-	317,443	9,313,586
Due to other funds.....	-	909,745	-	-	909,745
TOTAL LIABILITIES.....	12,211,955	3,040,768	6,807,912	620,973	22,681,608
FUND BALANCES:					
Nonspendable.....	-	-	-	210,612	210,612
Restricted.....	-	-	25,212,901	18,072,057	43,284,958
Committed.....	4,579,461	-	-	-	4,579,461
Assigned.....	1,204,575	-	-	-	1,204,575
Unassigned.....	15,961,930	-	-	-	15,961,930
TOTAL FUND BALANCES.....	21,745,966	-	25,212,901	18,282,669	65,241,536
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 33,957,921	\$ 3,040,768	\$ 32,020,813	\$ 18,903,642	\$ 87,923,144

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS**

June 30, 2011

Total governmental fund balances.....		\$ 65,241,536
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		208,970,467
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		9,255,248
Other postemployment benefits asset.....		3,172,536
Internal service funds are used by management to account for health insurance activities, workers' compensation activities, and for information technology services and fleet maintenance services.		
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....		2,395,740
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(644,429)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds and notes payable.....	(116,457,400)	
Compensated absences.....	(178,964)	
Net effect of reporting long-term liabilities.....		<u>(116,636,364)</u>
Net assets of governmental activities.....		\$ <u>171,754,734</u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2011

	General	Highway Chapter 90	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 99,407,304	\$ -	\$ -	\$ -	\$ 99,407,304
Tax liens.....	410,894	-	-	-	410,894
Motor vehicle and other excise taxes.....	4,176,809	-	-	-	4,176,809
Payments in lieu of taxes.....	528,646	-	-	-	528,646
Penalties and interest on taxes.....	369,700	-	-	-	369,700
Charges for services.....	-	-	-	1,027,099	1,027,099
Parking meter receipts.....	-	-	-	647,624	647,624
Intergovernmental.....	19,915,831	725,530	16,833,405	5,513,662	42,988,428
Departmental and other.....	4,524,863	-	-	4,103,206	8,628,069
Community preservation tax.....	-	-	-	897,294	897,294
Contributions.....	-	-	-	1,226,070	1,226,070
Investment income.....	600,521	-	-	137,821	738,342
TOTAL REVENUES.....	129,934,568	725,530	16,833,405	13,552,776	161,046,279
EXPENDITURES:					
Current:					
General government.....	5,278,953	-	-	147,735	5,426,688
Public safety.....	10,481,014	-	-	897,163	11,378,177
Public education.....	57,500,989	-	42,991,654	8,091,691	108,584,334
Public works.....	9,553,586	725,530	-	612,497	10,891,613
Health and human services.....	1,036,106	-	-	231,663	1,267,769
Recreation.....	323,718	-	-	1,408,915	1,732,633
Library.....	2,391,998	-	-	301,024	2,693,022
Teachers pension benefits - state funded.....	10,681,200	-	-	-	10,681,200
Town pension.....	1,714,065	-	-	-	1,714,065
Employee benefits.....	17,094,528	-	-	108,807	17,203,335
Traffic and parking management.....	-	-	-	523,460	523,460
Community preservation.....	-	-	-	856,184	856,184
State and county charges.....	1,054,462	-	-	-	1,054,462
Debt service:					
Principal.....	9,395,000	-	-	-	9,395,000
Interest.....	3,784,370	-	-	-	3,784,370
TOTAL EXPENDITURES.....	130,289,989	725,530	42,991,654	13,179,139	187,186,312
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(355,421)	-	(26,158,249)	373,637	(26,140,033)
OTHER FINANCING SOURCES (USES):					
Issuance of long-term debt.....	-	-	22,000,000	610,000	22,610,000
Premium from issuance of bonds.....	347,144	-	-	-	347,144
Transfers in.....	1,461,376	-	-	135,265	1,596,641
Transfers out.....	(100,000)	-	-	(496,641)	(596,641)
TOTAL OTHER FINANCING SOURCES (USES).....	1,708,520	-	22,000,000	248,624	23,957,144
NET CHANGE IN FUND BALANCES.....	1,353,099	-	(4,158,249)	622,261	(2,182,889)
FUND BALANCES AT BEGINNING OF YEAR, AS REVISED.....	20,392,867	-	29,371,150	17,660,408	67,424,425
FUND BALANCES AT END OF YEAR.....	\$ 21,745,966	\$ -	\$ 25,212,901	\$ 18,282,669	\$ 65,241,536

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds.....		\$ (2,182,889)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	49,457,590	
Depreciation expense.....	<u>(7,683,607)</u>	
Net effect of reporting capital assets.....		41,773,983
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		(350,094)
Other postemployment benefits asset.....		325,129
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Issuance of long-term debt.....	(22,610,000)	
Premium from issuance of bonds.....	(347,144)	
Debt service principal payments.....	<u>9,395,000</u>	
Net effect of reporting long-term debt.....		(13,562,144)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	(4,717)	
Net change in accrued interest on long-term debt.....	(108,047)	
Amortization of bond premiums.....	<u>101,928</u>	
Net effect of recording long-term liabilities.....		(10,836)
<p>Internal service funds are used by management to account for health insurance activities, workers' compensation activities, and for information technology services and fleet maintenance services.</p>		
The net activity of internal service funds is reported with Governmental Activities.....		<u>(668,158)</u>
Change in net assets of governmental activities.....		<u>\$ 25,324,991</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Electric Department	Total	
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 2,756,635	\$ 2,162,262	\$ 5,585,018	\$ 10,503,915	\$ 2,694,515
Investments.....	105,353	80,270	214,877	400,500	381,519
Receivables, net of allowance for uncollectibles:					
User charges.....	549,323	641,392	3,192,021	4,382,736	-
Departmental and other.....	-	-	-	-	15,930
Inventory.....	-	160,816	585,623	746,439	-
Purchased power advance deposits.....	-	-	1,525,369	1,525,369	-
Other assets.....	-	-	110,838	110,838	-
Total current assets.....	3,411,311	3,044,740	11,213,746	17,669,797	3,091,964
NONCURRENT:					
Investment in Energy New England, LLC.....	-	-	150,000	150,000	-
Other postemployment benefits asset.....	36,696	36,696	179,765	253,157	-
Capital assets, nondepreciable.....	211,343	892,777	971,502	2,075,622	-
Capital assets, net of accumulated depreciation.....	14,661,808	16,273,621	51,426,349	82,361,778	-
Total noncurrent assets.....	14,909,847	17,203,094	52,727,616	84,840,557	-
TOTAL ASSETS.....	18,321,158	20,247,834	63,941,362	102,510,354	3,091,964
LIABILITIES					
CURRENT:					
Warrants payable.....	64,036	58,729	2,393,286	2,516,051	4,222
Refunds due customers.....	-	-	446,507	446,507	-
Accrued payroll.....	-	51,996	72,664	124,660	29,002
Accrued interest.....	8,683	10,412	-	19,095	-
Other liabilities.....	2,075	37,720	882,420	922,215	-
Compensated absences.....	-	5,800	16,500	22,300	-
Workers' compensation.....	-	-	-	-	285,000
Bonds payable.....	360,073	733,608	-	1,093,681	-
Total current liabilities.....	434,867	898,265	3,811,377	5,144,509	318,224
NONCURRENT:					
Refunds due customers.....	-	-	292,507	292,507	-
Compensated absences.....	-	3,912	11,033	14,945	-
Workers' compensation.....	-	-	-	-	378,000
Bonds payable.....	3,218,933	3,901,805	-	7,120,738	-
Total noncurrent liabilities.....	3,218,933	3,905,717	303,540	7,428,190	378,000
TOTAL LIABILITIES.....	3,653,800	4,803,982	4,114,917	12,572,699	696,224
NET ASSETS					
Invested in capital assets, net of related debt.....	11,294,145	12,530,985	52,397,851	76,222,981	-
Unrestricted.....	3,373,213	2,912,867	7,428,594	13,714,674	2,395,740
TOTAL NET ASSETS.....	\$ 14,667,358	\$ 15,443,852	\$ 59,826,445	\$ 89,937,655	\$ 2,395,740

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Electric Department	Total	
OPERATING REVENUES:					
Charges for services	\$ 6,761,293	\$ 5,992,716	\$ 32,013,577	\$ 44,767,586	\$ 14,596,741
Contracted services.....	-	-	1,258,380	1,258,380	-
Employee contributions	-	-	-	-	5,651,043
Other.....	89,966	243,825	699,585	1,033,376	-
TOTAL OPERATING REVENUES	6,851,259	6,236,541	33,971,542	47,059,342	20,247,784
OPERATING EXPENSES:					
MWRA assessment.....	4,810,892	1,039,510	-	5,850,402	-
Production.....	-	-	18,209,959	18,209,959	-
Transmission.....	-	1,045,638	3,552,156	4,597,794	-
Forward capacity market charge.....	-	-	3,325,682	3,325,682	-
Cost of contracted services.....	-	-	663,824	663,824	-
Other source of supply.....	-	247,031	-	247,031	-
Pumping and treatment.....	240,569	999,820	-	1,240,389	-
Distribution.....	-	-	984,113	984,113	-
Collection.....	385,167	-	-	385,167	-
Customer accounts.....	109,995	211,289	489,810	811,094	-
Supplies and services.....	-	-	-	-	20,932,133
Administration and general.....	460,563	713,288	435,612	1,609,463	-
Depreciation.....	387,801	921,649	2,660,207	3,969,657	-
TOTAL OPERATING EXPENSES	6,394,987	5,178,225	30,321,363	41,894,575	20,932,133
OPERATING INCOME (LOSS).....	456,272	1,058,316	3,650,179	5,164,767	(684,349)
NONOPERATING REVENUES (EXPENSES):					
Investment income.....	-	-	-	-	16,191
Interest expense.....	(99,857)	(163,248)	(9,361)	(272,466)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(99,857)	(163,248)	(9,361)	(272,466)	16,191
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS.....	356,415	895,068	3,640,818	4,892,301	(668,158)
CAPITAL CONTRIBUTIONS.....	188,010	-	1,110,888	1,298,898	-
TRANSFERS:					
Transfers out.....	-	-	(1,000,000)	(1,000,000)	-
CHANGE IN NET ASSETS.....	544,425	895,068	3,751,706	5,191,199	(668,158)
NET ASSETS AT BEGINNING OF YEAR.....	14,122,933	14,548,784	56,074,739	84,746,456	3,063,898
NET ASSETS AT END OF YEAR.....	\$ 14,667,358	\$ 15,443,852	\$ 59,826,445	\$ 89,937,655	\$ 2,395,740

See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Electric Department	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users.....	\$ 6,681,220	\$ 5,995,883	\$ 33,900,896	\$ 46,577,999	\$ 5,645,838
Receipts from interfund services provided.....	-	-	-	-	14,596,741
Payments to vendors.....	(5,231,002)	(2,284,269)	(27,251,072)	(34,766,343)	-
Payments to employees.....	(752,254)	(2,047,969)	(1,204,792)	(4,005,015)	(376,719)
Payments for interfund services used.....	-	-	-	-	(20,520,519)
NET CASH FROM OPERATING ACTIVITIES.....	697,964	1,663,645	5,445,032	7,806,641	(654,659)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers out.....	-	-	(1,000,000)	(1,000,000)	-
Prefunding transfer for other postemployment benefits.....	(3,756)	(3,756)	(18,431)	(25,943)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(3,756)	(3,756)	(1,018,431)	(1,025,943)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the issuance of bonds and notes.....	229,790	229,089	-	458,879	-
Capital contributions.....	188,010	-	1,110,888	1,298,898	-
Acquisition and construction of capital assets.....	(886,446)	(1,004,074)	(4,613,421)	(6,503,941)	-
Principal payments on bonds and notes.....	(330,887)	(702,744)	-	(1,033,631)	-
Interest expense.....	(101,328)	(162,136)	(9,361)	(272,825)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(900,861)	(1,639,865)	(3,511,894)	(6,052,620)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investments.....	472,680	404,396	186,581	1,063,657	662,405
Purchase of investments.....	(105,353)	(80,270)	(214,877)	(400,500)	(381,519)
Investment income.....	-	-	-	-	16,191
NET CASH FROM INVESTING ACTIVITIES.....	367,327	324,126	(28,296)	663,157	297,077
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	160,674	344,150	886,411	1,391,235	(357,582)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	2,595,961	1,818,112	4,698,607	9,112,680	3,052,097
CASH AND CASH EQUIVALENTS, END OF YEAR.....	\$ 2,756,635	\$ 2,162,262	\$ 5,585,018	\$ 10,503,915	\$ 2,694,515
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:					
Operating income (loss).....	\$ 456,272	\$ 1,058,316	\$ 3,650,179	\$ 5,164,767	\$ (684,349)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation.....	387,801	921,649	2,660,207	3,969,657	-
Changes in assets and liabilities:					
User charges.....	(170,039)	(240,658)	53,998	(356,699)	-
Department and other.....	-	-	-	-	(5,205)
Inventory.....	-	(6,007)	(21,240)	(27,247)	-
Purchased power advance deposits.....	-	-	(163,354)	(163,354)	-
Other assets.....	-	-	12,088	12,088	-
Warrants payable.....	23,930	(79,606)	(526,611)	(582,287)	(102,629)
Refunds due customers.....	-	-	(124,644)	(124,644)	-
Accrued payroll.....	-	10,468	6,689	17,157	2,524
Other liabilities.....	-	-	(89,856)	(89,856)	-
Compensated absences.....	-	(517)	(12,424)	(12,941)	-
Workers' compensation.....	-	-	-	-	135,000
Total adjustments.....	241,692	605,329	1,794,853	2,641,874	29,690
NET CASH FROM OPERATING ACTIVITIES.....	\$ 697,964	\$ 1,663,645	\$ 5,445,032	\$ 7,806,641	\$ (654,659)

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	Pension Trust Fund (as of December 31, 2010)	Other Postemployment Benefit Trust Fund	Private Purpose Trust Fund	Agency Fund
ASSETS				
Cash and cash equivalents.....	\$ 1,149,844	\$ -	\$ 3,126	\$ 1,081,343
Investments:				
Equity securities.....	-	-	289,448	-
Equity mutual funds.....	-	10,141,041	-	-
Real Estate Investment Trust Index Fund.....	-	1,036,087	-	-
Debt securities.....	-	3,538,581	-	-
Treasury Inflation Protection Securities (TIPS).....	-	2,600,732	-	-
PRIT funds.....	116,206,716	-	-	-
Receivables, net of allowance for uncollectibles:				
Departmental and other receivables.....	413,844	-	-	-
Prepaid expenses.....	7,311	-	-	-
TOTAL ASSETS.....	117,777,715	17,316,441	292,574	1,081,343
LIABILITIES				
Accrued liabilities.....	393,133	-	-	-
Liabilities due depositors.....	-	-	-	1,081,343
TOTAL LIABILITIES.....	393,133	-	-	1,081,343
NET ASSETS				
Held in trust for retirement, OPEB benefits, and other purposes.....	\$ <u>117,384,582</u>	\$ <u>17,316,441</u>	\$ <u>292,574</u>	\$ <u>-</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2011

	Pension Trust Fund (as of December 31, 2010)	Other Postemployment Benefit Trust Fund	Private Purpose Trust Fund
ADDITIONS:			
Contributions:			
Employer.....	\$ 2,010,429	\$ 3,323,153	\$ -
Plan members.....	2,903,229	-	-
Private donations.....	-	-	500
Total contributions.....	4,913,658	3,323,153	500
Net investment income:			
Net change in fair value of investments.....	10,978,847	1,999,682	-
Interest.....	4,191	860,474	24,395
Dividends.....	3,114,447	-	-
Total investment income.....	14,097,485	2,860,156	24,395
Less: investment expense.....	(515,218)	-	-
Net investment income.....	13,582,267	2,860,156	24,395
Intergovernmental.....	282,943	-	-
Transfers from other systems.....	378,316	-	-
TOTAL ADDITIONS.....	19,157,184	6,183,309	24,895
DEDUCTIONS:			
Administration.....	184,480	-	-
Transfers to other systems.....	530,674	-	-
Retirement benefits and refunds.....	8,986,159	-	-
Educational scholarships.....	-	-	10,625
TOTAL DEDUCTIONS.....	9,701,313	-	10,625
CHANGE IN NET ASSETS.....	9,455,871	6,183,309	14,270
NET ASSETS AT BEGINNING OF YEAR.....	107,928,711	11,133,132	278,304
NET ASSETS AT END OF YEAR.....	\$ 117,384,582	\$ 17,316,441	\$ 292,574

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Wellesley, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

A. Reporting Entity

The Town was incorporated in 1881 under the statutes of the Commonwealth of Massachusetts (the "Commonwealth"). The Town is a municipal corporation governed by an elected Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. Two entities have been included as component units in the reporting entity, because of the significance of their operational and financial relationships.

Blended Component Units – Blended component units are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town. The following component unit is blended within the primary government:

In the Fiduciary Funds:

- (1) The Wellesley Contributory Retirement System (the System) was established to provide retirement benefits to Town employees, the Wellesley Housing Authority employees, and their beneficiaries. The System is governed by a five-member board comprised of the Finance Director (ex-officio), two members elected by the System's participants, one member appointed by the Board of Selectmen and one member appointed by the Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

Discretely Presented Component Unit – Discretely presented component units are entities that are legally separate from the Town, but are financially accountable to the Town, or whose relationships with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. The Town has included the Wellesley Housing Development Corporation as a Discretely Presented Component Unit because of its fiscal dependency on the Town and because the nature and significance of its relationship with the Town is such that exclusion would cause the Town's financial statements to be misleading or incomplete.

Accordingly, the Component Unit column of the financial statements includes the financial data of:

- (2) The Wellesley Housing Development Corporation (Corporation) is a private non-profit corporation established by special legislation to preserve and create affordable housing in Wellesley, Massachusetts. The Board of Directors of the Corporation are residents of the Town of Wellesley who are appointed by the Town's Board of Selectmen. The Corporation is financially accountable to the Town as a result of fiscal dependency.

Availability of Financial Information for Component Units

The System issues a publicly available audited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 525 Washington Street, Wellesley, MA 02482.

The Wellesley Housing Development Corporation issues a publicly available financial report. That report may be obtained by contacting the Corporation, at 525 Washington Street, Wellesley, MA 02482.

B. Government-Wide and Fund-Level Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units.

Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Internal service funds and fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in

the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.
- Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when 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 pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after fiscal year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the "susceptible to accrual criteria" is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *highway Chapter 90 fund* is a special revenue fund that accounts for activities associated with on-going road and sidewalk projects that are funded with grants from the Commonwealth.

The *high school construction fund* is a capital project fund used to account for the construction of the new high school.

The nonmajor governmental funds consist of other special revenue and permanent 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:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than permanent funds or major capital projects. The special revenue funds are reported in the nonmajor funds column of the governmental fund financial statements.

The *permanent fund* is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs. The permanent funds are also reported in the nonmajor funds column of the governmental funds financial statements.

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, 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 *electric fund* is used to account for operations of the municipal light department that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The *water fund* is used to account for water distribution operations of the department of public works that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

The *sewer fund* is used to account for sewage treatment operations of the department of public works that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Additionally, the following proprietary fund type is reported:

The *internal service fund* is used to account for the financing of goods or services provided by one department to other departments of the town on a cost-reimbursement basis. The Town's internal service fund is used to account for the financing of medical claims of all covered town employees and their covered dependents, the financing of the self-insured workers' compensation plan, information technology services, fleet maintenance and fuel.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *other postemployment benefit trust fund* accumulates resources to provide funding for future OPEB (other postemployment benefits) liabilities.

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trust funds have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings. The Town's educational scholarships are accounted for in this fund.

The *agency fund* is used to account for payroll withholding and other assets held in a purely custodial capacity. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

Government-Wide and Fund Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

D. Cash and Investments

Government-Wide and Fund Financial Statements

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market.

E. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate tax liens are processed six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

User Charges

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Liens are processed in December of every year and included as a lien on the property owner's tax bill.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Departmental and Other

Departmental and other receivables are recorded net of an allowance for uncollectible accounts. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental

Various Federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Community Preservation Surcharge

The Town has adopted the Community Preservation Act and the provisions of this Act allow the Town to assess property owners an additional 1% - 3% of the total real estate commitment. The Town has voted for an additional surcharge of 1% with the first \$100,000 of valuation for each parcel being exempt. Revenues from this surcharge are credited to the Community Preservation Fund, a component of the nonmajor governmental funds, to fund open space acquisitions, affordable housing initiatives, historic preservation, and recreational uses.

F. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

Materials and supplies held by the Enterprise Funds are generally recorded at the lower of cost or market, using the weighted average method.

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, street lights, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

For the Town of Wellesley capital assets are defined as buildings and infrastructure with a cost greater than \$100,000, improvements other than buildings with a cost greater than \$50,000, and equipment with a cost greater than \$25,000 and an estimated useful life of greater than five years. The Town has elected not to consider books and other materials purchased for the library as capital assets.

Capital assets (excluding land and construction-in-progress) are depreciated over the estimated useful lives using the straight-line method. The estimated useful lives of capital assets being depreciated are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Public domain infrastructure.....	50
Buildings.....	10-40
Improvements other than buildings.....	20-30
Equipment.....	3-21

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

H. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Advances from/to other funds" on the balance sheet.

I. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

J. Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

K. Net Assets and Fund Equity*Government-Wide Financial Statements (Net Assets)*

Net assets reported as "invested in capital assets, net of related debt" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of

capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state's school building program is not considered to be capital related debt.

Net assets are reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have been "restricted for" the following:

"Permanent funds - expendable" represents the amount of realized and unrealized investment earnings of donor restricted trusts. The restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings.

"Permanent funds - nonexpendable" represents the endowment portion of donor restricted trusts.

"Grants and gifts" represents amounts held for school grants, highway and other grants, and gift funds.

"Community preservation" represents amounts held for uses restricted by law for community preservation purposes.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

"Nonspendable" fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

"Restricted" fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulation of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

"Committed" fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action or the government's highest level of decision making authority.

"Assigned" fund balance includes amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed.

"Unassigned" fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

M. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

N. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income from proprietary funds is voluntarily assigned and transferred to the general fund.

O. Use of Estimates*Government-Wide and Fund Financial Statements*

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

P. Total Column*Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 – CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and cash equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U. S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the Treasurer of the Commonwealth's Investment Pool (the Pool). The Town Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

The Retirement System participates, as a Participating member, in the Pension Reserves Investment Trust (PRIT), which meets the criteria of an external investment pool. PRIT is administered by the Pension Reserves Investment Management Board, which was established by the Treasurer of the Commonwealth of Massachusetts who serves as trustee. The fair value of the position in the PRIT is the same as the value of the PRIT shares.

The PRIT fund, as a pool, invests in various products including, but not limited to, money market mutual funds, equities, pooled foreign and domestic fixed income and equity funds, United States government sponsored enterprises and Treasury notes, real estate, and commodities. The underlying components of PRIT's fixed income portfolio had an effective weighted duration rate ranging from .08 to 8.58 years.

MMDT maintains a cash portfolio and a short-term bond portfolio with combined average maturities of approximately 3 months. Credit ratings associated with the Town's investment in MMDT ranged from A1/P1 to unrated; with approximately 98% rated A1/P1 and approximately 2% rated A2/P2.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town policy for mitigating custodial credit risk is that the Town will not have on deposit amounts exceeding 10% of capital and surplus and 10% of net equity, unless those deposits carry full FDIC insurance or are collateralized. In addition, it is the Towns' policy that at no time shall any single bank or bank holding company hold an excess of 25% of the cash balance under the control of the Treasurer for more than three consecutive days.

At fiscal year-end the carrying amount (book value) of the Town's deposits totaled \$37,436,937 and the bank balances totaled \$37,855,810. Of the bank balance, \$23,156,848 was covered by FDIC insurance and \$14,698,962 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2010 the carrying amount (book value) of the Retirement System's deposits totaled \$92,396 and the bank balance totaled \$281,972. The bank balance was fully covered by FDIC insurance.

As of June 30, 2011 the Town had the following investments:

Investment Type	Fair Value	Maturity			Rating
		Under 1 Year	1 - 5 Years	6-10 Years	
Debt Securities					
Government Sponsored Enterprises (1).....	\$ 4,171,451	\$ 3,374,386	\$ 797,065	\$ -	AAA
U.S. Treasury Notes.....	1,242,431	339,550	557,552	345,329	-
High Yield Corporate Bond Fund.....	45,918	-	-	45,918	AAA
High Yield Corporate Bond Fund.....	62,845	-	-	62,845	BBB
High Yield Corporate Bond Fund.....	928,478	-	-	928,478	BB
High Yield Corporate Bond Fund.....	908,437	-	-	908,437	B
Treasury Inflation Protection Securities.....	2,600,732	-	-	2,600,732	AAA
Fixed Income Index Mutual Fund.....	1,204,871	-	-	1,204,871	AAA
Fixed Income Index Mutual Fund.....	90,955	-	-	90,955	AA
Fixed Income Index Mutual Fund.....	162,954	-	-	162,954	A
Fixed Income Index Mutual Fund.....	134,122	-	-	134,122	BBB
Total Debt Securities.....	11,553,194	\$ 3,713,936	\$ 1,354,617	\$ 6,484,641	
Other Investments					
Equity Securities.....	600,302				
Domestic Equity Mutual Funds.....	5,638,706				
International Equity Mutual Funds.....	4,502,335				
Real Estate Investment Trust Index Fund.....	1,036,087				
Money Market Mutual Funds.....	6,115,671				
MMDT.....	40,815,092				
Total Investments.....	\$ 70,261,387				

(1) Government Sponsored Enterprises include various short-term investments in financial services corporations created by the United States Congress. These investments primarily consist of investments in Federal Home Loan Banks (FHLB), Federal Financing Corporation (FICO) Strips, and Federal Home Loan Mortgage Corporation Notes.

As of December 31, 2010, the Retirement System had investments in PRIT totaling \$116,206,716. The Retirement System also maintains a short term investment portfolio with MMDT. At December 31, 2010, the Retirement System’s investment with MMDT was \$1,057,448.

Investments of approximately \$17.3 million in the Other Postemployment Benefits Trust are included in the table above.

The following table reconciles total cash and investments as disclosed in this note to the financial statements:

	Primary Government		Fiduciary Funds				Totals
	Governmental Activities	Business-Type Activities	Pension Trust Fund	OPEB Trust Fund	Private Purpose Trust Fund	Agency Fund	
Cash and cash equivalents.....	\$ 72,779,316	\$ 10,503,915	\$ 1,149,844	\$ -	\$ 3,126	\$ 1,081,343	\$ 85,517,544
Investments.....	5,324,235	400,500	116,206,716	17,316,441	289,448	-	139,537,340
Total cash and investments.....	<u>\$ 78,103,551</u>	<u>\$ 10,904,415</u>	<u>\$ 117,356,560</u>	<u>\$ 17,316,441</u>	<u>\$ 292,574</u>	<u>\$ 1,081,343</u>	<u>\$ 225,054,884</u>
Carrying value of cash:							
Primary government.....	\$ 37,436,937						
Pension trust.....		92,396					
Investments considered							
cash and cash equivalents:							
Money market mutual funds.....	6,115,671						
MMDT.....	41,872,540						
Debt securities.....	11,553,194						
Other investments.....	11,777,430						
PRIT fund.....	<u>116,206,716</u>						
Total cash and investments.....	<u>\$ 225,054,884</u>						

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the Town’s total investments of \$70,261,387 there was custodial credit risk exposure of \$4,171,451 which is equal to the investments in Government Sponsored Enterprises because the related securities are uninsured, unregistered and held by the counterparty.

The Town will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Statutory Authority section of the Town’s Investment Policy; and obtaining necessary documentation (e.g. broker certification forms and documentation of perfected security interests in pledged collateral) from the financial institutions, broker/dealers, intermediaries and advisors, as applicable, with which the Town will do business in accordance with this Investment Policy. Some of this risk will be managed requiring that the above referenced financial institutions, broker/dealers, intermediaries and advisors have Securities Investor Protection Corporation (SIPC) and excess SIPC coverage.

At December 31, 2010, the System’s \$116,206,716 investment in PRIT is not subject to custodial credit risk exposure because it is not evidenced by securities that exist in physical or book-entry form.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town and the System’s investment policy is to follow state statutes, which limits investment maturities as a means of managing its exposure to fair value losses arising from increasing rates.

Credit Risk

The Town has adopted an investment policy that requires diversification of the towns' investments by security type and institution. With the exception of U.S. Treasury securities and the State Treasurer's investment pools, no more than 25% of the towns' total investment portfolio may be invested in a single security type or with a single institution, unless the category carries full FDIC insurance or the financial institution's investments are fully collateralized.

Concentration of Credit Risk

The Town has adopted a formal policy to mitigate concentration of credit risk by mandating that the Town may not at any one time have on deposit in a bank or trust company an amount exceeding 60% of the capital and surplus of that institution. The Town will not deposit amounts exceeding 10% of capital and surplus and 10% of net equity unless the deposits are fully collateralized.

NOTE 3 – RECEIVABLES

At June 30, 2011, receivables for the individual major, non-major governmental funds, and the proprietary internal service fund, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate, personal property and tax deferrals	\$ 3,109,397	\$ (101,233)	\$ 3,008,164 (1)
Tax liens.....	888,536	-	888,536
Motor vehicle excise taxes.....	596,766	(364,720)	232,046
Departmental and other.....	159,672	-	159,672
Intergovernmental.....	<u>7,713,394</u>	<u>-</u>	<u>7,713,394</u>
 Total.....	 <u>\$ 12,467,765</u>	 <u>\$ (465,953)</u>	 <u>\$ 12,001,812</u>

(1) The allowance for uncollectibles of \$101,233 relates only to personal property taxes.

At June 30, 2011, receivables for the sewer, water, electric enterprise funds and the internal service fund consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Sewer fees.....	\$ 549,323	\$ -	\$ 549,323
Water fees.....	641,392	-	641,392
Electric light fees.....	3,192,021	-	3,192,021
Department and other.....	<u>15,930</u>	<u>-</u>	<u>15,930</u>
 Total.....	 <u>\$ 4,398,666</u>	 <u>\$ -</u>	 <u>\$ 4,398,666</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivable type:</u>			
Real estate, personal property and tax deferrals.....	\$ 2,626,522	\$ -	\$ 2,626,522
Tax liens.....	888,536	-	888,536
Motor vehicle excise.....	232,046	-	232,046
Departmental and other.....	8,204	96,510	104,714
Intergovernmental.....	3,109,812	2,351,956	5,461,768
 Total.....	 <u>\$ 6,865,120</u>	 <u>\$ 2,448,466</u>	 <u>\$ 9,313,586</u>

Included in deferred revenues above is approximately \$58,000 of advance collections for FY2012 taxes.

NOTE 4 – CAPITAL ASSETS

A summary of changes in capital asset activity for the fiscal year ended June 30, 2011, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 7,343,156	\$ -	\$ -	\$ 7,343,156
Construction in progress.....	24,874,313	46,041,248	(419,538)	70,496,023
 Total capital assets not being depreciated.....	 <u>32,217,469</u>	 <u>46,041,248</u>	 <u>(419,538)</u>	 <u>77,839,179</u>
 <u>Capital assets being depreciated:</u>				
Improvements other than buildings.....	14,500,901	1,377,700	-	15,878,601
Buildings.....	131,757,211	20,177	-	131,777,388
Machinery and equipment.....	12,512,366	892,416	(424,231)	12,980,551
Public domain infrastructure.....	58,770,546	1,545,587	-	60,316,133
 Total capital assets being depreciated.....	 <u>217,541,024</u>	 <u>3,835,880</u>	 <u>(424,231)</u>	 <u>220,952,673</u>
 <u>Less accumulated depreciation for:</u>				
Improvements other than buildings.....	(2,545,427)	(1,356,587)	-	(3,902,014)
Buildings.....	(46,972,006)	(3,927,981)	-	(50,899,987)
Machinery and equipment.....	(8,491,926)	(953,526)	424,231	(9,021,221)
Public domain infrastructure.....	(24,552,650)	(1,445,513)	-	(25,998,163)
 Total accumulated depreciation.....	 <u>(82,562,009)</u>	 <u>(7,683,607)</u>	 <u>424,231</u>	 <u>(89,821,385)</u>
 Total capital assets being depreciated, net.....	 <u>134,979,015</u>	 <u>(3,847,727)</u>	 <u>-</u>	 <u>131,131,288</u>
 Total governmental activities capital assets, net.....	 <u>\$ 167,196,484</u>	 <u>\$ 42,193,521</u>	 <u>\$ (419,538)</u>	 <u>\$ 208,970,467</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land and land rights.....	\$ 267,946	\$ -	\$ -	\$ 267,946
Construction in progress.....	<u>1,546,836</u>	<u>797,542</u>	<u>(536,702)</u>	<u>1,807,676</u>
Total capital assets not being depreciated.....	<u>1,814,782</u>	<u>797,542</u>	<u>(536,702)</u>	<u>2,075,622</u>
<u>Capital assets being depreciated:</u>				
Plant in service.....	125,872,258	\$ 5,798,782	(189,144)	131,481,896
Vehicles and other equipment.....	<u>5,538,709</u>	<u>423,447</u>	<u>(124,232)</u>	<u>5,837,924</u>
Total capital assets being depreciated.....	<u>131,410,967</u>	<u>6,222,229</u>	<u>(313,376)</u>	<u>137,319,820</u>
<u>Less accumulated depreciation for:</u>				
Plant in service.....	(47,534,854)	(3,598,988)	189,144	(50,944,698)
Vehicles and other equipment.....	<u>(3,766,907)</u>	<u>(370,669)</u>	<u>124,232</u>	<u>(4,013,344)</u>
Total accumulated depreciation.....	<u>(51,301,761)</u>	<u>(3,969,657)</u>	<u>313,376</u>	<u>(54,958,042)</u>
Total capital assets being depreciated, net.....	<u>80,109,206</u>	<u>2,252,572</u>	<u>-</u>	<u>82,361,778</u>
Total business-type activities capital assets, net.....	<u>\$ 81,923,988</u>	<u>\$ 3,050,114</u>	<u>\$ (536,702)</u>	<u>\$ 84,437,400</u>

Depreciation expense was charged to functions/programs of the Town as follows:

Governmental Activities:	
General government.....	\$ 1,223,414
Public safety.....	636,945
Education.....	3,689,662
Public works.....	1,140,146
Library.....	379,343
Recreation.....	<u>614,097</u>
Total depreciation expense - governmental activities.....	<u>\$ 7,683,607</u>
Business-Type Activities:	
Sewer.....	\$ 387,801
Water.....	921,649
Electric light.....	<u>2,660,207</u>
Total depreciation expense - business-type activities.....	<u>\$ 3,969,657</u>

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables between funds at June 30, 2011, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Highway Fund	\$ <u>909,745</u> (1)

(1) Represents advances between funds to meet temporary cash flow needs.

Interfund transfers for the fiscal year ended June 30, 2011, are summarized as follows:

<u>Transfers Out:</u>	<u>Transfers In:</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
General Fund.....	\$ -	\$ 100,000	\$ 100,000 (1)
Nonmajor Governmental Funds.....	461,376	35,265	496,641 (2)
Electric Light Department.....	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u> (3)
Total.....	<u>\$ 1,461,376</u>	<u>\$ 135,265</u>	<u>\$ 1,596,641</u>

(1) Represents budgeted transfer to the nonmajor funds for unemployment compensation claims.

(2) Represents budgeted transfers from the School Lunch fund, the Traffic and Parking fund, the Police Detail fund, and the Recreation Revolving Account.

(3) Represents transfers in from the Electric Department as a payment in lieu of taxes.

NOTE 6 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
 - Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund.

The Town did not have any short-term debt activity for the fiscal year ended June 30, 2011.

NOTE 7 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the Town's outstanding general obligation indebtedness at June 30, 2011, and the debt service requirements are as follows:

Project	Date of Issue	Interest Rate (%)	Outstanding at June 30, 2010	Issued	Redeemed	Outstanding at June 30, 2011
Sprague School Renovation.....	2001	4.0 - 4.75	\$ 6,120,000	\$ -	\$ 1,570,000	\$ 4,550,000
Bates School Renovation.....	2003	2.0 - 3.0	1,650,000	-	550,000	1,100,000
Fields & Bleachers.....	2004	2.50 - 5.0	10,000	-	10,000	-
New Library.....	2004	2.50 - 5.0	4,110,000	-	575,000	3,535,000
Warren Building Design.....	2004	2.50 - 5.0	70,000	-	20,000	50,000
Hunnewell Field/Courts.....	2004	2.50 - 5.0	110,000	-	30,000	80,000
Warren Renovation.....	2004	2.50 - 5.0	3,950,000	-	565,000	3,385,000
Middle School.....	2005	3.25 - 4.125	8,235,000	-	750,000	7,485,000
Modular Classrooms.....	2005	3.25 - 4.125	1,800,000	-	275,000	1,525,000
Roads.....	2005	3.25 - 4.125	575,000	-	115,000	460,000
Fire Equipment.....	2005	3.25 - 4.125	155,000	-	75,000	80,000
Warren Building.....	2005	3.25 - 4.125	125,000	-	65,000	60,000
Middle School Construction.....	2006	3.87 - 5.25	5,765,000	-	260,000	5,505,000
Bates Elementary School.....	2006	4.0 - 5.25	135,000	-	135,000	-
Modular Classrooms.....	2006	3.87 - 5.25	1,380,000	-	230,000	1,150,000
DPW Electric Repairs.....	2006	3.87 - 5.25	660,000	-	110,000	550,000
DPW Surface Drains.....	2006	3.87 - 5.25	190,000	-	35,000	155,000
High School Design.....	2006	4.0 - 5.25	35,000	-	35,000	-
Morses Pond Dock.....	2006	4.0 - 5.25	20,000	-	20,000	-
Middle School Construction.....	2008	3.0 - 4.0	9,080,000	-	695,000	8,385,000
Streets and Sidewalks.....	2008	3.0 - 4.0	400,000	-	50,000	350,000
Fire Truck.....	2008	3.0 - 4.0	375,000	-	50,000	325,000
Sprague Field.....	2008	3.0 - 4.0	485,000	-	65,000	420,000
School Building Infrastructure.....	2008	3.0 - 4.0	3,600,000	-	450,000	3,150,000
High School Expansion-Seaver Street....	2009	2.5 - 5.0	3,415,000	-	190,000	3,225,000
High School Planning.....	2009	2.5 - 5.0	755,000	-	40,000	715,000
High School Feasibility.....	2009	2.5 - 5.0	2,460,000	-	130,000	2,330,000
High School Project.....	2009	2.5 - 5.0	7,600,000	-	400,000	7,200,000
Elementary Infrastructure.....	2009	2.5 - 5.0	3,060,000	-	440,000	2,620,000
Woodside Avenue.....	2009	2.5 - 5.0	370,000	-	45,000	325,000
Parking Meters.....	2009	2.5 - 5.0	105,000	-	15,000	90,000
High School Construction.....	2010	2.0 - 4.25	35,000,000	-	1,400,000	33,600,000
Morse Pond Management.....	2011	2.0 - 3.00	-	110,000	-	110,000
High School Construction.....	2011	2.0 - 4.25	-	22,000,000	-	22,000,000
DPW Storm Water Drainage.....	2011	2.0 - 4.0	-	500,000	-	500,000
Subtotal			101,800,000	22,610,000	9,395,000	115,015,000
Unamortized Premiums on Bonds.....			1,197,184	347,144	101,928	1,442,400
Total			\$ 102,997,184	\$ 22,957,144	\$ 9,496,928	\$ 116,457,400

Debt service requirements for principal and interest for Governmental bonds payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 9,740,000	\$ 4,262,023	\$ 14,002,023
2013	9,565,000	3,951,860	13,516,860
2014	9,020,000	3,624,451	12,644,451
2015	8,945,000	3,328,271	12,273,271
2016	8,550,000	2,982,434	11,532,434
2017	7,280,000	2,663,083	9,943,083
2018	5,455,000	2,403,213	7,858,213
2019	4,870,000	2,204,851	7,074,851
2020	4,835,000	2,016,125	6,851,125
2021	4,855,000	1,826,525	6,681,525
2022	4,820,000	1,641,227	6,461,227
2023	4,835,000	1,458,063	6,293,063
2024	4,155,000	1,279,600	5,434,600
2025	4,175,000	1,125,163	5,300,163
2026	3,745,000	967,563	4,712,563
2027	3,260,000	819,298	4,079,298
2028	3,250,000	688,900	3,938,900
2029	3,060,000	558,900	3,618,900
2030	2,500,000	436,500	2,936,500
2031	2,500,000	333,750	2,833,750
2032	1,400,000	231,000	1,631,000
2033	1,400,000	175,000	1,575,000
2034	1,400,000	119,000	1,519,000
2035	<u>1,400,000</u>	<u>59,500</u>	<u>1,459,500</u>
Total	\$ <u>115,015,000</u>	\$ <u>39,156,298</u>	\$ <u>154,171,298</u>

The Town has been approved to receive school construction assistance through the Massachusetts School Building Authority (MSBA). The MSBA provides resources for eligible construction costs and related debt interest and borrowing costs.

The Town is in the process of constructing a new High School with an expected total cost of approximately \$116 million. The MSBA has approved contract assistance for this project at a reimbursement rate of 40% of eligible construction costs not to exceed approximately \$44 million. To date the Town has submitted reimbursement requests for approximately \$57.1 million of eligible construction costs and has received reimbursements of \$22.8 million, including \$1.3 million of current receivables at June 30, 2011.

The Town was approved for grants equal to 57% of allowable costs, as defined, for the renovation/expansion projects of the Sprague Elementary School. The Sprague project is being reimbursed over a 12 year period that began in FY2005. The Town expects to receive, in future years, \$3.1 million from the MSBA for all school construction costs incurred by the Town. Accordingly, a \$3.1 million intergovernmental receivable and corresponding deferred revenue liability has been recorded in the general fund.

Bonds and Notes Payable Schedule – Enterprise Funds

Project	Date of Issue	Interest Rate (%)	Outstanding at June 30, 2010	Issued	Redeemed	Outstanding at June 30, 2011
Water System Improvements.....	1998	4.15 - 5.25	\$ 1,290,000	\$ -	\$ 430,000	\$ 860,000
MWRA-Water Bond.....	2006	0.00	310,173	-	51,696	258,477
MWRA-Sewer Bond.....	2006	0.00	24,723	-	24,723	-
MWRA-Water Bond.....	2007	0.00	223,643	-	31,949	191,694
MWRA-Sewer Bond.....	2007	0.00	53,752	-	26,876	26,876
MWRA-Sewer Bond.....	2008	0.00	127,149	-	42,383	84,766
MWRA-Water Bond.....	2008	0.00	132,789	-	16,599	116,190
Water Garage.....	2009	2.5 - 5.0	3,077,500	-	172,500	2,905,000
Sewer Garage.....	2009	2.5 - 5.0	3,077,500	-	172,500	2,905,000
MWRA-Sewer Bond.....	2010	0.00	322,025	-	64,405	257,620
MWRA-Water Bond.....	2011	0.00	-	229,089	-	229,089
MWRA-Sewer Bond.....	2011	0.00	-	229,790	-	229,790
Subtotal			8,639,254	458,879	1,033,631	8,064,502
Unamortized Premiums on Bonds.....			166,485	-	16,568	149,917
Total			<u>\$ 8,805,739</u>	<u>\$ 458,879</u>	<u>\$ 1,050,199</u>	<u>\$ 8,214,419</u>

The interest imputed on the remaining life of the 0% MWRA bonds totaled approximately \$199,000. However, the cost on a yearly basis is deemed immaterial. No adjustments have been made to recognize the imputed interest.

Debt service requirements for principal and interest for enterprise fund bonds and notes payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2012	\$ 1,077,775	\$ 249,871	\$ 1,327,646
2013	1,050,899	218,881	1,269,780
2014	578,516	187,676	766,192
2015	578,516	179,050	757,566
2016	514,108	161,800	675,908
2017	416,457	151,450	567,907
2018	379,508	141,100	520,608
2019	362,909	130,050	492,959
2020	362,909	119,000	481,909
2021	362,909	107,100	470,009
2022	340,000	94,350	434,350
2023	340,000	81,600	421,600
2024	340,000	68,000	408,000
2025	340,000	54,400	394,400
2026	340,000	40,800	380,800
2027	340,000	27,200	367,200
2028	339,997	13,600	353,597
Total	<u>\$ 8,064,502</u>	<u>\$ 2,025,928</u>	<u>\$ 10,090,430</u>

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the program, financial assistance received from the MWRA consists of a grant and non-interest bearing loan. In the current and prior fiscal periods \$2,253,251 of loans subject to repayment were received from this program. At June 30, 2011, the outstanding principal amount of these loans totaled \$1,394,502.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2011, the Town had the following authorized and un-issued debt:

Purpose	Amount
Morses Pond Management.....	\$ 540,000
Storm Water Drainage.....	806,000
Recycling and Disposal Facility.....	400,000
Kingsbury Street Rehab.....	620,000
Town Hall HVAC.....	425,000
MLP Garage.....	1,998,000
Water/Sewer Garage.....	617,000
High School Project.....	14,100,176
DPW Operations Building.....	3,112,732
MWRA Sewer.....	481,238
MWRA Water.....	<u>2,350,000</u>
Total.....	\$ <u>25,450,146</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2011, the following changes occurred in long-term liabilities:

	Balance June 30, 2010	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Balance June 30, 2011	Due Within One Year
Governmental Activities:							
Long-Term Bonds.....	\$ 101,800,000	\$ 22,610,000	\$ (9,395,000)	\$ -	\$ -	\$ 115,015,000	\$ 9,740,000
Unamortized Bond Premium.....	1,197,184	347,144	(101,928)	-	-	1,442,400	129,128
Workers' Compensation.....	528,000	-	-	369,000	(234,000)	663,000	285,000
Compensated Absences.....	174,247	-	-	109,217	(104,500)	178,964	107,400
Total Governmental Activities.....	103,699,431	22,957,144	(9,496,928)	478,217	(338,500)	117,299,364	10,261,528
Business Type Activities:							
Long-Term Bonds.....	8,639,254	458,879	(1,033,631)	-	-	8,064,502	1,077,775
Unamortized Bond Premium.....	166,485	-	(16,568)	-	-	149,917	15,906
Compensated Absences.....	50,186	-	-	18,459	(31,400)	37,245	22,300
Total Business Type Activities.....	8,855,925	458,879	(1,050,199)	18,459	(31,400)	8,251,664	1,115,981
Total.....	\$ <u>112,555,356</u>	\$ <u>23,416,023</u>	\$ <u>(10,547,127)</u>	\$ <u>496,676</u>	\$ <u>(369,900)</u>	\$ <u>125,551,028</u>	\$ <u>11,377,509</u>

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service fund's long-term liabilities are included as part of the governmental activities totals above. At fiscal year end, \$663,000 of

internal service funds accrued workers compensation liability is included above. Except for the amounts related to the internal service funds, the governmental activities long-term liabilities are generally liquidated by the general fund. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures, namely the general fund and the water and electric enterprise funds.

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

In fiscal year 2011, the Town implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

In accordance with Statement No. 54, the stabilization funds have been reported in the general fund, and accordingly, the general fund and Town Stabilization funds beginning balances have been restated from \$17,370,611 to \$20,392,867 and from \$3,022,256 to \$0, respectively.

At June 30, 2011, \$3,045,629 has been set aside in a stabilization fund that is classified as part of the general fund in the governmental funds financial statements. Municipal finance laws of the Commonwealth of Massachusetts authorize municipalities to establish stabilization funds on an as needed basis. The number of and exact purpose of the stabilization funds of the Town are dependent upon authorization and approval of Town Meeting. During fiscal year 2011, the fund recognized interest and investment earnings of \$23,373. The stabilization fund balance can be used for general and/or capital purposes upon approval of Town Meeting. Additions to the fund can only be made upon Town Meeting approval.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

The Town has classified its fund balances with the following hierarchy:

	Governmental Funds			
	General	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances				
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 210,612	\$ 210,612
Restricted for:				
Capital projects.....	-	-	2,038,456	2,038,456
High school construction fund.....	-	25,212,901	-	25,212,901
School lunch.....	-	-	334,227	334,227
Community preservation fund.....	-	-	7,285,359	7,285,359
Grants.....	-	-	459,031	459,031
Receipts reserved.....	-	-	1,128,042	1,128,042
Revolving.....	-	-	2,681,477	2,681,477
Recreation revolving.....	-	-	310,574	310,574
Other special revenue.....	-	-	2,059,223	2,059,223
Permanent funds.....	-	-	1,775,668	1,775,668
Committed to:				
General government.....	2,956,994	-	-	2,956,994
Public safety.....	49,973	-	-	49,973
Education.....	347,265	-	-	347,265
Public works.....	1,225,229	-	-	1,225,229
Assigned to:				
Selectmen/Executive director.....	453	-	-	453
General and management services.....	6,412	-	-	6,412
Treasurer/Collector.....	8,124	-	-	8,124
Facilities maintenance.....	8,789	-	-	8,789
Human services.....	2,100	-	-	2,100
Public safety and protective services - Police.....	9,464	-	-	9,464
Public safety and protective services - Fire.....	10,784	-	-	10,784
Audit committee.....	6,800	-	-	6,800
Zoning board of appeals.....	274	-	-	274
Permanent building committee.....	53	-	-	53
Board of health.....	3,039	-	-	3,039
Natural resources commission.....	15	-	-	15
Planning board.....	300	-	-	300
Town clerk/election and registration.....	290	-	-	290
Legal services and expenses.....	18,478	-	-	18,478
Public works.....	139,554	-	-	139,554
Education.....	989,646	-	-	989,646
Unassigned.....	15,961,930	-	-	15,961,930
Total Fund Balances.....	\$ 21,745,966	\$ 25,212,901	\$ 18,282,669	\$ 65,241,536

NOTE 9 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has purchased commercial insurance for these risks, except for those risks identified in the following paragraphs, which the Town accounts for in its Internal Service Fund. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

During 1991, the Town entered into an agreement with certain suburban communities and other governmental units forming the West Suburban Health Group (the "Group). The purpose of the Group is for the joint negotiation

and purchase of health coverage with insurance carriers. Under these agreements, the insurance claims of the covered employees are paid for by the insurance carrier and are subsequently reimbursed by the Group. The Group charges monthly premiums to each governmental unit based upon requirements established through underwriting or actuarial estimates. The Group also maintains a deposit with the insurance carrier which is sufficient to cover two months of claims paid by the carrier for the Group. In addition, the Group provides full reinsurance coverage for all claim costs in excess of \$225,000 per covered employee.

In the event of a dissolution of the Group or if the assets of the Group are insufficient to pay claims which occur, the Town remains liable. As of June 30, 2011, the Group had an unaudited fund balance of approximately \$19.9 million. The Town’s total potential liability is not based on its participants’ claims but on the pro rata share of any deficit based on the ratio of the Town’s members to total participants at the time of dissolution. At June 30, 2011, the Group’s mandatory deposit, discussed above, is sufficient to cover the Town’s projected liability for incurred but not reported claims as of that date.

The Town is self-insured for workers’ compensation claims. An actuary, Towers Watson, was hired to estimate the losses which the Town would have to pay under the self-insured plan. The Town recorded a liability in its Internal Service Fund to reserve against future losses. This liability includes a provision for estimated claims incurred but not reported. In addition to these reserves, the Town retains insurance against claims in excess of \$250,000 per employee.

Changes in the Workers’ Compensation Fund claims liability amount for the fiscal years ended June 30 were as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End	Current Portion
Fiscal Year 2010.....	\$ 550,000	\$ 349,346	\$ (371,346)	\$ 528,000	\$ 234,000
Fiscal Year 2011.....	528,000	511,938	(376,938)	663,000	285,000

NOTE 10 – CONTRIBUTORY RETIREMENT SYSTEM

Plan Description - The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Wellesley Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$10.7 million for the fiscal year ended June 30, 2011, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Wellesley Contributory Retirement Board and are borne by the System. The System issues a publicly available audited financial report that may be obtained by contacting the System at 525 Washington Street, Wellesley, MA 02482.

At December 31, 2010, the System's membership consists of the following:

Active members.....	674
Inactive members.....	194
Disabled members.....	30
Retirees and beneficiaries currently receiving benefits.....	<u>372</u>
Total.....	<u><u>1,270</u></u>

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers did not require the Town to make an annual contribution to the System. Chapter 32 of the MGL governs the contributions of plan members and the Town.

Annual Pension Cost - The Town's contributions to the System for the last three fiscal years ended June 30, 2011, 2010, and 2009 were \$2,000,000, \$1,000,000 and \$0, respectively, which equaled its required contribution for each fiscal year. The required contribution was determined as part of the January 1, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included an 8.0% investment rate of return and projected salary increases of 4.0% per year. The actuarial value of the System's assets, prior to the January 1, 2010 valuation, was equal to actual market value less an unrecognized return in each of the last 5 years. Unrecognized return is equal to the difference between actual market value and an expected rate of return. The difference is recognized over a 5 year period. The actuarial value of the System's assets was changed from the market value method to a five-year smoothing method in the most recent valuation.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/10	\$ 129,514,453	\$ 149,447,086	\$ 19,932,633	86.7%	\$ 32,053,329	62.2%
01/01/08	144,298,124	136,021,926	(8,276,198)	106.1%	30,256,013	-27.4%
01/01/06	127,011,492	123,086,217	(3,925,275)	103.2%	26,392,253	-14.9%
01/01/04	116,792,365	112,846,159	(3,946,206)	103.5%	23,172,848	-17.0%
01/01/03	119,033,662	114,811,026	(4,222,636)	103.7%	22,572,703	-18.7%
01/01/01	123,291,025	92,278,891	(31,012,134)	133.6%	21,561,329	-143.8%
01/01/99	106,295,893	81,975,372	(24,320,521)	129.7%	17,694,603	-137.4%
01/01/97	78,665,972	69,141,005	(9,524,967)	113.8%	17,800,326	-53.5%

The UAAL amounts bracketed in the column above represents an over-funding of the actuarial accrued liability.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The Town implemented the provisions of GASB Statement 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, during fiscal year 2007 and established its “Other Postemployment Benefit Trust Fund”. The Town voted to begin pre-funding its OPEB liabilities through the use of this irrevocable trust.

Plan Description – The Town maintains a single employer defined benefit healthcare plan (“The Other Postemployment Benefit Plan”). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the Plan. The plan provides the benefits by participating in the West Suburban Health Group. Medical and prescription drug benefits are provided to all eligible retirees through a variety of plans offered by Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim Health Care, Tufts Health Plan, and Fallon Community Health Plan, as well as an out-of-area indemnity plan administered by North American Administrators. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The plan also pays 50% of the retiree life insurance premiums. The Other Postemployment Benefit Plan does not issue a publicly available financial report.

The Town adopted MGL, Chapter 32B, Section 18 in April 2006, requiring all Medicare-eligible retirees to enroll in a Medicare supplement plan. The effects of this adoption have been included in the determination of OPEB liabilities by the Town’s actuary.

At June 30, 2011, the Plan’s membership consisted of the following:

Current retirees, beneficiaries, and dependents.....	903
Current active members.....	<u>923</u>
Total.....	<u><u>1,826</u></u>

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. Retired plan members and beneficiaries currently receiving benefits are required to contribute between 17.7% and 50% of the cost of benefits provided depending on the plan they choose. The Town is required to contribute the balance of the current premiums and may contribute additional amounts to pre-fund benefits. The Town contributed \$9,478,438 during fiscal year 2011 towards these benefits in addition to the pre-funding amount discussed below. Administrative costs of the Plan are assumed to be included in the fully insured premium rates.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish the Postemployment Benefit Trust Fund and to enable the Town to raise taxes necessary to begin pre-funding its OPEB liabilities. During fiscal year 2010, the Town pre-funded future OPEB liabilities in the amount of \$3 million.

Annual OPEB Cost and Net OPEB Obligation – The Town’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of 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 obligations/(assets) are summarized in the following table:

Annual required contribution.....	\$	9,182,304
Interest on net OPEB obligation/(asset).....		(230,597)
Adjustments to annual required contribution.....		<u>175,659</u>
Annual OPEB cost.....		9,127,366
Contributions made.....		<u>(9,478,438)</u>
Increase/(Decrease) in net OPEB obligation.....		(351,072)
Net OPEB obligation/(asset) - beginning of year.....		<u>(3,074,621)</u>
Net OPEB obligation/(asset) - end of year.....	\$	<u><u>(3,425,693)</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the three most recent preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation/ (Asset)</u>
6/30/2011	\$ 9,127,366	104%	\$ (3,425,693)
6/30/2010	8,506,559	112%	(3,074,621)
6/30/2009	8,159,418	129%	(2,061,739)
6/30/2008	7,794,493	97%	270,275

Funded Status and Funding Progress – The funded status of the Plan as of the most recent actuarial valuation dates is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
06/30/10	\$ 11,133,131	\$ 125,582,243	\$ 114,449,112	8.87%	\$ 65,958,264	173.52%
06/30/08	3,961,548	109,103,295	105,141,747	3.63%	61,221,013	171.74%

Actual 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 the 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. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 the 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 the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following additional information is provided as of the latest actuarial valuation:

Valuation date.....	June 30, 2010
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Payments increasing at 4%
Remaining amortization period.....	27 years as of July 1, 2010, closed
Asset valuation method.....	Market value
Actuarial assumptions:	
Investment rate of return.....	7.5% pre-funding scenario (1)
Inflation rate.....	4.0%
Projected salary increases.....	4.0%
Medical/Drug cost trend rate.....	9% decreasing by 0.50% for 8 years to an ultimate level of 5.0% per year

(1) The June 30, 2010 actuarial valuation provided additional disclosure of the impact of a reduction in the discount rate from 7.5% to 7.0%. The Actuarial Accrued Liability (AAL) calculated at 7.0% would have increased from \$125.2 million to \$135.6 million.

NOTE 12 – COMMITMENTS

The Town is in the process of constructing a new high school with an estimated cost of approximately \$116 million. Approximately \$69 million has been expended on the high school as of June 30, 2011.

NOTE 13 - CONTINGENCIES

The Town participates in a number of Federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2011, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2011, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2011.

NOTE 14 – RESTATEMENT OF BEGINNING NET ASSETS

The beginning balance in the Municipal Light Plant Enterprise Fund was restated by approximately \$864,000 relating to metering calculation errors discovered during fiscal year 2011 that affected customer billings in prior fiscal years. This restatement decreased beginning fund balance from \$56,938,397 to \$56,074,739.

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2011, the following GASB pronouncements were implemented:

- GASB Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented in fiscal year 2011. Financial statements changes include new fund balance designations and the reclassification of stabilization funds from the special revenue fund to the general fund. Notes to the basic financial statements were changed to provide additional disclosure on the new designations of fund balance.
- GASB Statement #59, *Financial Instruments Omnibus*, was implemented in fiscal year 2011 and did not impact the financial statements.

Future implementation of GASB pronouncements:

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013. Management expects that the implementation of this pronouncement will have an impact on the basic financial statements and management is in the process of determining the exact impact.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.
- The GASB issued Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.
- The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will have a significant impact on the presentation of the basic financial statements.
- The GASB issued Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*, which is required to be implemented in fiscal year 2012. Management does not believe that this pronouncement will require additional disclosure or impact the basic financial statements.

Required Supplementary Information

General Fund Budgetary Comparison Schedule

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

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Amounts	
	Original Budget	Final Budget		Carried Forward To Next Year	Variance to Final Budget
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 99,704,961	\$ 99,704,961	\$ 99,660,977	\$ -	(43,984)
Tax liens.....	-	-	410,894	-	410,894
Motor vehicle and other excise taxes.....	4,165,000	4,165,000	4,176,809	-	11,809
Penalties and interest on taxes.....	240,000	240,000	369,700	-	129,700
Payments in lieu of taxes.....	380,000	380,000	528,646	-	148,646
Intergovernmental.....	9,262,640	9,262,640	9,234,631	-	(28,009)
Departmental and other.....	2,861,800	2,861,800	4,524,863	-	1,663,063
Interest income.....	1,225,000	1,225,000	577,148	-	(647,852)
TOTAL REVENUES.....	117,839,401	117,839,401	119,483,668	-	1,644,267
EXPENDITURES:					
Selectmen/Executive Director:					
Personal Services.....	383,184	383,184	375,817	-	7,367
Expenses.....	27,330	27,330	24,821	453	2,056
	<u>410,514</u>	<u>410,514</u>	<u>400,638</u>	<u>453</u>	<u>9,423</u>
Finance Department:					
Personal Services.....	343,109	333,109	310,546	-	22,563
Expenses.....	8,990	8,990	4,685	-	4,305
	<u>352,099</u>	<u>342,099</u>	<u>315,231</u>	<u>-</u>	<u>26,868</u>
General and Management Services:					
Personal Services.....	45,742	46,160	46,160	-	-
Expenses.....	168,840	168,841	148,028	6,412	14,401
	<u>214,582</u>	<u>215,001</u>	<u>194,188</u>	<u>6,412</u>	<u>14,401</u>
Treasurer/Collector:					
Personal Services.....	249,074	249,074	246,892	-	2,182
Expenses.....	229,975	229,975	147,639	8,124	74,212
	<u>479,049</u>	<u>479,049</u>	<u>394,531</u>	<u>8,124</u>	<u>76,394</u>
Facilities Maintenance:					
Personal Services.....	779,020	672,980	643,524	-	29,456
Expenses.....	211,919	228,422	217,353	8,789	2,280
Capital Outlay.....	540,591	450,418	202,742	232,505	15,171
	<u>1,531,530</u>	<u>1,351,820</u>	<u>1,063,619</u>	<u>241,294</u>	<u>46,907</u>
Network Information Services:					
Personal Services.....	441,879	446,438	446,438	-	-
Expenses.....	207,373	207,373	207,373	-	-
Capital Outlay.....	20,000	20,000	20,000	-	-
	<u>669,252</u>	<u>673,811</u>	<u>673,811</u>	<u>-</u>	<u>-</u>
Human Services:					
Personal Services.....	272,122	269,724	258,160	-	11,564
Expenses.....	119,445	176,599	173,516	2,100	983
	<u>391,567</u>	<u>446,323</u>	<u>431,676</u>	<u>2,100</u>	<u>12,547</u>
Public Safety and Protective Services - Police:					
Personal Services.....	4,616,214	4,591,214	4,587,060	-	4,154
Expenses.....	716,964	716,964	705,049	9,464	2,451
Capital Outlay.....	44,175	44,175	43,199	-	976
	<u>5,377,353</u>	<u>5,352,353</u>	<u>5,335,308</u>	<u>9,464</u>	<u>7,581</u>
Public Safety and Protective Services - Fire:					
Personal Services.....	4,165,250	4,215,250	4,201,253	-	13,997
Expenses.....	347,269	342,269	318,114	13,858	10,297
Capital Outlay.....	152,800	152,800	105,901	46,899	-
	<u>4,665,319</u>	<u>4,710,319</u>	<u>4,625,268</u>	<u>60,757</u>	<u>24,294</u>

(Continued)

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Amounts	Variance to Final Budget
	Original Budget	Final Budget		Carried Forward To Next Year	
Public Safety and Protective Services - All Other:					
Personal Services.....	436,069	436,587	386,705	-	49,882
Expenses.....	108,285	108,285	99,131	-	9,154
	<u>544,354</u>	<u>544,872</u>	<u>485,836</u>	<u>-</u>	<u>59,036</u>
Historical Commission.....	750	750	229	-	521
Historical District Commission.....	250	250	80	-	170
Zoning Board of Appeals:					
Personal Services.....	46,932	46,932	46,932	-	-
Expenses.....	7,284	7,284	6,786	274	224
	<u>54,216</u>	<u>54,216</u>	<u>53,718</u>	<u>274</u>	<u>224</u>
Advisory Committee:					
Personal Services.....	8,681	8,681	5,915	-	2,766
Expenses.....	13,800	13,800	12,336	-	1,464
	<u>22,481</u>	<u>22,481</u>	<u>18,251</u>	<u>-</u>	<u>4,230</u>
Audit Committee.....	56,250	63,050	56,250	6,800	-
Permanent Building Committee:					
Personal Services.....	9,546	9,546	9,296	-	250
Expenses.....	5,900	5,900	5,142	53	705
Capital Outlay.....	1,039,563	2,784,636	373,673	2,349,348	61,615
	<u>1,055,009</u>	<u>2,800,082</u>	<u>388,111</u>	<u>2,349,401</u>	<u>62,570</u>
Human Resources Board:					
Personal Services.....	274,608	265,998	260,546	-	5,452
Expenses.....	20,175	20,175	17,823	-	2,352
	<u>294,783</u>	<u>286,173</u>	<u>278,369</u>	<u>-</u>	<u>7,804</u>
Assessors:					
Personal Services.....	238,845	238,845	226,022	-	12,823
Expenses.....	72,932	72,932	60,031	-	12,901
	<u>311,777</u>	<u>311,777</u>	<u>286,053</u>	<u>-</u>	<u>25,724</u>
Board of Health:					
Personal Services.....	332,520	332,520	323,536	-	8,984
Expenses.....	93,320	93,320	84,379	2,285	6,656
Mental Health Services.....	222,399	222,399	196,516	754	25,129
	<u>648,239</u>	<u>648,239</u>	<u>604,431</u>	<u>3,039</u>	<u>40,769</u>
Natural Resources Commission:					
Personal Services.....	177,561	177,561	164,183	-	13,378
Expenses.....	293,822	433,822	141,242	244,777	47,803
Capital Outlay.....	101,000	165,910	100,652	65,258	-
	<u>572,383</u>	<u>777,293</u>	<u>406,077</u>	<u>310,035</u>	<u>61,181</u>
Planning Board:					
Personal Services.....	208,767	209,234	209,234	-	-
Expenses.....	56,142	56,143	16,434	13,919	25,790
	<u>264,909</u>	<u>265,377</u>	<u>225,668</u>	<u>13,919</u>	<u>25,790</u>
Recreation Commission:					
Personal Services.....	267,352	268,821	268,821	-	-
Expenses.....	61,068	61,068	49,887	-	11,181
	<u>328,420</u>	<u>329,889</u>	<u>318,708</u>	<u>-</u>	<u>11,181</u>
Town Clerk/Election and Registration:					
Personal Services.....	248,908	256,837	244,340	-	12,497
Expenses.....	97,750	98,270	44,190	51,790	2,290
	<u>346,658</u>	<u>355,107</u>	<u>288,530</u>	<u>51,790</u>	<u>14,787</u>
Legal Services and Expenses.....	283,709	283,709	235,905	18,478	29,326
Reserve Fund.....	175,000	140,200	-	-	140,200

(Continued)

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
Celebrations.....	4,700	4,700	4,700	-	-
Risk Management.....	312,000	307,000	246,669	-	60,331
Employee Group Life and Health Insurance.....	16,633,918	16,633,918	16,633,918	-	-
Pensions and Annuities.....	1,762,218	1,762,218	1,714,065	-	48,153
Workers Compensation.....	225,363	225,363	225,363	-	-
Compensated Absences.....	90,000	85,000	22,729	-	62,271
Wellesley Free Library and branches thereof:					
Personal Services.....	1,669,184	1,683,504	1,678,735	-	4,769
Expenses.....	643,873	686,494	679,773	-	6,721
Capital Outlay.....	34,215	34,215	33,490	-	725
	<u>2,347,272</u>	<u>2,404,213</u>	<u>2,391,998</u>	<u>-</u>	<u>12,215</u>
Public works:					
Personal Services.....	3,740,693	3,723,705	3,719,664	-	4,041
Expenses.....	4,714,229	4,698,229	3,680,513	1,013,701	4,015
Winter Maintenance.....	348,703	1,098,703	1,091,633	1,000	6,070
Capital Outlay.....	1,300,000	1,332,988	949,919	350,081	32,988
	<u>10,103,625</u>	<u>10,853,625</u>	<u>9,441,729</u>	<u>1,364,782</u>	<u>47,114</u>
Radio masterbox:					
Personal Services.....	57,497	85,000	84,728	-	272
Expenses.....	54,640	27,137	27,131	-	6
	<u>112,137</u>	<u>112,137</u>	<u>111,859</u>	<u>-</u>	<u>278</u>
Education.....	62,631,469	62,816,827	57,221,538	5,040,915	554,374
State and county charges.....	1,084,863	1,084,863	1,054,462	-	30,401
Debt service:					
Principal.....	9,395,000	9,395,000	9,395,000	-	-
Interest.....	3,784,370	3,784,370	3,784,370	-	-
	<u>13,179,370</u>	<u>13,179,370</u>	<u>13,179,370</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES.....	<u>127,537,388</u>	<u>130,333,988</u>	<u>119,328,886</u>	<u>9,488,037</u>	<u>1,517,065</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	<u>(9,697,987)</u>	<u>(12,494,587)</u>	<u>154,782</u>	<u>(9,488,037)</u>	<u>3,161,332</u>
OTHER FINANCING SOURCES (USES):					
Premium from issuance of bonds.....	-	-	347,144	-	347,144
Transfers in.....	1,352,775	1,352,775	1,461,376	-	108,601
Transfers out.....	(100,000)	(100,000)	(100,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	<u>1,252,775</u>	<u>1,252,775</u>	<u>1,708,520</u>	<u>-</u>	<u>455,745</u>
NET CHANGE IN FUND BALANCE.....	(8,445,212)	(11,241,812)	1,863,302	(9,488,037)	3,617,077
BUDGETARY FUND BALANCE, Beginning of year.....	20,677,321	20,677,321	20,677,321	-	(1,138,722)
BUDGETARY FUND BALANCE, End of year.....	<u>\$ 12,232,109</u>	<u>\$ 9,435,509</u>	<u>\$ 22,540,623</u>	<u>\$ (9,488,037)</u>	<u>\$ 2,478,355</u>

See notes to required supplementary information.

(Concluded)

Other Postemployment Benefit Plan Schedules

The Schedule of Funding Progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions compares, over time, the Annual Required Contributions to the Actual Contributions made.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

JUNE 30, 2011

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2010	\$ 11,133,131	\$ 125,582,243	\$ 114,449,112	8.87%	\$ 65,958,264	173.52%
6/30/2008	3,961,548	109,103,295	105,141,747	3.63%	61,221,013	171.74%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions Made	Percentage Contributed
2007	\$ -	\$ 848,562 (1)	N/A
2008	7,794,493	7,524,218	96.5%
2009	8,159,418	10,491,432	128.6%
2010	8,506,559	9,519,441	111.9%
2011	9,182,304	9,478,438	103.2%

(1) \$848,562 represents a pre-funding in FY2007 in anticipation of future benefits.

The Town implemented GASB Statement No. 45 for the fiscal year ended June 30, 2008.

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

FISCAL YEAR ENDED JUNE 30, 2011

Actuarial Methods:

Valuation date.....	June 30, 2010
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 4.0%
Remaining amortization period.....	27 years as of July 1, 2010, closed
Asset valuation method.....	Market value

Actuarial Assumptions:

Investment rate of return.....	7.5% pre-funding scenario
Inflation rate.....	4.0%
Projected salary increases.....	4.0%
Medical/drug cost trend rate.....	9.0% decreasing by 0.50% for 8 years to an ultimate level of 5.0% per year

Plan Membership:

Current retirees, beneficiaries, and dependents.....	903
Current active members.....	<u>923</u>
Total.....	<u><u>1,826</u></u>

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved at the Annual Town Meeting. The Town has an Advisory Committee that submits reports on proposed appropriations at Town Meetings.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations among departments require the approval of Town Meeting.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year’s original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of the Board of Selectmen and written approval from the Massachusetts Department of Revenue.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2011 budget consisted of approximately \$119 million in appropriations and other amounts to be raised. Included in the original budget are approximately \$8.4 million in amounts carried over from previous fiscal years.

The Financial Services Department has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Budgetary – GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2011, is presented below:

Net change in fund balance, budgetary basis.....	\$ 1,863,302
<u>Perspective difference:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	23,373
<u>Basis of accounting differences:</u>	
Net change in revenue accrual.....	73,000
Net change in expenditure accrual - Teacher's summer pay.....	(279,903)
Net change in tax refunds payable.....	(326,673)
Recognition of revenue for on-behalf payments.....	10,681,200
Recognition of expenditures for on-behalf payments.....	<u>(10,681,200)</u>
Net change in fund balance, GAAP basis.....	<u>\$ 1,353,099</u>

NOTE B – OTHER POSTEMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan (“The Other Postemployment Benefit Plan”). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members.

The Town currently finances its other postemployment benefits (OPEB) on a combined pre-funded and a pay-as-you-go basis whereby the funding schedule is designed to pay the normal cost currently and amortize the unfunded liability over a period of 30 years. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarially accrued liability) as of the most recent valuation was 8.87%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents multiyear trend information of contributions relating to the plan.

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

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

Combining Statements

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenue sources that are restricted by law or administrative action to expenditures for specific purposes.

School Lunch Fund – This fund accounts for the school cafeteria activities and is funded by user fees and grants.

Community Preservation Fund – This fund is used to account for funds received in accordance with the Community Preservation Act (the CPA). Funds are received under the CPA through a surcharge of 1% of the real property tax levy and matching state grants. The funds are spent for the acquisition, creation and preservation of open space, historic resources and affordable housing.

Grant Fund – This fund accounts for Federal and state grants which are designated for specific programs.

Receipts Reserved Fund – This fund accounts for specific receipts identified by the Commonwealth that are to be held until appropriated.

Revolving Fund – This fund accounts for self-supporting programs sponsored by the Town.

Recreation Revolving Fund – This fund accounts for self-supporting recreational programs sponsored by the Town's recreation department.

Other – This fund accounts for all other legally established special revenues where the funds are spent on governmental purposes.

CAPITAL PROJECTS FUND

The capital projects fund is used to account for financial resources for the acquisition of major capital assets except those financed entirely with grants from the Commonwealth.

PERMANENT FUND

The Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the Town's programs. The Town maintains one fund to account for nonexpendable contributions and expendable earnings that can be spent on governmental purposes.

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2011

	Special Revenue Funds				
ASSETS	<u>School Lunch</u>	<u>Community Preservation</u>	<u>Grants</u>	<u>Receipts Reserved</u>	<u>Revolving</u>
Cash and cash equivalents.....	\$ 381,220	\$ 6,659,089	\$ 529,638	\$ 1,139,508	\$ 2,759,087
Investments.....	-	615,349	-	-	-
Receivables, net of uncollectibles:					
Departmental and other.....	-	7,530	-	-	106,090
Intergovernmental.....	-	224,324	-	-	-
TOTAL ASSETS.....	\$ 381,220	\$ 7,506,292	\$ 529,638	\$ 1,139,508	\$ 2,865,177
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 20,973	\$ -	\$ 68,945	\$ 10,075	\$ 81,732
Accrued payroll.....	26,020	-	1,662	1,391	5,458
Deferred revenues.....	-	220,933	-	-	96,510
TOTAL LIABILITIES.....	46,993	220,933	70,607	11,466	183,700
FUND BALANCES:					
Nonspendable.....	-	-	-	-	-
Restricted.....	334,227	7,285,359	459,031	1,128,042	2,681,477
TOTAL FUND BALANCES.....	334,227	7,285,359	459,031	1,128,042	2,681,477
TOTAL LIABILITIES AND FUND BALANCES...	\$ 381,220	\$ 7,506,292	\$ 529,638	\$ 1,139,508	\$ 2,865,177

Special Revenue Funds					
Recreation Revolving	Other	Sub-total	Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
\$ 363,324	\$ 2,090,076	\$ 13,921,942	\$ 1,989,815	\$ 707,579	\$ 16,619,336
-	-	615,349	48,900	1,282,113	1,946,362
-	-	113,620	-	-	113,620
-	-	224,324	-	-	224,324
<u>\$ 363,324</u>	<u>\$ 2,090,076</u>	<u>\$ 14,875,235</u>	<u>\$ 2,038,715</u>	<u>\$ 1,989,692</u>	<u>\$ 18,903,642</u>
\$ 21,125	\$ 27,685	\$ 230,535	\$ 259	\$ 3,412	\$ 234,206
31,625	3,168	69,324	-	-	69,324
-	-	317,443	-	-	317,443
<u>52,750</u>	<u>30,853</u>	<u>617,302</u>	<u>259</u>	<u>3,412</u>	<u>620,973</u>
-	-	-	-	210,612	210,612
<u>310,574</u>	<u>2,059,223</u>	<u>14,257,933</u>	<u>2,038,456</u>	<u>1,775,668</u>	<u>18,072,057</u>
<u>310,574</u>	<u>2,059,223</u>	<u>14,257,933</u>	<u>2,038,456</u>	<u>1,986,280</u>	<u>18,282,669</u>
<u>\$ 363,324</u>	<u>\$ 2,090,076</u>	<u>\$ 14,875,235</u>	<u>\$ 2,038,715</u>	<u>\$ 1,989,692</u>	<u>\$ 18,903,642</u>

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2011

	Special Revenue Funds				
	School Lunch	Community Preservation	Grants	Receipts Reserved	Revolving
REVENUES:					
Charges for services.....	\$ 1,006,756	\$ -	\$ -	\$ -	\$ -
Parking meter receipts.....	-	-	-	647,624	-
Intergovernmental.....	120,689	227,925	3,887,722	-	35,828
Departmental and other.....	-	-	-	-	2,999,557
Community preservation tax.....	-	897,294	-	-	-
Contributions.....	-	-	-	-	86,910
Interest income.....	-	20,922	-	-	-
TOTAL REVENUES.....	1,127,445	1,146,141	3,887,722	647,624	3,122,295
EXPENDITURES:					
Current:					
General government.....	-	-	1,564	-	11,516
Public safety.....	-	-	140,169	-	730,632
Public education.....	985,368	-	3,235,642	-	1,849,011
Public works.....	-	-	361,884	-	230,443
Health and human services.....	-	-	19,799	-	158,784
Recreation.....	-	-	29,932	-	28,407
Library.....	-	-	30,377	-	-
Employee benefits.....	-	-	-	-	-
Traffic and parking management.....	-	-	-	523,460	-
Community preservation.....	-	856,184	-	-	-
TOTAL EXPENDITURES.....	985,368	856,184	3,819,367	523,460	3,008,793
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	142,077	289,957	68,355	124,164	113,502
OTHER FINANCING SOURCES (USES):					
Issuance of long-term debt.....	-	-	-	-	-
Transfers in.....	-	-	-	-	-
Transfers out.....	(204,300)	-	-	(18,275)	(160,265)
TOTAL OTHER FINANCING SOURCES (USES).....	(204,300)	-	-	(18,275)	(160,265)
NET CHANGE IN FUND BALANCES.....	(62,223)	289,957	68,355	105,889	(46,763)
FUND BALANCES AT BEGINNING OF YEAR.....	396,450	6,995,402	390,676	1,022,153	2,728,240
FUND BALANCES AT END OF YEAR.....	\$ 334,227	\$ 7,285,359	\$ 459,031	\$ 1,128,042	\$ 2,681,477

Special Revenue Funds					
Recreation Revolving	Other	Sub-total	Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
\$ -	\$ 20,343	\$ 1,027,099	\$ -	\$ -	\$ 1,027,099
-	-	647,624	-	-	647,624
-	1,241,498	5,513,662	-	-	5,513,662
1,077,411	26,238	4,103,206	-	-	4,103,206
-	-	897,294	-	-	897,294
-	1,139,160	1,226,070	-	-	1,226,070
-	-	20,922	-	116,899	137,821
<u>1,077,411</u>	<u>2,427,239</u>	<u>13,435,877</u>	<u>-</u>	<u>116,899</u>	<u>13,552,776</u>
-	111,665	124,745	21,806	1,184	147,735
-	13,698	884,499	12,664	-	897,163
-	1,837,212	7,907,233	184,458	-	8,091,691
-	20,170	612,497	-	-	612,497
-	53,080	231,663	-	-	231,663
939,838	93,644	1,091,821	-	317,094	1,408,915
-	270,647	301,024	-	-	301,024
-	-	-	-	108,807	108,807
-	-	523,460	-	-	523,460
-	-	856,184	-	-	856,184
<u>939,838</u>	<u>2,400,116</u>	<u>12,533,126</u>	<u>218,928</u>	<u>427,085</u>	<u>13,179,139</u>
<u>137,573</u>	<u>27,123</u>	<u>902,751</u>	<u>(218,928)</u>	<u>(310,186)</u>	<u>373,637</u>
-	-	-	610,000	-	610,000
-	-	-	35,265	100,000	135,265
<u>(113,801)</u>	<u>-</u>	<u>(496,641)</u>	<u>-</u>	<u>-</u>	<u>(496,641)</u>
<u>(113,801)</u>	<u>-</u>	<u>(496,641)</u>	<u>645,265</u>	<u>100,000</u>	<u>248,624</u>
23,772	27,123	406,110	426,337	(210,186)	622,261
<u>286,802</u>	<u>2,032,100</u>	<u>13,851,823</u>	<u>1,612,119</u>	<u>2,196,466</u>	<u>17,660,408</u>
<u>\$ 310,574</u>	<u>\$ 2,059,223</u>	<u>\$ 14,257,933</u>	<u>\$ 2,038,456</u>	<u>\$ 1,986,280</u>	<u>\$ 18,282,669</u>

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other governmental units, on a cost reimbursement basis.

Network Information Services Fund – This fund is used to control the cost of providing network services to all Town departments.

Vehicle Maintenance Fund – This fund is used to account for the maintenance and fuel costs of all Town vehicles.

Health Insurance Fund – This fund is used to account for the payment of health and other employee benefit programs.

Workers Compensation Fund – This fund is used to account for self-insured activities of providing workers compensation benefits to Town employees.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2011

	Network Information Services	Fleet Maintenance	Health Insurance	Worker's Compensation	Total Internal Service Funds
ASSETS					
CURRENT:					
Cash and cash equivalents..... \$	53,803	\$ 146,336	\$ 2,340,837	\$ 153,539	\$ 2,694,515
Investments.....	45,782	-	73,303	262,434	381,519
Receivables, net of allowance for uncollectibles:					
Departmental and other.....	-	-	15,930	-	15,930
TOTAL ASSETS.....	99,585	146,336	2,430,070	415,973	3,091,964
LIABILITIES					
CURRENT:					
Warrants payable.....	4,222	-	-	-	4,222
Accrued payroll.....	17,160	11,623	-	219	29,002
Workers' compensation.....	-	-	-	285,000	285,000
Total current liabilities.....	21,382	11,623	-	285,219	318,224
NONCURRENT:					
Workers' compensation.....	-	-	-	378,000	378,000
TOTAL LIABILITIES.....	21,382	11,623	-	663,219	696,224
NET ASSETS					
Unrestricted..... \$	78,203	\$ 134,713	\$ 2,430,070	\$ (247,246)	\$ 2,395,740

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2011

	Network Information Services	Fleet Maintenance	Health Insurance	Worker's Compensation	Total Internal Service Funds
OPERATING REVENUES:					
Employee contributions	\$ -	\$ -	\$ 5,651,043	\$ -	\$ 5,651,043
Charges for services	926,509	1,191,927	12,230,918	247,387	14,596,741
TOTAL OPERATING REVENUES	926,509	1,191,927	17,881,961	247,387	20,247,784
OPERATING EXPENSES:					
Supplies and services.....	927,486	1,103,148	18,389,561	511,938	20,932,133
OPERATING INCOME (LOSS).....	(977)	88,779	(507,600)	(264,551)	(684,349)
NONOPERATING REVENUES (EXPENSES):					
Investment income.....	-	-	6,465	9,726	16,191
CHANGE IN NET ASSETS.....	(977)	88,779	(501,135)	(254,825)	(668,158)
NET ASSETS AT BEGINNING OF YEAR.....	79,180	45,934	2,931,205	7,579	3,063,898
NET ASSETS AT END OF YEAR.....	\$ 78,203	\$ 134,713	\$ 2,430,070	\$ (247,246)	\$ 2,395,740

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2011

	Network Information Services	Fleet Maintenance	Health Insurance	Worker's Compensation	Total Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>					
Receipts from customers and users.....	\$ -	\$ -	\$ 5,645,838	\$ -	\$ 5,645,838
Receipts from interfund services provided.....	926,509	1,191,927	12,230,918	247,387	14,596,741
Payments to employees.....	-	-	-	(376,719)	(376,719)
Payments for interfund services used.....	(945,860)	(1,172,079)	(18,402,580)	-	(20,520,519)
NET CASH FROM OPERATING ACTIVITIES.....	(19,351)	19,848	(525,824)	(129,332)	(654,659)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>					
Proceeds from sales and maturities of investments.....	79,196	-	220,568	362,641	662,405
Purchase of investments.....	(45,782)	-	(73,303)	(262,434)	(381,519)
Investment income.....	-	-	6,465	9,726	16,191
NET CASH FROM INVESTING ACTIVITIES.....	33,414	-	153,730	109,933	297,077
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	14,063	19,848	(372,094)	(19,399)	(357,582)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	39,740	126,488	2,712,931	172,938	3,052,097
CASH AND CASH EQUIVALENTS, END OF YEAR.....	\$ 53,803	\$ 146,336	\$ 2,340,837	\$ 153,539	\$ 2,694,515
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>					
Operating income (loss).....	\$ (977)	\$ 88,779	\$ (507,600)	\$ (264,551)	\$ (684,349)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Changes in assets and liabilities:					
Departmental and other.....	-	-	(5,205)	-	(5,205)
Warrants payable.....	(21,810)	(67,800)	(13,019)	-	(102,629)
Accrued payroll.....	3,436	(1,131)	-	219	2,524
Workers' compensation.....	-	-	-	135,000	135,000
Total adjustments.....	(18,374)	(68,931)	(18,224)	135,219	29,690
NET CASH FROM OPERATING ACTIVITIES.....	\$ (19,351)	\$ 19,848	\$ (525,824)	\$ (129,332)	\$ (654,659)

Fiduciary Funds

Agency Fund – This fund is used to account for payroll withholdings and other amounts held in a fiduciary capacity for nongovernmental purposes.

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Agency Accounts July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Agency Accounts June 30, 2011</u>
ASSETS				
Cash and cash equivalents.....	\$ 1,100,126	\$ 16,669,139	\$ (16,687,922)	\$ 1,081,343
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LIABILITIES				
Liabilities due depositors.....	\$ 1,100,126	\$ 16,669,139	\$ (16,687,922)	\$ 1,081,343
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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Statistical Section

Statistical tables differ from financial statements since they usually cover more than one fiscal year and may present non-accounting data. The following tables reflect social and economic data, financial trends, and fiscal capacity.



The new Wellesley High School.

Town of Wellesley, Massachusetts
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2011

Statistical Section

This part of the Town of Wellesley's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

Financial Trends

- These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity

- These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.

Debt Capacity

- These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Demographic and Economic Information

- These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

Operating Information

- These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

SOURCES: Unless otherwise noted, the information in these schedules is derived from the audited financial reports for the relevant year. The Town implemented GASB Statement No. 34 in 2003; schedules presenting government-wide information include information beginning in that year.

**Net Assets By Component
Last Nine Fiscal Years**

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities									
Invested in capital assets, net of related debt.....	\$ 28,393,793	\$ 60,416,766	\$ 56,280,575	\$ 59,460,936	\$ 89,282,328	\$ 90,783,718	\$ 90,953,257	\$ 98,914,209	\$ 122,874,236
Restricted.....	1,753,311	2,622,666	4,235,793	5,156,611	8,820,120	8,586,171	10,336,566	11,181,819	11,789,893
Unrestricted.....	18,866,117	13,051,094	13,819,989	16,306,929	22,970,214	29,431,407	34,229,972	36,333,715	37,090,605
Total governmental activities net assets.....	\$ 49,013,221	\$ 76,090,526	\$ 74,336,357	\$ 80,924,476	\$ 121,072,662	\$ 128,801,296	\$ 135,519,795	\$ 146,429,743	\$ 171,754,734
Business-type activities									
Invested in capital assets, net of related debt.....	\$ 48,781,255	\$ 52,192,699	\$ 54,876,155	\$ 59,462,054	\$ 61,389,671	\$ 70,218,356	\$ 71,187,448	\$ 73,118,249	\$ 76,222,981
Unrestricted.....	15,610,960	16,796,672	18,463,745	17,200,472	23,033,350	15,308,496	12,999,282	12,491,865	13,714,674
Total business-type activities net assets.....	\$ 64,392,215	\$ 68,989,371	\$ 73,339,900	\$ 76,662,526	\$ 84,423,021	\$ 85,526,852	\$ 84,186,730	\$ 85,610,114	\$ 89,937,655
Primary government									
Invested in capital assets, net of related debt.....	\$ 77,175,048	\$ 112,609,465	\$ 111,156,730	\$ 118,922,990	\$ 150,671,999	\$ 161,002,074	\$ 162,140,705	\$ 172,032,458	\$ 199,097,217
Restricted.....	1,753,311	2,622,666	4,235,793	5,156,611	8,820,120	8,586,171	10,336,566	11,181,819	11,789,893
Unrestricted.....	34,477,077	29,847,766	32,283,734	33,507,401	46,003,564	44,739,903	47,229,254	48,825,580	50,805,279
Total primary government net assets.....	\$ 113,405,436	\$ 145,079,897	\$ 147,676,257	\$ 157,587,002	\$ 205,495,683	\$ 214,328,148	\$ 219,706,525	\$ 232,039,857	\$ 261,692,389

**Changes in Net Assets
Last Nine Fiscal Years**

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental activities:									
General government.....	\$ 5,468,746	\$ 5,044,581	\$ 5,934,146	\$ 5,751,822	\$ 5,684,079	\$ 5,985,099	\$ 7,647,280	\$ 8,576,509	\$ 8,039,353
Public safety.....	10,395,245	10,642,772	10,515,879	11,210,299	12,196,439	12,304,806	12,840,721	14,139,090	14,807,588
Public education.....	60,021,423	59,361,961	68,110,742	66,774,878	72,434,095	80,998,592	83,694,291	86,694,832	90,309,800
Public works.....	7,877,485	8,250,480	8,060,375	7,765,401	8,910,481	10,256,928	9,764,169	10,280,799	10,574,130
Health and human services.....	574,912	906,951	911,381	926,992	1,099,860	1,173,150	1,173,751	1,319,220	1,481,237
Library.....	3,051,245	3,228,081	2,982,299	3,204,781	3,313,582	3,588,760	3,662,740	3,317,361	3,639,739
Recreation.....	1,069,808	1,795,038	1,591,944	1,563,683	1,859,635	2,317,498	2,223,767	2,701,249	2,535,659
Traffic and parking management.....	561,341	592,766	616,467	614,061	410,319	391,994	371,662	580,125	523,460
Community preservation.....	-	-	401,717	394,938	156,154	61,876	166,752	129,981	669,739
Interest.....	1,520,180	1,363,670	1,725,684	1,965,900	2,715,786	2,510,195	2,653,897	3,107,717	3,790,479
Total government activities expenses.....	90,540,385	91,186,300	100,850,634	100,172,755	108,780,430	119,588,898	124,198,830	130,846,883	136,371,184
Business-type activities:									
Sewer.....	4,912,376	4,999,788	5,030,351	5,231,528	5,643,469	5,921,175	6,033,451	6,368,443	6,494,844
Water.....	3,226,687	3,282,334	3,473,977	3,776,231	4,091,223	4,431,064	5,060,034	5,101,386	5,341,473
Electric.....	16,813,918	15,612,029	15,675,397	18,305,554	16,090,148	30,975,657	33,736,181	32,292,755	30,330,724
Total business-type activities expenses.....	24,952,981	23,894,151	24,179,725	27,313,313	25,824,840	41,327,896	44,829,666	43,762,584	42,167,041
Total primary government expenses.....	\$ 115,493,366	\$ 115,080,451	\$ 125,030,359	\$ 127,486,068	\$ 134,605,270	\$ 160,916,794	\$ 169,028,496	\$ 174,609,467	\$ 178,538,225
Program Revenues									
Governmental activities:									
Education charges for services.....	\$ 1,939,722	\$ 2,136,661	\$ 2,195,309	\$ 2,385,765	\$ 2,462,304	\$ 2,783,042	\$ 2,790,239	\$ 3,119,832	\$ 2,945,519
Public safety charges for services.....	2,118,225	2,665,474	2,514,000	2,829,868	3,287,869	3,013,488	2,994,109	3,028,707	3,139,731
Other charges for services.....	2,022,302	2,335,672	2,662,604	2,854,573	3,434,294	3,176,983	2,875,925	3,378,951	4,145,090
Education operating grants and contributions.....	10,719,067	11,293,770	13,448,572	14,537,555	15,788,954	18,252,263	20,819,345	21,666,819	23,240,231
Other operating grants and contributions.....	3,468,434	3,386,078	1,500,867	991,475	1,025,278	1,437,244	823,882	906,100	1,306,643
Education capital grant and contributions.....	2,011,335	18,778,008	-	-	-	-	940,950	5,047,729	16,833,405
Other capital grant and contributions.....	1,670,009	5,074,298	910,763	2,240,277	3,160,217	2,012,223	947,869	919,854	1,048,294
Total government activities program revenues.....	23,949,094	45,669,953	23,232,115	25,839,513	29,158,916	30,675,243	32,192,319	38,067,992	52,658,913
Business-type activities:									
Electric light charges for services.....	20,417,267	20,683,699	20,612,378	22,006,910	23,884,664	30,558,977	32,563,804	33,846,698	33,971,542
Sewer and water charges for services.....	8,273,537	8,424,932	8,614,427	9,072,079	9,354,153	11,904,930	11,185,632	11,318,414	13,087,800
Electric light capital grant and contributions.....	226,218	270,456	512,127	533,944	1,094,051	709,035	667,821	757,381	1,110,888
Other capital grant and contributions.....	34,157	43,625	123,091	57,879	158,889	241,187	72,287	263,475	188,010
Total business-type activities program revenues.....	28,951,179	29,422,712	29,862,023	31,670,812	34,491,757	43,414,129	44,489,544	46,185,968	48,358,240
Total primary government program revenues.....	\$ 52,900,273	\$ 75,092,665	\$ 53,094,138	\$ 57,510,325	\$ 63,650,673	\$ 74,089,372	\$ 76,681,863	\$ 84,253,960	\$ 101,017,153
Net (Expense)/Revenue									
Governmental activities.....	\$ (66,591,291)	\$ (45,516,347)	\$ (77,618,519)	\$ (74,333,242)	\$ (79,621,514)	\$ (88,913,655)	\$ (92,006,511)	\$ (92,778,891)	\$ (83,712,271)
Business-type activities.....	3,998,198	5,528,561	5,682,298	4,357,499	8,666,917	2,086,233	(340,122)	2,423,384	6,191,199
Total primary government net expense.....	\$ (62,593,093)	\$ (39,987,786)	\$ (71,936,221)	\$ (69,975,743)	\$ (70,954,597)	\$ (86,827,422)	\$ (92,346,633)	\$ (90,355,507)	\$ (77,521,072)
General Revenues and other Changes in Net Assets									
Governmental activities:									
Real estate and personal property taxes, net of tax refunds payable.....	\$ 61,585,388	\$ 64,070,276	\$ 67,205,004	\$ 71,321,199	\$ 78,163,604	\$ 83,982,678	\$ 88,861,087	\$ 93,769,116	\$ 99,994,520
Community preservation tax.....	-	563,595	590,772	647,462	714,889	761,549	805,247	844,254	897,294
Motor vehicle and other excise taxes.....	4,263,663	4,404,140	3,992,408	4,024,721	4,208,500	4,447,163	4,061,173	3,945,790	4,248,596
Nonrestricted grants and contributions, and other.....	2,101,414	2,001,048	1,841,256	2,190,228	2,469,970	4,260,435	2,791,169	2,327,910	2,158,510
Unrestricted investment income.....	1,305,019	554,593	843,910	1,612,751	4,088,451	2,190,464	1,206,334	1,801,769	738,342
Transfers.....	1,000,000	1,000,000	1,391,000	1,125,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total governmental activities.....	70,255,484	72,593,652	75,864,350	80,921,361	90,635,414	96,642,289	98,725,010	103,688,839	109,037,262
Business-type activities:									
Unrestricted investment income.....	-	68,595	59,231	90,127	93,578	17,598	-	-	-
Transfers.....	(1,000,000)	(1,000,000)	(1,391,000)	(1,125,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Total business type activities.....	(1,000,000)	(931,405)	(1,331,769)	(1,034,873)	(906,422)	(982,402)	(1,000,000)	(1,000,000)	(1,000,000)
Total primary government	\$ 69,255,484	\$ 71,662,247	\$ 74,532,581	\$ 79,886,488	\$ 89,728,992	\$ 95,659,887	\$ 97,725,010	\$ 102,688,839	\$ 108,037,262
Changes in Net Assets									
Governmental activities.....	\$ 3,664,193	\$ 27,077,305	\$ (1,754,169)	\$ 6,588,119	\$ 11,013,900	\$ 7,728,634	\$ 6,718,499	\$ 10,909,948	\$ 25,324,991
Business-type activities.....	2,998,198	4,597,156	4,350,529	3,322,626	7,760,495	1,103,831	(1,340,122)	1,423,384	5,191,199
Total primary government.....	\$ 6,662,391	\$ 31,674,461	\$ 2,596,360	\$ 9,910,745	\$ 18,774,395	\$ 8,832,465	\$ 5,378,377	\$ 12,333,332	\$ 30,516,190

**Fund Balances, Governmental Funds
Last Ten Fiscal Years**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund										
Reserved.....	\$ 3,536,857	\$ 3,272,806	\$ 2,718,614	\$ 2,845,563	\$ 2,014,113	\$ 2,233,791	\$ 2,298,533	\$ 4,201,344	\$ 5,003,837	\$ -
Unreserved.....	1,812,003	752,661	2,430,987	4,399,672	6,480,373	11,898,962	13,588,148	12,443,909	12,366,774	-
Committed.....	-	-	-	-	-	-	-	-	-	4,579,461
Assigned.....	-	-	-	-	-	-	-	-	-	1,204,575
Unassigned.....	-	-	-	-	-	-	-	-	-	15,961,930
Total general fund.....	\$ <u>5,348,860</u>	\$ <u>4,025,467</u>	\$ <u>5,149,601</u>	\$ <u>7,245,235</u>	\$ <u>8,494,486</u>	\$ <u>14,132,753</u>	\$ <u>15,886,681</u>	\$ <u>16,645,253</u>	\$ <u>17,370,611</u>	\$ <u>21,745,966</u>
All Other Governmental Funds										
Reserved.....	\$ 1,179,308	\$ 976,456	\$ 221,272	\$ 220,419	\$ 220,712	\$ 220,399	\$ 220,421	\$ 210,612	\$ 210,612	\$ -
Unreserved, reported in:										
Special revenue funds.....	2,198,043	5,288,842	7,385,439	7,838,882	9,533,391	13,136,539	13,888,098	14,656,232	16,874,079	-
Capital projects funds.....	(4,465,856)	(17,562,227)	(4,637,594)	11,510,107	8,544,779	(4,458,393)	6,433,306	16,535,624	30,983,269	-
Permanent funds.....	-	507,531	549,688	543,542	658,718	2,769,806	2,446,689	2,089,342	1,985,854	-
Nonspendable.....	-	-	-	-	-	-	-	-	-	210,612
Restricted.....	-	-	-	-	-	-	-	-	-	43,284,958
Total all other governmental funds.....	\$ <u>(1,088,505)</u>	\$ <u>(10,789,398)</u>	\$ <u>3,518,805</u>	\$ <u>20,112,950</u>	\$ <u>18,957,600</u>	\$ <u>11,668,351</u>	\$ <u>22,988,514</u>	\$ <u>33,491,810</u>	\$ <u>50,053,814</u>	\$ <u>43,495,570</u>

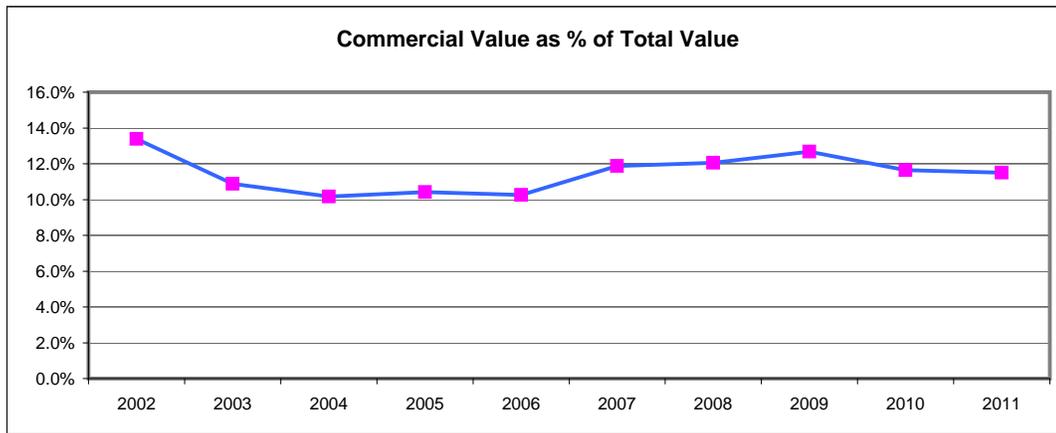
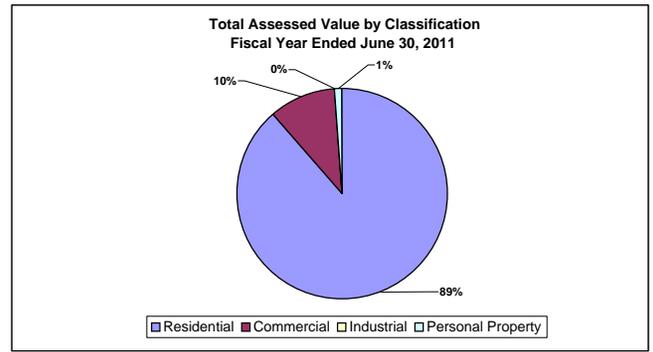
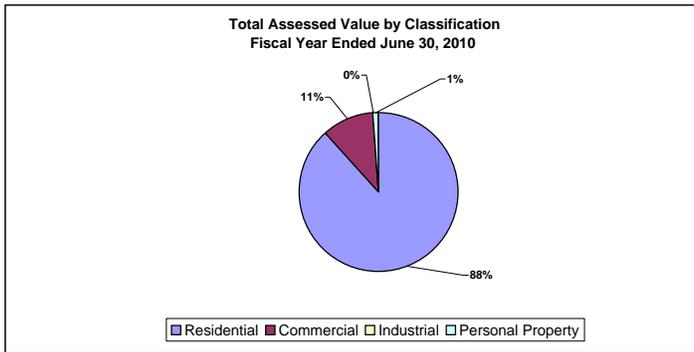
**Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years**

Fiscal Year

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:										
Real estate and personal property taxes, net of tax refunds.....	\$ 53,717,036	\$ 58,104,152	\$ 62,151,256	\$ 66,459,298	\$ 71,217,505	\$ 78,742,825	\$ 82,815,734	\$ 88,561,385	\$ 93,608,197	\$ 99,818,198
Motor vehicle and other excise taxes.....	3,903,497	3,827,688	3,846,238	3,945,707	4,038,289	4,211,503	4,369,268	4,142,655	3,876,634	4,176,809
Community preservation tax.....	-	513,857	563,595	590,772	647,462	714,889	761,549	805,247	844,254	897,294
Charges for service.....	781,649	874,822	875,507	920,385	990,903	896,374	953,550	944,868	1,018,737	1,027,099
Intergovernmental.....	14,265,410	15,013,111	16,877,556	20,721,836	18,952,519	18,447,436	21,487,114	24,709,199	30,574,353	42,988,428
Departmental and other.....	7,531,475	9,377,898	10,953,699	8,483,502	11,931,673	18,075,693	14,032,126	10,736,481	12,456,477	12,138,451
Total Revenue.....	80,199,067	87,711,528	95,267,851	101,121,500	107,778,351	121,088,720	124,419,341	129,899,835	142,378,652	161,046,279
Expenditures:										
General government.....	3,362,292	3,772,208	3,233,489	4,113,096	3,851,097	3,770,805	4,231,528	6,407,900	5,978,378	5,408,845
Public safety.....	8,951,996	8,976,386	8,917,285	8,979,145	9,430,067	9,731,124	9,722,790	10,665,820	10,859,400	11,083,552
Education.....	39,856,136	47,247,590	45,058,667	47,036,196	50,135,066	53,779,909	57,440,650	57,988,449	60,957,940	61,973,391
Public works.....	6,645,808	7,198,459	7,071,277	6,832,213	6,319,997	6,387,626	7,294,031	10,791,540	8,138,529	8,564,830
Health and human services.....	509,806	530,201	855,613	861,634	828,810	970,230	1,005,000	1,018,414	1,132,326	1,267,769
Recreation.....	757,313	782,467	1,417,905	1,170,948	1,228,227	1,533,224	1,933,308	1,531,872	1,558,161	1,732,633
Library.....	2,232,506	2,499,339	2,526,667	2,257,163	2,509,317	2,549,641	2,662,930	2,775,680	2,796,692	2,672,071
Teachers pension benefits - state funded.....	5,124,471	5,788,693	6,174,123	6,912,222	7,571,709	7,928,963	8,848,569	9,484,705	10,018,000	10,681,200
Town pension.....	-	-	-	-	-	-	-	-	900,540	1,714,065
Employee benefits and insurances.....	6,448,205	7,732,966	8,348,890	8,913,374	10,466,484	12,556,366	17,078,179	17,819,054	17,139,946	17,203,335
Capital outlay.....	18,369,686	19,537,019	6,930,073	6,129,829	18,907,402	13,805,180	9,770,283	11,864,260	29,738,436	49,457,590
Community preservation.....	-	-	-	-	394,938	149,825	61,876	166,752	129,981	669,739
State and county charges.....	1,021,764	1,000,627	1,041,780	989,645	932,492	993,897	1,009,686	1,018,870	1,051,076	1,054,462
Other.....	880,720	1,672,448	1,044,073	1,504,964	1,311,020	1,091,428	391,994	371,662	580,125	523,460
Debt service.....										
Principal.....	4,290,000	2,685,000	3,110,000	3,750,000	4,520,000	5,781,000	5,570,000	6,760,000	8,026,000	9,395,000
Interest.....	1,177,308	1,520,180	1,279,274	1,679,941	1,938,444	2,729,042	2,498,646	2,619,287	2,812,934	3,784,370
Total Expenditures.....	99,628,011	110,943,583	97,009,116	101,130,370	120,345,070	123,758,260	129,519,470	141,284,265	161,818,464	187,186,312
Excess of revenues over (under) expenditures.....	(19,428,944)	(23,232,055)	(1,741,265)	(8,870)	(12,566,719)	(2,669,540)	(5,100,129)	(11,384,430)	(19,439,812)	(26,140,033)
Other Financing Sources (Uses)										
Issuance of long-term debt.....	-	5,510,000	15,660,000	17,290,000	11,466,000	-	16,560,000	19,031,000	35,000,000	22,610,000
Premium from issuance of bonds.....	-	-	513,602	199,649	69,620	18,558	226,758	521,321	727,174	347,144
Transfers in.....	3,035,594	3,217,220	2,641,000	1,663,932	2,272,628	1,176,825	5,486,031	2,432,932	1,625,962	1,596,641
Transfers out.....	(921,094)	(2,217,220)	(1,641,000)	(663,932)	(1,147,628)	(176,825)	(4,098,569)	(1,432,932)	(625,962)	(596,641)
Total other financing sources (uses).....	2,114,500	6,510,000	17,173,602	18,489,649	12,660,620	1,018,558	18,174,220	20,552,321	36,727,174	23,957,144
Net change in fund balance.....	\$ (17,314,444)	\$ (16,722,055)	\$ 15,432,337	\$ 18,480,779	\$ 93,901	\$ (1,650,982)	\$ 13,074,091	\$ 9,167,891	\$ 17,287,362	\$ (2,182,889)
Debt service as a percentage of noncapital expenditures.....	6.73%	4.60%	4.87%	5.72%	6.37%	7.74%	6.74%	7.25%	8.21%	9.57%

**Assessed Value and Actual Value of Taxable Property by Classification and Tax Rates
Last Ten Fiscal Years**

Fiscal Year	Assessed and Actual Values and Tax Rates									
	Residential Value	Residential Tax Rate	Residential % of Total Value	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Commercial % of Total Value	Total Town Value
2002	\$5,776,391,000	8.10	86.62%	\$832,118,000	\$6,096,000	\$54,259,100	\$892,473,100	8.10	13.38%	\$6,668,864,100
2003	(1) \$6,406,545,000	8.12	89.11%	\$721,380,000	\$5,297,000	\$56,051,200	\$782,728,200	8.12	10.89%	\$7,189,273,200
2004	\$6,687,379,000	8.56	89.84%	\$688,831,000	\$5,428,000	\$62,123,900	\$756,382,900	8.56	10.16%	\$7,443,761,900
2005	\$7,073,527,000	8.40	89.58%	\$753,855,000	\$5,896,000	\$62,710,000	\$822,461,000	8.40	10.42%	\$7,895,988,000
2006	(1) \$7,743,110,000	8.32	89.75%	\$815,399,000	\$6,504,000	\$62,828,500	\$884,731,500	8.32	10.25%	\$8,627,841,500
2007	\$7,946,702,000	8.87	88.12%	\$995,225,000	\$7,047,000	\$68,796,000	\$1,071,068,000	8.87	11.88%	\$9,017,770,000
2008	\$8,069,347,000	9.18	87.94%	\$1,026,983,000	\$7,433,000	\$71,884,000	\$1,106,300,000	9.18	12.06%	\$9,175,647,000
2009	(1) \$8,226,771,000	9.47	87.32%	\$1,096,037,000	\$7,488,000	\$90,616,000	\$1,194,141,000	9.47	12.68%	\$9,420,912,000
2010	\$7,936,624,000	10.48	88.36%	\$947,998,000	\$6,622,000	\$90,687,000	\$1,045,307,000	10.48	11.64%	\$8,981,931,000
2011	\$7,753,180,000	11.43	88.49%	\$904,740,000	\$6,622,000	\$97,082,100	\$1,008,444,100	11.43	11.51%	\$8,761,624,100



(1) Revaluation year.

Source: Assessor's Department, Town of Wellesley
All property in the Commonwealth of Massachusetts is assessed at 100% of fair cash value.

Note: Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the Town. The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value. The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. The secondary limit may be exceeded in any year by a majority vote of the voters, however it cannot exceed the primary limitation.

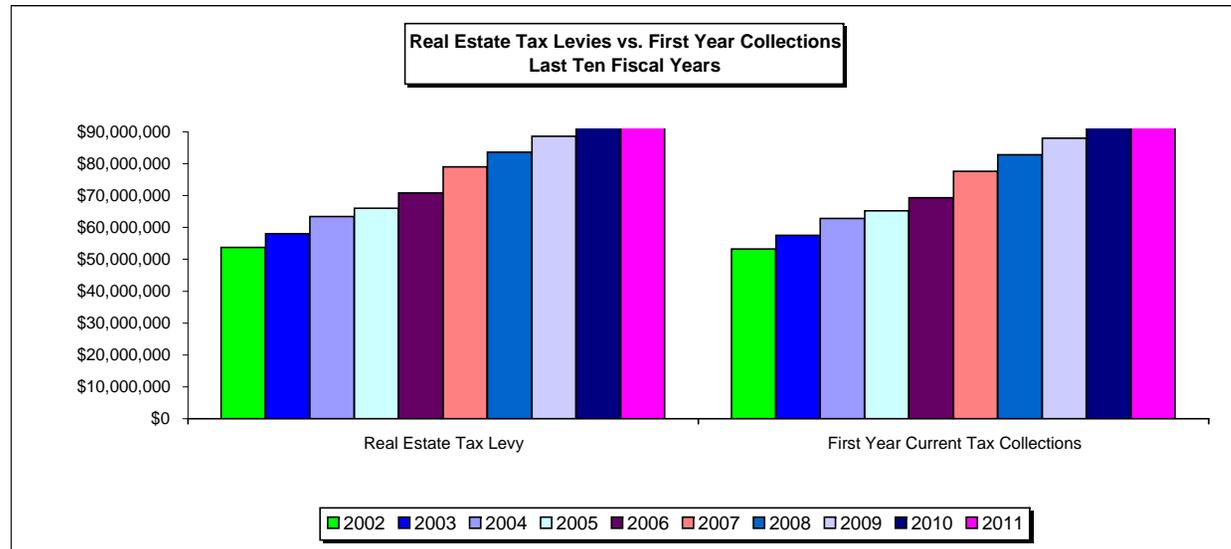
**Principal Taxpayers
Current Year and Nine Years Ago**

Name	Nature of Business	2011			2002		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Beacon Properties	Office Buildings	\$ 126,080,000	1	1.40%	\$ 123,365,000	1	2.24%
Haynes Management	Office Buildings	121,389,000	2	1.35%	106,729,000	2	1.94%
Federal Realty FR Linden Square	Retail/Real Estate	87,925,000	3	0.98%	N/A	N/A	N/A
Sun Life Assurance	Insurance and Financial Services	76,506,000	4	0.85%	67,140,000	3	1.22%
William Diehl Realty Trust	Office Buildings	N/A	N/A	N/A	39,469,000	5	0.72%
Wellesley College	Higher Education	67,528,000	5	0.75%	36,598,000	6	0.67%
Harvard Pilgrim Health	Insurance Provider	54,270,000	6	0.60%	62,843,000	4	1.14%
GPT Realty Trust	Residential	30,040,000	7	0.33%	18,047,000	9	0.33%
Hunnewell Family	Residential	29,729,000	8	0.33%	24,336,000	7	0.44%
Newton Wellesley Executive Office Park	Office Buildings	25,674,000	9	0.29%	23,422,000	8	0.43%
Wellesley Country Club	Recreation	18,791,000	10	0.21%	N/A	N/A	N/A
Grignaffini Construction Company	Real Estate Development	N/A	N/A	N/A	15,117,000	10	0.27%
	Totals	<u>\$ 637,932,000</u>		<u>7.10%</u>	<u>\$ 517,066,000</u>		<u>9.40%</u>

Source: Board of Assessors

**Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year	(2) Total Tax Levy	Less Abatements & Exemptions	(2) Net Tax Levy	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Net Tax Levy
2002	\$54,017,799	\$300,763	\$53,717,036	\$53,200,000	99.0%	\$449,394	\$53,649,394	99.87%
2003 (1)	\$58,376,899	\$308,595	\$58,068,304	\$57,500,000	99.0%	\$502,432	\$58,002,432	99.89%
2004	\$63,718,602	\$316,357	\$63,402,245	\$62,843,022	99.1%	\$482,833	\$63,325,855	99.88%
2005	\$66,326,299	\$300,410	\$66,025,889	\$65,215,885	98.8%	\$164,911	\$65,380,796	99.02%
2006 (1)	\$71,260,908	\$471,259	\$70,789,649	\$69,322,837	97.9%	\$601,879	\$69,924,716	98.78%
2007	\$79,316,412	\$255,505	\$79,060,907	\$77,624,632	98.2%	\$487,568	\$78,112,200	98.80%
2008	\$84,232,439	\$627,125	\$83,605,314	\$82,836,669	99.1%	\$267,544	\$83,104,213	99.40%
2009 (1)	\$89,216,037	\$599,219	\$88,616,818	\$88,005,826	99.3%	\$496,398	\$88,502,224	99.87%
2010	\$94,130,637	\$542,260	\$93,588,377	\$93,074,651	99.5%	\$527,203	\$93,601,854	100.01%
2011	\$100,145,363	\$473,167	\$99,672,196	\$98,786,724	99.1%	\$0	\$98,786,724	99.11%



Source: Assessor's Department, Town of Wellesley

(1) Revaluation year.

(2) Includes tax liens.

**Ratios of Outstanding Debt and General Bonded Debt
Last Ten Fiscal Years**

Fiscal Year	U. S. Census Population (1)	Personal Income	Assessed Value	Governmental Activities Debt			
				General Obligation Bonds	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2002	26,658	\$1,495,562,374	\$6,668,864,100	\$21,485,000	\$806	1.44%	0.32%
2003	26,628	\$1,523,756,906	\$7,189,273,200	\$24,310,000	\$913	1.60%	0.34%
2004	26,578	\$1,551,313,627	\$7,443,761,900	\$36,860,000	\$1,387	2.38%	0.50%
2005	26,515	\$1,578,589,151	\$7,895,988,000	\$50,400,000	\$1,901	3.19%	0.64%
2006	26,978	\$1,638,277,264	\$8,627,841,500	\$57,346,000	\$2,126	3.50%	0.66%
2007	26,978	\$1,671,044,298	\$9,017,770,000	\$51,565,000	\$1,911	3.09%	0.57%
2008	26,985	\$1,704,912,300	\$9,175,647,000	\$62,555,000	\$2,318	3.67%	0.68%
2009	27,244	\$1,755,694,873	\$9,420,912,000	\$74,826,000	\$2,747	4.26%	0.79%
2010	27,412	\$1,801,851,784	\$8,981,931,000	\$101,800,000	\$3,714	5.65%	1.13%
2011	27,982	\$1,876,105,536	\$8,761,624,100	\$115,015,000	\$4,110	6.13%	1.31%

Fiscal Year	Business-Type Activities (2)	Total Primary Government			
	General Obligation Bonds	Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2002	\$4,980,000	\$26,465,000	\$993	1.77%	0.40%
2003	\$4,300,000	\$28,610,000	\$1,074	1.88%	0.40%
2004	\$3,985,000	\$40,845,000	\$1,537	2.63%	0.55%
2005	\$3,694,954	\$54,094,954	\$2,040	3.43%	0.69%
2006	\$3,849,935	\$61,195,935	\$2,268	3.74%	0.71%
2007	\$3,741,792	\$55,306,792	\$2,050	3.31%	0.61%
2008	\$3,498,856	\$66,053,856	\$2,448	3.87%	0.72%
2009	\$9,319,036	\$84,145,036	\$3,089	4.79%	0.89%
2010	\$8,805,739	\$110,605,739	\$4,035	6.14%	1.23%
2011	\$8,064,502	\$123,079,502	\$4,399	6.56%	1.40%

(1) Massachusetts Department of Revenue Municipal Databank

(2) Municipal Light Plant, Sewer Fund, and Water Fund.

Source: Audited Financial Statements, U. S. Census.

Direct and Overlapping Governmental Activities Debt

As of June 30, 2011

<u>Town of Wellesley, Massachusetts</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Norfolk County.....	\$ 800,000	7.95%	\$ 63,600
Town direct debt.....			<u>115,015,000</u>
Total direct and overlapping debt.....			<u>\$ 115,078,600</u>

Source: Norfolk County Treasurer's Office

**Computation of Legal Debt Margin
Last Ten Fiscal Years**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Equalized Valuation.....	<u>\$ 7,153,728,900</u>	<u>\$ 7,153,728,900</u>	<u>\$ 8,211,971,900</u>	<u>\$ 8,211,971,900</u>	<u>\$ 9,523,566,700</u>	<u>\$ 9,523,566,700</u>	<u>\$ 10,029,555,000</u>	<u>\$ 10,029,555,000</u>	<u>\$ 10,032,866,400</u>	<u>\$ 10,032,866,400</u>
Debt Limit -5% of Equalized Valuation.....	\$ 357,686,445	\$ 357,686,445	\$ 410,598,595	\$ 410,598,595	\$ 476,178,335	\$ 476,178,335	\$ 501,477,750	\$ 501,477,750	\$ 501,643,320	\$ 501,643,320
Less:										
Outstanding debt applicable to limit.....	\$ 20,101,000	\$ 23,272,000	\$ 36,168,000	\$ 52,370,890	\$ 57,346,000	\$ 51,565,000	\$ 62,555,000	\$ 74,826,000	\$ 101,800,000	\$ 115,015,000
Authorized and unissued debt.....	<u>36,445,000</u>	<u>28,285,000</u>	<u>11,375,000</u>	<u>20,457,974</u>	<u>11,722,323</u>	<u>35,453,000</u>	<u>27,091,842</u>	<u>95,374,071</u>	<u>45,046,853</u>	<u>25,450,146</u>
Legal debt margin.....	<u>\$ 301,140,445</u>	<u>\$ 306,129,445</u>	<u>\$ 363,055,595</u>	<u>\$ 337,769,731</u>	<u>\$ 407,110,012</u>	<u>\$ 389,160,335</u>	<u>\$ 411,830,908</u>	<u>\$ 331,277,679</u>	<u>\$ 354,796,467</u>	<u>\$ 361,178,174</u>
Total debt applicable to the limit as a percentage of debt limit.....	15.81%	14.41%	11.58%	17.74%	14.50%	18.27%	17.88%	33.94%	29.27%	28.00%

Source: Massachusetts Department of Revenue - Equalized valuations are established as of January 1 of even-numbered years for the next two fiscal years

**Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2002	26,658	\$1,495,562,374	\$56,102	37.6	3,865	3.00%
2003	26,628	\$1,523,756,906	\$57,224	37.6	4,016	2.80%
2004	26,578	\$1,551,313,627	\$58,368	37.6	4,171	3.40%
2005	26,515	\$1,578,589,151	\$59,536	37.6	4,385	3.00%
2006	26,978	\$1,638,277,264	\$60,726	37.6	4,547	2.80%
2007	26,978	\$1,671,042,810	\$61,941	37.6	4,610	2.80%
2008	26,985	\$1,704,905,924	\$63,180	37.6	4,678	4.30%
2009	27,244	\$1,755,694,873	\$64,443	37.6	4,799	7.00%
2010	27,412	\$1,801,851,784	\$65,732	37.0	4,868	5.60%
2011	27,982	\$1,876,109,154	\$67,047	37.0	4,892	4.00%

Source: U. S. Census, Division of Local Services
Median age is based on most recent census data

**Principal Employers (excluding the Town)
Current Year and Nine Years Ago**

Employer	Nature of Business	2011			2002		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Sun Life Assurance	Insurance Company	1661	1	12.52%	1100	2	8.28%
Wellesley College	Higher Education	1200	2	9.05%	1250	1	9.41%
Babson College	Higher Education	850	3	6.41%	623	3	4.69%
Accenture	Management Consulting	N/A	N/A	N/A	600	4	4.52%
Harvard Pilgrim Health Care	Insurance Provider	490	4	3.69%	463	5	3.49%
Roche Brothers	Grocery	330	5	2.49%	263	6	1.98%
Amica Mutual Life	Insurance	N/A	N/A	N/A	235	7	1.77%
Mass Bay Community College	College	250	6	1.88%	201	9	1.51%
Dana Hall School	Private School	250	7	1.88%	150	10	1.13%
Wellesley Country Club	Private Recreation Club	220	8	1.66%	N/A	N/A	N/A
Biogen IDEC	Bio-pharmaceutical	210	9	1.58%	N/A	N/A	N/A
Towers Watson	Actuary	200	10	1.51%	230	8	1.73%

According to the Massachusetts Workforce Development Data, in June 2011 Wellesley had a total labor force of 13,266 of whom 12,689 were employed and 577 were unemployed. It is acknowledged that not all of these employees may be residents of the Town of Wellesley.

Sources: Massachusetts Workplace Development Agency & Employer Human Resources department

**Full-time Equivalent Town Employees by Function
Last Ten Fiscal Years**

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government.....	58	47	47	47	46	47	47	60	60	53
Public safety.....	114	110	109	110	112	120	123	121	122	122
Public education.....	607	624	629	659	665	681	700	726	759	777
Public works.....	95	96	91	91	90	90	93	88	88	87
Health and human services.....	4	4	4	4	4	5	5	5	5	6
Library.....	31	31	31	27	27	39	32	34	34	34
Recreation.....	5	6	6	6	7	6	7	5	5	7
Water/Sewer.....	25	25	26	28	28	28	28	27	27	25
Electric light.....	36	34	34	33	37	37	35	36	35	34
Total	975	977	977	1,005	1,016	1,053	1,070	1,102	1,135	1,145

Source: Various Town Departments

**Operating Indicators by Function/Program
Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
New home building permits.....	36	43	50	83	59	51	58	50	53	33
Police										
Physical arrests.....	281	343	430	375	403	282	173	185	256	234
Motor vehicle violations.....	8,369	7,726	10,046	8,183	8,136	6,804	7,373	8,359	8,106	7,541
Police personnel and officers.....	54	57	57	57	58	53	54	56	57	57
Fire										
Inspections.....	2,487	2,487	2,529	2,565	2,628	2,856	2,118	1,871	2,013	1,864
Emergency responses.....	3,821	4,322	4,380	4,019	4,208	4,208	4,041	3,943	4,022	3,894
Fire personnel and officers.....	59	55	55	55	54	57	57	57	57	57
Education										
Number of public school students.....	3,865	4,016	4,171	4,385	4,547	4,610	4,678	4,799	4,868	4,892
Health and human services										
Number of vaccinations.....	1,881	1,705	1,550	1,640	1,790	1,596	1,489	2,039	5,585	1,716
Library										
Volumes in circulation.....	207,255	323,997	525,246	557,402	560,258	575,651	605,900	644,277	667,173	672,094
Recreation										
Total program revenue.....	\$373,669	\$421,108	\$654,170	\$843,347	\$779,317	\$1,506,886	\$1,260,132	\$989,018	\$909,217	\$963,609
Traffic and parking management										
Total ticket revenue.....	\$334,548	\$375,899	\$291,106	\$344,554	\$440,348	\$607,826	\$587,919	\$522,861	\$634,513	\$647,624
Sewer										
Number of accounts.....	7,970	7,994	8,003	8,053	8,133	8,160	8,156	8,156	8,190	8,125
Feet rodded/flushed.....	198,388	187,670	234,670	295,470	307,069	297,711	353,698	256,083	297,780	305,337
Water										
Number of accounts.....	10,955	11,094	11,204	11,368	11,663	11,711	11,804	11,894	12,016	12,006
Consumption in gallons (millions).....	964	877	815	811	924	884	968	841	780	871
Daily consumption (millions).....	2.64	2.40	2.23	2.22	2.53	2.42	2.65	2.31	2.14	2.39
Electric										
Total kilowatt hour sales.....	217,744,205	238,463,307	241,672,671	235,275,937	245,544,223	243,375,963	245,565,820	239,369,643	237,220,172	241,443,224
Municipal kilowatt hour usage.....	7,222,244	8,807,700	9,964,718	10,522,834	10,772,991	11,141,705	11,145,742	10,646,521	10,990,228	10,898,822
Streetlight kilowatt hour usage.....	2,385,619	2,463,565	2,510,806	2,478,078	2,513,676	2,487,320	2,457,164	2,436,957	2,361,425	2,256,278

Source: Various Town Departments

**Capital Asset Statistics by Function/Program
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government										
Number of buildings.....	4	4	3	3	3	3	3	4	4	4
Police										
Number of stations.....	1	1	1	1	1	1	1	1	1	1
Fire										
Number of stations.....	2	2	2	2	2	2	2	2	2	2
Education										
Number of elementary schools.....	6	6	7	7	7	7	7	7	7	7
Number of preschools.....	1	1	1	1	1	1	1	1	1	1
Number of middle schools.....	1	1	1	1	1	1	1	1	1	1
Number of high schools.....	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets to maintain (miles).....	110	110	110	110	110	110	110	110	110	110
Sidewalks to maintain (miles).....	118	118	118	118	118	118	118	118	118	118
Library										
Buildings.....	3	3	3	3	3	3	3	3	3	3
Recreation										
Park and playground (acreage).....	268	268	268	365	365	365	365	365	365	365
Feet of public beach front.....	660	660	660	660	660	660	660	660	660	660
Public beaches.....	1	1	1	1	1	1	1	1	1	1
Tennis courts.....	16	16	16	16	16	16	16	16	16	16

Source: Various Town Departments

Free Cash and Stabilization Fund Balances

Last Seven Fiscal Years

<u>Fiscal Year</u>	<u>Free Cash</u>	<u>Stabilization Fund</u>
FY2011.....	\$ 8,439,070	\$ 3,045,629
FY2010.....	\$ 9,471,751	\$ 3,022,256
FY2009.....	\$ 9,145,674	\$ 2,786,552
FY2008.....	\$ 10,692,354	\$ 2,150,628
FY2007.....	\$ 6,786,366	\$ 1,980,183
FY2006.....	\$ 4,028,225	\$ 1,992,348
FY2005.....	\$ 2,771,548	\$ 1,060,005

Source: Town Records

Information prior to fiscal year 2005 is not available.