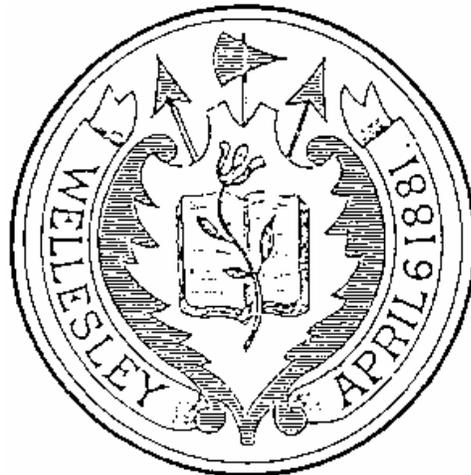


TOWN OF WELLESLEY, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the fiscal year ended June 30, 2007



On the cover: Wellesley Town Hall is one of the five properties in the Town listed on the National Register of Historic Places.

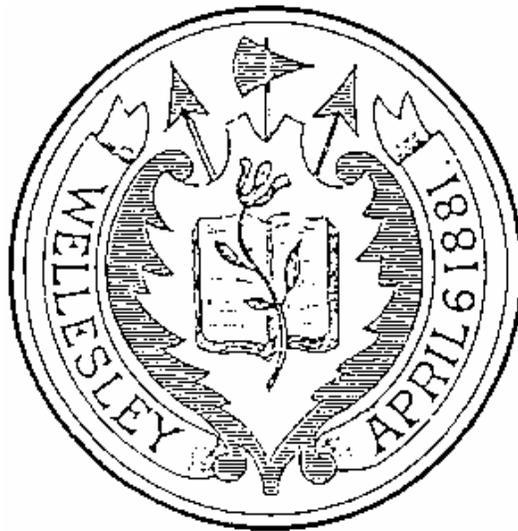


The Linden Street redevelopment project includes road reconstruction and the addition or improvement of 276,000 square feet of retail space. The Roche Brothers Supermarket, a local fixture, will be demolished and relocated across the street.

TOWN OF WELLESLEY, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year ended June 30, 2007



Prepared by:

The Office of Financial Services

TOWN OF WELLESLEY, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2007

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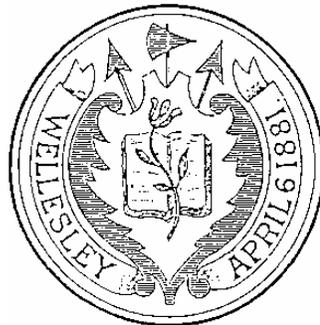
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Introductory Section



Pride of ownership is evident in the appearance of the “new” Police Station, which was completed ten years ago.



**Town of Wellesley, Massachusetts
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2007**

Introductory Section

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Town of Wellesley

525 Washington Street
Wellesley, MA 02482

Letter of Transmittal

December 12, 2007

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

State law requires the Town of Wellesley to publish at the close of each fiscal year a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue this Comprehensive Annual Financial Report (CAFR) of the Town of Wellesley, Massachusetts, for the fiscal year ending June 30, 2007 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, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended June 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion on the Town's financial statements for the fiscal year ended June 30, 2007, 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 require 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 compliment 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 2006 Town Clerk's records, has a population of 26,978 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 the five-member Board of Selectmen; local school affairs are administered by the five-member School Committee; public works are administered by a three-member Board of Public Works; the Municipal Light Plant is administered by the five-member Municipal Light Board that is comprised of the three-member Board of Public Works and two members appointed by the Board of Selectmen; and library affairs are administered by a six-member Board of Library Trustees.

Municipal Services

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

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

Factors Affecting Economic Condition

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

The Town continues to reflect a strong economic condition. The per capita income is significantly higher than state averages, and the unemployment rate has always been extremely low. The Town remains a very desirable community given its close proximity to Boston and quality of services provided. The residential sales market has been very strong, reflecting the solid interest in the community.

Wellesley is home to urban professionals whose wealth levels are among the highest in the Commonwealth. Median family incomes of approximately \$135,000 and per capita of approximately \$53,000 are 212% and 204% of state values, respectively. Relative wealth is also seen in the owner occupied median housing value, which, at \$832,000 is more than twice that of the state and four times that of the nation. Although the Town is 86.5% residential, commercial activity is diversified and the presence of Wellesley College and Babson College contribute to a low unemployment rate and 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 Capital Improvement Program; maintaining reserve balances despite tight budgets; investing in technology to ensure efficient operations; and maintaining an aggressive pay-as-you-go financing strategy for capital improvements.

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

Internal Controls

Management of the Town is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Executive Director is responsible for evaluating the adequacy and effectiveness of the internal control structure and implementing improvements.

Budgetary Controls

The Board of Selectmen is responsible for annually coordinating the preparation and maintenance of the Town’s Town-Wide Financial Plan. The Town-Wide Financial Plan is a sequenced combination of forecasts of the Town’s operating budget for the current fiscal year and for the next two following fiscal years. The Selectmen work with the various boards established within the Town to coordinate the preparation of a Town-wide budget for the upcoming fiscal year. This budget is then presented to the Annual Town Meeting by the Selectmen, together with any comments 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 Town Accountant is responsible for 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, upon request by the Board of Selectmen, may approve during the year a transfer from a reserve fund established at Town Meeting. These controls ensure compliance with the budget approved by Town Meeting.

Cash Management

Cash management is handled by the Town Treasurer, who monitors the Town’s cash flow and provides for the investment of Town funds. The Treasurer seeks to maximize the return on Town funds while maintaining adequate protection and liquidity of funds.

Quarterly tax billings and excellent collection rates have eliminated the need to borrow on a short-term basis to maintain cash flow. The Town’s investment options are governed by Massachusetts General Laws and focus on safety, liquidity and yield.

Risk Management

The Town manages its risk through a combination of self-insured programs and premium based coverage with commercial insurance carriers. Workers compensation and unemployment activities are self-insured while exposures to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters are covered through policies purchased from commercial carriers. Third-party

coverage is maintained for individual workers' compensation claims in excess of \$500,000 and will increase to \$550,000 in fiscal year 2008. In addition the Town administers a workers compensation internal service fund and has recorded its incurred-but-not-reported liability based on an annual actuarial valuation. Additional information on the Town's risk management activity can be found in the notes to the financial statements.

Pension and Other Post Employment Benefits

The Town contributes to the Wellesley Contributory Retirement System, a defined benefit pension plan administered by the Wellesley Contributory Retirement Board. An independent actuary engaged by the Board calculates the amount of the annual contribution that the Town must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As required by law, the Town fully funds each year's annual required contribution to the pension plan as determined by the actuary. The System is one of the few in Massachusetts that is fully funded.

The Town also provides post retirement health care benefits for certain retirees and their dependents. At June 30, 2007 there were 743 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. Recently the GASB issued Statement #43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans and Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which are required to be implemented in fiscal years 2008 and 2009, respectively. The Town recognized early the need to provide for this benefit, and *Chapter 88 of the Acts of 2004 – An Act Authorizing the Town of Wellesley to Establish a Group Insurance Liability Fund* was enacted so the Town could officially devise the structure and management of the fund. The Commonwealth approved additional legislation, *Chapter 25 of the Acts of 2007*, to enable the Town to raise taxes necessary to begin funding the liability. As of June 30, 2007 the Town has obtained various estimates of the liability and has made a small contribution to the OPEB trust during fiscal year 2007. Significant funding is scheduled to begin in fiscal year 2008. The Town has implemented GASB Statement #43 for this fiscal year end and expects to adopt early implementation of GASB Statement #45 in fiscal year 2008.

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

Awards and Acknowledgements

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

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

We would like to express our appreciation to all the members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the Town 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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Wellesley
Massachusetts

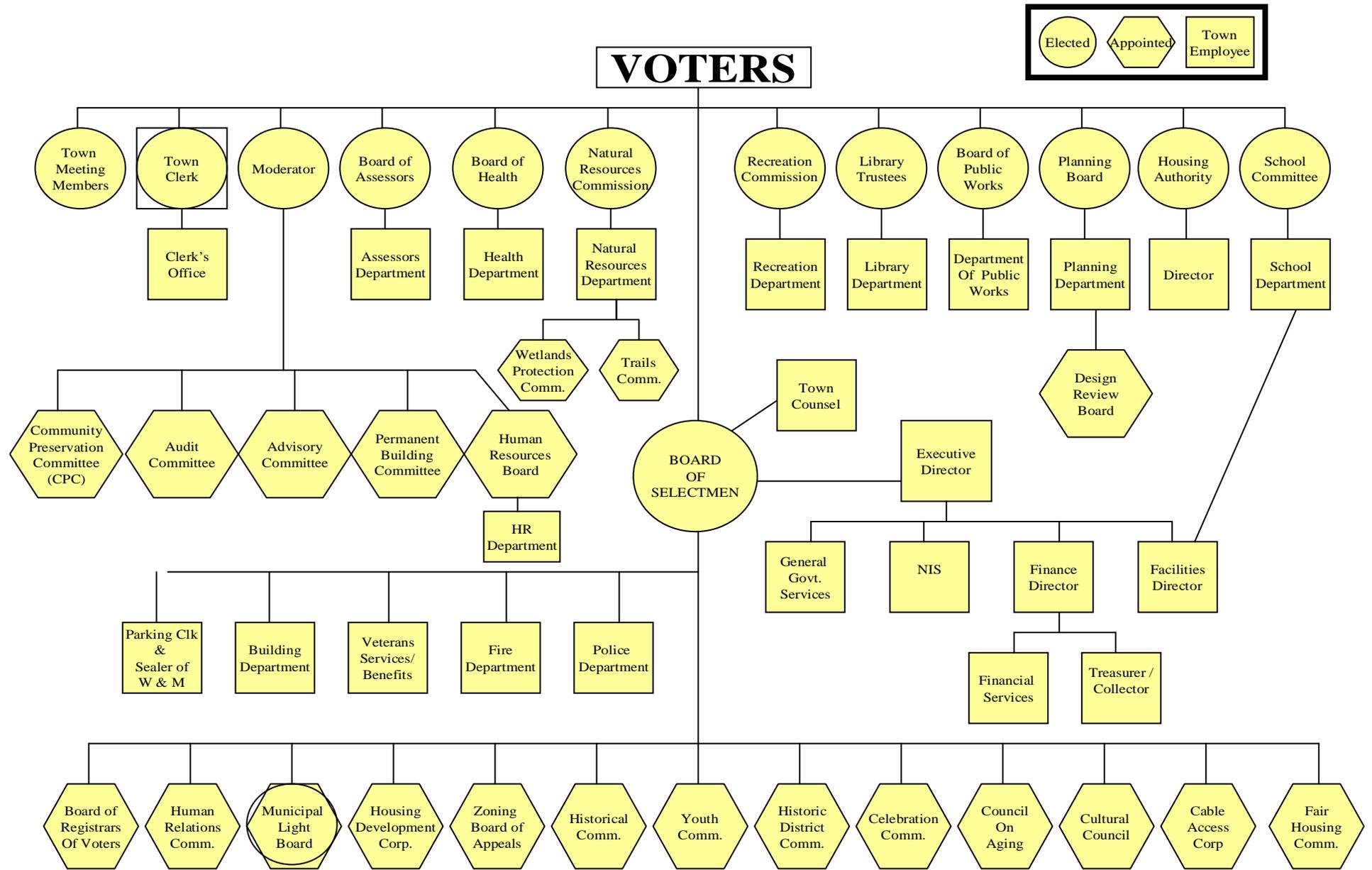
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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



President

Executive Director



Principal Town Officials

<u>Elected Officials</u>		<u>Term Expires</u>
Board of Selectmen	Owen H. Duggan, Chairperson	2009
	Gregory B. Mills, Vice Chairperson	2010
	Katherine L. Babson, Secretary	2008
	David J. Himmelberger	2008
	Harriet S. Warshaw	2009
Moderator	Heather B. Sawitsky	2008
Town Clerk	Kathleen F. Nagle	2009
School Committee	Michael Young, Chairperson	2009
	Marlene Allen, Vice Chairperson	2009
	Christopher D. T. Guiffre, Secretary,	2008
	Suzanne B. Newman	2008
	Suzy Littlefield	2010

Appointed Officials

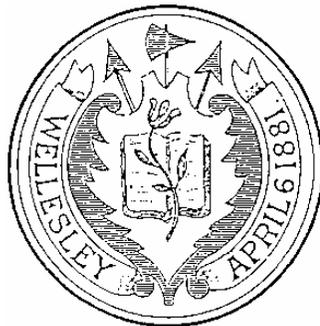
Executive Director of General Governmental Services	Hans Larsen
Superintendent of Public Schools	Bella Wong
Town Counsel	Albert S. Robinson
Finance Director/Town Accountant	Sheryl Strother
Chief Assessor	Donna Lee McCabe
Treasurer/Collector	Marc V. Waldman
Fire Chief	Kevin Rooney
Police Chief	Terrence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

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Financial Section



Fire Station #1 on Central Street dates from 1929 and continues to operate as one of the Town's two Fire Stations.



**Town of Wellesley, Massachusetts
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2007**

Financial Section

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Independent Auditors' Report

To the Audit Committee
Town of Wellesley, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wellesley, Massachusetts, as of and for the fiscal year ended June 30, 2007 (except for the Wellesley Contributory Retirement System which is as of and for the year ended December 31, 2006), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Wellesley, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wellesley, Massachusetts, as of June 30, 2007 (except for the Wellesley Contributory Retirement System which is as of December 31, 2006), and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note 2, the Town has reported all major general infrastructure assets acquired prior to June 30, 2002, as required by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended and interpreted, as of June 30, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2007, on our consideration of the Town of Wellesley, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

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

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Bowers + Sullivan".

December 12, 2007

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Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Wellesley, Massachusetts, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town of Wellesley for the fiscal year ended June 30, 2007. This is the fifth year our financial statements have been prepared under the Government Accounting Standards Board Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. We encourage readers to consider the information presented in this report in conjunction with additional information that we have furnished in our letter of transmittal.

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

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

Financial Highlights

- The government-wide assets of the Town of Wellesley exceeded its liabilities at the close of the most recent fiscal year by \$121.1 million and 84.4 million (net assets) for governmental activities and business-type activities, respectively. The governmental activities net assets include \$29.1 million of infrastructure assets that were retroactively added to the beginning balances during the year. This completes the implementation of GASB Statement No. 34 which began in fiscal year 2003.
- Of these amounts, 22% or \$46 million (unrestricted net assets) may be used to meet the government's on-going obligations to citizens and creditors.
- At the close of the current fiscal year, the Town of Wellesley's general fund reported an ending fund balance of \$14.1 million, an increase of \$5.6 million over the prior year. Total fund balance represents 14% of total general fund expenditures. Approximately \$11.9 million of this total amount is available for appropriation at the government's discretion.
- The Town of Wellesley's total governmental debt decreased by approximately \$5.8 million during the current fiscal year. The decrease is the result of principal payments on debt previously incurred for school construction and various public works projects.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public education, public works, health and sanitation, 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.

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 spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town maintains three major governmental funds that are presented separately in the governmental fund financial statements. The remaining non-major funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its sewer, water, and electric operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for sewer, water, and electric operations, all of which are considered major funds of the Town.

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

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

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Wellesley, assets exceeded liabilities by \$205 million at the close of the fiscal year 2007.

Government-wide net assets of \$150.7 million (73%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town of Wellesley's net assets, \$8.8 million (4%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$46 million (22%), may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Wellesley is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

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

Governmental activities. The governmental activities net assets increased by \$11 million during the current fiscal year as compared to an increase in net assets of \$6.6 million during the prior fiscal year. The key elements of the change for FY2007 relates mainly to increases in virtually all revenue categories, especially real estate collections and investment earnings. Total revenue increased by approximately \$13.2 million (12%), while expenses increased \$8.6 million (9%).

Governmental Activities Condensed Statement of Net Assets

	2007	2006
Assets:		
Current assets.....	\$ 50,066,325	\$ 52,418,398
Noncurrent assets (excluding capital).....	4,491,626	5,112,847
Capital assets, non depreciable.....	32,365,502	20,657,377
Capital assets, net of accumulated depreciation.....	105,056,930	78,578,863
Total assets.....	191,980,383	156,767,485
Liabilities:		
Current liabilities (excluding debt).....	6,951,544	6,350,721
Noncurrent liabilities (excluding debt).....	1,124,177	979,288
Current debt.....	16,837,000	16,948,000
Noncurrent debt.....	45,995,000	51,565,000
Total liabilities.....	70,907,721	75,843,009
Net Assets:		
Capital assets net of related debt.....	89,282,328	59,460,936
Restricted.....	8,820,120	5,156,611
Unrestricted.....	22,970,214	16,306,929
Total net assets.....	\$ 121,072,662	\$ 80,924,476

Governmental capital assets increased during the year by approximately \$38.2 million. This was the result of \$29.1 million of infrastructure capital assets added to the beginning of the year as mentioned earlier, and \$13.8 million of other additions primarily in the areas of school buildings and infrastructure, and depreciation expense in the amount of approximately \$4.7 million.

Governmental Activities Condensed Statement of Activities

	<u>2007</u>		<u>2006</u>
Program revenues:			
Charges for services..... \$	9,184,467	\$	8,070,206
Operating grants and contributions.....	16,814,232		15,529,030
Capital grants and contributions.....	3,160,217		2,240,277
General Revenues:			
Real estate and personal property taxes.....	78,163,604		71,321,199
Motor vehicle and other excise taxes.....	4,208,500		4,024,721
Community preservation tax.....	714,889		647,462
Nonrestricted grants, contributions, and other.....	2,459,970		2,190,228
Unrestricted investment income.....	4,088,451		1,612,751
Total revenues.....	118,794,330		105,635,874
Expenses:			
General Government.....	5,684,079		5,751,822
Public Safety.....	12,196,439		11,210,299
Public Education.....	72,434,095		66,774,878
Public Works.....	8,910,481		7,765,401
Health and sanitation.....	1,099,860		926,992
Library.....	3,313,582		3,204,781
Recreation.....	1,859,635		1,563,683
Traffic and parking management.....	410,319		614,061
Community preservation.....	156,154		394,938
Interest.....	2,715,786		1,965,900
Total expenses.....	108,780,430		100,172,755
Excess (Deficiency) before transfers.....	10,013,900		5,463,119
Transfers.....	1,000,000		1,125,000
Change in net assets..... \$	11,013,900	\$	6,588,119

Other financial notes related to governmental activities:

- Charges for services represented 8% of governmental activities resources. The Town can exercise more control over this category of revenue than any other. Fees charged for services rendered that are set by the Town are included in this category.
- Operating grants and contributions accounted for 14% 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 66% of current resources.
- Other taxes and other revenues comprised a total of 12% percent of the governmental activities resources. These primarily include capital grants, excise taxes, contributions, and investment earning.
- Education is by far the largest governmental activity of the Town. Approximately \$54.2 million in taxes and other revenue were needed to cover its Fiscal 2007 operating expenses. A pension contribution of approximately \$7.9 million made by the state on-behalf of Wellesley teachers was recorded as an expense and grant revenue.

- Public safety and public works are the second and third largest activities of the Town. Approximately \$8.7 million and \$6.6 million, respectively, of taxes and other revenue were needed to cover their Fiscal 2007 operating expenses. Public works expenses increased by approximately \$997,000 for depreciation expense on the retroactive infrastructure adjustments.

Business-type activities. Business-type activities increased the Town's net assets by \$7.7 million compared to an increase of \$3.3 million during the previous fiscal year. Key elements of this change relate mainly to the operations of the Electric Light Department where charges for services increased \$1.7 million and operating expenses declined by \$2.2 million.

As shown below, business-type activities assets exceeded liabilities by \$84.4 million at the close of fiscal year 2007. Capital assets net of related debt was \$61.4 million (73%) while unrestricted net assets were \$23.1 million (27%). The Electric Light department experienced an \$8 million increase in net assets, after transferring \$1 million to the governmental activities, while the water and sewer funds basically broke even while recovering all of their costs through rates. These results continue to reflect management's goal of maintaining the systems while only charging users for the cost of operations.

Business-type Condensed Statement of Net Assets

	2007	2006
Assets:		
Current assets.....	\$ 25,869,488	\$ 19,544,127
Noncurrent assets (excluding capital).....	483,700	483,700
Capital assets, non depreciable.....	512,083	1,115,289
Capital assets, net of accumulated depreciation.....	64,619,380	62,196,700
Total assets.....	91,484,651	83,339,816
Liabilities:		
Current liabilities (excluding debt).....	3,297,740	2,804,255
Noncurrent liabilities (excluding debt).....	22,098	23,100
Current debt.....	620,839	562,014
Noncurrent debt.....	3,120,953	3,287,921
Total liabilities.....	7,061,630	6,677,290
Net Assets:		
Capital assets net of related debt.....	61,389,671	59,462,054
Unrestricted.....	23,033,350	17,200,472
Total net assets.....	\$ 84,423,021	\$ 76,662,526

	<u>2007</u>		<u>2006</u>
Program revenues:			
Charges for services.....	\$ 33,238,817	\$	31,078,989
Capital grants and contributions.....	1,252,940		591,823
General Revenues:			
Unrestricted investment income.....	93,578		90,127
Total revenues.....	<u>34,585,335</u>		<u>31,760,939</u>
 Expenses:			
Sewer.....	5,643,469		5,231,528
Water.....	4,091,223		3,776,231
Electric department.....	16,090,148		18,305,554
 Total expenses.....	<u>25,824,840</u>		<u>27,313,313</u>
 Excess (Deficiency) before transfers.....	8,760,495		4,447,626
 Transfers.....	<u>(1,000,000)</u>		<u>(1,125,000)</u>
 Change in net assets.....	\$ <u>7,760,495</u>	\$	<u>3,322,626</u>

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 spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$25.8 million, a decrease of (\$1.7) million for the year. The decrease is mainly related to the expenditures of the capital projects fund where revenues and expenditures don't necessarily occur in the same fiscal year. In 2007 the capital project fund expended approximately \$13 million of funds provided for in previous fiscal periods.

General Fund

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$11.9 million, while the total fund balance was \$14.1 million. As a measure of the general fund's liquidity, it may be useful to compare both the unreserved fund balance and the total fund balance to total fund expenditures. The unreserved fund balance represents 11.7% of total general fund expenditures, while the total fund balance represents 13.8% of that same amount.

Fund balance of the General Fund increased by \$5.6 million during fiscal year 2007. This is primarily due to management's ability to monitor budgetary results during the year and its goal of maintaining the Town's strong financial position.

Stabilization Major Fund

The stabilization fund is a special revenue fund used to account of the accumulation of resources to be used for general and/or capital purposes upon approval of Town Meeting. The fund increased by \$250,000 in fiscal 2007 from investment earnings.

Capital Projects Major Fund

Capital funds under the modified accrual basis of accounting normally have significant fluctuations as major capital projects are constructed. During FY2007, the Town re-issued \$11.3 million in bond anticipation notes to assist the funding of school construction projects. The fund had expenditures of \$13.1 million leaving an ending fund deficit of (\$4.5) million.

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

Differences between the original general fund budget appropriations and the final budget of approximately \$167,000 relates mainly to public works, public safety, and recreational activities.

General fund revenues exceeded budget by approximately \$3.2 million relating mainly to motor vehicle excise tax collections, intergovernmental and department and other revenues, and interest income revenue exceeding budget by \$352,000, \$1.2 million and \$1.6 million, respectively.

Capital Assets and Debt Management

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

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

Major capital assets are funded by the issuance of long-term debt. The effect on net assets during the construction phase of the project is neutral since the Town increased its assets and associated liabilities by the same amount. In subsequent years the net assets will be reduced through depreciation and will be increased by the revenues raised to support the debt principal payments. Outstanding long-term debt of the general government, as of June 30, 2007, totaled \$51.6 million, of which, \$36.3 million is related to school projects, \$5.8 million is related to the new library, \$6.1 million is related to the Warren building renovation, leaving a balance of \$3.4 million for other Town projects.

The enterprise funds have \$377,000 in sewer enterprise debt and \$3.4 million in water enterprise debt that is fully supported by the rates and do not rely on a general fund subsidy.

The Town's major capital project fund is used mainly to account for the Town's school construction projects. To fund these school projects, the Town issued \$16 million of long-term bonds in Fiscal 2001, \$5.5 million of long-term bonds in Fiscal 2003, \$17.3 million of long-term bonds in Fiscal 2005, and \$9.9 million of long-term bonds in

Fiscal 2006. In addition, the Commonwealth of Massachusetts, through the Massachusetts School Building Authority (MSBA), has provided approximately \$12.7 million in the form of a grant equal to 57% of the approved costs, as defined, of the Bates and Sprague elementary school expansion and renovation projects which have been completed.

Please refer to notes 5, 7, and 8 to the financial statements for further discussion of the major capital and debt activity.

Pension Trust Fund

The Pension Trust Fund (System) recognized total additions of \$22.7 million, including \$19.9 million of investment income. These gains were partially offset by \$7.9 million of pension benefits paid out to retirees and eligible survivors. Total assets of the System amounted to \$161.6 million. The System is fully funded on an actuarial basis and the Town has not been required to make any contributions in several years.

The Wellesley Retirement Board voted unanimously on August 29, 2007 to transfer all of its assets to the PRIM Board (Massachusetts- Pension Reserves Investment Management), said funds to be invested in the PRIT (Pension Reserves Investment Trust). The PRIT Fund has been able to achieve a greater rate of return (0.5% - 1%, with zero to modest increased risk) than the Town because, under current legislation, it has access to a broader array of products. The PRIT Fund has increased fiduciary oversight, with a large, well-qualified staff who continually monitor investments and who can respond more quickly to the changing investment climate.

Requests for Information

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

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2007

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents..... \$	29,070,937	\$ 15,574,622	\$ 44,645,559
Investments.....	14,950,666	5,143,408	20,094,074
Receivables, net of allowance for uncollectibles:			
Real estate, personal property and tax deferrals.....	2,256,227	-	2,256,227
Tax liens.....	284,553	-	284,553
Motor vehicle excise taxes.....	256,029	-	256,029
User charges.....	-	3,834,625	3,834,625
Departmental and other.....	95,841	-	95,841
Intergovernmental.....	3,152,072	-	3,152,072
Inventory.....	-	1,205,141	1,205,141
Prepaid expenses.....	-	111,692	111,692
Total Current Assets.....	50,066,325	25,869,488	75,935,813
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	4,975,326	-	4,975,326
Internal balances.....	(483,700)	483,700	-
Capital assets, non depreciable.....	32,365,502	512,083	32,877,585
Capital assets, net of accumulated depreciation.....	105,056,930	64,619,380	169,676,310
Total Noncurrent Assets.....	141,914,058	65,615,163	207,529,221
TOTAL ASSETS.....	191,980,383	91,484,651	283,465,034
LIABILITIES			
CURRENT:			
Warrants payable.....	2,727,980	2,347,498	5,075,478
Accrued payroll.....	2,696,201	128,431	2,824,632
Tax refunds payable.....	127,600	-	127,600
Accrued interest.....	144,339	5,053	149,392
Other liabilities.....	-	791,358	791,358
Unearned revenues.....	821,124	-	821,124
Compensated absences.....	132,300	25,400	157,700
Workers' compensation.....	302,000	-	302,000
Bonds and notes payable.....	16,837,000	620,839	17,457,839
Total Current Liabilities.....	23,788,544	3,918,579	27,707,123
NONCURRENT:			
Compensated absences.....	512,177	22,098	534,275
Workers' compensation.....	612,000	-	612,000
Bonds and notes payable.....	45,995,000	3,120,953	49,115,953
Total Noncurrent Liabilities.....	47,119,177	3,143,051	50,262,228
TOTAL LIABILITIES.....	70,907,721	7,061,630	77,969,351
NET ASSETS			
Invested in capital assets, net of related debt.....	89,282,328	61,389,671	150,671,999
Restricted for:			
Permanent funds:			
Expendable.....	2,769,806	-	2,769,806
Nonexpendable.....	220,399	-	220,399
Grants and gifts.....	1,357,333	-	1,357,333
Community preservation.....	4,472,582	-	4,472,582
Unrestricted.....	22,970,214	23,033,350	46,003,564
TOTAL NET ASSETS..... \$	121,072,662	\$ 84,423,021	\$ 205,495,683

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 5,684,079	\$ 509,966	\$ 6,800	\$ 1,015,000	\$ (4,152,313)
Public safety.....	12,196,439	3,287,869	251,012	-	(8,657,558)
Public education.....	72,434,095	2,462,304	15,788,954	-	(54,182,837)
Public works.....	8,910,481	825,111	89,191	1,384,757	(6,611,422)
Health and sanitation.....	1,099,860	137,084	70,347	-	(892,429)
Library.....	3,313,582	93,120	401,391	-	(2,819,071)
Recreation.....	1,859,635	1,261,187	187,979	57,720	(352,749)
Traffic and parking management.....	410,319	607,826	-	-	197,507
Community preservation.....	156,154	-	-	702,740	546,586
Interest.....	2,715,786	-	18,558	-	(2,697,228)
Total Governmental Activities.....	108,780,430	9,184,467	16,814,232	3,160,217	(79,621,514)
<i>Business-Type Activities:</i>					
Sewer.....	5,643,469	5,444,876	-	119,297	(79,296)
Water.....	4,091,223	3,909,277	-	39,592	(142,354)
Electric department.....	16,090,148	23,884,664	-	1,094,051	8,888,567
Total Business-Type Activities.....	25,824,840	33,238,817	-	1,252,940	8,666,917
Total Primary Government.....	\$ 134,605,270	\$ 42,423,284	\$ 16,814,232	\$ 4,413,157	\$ (70,954,597)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (79,621,514)	\$ 8,666,917	\$ (70,954,597)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds.....	78,015,186	-	78,015,186
Tax liens.....	148,418	-	148,418
Motor vehicle and other excise taxes.....	4,125,041	-	4,125,041
Hotel/motel tax.....	83,459	-	83,459
Community preservation tax.....	714,889	-	714,889
Penalties and interest on taxes.....	149,646	-	149,646
Payments in lieu of taxes.....	452,525	-	452,525
Grants and contributions not restricted to specific programs.....	1,700,396	-	1,700,396
Unrestricted investment income.....	4,088,451	93,578	4,182,029
Miscellaneous.....	157,403	-	157,403
<i>Transfers, net</i>	1,000,000	(1,000,000)	-
Total general revenues and transfers.....	90,635,414	(906,422)	89,728,992
Change in net assets.....	11,013,900	7,760,495	18,774,395
<i>Net Assets:</i>			
Beginning of year (as restated for infrastructure capital assets).....	110,058,762	76,662,526	186,721,288
End of year.....	\$ 121,072,662	\$ 84,423,021	\$ 205,495,683

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2007

ASSETS	General	Stabilization Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 13,613,607	\$ 25,890	\$ 6,246,990	\$ 8,638,337	\$ 28,524,824
Investments.....	4,480,975	1,954,293	2,063,024	5,360,916	13,859,208
Receivables, net of uncollectibles:					
Real estate, personal property and tax deferrals	2,256,227	-	-	-	2,256,227
Tax liens.....	284,553	-	-	-	284,553
Motor vehicle excise taxes.....	256,029	-	-	-	256,029
Departmental and other.....	36,753	-	-	59,088	95,841
Intergovernmental.....	5,598,664	-	-	2,528,734	8,127,398
Due from other funds.....	-	-	-	539,288	539,288
TOTAL ASSETS.....	\$ 26,526,808	\$ 1,980,183	\$ 8,310,014	\$ 17,126,363	\$ 53,943,368
LIABILITIES					
LIABILITIES:					
Warrants payable.....	\$ 1,290,013	\$ -	\$ 1,014,999	\$ 382,256	\$ 2,687,268
Accrued payroll.....	2,648,205	-	2,708	27,125	2,678,038
Tax refunds payable.....	127,600	-	-	-	127,600
Deferred revenues and advance collections.....	8,328,237	-	-	2,031,133	10,359,370
Advances from and due to other funds.....	-	-	483,700	539,288	1,022,988
Notes payable.....	-	-	11,267,000	-	11,267,000
TOTAL LIABILITIES.....	12,394,055	-	12,768,407	2,979,802	28,142,264
FUND BALANCES:					
Reserved for:					
Encumbrances and continuing appropriations.....	2,233,791	-	-	-	2,233,791
Perpetual permanent funds.....	-	-	-	220,399	220,399
Unreserved:					
Undesignated, reported in:					
General fund.....	11,898,962	-	-	-	11,898,962
Special revenue funds.....	-	1,980,183	-	11,156,356	13,136,539
Capital projects funds.....	-	-	(4,458,393)	-	(4,458,393)
Permanent funds.....	-	-	-	2,769,806	2,769,806
TOTAL FUND BALANCES.....	14,132,753	1,980,183	(4,458,393)	14,146,561	25,801,104
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 26,526,808	\$ 1,980,183	\$ 8,310,014	\$ 17,126,363	\$ 53,943,368

See notes to basic financial statements.

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

June 30, 2007

Total governmental fund balances.....		\$ 25,801,104
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		137,422,432
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		9,538,246
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.....		664,696
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(144,339)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds and notes payable.....	(51,565,000)	
Compensated absences.....	(644,477)	
Net effect of reporting long-term liabilities.....		(52,209,477)
Net assets of governmental activities.....		\$ 121,072,662

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2007

	General	Stabilization Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 78,742,825	\$ -	\$ -	\$ -	\$ 78,742,825
Tax liens.....	148,418	-	-	-	148,418
Motor vehicle and other excise taxes.....	4,211,503	-	-	-	4,211,503
Payments in lieu of taxes.....	452,525	-	-	-	452,525
Penalties and interest on taxes.....	149,646	-	-	-	149,646
Charges for services.....	-	-	-	896,374	896,374
Parking meter receipts.....	-	-	-	607,826	607,826
Intergovernmental.....	15,275,010	-	57,721	3,114,705	18,447,436
Departmental and other.....	4,927,869	-	-	3,009,377	7,937,246
Community preservation tax.....	-	-	-	714,889	714,889
Contributions.....	-	-	-	4,691,581	4,691,581
Investment income.....	2,811,123	249,869	-	1,027,459	4,088,451
TOTAL REVENUES.....	106,718,919	249,869	57,721	14,062,211	121,088,720
EXPENDITURES:					
Current:					
General government.....	3,752,226	-	534	18,045	3,770,805
Public safety.....	9,175,785	-	-	697,647	9,873,432
Public education.....	47,303,833	-	10,807,236	6,129,890	64,240,959
Public works.....	6,858,961	-	2,084,063	294,607	9,237,631
Health and sanitation.....	755,692	-	-	214,538	970,230
Recreation.....	1,351,696	-	116,860	174,424	1,642,980
Library.....	2,290,731	-	52,200	258,910	2,601,841
Teachers pension benefits - state funded.....	7,928,963	-	-	-	7,928,963
Employee benefits.....	12,473,100	-	-	83,266	12,556,366
Traffic and parking management.....	-	-	-	410,319	410,319
Community preservation.....	-	-	-	339,686	339,686
Other.....	681,109	-	-	-	681,109
State and county charges.....	993,897	-	-	-	993,897
Debt service:					
Principal.....	5,781,000	-	-	-	5,781,000
Interest.....	2,729,042	-	-	-	2,729,042
TOTAL EXPENDITURES.....	102,076,035	-	13,060,893	8,621,332	123,758,260
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	4,642,884	249,869	(13,003,172)	5,440,879	(2,669,540)
OTHER FINANCING SOURCES (USES):					
Premium from issuance of bonds.....	18,558	-	-	-	18,558
Transfers in.....	1,076,825	-	-	100,000	1,176,825
Transfers out.....	(100,000)	-	-	(76,825)	(176,825)
TOTAL OTHER FINANCING SOURCES (USES).....	995,383	-	-	23,175	1,018,558
NET CHANGE IN FUND BALANCES.....	5,638,267	249,869	(13,003,172)	5,464,054	(1,650,982)
FUND BALANCES AT BEGINNING OF YEAR.....	8,494,486	1,730,314	8,544,779	8,682,507	27,452,086
FUND BALANCES AT END OF YEAR.....	\$ 14,132,753	\$ 1,980,183	\$ (4,458,393)	\$ 14,146,561	\$ 25,801,104

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds.....		\$ (1,650,982)
<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.....	13,805,180	
Depreciation expense.....	<u>(4,753,274)</u>	
Net effect of reporting capital assets.....		9,051,906
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		(2,296,831)
<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>5,781,000</u>	
Net effect of reporting long-term debt.....		5,781,000
<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.....	(88,272)	
Net change in accrued interest on long-term debt.....	<u>13,256</u>	
Net effect of recording long-term liabilities.....		(75,016)
<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>203,823</u>
Change in net assets of governmental activities.....		<u>\$ 11,013,900</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Electric Department	Total	
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 1,767,748	\$ 1,344,686	\$ 12,462,188	\$ 15,574,622	\$ 546,113
Investments.....	583,786	444,073	4,115,549	5,143,408	1,091,458
Receivables, net of allowance for uncollectibles:					
User charges.....	445,800	508,752	2,880,073	3,834,625	-
Departmental and other.....	-	-	-	-	-
Inventory.....	-	141,930	1,063,211	1,205,141	-
Prepaid expenses.....	-	-	111,692	111,692	-
Total current assets.....	2,797,334	2,439,441	20,632,713	25,869,488	1,637,571
NONCURRENT:					
Receivables, net of allowance for uncollectibles:					
Advances to other funds.....	150,350	150,350	183,000	483,700	-
Capital assets, nondepreciable.....	168,806	193,662	149,615	512,083	-
Capital assets, net of accumulated depreciation.....	10,631,709	14,012,318	39,975,353	64,619,380	-
Total noncurrent assets.....	10,950,865	14,356,330	40,307,968	65,615,163	-
TOTAL ASSETS.....	13,748,199	16,795,771	60,940,681	91,484,651	1,637,571
LIABILITIES					
CURRENT:					
Warrants payable.....	45,993	64,603	2,236,902	2,347,498	40,712
Accrued payroll.....	-	47,287	81,144	128,431	18,163
Accrued interest.....	-	5,053	-	5,053	-
Other liabilities.....	2,075	37,720	751,563	791,358	-
Compensated absences.....	-	6,300	19,100	25,400	-
Workers' compensation.....	-	-	-	-	302,000
Bonds and notes payable.....	107,194	513,645	-	620,839	-
Total current liabilities.....	155,262	674,608	3,088,709	3,918,579	360,875
NONCURRENT:					
Compensated absences.....	-	9,400	12,698	22,098	-
Workers' compensation.....	-	-	-	-	612,000
Bonds and notes payable.....	269,844	2,851,109	-	3,120,953	-
Total noncurrent liabilities.....	269,844	2,860,509	12,698	3,143,051	612,000
TOTAL LIABILITIES.....	425,106	3,535,117	3,101,407	7,061,630	972,875
NET ASSETS					
Invested in capital assets, net of related debt.....	10,573,827	10,991,576	40,307,968	61,873,371	-
Unrestricted.....	2,749,266	2,269,078	17,531,306	22,549,650	664,696
TOTAL NET ASSETS.....	\$ 13,323,093	\$ 13,260,654	\$ 57,839,274	\$ 84,423,021	\$ 664,696

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Electric Department	Total	
OPERATING REVENUES:					
Charges for services	\$ 5,414,306	\$ 3,909,277	\$ 23,171,866	\$ 32,495,449	\$ 12,893,871
Employee contributions	-	-	-	-	4,846,913
Other.....	30,570	-	712,798	743,368	-
TOTAL OPERATING REVENUES	5,444,876	3,909,277	23,884,664	33,238,817	17,740,784
OPERATING EXPENSES:					
MWRA Assessment.....	4,341,937	678,369	-	5,020,306	-
Production.....	-	-	10,963,449	10,963,449	-
Transmission and distribution.....	-	905,717	2,321,757	3,227,474	-
Other source of supply.....	-	87,666	-	87,666	-
Pumping and treatment.....	213,449	688,732	-	902,181	-
Collection.....	340,910	-	-	340,910	-
Customer accounts.....	91,315	170,041	261,552	522,908	-
Supplies and services.....	-	-	-	-	17,595,781
Administration and general.....	376,397	622,383	530,062	1,528,842	-
Depreciation.....	279,461	798,717	1,994,816	3,072,994	-
TOTAL OPERATING EXPENSES	5,643,469	3,951,625	16,071,636	25,666,730	17,595,781
OPERATING INCOME (LOSS).....	(198,593)	(42,348)	7,813,028	7,572,087	145,003
NONOPERATING REVENUES (EXPENSES):					
Investment income.....	6,929	4,809	81,840	93,578	58,820
Interest expense.....	-	(139,598)	(18,512)	(158,110)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	6,929	(134,789)	63,328	(64,532)	58,820
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS.....	(191,664)	(177,137)	7,876,356	7,507,555	203,823
CAPITAL CONTRIBUTIONS.....	119,297	39,592	1,094,051	1,252,940	-
TRANSFERS:					
Transfers out.....	-	-	(1,000,000)	(1,000,000)	-
CHANGE IN NET ASSETS.....	(72,367)	(137,545)	7,970,407	7,760,495	203,823
NET ASSETS AT BEGINNING OF YEAR.....	13,395,460	13,398,199	49,868,867	76,662,526	460,873
NET ASSETS AT END OF YEAR.....	\$ 13,323,093	\$ 13,260,654	\$ 57,839,274	\$ 84,423,021	\$ 664,696

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Electric Department	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users.....	\$ 5,435,125	\$ 3,855,849	\$ 23,087,391	\$ 32,378,365	\$ 4,846,913
Receipts from interfund services provided.....	-	-	-	-	12,893,871
Payments to vendors.....	(4,702,868)	(1,881,051)	(12,691,911)	(19,275,830)	-
Payments to employees.....	(638,896)	(1,277,388)	(1,299,853)	(3,216,137)	(1,541,405)
Payments for interfund services used.....	-	-	-	-	(15,999,398)
NET CASH FROM OPERATING ACTIVITIES.....	93,361	697,410	9,095,627	9,886,398	199,981
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers out.....	-	-	(1,000,000)	(1,000,000)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the issuance of bonds and notes.....	134,380	319,490	-	453,870	-
Capital contributions.....	119,297	39,592	1,094,051	1,252,940	-
Acquisition and construction of capital assets.....	(216,663)	(647,208)	(4,028,597)	(4,892,468)	-
Principal payments on bonds and notes.....	(80,320)	(481,693)	-	(562,013)	-
Interest expense.....	-	(140,395)	(18,512)	(158,907)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(43,306)	(910,214)	(2,953,058)	(3,906,578)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investments.....	647,627	563,575	3,204,429	4,415,631	1,093,983
Purchase of investments.....	(583,786)	(444,073)	(4,115,549)	(5,143,408)	(1,091,458)
Investment income.....	6,929	4,809	81,840	93,578	58,820
NET CASH FROM INVESTING ACTIVITIES.....	70,770	124,311	(829,280)	(634,199)	61,345
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	120,825	(88,493)	4,313,289	4,345,621	261,326
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	1,646,923	1,433,179	8,148,899	11,229,001	284,787
CASH AND CASH EQUIVALENTS, END OF YEAR.....	\$ 1,767,748	\$ 1,344,686	\$ 12,462,188	\$ 15,574,622	\$ 546,113
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:					
Operating income (loss).....	\$ (198,593)	\$ (42,348)	\$ 7,813,028	\$ 7,572,087	\$ 145,003
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation.....	279,461	798,717	1,994,816	3,072,994	-
Changes in assets and liabilities:					
Accounts Receivable.....	(9,751)	(53,428)	(797,273)	(860,452)	-
Inventory.....	-	(25,618)	(352,431)	(378,049)	-
Other assets.....	-	-	61,566	61,566	-
Prepaid expenses.....	-	-	(75,028)	(75,028)	-
Warrants payable.....	37,804	14,400	424,022	476,226	(17,488)
Accrued payroll.....	(15,560)	4,893	8,336	(2,331)	(11,534)
Other liabilities.....	-	-	22,406	22,406	-
Compensated absences.....	-	794	(3,815)	(3,021)	-
Workers' compensation.....	-	-	-	-	84,000
Total adjustments.....	291,954	739,758	1,282,599	2,314,311	54,978
NET CASH FROM OPERATING ACTIVITIES.....	\$ 93,361	\$ 697,410	\$ 9,095,627	\$ 9,886,398	\$ 199,981

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2007

	Pension Trust Fund (as of December 31, 2006)	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds	Agency Fund
ASSETS				
Cash and cash equivalents.....	\$ 4,897,506	\$ -	\$ 7,324	\$ 704,093
Investments:				
Equity securities.....	35,189,878	-	376,132	-
Equity mutual funds.....	59,682,854	895,852	-	-
Debt securities.....	56,241,035	-	-	-
PRIT core real estate fund.....	1,267,558	-	-	-
PRIT funds.....	585,511	-	-	-
Interest and dividends receivable.....	83,316	-	-	-
Receivables, net of allowance for uncollectibles:				
Departmental and other receivables.....	3,656,138	-	-	-
TOTAL ASSETS.....	161,603,796	895,852	383,456	704,093
LIABILITIES				
Unsettled investment purchases.....	20,897,569	-	-	-
Accrued liabilities.....	331,456	-	-	-
Liabilities due depositors.....	-	-	-	704,093
TOTAL LIABILITIES.....	21,229,025	-	-	704,093
NET ASSETS				
Held in trust for retirement and OPEB benefits and other purposes.....	\$ <u>140,374,771</u>	\$ <u>895,852</u>	\$ <u>383,456</u>	\$ <u>-</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2007

	Pension Trust Fund (as of December 31, 2006)	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
ADDITIONS:			
Contributions:			
Employer.....	\$ -	\$ 848,562	\$ -
Plan members.....	2,394,916	-	-
Private donations.....	-	-	250
Total contributions.....	2,394,916	848,562	250
Net investment income:			
Net change in fair value of investments.....	16,734,442	-	-
Interest.....	2,013,201	47,290	20,233
Dividends.....	1,172,036	-	-
Total investment income.....	19,919,679	47,290	20,233
Less: investment expense.....	(207,809)	-	-
Net investment income.....	19,711,870	47,290	20,233
Intergovernmental.....	288,559	-	-
Transfers from other systems.....	272,190	-	-
TOTAL ADDITIONS.....	22,667,535	895,852	20,483
DEDUCTIONS:			
Administration.....	814,197	-	-
Transfers to other systems.....	581,788	-	-
Retirement benefits and refunds.....	7,908,272	-	-
Educational scholarships.....	-	-	1,046
TOTAL DEDUCTIONS.....	9,304,257	-	1,046
CHANGE IN NET ASSETS.....	13,363,278	895,852	19,437
NET ASSETS AT BEGINNING OF YEAR.....	127,011,493	-	364,019
NET ASSETS AT END OF YEAR.....	\$ 140,374,771	\$ 895,852	\$ 383,456

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. One entity has been included as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship.

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

In the Fiduciary Funds:

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

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.

B. Government-Wide and Fund-Level Financial Statements*Government-Wide Financial Statements*

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

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

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

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

The *stabilization fund* is a special revenue fund used to account for the accumulation of resources for the benefit of future general and/or capital purposes.

The *capital projects fund* is used to account for financial resources used for the acquisition of major capital assets except those financed entirely by the general or the proprietary funds.

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 provide separate accountability for revenues that are restricted to expenditures for specified purposes (other than 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 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* is a new fund established under special legislation during FY2007 to accumulate resources to provide funding for future OPEB (other postemployment benefits) liabilities.

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trust funds have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The restrictions

and trustee policies only allows the trustees to approve spending of the realized investment earnings. The Town's educational scholarships are accounted for in this fund.

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

Government-Wide and Fund Financial Statements

For the government-wide financial statements, and proprietary and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

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

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

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

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

Motor Vehicle Excise

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

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

User Charges

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

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

Departmental and Other

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

Intergovernmental

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

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

F. Inventories***Government-Wide and Fund Financial Statements***

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

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

G. Capital Assets***Government-Wide and Proprietary Fund Financial Statements***

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, street lights, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are

recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

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

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Public domain infrastructure.....	50
Buildings.....	10-40
Improvements other than buildings.....	20-30
Equipment.....	5-21

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

Governmental Fund Financial Statements

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

H. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

I. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Deferred Revenue

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

K. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

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

Net assets have been "restricted for" the following:

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

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

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

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

Fund Financial Statements (Fund Balances)

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balances represent tentative management plans that are subject to change.

Fund balances have been “reserved for” the following:

“Encumbrances and continuing appropriations” represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

“Perpetual permanent funds” represents amounts held in trust for which only investment earnings may be expended.

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

M. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

N. Investment Income

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

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

O. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance

is recognized by recording the employer's share of insurance premiums in the general fund in the fiscal year paid. For the fiscal year ended June 30, 2007, this expense/expenditure totaled approximately \$3,260,000. There were 743 participants eligible to receive benefits at June 30, 2007.

P. Individual Fund Deficits

Within the Internal Service Funds, the Worker's Compensation fund ended the fiscal year with a deficit fund balance. This deficit will be funded by user charges and other available funds during fiscal year 2008.

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 fiscal 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 – RESTATEMENT OF GOVERNMENTAL NET ASSETS

The beginning net assets of the governmental activities have been increased by \$29,134,286 to reflect the retroactive reporting of governmental infrastructure acquired prior to fiscal year 2003. This represents the final step in the implementation of GASB Statement No. 34 which was initially implemented in fiscal year 2003.

NOTE 3 – 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 State Treasurer's Investment Pool (the Pool). The 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 Town Treasurer is responsible for adhering to these statutes, and at June 30, 2007 the Town is in compliance with these requirements.

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 in the Pension Reserve 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.

Custodial Credit Risk

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 does not have a deposit policy for custodial credit risk.

At fiscal year-end the carrying amount (book value) of the Town’s deposits totaled \$22,696,691 and the bank balances totaled \$26,522,462. Of the bank balance, \$843,946 was covered by Federal Depository Insurance, and \$25,678,516 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2006 the carrying amount (book value) of the Retirement System’s deposits totaled \$4,897,506 and the bank balance totaled \$5,105,933. The bank balance was fully covered by Federal Depository Insurance.

As of June 30, 2007 the Town had the following investments:

Investment Type	Fair Value	Maturity				Rating
		Under 1 Year	1 - 5 Years	6-10 Years	Over 10 Years	
Debt Securities						
Government Sponsored Enterprises.....	\$ 13,614,754	\$ 12,825,191	\$ 641,391	\$ 148,172	\$ -	AAA
U.S. Treasury Notes.....	1,193,295	99,906	649,841	443,548	-	AAA
Municipal Bonds.....	2,000,000	-	-	-	2,000,000	AAA/Aaa
Total Debt Securities.....	16,808,049	\$ 12,925,097	\$ 1,291,232	\$ 591,720	\$ 2,000,000	
Other Investments						
Equity Securities.....	3,571,026					
Equity Mutual Funds.....	986,983					
MMDT.....	21,673,302					
Total Investments.....	\$ 43,039,360					

As of December 31, 2006 the Retirement System had the following investments:

Investment Type	Fair Value	Maturity					Rating
		Under 1 Year	1 - 5 Years	5-10 Years	10-15 Years	Over 15 Years	
Debt Securities							
U.S. Government Agencies.....	\$ 8,663,249	\$ 7,480	\$ 2,559,946	\$ 70,192	\$ 600,157	\$ 5,425,474	AAA
U.S. Treasuries.....	19,064,193	3,322,754	14,687,083	1,054,356	-	-	AAA
Corporate Bonds.....	28,513,593	2,321,166	10,814,741	3,927,349	136,942	11,313,395	BBB to A-
Total Debt Securities.....	56,241,035	<u>\$ 5,651,400</u>	<u>\$ 28,061,770</u>	<u>\$ 5,051,897</u>	<u>\$ 737,099</u>	<u>\$ 16,738,869</u>	
Other Investments							
Equity Securities.....	35,189,878						
Equity Mutual Funds.....	59,682,854						
PRIT Core Real Estate Fund.....	1,267,558						
PRIT Funds.....	585,511						
Total Investments.....	\$ <u>152,966,836</u>	(1)					

(1) Subsequent to fiscal year end the System transferred all of its investments to the Commonwealth of Massachusetts' Pension Reserves Investment Trust (PRIT).

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party.

Of the Town's total investments of \$43,039,360 there was custodial credit risk exposure of \$19,209,302 which is equal to the investments in Government Sponsored Enterprise's in the amount of \$13,614,754, Municipal Bonds in the amount of \$2,000,000 and \$3,571,026 in equity securities because the related securities are uninsured, unregistered and held by the counterparty.

The Town does not have an investment policy for custodial credit risk.

The Retirement System's investments are not subject to custodial credit risk as all of the securities are insured or registered, and held by its agents in the name of the Wellesley Contributory Retirement System.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The System's policy states that the average duration of the managed portfolio shall not be more than 75% to 125% of the representative benchmark. The representative benchmarks are defined as follows:

<u>Investment Class</u>	<u>Benchmark</u>
Large Cap Growth Equity	Russell 1000 Growth
Large Cap Index Equity	S & P 500
Large Cap Core Equity	S & P 500
Large Cap Value Equity	Russell 1000 Value
Small Cap Equity	Russell 2000
International Equity	MSCI EAFE
Alternatives-Private Equity	S & P 500

Credit Risk

The Town has not adopted a formal policy related to Credit Risk.

The Retirement System has a policy that states that assets of the plan shall be invested to ensure that principal is preserved and enhanced, both in real and nominal terms. The policy states that up to 47% of the System's assets can be invested in domestic equities, up to 15% in international equities, up to 35% in fixed income and 3% in alternative investments. Additionally, no more than 20% of fixed income assets may be invested in below investment grade securities. Rated cash and cash equivalent securities must be of the highest short-term rating category by a majority of the nationally recognized statistical rating organizations.

Concentration of Credit Risk

The Town does not have a formal policy that limits the amount the Town may invest in any one issuer.

The System's policy states that the concentration per equity issuer cannot exceed 5% and concentration per fixed income issuer cannot exceed 10% of the portfolio market value at the time of purchase. Investments in United States Treasuries, United States Agencies and cash or cash-equivalents are exempt from this policy. In addition, with the exception of United States Treasuries or United States Agencies, any investment may not represent more than 5% of the outstanding shares of any single issuer. For securities that comprise more than 5% of the benchmark, the portfolio may hold up to 1.5 times the benchmark weight, at market, provided that there has been prior approval from the Board.

Investments in 144A debt and other private placement issues are limited to 15% of the fixed income portfolio market value.

Foreign Currency Risk

The System's exposure to foreign currency risk is limited to 15% of the System's total assets. Equity, equity mutual funds and fixed income investments in emerging markets are permitted up to 10% of the total fixed income portfolio value.

NOTE 4 – RECEIVABLES

At June 30, 2007, receivables for the individual major and non-major governmental funds 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	\$ 2,348,943	\$ (92,716)	\$ 2,256,227
Tax liens.....	284,553	-	284,553
Motor vehicle excise taxes.....	600,100	(344,071)	256,029
Departmental and other.....	95,841	-	95,841
Intergovernmental.....	<u>8,127,398</u>	<u>-</u>	<u>8,127,398</u>
Total.....	<u>\$ 11,456,835</u>	<u>\$ (436,787)</u>	<u>\$ 11,020,048</u>

At June 30, 2007, receivables for the sewer, water, and electric enterprise funds consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Sewer fees.....	\$ 445,800	\$ -	\$ 445,800
Water fees.....	508,752	-	508,752
Electric light fees.....	<u>2,880,073</u>	<u>-</u>	<u>2,880,073</u>
Total.....	<u>\$ 3,834,625</u>	<u>\$ -</u>	<u>\$ 3,834,625</u>

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<u>Receivable type:</u>			
Real estate and personal property taxes.....	\$ 2,094,650	\$ -	\$ 2,094,650
Tax liens.....	284,553	-	284,553
Motor vehicle excise.....	256,029	-	256,029
Departmental and other.....	95,841	41,877	137,718
Intergovernmental.....	<u>5,597,164</u>	<u>1,989,256</u>	<u>7,586,420</u>
Total.....	<u>\$ 8,328,237</u>	<u>\$ 2,031,133</u>	<u>\$ 10,359,370</u>

Included in the deferred revenues above are \$821,124 of advance collections for FY2008 taxes. The Town has a significant number of taxpayers who choose to pay their taxes in advance.

NOTE 5 – CAPITAL ASSETS

A summary of changes in capital asset activity for the fiscal year ended June 30, 2007, is as follows:

	Balance (As Restated)	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 3,658,656	\$ -	\$ -	\$ 3,658,656
Construction in progress.....	16,998,721	11,878,367	(170,242)	28,706,846
Total capital assets not being depreciated.....	<u>20,657,377</u>	<u>11,878,367</u>	<u>(170,242)</u>	<u>32,365,502</u>
<u>Capital assets being depreciated:</u>				
Improvements other than buildings.....	1,157,045	-	-	1,157,045
Buildings.....	99,997,732	296,668	-	100,294,400
Machinery and equipment.....	9,273,118	962,127	-	10,235,245
Public domain infrastructure.....	54,104,016	838,260	(158,229)	54,784,047
Total capital assets being depreciated.....	<u>164,531,911</u>	<u>2,097,055</u>	<u>(158,229)</u>	<u>166,470,737</u>
<u>Less accumulated depreciation for:</u>				
Improvements other than buildings.....	(308,354)	(47,455)	-	(355,809)
Buildings.....	(32,397,669)	(2,521,922)	-	(34,919,591)
Machinery and equipment.....	(4,946,948)	(1,015,801)	-	(5,962,749)
Public domain infrastructure.....	(19,165,791)	(1,168,096)	158,229	(20,175,658)
Total accumulated depreciation.....	<u>(56,818,762)</u>	<u>(4,753,274)</u>	<u>158,229</u>	<u>(61,413,807)</u>
Total capital assets being depreciated, net.....	<u>107,713,149</u>	<u>(2,656,219)</u>	<u>-</u>	<u>105,056,930</u>
Total governmental activities capital assets, net..	<u>\$ 128,370,526</u>	<u>\$ 9,222,148</u>	<u>\$ (170,242)</u>	<u>\$ 137,422,432</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land and land rights.....	\$ 267,946	\$ -	\$ -	\$ 267,946
Construction in progress.....	847,343	427,837	(1,031,043)	244,137
Total capital assets not being depreciated.....	<u>1,115,289</u>	<u>427,837</u>	<u>(1,031,043)</u>	<u>512,083</u>
<u>Capital assets being depreciated:</u>				
Plant in service.....	97,488,574	\$ 5,353,953	(379,148)	102,463,379
Vehicles and other equipment.....	4,395,434	230,171	(72,023)	4,553,582
Total capital assets being depreciated.....	<u>101,884,008</u>	<u>5,584,124</u>	<u>(451,171)</u>	<u>107,016,961</u>
<u>Less accumulated depreciation for:</u>				
Plant in service.....	(37,179,863)	(2,595,508)	292,387	(39,482,984)
Vehicles and other equipment.....	(2,507,445)	(477,486)	70,334	(2,914,597)
Total accumulated depreciation.....	<u>(39,687,308)</u>	<u>(3,072,994)</u>	<u>362,721</u>	<u>(42,397,581)</u>
Total capital assets being depreciated, net.....	<u>62,196,700</u>	<u>2,511,130</u>	<u>(88,450)</u>	<u>64,619,380</u>
Total business-type activities capital assets, net..	<u>\$ 63,311,989</u>	<u>\$ 2,938,967</u>	<u>\$ (1,119,493)</u>	<u>\$ 65,131,463</u>

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

Governmental Activities:	
General government.....	\$ 355,596
Public safety.....	353,136
Education.....	1,640,551
Public works.....	1,770,242
Community preservation.....	6,329
Library.....	376,021
Recreation.....	<u>251,399</u>
Total depreciation expense - governmental activities.....	<u>\$ 4,753,274</u>
Business-Type Activities:	
Sewer.....	\$ 279,461
Water.....	798,717
Electric light.....	<u>1,994,816</u>
Total depreciation expense - business-type activities.....	<u>\$ 3,072,994</u>

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Inter-fund receivables and payables between funds at June 30, 2007, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sewer Fund	Capital Projects Fund	\$ 150,350 (1)
Water Fund	Capital Projects Fund	150,350 (1)
Electric Department	Capital Projects Fund	183,000 (1)
Revolving Fund	Highway Fund	<u>539,288 (2)</u>
		<u>\$ 1,022,988</u>

- (1) Represents advances from the Sewer, Water, and Electric Department funds to the Capital Project fund for a building study.
- (2) Represents advances between funds to meet temporary cash flow needs.

Interfund transfers for the fiscal year ended June 30, 2007, are summarized as follows:

<u>Transfers Out:</u>	<u>Transfers In:</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
General Fund.....	\$ -	\$ 100,000	\$ 100,000 (1)
Nonmajor Governmental Funds.....	76,825	-	76,825 (2)
Electric Light Department.....	<u>1,000,000</u>	-	<u>1,000,000 (3)</u>
Total.....	<u>\$ 1,076,825</u>	<u>\$ 100,000</u>	<u>\$ 1,176,825</u>

- (1) Represents a budgeted transfer to the Unemployment Fund.
- (2) Represents a budgeted transfer from the Traffic and Parking Fund.
- (3) Transfers in from the electric light enterprise fund and a payment in lieu of taxes.

NOTE 7 – 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 fiscal year ended June 30, 2007, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2006	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2007
BAN	School/Planning Renovation	3.88	07/13/06	\$ 697,000	\$ -	\$ 697,000	\$ -
BAN	High School Schematic Drawings.....	3.98	06/20/08	-	797,000	-	797,000
BAN	Middle School Construction	4.25	06/21/07	10,470,000	-	10,470,000	-
BAN	Middle School Construction	3.98	06/20/08	-	10,470,000	-	10,470,000
Total.....				\$ <u>11,167,000</u>	\$ <u>11,267,000</u>	\$ <u>11,167,000</u>	\$ <u>11,267,000</u>

NOTE 8 – LONG-TERM DEBT

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

Details related to the Town's outstanding general obligation indebtedness at June 30, 2007, and the debt service requirements are as follows:

<u>Project</u>	<u>Date of Issue</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2006</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2007</u>
Street Improvements.....	2001	4.0 - 4.75	\$ 180,000	\$ -	\$ 180,000	\$ -
Street/Sidewalk Amenities.....	2001	4.0 - 4.75	260,000	-	130,000	130,000
Sprague School Renovation.....	2001	4.0 - 4.75	12,420,000	-	1,580,000	10,840,000
Bates School Renovation.....	2003	2.0 - 3.0	3,850,000	-	550,000	3,300,000
Pond Restoration.....	2004	2.50 - 5.0	55,000	-	30,000	25,000
Barton Road Improvements.....	2004	2.50 - 5.0	60,000	-	60,000	-
Street Improvements.....	2004	2.50 - 5.0	55,000	-	55,000	-
Fields & Bleachers.....	2004	2.50 - 5.0	70,000	-	15,000	55,000
New Library.....	2004	2.50 - 5.0	6,380,000	-	540,000	5,840,000
Warren Building Design.....	2004	2.50 - 5.0	150,000	-	20,000	130,000
Hunnewell Field/Courts.....	2004	2.50 - 5.0	230,000	-	30,000	200,000
Middle School Plans.....	2004	2.50 - 5.0	120,000	-	120,000	-
Warren Renovation.....	2004	2.50 - 5.0	6,040,000	-	380,000	5,660,000
Middle School.....	2005	3.25 - 4.125	8,550,000	-	450,000	8,100,000
Middle School.....	2005	3.25 - 4.125	2,160,000	-	125,000	2,035,000
Modular Classrooms.....	2005	3.25 - 4.125	2,640,000	-	190,000	2,450,000
Roads.....	2005	3.25 - 4.125	1,035,000	-	115,000	920,000
High School Plans.....	2005	3.25 - 4.125	485,000	-	165,000	320,000
Fire Equipment.....	2005	3.25 - 4.125	465,000	-	80,000	385,000
Warren Building.....	2005	3.25 - 4.125	385,000	-	65,000	320,000
Traffic/Parking.....	2005	3.25 - 4.125	210,000	-	70,000	140,000
DPW Design.....	2005	3.25 - 4.125	80,000	-	20,000	60,000
Middle School Construction.....	2006	3.87 - 5.25	6,705,000	-	220,000	6,485,000
Bates Elementary School.....	2006	4.0 - 5.25	697,000	-	142,000	555,000
Modular Classrooms.....	2006	3.87 - 5.25	2,320,000	-	235,000	2,085,000
DPW Electric Repairs.....	2006	3.87 - 5.25	1,121,000	-	116,000	1,005,000
DPW Surface Drains.....	2006	3.87 - 5.25	333,000	-	38,000	295,000
High School Design.....	2006	4.0 - 5.25	175,000	-	35,000	140,000
Morses Pond Dock.....	2006	4.0 - 5.25	115,000	-	25,000	90,000
Total			<u>\$ 57,346,000</u>	<u>\$ -</u>	<u>\$ 5,781,000</u>	<u>\$ 51,565,000</u>

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

<u>Fiscal Year</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2008	\$	5,570,000	\$	2,046,656	\$	7,616,656
2009		5,450,000		1,849,532		7,299,532
2010		5,450,000		1,648,180		7,098,180
2011		5,425,000		1,437,501		6,862,501
2012		4,585,000		1,224,139		5,809,139
2013		4,420,000		1,044,505		5,464,505
2014		3,885,000		867,705		4,752,705
2015		3,845,000		712,395		4,557,395
2016		3,450,000		549,350		3,999,350
2017		2,180,000		396,525		2,576,525
2018		795,000		297,825		1,092,825
2019		810,000		266,025		1,076,025
2020		825,000		233,625		1,058,625
2021		845,000		200,625		1,045,625
2022		860,000		166,825		1,026,825
2023		875,000		131,913		1,006,913
2024		895,000		95,850		990,850
2025		915,000		58,938		973,938
2026		485,000		20,613		505,613
Total	\$	<u>51,565,000</u>	\$	<u>13,248,725</u>	\$	<u>64,813,725</u>

The Town has been approved to receive school construction assistance through the Massachusetts School Building Authority (MSBA). The MSBA provides resources for eligible construction costs and related debt interest and borrowing costs. The Town was approved for grants equal to 57% of allowable costs, as defined, for the renovation/expansion projects of the Sprague Elementary School. The Sprague project is being reimbursed over a 12 year period that began in FY2005. The Town expects to receive, in future years, \$5.6 million from the MSBA for all school constructions costs incurred by the Town. Accordingly, a \$5.6 million intergovernmental receivable and corresponding deferred revenue liability has been recorded in the General Fund.

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, 2007, the Town had the following authorized and un-issued debt:

Purpose	Amount
Middle School Construction.....	\$ 10,745,000
Elementary School Construction.....	11,207,000
High School Schematic Design.....	797,000
Water Meters.....	400,000
MWRA Sewer.....	958,530
Roadway Improvement.....	928,000
Sprague Building.....	255,000
Morses Pond Management.....	650,000
Storm Water Drainage.....	1,306,000
Parking Machine Replacement.....	150,000
MLP/Garage.....	1,998,000
Water/Sewer Building.....	<u>7,417,000</u>
Total.....	<u>\$ 36,811,530</u>

Bonds and Notes Payable Schedule – Enterprise Funds

Project	Date of Issue	Interest Rate (%)	Outstanding at June 30, 2006	Issued	Redeemed	Outstanding at June 30, 2007
Water System Improvements....	1998	4.15 - 5.25	\$ 3,010,000	\$ -	\$ 430,000	\$ 2,580,000
MWRA Sewer Bond.....	2004	0	69,048	-	23,016	46,032
MWRA Sewer Bond.....	2005	0	130,312	-	32,578	97,734
MWRA Sewer Bond.....	2006	0	123,618	-	24,726	98,892
MWRA Water Bond.....	2006	0	516,957	-	51,693	465,264
MWRA Water Bond.....	2007	0	-	319,490	-	319,490
MWRA Sewer Bond.....	2007	0	-	<u>134,380</u>	-	<u>134,380</u>
Total.....			<u>\$ 3,849,935</u>	<u>\$ 453,870</u>	<u>\$ 562,013</u>	<u>\$ 3,741,792</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 620,839	\$ 121,260	\$ 742,099
2009	620,839	101,910	722,749
2010	597,823	82,130	679,953
2011	565,244	61,920	627,164
2012	540,521	41,495	582,016
2013	513,645	20,855	534,500
2014	83,645	-	83,645
2015	83,645	-	83,645
2016	83,642	-	83,642
2017	31,949	-	31,949
Total	\$ 3,741,792	\$ 429,570	\$ 4,171,362

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and non-interest bearing loan. In prior years \$839,935 of loans subject to repayment were received from this program. During fiscal year 2007, \$319,490 and \$244,323, respectively, were received from the program. Of the \$244,323, \$109,943 was in the form of a grant and \$134,380 was a loan. The new water and sewer MWRA loans are respectively payable in ten and five equal annual installments with no interest. At June 30, 2007, the outstanding principal amount of these loans totaled \$1,161,792.

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2007, the following changes occurred in long-term liabilities:

	<u>Balance June 30, 2006</u>	<u>Bonds and Notes Issued</u>	<u>Bonds and Notes Redeemed</u>	<u>Other Increases</u>	<u>Other Decreases</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
Governmental Activities:							
Long-Term Bonds and Notes.....	\$ 57,346,000	\$ -	\$ (5,781,000)	\$ -	\$ -	\$ 51,565,000	\$ (11,267,000)
Workers' Compensation.....	830,000	-	-	333,000	(249,000)	914,000	302,000
Compensated Absences.....	556,205	-	-	246,189	(157,917)	644,477	132,300
Total Governmental Activities.....	58,732,205	-	(5,781,000)	579,189	(406,917)	53,123,477	(10,832,700)
Business Type Activities:							
Long-Term Bonds and Notes.....	3,849,935	453,870	(562,013)	-	-	3,741,792	-
Compensated Absences.....	50,520	-	-	24,397	(27,419)	47,498	25,400
Total Business Type Activities.....	3,900,455	453,870	(562,013)	24,397	(27,419)	3,789,290	25,400
Total.....	\$ 62,632,660	\$ 453,870	\$ (6,343,013)	\$ 603,586	\$ (434,336)	\$ 56,912,767	\$ (10,807,300)

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service fund's long-term liabilities are included as part of the governmental activities totals above. At fiscal year end, \$914,000 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 9 – RISK FINANCING

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

During 1991, the Town entered into an agreement with certain suburban communities and other governmental units forming the West Suburban Health Group (the "Group"). The purpose of the Group is for the joint negotiation and purchase of health coverage with an insurance carrier. Under these agreements, the insurance claims of the covered employees are paid for by the insurance carrier and are subsequently reimbursed by the Group. The Group charges monthly premiums to each governmental unit based upon requirements established through underwriting or actuarial estimates. The Group also maintains a deposit with the insurance carrier which is sufficient to cover two months of claims paid by the carrier for the Group. In addition, the Group provides full reinsurance coverage for all claim costs in excess of \$225,000 per covered employee.

In the event of a dissolution of the Group or if the assets of the Group are insufficient to pay claims which occur, the Town remains liable. As of June 30, 2007, the Group had an unaudited fund balance of approximately \$9,407,988. The Town's 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, 2007, the Town's mandatory deposit, discussed above, is sufficient to cover the Town's projected liability as of that date.

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

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

	Balance at Beginning of Fiscal Year		Current Year Claims and Changes in Estimate		Balance at Fiscal Year-End		Current Portion
Fiscal Year 2006.....	\$ 744,000	\$	372,572	\$	(286,572)	\$	830,000
Fiscal Year 2007.....	830,000		267,659		(183,659)		914,000
							\$ 249,000
							302,000

NOTE 10 – CONTRIBUTORY RETIREMENT SYSTEM

Plan Description - The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Wellesley Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$7.9 million for the fiscal year ended June 30, 2007, 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.

At December 31, 2006, the System’s membership consists of the following:

Active members.....	621
Inactive members.....	177
Disabled members.....	29
Retirees and beneficiaries currently receiving benefits.....	<u>381</u>
Total.....	<u><u>1,208</u></u>

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

Annual Pension Cost - The Town’s contributions to the System for the last three fiscal years ended June 30, 2007, 2006, and 2005 were zero, respectively, which equaled its required contribution for each fiscal year. At June 30, 2007, the Town did not have a net pension obligation. The required contribution was determined as part of the January 1, 2006, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included an 8.0% investment rate of return and projected salary increases of 4.0% per year.

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)
01/01/06	\$ 127,011,492	\$ 123,086,217	\$ (3,925,275)	103.2%	\$ 26,392,253	-14.9%
01/01/04	116,792,365	112,846,159	(3,946,206)	103.5%	23,172,848	-17.0%
01/01/03	119,033,662	114,811,026	(4,222,636)	103.7%	22,572,703	-18.7%
01/01/01	123,291,025	92,278,891	(31,012,134)	133.6%	21,561,329	-143.8%
01/01/99	106,295,893	81,975,372	(24,320,521)	129.7%	17,694,603	-137.4%
01/01/97	78,665,972	69,141,005	(9,524,967)	113.8%	17,800,326	-53.5%
01/01/95	62,744,371	62,680,623	(63,748)	100.1%	16,138,898	-0.4%

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

Noncontributory Retirement Allowance – The Town pays the entire retirement allowance for certain retirees who are available for benefits but are not members of the System. Benefits are paid by the Town on a pay-as-you-go basis. Total pension expense of this plan for the year ended June 30, 2007 was \$65,273.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFIT TRUST FUND

Plan Description – The Town maintains a single employer defined benefit Other Post Employment Benefit Plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the Plan. The Town 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. The Town also pays 50% of the retiree life insurance premiums. Lifetime coverage is provided for retirees and their spouses.

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 actuarial determination of OPEB liabilities by the Town’s actuary.

At December 31, 2005, the Plan’s membership consisted of the following:

Current retirees, beneficiaries, and dependants.....	877
Current active members.....	<u>883</u>
Total.....	<u><u>1760</u></u>

Contributions – 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. For the year ended June 30, 2007, plan members contributed approximately \$3.3 million through their required contributions. The Town is required to contribute the balance of the current premiums and may contribute additional amounts to prefund benefits. The Commonwealth of Massachusetts passed special legislation that has allowed the Town to

establish the Postemployment Benefit Trust Fund and to enable the Town to raise taxes necessary to begin prefunding its OPEB liabilities. During fiscal year 2007, the Town prefunded future OPEB liabilities in the amount of \$848,562. Administrative costs of the Plan are assumed to be included in the fully insured premium rates.

Funded Status – The funded status of the Plan as of the most recent actuarial valuation date, December 31, 2005, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued 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)
07/01/06	\$ -	\$ 99,825,021	\$ 99,825,021	0%	\$ N/A	N/A

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

Valuation date	12/31/05
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of pay, closed
Remaining amortization period	30 years as of July 1, 2006
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	8.0% pre-funding scenario
Inflation rate	4.00%
Projected salary increases	4.00%
Medical/Drug cost trend rate	10.0% graded to 5.0% over 5 years

NOTE 11 – COMMITMENTS

The Town’s major capital projects are related to school renovations and expansions, and the construction of a new building and garage to be shared by the MLP, the Water and Sewer Departments and the Department of Public Works. The Town has authorized approximately \$36 million of new debt for these and other on-going projects.

In July of 2001, the Wellesley Municipal Light Plant (MLP) entered into a Power Supply Agreement with Constellation Power Source, Inc., of Baltimore, Maryland to acquire all of its electricity requirements. The agreement is defined as an “All Requirements Service” contract where all of its requirements mean “the quantity of electricity sufficient to meet the needs of MLP’s ultimate customers for the Town of Wellesley”. The term of the Agreement is from June 1, 2002 through September 30, 2007. Contract prices are fixed for the entire period of the agreement. The cost of power acquired under this agreement for the fiscal year ended June 30, 2007 was approximately \$10,551,000. In anticipation of the expiration of this agreement the MLP became a shareholder in Energy New England, LLC (ENE) for the purpose of acquiring its power supply needs. The MLP’s \$150,000 minority interest, acquired in August of 2007, allows it to utilize ENE as its power supply consultant.

NOTE 12 - CONTINGENCIES

In February 2001, the EPA notified the Town that it, along with two other parties, had been named as a Potentially Responsible Party (PRP) with regard to an environmental matter involving property owned by the Town adjacent to and beneath Morses Pond. According to the EPA and the Massachusetts Department of Environmental Protection, contaminated fill material containing chromium and other metal was used as fill around a culvert beneath a railroad embankment adjacent to Morses Pond, and that contaminants from this fill came to be located on Town property beneath and adjacent to Morses Pond. Removal actions to correct this problem were completed in or about June 2003. The EPA has estimated the total cost of this project to date at \$3,800,000. In this matter, the EPA has noted its intention to pursue recovery of these costs from the PRP's. To date, no litigation has been commenced and no settlement negotiations have taken place with regard to this matter. The Town believes that it may have meritorious defenses to the EPA's claims but could face some potential liability in connection with this matter.

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, 2007, 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, 2007, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2007.

NOTE 13 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2007, the following GASB pronouncements were implemented:

- The GASB issued Statement #43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in fiscal year 2008. The Town elected to implement this statement early as it has contributed assets to a postretirement trust set up for the purpose of funding its OPEB liabilities in future years.
- The GASB issued Statement #48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, which is required to be implemented in fiscal year 2008. Management has elected to implement this GASB early. The basic financial statements were not impacted by this GASB.
- The GASB issued Statement #49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which is required to be implemented in fiscal year 2008. Management has elected to implement this GASB early. The basic financial statements were not impacted by this GASB.
- The GASB issued Statement #51, *Accounting and Financial Reporting for Intangible Assets*, which is required to be implemented in fiscal year 2010. Management has elected to implement this GASB early. The basic financial statements were not impacted by this GASB.

Future Implementation of GASB Pronouncements:

- The GASB issued Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is required to be implemented in fiscal year 2009. Management expects that this pronouncement will require additional disclosure and impact the basic financial statements.
- The GASB issued Statement #50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*, which is required to be implemented in fiscal year 2008. This GASB will change the disclosures related to pensions.
- The GASB issued Statement #52, *Land and Other Real Estate Held as Investments by Endowments*, which is required to be implemented in fiscal year 2009. Management believes that this statement will not effect the basic financial statements.

Required Supplementary Information

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

FISCAL YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 79,016,410	\$ 79,016,410	\$ 78,889,705	\$ -	\$ (126,705)
Tax liens.....	-	-	148,418	-	148,418
Motor vehicle and other excise taxes.....	3,859,000	3,859,000	4,211,503	-	352,503
Penalties and interest on taxes.....	141,500	141,500	149,646	-	8,146
Payments in lieu of taxes.....	343,800	343,800	452,525	-	108,725
Intergovernmental.....	6,778,091	6,778,091	7,346,047	-	567,956
Departmental and other.....	4,302,250	4,302,250	4,927,869	-	625,619
Investment income.....	1,175,000	1,175,000	2,726,865	-	1,551,865
TOTAL REVENUES.....	95,616,051	95,616,051	98,852,578	-	3,236,527
EXPENDITURES:					
General and Financial Maintenance Services:					
Personal Services.....	1,446,960	1,488,380	1,369,917	-	118,463
Expenses.....	545,933	577,619	525,917	37,210	14,492
Capital Outlay.....	76,958	35,272	35,272	-	-
	<u>2,069,851</u>	<u>2,101,271</u>	<u>1,931,106</u>	<u>37,210</u>	<u>132,955</u>
Human Services:					
Personal Services.....	193,959	197,482	189,110	-	8,372
Expenses.....	115,878	88,878	81,607	3,245	4,026
Benefits.....	4,500	4,500	3,572	-	928
	<u>314,337</u>	<u>290,860</u>	<u>274,289</u>	<u>3,245</u>	<u>13,326</u>
Public Safety and Protective Services:					
Personal Services.....	8,155,050	8,273,596	8,203,873	54,584	15,139
Expenses.....	1,159,392	1,150,157	1,087,312	-	62,845
	<u>9,314,442</u>	<u>9,423,753</u>	<u>9,291,185</u>	<u>54,584</u>	<u>77,984</u>
Historical Commission.....	250	250	206	-	44
Historical District Commission.....	250	250	46	-	204
Zoning Board of Appeals:					
Personal Services.....	41,029	42,260	38,198	-	4,062
Expenses.....	8,465	8,465	3,932	-	4,533
	<u>49,494</u>	<u>50,725</u>	<u>42,130</u>	<u>-</u>	<u>8,595</u>
Advisory Committee:					
Personal Services.....	5,280	7,780	7,756	-	24
Expenses.....	24,780	40,780	37,055	-	3,725
	<u>30,060</u>	<u>48,560</u>	<u>44,811</u>	<u>-</u>	<u>3,749</u>
Auditing.....	75,450	75,450	53,550	-	21,900
Permanent Building Committee:					
Personal Services.....	7,268	7,268	7,201	-	67
Expenses.....	7,200	17,200	3,157	8,878	5,165
	<u>14,468</u>	<u>24,468</u>	<u>10,358</u>	<u>8,878</u>	<u>5,232</u>
Human Resources Board:					
Personal Services.....	312,753	216,990	215,489	-	1,501
Expenses.....	22,320	34,636	23,028	116	11,492
	<u>335,073</u>	<u>251,626</u>	<u>238,517</u>	<u>116</u>	<u>12,993</u>

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
Assessors:					
Personal Services.....	212,268	214,529	205,099	-	9,430
Expenses.....	95,690	95,690	73,460	10,655	11,575
	<u>307,958</u>	<u>310,219</u>	<u>278,559</u>	<u>10,655</u>	<u>21,005</u>
Board of Health:					
Personal Services.....	297,161	303,147	267,730	-	35,417
Expenses.....	82,651	80,899	68,669	1,271	10,959
Mental Health Services.....	157,808	157,808	145,071	-	12,737
	<u>537,620</u>	<u>541,854</u>	<u>481,470</u>	<u>1,271</u>	<u>59,113</u>
Natural Resources Commission:					
Personal Services.....	149,886	149,886	138,230	-	11,656
Expenses.....	311,943	311,943	71,457	230,592	9,894
Capital Outlay.....	25,000	25,000	25,000	-	-
	<u>486,829</u>	<u>486,829</u>	<u>234,687</u>	<u>230,592</u>	<u>21,550</u>
Planning Board:					
Personal Services.....	145,558	149,371	149,326	-	45
Expenses.....	61,351	51,351	10,268	35,776	5,307
Capital Outlay.....	20,000	20,000	2,950	17,050	-
	<u>226,909</u>	<u>220,722</u>	<u>162,544</u>	<u>52,826</u>	<u>5,352</u>
Recreation Commission:					
Personal Services.....	294,475	301,012	296,970	-	4,042
Expenses.....	1,225,504	1,369,249	1,033,383	215,926	119,940
Teen Center Program.....	7,500	7,500	-	-	7,500
Capital Outlay.....	4,584	4,584	-	-	4,584
	<u>1,532,063</u>	<u>1,682,345</u>	<u>1,330,353</u>	<u>215,926</u>	<u>136,066</u>
Town Clerk/Election and Registration:					
Personal Services.....	244,051	245,337	227,357	-	17,980
Expenses.....	54,345	54,345	50,020	2,947	1,378
Capital Outlay.....	16,000	16,000	-	16,000	-
	<u>314,396</u>	<u>315,682</u>	<u>277,377</u>	<u>18,947</u>	<u>19,358</u>
Legal Services and Expenses.....	268,270	268,270	178,566	8,788	80,916
Reserve Fund.....	175,000	36,500	-	-	36,500
Memorial Day.....	4,700	4,700	3,875	-	825
Veterans Day.....	2,500	2,500	2,289	-	211
Risk Management.....	422,058	422,058	348,517	-	73,541
Employee Group Life and Health Insurance.....	12,473,100	12,473,100	12,473,100	-	-
Pensions and Annuities.....	72,219	72,219	65,273	-	6,946
Workers Compensation.....	261,476	261,476	261,476	-	-
Comprehensive Building Maintenance.....	298,850	298,850	199,360	26,687	72,803

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
Compensated Absences.....	293,060	293,060	5,844	-	287,216
Wellesley Free Library and branches thereof:					
Personal Services.....	1,627,701	1,632,725	1,615,307	-	17,418
Expenses.....	653,872	648,744	648,744	-	-
Capital Outlay.....	23,700	31,336	26,680	4,656	-
	<u>2,305,273</u>	<u>2,312,805</u>	<u>2,290,731</u>	<u>4,656</u>	<u>17,418</u>
Public works.....					
Personal Services.....	3,145,626	3,131,625	3,106,146	-	25,479
Expenses.....	2,327,747	2,892,865	2,310,082	551,837	30,946
Winter Maintenance.....	534,562	591,062	376,719	14,097	200,246
Capital Outlay.....	1,632,984	1,107,500	982,185	117,692	7,623
	<u>7,640,919</u>	<u>7,723,052</u>	<u>6,775,132</u>	<u>683,626</u>	<u>264,294</u>
Fire and Traffic Signal Systems.....	83,750	83,750	83,750	-	-
Education.....					
Personal Services.....	42,108,706	39,729,339	37,396,063	1,733,172	600,104
Expenses.....	7,760,433	10,024,375	9,367,877	646,917	9,581
Capital Outlay.....	1,165,319	1,280,744	1,022,098	258,646	-
	<u>51,034,458</u>	<u>51,034,458</u>	<u>47,786,038</u>	<u>2,638,735</u>	<u>609,685</u>
State and county charges.....	993,897	993,897	993,897	-	-
Debt service:					
Principal.....	5,781,000	5,781,000	5,781,000	-	-
Interest.....	3,417,568	3,417,568	2,729,043	700	687,825
	<u>9,198,568</u>	<u>9,198,568</u>	<u>8,510,043</u>	<u>700</u>	<u>687,825</u>
TOTAL EXPENDITURES.....	<u>101,137,548</u>	<u>101,304,127</u>	<u>94,629,079</u>	<u>3,997,442</u>	<u>2,677,606</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	<u>(5,521,497)</u>	<u>(5,688,076)</u>	<u>4,223,499</u>	<u>(3,997,442)</u>	<u>5,914,133</u>
OTHER FINANCING SOURCES (USES):					
Premium from issuance of bonds.....	-	-	18,558	-	18,558
Transfers in.....	1,076,825	1,076,825	1,076,825	-	-
Transfers out.....	(100,000)	(100,000)	(100,000)	-	-
	<u>976,825</u>	<u>976,825</u>	<u>995,383</u>	<u>-</u>	<u>18,558</u>
NET CHANGE IN FUND BALANCE.....	<u>(4,544,672)</u>	<u>(4,711,251)</u>	<u>5,218,882</u>	<u>(3,997,442)</u>	<u>5,932,691</u>
BUDGETARY FUND BALANCE, Beginning of year.....	<u>10,437,944</u>	<u>10,437,944</u>	<u>10,437,944</u>	<u>-</u>	<u>-</u>
BUDGETARY FUND BALANCE, End of year.....	<u>\$ 5,893,272</u>	<u>\$ 5,726,693</u>	<u>\$ 15,656,826</u>	<u>\$ (3,997,442)</u>	<u>\$ 5,932,691</u>

See notes to required supplementary information.

(Concluded)

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2007 budget consisted of approximately \$96.6 million in appropriations and other amounts to be raised and approximately \$4.3 million in amounts carried over from previous fiscal years. During fiscal year 2007, the original budget was increased for public safety, public works and recreational activities in the amount of approximately \$167,000.

The Accounting Office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2007, is presented below:

Net change in fund balance, budgetary basis.....	\$	5,218,882
<u>Basis of accounting differences:</u>		
Net change in revenue accrual.....		39,402
Net change in expenditure accrual - Teacher's summer pay.....		482,007
Net change in tax refunds payable.....		(102,024)
Recognition of revenue for on-behalf payments.....		7,928,963
Recognition of expenditures for on-behalf payments.....		<u>(7,928,963)</u>
Net change in fund balance, GAAP basis.....	\$	<u><u>5,638,267</u></u>

Combining Statements

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

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

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

Highway Fund – This fund accounts for costs incurred with the construction and reconstruction of Town owned roadways. Costs charged to the fund are subject to reimbursement by the Commonwealth of Massachusetts.

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 up to 3% of the real property tax levy and matching state grants. The funds are spent for the acquisition, creation and preservation of open space, historic resources and affordable housing.

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

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

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

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, 2007

Special Revenue Funds					
ASSETS	School Lunch	Highway	Community Preservation	Grants	Receipts Reserved
Cash and cash equivalents.....	\$ 585,333	\$ -	\$ 1,480,765	\$ 356,181	\$ 891,273
Investments.....	-	-	2,974,606	-	-
Receivables, net of uncollectibles:					
Departmental and other.....	-	-	5,037	3,000	-
Intergovernmental.....	-	1,817,568	710,976	190	-
Due from other funds.....	-	-	-	-	-
TOTAL ASSETS.....	\$ 585,333	\$ 1,817,568	\$ 5,171,384	\$ 359,371	\$ 891,273
 LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 651	\$ -	\$ -	\$ 62,972	\$ 26,325
Accrued payroll.....	2,966	-	-	7,763	1,863
Deferred revenues.....	-	1,278,280	698,802	3,000	-
Due to other funds.....	-	539,288	-	-	-
TOTAL LIABILITIES.....	3,617	1,817,568	698,802	73,735	28,188
 FUND BALANCES:					
Reserved for:					
Perpetual permanent funds.....	-	-	-	-	-
Unreserved:					
Undesignated, reported in:					
Special revenue funds.....	581,716	-	4,472,582	285,636	863,085
Permanent funds.....	-	-	-	-	-
TOTAL FUND BALANCES.....	581,716	-	4,472,582	285,636	863,085
TOTAL LIABILITIES AND FUND BALANCES...	\$ 585,333	\$ 1,817,568	\$ 5,171,384	\$ 359,371	\$ 891,273

Special Revenue Funds				
<u>Revolving</u>	<u>Other</u>	<u>Sub-total</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 1,170,208	\$ 3,073,858	\$ 7,557,618	\$ 612,417	\$ 8,170,035
-	468,302	3,442,908	2,386,310	5,829,218
51,051	-	59,088	-	59,088
-	-	2,528,734	-	2,528,734
<u>539,288</u>	<u>-</u>	<u>539,288</u>	<u>-</u>	<u>539,288</u>
<u>\$ 1,760,547</u>	<u>\$ 3,542,160</u>	<u>\$ 14,127,636</u>	<u>\$ 2,998,727</u>	<u>\$ 17,126,363</u>
\$ 48,530	\$ 235,256	\$ 373,734	\$ 8,522	\$ 382,256
9,326	5,207	27,125	-	27,125
51,051	-	2,031,133	-	2,031,133
<u>-</u>	<u>-</u>	<u>539,288</u>	<u>-</u>	<u>539,288</u>
<u>108,907</u>	<u>240,463</u>	<u>2,971,280</u>	<u>8,522</u>	<u>2,979,802</u>
-	-	-	220,399	220,399
1,651,640	3,301,697	11,156,356	-	11,156,356
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,769,806</u>	<u>2,769,806</u>
<u>1,651,640</u>	<u>3,301,697</u>	<u>11,156,356</u>	<u>2,990,205</u>	<u>14,146,561</u>
<u>\$ 1,760,547</u>	<u>\$ 3,542,160</u>	<u>\$ 14,127,636</u>	<u>\$ 2,998,727</u>	<u>\$ 17,126,363</u>

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

FISCAL YEAR ENDED JUNE 30, 2007

	Special Revenue Funds				
	School Lunch	Highway	Community Preservation	Grants	Receipts Reserved
REVENUES:					
Charges for services.....	\$ 896,374	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures.....	-	-	-	-	607,826
Intergovernmental.....	132,232	169,757	640,420	2,172,296	-
Departmental and other.....	-	-	-	-	-
Community preservation tax.....	-	-	714,889	-	-
Contributions.....	-	-	-	-	-
Investment income.....	-	-	177,496	-	-
TOTAL REVENUES.....	1,028,606	169,757	1,532,805	2,172,296	607,826
EXPENDITURES:					
Current:					
General government.....	-	-	-	2,797	-
Public safety.....	-	-	-	41,311	-
Public education.....	1,054,248	-	-	2,008,227	-
Public works.....	-	169,757	-	42	-
Health and sanitation.....	-	-	-	49,258	-
Recreation.....	-	-	-	2,800	-
Library.....	-	-	-	29,213	-
Employee benefits.....	-	-	-	-	-
Traffic and parking management.....	-	-	-	-	410,319
Community preservation.....	-	-	339,686	-	-
TOTAL EXPENDITURES.....	1,054,248	169,757	339,686	2,133,648	410,319
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(25,642)	-	1,193,119	38,648	197,507
OTHER FINANCING SOURCES (USES):					
Transfers in.....	-	-	-	-	-
Transfers out.....	-	-	-	-	(76,825)
TOTAL OTHER FINANCING SOURCES (USES).....	-	-	-	-	(76,825)
NET CHANGE IN FUND BALANCES.....	(25,642)	-	1,193,119	38,648	120,682
FUND BALANCES AT BEGINNING OF YEAR.....	607,358	-	3,279,463	246,988	742,403
FUND BALANCES AT END OF YEAR.....	\$ 581,716	\$ -	\$ 4,472,582	\$ 285,636	\$ 863,085

Special Revenue Funds				Total Nonmajor Governmental Funds
<u>Revolving</u>	<u>Other</u>	<u>Sub-total</u>	<u>Permanent Fund</u>	
\$ -	-	\$ 896,374	\$ -	\$ 896,374
-	-	607,826	-	607,826
-	-	3,114,705	-	3,114,705
3,009,377	-	3,009,377	-	3,009,377
-	-	714,889	-	714,889
-	4,593,208	4,593,208	98,373	4,691,581
-	-	177,496	849,963	1,027,459
<u>3,009,377</u>	<u>4,593,208</u>	<u>13,113,875</u>	<u>948,336</u>	<u>14,062,211</u>
8,161	5,206	16,164	1,881	18,045
649,381	6,955	697,647	-	697,647
1,327,228	1,731,160	6,120,863	9,027	6,129,890
97,238	27,570	294,607	-	294,607
132,129	33,151	214,538	-	214,538
111,564	60,060	174,424	-	174,424
-	178,140	207,353	51,557	258,910
11,022	-	11,022	72,244	83,266
-	-	410,319	-	410,319
-	-	339,686	-	339,686
<u>2,336,723</u>	<u>2,042,242</u>	<u>8,486,623</u>	<u>134,709</u>	<u>8,621,332</u>
<u>672,654</u>	<u>2,550,966</u>	<u>4,627,252</u>	<u>813,627</u>	<u>5,440,879</u>
-	-	-	100,000	100,000
-	-	(76,825)	-	(76,825)
-	-	(76,825)	100,000	23,175
672,654	2,550,966	4,550,427	913,627	5,464,054
<u>978,986</u>	<u>750,731</u>	<u>6,605,929</u>	<u>2,076,578</u>	<u>8,682,507</u>
\$ <u>1,651,640</u>	\$ <u>3,301,697</u>	\$ <u>11,156,356</u>	\$ <u>2,990,205</u>	\$ <u>14,146,561</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, 2007

	Network Information Services	Fleet Maintenance	Health Insurance	Worker's Compensation	Total Internal Service Funds
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 191,788	\$ 26,679	\$ 235,126	\$ 92,520	\$ 546,113
Investments.....	-	-	1,091,458	-	1,091,458
Total current assets.....	<u>191,788</u>	<u>26,679</u>	<u>1,326,584</u>	<u>92,520</u>	<u>1,637,571</u>
TOTAL ASSETS.....	<u>191,788</u>	<u>26,679</u>	<u>1,326,584</u>	<u>92,520</u>	<u>1,637,571</u>
LIABILITIES					
CURRENT:					
Warrants payable.....	40,712	-	-	-	40,712
Accrued payroll.....	18,163	-	-	-	18,163
Workers' compensation.....	-	-	-	302,000	302,000
Total current liabilities.....	<u>58,875</u>	<u>-</u>	<u>-</u>	<u>302,000</u>	<u>360,875</u>
NONCURRENT:					
Workers' compensation.....	-	-	-	612,000	612,000
TOTAL LIABILITIES.....	<u>58,875</u>	<u>-</u>	<u>-</u>	<u>914,000</u>	<u>972,875</u>
NET ASSETS					
Unrestricted.....	<u>\$ 132,913</u>	<u>\$ 26,679</u>	<u>\$ 1,326,584</u>	<u>\$ (821,480)</u>	<u>\$ 664,696</u>

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

FISCAL YEAR ENDED JUNE 30, 2007

	Network Information Services	Fleet Maintenance	Health Insurance	Worker's Compensation	Total Internal Service Funds
OPERATING REVENUES:					
Employee contributions	\$ -	\$ -	\$ 4,846,913	\$ -	\$ 4,846,913
Charges for services	823,997	1,110,781	10,697,350	261,743	12,893,871
TOTAL OPERATING REVENUES	823,997	1,110,781	15,544,263	261,743	17,740,784
OPERATING EXPENSES:					
Supplies and services.....	863,641	1,111,076	14,985,670	635,394	17,595,781
TOTAL OPERATING EXPENSES	863,641	1,111,076	14,985,670	635,394	17,595,781
OPERATING INCOME (LOSS).....	(39,644)	(295)	558,593	(373,651)	145,003
NONOPERATING REVENUES (EXPENSES):					
Investment income.....	-	-	40,853	17,967	58,820
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	-	-	40,853	17,967	58,820
INCOME (LOSS) BEFORE OPERATING TRANSFERS.....	(39,644)	(295)	599,446	(355,684)	203,823
CHANGE IN NET ASSETS.....	(39,644)	(295)	599,446	(355,684)	203,823
NET ASSETS AT BEGINNING OF YEAR.....	172,557	26,974	727,138	(465,796)	460,873
NET ASSETS AT END OF YEAR.....	\$ 132,913	\$ 26,679	\$ 1,326,584	\$ (821,480)	\$ 664,696

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2007

	Network Information Services	Fleet Maintenance	Health Insurance	Worker's Compensation	Total Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>					
Receipts from customers and users.....	\$ -	\$ -	\$ 4,846,913	\$ -	\$ 4,846,913
Receipts from interfund services provided.....	823,997	1,110,781	10,697,350	261,743	12,893,871
Payments to employees.....	(553,026)	(436,985)	-	(551,394)	(1,541,405)
Payments for interfund services used.....	(339,637)	(674,091)	(14,985,670)	-	(15,999,398)
NET CASH FROM OPERATING ACTIVITIES.....	(68,666)	(295)	558,593	(289,651)	199,981
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>					
Proceeds from sales and maturities of investments.....	2,641	-	727,138	364,204	1,093,983
Purchase of investments.....	-	-	(1,091,458)	-	(1,091,458)
Investment income.....	-	-	40,853	17,967	58,820
NET CASH FROM INVESTING ACTIVITIES.....	2,641	-	(323,467)	382,171	61,345
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(66,025)	(295)	235,126	92,520	261,326
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	257,813	26,974	-	-	284,787
CASH AND CASH EQUIVALENTS, END OF YEAR.....	\$ 191,788	\$ 26,679	\$ 235,126	\$ 92,520	\$ 546,113
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>					
Operating income (loss).....	\$ (39,644)	\$ (295)	\$ 558,593	\$ (373,651)	\$ 145,003
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Changes in assets and liabilities:					
Warrants payable.....	(17,488)	-	-	-	(17,488)
Accrued payroll.....	(11,534)	-	-	-	(11,534)
Workers' compensation.....	-	-	-	84,000	84,000
Total adjustments.....	(29,022)	-	-	84,000	54,978
NET CASH FROM OPERATING ACTIVITIES.....	\$ (68,666)	\$ (295)	\$ 558,593	\$ (289,651)	\$ 199,981

Fiduciary Funds

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

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Agency Accounts July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Agency Accounts June 30, 2007</u>
ASSETS				
Cash and cash equivalents.....	\$ 1,332,156	\$ 22,105,684	\$ (22,733,747)	\$ 704,093
LIABILITIES				
Liabilities due depositors.....	\$ 1,332,156	\$ 22,105,684	\$ (22,733,747)	\$ 704,093

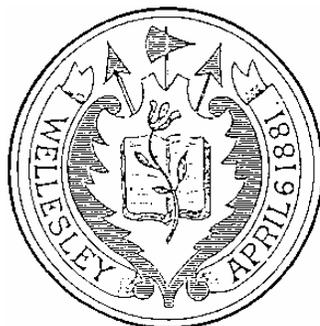
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Statistical Section

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



The Isaac Sprague (1860-1934) Memorial Clock Tower was constructed to resemble the famous Venetian Campanile in Venice, Italy.



**Town of Wellesley, Massachusetts
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2007**

Statistical Section

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

Town of Wellesley, Massachusetts
Net Assets By Component
Last Five Fiscal Years

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities					
Invested in capital assets, net of related debt.....	\$ 28,393,793	\$ 60,416,766	\$ 56,280,575	\$ 59,460,936	\$ 512,177
Restricted.....	1,753,311	2,622,666	4,235,793	5,156,611	118,026,898
Unrestricted.....	<u>18,866,117</u>	<u>13,051,094</u>	<u>13,819,989</u>	<u>16,306,929</u>	<u>-</u>
Total governmental activities net assets.....	<u>\$ 49,013,221</u>	<u>\$ 76,090,526</u>	<u>\$ 74,336,357</u>	<u>\$ 80,924,476</u>	<u>\$ 118,539,075</u>
Business-type activities					
Invested in capital assets, net of related debt.....	\$ 48,781,255	\$ 52,192,699	\$ 54,876,155	\$ 59,462,054	\$ 22,098
Unrestricted.....	<u>15,610,960</u>	<u>16,796,672</u>	<u>18,463,745</u>	<u>17,200,472</u>	<u>-</u>
Total business-type activities net assets.....	<u>\$ 64,392,215</u>	<u>\$ 68,989,371</u>	<u>\$ 73,339,900</u>	<u>\$ 76,662,526</u>	<u>\$ 22,098</u>
Primary government					
Invested in capital assets, net of related debt.....	\$ 77,175,048	\$ 112,609,465	\$ 111,156,730	\$ 118,922,990	\$ 534,275
Restricted.....	1,753,311	2,622,666	4,235,793	5,156,611	118,026,898
Unrestricted.....	<u>34,477,077</u>	<u>29,847,766</u>	<u>32,283,734</u>	<u>33,507,401</u>	<u>-</u>
Total primary government net assets.....	<u>\$ 113,405,436</u>	<u>\$ 145,079,897</u>	<u>\$ 147,676,257</u>	<u>\$ 157,587,002</u>	<u>\$ 118,561,173</u>

Note: The Town reported retroactive infrastructure assets for the first time in FY2007 in accordance with GASB #34.

Town of Wellesley, Massachusetts
Changes in Net Assets
Last Five Fiscal Years

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government.....	\$ 5,468,746	\$ 5,044,581	\$ 5,934,146	\$ 5,751,822	\$ 5,684,079
Public safety.....	10,395,245	10,642,772	10,515,879	11,210,299	12,196,439
Public education.....	60,021,423	59,361,961	68,110,742	66,774,878	72,434,095
Public works.....	7,877,485	8,250,480	8,060,375	7,765,401	8,910,481
Health and sanitation.....	574,912	906,951	911,381	926,992	1,099,860
Library.....	3,051,245	3,228,081	2,982,299	3,204,781	3,313,582
Recreation.....	1,069,808	1,795,038	1,591,944	1,563,683	1,859,635
Traffic and parking management.....	561,341	592,766	616,467	614,061	410,319
Community preservation.....	-	-	401,717	394,938	156,154
Interest.....	1,520,180	1,363,670	1,725,684	1,965,900	2,715,786
Total government activities expenses.....	90,540,385	91,186,300	100,850,634	100,172,755	108,780,430
Business-type activities:					
Sewer.....	4,912,376	4,999,788	5,030,351	5,231,528	5,643,469
Water.....	3,226,687	3,282,334	3,473,977	3,776,231	4,091,223
Electric.....	16,813,918	15,612,029	15,675,397	18,305,554	16,090,148
Total business-type activities expenses.....	24,952,981	23,894,151	24,179,725	27,313,313	25,824,840
Total primary government expenses.....	\$ 115,493,366	\$ 115,080,451	\$ 125,030,359	\$ 127,486,068	\$ 134,605,270
Program Revenues					
Governmental activities:					
Education charges for services.....	\$ 1,939,722	\$ 2,136,661	\$ 2,195,309	\$ 2,385,765	\$ 2,462,304
Public Safety charges for services.....	2,118,225	2,665,474	2,514,000	2,829,868	3,287,869
Other charges for services.....	2,022,302	2,335,672	2,662,604	2,854,573	3,434,294
Education operating grants and contributions.....	10,719,067	11,293,770	13,448,572	14,537,555	15,788,954
Other operating grants and contributions.....	3,468,434	3,386,078	1,500,867	991,475	1,025,278
Education capital grant and contributions.....	2,011,335	18,778,000	-	-	-
Other capital grant and contributions.....	1,670,009	5,074,298	910,763	2,240,277	3,160,217
Total government activities program revenues.....	23,949,094	45,669,953	23,232,115	25,839,513	29,158,916
Business-type activities:					
Electric Light charges for services.....	20,417,267	20,683,699	20,612,378	22,006,910	23,884,664
Sewer and water charges for services.....	8,273,537	8,424,932	8,614,427	9,072,079	9,354,153
Electric Light capital grant and contributions.....	226,218	270,456	512,127	533,944	1,094,051
Other capital grant and contributions.....	34,157	43,625	123,091	57,879	158,889
Total business-type activities program revenues.....	28,951,179	29,422,712	29,862,023	31,670,812	34,491,757
Total primary government program revenues.....	\$ 52,900,273	\$ 75,092,665	\$ 53,094,138	\$ 57,510,325	\$ 63,650,673
Net (Expense)/Revenue					
Governmental activities.....	\$ (66,591,291)	\$ (45,516,347)	\$ (77,618,519)	\$ (74,333,242)	\$ (79,621,514)
Business-type activities.....	3,998,198	5,528,561	5,682,298	4,357,499	8,666,917
Total primary government net expense.....	\$ (62,593,093)	\$ (39,987,786)	\$ (71,936,221)	\$ (69,975,743)	\$ (70,954,597)
General Revenues and other Changes in Net Assets					
Governmental activities:					
Real estate and personal property taxes, net of tax refunds payable.....	\$ 61,585,388	\$ 64,070,276	\$ 67,205,004	\$ 71,321,199	\$ 78,163,604
Community preservation tax.....	-	563,595	590,772	647,462	714,889
Motor vehicle and other excise taxes.....	4,263,663	4,404,140	3,992,408	4,024,721	4,208,500
Grants and contributions, and other not restricted to specific programs.....	2,101,414	2,001,048	1,841,256	2,190,228	2,459,970
Unrestricted investment income.....	1,305,019	554,593	843,910	1,612,751	4,088,451
Transfers.....	1,000,000	1,000,000	1,391,000	1,125,000	1,000,000
Total governmental activities.....	70,255,484	72,593,652	75,864,350	80,921,361	90,635,414
Business-type activities:					
Unrestricted investment income.....	-	68,595	59,231	90,127	93,578
Transfers.....	(1,000,000)	(1,000,000)	(1,391,000)	(1,125,000)	(1,000,000)
Total business type activities.....	(1,000,000)	(931,405)	(1,331,769)	(1,034,873)	(906,422)
Total primary government	\$ 69,255,484	\$ 71,662,247	\$ 74,532,581	\$ 79,886,488	\$ 89,728,992
Changes in Net Assets					
Governmental activities.....	\$ 3,664,193	\$ 27,077,305	\$ (1,754,169)	\$ 6,588,119	\$ 11,013,900
Business-type activities.....	2,998,198	4,597,156	4,350,529	3,322,626	7,760,495
Total primary government.....	\$ 6,662,391	\$ 31,674,461	\$ 2,596,360	\$ 9,910,745	\$ 18,774,395

**Town of Wellesley, Massachusetts
Fund Balances, Governmental Funds
Last Ten Fiscal Years**

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved.....	\$ 2,241,929	\$ 2,272,726	\$ 3,179,152	\$ 2,527,264	\$ 3,536,857	\$ 3,272,806	\$ 2,718,614	\$ 2,845,563	\$ 2,014,113	\$ 2,233,791
Unreserved.....	4,999,703	4,959,321	3,021,231	2,736,147	1,812,003	752,661	2,430,987	4,399,672	6,480,373	11,898,962
Total general fund.....	\$ 7,241,632	\$ 7,232,047	\$ 6,200,383	\$ 5,263,411	\$ 5,348,860	\$ 4,025,467	\$ 5,149,601	\$ 7,245,235	\$ 8,494,486	\$ 14,132,753
All Other Governmental Funds										
Reserved.....	\$ 783,779	\$ 414,625	\$ 390,018	\$ 791,785	\$ 1,179,308	\$ 976,456	\$ 221,272	\$ 220,419	\$ 220,712	\$ 220,399
Unreserved, reported in:										
Special revenue funds.....	1,462,613	1,536,852	1,839,481	1,795,284	2,198,043	5,288,842	7,385,439	7,838,882	9,533,391	13,136,539
Capital projects funds.....	655,261	109,577	(1,033,613)	13,724,319	(4,465,856)	(17,562,227)	(4,637,594)	11,510,107	8,544,779	(4,458,393)
Permanent funds.....	-	-	-	-	-	507,531	549,688	543,542	658,718	2,769,806
Total all other governmental funds.....	\$ 2,901,653	\$ 2,061,054	\$ 1,195,886	\$ 16,311,388	\$ (1,088,505)	\$ (10,789,398)	\$ 3,518,805	\$ 20,112,950	\$ 18,957,600	\$ 11,668,351

Fiscal years 1998 through 2002 exclude Expendable and Nonexpendable Trust Funds which were reported under the pre-GASB 34 format.

Town of Wellesley, Massachusetts
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

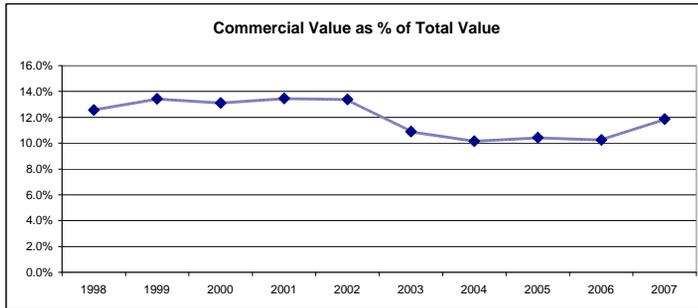
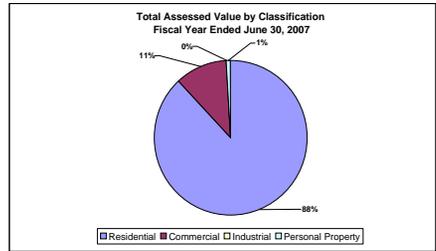
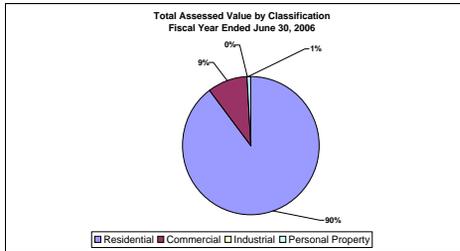
	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues:										
Real estate and personal property taxes, net of tax refunds.....	\$ 41,841,680	\$ 43,700,115	\$ 45,605,810	\$ 48,364,287	\$ 53,717,036	\$ 58,104,152	\$ 62,151,256	\$ 66,459,298	\$ 71,217,505	\$ 78,742,825
Motor vehicle and other excise taxes.....	3,120,428	3,391,300	3,866,212	3,837,247	3,903,497	3,827,688	3,846,238	3,945,707	4,038,289	4,211,503
Community preservation tax.....	-	-	-	-	-	513,857	563,595	590,772	647,462	714,889
Charges for service.....	582,928	765,218	889,807	973,019	781,649	874,822	875,507	920,385	990,903	886,374
Intergovernmental.....	6,797,143	6,677,170	12,986,064	14,330,776	14,265,410	15,013,111	16,877,556	20,721,836	18,952,519	18,447,436
Departmental and other.....	7,447,691	6,805,195	7,835,937	8,470,025	7,531,475	9,377,898	10,953,699	8,483,502	11,931,673	18,075,693
Total Revenue.....	59,789,870	61,338,998	71,183,830	75,975,354	80,199,067	87,711,528	95,267,851	101,121,500	107,778,351	121,088,720
Expenditures:										
General government.....	3,139,604	3,451,799	3,317,580	3,496,629	3,362,292	3,772,208	3,233,489	4,113,096	3,851,097	3,770,805
Public safety.....	6,630,689	7,910,500	8,389,383	8,564,234	8,951,996	8,976,386	8,917,285	8,979,145	9,430,067	9,731,124
Education.....	29,883,959	31,909,391	34,856,803	37,205,546	39,856,136	47,247,590	45,058,667	47,036,196	50,135,066	53,779,909
Public works.....	6,766,789	5,934,637	5,905,897	6,545,059	6,645,806	7,198,459	7,071,277	6,832,213	6,319,997	6,387,626
Health and sanitation.....	345,084	370,497	404,011	417,514	509,806	530,201	855,613	861,634	828,810	970,230
Recreation.....	650,341	688,049	777,639	791,723	757,313	782,467	1,417,905	1,170,948	1,228,227	1,543,224
Library.....	2,224,813	2,301,368	2,271,179	2,236,426	2,232,506	2,499,339	2,526,667	2,257,163	2,509,317	2,549,641
Teachers pension benefits - state funded (see note below).....	-	-	5,329,843	5,909,834	5,124,471	5,788,693	6,174,123	6,912,222	7,571,709	7,928,963
Employee benefits and insurances.....	4,192,725	4,145,000	4,214,883	4,784,500	6,448,205	7,732,966	8,348,890	8,913,374	10,466,484	12,556,366
Capital outlay.....	1,732,795	1,168,461	1,514,577	4,707,429	18,369,686	19,537,019	6,930,073	6,129,829	18,907,402	13,805,180
Community preservation.....	-	-	-	-	-	-	-	-	394,938	149,825
State and county charges.....	976,522	994,316	1,010,052	1,019,278	1,021,764	1,000,627	1,041,780	989,645	932,492	993,897
Other.....	1,344,347	1,269,186	951,415	1,087,421	880,720	1,672,448	1,044,073	1,504,964	1,311,020	1,091,428
Debt service.....	-	-	-	-	-	-	-	-	-	-
Principal.....	2,721,000	3,295,000	3,577,843	3,928,958	4,290,000	2,685,000	3,110,000	3,750,000	4,520,000	5,781,000
Interest.....	790,002	776,478	512,024	403,392	1,177,308	1,520,180	1,279,274	1,679,941	1,938,444	2,729,042
Total Expenditures.....	61,398,670	64,214,682	72,832,129	81,087,943	99,628,011	110,943,583	97,009,116	101,130,370	120,345,070	123,758,260
Excess of revenues over (under) expenditures.....	(1,608,800)	(2,875,684)	(1,648,299)	(5,112,589)	(19,428,944)	(23,232,055)	(1,741,265)	(8,870)	(12,566,719)	(2,669,540)
Other Financing Sources (Uses)										
Issuance of bonds and notes.....	-	-	-	18,400,000	-	5,510,000	15,660,000	17,290,000	11,466,000	-
Premium from issuance of bonds.....	-	-	-	-	-	-	513,602	199,649	69,620	18,558
Sale of land.....	-	-	1,100,000	-	-	-	-	-	-	-
Transfers in.....	1,985,600	2,472,000	1,700,000	2,976,124	3,035,594	3,217,220	2,641,000	1,663,932	2,272,628	1,176,825
Transfers out.....	(905,000)	(446,500)	(3,048,533)	(2,085,005)	(921,094)	(2,217,220)	(1,641,000)	(663,932)	(1,147,628)	(176,825)
Total other financing sources (uses).....	1,080,600	2,025,500	(248,533)	19,291,119	2,114,500	6,510,000	17,173,602	18,489,649	12,660,620	1,018,558
Net change in fund balance.....	\$ (528,200)	\$ (850,184)	\$ (1,896,832)	\$ 14,178,530	\$ (17,314,444)	\$ (16,722,055)	\$ 15,432,337	\$ 18,480,779	\$ 93,901	\$ (1,650,982)
Debt service as a percentage of noncapital expenditures.....	5.88%	6.46%	5.73%	5.67%	6.73%	4.60%	4.87%	5.72%	6.37%	7.74%

Notes:

Fiscal years 1998 through 2002 exclude Expendable and Nonexpendable Trust Funds which were reported under the pre-GASB 34 format. In fiscal year 2000, the on-behalf payments by the Commonwealth for teachers pension benefits were reported for the first time.

Town of Wellesley, Massachusetts
Assessed Value and Actual Value of Taxable Property by Classification and Tax Rate
Last Ten Fiscal Years

Fiscal Year	Assessed and Actual Values and Tax Rates									
	Residential Value	Residential Tax Rate	Residential % of Total Value	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Commercial % of Total Value	Total Town Value
1998	\$3,677,517,000	10.03	87.42%	\$493,285,500	\$4,757,000	\$31,017,000	\$529,059,500	10.03	12.58%	\$4,206,576,500
1999	\$3,864,867,000	9.86	86.56%	\$556,955,000	\$4,916,000	\$38,390,000	\$600,261,000	9.86	13.44%	\$4,465,128,000
2000	(1) \$4,198,292,000	9.50	86.89%	\$588,887,000	\$5,011,000	\$39,364,300	\$633,262,300	9.50	13.11%	\$4,831,554,300
2001	\$4,757,723,000	8.85	86.53%	\$691,499,999	\$5,421,000	\$43,969,500	\$740,890,499	8.85	13.47%	\$5,498,613,499
2002	\$5,776,391,000	8.10	86.62%	\$832,118,000	\$6,096,000	\$54,259,100	\$892,473,100	8.10	13.38%	\$6,668,864,100
2003	(1) \$6,406,545,000	8.12	89.11%	\$721,380,000	\$5,297,000	\$56,051,200	\$782,728,200	8.12	10.89%	\$7,189,273,200
2004	\$6,887,379,000	8.56	89.84%	\$688,831,000	\$5,428,000	\$62,123,900	\$756,382,900	8.56	10.16%	\$7,443,761,900
2005	\$7,073,527,000	8.40	89.58%	\$753,855,000	\$5,896,000	\$62,710,000	\$822,461,000	8.40	10.42%	\$7,895,988,000
2006	(1) \$7,743,110,000	8.32	89.75%	\$815,399,000	\$6,504,000	\$62,828,500	\$884,731,500	8.32	10.25%	\$8,627,841,500
2007	\$7,946,702,000	8.87	88.12%	\$995,225,000	\$7,047,000	\$68,796,000	\$1,071,068,000	8.87	11.88%	\$9,017,770,000



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

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

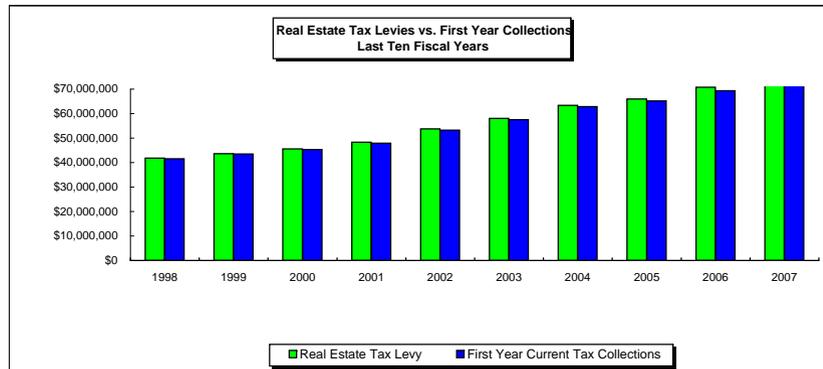
**Town of Wellesley, Massachusetts
Principal Taxpayers
Current Year and Nine Years Ago**

Name	Nature of Business	2007			1998		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Haynes Management	Office Buildings	\$ 146,751,000	1	1.70%	\$ 75,047,000	2	1.78%
Beacon Properties	Office Buildings	143,087,000	2	1.66%	101,833,000	1	2.42%
Sun Life Assurance	Office Buildings	86,758,000	3	1.01%	55,409,000	3	1.32%
Wellesley College	Education/Residential	68,043,000	4	0.79%	27,409,000	5	0.65%
Harvard Pilgrim	Office Buildings	62,272,000	5	0.72%	-	-	0.00%
Federal Realty FR Linden Square	Retail	53,846,000	6	0.62%	28,884,000	4	0.69%
Hunnewell Family	Residential	34,573,000	7	0.40%	20,318,500	6	0.48%
Newton Wellesley Executive Office Park	Office Buildings	28,077,000	8	0.33%	18,245,000	7	0.48%
GPT Realty Trust	Residential	25,615,000	9	0.30%	15,066,000	8	0.36%
Grignaffini & Suns	Real Estate Development	20,183,000	10	0.23%	11,254,000	10	0.27%
Wellesley Country Club	Leisure	13,035,000	N/A	-	14,446,000	9	0.34%
	Totals	<u>\$ 682,240,000</u>		<u>7.76%</u>	<u>\$ 367,911,500</u>		<u>8.79%</u>

Source: Assessor's Department, Town of Wellesley

**Town of Wellesley, Massachusetts
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year	(2) Total Tax Levy	Less Abatements & Exemptions	(2) Net Tax Levy	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Net Tax Levy
1998	\$42,191,962	\$350,282	\$41,841,680	\$41,601,320	99.4%	\$233,399	\$41,834,719	99.98%
1999	\$44,026,162	\$326,055	\$43,700,107	\$43,490,112	99.5%	\$196,447	\$43,686,559	99.97%
2000 (1)	\$45,899,766	\$298,956	\$45,600,810	\$45,305,790	99.4%	\$292,531	\$45,598,321	99.99%
2001	\$48,661,845	\$298,938	\$48,362,907	\$47,900,000	99.0%	\$452,787	\$48,352,787	99.98%
2002	\$54,017,799	\$300,763	\$53,717,036	\$53,200,000	99.0%	\$449,394	\$53,649,394	99.87%
2003 (1)	\$58,376,899	\$308,595	\$58,068,304	\$57,500,000	99.0%	\$502,432	\$58,002,432	99.89%
2004	\$63,718,602	\$316,357	\$63,402,245	\$62,843,022	99.1%	\$482,833	\$63,325,855	99.88%
2005	\$66,326,299	\$300,410	\$66,025,889	\$65,215,885	98.8%	\$164,911	\$65,380,796	99.02%
2006	\$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%	\$0	\$77,624,632	98.18%



Source: Assessor's Department, Town of Wellesley

(1) Revaluation year.

(2) Includes tax liens.

Town of Wellesley, Massachusetts
Ratios of Outstanding Debt and General Bonded Debt
Last Ten Fiscal Years

Fiscal Year	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities Debt				
				General Obligation Bonds	Capital Leases	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
1998	26,789	1,387,902,729	\$4,206,576,500	\$13,075,000	\$0	\$488	0.94%	0.31%
1999	26,663	1,409,566,158	\$4,465,128,000	\$10,720,000	\$0	\$402	0.76%	0.24%
2000	26,613	1,435,061,315	\$4,831,554,300	\$8,145,000	\$0	\$306	0.57%	0.17%
2001	26,632	1,464,807,575	\$5,498,513,500	\$24,510,000	\$0	\$920	1.67%	0.45%
2002	26,658	1,495,562,374	\$6,668,864,100	\$21,485,000	\$0	\$806	1.44%	0.32%
2003	26,628	1,523,756,906	\$7,189,273,200	\$24,310,000	\$0	\$913	1.60%	0.34%
2004	26,578	1,551,313,627	\$7,443,761,900	\$36,860,000	\$0	\$1,387	2.38%	0.50%
2005	26,515	1,578,589,151	\$7,895,988,000	\$50,400,000	\$0	\$1,901	3.19%	0.64%
2006	26,978	1,638,277,264	\$8,627,841,500	\$57,346,000	\$0	\$2,126	3.50%	0.66%
2007	26,978 (1)	1,671,044,298	\$9,017,770,000	\$51,565,000	\$0	\$1,911	3.09%	0.57%

Fiscal Year	Business-type Activities (2)		Total Primary Government			
	General Obligation Bonds	Capital Leases	Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
1998	\$6,600,000	\$0	\$19,675,000	\$734	1.42%	0.47%
1999	\$6,060,000	\$0	\$16,780,000	\$629	1.19%	0.38%
2000	\$5,620,000	\$0	\$13,765,000	\$517	0.96%	0.28%
2001	\$5,180,000	\$0	\$29,690,000	\$1,115	2.03%	0.54%
2002	\$4,980,000	\$0	\$26,465,000	\$993	1.77%	0.40%
2003	\$4,300,000	\$0	\$28,610,000	\$1,074	1.88%	0.40%
2004	\$3,985,000	\$0	\$40,845,000	\$1,537	2.63%	0.55%
2005	\$3,694,954	\$0	\$54,094,954	\$2,040	3.43%	0.69%
2006	\$3,849,935	\$0	\$61,195,935	\$2,268	3.74%	0.71%
2007	\$3,741,792	\$0	\$55,306,792	\$2,050	3.31%	0.61%

(1) 2007 Census information is not available.

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

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

Town of Wellesley, Massachusetts
Direct and Overlapping Governmental Activities Debt

As of June 30, 2007

<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.....	\$ 1,200,000	8.11%	\$ 97,320
Town direct debt.....			<u>51,565,000</u>
Total direct and overlapping debt.....			<u>\$ 51,662,320</u>

Source: Norfolk County Treasurer's Office

Town of Wellesley, Massachusetts
Computation of Legal Debt Margin
Last Ten Fiscal Years

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Equalized Valuation.....	<u>\$4,279,350,300</u>	<u>\$4,279,350,300</u>	<u>\$5,266,642,800</u>	<u>\$5,266,642,800</u>	<u>\$7,153,728,900</u>	<u>\$7,153,728,900</u>	<u>\$8,211,971,900</u>	<u>\$8,211,971,900</u>	<u>\$9,523,566,700</u>	<u>\$9,523,566,700</u>
Debt Limit -5% of Equalized Valuation.....	\$ 213,967,515	\$ 213,967,515	\$ 263,332,140	\$ 263,332,140	\$ 357,686,445	\$ 357,686,445	\$ 410,598,595	\$ 410,598,595	\$ 476,178,335	\$ 476,178,335
Less:										
Outstanding debt applicable to limit.....	\$10,352,375	\$8,298,000	\$6,339,000	\$22,780,000	\$20,101,000	\$23,272,000	\$36,168,000	\$52,370,890	\$57,346,000	\$51,565,000
Authorized and unissued debt.....	<u>\$4,285,000</u>	<u>\$9,290,000</u>	<u>\$6,961,650</u>	<u>\$17,745,000</u>	<u>\$36,445,000</u>	<u>\$28,285,000</u>	<u>\$11,375,000</u>	<u>\$20,457,974</u>	<u>\$11,722,323</u>	<u>35,453,000</u>
Legal debt margin.....	<u>\$199,330,140</u>	<u>\$196,379,515</u>	<u>\$250,031,490</u>	<u>\$222,807,140</u>	<u>\$301,140,445</u>	<u>\$306,129,445</u>	<u>\$363,055,595</u>	<u>\$337,769,731</u>	<u>\$407,110,012</u>	<u>\$389,160,335</u>
Total debt applicable to the limit as a percentage of debt limit.....	6.84%	8.22%	5.05%	15.39%	15.81%	14.41%	11.58%	17.74%	14.50%	18.27%

Source: Financial Services Department, Town of Wellesley

**Town of Wellesley, Massachusetts
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
1998	26,789	\$ 1,387,902,729	\$51,809	37.6	3,517	1.40%
1999	26,663	\$ 1,409,566,158	\$52,866	37.6	3,564	1.30%
2000 (1)	26,613	\$ 1,435,061,315	\$53,923	37.6	3,685	0.80%
2001	26,632	\$ 1,464,807,575	\$55,002	37.6	3,773	2.40%
2002	26,658	\$ 1,495,562,374	\$56,102	37.6	3,865	3.00%
2003	26,628	\$ 1,523,756,906	\$57,224	37.6	4,016	2.80%
2004	26,578	\$ 1,551,313,627	\$58,368	37.6	4,171	3.40%
2005	26,515	\$ 1,578,589,151	\$59,536	37.6	4,312	3.00%
2006	26,978	\$ 1,638,277,264	\$60,726	37.6	4,410	2.80%
2007	26,978	\$ 1,671,042,810	\$61,941	37.6	4,631	2.80%

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

**Town of Wellesley, Massachusetts
Principal Employers (excluding the Town)
Current Year and Nine Years Ago**

Employer	Nature of Business	2006 (1)			1998		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Sun Life of Canada	Insurance Company	1900	1	15.38%	1100	2	8.28%
Wellesley College	College	1500	2	12.15%	1250	1	9.41%
Babson College	College	750	3	6.07%	623	3	4.69%
Accenture	Management Consulting	700	4	5.67%	-	-	-
Harvard Pilgrim Health Care	HMO	490	5	3.97%	375	4	2.82%
Roche Brothers	Grocery	254	6	2.06%	-	-	-
Mass Bay Community College	College	250	7	2.02%	201	9	1.51%
Dana Hall School	Private School	236	8	1.91%	150	10	1.13%
Watson Wyatt Worldwide	Actuary	200	9	1.62%	230	8	1.73%
Amica Mutual Life	Insurance Company	165	10	1.34%	235	7	1.77%
Eastman Kodak	Photography Equipment	-	-	-	275	5	2.07%
Filene's Basement	Department Store Headquarters	-	-	-	250	6	1.88%

According to the Massachusetts Workforce Development Data, in October 2006 the town had a total labor force of 12,859, of whom 12,495 were employed and 364 or 2.8% were unemployed.

Source: Massachusetts Workplace Development Agency

(1) This comparative information for 2007 is not available.

Town of Wellesley, Massachusetts
Full-time Equivalent Town Employees by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government.....	53	49	48	57	58	47	47	47	46	47
Public safety.....	115	115	112	114	114	110	109	110	112	120
Public education.....	573	563	565	591	607	624	629	659	665	681
Public works.....	93	92	93	95	95	96	91	91	90	90
Health and Sanitation.....	5	5	5	4	4	4	4	4	4	5
Library.....	24	29	28	32	31	31	31	27	27	39
Recreation.....	5	5	5	5	5	6	6	6	7	6
Water/Sewer.....	23	25	25	25	25	25	26	28	28	28
Electric light.....	37	32	34	34	36	34	34	33	37	37
Total	928	915	915	957	975	977	977	1,005	1,016	1,053

Source: Various Town Departments

Town of Wellesley, Massachusetts
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government										
New home building permits.....	22	25	21	53	36	43	50	83	59	51
Police										
Physical arrests.....	323	425	267	234	281	343	430	375	403	282
Motor vehicle violations.....	5,199	8,362	8,803	7,257	8,369	7,726	10,046	8,183	8,136	6,804
Police personnel and officers.....	55	55	52	56	54	57	57	57	58	53
Fire										
Inspections.....	2,518	2,408	2,408	2,486	2,487	2,487	2,529	2,565	2,628	2,856
Emergency responses.....	3,562	3,951	3,951	4,332	3,821	4,322	4,380	4,019	4,208	4,208
Fire personnel and officers.....	60	60	59	59	59	55	55	55	54	57
Education										
Number of public school students.....	3,517	3,564	3,685	3,773	3,865	4,016	4,171	4,312	4,410	4,631
Health and sanitation										
Number of vaccinations.....	2,736	2,775	2,904	2,975	1,881	1,705	1,550	1,640	1,790	1,596
Library										
Volumes in circulation.....	450,913	453,673	449,765	451,765	207,255	323,997	525,246	557,402	560,258	575,651
Recreation										
Total program revenue.....	\$440,574	\$469,366	\$497,496	\$431,090	\$373,669	\$421,108	\$654,170	\$843,347	\$779,317	\$1,506,886
Traffic and parking management										
Total ticket revenue.....	\$279,565	\$261,890	\$272,975	\$302,320	\$334,548	\$375,899	\$291,106	\$344,554	\$440,348	\$607,826
Sewer										
Number of accounts.....	7,758	7,879	N/A	7,716	7,970	7,994	8,003	8,053	8,133	8,160
Feet rodded/flushed.....	289,633	289,542	N/A	230,830	198,388	187,670	234,670	295,470	307,069	297,711
Water										
Number of accounts.....	9,963	10,421	N/A	10,525	10,955	11,094	11,204	11,368	11,663	11,711
Consumption in gallons (millions).....	1,001	966	1,029	1,057	964	877	815	811	924	884
Daily consumption (millions).....	2.74	2.65	2.82	2.89	2.64	2.40	2.23	2.22	2.53	2.42

Source: Various Town Departments

N/A: This information is not available

**Town of Wellesley, Massachusetts
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government										
Number of Buildings.....	4	4	4	4	4	4	3	3	3	3
Police										
Number of Stations.....	1	1	1	1	1	1	1	1	1	1
Fire										
Number of Stations.....	2	2	2	2	2	2	2	2	2	2
Education										
Number of elementary schools.....	6	6	6	6	6	6	7	7	7	7
Number of middle 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).....	110	110	110	116	118	118	118	118	118	118
Library										
Buildings.....	3	3	3	3	3	3	3	3	3	1
Recreation										
Park and playground (acreage).....	268	268	268	268	268	268	268	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