

OFFICIAL STATEMENT DATED MARCH 30, 2011

Ratings: See "Ratings" herein.
Moody's Investors Service, Inc.: Aaa
Standard & Poor's Rating Group: AAA

New Issue

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

TOWN OF WELLESLEY, MASSACHUSETTS \$22,610,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2011 BONDS

DATED
As of Delivery Date

DUE
April 1,
(as shown below)

The Bonds are issuable only in fully registered form, registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form in the denomination of \$5,000 or any integral multiple thereof. (See "Book-Entry Transfer System" herein.)

Principal of the Bonds will be payable April 1, of the years in which the Bonds mature. Interest on the Bonds will be payable April 1, and October 1 commencing October 1, 2011. Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds are subject to redemption prior to their stated maturity dates as described herein.

In the opinion of Bond Counsel, the Bonds are valid general obligations of the Town of Wellesley, Massachusetts and the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws.

MATURITIES, AMOUNTS, RATES, PRICES OR YIELDS AND CUSIPS

| Due April 1 | Principal Amount | Interest Rate | Yield | Cusip 949493 | Due April 1 | Principal Amount | Interest Rate | Yield | Cusip 949493 |
|----------------|---------------------|------------------|--------|-----------------|----------------|---------------------|------------------|--------|-----------------|
| 2012 | \$ 1,190,000 | 3.00 % | 0.35 % | SX9 | 2022 | \$ 1,100,000 | 3.25 % | 3.33 % | TH3 |
| 2013 | 1,185,000 | 3.00 | 0.80 | SY7 | 2023 | 1,100,000 | 3.50 | 3.50 | TJ9 |
| 2014 | 1,185,000 | 2.00 | 1.00 | SZ4 | 2024 | 1,100,000 | 3.625 | 3.65 | TK6 |
| 2015 | 1,150,000 | 3.00 | 1.54 | TA8 | 2025 | 1,100,000 | 3.625 | 3.80 | TL4 |
| 2016 | 1,150,000 | 3.00 | 1.70 | TB6 | 2026 | 1,100,000 | 3.75 | 3.92 | TM2 |
| 2017 | 1,150,000 | 3.00 | 2.00 | TC4 | 2027 | 1,100,000 | 4.00 | 4.02 | TN0 |
| 2018 | 1,150,000 | 4.00 | 2.37 | TD2 | 2028 | 1,100,000 | 4.00 | 4.10 | TP5 |
| 2019 | 1,150,000 | 4.00 | 2.68 | TE0 | 2029 | 1,100,000 | 4.00 | 4.18 | TQ3 |
| 2020 | 1,150,000 | 4.00 | 2.95 | TF7 | 2030 | 1,100,000 | 4.25 | 4.28 | TR1 |
| 2021 | 1,150,000 | 4.00 | 3.12 | TG5 | 2031 | 1,100,000 | 4.25 | 4.38 | TS9 |

(plus accrued interest to be added if any)

The Bonds are offered subject to the final approving opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel, Boston, Massachusetts, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. First Southwest Company, Boston, Massachusetts, has acted as Financial Advisor to the Town of Wellesley, Massachusetts, with respect to the Bonds. The Bonds in definitive form will be delivered to DTC, or its custodial agent, on or about April 7, 2011, against payment to the Town in Federal Reserve funds.

UBS FINANCIAL SERVICES

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The information set forth herein has been obtained from the Town and from other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds described herein shall, under any circumstances, create any implication that there has been no change in the affairs of the Town of Wellesley since the date hereof.

SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in the Official Statement.

Date of Sale: Wednesday, March 30, 2011, 11:00 a.m. (E.T).

Location of Sale: First Southwest Company, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114.

Issuer: Town of Wellesley, Massachusetts.

Issue: \$22,610,000 General Obligation Municipal Purpose Loan of 2011 Bonds, see "THE BONDS - Book-Entry Transfer System" herein.

Official Statement Dated: March 30, 2011.

Dated Date of the Bonds: As of Delivery Date.

Principal Due: Serially April 1, 2012 through April 1, 2031 as detailed herein.

Purpose and Authority: Bond proceeds will finance a portion of a High School project, drainage and recreation purposes as authorized by Town Meeting under provisions of Chapter 44, sections 7 and 70B of the Massachusetts General Laws as detailed herein.

Redemption: The Bonds are subject to redemption prior to their stated maturity dates, as set forth therein.

Security for the Bonds: The Bonds will be valid general obligations of the Town of Wellesley, Massachusetts, and the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws.

Credit Ratings: Moody's Investors Service and Standard & Poor's Ratings Group have assigned ratings of Aaa and AAA to the Bonds, respectively.

Bond Insurance: The Town has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility.

Basis of Award: Lowest True Interest Cost (TIC), as of the dated date. **BIDS MUST INCLUDE A PREMIUM OF AT LEAST \$100,000.**

Tax Exemption: Refer to "THE BONDS - Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion of Bond Counsel".

Continuing Disclosure: Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate".

Bank Qualification: The Bonds **WILL NOT BE** designated by the Town as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Paying Agent: U.S. Bank National Association, Boston, Massachusetts

Legal Opinion: Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts.

Financial Advisor: First Southwest Company, Boston, Massachusetts.

Delivery and Payment: It is expected that delivery of the Bonds in book-entry only form will be made to The Depository Trust Company, or to its custodial agent, on or about April 7, 2011, against payment in Federal Funds.

Issuer Official: Questions concerning the Official Statement should be addressed to: Marc V. Waldman, Treasurer, Town of Wellesley, Massachusetts telephone (781) 431-1019 or Peter Frazier, Senior Vice President, First Southwest Company, Boston, Massachusetts Telephone (617) 619-4409.

**NOTICE OF SALE
TOWN OF WELLESLEY, MASSACHUSETTS
\$22,610,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2011 BONDS**

The Town of Wellesley, Massachusetts (the "Town") will receive sealed and electronic (as described herein) proposals until 11:00 A.M., Eastern Time, Wednesday, March 30, 2011, for the purchase of the following described General Obligation Municipal Purpose Loan of 2011 Bonds of the Town (the "Bonds"):

\$22,610,000 General Obligation Municipal Purpose Loan of 2011 Bonds payable April 1 of the years and in the amounts as follows:

| Due April 1 | Principal Amount | Due April 1 | | Principal Amount |
|----------------|---------------------|----------------|---|---------------------|
| 2012 | \$ 1,190,000 | 2022 | * | \$ 1,100,000 |
| 2013 | 1,185,000 | 2023 | * | 1,100,000 |
| 2014 | 1,185,000 | 2024 | * | 1,100,000 |
| 2015 | 1,150,000 | 2025 | * | 1,100,000 |
| 2016 | 1,150,000 | 2026 | * | 1,100,000 |
| 2017 | 1,150,000 | 2027 | * | 1,100,000 |
| 2018 | 1,150,000 | 2028 | * | 1,100,000 |
| 2019 | 1,150,000 | 2029 | * | 1,100,000 |
| 2020 | 1,150,000 | 2030 | * | 1,100,000 |
| 2021 | 1,150,000 | 2031 | * | 1,100,000 |

* Callable maturities. May be combined into one, two or three Term Bonds, as provided herein.

The Bonds will be dated as of their delivery date. Principal of the Bonds will be payable on April 1 of the years in which the Bonds mature. Interest will be payable on April 1 and October 1 commencing October 1, 2011.

The Bonds will be issued by means of a book-entry system with no physical distribution of certificates made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000, or integral multiples thereof, will be evidenced by a book-entry system with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures established by DTC and its Participants. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Interest and principal on the Bonds will be payable to DTC or its Nominee as Registered Owner of the Bonds. Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners will be the responsibility of such Participants and other Nominees of Beneficial Owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

The Bonds maturing on and before April 1, 2021 are not subject to redemption prior to their stated maturity dates. Bonds maturing on and after April 1, 2022 are subject to redemption prior to their stated maturity dates, at the option of the Town, on and after April 1, 2021, either in whole or in part at any time, and if in part, by lot within a maturity, **at the par amount of the Bonds to be redeemed**, plus accrued interest to the date set for redemption.

For Bonds maturing on and after April 1, 2022, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise one, two or three Term Bonds, and shall be subject to mandatory redemption or mature a par, as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Each mandatory redemption shall be allocated to the payment of the Term Bond maturing in the nearest subsequent year. Bidders may specify no more than three Term Bonds.

Term Bonds, if any, shall be subject to mandatory redemption on April 1, of the year or years immediately prior to the stated maturity of such Term Bond (the particular Bonds of such maturity to be redeemed to be selected by lot) as indicated in the foregoing maturity schedule at the principal amount thereof plus accrued interest to the redemption date, without premium.

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity or (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent. No bid of less than par and accrued interest to date of delivery, **plus a premium of at least \$100,000, will be considered.** The bid should reflect the premium required plus accrued interest.

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the Town. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of the delivery date, discounts semiannually all future payments on account of principal and interest to the price bid, not including interest accrued to date of delivery, which accrued interest shall be paid by the successful bidder. In the event there is more than one proposal specifying the lowest such rate, the Bonds will be awarded to the bidder whose proposal is selected by the Town Treasurer by lot among all such proposals.

Bids must be submitted either:

- (a) In a sealed envelope marked "Proposal for Bonds" and addressed to Marc V. Waldman, Treasurer, Town of Wellesley, Massachusetts c/o First Southwest Company, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114. Proposals by telegram delivered as specified above will be accepted. Signed blank bid forms may be faxed to (617) 619-4411 prior to submitting bids, and actual bids may be telephoned to First Southwest Company, telephone (617) 619-4400 at least one-half hour prior to the 11:00 A.M. sale and after receipt of the faxed bid form by First Southwest Company. First Southwest Company will act as agent for the bidder, but neither the Town nor First Southwest Company shall be responsible for any errors in connection with bids submitted in this manner.
- (b) Electronically via Parity in accordance with this Notice of Sale. To the extent any instructions or directions set forth in Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact the Financial Advisor to the Town or I-deal at 40 West 23rd Street, 5th Floor, New York, NY 10010 (212) 404-8102. An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

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

The right is reserved to reject all bids and to reject any bid not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal.

The Town of Wellesley has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fees paid to Moody's Investors Service and Standard & Poor's Rating Group for ratings on the Bonds. Any such fees paid to Moody's Investors Service and Standard & Poor's would be borne by the Town.

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that it shall be furnished, without cost, with (a) the approving opinion of the firm of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, substantially in the form appearing as Appendix B of the Preliminary Official Statement dated March 16, 2011, (b) a certificate in the form satisfactory to Bond Counsel dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened which affects the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town Treasurer to the effect that, to the best of his knowledge and belief, as of the date of sale the Preliminary Official Statement did not, and as of the date of the delivery of the Bonds, the Final Official Statement does not, contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form described in the Preliminary Official Statement.

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

The Bonds will not be designated as “qualified tax-exempt obligations” for the purpose of Section 265(b)(3) of the Code.

Additional information concerning the Town of Wellesley and the Bonds is contained in the Preliminary Official Statement dated March 18, 2011, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Said Preliminary Official Statement is deemed final by the Town except for the omission of the reoffering price(s), interest rate(s), delivery date, the identity of the underwriter(s), and any other pertinent terms of the Bonds depending on such matters, but is subject to change without notice to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from First Southwest Company, 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617-619-4400). Within seven (7) business days following the award of the Bonds in accordance herewith, 25 copies of the Final Official Statement will be available from the First Southwest Company to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided at the expense of the requester.

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the Town a certificate acceptable to Bond Counsel generally to the effect that (i) as of March 30, 2011 (the “Sale Date”), the purchaser had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the “issue price” of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

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

The Bonds in definitive form will be delivered to The Depository Trust Company or its custodial agent on or about April 7, 2011 for settlement in Federal Reserve Funds.

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

March 18, 2011

**OFFICIAL STATEMENT
TOWN OF WELLESLEY, MASSACHUSETTS
\$22,610,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2011 BONDS**

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Wellesley, Massachusetts (the "Town") in connection with the sale of \$22,610,000 aggregate principal amount of its General Obligation Municipal Purpose Loan of 2011 Bonds (the "Bonds"). The information contained herein has been furnished by the Town, except information attributed to another governmental agency or official as the source.

THE BONDS

Description of the Bonds

The Bonds will be dated as of their delivery date and will bear interest payable semiannually on April 1, and October 1 commencing October 1, 2011. The Bonds shall mature on April 1, of the years and in the principal amounts as set forth on the first page of this Official Statement.

The Bonds are issuable only in fully registered form without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000, or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry Transfer System" herein.)

Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

Redemption Provisions

Optional Redemption

The Bonds maturing on and before April 1, 2021 are not subject to redemption prior to their stated maturity dates. Bonds maturing on and after April 1, 2022 are subject to redemption prior to their stated maturity dates, at the option of the Town, on and after April 1, 2021, either in whole or in part at any time, and if in part, by lot within a maturity, **at the par amount of the Bonds to be redeemed**, plus accrued interest to the date set for redemption.

Mandatory Redemption

Term Bonds, if any, shall be subject to mandatory redemption commencing on April 1, of the first year which has been combined to form such Term Bond and continuing on April 1, in each year thereafter until the stated maturity date of that Term Bond. The amount redeemed or paid at maturity in any year shall be equal to the principal amount for that year set forth in the schedule contained in the Notice of Sale dated March 18, 2011 relating to the Bonds. Principal amounts to be redeemed in any year by mandatory redemption shall be redeemed at par (without premium), plus accrued interest to the redemption date, and shall be selected by lot from among the Term Bonds then subject to mandatory redemption. The Town Treasurer may credit against any mandatory redemption requirement Term Bonds which have been purchased and cancelled by the Town or have been redeemed and not therefore applied as a credit against any mandatory redemption requirement.

Notice of Redemption

So long as DTC is the registered owner of the Bonds, notice of any redemption of Bonds prior to their stated maturities, specifying the Bonds (or the portions thereof) to be redeemed, shall be mailed to DTC not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the DTC Participants of the redemption or failure on the part of the DTC Participants, Indirect Participants or of a nominee of a Beneficial Owner (having received notice from DTC Participant or otherwise) to notify the Beneficial Owner shall not affect the validity of the redemption.

Record Date

The record date for each payment of interest is the fifteenth day of the month preceding the interest payment date, provided that, with respect to overdue interest, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date.

Book-Entry Transfer System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

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

Redemption notices shall be sent to DTC. If less than all of a maturity is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the securities deposited with it unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures,

DTC mails an Omnibus Proxy to the issuer of such securities as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

Authorization of the Bonds and Use of Proceeds

| Purpose | This Issue | Total Authorization | | Statutory Reference | Date Authorized |
|--------------------------|----------------------|---------------------|--------|---------------------|-----------------|
| Morses Pond Management | \$ 110,000 | \$ 650,000 | (1) | Ch. 44, s.7(25) | 4/4/2007 |
| Storm Water Drainage | 500,000 | 1,306,000 | (1) | Ch.44, s. 7(1) | 4/10/2007 |
| High School Construction | 22,000,000 | 79,583,000 | (1)(2) | Ch.44, s. 7(3) | 10/20/2008 |
| Total : | \$ 22,610,000 | | | | |

(1) The Town has voted to exclude debt service on the project from the limitations of Proposition 2 ½.
(2) The total cost of the High School construction project is \$123,583,000. The Massachusetts School Building Authority (MSBA) has approved a grant of up to \$44,000,000. The Town issued \$35,000,000 bonds for the project in March 2010 and \$8,000,000 bonds for the project in June 2009.

Principal Payments By Purpose

| Fiscal Year | Storm Water | | | Total |
|----------------|-------------------|-------------------|----------------------|----------------------|
| | Morses Pond (1) | Drainage (1) | High School (1) (2) | |
| 2012 | \$ 40,000 | \$ 50,000 | \$ 1,100,000 | \$ 1,190,000 |
| 2013 | 35,000 | 50,000 | 1,100,000 | 1,185,000 |
| 2014 | 35,000 | 50,000 | 1,100,000 | 1,185,000 |
| 2015 | | 50,000 | 1,100,000 | 1,150,000 |
| 2016 | | 50,000 | 1,100,000 | 1,150,000 |
| 2017 | | 50,000 | 1,100,000 | 1,150,000 |
| 2018 | | 50,000 | 1,100,000 | 1,150,000 |
| 2019 | | 50,000 | 1,100,000 | 1,150,000 |
| 2020 | | 50,000 | 1,100,000 | 1,150,000 |
| 2021 | | 50,000 | 1,100,000 | 1,150,000 |
| 2022 | | | 1,100,000 | 1,100,000 |
| 2023 | | | 1,100,000 | 1,100,000 |
| 2024 | | | 1,100,000 | 1,100,000 |
| 2025 | | | 1,100,000 | 1,100,000 |
| 2026 | | | 1,100,000 | 1,100,000 |
| 2027 | | | 1,100,000 | 1,100,000 |
| 2028 | | | 1,100,000 | 1,100,000 |
| 2029 | | | 1,100,000 | 1,100,000 |
| 2030 | | | 1,100,000 | 1,100,000 |
| 2031 | | | 1,100,000 | 1,100,000 |
| Total | <u>\$ 110,000</u> | <u>\$ 500,000</u> | <u>\$ 22,000,000</u> | <u>\$ 22,610,000</u> |

(1) The Town has voted to exclude debt service on the project from the limitations of Proposition 2 ½.

(2) The total cost of the High School construction project is \$123,583,000. The Massachusetts School Building Authority (MSBA) has approved a grant of up to \$44,000,000. The Town issued \$35,000,000 bonds for the project in March 2010 and \$8,000,000 bonds for the project in June 2009.

Tax Exemption

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

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

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

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

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

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

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

Security and Remedies

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

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

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

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

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

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

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

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

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

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

Opinion of Bond Counsel

The purchaser will be furnished the legal opinion of the firm of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. The opinion will be substantially in the form presented in Appendix B.

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel is not passing upon and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and make no representation that they have independently verified the same.

Ratings

Moody's Investors Service and Standard & Poor's Ratings Group have assigned ratings of Aaa and AAA to the Bonds. Any such ratings reflect only the respective rating agency's views and will be subject to revision or withdrawal, which could affect the market price of the Bonds.

Financial Advisory Services of First Southwest Company

First Southwest Company, Boston, Massachusetts, serves as financial advisor to the Town of Wellesley, Massachusetts. The Town has consented to First Southwest Company's participation in the public bidding on the Bonds if it so desires.

Continuing Disclosure

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the Town will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Town by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. Other than the Town, there are no obligated persons with respect to the Bonds within the meaning of the Rule. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds.

The Town has never failed to comply in all material respects with any previous undertakings to provide annual reports or notices of significant events in accordance with the Rule.

THE TOWN OF WELLESLEY, MASSACHUSETTS

General

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

Local Government

The Town operates under the Representative Town Meeting form of government with public officers serving as ex-officio members of the town meeting. The legislative body consists of 240 members elected by precincts. Provision is usually made for a referendum on actions of the representative town meeting upon petition of a sufficient number of voters. Administrative affairs are generally managed by a board of five selectmen, with the assistance of an executive director.

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

Principal Executive Officers

| <u>Office</u> | <u>Name</u> | <u>Term and Manner of Selection</u> | <u>Term Expires</u> |
|-----------------------------|--------------------------|---|---------------------|
| Board of Selectmen | Owen H. Dugan, Secretary | Elected - 3-year term | 2012 |
| | Katherine L. Babson | Elected - 3-year term | 2011 |
| | Barbara Searle | Elected - 3-year term | 2011 |
| | Terri Tsaqaris | Elected - 3-year term | 2012 |
| | Ellen F. Gibbs | Elected - 3-year term | 2013 |
| Executive Director | Hans Larsen | Appointed by Selectmen | 2011 |
| Finance Director/Accountant | Sheryl Strother | Appointed by Selectmen | 2010 |
| Treasurer/Collector | Marc V. Waldman | Appointed by Finance Director | 2012 |
| Town Clerk | Kathleen F. Nagle | Elected - 3-year term | 2012 |
| Town Counsel | Albert S. Robinson | Appointed by Selectmen for 1 year term | 2011 |

Municipal Services

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

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

Wellesley Municipal Light Plant

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

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

Wellesley Water and Sewer Programs

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

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

School Building Capacity

The Town provides seven elementary schools with a combined capacity of 2,220, one middle school with a capacity of 1,170 and a high school with a capacity of 1,100. At the annual town meeting in March 2004, funds were approved to proceed with a middle school renovation and high school expansion project. For the middle school, \$2,285,000 was appropriated for architectural and engineering services including preparation of construction documents and estimates and \$26,175,000 was authorized on December 6, 2004 for construction (and voted exempt from Proposition 2 1/2). The renovation was mainly due to the age and condition of the building, although some reconfiguration of space was completed. The Town has received approval from the Massachusetts School Building Authority to construct a new high school to meet its 2017-18 school year projected peak high school enrollment of 1,600. On December 9, 2008 the Town voted to exempt debt service on the town's share of the new \$79,583,000 high school project. The Town expects to receive approximately \$44 million of MSBA grants to finance the balance of the \$123,583,000 total project cost.

Public School Enrollments

| | Average Annual Enrollment | | | | |
|-------------------|---------------------------|------------------|------------------|------------------|------------------|
| | <u>2005-06</u> | <u>2006-2007</u> | <u>2007-2008</u> | <u>2008-2009</u> | <u>2009-2010</u> |
| Kindergarten to 5 | 2,263 | 2,318 | 2,406 | 2,481 | 2,421 |
| Grades 6 - 8 | 943 | 996 | 1,056 | 1,060 | 1,133 |
| Grades 9 - 12 | <u>1,204</u> | <u>1,216</u> | <u>1,216</u> | <u>1,258</u> | <u>1,224</u> |
| Total | 4,410 | 4,530 | 4,678 | 4,799 | 4,778 |

Source: Superintendent of Schools.

Population Trends

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

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

Age, Income and Wealth Levels

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

| | <u>Wellesley</u> | <u>Massachusetts</u> | <u>U.S.</u> |
|-----------------------------|------------------|----------------------|-------------|
| Median Age | | | |
| 2000 | 37.6 | 36.5 | 35.3 |
| 1990 | 35.5 | 33.6 | 32.9 |
| Median Family Income | | | |
| 2000 | \$134,769 | \$61,664 | \$50,046 |
| 1990 | 90,030 | 44,367 | 35,225 |
| Per Capita Income | | | |
| 2000 | \$52,866 | \$25,952 | \$21,587 |
| 1990 | 32,253 | 17,224 | 14,420 |

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

Labor Force, Employment and Unemployment Rate

According to the Massachusetts Division of Employment Security data, in December 2010, the Town had a total labor force of 13,380, of whom 12,701 were employed and 679 or 5.1% were unemployed as compared to 8.0% for the Commonwealth. The following table sets forth the Town's average labor force and unemployment rates for calendar years 2005 through 2009 and the unemployment rates for the Commonwealth and the United States as a whole for the same period:

| <u>Calendar Year</u> | <u>Town of Wellesley</u> | | <u>Massachusetts</u> | <u>U.S.</u> |
|----------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | <u>Labor Force</u> | <u>Unemployment Rate</u> | <u>Unemployment Rate</u> | <u>Unemployment Rate</u> |
| 2009 | 13,233 | 5.8% | 8.1% | 9.3% |
| 2008 | 13,189 | 3.5 | 5.3 | 5.8 |
| 2007 | 13,208 | 3.0 | 4.5 | 4.6 |
| 2006 | 13,233 | 3.2 | 4.9 | 4.6 |
| 2005 | 12,771 | 3.2 | 4.8 | 5.1 |

Source: Massachusetts Department of Employment and Training.

Employment by Industry

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

| <u>Industry</u> | <u>Calendar Year Average</u> | | | | |
|------------------------------------|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> |
| Construction | 326 | 357 | 347 | 338 | 309 |
| Manufacturing | 55 | 44 | 42 | 46 | 65 |
| Trade, Transportation & Utilities | 2,198 | 2,206 | 2,181 | 2,034 | 1,880 |
| Information | 487 | 439 | 459 | 487 | 503 |
| Financial Activities | 3,627 | 3,463 | 3,170 | 3,419 | 3,088 |
| Professional and Business Services | 2,808 | 2,945 | 3,579 | 3,550 | 3,466 |
| Education and Health Services | 4,605 | 4,723 | 5,334 | 5,399 | 5,584 |
| Leisure and Hospitality | 1,451 | 1,541 | 1,490 | 1,269 | 1,368 |
| Other Services | 667 | 683 | 614 | 649 | 628 |
| Total Employment | <u>16,992</u> | <u>16,401</u> | <u>17,216</u> | <u>17,191</u> | <u>16,891</u> |
| Number of Establishments | <u>1,417</u> | <u>1,390</u> | <u>1,452</u> | <u>1,455</u> | <u>1,435</u> |
| Average Weekly Wages | <u>\$ 1,274</u> | <u>\$ 1,374</u> | <u>\$ 1,464</u> | <u>\$ 1,509</u> | <u>\$ 1,431</u> |
| Total Wages | <u>\$ 1,087,960,103</u> | <u>\$ 1,182,520,393</u> | <u>\$ 1,342,853,143</u> | <u>\$ 1,364,473,668</u> | <u>\$ 1,272,145,215</u> |

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

Major Employers (1)

| <u>Number of Employer</u> | <u>Nature of Business</u> | <u>Employees</u> |
|-------------------------------|---------------------------|------------------|
| Sun Life of Canada | Insurance Company | 1,661 |
| Wellesley College | College | 1,200 |
| Babson College | College | 850 |
| Harvard Pilgrim Health Care | HMO | 490 |
| Roche Brothers | Grocery | 330 |
| Mass. Bay Community College | College | 250 |
| Dana Hall School | Private School | 250 |
| Wellesley Country Club | Recreation | 220 |
| Biogen Idec | Biotech | 210 |
| Watson Wyatt Worldwide | Actuary | 200 |

(1) Excludes the Town.

Building Permits

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

| <u>Fiscal Year</u> | <u>New Construction</u> | | <u>Non-Residential</u> | | <u>Additions/Alterations</u> | | <u>Total</u> | |
|------------------------|----------------------------|--------------|------------------------|--------------|---|--------------|--------------|---------------|
| | <u>Residential No.</u> | <u>Value</u> | <u>No.</u> | <u>Value</u> | <u>Residential & Nonresidential No.</u> | <u>Value</u> | <u>No.</u> | <u>Value</u> |
| 2010 | 53 | \$38,000,875 | 4 | \$95,854,000 | 572 | \$54,311,744 | 629 | \$188,166,619 |
| 2009 | 50 | 30,672,301 | 5 | 19,410,897 | 635 | 43,210,180 | 704 | 93,293,378 |
| 2008 | 58 | 39,137,140 | 1 | 960,845 | 790 | 75,662,339 | 848 | 114,799,479 |
| 2007 | 51 | 29,291,929 | 11 | 27,138,801 | 814 | 76,959,437 | 876 | 133,390,167 |
| 2006 | 59 | 31,297,625 | 2 | 1,177,352 | 761 | 58,822,798 | 822 | 91,297,775 |

Source: Town of Wellesley Building Inspector.

PROPERTY TAXATION

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

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

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

Tax Levy Computation

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

| | Fiscal 2011 | Fiscal 2010 | Fiscal 2009 | Fiscal 2008 | Fiscal 2007 |
|---------------------------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|
| Total Appropriations | \$ 136,417,800 | \$ 130,666,829 | \$ 130,283,136 | \$ 116,572,543 | \$ 114,228,018 |
| Additions: | | | | | |
| State and County Assessments | 1,084,863 | 1,061,412 | 1,021,570 | 1,011,978 | 990,245 |
| Overlay Reserve (1) | 440,402 | 430,000 | 429,575 | 272,664 | 298,486 |
| Other Additions | 407,738 | 876,539 | 1,638,697 | 1,008,924 | 1,107,955 |
| Total Additions | <u>1,933,003</u> | <u>2,367,951</u> | <u>3,089,842</u> | <u>2,293,566</u> | <u>2,396,686</u> |
| Gross Amount to be Raised | <u>138,350,803</u> | <u>133,034,780</u> | <u>133,372,978</u> | <u>118,866,109</u> | <u>116,624,704</u> |
| Deductions: | | | | | |
| Local Estimated Receipts | 24,276,776 | 25,780,953 | 27,127,537 | 24,177,970 | 25,588,689 |
| State Aid(2) | 9,314,224 | 8,527,485 | 9,240,786 | 7,325,073 | 6,836,749 |
| Available Funds: | | | | | |
| Free Cash | 2,759,554 | 1,829,619 | 3,355,152 | 928,941 | 906,552 |
| Other | 854,886 | 736,733 | 3,164,541 | 1,201,686 | 2,977,818 |
| Municipal Light Plant Contribution | 1,000,000 | 2,029,353 | 1,268,925 | 1,000,000 | 1,000,000 |
| Total Deductions | <u>38,205,440</u> | <u>38,904,143</u> | <u>44,156,941</u> | <u>34,633,670</u> | <u>37,309,808</u> |
| Net Amount to be Raised (Tax Levy) | <u>\$ 100,145,363</u> | <u>\$ 94,130,637</u> | <u>\$ 89,216,037</u> | <u>\$ 84,232,439</u> | <u>\$ 79,314,896</u> |
| Property Valuation | \$ 8,664,542,000 | \$ 8,981,931,000 | \$ 9,420,912,000 | \$ 9,175,647,000 | \$ 8,941,927,400 |
| Tax Rate per \$1,000 | \$ 11.43 | \$ 10.48 | \$ 9.18 | \$ 9.18 | \$ 8.87 |

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

(1) Allowance for abatements.

(2) Includes state aid as well as other payments from the Commonwealth. The state recently announced cuts in local aid for fiscal 2009 and fiscal 2010. The Town's state aid for fiscal 2009 was reduced by approximately \$157,112 to \$7,440,266. In fiscal 2010 state aid was reduced by \$556,189. In fiscal 2011 state aid increased by \$786,739. The fiscal 2012 initial Cherry Sheet shows state aid decreasing by \$26,694.

Valuations and Tax Levies

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

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

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

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

| Fiscal Year | Assessed Valuations (1) | | | Equalized Valuation (2) | Assessed Valuation as a Percent of Equalized |
|-------------|-------------------------|-------------------|-----------------|-------------------------|--|
| | Real Property | Personal Property | Total | | |
| 2011 | \$8,664,542,000 | \$97,082,100 | \$8,761,624,100 | \$10,032,866,400 | 87.4% |
| 2010 | 8,891,244,000 | 90,687,000 | 8,981,931,000 | 10,029,555,000 | 89.6 |
| 2009 | 9,330,296,000 | 90,616,000 | 9,420,912,000 | 10,029,555,000 | 93.9 |
| 2008 | 9,103,763,000 | 71,884,000 | 9,175,647,000 | 9,523,566,700 | 96.3 |
| 2007 | 8,873,131,000 | 68,796,400 | 8,941,927,400 | 9,523,566,700 | 93.9 |

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

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

Classification of Property

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

| Property Type | 2011 | | 2010 | | 2009 | |
|-------------------|-------------------------|----------------|-------------------------|----------------|-------------------------|----------------|
| | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| Residential | \$ 7,753,180,000 | 88.5 % | \$ 7,936,624,000 | 88.4 % | \$ 8,226,771,000 | 87.3 % |
| Commercial | 904,740,000 | 10.3 | 947,998,000 | 10.6 | 1,096,037,000 | 11.6 |
| Industrial | 6,622,000 | 0.1 | 6,622,000 | 0.1 | 7,488,000 | 0.1 |
| Personal | 97,082,100 | 1.1 | 90,687,000 | 1.0 | 90,616,000 | 1.0 |
| Total Real Estate | <u>\$ 8,761,624,100</u> | <u>100.0 %</u> | <u>\$ 8,981,931,000</u> | <u>100.0 %</u> | <u>\$ 9,420,912,000</u> | <u>100.0 %</u> |

Source: Massachusetts Department of Revenue.

Largest Taxpayers

The following table lists the ten largest taxpayers in the Town based upon assessed valuations for fiscal 2011. All are current in their tax payments.

| Name | Nature of Business | Fiscal 2011 Assessed Valuation | % of Total Assessed Value |
|--|-----------------------|--------------------------------------|---------------------------------|
| Beacon Properties | Office Buildings | \$ 126,080,000 | 1.44 % |
| Haynes Management | Office Buildings | 121,389,000 | 1.39 |
| Eastern Development/Fr Linden Sq. | Commercial | 87,925,000 | 1.00 |
| Sun Life Assurance | Office Buildings | 76,506,000 | 0.87 |
| Wellesley College | Education/Residential | 67,528,000 | 0.77 |
| Harvard Pilgrim | Office Buildings | 54,270,000 | 0.62 |
| GPT Realty Trust | Residential | 30,040,000 | 0.34 |
| Hunnewell Family | Residential | 29,729,000 | 0.34 |
| Newton Wellesley Executive Office Park | Office Buildings | 25,674,000 | 0.29 |
| Wellesley Country Club | Recreation | 18,791,000 | 0.21 |
| Total | | \$ 637,932,000 | 7.28 % |

Source: Board of Assessors.

Abatements and Overlay

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

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

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

| Fiscal Year | Overlay Allowance | | Percent of Net Levy | Abatements Granted Through June 30, 2010 |
|----------------|-------------------|------------------|------------------------|--|
| | Net Tax Levy | Dollar Amount | | |
| 2010 | \$ 93,700,637 | \$ 430,000 | 0.46 % | \$ 111,402 |
| 2009 | 88,786,462 | 429,575 | 0.48 | 155,593 |
| 2008 | 83,959,775 | 272,664 | 0.32 | 170,266 |
| 2007 | 79,016,410 | 298,486 | 0.38 | 207,123 |
| 2006 | 71,461,421 | 322,220 | 0.45 | 99,832 |

Source: Board of Assessors.

Tax Collections

The following table presents the Town's tax collections for the last five fiscal years:

| <u>Fiscal Year</u> | <u>Total Tax Levy</u> | <u>Overlay Reserve for Abatements</u> | <u>Net Tax Levy (1)</u> | <u>% of Net Collected at June 30, 2010(2)</u> |
|--------------------|-----------------------|---------------------------------------|-------------------------|---|
| 2010 | \$ 94,130,637 | \$ 430,000 | \$ 93,700,637 | 98.7 % |
| 2009 | 89,216,037 | 429,575 | 88,786,462 | 99.1 |
| 2008 | 84,232,439 | 272,664 | 83,959,775 | 99.9 |
| 2007 | 79,314,896 | 298,486 | 79,016,410 | 99.9 |
| 2006 | 71,783,641 | 322,220 | 71,461,421 | 99.9 |

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

(1) Net after deduction of overlay for abatements.

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

Tax Titles and Possessions

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

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

Tax Deferral

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

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

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

Taxes Outstanding

| As of June 30, | Aggregate (1) | Tax Titles | Deferred Taxes | Possessions |
|-------------------|---------------|------------|-------------------|-------------|
| 2010 | \$ 2,598,636 | \$ 862,603 | \$ 1,709,012 | \$ 27,021 |
| 2009 | 2,463,233 | 760,429 | 1,675,783 | 27,021 |
| 2008 | 2,119,605 | 455,979 | 1,656,605 | 27,021 |
| 2007 | 1,912,375 | 476,145 | 1,409,209 | 27,021 |
| 2006 | 1,487,539 | 284,553 | 1,175,965 | 27,021 |

Source: Town Accountant.

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

Sale of Tax Receivables

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

Municipal Tax Amnesty

Pursuant to recent legislation, a municipality may establish a municipal tax amnesty program expiring not later than June 30, 2011. Under such program, the municipality may waive, during the amnesty period, certain penalties, fees, charges and accrued interest, provided the taxpayer pays the amount of the tax to which such penalties, fees, charges, and accrued interest relates.

Taxation to Meet Deficits

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

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

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

Tax Limitations

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

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

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2½ percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year's valuation.

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

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

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

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

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

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

Unused Levy Capacity (1)

| | For Fiscal Year | | | | |
|-------------------------------------|-----------------|----------------|----------------|----------------|----------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| Primary Levy Limit (2) | \$ 219,040,603 | \$ 224,548,275 | \$ 235,522,800 | \$ 229,391,175 | \$ 223,548,185 |
| Prior Fiscal Year Levy Limit | 85,858,785 | 82,383,610 | 78,718,643 | 75,522,011 | 69,375,839 |
| 2.5% Levy Growth | 2,146,470 | 2,059,590 | 1,967,966 | 1,888,050 | 1,734,396 |
| New Growth (3) | 1,416,152 | 1,415,585 | 1,697,001 | 1,308,582 | 1,253,158 |
| Current Fiscal Year Override | - | - | - | - | 3,158,618 |
| Growth Levy Limit | 89,421,407 | 85,858,785 | 82,383,610 | 78,718,643 | 75,522,011 |
| Current Fiscal Year Debt Exclusions | 89,954,943 | 6,504,370 | 5,033,307 | 5,543,003 | 3,794,401 |
| Other Adjustments | 1,800,000 | 1,800,000 | 1,800,000 | - | - |
| Tax Levy Limit | 100,176,350 | 94,163,155 | 89,216,917 | 84,261,646 | 79,316,412 |
| Tax Levy | 100,145,363 | 94,130,637 | 89,216,037 | 84,232,439 | 79,314,896 |
| Unused Levy Capacity (4) | \$ 30,987 | \$ 32,518 | \$ 880 | \$ 29,207 | \$ 1,516 |
| Unused Primary Levy Capacity (5) | \$ 129,619,196 | \$ 138,689,490 | \$ 153,139,190 | \$ 150,672,532 | \$ 148,026,174 |

(1) Source: Massachusetts Department of Revenue.

(2) 2.5% of assessed valuation.

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

(4) Tax Levy Limit Less Tax Levy.

(5) Primary Levy Limit Less Growth Levy Limit.

Pledged Taxes

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

Impact of Proposition 2 1/2

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

On May 11, 1999, the Town voted to exempt \$23,000,000 principal of and associated interest on the Bates and Sprague School construction projects from the tax levy limitations of Proposition 2 1/2. In addition, on May 7, 1996, the town voted to exempt \$1,730,000 principal of and associated interest on the construction of a Recycling Disposal Facility. On January 25, 2005, the Town voted to exempt \$26,175,000 principal of and associated interest on bonds for the construction of a Middle School. The Town issued \$9,000,000 in bonds against this authorization in June 2005, \$6,705,000 in bonds against the authorization in June 2006 and the balance (\$10,470,000) in June 2008. In March 2007, the Town authorized exempt debt to improve several school buildings (\$11,207,000), of which \$4,500,000 principal amount was issued in June 2008 and \$3,500,000 was issued in June 2009. On May 15, 2007 the town voted to exempt debt service for a drainage project (\$1,306,000) and for a master plan (\$650,000) for Morses Pond (this issue of bonds). On December 9, 2008 the Town voted to exempt debt service on the town's share of a new \$79,583,000 high school project (this issue of Bonds). The Town expects to receive approximately \$44 million of MSBA grants to finance the balance of the \$123,583,000 total project cost.

On May 16, 2006, voters approved a permanent \$3.2 million override of the Proposition 2 1/2 levy limit. This override allows for full funding of the FY2007 operating budget as approved by Town Meeting, including an initial \$600,000 payment towards the reduction of Wellesley's OPEB liability. With approval of the override at nearly 60%, management regards this as substantial citizen support for current government activities and services. The \$3.2 million override became a permanent component of the property tax levy base and will thus serve to partially mitigate fiscal stress in subsequent fiscal years. In March 2007, the Town authorized an \$18,000,000 capital exclusion towards reducing the Town's OPEB liability. \$1,800,000 will be added to the tax rate for each of the next 10 years.

Initiative Petitions

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

Community Preservation Act

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

A city or town may approve a surcharge of up to 3% of the real property tax levy, and it may accept one or more exemptions to the surcharge under the CPA, including an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property, and an exemption for commercial and industrial properties in cities and towns with classified tax rates. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see "Tax Limitations" under "PROPERTY TAX"). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge on the real property tax levy. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula which requires that 80% of the amount in the state trust fund be used to match an equal percentage of the amount raised locally by each city and town, and that the remaining 20% of the amount in the fund be distributed only to those cities and towns that levy the maximum 3% surcharge based on a formula which takes into account equalized property valuation and population, resulting in larger distributions to those communities with low valuations and small populations. The total state distribution made to any city or town may not, however, exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

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

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

The Town has adopted the Community Preservation Act. From fiscal 2003 to June 30, 2010, the Town accumulated a total CPA Fund Balance of \$6,995,403, including state matching grants and interest.

TOWN FINANCES

The Budget and Appropriation Process

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

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

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

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

Operating Budget Trends

Following is a comparison of total budget appropriations for fiscal years 2007 through 2011:

| | FY11 | FY10 | FY09 | FY08 | FY07 |
|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|
| Gen Gov | \$ 11,390,100 | \$ 8,007,492 | \$ 7,632,702 | \$ 5,125,890 | \$ 4,766,135 |
| Public Safety | 10,309,479 | 10,243,852 | 10,064,608 | 9,633,584 | 9,291,933 |
| Public Works | 6,178,588 | 6,421,395 | 6,198,865 | 5,905,798 | 5,751,498 |
| Library & Recreation | 2,649,352 | 2,604,293 | 2,574,053 | 2,501,541 | 2,469,320 |
| Mun. Light Plant | 112,137 | 94,791 | 94,791 | 85,155 | 83,750 |
| Education | 57,382,010 | 53,283,503 | 51,683,013 | 49,619,071 | 47,032,871 |
| Employee Ben. | 18,811,499 | 17,859,178 | 17,538,082 | 15,134,241 | 12,996,795 |
| Debt Service (1) | 13,279,370 | 10,740,570 | 9,806,592 | 8,422,868 | 8,505,914 |
| Reserve | 147,000 | 175,000 | 175,000 | 175,000 | 175,000 |
| Insurance (Risk Mgt.) | 312,000 | 292,000 | 339,000 | 381,359 | 372,058 |
| Cash Capital | | | | | |
| Public Works | 1,300,000 | 1,358,500 | 1,303,500 | 1,303,500 | 1,107,500 |
| Site Remediation | - | - | - | 200,000 | - |
| Schools | 569,714 | 687,876 | 775,507 | 982,811 | 1,165,319 |
| Selectmen | 216,975 | 182,234 | 182,268 | 132,104 | 35,272 |
| Facilities | 290,850 | 422,300 | 366,708 | - | - |
| Library | 34,215 | 36,500 | 36,300 | 42,504 | 23,700 |
| Natural Resources | 50,500 | 50,000 | 35,000 | 56,000 | 25,000 |
| Planning | - | - | 25,000 | 50,000 | 20,000 |
| Town Clerk | - | - | 52,000 | 16,000 | 16,000 |
| Recreation | - | - | - | - | 6,400 |
| Morses Pond Mgt. | 50,500 | 50,000 | 50,000 | - | - |
| Total | \$ 123,084,289 | \$ 112,509,484 | \$ 108,932,989 | \$ 99,767,426 | \$ 93,844,465 |

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

(2) Capital appropriations are in General Government whereas they were allocated among departments in prior years. Community Preservation and Traffic and Parking appropriations are included for the first time.

Education Reform

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

Revenues

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

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

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

The Town of Wellesley received \$5,691,257 in state aid in fiscal 2008. The Town's state aid for fiscal 2009 was increased to \$7,440,266. The Town received \$6,844,235 in state aid in fiscal 2010.

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

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

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

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

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

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

| <u>Fiscal Year</u> | <u>Receipts</u> |
|------------------------|-----------------|
| 2010 | \$ 3,876,637 |
| 2009 | 4,092,077 |
| 2008 | 4,329,466 |
| 2007 | 4,061,254 |
| 2006 | 4,278,251 |

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

| <u>Fiscal Year</u> | <u>Receipts</u> |
|------------------------|-----------------|
| 2010 | \$ 81,477 |
| 2009 | 15,763 |
| 2008 | 26,703 |
| 2007 | 83,459 |
| 2006 | 61,305 |

Local Options Meals Tax: On October 26 2009, the Town adopted the local option meals tax which became effective January 1, 2010. The tax is a 0.75% tax on the gross receipts of a vendor from the sale of restaurant meals. The tax is paid by the vendor to the State Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold. The Town expects receipts of approximately \$350,000 in future years.

Other Local Sources: In fiscal 2009, revenues from local sources included approximately \$979,374 from recreational user charges and \$1,612,262 from interest earned on investments. In fiscal 2010, revenues from local sources included approximately \$922,935 from recreational user charges and 1,240,034 from interest earned on investments.

Annual Audits

The Town's accounts were most recently independently audited for fiscal year ended June 30, 2010 by Powers & Sullivan, Wakefield, Massachusetts. For a summary of the Town's significant accounting policies, please refer to the aforementioned audit which is attached hereto as Appendix A.

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

Financial Statements

Set forth on the following pages are Governmental Funds Balance Sheets for fiscal years ended June 30, 2010, June 30, 2009, and June 30, 2008, and Statements of Revenues and Expenditures and Changes in Fund Balances for fiscal years ended June 30, 2006 through 2010. Said statements were extracted from the Town's audited financials.

TOWN OF WELLESLEY, MASSACHUSETTS
Balance Sheet - Governmental Funds
June 30, 2010 (1)

| | General Fund | Stabilization Fund | Highway Chapter 90 | Capital Projects Fund | High School Construction Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------|-----------------------|-----------------------------|-------------------------------------|------------------------------------|--------------------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 20,436,148 | \$ 2,115,922 | \$ - | \$ 1,832,988 | \$ 34,872,792 | \$ 13,657,300 | \$ 72,915,150 |
| Investments | 1,793,995 | 906,334 | - | - | - | 2,931,576 | 5,631,905 |
| Receivables, net of uncollectibles: | | | | | | | |
| Real Estate, Personal Property and Tax Deferrals | 2,784,770 | - | - | - | - | - | 2,784,770 |
| Tax Liens | 862,603 | - | - | - | - | - | 862,603 |
| Motor Vehicle Excise Taxes | 225,606 | - | - | - | - | - | 225,606 |
| Departmental and other | 2,876 | - | - | - | - | 141,245 | 144,121 |
| Intergovernmental | 3,742,636 | - | 2,756,134 | - | 534,787 | 235,640 | 7,269,197 |
| Due from Other Funds | 714,873 | - | - | - | - | - | 714,873 |
| Total Assets | \$ 30,563,507 | \$ 3,022,256 | \$ 2,756,134 | \$ 1,832,988 | \$ 35,407,579 | \$ 16,965,761 | \$ 90,548,225 |
| LIABILITIES | | | | | | | |
| Warrants Payable | \$ 1,606,959 | \$ - | \$ 20,846 | \$ 220,869 | \$ 6,036,429 | \$ 529,461 | \$ 8,414,564 |
| Accrued Payroll | 3,840,618 | - | - | - | - | 27,569 | 3,868,187 |
| Tax Refunds Payable | 276,611 | - | - | - | - | - | 276,611 |
| Deferred revenues and advance collections | 7,468,708 | - | 2,020,415 | - | - | 360,442 | 9,849,565 |
| Due to other funds | - | - | 714,873 | - | - | - | 714,873 |
| Total Liabilities | \$ 13,192,896 | \$ - | \$ 2,756,134 | \$ 220,869 | \$ 6,036,429 | \$ 917,472 | \$ 23,123,800 |
| FUND BALANCES | | | | | | | |
| Reserved for: | | | | | | | |
| Encumbrances and Continuing Appropriations | 5,003,837 | - | - | - | - | - | 5,003,837 |
| Perpetual Permanent Funds | - | - | - | - | - | 210,612 | 210,612 |
| Unreserved: | | | | | | | |
| Undesignated, reported in: | | | | | | | |
| General Fund | 12,366,774 | - | - | - | - | - | 12,366,774 |
| Special Revenue Fund | - | 3,022,256 | - | - | - | 13,851,823 | 16,874,079 |
| Capital Projects Fund | - | - | - | 1,612,119 | 29,371,150 | - | 30,983,269 |
| Permanent Funds | - | - | - | - | - | 1,985,854 | 1,985,854 |
| Total Fund Balances | 17,370,611 | 3,022,256 | - | 1,612,119 | 29,371,150 | 16,048,289 | 67,424,425 |
| Total Liabilities and Fund Balances | \$ 30,563,507 | \$ 3,022,256 | \$ 2,756,134 | \$ 1,832,988 | \$ 35,407,579 | \$ 16,965,761 | \$ 90,548,225 |

(1) Extracted from audited financial statements.

TOWN OF WELLESLEY, MASSACHUSETTS
Balance Sheet - Governmental Funds
June 30, 2009 (1)

| | General Fund | Stabilization Fund | Highway Chapter 90 | Capital Projects Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------|-----------------------|-----------------------------|------------------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 20,921,487 | \$ 90,091 | \$ - | \$ 17,417,338 | \$ 12,350,001 | \$ 50,778,917 |
| Investments | 168,788 | 2,696,461 | - | 145,285 | 2,011,444 | 5,021,978 |
| Receivables, net of uncollectibles: | | | | | | |
| Real Estate, Personal Property and Tax Deferrals | 2,665,027 | - | - | - | - | 2,665,027 |
| Tax Liens | 760,429 | - | - | - | - | 760,429 |
| Motor Vehicle Excise Taxes | 220,570 | - | - | - | - | 220,570 |
| Departmental and other | 18,351 | - | - | - | 137,136 | 155,487 |
| Intergovernmental | 4,364,085 | - | 3,163,626 | - | 277,497 | 7,805,208 |
| Due from Other Funds | - | - | - | - | 7,255 | 7,255 |
| Total Assets | \$ 29,118,737 | \$ 2,786,552 | \$ 3,163,626 | \$ 17,562,623 | \$ 14,783,333 | \$ 67,414,871 |
| LIABILITIES | | | | | | |
| Warrants Payable | \$ 796,712 | \$ - | \$ - | \$ 1,025,307 | \$ 199,707 | \$ 2,021,726 |
| Accrued Payroll | 3,526,106 | - | - | 1,692 | 38,654 | 3,566,452 |
| Tax Refunds Payable | 176,200 | - | - | - | - | 176,200 |
| Deferred revenues and advance collections | 7,974,466 | - | 3,163,626 | - | 368,083 | 11,506,175 |
| Due to other funds | - | - | 7,255 | - | - | 7,255 |
| Total Liabilities | \$ 12,473,484 | \$ - | \$ 3,170,881 | \$ 1,026,999 | \$ 606,444 | \$ 17,277,808 |
| FUND BALANCES | | | | | | |
| Reserved for: | | | | | | |
| Encumbrances and Continuing Appropriations | 4,201,344 | - | - | - | - | 4,201,344 |
| Perpetual Permanent Funds | - | - | - | - | 210,612 | 210,612 |
| Unreserved: | | | | | | |
| Undesignated, reported in: | | | | | | |
| General Fund | 12,443,909 | - | - | - | - | 12,443,909 |
| Special Revenue Fund | - | 2,786,552 | (7,255) | - | 11,876,935 | 14,656,232 |
| Capital Projects Fund | - | - | - | 16,535,624 | - | 16,535,624 |
| Permanent Funds | - | - | - | - | 2,089,342 | 2,089,342 |
| Total Fund Balances | 16,645,253 | 2,786,552 | (7,255) | 16,535,624 | 14,176,889 | 50,137,063 |
| Total Liabilities and Fund Balances | \$ 29,118,737 | \$ 2,786,552 | \$ 3,163,626 | \$ 17,562,623 | \$ 14,783,333 | \$ 67,414,871 |

(1) Extracted from audited financial statements.

TOWN OF WELLESLEY, MASSACHUSETTS
Balance Sheet - Governmental Funds
June 30, 2008 (1)

| | General Fund | Stabilization Fund | Capital Projects Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------|-----------------------------|------------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 20,630,291 | \$ 71,163 | \$ 22,196,242 | \$ 12,230,544 | \$ 55,128,240 |
| Investments | 560,133 | 2,079,666 | 609,405 | 2,378,788 | 5,627,992 |
| Receivables, net of uncollectibles: | | | | | - |
| Real Estate, Personal Property and Tax Deferrals | 2,407,188 | - | - | - | 2,407,188 |
| Tax Liens | 617,859 | - | - | - | 617,859 |
| Motor Vehicle Excise Taxes | 317,816 | - | - | - | 317,816 |
| Departmental and other | 28,538 | - | - | 80,475 | 109,013 |
| Intergovernmental | 4,975,326 | - | - | 3,045,539 | 8,020,865 |
| Due from Other Funds | - | - | - | 7,255 | 7,255 |
| Total Assets | <u>\$ 29,537,151</u> | <u>\$ 2,150,829</u> | <u>\$ 22,805,647</u> | <u>\$ 17,742,601</u> | <u>\$ 72,236,228</u> |
| LIABILITIES | | | | | |
| Warrants Payable | \$ 878,756 | \$ - | \$ 1,158,006 | \$ 208,465 | \$ 2,245,227 |
| Accrued Payroll | 2,867,246 | - | 1,354 | 24,395 | 2,892,995 |
| Tax Refunds Payable | 214,400 | - | - | - | 214,400 |
| Deferred revenues and advance collections | 9,690,068 | - | - | 3,098,107 | 12,788,175 |
| Advances from and due to Other Funds | - | - | 1,416,481 | 7,255 | 1,423,736 |
| Notes Payable | - | - | 13,796,500 | - | 13,796,500 |
| Total Liabilities | <u>\$ 13,650,470</u> | <u>\$ -</u> | <u>\$ 16,372,341</u> | <u>\$ 3,338,222</u> | <u>\$ 33,361,033</u> |
| FUND BALANCES | | | | | |
| Reserved for: | | | | | |
| Encumbrances and Continuing Appropriations | 2,298,533 | - | - | - | 2,298,533 |
| Perpetual Permanent Funds | - | - | - | 220,421 | 220,421 |
| Unreserved: | | | | | |
| Undesignated, reported in: | | | | | |
| General Fund | 13,588,148 | - | - | - | 13,588,148 |
| Special Revenue Fund | - | 2,150,829 | - | 11,737,269 | 13,888,098 |
| Capital Projects Fund | - | - | 6,433,306 | - | 6,433,306 |
| Permanent Funds | - | - | - | 2,446,689 | 2,446,689 |
| Total Fund Balances | <u>15,886,681</u> | <u>2,150,829</u> | <u>6,433,306</u> | <u>14,404,379</u> | <u>38,875,195</u> |
| Total Liabilities and Fund Balances | <u>\$ 29,537,151</u> | <u>\$ 2,150,829</u> | <u>\$ 22,805,647</u> | <u>\$ 17,742,601</u> | <u>\$ 72,236,228</u> |

(1) Extracted from audited financial statements.

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

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

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

Town of Wellesley Massachusetts
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2009 (1)

| | General Fund | Stabilization Fund | Highway Chapter 90 | Capital Projects | Non-Major Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------|-----------------------|----------------------|------------------------------------|--------------------------------|
| REVENUES | | | | | | |
| Real estate and personal property taxes, net of tax refunds | \$ 88,354,227 | \$ - | \$ - | \$ - | \$ - | \$ 88,354,227 |
| Tax liens | 207,158 | - | - | - | - | 207,158 |
| Motor vehicle and other excise taxes | 4,142,655 | - | - | - | - | 4,142,655 |
| Payments in lieu of taxes | 481,167 | - | - | - | - | 481,167 |
| Penalties and interest on taxes | 266,529 | - | - | - | - | 266,529 |
| Charges for services | - | - | - | - | 944,868 | 944,868 |
| Parking meter receipts | - | - | - | - | 522,862 | 522,862 |
| Intergovernmental | 18,048,740 | - | - | 940,950 | 5,719,509 | 24,709,199 |
| Departmental and other | 3,621,314 | - | - | - | 3,662,786 | 7,284,100 |
| Community preservation assessments | - | - | - | - | 805,247 | 805,247 |
| Contributions | - | - | - | - | 965,680 | 965,680 |
| Interest income | 1,612,262 | 107,174 | - | - | 140,214 | 1,859,650 |
| Other investment income (loss) | - | (471,451) | - | - | (172,056) | (643,507) |
| Total revenues | 116,734,052 | (364,277) | - | 940,950 | 12,589,110 | 129,899,835 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 4,996,549 | - | - | 815,887 | 670,464 | 6,482,900 |
| Public safety | 10,223,167 | - | - | 1,405 | 814,283 | 11,038,855 |
| Public education | 52,861,240 | - | - | 5,450,602 | 7,928,050 | 66,239,892 |
| Public works | 7,490,757 | - | 7,255 | 3,577,483 | 752,161 | 11,827,656 |
| Health and sanitation | 932,845 | - | - | - | 85,569 | 1,018,414 |
| Recreation | 313,321 | - | - | 24,255 | 1,194,296 | 1,531,872 |
| Library | 2,276,771 | - | - | - | 533,598 | 2,810,369 |
| Teachers pension benefits - state fund | 9,484,705 | - | - | - | - | 9,484,705 |
| Employee benefits | 17,752,221 | - | - | - | 66,833 | 17,819,054 |
| Traffic and parking management | - | - | - | - | 371,662 | 371,662 |
| Community preservation | - | - | - | - | 166,752 | 166,752 |
| State and county charges | 1,018,870 | - | - | - | - | 1,018,870 |
| Debt Service: | | | | | | - |
| Principal | 6,760,000 | - | - | - | - | 6,760,000 |
| Interest | 2,619,287 | - | - | - | - | 2,619,287 |
| Total expenditures | 116,729,733 | - | 7,255 | 9,869,632 | 12,583,668 | 139,190,288 |
| (Deficiency) excess of revenues over (under) expenditures | 4,319 | (364,277) | (7,255) | (8,928,682) | 5,442 | (9,290,453) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Issuance of long-term debt | - | - | - | 19,031,000 | - | 19,031,000 |
| Premium from issuance of bonds | 521,321 | - | - | - | 100,000 | 621,321 |
| Operating transfers in | 1,332,932 | 1,000,000 | - | - | (332,932) | 2,000,000 |
| Operating transfers out | (1,100,000) | - | - | - | - | (1,100,000) |
| Total other financing sources (uses) | 754,253 | 1,000,000 | - | 19,031,000 | (232,932) | 20,552,321 |
| Net change in fund balances | 758,572 | 635,723 | (7,255) | 10,102,318 | (227,490) | 11,261,868 |
| Fund balance - beginning of year | 15,886,681 | 2,150,829 | - | 6,433,306 | 14,404,379 | 38,875,195 |
| Fund balance - ending of year | \$ 16,645,253 | \$ 2,786,552 | \$ (7,255) | \$ 16,535,624 | \$ 14,176,889 | \$ 50,137,063 |

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

Town of Wellesley Massachusetts
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2008 (1)

| | General Fund | Stabilization Fund | Capital Projects | Non-Major Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------|---------------------|------------------------------------|--------------------------------|
| REVENUES | | | | | |
| Real estate and personal property taxes, net of tax refunds | \$ 82,634,198 | \$ - | \$ - | \$ - | \$ 82,634,198 |
| Tax liens | 181,536 | - | - | - | 181,536 |
| Motor vehicle and other excise taxes | 4,369,268 | - | - | - | 4,369,268 |
| Payments in lieu of taxes | 517,690 | - | - | - | 517,690 |
| Penalties and interest on taxes | 154,007 | - | - | - | 154,007 |
| Charges for services | - | - | - | 953,550 | 953,550 |
| Parking meter receipts | - | - | - | 587,921 | 587,921 |
| Intergovernmental | 16,265,249 | - | - | 5,221,865 | 21,487,114 |
| Departmental and other | 3,760,422 | - | - | 3,729,822 | 7,490,244 |
| Community preservation assessments | - | - | - | 761,549 | 761,549 |
| Contributions | - | - | - | 3,091,800 | 3,091,800 |
| Interest income | 2,544,399 | 89,660 | - | 279,980 | 2,914,039 |
| Other investment income (loss) | - | (419,014) | - | (304,561) | (723,575) |
| Total revenues | 110,426,769 | (329,354) | - | 14,321,926 | 124,419,341 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 3,946,281 | - | 18,500 | 341,747 | 4,306,528 |
| Public safety | 9,546,962 | - | - | 548,863 | 10,095,825 |
| Public education | 49,866,804 | - | 8,548,323 | 7,276,966 | 65,692,093 |
| Public works | 7,785,101 | - | 157,951 | 387,095 | 8,330,147 |
| Health and sanitation | 828,845 | - | - | 176,155 | 1,005,000 |
| Recreation | 415,573 | - | - | 1,517,735 | 1,933,308 |
| Library | 2,363,000 | - | 34,689 | 299,930 | 2,697,619 |
| Teachers pension benefits - state funded | 8,848,569 | - | - | - | 8,848,569 |
| Employee benefits | 16,988,115 | - | - | 90,064 | 17,078,179 |
| Traffic and parking management | - | - | - | 391,994 | 391,994 |
| Community preservation | - | - | - | 61,876 | 61,876 |
| State and county charges | 1,009,686 | - | - | - | 1,009,686 |
| Debt Service: | - | - | - | - | - |
| Principal | 5,570,000 | - | - | - | 5,570,000 |
| Interest | 2,498,646 | - | - | - | 2,498,646 |
| Total expenditures | 109,667,582 | - | 8,759,463 | 11,092,425 | 129,519,470 |
| (Deficiency) excess of revenues over (under) expenditures | 759,187 | (329,354) | (8,759,463) | 3,229,501 | (5,100,129) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Issuance of long-term debt | - | - | 16,560,000 | - | 16,560,000 |
| Premium from issuance of bonds | 226,758 | - | - | - | 226,758 |
| Operating transfers in | 1,581,426 | 500,000 | 3,091,162 | 313,443 | 5,486,031 |
| Operating transfers out | (813,443) | - | - | (3,285,126) | (4,098,569) |
| Total other financing sources (uses) | 994,741 | 500,000 | 19,651,162 | (2,971,683) | 18,174,220 |
| Net change in fund balances | 1,753,928 | 170,646 | 10,891,699 | 257,818 | 13,074,091 |
| Fund balance - beginning of year | 14,132,753 | 1,980,183 | (4,458,393) | 14,146,561 | 25,801,104 |
| Fund balance - ending of year | <u>\$ 15,886,681</u> | <u>\$ 2,150,829</u> | <u>\$ 6,433,306</u> | <u>\$ 14,404,379</u> | <u>\$ 38,875,195</u> |

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

Town of Wellesley Massachusetts
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2007 (1)

| | General Fund | Stabilization Fund | Capital Projects | Non-Major 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 assessments | - | - | - | 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 |
| (Deficiency) excess of revenues over (under) expenditures | 4,642,884 | 249,869 | (13,003,172) | 5,440,879 | (2,669,540) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Issuance of long-term debt | - | - | - | - | - |
| Premium from issuance of bonds | 18,558 | - | - | - | 18,558 |
| Operating transfers in | 1,076,825 | - | - | 100,000 | 1,176,825 |
| Operating 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 balance - beginning of year | 8,494,486 | 1,730,314 | 8,544,779 | 8,682,507 | 27,452,086 |
| Fund balance - ending of year | \$ 14,132,753 | \$ 1,980,183 | \$ (4,458,393) | \$ 14,146,561 | \$ 25,801,104 |

Extracted from audited financial statements of the Town.

Town of Wellesley Massachusetts
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2006 (1)

| | General Fund | Capital Projects | Non-Major Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------|------------------------------------|--------------------------------|
| REVENUES | | | | |
| Real estate and personal property taxes, net of tax refunds | \$ 71,217,505 | \$ - | \$ - | \$ 71,217,505 |
| Tax liens | 258,102 | - | - | 258,102 |
| Motor vehicle and other excise taxes | 4,038,289 | - | - | 4,038,289 |
| Payments in lieu of taxes | 346,877 | - | - | 346,877 |
| Penalties and interest on taxes | 182,638 | - | - | 182,638 |
| Charges for services | - | - | 990,903 | 990,903 |
| Parking meter receipts | - | - | 699,665 | 699,665 |
| Intergovernmental | 12,840,788 | \$ 1,615,974 | 4,495,757 | 18,952,519 |
| Departmental and other | 4,539,104 | - | 2,174,267 | 6,713,371 |
| Community preservation assessments | - | - | 647,462 | 647,462 |
| Contributions | - | - | 2,118,269 | 2,118,269 |
| Investment income | 1,248,988 | - | 363,763 | 1,612,751 |
| Total revenues | 94,672,291 | 1,615,974 | 11,490,086 | 107,778,351 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 3,844,015 | - | 7,082 | 3,851,097 |
| Public safety | 8,796,356 | 602,811 | 778,118 | 10,177,285 |
| Public education | 44,053,793 | 15,247,923 | 6,133,353 | 65,435,069 |
| Public works | 7,075,137 | 185,539 | 1,673,071 | 8,933,747 |
| Health and sanitation | 784,197 | - | 44,613 | 828,810 |
| Recreation | 1,166,928 | 26,799 | 131,055 | 1,324,782 |
| Library | 2,203,452 | 107,030 | 348,711 | 2,659,193 |
| Teachers pension benefits - state funded | 7,571,709 | - | - | 7,571,709 |
| Employee benefits | 10,449,000 | - | 17,484 | 10,466,484 |
| Traffic and parking management | - | - | 614,061 | 614,061 |
| Community preservation | - | - | 394,938 | 394,938 |
| Other | 696,959 | - | - | 696,959 |
| State and county charges | 932,492 | - | - | 932,492 |
| Debt Service: | | | | |
| Principal | 4,520,000 | - | - | 4,520,000 |
| Interest | 1,938,444 | - | - | 1,938,444 |
| Total expenditures | 94,032,482 | 16,170,102 | 10,142,486 | 120,345,070 |
| (Deficiency) excess of revenues over (under) expenditures | 639,809 | (14,554,128) | 1,347,600 | (12,566,719) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Issuance of long-term debt | - | 11,466,000 | - | 11,466,000 |
| Premium from issuance of bonds | 69,620 | - | - | 69,620 |
| Operating transfers in | 1,406,225 | 122,800 | 743,603 | 2,272,628 |
| Operating transfers out | (866,403) | - | (281,225) | (1,147,628) |
| Total other financing sources (uses) | 609,442 | 11,588,800 | 462,378 | 12,660,620 |
| Net change in fund balances | 1,249,251 | (2,965,328) | 1,809,978 | 93,901 |
| Fund balance - beginning of year | 7,245,235 | 11,510,107 | 8,602,843 | 27,358,185 |
| Fund balance - ending of year | <u>\$ 8,494,486</u> | <u>\$ 8,544,779</u> | <u>\$ 10,412,821</u> | <u>\$ 27,452,086</u> |

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

Undesignated General Fund Balances (1)

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

| <u>Year</u> | <u>Undesignated General Fund Balance</u> |
|-------------|--|
| 2010 | \$ 12,366,774 |
| 2009 | 12,443,909 |
| 2008 | 13,588,148 |
| 2007 | 11,898,962 |
| 2006 | 6,480,373 |

(1) Source: Audited Financial Statements.

Stabilization Fund

The Town maintains a stabilization fund which is accounted for in the Trust Funds. The Stabilization Fund plus interest income may be appropriated at an annual or special town meeting for any municipal purpose.

| <u>Year</u> | <u>Stabilization Fund</u> |
|-------------|-------------------------------|
| 2010 | \$ 3,022,256 |
| 2009 | 2,786,352 |
| 2008 | 1,979,983 |
| 2007 | 1,980,183 |
| 2006 | 1,469,887 |

Liability Fund

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

| <u>Year</u> | <u>Liability Fund</u> |
|-------------|---------------------------|
| 2010 | \$ 147,787 |
| 2009 | 135,637 |
| 2008 | 151,285 |
| 2007 | 173,232 |
| 2006 | 153,600 |

Unemployment Fund

The Town of Wellesley maintains an unemployment compensation trust fund to pay claims. Periodic appropriations are required to replenish the fund.

| <u>Year</u> | <u>Unemployment Fund</u> |
|-------------|------------------------------|
| 2010 | \$ 137,032 |
| 2009 | 226,614 |
| 2008 | 141,261 |
| 2007 | 132,209 |
| 2006 | 97,205 |

Tax Increment Financing for Development Districts

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

The Town has established no such district.

Investment of Town Funds

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

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

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

INDEBTEDNESS

Authorization of General Obligation Bonds and Notes

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

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

Debt Limits

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

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

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

Types of Obligations

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

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

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

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

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

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

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

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

Revenue Anticipation Notes

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

**Direct Debt Summary
As of June 30, 2010 (1)**

| | | |
|----------------------------------|----|----------------|
| General Obligation Bonds | | |
| Inside the General Debt Limit | | |
| Sewers and Drains | \$ | 527,649 |
| School (2) | | 44,275,000 |
| Other Building | | 15,000,000 |
| General | | 2,865,000 |
| Total | | \$ 62,667,649 |
| Outside the General Debt Limit | | |
| Water | | 1,956,609 |
| School (3) | | 45,815,000 |
| Total | | 47,771,609 |
| Total Long-Term Debt Outstanding | | 110,439,258 |
| This Issue | | 22,610,000 |
| Short-Term Notes | | - |
| Total Direct Debt | | \$ 133,049,258 |

- (1) Excludes overlapping debt and lease-purchase obligations.
- (2) According to the Massachusetts School Building Authority, the unpaid balance of state school construction grants payable over the life of outstanding school bonds for both principal and interest is approximately \$3,731,028. The Town is receiving school building assistance grants in connection with the \$15,995,000 Sprague School which will cover 57% of eligible project costs including debt service on bonds and notes relating to the project. See “TOWN FINANCES – State School Building Assistance Program,” above. The Town has voted to exempt debt service on \$39,440,000 principal of and associated interest on these projects from the limits imposed by Proposition 2 ½.
- (3) Principal and associated interest has been voted exempt from the limitations of Proposition 2 ½.

Key Debt Ratios

| | As of June 30 | | | | |
|---|---------------|--------------|--------------|--------------|--------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 |
| Long Term Debt Outstanding (1) | \$110,439,258 | \$84,145,036 | \$66,053,856 | \$55,306,792 | \$61,195,935 |
| Per Capita Debt (2) | \$4,028.87 | \$3,210.05 | \$2,482.01 | \$2,078.19 | \$2,299.48 |
| Percent of Assessed Valuation (3) | 1.23% | 0.89% | 0.72% | 0.62% | 0.71% |
| Percent of Equalized Valuation (4) | 1.10% | 0.84% | 0.69% | 0.58% | 0.75% |
| Per capita as a Percent of Personal Income per Capita (2) | 7.62% | 6.07% | 4.69% | 3.93% | 4.35% |

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

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

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

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

Annual Debt Service as of June 30, 2010 (1)

| Fiscal Year | Outstanding (2) | | This Issue (3) | | State Aid | Net Debt Service | Cumulative % Principal Retired |
|-------------|-----------------------|----------------------|----------------------|---------------------|-----------------------|-----------------------|--------------------------------|
| | Principal | Interest | Principal | Interest | | | |
| 2011 | \$ 10,428,631 | \$ 4,063,290 | \$ - | \$ - | \$ (621,838) | \$ 13,870,083 | 7.8 % |
| 2012 | 9,558,907 | 3,722,078 | 1,190,000 | 789,813 | (621,838) | 14,638,960 | 15.9 |
| 2013 | 9,362,032 | 3,403,241 | 1,185,000 | 767,500 | (621,838) | 14,095,935 | 23.8 |
| 2014 | 8,344,649 | 3,080,174 | 1,185,000 | 731,950 | (621,838) | 12,719,934 | 31.0 |
| 2015 | 8,304,649 | 2,799,070 | 1,150,000 | 708,250 | (621,838) | 12,340,131 | 38.1 |
| 2016 | 7,845,244 | 2,470,481 | 1,150,000 | 673,750 | (621,838) | 11,517,637 | 44.9 |
| 2017 | 6,523,548 | 2,175,281 | 1,150,000 | 639,250 | - | 10,488,079 | 50.6 |
| 2018 | 4,661,599 | 1,939,575 | 1,150,000 | 604,750 | - | 8,355,924 | 55.0 |
| 2019 | 4,060,000 | 1,776,150 | 1,150,000 | 558,750 | - | 7,544,900 | 58.9 |
| 2020 | 4,025,000 | 1,622,375 | 1,150,000 | 512,750 | - | 7,310,125 | 62.8 |
| 2021 | 4,045,000 | 1,466,875 | 1,150,000 | 466,750 | - | 7,128,625 | 66.7 |
| 2022 | 4,060,000 | 1,314,825 | 1,100,000 | 420,750 | - | 6,895,575 | 70.6 |
| 2023 | 4,075,000 | 1,154,663 | 1,100,000 | 385,000 | - | 6,714,663 | 74.5 |
| 2024 | 3,395,000 | 1,001,100 | 1,100,000 | 346,500 | - | 5,842,600 | 77.9 |
| 2025 | 3,415,000 | 872,938 | 1,100,000 | 306,625 | - | 5,694,563 | 81.3 |
| 2026 | 2,985,000 | 741,613 | 1,100,000 | 266,750 | - | 5,093,363 | 84.3 |
| 2027 | 2,500,000 | 621,000 | 1,100,000 | 225,500 | - | 4,446,500 | 87.0 |
| 2028 | 2,490,000 | 521,000 | 1,100,000 | 181,500 | - | 4,292,500 | 89.7 |
| 2029 | 1,960,000 | 421,400 | 1,100,000 | 137,500 | - | 3,618,900 | 92.0 |
| 2030 | 1,400,000 | 343,000 | 1,100,000 | 93,500 | - | 2,936,500 | 93.9 |
| 2031 | 1,400,000 | 287,000 | 1,100,000 | 46,750 | - | 2,833,750 | 95.8 |
| 2032 | 1,400,000 | 231,000 | - | - | - | 1,631,000 | 96.8 |
| 2033 | 1,400,000 | 175,000 | - | - | - | 1,575,000 | 97.9 |
| 2034 | 1,400,000 | 119,000 | - | - | - | 1,519,000 | 98.9 |
| 2035 | 1,400,000 | 59,500 | - | - | - | 1,459,500 | 100.0 |
| Total | <u>\$ 110,439,258</u> | <u>\$ 36,381,628</u> | <u>\$ 22,610,000</u> | <u>\$ 8,863,888</u> | <u>\$ (3,731,028)</u> | <u>\$ 174,563,745</u> | |

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

(2) Outstanding principal totaling \$55,426,000 and interest totaling \$16,083,981 are exempt from the provisions of Proposition 2 1/2.

(3) \$22,610,000 of the total principal and its associated interest has been voted exempt from Proposition 2 1/2.

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

| <u>Fiscal Year</u> | <u>Paydowns</u> | <u>Capital/ Extraordinary/ Special Items</u> |
|--------------------|-----------------|--|
| 2010 | \$ - | 2010 \$ 2,987,410 |
| 2009 | 300,500 | 2009 2,826,283 |
| 2008 | - | 2008 2,942,719 |
| 2007 | 697,000 | 2007 2,339,191 |
| 2006 | 2,095,934 | 2006 2,240,449 |
| 2005 | 990,000 | 2005 2,511,649 |

Authorized Unissued Debt and Prospective Financing

Following the delivery of the Bonds, the Town will have approximately \$25,045,028 authorized but unissued debt for the following purposes:

| | |
|-----------------|------------------|
| Schools (1) | \$20,065,000 |
| Water and Sewer | 2,674,028 |
| Other | <u>2,306,000</u> |
| Total | \$25,045,028 |

(1) The Town has voted to exempt the debt service on \$16,583,000 from the limitations of Proposition 2 ½.

The Town has received approval from the Massachusetts School Building Authority to construct a new high school to meet its 2017-18 school year projected peak high school enrollment of 1,600. The project, with a total cost of approximately \$124 million, will be funded with \$44 million in MSBA grants and the balance with general obligation bonds. The Town voted to exclude the debt service for the project from the limitations of Proposition 2 ½.

Overlapping Debt

| <u>Overlapping Entity</u> | <u>Outstanding Debt</u> | <u>Fiscal 2011 Dollar Assessment (1)</u> |
|---|-------------------------|--|
| Norfolk County(2) | \$ 900,000 | \$ 411,108 |
| Massachusetts Water Resources Authority(3) | | |
| Water | 1,965,302,000 | 589,017 |
| Sewer | 3,902,910,000 | 3,041,035 |
| Massachusetts Bay Transportation Authority(4) | 5,522,119,947 | 555,689 |

(1) Estimated dollar assessment based upon total net operating expenses, inclusive (where applicable) of debt service.

(2) SOURCE: Norfolk County Treasurer. Debt as of June 30, 2010. County expenses including debt service on county bonds are assessed upon the cities and towns within the county in proportion to their taxable valuation as last equalized by the State Commissioner of Revenue. Amounts shown are based on the most recent equalized valuations. Legislation was enacted in 1997 abolishing the county governments of Franklin and Middlesex Counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The legislation also abolished the county governments of Hampden and Worcester counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation also requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount not exceeding or equal to the county tax paid by each city and town for the fiscal year immediately prior to the abolishment of the county until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county government in all the remaining counties.

(footnotes continued on next page)

- (3) SOURCE: The Massachusetts Water Resources Authority (the "MWRA") provides wholesale drinking water services in whole or in part to 48 cities, towns and special purpose entities and provides wastewater collection and treatment services to 43 cities, towns and special purpose entities. Under its enabling legislation, as amended, the aggregate principal amount of all bonds issued by the MWRA for its corporate purposes may not exceed \$6.1 billion outstanding at any time. Its obligations are secured by revenues of the MWRA. The MWRA assesses member cities, towns and special purpose entities, which continue to provide direct retail water and sewer services to users. The cities, towns and other entities collect fees from the users to pay all or part of the assessments; some municipalities levy property taxes to pay part of the amounts assessed upon them.
- (4) SOURCE: M.B.T.A. Debt as of June 30, 2010. The Massachusetts Bay Transportation Authority (the "MBTA") was created in 1964 to finance and operate mass transportation facilities within the greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes, other than refunding bonds, and for certain specified purposes to an outstanding amount, which does not exceed the aggregate principal amount of \$3,556,300,000. In addition, pursuant to certain of the Commonwealth's transportation bond bills, the MBTA is authorized to issue additional bonds for particular capital projects. The MBTA also is authorized to issue bonds of the purpose of refunding bonds. Under the MBTA's enabling act debt service, as well as other operating expenses of the MBTA, are to be financed by a dedicated revenue stream consisting of the amounts assessed on the cities and towns of the MBTA and a dedicated portion of the statewide sales tax. The amount assessed to each city and town is based on its weighted percentage of the total population of the authority as provided in the enabling act. The aggregate amount of such assessments is generally not permitted to increase by more than 2.5 percent per year.

Contracts

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

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

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

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

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

| Expiration | Name | Nature of Contract | Annual Cost | Estimated Cost | Date |
|------------|--------------------------|--------------------|-------------|----------------|----------|
| | | | Fiscal 2010 | Fiscal 2011 | |
| | IESI-Seneca Meadows Inc. | Waste Disposal | \$517,133 | \$661,000 | 06/30/12 |
| | Eastern Bus Company | School Busing | 659,516 | 534,782 | 12/30/12 |

Source: Town Treasurer.

RETIREMENT SYSTEMS

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

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

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

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

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

Recent legislation provides that upon local acceptance and subject to certain conditions and limitations, a municipality may establish and implement an early retirement incentive program. Any plan for such program must have been submitted to PERAC by September 27, 2010.

Town of Wellesley Contributory Retirement System

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

Trend of Actuarial Accrued Liability (in Thousands)

| <u>Date of Actuarial Valuation & Data Provided</u> | <u>Net Assets Available for Plan Benefits</u> | <u>Actuarial Accrued Liability</u> | <u>Percentage Funded</u> | <u>Unfunded Actuarial Accrued Liability</u> | <u>Annual Covered Payroll</u> | <u>Unfunded Actuarial Accrued Liability as a Percentage of Annual Covered Payroll</u> |
|--|---|------------------------------------|--------------------------|---|-------------------------------|---|
| 1/1/2010 | \$129,514,453 | \$149,447,086 | 86.7% | \$19,932,633 | \$32,053,329 | 62.2% |
| 1/1/2008 | 144,298,124 | 136,021,926 | 106.1 | (8,276,198) | 30,256,013 | -27.4 |
| 1/1/2006 | 127,011,492 | 123,086,217 | 103.2 | (3,925,275) | 26,392,253 | -14.9 |
| 1/1/2004 | 116,792,365 | 112,846,159 | 103.5 | (3,946,206) | 23,172,848 | -17.0 |
| 1/1/2003 | 119,033,662 | 114,811,026 | 103.7 | (4,222,636) | 22,572,703 | -18.7 |
| 1/1/2001 | 123,291,025 | 92,278,891 | 133.6 | (31,012,134) | 21,561,329 | -143.8 |
| 1/1/1999 | 106,295,893 | 81,975,372 | 129.8 | (24,320,521) | 17,694,603 | -137.4 |

The Town has a noncontributory pension plan for certain retirees who elected not to become members of the Contributory Retirement System at its inception. Benefits are paid by the Town on a pay-as-you-go basis. Total pension expense of this plan for the year ended June 30, 2006, June 30, 2007, June 30, 2008, June 30, 2009 and June 30, 2010 was \$72,853, \$65,273, \$55,958 and \$35,685 respectively. Total pension expense of this plan for the year ended June 30, 2010 was \$34,540.

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

Other Post-Employment Benefits

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

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

The Town was required to implement the new GASB reporting requirements for other post-employment benefits beginning in fiscal year 2009. As of June 30, 2008, the total actuarial accrued liability was \$105,141,747 on a pre-funded basis, assuming an interest rate of 8%, and the Town's annual required contribution is approximately \$8,159,418.

Under Chapter 88 of the Acts of 2004, the Town has the authority to establish a fund for the purpose of accumulating assets to fund its GASB 45 OPEB liability. In fiscal 2007, the Town appropriated \$600,000 towards its share of the liability, while the Municipal Light Plant appropriated \$248,562. For fiscal 2008, the Town appropriated \$1,200,000, the Municipal Light Plant another \$248,000. For fiscal 2009, the Town appropriated \$5,860,762, the Municipal Light Plant another \$640,480, and the Water and Sewer Fund \$154,414. For fiscal 2010, the Town appropriated \$3,000,000, the Municipal Light Plant another \$250,200, and the Water and Sewer Fund \$81,080. For fiscal 2011, the Town appropriated \$3,000,000, the Municipal Light Plant another \$243,239, and the Water and Sewer Fund \$79,914.

On May 15, 2007, Wellesley voters approved an \$18,000,000 Proposition 2 ½ override to be spread over 10 years. This allows for an annual \$3,000,000 full funding of the Town's GASB 45 Annual Required Contribution (ARC). The outstanding liability will be re-evaluated at the end of that period.

EMPLOYEE RELATIONS

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

The Town has approximately 942 full-time employees, including those in the School Department. Approximately 83 percent belong to unions or other collective bargaining groups as shown below:

| <u>Employee Category</u> | <u>Represented by</u> | <u>Number of Employees</u> | <u>Contract Expires</u> |
|--------------------------|---|----------------------------|-------------------------|
| Police | Wellesley Police Patrolmen's Association | 31 | 6/30/13 |
| | Wellesley Superior Officers Association | 8 | 6/30/13 |
| Dispatchers | Wellesley Police Dispatchers Association | 10 | 6/30/11 |
| Firemen | International Association of Firefighters | 51 | 6/30/11 |
| Public Works: | | | |
| MLP | AFSCME | 20 | 6/30/11 |
| Production | AFSCME | 75 | 6/30/11 |
| Clerical | AFSCME | 3 | 6/30/11 |
| Supervisory | AFSCME | 8 | 6/30/11 |
| Library | Wellesley Free Library Association | 30 | 6/30/11 |
| School: | | | |
| Teachers | Wellesley Teachers Association | 443 | 6/30/11 |
| Custodians | AFSCME | 40 | 6/30/11 |
| Secretaries | Wellesley Educational Secretaries Association | 38 | 6/30/11 |
| Cafeteria Workers | AFSCME | <u>25</u> | 6/30/11 |
| Total | | <u>782</u> | |

LITIGATION

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

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

March 30, 2011

TOWN OF WELLESLEY, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year ended June 30, 2010



Prepared by:

The Finance Department of the Town of Wellesley, Massachusetts

TOWN OF WELLESLEY, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2010

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Financial Section

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2010 (except for the Wellesley Contributory Retirement System which is as of and for the year ended December 31, 2009), 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, 2010 (except for the Wellesley Contributory Retirement System which is as of December 31, 2009), 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2010, on our consideration of the Town of Wellesley, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

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

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

Wakefield, Massachusetts
November 29, 2010

Management's Discussion and Analysis

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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, 2010. This is the eighth year our financial statements have been prepared under the Government Accounting Standards Board Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. We encourage readers to consider the information presented in this report in conjunction with additional information that we have furnished in our letter of transmittal.

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

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

Financial Highlights

- The government-wide assets of the Town of Wellesley exceeded its liabilities at the close of the most recent fiscal year by \$146.4 million and \$85.6 million (net assets) for governmental activities and business-type activities, respectively.
- Of these amounts, 21% or \$48.8 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 \$17.4 million, an increase of \$725,000 over the prior year. Total fund balance represents 14% of total general fund expenditures. Approximately \$12.4 million of this total amount is available for appropriation at the Town's discretion.
- The Town of Wellesley's total governmental debt increased by approximately \$28 million during the current fiscal year. The increase is the result of \$35 million of new issuances for high school construction less \$8 million of principal payments on debt previously incurred for school construction and various public works projects.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public education, public works, health and human services, library, recreation, traffic and parking management, community preservation, and interest. The business-type activities include the activities of the sewer, water, and electric enterprise funds.

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

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

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

The Town maintains five major governmental funds that are presented separately in the governmental fund financial statements. The high school construction fund is a new major fund in fiscal year 2010, used to account for the construction of the new high school. 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 \$232 million at the close of the fiscal year 2010.

Government-wide net assets of \$172 million (74%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town of Wellesley's net assets, \$11.2 million (5%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$48.8 million (21%), 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 \$10.9 million during the current fiscal year as compared to an increase in net assets of \$6.7 million during the prior fiscal year. The key element of the change relates to a \$4 million increase in capital grant revenues. Other revenue sources have been predictable and the Town experienced an overall 5% increase in the other revenue categories and the increase is primarily the result of increases in the charges for service, operating grants and contributions, real estate taxes and investment income categories. Expenses increased in virtually all functional categories, with an overall 5% increase over the prior year.

| | 2010 | 2009 |
|--|-----------------------|-----------------------|
| Assets: | | |
| Current assets..... | \$ 90,448,767 | \$ 66,888,554 |
| Noncurrent assets (excluding capital)..... | 5,957,219 | 5,641,027 |
| Capital assets, non depreciable..... | 32,217,469 | 11,865,303 |
| Capital assets, net of accumulated depreciation..... | 134,979,015 | 133,544,471 |
| Total assets..... | 263,602,470 | 217,939,355 |
| Liabilities: | | |
| Current liabilities (excluding debt)..... | 13,811,786 | 6,668,650 |
| Noncurrent liabilities (excluding debt)..... | 363,747 | 403,589 |
| Current debt..... | 9,496,948 | 8,077,301 |
| Noncurrent debt..... | 93,500,246 | 67,270,020 |
| Total liabilities..... | 117,172,727 | 82,419,560 |
| Net Assets: | | |
| Invested in capital assets, net of related debt..... | 98,914,209 | 90,953,257 |
| Restricted..... | 11,181,819 | 10,336,566 |
| Unrestricted..... | 36,333,715 | 34,229,972 |
| Total net assets..... | \$ 146,429,743 | \$ 135,519,795 |

Governmental capital assets increased during the year by \$21.8 million. This was the result of \$29.6 million of additions, primarily in the areas of school buildings and related improvements. Depreciation expense was recorded in the amount of \$7.8 million. Non-current assets include a \$2.8 million asset relating to the pre-funding of the Other Postemployment Benefit (OPEB) liability.

| | 2010 | | 2009 |
|--|--------------------|----|--------------------|
| Program revenues: | | | |
| Charges for services..... \$ | 9,527,490 | \$ | 8,660,273 |
| Operating grants and contributions..... | 22,572,919 | | 21,643,227 |
| Capital grants and contributions..... | 5,967,583 | | 1,888,819 |
| General Revenues: | | | |
| Real estate and personal property taxes..... | 93,769,116 | | 88,861,087 |
| Motor vehicle and other excise taxes..... | 3,945,790 | | 4,061,173 |
| Community preservation tax..... | 844,254 | | 805,247 |
| Nonrestricted grants and contributions, and other..... | 2,327,910 | | 2,791,169 |
| Unrestricted investment income..... | 1,801,769 | | 1,206,334 |
| Total revenues..... | 140,756,831 | | 129,917,329 |
| Expenses: | | | |
| General government..... | 8,576,509 | | 7,647,280 |
| Public safety..... | 14,139,090 | | 12,840,721 |
| Public education..... | 86,694,832 | | 83,694,291 |
| Public works..... | 10,280,799 | | 9,764,169 |
| Health and human services..... | 1,319,220 | | 1,173,751 |
| Library..... | 3,317,361 | | 3,662,740 |
| Recreation..... | 2,701,249 | | 2,223,767 |
| Traffic and parking management..... | 580,125 | | 371,662 |
| Community preservation..... | 129,981 | | 166,752 |
| Interest..... | 3,107,717 | | 2,653,697 |
| Total expenses..... | 130,846,883 | | 124,198,830 |
| Excess (Deficiency) before transfers..... | 9,909,948 | | 5,718,499 |
| Transfers..... | 1,000,000 | | 1,000,000 |
| Change in net assets..... \$ | 10,909,948 | \$ | 6,718,499 |

Other financial notes related to governmental activities:

- Charges for services represented 7% of governmental activities resources. The Town can exercise more control over this category of revenue than any other. Fees charged for services rendered that are set by the Town are included in this category.
- Operating grants and contributions accounted for 16% percent of the governmental activities resources. Most of these resources apply to educational operations. These resources offset costs within the school department and supplement their General Fund operating budget.
- Property taxes are by far the most significant revenue source for the Town's governmental activities. They comprised 67% of current resources.
- Other taxes and other revenues comprised a total of 10% percent of the governmental activities resources. These primarily include capital grants, excise taxes, non-restricted grants and contributions, and investment earnings.
- Education is by far the largest governmental activity of the Town. Approximately \$57 million in taxes and other revenue were needed to cover its Fiscal 2010 operating expenses. A pension contribution of approximately \$10 million made by the state on-behalf of Wellesley teachers was recorded as an expense and grant revenue.

- Public safety and public works are the second and third largest activities of the Town. Approximately \$11 million and \$9 million, respectively, of taxes and other revenue were needed to cover their fiscal 2010 operating expenses.

Business-type activities. Business-type activities increased the Town's net assets by \$1.4 million compared to a decrease of \$1.3 million during the previous fiscal year. Key elements of this change relate mainly to the operations of the Electric Light Department where the department was able to increase revenues \$2.3 million while realizing a net expense decrease of \$1.2 million in the production, transmission, and distribution cost categories.

As shown below, business-type activities assets exceeded liabilities by \$85.6 million at the close of fiscal year 2010. Invested in capital assets, net of related debt was \$73.1 million (85%) while unrestricted net assets were \$12.5 million (15%). The Electric Light department experienced a \$1.3 million increase in net assets, after transferring \$1 million to the governmental activities, while the water and sewer funds recovered all of their costs through rates. These results continue to reflect management's goal of maintaining the systems while only charging users for the cost of operations.

| | 2010 | | 2009 |
|--|----------------------|-----------|-------------------|
| Assets: | | | |
| Current assets..... | \$ 16,401,091 | \$ | 16,921,964 |
| Noncurrent assets (excluding capital)..... | 377,214 | | 302,362 |
| Capital assets, non depreciable..... | 1,814,782 | | 7,486,819 |
| Capital assets, net of accumulated depreciation..... | 80,109,206 | | 73,202,832 |
| Total assets..... | 98,702,293 | | 97,913,977 |
| Liabilities: | | | |
| Current liabilities (excluding debt)..... | 4,267,654 | | 4,209,967 |
| Noncurrent liabilities (excluding debt)..... | 18,786 | | 15,077 |
| Current debt..... | 1,073,160 | | 1,018,489 |
| Noncurrent debt..... | 7,732,579 | | 8,483,714 |
| Total liabilities..... | 13,092,179 | | 13,727,247 |
| Net Assets: | | | |
| Invested in capital assets, net of related debt..... | 73,118,249 | | 71,187,448 |
| Unrestricted..... | 12,491,865 | | 12,999,282 |
| Total net assets..... | \$ 85,610,114 | \$ | 84,186,730 |

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

| | 2010 | | 2009 |
|--|---------------------|----|--------------------|
| Program revenues: | | | |
| Charges for services..... | \$ 45,165,112 | \$ | 43,749,436 |
| Capital grants and contributions..... | 1,020,856 | | 740,108 |
| Total revenues..... | 46,185,968 | | 44,489,544 |
| Expenses: | | | |
| Sewer..... | 6,368,443 | | 6,033,451 |
| Water..... | 5,101,386 | | 5,060,034 |
| Electric department..... | 32,292,755 | | 33,736,181 |
| Total expenses..... | 43,762,584 | | 44,829,666 |
| Excess (Deficiency) before transfers..... | 2,423,384 | | (340,122) |
| Transfers..... | (1,000,000) | | (1,000,000) |
| Change in net assets..... | \$ 1,423,384 | \$ | (1,340,122) |

Financial Analysis of the Government's Major Funds

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

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements. In particular, the 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 \$67.4 million, an increase of \$17.3 million for the year. The increase is primarily due to the issuance of long-term debt net of capital spending on related construction projects.

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 \$12.4 million, while the total fund balance was \$17.4 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 10% of total general fund expenditures, while the total fund balance represents 14% of that same amount. Fund balance of the General Fund increased \$725,000 during fiscal year 2010 partly as a result of a premium from the issuance of long-term debt.

Stabilization Major Fund

The stabilization fund is a special revenue fund used to account for the accumulation of resources to be used for general and/or capital purposes upon approval of Town Meeting. The fund increased by \$235,000 in fiscal 2010 from investment earnings.

Highway Chapter 90 Major Fund

This fund is a special revenue fund that accounts for activities associated with on-going road and sidewalk projects that are funded with grants from the Commonwealth. The fund essentially broke even during the fiscal year.

Capital Projects Major Fund

Capital project funds under the modified accrual basis of accounting normally have significant fluctuations as major capital projects are constructed. During fiscal year 2010, the Town continued to expend funds primarily on the middle school renovation project, other general school improvements, and various non-building infrastructure and road improvements. The fund had expenditures of \$7.1 million leaving an ending fund balance of \$1.6 million.

High School Construction Major Fund

This fund is a new capital project fund that accounts for activities and resources associated with the construction of a new high school for the Town. During FY2010, the Town incurred construction costs of \$18.4 million, issued \$35 million in new general obligation bonds and received \$5 million in reimbursements from the Commonwealth of Massachusetts through the Massachusetts School Building Authority (MSBA). The ending fund balance was \$29.4 million and will be used to fund future construction costs. Future construction costs will be reimbursed to the Town, by the MSBA, at a rate of 40% of eligible costs.

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

General Fund Budgetary Highlights

The final budget increased over the original budget by approximately \$993,000. The main components of this increase relate to an additional \$300,000 to fund snow and ice removal costs, \$375,000 to fund repairs to the Central Street Fire Station building, \$250,000 to fund design work on the public works facility, and \$57,500 to fund design work on the Senior Center.

Total general fund revenues were slightly more than budgeted amounts, primarily because of unbudgeted tax liens and departmental revenues, which were a combined \$519,000 more than budget, offsetting real estate and personal property tax revenue and investment income which, combined, were (\$507,000) less than budget.

Capital Assets and Debt Management

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

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

Major capital assets are funded by the issuance of long-term debt. Outstanding long-term debt of the general government, as of June 30, 2010, totaled \$102.9 million, of which, \$90.1 million is related to school projects, \$4.1

million is related to the new library, \$4.2 million is related to the Warren building renovation, leaving a balance of \$4.5 million for other Town projects.

The enterprise funds have \$3.6 million in sewer enterprise debt and \$5 million in water enterprise debt that is fully supported by the rates and do not rely on a general fund subsidy.

The Town's major capital projects have been school construction projects totaling approximately \$120 million over the past 10 years. The Commonwealth of Massachusetts, through the 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. The Town expects the MSBA to fund approximately 40% of allowable construction costs, or up to \$44 million of the new high school project which has a total cost estimated at approximately \$131 million.

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

Pension Trust Fund

The Pension Trust Fund (System) recognized net investment gains totaling \$16.5 million for the calendar year ended December 31, 2009. These gains were partially offset by \$9.6 million of retirement benefits paid, administration costs and transfers to other systems. Total net assets of the System amounted to \$107.9 million at December 31, 2009. The System is one of the few in Massachusetts that had been fully funded (1/01/08 actuarial study) prior to the economic downturn of the financial markets in recent years. Based on the most recent actuarial valuation performed as of January 1, 2010, the System's Funded Ratio was 86.7%.

Other Postemployment Benefits

As of June 30, 2010 the Town has recognized an asset for other postemployment benefits in the amount of \$3.1 million. The current year Annual Required Contribution (ARC) amounted to \$8,506,559 and the Town contributed \$9,519,441 through a combination of benefit payments and pre-funding contributions to the OPEB Trust fund. The assets set aside in trust for future benefits amounted to \$11.1 million at fiscal year end.

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.

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Basic Financial Statements

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STATEMENT OF NET ASSETS

JUNE 30, 2010

| | <i>Primary Government</i> | | |
|---|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| CURRENT: | | | |
| Cash and cash equivalents..... | \$ 75,967,247 | \$ 9,112,680 | \$ 85,079,927 |
| Investments..... | 6,294,310 | 1,063,657 | 7,357,967 |
| Receivables, net of allowance for uncollectibles: | | | |
| Real estate, personal property and tax deferrals..... | 2,784,770 | - | 2,784,770 |
| Tax liens..... | 862,603 | - | 862,603 |
| Motor vehicle excise taxes..... | 225,606 | - | 225,606 |
| User charges..... | - | 4,020,621 | 4,020,621 |
| Departmental and other..... | 154,846 | - | 154,846 |
| Intergovernmental..... | 4,159,385 | - | 4,159,385 |
| Inventory..... | - | 719,192 | 719,192 |
| Purchased power advance deposits..... | - | 1,362,015 | 1,362,015 |
| Other assets..... | - | 122,926 | 122,926 |
| Total Current Assets..... | 90,448,767 | 16,401,091 | 106,849,858 |
| NONCURRENT: | | | |
| Receivables, net of allowance for uncollectibles: | | | |
| Intergovernmental..... | 3,109,812 | - | 3,109,812 |
| Investment in Energy New England, LLC..... | - | 150,000 | 150,000 |
| Other postemployment benefits asset..... | 2,847,407 | 227,214 | 3,074,621 |
| Capital assets, non depreciable..... | 32,217,469 | 1,814,782 | 34,032,251 |
| Capital assets, net of accumulated depreciation..... | 134,979,015 | 80,109,206 | 215,088,221 |
| Total Noncurrent Assets..... | 173,153,703 | 82,301,202 | 255,454,905 |
| TOTAL ASSETS..... | 263,602,470 | 98,702,293 | 362,304,763 |
| LIABILITIES | | | |
| CURRENT: | | | |
| Warrants payable..... | 8,521,415 | 3,098,338 | 11,619,753 |
| Accrued payroll..... | 3,894,665 | 107,503 | 4,002,168 |
| Tax refunds payable..... | 276,611 | - | 276,611 |
| Accrued interest..... | 536,382 | 18,342 | 554,724 |
| Other liabilities..... | - | 1,012,071 | 1,012,071 |
| Unearned revenues..... | 244,213 | - | 244,213 |
| Compensated absences..... | 104,500 | 31,400 | 135,900 |
| Workers' compensation..... | 234,000 | - | 234,000 |
| Bonds and notes payable..... | 9,496,948 | 1,073,160 | 10,570,108 |
| Total Current Liabilities..... | 23,308,734 | 5,340,814 | 28,649,548 |
| NONCURRENT: | | | |
| Compensated absences..... | 69,747 | 18,786 | 88,533 |
| Workers' compensation..... | 294,000 | - | 294,000 |
| Bonds and notes payable..... | 93,500,246 | 7,732,579 | 101,232,825 |
| Total Noncurrent Liabilities..... | 93,863,993 | 7,751,365 | 101,615,358 |
| TOTAL LIABILITIES..... | 117,172,727 | 13,092,179 | 130,264,906 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt..... | 98,914,209 | 73,118,249 | 172,032,458 |
| Restricted for: | | | |
| Permanent funds: | | | |
| Expendable..... | 1,985,854 | - | 1,985,854 |
| Nonexpendable..... | 210,612 | - | 210,612 |
| Grants and gifts..... | 1,989,951 | - | 1,989,951 |
| Community preservation..... | 6,995,402 | - | 6,995,402 |
| Unrestricted..... | 36,333,715 | 12,491,865 | 48,825,580 |
| TOTAL NET ASSETS..... | \$ 146,429,743 | \$ 85,610,114 | \$ 232,039,857 |

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2010

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue |
|--|-----------------------|----------------------|------------------------------------|----------------------------------|------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Primary Government: | | | | | |
| <i>Governmental Activities:</i> | | | | | |
| General government..... | \$ 8,576,509 | \$ 794,990 | \$ 47,879 | \$ - | \$ (7,733,640) |
| Public safety..... | 14,139,090 | 3,028,707 | 108,597 | - | (11,001,786) |
| Public education..... | 86,694,832 | 3,119,832 | 21,666,819 | 5,047,729 | (56,860,452) |
| Public works..... | 10,280,799 | 667,351 | 99,341 | 647,917 | (8,866,190) |
| Health and human services..... | 1,319,220 | 123,704 | 65,631 | - | (1,129,885) |
| Library..... | 3,317,361 | 84,390 | 38,110 | - | (3,194,861) |
| Recreation..... | 2,701,249 | 1,074,003 | 546,542 | - | (1,080,704) |
| Traffic and parking management..... | 580,125 | 634,513 | - | - | 54,388 |
| Community preservation..... | 129,981 | - | - | 271,937 | 141,956 |
| Interest..... | 3,107,717 | - | - | - | (3,107,717) |
| Total Governmental Activities..... | 130,846,883 | 9,527,490 | 22,572,919 | 5,967,583 | (92,778,891) |
| <i>Business-Type Activities:</i> | | | | | |
| Sewer..... | 6,368,443 | 6,190,782 | - | 263,475 | 85,814 |
| Water..... | 5,101,386 | 5,127,632 | - | - | 26,246 |
| Electric department..... | 32,292,755 | 33,846,698 | - | 757,381 | 2,311,324 |
| Total Business-Type Activities..... | 43,762,584 | 45,165,112 | - | 1,020,856 | 2,423,384 |
| Total Primary Government..... | \$ 174,609,467 | \$ 54,692,602 | \$ 22,572,919 | \$ 6,988,439 | \$ (90,355,507) |

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2010

| | Primary Government | | |
|--|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Changes in net assets: | | | |
| Net (expense) revenue from previous page..... | \$ (92,778,891) | \$ 2,423,384 | \$ (90,355,507) |
| <i>General revenues:</i> | | | |
| Real estate and personal property taxes, net of tax refunds..... | 93,459,337 | - | 93,459,337 |
| Tax liens..... | 309,779 | - | 309,779 |
| Motor vehicle and other excise taxes..... | 3,945,790 | - | 3,945,790 |
| Community preservation tax..... | 844,254 | - | 844,254 |
| Penalties and interest on taxes..... | 297,977 | - | 297,977 |
| Payments in lieu of taxes..... | 417,329 | - | 417,329 |
| Grants and contributions not restricted to specific programs..... | 1,612,604 | - | 1,612,604 |
| Unrestricted investment income..... | 1,801,769 | - | 1,801,769 |
| <i>Transfers, net</i> | 1,000,000 | (1,000,000) | - |
| Total general revenues and transfers..... | <u>103,688,839</u> | <u>(1,000,000)</u> | <u>102,688,839</u> |
| Change in net assets..... | 10,909,948 | 1,423,384 | 12,333,332 |
| <i>Net Assets:</i> | | | |
| Beginning of year..... | <u>135,519,795</u> | <u>84,186,730</u> | <u>219,706,525</u> |
| End of year..... | <u>\$ 146,429,743</u> | <u>\$ 85,610,114</u> | <u>\$ 232,039,857</u> |

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2010

| ASSETS | General | Stabilization Fund | Highway Chapter 90 | Capital Projects | High School Construction Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------|-----------------------|---------------------|-------------------------------------|-----------------------------------|--------------------------------|
| Cash and cash equivalents..... | \$ 20,436,148 | \$ 2,115,922 | \$ - | \$ 1,832,988 | \$ 34,872,792 | \$ 13,657,300 | \$ 72,915,150 |
| Investments..... | 1,793,995 | 906,334 | - | - | - | 2,931,576 | 5,631,905 |
| Receivables, net of uncollectibles: | | | | | | | |
| Real estate, personal property and tax deferrals | 2,784,770 | - | - | - | - | - | 2,784,770 |
| Tax liens..... | 862,603 | - | - | - | - | - | 862,603 |
| Motor vehicle excise taxes..... | 225,606 | - | - | - | - | - | 225,606 |
| Departmental and other..... | 2,876 | - | - | - | - | 141,245 | 144,121 |
| Intergovernmental..... | 3,742,636 | - | 2,756,134 | - | 534,787 | 235,640 | 7,269,197 |
| Due from other funds..... | 714,873 | - | - | - | - | - | 714,873 |
| TOTAL ASSETS..... | \$ 30,563,507 | \$ 3,022,256 | \$ 2,756,134 | \$ 1,832,988 | \$ 35,407,579 | \$ 16,965,761 | \$ 90,548,225 |
| LIABILITIES | | | | | | | |
| LIABILITIES: | | | | | | | |
| Warrants payable..... | \$ 1,606,959 | \$ - | \$ 20,846 | \$ 220,869 | \$ 6,036,429 | \$ 529,461 | \$ 8,414,564 |
| Accrued payroll..... | 3,840,618 | - | - | - | - | 27,569 | 3,868,187 |
| Tax refunds payable..... | 276,611 | - | - | - | - | - | 276,611 |
| Deferred revenues and advance collections..... | 7,468,708 | - | 2,020,415 | - | - | 360,442 | 9,849,565 |
| Due to other funds..... | - | - | 714,873 | - | - | - | 714,873 |
| TOTAL LIABILITIES..... | 13,192,896 | - | 2,756,134 | 220,869 | 6,036,429 | 917,472 | 23,123,800 |
| FUND BALANCES: | | | | | | | |
| Reserved for: | | | | | | | |
| Encumbrances and continuing appropriations..... | 5,003,837 | - | - | - | - | - | 5,003,837 |
| Perpetual permanent funds..... | - | - | - | - | - | 210,612 | 210,612 |
| Unreserved: | | | | | | | |
| Undesignated, reported in: | | | | | | | |
| General fund..... | 12,366,774 | - | - | - | - | - | 12,366,774 |
| Special revenue funds..... | - | 3,022,256 | - | - | - | 13,851,823 | 16,874,079 |
| Capital projects funds..... | - | - | - | 1,612,119 | 29,371,150 | - | 30,983,269 |
| Permanent funds..... | - | - | - | - | - | 1,985,854 | 1,985,854 |
| TOTAL FUND BALANCES..... | 17,370,611 | 3,022,256 | - | 1,612,119 | 29,371,150 | 16,048,289 | 67,424,425 |
| TOTAL LIABILITIES AND FUND BALANCES..... | \$ 30,563,507 | \$ 3,022,256 | \$ 2,756,134 | \$ 1,832,988 | \$ 35,407,579 | \$ 16,965,761 | \$ 90,548,225 |

See notes to basic financial statements.

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

June 30, 2010

| | | |
|--|---------------|----------------------|
| Total governmental fund balances..... | \$ | 67,424,425 |
| Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds..... | | 167,196,484 |
| Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds..... | | 9,605,352 |
| Other postemployment benefits asset..... | | 2,847,407 |
| 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..... | | 3,063,898 |
| In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due..... | | (536,382) |
| 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..... | (102,997,194) | |
| Compensated absences..... | (174,247) | |
| Net effect of reporting long-term liabilities..... | | <u>(103,171,441)</u> |
| Net assets of governmental activities..... | \$ | <u>146,429,743</u> |

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

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

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, 2010

| | | |
|--|----|--------------------|
| Net change in fund balances - total governmental funds..... | \$ | 17,287,362 |
| <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..... | | 29,738,436 |
| Depreciation expense..... | | <u>(7,951,726)</u> |
| Net effect of reporting capital assets..... | | 21,786,710 |
| <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> | | |
| | | (1,621,821) |
| Other postemployment benefits asset..... | | 938,030 |
| <p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p> | | |
| Issuance of long-term debt..... | | (35,000,000) |
| Premium from issuance of bonds..... | | (727,174) |
| Debt service principal payments..... | | <u>8,026,000</u> |
| Net effect of reporting long-term debt..... | | (27,701,174) |
| <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..... | | 50,942 |
| Net change in accrued interest on long-term debt..... | | (346,084) |
| Amortization of bond premiums..... | | <u>51,301</u> |
| Net effect of recording long-term liabilities..... | | (243,841) |
| <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>464,682</u> |
| Change in net assets of governmental activities..... | \$ | <u>10,909,948</u> |

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2010

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities - Internal Service Funds |
|--|---|----------------------|------------------------|----------------------|---|
| | Sewer | Water | Electric Department | Total | |
| ASSETS | | | | | |
| CURRENT: | | | | | |
| Cash and cash equivalents..... | \$ 2,595,961 | \$ 1,818,112 | \$ 4,698,607 | \$ 9,112,680 | \$ 3,052,097 |
| Investments..... | 472,680 | 404,396 | 186,581 | 1,063,657 | 662,405 |
| Receivables, net of allowance for uncollectibles: | | | | | |
| User charges..... | 378,172 | 396,430 | 3,246,019 | 4,020,621 | - |
| Departmental and other..... | - | - | - | - | 10,725 |
| Inventory..... | - | 154,809 | 564,383 | 719,192 | - |
| Purchased power advance deposits..... | - | - | 1,362,015 | 1,362,015 | - |
| Other assets..... | - | - | 122,926 | 122,926 | - |
| Total current assets..... | 3,446,813 | 2,773,747 | 10,180,531 | 16,401,091 | 3,725,227 |
| NONCURRENT: | | | | | |
| Investment in Energy New England, LLC..... | - | - | 150,000 | 150,000 | - |
| Other postemployment benefits asset..... | 32,940 | 32,940 | 161,334 | 227,214 | - |
| Capital assets, nondepreciable..... | 235,539 | 1,068,278 | 510,965 | 1,814,782 | - |
| Capital assets, net of accumulated depreciation..... | 14,147,252 | 16,028,282 | 49,933,672 | 80,109,206 | - |
| Total noncurrent assets..... | 14,415,731 | 17,129,500 | 50,755,971 | 82,301,202 | - |
| TOTAL ASSETS..... | 17,862,544 | 19,903,247 | 60,936,502 | 98,702,293 | 3,725,227 |
| LIABILITIES | | | | | |
| CURRENT: | | | | | |
| Warrants payable..... | 40,106 | 138,335 | 2,919,897 | 3,098,338 | 106,851 |
| Accrued payroll..... | - | 41,528 | 65,975 | 107,503 | 26,478 |
| Accrued interest..... | 9,042 | 9,300 | - | 18,342 | - |
| Other liabilities..... | 2,075 | 37,720 | 972,276 | 1,012,071 | - |
| Compensated absences..... | - | 7,400 | 24,000 | 31,400 | - |
| Workers' compensation..... | - | - | - | - | 234,000 |
| Bonds and notes payable..... | 362,132 | 711,028 | - | 1,073,160 | - |
| Total current liabilities..... | 413,355 | 945,311 | 3,982,148 | 5,340,814 | 367,329 |
| NONCURRENT: | | | | | |
| Compensated absences..... | - | 2,829 | 15,957 | 18,786 | - |
| Workers' compensation..... | - | - | - | - | 294,000 |
| Bonds and notes payable..... | 3,326,256 | 4,406,323 | - | 7,732,579 | - |
| Total noncurrent liabilities..... | 3,326,256 | 4,409,152 | 15,957 | 7,751,365 | 294,000 |
| TOTAL LIABILITIES..... | 3,739,611 | 5,354,463 | 3,998,105 | 13,092,179 | 661,329 |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt..... | 10,694,403 | 11,979,209 | 50,444,637 | 73,118,249 | - |
| Unrestricted..... | 3,428,530 | 2,569,575 | 6,493,760 | 12,491,865 | 3,063,898 |
| TOTAL NET ASSETS..... | \$ 14,122,933 | \$ 14,548,784 | \$ 56,938,397 | \$ 85,610,114 | \$ 3,063,898 |

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities - Internal Service Funds |
|---|---|----------------------|------------------------|----------------------|---|
| | Sewer | Water | Electric Department | Total | |
| OPERATING REVENUES: | | | | | |
| Charges for services | \$ 6,183,417 | \$ 5,122,490 | \$ 30,996,065 | \$ 42,301,972 | \$ 14,450,995 |
| Contracted services | - | - | 2,002,659 | 2,002,659 | - |
| Employee contributions | - | - | - | - | 5,443,536 |
| Other | 7,365 | 5,142 | 847,974 | 860,481 | - |
| TOTAL OPERATING REVENUES | 6,190,782 | 5,127,632 | 33,846,698 | 45,165,112 | 19,894,531 |
| OPERATING EXPENSES: | | | | | |
| MWRA Assessment | 4,743,999 | 881,976 | - | 5,625,975 | - |
| Production | - | - | 19,637,587 | 19,637,587 | - |
| Transmission and distribution | - | 1,142,028 | 7,961,550 | 9,103,578 | - |
| Cost of contracted services | - | - | 1,337,567 | 1,337,567 | - |
| Other source of supply | - | 146,787 | - | 146,787 | - |
| Pumping and treatment | 234,901 | 943,700 | - | 1,178,601 | - |
| Collection | 430,432 | - | - | 430,432 | - |
| Customer accounts | 90,345 | 196,644 | 457,646 | 744,635 | - |
| Supplies and services | - | - | - | - | 19,515,099 |
| Administration and general | 464,259 | 854,547 | 367,069 | 1,685,875 | - |
| Depreciation | 303,289 | 755,520 | 2,520,292 | 3,579,101 | - |
| TOTAL OPERATING EXPENSES | 6,267,225 | 4,921,202 | 32,281,711 | 43,470,138 | 19,515,099 |
| OPERATING INCOME (LOSS) | (76,443) | 206,430 | 1,564,987 | 1,694,974 | 379,432 |
| NONOPERATING REVENUES (EXPENSES): | | | | | |
| Investment income | - | - | - | - | 85,250 |
| Interest expense | (101,218) | (180,184) | (11,044) | (292,446) | - |
| TOTAL NONOPERATING REVENUES (EXPENSES), NET | (101,218) | (180,184) | (11,044) | (292,446) | 85,250 |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | (177,661) | 26,246 | 1,553,943 | 1,402,528 | 464,682 |
| CAPITAL CONTRIBUTIONS | 263,475 | - | 757,381 | 1,020,856 | - |
| TRANSFERS: | | | | | |
| Transfers out | - | - | (1,000,000) | (1,000,000) | - |
| CHANGE IN NET ASSETS | 85,814 | 26,246 | 1,311,324 | 1,423,384 | 464,682 |
| NET ASSETS AT BEGINNING OF YEAR | 14,037,119 | 14,522,538 | 55,627,073 | 84,186,730 | 2,599,216 |
| NET ASSETS AT END OF YEAR | \$ 14,122,933 | \$ 14,548,784 | \$ 56,938,397 | \$ 85,610,114 | \$ 3,063,898 |

See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2010

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities - Internal Service Funds |
|---|---|---------------------|------------------------|---------------------|---|
| | Sewer | Water | Electric Department | Total | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Receipts from customers and users..... | \$ 6,291,652 | \$ 5,295,128 | \$ 33,554,239 | \$ 45,141,019 | \$ 5,443,110 |
| Receipts from interfund services provided..... | - | - | - | - | 14,450,995 |
| Payments to vendors..... | (5,258,403) | (1,967,444) | (28,412,586) | (35,638,433) | - |
| Payments to employees..... | (787,796) | (2,140,264) | (1,141,510) | (4,069,570) | (371,282) |
| Payments for interfund services used..... | - | - | - | - | (19,095,858) |
| NET CASH FROM OPERATING ACTIVITIES..... | 245,453 | 1,187,420 | 4,000,143 | 5,433,016 | 426,965 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | |
| Transfers out..... | - | - | (1,000,000) | (1,000,000) | - |
| Prefunding transfer for other postemployment benefits..... | (10,838) | (10,838) | (53,176) | (74,852) | - |
| NET CASH FROM NONCAPITAL FINANCING ACTIVITIES..... | (10,838) | (10,838) | (1,053,176) | (1,074,852) | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| Proceeds from the issuance of bonds and notes..... | 322,025 | - | - | 322,025 | - |
| Capital contributions..... | 263,475 | - | 757,381 | 1,020,856 | - |
| Acquisition and construction of capital assets..... | (150,933) | (969,774) | (3,692,731) | (4,813,438) | - |
| Principal payments on bonds and notes..... | (299,062) | (702,743) | - | (1,001,805) | - |
| Interest expense..... | (109,254) | (191,384) | (11,044) | (311,682) | - |
| NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES..... | 26,251 | (1,863,901) | (2,946,394) | (4,784,044) | - |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Proceeds from sales and maturities of investments..... | 18,625 | 19,435 | 38,774 | 76,834 | 775,994 |
| Purchase of investments..... | (472,680) | (404,396) | (186,581) | (1,063,657) | (662,406) |
| Investment income..... | - | - | - | - | 85,250 |
| NET CASH FROM INVESTING ACTIVITIES..... | (454,055) | (384,961) | (147,807) | (986,823) | 198,838 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS..... | (193,189) | (1,072,280) | (147,234) | (1,412,703) | 625,803 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR..... | 2,789,150 | 2,890,392 | 4,845,841 | 10,525,383 | 2,426,294 |
| CASH AND CASH EQUIVALENTS, END OF YEAR..... | \$ 2,595,961 | \$ 1,818,112 | \$ 4,698,607 | \$ 9,112,680 | \$ 3,052,097 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES: | | | | | |
| Operating income (loss)..... | \$ (76,443) | \$ 206,430 | \$ 1,564,987 | \$ 1,694,974 | \$ 379,432 |
| Adjustments to reconcile operating income (loss) to net cash from operating activities: | | | | | |
| Depreciation..... | 303,289 | 755,520 | 2,520,292 | 3,579,101 | - |
| Changes in assets and liabilities: | | | | | |
| User charges..... | 100,870 | 167,496 | (292,459) | (24,093) | - |
| Department and other..... | - | - | - | - | (425) |
| Inventory..... | - | (718) | (64,822) | (65,540) | - |
| Purchased power advance deposits..... | - | - | 198,205 | 198,205 | - |
| Other assets..... | - | - | (13,579) | (13,579) | - |
| Warrants payable..... | (82,263) | 54,198 | 21,095 | (6,970) | 61,219 |
| Accrued payroll..... | - | 4,494 | 15,144 | 19,638 | 8,739 |
| Other liabilities..... | - | - | 36,671 | 36,671 | - |
| Compensated absences..... | - | - | 14,609 | 14,609 | - |
| Workers' compensation..... | - | - | - | - | (22,000) |
| Total adjustments..... | 321,896 | 980,990 | 2,435,156 | 3,738,042 | 47,533 |
| NET CASH FROM OPERATING ACTIVITIES..... | \$ 245,453 | \$ 1,187,420 | \$ 4,000,143 | \$ 5,433,016 | \$ 426,965 |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

| | Pension Trust Fund (as of December 31, 2009) | Other Postemployment Benefit Trust Fund | Private Purpose Trust Funds | Agency Fund |
|---|---|--|-----------------------------------|------------------|
| ASSETS | | | | |
| Cash and cash equivalents..... | \$ 708,457 | \$ - | \$ - | \$ 1,100,126 |
| Investments: | | | | |
| Equity securities..... | - | - | 278,304 | - |
| Equity mutual funds..... | - | 5,953,010 | - | - |
| Real Estate Investment Trust Index Fund..... | - | 630,636 | - | - |
| Debt securities..... | - | 4,549,486 | - | - |
| PRIT funds..... | 107,098,828 | - | - | - |
| Receivables, net of allowance for uncollectibles: | | | | |
| Departmental and other receivables..... | 414,717 | - | - | - |
| Prepaid expenses..... | 5,985 | - | - | - |
| TOTAL ASSETS..... | 108,227,987 | 11,133,132 | 278,304 | 1,100,126 |
| LIABILITIES | | | | |
| Accrued liabilities..... | 299,276 | - | - | - |
| Liabilities due depositors..... | - | - | - | 1,100,126 |
| TOTAL LIABILITIES..... | 299,276 | - | - | 1,100,126 |
| NET ASSETS | | | | |
| Held in trust for retirement, OPEB benefits, and other purposes..... | \$ 107,928,711 | \$ 11,133,132 | \$ 278,304 | \$ - |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2010

| | Pension Trust Fund (as of December 31, 2009) | Other Postemployment Benefit Trust Fund | Private Purpose Trust Funds |
|--|---|--|-----------------------------------|
| ADDITIONS: | | | |
| Contributions: | | | |
| Employer..... | \$ 1,000,000 | \$ 3,331,280 | \$ - |
| Plan members..... | 3,080,571 | - | - |
| Private donations..... | - | - | 5,850 |
| Total contributions..... | 4,080,571 | 3,331,280 | 5,850 |
| Net investment income: | | | |
| Net change in fair value of investments..... | 13,543,502 | 1,120,905 | - |
| Interest..... | 7,351 | 25,290 | 34,551 |
| Dividends..... | 2,931,714 | - | - |
| Total investment income..... | 16,482,567 | 1,146,195 | 34,551 |
| Less: investment expense..... | (6,490) | - | - |
| Net investment income..... | 16,476,077 | 1,146,195 | 34,551 |
| Intergovernmental..... | 262,912 | - | - |
| Transfers from other systems..... | 282,893 | - | - |
| TOTAL ADDITIONS..... | 21,102,453 | 4,477,475 | 40,401 |
| DEDUCTIONS: | | | |
| Administration..... | 877,944 | - | - |
| Transfers to other systems..... | 365,806 | - | - |
| Retirement benefits and refunds..... | 8,426,559 | - | - |
| Educational scholarships..... | - | - | 29,450 |
| TOTAL DEDUCTIONS..... | 9,670,309 | - | 29,450 |
| CHANGE IN NET ASSETS..... | 11,432,144 | 4,477,475 | 10,951 |
| NET ASSETS AT BEGINNING OF YEAR..... | 96,496,567 | 6,655,657 | 267,353 |
| NET ASSETS AT END OF YEAR..... | <u>\$ 107,928,711</u> | <u>\$ 11,133,132</u> | <u>\$ 278,304</u> |

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. The Wellesley Contributory Retirement System has been included as a component unit in the reporting entity, because of the significance of its operational and 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., when measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

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

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

The following major governmental funds are reported:

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

The *stabilization fund* is a special revenue fund used to account for the accumulation of resources to be used for general and/or capital purposes upon approval of Town Meeting.

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

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

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

The *special revenue fund* is used to 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* accumulates resources to provide funding for future OPEB (other postemployment benefits) liabilities.

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

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

Government-Wide and Fund Financial Statements

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

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

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

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

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

Motor Vehicle Excise

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

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

User Charges

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

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

Departmental and Other

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

Intergovernmental

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

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

Community Preservation Surcharge

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

F. Inventories

Government-Wide and Fund Financial Statements

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

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

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

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

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

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

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

Governmental Fund Financial Statements

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

H. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

I. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Deferred Revenue

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

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

Net assets reported as “invested in capital assets, net of related debt” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state’s school building program is not considered to be capital related debt.

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

Net assets have been “restricted for” the following:

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

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

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

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

Fund Financial Statements (Fund Balances)

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. Use of Estimates

Government-Wide and Fund Financial Statements

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

P. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 – CASH AND INVESTMENTS

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

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

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

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

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

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

Custodial Credit Risk – Deposits

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

At fiscal year-end the carrying amount (book value) of the Town’s deposits totaled \$68,198,021 and the bank balances totaled \$68,117,467. Of the bank balance, \$60,070,753 was covered by FDIC insurance and \$8,046,714 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2009 the carrying amount (book value) of the Retirement System’s deposits totaled \$228,762 and the bank balance totaled \$398,951. The bank balance was fully covered by FDIC insurance.

As of June 30, 2010 the Town had the following investments:

| Investment Type | Fair Value | Maturity | | | Rating |
|---|---------------|--------------|--------------|--------------|--------|
| | | Under 1 Year | 1 - 5 Years | 6-10 Years | |
| <u>Debt Securities</u> | | | | | |
| Government Sponsored Enterprises..... | \$ 6,419,057 | \$ 5,631,324 | \$ 787,733 | \$ - | AAA |
| U.S. Treasury Notes..... | 577,506 | 350,678 | 226,828 | - | AAA |
| Treasury Inflation Protection Securities..... | 1,940,693 | - | - | 1,940,693 | AAA |
| Fixed Income Index Mutual Fund..... | 943,190 | - | - | 943,190 | AA |
| Fixed Income Index Mutual Fund..... | 46,068 | - | - | 46,068 | AAA |
| Fixed Income Index Mutual Fund..... | 120,020 | - | - | 120,020 | AA |
| Fixed Income Index Mutual Fund..... | 103,048 | - | - | 103,048 | B |
| High Yield Corporate Bond Fund..... | 1,396,466 | - | - | 1,396,466 | B |
| Total Debt Securities..... | 11,546,049 | \$ 5,982,002 | \$ 1,014,561 | \$ 4,549,486 | |
| <u>Other Investments</u> | | | | | |
| Equity Securities..... | 639,710 | | | | |
| Domestic Equity Mutual Funds..... | 3,272,040 | | | | |
| International Equity Mutual Funds..... | 2,680,968 | | | | |
| Real Estate Investment Trust Index Fund..... | 630,636 | | | | |
| Money Market Mutual Funds..... | 356,505 | | | | |
| MMDT..... | 17,625,527 | | | | |
| Total Investments..... | \$ 36,751,435 | | | | |

As of December 31, 2009, the Retirement System had investments in PRIT totaling \$107,098,828. The Retirement System also maintains a short term investment portfolio with MMDT. At December 31, 2009, the Retirement System's investment with MMDT was \$479,695.

Investments of approximately \$11.1 million in the Other Postemployment Benefits Trust are included in the table above.

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 \$36,751,435 there was custodial credit risk exposure of \$7,058,767 which is equal to the investments in Government Sponsored Enterprises in the amount of \$6,419,057 and \$639,710 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.

At December 31, 2009, the System's \$107,098,828 investment in PRIT is not subject to custodial credit risk exposure because it is not evidenced by securities that exist in physical or book-entry form.

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

NOTE 3 – RECEIVABLES

At June 30, 2010, receivables for the individual major, non-major governmental funds, and the proprietary internal service fund, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | <u>Gross Amount</u> | <u>Allowance for Uncollectibles</u> | <u>Net Amount</u> |
|--|--------------------------|---|--------------------------|
| <u>Receivables:</u> | | | |
| Real estate, personal property and tax deferrals | \$ 2,906,337 | \$ (121,567) | \$ 2,784,770 (1) |
| Tax liens..... | 862,603 | - | 862,603 |
| Motor vehicle excise taxes..... | 571,495 | (345,889) | 225,606 |
| Departmental and other..... | 169,921 | (15,075) | 154,846 |
| Intergovernmental..... | <u>7,269,197</u> | <u>-</u> | <u>7,269,197</u> |
| Total..... | <u>\$ 11,779,553</u> | <u>\$ (482,531)</u> | <u>\$ 11,297,022</u> |

(1) The allowance for uncollectibles of \$121,567 relates only to personal property taxes.

At June 30, 2010, receivables for the sewer, water, electric enterprise funds and the internal service fund consist of the following:

| | <u>Gross Amount</u> | <u>Allowance for Uncollectibles</u> | <u>Net Amount</u> |
|---------------------------|-------------------------|---|-------------------------|
| <u>Receivables:</u> | | | |
| Sewer fees..... | \$ 378,172 | \$ - | \$ 378,172 |
| Water fees..... | 396,430 | - | 396,430 |
| Electric light fees..... | 3,246,019 | - | 3,246,019 |
| Department and other..... | <u>10,725</u> | <u>-</u> | <u>10,725</u> |
| Total..... | <u>\$ 4,031,346</u> | <u>\$ -</u> | <u>\$ 4,031,346</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, personal property and tax deferrals..... | \$ 2,645,973 | \$ - | \$ 2,645,973 |
| Tax liens..... | 862,603 | - | 862,603 |
| Motor vehicle excise..... | 225,606 | - | 225,606 |
| Departmental and other..... | 2,876 | 123,740 | 126,616 |
| Intergovernmental..... | <u>3,731,650</u> | <u>2,257,117</u> | <u>5,988,767</u> |
| Total..... | <u>\$ 7,468,708</u> | <u>\$ 2,380,857</u> | <u>\$ 9,849,565</u> |

Included in deferred revenues above is approximately \$244,000 of advance collections for FY2011 taxes.

NOTE 4 – CAPITAL ASSETS

A summary of changes in capital asset activity for the fiscal year ended June 30, 2010, is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|---------------|-----------|-------------------|
| Governmental Activities: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 7,343,156 | \$ - | \$ - | \$ 7,343,156 |
| Construction in progress..... | 4,522,147 | 20,352,166 | - | 24,874,313 |
| Total capital assets not being depreciated..... | 11,865,303 | 20,352,166 | - | 32,217,469 |
| <u>Capital assets being depreciated:</u> | | | | |
| Improvements other than buildings..... | 9,741,626 | 4,759,275 | - | 14,500,901 |
| Buildings..... | 130,501,778 | 1,255,433 | - | 131,757,211 |
| Machinery and equipment..... | 11,613,466 | 985,596 | (86,696) | 12,512,366 |
| Public domain infrastructure..... | 56,384,580 | 2,385,966 | - | 58,770,546 |
| Total capital assets being depreciated..... | 208,241,450 | 9,386,270 | (86,696) | 217,541,024 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Improvements other than buildings..... | (1,195,693) | (1,349,734) | - | (2,545,427) |
| Buildings..... | (42,908,701) | (4,063,305) | - | (46,972,006) |
| Machinery and equipment..... | (8,281,295) | (297,327) | 86,696 | (8,491,926) |
| Public domain infrastructure..... | (22,311,290) | (2,241,360) | - | (24,552,650) |
| Total accumulated depreciation..... | (74,696,979) | (7,951,726) | 86,696 | (82,562,009) |
| Total capital assets being depreciated, net..... | 133,544,471 | 1,434,544 | - | 134,979,015 |
| Total governmental activities capital assets, net..... | \$ 145,409,774 | \$ 21,786,710 | \$ - | \$ 167,196,484 |

| | 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..... | 7,218,873 | 955,023 | (6,627,060) | 1,546,836 |
| Total capital assets not being depreciated..... | 7,486,819 | 955,023 | (6,627,060) | 1,814,782 |
| <u>Capital assets being depreciated:</u> | | | | |
| Plant in service..... | 116,441,268 | \$ 10,051,530 | (620,540) | 125,872,258 |
| Vehicles and other equipment..... | 5,146,129 | 433,945 | (41,365) | 5,538,709 |
| Total capital assets being depreciated..... | 121,587,397 | 10,485,475 | (661,905) | 131,410,967 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Plant in service..... | (44,899,419) | (3,255,975) | 620,540 | (47,534,854) |
| Vehicles and other equipment..... | (3,485,146) | (323,126) | 41,365 | (3,766,907) |
| Total accumulated depreciation..... | (48,384,565) | (3,579,101) | 661,905 | (51,301,761) |
| Total capital assets being depreciated, net..... | 73,202,832 | 6,906,374 | - | 80,109,206 |
| Total business-type activities capital assets, net..... | \$ 80,689,651 | \$ 7,861,397 | \$ (6,627,060) | \$ 81,923,988 |

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

| | |
|--|--------------|
| Governmental Activities: | |
| General government..... | \$ 1,227,556 |
| Public safety..... | 690,036 |
| Education..... | 3,763,058 |
| Public works..... | 1,280,079 |
| Library..... | 366,590 |
| Recreation..... | 624,407 |
| Total depreciation expense - governmental activities..... | \$ 7,951,726 |
| Business-Type Activities: | |
| Sewer..... | \$ 303,289 |
| Water..... | 755,520 |
| Electric light..... | 2,520,292 |
| Total depreciation expense - business-type activities..... | \$ 3,579,101 |

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Inter-fund receivables and payables between funds at June 30, 2010, are summarized as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|-----------------------|
| General Fund | Highway Fund | \$ <u>714,873</u> (1) |

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

Interfund transfers for the fiscal year ended June 30, 2010, 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) |
| Capital Projects..... | - | 60,418 | 60,418 (2) |
| Nonmajor Governmental Funds..... | 379,437 | 86,107 | 465,544 (3) |
| Electric Light Department..... | <u>1,000,000</u> | <u>-</u> | <u>1,000,000</u> (4) |
| Total..... | <u>\$ 1,379,437</u> | <u>\$ 246,525</u> | <u>\$ 1,625,962</u> |

- (1) Represents budgeted transfer to the nonmajor funds to fund unemployment compensation claims.
- (2) Represents reimbursements from the Capital Projects major fund to the CPA special revenue fund for prior construction charges initially recorded as a CPA fund expenditures.
- (3) Represents budgeted transfers from the School Lunch fund, the Traffic and Parking fund, the Police Detail fund, and the Recreation Revolving Account.
- (4) Represents transfers in from the Electric Department as a payment in lieu of taxes.

NOTE 6 – SHORT-TERM FINANCING

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

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

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

The Town did not have any short-term debt activity for the fiscal year ended June 30, 2010.

NOTE 7 – LONG-TERM DEBT

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

Details related to the Town's outstanding general obligation indebtedness at June 30, 2010, and the debt service requirements are as follows:

| Project | Date of Issue | Interest Rate (%) | Outstanding at June 30, 2009 | Issued | Redeemed | Outstanding at June 30, 2010 |
|--|---------------|-------------------|------------------------------|---------------|--------------|------------------------------|
| Sprague School Renovation..... | 2001 | 4.0 - 4.75 | \$ 7,690,000 | \$ - | \$ 1,570,000 | \$ 6,120,000 |
| Bates School Renovation..... | 2003 | 2.0 - 3.0 | 2,200,000 | - | 550,000 | 1,650,000 |
| Fields & Bleachers..... | 2004 | 2.50 - 5.0 | 25,000 | - | 15,000 | 10,000 |
| New Library..... | 2004 | 2.50 - 5.0 | 4,695,000 | - | 585,000 | 4,110,000 |
| Warren Building Design..... | 2004 | 2.50 - 5.0 | 90,000 | - | 20,000 | 70,000 |
| Hunnewell Field/Courts..... | 2004 | 2.50 - 5.0 | 140,000 | - | 30,000 | 110,000 |
| Warren Renovation..... | 2004 | 2.50 - 5.0 | 4,520,000 | - | 570,000 | 3,950,000 |
| Middle School..... | 2005 | 3.25 - 4.125 | 8,985,000 | - | 750,000 | 8,235,000 |
| Modular Classrooms..... | 2005 | 3.25 - 4.125 | 2,055,000 | - | 255,000 | 1,800,000 |
| Roads..... | 2005 | 3.25 - 4.125 | 690,000 | - | 115,000 | 575,000 |
| Fire Equipment..... | 2005 | 3.25 - 4.125 | 230,000 | - | 75,000 | 155,000 |
| Warren Building..... | 2005 | 3.25 - 4.125 | 190,000 | - | 65,000 | 125,000 |
| DPW Design..... | 2005 | 3.25 - 4.125 | 20,000 | - | 20,000 | - |
| Middle School Construction..... | 2006 | 3.87 - 5.25 | 6,015,000 | - | 250,000 | 5,765,000 |
| Bates Elementary School..... | 2006 | 4.0 - 5.25 | 275,000 | - | 140,000 | 135,000 |
| Modular Classrooms..... | 2006 | 3.87 - 5.25 | 1,615,000 | - | 235,000 | 1,380,000 |
| DPW Electric Repairs..... | 2006 | 3.87 - 5.25 | 775,000 | - | 115,000 | 660,000 |
| DPW Surface Drains..... | 2006 | 3.87 - 5.25 | 225,000 | - | 35,000 | 190,000 |
| High School Design..... | 2006 | 4.0 - 5.25 | 70,000 | - | 35,000 | 35,000 |
| Morses Pond Dock..... | 2006 | 4.0 - 5.25 | 40,000 | - | 20,000 | 20,000 |
| Middle School Construction..... | 2008 | 3.0-4.0 | 9,775,000 | - | 695,000 | 9,080,000 |
| Streets and Sidewalks..... | 2008 | 3.0-4.0 | 450,000 | - | 50,000 | 400,000 |
| Fire Truck..... | 2008 | 3.0-4.0 | 425,000 | - | 50,000 | 375,000 |
| Sprague Field..... | 2008 | 3.0-4.0 | 550,000 | - | 65,000 | 485,000 |
| School Building Infrastructure..... | 2008 | 3.0-4.0 | 4,050,000 | - | 450,000 | 3,600,000 |
| High School Expansion-Seaver Street..... | 2009 | 2.5 - 5.0 | 3,609,000 | - | 194,000 | 3,415,000 |
| High School Planning..... | 2009 | 2.5 - 5.0 | 797,000 | - | 42,000 | 755,000 |
| High School Feasibility..... | 2009 | 2.5 - 5.0 | 2,590,000 | - | 130,000 | 2,460,000 |
| High School Project..... | 2009 | 2.5 - 5.0 | 8,000,000 | - | 400,000 | 7,600,000 |
| Elementary Infrastructure..... | 2009 | 2.5 - 5.0 | 3,500,000 | - | 440,000 | 3,060,000 |
| Woodside Avenue..... | 2009 | 2.5 - 5.0 | 415,000 | - | 45,000 | 370,000 |
| Parking Meters..... | 2009 | 2.5 - 5.0 | 120,000 | - | 15,000 | 105,000 |
| High School Construction..... | 2010 | 2.00-4.25 | - | 35,000,000 | - | 35,000,000 |
| Subtotal | | | 74,826,000 | 35,000,000 | 8,026,000 | 101,800,000 |
| Unamortized Premiums on Bonds..... | | | 521,321 | 727,164 | 51,301 | 1,197,184 |
| Total | | | \$ 75,347,321 | \$ 35,727,164 | \$ 8,077,301 | \$ 102,997,184 |

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> |
|--------------------|-----------------------|----------------------|-----------------------|
| 2011 | \$ 9,395,000 | \$ 3,784,368 | \$ 13,179,368 |
| 2012 | 8,550,000 | 3,472,209 | 12,022,209 |
| 2013 | 8,380,000 | 3,184,360 | 11,564,360 |
| 2014 | 7,835,000 | 2,892,501 | 10,727,501 |
| 2015 | 7,795,000 | 2,620,021 | 10,415,021 |
| 2016 | 7,400,000 | 2,308,684 | 9,708,684 |
| 2017 | 6,130,000 | 2,023,833 | 8,153,833 |
| 2018 | 4,305,000 | 1,798,463 | 6,103,463 |
| 2019 | 3,720,000 | 1,646,101 | 5,366,101 |
| 2020 | 3,685,000 | 1,503,375 | 5,188,375 |
| 2021 | 3,705,000 | 1,359,775 | 5,064,775 |
| 2022 | 3,720,000 | 1,220,477 | 4,940,477 |
| 2023 | 3,735,000 | 1,073,063 | 4,808,063 |
| 2024 | 3,055,000 | 933,100 | 3,988,100 |
| 2025 | 3,075,000 | 818,538 | 3,893,538 |
| 2026 | 2,645,000 | 700,813 | 3,345,813 |
| 2027 | 2,160,000 | 593,798 | 2,753,798 |
| 2028 | 2,150,000 | 507,400 | 2,657,400 |
| 2029 | 1,960,000 | 421,400 | 2,381,400 |
| 2030 | 1,400,000 | 343,000 | 1,743,000 |
| 2031 | 1,400,000 | 287,000 | 1,687,000 |
| 2032 | 1,400,000 | 231,000 | 1,631,000 |
| 2033 | 1,400,000 | 175,000 | 1,575,000 |
| 2034 | 1,400,000 | 119,000 | 1,519,000 |
| 2035 | <u>1,400,000</u> | <u>59,500</u> | <u>1,459,500</u> |
| Total | \$ <u>101,800,000</u> | \$ <u>34,076,778</u> | \$ <u>135,876,778</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, \$3.7 million from the MSBA for all school constructions costs incurred by the Town. Accordingly, a \$3.7 million intergovernmental receivable and corresponding deferred revenue liability has been recorded in the general fund.

Bonds and Notes Payable Schedule – Enterprise Funds

| Project | Date of Issue | Interest Rate (%) | Outstanding at June 30, 2009 | Issued | Redeemed | Outstanding at June 30, 2010 |
|------------------------------------|---------------|-------------------|------------------------------|------------|--------------|------------------------------|
| Water System Improvements..... | 1998 | 4.15 - 5.25 | \$ 1,720,000 | \$ - | \$ 430,000 | \$ 1,290,000 |
| MWRA-Sewer Bond..... | 2005 | 0.00 | 32,578 | - | 32,578 | - |
| MWRA-Water Bond..... | 2006 | 0.00 | 361,869 | - | 51,696 | 310,173 |
| MWRA-Sewer Bond..... | 2006 | 0.00 | 49,447 | - | 24,724 | 24,723 |
| MWRA-Water Bond..... | 2007 | 0.00 | 255,592 | - | 31,949 | 223,643 |
| MWRA-Sewer Bond..... | 2007 | 0.00 | 80,628 | - | 26,876 | 53,752 |
| MWRA-Sewer Bond..... | 2008 | 0.00 | 169,532 | - | 42,383 | 127,149 |
| MWRA-Water Bond..... | 2008 | 0.00 | 149,388 | - | 16,599 | 132,789 |
| Water Garage..... | 2009 | 2.5 - 5.0 | 3,250,000 | - | 172,500 | 3,077,500 |
| Sewer Garage..... | 2009 | 2.5 - 5.0 | 3,250,000 | - | 172,500 | 3,077,500 |
| MWRA-Sewer Bond..... | 2010 | 0.00 | - | 322,025 | - | 322,025 |
| Subtotal | | | 9,319,034 | 322,025 | 1,001,805 | 8,639,254 |
| Unamortized Premiums on Bonds..... | | | 183,168 | - | 16,683 | 166,485 |
| Total | | | \$ 9,502,202 | \$ 322,025 | \$ 1,018,488 | \$ 8,805,739 |

The interest imputed on the remaining life of the 0% MWRA bonds totaled approximately \$191,000. However, the cost on a yearly basis is deemed immaterial. No adjustments have been made to recognize the imputed interest.

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

| Fiscal Year | Principal | Interest | Total |
|-------------|--------------|--------------|---------------|
| 2011 | \$ 1,033,631 | \$ 278,920 | \$ 1,312,551 |
| 2012 | 1,008,908 | 249,871 | 1,258,779 |
| 2013 | 982,029 | 218,881 | 1,200,910 |
| 2014 | 509,649 | 187,676 | 697,325 |
| 2015 | 509,649 | 179,050 | 688,699 |
| 2016 | 445,241 | 161,800 | 607,041 |
| 2017 | 393,548 | 151,450 | 544,998 |
| 2018 | 356,599 | 141,100 | 497,699 |
| 2019 | 340,000 | 130,050 | 470,050 |
| 2020 | 340,000 | 119,000 | 459,000 |
| 2021 | 340,000 | 107,100 | 447,100 |
| 2022 | 340,000 | 94,350 | 434,350 |
| 2023 | 340,000 | 81,600 | 421,600 |
| 2024 | 340,000 | 68,000 | 408,000 |
| 2025 | 340,000 | 54,400 | 394,400 |
| 2026 | 340,000 | 40,800 | 380,800 |
| 2027 | 340,000 | 27,200 | 367,200 |
| 2028 | 340,000 | 13,600 | 353,600 |
| Total | \$ 8,639,254 | \$ 2,304,848 | \$ 10,944,102 |

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the program, financial assistance received from the MWRA consists of a grant and non-interest bearing loan. In the current and prior fiscal periods \$1,421,059 of loans subject to repayment were received from this program. At June 30, 2010, the outstanding principal amount of these loans totaled \$1,194,254.

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, 2010, the Town had the following authorized and un-issued debt:

| Purpose | Amount |
|-------------------------------------|-----------------------------|
| Morses Pond Management..... | \$ 650,000 |
| Storm Water Drainage..... | 1,306,000 |
| School Building Infrastructure..... | 2,728,535 |
| MLP Garage..... | 1,998,000 |
| Water/Sewer Building..... | 917,000 |
| High School Project..... | 36,100,176 |
| Sprague Field..... | 85,000 |
| MWRA Sewer..... | 985,299 |
| MWRA Water..... | 276,843 |
| Total..... | \$ <u>45,046,853</u> |

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2010, the following changes occurred in long-term liabilities:

| | Balance June 30, 2009 | Bonds and Notes Issued | Bonds and Notes Redeemed | Other Increases | Other Decreases | Balance June 30, 2010 | Due Within One Year |
|------------------------------------|-----------------------------|------------------------------|--------------------------------|--------------------|---------------------|-----------------------------|---------------------------|
| Governmental Activities: | | | | | | | |
| Long-Term Bonds and Notes..... | \$ 74,826,000 | \$ 35,000,000 | \$ (8,026,000) | \$ - | \$ - | \$ 101,800,000 | \$ 9,395,000 |
| Unamortized Bond Premium..... | 521,321 | 727,164 | (51,301) | - | - | 1,197,184 | 50,276 |
| Workers' Compensation..... | 550,000 | - | - | 214,500 | (236,500) | 528,000 | 234,000 |
| Compensated Absences..... | 225,189 | - | - | 84,158 | (135,100) | 174,247 | 104,500 |
| Total Governmental Activities..... | <u>76,122,510</u> | <u>35,727,164</u> | <u>(8,077,301)</u> | <u>298,658</u> | <u>(371,600)</u> | <u>103,699,431</u> | <u>9,783,776</u> |
| Business Type Activities: | | | | | | | |
| Long-Term Bonds and Notes..... | 9,319,035 | 322,025 | (1,001,805) | - | - | 8,639,255 | 1,033,631 |
| Unamortized Bond Premium..... | 183,168 | - | (16,684) | - | - | 166,484 | 16,568 |
| Compensated Absences..... | 35,577 | - | - | 35,109 | (20,500) | 50,186 | 31,400 |
| Total Business Type Activities.... | <u>9,537,780</u> | <u>322,025</u> | <u>(1,018,489)</u> | <u>35,109</u> | <u>(20,500)</u> | <u>8,855,925</u> | <u>1,081,599</u> |
| Total..... | <u>\$ 85,660,290</u> | <u>\$ 36,049,189</u> | <u>\$ (9,095,790)</u> | <u>\$ 333,767</u> | <u>\$ (392,100)</u> | <u>\$ 112,555,356</u> | <u>\$ 10,865,375</u> |

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service fund's long-term liabilities are included as part of the governmental activities totals above. At fiscal year end, \$528,000 of internal service funds accrued workers compensation liability is included above. Except for the amounts related to the internal service funds, the governmental activities long-term liabilities are generally liquidated by the general fund. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures, namely the general fund and the water and electric enterprise funds.

NOTE 8 – RISK FINANCING

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

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

In the event of a dissolution of the Group or if the assets of the Group are insufficient to pay claims which occur, the Town remains liable. As of June 30, 2010, the Group had an unaudited fund balance of approximately \$18.6 million. 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, 2010, the Group’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, Towers Watson, was hired to estimate the losses which the Town would have to pay under the self-insured plan. The Town recorded a liability in its Internal Service Fund to reserve against future losses. This liability includes a provision for estimated claims incurred but not reported. In addition to these reserves, the Town retains insurance against claims in excess of \$250,000 per employee.

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

| | <u>Balance at Beginning of Fiscal Year</u> | <u>Current Year Claims and Changes in Estimate</u> | <u>Claims Payments</u> | <u>Balance at Fiscal Year-End</u> | <u>Current Portion</u> |
|-----------------------|--|--|----------------------------|---|----------------------------|
| Fiscal Year 2009..... | \$ 714,000 | \$ 94,705 | \$ (258,705) | \$ 550,000 | \$ 236,500 |
| Fiscal Year 2010..... | 550,000 | 349,346 | (371,346) | 528,000 | 234,000 |

NOTE 9 – CONTRIBUTORY RETIREMENT SYSTEM

Plan Description - The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Wellesley Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$10 million for the fiscal year ended June 30, 2010, 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, 2009, the System’s membership consists of the following:

| | |
|--|---------------------|
| Active members..... | 660 |
| Inactive members..... | 211 |
| Disabled members..... | 29 |
| Retirees and beneficiaries currently receiving benefits..... | <u>373</u> |
| Total..... | <u><u>1,273</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, 2010, 2009, and 2008 were zero, respectively, which equaled its required contribution for each fiscal year. The required contribution was determined as part of the January 1, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included an 8.0% investment rate of return and projected salary increases of 4.0% per year. The actuarial value of the System's assets, prior to the January 1, 2010 valuation, was equal to actual market value less an unrecognized return in each of the last 5 years. Unrecognized return is equal to the difference between actual market value and an expected rate of return. The difference is recognized over a 5 year period. The actuarial value of the System's assets was changed from the market value method to a five-year smoothing method in the most recent valuation. Although the Town was not required to make a contribution to the System in fiscal year 2010, the Town appropriated a \$1 million contribution in anticipation of future funding requirements.

Schedule of Funding Progress

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

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

Noncontributory Retirement Allowance – The Town pays the entire retirement allowance for certain retirees who are eligible for noncontributory 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, 2010 was \$34,540.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

Plan Description – The Town maintains a single employer defined benefit healthcare plan ("The Other Postemployment Benefit Plan"). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the Plan.

The plan provides the benefits by participating in the West Suburban Health Group. Medical and prescription drug benefits are provided to all eligible retirees through a variety of plans offered by Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim Health Care, Tufts Health Plan, and Fallon Community Health Plan, as well as an out-of-area indemnity plan administered by North American Administrators. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The plan also pays 50% of the retiree life insurance premiums. The Other Postemployment Benefit Plan does not issue a publicly available financial report.

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

At June 30, 2010, the Plan’s membership consisted of the following:

| | |
|--|-------------------------|
| Current retirees, beneficiaries, and dependents..... | 871 |
| Current active members..... | <u>889</u> |
| Total..... | <u><u>1,760</u></u> |

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. Retired plan members and beneficiaries currently receiving benefits are required to contribute between 17.7% and 50% of the cost of benefits provided depending on the plan they choose. For the year ended June 30, 2010, plan members contributed approximately \$1,447,000 through their required contributions. The Town is required to contribute the balance of the current premiums and may contribute additional amounts to pre-fund benefits. The Town contributed \$9,519,901 during fiscal year 2010 towards these benefits in addition to the pre-funding amount discussed below. Administrative costs of the Plan are assumed to be included in the fully insured premium rates.

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

Annual OPEB Cost and Net OPEB Obligation – The Town’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligations/(assets) are summarized in the following table:

| | | |
|---|----|---------------------------|
| Normal Cost..... | \$ | 2,097,946 |
| Amortization of unfunded actuarial accrued liability..... | | 6,087,493 |
| Adjustments to annual required contribution..... | | <u>321,120</u> |
| Annual OPEB cost..... | | 8,506,559 |
| Contributions made..... | | <u>(9,519,441)</u> |
| Increase/(Decrease) in net OPEB obligation..... | | (1,012,882) |
| Net OPEB obligation/(asset) - beginning of year..... | | <u>(2,061,739)</u> |
| Net OPEB obligation/(asset) - end of year..... | \$ | <u><u>(3,074,621)</u></u> |

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the three most recent preceding years are as follows:

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

Funded Status and Funding Progress – The funded status of the Plan as of the most recent actuarial valuation date, June 30, 2008, is as follows:

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (A)</u> | <u>Actuarial Accrued Liability (AAL) (B)</u> | <u>Unfunded AAL (UAAL) (B-A)</u> | <u>Funded Ratio (A/B)</u> | <u>Covered Payroll (C)</u> | <u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u> |
|---------------------------------|--------------------------------------|--|----------------------------------|---------------------------|----------------------------|--|
| 06/30/08 | \$ 3,961,548 | \$ 109,103,295 | \$ 105,141,747 | 3.63% | \$ 61,221,013 | 171.74% |

Actual valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the

employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

| | |
|------------------------------------|---|
| Valuation date..... | June 30, 2008 |
| Actuarial cost method..... | Projected Unit Credit |
| Amortization method..... | Payments increasing at 4% |
| Remaining amortization period..... | 28 years as of July 1, 2009, closed |
| Asset valuation method..... | Market value |
| Actuarial assumptions: | |
| Investment rate of return..... | 8.0% pre-funding scenario |
| Inflation rate..... | 4.0% |
| Projected salary increases..... | 4.0% |
| Medical/Drug cost trend rate..... | 10.0% decreasing by 0.75% for 6 years and by 0.50% for 1 year to an ultimate level of 5.0% per year |

NOTE 11 – COMMITMENTS

The Town is in the process of constructing a new high school with an original cost estimate of approximately \$131 million. Approximately \$28 million has been expended on the high school as of June 30, 2010.

NOTE 12 - CONTINGENCIES

The Town participates in a number of Federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2010, 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, 2010, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2010.

NOTE 13 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2010, the following GASB pronouncements were implemented:

- GASB Statement #57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Early implementation of this pronouncement did not require additional disclosure or impact the basic financial statements.
- GASB Statement #58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. Early implementation of this pronouncement did not require additional disclosure or impact the basic financial statements.

Future Implementation of GASB Pronouncements

- The GASB issued Statement #54, *Fund Balance Reporting and Government Fund Type Definitions*, which is required to be implemented in fiscal year 2011. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.
- The GASB issued Statement #59, *Financial Statements Omnibus*, which is required to be implemented in fiscal year 2011. Management believes this pronouncement will require additional disclosure relative to investments held by the Town.

EDWARDS ANGELL PALMER & DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 fax 617.227.4420 eapdlaw.com

(Date of Delivery)

Marc V. Waldman, Treasurer
Town of Wellesley
Wellesley, Massachusetts

\$22,610,000
Town of Wellesley, Massachusetts
General Obligation Municipal Purpose Loan of 2011 Bonds
Dated April 7, 2011

We have acted as bond counsel to the Town of Wellesley, Massachusetts (the “Town”) in connection with the issuance by the Town of the above-referenced bonds (the “Bonds”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Town contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Town with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure by the Town to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Edwards Angell Palmer & Dodge LLP

**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Wellesley, Massachusetts (the “Town”) in connection with the issuance of its \$22,610,000 General Obligation Municipal Purpose Loan of 2011 Bonds dated April 7, 2011 (the “Bonds”). The Town covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Town for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Town pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

“Owners of the Bonds” shall mean the registered owners, including beneficial owners, of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Town shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Town may be submitted when available separately from the balance of the Annual Report.

(b) If the Town is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Town shall send a notice to the MSRB, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Town's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Town's Official Statement dated _____, 2011 relating to the Bonds regarding (i) the revenues and expenditures of the Town relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Town, (vi) pension obligations of the Town, and (vii) other post-employment benefits liability of the Town, and

(b) the most recently available audited financial statements of the Town, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Town or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Town shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Town shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. Modifications to rights of the Owners of the Bonds, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the Town.*
13. The consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Town obtains knowledge of the occurrence of a Listed Event described in Subsections (a)(2), (6), (7), (8) (with respect to bond calls), (10), (13) or (14), the Town shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) Upon the occurrence of a Listed Event described in subsections (a)(1), (3), (4), (5), (6), (8) (with respect to tender offers), (9), (11) or (12), and in the event the Town determines that the occurrence of a Listed Event described in subsections (a)(2), (6), (7), (8) (with respect to bond calls), (10), (13) or (14) is material under applicable federal securities laws, the Town shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Town in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Town.

SECTION 7. Termination of Reporting Obligation. The Town's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Town shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Town may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Town), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Town to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Town to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Town of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Town to comply with this Disclosure Certificate shall be an action for specific performance of the Town's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: _____, 2011

TOWN OF WELLESLEY,
MASSACHUSETTS

By _____
Treasurer

Selectmen

[EXHIBIT A: Filing Information for the MSRB]
[EXHIBIT B: Form of Notice of Failure to File Annual Report]