

**FINAL OFFICIAL STATEMENT DATED MAY 28, 2015**

**TOWN OF WELLESLEY, MASSACHUSETTS**

**\$1,469,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES**

Dated  
June 15, 2015

Due  
December 11, 2015

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<u>Number</u>	<u>Award</u>	<u>Coupon Rate</u>	<u>Yield</u>	<u>CUSIP</u>
1	\$ 1,469,000	1.00%	0.18%	949493 WJ5

**TD Securities (USA) LLC**

*Purchaser*

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The provisions of the accompanying PRELIMINARY OFFICIAL STATEMENT AND NOTICE OF SALE DATED MAY 27, 2015 supplemented and modified hereby, are incorporated in and made part of this Final Official Statement.

**First Southwest Company, LLC**

*Financial Advisor*

**PRELIMINARY OFFICIAL STATEMENT AND NOTICE OF SALE DATED MAY 27, 2015**

**Rating:  
Moody's Investors Service, Inc.: MIG-1**

In the opinion of Locke Lord LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). Interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Notes is exempt from Massachusetts personal income taxes, and the Notes are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. The Notes are not designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. See "Tax Exemption" herein.

**TOWN OF WELLESLEY, MASSACHUSETTS  
\$1,469,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES**

The Town of Wellesley, Massachusetts (the "Town") will receive telephone and electronic bids at First Southwest Company, LLC (617-619-4400) in the case of telephone bids and via **PARITY** in the case of electronic bids until 11:30 A.M., Eastern Daylight Time, Thursday, May 28, 2015, for the purchase of the following described General Obligation Bond Anticipation Notes (the "Notes").

\$1,469,000 General Obligation Bond Anticipation Notes (new and renewal) dated June 15, 2015, and payable December 11, 2015. Interest will be computed on a 30 day month, 360-day year basis (176/360).

Bids may be submitted electronically via **PARITY** pursuant to this Notice of Sale until 11:30 A.M., Eastern Daylight Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice, the terms of this Notice shall control. For further information about **PARITY**, potential bidders may contact the First Southwest Company, LLC or **PARITY** at (212) 404-8102.

**Bids may be submitted for all or part of the Notes at a single or various rates of interest in multiples of one-hundredth (1/100) of one percent (1%).** No bid for less than par, plus the required premium, and accrued interest to the date of delivery will be considered. The Note issue will be awarded on the basis of lowest net interest cost to the Town after deduction of premium, if any. Such cost will be determined by computing the total amount of interest payable on the Notes, at the rate or rates stated, from June 15, 2015 until the maturity of the Notes and deducting therefrom the sum, if any, by which the amount bid for the Notes exceeds the aggregate principal amount of the Notes. In the event a bidder offering a premium for the Notes is awarded a lesser amount of notes than bid, the premium shall be reduced proportionately. The right is reserved to reject any and all bids not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any bid.

An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Notes in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

Any bidder who submits a winning bid by telephone in accordance with this Notice of Sale shall be required to provide written confirmation of the terms of the bid by faxing or e-mailing a completed, signed bid form to First Southwest Company, LLC by not later than 12:30 P.M., Eastern Daylight Time, on the date of sale.

The award of the Notes to the winning bidder will not be effective until the bid has been approved by the Treasurer and the Board of Selectmen of the Town.

The successful bidder for all of the Notes may request that the Notes be issued in the form of one fully registered physical certificate, rather than in book-entry form through the facilities of The Depository Trust Company. The successful bidder seeking the issuance of the Notes in this manner shall bear any and all costs of any re-registration or transfer of Notes from time to time. Any bidder seeking to have the Notes issued in the form of fully registered physical certificates, rather than in book-entry form, shall indicate this preference to the Town at the time of the submission of the winning bid. The Town reserves the right to decline any request to issue the Notes in non-book entry form if it should determine, in its sole discretion, that issuing the Notes in this manner is not in its best interests.

On or prior to the date of delivery of the Notes, the successful bidder shall furnish to the Town a certificate acceptable to Bond Counsel to the effect that (a) as of May 28, 2015 (the "Sale Date"), the purchaser had offered or reasonably expected to offer all of the Notes to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or

wholesalers) in a bona fide public offering at the price set forth in such certificate, plus accrued interest, if any, (b) such price represents the fair market price of the Notes as of the Sale Date, and (c) as of the date of such certificate, all of the Notes have been offered to the general public in a bona fide offering at the price set forth in such certificate, and at least 10% of the principal amount of the Notes actually has been sold to the general public at such price. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Notes, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Notes for federal tax law purposes. If the purchaser is purchasing the Notes for its own account and not on behalf of another party, and the purchaser does not presently intend to resell the Notes, the successful bidder will be required to so certify.

Principal of and interest on the Notes will be payable upon maturity in federal reserve funds at the U.S. Bank National Association, Boston, Massachusetts. The opinion will also indicate that the Notes and the enforceability thereof may be subject to bankruptcy and other laws affecting creditor's rights and that their enforceability may also be subject to the exercise of judicial discretion in appropriate cases. Payment of the principal of and interest on the Notes is not limited to a particular fund or source of revenue nor is any lien or pledge for such payment created with respect to any such fund or source. The Notes will not be subject to redemption prior to maturity. The Notes will be issued by means of a book-entry system evidencing ownership, in principal amounts of \$1,000, or integral multiples thereof, and transfer of the Notes on the records of the Depository Trust Company and its Participants.

The purchaser(s) of the Notes will be furnished the opinion of Locke Lord LLP, Boston, Massachusetts approving the legality of the Notes. The opinion will also indicate that the Notes and the enforceability thereof may be subject to bankruptcy and other laws affecting creditor's rights and that their enforceability may be subject to the exercise of judicial discretion in appropriate cases. Payment of the principal of and interest on the Notes is not limited to a particular fund or source of revenue nor is any lien or pledge for such payment created with respect to any such fund or source. The Notes will be valid and binding general obligations of the Town of Wellesley, Massachusetts and unless paid from the bond proceeds in anticipation of which they are issued or from other sources, are payable as to both principal and interest from ad valorem taxes which may be levied upon all the property within the territorial limits of the Town and taxable by it, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limitation imposed by Chapter 59, Section 21C, of the General Laws with respect to that portion of principal and interest that the Town has not voted to exempt from that limit.

It shall be a condition of the successful bidder's obligation to accept delivery of and pay for the Notes that, contemporaneously with or before accepting the Notes and paying therefor, it shall be furnished, without cost, with (a) the approving opinion of the firm of Locke Lord LLP, Boston, Massachusetts, with respect to the Notes, (b) a certificate in form satisfactory to said firm, dated as of the date of delivery of such Notes and receipt of payment therefor, to the effect that there is no litigation pending, or to the knowledge of the signer or signers thereof, threatened affecting the validity of such Notes or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town's Treasurer to the effect that, to the best of his knowledge and belief, both the Preliminary Official Statement as of its date and as of the date of sale and the Final Official Statement as of its date and as of the date of delivery of such Notes referred to below, do not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading and (d) a Significant Events Disclosure Certificate in the form described in the Preliminary Official Statement.

In order to assist bidders in complying with the requirements of paragraph (b)(5)(i)(C) of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will undertake to provide notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement dated May 27, 2015.

The Notes, in definitive form, will be delivered to DTC, or to the office of its custodial agent, or to the registered owner if a fully registered certificate is requested by the winning bidder and approved by the Town, on or about June 15, 2015, against payment to the Town in federal reserve funds.

It is anticipated that CUSIP identification numbers will be printed on the Notes. All expenses in relation to the printing of CUSIP numbers on said Notes shall be paid for by the Issuer, however, the Town assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such number.

Additional information concerning the Town of Wellesley and the Notes is contained in the Preliminary Official Statement dated May 27, 2015 to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes, and is not a part of this Notice of Sale. The Preliminary Official Statement has been deemed final by the Town except for the omission of the reoffering prices, interest rates, and other terms of the Notes depending on such matters, and the identity of the underwriters, but is subject to change without notice and to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from the First Southwest Company, LLC, 54 Canal Street, Suite 320, Boston, Massachusetts 02114 (Telephone: 617-619-4400). Within seven business days following the award of the Notes and receipt of necessary information from the successful bidder, 5 copies of the Final Official Statement will be made available to the successful bidder. Upon request, additional copies will be provided at the expense of the successful bidder.

TOWN OF WELLESLEY, MASSACHUSETTS  
/s/ Marc V. Waldman, Treasurer

May 27, 2015

## **PRELIMINARY OFFICIAL STATEMENT**

### **TOWN OF WELLESLEY, MASSACHUSETTS**

#### **\$1,469,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES**

The purpose of this Official Statement is to furnish certain information regarding the Town of Wellesley, Massachusetts (hereafter referred to as the "Town") and \$1,469,000 principal amount of General Obligation Bond Anticipation Notes (hereafter referred to as the "Notes"). The information contained herein has been furnished by the Town except information attributed to another governmental agency or official as the source.

The Notes are being offered for sale at public bidding on Thursday, May 28, 2015, and a Notice of Sale dated May 27, 2015, has been furnished to prospective bidders for the terms and conditions of bidding.

#### **The Notes**

The Notes will be dated June 15, 2015 and will be payable by U.S. Bank, National Association, Boston, Massachusetts, or its successor as paying agent. The Notes will bear interest payable at maturity on December 11, 2015, calculated on the basis of 30 day months and on a 360-day year, at the rate or rates determined upon their sale in accordance with the Notice of Sale dated May 27, 2015. The Notes will be issued by means of a book-entry-only system, evidencing ownership of the Notes in principal amounts of \$1,000 or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company (DTC) and its Participants pursuant to the rules and procedures adopted by DTC, unless the delivery of a fully registered note certificate is requested by the winning bidder and the issuance of such certificate is approved by the Town, in accordance with the terms of the Notice of Sale. (See "Book-Entry-Transfer System" herein.)

## Authorization of the Notes and Use of Proceeds

The following table sets forth the purposes, principal amounts, amount of notes outstanding, original authorizations, statutory references and dates of approval for the current issue of Notes.

Purpose	This Issue	Total Amount Authorized	Total Amount of Notes Outstanding	M.G.L. Chapter Reference, Ch. 44,	Date Authorized
Storm Water Drainage	\$ 21,000	\$ 1,306,000 (1)	\$ 390,000 (2)	s. 7(1)	4/10/2007
DPW/Highway Building HVAC System Engineering	39,000	960,700	910,000 (4)	s.7(22)	4/2/2013
Wales Street Bridge Planning	10,000	400,000	380,000 (5)	s.7(22)	4/8/2013
School District Telephone System Replacement	19,000	411,000	395,000 (6)	s.7(9)	4/8/2013
Schofield/Fiske Planning	101,000	2,432,000 (1)	2,432,000 (7)	s.7(22)	12/16/2013
Crevo Land - 494 Washington	60,000	1,365,000	1,290,000 (2)	s.7(3)	4/5/2014
Fuller Brook Park	40,000	970,205	-	s.7(25)	4/8/2014
Police/Fire HVAC	120,000	1,403,280	1,200,000 (2)	s.7(3A)	4/16/2014
WMS Building Repairs	29,000	363,976	350,000 (8)	s.7(3A)	4/16/2014
Various Building Repairs	110,000	2,668,826	2,300,000 (2)	s.7(3A)	4/16/2014
Fire Truck	25,000	500,000	500,000 (2)	s.7(9)	4/16/2014
School Security Planning	20,000	408,300	-	s.7(21)	4/7/2015
North 40 CPA	150,000	35,140,399 (1)	-	Ch.44B	1/20/2015
Fiske/Schofield	655,000	19,634,824 (1)	-	s.7(3A)	10/22/2014
Middle School Windows	70,000	4,909,300 (1)	-	s.7(3A)	10/22/2014
<b>Total</b>	<b>\$ 1,469,000</b>		<b>\$ 15,147,000 (2)</b>		

(1) The Town voted to exempt these authorizations from the limitations of Proposition 2 ½.

(2) This issue, along with the proceeds of the bonds being issued at the same time as this issue, will renew a like amount of bond anticipation notes maturing June 15, 2015.

(3) This issue, along with proceeds from bond issues being issued at the same time as this issue, will retire a like amount of bond anticipation notes maturing June 15, 2015.

(4) This issue, along with \$91,000 of revenue funds and proceeds from bond issues being issued at the same time as this issue, will be used to retire a like amount of bond anticipation notes maturing June 15, 2015.

(5) This issue, along with \$120,000 of revenue funds and proceeds from bond issues being issued at the same time as this issue, will be used to retire a like amount of bond anticipation notes maturing June 15, 2015.

(6) This issue, along with \$21,000 of revenue funds and proceeds from bond issues being issued at the same time as this issue, will be used to retire a like amount of bond anticipation notes maturing June 15, 2015.

(7) This issue, along with \$286,000 of revenue funds and proceeds from the bond issues being issued at the same time as this issue, will be used to retire a like amount of bond anticipation notes maturing June 15, 2015.

(8) This issue, along with \$6,000 of revenue funds and proceeds from bond issues being issued at the same time as this issue, will be used to retire a like amount of bond anticipation notes maturing June 15, 2015.

## Tax Exemption

In the opinion of Locke Lord LLP, Bond Counsel to the Town ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. The Notes are not "qualified tax exempt obligations" for purposes of Section 265(b)(3) of the Code.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. Failure to comply with these requirements may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The Town has covenanted to comply with such requirements to ensure that interest on the Notes will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Notes is exempt from Massachusetts personal income taxes, and the Notes are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Notes. Prospective Noteholders should be aware,

however, that the Notes are included in the measure of Massachusetts estate and inheritance taxes, and the Notes and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Notes or the income therefrom or any other tax consequences arising with respect to the Notes under the laws of any state other than Massachusetts.

To the extent the issue price of the Notes is less than the amount to be paid at maturity of such Notes (excluding amounts stated to be interest and payable at least annually over the term of such Notes), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Notes which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of the Notes is the first price at which a substantial amount of such Notes is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to the Notes accrues daily over the term to maturity of such Notes on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Notes to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Notes. Noteholders should consult their own tax advisors with respect to the tax consequences of ownership of Notes with original issue discount, including the treatment of purchasers who do not purchase such Notes in the original offering to the public at the first price at which a substantial amount of such Notes is sold to the public.

Notes purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Notes, or, in some cases, at the earlier redemption date of such Notes ("Premium Notes"), will be treated as having amortizable note premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable note premium in the case of obligations, such as the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, a Noteholder's basis in a Premium Note will be reduced by the amount of amortizable note premium properly allocable to such Noteholder. Holders of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable note premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes.

Prospective Noteholders should be aware that from time to time legislation is or may be proposed which, if enacted into law, could result in interest on the Notes being subject directly or indirectly to federal income taxation, or otherwise prevent Noteholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Notes from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Notes. Prospective Noteholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect the federal or state tax liability of a Noteholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Notes, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Notes in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Noteholder or the Noteholder's other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Noteholders should consult with their own tax advisors with respect to such consequences.

## **Security and Remedies**

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" as described below (see "Serial Bonds and Notes" under "TYPES OF OBLIGATIONS" below) and setoffs of state distributions as described below (see "State Distributions" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

Tax Levy. The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year “all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for [and] all amounts necessary to satisfy final judgments”. Specific provision is also made for including in the next tax levy payments of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid, if the aid is no longer forthcoming.

The total amount of a tax levy is limited by statute. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See “Tax Limitations” Under “PROPERTY TAXATION” below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit.

Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See “DEBT LIMITS” below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Court Proceedings. Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See “Tax Limitations” under “PROPERTY TAXATION” below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

Restricted Funds. Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry fee, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, community preservation and affordable housing purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately-held property in the city or town for certain energy conservation and renewable energy projects, and may borrow to establish such a fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the fund. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

State Distributions. State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on “qualified bonds” (See “Serial Bonds and Notes” under “TYPES OF OBLIGATIONS” below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority if the city or town is within the territory served by the Authority, for any debt service due on obligations issued to the Massachusetts School Building Authority, or for charges necessary to meet obligations under the Commonwealth’s Water Pollution Abatement or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions, and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

**Bankruptcy.** Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under Federal Bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth's oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

### **Book-Entry Transfer System**

This section shall only apply to the Notes if they are issued in book-entry form through the facilities of The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Notes. The Notes will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered Note certificate will be issued for each interest rate, each in the aggregate principal amount bearing such interest rate, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a "AA+" rating from Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited with DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants

acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with DTC unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the securities held by it at any time by giving reasonable notice to the issuer of such securities or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note physical certificates will be printed and delivered to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

## **Opinion of Bond Counsel**

The unqualified approving opinion as to the validity of the Notes will be rendered by Locke Lord LLP, Boston, Massachusetts, Bond Counsel. The opinion will be dated the date of original delivery of the Notes and will speak only as of such date.

Except as to matters expressly set forth in their opinion, the scope of engagement of Bond Counsel does not extend to passing upon or assuming responsibility for the accuracy or adequacy of any statement made in this Official Statement, and they make no representation that they have independently verified the same other than matters expressly set forth as their opinion.

## **Financial Advisory Services of First Southwest Company, LLC**

First Southwest Company, LLC, Boston, Massachusetts serves as financial advisor to the Town of Wellesley, Massachusetts.

## **Disclosure of Significant Events**

In order to assist underwriters in complying with the requirements of paragraph (b)(5)(i)(C) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule") applicable to municipal securities having a stated maturity of 18 months or less, the Town will covenant for the benefit of the owners of the Notes to file with the Municipal Securities Rulemaking Board (the "MSRB"), notices of the occurrence of any of the following events with respect to the Notes within ten business days of such occurrence: (a) principal and interest payment delinquencies; (b) non-payment related defaults, if material; (c) unscheduled draws on debt service reserves reflecting financial difficulties; (d) unscheduled draws on credit enhancements reflecting financial difficulties; (e) substitution of credit or liquidity providers, or their failure to perform; (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (g) modifications to rights of owners of the Notes, if material; (h) bond calls, if material, and tender offers; (i) defeasances; (j) release, substitution or sale of property securing the repayment of the Notes, if material; (k) ratings changes on the Notes; (l) bankruptcy, insolvency, receivership or similar event of the Town; (m) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Other than the Town, there are no obligated persons with respect to the Notes within the meaning of the Rule.

The covenant will be included in a Significant Events Disclosure Certificate to be executed by the signers of the Notes and incorporated by reference in the Notes. The sole remedy available to the owners of the Notes for the failure of the Town to comply with any provision of the certificate shall be an action for specific performance of the Town's obligations under the certificate and not for money damages; no other person shall have any right to enforce any provision of the certificate.

**The Town believes that in the past five years, it has complied in all material respects with its previous undertakings to provide annual reports or notices of significant events in accordance with the Rule.**

## THE TOWN OF WELLESLEY, MASSACHUSETTS

### General

The Town of Wellesley (the "Town"), which was incorporated in 1881, 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 federal census figures, has a population of 27,982 persons.

### Local Government

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. Provision is usually made for a referendum on actions of the representative town meeting upon petition of a sufficient number of voters. Administrative affairs are generally managed by a board of five selectmen, with the assistance of an executive director.

The administration of general government is the responsibility of the five-member Board of Selectmen who are elected at-large for staggered three-year terms. Local school affairs are administered by the five-member School Committee who are elected at-large for staggered three-year terms. Public Works is the responsibility of the three-member Board of Public Works who are elected at-large for staggered three-year terms. Library affairs are administered by a six-member Board of Library Trustees who are elected at-large for staggered three-year terms.

### Principal Executive Officers

<u>Office</u>	<u>Name</u>	<u>Term and Manner of Selection</u>	<u>Term Expires</u>
Board of Selectmen	Barbara D. Searle, Chair	Elected – 3-year term	2017
	Ellen F. Gibbs, Vice Chair	Elected – 3-year term	2016
	Marjorie Freiman	Elected - 3-year term	2018
	Jack Mougan	Elected - 3-year term	2018
	David L. Murphy	Elected - 3-year term	2017
Executive Director	Hans Larsen	Appointed by Selectmen	2015
Finance Director/Accountant	Sheryl Strother	Appointed by Selectmen	2016
Treasurer/Collector	Marc V. Waldman	Appointed by Finance Director	2015
Town Clerk	Kathleen F. Nagle	Elected - 3-year term	2018
Town Counsel	Miyares & Harrington	Appointed by Selectmen 3-year term	6/30/2017

### Municipal Services

Wellesley provides general governmental services, including police and fire protection, public education from kindergarten through grade 12, libraries, public works, water, sewer and electric utilities, public safety inspection, parks and recreational programs and facilities, and land planning and conservation programs. The Town also maintains a solid waste recycling and disposal facility. The Wellesley Housing Authority provides low-income housing and housing for the elderly.

The principal highways serving the Town are State Routes 9, 16, 135 and 128 (I-95) and the Massachusetts Turnpike (I-90). The Massachusetts Bay Transportation Authority (MBTA) provides railroad service to Boston and Worcester.

### Wellesley Municipal Light Plant

The Town owns and operates a self-supporting municipal light plant. The plant was established in accordance with Chapter 164 of the General Laws of The Commonwealth of Massachusetts in 1892 and has been in continuous operation since that time. The plant has distribution facilities only and purchases all power from Energy New England. All rates charged by the Division to its customers are filed with the Massachusetts Department of Public Utilities.

As a result of a vote at the 1993 Annual Town Meeting, a new Municipal Light Board was empowered on October 3, 1993. The five-member Municipal Light Board carries out the responsibilities of the Municipal Light Commissioners as dictated by Massachusetts General Laws, Chapter 164. The Municipal Light Board is comprised of the three Board of Public Works members who are elected, as well as two members who are appointed by the Board of Selectmen. The Municipal Light Plant contributes approximately \$1,000,000 annually to the Town in the form of payments in lieu of taxes.

**Wellesley Water and Sewer Programs**

The Town's Water Program is also a self-supporting utility servicing all of the Town's water requirements. The three elected members of the Board of Public Works also serve as Water and Sewer Commissioners. The chief source of water is local wells. The Town was admitted to the Metropolitan District Commission (now the Massachusetts Water Resources Authority or MWRA) for water connections in May 1974, and has utilized its option to purchase water to supplement its water supply since June of 1988.

The Town's Sewer Program, which is currently connected to the MWRA system, is a self-supporting utility established as an enterprise fund on July 1, 1981.

**School Building Capacity**

The Town provides seven elementary schools with a combined capacity of 2,220, one middle school with a capacity of 1,170 and a high school with a capacity of 1,100. At the Annual Town Meeting in March 2004, funds were approved to proceed with a middle school renovation and high school expansion project. For the middle school, \$2,285,000 was appropriated for architectural and engineering services including preparation of construction documents and estimates and \$26,175,000 was authorized on December 6, 2004 for construction (and voted exempt from Proposition 2 ½, so-called). The renovation was mainly due to the age and condition of the building, although some reconfiguration of space was completed. The Town has received approval from the Massachusetts School Building Authority (MSBA) to construct a new high school to meet its 2017-18 school year projected peak high school enrollment of 1,600. On December 9, 2008 the Town voted to exempt debt service on the Town's share of the new high school project from the limitations of Proposition 2 ½, so-called. The Town expects to receive approximately \$37 million of MSBA grants to finance a portion of the (approximate) \$105 million total project cost. Construction was completed on the new building in the spring of 2012. The MSBA is withholding funding of as much as \$1,000,000, pending final site work. The Town expects the final settlement in fiscal 2015.

**Public School Enrollments**

	Average Annual Enrollment				
	<u>2010-2011</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-2014</u>	<u>2014-2015</u>
Kindergarten to 5	2,365	2,342	2,297	2,341	2,241
Grades 6 - 8	1,135	1,171	1,161	1,164	1,176
Grades 9 - 12	<u>1,291</u>	<u>1,353</u>	<u>1,380</u>	<u>1,435</u>	<u>1,494</u>
Total	4,791	4,866	4,838	4,940	4,911

Source: Superintendent of Schools.

**Population Trends**

<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>
27,982	26,613	26,615	27,209

Source: U.S. Department of Commerce, Bureau of the Census.

## Age, Income and Wealth Levels

The following table compares census averages for the Town, the Commonwealth, and the United States.

	<u>Wellesley</u>	<u>Massachusetts</u>	<u>U.S.</u>
<b>Median Age</b>			
2010	38.2	39.1	37.2
2000	37.6	36.5	35.3
1990	35.5	33.6	32.9
<b>Median Family Income</b>			
2010	\$139,784	\$81,165	\$51,144
2000	134,769	61,664	50,046
1990	90,030	44,367	35,225
<b>Per Capita Income</b>			
2010	\$66,800	\$33,966	\$27,334
2000	52,866	25,952	21,587
1990	32,253	17,224	14,420

Source: U.S. Department of Commerce, Bureau of the Census.

## Labor Force, Employment and Unemployment Rate

According to the Massachusetts Division of Employment Security data, in March 2015, the Town had a total labor force of 13,210, of whom 12,796 were employed and 414 or 3.1% were unemployed as compared to 4.8% for the Commonwealth. The following table sets forth the Town's average labor force and unemployment rates for calendar years 2010 through 2014 and the unemployment rates for the Commonwealth and the United States as a whole for the same period:

Calendar Year	<u>Town of Wellesley</u>		<u>Massachusetts</u>	<u>U.S.</u>
	<u>Labor Force</u>	<u>Unemployment Rate</u>	<u>Unemployment Rate</u>	<u>Unemployment Rate</u>
2014	13,026	4.1%	5.8%	6.2%
2013	13,798	4.6	7.1	6.7
2012	13,622	4.1	6.7	8.1
2011	13,440	4.4	6.6	8.3
2010	13,125	5.6	8.5	9.6

Source: Massachusetts Department of Employment and Training.

## Employment by Industry

Due to reclassification the U.S. Department of Labor now uses the North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry.

Industry	Calendar Year Average				
	2009	2010	2011	2012	2013
Construction	309	286	254	289	273
Manufacturing	65	65	63	64	70
Trade, Transportation & Utilities	1,880	1,973	1,822	1,813	1,866
Information	503	328	276	247	262
Financial Activities	3,088	2,930	2,873	2,888	2,875
Professional and Business Services	3,466	2,755	2,752	2,861	3,194
Education and Health Services	5,584	5,602	5,717	5,789	6,044
Leisure and Hospitality	1,368	1,434	1,446	1,460	1,541
Other Services	628	668	676	680	691
Total Employment	16,891	16,041	15,879	16,091	16,816
Number of Establishments	1,435	1,450	1,462	1,404	1,448
Average Weekly Wages	\$ 1,431	\$ 1,363	\$ 1,443	\$ 1,480	\$ 1,550
Total Wages	\$ 1,272,145,215	\$ 1,152,108,106	\$ 1,208,280,796	\$ 1,255,791,552	\$ 1,378,754,875

Source: Massachusetts Department of Education and Training. Data based upon place of employment, not place of residence.

## Major Employers (1)

Employer	Nature of Business	No. of Employees
Sun Life of Canada	Insurance Company	1,410
Wellesley College	College	1,200
Babson College	College	850
Eagle Investment Systems	Financial Systems	600
Harvard Pilgrim Health Care	HMO	490
Roche Brothers	Grocery	330
Mass. Bay Community College	College	250
Dana Hall School	Private School	250
Wellesley Country Club	Recreation	220
F Squared Investments	Financial	210

(1) Excludes the Town.

## Building Permits

The following table sets forth the number of building permits issued and the estimated dollar value of new construction and alterations for each of the last five calendar years and for the current year as of April 15, 2015. The estimated dollar values are based on builders' estimates and are generally considered to be conservative.

Fiscal Year	New Construction		Non-Residential		Additions/Alterations		Total	
	No.	Value	No.	Value	No.	Value	No.	Value
2015 (2)	50	\$38,610,450	4	\$1,139,000	719	\$59,179,236	773	\$98,928,686
2014	67	47,192,820	6	24,532,000 (1)	893	76,144,015	966	147,868,835
2013	71	56,117,000	2	464,000	840	47,294,689	913	103,875,689
2012	61	47,472,600	3	6,561,831	768	58,900,177	832	112,934,608
2011	34	23,859,900	2	19,019,000	525	52,627,164	611	95,506,064
2010	53	38,000,875	4	95,854,000	571	54,071,744	628	187,926,619

Source: Town of Wellesley Building Inspector.

(1) Increase attributable to new buildings at Wellesley College and Babson College and development of the vacant Wellesley Inn site.

(2) Issued through April 15, 2015.

## PROPERTY TAXATION

The principal tax of Massachusetts cities and towns is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see "Tax Limitations," below.

The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years.

Although an allowance is made in the tax levy for abatements (see "Abatements and Overlay," below), no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see "Taxation to Meet Deficits," below).

### Tax Levy Computation

The following table illustrates the manner in which the Town's tax levy was determined for the current and last four fiscal years.

	Fiscal 2015	Fiscal 2014	Fiscal 2013	Fiscal 2012	Fiscal 2011
Total Appropriations	\$ 162,167,763	\$ 151,869,224	\$ 149,864,011	\$ 141,224,962	\$ 136,417,800
Additions:					
State and County Assessments	1,170,049	1,170,420	1,153,350	1,101,712	1,084,863
Overlay Reserve (1)	913,764	593,594	753,811	435,002	440,402
Other Additions	908,502	1,346,853	879,999	672,384	407,738
Total Additions	<u>2,992,315</u>	<u>3,110,867</u>	<u>2,787,160</u>	<u>2,209,098</u>	<u>1,933,003</u>
Gross Amount to be Raised	<u>165,160,078</u>	<u>154,980,091</u>	<u>152,651,171</u>	<u>143,434,060</u>	<u>138,350,803</u>
Deductions:					
Local Estimated Receipts	31,154,485	26,826,755	28,660,716	25,072,129	24,276,776
State Aid(2)	9,089,144	9,075,878	9,548,430	9,270,043	9,314,224
Available Funds:					
Free Cash	552,533	4,520,894	3,112,757	1,938,364	2,759,554
Other	1,030,819	982,303	868,664	1,115,636	854,886
Municipal Light Plant Contribution	3,250,000	1,000,000	1,000,000	1,000,000	1,000,000
Total Deductions	<u>45,076,981</u>	<u>42,405,830</u>	<u>43,190,567</u>	<u>38,396,172</u>	<u>38,205,440</u>
Net Amount to be Raised (Tax Levy)	<u>\$ 120,083,097</u>	<u>\$ 112,574,261</u>	<u>\$ 109,460,604</u>	<u>\$ 105,037,888</u>	<u>\$ 100,145,363</u>
Property Valuation	\$10,387,812,900	\$ 9,755,135,300	\$ 9,355,607,185	\$ 9,149,641,800	\$ 8,761,624,100
Tax Rate per \$1,000	\$ 11.56	\$ 11.54	\$ 11.70	\$ 11.48	\$ 11.43

**NOTE:** Property tax rates may not be set by the local assessors until they have been approved by the Commissioner of Revenue.

(1) Allowance for abatements.

(2) Includes state aid as well as other payments from the Commonwealth.

## Valuations and Tax Levies

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years, or pursuant to a revised schedule as may be issued by the Commissioner.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized value". See "INDEBTEDNESS – Debt Limits" below.

Valuation of real and personal property in the Town of Wellesley is established by the Board of Assessors. The following table sets forth the trend in the Town's assessed and equalized valuations for the current and last four fiscal years:

Fiscal Year	Assessed Valuations (1)			Equalized Valuation (2)	Assessed Valuation as a Percent of Equalized
	Real Property	Personal Property	Total		
2015	\$10,284,007,000	\$103,805,900	\$10,387,812,900	\$10,212,968,600	101.7%
2014	9,645,854,000	109,281,300	9,755,135,300	9,773,806,800	99.8
2013	9,247,535,000	108,072,185	9,355,607,185	9,773,806,800	95.7
2012	9,053,258,000	96,383,800	9,149,641,800	10,032,886,400	91.2
2011	8,664,542,000	97,082,100	8,761,624,100	10,032,866,400	87.4

(1) Source: Massachusetts Department of Revenue - As of prior January 1.

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

## Classification of Property

The following table illustrates the breakdown of the Town's assessed valuation.

Property Type	2015		2014		2013	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential	\$ 9,116,045,000	87.8 %	\$ 8,550,806,000	87.7 %	\$ 8,234,182,000	88.0 %
Commercial	1,159,807,000	11.2	1,087,234,000	11.1	1,005,915,000	10.8
Industrial	8,155,000	0.1	7,814,000	0.1	7,438,000	0.1
Personal	103,905,900	1.0	109,281,300	1.1	108,072,185	1.2
Total	\$ 10,387,912,900	100.0 %	\$ 9,755,135,300	100.0 %	\$ 9,355,607,185	100.0 %

Source: Massachusetts Department of Revenue.

## Largest Taxpayers

The following table lists the ten largest taxpayers in the Town based upon assessed valuations for fiscal 2015. All are current in their tax payments.

Name	Nature of Business	Fiscal 2015 Assessed Valuation	% of Total Assessed Value
Beacon Properties	Office Buildings	\$ 170,925,000	1.65 %
Haynes Management	Office Buildings	170,649,000	1.64
Wellesley College	Education/Residential	118,381,000	1.14
Fr Linden Sq./Eastern Deval	Commercial	108,964,000	1.05
Sun Life Assurance	Office Buildings	96,451,000	0.93
Harvard Pilgrim	Office Buildings	70,070,000	0.67
National Development	Residential, Office/Commercial	34,000,000	0.33
Hunnewell Family	Residential	32,637,000	0.31
Newton Wellesley Executive Office Park	Office Buildings	32,144,000	0.31
Grignaffini & Sons	Residential & Office Bldgs.	23,139,000	0.22
Total		<u>\$ 857,360,000</u>	<u>8.25 %</u>

Source: Board of Assessors.

## Abatements and Overlay

A city or town is authorized to increase each tax levy by an amount approved by the State Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is required to be added to the next tax levy.

Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue. But uncollected real property taxes are ordinarily not written off until they become municipal "tax titles" by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of the tax and charging surplus.

The following table sets forth the overlay reserve of the Town for the following fiscal years and abatements granted for each fiscal year listed:

Fiscal Year	Overlay Allowance		Percent of Net Levy	Abatements Granted Through June 30, 2014
	Net Tax Levy	Dollar Amount		
2014	\$ 111,980,667	\$ 593,594	0.53 %	\$ 460,213
2013	109,466,604	753,811	0.69	130,428
2012	104,602,886	435,002	0.42	203,804
2011	99,704,961	440,402	0.44	302,933
2010	93,700,637	430,000	0.46	316,393

Source: Board of Assessors.

## Tax Collections

The following table presents the Town's tax collections for the last five fiscal years at their respective fiscal year end:

Fiscal Year	Total Tax Levy	Overlay Reserve for Abatements	Net Tax Levy (1)	% of Net Collected at each fiscal year end (2)(3)
2014	\$ 112,574,261	\$ 593,594	\$ 111,980,667	99.9 %
2013	109,466,604	753,811	108,706,793	99.9
2012	105,037,888	435,002	104,602,886	98.8
2011	100,145,363	440,402	99,704,961	99.4
2010	94,130,637	430,000	93,700,637	98.7

Source: Board of Assessors as to levies; Town Accountant as to collections.

(1) Net after deduction of overlay for abatements.

(2) Actual collections less refunds. Non-cash credits, which may be abated later, are not included in the amount allowed for refunds here.

(3) Collections for the current fiscal year are comparable to previous fiscal years.

## Tax Titles and Possessions

Real property (land and buildings) is subject to a lien for the taxes assessed upon it, subject to any paramount federal lien and subject to bankruptcy and insolvency laws. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below.

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for nonpayment of taxes. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments), it can be foreclosed by petition to the Land Court. Upon foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of in the same manner as other land held for municipal purposes.

## Tax Deferral

In an effort to assist elderly homeowners deal with an ever increasing real estate tax burden and remain in their homes, the Town of Wellesley obtained a Home Rule Petition that provides lower interest on deferred taxes and raised the income limits for participation in the program. Under Wellesley's program, eligible seniors over the age of 65 can defer up to 100% of their annual property tax until death or they sell their homes. The interest rate they are charged varies annually (at present, the rate is 1.3% compared to 8% for all other communities in the state) and the income qualification was raised from the state standard of \$40,000 to \$50,000.

Wellesley has concentrated on using the deferral program as its primary means of elderly tax relief, although all forms of exemptions are encouraged and a senior work-off program has been established. Over the last three fiscal years, the deferral program has grown from 28 to 58 participants with total annual deferrals increasing from \$114,000 to \$192,000.

It is important to note that the accounting impact of deferrals is a reduction to undesignated fund balance; from a financial standpoint, a negative action. The reality is that deferrals are a secured loan made by the Town to its qualified elderly residents. The program costs the Town nothing while accomplishing the socially acceptable goal of generational diversity.

## Taxes Outstanding

<u>As of June 30,</u>	<u>Aggregate (1)</u>	<u>Tax Titles</u>	<u>Deferred Taxes</u>	<u>Possessions</u>
2014	\$ 3,352,694	\$ 929,655	\$ 2,396,018	\$ 27,021
2013	3,277,517	889,073	2,361,423	27,021
2012	3,175,231	907,490	2,240,720	27,021
2011	2,851,790	886,489	1,938,280	27,021
2010	2,598,636	862,603	1,709,012	27,021

Source: Town Accountant.

(1) For five prior fiscal years. Excludes abated taxes; includes taxes in litigation if any.

## Sale of Tax Receivables

Cities and towns are authorized to sell delinquent property tax receivables by public sale or auction either individually or in bulk. The Town does not expect to utilize this option at the present time.

## Taxation to Meet Deficits

As noted elsewhere (see *“Abatements and Overlay”* above) overlay deficits, i.e. tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e. those resulting from non-property tax revenues being less than anticipated, are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

Cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as “free cash” deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

## Tax Limitations

Chapter 59, Section 21C of the General Laws, also known as Proposition 2½, imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2½ percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7½ percent by majority vote of the voters, or to less than 7½ percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a 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 2½ percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year’s valuation.

This “growth” limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the “growth” limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit “to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year”.

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2½ limits the amount required to pay specified capital outlay expenditures or for the city or town’s apportioned share for certain capital outlay expenditures by a regional governmental unit. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality’s sewer or water charges are reduced accordingly.

In addition, Proposition 2½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2½ percent of the prior year’s assessments and (b) “any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option”. Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district’s governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

### Unused Levy Capacity (1)

	For Fiscal Year				
	2015	2014	2013	2012	2011
Primary Levy Limit (2)	\$ 259,695,323	\$ 243,878,383	\$ 233,890,180	\$ 228,741,045	\$ 219,040,603
Prior Fiscal Year Levy Limit	101,411,187	97,401,131	93,189,339	89,421,407	85,858,785
2.5% Levy Growth	2,535,280	2,435,028	2,329,733	2,235,535	2,146,470
New Growth (3)	1,845,776	1,575,028	1,882,059	1,532,397	1,416,152
Current Fiscal Year Override	3,345,000	-	-	-	-
Growth Levy Limit	109,137,243	101,411,187	97,401,131	93,189,339	89,421,407
Current Fiscal Year Debt Exclusions	9,158,514	9,369,533	10,322,960	10,058,108	8,954,943
Other Adjustments (4)	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Tax Levy Limit	120,095,757	112,580,720	109,524,091	105,047,447	100,176,350
Tax Levy	120,083,117	112,574,261	109,460,604	105,037,888	100,145,363
Unused Levy Capacity (5)	\$ 12,640	\$ 6,459	\$ 63,487	\$ 9,559	\$ 30,987
Unused Primary Levy Capacity (6)	\$ 150,558,080	\$ 142,467,196	\$ 136,489,049	\$ 135,551,706	\$ 129,619,196

(1) Source: Massachusetts Department of Revenue.

(2) 2.5% of assessed valuation.

(3) Allowed increase for new valuations - certified by the Department of Revenue.

(4) In March 2007, the Town authorized an \$18,000,000 capital exclusion to be used to reduce the Town’s OPEB liability, such amount will be added to the tax rate annually in the amount of \$1,800,000 for each year through fiscal 2016.

(5) Tax Levy Limit Less Tax Levy.

(6) Primary Levy Limit Less Growth Levy Limit.

## **Impact of Proposition 2 1/2**

As demonstrated by the table above, the Town's primary response to the fiscal constraints imposed by Proposition 2 1/2 has been acceptance of the debt exclusion provisions on a significant portion of its long-term debt, passage of operating overrides in fiscal 2002, 2003, 2004, 2006, 2007 and 2015, and a capital exclusion for the Town's OPEB liability in fiscal 2008.

On May 11, 1999, the Town voted to exempt \$23,000,000 principal of and associated interest on the Bates and Sprague School construction projects from the tax levy limitations of Proposition 2 1/2. In addition, on May 7, 1996, the town voted to exempt \$1,730,000 principal of and associated interest on the construction of a Recycling Disposal Facility. On January 25, 2005, the Town voted to exempt \$26,175,000 principal of and associated interest on bonds for the construction of a Middle School. The Town issued \$9,000,000 in bonds against this authorization in June 2005, \$6,705,000 in bonds against the authorization in June 2006 and the balance (\$10,470,000) in June 2008. In March 2007, the Town authorized exempt debt to improve several school buildings (\$11,207,000), of which \$4,500,000 principal amount was issued in June 2008 and \$3,500,000 was issued in June 2009. On May 15, 2007 the town voted to exempt debt service for a drainage project (\$1,306,000) and for a master plan (\$650,000) for Morses Pond. On December 9, 2008 the Town voted to exempt debt service on the Town's share of a new \$123,583,000 high school project (the actual final cost of the project is expected to be approximately \$105 million. The Town expects to receive approximately \$37 million of MSBA grants to finance the balance of the total project cost. On May 18, 2011, the Town voted to exempt debt service associated with the new \$1,960,000 DPW Building.

On May 16, 2006, voters approved a permanent \$3.2 million override of the Proposition 2 1/2 levy limit. This override allows for full funding of the fiscal year 2007 operating budget as approved by Town Meeting, including an initial \$600,000 payment towards the reduction of Wellesley's OPEB liability. With approval of the override at nearly 60%, management regards this as substantial citizen support for current government activities and services. The \$3.2 million override became a permanent component of the property tax levy base and will thus serve to partially mitigate fiscal stress in subsequent fiscal years. In March 2007, the Town authorized \$18,000,000 capital exclusion towards reducing the Town's OPEB liability, such amount will be added to the tax rate annually in the amount of \$1,800,000 for each year through fiscal 2016.

## **Pledged Taxes**

Taxes on the increased value of certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes. See "Tax Increment Financing for Development Districts" below.

## **Initiative Petitions**

Various proposals have been made in recent years for legislative amendments to the Massachusetts Constitution to impose various limits on state and local taxes. To be adopted such amendments must be approved by two successive legislatures and then by the voters at a state election.

## **Community Preservation Act**

The Massachusetts Community Preservation Act (the "CPA") permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy, dedicate revenue (other than state or federal funds), and to receive state matching funds for (i) the acquisition, creation, preservation, rehabilitation and restoration of land for recreational use, open space, and affordable housing and (ii) the acquisition, preservation, rehabilitation and restoration of historic resources. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an

exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see "*Tax Limitations*" under "PROPERT TAXATION" above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on taxes, the dedication of revenue and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge and dedicated revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

The Town adopted the Community Preservation Act in fiscal 2003. As of June 30, 2014, the Town accumulated a total CPA Fund Balance of \$6,518,355 including state matching grants and interest. In fiscal 2014, the Town received \$508,375 in state matching funds.

The Town expects to support approximately \$10 million of the North 40 Land Acquisition debt cost with annual CPA surcharge revenue. The annual debt service payment will be less than \$600,000. In fiscal year 2015, the CPA surcharge revenue was approximately \$1,095,000.

## TOWN FINANCES

### The Budget and Appropriation Process

The annual appropriations of the Town are ordinarily made at the annual meeting which usually begins in March. Appropriations may also be voted at special meetings. The Town has an advisory committee which submits reports on proposed expenditures at Town Meetings.

The Town meeting does not vote general operating appropriations for the Electric, Water and Sewer Programs, but, rather, authorizes these self-supporting enterprises to make expenditures from receipts. In the case of the Electric Program, this is done without limit as to amount. (The Board of Public Works acting as the Municipal Light Board may appropriate Electric Program funds without town meeting approval.) In the case of the Water and Sewer Programs, a cap on the level of expenditures for maintenance and operations is usually voted by town meeting.

The school budget is limited to the total amount appropriated by the town meeting, but the school committee retains full power to allocate the funds appropriated. (See "Education Reform," below.)

State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for, and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See "PROPERTY TAXATION," above.)

### Operating Budget Trends

Following is a comparison of total budget appropriations for fiscal years 2016 through 2012:

	FY16	FY15	FY14	FY13	FY12
Gen Gov	\$ 11,674,256	\$ 14,077,762	\$ 10,852,026	\$ 8,574,643	\$ 9,197,911
Public Safety	11,365,460	11,133,723	10,832,024	10,638,918	10,580,471
Public Works	6,830,386	6,721,805	6,540,298	6,408,047	6,270,097
Facilities Maintenance (1)	6,887,560	6,655,781	6,432,097	6,200,673	-
Library & Recreation	2,641,731	2,589,557	2,626,759	2,568,436	2,727,190
Education	66,689,159	63,524,619	60,139,338	58,115,123	59,723,892
Employee Ben.	26,133,432	25,837,021	23,934,678	22,377,517	20,732,105
Debt Service (2)	17,353,473	12,871,061	12,741,985	14,167,675	14,460,742
Reserve	175,000	175,000	175,000	175,000	175,000
Insurance (Risk Mgt.)	483,300	504,000	479,000	407,000	322,000
Cash Capital					
Public Works	1,528,000	1,611,000	1,524,000	1,322,500	1,332,700
Schools	856,066	791,030	803,134	962,554	898,510
Selectmen	-	262,238	206,457	231,936	219,974
Facilities	1,575,000	1,500,000	1,141,200	893,583	769,008
Library	115,700	46,000	43,000	40,500	34,000
Natural Resources	55,500	65,500	75,000	75,000	75,000
Town Clerk	7,000	7,000	79,550	-	-
Morses Pond Mgt.	-	-	-	-	-
Planning Board	30,000	-	-	-	-
<b>Total</b>	<b>\$ 154,401,023</b>	<b>\$ 148,373,097</b>	<b>\$ 138,625,546</b>	<b>\$ 133,159,105</b>	<b>\$ 127,518,600</b>

(1) New facilities maintenance department established in fiscal 2013. To create the facilities maintenance budget, all facility related personal expenses, were reclassified from the following town departments: Education, Public Safety, Library and Recreation.

(2) Excludes all enterprise fund debt service. Revolving and non-tax impact items excluded.

## Education Reform

State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education and related programs, and may affect the level of state aid to be received for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. Since its passage, the Town has complied with the Act and appropriations for education have equaled or exceeded the minimum required level.

## Revenues

**Property Taxes:** Property taxes are the major source of revenue for the Town. The amount levied is subject to certain limits prescribed by law; for a description of those limits see "PROPERTY TAXATION - Tax Limitations," above.

**State Aid** - In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality's state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

In the fall of 1986, both the State Legislature (by statute repealed as of July 1, 1999) and the voters (by initiative petition) placed limits on the growth of state tax revenues. Although somewhat different in detail, each measure essentially limited the annual growth in state tax revenues to an average rate of growth in wages and salaries in the Commonwealth over the three previous calendar years. If not amended, the remaining law could restrict the amount of state revenues available for state aid to local communities.

Following is a five-year history and an estimate for the current year of state aid receipts of the Town:

<u>Fiscal Year</u>	<u>Receipts</u>
2015 (est.)	\$ 8,996,000
2014	9,022,255
2013	9,485,242
2012	9,338,053
2011	9,244,272
2010	8,423,607

**State School Building Assistance Program:** Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the "Authority") to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority

is required to fund the grants for such projects in the order in which they appear on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality, eliminating the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs in most cases.

The range of reimbursement rates for new project grant applications submitted to the Authority on or after July 1, 2007 has been reduced to between 40% and 80% of approved project costs. The Authority promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

**The Motor Vehicle Excise Tax:** An excise is imposed on the registration of motor vehicles (subject to exemptions) at the rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the motor vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturers' list price and year of manufacture. Bills not paid when due bear interest at 12 per cent per annum. Provision is also made, after notice to the owner, for suspension of the owner's operating license or registration by the registrar of motor vehicles. Following is a five-year history of motor vehicle excise receipts of the Town:

<u>Fiscal Year</u>	<u>Receipts</u>
2014	\$ 4,755,333
2013	4,247,760
2012	4,161,899
2011	4,176,808
2010	3,876,637

**Room Occupancy Tax:** In 1985 the State legislature made available a room occupancy excise tax as an additional source of revenue for municipalities (G.L. Chapter 64G, s. 3A), effective July 1, 1986. Under this tax, local governments may tax the provision of hotel, motel, lodging house and bed and breakfast rooms at a rate not to exceed four percent (4%) of the cost of renting such rooms. The tax is paid by the operator of each establishment to the State Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located in quarterly distributions. Following is a five-year history of room occupancy tax receipts:

<u>Fiscal Year</u>	<u>Receipts</u>
2014	\$ 79,203
2013	80,099
2012	67,009
2011	71,214
2010	81,477

**Local Options Meals Tax:** On October 26, 2009, the Town adopted the local option meals tax which became effective January 1, 2010. The tax is a 0.75% tax on the gross receipts of a vendor from the sale of restaurant meals. The tax is paid by the vendor to the State Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold. The Town received \$510,053 in fiscal 2012. The Town received \$527,124 and \$547,618 in fiscal years 2013 and 2014, respectively.

**Other Local Sources:** In fiscal 2014, revenues from local sources included approximately \$1,116,781 from recreational user charges and \$226,439 from interest earned on investments.

**Annual Audits**

The Town's accounts were most recently independently audited for fiscal year ended June 30, 2014 by Powers & Sullivan, Wakefield, Massachusetts. For a summary of the Town's significant accounting policies, please refer to the aforementioned audit which is attached hereto as Appendix A.

The attached report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. In addition, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

**Financial Statements**

Set forth on the following pages are the Governmental Funds Balance Sheets for fiscal years ended June 30, 2014, June 30, 2013 and June 30, 2012 and Statements of Revenues and Expenditures and Changes in Fund Balances for fiscal years ended June 30, 2009 through 2014. Said statements were extracted from the Town's audited financials.

**TOWN OF WELLESLEY, MASSACHUSETTS**  
**Balance Sheet - Governmental Funds**  
**June 30, 2014 (1)**

	General Fund	Highway Chapter 90	Capital Projects Fund	High School Construction Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 26,335,506	\$ -	\$ 8,099,039	\$ 1,587,944	\$ 15,894,168	\$ 51,916,657
Investments	2,531,113	-	-	-	976,089	3,507,202
Receivables, net of uncollectibles:						
Real Estate, Personal Property and Tax Deferrals	2,971,488	-	-	-	-	2,971,488
Tax Liens	929,706	-	-	-	-	929,706
Motor Vehicle Excise Taxes	352,306	-	-	-	-	352,306
Departmental and other	31,697	-	-	-	170,662	202,359
Intergovernmental	-	3,502,956	-	863,000	254,841	4,620,797
Due to other funds	2,318	-	-	-	-	2,318
<b>Total Assets</b>	<b>\$ 33,154,134</b>	<b>\$ 3,502,956</b>	<b>\$ 8,099,039</b>	<b>\$ 2,450,944</b>	<b>\$ 17,295,760</b>	<b>\$ 64,502,833</b>
<b>LIABILITIES</b>						
Warrants Payable	\$ 1,542,675	\$ 13,766	\$ 158,987	\$ 2,023	\$ 691,948	\$ 2,409,399
Accrued Payroll	4,163,250	321	1,378	204	54,889	4,220,042
Tax Refunds Payable	734,194	-	-	-	-	734,194
Due to other funds	-	2,318	-	-	-	2,318
Notes payable	-	-	8,746,030	-	-	8,746,030
<b>Total Liabilities</b>	<b>\$ 6,440,119</b>	<b>\$ 16,405</b>	<b>\$ 8,906,395</b>	<b>\$ 2,227</b>	<b>\$ 746,837</b>	<b>\$ 16,111,983</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Advance collections - taxes	474,570	-	-	-	5,932	480,502
Unavailable revenues	3,903,197	3,486,551	-	-	385,494	7,775,242
<b>Total Deferred inflows of Resources</b>	<b>4,377,767</b>	<b>3,486,551</b>	<b>-</b>	<b>-</b>	<b>391,426</b>	<b>8,255,744</b>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	357,953	357,953
Restricted	-	-	-	2,448,717	15,799,544	18,248,261
Committed	1,936,883	-	-	-	-	1,936,883
Assigned	5,169,365	-	-	-	-	5,169,365
Unassigned	15,230,000	-	(807,356)	-	-	14,422,644
<b>Total Fund Balances</b>	<b>22,336,248</b>	<b>-</b>	<b>(807,356)</b>	<b>2,448,717</b>	<b>16,157,497</b>	<b>40,135,106</b>
<b>Total Liabilities, Deferred Inflows of resources and Fund Balances</b>	<b>\$ 33,154,134</b>	<b>\$ 3,502,956</b>	<b>\$ 8,099,039</b>	<b>\$ 2,450,944</b>	<b>\$ 17,295,760</b>	<b>\$ 64,502,833</b>

(1) Extracted from audited financial statements of the Town.

**TOWN OF WELLESLEY, MASSACHUSETTS**  
**Balance Sheet - Governmental Funds**  
**June 30, 2013 (1)**

	General Fund	Highway Chapter 90	High School Construction Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 28,637,188	\$ 10,002	\$ 2,533,205	\$ 17,357,228	\$ 48,537,623
Investments	2,996,800	-	-	1,109,569	4,106,369
Receivables, net of uncollectibles:					
Real Estate, Personal Property and Tax Deferrals	3,353,486	-	-	-	3,353,486
Tax Liens	889,073	-	-	-	889,073
Motor Vehicle Excise Taxes	394,771	-	-	-	394,771
Departmental and other	31,697	-	-	147,791	179,488
Intergovernmental	-	2,852,298	863,000	508,375	4,223,673
Total Assets	<u>\$ 36,303,015</u>	<u>\$ 2,862,300</u>	<u>\$ 3,396,205</u>	<u>\$ 19,122,963</u>	<u>\$ 61,684,483</u>
<b>LIABILITIES</b>					
Warrants Payable	\$ 3,787,100	\$ 308	\$ -	\$ 520,741	\$ 4,308,149
Accrued Payroll	4,213,812	-	492	63,065	4,277,369
Tax Refunds Payable	865,536	-	-	-	865,536
Deferred revenues and advance collections	5,674,072	2,852,298	-	623,538	9,149,908
Total Liabilities	<u>\$ 14,540,520</u>	<u>\$ 2,852,606</u>	<u>\$ 492</u>	<u>\$ 1,207,344</u>	<u>\$ 18,600,962</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	210,612	210,612
Restricted	-	9,694	3,395,713	17,746,165	21,151,572
Committed	2,785,748	-	-	-	2,785,748
Assigned	3,633,780	-	-	-	3,633,780
Unassigned	15,342,967	-	-	(41,158)	15,301,809
Total Fund Balances	<u>21,762,495</u>	<u>9,694</u>	<u>3,395,713</u>	<u>17,915,619</u>	<u>43,083,521</u>
Total Liabilities and Fund Balances	<u>\$ 36,303,015</u>	<u>\$ 2,862,300</u>	<u>\$ 3,396,205</u>	<u>\$ 19,122,963</u>	<u>\$ 61,684,483</u>

(1) Extracted from audited financial statements.

**TOWN OF WELLESLEY, MASSACHUSETTS**  
**Balance Sheet - Governmental Funds**  
**June 30, 2012 (1)**

	General Fund	Capital Projects Fund	High School Construction Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 26,682,973	\$ 5,340,217	\$ 7,198,151	\$ 12,217,059	\$ 51,438,400
Investments	2,256,515	-	-	1,078,559	3,335,074
Receivables, net of uncollectibles:					
Real Estate, Personal Property and Tax Deferrals	3,068,277	-	-	-	3,068,277
Tax Liens	907,490	-	-	-	907,490
Motor Vehicle Excise Taxes	269,687	-	-	-	269,687
Departmental and other	29,897	-	-	100,030	129,927
Intergovernmental	2,487,974	-	4,057,143	2,063,709	8,608,826
<b>Total Assets</b>	<b>\$ 35,702,813</b>	<b>\$ 5,340,217</b>	<b>\$ 11,255,294</b>	<b>\$ 15,459,357</b>	<b>\$ 67,757,681</b>
<b>LIABILITIES</b>					
Warrants Payable	\$ 1,689,706	\$ 14,032	\$ 1,932,784	\$ 474,636	\$ 4,111,158
Accrued Payroll	4,346,189	-	-	41,445	4,387,634
Tax Refunds Payable	634,083	-	-	-	634,083
Deferred revenues and advance collections	7,300,354	-	-	2,131,531	9,431,885
Notes payable	-	3,000,000	-	-	3,000,000
<b>Total Liabilities</b>	<b>\$ 13,970,332</b>	<b>\$ 3,014,032</b>	<b>\$ 1,932,784</b>	<b>\$ 2,647,612</b>	<b>\$ 21,564,760</b>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	210,612	210,612
Restricted	-	2,326,185	9,322,510	12,601,133	24,249,828
Committed	2,106,100	-	-	-	2,106,100
Assigned	3,831,439	-	-	-	3,831,439
Unassigned	15,794,942	-	-	-	15,794,942
<b>Total Fund Balances</b>	<b>21,732,481</b>	<b>2,326,185</b>	<b>9,322,510</b>	<b>12,811,745</b>	<b>46,192,921</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 35,702,813</b>	<b>\$ 5,340,217</b>	<b>\$ 11,255,294</b>	<b>\$ 15,459,357</b>	<b>\$ 67,757,681</b>

(1) Extracted from audited financial statements.

**Town of Wellesley Massachusetts**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2014 (1)**

	General Fund	Highway Chapter 90	Capital Projects Fund	High School Construction Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Real estate and personal property taxes, net of tax refunds	\$ 112,191,310	\$ -	\$ -	\$ -	\$ -	\$ 112,191,310
Tax liens	381,899	-	-	-	-	381,899
Motor vehicle and other excise taxes	5,382,154	-	-	-	-	5,382,154
Payments in lieu of taxes	226,439	-	-	-	-	226,439
Penalties and interest on taxes	247,489	-	-	-	-	247,489
Charges for services	-	-	-	-	1,118,806	1,118,806
Parking meter receipts	-	-	-	-	835,972	835,972
Intergovernmental	20,937,863	107,926	-	-	5,850,655	26,896,444
Departmental and other	4,308,125	-	-	-	5,338,070	9,646,195
Community preservation tax	-	-	-	-	1,019,365	1,019,365
Contributions	-	-	-	-	1,404,849	1,404,849
Investment income	203,080	-	-	-	94,346	297,426
<b>Total revenues</b>	<b>143,878,359</b>	<b>107,926</b>	<b>-</b>	<b>-</b>	<b>15,662,063</b>	<b>159,648,348</b>
<b>EXPENDITURES</b>						
Current:						
General government	11,385,953	-	2,255,357	-	114,621	13,755,931
Public safety	10,877,844	-	-	-	935,793	11,813,637
Public education	60,302,991	-	-	946,996	9,015,780	70,265,767
Public works	8,395,507	117,620	2,689,329	-	442,045	11,644,501
Health and human service	1,150,725	-	-	-	184,565	1,335,290
Recreation	319,953	-	-	-	1,252,717	1,572,670
Library	2,350,355	-	-	-	261,773	2,612,128
Teachers pension benefits - state funded	11,910,914	-	-	-	-	11,910,914
Town pension	5,024,893	-	-	-	-	5,024,893
Employee benefits	19,003,216	-	-	-	109,103	19,112,319
Traffic and parking management	-	-	-	-	659,832	659,832
Community preservation	-	-	-	-	168,408	168,408
State and county charges	1,139,836	-	-	-	-	1,139,836
Debt Service:						
Principal	8,915,000	-	-	-	-	8,915,000
Interest	3,665,637	-	-	-	-	3,665,637
<b>Total expenditures</b>	<b>144,442,824</b>	<b>117,620</b>	<b>4,944,686</b>	<b>946,996</b>	<b>13,144,637</b>	<b>163,596,763</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(564,465)	(9,694)	(4,944,686)	(946,996)	2,517,426	(3,948,415)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfer in	1,338,218	-	-	-	200,000	1,538,218
Transfers out	(200,000)	-	-	-	(338,218)	(538,218)
<b>Total other financing sources (uses)</b>	<b>1,138,218</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(138,218)</b>	<b>1,000,000</b>
 Net change in fund balances	 573,753	 (9,694)	 (4,944,686)	 (946,996)	 2,379,208	 (2,948,415)
Fund balance - beginning of year	21,762,495	9,694	4,137,330	3,395,713	13,778,289	43,083,521
Fund balance - ending of year	<u>\$ 22,336,248</u>	<u>\$ -</u>	<u>\$ (807,356)</u>	<u>\$ 2,448,717</u>	<u>\$ 16,157,497</u>	<u>\$ 40,135,106</u>

(1) Extracted from audited financial statements of the Town.

**Town of Wellesley Massachusetts**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2013 (1)**

	General Fund	Highway Chapter 90	High School Construction Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Real estate and personal property taxes, net of tax refunds	\$ 108,396,745	\$ -	\$ -	\$ -	\$ 108,396,745
Tax liens	342,763	-	-	-	342,763
Motor vehicle and other excise taxes	4,854,984	-	-	-	4,854,984
Payments in lieu of taxes	226,459	-	-	-	226,459
Penalties and interest on taxes	181,579	-	-	-	181,579
Charges for services	-	-	-	1,058,774	1,058,774
Parking meter receipts	-	-	-	882,649	882,649
Intergovernmental	22,866,652	537,141	-	5,242,999	28,646,792
Departmental and other	3,558,923	-	-	4,322,335	7,881,258
Community preservation tax	-	-	-	982,069	982,069
Contributions	-	-	-	1,453,235	1,453,235
Investment income	225,656	-	-	116,472	342,128
<b>Total revenues</b>	<b>140,653,761</b>	<b>537,141</b>	<b>-</b>	<b>14,058,533</b>	<b>155,249,435</b>
<b>EXPENDITURES</b>					
Current:					
General government	10,210,535	-	-	120,250	10,330,785
Public safety	10,591,322	-	-	1,988,659	12,579,981
Public education	58,149,722	-	5,926,797	8,753,571	72,830,090
Public works	8,365,398	527,447	-	3,272,425	12,165,270
Health and human service	1,068,826	-	-	205,124	1,273,950
Recreation	318,127	-	-	1,239,955	1,558,082
Library	2,287,040	-	-	246,287	2,533,327
Teachers pension benefits - state funded	11,576,070	-	-	-	11,576,070
Town pension	3,226,373	-	-	-	3,226,373
Employee benefits	19,102,684	-	-	121,172	19,223,856
Traffic and parking management	-	-	-	598,789	598,789
Community preservation	-	-	-	458,702	458,702
State and county charges	1,140,498	-	-	-	1,140,498
Debt Service:					
Principal	11,390,000	-	-	-	11,390,000
Interest	3,970,894	-	-	-	3,970,894
<b>Total expenditures</b>	<b>141,397,489</b>	<b>527,447</b>	<b>5,926,797</b>	<b>17,004,934</b>	<b>164,856,667</b>
(Deficiency) excess of revenues over (under) expenditures	(743,728)	9,694	(5,926,797)	(2,946,401)	(9,607,232)
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of long-term debt	-	-	-	4,775,000	4,775,000
Issuance of refunding bonds	5,730,000	-	-	-	5,730,000
Premium from issuance of bonds	722,832	-	-	-	722,832
Premium from issuance of refunding bonds	621,703	-	-	-	621,703
Payments to refunded bond escrow agent	(6,351,703)	-	-	-	(6,351,703)
Transfer in	1,281,663	-	-	1,230,753	2,512,416
Transfers out	(1,230,753)	-	-	(281,663)	(1,512,416)
<b>Total other financing sources (uses)</b>	<b>773,742</b>	<b>-</b>	<b>-</b>	<b>5,724,090</b>	<b>6,497,832</b>
Net change in fund balances	30,014	9,694	(5,926,797)	2,777,689	(3,109,400)
Fund balance - beginning of year	21,732,481	-	9,322,510	15,137,930	46,192,921
Fund balance - ending of year	<u>\$ 21,762,495</u>	<u>\$ 9,694</u>	<u>\$ 3,395,713</u>	<u>\$ 17,915,619</u>	<u>\$ 43,083,521</u>

(1) Extracted from audited financial statements of the Town.

**Town of Wellesley Massachusetts**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2012 (1)**

	General Fund	Capital Projects Fund	High School Construction Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Real estate and personal property taxes, net of tax refunds	\$ 103,790,048	\$ -	\$ -	\$ -	\$ 103,790,048
Tax liens	436,025	-	-	-	436,025
Motor vehicle and other excise taxes	4,738,993	-	-	-	4,738,993
Payments in lieu of taxes	424,432	-	-	-	424,432
Penalties and interest on taxes	226,462	-	-	-	226,462
Charges for services	-	-	-	1,093,207	1,093,207
Parking meter receipts	-	-	-	784,910	784,910
Intergovernmental	20,723,174	-	13,255,855	5,952,240	39,931,269
Departmental and other	3,747,289	9,599	-	4,736,764	8,493,652
Community preservation assessments	-	-	-	944,740	944,740
Contributions	-	-	-	1,143,661	1,143,661
Investment Income	386,625	-	-	83,201	469,826
<b>Total revenues</b>	<b>134,473,048</b>	<b>9,599</b>	<b>13,255,855</b>	<b>14,738,723</b>	<b>162,477,225</b>
<b>EXPENDITURES</b>					
Current:					
General government	7,092,525	26,693	-	110,420	7,229,638
Public safety	10,550,210	-	-	1,039,268	11,589,478
Public education	59,586,384	58,722	29,146,246	9,696,611	98,487,963
Public works	8,007,537	2,321,076	-	564,329	10,892,942
Health and human service	1,027,587	-	-	240,988	1,268,575
Recreation	316,738	-	-	1,358,311	1,675,049
Library	2,438,086	-	-	260,562	2,698,648
Teachers pension benefits - state funded	11,056,041	-	-	-	11,056,041
Town pension	2,647,015	-	-	-	2,647,015
Employee benefits	18,125,823	-	-	250,649	18,376,472
Traffic and parking management	-	-	-	541,165	541,165
Community preservation	-	-	-	996,212	996,212
State and county charges	1,087,753	-	-	-	1,087,753
Debt Service:					
Principal	9,740,000	-	-	-	9,740,000
Interest	4,262,024	-	-	-	4,262,024
<b>Total expenditures</b>	<b>135,937,723</b>	<b>2,406,491</b>	<b>29,146,246</b>	<b>15,058,515</b>	<b>182,548,975</b>
(Deficiency) excess of revenues over (under) expenditures	(1,464,675)	(2,396,892)	(15,890,391)	(319,792)	(20,071,750)
<b>OTHER FINANCING SOURCES (USES)</b>					
Premium from issuance of bonds	23,135	-	-	-	23,135
Operating transfers in	1,778,055	3,000,000	-	357,513	5,135,568
Operating transfers out	(350,000)	(315,379)	-	(3,470,189)	(4,135,568)
<b>Total other financing sources (uses)</b>	<b>1,451,190</b>	<b>2,684,621</b>	<b>-</b>	<b>(3,112,676)</b>	<b>1,023,135</b>
 Net change in fund balances	 (13,485)	 287,729	 (15,890,391)	 (3,432,468)	 (19,048,615)
Fund balance - beginning of year	21,745,966	2,038,456	25,212,901	16,244,213	65,241,536
Fund balance - ending of year	<b>\$ 21,732,481</b>	<b>\$ 2,326,185</b>	<b>\$ 9,322,510</b>	<b>\$ 12,811,745</b>	<b>\$ 46,192,921</b>

(1) Extracted from audited financial statements of the Town.

**Town of Wellesley Massachusetts**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2011 (1)**

	General Fund	Highway Chapter 90	High School Construction Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
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 assessments	-	-	-	897,294	897,294
Contributions	-	-	-	1,226,070	1,226,070
Investment Income	600,521	-	-	137,821	738,342
<b>Total revenues</b>	<b>129,934,568</b>	<b>725,530</b>	<b>16,833,405</b>	<b>13,552,776</b>	<b>161,046,279</b>
<b>EXPENDITURES</b>					
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 service	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
<b>Total expenditures</b>	<b>130,289,989</b>	<b>725,530</b>	<b>42,991,654</b>	<b>13,179,139</b>	<b>187,186,312</b>
(Deficiency) excess of revenues over (under) expenditures	(355,421)	-	(26,158,249)	373,637	(26,140,033)
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of long-term debt	-	-	22,000,000	610,000	22,610,000
Premium from issuance of bonds	347,144	-	-	-	347,144
Operating transfers in	1,461,376	-	-	135,265	1,596,641
Operating transfers out	(100,000)	-	-	(496,641)	(596,641)
<b>Total other financing sources (uses)</b>	<b>1,708,520</b>	<b>-</b>	<b>22,000,000</b>	<b>248,624</b>	<b>23,957,144</b>
Net change in fund balances	1,353,099	-	(4,158,249)	622,261	(2,182,889)
Fund balance - beginning of year	20,392,867	-	29,371,150	17,660,408	67,424,425
Fund balance - ending of year	<b>\$ 21,745,966</b>	<b>\$ -</b>	<b>\$ 25,212,901</b>	<b>\$ 18,282,669</b>	<b>\$ 65,241,536</b>

(1) Extracted from audited financial statements of the Town.

**Town of Wellesley Massachusetts**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2010 (1)**

	General Fund	Stabilization Fund	Highway Chapter 90	Capital Projects	High School Construction Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Real estate and personal property taxes, net of tax refunds	\$ 93,298,418	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,298,418
Tax liens	309,779	-	-	-	-	-	309,779
Motor vehicle and other excise taxes	3,876,634	-	-	-	-	-	3,876,634
Payments in lieu of taxes	417,329	-	-	-	-	-	417,329
Penalties and interest on taxes	297,977	-	-	-	-	-	297,977
Charges for services	-	-	-	-	-	1,018,737	1,018,737
Parking meter receipts	-	-	-	-	-	634,513	634,513
Intergovernmental	18,434,028	-	1,791,128	-	5,047,729	5,301,468	30,574,353
Departmental and other	3,487,711	-	-	-	-	4,482,585	7,970,296
Community preservation assessments	-	-	-	-	-	844,254	844,254
Contributions	-	-	-	-	-	1,334,593	1,334,593
Investment Income	1,295,023	235,704	-	-	-	271,042	1,801,769
<b>Total revenues</b>	<b>121,416,899</b>	<b>235,704</b>	<b>1,791,128</b>	<b>-</b>	<b>5,047,729</b>	<b>13,887,192</b>	<b>142,378,652</b>
<b>EXPENDITURES</b>							
Current:							
General government	6,089,073	-	-	292,225	-	246,486	6,627,784
Public safety	10,115,125	-	-	475,000	-	954,255	11,544,380
Public education	55,881,207	-	-	4,741,472	18,392,051	7,192,340	86,207,070
Public works	7,206,252	-	1,783,873	1,629,536	-	515,970	11,135,631
Health and sanitation	939,832	-	-	-	-	192,494	1,132,326
Recreation	324,271	-	-	9,382	-	1,382,326	1,715,979
Library	2,317,460	-	-	-	-	479,232	2,796,692
Teachers pension benefits - state funded	10,018,000	-	-	-	-	-	10,018,000
Employee benefits	900,540	-	-	-	-	-	900,540
Traffic and parking management	17,016,382	-	-	-	-	123,564	17,139,946
Community preservation	-	-	-	-	-	580,125	580,125
State and county charges	1,051,076	-	-	-	-	129,981	1,181,057
Debt Service:							
Principal	8,026,000	-	-	-	-	-	8,026,000
Interest	2,812,934	-	-	-	-	-	2,812,934
<b>Total expenditures</b>	<b>122,698,152</b>	<b>-</b>	<b>1,783,873</b>	<b>7,147,615</b>	<b>18,392,051</b>	<b>11,796,773</b>	<b>161,818,464</b>
(Deficiency) excess of revenues over (under) expenditures	(1,281,253)	235,704	7,255	(7,147,615)	(13,344,322)	2,090,419	(19,439,812)
<b>OTHER FINANCING SOURCES (USES)</b>							
Issuance of long-term debt	-	-	-	-	35,000,000	-	35,000,000
Premium from issuance of bonds	727,174	-	-	-	-	-	727,174
Operating transfers in	1,379,437	-	-	-	-	246,525	1,625,962
Operating transfers out	(100,000)	-	-	(60,418)	-	(465,544)	(625,962)
<b>Total other financing sources (uses)</b>	<b>2,006,611</b>	<b>-</b>	<b>-</b>	<b>(60,418)</b>	<b>35,000,000</b>	<b>(219,019)</b>	<b>36,727,174</b>
 Net change in fund balances	 725,358	 235,704	 7,255	 (7,208,033)	 21,655,678	 1,871,400	 17,287,362
Fund balance - beginning of year	16,645,253	2,786,552	(7,255)	8,820,152	7,715,472	14,176,889	50,137,063
Fund balance - ending of year	<u>\$ 17,370,611</u>	<u>\$ 3,022,256</u>	<u>\$ -</u>	<u>\$ 1,612,119</u>	<u>\$ 29,371,150</u>	<u>\$ 16,048,289</u>	<u>\$ 67,424,425</u>

(1) Extracted from audited financial statements of the Town.

### Unassigned General Fund Balances (1)

Following is a five-year history of the Town's unassigned general fund balance:

<u>Fiscal Year</u>	<u>Unassigned General Fund Balance</u>
2015 (projected)	\$ 15,250,000
2014	15,230,000
2013	15,342,967
2012	15,794,942
2011	15,961,930

(1) Source: Audited Financial Statements.

### Stabilization Fund

The Town maintains a stabilization fund which is accounted for in the Trust Funds. The Stabilization Fund plus interest income may be appropriated at an annual or special town meeting for any municipal purpose. The following is a five-year history of the Town's stabilization fund balance:

<u>Fiscal Year</u>	<u>Stabilization Fund</u>
2015 (projected)	\$ 3,175,000
2014	3,134,152
2013	3,094,076
2012	3,071,289
2011	3,045,629

### Liability Fund

In fiscal 1988, through a special legislative act, the Town of Wellesley began funding a liability insurance trust fund. The funds would be used to cover the Town's portion of insurance losses not covered by insurance policies, as well as any legal costs associated with these claims. The following is a five-year history of the Town's liability insurance fund balance:

<u>Fiscal Year</u>	<u>Liability Fund</u>
2015 (projected)	\$ 150,100
2014	149,778
2013	149,407
2012	149,261
2011	148,564

## Unemployment Fund

The Town of Wellesley maintains an unemployment compensation trust fund to pay claims. Periodic appropriations are required to replenish the fund. The following is a five-year history of the Town's unemployment compensation trust fund balance:

Fiscal Year	Unemployment Fund
2015 (projected)	\$ 510,000
2014	431,846
2013	339,177
2012	210,010
2011	123,705

## Tax Increment Financing for Development Districts

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such "tax increments" for the payment of the bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2 ½ (see "Tax Limitations" under "PROPERTY TAXATION" above.)

The Town has established no such district.

## Investment of Town Funds

Investments of funds of cities and towns, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

MMDT is an investment pool created by the Commonwealth. The State Treasurer is the sole trustee, and the funds are managed under contract by an investment firm under the supervision of the State Treasurer's office. According to the State Treasurer the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

Trust funds, unless otherwise provided by the donor, may be invested in accordance with Section 54 of Chapter 44, which permits a broader range of investments than Section 55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by Sections 54 and 55 do not apply to city and town retirement systems.

## INDEBTEDNESS

### Authorization of General Obligation Bonds and Notes

Serial bonds and notes are authorized by two-thirds vote of town meeting members. Provision is made for a referendum on the borrowing authorization if there is a timely filing of a petition bearing the requisite number of signatures. Refunding bonds and notes are authorized by the selectmen. Borrowings for some purposes require State administrative approval.

When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary debt in anticipation of revenue of the fiscal year in which the debt is incurred or in anticipation of federal and state aid generally may be made by the treasurer with the approval of the selectmen.

### Debt Limits

General Debt Limit. The General Debt Limit of the Town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit of the Town is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the state Municipal Finance Oversight Board consisting of the Attorney General, the State Treasurer, the State Auditor, and the Director of Accounts.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems, and telecommunications systems (subject to separate limits). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

Revenue Anticipation Notes. The amount borrowed in each fiscal year by the issue of revenue anticipation notes is limited to the tax levy of the prior fiscal year, together with the net receipts in the prior fiscal year from the motor vehicle excise and certain payments made by the Commonwealth in lieu of taxes. The fiscal year ends on June 30. Notes may mature in the following fiscal year, and notes may be refunded into the following fiscal year, to the extent of the uncollected, unabated current tax levy and certain other items, including revenue deficits, overlay deficits, final judgments and lawful unappropriated expenditures, which are to be added to the next tax levy, but excluding deficits arising from a failure to collect taxes of earlier years. (See "Taxation to Meet Deficits" under "PROPERTY TAXATION" above.) In any event, the period from an original borrowing to its final maturity cannot exceed one year.

### Types of Obligations

General Obligations. Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes. These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue ("DOR"). Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding

bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as “qualified bonds” with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Tax Credit Bonds or Notes. Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as “tax credit bonds” to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed five years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

Revenue Anticipation Notes. These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

Grant Anticipation Notes. These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. Generally, they must mature within two years but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities, for projects financed under the Commonwealth’s Water Clean Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy.

### **Revenue Anticipation Notes**

The Town of Wellesley has not found it necessary to borrow in anticipation of revenue since fiscal 1974.

**Direct Debt Summary**  
**Projected as of June 30, 2015 (1)**  
**Does not reflect refunding bonds**

General Obligation Bonds		
Inside the General Debt Limit		
Sewers and Drains	\$	4,863,435
School		37,595,000
General		6,695,000
Water		160,000
Total		<u>\$ 49,313,435</u>
Outside the Debt Limit		
Water		1,574,302
School		35,965,000
Total		<u>37,539,302</u>
Tax Exempt Bonds dated 6/3/15		50,965,000
Taxable Bonds dated 6/3/15		14,105,000
Total Long-Term Debt Outstanding (2)		<u>151,922,738</u>
Short-Term Indebtedness		
Bond Anticipation Notes After These Issues (3)		<u>1,469,000</u>
Total Short-Term Debt Outstanding		<u>1,469,000</u>
Total Direct Debt		<u>\$ 153,391,738</u>

(1) Excludes overlapping debt and lease-purchase obligations.

(2) Outstanding principal totaling \$75,235,000 and interest totaling \$23,817,175 is exempt from the provisions of Proposition 2 ½, subject to the provisions of Chapter 44, Section 20 of the General Laws.

(3) This issue, payable December 11, 2015.

**Key Debt Ratios**

	As of June 30					
	2015 (5)	2014	2013	2012	2011	2010
Long Term Debt Outstanding (1)	\$ 86,852,738	\$ 96,443,924	\$ 106,125,111	\$ 112,405,425	\$ 123,079,506	\$ 110,439,258
Per Capita Debt (2)	\$ 3,103.88	\$ 3,446.64	\$ 3,792.62	\$ 4,017.06	\$ 4,398.52	\$ 3,946.80
Percent of Assessed Valuation (3)	0.84%	0.99%	1.13%	1.23%	1.40%	1.23%
Percent of Equalized Valuation (4)	0.85%	0.94%	1.09%	1.12%	1.23%	1.10%
Per Capita as a Percent of Personal Income per Capita (2)	4.65%	5.16%	5.68%	6.01%	6.58%	5.91%

(1) Excludes overlapping debt and lease-purchase obligations.

(2) Source: U.S. Department of Commerce, Bureau of the Census.

(3) Source: Massachusetts Department of Revenue - Assessed valuation as of the prior January 1.

(4) Source: Massachusetts Department of Revenue - Equalized valuation in effect for that fiscal year (equalized valuations are established for January 1 of each even-numbered year for the next two years.)

(5) Projected.

**Annual Debt Service Projected as of June 30, 2015 (1), but Excludes Refunding Bonds**

Fiscal Year	Outstanding (2)		Net Debt Service	Cumulative % Principal Retired
	Principal	Interest		
2016	\$ 9,106,782	\$ 3,245,444	\$ 12,352,225	10.5 %
2017	8,364,128	2,935,619	11,299,747	20.1
2018	6,458,440	2,654,113	9,112,552	27.6
2019	5,851,841	2,431,338	8,283,179	34.3
2020	5,816,841	2,207,963	8,024,804	41.0
2021	5,826,841	1,982,863	7,809,704	47.7
2022	5,758,932	1,761,613	7,520,545	54.3
2023	5,773,932	1,542,900	7,316,832	61.0
2024	4,475,000	1,328,038	5,803,038	66.1
2025	4,485,000	1,169,400	5,654,400	71.3
2026	4,085,000	1,008,363	5,093,363	76.0
2027	3,600,000	846,500	4,446,500	80.1
2028	3,590,000	702,500	4,292,500	84.3
2029	3,060,000	558,900	3,618,900	87.8
2030	2,500,000	436,500	2,936,500	90.7
2031	2,500,000	333,750	2,833,750	93.6
2032	1,400,000	231,000	1,631,000	95.2
2033	1,400,000	175,000	1,575,000	96.8
2034	1,400,000	119,000	1,519,000	98.4
2035	1,400,000	59,500	1,459,500	100.0
Total	<u>\$ 86,852,738</u>	<u>\$ 25,730,300</u>	<u>\$ 112,583,038</u>	

(1) Excludes short-term debt, lease and installment purchase obligations and overlapping debt.

(2) Outstanding principal totaling \$75,235,000 and interest totaling \$23,817,175 is exempt from the provisions of Proposition 2 ½, subject to the provisions of Chapter 44, Section 20 of the General Laws.

In addition to its long term debt payments, the Town has made paydowns on bond anticipation notes issued for smaller projects. This is part of the Town's debt policy to maintain annual general fund capital projects financing at a target range of 7-8% of current revenues within the levy limit. This also included direct appropriations for capital projects and equipment.

Fiscal Year	Paydowns	Capital/ Extraordinary/ Special Items
2015	\$ -	2015 \$ 4,282,768
2014	-	2014 3,872,341
2013	313,000	2013 3,526,073
2012	-	2012 2,560,184
2011	-	2011 2,756,501
2010	482,824	2010 2,487,410

## Authorized Unissued Debt and Prospective Financing

As of June 15, 2015, the Town will have approximately \$14,217,697 authorized but unissued debt for the following purposes:

Schofield Fiske School	\$	5,634,824
Water and Sewer		2,912,421
Other		5,670,452
Total	\$	<u>14,217,697</u>

## Overlapping Debt

<u>Overlapping Entity</u>	<u>Outstanding Debt</u>	<u>Fiscal 2015 Dollar Assessment (1)</u>
Norfolk County(2)	\$12,625,000	\$ 460,507
Massachusetts Water Resources Authority(3)		
Water	2,111,387,000	804,147
Sewer	3,898,585,000	3,617,535
Massachusetts Bay Transportation Authority(4)	5,499,988,000	611,787

- (1) Estimated dollar assessment based upon total net operating expenses, inclusive (where applicable) of debt service.
- (2) SOURCE: Norfolk County Treasurer. Debt as of June 30, 2014. County expenses including debt service on county bonds are assessed upon the cities and towns within the county in proportion to their taxable valuation as last equalized by the State Commissioner of Revenue. Amounts shown are based on the most recent equalized valuations. Legislation was enacted in 1997 abolishing the county governments of Franklin and Middlesex Counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The legislation also abolished the county governments of Hampden and Worcester counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation also requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount not exceeding or equal to the county tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the county until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county government in all the remaining counties.
- (3) SOURCE: The Massachusetts Water Resources Authority (the "MWRA") provides wholesale drinking water services in whole or in part to 48 cities, towns and special purpose entities and provides wastewater collection and treatment services to 43 cities, towns and special purpose entities. Under its enabling legislation, as amended, the aggregate principal amount of all bonds issued by the MWRA for its corporate purposes may not exceed \$6.1 billion outstanding at any time. Its obligations are secured by revenues of the MWRA. The MWRA assesses member cities, towns and special purpose entities, which continue to provide direct retail water and sewer services to users. The cities, towns and other entities collect fees from the users to pay all or part of the assessments; some municipalities levy property taxes to pay part of the amounts assessed upon them. Debt as of June 30, 2014.
- (4) SOURCE: Massachusetts Bay Transportation Authority (the "MBTA"). Debt as of June 30, 2014. The MBTA was created in 1964 to finance and operate mass transportation facilities within the greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes, other than refunding bonds, and for certain specified purposes to an outstanding amount, which does not exceed the aggregate principal amount of \$3,556,300,000. In addition, pursuant to certain of the Commonwealth's transportation bond bills, the MBTA is authorized to issue additional bonds for particular capital projects. The MBTA also is authorized to issue bonds of the purpose of refunding bonds. Under the MBTA's enabling act debt service, as well as other operating expenses of the MBTA, are to be financed by a dedicated revenue stream consisting of the amounts assessed on the cities and towns of the MBTA and a dedicated portion of the statewide sales tax. The amount assessed to each city and town is based on its weighted percentage of the total population of the authority as provided in the enabling act. The aggregate amount of such assessments is generally not permitted to increase by more than 2.5 percent per year.

## Contracts

Municipal contracts are generally limited to currently available appropriations. A city or town has the authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interest, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally will be expressly subject to availability and appropriation of funds. Specific authority exists in relatively few cases for long term contractual obligations not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases.

The Town of Wellesley is a participant in the following contracts:

Name	Nature of Contract	Annual Cost			Expiration Date
		Fiscal 2013	Fiscal 2014	Fiscal 2015	
IESI-Seneca Meadows, Inc.	Waste Disposal	\$ 696,000	\$ 621,000	\$ 722,100	6/30/2017
Eastern Bus Company	School Busing	716,200	970,000	990,900	6/30/2017

Source: Town Treasurer.

## RETIREMENT SYSTEMS

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to a separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a

retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule. Pursuant to recent legislation, a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

**Town of Wellesley Contributory Retirement System**

The Town maintains a contributory retirement system that is partially funded by employee contributions. The retirement system covers substantially all municipal employees who work at an annual rate to exceed 1,000 hours, except schoolteachers, whose pensions are paid by the Commonwealth. For persons whose employment commenced prior to July 1, 1937, the Town has a non-contributory retirement plan. The Town's method of funding is based upon a funding schedule prepared by the System's actuary, the Segal Co. and approved by the Public Employees Retirement Administration Commission (PERAC). The funding amounts are legal obligations of the municipality and are required to be included in its annual tax levy.

The Town's contributions for the last five fiscal years and the budgeted contribution for the current fiscal year are as follows:

Fiscal Year	Amount
2015 (Budgeted)	\$ 5,943,377
2014	5,008,205
2013	3,209,844
2012	2,623,554
2011	1,684,300
2010	866,000

For additional information please see the audited financial statements attached hereto as Appendix A.

### Trend of Actuarial Accrued Liability

Date of Actuarial Valuation & Data Provided	Net Assets Available for Plan Benefits	Actuarial Accrued Liability	Percentage Funded	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Annual Covered Payroll
1/1/2012	\$125,424,614	\$165,408,231	75.8%	\$39,983,617	\$33,919,655	117.0%
1/1/2010	129,514,453	149,447,086	86.7	19,932,633	32,053,329	62.2
1/1/2008	144,298,124	136,021,926	106.1	(8,276,198)	30,256,013	(27.4)
1/1/2006	127,011,492	123,086,217	103.2	(3,925,275)	26,392,253	(14.9)
1/1/2004	116,792,365	112,846,159	103.5	(3,946,206)	23,172,848	(17.0)
1/1/2003	119,033,662	114,811,026	103.7	(4,222,636)	22,572,703	(18.7)
1/1/2001	123,291,025	92,278,891	133.6	(31,012,134)	21,561,329	(143.8)

The Town has a noncontributory pension plan for certain retirees who elected not to become members of the Contributory Retirement System at its inception. Benefits are paid by the Town on a pay-as-you-go basis. Total pension expense of this plan for the years ended June 30, 2008, June 30, 2009, June 30, 2010, June 30, 2011 and June 30, 2012 were \$65,273, \$55,958, \$35,685, \$34,879 and \$23,461, respectively. The pay-as-you-go cost to the Town was \$16,668 and \$16,688 in fiscal years 2013 and 2014, respectively.

### Funding Schedule (As of October 16, 2013)

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of 2010 ERI Liability	(4) Amortization of Remaining Unfunded Liability	(5) Total Plan Cost (2) + (3) + (4)	(6) Total Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(7) Percentage Increase in Total Cost
2014	\$ 1,988,097	\$ 15,446	\$ 3,937,311	\$ 5,940,854	\$ 62,603,292	
2015	2,057,680	15,446	4,966,910	7,040,036	62,756,072	18.50
2016	2,129,699	15,446	5,140,752	7,285,897	61,817,876	3.49
2017	2,204,238	15,446	5,320,679	7,540,363	60,627,996	3.49
2018	2,281,386	15,446	5,506,902	7,803,734	59,162,302	3.49
2019	2,361,235	15,446	5,699,644	8,076,325	57,394,750	3.49
2020	2,443,878	15,446	5,899,131	8,358,455	55,297,236	3.49
2021	2,529,414	15,446	6,105,601	8,650,461	52,839,445	3.49
2022	2,617,943	15,446	6,319,297	8,952,686	49,988,685	3.49
2023	2,709,571		6,540,472	9,250,043	46,709,720	3.32
2024	2,804,406		6,769,389	9,573,795	42,981,095	3.50
2025	2,902,560		7,006,318	9,908,878	38,746,526	3.50
2026	3,004,150		7,251,539	10,255,689	33,962,023	3.50
2027	3,109,295		7,505,343	10,614,638	28,580,218	3.50
2028	3,218,120		7,768,030	10,986,150	22,550,117	3.50
2029	3,330,754		8,039,911	11,370,665	15,816,834	3.50
2030	3,447,330		8,321,308	11,768,638	8,321,308	3.50
2031	3,567,987		-	3,567,987	-	-69.68
2032	3,692,867		-	3,692,867	-	3.50
2033	3,822,117		-	3,822,117	-	3.50
2034	3,955,891		-	3,955,891	-	3.50
2035	4,094,347		-	4,094,347	-	3.50

Notes: Recommended contributions are assumed to be paid on July 1.  
Assumes amortization payments of remaining liability increase at 3.50% per year.

Source: October 16, 2013 Actuarial Valuation Report of the Wellesley Retirement System and PERAC.

See Appendix A for further information relating to the Town's retirement systems.

## Other Post-Employment Benefits

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis.

The amounts the Town contributed for the last five fiscal years towards these benefits including the pre-funding amount are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$ 10,643,920
2013	10,191,192
2012	10,162,826
2011	9,478,438
2010	8,519,441

The Governmental Accounting Standards Board ("GASB") recently promulgated its Statement Nos. 43 and 45, which will for the first time require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These new accounting standards do not require pre-funding the payment of these costs as the liability for such costs accrues, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if the cost of such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims. In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post-employment benefits liability in the same manner as traditional pension benefits.

Under Chapter 88 of the Acts of 2004, the Town was granted the authority to establish a fund for the purpose of accumulating assets to fund its GASB 45 OPEB liability. For fiscal 2014 the Town appropriated \$3,000,000 for deposit into the fund, the Municipal Light Plant another \$305,394, and the Water and Sewer Fund \$156,352.

On May 15, 2007, Wellesley voters approved an \$18,000,000 Proposition 2 ½ override to be spread over 10 years the proceeds of which are contributed to the OPEB Trust. As of June 30, 2014, the Town has \$35,118,607 in assets which are in the State Retirees Benefits Trust. The outstanding liability will be re-evaluated at the end of that period.

The Town was required to implement the new GASB reporting requirements for other post-employment benefits beginning in fiscal year 2009. As of June 30, 2014, the total actuarial accrued liability (UAAL) was \$78,268,810 on a pre-funded basis, assuming an interest rate of 7.00%, and the Town's annual required contribution is approximately \$8,122,767. The Town is funding its UAAL over a 30 year period with 23 years remaining as of June 30, 2014.

## EMPLOYEE RELATIONS

City and town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment.

The Town has approximately 1,028 full-time employees, including those in the School Department. Approximately 79 percent belong to unions or other collective bargaining groups as shown below:

<u>Employee Category</u>	<u>Represented by</u>	<u>Number of Employees</u>	<u>Contract Expires</u>
Police	Wellesley Police Patrolmen's Association	30	6/30/16
	Wellesley Superior Officers Association	8	6/30/16
Dispatchers	Wellesley Police Dispatchers Association	10	6/30/17
Firemen	International Association of Firefighters	53	6/30/17
Public Works:			
MLP	AFSCME	16	6/30/17
Production	AFSCME	76	6/30/17
Supervisory	AFSCME	8	6/30/17
Library	Wellesley Free Library Association	49	6/30/17
Facilities	AFSCME	43	6/30/17
School:			
Teachers	Wellesley Teachers Association	497	6/30/16
Secretaries	Wellesley Educational Secretaries Association	<u>30</u>	6/30/16
Total		820	

## LITIGATION

In the opinion of Town Counsel, no litigation is pending, or to his knowledge threatened, which is likely to result, either individually or in the aggregate, in final judgments against the Town materially affecting its financial position.

---

TOWN OF WELLESLEY, MASSACHUSETTS  
/s/ Marc V. Waldman, Treasurer

May 27, 2015

# **TOWN OF WELLESLEY, MASSACHUSETTS**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



**FOR THE YEAR ENDED JUNE 30, 2014**

**On the cover: Wellesley Town Hall**



**Fuller Brook peacefully meanders through Town, and residents enjoy its walking path. The associated Fuller Brook Park is undergoing significant construction.**

# TOWN OF WELLESLEY, MASSACHUSETTS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014



Prepared by:

The Finance Department of the Town of Wellesley, Massachusetts

TOWN OF WELLESLEY, MASSACHUSETTS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2014

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# *Introductory Section*

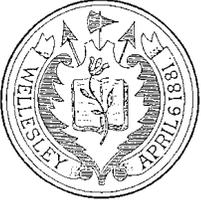


**The chimney on the historic Hills Branch Library has recently been repaired.**

Town of Wellesley, Massachusetts  
Comprehensive Annual Financial Report  
For the year ended June 30, 2014

# ***Introductory Section***

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# Town of Wellesley

525 Washington Street  
Wellesley, MA 02482

## Letter of Transmittal

November 17, 2014

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 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 year ending June 30, 2014 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 year ended June 30, 2014, 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 unmodified opinion on the Town's financial statements for the year ended June 30, 2014, 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.

General governmental services are provided within the town's 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.

## **Local Economy**

The Town continues to reflect a stronger economic condition than other communities - both within the Commonwealth and nationally. Massachusetts unemployment continues to be less than the national average, and Wellesley's rate is almost half the state's rate. According to Department of Revenue statistics, Wellesley's unemployment rate was 4.2% in 2014.

Because of its proximity to Boston and the quality of services provided, Wellesley remains attractive to urban professionals whose wealth levels are among the highest in the Commonwealth. While the average per capita income in Massachusetts is higher than national levels, Wellesley's (\$138,406) is among the top five in the Commonwealth and more than three times the average. The relative wealth is also seen in the owner occupied median housing value, which, at \$896,000 is more than twice that of the state and four times that of the nation. The town is relatively densely populated (37th most dense in the Commonwealth) and land is increasingly valuable. Tear downs and residential improvements continue to contribute to increased permit fee revenue and taxable new growth. 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 levels despite tight budgets; investing in technology to ensure efficient operations; maintaining its facilities to avoid costly emergency repairs; and continuing 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.

### **Financial Planning and Internal Controls**

The Town has intentionally increased its financial reserves during the last six years and the town’s management has adopted a formal reserve policy to inform its recommendations in its annual Town-Wide Financial Plan (TWFP). Unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund at year end was 15.3 percent of the total general fund revenues. The total was comparable to the prior year.

The Board of Selectmen (Board) is responsible for preparing the Town-Wide Financial Plan (TWFP) which includes a forecast of the Town’s sources and uses of funds for the current year (annual budget) and for the two following years. The Selectmen establish current year budget guidelines, cognizant of reserve implications, and work with the various boards within the Town to achieve a balanced budget. Projections are developed for the subsequent year so that the Board may determine whether or not there will be sufficient funds to meet needs or any requests for new initiatives. The TWFP also includes projected capital needs for the next five years for the various departments and information regarding the financing for these items.

The annual pension contribution to the Wellesley Contributory Retirement System, a defined benefit pension plan administered by the Wellesley Contributory Retirement Board, represents a significant portion of the town’s annual budget. An independent actuary engaged by the Retirement Board calculates the amount of the annual contribution the Town must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees. The recent economic downturn in the financial markets and several significant fiduciary changes has reduced the systems’ funded status to 67.5% as reflected in the actuarial valuation performed as of January 1, 2013. The Retirement Board has reduced the assumed actuarial rate of return on investment from 7.75% to 7.00%. It has also adopted a small increase to retirees’ cost of living base. In addition, there have been favorable changes to salary assumptions and unfavorable changes to mortality assumptions. These factors may cause an increase in annual pension contributions, which town management continues to factor into its TWFP.

Likewise, health insurance costs and the liability for postemployment health care benefits for certain retirees and their dependents (OPEB) are key considerations in the TWFP. The Town has undertaken a number of proactive steps over the last five years to reduce current costs and amortize the OPEB liability in the TWFP. Today the Town’s funded status of 29.54% remains at the very top compared with other communities in the Commonwealth. The balance in this fund increased 30% in 2014.

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

Once balanced, the annual budget is then presented to the Annual Town Meeting for authorization 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 a transfer (during the budget year) from a reserve fund established at Town Meeting. These controls ensure compliance with the budget approved by Town Meeting.

The Town has implemented formal policies on cash control and investment, and continues to evaluate the risk of fraud and adequacy of internal controls. An active audit committee oversees the annual audit and raises any related concerns to management and the governing boards.

### **New Initiatives**

In June 2012, Town Meeting appropriated \$4.2 million for costs associated with the purchase of a large parcel of land currently owned by the Roman Catholic Archdiocese of Boston. As of this writing the Town has appropriated an additional \$876,000 to cover higher than anticipated building demolition costs, and has replaced transferred Community Preservation Funds with a borrowing authorization. The new financing structure will be more flexible to allow a creative public/private partnership to be considered as the land use plan is developed.

The Town recently completed a 10 year School Facilities Master Plan. As of this writing, Town meeting has authorized (October 2014) \$19.6 million in debt to improve the Fiske and Schofield Schools, and \$4.9 million in debt to replace windows in the Middle School. Both authorizations are subject to a debt exclusion vote which will occur in December 2014. The Middle School Window project may receive partial (31%) reimbursement under the MSBA Accelerated Repair Program. Looking forward, the Town is continuing to study various scenarios for addressing the needs of the Hardy, Hunnewell, and Upham elementary schools, and a Statement of Interest with respect to the Hardy Elementary School has been filed with the MSBA.

The Town was notified in June 2014 of Wellesley College's desire to sell 46 acres of previously protected forested lands. A portion of the land includes a landfill formerly operated by the Town. The Board of Selectmen are currently in negotiations to purchase this land, but the outcome is unknown at this time.

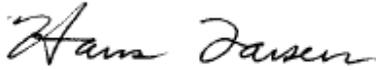
## **Awards and Acknowledgements**

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 ten 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 unfailing 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



Government Finance Officers Association

**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, 2013**

Executive Director/CEO

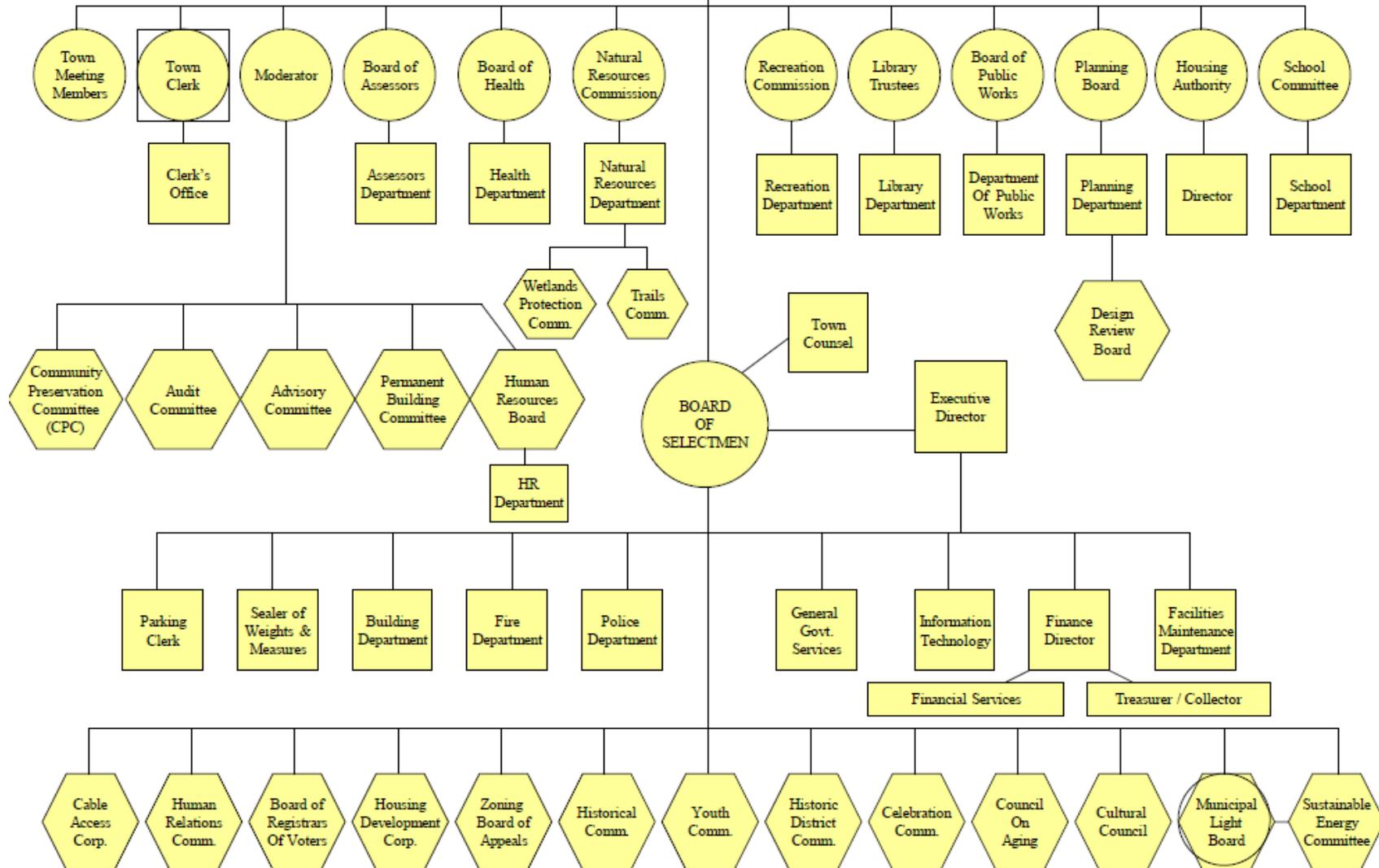


# Wellesley Town Government Organization

**VOTERS**

Elected	Appointed	Town Employee

www.wellesleyma.gov



## Principal Town Officials

<u>Elected Officials</u>		<u>Term Expires</u>
Board of Selectmen	Barbara Searle, Chair	2017
	Ellen F Gibbs, Vice Chair	2016
	Terri Tsagaris, Secretary	2015
	Donald S. McCauley	2015
	David L. Murphy	2017
Moderator	Margaret Ann (Peg) Metzger	2015
Town Clerk	Kathleen F. Nagle	2015
School Committee	Patti Quigley, Chairperson	2016
	Wendy Paul, Vice Chairperson	2017
	Matt Kelley, Secretary	2017
	Tere Ramos	2015
	KC Kato	2015

### Appointed Officials

Executive Director of General Government Services	Hans Larsen
Superintendent of Public Schools	Dr. David F. Lussier
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	Scott Szczebak
Assistant Library Director	Elise MacLennan
Public Works Director	Michael Pakstis
Municipal Light Plant Manager	Richard F. Joyce
Information Technology	Thomas J. D'Orazio
Building Inspector and Zoning Enforcement Officer	Michael Grant
Planning Director	Michael Zehner

### Other Officials

Town Counsel	Thomas J. Harrington
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# ***Financial Section***



**Aerial View of Babson College Campus**

**Town of Wellesley, Massachusetts  
Comprehensive Annual Financial Report  
For the year ended June 30, 2014**

# ***Financial Section***

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## Independent Auditor's Report

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

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Wellesley, Massachusetts, as of and for the year ended June 30, 2014 (except for the Wellesley Contributory Retirement System which is as of and for the year ended December 31, 2013), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Wellesley, Massachusetts, as of June 30, 2014 (except for the Wellesley Contributory Retirement System which is as of December 31, 2013), and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Wellesley's basic financial statements. The introductory section, combining and individual fund statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2014 on our consideration of the Town of Wellesley, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Wellesley's internal control over financial reporting and compliance.

*Powers + Juliani, LLC*

November 17, 2014

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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 year ended June 30, 2014. This is the twelfth 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 modified 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 unmodified opinion on its financial statements for many years.

### 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 position presents information on all of the Town's assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent year. All changes in net position 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 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 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 four 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.

### **Financial Highlights**

- The government-wide assets of the Town of Wellesley exceeded its liabilities and deferred inflows at the close of the recent year by \$192.8 million and \$100.3 million for governmental activities and business-type activities, respectively. The business-type activities include the activities of the sewer, water, and electric enterprise funds.
- Of these amounts, 19% or \$57 million (total primary governmental unrestricted net position) may be used to meet the government's on-going obligations to citizens and creditors.
- At the close of the current year, the Town of Wellesley's general fund reported an ending fund balance of \$22.3 million, an increase of \$574,000 over the prior year. Total fund balance represents 15.3% of total general fund expenditures, which management considers adequate and within expectations as compared to the Town's Financial Reserve Policy. Approximately \$15 million of this total amount is unassigned and available for appropriation at the Town's discretion.
- The Town of Wellesley's total governmental debt was reduced by approximately \$8.9 million during the current year as a result of principal payments.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Wellesley, total net position amounted to \$293 million at the close of 2014.

Government-wide net position of \$222.8 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. Net position is further restricted for funded depreciation in the amount of \$2 million (1%)

An additional portion of the Town of Wellesley's net position, \$11.4 million (4%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$57 million (19%), may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current year, the Town of Wellesley is able to report positive balances in all three categories of net position, 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 and business-type activities follow.

**Governmental activities.** The governmental activities net position increased by \$2.7 million during the current year as compared to an increase in net position of \$4.6 million during the prior year. The change is mostly related to a decrease in the amount of capital grant funding and higher pension costs. Overall revenues were up 3% while expenses rose by 4% over last year's amounts.

	2014	2013
<b>Assets:</b>		
Current assets.....	\$ 67,102,096	\$ 64,211,300
Noncurrent assets (excluding capital).....	5,715,804	4,654,544
Capital assets, non depreciable.....	12,442,943	9,252,436
Capital assets, net of accumulated depreciation.....	216,860,389	224,680,693
<b>Total assets.....</b>	<b>302,121,232</b>	<b>302,798,973</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	8,791,217	11,002,834
Noncurrent liabilities (excluding debt).....	441,210	441,635
Current debt.....	17,744,313	9,034,380
Noncurrent debt.....	81,855,507	90,923,088
<b>Total liabilities.....</b>	<b>108,832,247</b>	<b>111,401,937</b>
<b>Total Deferred Inflows of Resources.....</b>	<b>480,502</b>	<b>1,320,688</b>
<b>Net Position:</b>		
Net investment in capital assets.....	139,229,485	140,647,943
Restricted.....	11,350,777	9,177,754
Unrestricted.....	42,228,221	40,250,651
<b>Total net position.....</b>	<b>\$ 192,808,483</b>	<b>\$ 190,076,348</b>

Governmental capital assets decreased \$4.6 million; resulting from \$7.1 million of additions, primarily attributable to Town and School Facilities improvements, the land purchase for the proposed new Tolles-Parsons Senior Center; Fuller Brook improvements, and roadway infrastructure work, less \$11.7 million of depreciation expense.

Non-current assets consist of a \$5.7 million asset relating to the Town's pre-funding of the Other Postemployment Benefit (OPEB) liability.

	2014	2013
<b>Program revenues:</b>		
Charges for services..... \$	11,565,676	\$ 9,819,363
Operating grants and contributions.....	26,274,297	25,593,424
Capital grants and contributions.....	990,827	2,345,265
<b>General Revenues:</b>		
Real estate and personal property taxes.....	112,155,012	108,975,300
Motor vehicle and other excise taxes.....	5,371,847	5,008,641
Community preservation tax.....	1,019,365	982,069
Nonrestricted grants and contributions, and other.....	1,919,920	1,761,581
Unrestricted investment income.....	297,426	342,128
<b>Total revenues.....</b>	<b>159,594,370</b>	<b>154,827,771</b>
<b>Expenses:</b>		
General government.....	14,414,151	12,874,364
Public safety.....	17,710,263	16,973,654
Public education.....	102,344,740	99,210,900
Public works.....	10,865,268	9,709,246
Health and human services.....	1,683,576	1,597,225
Library.....	4,004,455	3,853,620
Recreation.....	2,717,234	2,456,850
Traffic and parking management.....	659,832	598,789
Community preservation.....	19,992	105,345
Interest.....	3,442,724	3,816,585
<b>Total expenses.....</b>	<b>157,862,235</b>	<b>151,196,578</b>
<b>Excess before transfers.....</b>	<b>1,732,135</b>	<b>3,631,193</b>
<b>Transfers.....</b>	<b>1,000,000</b>	<b>1,000,000</b>
<b>Change in net position.....</b>	<b>2,732,135</b>	<b>4,631,193</b>
<b>Net position - beginning.....</b>	<b>190,076,348</b>	<b>185,445,155</b>
<b>Net position - ending..... \$</b>	<b>192,808,483</b>	<b>\$ 190,076,348</b>

*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. This revenue category increased in FY2014 by about 18% due to increased building permit fees, and education related activities.
- Operating grants and contributions accounted for 16% 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 70% of the governmental activities 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 7% 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. Capital grants were lower this year mainly as a result of the decreased Chapter 90 revenue and in 2013 the Town received a grant to purchase fire truck and this grant was not repeated in 2014.
- Education is by far the largest governmental activity of the Town. Approximately \$73.3 million in general revenues were needed to cover its 2014 operating expenses, net of related program revenues. A pension contribution of approximately \$11.9 million was made by the state on-behalf of Wellesley teachers. Operating grants and educational expenses are grossed-up by recording this contribution.
- Public safety and general government are the second and third largest activities of the Town. Approximately \$13.5 million and \$13.4 million, respectively, of general revenues were needed to cover their 2014 operating expenses, net of related program revenues.

**Business-type activities.** Business-type activities increased the Town’s net position by \$1.5 million compared to an increase of \$3.3 million during the previous year. Total operating revenues increased \$674,000 mainly due to increased collections on sewer accounts. Total operating expenses increased by over \$2.6 million because of increased purchased power and transmission costs in the electric department and increased in the MWRA assessments charged to the water and sewer funds.

As shown below, business-type activities assets exceeded liabilities by \$100.3 million at the close of 2014. Our net investment in capital assets was \$83.6 million (83%), net position is restricted for depreciation in the amount of \$2 million (2%), and unrestricted net position was \$14.7 million (15%). The Electric Light department experienced a \$505,000 increase in net position, while the water and sewer funds recovered all of their costs through rates. The sewer and water departments’ net position each increased by \$526,000 and \$425,000, respectively. These results continue to reflect management’s goal of maintaining the systems while only charging users for the cost of operations.

	<u>2014</u>	<u>2013</u>
<b>Assets:</b>		
Current assets.....	\$ 20,085,049	\$ 20,005,481
Noncurrent assets (excluding capital).....	394,233	392,458
Capital assets, non depreciable.....	1,144,116	2,187,741
Capital assets, net of accumulated depreciation.....	<u>89,443,974</u>	<u>88,243,722</u>
<b>Total assets.....</b>	<b><u>111,067,372</u></b>	<b><u>110,829,402</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	2,916,975	3,321,913
Noncurrent liabilities (excluding debt).....	831,844	863,376
Current debt.....	779,857	780,517
Noncurrent debt.....	<u>6,198,626</u>	<u>6,978,483</u>
<b>Total liabilities.....</b>	<b><u>10,727,302</u></b>	<b><u>11,944,289</u></b>
<b>Net Position:</b>		
Net investment in capital assets.....	83,609,607	82,672,463
Restricted.....	2,000,000	2,000,000
Unrestricted.....	<u>14,730,463</u>	<u>14,212,650</u>
<b>Total net position.....</b>	<b><u>\$ 100,340,070</u></b>	<b><u>\$ 98,885,113</u></b>

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' other postemployment benefits asset of \$244,000.

	2014	2013
<b>Program revenues:</b>		
Charges for services..... \$	47,647,271	\$ 47,135,029
Capital grants and contributions.....	602,671	441,013
<b>Total revenues.....</b>	<b>48,249,942</b>	<b>47,576,042</b>
<b>Expenses:</b>		
Sewer.....	7,010,402	6,799,922
Water.....	5,938,980	5,189,293
Electric department.....	32,845,603	31,253,122
<b>Total expenses.....</b>	<b>45,794,985</b>	<b>43,242,337</b>
<b>Excess before transfers.....</b>	<b>2,454,957</b>	<b>4,333,705</b>
<b>Transfers.....</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>
<b>Change in net position.....</b>	<b>1,454,957</b>	<b>3,333,705</b>
<b>Net position - beginning.....</b>	<b>98,885,113</b>	<b>95,551,408</b>
<b>Net position - ending..... \$</b>	<b>100,340,070</b>	<b>\$ 98,885,113</b>

### 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 year.

As of the end of the current year, governmental funds reported combined ending fund balances of \$40.1 million; down \$2.9 million from the prior year mainly relating to capital project expenditures financed with short-term debt that doesn't provide a funding source until it is permanently financed.

#### General Fund

The General Fund is the chief operating fund of the Town. At the end of the current year, the unassigned fund balance of the general fund was \$15.2 million, while the total fund balance was \$22.3 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 10.4% of total general fund expenditures, while the total fund balance represents 15.3% of that same amount.

Fund balance of the General Fund was essentially unchanged as a result of current year activities.

### *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, 2014, the fund has a receivable due from the Commonwealth in the amount of \$3.5 million; however, the associated revenue is not available but will be recognized and realized by the Town as future grant reimbursement requests are submitted to the granting agency. Expenditures exceeded revenues by \$9,700 and the ending fund balance is zero.

### *Capital Projects Major Fund*

This fund is used to account for resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds. During the fiscal year the fund incurred expenditures for various general government and public works projects. At June 30, 2014, the fund had a deficit of approximately \$807,000 due to financing current expenditures with short-term debt as previously discussed.

### *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 the year, the fund recognized \$950,000 in expenditures. The ending fund balance was \$2.5 million, and this balance will be used to fund future construction costs. The fund is also anticipating a final grant reimbursement of \$863,000 from the MSBA.

**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 from the original budget by approximately \$1.8 million. This mainly relates to supplemental appropriations of \$435,000 to fund capital articles under the control of the Permanent Building Committee, \$165,000 for Facilities Maintenance purposes, \$650,000 for snow and ice removal costs, \$250,000 to establish a Special Purpose Stabilization Fund and \$124,000 for the Wellesley Free Library.

Revenues of the general fund were \$1.3 million higher than budget expectations and this is mainly due to departmental revenues, motor vehicle excise tax revenues and unbudgeted tax liens. Total expenditures and carryovers were less than budget by approximately \$2 million (1.4%) because of turn backs in a number of functions.

### **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 year as well as summary information for the following four 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 position 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, 2014, totaled \$89.6 million, of which, \$80.5 million is related to school projects,

\$1.8 million is related to the library, \$1.7 million is related to the Warren building renovation, leaving a balance of \$5.7 million for other Town projects.

The enterprise funds have \$2.7 million in sewer enterprise debt and \$4.2 million in water enterprise debt that is fully supported by the rates and do not rely on a general fund subsidy.

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 income of \$18.1 million for the calendar year ended December 31, 2013. The System paid out \$11.5 million of retirement benefits, administration costs and transfers to other systems. Total net position of the System amounted to \$142 million at December 31, 2013. Based on the most recent actuarial valuation performed as of January 1, 2013, the System's Funded Ratio was 67.5%, down from 75.8% in the previous valuation dated January 1, 2012. The decrease relates various changes in actuarial assumptions including lowering the investment rate of return to 7% from 7.75%, certain mortality changes, and other plan provision changes.

### **Other Postemployment Benefits**

As of June 30, 2014 the Town has recognized an asset for other postemployment benefits in the amount of \$6 million. The current year Annual OPEB Cost amounted to \$9.6 million and the Town contributed \$10.6 million 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 \$35.1 million at year end. Based on the most recent actuarial valuation performed as of June 30, 2014, the Plan's funded ratio was 29.54%.

### **Discretely Presented Component Unit**

The Town has included the activities of the Wellesley Housing Development Corporation, a component unit of the Town. 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. The Corporation had very little activity in the current year as this varies based on the availability of housing opportunities.

### **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***

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**STATEMENT OF NET POSITION**

JUNE 30, 2014

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Wellesley Housing Development Corporation</b>
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and cash equivalents.....	\$ 54,470,846	\$ 11,352,416	\$ 65,823,262	\$ 100,278
Restricted cash and cash equivalents.....	-	2,000,000	2,000,000	-
Investments.....	3,545,626	-	3,545,626	-
Receivables, net of allowance for uncollectibles:				
Real estate, personal property and tax deferrals.....	2,971,488	-	2,971,488	-
Tax liens.....	929,706	-	929,706	-
Motor vehicle excise taxes.....	352,306	-	352,306	-
User charges.....	-	4,273,577	4,273,577	-
Departmental and other.....	211,327	-	211,327	-
Intergovernmental.....	4,620,797	-	4,620,797	1,400
Inventory.....	-	826,279	826,279	-
Purchased power advance deposits.....	-	1,524,039	1,524,039	-
Other assets.....	-	108,738	108,738	-
<b>Total Current Assets.....</b>	<b>67,102,096</b>	<b>20,085,049</b>	<b>87,187,145</b>	<b>101,678</b>
<b>NONCURRENT:</b>				
Investment in Energy New England, LLC.....	-	150,000	150,000	-
Other postemployment benefits asset.....	5,715,804	244,233	5,960,037	-
Capital assets, non depreciable.....	12,442,943	1,144,116	13,587,059	-
Capital assets, net of accumulated depreciation.....	216,860,389	89,443,974	306,304,363	-
<b>Total Noncurrent Assets.....</b>	<b>235,019,136</b>	<b>90,982,323</b>	<b>326,001,459</b>	<b>-</b>
<b>TOTAL ASSETS.....</b>	<b>302,121,232</b>	<b>111,067,372</b>	<b>413,188,604</b>	<b>101,678</b>
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Warrants payable.....	2,480,108	2,415,632	4,895,740	1,400
Accrued payroll.....	4,484,398	121,207	4,605,605	-
Tax refunds payable.....	734,194	-	734,194	-
Accrued interest.....	551,317	18,280	569,597	-
Other liabilities.....	-	36,520	36,520	-
Customer advances for construction.....	-	302,148	302,148	-
Compensated absences.....	225,200	23,188	248,388	-
Workers' compensation.....	316,000	-	316,000	-
Notes payable.....	8,746,030	-	8,746,030	-
Bonds payable.....	8,998,283	779,857	9,778,140	-
<b>Total Current Liabilities.....</b>	<b>26,535,530</b>	<b>3,696,832</b>	<b>30,232,362</b>	<b>1,400</b>
<b>NONCURRENT:</b>				
Customer deposits.....	-	816,339	816,339	-
Compensated absences.....	150,210	15,505	165,715	-
Workers' compensation.....	291,000	-	291,000	-
Bonds payable.....	81,855,507	6,198,626	88,054,133	-
<b>Total Noncurrent Liabilities.....</b>	<b>82,296,717</b>	<b>7,030,470</b>	<b>89,327,187</b>	<b>-</b>
<b>TOTAL LIABILITIES.....</b>	<b>108,832,247</b>	<b>10,727,302</b>	<b>119,559,549</b>	<b>1,400</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Advance collections - taxes.....	480,502	-	480,502	-
<b>NET POSITION</b>				
Net investment in capital assets.....	139,229,485	83,609,607	222,839,092	-
Restricted for:				
Depreciation.....	-	2,000,000	2,000,000	-
Permanent funds:				
Expendable.....	1,716,704	-	1,716,704	-
Nonexpendable.....	357,953	-	357,953	-
Grants and gifts.....	2,755,691	-	2,755,691	-
Community preservation.....	6,520,429	-	6,520,429	-
Unrestricted.....	42,228,221	14,730,463	56,958,684	100,278
<b>TOTAL NET POSITION.....</b>	<b>\$ 192,808,483</b>	<b>\$ 100,340,070</b>	<b>\$ 293,148,553</b>	<b>\$ 100,278</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 14,414,151	\$ 953,523	\$ 79,527	\$ -	\$ (13,381,101)
Public safety.....	17,710,263	3,991,467	181,316	-	(13,537,480)
Public education.....	102,344,740	3,780,607	25,190,552	-	(73,373,581)
Public works.....	10,865,268	610,661	238,324	758,584	(9,257,699)
Health and human services.....	1,683,576	131,564	32,799	-	(1,519,213)
Library.....	4,004,455	86,324	44,863	-	(3,873,268)
Recreation.....	2,717,234	1,175,558	506,916	-	(1,034,760)
Traffic and parking management.....	659,832	835,972	-	-	176,140
Community preservation.....	19,992	-	-	232,243	212,251
Interest.....	3,442,724	-	-	-	(3,442,724)
<b>Total Governmental Activities.....</b>	<b>157,862,235</b>	<b>11,565,676</b>	<b>26,274,297</b>	<b>990,827</b>	<b>(119,031,435)</b>
<i>Business-Type Activities:</i>					
Sewer.....	7,010,402	7,535,975	-	-	525,573
Water.....	5,938,980	6,363,737	-	-	424,757
Electric department.....	32,845,603	33,747,559	-	602,671	1,504,627
<b>Total Business-Type Activities.....</b>	<b>45,794,985</b>	<b>47,647,271</b>	<b>-</b>	<b>602,671</b>	<b>2,454,957</b>
<b>Total Primary Government.....</b>	<b>\$ 203,657,220</b>	<b>\$ 59,212,947</b>	<b>\$ 26,274,297</b>	<b>\$ 1,593,498</b>	<b>\$ (116,576,478)</b>
<b>Component Unit:</b>					
Wellesley Housing Development Corporation.....	\$ 3,165	\$ -	\$ -	\$ -	\$ (3,165)

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Wellesley Housing Development Corporation
<b>Changes in net position:</b>				
Net (expense) revenue from previous page.....	\$ (119,031,435)	\$ 2,454,957	\$ (116,576,478)	\$ (3,165)
<i>General revenues:</i>				
Real estate and personal property taxes, net of tax refunds.....	111,773,113	-	111,773,113	-
Tax liens.....	381,899	-	381,899	-
Motor vehicle and other excise taxes.....	5,371,847	-	5,371,847	-
Community preservation tax.....	1,019,365	-	1,019,365	-
Penalties and interest on taxes.....	247,489	-	247,489	-
Payments in lieu of taxes.....	226,439	-	226,439	-
Grants and contributions not restricted to specific programs.....	1,445,992	-	1,445,992	-
Unrestricted investment income.....	297,426	-	297,426	423
Miscellaneous.....	-	-	-	2,975
<i>Transfers, net</i> .....	1,000,000	(1,000,000)	-	-
Total general revenues and transfers.....	121,763,570	(1,000,000)	120,763,570	3,398
Change in net position.....	2,732,135	1,454,957	4,187,092	233
<i>Net Position:</i>				
Beginning of year.....	190,076,348	98,885,113	288,961,461	100,045
End of year.....	\$ 192,808,483	\$ 100,340,070	\$ 293,148,553	\$ 100,278

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2014

	General	Highway Chapter 90	Capital Projects Fund	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>						
Cash and cash equivalents.....	\$ 26,335,506	\$ -	\$ 8,099,039	\$ 1,587,944	\$ 15,894,168	\$ 51,916,657
Investments.....	2,531,113	-	-	-	976,089	3,507,202
Receivables, net of uncollectibles:						
Real estate, personal property and tax deferrals .....	2,971,488	-	-	-	-	2,971,488
Tax liens.....	929,706	-	-	-	-	929,706
Motor vehicle excise taxes.....	352,306	-	-	-	-	352,306
Departmental and other.....	31,697	-	-	-	170,662	202,359
Intergovernmental.....	-	3,502,956	-	863,000	254,841	4,620,797
Due from other funds.....	2,318	-	-	-	-	2,318
<b>TOTAL ASSETS.....</b>	<b>\$ 33,154,134</b>	<b>\$ 3,502,956</b>	<b>\$ 8,099,039</b>	<b>\$ 2,450,944</b>	<b>\$ 17,295,760</b>	<b>\$ 64,502,833</b>
<b>LIABILITIES:</b>						
Warrants payable.....	\$ 1,542,675	\$ 13,766	\$ 158,987	\$ 2,023	\$ 691,948	\$ 2,409,399
Accrued payroll.....	4,163,250	321	1,378	204	54,889	4,220,042
Tax refunds payable.....	734,194	-	-	-	-	734,194
Due to other funds.....	-	2,318	-	-	-	2,318
Notes payable.....	-	-	8,746,030	-	-	8,746,030
<b>TOTAL LIABILITIES.....</b>	<b>6,440,119</b>	<b>16,405</b>	<b>8,906,395</b>	<b>2,227</b>	<b>746,837</b>	<b>16,111,983</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Advance collections - taxes.....	474,570	-	-	-	5,932	480,502
Unavailable revenues.....	3,903,197	3,486,551	-	-	385,494	7,775,242
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<b>4,377,767</b>	<b>3,486,551</b>	<b>-</b>	<b>-</b>	<b>391,426</b>	<b>8,255,744</b>
<b>FUND BALANCES:</b>						
Nonspendable.....	-	-	-	-	357,953	357,953
Restricted.....	-	-	-	2,448,717	15,799,544	18,248,261
Committed.....	1,936,883	-	-	-	-	1,936,883
Assigned.....	5,169,365	-	-	-	-	5,169,365
Unassigned.....	15,230,000	-	(807,356)	-	-	14,422,644
<b>TOTAL FUND BALANCES.....</b>	<b>22,336,248</b>	<b>-</b>	<b>(807,356)</b>	<b>2,448,717</b>	<b>16,157,497</b>	<b>40,135,106</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....</b>	<b>\$ 33,154,134</b>	<b>\$ 3,502,956</b>	<b>\$ 8,099,039</b>	<b>\$ 2,450,944</b>	<b>\$ 17,295,760</b>	<b>\$ 64,502,833</b>

See notes to basic financial statements.

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

JUNE 30, 2014

Total governmental fund balances.....		\$ 40,135,106
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		229,303,332
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		7,775,242
Other postemployment benefits asset.....		5,715,804
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.....		1,659,516
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(551,317)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds  Bonds payable.....	(90,853,790)	
Compensated absences.....	<u>(375,410)</u>	
Net effect of reporting long-term liabilities.....		<u>(91,229,200)</u>
Net position of governmental activities.....		\$ <u>192,808,483</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

	General	Highway Chapter 90	Capital Projects Fund	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Real estate and personal property taxes, net of tax refunds.....	\$ 112,191,310	\$ -	\$ -	\$ -	\$ -	\$ 112,191,310
Tax liens.....	381,899	-	-	-	-	381,899
Motor vehicle and other excise taxes.....	5,382,154	-	-	-	-	5,382,154
Payments in lieu of taxes.....	226,439	-	-	-	-	226,439
Penalties and interest on taxes.....	247,489	-	-	-	-	247,489
Charges for services.....	-	-	-	-	1,118,806	1,118,806
Parking meter receipts.....	-	-	-	-	835,972	835,972
Intergovernmental.....	20,937,863	107,926	-	-	5,850,655	26,896,444
Departmental and other.....	4,308,125	-	-	-	5,338,070	9,646,195
Community preservation tax.....	-	-	-	-	1,019,365	1,019,365
Contributions.....	-	-	-	-	1,404,849	1,404,849
Investment income.....	203,080	-	-	-	94,346	297,426
<b>TOTAL REVENUES.....</b>	<b>143,878,359</b>	<b>107,926</b>	<b>-</b>	<b>-</b>	<b>15,662,063</b>	<b>159,648,348</b>
<b>EXPENDITURES:</b>						
Current:						
General government.....	11,385,953	-	2,255,357	-	114,621	13,755,931
Public safety.....	10,877,844	-	-	-	935,793	11,813,637
Public education.....	60,302,991	-	-	946,996	9,015,780	70,265,767
Public works.....	8,395,507	117,620	2,689,329	-	442,045	11,644,501
Health and human services.....	1,150,725	-	-	-	184,565	1,335,290
Recreation.....	319,953	-	-	-	1,252,717	1,572,670
Library.....	2,350,355	-	-	-	261,773	2,612,128
Teachers pension benefits - state funded.....	11,910,914	-	-	-	-	11,910,914
Town pension.....	5,024,893	-	-	-	-	5,024,893
Employee benefits.....	19,003,216	-	-	-	109,103	19,112,319
Traffic and parking management.....	-	-	-	-	659,832	659,832
Community preservation.....	-	-	-	-	168,408	168,408
State and county charges.....	1,139,836	-	-	-	-	1,139,836
Debt service:						
Principal.....	8,915,000	-	-	-	-	8,915,000
Interest.....	3,665,637	-	-	-	-	3,665,637
<b>TOTAL EXPENDITURES.....</b>	<b>144,442,824</b>	<b>117,620</b>	<b>4,944,686</b>	<b>946,996</b>	<b>13,144,637</b>	<b>163,596,763</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(564,465)</b>	<b>(9,694)</b>	<b>(4,944,686)</b>	<b>(946,996)</b>	<b>2,517,426</b>	<b>(3,948,415)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in.....	1,338,218	-	-	-	200,000	1,538,218
Transfers out.....	(200,000)	-	-	-	(338,218)	(538,218)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>1,138,218</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(138,218)</b>	<b>1,000,000</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>573,753</b>	<b>(9,694)</b>	<b>(4,944,686)</b>	<b>(946,996)</b>	<b>2,379,208</b>	<b>(2,948,415)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>21,762,495</b>	<b>9,694</b>	<b>4,137,330</b>	<b>3,395,713</b>	<b>13,778,289</b>	<b>43,083,521</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 22,336,248</b>	<b>\$ -</b>	<b>\$ (807,356)</b>	<b>\$ 2,448,717</b>	<b>\$ 16,157,497</b>	<b>\$ 40,135,106</b>

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**

YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds.....	\$	(2,948,415)
<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.....		7,076,881
Depreciation expense.....		<u>(11,706,678)</u>
Net effect of reporting capital assets.....		(4,629,797)
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable 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 unavailable revenue.....</p>		
		(53,978)
Other postemployment benefits asset.....		1,061,260
<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>		
Debt service principal payments.....		<u>8,915,000</u>
Net effect of reporting long-term debt.....		8,915,000
<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.....		(93,775)
Net change in accrued interest on long-term debt.....		34,235
Amortization of bond premiums.....		<u>188,678</u>
Net effect of recording long-term liabilities.....		129,138
<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>258,927</u>
Change in net assets of governmental activities.....	\$	<u><u>2,732,135</u></u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**

JUNE 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Electric Department	Total	
<b>ASSETS</b>					
<b>CURRENT:</b>					
Cash and cash equivalents.....	\$ 2,789,815	\$ 4,077,677	\$ 4,484,924	\$ 11,352,416	\$ 2,554,189
Restricted cash and short-term investments.....	-	-	2,000,000	2,000,000	-
Investments.....	-	-	-	-	38,424
Receivables, net of allowance for uncollectibles:					
User charges.....	581,004	577,383	3,115,190	4,273,577	-
Departmental and other.....	-	-	-	-	8,968
Inventory.....	-	161,956	664,323	826,279	-
Purchased power advance deposits.....	-	-	1,524,039	1,524,039	-
Other assets.....	-	-	108,738	108,738	-
<b>Total current assets.....</b>	<b><u>3,370,819</u></b>	<b><u>4,817,016</u></b>	<b><u>11,897,214</u></b>	<b><u>20,085,049</u></b>	<b><u>2,601,581</u></b>
<b>NONCURRENT:</b>					
Investment in Energy New England, LLC.....	-	-	150,000	150,000	-
Other postemployment benefits asset.....	15,816	15,816	212,601	244,233	-
Capital assets, nondepreciable.....	397,698	608,648	137,770	1,144,116	-
Capital assets, net of accumulated depreciation.....	<u>14,840,106</u>	<u>16,598,135</u>	<u>58,005,733</u>	<u>89,443,974</u>	<u>-</u>
<b>Total noncurrent assets.....</b>	<b><u>15,253,620</u></b>	<b><u>17,222,599</u></b>	<b><u>58,506,104</u></b>	<b><u>90,982,323</u></b>	<b><u>-</u></b>
<b>TOTAL ASSETS.....</b>	<b><u>18,624,439</u></b>	<b><u>22,039,615</u></b>	<b><u>70,403,318</u></b>	<b><u>111,067,372</u></b>	<b><u>2,601,581</u></b>
<b>LIABILITIES</b>					
<b>CURRENT:</b>					
Warrants payable.....	3,399	68,433	2,343,800	2,415,632	70,709
Accrued payroll.....	6,146	27,825	87,236	121,207	264,356
Accrued interest.....	7,461	10,819	-	18,280	-
Other liabilities.....	2,075	34,445	-	36,520	-
Customer advances for construction.....	-	-	302,148	302,148	-
Compensated absences.....	-	5,888	17,300	23,188	-
Workers' compensation.....	-	-	-	-	316,000
Bonds payable.....	<u>318,437</u>	<u>461,420</u>	<u>-</u>	<u>779,857</u>	<u>-</u>
<b>Total current liabilities.....</b>	<b><u>337,518</u></b>	<b><u>608,830</u></b>	<b><u>2,750,484</u></b>	<b><u>3,696,832</u></b>	<b><u>651,065</u></b>
<b>NONCURRENT:</b>					
Customer deposits.....	-	-	816,339	816,339	-
Compensated absences.....	-	3,927	11,578	15,505	-
Workers' compensation.....	-	-	-	-	291,000
Bonds payable.....	<u>2,363,879</u>	<u>3,834,747</u>	<u>-</u>	<u>6,198,626</u>	<u>-</u>
<b>Total noncurrent liabilities.....</b>	<b><u>2,363,879</u></b>	<b><u>3,838,674</u></b>	<b><u>827,917</u></b>	<b><u>7,030,470</u></b>	<b><u>291,000</u></b>
<b>TOTAL LIABILITIES.....</b>	<b><u>2,701,397</u></b>	<b><u>4,447,504</u></b>	<b><u>3,578,401</u></b>	<b><u>10,727,302</u></b>	<b><u>942,065</u></b>
<b>NET POSITION</b>					
Net investment in capital assets.....	12,555,488	12,910,616	58,143,503	83,609,607	-
Restricted for:					
Depreciation.....	-	-	2,000,000	2,000,000	-
Unrestricted.....	<u>3,367,554</u>	<u>4,681,495</u>	<u>6,681,414</u>	<u>14,730,463</u>	<u>1,659,516</u>
<b>TOTAL NET POSITION.....</b>	<b><u>\$ 15,923,042</u></b>	<b><u>\$ 17,592,111</u></b>	<b><u>\$ 66,824,917</u></b>	<b><u>\$ 100,340,070</u></b>	<b><u>\$ 1,659,516</u></b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2014**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Electric Department	Total	
<b>OPERATING REVENUES:</b>					
Charges for services .....	\$ 7,479,875	\$ 6,046,947	\$ 31,289,259	\$ 44,816,081	\$ 16,232,496
Contracted services.....	-	-	1,411,479	1,411,479	-
Employee contributions .....	-	-	-	-	7,864,989
Other.....	56,100	316,790	1,046,821	1,419,711	-
<b>TOTAL OPERATING REVENUES .....</b>	<b>7,535,975</b>	<b>6,363,737</b>	<b>33,747,559</b>	<b>47,647,271</b>	<b>24,097,485</b>
<b>OPERATING EXPENSES:</b>					
MWRA assessment.....	5,246,821	1,423,735	-	6,670,556	-
Purchase power.....	-	-	19,099,283	19,099,283	-
Transmission.....	-	1,210,116	7,694,043	8,904,159	-
Cost of contracted services.....	-	-	770,912	770,912	-
Other source of supply.....	-	393,527	-	393,527	-
Pumping and treatment.....	235,473	887,459	-	1,122,932	-
Distribution.....	-	-	1,100,032	1,100,032	-
Collection.....	369,825	-	-	369,825	-
Customer accounts.....	121,261	216,729	583,062	921,052	-
Supplies and services.....	-	-	-	-	23,845,319
Administration and general.....	538,267	829,919	484,999	1,853,185	-
Depreciation.....	412,440	845,419	3,112,032	4,369,891	-
<b>TOTAL OPERATING EXPENSES .....</b>	<b>6,924,087</b>	<b>5,806,904</b>	<b>32,844,363</b>	<b>45,575,354</b>	<b>23,845,319</b>
<b>OPERATING INCOME.....</b>	<b>611,888</b>	<b>556,833</b>	<b>903,196</b>	<b>2,071,917</b>	<b>252,166</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment income.....	-	-	-	-	6,761
Interest expense.....	(86,315)	(132,076)	(1,240)	(219,631)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(86,315)</b>	<b>(132,076)</b>	<b>(1,240)</b>	<b>(219,631)</b>	<b>6,761</b>
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS.....</b>	<b>525,573</b>	<b>424,757</b>	<b>901,956</b>	<b>1,852,286</b>	<b>258,927</b>
<b>CAPITAL CONTRIBUTIONS.....</b>	<b>-</b>	<b>-</b>	<b>602,671</b>	<b>602,671</b>	<b>-</b>
<b>TRANSFERS:</b>					
Transfers out.....	-	-	(1,000,000)	(1,000,000)	-
<b>CHANGE IN NET POSITION.....</b>	<b>525,573</b>	<b>424,757</b>	<b>504,627</b>	<b>1,454,957</b>	<b>258,927</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>15,397,469</b>	<b>17,167,354</b>	<b>66,320,290</b>	<b>98,885,113</b>	<b>1,400,589</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 15,923,042</b>	<b>\$ 17,592,111</b>	<b>\$ 66,824,917</b>	<b>\$ 100,340,070</b>	<b>\$ 1,659,516</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Electric Department	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users.....	\$ 7,513,851	\$ 6,368,805	\$ 33,591,624	\$ 47,474,280	\$ 7,871,423
Receipts from interfund services provided.....	-	-	-	-	16,223,528
Payments to vendors.....	(5,790,272)	(3,046,436)	(29,022,970)	(37,859,678)	-
Payments to employees.....	(729,112)	(2,047,824)	(919,342)	(3,696,278)	(489,277)
Payments for interfund services used.....	-	-	-	-	(23,540,205)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>994,467</b>	<b>1,274,545</b>	<b>3,649,312</b>	<b>5,918,324</b>	<b>65,469</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers out.....	-	-	(1,000,000)	(1,000,000)	-
Refunding transfer for other postemployment benefits.....	-	-	(3,449)	(3,449)	-
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>-</b>	<b>-</b>	<b>(1,003,449)</b>	<b>(1,003,449)</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Capital contributions.....	-	-	602,671	602,671	-
Acquisition and construction of capital assets.....	(484,793)	(643,255)	(3,398,470)	(4,526,518)	-
Principal payments on bonds and notes.....	(311,602)	(454,585)	-	(766,187)	-
Interest expense.....	(93,838)	(140,434)	(1,240)	(235,512)	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(890,233)</b>	<b>(1,238,274)</b>	<b>(2,797,039)</b>	<b>(4,925,546)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Proceeds from sales and maturities of investments.....	-	-	-	-	39,005
Purchase of investments.....	-	-	-	-	(38,424)
Investment income.....	-	-	-	-	6,761
<b>NET CASH FROM INVESTING ACTIVITIES.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,342</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>104,234</b>	<b>36,271</b>	<b>(151,176)</b>	<b>(10,671)</b>	<b>72,811</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....</b>	<b>2,685,581</b>	<b>\$ 4,041,406</b>	<b>\$ 6,636,100</b>	<b>13,363,087</b>	<b>2,481,378</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR.....</b>	<b>\$ 2,789,815</b>	<b>\$ 4,077,677</b>	<b>\$ 6,484,924</b>	<b>\$ 13,352,416</b>	<b>\$ 2,554,189</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:</b>					
Operating income.....	\$ 611,888	\$ 556,833	\$ 903,196	\$ 2,071,917	\$ 252,166
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation.....	412,440	845,419	3,112,032	4,369,891	-
Changes in assets and liabilities:					
User charges.....	(22,124)	5,068	(113,722)	(130,778)	-
Department and other.....	-	-	-	-	(2,534)
Inventory.....	-	(16,931)	6,353	(10,578)	-
Purchased power advance deposits.....	-	-	63,350	63,350	-
Other assets.....	-	-	(12,233)	(12,233)	-
Warrants payable.....	(1,745)	(57,462)	(241,958)	(301,165)	(17,904)
Refunds due customers.....	-	-	(19,277)	(19,277)	-
Accrued payroll.....	(6,829)	(37,232)	(41,197)	(85,258)	(87,259)
Customer advances for construction.....	-	-	6,125	6,125	-
Compensated absences.....	-	(21,987)	15,704	(6,283)	-
Workers' compensation.....	-	-	-	-	(79,000)
Customer deposits.....	-	-	(29,061)	(29,061)	-
Other postemployment benefits asset.....	837	837	-	1,674	-
Total adjustments.....	382,579	717,712	2,746,116	3,846,407	(186,697)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 994,467</b>	<b>\$ 1,274,545</b>	<b>\$ 3,649,312</b>	<b>\$ 5,918,324</b>	<b>\$ 65,469</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	Pension Trust Fund (as of December 31, 2013)	Other Postemployment Benefit Trust Fund	Private Purpose Trust Fund	Agency Fund
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 1,104,935	\$ -	\$ 64,848	\$ 1,770,312
Investments:				
Equity securities.....	-	-	260,154	-
PRIT funds.....	141,265,918	35,118,607	-	-
Receivables, net of allowance for uncollectibles:				
Departmental and other receivables.....	342,959	-	-	-
Prepaid expenses.....	1,512	-	-	-
<b>TOTAL ASSETS.....</b>	<b>142,715,324</b>	<b>35,118,607</b>	<b>325,002</b>	<b>1,770,312</b>
<b>LIABILITIES</b>				
Accrued liabilities.....	376,903	-	-	-
Liabilities due depositors.....	-	-	-	1,770,312
<b>TOTAL LIABILITIES.....</b>	<b>376,903</b>	<b>-</b>	<b>-</b>	<b>1,770,312</b>
<b>NET POSITION</b>				
Restricted for pensions.....	142,338,421	-	-	-
Held in trust for OPEB benefits and other purposes.....	-	35,118,607	325,002	-
<b>TOTAL NET POSITION.....</b>	<b>\$ 142,338,421</b>	<b>\$ 35,118,607</b>	<b>\$ 325,002</b>	<b>\$ -</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2014

	Pension Trust Fund (as of December 31, 2013)	Other Postemployment Benefit Trust Fund	Private Purpose Trust Fund
<b>ADDITIONS:</b>			
Contributions:			
Employer.....	\$ 5,944,279	\$ 3,461,406	\$ -
Plan members.....	3,162,974	-	-
Private donations.....	-	-	835
<b>Total contributions.....</b>	<b>9,107,253</b>	<b>3,461,406</b>	<b>835</b>
Net investment income:			
Net change in fair value of investments.....	15,028,001	1,873,801	-
Interest.....	2,753	2,828,464	31,778
Dividends.....	3,831,172	-	-
<b>Total investment income.....</b>	<b>18,861,926</b>	<b>4,702,265</b>	<b>31,778</b>
Less: investment expense.....	(744,248)	(83,584)	-
<b>Net investment income.....</b>	<b>18,117,678</b>	<b>4,618,681</b>	<b>31,778</b>
Intergovernmental.....	180,764	-	-
Transfers from other systems.....	673,036	-	-
<b>TOTAL ADDITIONS.....</b>	<b>28,078,731</b>	<b>8,080,087</b>	<b>32,613</b>
<b>DEDUCTIONS:</b>			
Administration.....	215,146	-	-
Transfers to other systems.....	964,849	-	-
Retirement benefits and refunds.....	10,275,078	-	-
Educational scholarships.....	-	-	13,325
<b>TOTAL DEDUCTIONS.....</b>	<b>11,455,073</b>	<b>-</b>	<b>13,325</b>
<b>CHANGE IN NET POSITION.....</b>	<b>16,623,658</b>	<b>8,080,087</b>	<b>19,288</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>125,714,763</b>	<b>27,038,520</b>	<b>305,714</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 142,338,421</b>	<b>\$ 35,118,607</b>	<b>\$ 325,002</b>

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.

*Component Unit Presented as a Fiduciary Fund* – The following component unit is presented as a Fiduciary Fund of the primary government due to the nature and significance of the relationship between the Town and the component unit.

In the Fiduciary Funds:

- (1) The Wellesley Contributory Retirement System (the System) was established to provide retirement benefits to Town employees and 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 following 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:

- (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 position 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 and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets and deferred outflows of resources, liabilities and deferred inflows of resources, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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 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 amounts have matured or are due and payable.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after 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 used to account for activities associated with on-going road and sidewalk projects that are funded with grants from the Commonwealth.

The *capital projects fund* is used to account for resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

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.

#### 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 1<sup>st</sup> 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 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> 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 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 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 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 State 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 three 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>	Estimated Useful Life (in years)
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 year of the purchase.

H. Deferred Outflows/Inflows of Resources*Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Town did not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has recorded advanced tax collections as deferred inflows of resources in the government-wide statement of net position.

*Governmental Fund Financial Statements*

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue and advanced tax collections as deferred inflows of resources in the governmental funds balance sheet.

I. 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 position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of Net position 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.

J. 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 position. 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.

K. Unavailable revenue

Unavailable 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, i.e. receivables that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

L. Net Position and Fund Equity*Government-Wide Financial Statements (Net position)*

Net position reported as "net investment in capital assets" 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 position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been "restricted for" the following:

"Depreciation" - represents amounts restricted in the Electric department for the statutory reserve for funded depreciation.

"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, library, and other grants and gift funds.

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

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption

must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### *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 regulations 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 of the government's highest level of decision-making authority. Town Meeting is the highest level of decision making authority that can, by adoption of a Town Meeting warrant article, commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

“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. The Town's by-laws authorize the Town Accountant to assign fund balance. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

“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.

The Town will, from time to time, fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the Town's policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

#### M. 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 position. 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.

N. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and personnel 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*

Compensated absences are reported in the governmental funds only if they have matured, i.e. unused reimbursable leave still outstanding following an employee's resignation or retirement. 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.

O. 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.

P. Individual Fund Deficits

Fund deficits exist within the Capital Projects Major Fund and the Worker's Compensation Fund. These deficits will be funded by grants, user charges and other available funds during 2015.

Q. 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 year. Actual results could vary from estimates that were used.

## R. 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 .25 to 10.78 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 A2/P2. Approximately 91% of the total was rated A1/P1 and approximately 9% 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 year-end the carrying amount (book value) of the Town’s deposits totaled \$43,810,910 and the bank balances totaled \$45,602,914. Of the bank balance, \$34,301,638 was covered by FDIC insurance and \$11,301,276 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2013 the carrying amount (book value) of the Retirement System’s deposits totaled \$680,299 and the bank balance totaled \$935,508. The bank balance was fully covered by FDIC insurance.

As of June 30, 2014 the Town had the following investments:

Investment Type	Fair Value	Maturity		Rating
		Under 1 Year	1 - 5 Years	
<u>Debt Securities</u>				
Government Sponsored Enterprises (1).....	\$ 2,461,758	\$ 1,942,386	\$ 519,372	AAA
U.S. Treasury Notes.....	531,430	111,482	419,948	AAA
Total Debt Securities.....	2,993,188	<u>\$ 2,053,868</u>	<u>\$ 939,320</u>	
<u>Other Investments</u>				
Equity Securities.....	812,592			
Money Market Mutual Funds.....	3,899,199			
PRIT State Retirees Benefits Trust Fund.....	35,118,607			
MMDT.....	21,948,313			
Total Investments.....	<u>\$ 64,771,899</u>			

(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, 2013, the Retirement System had investments in PRIT totaling \$141,265,918. The Retirement System also maintains a short term investment portfolio with MMDT. At December 31, 2013, the Retirement System’s investment with MMDT was \$424,636 which is classified as a cash equivalent.

The following table reconciles total cash and investments as of June 30, 2014, except for the Pension Trust Fund which is as of December 31, 2013:

	Primary Government		Fiduciary Funds				Totals
	Governmental Activities	Business-Type Activities	Pension Trust Fund (as of December 31, 2013)	Other Postemployment Benefit Trust Fund	Private Purpose Trust Fund	Agency Fund	
Cash and cash equivalents.....	\$ 54,470,846	\$ 11,352,416	\$ 1,104,935	\$ -	\$ 64,848	\$ 1,770,312	\$ 68,763,357
Restricted cash and cash equivalents.....	-	2,000,000	-	-	-	-	2,000,000
Investments.....	3,545,626	-	141,265,918	35,118,607	260,154	-	180,190,305
<b>Total cash and investments.....</b>	<b>\$ 58,016,472</b>	<b>\$ 13,352,416</b>	<b>\$ 142,370,853</b>	<b>\$ 35,118,607</b>	<b>\$ 325,002</b>	<b>\$ 1,770,312</b>	<b>\$ 250,953,662</b>
Carrying value of cash:							
Primary government.....	\$ 43,810,910						
Pension trust.....	680,299						
Investments considered							
cash and cash equivalents:							
Money market mutual funds.....	3,899,199						
MMDT.....	22,372,949						
Cash and cash equivalents.....	70,763,357						
Debt securities.....	2,993,188						
Equity securities.....	812,592						
PRIM State Retirees Benefits Trust Fund.	35,118,607						
PRIT fund.....	141,265,918						
Investments.....	180,190,305						
<b>Total cash and investments.....</b>	<b>\$ 250,953,662</b>						

### 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 there was custodial credit risk exposure of \$3,274,350 which is equal to the investments in Government Sponsored Enterprises and Equity Securities 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, 2013, the System's \$141,265,918 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

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to meet its obligations. The Town's policy for credit risk requires all financial institutions wishing to do business with the Town to read the Town's Investment Policy and to agree to comply with it. This policy requires minimum standards of credit worthiness as well as guidance for the types of investment allowed. The Town has disclosed the credit ratings of its investments in accordance with GASB Statement No. 40.

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, 2014, 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 .....	\$ 3,035,429	\$ (63,941)	\$ 2,971,488 (1)
Tax liens.....	929,706	-	929,706
Motor vehicle excise taxes.....	806,839	(454,533)	352,306
Departmental and other.....	202,359	-	202,359
Intergovernmental.....	<u>4,620,797</u>	<u>-</u>	<u>4,620,797</u>
 Total.....	 <u>\$ 9,595,130</u>	 <u>\$ (518,474)</u>	 <u>\$ 9,076,656</u>

(1) The allowance for uncollectible accounts of \$63,941 relates only to personal property taxes.

At June 30, 2014, 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.....	\$ 581,004	\$ -	\$ 581,004
Water fees.....	577,383	-	577,383
Electric light fees.....	3,115,190	-	3,115,190
Department and other.....	<u>8,968</u>	<u>-</u>	<u>8,968</u>
 Total.....	 <u>\$ 4,282,545</u>	 <u>\$ -</u>	 <u>\$ 4,282,545</u>

Governmental funds report *unavailable 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 year, the various components of *unavailable 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.....	\$ 3,091,079	\$ -	\$ 3,091,079
Tax liens.....	929,706	-	929,706
Motor vehicle excise.....	352,306	-	352,306
Departmental and other.....	4,676	141,559	146,235
Intergovernmental.....	-	3,736,418	3,736,418
<b>Total.....</b>	<b>\$ 4,377,767</b>	<b>\$ 3,877,977</b>	<b>\$ 8,255,744</b>

Included in unavailable revenues above is approximately \$481,000 of advance collections for FY2015 taxes.

**NOTE 4 – CAPITAL ASSETS**

A summary of changes in capital asset activity for the year ended June 30, 2014, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 7,343,156	\$ 1,290,000	\$ -	\$ 8,633,156
Construction in progress.....	1,909,280	2,794,412	(893,905)	3,809,787
<b>Total capital assets not being depreciated.....</b>	<b>9,252,436</b>	<b>4,084,412</b>	<b>(893,905)</b>	<b>12,442,943</b>
<u>Capital assets being depreciated:</u>				
Improvements other than buildings.....	19,351,326	1,300,072	-	20,651,398
Buildings.....	228,947,639	1,007,821	-	229,955,460
Machinery and equipment.....	14,974,429	939,900	(403,825)	15,510,504
Public domain infrastructure.....	61,704,886	638,581	-	62,343,467
<b>Total capital assets being depreciated.....</b>	<b>324,978,280</b>	<b>3,886,374</b>	<b>(403,825)</b>	<b>328,460,829</b>
<u>Less accumulated depreciation for:</u>				
Improvements other than buildings.....	(6,964,528)	(1,752,787)	-	(8,717,315)
Buildings.....	(54,519,828)	(7,349,958)	-	(61,869,786)
Machinery and equipment.....	(9,832,676)	(1,092,255)	403,825	(10,521,106)
Public domain infrastructure.....	(28,980,555)	(1,511,678)	-	(30,492,233)
<b>Total accumulated depreciation.....</b>	<b>(100,297,587)</b>	<b>(11,706,678)</b>	<b>403,825</b>	<b>(111,600,440)</b>
<b>Total capital assets being depreciated, net.....</b>	<b>224,680,693</b>	<b>(7,820,304)</b>	<b>-</b>	<b>216,860,389</b>
<b>Total governmental activities capital assets, net.....</b>	<b>\$ 233,933,129</b>	<b>\$ (3,735,892)</b>	<b>\$ (893,905)</b>	<b>\$ 229,303,332</b>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business Type Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land and land rights.....	\$ 267,946	\$ -	\$ -	\$ 267,946
Construction in progress.....	1,919,795	525,856	(1,569,481)	876,170
Total capital assets not being depreciated.....	<u>2,187,741</u>	<u>525,856</u>	<u>(1,569,481)</u>	<u>1,144,116</u>
<u>Capital assets being depreciated:</u>				
Plant in service.....	144,024,896	5,087,131	(160,623)	148,951,404
Vehicles and other equipment.....	6,661,185	483,012	(297,342)	6,846,855
Total capital assets being depreciated.....	<u>150,686,081</u>	<u>5,570,143</u>	<u>(457,965)</u>	<u>155,798,259</u>
<u>Less accumulated depreciation for:</u>				
Plant in service.....	(57,953,079)	(3,989,171)	160,623	(61,781,627)
Vehicles and other equipment.....	(4,489,280)	(380,720)	297,342	(4,572,658)
Total accumulated depreciation.....	<u>(62,442,359)</u>	<u>(4,369,891)</u>	<u>457,965</u>	<u>(66,354,285)</u>
Total capital assets being depreciated, net.....	<u>88,243,722</u>	<u>1,200,252</u>	<u>-</u>	<u>89,443,974</u>
Total business-type activities capital assets, net.....	<u>\$ 90,431,463</u>	<u>\$ 1,726,108</u>	<u>\$ (1,569,481)</u>	<u>\$ 90,588,090</u>

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

**Governmental Activities:**

General government.....	\$ 1,220,978
Public safety.....	777,502
Education.....	7,209,052
Public works.....	1,489,459
Library.....	388,142
Recreation.....	<u>621,545</u>

Total depreciation expense - governmental activities..... \$ 11,706,678

**Business-Type Activities:**

Sewer.....	\$ 412,440
Water.....	845,419
Electric light.....	<u>3,112,032</u>

Total depreciation expense - business-type activities..... \$ 4,369,891

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

At June 30, 2014, the Town has an interfund receivable/payable of \$2,318 between the general fund and the highway chapter 90 fund, the purpose of which was to meet temporary cash flow needs.

Interfund transfers for the year ended June 30, 2014, are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 200,000	\$ 200,000 (1)
Nonmajor Governmental Funds.....	338,218	-	338,218 (2)
Electric Light Department.....	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u> (3)
Total.....	<u>\$ 1,338,218</u>	<u>\$ 200,000</u>	<u>\$ 1,538,218</u>

- (1) Represents a budgeted transfer to the nonmajor funds for unemployment compensation claims.
- (2) Represents budgeted transfers between various nonmajor funds and the general fund.
- (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.

Details related to the short-term debt activity for the year ended June 30, 2014, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2013	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2014
Governmental Funds							
BAN	General Obligation Multi-Purpose BAN.....	0.75%	12/5/2014	\$ -	\$ 8,746,030	\$ -	\$ 8,746,030

The Town expects to roll these BANs into new BANs on their December 5, 2014 maturity date.

**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".

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, 2014, the Town had the following authorized and un-issued debt:

Purpose	Amount
Water and Sewer Projects.....	\$ 64,744
Storm Water Drainage.....	456,000
Drainage & Road Repairs.....	380,000
Various Building Repairs.....	2,714,226
Fire Truck.....	500,000
Police & Fire Station HVAC.....	1,475,880
DPW Building HVAC.....	1,075,400
Sewer System Reconstruction.....	271,700
MWRA Sewer.....	272,800
Fire Station #2 Floor Repair.....	173,140
MWRA Water.....	2,108,431
Fiske/Schofield Elementary Engineering.....	2,432,000
Various School Repair Projects.....	831,676
High School Project.....	22,966,866
District Telephone System Replacement.....	411,000
Fuller Brook Park Preservation (Final Phase).....	970,205
Warren Building Repairs.....	70,630
Wales Street Bridge Planning.....	400,000
Land Acquisition (St. James).....	1,560,000
Land Acquisition (Crevo).....	1,365,000
	<hr/>
Total.....	\$ <u>40,499,698</u>

Details related to the Town's outstanding general obligation indebtedness at June 30, 2014, and the debt service requirements for the governmental activities are as follows:

Project	Date of Issue	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
Sprague School Renovation (Refunding)...	2013	1.46	\$ 885,000	\$ -	\$ 305,000	\$ 580,000
New Library.....	2004	3.83	2,350,000	-	595,000	1,755,000
Warren Building Design.....	2004	3.83	15,000	-	15,000	-
Hunnewell Field/Courts.....	2004	3.83	25,000	-	25,000	-
Warren Renovation.....	2004	3.83	2,260,000	-	565,000	1,695,000
Middle School.....	2005	3.68	1,490,000	-	745,000	745,000
Middle School (Refunding).....	2013	1.46	4,345,000	-	-	4,345,000
Modular Classrooms.....	2005	3.68	500,000	-	-	500,000
Modular Classrooms (Refunding).....	2013	1.46	500,000	-	250,000	250,000
Roads.....	2005	3.68	230,000	-	115,000	115,000
Middle School Construction.....	2006	4.08	4,955,000	-	295,000	4,660,000
Modular Classrooms.....	2006	4.08	690,000	-	230,000	460,000
DPW Electric Repairs.....	2006	4.08	330,000	-	110,000	220,000
DPW Surface Drains.....	2006	4.08	90,000	-	30,000	60,000
Middle School Construction.....	2008	3.49	6,995,000	-	700,000	6,295,000
Streets and Sidewalks.....	2008	3.49	250,000	-	50,000	200,000
Fire Truck.....	2008	3.49	225,000	-	45,000	180,000
Sprague Field.....	2008	3.49	300,000	-	60,000	240,000
School Building Infrastructure.....	2008	3.49	2,250,000	-	450,000	1,800,000
High School Expansion-Seaver Street.....	2009	3.40	2,845,000	-	190,000	2,655,000
High School Planning.....	2009	3.40	635,000	-	40,000	595,000
High School Feasibility.....	2009	3.40	2,070,000	-	130,000	1,940,000
High School Project.....	2009	3.40	6,400,000	-	400,000	6,000,000
Elementary Infrastructure.....	2009	3.40	1,740,000	-	435,000	1,305,000
Woodside Avenue.....	2009	3.40	240,000	-	40,000	200,000
Parking Meters.....	2009	3.40	60,000	-	10,000	50,000
High School Construction.....	2010	3.68	30,800,000	-	1,400,000	29,400,000
Morse Pond Management.....	2011	3.60	35,000	-	35,000	-
High School Construction.....	2011	3.60	19,800,000	-	1,100,000	18,700,000
DPW Storm Water Drainage.....	2011	3.60	400,000	-	50,000	350,000
Fire Truck.....	2013	1.46	591,000	-	61,000	530,000
Kingsbury Street.....	2013	1.46	620,000	-	65,000	555,000
RDF Structure.....	2013	1.46	570,000	-	60,000	510,000
Town Hall HVAC.....	2013	1.46	235,000	-	25,000	210,000
Bacon Street.....	2013	1.46	100,000	-	10,000	90,000
Surface Drainage.....	2013	1.46	214,000	-	29,000	185,000
Morses Pond Dredging.....	2013	1.46	485,000	-	50,000	435,000
DPW Operations Building.....	2013	1.46	1,960,000	-	200,000	1,760,000
Subtotal .....			98,485,000	-	8,915,000	89,570,000
Unamortized Premiums on Bonds.....			1,472,468	-	188,678	1,283,790
Total .....			\$ 99,957,468	\$ -	\$ 9,103,678	\$ 90,853,790

The Town has recently completed construction of a new High School which was funded with long-term debt and a construction grant from the MSBA. At the time of the grant approval the project carried an expected total cost of approximately \$116 million. The MSBA previously approved grant assistance for this project at a reimbursement rate of 40% of eligible construction costs not to exceed approximately \$40 million. To date the Town has

submitted reimbursement requests for approximately \$105.7 million of eligible construction costs and has received reimbursements of \$36 million, including \$863,000 of current receivables at June 30, 2014.

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

Year	Principal	Interest	Total
2015	\$ 8,825,000	\$ 3,594,121	\$ 12,419,121
2016	8,405,000	3,236,184	11,641,184
2017	7,760,000	2,878,283	10,638,283
2018	5,920,000	2,588,413	8,508,413
2019	5,330,000	2,367,851	7,697,851
2020	5,295,000	2,149,725	7,444,725
2021	5,305,000	1,930,725	7,235,725
2022	5,260,000	1,716,227	6,976,227
2023	5,275,000	1,504,063	6,779,063
2024	4,135,000	1,296,600	5,431,600
2025	4,145,000	1,133,563	5,278,563
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	1,400,000	59,500	1,459,500
Total	\$ <u>89,570,000</u>	\$ <u>28,785,165</u>	\$ <u>118,355,165</u>

Details related to the Town’s outstanding general obligation indebtedness at June 30, 2014, and the debt service requirements for the enterprise funds are as follows:

Project	Date of Issue	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
MWRA-Water Bond.....	2006	0.00	\$ 155,085	\$ -	\$ 51,696	\$ 103,389
MWRA-Water Bond.....	2007	0.00	127,796	-	31,949	95,847
MWRA-Water Bond.....	2008	0.00	82,992	-	16,599	66,393
Water Garage.....	2009	3.40	2,560,000	-	172,500	2,387,500
Sewer Garage.....	2009	3.40	2,560,000	-	172,500	2,387,500
MWRA-Sewer Bond.....	2010	0.00	128,810	-	64,405	64,405
MWRA-Water Bond.....	2011	0.00	183,271	-	22,909	160,362
MWRA-Sewer Bond.....	2011	0.00	137,874	-	45,958	91,916
MWRA-Sewer Bond.....	2012	0.00	114,955	-	28,739	86,216
MWRA-Water Bond.....	2013	1.46	1,300,000	-	130,000	1,170,000
MWRA-Water Bond.....	2013	0.00	289,323	-	28,932	260,391
Subtotal .....			7,640,106	-	766,187	6,873,919
Unamortized Premiums on Bonds.....			118,894	-	14,330	104,564
Total .....			\$ 7,759,000	\$ -	\$ 780,517	\$ 6,978,483

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

Year	Principal	Interest	Total
2015	\$ 766,187	\$ 179,050	\$ 945,237
2016	701,779	161,800	863,579
2017	604,127	151,450	755,577
2018	538,440	141,100	679,540
2019	521,841	130,050	651,891
2020	521,841	119,000	640,841
2021	521,841	107,100	628,941
2022	498,932	94,350	593,282
2023	498,935	81,600	580,535
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	339,996	13,600	353,596
Total	\$ 6,873,919	\$ 1,369,500	\$ 8,243,419

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 consists of a grant and non-interest bearing loan. In prior periods \$2,562,650 of loans subject to repayment were received from this program. At June 30, 2014, the outstanding principal amount of these loans totaled \$928,919.

Changes in Long-term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term liabilities:

	Balance June 30, 2013	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Balance June 30, 2014	Due Within One Year
<b>Governmental Activities:</b>							
Long-Term Bonds.....	\$ 98,485,000	\$ -	\$ (8,915,000)	\$ -	\$ -	\$ 89,570,000	\$ 8,825,000
Unamortized Bond Premium.....	1,472,468	-	(188,678)	-	-	1,283,790	173,283
Workers' Compensation.....	686,000	-	-	278,000	(357,000)	607,000	316,000
Compensated Absences.....	281,635	-	-	262,775	(169,000)	375,410	225,200
Total Governmental Activities.....	100,925,103	-	(9,103,678)	540,775	(526,000)	91,836,200	9,539,483
<b>Business Type Activities:</b>							
Long-Term Bonds.....	7,640,106	-	(766,187)	-	-	6,873,919	766,187
Unamortized Bond Premium.....	118,894	-	(14,330)	-	-	104,564	13,670
Compensated Absences.....	44,976	-	-	20,717	(27,000)	38,693	23,188
Total Business Type Activities.....	7,803,976	-	(780,517)	20,717	(27,000)	7,017,176	803,045
Total.....	\$ 108,729,079	\$ -	\$ (9,884,195)	\$ 561,492	\$ (553,000)	\$ 98,853,376	\$ 10,342,528

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 year end, \$607,000 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**

The Town implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of the Statement 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.

At June 30, 2014, \$3,134,152 and \$250,220 has been set aside in general and special purpose stabilization funds, respectively, that are 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 2014, the general and special purpose funds recognized investment earnings of \$40,076 and \$220, respectively. The general stabilization fund balance

can be used for general and/or capital purposes upon approval of Town Meeting. The special purpose stabilization fund can only be used to offset police and fire workers compensation claim payments. Additions and withdrawals from the funds can only be made in accordance with 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. The Town's highest level of decision making authority is the Annual Town Meeting.
- 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				Total Governmental Funds
	General	Capital Projects	High School Construction Fund	Nonmajor Governmental Funds	
Fund Balances					
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 357,953	\$ 357,953
Restricted for:					
High school construction fund.....	-	-	2,448,717	-	2,448,717
School lunch.....	-	-	-	312,291	312,291
Community preservation fund.....	-	-	-	6,520,429	6,520,429
Grants.....	-	-	-	219,081	219,081
Receipts reserved.....	-	-	-	1,772,121	1,772,121
Revolving.....	-	-	-	2,348,608	2,348,608
Recreation revolving.....	-	-	-	373,700	373,700
Other special revenue.....	-	-	-	2,536,610	2,536,610
Permanent funds.....	-	-	-	1,716,704	1,716,704
Committed for special articles to:					
Town clerk/election registration.....	79,550	-	-	-	79,550
Natural resources commission.....	223,673	-	-	-	223,673
Permanent building committee.....	670,660	-	-	-	670,660
Facilities maintenance.....	677,539	-	-	-	677,539
Human services.....	10,000	-	-	-	10,000
Public safety and protective services - Police.....	37,226	-	-	-	37,226
Public safety and protective services - Fire.....	81,542	-	-	-	81,542
Education.....	102,783	-	-	-	102,783
Public works.....	51,281	-	-	-	51,281
Wellesley free library and branches thereof.....	2,629	-	-	-	2,629
Assigned for carryover encumbrances to:					
Selectmen/Executive director.....	1,004	-	-	-	1,004
General and management services.....	2,817	-	-	-	2,817
Treasurer/Collector.....	7,900	-	-	-	7,900
Legal services and expenses.....	4,424	-	-	-	4,424
Permanent building committee.....	68	-	-	-	68
Planning board.....	865	-	-	-	865
Zoning board of appeals.....	203	-	-	-	203
Facilities maintenance.....	48,434	-	-	-	48,434
Public safety and protective services - Police.....	8,961	-	-	-	8,961
Public safety and protective services - Fire.....	606	-	-	-	606
Public safety and protective services - All other.....	1,778	-	-	-	1,778
Education.....	998,543	-	-	-	998,543
Public works.....	1,707,362	-	-	-	1,707,362
Board of health.....	2,875	-	-	-	2,875
Wellesley free library and branches thereof.....	118,300	-	-	-	118,300
Historical commission.....	75	-	-	-	75
Historical district commission.....	150	-	-	-	150
Risk management.....	15,000	-	-	-	15,000
Subsequent year expenditures.....	2,250,000	-	-	-	2,250,000
Unassigned.....	15,230,000	(807,356)	-	-	14,422,644
<b>Total Fund Balances.....</b>	<b>\$ 22,336,248</b>	<b>\$ (807,356)</b>	<b>\$ 2,448,717</b>	<b>\$ 16,157,497</b>	<b>\$ 40,135,106</b>

**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 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 insurance coverage with various 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. The Group had a fund balance of approximately \$18 million at June 30, 2013 (based on the most recent audited information available), which appears sufficient to cover future claims. 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, 2014, 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. The Town has recorded an actuarially determined loss 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 years ended June 30 were as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End	Current Portion
2013.....	\$ 732,000	\$ 310,741	(356,741)	\$ 686,000	\$ 357,000
2014.....	686,000	410,676	(489,676)	607,000	316,000

**NOTE 10 – PENSION PLAN**

*Plan Description* - The Town contributes to the Wellesley Contributory Retirement System (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 \$11.9 million for the year ended June 30, 2014, 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, 2013, the System's membership consists of the following:

Active members.....	675
Inactive members.....	205
Disabled members.....	36
Retirees and beneficiaries currently receiving benefits.....	<u>372</u>
 Total.....	 <u>1,288</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. 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 years ended June 30, 2014, 2013, and 2012 were \$5,902,341, \$3,793,846 and \$3,000,000, respectively, which equaled its required contribution for each year. The required contribution was determined as part of the January 1, 2013 actuarial valuation using the entry age normal actuarial cost method. The 2013 actuarial assumptions included a 7% investment rate of return and projected salary increases based on years of service, ranging from 7% decreasing to 3.5% after 19 years of service for Group 1 and 2 employees, and ranging from 8% decreasing to 4% after 19 years for Group 4 employees.

The actuarial value of the System's assets equals current market value. In the two previous actuarial valuations (January 1, 2010 and 2012) the actuarial value of assets were valued at market less unrecognized returns in each of the in each of the last five years. Unrecognized return was equal to the difference between the expected return and the actuarial investment return on a market value and was recognized over a five year period. The actuarial value of assets was adjusted, if necessary, to be within 20% of the market value.

**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)
01/01/13	\$ 125,714,763	\$ 186,235,650	\$ 60,520,887	67.5%	\$ 34,036,988	177.8%
01/01/12	125,424,614	165,408,231	39,983,617	75.8%	33,919,655	117.9%
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%

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

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*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, 2014, the Plan’s membership consisted of the following:

Current retirees, beneficiaries, and dependents.....	926
Current active members.....	<u>920</u>
Total.....	<u><u>1,846</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 \$10,644,000 during 2014 towards these benefits including 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 pre-fund its OPEB liabilities. During 2014, the Town pre-funded future OPEB liabilities in the amount of \$3,458,000.

*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.....	\$	(9,646,584)
Interest on net OPEB obligation/(asset).....		367,275
Adjustments to annual required contribution.....		<u>(301,576)</u>
Annual OPEB cost.....		(9,580,885)
Contributions made.....		<u>10,643,920</u>
(Increase)/Decrease)in net OPEB obligation.....		1,063,035
Net OPEB asset/(obligation) - beginning of year.....		<u>4,897,002</u>
Net OPEB asset/(obligation) - end of year.....	\$	<u><u>5,960,037</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two most recent preceding years are as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
6/30/2014	\$ (9,580,885)	111%	\$ 5,960,037
6/30/2013	(9,246,224)	110%	4,897,002
6/30/2012	(9,636,485)	105%	3,952,034

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
06/30/14	\$ 32,806,387	\$ 111,075,197	\$ 78,268,810	29.54%	\$ 87,164,071	89.79%
06/30/12	21,313,571	127,611,942	106,298,371	16.70%	80,220,910	132.51%
06/30/10	11,133,131	125,582,243	114,449,112	8.87%	65,958,264	173.52%

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, 2014
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Payments increasing at 3.5%, level % of payroll
Remaining amortization period.....	23 years as of July 1, 2014, closed (8 years as of July 1, 2014, closed for the Municipal Light Plant)
Asset valuation method.....	Market value of assets less unrecognized returns in each of the last five years, beginning with the year ended June 30, 2013. Unrecognized return is equal to the difference between the actual market return and the expected market value return, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.
Actuarial assumptions:	
Investment rate of return.....	7.0% pre-funding scenario
Inflation rate.....	3.5%
Projected salary increases.....	3.5%
Medical/Drug cost trend rate.....	7.5% decreasing by 0.50% for 5 years to an ultimate level of 5.0% per year

**NOTE 12 – COMMITMENTS**

The Town is committed to completing various projects throughout the Town which will be funded with long-term debt totaling approximately \$40.5 million.

The Wellesley Municipal Light Plant’s future purchase commitments at June 30, 2014 are as follows:

**Energy Purchase Commitments  
Megawatt-Hour (MWH)**

<u>Fiscal Year</u>	<u>Projected MWH's</u>	<u>Committed MWH's</u>	<u>Average Cost Per MWH</u>	<u>Total Commitments</u>
2015	252,943	208,446	\$ 54.73	\$ 11,408,250
2016	256,898	193,293	53.14	10,271,590
2017	<u>257,717</u>	<u>182,928</u>	48.94	<u>8,952,496</u>
	<u>767,558</u>	<u>584,667</u>		<u>\$ 30,632,336</u>

Based on Energy New England's analysis through December 2017 of the Plant's firm commitment with respect to future energy purchases, the WMLP has locked-in energy prices through this period that are currently approximately \$4.1 million below market prices as of June 30, 2014.

### 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, 2014, 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, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2014.

### NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2014, the following GASB pronouncements were implemented:

- GASB Statement #65, *Items Previously Reported as Assets and Liabilities*. Financial statement changes include the presentation of deferred outflows and inflows in the Statement of Net Position and Balance Sheet. The notes to the basic financial statements were changed to provide additional disclosure on deferred outflows of resources and deferred inflows of resources.
- GASB Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future years:

- The GASB issued Statement #67, *Financial Reporting for Pension Plans*, which is required to be implemented in year 2015.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in year 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in year 2015.
- The GASB issued Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which is required to be implemented simultaneously with GASB Statement #68 in 2015.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements. Except as discussed below, management does not expect that these new GASB statements will have a significant effect on the basic financial statements.

GASB Statements #67 and #68 will substantially change the reporting for pension liabilities and expenses. Certain changes in pension liabilities will be immediately recognized and reported as pension expense or reported as deferred outflows/inflows of resources depending on the nature of the changes. Substantial changes to methods and assumptions used to determine information for GAAP reporting purposes will be required. Current actuarial methods may continue to be used to determine future amounts.

## ***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**

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 111,980,667	\$ 111,980,667	\$ 111,982,968	\$ -	\$ 2,301
Tax liens.....	-	-	381,899	-	381,899
Motor vehicle and other excise taxes.....	4,910,000	4,910,000	5,382,154	-	472,154
Penalties and interest on taxes.....	185,000	185,000	247,489	-	62,489
Payments in lieu of taxes.....	225,000	225,000	226,439	-	1,439
Intergovernmental.....	9,022,255	9,022,255	9,026,949	-	4,694
Departmental and other.....	3,688,477	3,688,477	4,308,125	-	619,648
Interest income.....	200,000	200,000	162,784	-	(37,216)
<b>TOTAL REVENUES.....</b>	<b>130,211,399</b>	<b>130,211,399</b>	<b>131,718,807</b>	<b>-</b>	<b>1,507,408</b>
<b>EXPENDITURES:</b>					
Selectmen/Executive Director:					
Personal Services.....	406,257	407,667	398,835	-	8,832
Expenses.....	42,750	42,750	32,043	1,004	9,703
	<u>449,007</u>	<u>450,417</u>	<u>430,878</u>	<u>1,004</u>	<u>18,535</u>
Finance Department:					
Personal Services.....	356,878	356,878	349,215	-	7,663
Expenses.....	8,067	8,067	6,907	-	1,160
	<u>364,945</u>	<u>364,945</u>	<u>356,122</u>	<u>-</u>	<u>8,823</u>
General and Management Services:					
Personal Services.....	15,033	15,033	3,159	-	11,874
Expenses.....	49,811	49,811	41,740	2,817	5,254
	<u>64,844</u>	<u>64,844</u>	<u>44,899</u>	<u>2,817</u>	<u>17,128</u>
Treasurer/Collector:					
Personal Services.....	262,222	265,011	254,802	-	10,209
Expenses.....	134,863	132,263	111,689	7,900	12,674
	<u>397,085</u>	<u>397,274</u>	<u>366,491</u>	<u>7,900</u>	<u>22,883</u>
Facilities Maintenance:					
Personal Services.....	3,489,275	3,537,909	3,391,251	-	146,658
Expenses.....	2,900,966	2,894,786	2,721,113	48,434	125,239
Capital Outlay.....	1,543,478	1,708,478	996,111	677,539	34,828
	<u>7,933,719</u>	<u>8,141,173</u>	<u>7,108,475</u>	<u>725,973</u>	<u>306,725</u>
Network Information Services:					
Personal Services.....	460,950	475,905	475,905	-	-
Expenses.....	215,563	215,563	215,563	-	-
Capital Outlay.....	20,000	20,000	20,000	-	-
	<u>696,513</u>	<u>711,468</u>	<u>711,468</u>	<u>-</u>	<u>-</u>
Human Services:					
Personal Services.....	292,535	303,467	300,263	-	3,204
Expenses.....	262,048	255,198	242,425	-	12,773
Capital Outlay.....	10,000	10,000	-	10,000	-
	<u>564,583</u>	<u>568,665</u>	<u>542,688</u>	<u>10,000</u>	<u>15,977</u>
Public Safety and Protective Services - Police:					
Personal Services.....	4,716,181	4,786,437	4,785,932	-	505
Expenses.....	630,094	633,294	624,325	8,961	8
Capital Outlay.....	146,528	146,528	107,838	37,226	1,464
	<u>5,492,803</u>	<u>5,566,259</u>	<u>5,518,095</u>	<u>46,187</u>	<u>1,977</u>
Public Safety and Protective Services - Fire:					
Personal Services.....	4,570,007	4,571,638	4,486,349	-	85,289
Expenses.....	267,545	267,545	254,647	606	12,292
Capital Outlay.....	137,663	137,663	40,756	81,542	15,365
	<u>4,975,215</u>	<u>4,976,846</u>	<u>4,781,752</u>	<u>82,148</u>	<u>112,946</u>

(Continued)

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

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget	Actual Amounts		
<b>Public Safety and Protective Services - All Other:</b>					
Personal Services.....	539,521	545,830	495,371	-	50,459
Expenses.....	32,104	32,104	23,572	1,778	6,754
	<u>571,625</u>	<u>577,934</u>	<u>518,943</u>	<u>1,778</u>	<u>57,213</u>
Historical Commission.....	750	750	436	75	239
Historical District Commission.....	275	275	87	150	38
<b>Zoning Board of Appeals:</b>					
Personal Services.....	48,587	49,559	49,559	-	-
Expenses.....	7,315	7,315	5,852	203	1,260
	<u>55,902</u>	<u>56,874</u>	<u>55,411</u>	<u>203</u>	<u>1,260</u>
<b>Advisory Committee:</b>					
Personal Services.....	8,782	3,682	3,682	-	-
Expenses.....	14,000	21,700	21,700	-	-
	<u>22,782</u>	<u>25,382</u>	<u>25,382</u>	<u>-</u>	<u>-</u>
Audit Committee.....	56,250	56,250	56,250	-	-
<b>Permanent Building Committee:</b>					
Personal Services.....	15,074	27,781	27,771	-	10
Expenses.....	6,450	6,450	1,344	68	5,038
Capital Outlay.....	615,423	1,050,403	379,743	670,660	-
	<u>636,947</u>	<u>1,084,634</u>	<u>408,858</u>	<u>670,728</u>	<u>5,048</u>
<b>Human Resources Board:</b>					
Personal Services.....	403,227	312,715	276,507	-	36,208
Expenses.....	18,803	18,803	9,700	-	9,103
	<u>422,030</u>	<u>331,518</u>	<u>286,207</u>	<u>-</u>	<u>45,311</u>
<b>Assessors:</b>					
Personal Services.....	248,776	255,981	239,095	-	16,886
Expenses.....	82,770	82,770	63,436	-	19,334
	<u>331,546</u>	<u>338,751</u>	<u>302,531</u>	<u>-</u>	<u>36,220</u>
<b>Board of Health:</b>					
Personal Services.....	343,684	351,440	335,374	-	16,066
Expenses.....	70,205	70,205	57,057	2,875	10,273
Mental Health Services.....	215,691	215,691	215,608	-	83
	<u>629,580</u>	<u>637,336</u>	<u>608,039</u>	<u>2,875</u>	<u>26,422</u>
<b>Natural Resources Commission:</b>					
Personal Services.....	194,739	196,245	162,663	-	33,582
Expenses.....	167,283	167,283	149,620	-	17,663
Capital Outlay.....	317,823	317,823	90,515	223,673	3,635
	<u>679,845</u>	<u>681,351</u>	<u>402,798</u>	<u>223,673</u>	<u>54,880</u>
<b>Planning Board:</b>					
Personal Services.....	220,191	225,321	209,121	-	16,200
Expenses.....	42,900	42,900	31,706	865	10,329
	<u>263,091</u>	<u>268,221</u>	<u>240,827</u>	<u>865</u>	<u>26,529</u>
<b>Recreation Commission:</b>					
Personal Services.....	297,937	301,531	296,845	-	4,686
Expenses.....	20,000	20,000	15,972	-	4,028
	<u>317,937</u>	<u>321,531</u>	<u>312,817</u>	<u>-</u>	<u>8,714</u>
<b>Town Clerk/Election and Registration:</b>					
Personal Services.....	226,880	226,880	214,213	-	12,667
Expenses.....	48,090	48,090	29,646	-	18,444
Capital Outlay.....	79,550	79,550	-	79,550	-
	<u>354,520</u>	<u>354,520</u>	<u>243,859</u>	<u>79,550</u>	<u>31,111</u>
Legal Services and Expenses.....	327,480	352,480	345,500	4,424	2,556
Reserve Fund.....	175,000	150,000	-	-	150,000

(Continued)

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

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
Memorial Day.....	2,500	2,500	1,912	-	588
Celebrations.....	4,700	4,700	4,700	-	-
Risk Management.....	504,120	504,120	387,365	15,000	101,755
Employee Group Life and Health Insurance.....	17,899,564	17,939,564	17,939,564	-	-
Pensions and Annuities.....	5,024,905	5,024,905	5,024,893	-	12
Workers Compensation.....	720,209	720,209	720,209	-	-
Compensated Absences.....	90,000	90,000	15,132	-	74,868
Wellesley Free Library and branches thereof:					
Personal Services.....	1,737,349	1,858,609	1,724,546	118,300	15,763
Expenses.....	590,476	590,476	588,439	-	2,037
Capital Outlay.....	40,000	43,000	37,371	2,629	3,000
	<u>2,367,825</u>	<u>2,492,085</u>	<u>2,350,356</u>	<u>120,929</u>	<u>20,800</u>
Public Works:					
Personal Services.....	3,996,102	3,958,687	3,892,829	480	65,378
Expenses.....	2,186,766	2,186,766	2,095,656	32,102	59,008
Street lights.....	225,300	225,300	219,649	-	5,651
Winter Maintenance.....	348,703	998,703	980,003	18,700	-
Capital Outlay.....	2,858,742	2,914,730	1,207,368	1,707,362	-
	<u>9,615,613</u>	<u>10,284,186</u>	<u>8,395,505</u>	<u>1,758,644</u>	<u>130,037</u>
Education.....	64,857,905	64,864,085	60,116,703	4,313,600	433,782
State and County Charges.....	1,211,018	1,211,018	1,139,836	-	71,182
Debt service:					
Principal.....	9,195,278	9,195,278	8,915,000	-	280,278
Interest.....	3,665,637	3,665,637	3,665,637	-	-
	<u>12,860,915</u>	<u>12,860,915</u>	<u>12,580,637</u>	<u>-</u>	<u>280,278</u>
<b>TOTAL EXPENDITURES.....</b>	<b>140,943,548</b>	<b>142,477,985</b>	<b>132,345,625</b>	<b>8,068,523</b>	<b>2,063,837</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(10,732,149)</b>	<b>(12,266,586)</b>	<b>(626,818)</b>	<b>(8,068,523)</b>	<b>3,571,245</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Free cash voted to fund fiscal year 2014 budget.....	3,088,158	4,872,595	-	-	(4,872,595)
Use of prior year fund balance to fund carryovers.....	6,579,409	6,579,409	-	-	(6,579,409)
Transfers in.....	1,264,582	1,264,582	1,338,218	-	73,636
Transfers out.....	(200,000)	(450,000)	(450,000)	-	-
	<u>10,732,149</u>	<u>12,266,586</u>	<u>888,218</u>	<u>-</u>	<u>(11,378,368)</u>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>-</b>	<b>-</b>	<b>261,400</b>	<b>(8,068,523)</b>	<b>(7,807,123)</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>22,254,943</b>	<b>22,254,943</b>	<b>22,254,943</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 22,254,943</b>	<b>\$ 22,254,943</b>	<b>\$ 22,516,343</b>	<b>\$ (8,068,523)</b>	<b>\$ (7,807,123)</b>

(Concluded)

See notes to required supplementary information.

# ***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, 2014

**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)
6/30/2014	\$ 32,806,387	\$ 111,075,197	\$ 78,268,810	29.54%	\$ 87,164,071	89.79%
6/30/2012	21,313,571	127,611,942	106,298,371	16.70%	80,220,910	132.51%
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**

Year Ended	Annual Required Contribution (ARC)	Actual Contributions Made	Percentage Contributed
2014	\$ (9,646,584)	\$ 10,643,920	110.3%
2013	(9,305,607)	10,191,192	109.5%
2012	(9,764,460)	10,162,826	104.1%

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

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN  
ACTUARIAL METHODS AND ASSUMPTIONS**

YEAR ENDED JUNE 30, 2014

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Actuarial Methods:

Valuation date.....	June 30, 2014
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 3.5%, level % of payroll
Remaining amortization period.....	23 years as of July 1, 2014, closed (8 years as of July 1, 2014, closed for the Municipal Light Plant)
Asset valuation method.....	Market value of assets less unrecognized returns in each of the last five years, beginning with the year ended June 30, 2013. Unrecognized return is equal to the difference between the actual market return and the expected market value return, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.

Actuarial Assumptions:

Investment rate of return.....	7.0% pre-funding scenario
Inflation rate.....	3.5%
Projected salary increases.....	3.5%
Medical/drug cost trend rate.....	7.5% decreasing by 0.50% for 5 years to an ultimate level of 5.0% per year

Plan Membership:

Current retirees, beneficiaries, and dependents.....	926
Current active members.....	<u>920</u>
Total.....	<u><u>1,846</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 year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent 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 2014 budget consisted of approximately \$141 million in appropriations and other amounts to be raised. Included in the original budget are approximately \$6.6 million in amounts carried over from previous 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 year ended June 30, 2014, is presented below:

Net change in fund balance, budgetary basis.....	\$	-
<u>Perspective difference:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		290,296
<u>Basis of accounting differences:</u>		
Net change in revenue accrual.....		77,000
Net change in expenditure accrual.....		(186,285)
Net change in tax refunds payable.....		131,342
Recognition of revenue for on-behalf payments.....		11,910,914
Recognition of expenditures for on-behalf payments.....		<u>(11,910,914)</u>
Net change in fund balance, GAAP basis.....	\$	<u><u>312,353</u></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 combined pre-funded and a pay-as-you-go basis whereby the funding schedule is designed to pay the normal cost currently and amortizes 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 29.54%. 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 and Individual Fund Statements***

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# ***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.

***Grants 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.

## **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, 2014

	<b>Special Revenue Funds</b>			
	School Lunch	Community Preservation	Grants	Receipts Reserved
<b>ASSETS:</b>				
Cash and cash equivalents.....	\$ 533,662	\$ 6,519,032	\$ 326,284	\$ 1,793,346
Investments.....	-	-	-	-
Receivables, net of uncollectibles:				
Departmental and other.....	-	2,355	-	-
Intergovernmental.....	-	254,841	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 533,662</b>	<b>\$ 6,776,228</b>	<b>\$ 326,284</b>	<b>\$ 1,793,346</b>
<b>LIABILITIES:</b>				
Warrants payable.....	\$ 221,317	\$ -	\$ 89,436	\$ 18,259
Accrued payroll.....	54	-	17,767	2,966
<b>TOTAL LIABILITIES.....</b>	<b>221,371</b>	<b>-</b>	<b>107,203</b>	<b>21,225</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Advance collections - taxes.....	-	5,932	-	-
Unavailable revenues.....	-	249,867	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<b>-</b>	<b>255,799</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>				
Nonspendable.....	-	-	-	-
Restricted.....	312,291	6,520,429	219,081	1,772,121
<b>TOTAL FUND BALANCES.....</b>	<b>312,291</b>	<b>6,520,429</b>	<b>219,081</b>	<b>1,772,121</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....</b>	<b>\$ 533,662</b>	<b>\$ 6,776,228</b>	<b>\$ 326,284</b>	<b>\$ 1,793,346</b>

<b>Special Revenue Funds</b>						Total Nonmajor Governmental Funds
Revolving	Recreation Revolving	Other	Sub-total	Permanent Fund		
\$ 2,488,971	\$ 409,346	\$ 2,709,460	\$ 14,780,101	\$ 1,114,067	\$	15,894,168
-	-	-	-	976,089		976,089
168,307	-	-	170,662	-		170,662
-	-	-	254,841	-		254,841
<u>\$ 2,657,278</u>	<u>\$ 409,346</u>	<u>\$ 2,709,460</u>	<u>\$ 15,205,604</u>	<u>\$ 2,090,156</u>		<u>\$ 17,295,760</u>
\$ 145,800	\$ 30,572	\$ 171,409	\$ 676,793	\$ 15,155	\$	691,948
27,243	5,074	1,441	54,545	344		54,889
173,043	35,646	172,850	731,338	15,499		746,837
-	-	-	5,932	-		5,932
135,627	-	-	385,494	-		385,494
135,627	-	-	391,426	-		391,426
-	-	-	-	357,953		357,953
2,348,608	373,700	2,536,610	14,082,840	1,716,704		15,799,544
2,348,608	373,700	2,536,610	14,082,840	2,074,657		16,157,497
<u>\$ 2,657,278</u>	<u>\$ 409,346</u>	<u>\$ 2,709,460</u>	<u>\$ 15,205,604</u>	<u>\$ 2,090,156</u>		<u>\$ 17,295,760</u>

**NONMAJOR GOVERNMENTAL FUNDS**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 YEAR ENDED JUNE 30, 2014

	<b>Special Revenue Funds</b>			
	School Lunch	Community Preservation	Grants	Receipts Reserved
<b>REVENUES:</b>				
Charges for services.....	\$ 1,099,005	\$ -	\$ -	\$ -
Parking meter receipts.....	-	-	-	835,972
Intergovernmental.....	160,180	508,375	2,539,572	-
Departmental and other.....	-	-	-	-
Community preservation tax.....	-	1,019,365	-	-
Contributions.....	-	-	-	-
Interest income.....	-	11,557	-	-
<b>TOTAL REVENUES.....</b>	<b>1,259,185</b>	<b>1,539,297</b>	<b>2,539,572</b>	<b>835,972</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	-	-	28	-
Public safety.....	-	-	96,717	33,586
Public education.....	1,231,617	-	2,126,352	-
Public works.....	-	-	-	-
Health and human services.....	-	-	5,155	-
Recreation.....	-	-	15,670	-
Library.....	-	-	27,722	-
Employee benefits.....	-	-	-	-
Traffic and parking management.....	-	-	-	659,832
Community preservation.....	-	168,408	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>1,231,617</b>	<b>168,408</b>	<b>2,271,644</b>	<b>693,418</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>27,568</b>	<b>1,370,889</b>	<b>267,928</b>	<b>142,554</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in.....	-	-	-	-
Transfers out.....	-	(126,125)	(7,689)	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>(126,125)</b>	<b>(7,689)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>27,568</b>	<b>1,244,764</b>	<b>260,239</b>	<b>142,554</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>284,723</b>	<b>5,275,665</b>	<b>(41,158)</b>	<b>1,629,567</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 312,291</b>	<b>\$ 6,520,429</b>	<b>\$ 219,081</b>	<b>\$ 1,772,121</b>

<b>Special Revenue Funds</b>					
<u>Revolving</u>	<u>Recreation Revolving</u>	<u>Other</u>	<u>Sub-total</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ 19,801	\$ 1,118,806	\$ -	\$ 1,118,806
-	-	-	835,972	-	835,972
26,374	-	2,616,154	5,850,655	-	5,850,655
3,844,666	1,127,876	365,528	5,338,070	-	5,338,070
-	-	-	1,019,365	-	1,019,365
311,070	-	1,088,779	1,399,849	5,000	1,404,849
-	-	-	11,557	82,789	94,346
<u>4,182,110</u>	<u>1,127,876</u>	<u>4,090,262</u>	<u>15,574,274</u>	<u>87,789</u>	<u>15,662,063</u>
29,607	-	66,848	96,483	18,138	114,621
788,909	-	16,581	935,793	-	935,793
2,846,412	-	2,811,399	9,015,780	-	9,015,780
228,912	-	213,133	442,045	-	442,045
154,907	-	24,503	184,565	-	184,565
42,360	1,000,106	111,617	1,169,753	82,964	1,252,717
-	-	234,051	261,773	-	261,773
-	-	-	-	109,103	109,103
-	-	-	659,832	-	659,832
-	-	-	168,408	-	168,408
<u>4,091,107</u>	<u>1,000,106</u>	<u>3,478,132</u>	<u>12,934,432</u>	<u>210,205</u>	<u>13,144,637</u>
91,003	127,770	612,130	2,639,842	(122,416)	2,517,426
-	-	-	-	200,000	200,000
(126,457)	(65,947)	(12,000)	(338,218)	-	(338,218)
<u>(126,457)</u>	<u>(65,947)</u>	<u>(12,000)</u>	<u>(338,218)</u>	<u>200,000</u>	<u>(138,218)</u>
(35,454)	61,823	600,130	2,301,624	77,584	2,379,208
<u>2,384,062</u>	<u>311,877</u>	<u>1,936,480</u>	<u>11,781,216</u>	<u>1,997,073</u>	<u>13,778,289</u>
\$ <u>2,348,608</u>	\$ <u>373,700</u>	\$ <u>2,536,610</u>	\$ <u>14,082,840</u>	\$ <u>2,074,657</u>	\$ <u>16,157,497</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, 2014

	Network Information Services	Fleet Maintenance	Health Insurance	Worker's Compensation	Total Internal Service Funds
<b>ASSETS</b>					
CURRENT:					
Cash and cash equivalents..... \$	199,776	\$ 158,784	\$ 1,856,075	\$ 339,554	\$ 2,554,189
Investments.....	-	-	-	38,424	38,424
Receivables, net of allowance for uncollectibles:					
Departmental and other.....	8,968	-	-	-	8,968
<b>TOTAL ASSETS.....</b>	<b>208,744</b>	<b>158,784</b>	<b>1,856,075</b>	<b>377,978</b>	<b>2,601,581</b>
<b>LIABILITIES</b>					
CURRENT:					
Warrants payable.....	2,657	56,453	11,599	-	70,709
Accrued payroll.....	9,856	10,378	242,743	1,379	264,356
Workers' compensation.....	-	-	-	316,000	316,000
<b>Total current liabilities.....</b>	<b>12,513</b>	<b>66,831</b>	<b>254,342</b>	<b>317,379</b>	<b>651,065</b>
NONCURRENT:					
Workers' compensation.....	-	-	-	291,000	291,000
<b>TOTAL LIABILITIES.....</b>	<b>12,513</b>	<b>66,831</b>	<b>254,342</b>	<b>608,379</b>	<b>942,065</b>
<b>NET POSITION</b>					
Unrestricted..... \$	<u>196,231</u>	<u>\$ 91,953</u>	<u>\$ 1,601,733</u>	<u>\$ (230,401)</u>	<u>\$ 1,659,516</u>

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

YEAR ENDED JUNE 30, 2014

	Network Information Services	Fleet Maintenance	Health Insurance	Worker's Compensation	Total Internal Service Funds
<b>OPERATING REVENUES:</b>					
Employee contributions .....	\$ -	\$ -	\$ 7,864,989	\$ -	\$ 7,864,989
Charges for services .....	979,224	1,138,011	13,362,564	752,697	16,232,496
<b>TOTAL OPERATING REVENUES .....</b>	<b>979,224</b>	<b>1,138,011</b>	<b>21,227,553</b>	<b>752,697</b>	<b>24,097,485</b>
<b>OPERATING EXPENSES:</b>					
Supplies and services.....	949,244	1,169,926	21,315,473	410,676	23,845,319
<b>OPERATING INCOME (LOSS).....</b>	<b>29,980</b>	<b>(31,915)</b>	<b>(87,920)</b>	<b>342,021</b>	<b>252,166</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment income.....	-	-	4,254	2,507	6,761
<b>CHANGE IN NET POSITION.....</b>	<b>29,980</b>	<b>(31,915)</b>	<b>(83,666)</b>	<b>344,528</b>	<b>258,927</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>166,251</b>	<b>123,868</b>	<b>1,685,399</b>	<b>(574,929)</b>	<b>1,400,589</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 196,231</b>	<b>\$ 91,953</b>	<b>\$ 1,601,733</b>	<b>\$ (230,401)</b>	<b>\$ 1,659,516</b>

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2014

	Network Information Services	Fleet Maintenance	Health Insurance	Worker's Compensation	Total Internal Service Funds
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>					
Receipts from customers and users.....	\$ -	\$ -	\$ 7,871,423	\$ -	\$ 7,871,423
Receipts from interfund services provided.....	970,256	1,138,011	13,362,564	752,697	16,223,528
Payments to employees.....	-	-	-	(489,277)	(489,277)
Payments for interfund services used.....	(961,278)	(1,206,029)	(21,372,898)	-	(23,540,205)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>8,978</b>	<b>(68,018)</b>	<b>(138,911)</b>	<b>263,420</b>	<b>65,469</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>					
Proceeds from sales and maturities of investments.....	-	-	-	39,005	39,005
Purchase of investments.....	-	-	-	(38,424)	(38,424)
Investment income.....	-	-	4,254	2,507	6,761
<b>NET CASH FROM INVESTING ACTIVITIES.....</b>	<b>-</b>	<b>-</b>	<b>4,254</b>	<b>3,088</b>	<b>7,342</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>8,978</b>	<b>(68,018)</b>	<b>(134,657)</b>	<b>266,508</b>	<b>72,811</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....</b>	<b>190,798</b>	<b>226,802</b>	<b>1,990,732</b>	<b>73,046</b>	<b>2,481,378</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR.....</b>	<b>\$ 199,776</b>	<b>\$ 158,784</b>	<b>\$ 1,856,075</b>	<b>\$ 339,554</b>	<b>\$ 2,554,189</b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u></b>					
Operating income (loss).....	\$ 29,980	\$ (31,915)	\$ (87,920)	\$ 342,021	\$ 252,166
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Changes in assets and liabilities:					
Departmental and other.....	(8,968)	-	6,434	-	(2,534)
Warrants payable.....	(2,634)	(26,869)	11,599	-	(17,904)
Accrued payroll.....	(9,400)	(9,234)	(69,024)	399	(87,259)
Workers' compensation.....	-	-	-	(79,000)	(79,000)
<b>Total adjustments.....</b>	<b>(21,002)</b>	<b>(36,103)</b>	<b>(50,991)</b>	<b>(78,601)</b>	<b>(186,697)</b>
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 8,978</b>	<b>\$ (68,018)</b>	<b>\$ (138,911)</b>	<b>\$ 263,420</b>	<b>\$ 65,469</b>

# ***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

YEAR ENDED JUNE 30, 2014

	Agency Accounts <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Agency Accounts <u>June 30, 2014</u>
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 1,364,963	\$ 17,632,575	\$ (17,227,226)	\$ 1,770,312
<b>LIABILITIES</b>				
Liabilities due depositors.....	\$ 1,364,963	\$ 17,632,575	\$ (17,227,226)	\$ 1,770,312

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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.



**Tower Court on the campus of Wellesley College**

**Town of Wellesley, Massachusetts  
Comprehensive Annual Financial Report  
For the year ended June 30, 2014**

# ***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.*

**Net Position By Component  
Last Ten Years**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental activities</b>										
Net investment in capital assets.....	\$ 56,280,575	\$ 59,460,936	\$ 89,282,328	\$ 90,783,718	\$ 90,953,257	\$ 98,914,209	\$ 122,874,236	\$ 136,010,244	\$ 140,647,943	\$ 139,229,485
Restricted.....	4,235,793	5,156,611	8,820,120	8,586,171	10,336,566	11,181,819	11,789,893	8,279,834	9,177,754	11,350,777
Unrestricted.....	13,819,989	16,306,929	22,970,214	29,431,407	34,229,972	36,333,715	37,090,605	41,155,077	40,250,651	42,228,221
<b>Total governmental activities net position.....</b>	<b>\$ 74,336,357</b>	<b>\$ 80,924,476</b>	<b>\$ 121,072,662</b>	<b>\$ 128,801,296</b>	<b>\$ 135,519,795</b>	<b>\$ 146,429,743</b>	<b>\$ 171,754,734</b>	<b>\$ 185,445,155</b>	<b>\$ 190,076,348</b>	<b>\$ 192,808,483</b>
<b>Business-type activities</b>										
Net investment in capital assets.....	\$ 54,876,155	\$ 59,462,054	\$ 61,389,671	\$ 70,218,356	\$ 71,187,448	\$ 73,118,249	\$ 76,222,981	\$ 79,158,029	\$ 82,672,463	\$ 83,609,607
Restricted.....	-	-	-	-	-	-	-	2,458,152	2,000,000	2,000,000
Unrestricted.....	18,463,745	17,200,472	23,033,350	15,308,496	12,999,282	12,491,865	13,714,674	13,935,227	14,212,650	14,730,463
<b>Total business-type activities net position.....</b>	<b>\$ 73,339,900</b>	<b>\$ 76,662,526</b>	<b>\$ 84,423,021</b>	<b>\$ 85,526,852</b>	<b>\$ 84,186,730</b>	<b>\$ 85,610,114</b>	<b>\$ 89,937,655</b>	<b>\$ 95,551,408</b>	<b>\$ 98,885,113</b>	<b>\$ 100,340,070</b>
<b>Primary government</b>										
Net investment in capital assets.....	\$ 111,156,730	\$ 118,922,990	\$ 150,671,999	\$ 161,002,074	\$ 162,140,705	\$ 172,032,458	\$ 199,097,217	\$ 215,168,273	\$ 223,320,406	\$ 222,839,092
Restricted.....	4,235,793	5,156,611	8,820,120	8,586,171	10,336,566	11,181,819	11,789,893	10,737,986	11,177,754	13,350,777
Unrestricted.....	32,283,734	33,507,401	46,003,564	44,739,903	47,229,254	48,825,580	50,805,279	55,090,304	54,463,301	56,958,684
<b>Total primary government net position.....</b>	<b>\$ 147,676,257</b>	<b>\$ 157,587,002</b>	<b>\$ 205,495,683</b>	<b>\$ 214,328,148</b>	<b>\$ 219,706,525</b>	<b>\$ 232,039,857</b>	<b>\$ 261,692,389</b>	<b>\$ 280,996,563</b>	<b>\$ 288,961,461</b>	<b>\$ 293,148,553</b>

**Changes in Net Position  
Last Ten Years**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>										
Governmental activities:										
General government.....	\$ 5,934,146	\$ 5,751,822	\$ 5,684,079	\$ 5,985,099	\$ 7,647,280	\$ 8,576,509	\$ 8,039,353	\$ 9,670,731	\$ 12,874,364	\$ 14,414,151
Public safety.....	10,515,879	11,210,299	12,196,439	12,304,806	12,840,721	14,139,090	14,807,588	16,064,398	16,973,654	17,710,263
Public education.....	68,110,742	66,774,878	72,434,095	80,998,592	83,694,291	86,694,832	90,309,800	99,679,399	99,210,900	102,344,740
Public works.....	8,060,375	7,765,401	8,910,481	10,256,928	9,764,169	10,280,799	10,574,130	10,315,238	9,709,246	10,865,268
Health and human services.....	911,381	926,992	1,099,860	1,173,751	1,173,751	1,319,220	1,481,237	1,558,985	1,597,225	1,683,576
Library.....	2,892,299	3,204,781	3,313,592	3,588,760	3,662,740	3,317,361	3,639,739	3,907,255	3,853,620	4,004,455
Recreation.....	1,591,944	1,563,683	1,859,635	2,317,498	2,223,767	2,701,249	2,536,659	2,548,867	2,456,850	2,717,234
Traffic and parking management.....	616,467	614,061	410,319	391,994	371,662	580,125	523,460	541,165	598,789	659,832
Community preservation.....	401,717	394,938	156,154	61,876	166,752	129,981	669,739	789,270	105,345	19,992
Interest.....	1,725,684	1,965,900	2,715,786	2,510,195	2,653,697	3,107,717	3,790,479	4,100,237	3,816,585	3,442,724
<b>Total government activities expenses.....</b>	<b>100,850,634</b>	<b>100,172,755</b>	<b>108,780,430</b>	<b>119,588,898</b>	<b>124,198,830</b>	<b>130,846,883</b>	<b>136,371,184</b>	<b>149,175,545</b>	<b>151,196,578</b>	<b>157,862,235</b>
Business-type activities:										
Sewer.....	5,030,351	5,231,528	5,643,469	5,921,175	6,033,451	6,368,443	6,494,844	6,798,842	6,799,922	7,010,402
Water.....	3,473,977	3,776,231	4,091,223	4,431,064	5,060,034	5,101,386	5,341,473	5,414,502	5,189,293	5,938,980
Electric.....	15,675,397	18,305,554	16,090,148	30,975,657	33,736,181	32,292,755	30,330,724	28,865,770	31,253,122	32,845,603
<b>Total business-type activities expenses.....</b>	<b>24,179,725</b>	<b>27,313,313</b>	<b>25,824,840</b>	<b>41,327,896</b>	<b>44,829,666</b>	<b>43,762,584</b>	<b>42,167,041</b>	<b>41,079,114</b>	<b>43,242,337</b>	<b>45,794,985</b>
<b>Total primary government expenses.....</b>	<b>\$ 125,030,359</b>	<b>\$ 127,486,068</b>	<b>\$ 134,605,270</b>	<b>\$ 160,916,794</b>	<b>\$ 169,028,496</b>	<b>\$ 174,609,467</b>	<b>\$ 160,916,794</b>	<b>\$ 190,254,659</b>	<b>\$ 194,438,915</b>	<b>\$ 203,657,220</b>
<b>Program Revenues</b>										
Governmental activities:										
Education charges for services.....	\$ 2,195,309	\$ 2,385,765	\$ 2,462,304	\$ 2,783,042	\$ 2,790,239	\$ 3,119,832	\$ 2,945,519	\$ 3,445,765	\$ 3,284,351	\$ 3,780,607
Public safety charges for services.....	2,514,000	2,829,868	3,287,869	3,013,488	2,994,109	3,028,707	3,139,731	3,083,319	2,894,844	3,991,467
Other charges for services.....	2,662,604	2,854,573	3,434,294	3,176,983	2,875,925	3,378,951	4,145,090	3,816,824	3,640,168	3,793,602
Education operating grants and contributions.....	13,448,572	14,537,555	15,788,954	18,252,263	20,819,345	21,666,819	23,240,231	24,030,559	24,201,659	25,190,552
Other operating grants and contributions.....	1,500,867	991,475	1,025,278	1,437,244	823,882	906,100	1,306,643	973,067	1,391,765	1,083,745
Education capital grant and contributions.....	-	-	-	-	940,950	5,047,729	16,833,405	13,255,854	-	-
Other capital grant and contributions.....	910,763	2,240,277	3,160,217	2,012,223	947,869	919,854	1,048,294	258,148	2,345,265	990,827
<b>Total government activities program revenues.....</b>	<b>23,232,115</b>	<b>25,839,513</b>	<b>29,158,916</b>	<b>30,675,243</b>	<b>32,192,319</b>	<b>38,067,992</b>	<b>52,658,913</b>	<b>48,863,536</b>	<b>37,758,052</b>	<b>38,830,800</b>
Business-type activities:										
Electric light charges for services.....	20,612,378	22,006,910	23,884,664	30,558,977	32,563,804	33,846,698	33,971,542	33,845,457	33,775,820	33,747,559
Sewer and water charges for services.....	8,614,427	9,072,079	9,354,153	11,904,930	11,185,632	11,318,414	13,087,800	13,179,396	13,359,209	13,899,712
Electric light capital grant and contributions.....	512,127	533,944	1,094,051	709,035	667,821	757,381	1,110,888	550,447	441,013	602,671
Other capital grant and contributions.....	123,091	57,879	158,889	241,187	72,287	263,475	188,010	117,567	-	-
<b>Total business-type activities program revenues.....</b>	<b>29,862,023</b>	<b>31,670,812</b>	<b>34,491,757</b>	<b>43,414,129</b>	<b>44,489,544</b>	<b>46,185,968</b>	<b>48,358,240</b>	<b>47,692,867</b>	<b>47,576,042</b>	<b>48,249,942</b>
<b>Total primary government program revenues.....</b>	<b>\$ 53,094,138</b>	<b>\$ 57,510,325</b>	<b>\$ 63,650,673</b>	<b>\$ 74,089,372</b>	<b>\$ 76,681,863</b>	<b>\$ 84,253,960</b>	<b>\$ 101,017,153</b>	<b>\$ 96,556,403</b>	<b>\$ 85,334,094</b>	<b>\$ 87,080,742</b>
<b>Net (Expense)/Revenue</b>										
Governmental activities.....	\$ (77,618,519)	\$ (74,333,242)	\$ (79,621,514)	\$ (88,913,655)	\$ (92,006,511)	\$ (92,778,891)	\$ (83,712,271)	\$ (100,312,009)	\$ (113,438,526)	\$ (119,031,435)
Business-type activities.....	5,682,298	4,357,499	8,666,917	2,086,233	(340,122)	2,423,384	6,191,199	6,613,753	4,333,705	2,454,957
<b>Total primary government net expense.....</b>	<b>\$ (71,936,221)</b>	<b>\$ (69,975,743)</b>	<b>\$ (70,954,597)</b>	<b>\$ (86,827,422)</b>	<b>\$ (92,346,633)</b>	<b>\$ (90,355,507)</b>	<b>\$ (77,521,072)</b>	<b>\$ (93,698,256)</b>	<b>\$ (109,104,821)</b>	<b>\$ (116,576,478)</b>
<b>General Revenues and other Changes in Net Position</b>										
Governmental activities:										
Real estate and personal property taxes, net of tax refunds payable.....	\$ 67,205,004	\$ 71,321,199	\$ 78,163,604	\$ 83,982,678	\$ 88,861,087	\$ 93,769,116	\$ 99,994,520	\$ 104,498,139	\$ 108,975,300	\$ 112,155,012
Community preservation tax.....	590,772	647,462	714,889	761,549	805,247	844,254	897,294	944,740	982,069	1,019,365
Motor vehicle and other excise taxes.....	3,992,408	4,024,721	4,208,500	4,447,163	4,061,173	4,081,451	4,722,416	4,751,494	5,008,641	5,371,847
Nonrestricted grants, contributions, and other.....	1,841,256	2,190,228	2,459,970	4,260,435	2,791,169	2,327,910	2,158,510	2,338,231	1,761,581	1,919,920
Unrestricted investment income.....	843,910	1,612,751	4,088,451	2,190,464	1,206,334	1,801,769	738,342	469,826	342,128	297,426
Transfers.....	1,391,000	1,125,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
<b>Total governmental activities.....</b>	<b>75,864,350</b>	<b>80,921,361</b>	<b>90,635,414</b>	<b>96,642,289</b>	<b>98,725,010</b>	<b>103,824,500</b>	<b>109,511,082</b>	<b>114,002,430</b>	<b>118,069,719</b>	<b>121,763,570</b>
Business-type activities:										
Unrestricted investment income.....	59,231	90,127	93,578	17,598	-	-	-	-	-	-
Transfers.....	(1,391,000)	(1,125,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
<b>Total business type activities.....</b>	<b>(1,331,769)</b>	<b>(1,034,873)</b>	<b>(906,422)</b>	<b>(982,402)</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>
<b>Total primary government.....</b>	<b>\$ 74,532,581</b>	<b>\$ 79,886,488</b>	<b>\$ 89,728,992</b>	<b>\$ 95,659,887</b>	<b>\$ 97,725,010</b>	<b>\$ 102,824,500</b>	<b>\$ 108,511,082</b>	<b>\$ 113,002,430</b>	<b>\$ 117,069,719</b>	<b>\$ 120,763,570</b>
<b>Changes in Net Position</b>										
Governmental activities.....	\$ (1,754,169)	\$ 6,588,119	\$ 11,013,900	\$ 7,728,634	\$ 6,718,499	\$ 11,045,609	\$ 25,324,991	\$ 13,690,421	\$ 4,631,193	\$ 2,732,135
Business-type activities.....	4,350,529	3,322,626	7,760,495	1,103,831	(1,340,122)	1,423,384	5,191,199	5,613,753	3,333,705	1,454,957
<b>Total primary government.....</b>	<b>\$ 2,596,360</b>	<b>\$ 9,910,745</b>	<b>\$ 18,774,395</b>	<b>\$ 8,832,465</b>	<b>\$ 5,378,377</b>	<b>\$ 12,468,993</b>	<b>\$ 30,516,190</b>	<b>\$ 19,304,174</b>	<b>\$ 7,964,898</b>	<b>\$ 4,187,092</b>

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Fund</b>										
Reserved.....	\$ 2,845,563	\$ 2,014,113	\$ 2,233,791	\$ 2,298,533	\$ 4,201,344	\$ 5,003,837	\$ -	\$ -	\$ -	\$ -
Unreserved.....	4,399,672	6,480,373	11,898,962	13,588,148	12,443,909	12,366,774	-	-	-	-
Committed.....	-	-	-	-	-	-	4,579,461	2,106,100	2,785,748	1,936,883
Assigned.....	-	-	-	-	-	-	1,204,575	993,682	3,633,780	5,169,365
Unassigned.....	-	-	-	-	-	-	15,961,930	18,632,699	15,342,967	15,230,000
<b>Total general fund.....</b>	<b>\$ 7,245,235</b>	<b>\$ 8,494,486</b>	<b>\$ 14,132,753</b>	<b>\$ 15,886,681</b>	<b>\$ 16,645,253</b>	<b>\$ 17,370,611</b>	<b>\$ 21,745,966</b>	<b>\$ 21,732,481</b>	<b>\$ 21,762,495</b>	<b>\$ 22,336,248</b>
<b>All Other Governmental Funds</b>										
Reserved.....	\$ 220,419	\$ 220,712	\$ 220,399	\$ 220,421	\$ 210,612	\$ 210,612	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds.....	7,838,882	9,533,391	13,136,539	13,888,098	14,656,232	16,874,079	-	-	-	-
Capital projects funds.....	11,510,107	8,544,779	(4,458,393)	6,433,306	16,535,624	30,983,269	-	-	-	-
Permanent funds.....	543,542	658,718	2,769,806	2,446,689	2,089,342	1,985,854	-	-	-	-
Nonspendable.....	-	-	-	-	-	-	210,612	210,612	210,612	357,953
Restricted.....	-	-	-	-	-	-	43,284,958	24,249,828	21,151,572	18,248,261
Unassigned.....	-	-	-	-	-	-	-	-	(41,158)	(807,356)
<b>Total all other governmental funds.....</b>	<b>\$ 20,112,950</b>	<b>\$ 18,957,600</b>	<b>\$ 11,668,351</b>	<b>\$ 22,988,514</b>	<b>\$ 33,491,810</b>	<b>\$ 50,053,814</b>	<b>\$ 43,495,570</b>	<b>\$ 24,460,440</b>	<b>\$ 21,321,026</b>	<b>\$ 17,798,858</b>

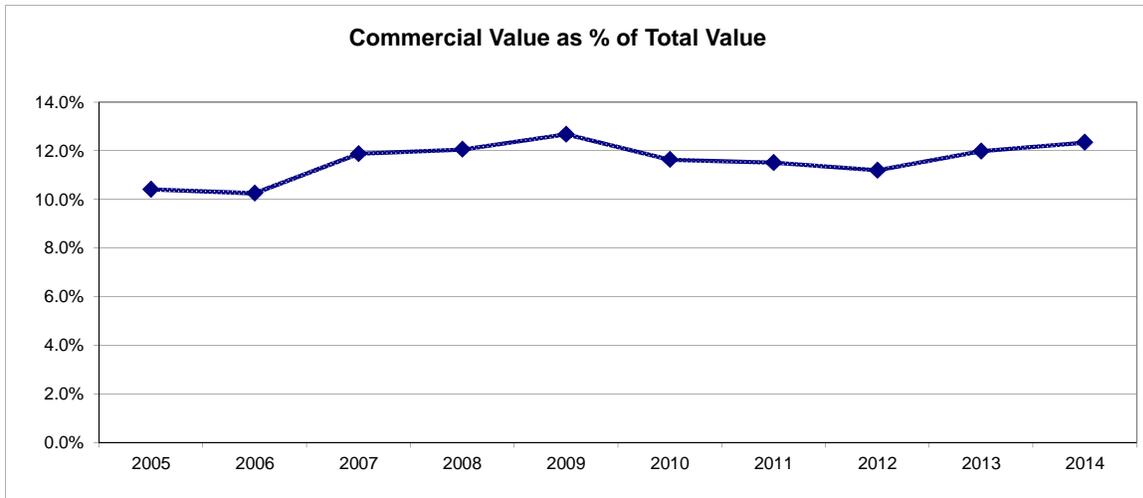
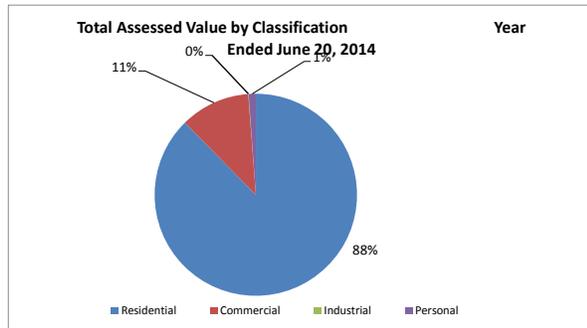
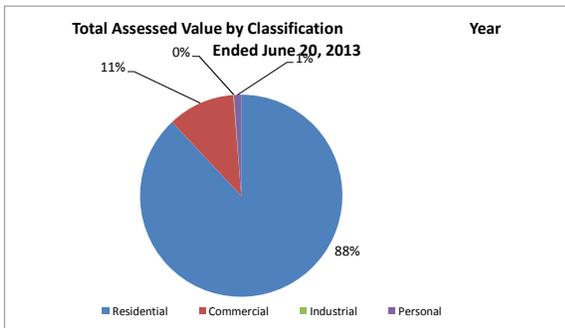
Note: The Town implemented GASB Statement #54 in fiscal year 2011. Statement #54 eliminated the use of "reserved" and "unreserved" designations of fund balance and introduced the terms "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned".

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues:</b>										
Real estate and personal property taxes, net of tax refunds.....	\$ 66,459,298	\$ 71,217,505	\$ 78,742,825	\$ 82,815,734	\$ 88,561,385	\$ 93,608,197	\$ 99,818,198	\$ 104,226,073	\$ 108,739,508	\$ 112,573,209
Motor vehicle and other excise taxes.....	3,945,707	4,038,289	4,211,503	4,369,268	4,142,655	4,012,295	4,650,629	4,738,993	4,854,984	5,382,154
Community preservation tax.....	590,772	647,462	714,889	761,549	805,247	844,254	897,294	944,740	982,069	1,019,365
Charges for service.....	920,385	990,903	896,374	953,550	944,868	1,018,737	1,027,099	1,093,207	1,058,774	1,118,806
Intergovernmental.....	20,721,836	18,952,519	18,447,436	21,487,114	24,709,199	30,574,353	42,988,428	39,931,269	28,646,792	26,896,444
Departmental and other.....	8,483,502	11,931,673	18,075,693	14,032,126	10,736,481	12,320,816	11,664,631	11,542,943	10,967,308	12,658,370
<b>Total Revenue.....</b>	<b>101,121,500</b>	<b>107,778,351</b>	<b>121,088,720</b>	<b>124,419,341</b>	<b>129,899,835</b>	<b>142,378,652</b>	<b>161,046,279</b>	<b>162,477,225</b>	<b>155,249,435</b>	<b>159,648,348</b>
<b>Expenditures:</b>										
General government.....	4,113,096	3,851,097	3,770,805	4,231,528	6,407,900	5,978,378	5,408,845	6,877,414	10,298,877	11,542,295
Public safety.....	8,979,145	9,430,067	9,731,124	9,722,790	10,665,820	10,859,400	11,083,552	10,816,829	11,460,664	11,565,484
Education.....	47,036,196	50,135,066	53,779,909	57,440,650	57,988,449	60,957,940	61,973,391	67,902,646	66,984,931	69,318,778
Public works.....	6,832,213	6,319,997	6,387,626	7,294,031	10,791,540	8,138,529	8,564,830	7,763,448	7,088,348	8,503,550
Health and human services.....	861,634	828,810	970,230	1,005,000	1,018,414	1,132,236	1,267,769	1,268,209	1,273,950	1,116,404
Recreation.....	1,170,948	1,228,227	1,533,224	1,933,308	1,531,872	1,558,161	1,732,633	1,671,069	1,558,082	1,572,670
Library.....	2,257,163	2,509,317	2,549,641	2,662,930	2,775,680	2,796,692	2,672,071	2,677,590	2,533,327	2,452,277
Teachers pension benefits - state funded.....	6,912,222	7,571,709	7,928,963	8,848,569	9,484,705	10,018,000	10,681,200	11,056,041	11,576,070	11,910,914
Town pension.....	-	-	-	-	-	900,540	1,714,065	2,647,015	3,226,373	5,024,893
Employee benefits and insurances.....	8,913,374	10,466,484	12,556,366	17,078,179	17,819,054	17,139,946	17,203,335	18,376,472	19,223,856	19,112,319
Capital outlay.....	6,129,829	18,907,402	13,805,180	9,770,283	11,864,260	29,738,436	49,457,590	35,072,030	12,426,663	7,076,881
Community preservation.....	-	394,938	149,825	61,876	166,752	129,981	669,739	789,270	105,345	19,993
State and county charges.....	989,645	932,492	993,897	1,009,686	1,018,870	1,051,076	1,054,462	1,087,753	1,140,498	1,139,836
Other.....	1,504,964	1,311,020	1,091,428	391,994	371,662	580,125	523,460	541,165	598,789	659,832
Debt service.....										
Principal.....	3,750,000	4,520,000	5,781,000	5,570,000	6,760,000	8,026,000	9,395,000	9,740,000	11,390,000	8,915,000
Interest.....	1,679,941	1,938,444	2,729,042	2,498,646	2,619,287	2,812,934	3,784,370	4,262,024	3,970,894	3,665,637
<b>Total Expenditures.....</b>	<b>101,130,370</b>	<b>120,345,070</b>	<b>123,758,260</b>	<b>129,519,470</b>	<b>141,284,265</b>	<b>161,818,374</b>	<b>187,186,312</b>	<b>182,548,975</b>	<b>164,856,667</b>	<b>163,596,763</b>
Excess (Deficiency) of revenues over (under) expenditures.....	(8,870)	(12,566,719)	(2,669,540)	(5,100,129)	(11,384,430)	(19,439,722)	(26,140,033)	(20,071,750)	(9,607,232)	(3,948,415)
<b>Other Financing Sources (Uses)</b>										
Issuance of bonds and notes.....	17,290,000	11,466,000	-	16,560,000	19,031,000	35,000,000	22,610,000	-	10,505,000	-
Premium from issuance of bonds.....	199,649	69,620	18,558	226,758	521,321	727,174	347,144	23,135	1,344,535	-
Payments to refunded bond escrow agent.....	-	-	-	-	-	-	-	-	(6,351,703)	-
Transfers in.....	1,663,932	2,272,628	1,176,825	5,486,031	2,432,932	1,625,968	1,596,641	5,135,568	2,512,416	1,538,218
Transfers out.....	(663,932)	(1,147,628)	(176,825)	(4,098,569)	(1,432,932)	(625,962)	(596,641)	(4,135,568)	(1,512,416)	(538,218)
<b>Total other financing sources (uses).....</b>	<b>18,489,649</b>	<b>12,660,620</b>	<b>1,018,558</b>	<b>18,174,220</b>	<b>20,552,321</b>	<b>36,727,180</b>	<b>23,957,144</b>	<b>1,023,135</b>	<b>6,497,832</b>	<b>1,000,000</b>
<b>Net change in fund balance.....</b>	<b>\$ 18,480,779</b>	<b>\$ 93,901</b>	<b>\$ (1,650,982)</b>	<b>\$ 13,074,091</b>	<b>\$ 9,167,891</b>	<b>\$ 17,287,458</b>	<b>\$ (2,182,889)</b>	<b>\$ (19,048,615)</b>	<b>\$ (3,109,400)</b>	<b>\$ (2,948,415)</b>
Debt service as a percentage of noncapital expenditures.....	5.72%	6.37%	7.74%	6.74%	7.25%	8.21%	9.57%	9.49%	10.08%	8.04%

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

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
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	\$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	\$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
2012	\$8,125,029,000	11.48	88.80%	\$921,119,000	\$7,110,000	\$96,383,800	\$1,024,612,800	11.48	11.20%	\$9,149,641,800
2013	\$8,234,182,000	11.70	88.01%	\$1,005,915,000	\$7,438,000	\$108,072,185	\$1,121,425,185	11.70	11.99%	\$9,355,607,185
2014	\$8,550,806,000	11.54	87.65%	\$1,087,234,000	\$7,814,000	\$109,281,300	\$1,204,329,300	11.54	12.35%	\$9,755,135,300



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	2014			2005		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Beacon Properties	Office Buildings	\$ 154,889,000	1	1.59%	\$ 118,129,000	2	2.15%
Haynes Management	Office Buildings	145,546,000	2	1.49%	120,296,000	1	2.19%
Federal Realty FR Linden Square*	Retail/Real Estate	102,784,000	3	1.05%	47,472,000	6	0.66%
Sun Life Assurance	Insurance and Financial Services	89,456,000	4	0.92%	71,652,000	3	1.30%
Wellesley College	Higher Education	80,332,000	5	0.82%	63,500,000	4	1.15%
Harvard Pilgrim Health	Insurance Provider	63,563,000	6	0.65%	51,471,000	5	0.94%
National Development	Office Buildings	44,442,000	7	0.46%	N/A	N/A	N/A
Newton Wellesley Executive Office Park	Office Buildings	30,059,000	8	0.31%	23,180,000	8	0.42%
Hunnewell Family	Residential	29,893,000	9	0.31%	32,440,000	7	0.59%
Grignaffini Construction Company	Real Estate Development	21,670,000	10	0.22%	19,114,000	10	0.35%
<b>Totals</b>		<u>\$ 762,634,000</u>		<u>7.82%</u>	<u>\$ 547,254,000</u>		<u>9.75%</u>

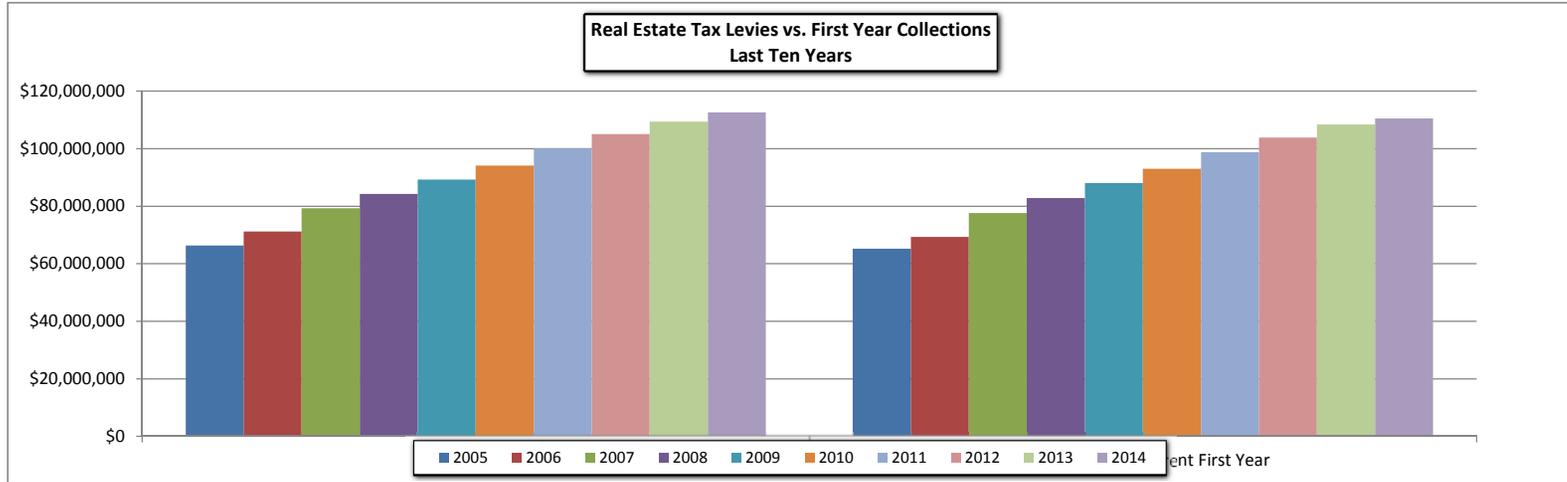
Source: Board of Assessors

\* = Experienced considerable growth between 2005-2010 attributable to new construction.

N/A = Value not included because not in the Top 10 Tax Payers

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

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
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%	\$260,531	\$83,097,200	99.39%
2009	(1) \$89,216,037	\$599,219	\$88,616,818	\$88,005,826	99.3%	\$385,198	\$88,391,024	99.75%
2010	\$94,130,637	\$542,260	\$93,588,377	\$93,074,651	99.5%	\$517,203	\$93,591,854	100.00%
2011	\$100,145,363	\$473,167	\$99,672,196	\$98,786,724	99.1%	\$548,280	\$99,335,004	99.66%
2012	(1) \$105,037,888	\$482,547	\$104,555,341	\$103,876,244	99.4%	\$574,623	\$104,450,867	99.90%
2013	\$109,460,604	\$511,863	\$108,948,741	\$108,403,084	99.5%	\$510,101	\$108,913,185	99.97%
2014	\$112,574,261	\$417,132	\$112,157,130	\$110,515,646	98.5%	\$0	\$110,515,646	98.54%



Source: Assessor's Department, Town of Wellesley

(1) Revaluation year.

(2) Includes tax liens.

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

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
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%
2012	27,982	\$1,913,627,647	\$9,149,641,800	\$106,588,272	\$3,809	5.57%	1.16%
2013	27,982	\$1,951,900,200	\$9,355,607,185	\$99,957,468	\$3,572	5.12%	1.07%
2014	27,892	\$1,997,047,358	\$9,755,135,300	\$90,853,790	\$3,257	4.55%	0.93%

Year	Business-Type Activities (2)		Total Primary Government		
	General Obligation Bonds	Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
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	\$8,064,518	\$123,079,518	\$4,399	6.56%	1.40%
2012	\$7,264,429	\$113,852,701	\$4,069	5.95%	1.24%
2013	\$7,759,000	\$107,716,468	\$3,849	5.52%	1.15%
2014	\$6,978,483	\$97,832,273	\$3,508	4.90%	1.00%

(1) 2010 Census, US Census Bureau  
(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, 2014**

<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.....	\$ 12,625,000	3.36%	\$ 424,200
Town direct debt.....	<u>90,853,790</u>		<u>-</u>
Total direct and overlapping debt.....	<u>\$ 103,478,790</u>		<u>\$ 424,200</u>

Source: Norfolk County Treasurer's Office

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Equalized Valuation.....	<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>	<u>\$ 9,773,806,800</u>	<u>\$ 9,773,806,800</u>	<u>\$ 10,212,968,600</u>
Debt Limit -5% of Equalized Valuation.....	\$ 410,598,595	\$ 476,178,335	\$ 476,178,335	\$ 501,477,750	\$ 501,477,750	\$ 501,643,320	\$ 501,643,320	\$ 488,690,340	\$ 488,690,340	\$ 510,648,430
Less:										
Outstanding debt applicable to limit.....	\$ 52,370,890	\$ 57,346,000	\$ 51,565,000	\$ 62,555,000	\$ 74,826,000	\$ 101,800,000	\$ 115,015,000	\$ 105,275,000	\$ 97,670,000	\$ 90,853,790
Authorized and unissued debt.....	<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>	<u>27,406,452</u>	<u>22,360,581</u>	<u>40,499,698</u>
Legal debt margin.....	<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>	<u>\$ 356,008,888</u>	<u>\$ 368,659,759</u>	<u>\$ 379,294,942</u>
Total debt applicable to the limit as a percentage of debt limit.....	17.74%	14.50%	18.27%	17.88%	33.94%	29.27%	28.00%	27.15%	24.56%	25.72%

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

**Demographic and Economic Statistics  
Last Ten Years**

Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
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	\$1,876,105,536	\$67,047	37.0	4,892	4.00%
2012	27,982	\$1,913,627,647	\$68,388	37.0	4,986	4.00%
2013	27,982	\$1,951,900,200	\$69,756	37.0	4,857	5.80%
2014	27,982	\$1,997,047,358	\$71,369	38.2	4,940	4.20%

Sources: 2010 US Census, Wellesley Public Schools, Mass. Executive Office of Labor and Workforce Development

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

Employer	Nature of Business	2014			2005		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Sun Life Assurance	Insurance Company	1,661	1	12.23%	1,900	1	15.38%
Wellesley College	Higher Education	1,200	2	8.84%	1,500	2	12.15%
Babson College	Higher Education	975	3	7.18%	750	3	6.07%
Harvard Pilgrim Health Care	Insurance Company	414	4	3.05%	490	5	3.97%
Mass Bay Community College	Higher Education	350	5	2.58%	250	7	2.02%
Harvard Vanguard Medical Associates	Healthcare	343	6	2.53%	-	-	N/A
Roche Brothers	Grocery	253	7	1.86%	254	6	2.06%
Dana Hall School	Private School	236	8	1.74%	236	8	1.91%
Wellesley Country Club	Private Recreation Club	222	9	1.63%	-	-	-
Elizabeth Seaton Residence	Healthcare	140	10	1.03%	-	-	-
Accenture	Management Consulting	-	-	-	700	4	5.67%
Towers Watson	Actuary	-	-	-	200	9	1.62%
Amica Mutual Life	Insurance Company	-	-	-	165	10	1.34%
		<u>5,794</u>		<u>42.67%</u>	<u>6,445</u>		<u>52.19%</u>

According to the Massachusetts Workforce Development Data, in June 2014 Wellesley had a total labor force of 14,178 of whom 13,578 were employed and 600 were unemployed.

Sources: Mass. Labor and Workforce Development, Wellesley local employers

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

<b>Function/Program</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
General Government										
New home building permits.....	83	59	51	58	50	53	33	61	71	67
Police										
Physical arrests.....	375	403	282	173	185	256	234	190	190	199
Motor vehicle violations.....	8,183	8,136	6,804	7,373	8,359	8,106	7,541	7,524	6,984	8,596
Police personnel and officers.....	57	58	53	54	56	57	57	56	56	57
Fire										
Inspections.....	2,565	2,628	2,856	2,118	1,871	2,013	1,864	2,076	2,160	2,024
Emergency responses.....	4,019	4,208	4,208	4,041	3,943	4,022	3,894	3,924	3,881	3,924
Fire personnel and officers.....	55	54	57	57	57	57	58	55	55	58
Education										
Number of public school students.....	4,385	4,547	4,610	4,678	4,799	4,868	4,892	4,986	4,857	4,940
Health and human services										
Number of vaccinations.....	1,640	1,790	1,596	1,489	2,039	5,585	1,716	1,162	942	771
Library										
Volumes in circulation.....	557,402	560,258	575,651	605,900	644,277	667,173	672,094	730,474	741,704	758,179
Recreation										
Total program revenue.....	\$843,347	\$779,317	\$1,506,886	\$1,260,132	\$989,018	\$909,217	963,609	1,002,059	914,214	1,061,929
Traffic and parking management										
Total parking revenue.....	\$344,554	\$440,348	\$607,826	\$587,919	\$522,861	\$634,513	\$647,623	\$784,911	\$882,648	\$835,971
Sewer										
Number of accounts.....	8,053	8,133	8,160	8,156	8,156	8,190	8,125	8,126	8,122	8,130
Feet rodded/flushed.....	295,470	307,069	297,711	353,698	256,083	297,780	305,337	398,951	275,776	327,635
Water										
Number of accounts.....	11,368	11,663	11,711	11,804	11,894	12,016	12,006	12,041	12,100	12,188
Consumption in gallons (millions).....	811	924	884	968	841	780	871	847	864	1,036
Daily consumption (millions).....	2.22	2.53	2.42	2.65	2.31	2.14	2.39	2.21	2.11	2.84
Electric										
Total kilowatt hour sales.....	235,275,937	245,544,223	243,375,963	245,565,820	239,369,643	237,220,172	241,443,224	238,399,850	248,169,479	247,815,724
Municipal kilowatt hour usage.....	10,522,834	10,772,991	11,141,705	11,145,742	10,646,521	10,990,228	10,898,822	10,880,167	11,214,680	11,617,297
Streetlight kilowatt hour usage.....	2,478,078	2,513,676	2,487,320	2,457,164	2,436,957	2,361,425	2,256,278	1,875,180	1,879,056	1,879,380

Source: Various Town Departments

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Function										
General government.....	47	46	47	47	60	60	53	53	71	71
Public safety.....	110	112	120	123	121	122	122	118	116	117
School Custodians.....	35	35	35	35	35	35	35	35	40	40
* Public education.....	659	665	681	700	691	724	742	744	749	773
Public works.....	91	90	90	93	88	88	87	88	88	88
Health and human services.....	4	4	5	5	5	5	6	6	5	5
Library.....	27	27	39	32	34	34	34	34	33	34
Recreation.....	6	7	6	7	5	5	7	7	5	5
Water/Sewer.....	28	28	28	28	27	27	25	28	28	27
Electric light.....	33	37	37	35	36	35	34	32	32	33
Total .....	<u>1,040</u>	<u>1,051</u>	<u>1,088</u>	<u>1,105</u>	<u>1,102</u>	<u>1,135</u>	<u>1,145</u>	<u>1,145</u>	<u>1,167</u>	<u>1,193</u>

Source: Various Town Departments, Payroll count

\*School Lunch outsourced in FY12, therefore FTE count omits these employees.

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

<b><u>Function/Program</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>
General Government										
Number of buildings.....	3	3	3	3	4	4	4	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.....	7	7	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).....	365	365	365	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 Ten Years

<u>Year</u>	<u>Free Cash</u>	<u>Stabilization Funds</u>	
		<u>General</u>	<u>Special Purpose</u>
FY2014.....	\$ 10,336,925	\$ 3,134,152	\$ 250,220
FY2013.....	\$ 10,950,782	\$ 3,094,076	\$ -
FY2012.....	\$ 10,499,623	\$ 3,071,289	\$ -
FY2011.....	\$ 8,439,070	\$ 3,045,628	\$ -
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

Note: New Special Purpose in FY14