

# **TOWN OF WELLESLEY, MASSACHUSETTS**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**On the cover: Wellesley has an extensive network of walking trails.**



**The Town's largest capital project to date, Wellesley's state of the art High School opened in early 2012.**

# TOWN OF WELLESLEY, MASSACHUSETTS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year ended June 30, 2013



Prepared by:

The Finance Department of the Town of Wellesley, Massachusetts

TOWN OF WELLESLEY, MASSACHUSETTS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2013

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# ***Introductory Section***



**Hills Branch Library in the fall.**

Town of Wellesley, Massachusetts  
Comprehensive Annual Financial Report  
For the fiscal year ended June 30, 2013

# ***Introductory Section***

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# Town of Wellesley

525 Washington Street  
Wellesley, MA 02482

## Letter of Transmittal

December 4, 2013

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

State law requires the Town of Wellesley to publish at the close of each fiscal year a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue this Comprehensive Annual Financial Report (CAFR) of the Town of Wellesley, Massachusetts, for the fiscal year ending June 30, 2013 for your review.

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

The Town's financial statements have been audited by Powers & Sullivan, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended June 30, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion on the Town's financial statements for the fiscal year ended June 30, 2013, and that they are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

## **Profile of the Town**

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

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

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

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

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

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

## **Local Economy**

The Town continues to reflect a stronger economic condition than other communities - both within the Commonwealth and nationally. Massachusetts unemployment continues to be less than the national average, and Wellesley's rate is almost half the state's rate. According to Department of Revenue statistics, Wellesley's unemployment rate was 4.7% in 2012.

Because of its proximity to Boston and the quality of services provided, Wellesley remains attractive to urban professionals whose wealth levels are among the highest in the Commonwealth. While the average per capita income in Massachusetts is higher than national levels, Wellesley's (\$138,406) is among the top five in the Commonwealth and more than three times the average. The relative wealth is also seen in the owner occupied median housing value, which, at \$844,000 is more than twice that of the state and four times that of the nation. The town is relatively densely populated (37th most dense in the Commonwealth) and land is increasingly valuable. Tear downs and residential improvements continue to contribute to increased permit fee revenue and taxable new growth. Although the Town is 87% residential, commercial activity is diversified and the presence of Wellesley College, Babson College, and Massachusetts Bay Community College contribute to a lower unemployment rate and greater economic stability.

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

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

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

The Town has intentionally increased its financial reserves during the last six years and the town’s management has adopted a formal reserve policy to inform its recommendations in its annual Town-Wide Financial Plan (TWFP). Unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund at year end was 16.2 percent of the total general fund revenues. The total was comparable to the prior year.

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

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

Likewise, health insurance costs and the liability for postemployment health care benefits for certain retirees and their dependents (OPEB) are key considerations in the TWFP. The Town has undertaken a number of proactive steps over the last five years to reduce current costs and amortize the OPEB liability in the TWFP. Today the Town’s funded status of 16.7% remains at the very top compared with other communities in the Commonwealth. The balance in this fund increased 23% in fiscal 2013.

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

Once balanced, the annual budget is then presented to the Annual Town Meeting for authorization by the Selectmen, together with comments and recommendations of the Advisory Committee. The level of budgetary control is established by Town Meeting and this approval defines the level at which expenditures may not exceed appropriations. This level is typically at the individual department salary and expense level. The state of the art

financial system has a number of built in controls and department managers have ready access to their budgets. Once payment requests are reviewed and approved by department heads, the Finance Director/Town Accountant is responsible for further review - ensuring all payroll and invoices are within the budgetary control level before authorizing payment. Additional appropriations may be approved at subsequent Town Meetings. The Advisory Committee may approve a transfer (during the budget year) from a reserve fund established at Town Meeting. These controls ensure compliance with the budget approved by Town Meeting.

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

### **New Initiatives**

Effective July 1, 2012, the Town consolidated responsibility for the maintenance of all facilities, except those controlled by the Department of Public Works and Wellesley Municipal Light Plant, under a single facilities professional. This consolidation represents the Town's desire to holistically evaluate the needs of its physical plant. The Town is nearing completion of an assessment of the Town's seven elementary schools, middle school and pre-kindergarten school, as performed by an independent architectural firm. This assessment has yielded a comprehensive long-term plan for the maintenance of these facilities.

The new Wellesley High School opened for students in February 2012. Site work and borrowing is complete. This project has been completed ahead of schedule and under budget. In addition, the favorable interest rate climate has resulted in additional savings relative to the Town's original projections.

In June 2012, Town Meeting appropriated \$4.2 million for costs associated with the purchase of a large parcel of land currently owned by the Roman Catholic Archdiocese of Boston. This acquisition is to be funded by a combination of Community Preservation Act (CPA) funds and other Town funds. A preliminary proposal for recreational use of the site has been developed, and further work is being done to evaluate all potential uses. As of this writing, the Town's due diligence work related to this acquisition is still on hold pending the outcome of an ongoing Canon law appeal.

The Town also continues to study the feasibility of constructing a new senior center facility.

## **Awards and Acknowledgements**

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

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

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

Respectively submitted,



Hans Larsen  
Executive Director of General Government Services



Sheryl Strother  
Finance Director/Town Accountant



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

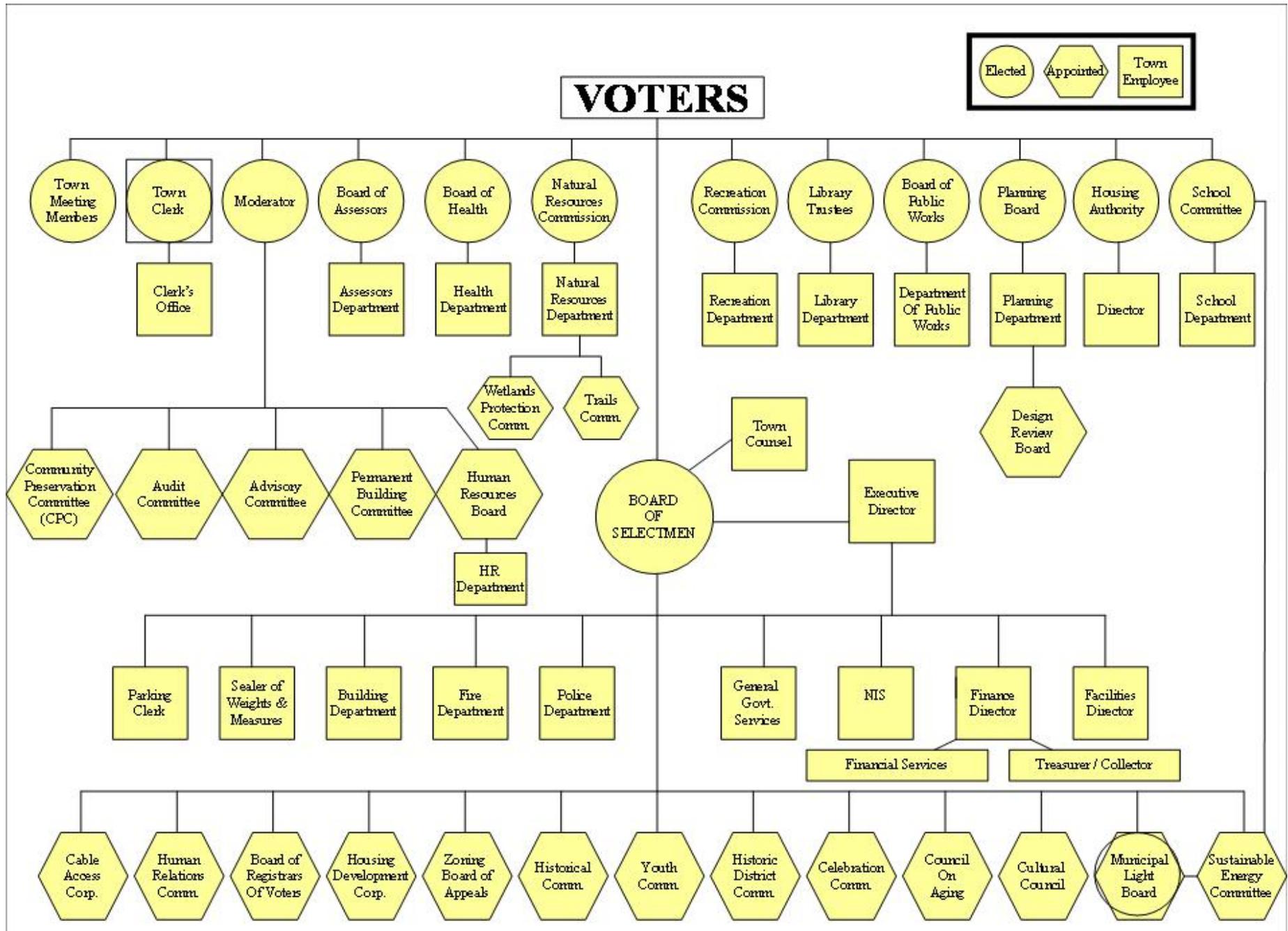
Presented to

**Town of Wellesley  
Massachusetts**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO



## Principal Town Officials

<u>Elected Officials</u>		<u>Term Expires</u>
Board of Selectmen	Terri Tsagaris, Chair	2015
	Ellen F Gibbs, Vice Chair	2016
	Barbara Searle, Secretary	2014
	Katherine L. Babson, Jr.	2014
	Donald S. McCauley	2015
Moderator	Margaret Ann (Peg) Metzger	2014
Town Clerk	Kathleen F. Nagle	2015
School Committee	KC Kato, Chairperson	2015
	Wendy Paul, Vice Chairperson	2014
	Patty Quigley, Secretary	2016
	Tere Ramos	2015
	Diane Campbell	2014

### Appointed Officials

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

### Other Officials

Town Counsel	Albert S. Robinson
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# ***Financial Section***



**A view of Longfellow Pond.**

**Town of Wellesley, Massachusetts  
Comprehensive Annual Financial Report  
For the fiscal year ended June 30, 2013**

# ***Financial Section***

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## Independent Auditor's Report

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

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Wellesley, Massachusetts, as of and for the year ended June 30, 2013 (except for the Wellesley Contributory Retirement System which is as of and for the year ended December 31, 2012), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Wellesley, Massachusetts, as of June 30, 2013 (except for the Wellesley Contributory Retirement System which is as of December 31, 2012), and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2013, on our consideration of the Town of Wellesley, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Wellesley's internal control over financial reporting and compliance.

*Powers + Sullivan, LLC*

December 4, 2013

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# ***Management's Discussion and Analysis***

## Management's Discussion and Analysis

As management of the Town of Wellesley, Massachusetts, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town of Wellesley for the fiscal year ended June 30, 2013. This is the eleventh 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 unmodified opinion on its financial statements for many years.

### Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Financial Highlights**

- The government-wide assets of the Town of Wellesley exceeded its liabilities at the close of the recent fiscal year by \$190 million and \$99 million (net position) for governmental activities and business-type activities, respectively. The business-type activities include the activities of the sewer, water, and electric enterprise funds.
- Of these amounts, 19% or \$54 million (total primary governmental unrestricted net position) may be used to meet the government's on-going obligations to citizens and creditors.
- At the close of the current fiscal year, the Town of Wellesley's general fund reported an ending fund balance of \$22 million, an increase of only \$30,000 over the prior year. Total fund balance represents 15% of total general fund expenditures, which management considers adequate and within expectations as compared to the Town's Financial Reserve Policy. Approximately \$15 million of this total amount is unassigned and available for appropriation at the Town's discretion.
- The Town of Wellesley's total governmental debt was reduced by approximately \$7 million during the current fiscal year resulting from \$18 million of principal payments and new borrowings of \$11 million. Current year debt issuances include new and refunding debt for schools, DPW buildings, and various infrastructure projects.

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Wellesley, assets exceeded liabilities by \$289 million at the close of the fiscal year 2013.

Government-wide net position of \$223.3 million (77%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net position is further restricted for funded depreciation in the amount of \$2 million (1%)

An additional portion of the Town of Wellesley's net position, \$11.2 million (3%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$54.5 million (19%), may be used to meet the Town's ongoing obligations to citizens and creditors.

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

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

**Governmental activities.** The governmental activities net position increased by \$4.6 million during the current fiscal year as compared to an increase in net position of \$13.7 million during the prior fiscal year, mostly related to a decrease in the amount of State grants funding the new High School.

Total revenues decreased in virtually all categories except for real estate and property taxes, motor vehicle and other excise taxes and operating grants and contributions. The main revenue decline was in the capital grants category which was expected because the Town had projected less grant reimbursable costs incurred in connection with the high school construction project.

Overall, expenditures increased \$1.9 million as a result of increased pension assessments and employee benefit costs in the public safety and education functions. General government increased significantly however most of this increase is offset by decreases in education and public works as a result of the Town's efforts to consolidate utility cost management and facilities management departments within the general government function.

	2013		2012
<b>Assets:</b>			
Current assets.....	\$ 64,211,300	\$	67,928,154
Noncurrent assets (excluding capital).....	4,654,544		6,173,239
Capital assets, non depreciable.....	9,252,436		10,700,993
Capital assets, net of accumulated depreciation.....	224,680,693		221,817,997
<b>Total assets.....</b>	<b>302,798,973</b>		<b>306,620,383</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt).....	12,323,522		14,151,802
Noncurrent liabilities (excluding debt).....	441,635		435,154
Current debt.....	9,034,380		9,688,995
Noncurrent debt.....	90,923,088		96,899,277
<b>Total liabilities.....</b>	<b>112,722,625</b>		<b>121,175,228</b>
<b>Net Position:</b>			
Net investment in capital assets.....	140,647,943		136,010,244
Restricted.....	9,177,754		8,279,834
Unrestricted.....	40,250,651		41,155,077
<b>Total net position.....</b>	<b>\$ 190,076,348</b>	<b>\$</b>	<b>185,445,155</b>

Governmental capital assets increased \$1.4 million; resulting from \$12.4 million of additions, primarily attributable to the new high school, the new Public Works administrative building, and a new fire truck, less \$11 million of depreciation expense.

Non-current assets consist of a \$4.7 million asset relating to the Town's pre-funding of the Other Postemployment Benefit (OPEB) liability.

	<u>2013</u>	<u>2012</u>
<b>Program revenues:</b>		
Charges for services..... \$	9,819,363	\$ 10,345,908
Operating grants and contributions.....	25,593,424	25,217,224
Capital grants and contributions.....	2,345,265	13,514,002
<b>General Revenues:</b>		
Real estate and personal property taxes.....	108,975,300	104,498,139
Motor vehicle and other excise taxes.....	5,008,641	4,751,494
Community preservation tax.....	982,069	944,740
Nonrestricted grants and contributions, and other.....	1,761,581	2,124,633
Unrestricted investment income.....	342,128	469,826
<b>Total revenues.....</b>	<b><u>154,827,771</u></b>	<b><u>161,865,966</u></b>
<b>Expenses:</b>		
General government.....	12,874,364	13,137,171
Public safety.....	16,973,654	15,927,472
Public education.....	99,210,900	96,510,203
Public works.....	9,709,246	10,315,238
Health and human services.....	1,597,225	1,558,985
Library.....	3,853,620	3,765,415
Recreation.....	2,456,850	2,530,389
Traffic and parking management.....	598,789	541,165
Community preservation.....	105,345	789,270
Interest.....	3,816,585	4,100,237
<b>Total expenses.....</b>	<b><u>151,196,578</u></b>	<b><u>149,175,545</u></b>
<b>Excess before transfers.....</b>	<b>3,631,193</b>	<b>12,690,421</b>
<b>Transfers.....</b>	<b><u>1,000,000</u></b>	<b><u>1,000,000</u></b>
<b>Change in net position.....</b>	<b>4,631,193</b>	<b>13,690,421</b>
<b>Net position - beginning.....</b>	<b><u>185,445,155</u></b>	<b><u>171,754,734</u></b>
<b>Net position - ending..... \$</b>	<b><u><u>190,076,348</u></u></b>	<b><u><u>185,445,155</u></u></b>

*Other financial notes related to governmental activities:*

- Charges for services represented 6% 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. These charges were less in 2013 by about 5% in the areas of permits, police details, recycling services, and recreation activities.
- Operating grants and contributions accounted for 17% percent of the governmental activities resources. Most of these resources apply to educational operations. These resources offset costs within the school department and supplement their general fund operating budget.
- Property taxes are by far the most significant revenue source for the Town's governmental activities. They comprised 70% of current resources. A significant portion of property taxes relates to excluded debt and a capital exclusion to fund the OPEB liability.
- Other taxes and other revenues comprised a total of 7% percent of the governmental activities resources. These primarily include capital grants, motor vehicle and other excise taxes, non-restricted grants and

contributions, and investment earnings. Capital grants were lower this year relating to the High School project discussed above and nonrestricted grants and contributions were down from the timing of when contributions are received and lower payments in lieu of taxes this year.

- Education is by far the largest governmental activity of the Town. Approximately \$71.7 million in taxes and other revenue (general revenues) were needed to cover its Fiscal 2013 operating expenses, net of related program revenues. A pension contribution of approximately \$11.6 million was made by the state on-behalf of Wellesley teachers. Operating grants and educational expenses are grossed-up by recording this contribution.
- Public safety and general government are the second and third largest activities of the Town. Approximately \$13.5 million and \$12.0 million, respectively, of general revenues were needed to cover their fiscal 2013 operating expenses, net of related program revenues.

**Business-type activities.** Business-type activities increased the Town's net position by \$3.3 million compared to an increase of \$5.6 million during the previous fiscal year. Total operating revenues were virtually the same as the previous year while total operating expenses increased by just over \$2.3 million, mainly because of increased purchased power and transmission costs in the electric department.

As shown below, business-type activities assets exceeded liabilities by \$98.9 million at the close of fiscal year 2013. Our net investment in capital assets was \$82.7 million (84%), net position is restricted for depreciation in the amount of \$2 million (2%), and unrestricted net position was \$14.2 million (14%). The Electric Light department experienced a \$1,964,000 million increase in net position, while the water and sewer funds recovered all of their costs through rates. The sewer and water departments' net position each increased by \$261,000 and \$1.1 million, respectively. These results continue to reflect management's goal of maintaining the systems while only charging users for the cost of operations.

	2013	2012
<b>Assets:</b>		
Current assets.....	\$ 20,005,481	\$ 19,900,465
Noncurrent assets (excluding capital).....	392,458	416,769
Capital assets, non depreciable.....	2,187,741	1,745,684
Capital assets, net of accumulated depreciation.....	88,243,722	84,676,774
<b>Total assets.....</b>	<b>110,829,402</b>	<b>106,739,692</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	3,321,913	3,058,228
Noncurrent liabilities (excluding debt).....	863,376	865,627
Current debt.....	780,517	1,094,758
Noncurrent debt.....	6,978,483	6,169,671
<b>Total liabilities.....</b>	<b>11,944,289</b>	<b>11,188,284</b>
<b>Net Position:</b>		
Net investment in capital assets.....	82,672,463	79,158,029
Restricted.....	2,000,000	2,458,152
Unrestricted.....	14,212,650	13,935,227
<b>Total net position.....</b>	<b>\$ 98,885,113</b>	<b>\$ 95,551,408</b>

Non-current assets (excluding capital) consist primarily of the Electric Light Department's \$150,000 investment in a local purchasing consortium for its power sources and the enterprise funds' other postemployment benefits asset of \$242,458.

	2013	2012
<b>Program revenues:</b>		
Charges for services..... \$	47,135,029	\$ 47,024,853
Capital grants and contributions.....	441,013	668,014
<b>Total revenues.....</b>	<b>47,576,042</b>	<b>47,692,867</b>
<b>Expenses:</b>		
Sewer.....	6,799,922	6,798,842
Water.....	5,189,293	5,414,502
Electric department.....	31,253,122	28,865,770
<b>Total expenses.....</b>	<b>43,242,337</b>	<b>41,079,114</b>
<b>Excess before transfers.....</b>	<b>4,333,705</b>	<b>6,613,753</b>
<b>Transfers.....</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>
<b>Change in net position.....</b>	<b>3,333,705</b>	<b>5,613,753</b>
<b>Net position - beginning.....</b>	<b>95,551,408</b>	<b>89,937,655</b>
<b>Net position - ending..... \$</b>	<b>98,885,113</b>	<b>\$ 95,551,408</b>

### Financial Analysis of the Government's Major Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$43.1 million; down \$3.1 million from the prior year mainly relating to expenditures for the New High School.

#### General Fund

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$15.3 million, while the total fund balance was \$21.8 million. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to total fund expenditures. The unassigned fund balance represents 10.9% of total general fund expenditures, while the total fund balance represents 15.4% of that same amount.

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

### *Highway Chapter 90 Major Fund*

This fund is a special revenue fund that accounts for activities associated with on-going road and sidewalk projects that are funded with grants from the Commonwealth of Massachusetts. At June 30, 2013, the fund has a receivable due from the Commonwealth in the amount of \$2.9 million that is fully deferred. Current year revenues exceeded expenditures by \$9,694 which is the balance in the fund at year end.

### *High School Construction Major Fund*

This fund is a capital project fund that accounts for activities and resources associated with the construction of a new high school for the Town. Fiscal year 2013 was the first full fiscal year of operations for the new high school. During the fiscal year, the fund recognized \$5.9 million in expenditures and receipts from prior year receivables were fully collected from the MSBA. The ending fund balance was \$3.4 million, and this balance will be used to fund future construction 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 from the original budget by approximately \$788,000. This mainly relates to supplemental appropriations of \$450,000 to fund snow and ice removal costs, \$126,000 to repair the Branch Library chimney, and \$75,000 for the Park HVAC study.

Revenues of the general fund were essentially in line with budget expectations while total expenditures and carryovers were less than budget by approximately \$2.4 million or 1.79% because of slowness in hiring, particularly in the new Facilities department, and from turnbacks in the School Department.

### **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 position will increase by the amount of acquisitions less the current depreciation.

Major capital assets are funded by the issuance of long-term debt. Outstanding long-term debt of the general government, as of June 30, 2013, totaled \$98.5 million, of which, \$87.2 million is related to school projects, \$2.4 million is related to the library, \$2.3 million is related to the Warren building renovation, leaving a balance of \$6.6 million for other Town projects.

The enterprise funds have \$3 million in sewer enterprise debt and \$4.8 million in water enterprise debt that is fully supported by the rates and do not rely on a general fund subsidy.

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

### **Pension Trust Fund**

The Pension Trust Fund (System) recognized net investment income of \$14.9 million for the calendar year ended December 31, 2012. The System paid out \$10.6 million of retirement benefits, administration costs and transfers to other systems. Total net position of the System amounted to \$126 million at December 31, 2012. Based on the most recent actuarial valuation performed as of January 1, 2013, the System's Funded Ratio was 67.5%, down from 75.8% in the previous valuation dated January 1, 2012.

### **Other Postemployment Benefits**

As of June 30, 2013 the Town has recognized an asset for other postemployment benefits in the amount of \$4.9 million. The current year Annual OPEB Cost amounted to \$9.2 million and the Town contributed \$10.2 million through a combination of benefit payments and pre-funding contributions to the OPEB Trust fund. The assets set aside in trust for future benefits amounted to \$27 million at fiscal year end. Based on the most recent actuarial valuation performed as of June 30, 2012, the Plan's funded ratio was 16.7%.

### **Discretely Presented Component Unit**

The Town has included the activities of the Wellesley Housing Development Corporation, a component unit of the Town. The Corporation's mission is to sponsor and assist in the development of affordable housing opportunities for persons of low and moderate income in the Town of Wellesley in order to implement the Town's Affordable Housing Policy. The Corporation had very little activity in the current year as this varies based on the availability of housing opportunities.

### **Requests for Information**

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

# ***Basic Financial Statements***

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**STATEMENT OF NET POSITION**

JUNE 30, 2013

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Wellesley Housing Development Corporation</b>
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and cash equivalents.....	\$ 51,019,001	\$ 11,363,087	\$ 62,382,088	\$ 100,045
Restricted cash and cash equivalents.....	-	2,000,000	2,000,000	-
Investments.....	4,145,374	-	4,145,374	-
Receivables, net of allowance for uncollectibles:				
Real estate, personal property and tax deferrals.....	3,353,486	-	3,353,486	-
Tax liens.....	889,073	-	889,073	-
Motor vehicle excise taxes.....	394,771	-	394,771	-
User charges.....	-	4,142,799	4,142,799	-
Departmental and other.....	185,922	-	185,922	-
Intergovernmental.....	4,223,673	-	4,223,673	-
Inventory.....	-	815,701	815,701	-
Purchased power advance deposits.....	-	1,587,389	1,587,389	-
Other assets.....	-	96,505	96,505	-
<b>Total Current Assets.....</b>	<b>64,211,300</b>	<b>20,005,481</b>	<b>84,216,781</b>	<b>100,045</b>
<b>NONCURRENT:</b>				
Investment in Energy New England, LLC.....	-	150,000	150,000	-
Other postemployment benefits asset.....	4,654,544	242,458	4,897,002	-
Capital assets, non depreciable.....	9,252,436	2,187,741	11,440,177	-
Capital assets, net of accumulated depreciation.....	224,680,693	88,243,722	312,924,415	-
<b>Total Noncurrent Assets.....</b>	<b>238,587,673</b>	<b>90,823,921</b>	<b>329,411,594</b>	<b>-</b>
<b>TOTAL ASSETS.....</b>	<b>302,798,973</b>	<b>110,829,402</b>	<b>413,628,375</b>	<b>100,045</b>
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Warrants payable.....	4,396,762	2,716,797	7,113,559	-
Refunds due customers.....	-	19,277	19,277	-
Accrued payroll.....	4,628,984	206,465	4,835,449	-
Tax refunds payable.....	865,536	-	865,536	-
Accrued interest.....	585,552	19,831	605,383	-
Other liabilities.....	-	36,520	36,520	-
Customer advances for construction.....	-	296,023	296,023	-
Unearned revenues.....	1,320,688	-	1,320,688	-
Compensated absences.....	169,000	27,000	196,000	-
Workers' compensation.....	357,000	-	357,000	-
Bonds payable.....	9,034,380	780,517	9,814,897	-
<b>Total Current Liabilities.....</b>	<b>21,357,902</b>	<b>4,102,430</b>	<b>25,460,332</b>	<b>-</b>
<b>NONCURRENT:</b>				
Customer deposits.....	-	845,400	845,400	-
Compensated absences.....	112,635	17,976	130,611	-
Workers' compensation.....	329,000	-	329,000	-
Bonds payable.....	90,923,088	6,978,483	97,901,571	-
<b>Total Noncurrent Liabilities.....</b>	<b>91,364,723</b>	<b>7,841,859</b>	<b>99,206,582</b>	<b>-</b>
<b>TOTAL LIABILITIES.....</b>	<b>112,722,625</b>	<b>11,944,289</b>	<b>124,666,914</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets.....	140,647,943	82,672,463	223,320,406	-
Restricted for:				
Depreciation.....	-	2,000,000	2,000,000	-
Permanent funds:				
Expendable.....	1,786,461	-	1,786,461	-
Nonexpendable.....	210,612	-	210,612	-
Grants and gifts.....	1,905,016	-	1,905,016	-
Community preservation.....	5,275,665	-	5,275,665	-
Unrestricted.....	40,250,651	14,212,650	54,463,301	100,045
<b>TOTAL NET POSITION.....</b>	<b>\$ 190,076,348</b>	<b>\$ 98,885,113</b>	<b>\$ 288,961,461</b>	<b>\$ 100,045</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Program Revenues					Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Primary Government:</b>						
<i>Governmental Activities:</i>						
General government.....	\$ 12,874,364	\$ 825,474	\$ 83,118	\$ -	\$ (11,965,772)	
Public safety.....	16,973,654	2,894,844	286,911	250,000	(13,541,899)	
Public education.....	99,210,900	3,284,351	24,201,659	-	(71,724,890)	
Public works.....	9,709,246	653,596	368,192	1,576,963	(7,110,495)	
Health and human services.....	1,597,225	136,720	35,778	-	(1,424,727)	
Library.....	3,853,620	82,670	42,976	-	(3,727,974)	
Recreation.....	2,456,850	1,059,059	574,790	-	(823,001)	
Traffic and parking management.....	598,789	882,649	-	-	283,860	
Community preservation.....	105,345	-	-	518,302	412,957	
Interest.....	3,816,585	-	-	-	(3,816,585)	
<b>Total Governmental Activities.....</b>	<b>151,196,578</b>	<b>9,819,363</b>	<b>25,593,424</b>	<b>2,345,265</b>	<b>(113,438,526)</b>	
<i>Business-Type Activities:</i>						
Sewer.....	6,799,922	7,061,333	-	-	261,411	
Water.....	5,189,293	6,297,876	-	-	1,108,583	
Electric department.....	31,253,122	33,775,820	-	441,013	2,963,711	
<b>Total Business-Type Activities.....</b>	<b>43,242,337</b>	<b>47,135,029</b>	<b>-</b>	<b>441,013</b>	<b>4,333,705</b>	
<b>Total Primary Government.....</b>	<b>\$ 194,438,915</b>	<b>\$ 56,954,392</b>	<b>\$ 25,593,424</b>	<b>\$ 2,786,278</b>	<b>\$ (109,104,821)</b>	
<b>Component Unit:</b>						
Wellesley Housing Development Corporation.....	\$ 4,818	\$ -	\$ -	\$ -	\$ (4,818)	

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Wellesley Housing Development Corporation
<b>Changes in net position:</b>				
Net (expense) revenue from previous page.....	\$ (113,438,526)	\$ 4,333,705	\$ (109,104,821)	\$ (4,818)
<i>General revenues:</i>				
Real estate and personal property taxes, net of tax refunds.....	108,632,537	-	108,632,537	-
Tax liens.....	342,763	-	342,763	-
Motor vehicle and other excise taxes.....	5,008,641	-	5,008,641	-
Community preservation tax.....	982,069	-	982,069	-
Penalties and interest on taxes.....	181,579	-	181,579	-
Payments in lieu of taxes.....	226,459	-	226,459	-
Grants and contributions not restricted to specific programs.....	1,353,543	-	1,353,543	-
Unrestricted investment income.....	342,128	-	342,128	252
Miscellaneous.....	-	-	-	6,864
<i>Other transfers, net</i> .....	1,000,000	(1,000,000)	-	-
<b>Total general revenues and transfers.....</b>	<b>118,069,719</b>	<b>(1,000,000)</b>	<b>117,069,719</b>	<b>7,116</b>
Change in net position.....	4,631,193	3,333,705	7,964,898	2,298
<i>Net Position:</i>				
Beginning of year.....	185,445,155	95,551,408	280,996,563	97,747
End of year.....	\$ 190,076,348	\$ 98,885,113	\$ 288,961,461	\$ 100,045

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2013

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

See notes to basic financial statements.

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

JUNE 30, 2013

Total governmental fund balances.....	\$	43,083,521
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		233,933,129
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		7,829,220
Other postemployment benefits asset.....		4,654,544
Internal service funds are used by management to account for health insurance activities, workers' compensation activities, and for information technology services and fleet maintenance services.		
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....		1,400,589
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(585,552)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds payable.....	(99,957,468)	
Compensated absences.....	<u>(281,635)</u>	
Net effect of reporting long-term liabilities.....		<u>(100,239,103)</u>
Net position of governmental activities.....	\$	<u><u>190,076,348</u></u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2013

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

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds.....		\$ (3,109,400)
<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.....	12,426,663	
Depreciation expense.....	<u>(11,012,524)</u>	
Net effect of reporting capital assets.....		1,414,139
<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>		
		(791,634)
Other postemployment benefits asset.....		969,279
<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.....	(4,775,000)	
Premium from issuance of bonds.....	(722,832)	
Debt service principal payments.....	<u>11,390,000</u>	
Net effect of reporting long-term debt.....		5,892,168
<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.....	(73,681)	
Net change in accrued interest on long-term debt.....	26,218	
Amortization of bond premiums.....	563,636	
Other changes in long-term debt.....	<u>175,000</u>	
Net effect of recording long-term liabilities.....		691,173
<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>(434,532)</u>
Change in net assets of governmental activities.....		<u>\$ 4,631,193</u>

See notes to basic financial statements.

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

JUNE 30, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Electric Department	Total	
<b>ASSETS</b>					
<b>CURRENT:</b>					
Cash and cash equivalents.....	\$ 2,685,581	\$ 4,041,406	\$ 4,636,100	\$ 11,363,087	\$ 2,481,378
Restricted cash and short-term investments.....	-	-	2,000,000	2,000,000	-
Investments.....	-	-	-	-	39,005
Receivables, net of allowance for uncollectibles:					
User charges.....	558,880	582,451	3,001,468	4,142,799	-
Departmental and other.....	-	-	-	-	6,434
Inventory.....	-	145,025	670,676	815,701	-
Purchased power advance deposits.....	-	-	1,587,389	1,587,389	-
Other assets.....	-	-	96,505	96,505	-
<b>Total current assets.....</b>	<b>3,244,461</b>	<b>4,768,882</b>	<b>11,992,138</b>	<b>20,005,481</b>	<b>2,526,817</b>
<b>NONCURRENT:</b>					
Investment in Energy New England, LLC.....	-	-	150,000	150,000	-
Other postemployment benefits asset.....	16,653	16,653	209,152	242,458	-
Capital assets, nondepreciable.....	154,157	1,626,333	407,251	2,187,741	-
Capital assets, net of accumulated depreciation.....	15,011,294	15,782,614	57,449,814	88,243,722	-
<b>Total noncurrent assets.....</b>	<b>15,182,104</b>	<b>17,425,600</b>	<b>58,216,217</b>	<b>90,823,921</b>	<b>-</b>
<b>TOTAL ASSETS.....</b>	<b>18,426,565</b>	<b>22,194,482</b>	<b>70,208,355</b>	<b>110,829,402</b>	<b>2,526,817</b>
<b>LIABILITIES</b>					
<b>CURRENT:</b>					
Warrants payable.....	5,144	125,895	2,585,758	2,716,797	88,613
Refunds due customers.....	-	-	19,277	19,277	-
Accrued payroll.....	12,975	65,057	128,433	206,465	351,615
Accrued interest.....	7,820	12,011	-	19,831	-
Other liabilities.....	2,075	34,445	-	36,520	-
Customer advances for construction.....	-	-	296,023	296,023	-
Compensated absences.....	-	19,100	7,900	27,000	-
Workers' compensation.....	-	-	-	-	357,000
Bonds payable.....	318,767	461,750	-	780,517	-
<b>Total current liabilities.....</b>	<b>346,781</b>	<b>718,258</b>	<b>3,037,391</b>	<b>4,102,430</b>	<b>797,228</b>
<b>NONCURRENT:</b>					
Customer deposits.....	-	-	845,400	845,400	-
Compensated absences.....	-	12,702	5,274	17,976	-
Workers' compensation.....	-	-	-	-	329,000
Bonds payable.....	2,682,315	4,296,168	-	6,978,483	-
<b>Total noncurrent liabilities.....</b>	<b>2,682,315</b>	<b>4,308,870</b>	<b>850,674</b>	<b>7,841,859</b>	<b>329,000</b>
<b>TOTAL LIABILITIES.....</b>	<b>3,029,096</b>	<b>5,027,128</b>	<b>3,888,065</b>	<b>11,944,289</b>	<b>1,126,228</b>
<b>NET POSITION</b>					
Net investment in capital assets.....	12,164,369	12,651,029	57,857,065	82,672,463	-
Restricted for:					
Depreciation.....	-	-	2,000,000	2,000,000	-
Unrestricted.....	3,233,100	4,516,325	6,463,225	14,212,650	1,400,589
<b>TOTAL NET POSITION.....</b>	<b>\$ 15,397,469</b>	<b>\$ 17,167,354</b>	<b>\$ 66,320,290</b>	<b>\$ 98,885,113</b>	<b>\$ 1,400,589</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Electric Department	Total	
<b>OPERATING REVENUES:</b>					
Charges for services.....	\$ 7,021,106	\$ 5,955,109	\$ 31,460,155	\$ 44,436,370	\$ 16,508,032
Contracted services.....	-	-	1,340,490	1,340,490	-
Employee contributions.....	-	-	-	-	7,574,983
Other.....	40,227	342,767	975,175	1,358,169	-
<b>TOTAL OPERATING REVENUES</b> .....	<b>7,061,333</b>	<b>6,297,876</b>	<b>33,775,820</b>	<b>47,135,029</b>	<b>24,083,015</b>
<b>OPERATING EXPENSES:</b>					
MWRA assessment.....	5,078,134	854,839	-	5,932,973	-
Purchase power.....	-	-	17,776,736	17,776,736	-
Transmission.....	-	1,145,049	4,102,803	5,247,852	-
Forward capacity market charge.....	-	-	3,248,371	3,248,371	-
Cost of contracted services.....	-	-	753,697	753,697	-
Cost associated with other revenue.....	-	-	475,442	475,442	-
Other source of supply.....	-	440,966	-	440,966	-
Pumping and treatment.....	253,843	875,005	-	1,128,848	-
Distribution.....	-	-	1,005,114	1,005,114	-
Collection.....	368,271	-	-	368,271	-
Customer accounts.....	129,168	222,688	520,244	872,100	-
Supplies and services.....	-	-	-	-	24,524,594
Administration and general.....	500,988	670,443	415,018	1,586,449	-
Depreciation.....	378,496	865,102	2,954,450	4,198,048	-
<b>TOTAL OPERATING EXPENSES</b> .....	<b>6,708,900</b>	<b>5,074,092</b>	<b>31,251,875</b>	<b>43,034,867</b>	<b>24,524,594</b>
<b>OPERATING INCOME (LOSS)</b> .....	<b>352,433</b>	<b>1,223,784</b>	<b>2,523,945</b>	<b>4,100,162</b>	<b>(441,579)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment income.....	-	-	-	-	7,047
Interest expense.....	(91,022)	(115,201)	(1,247)	(207,470)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET</b> .....	<b>(91,022)</b>	<b>(115,201)</b>	<b>(1,247)</b>	<b>(207,470)</b>	<b>7,047</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b> .....	<b>261,411</b>	<b>1,108,583</b>	<b>2,522,698</b>	<b>3,892,692</b>	<b>(434,532)</b>
<b>CAPITAL CONTRIBUTIONS</b> .....	<b>-</b>	<b>-</b>	<b>441,013</b>	<b>441,013</b>	<b>-</b>
<b>TRANSFERS:</b>					
Transfers out.....	-	-	(1,000,000)	(1,000,000)	-
<b>CHANGE IN NET POSITION</b> .....	<b>261,411</b>	<b>1,108,583</b>	<b>1,963,711</b>	<b>3,333,705</b>	<b>(434,532)</b>
<b>NET POSITION AT BEGINNING OF YEAR</b> .....	<b>15,136,058</b>	<b>16,058,771</b>	<b>64,356,579</b>	<b>95,551,408</b>	<b>1,835,121</b>
<b>NET POSITION AT END OF YEAR</b> .....	<b>\$ 15,397,469</b>	<b>\$ 17,167,354</b>	<b>\$ 66,320,290</b>	<b>\$ 98,885,113</b>	<b>\$ 1,400,589</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Electric Department	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users.....	\$ 7,042,697	\$ 6,270,512	\$ 33,744,003	\$ 47,057,212	\$ 7,572,220
Receipts from interfund services provided.....	-	-	-	-	16,508,032
Payments to vendors.....	(5,561,570)	(2,219,989)	(27,234,462)	(35,016,021)	-
Payments to employees.....	(747,066)	(1,842,544)	(855,257)	(3,444,867)	(356,803)
Payments for interfund services used.....	-	-	-	-	(23,864,889)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>734,061</b>	<b>2,207,979</b>	<b>5,654,284</b>	<b>8,596,324</b>	<b>(141,440)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers out.....	-	-	(1,000,000)	(1,000,000)	-
Prefunding transfer for other postemployment benefits.....	-	-	(22,651)	(22,651)	-
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>-</b>	<b>-</b>	<b>(1,022,651)</b>	<b>(1,022,651)</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from the issuance of bonds and notes.....	-	1,589,323	-	1,589,323	-
Capital contributions.....	-	-	441,013	441,013	-
Acquisition and construction of capital assets.....	(620,843)	(1,627,794)	(5,958,416)	(8,207,053)	-
Principal payments on bonds and notes.....	(353,985)	(725,653)	-	(1,079,638)	-
Interest expense.....	(99,009)	(117,668)	(1,247)	(217,924)	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(1,073,837)</b>	<b>(881,792)</b>	<b>(5,518,650)</b>	<b>(7,474,279)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Proceeds from sales and maturities of investments.....	-	-	-	-	242,973
Purchase of investments.....	-	-	-	-	(39,005)
Investment income.....	-	-	-	-	7,047
<b>NET CASH FROM INVESTING ACTIVITIES.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>211,015</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>(339,776)</b>	<b>1,326,187</b>	<b>(887,017)</b>	<b>99,394</b>	<b>69,575</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....</b>	<b>3,025,357</b>	<b>\$ 2,715,219</b>	<b>\$ 7,523,117</b>	<b>13,263,693</b>	<b>2,411,803</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR.....</b>	<b>\$ 2,685,581</b>	<b>\$ 4,041,406</b>	<b>\$ 6,636,100</b>	<b>\$ 13,363,087</b>	<b>\$ 2,481,378</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>					
Operating income (loss).....	\$ 352,433	\$ 1,223,784	\$ 2,523,945	\$ 4,100,162	\$ (441,579)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation.....	378,496	865,102	2,954,450	4,198,048	-
Changes in assets and liabilities:					
User charges.....	(18,636)	(27,364)	41,473	(4,527)	-
Department and other.....	-	-	-	-	(2,763)
Inventory.....	-	17,277	110,427	127,704	-
Purchased power advance deposits.....	-	-	(130,687)	(130,687)	-
Other assets.....	-	-	(312)	(312)	-
Warrants payable.....	(14,688)	73,137	189,686	248,135	32,349
Refunds due customers.....	-	-	(161,632)	(161,632)	-
Accrued payroll.....	12,975	9,322	51,585	73,882	316,553
Customer advances for construction.....	-	-	94,640	94,640	-
Compensated absences.....	-	23,240	(12,993)	10,247	-
Workers' compensation.....	-	-	-	-	(46,000)
Customer deposits.....	-	-	(6,298)	(6,298)	-
Other postemployment benefits asset.....	23,481	23,481	-	46,962	-
Total adjustments.....	381,628	984,195	3,130,339	4,496,162	300,139
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 734,061</b>	<b>\$ 2,207,979</b>	<b>\$ 5,654,284</b>	<b>\$ 8,596,324</b>	<b>\$ (141,440)</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

	Pension Trust Fund (as of December 31, 2012)	Other Postemployment Benefit Trust Fund	Private Purpose Trust Fund	Agency Fund
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 1,047,829	\$ -	\$ 37,453	\$ 1,364,963
Investments:				
Equity securities.....	-	-	268,261	-
Equity mutual funds.....	-	13,621,858	-	-
Real Estate Investment Trust Index Fund.....	-	1,500,500	-	-
Debt securities.....	-	8,646,994	-	-
Treasury Inflation Protection Securities (TIPS).....	-	3,269,168	-	-
PRIT funds.....	124,436,134	-	-	-
Receivables, net of allowance for uncollectibles:				
Departmental and other receivables.....	504,778	-	-	-
Prepaid expenses.....	1,510	-	-	-
<b>TOTAL ASSETS.....</b>	<b>125,990,251</b>	<b>27,038,520</b>	<b>305,714</b>	<b>1,364,963</b>
<b>LIABILITIES</b>				
Accrued liabilities.....	275,488	-	-	-
Liabilities due depositors.....	-	-	-	1,364,963
<b>TOTAL LIABILITIES.....</b>	<b>275,488</b>	<b>-</b>	<b>-</b>	<b>1,364,963</b>
<b>NET POSITION</b>				
Held in trust for pension benefits, OPEB benefits, and other purposes.....	\$ 125,714,763	\$ 27,038,520	\$ 305,714	\$ -

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FISCAL YEAR ENDED JUNE 30, 2013**

	Pension Trust Fund (as of December 31, 2012)	Other Postemployment Benefit Trust Fund	Private Purpose Trust Fund
<b>ADDITIONS:</b>			
Contributions:			
Employer.....	\$ 3,829,620	\$ 3,426,335	\$ -
Plan members.....	3,072,181	-	-
Private donations.....	-	-	1,345
<b>Total contributions.....</b>	<b>6,901,801</b>	<b>3,426,335</b>	<b>1,345</b>
Net investment income:			
Net change in fair value of investments.....	11,752,488	1,409,981	-
Interest.....	3,625	884,298	31,104
Dividends.....	3,764,775	-	-
<b>Total investment income.....</b>	<b>15,520,888</b>	<b>2,294,279</b>	<b>31,104</b>
Less: investment expense.....	(640,016)	-	-
<b>Net investment income.....</b>	<b>14,880,872</b>	<b>2,294,279</b>	<b>31,104</b>
Intergovernmental.....	229,759	-	-
Transfers from other systems.....	581,124	-	-
<b>TOTAL ADDITIONS.....</b>	<b>22,593,556</b>	<b>5,720,614</b>	<b>32,449</b>
<b>DEDUCTIONS:</b>			
Administration.....	207,426	-	-
Transfers to other systems.....	949,376	-	-
Retirement benefits and refunds.....	9,469,256	-	-
Educational scholarships.....	-	-	11,100
<b>TOTAL DEDUCTIONS.....</b>	<b>10,626,058</b>	<b>-</b>	<b>11,100</b>
<b>CHANGE IN NET POSITION.....</b>	<b>11,967,498</b>	<b>5,720,614</b>	<b>21,349</b>
NET POSITION AT BEGINNING OF YEAR.....	113,747,265	21,317,906	284,365
NET POSITION AT END OF YEAR.....	\$ 125,714,763	\$ 27,038,520	\$ 305,714

See notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

In the Fiduciary Funds:

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

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

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

### Availability of Financial Information for Component Units

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

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

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

#### *Government-Wide Financial Statements*

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

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

#### *Fund Financial Statements*

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

#### *Major Fund Criteria*

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

- If the total assets, 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 amounts have matured or are due and payable.

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

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

The following major governmental funds are reported:

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

The *highway chapter 90 fund* is used to account for activities associated with on-going road and sidewalk projects that are funded with grants from the Commonwealth.

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

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

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

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

**Proprietary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

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

The following major proprietary funds are reported:

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

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

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

Additionally, the following proprietary fund type is reported:

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

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

The following fiduciary fund types are reported:

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

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

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

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

#### D. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

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

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

#### E. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

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

#### **Real Estate, Personal Property Taxes and Tax Liens**

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the 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 State Community Preservation Act and the provisions of this Act allow the Town to assess property owners an additional 1% - 3% of the total real estate commitment. The Town has voted for an additional surcharge of 1% with the first \$100,000 of valuation for each parcel being exempt. Revenues from this surcharge are credited to the Community Preservation Fund, a component of the nonmajor governmental funds, to fund open space acquisitions, affordable housing initiatives, historic preservation, and recreational uses.

F. Inventories

*Government-Wide and Fund Financial Statements*

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

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

G. Capital Assets

*Government-Wide and Proprietary Fund Financial Statements*

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

For the Town of Wellesley capital assets are defined as buildings and infrastructure with a cost greater than \$100,000, improvements other than buildings with a cost greater than \$50,000, and equipment with a cost greater than \$25,000 and an estimated useful life of greater than 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. Deferred Outflows/Inflows of Resources

##### *Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Town currently has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently has no items that qualify for reporting in this category.

#### I. Interfund Receivables and Payables

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

##### *Government-Wide Financial Statements*

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

##### *Fund Financial Statements*

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

#### J. Interfund Transfers

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

##### *Government-Wide Financial Statements*

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

##### *Fund Financial Statements*

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

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

### L. Net Position and Fund Equity

#### *Government-Wide Financial Statements (Net position)*

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

Net position has been “restricted for” the following:

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

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

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

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

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

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### **Fund Financial Statements (Fund Balances)**

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

The governmental fund balance classifications are as follows:

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

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Town Meeting is the highest level of decision making authority that can, by Town Meeting vote, commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. The Town’s by-laws authorize the Town Accountant to assign fund balance. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

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

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

#### M. Long-term debt

##### *Government-Wide and Proprietary Fund Financial Statements*

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

##### *Governmental Fund Financial Statements*

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

#### N. Compensated Absences

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

*Government-Wide and Proprietary Fund Financial Statements*

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

*Governmental Fund Financial Statements*

Compensated absences are reported in the governmental funds only if they have matured, i.e. unused reimbursable leave still outstanding following an employee's resignation or retirement. Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

O. Investment Income

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

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

P. Individual Fund Deficits

Within the Nonmajor Governmental Funds and the Internal Service Funds there are deficits in the Grants fund and the Worker's Compensation fund. These deficits will be funded by grants, user charges and other available funds during fiscal year 2014.

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

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

R. Total Column*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

**NOTE 2 – 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 10.37 years.

MMDT maintains a cash portfolio and a short-term bond portfolio with combined average maturities of approximately 3 months. Credit ratings associated with the Town's investment in MMDT ranged from A1/P1 to A2/P2. Approximately 91% of the total was rated A1/P1 and approximately 9% rated A2/P2.

#### Custodial Credit Risk – Deposits

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

At fiscal year-end the carrying amount (book value) of the Town's deposits totaled \$34,388,181 and the bank balances totaled \$36,712,900. Of the bank balance, \$27,962,651 was covered by FDIC insurance and \$8,750,249 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2012 the carrying amount (book value) of the Retirement System's deposits totaled \$339,900 and the bank balance totaled \$458,035. The bank balance was fully covered by FDIC insurance.

As of June 30, 2013 the Town had the following investments:

Investment Type	Fair Value	Maturity			Rating
		Under 1 Year	1 - 5 Years	6-10 Years	
<b>Debt Securities</b>					
Government Sponsored Enterprises (1).....	\$ 2,833,280	\$ 2,352,337	\$ 480,943	\$ -	AAA
U.S. Treasury Notes.....	680,358	61,240	506,384	112,734	AAA
Corporate Bonds and Notes.....	109,725	109,725	-	-	AAA
High Yield Corporate Bond Fund.....	29,380	-	-	29,380	AAA
High Yield Corporate Bond Fund.....	210,999	-	-	210,999	BBB
High Yield Corporate Bond Fund.....	1,554,450	-	-	1,554,450	BB
High Yield Corporate Bond Fund.....	734,491	-	-	734,491	B
High Yield Corporate Bond Fund.....	128,202	-	-	128,202	CCC
High Yield Corporate Bond Fund.....	13,354	-	-	13,354	C
Treasury Inflation Protection Securities.....	3,269,168	-	-	3,269,168	AAA
Fixed Income Index Mutual Fund.....	4,308,781	-	-	4,308,781	AAA
Fixed Income Index Mutual Fund.....	233,069	-	-	233,069	AA
Fixed Income Index Mutual Fund.....	729,086	-	-	729,086	A
Fixed Income Index Mutual Fund.....	705,182	-	-	705,182	BBB
Total Debt Securities.....	15,539,525	\$ 2,523,302	\$ 987,327	\$ 12,028,896	
<b>Other Investments</b>					
Equity Securities.....	790,272				
Domestic Equity Mutual Funds.....	6,974,558				
International Equity Mutual Funds.....	6,647,300				
Real Estate Investment Trust Index Fund.....	1,500,500				
Money Market Mutual Funds.....	4,217,081				
MMDT.....	27,179,242				
Total Investments.....	\$ 62,848,478				

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

As of December 31, 2012, the Retirement System had investments in PRIT totaling \$124,436,134. The Retirement System also maintains a short term investment portfolio with MMDT. At December 31, 2012, the Retirement System's investment with MMDT was \$707,929 which is classified as a cash equivalent.

Investments of approximately \$27 million in the Other Postemployment Benefits Trust are included in the table below.

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

	Primary Government		Fiduciary Funds				Totals
	Governmental Activities	Business-Type Activities	Pension Trust Fund (as of December 31, 2012)	Other Postemployment Benefit Trust Fund	Private Purpose Trust Fund	Agency Fund	
Cash and cash equivalents.....	\$ 51,019,001	\$ 11,363,087	\$ 1,047,829	\$ -	\$ 37,453	\$ 1,364,963	\$ 64,832,333
Restricted cash and cash equivalents.....	-	2,000,000	-	-	-	-	2,000,000
Investments.....	4,145,374	-	124,436,134	27,038,520	268,261	-	155,888,289
<b>Total cash and investments.....</b>	<b>\$ 55,164,375</b>	<b>\$ 13,363,087</b>	<b>\$ 125,483,963</b>	<b>\$ 27,038,520</b>	<b>\$ 305,714</b>	<b>\$ 1,364,963</b>	<b>\$ 222,720,622</b>
Carrying value of cash:							
Primary government.....	\$ 34,388,181						
Pension trust.....		339,900					
Investments considered							
cash and cash equivalents:							
Money market mutual funds.....	4,217,081						
MMDT.....	27,887,171						
Cash and cash equivalents.....	66,832,333						
Debt securities.....	15,539,525						
Other investments.....	15,912,630						
PRIT fund.....	124,436,134						
Investments.....	155,888,289						
<b>Total cash and investments.....</b>	<b>\$ 222,720,622</b>						

**Custodial Credit Risk – Investments**

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the Town’s total investments of \$31,452,155 there was custodial credit risk exposure of \$3,623,552 which is equal to the investments in Government Sponsored Enterprises and Equity Securities because the related securities are uninsured, unregistered and held by the counterparty.

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

At December 31, 2012, the System’s \$124,436,134 investment in PRIT is not subject to custodial credit risk exposure because it is not evidenced by securities that exist in physical or book-entry form.

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town and the System’s investment policy is to follow state statutes, which

limits investment maturities as a means of managing its exposure to fair value losses arising from increasing rates.

Credit Risk

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

Concentration of Credit Risk

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

**NOTE 3 – RECEIVABLES**

At June 30, 2013, receivables for the individual major, non-major governmental funds, and the proprietary internal service fund, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>	
<u>Receivables:</u>				
Real estate, personal property and tax deferrals .....	\$ 3,463,715	\$ (110,229)	\$ 3,353,486	(1)
Tax liens.....	889,073	-	889,073	
Motor vehicle excise taxes.....	824,278	(429,507)	394,771	
Departmental and other.....	179,488	-	179,488	
Intergovernmental.....	<u>4,223,673</u>	<u>-</u>	<u>4,223,673</u>	
 Total.....	 <u>\$ 9,580,227</u>	 <u>\$ (539,736)</u>	 <u>\$ 9,040,491</u>	

(1) The allowance for uncollectible accounts of \$110,229 relates only to personal property taxes.

At June 30, 2013, 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.....	\$ 558,880	\$ -	\$ 558,880
Water fees.....	582,451	-	582,451
Electric light fees.....	3,001,468	-	3,001,468
Department and other.....	6,434	-	6,434
 Total.....	 <u>\$ 4,149,233</u>	 <u>\$ -</u>	 <u>\$ 4,149,233</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.....	\$ 4,385,552	\$ -	\$ 4,385,552
Tax liens.....	889,073	-	889,073
Motor vehicle excise.....	394,771	-	394,771
Departmental and other.....	4,676	103,471	108,147
Intergovernmental.....	-	3,372,365	3,372,365
 Total.....	 <u>\$ 5,674,072</u>	 <u>\$ 3,475,836</u>	 <u>\$ 9,149,908</u>

Included in deferred revenues above is approximately \$1,321,000 of advance collections for FY2014 taxes.

**NOTE 4 – CAPITAL ASSETS**

A summary of changes in capital asset activity for the fiscal year ended June 30, 2013, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 7,343,156	\$ -	\$ -	\$ 7,343,156
Construction in progress.....	<u>3,357,837</u>	<u>1,120,092</u>	<u>(2,568,649)</u>	<u>1,909,280</u>
Total capital assets not being depreciated.....	<u>10,700,993</u>	<u>1,120,092</u>	<u>(2,568,649)</u>	<u>9,252,436</u>
<u>Capital assets being depreciated:</u>				
Improvements other than buildings.....	17,839,795	1,511,531	-	19,351,326
Buildings.....	219,376,762	9,570,877	-	228,947,639
Machinery and equipment.....	13,616,437	2,124,156	(766,164)	14,974,429
Public domain infrastructure.....	<u>61,036,230</u>	<u>668,656</u>	<u>-</u>	<u>61,704,886</u>
Total capital assets being depreciated.....	<u>311,869,224</u>	<u>13,875,220</u>	<u>(766,164)</u>	<u>324,978,280</u>
<u>Less accumulated depreciation for:</u>				
Improvements other than buildings.....	(5,338,061)	(1,626,467)	-	(6,964,528)
Buildings.....	(47,523,717)	(6,996,111)	-	(54,519,828)
Machinery and equipment.....	(9,738,093)	(860,747)	766,164	(9,832,676)
Public domain infrastructure.....	<u>(27,451,356)</u>	<u>(1,529,199)</u>	<u>-</u>	<u>(28,980,555)</u>
Total accumulated depreciation.....	<u>(90,051,227)</u>	<u>(11,012,524)</u>	<u>766,164</u>	<u>(100,297,587)</u>
Total capital assets being depreciated, net.....	<u>221,817,997</u>	<u>2,862,696</u>	<u>-</u>	<u>224,680,693</u>
Total governmental activities capital assets, net.....	<u>\$ 232,518,990</u>	<u>\$ 3,982,788</u>	<u>\$ (2,568,649)</u>	<u>\$ 233,933,129</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business Type Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land and land rights.....	\$ 267,946	\$ -	\$ -	\$ 267,946
Construction in progress.....	1,477,738	3,400,847	(2,958,790)	1,919,795
Total capital assets not being depreciated.....	<u>1,745,684</u>	<u>3,400,847</u>	<u>(2,958,790)</u>	<u>2,187,741</u>
<u>Capital assets being depreciated:</u>				
Plant in service.....	137,418,271	\$ 6,960,188	(353,563)	144,024,896
Vehicles and other equipment.....	6,034,338	805,838	(178,991)	6,661,185
Total capital assets being depreciated.....	<u>143,452,609</u>	<u>7,766,026</u>	<u>(532,554)</u>	<u>150,686,081</u>
<u>Less accumulated depreciation for:</u>				
Plant in service.....	(54,488,645)	(3,816,966)	352,532	(57,953,079)
Vehicles and other equipment.....	(4,287,190)	(381,082)	178,992	(4,489,280)
Total accumulated depreciation.....	<u>(58,775,835)</u>	<u>(4,198,048)</u>	<u>531,524</u>	<u>(62,442,359)</u>
Total capital assets being depreciated, net.....	<u>84,676,774</u>	<u>3,567,978</u>	<u>(1,030)</u>	<u>88,243,722</u>
Total business-type activities capital assets, net.....	<u>\$ 86,422,458</u>	<u>\$ 6,968,825</u>	<u>\$ (2,959,820)</u>	<u>\$ 90,431,463</u>

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

**Governmental Activities:**

General government.....	\$ 1,224,307
Public safety.....	615,258
Education.....	7,043,390
Public works.....	1,127,330
Library.....	388,142
Recreation.....	<u>614,097</u>
Total depreciation expense - governmental activities.....	<u>\$ 11,012,524</u>

**Business-Type Activities:**

Sewer.....	\$ 378,496
Water.....	865,102
Electric light.....	<u>2,954,450</u>
Total depreciation expense - business-type activities.....	<u>\$ 4,198,048</u>

**NOTE 5 – INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2013, are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 1,230,753	\$ 1,230,753 (1)
Nonmajor Governmental Funds.....	281,663	-	281,663 (2)
Electric Light Department.....	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u> (3)
Total.....	<u>\$ 1,281,663</u>	<u>\$ 1,230,753</u>	<u>\$ 2,512,416</u>

- (1) Represents a budgeted transfer to the nonmajor funds for unemployment compensation claims and a planned use of bond premiums to reduce project borrowing amounts in the capital project fund.
- (2) Represents budgeted transfers between various nonmajor funds and the general fund.
- (3) Represents transfers in from the Electric Department as a payment in lieu of taxes.

**NOTE 6 – SHORT-TERM FINANCING**

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

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

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2013, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2012	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2013
Governmental Funds							
BAN	General Obligation BAN.....	1.25%	6/21/2013	<u>\$ 3,000,000</u>	<u>\$ -</u>	<u>\$ 3,000,000</u>	<u>\$ -</u>

**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".

**Advance Refunding and Defeased Bonds**

On April 30, 2013, Town advance refunded \$5,000,000 of general obligation bonds originally issued June 1, 2005 through the issuance of \$4,845,000 of general obligation refunding bonds. Proceeds (net of issuance costs and other closing costs) were used to purchase \$5,366,575 of U.S. Government securities along with \$100,128 cash and premium which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered defeased and the liabilities therefore have been removed from the financial statements. Through this advance refunding, the Town has taken advantage of lower interest rates to realize a decrease in its aggregate debt service payments by approximately \$459,426 over the next 12 years. The Town also realized an economic gain (the difference between the present values of the debt service payments of the refunded and refunding bonds) of approximately \$418,734.

Coincident with the issuance of advance refunding bonds, the Town issued \$885,000 current refunding bonds to retire, in part, outstanding bonds originally issued June 1, 2003, for the Sprague School. On April 30, 2013, the Town had an outstanding principal balance of \$3,640,000 on the June 2003 bonds. The Town prepaid \$1,825,000 of the balance with proceeds of a lump sum grant payment from the Massachusetts School Building Authority. The balance of the principal and associated interest and issuance costs were paid with the principal and premium of the current refunding bonds (also initially deposited with the escrow agent) and the Town's budgeted FY2013 debt service appropriation. The current refunding resulted in reduction in aggregate debt service payments of approximately \$59,660 over the next 3 years. The Town also realized an economic gain (the difference between the present values of the debt service payments of the refunded and refunding bonds) of approximately \$55,727.

Details related to the Town's outstanding general obligation indebtedness at June 30, 2013, and the debt service requirements for the governmental activities are as follows:

Project	Date of Issue	Interest Rate (%)	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
Sprague School Renovation.....	2001	4.0 - 4.75	\$ 3,640,000	\$ -	\$ 3,640,000	\$ -
Sprague School Renovation (Refunding).	2013	2.0	-	885,000	-	885,000
Bates School Renovation.....	2003	2.0 - 3.0	550,000	-	550,000	-
New Library.....	2004	2.50 - 5.0	2,950,000	-	585,000	2,365,000
Warren Building Design.....	2004	2.50 - 5.0	30,000	-	20,000	10,000
Hunnewell Field/Courts.....	2004	2.50 - 5.0	50,000	-	30,000	20,000
Warren Renovation.....	2004	2.50 - 5.0	2,820,000	-	565,000	2,255,000
Middle School.....	2005	3.25 - 4.125	6,735,000	-	5,245,000	1,490,000
Middle School (Refunding).....	2013	2.0 - 4.0	-	4,345,000	-	4,345,000
Modular Classrooms.....	2005	3.25 - 4.125	1,250,000	-	750,000	500,000
Modular Classrooms (Refunding).....	2013	3.0	-	500,000	-	500,000
Roads.....	2005	3.25 - 4.125	345,000	-	115,000	230,000
Middle School Construction.....	2006	3.87 - 5.25	5,235,000	-	280,000	4,955,000
Modular Classrooms.....	2006	3.87 - 5.25	920,000	-	230,000	690,000
DPW Electric Repairs.....	2006	3.87 - 5.25	440,000	-	110,000	330,000
DPW Surface Drains.....	2006	3.87 - 5.25	120,000	-	30,000	90,000
Middle School Construction.....	2008	3.0 - 4.0	7,690,000	-	695,000	6,995,000
Streets and Sidewalks.....	2008	3.0 - 4.0	300,000	-	50,000	250,000
Fire Truck.....	2008	3.0 - 4.0	275,000	-	50,000	225,000
Sprague Field.....	2008	3.0 - 4.0	360,000	-	60,000	300,000
School Building Infrastructure.....	2008	3.0 - 4.0	2,700,000	-	450,000	2,250,000
High School Expansion-Seaver Street.....	2009	2.5 - 5.0	3,035,000	-	190,000	2,845,000
High School Planning.....	2009	2.5 - 5.0	675,000	-	40,000	635,000
High School Feasibility.....	2009	2.5 - 5.0	2,200,000	-	130,000	2,070,000
High School Project.....	2009	2.5 - 5.0	6,800,000	-	400,000	6,400,000
Elementary Infrastructure.....	2009	2.5 - 5.0	2,180,000	-	440,000	1,740,000
Woodside Avenue.....	2009	2.5 - 5.0	280,000	-	40,000	240,000
Parking Meters.....	2009	2.5 - 5.0	75,000	-	15,000	60,000
High School Construction.....	2010	2.0 - 4.25	32,200,000	-	1,400,000	30,800,000
Morse Pond Management.....	2012	2.0 - 3.00	70,000	-	35,000	35,000
High School Construction.....	2012	2.0 - 4.25	20,900,000	-	1,100,000	19,800,000
DPW Storm Water Drainage.....	2012	2.0 - 4.0	450,000	-	50,000	400,000
Fire Truck.....	2013	2.0 - 4.0	-	591,000	-	591,000
Kingsbury Street.....	2013	2.0 - 4.0	-	620,000	-	620,000
RDF Structure.....	2013	2.0 - 4.0	-	570,000	-	570,000
Town Hall HVAC.....	2013	2.0 - 4.0	-	235,000	-	235,000
Bacon Street.....	2013	2.0 - 4.0	-	100,000	-	100,000
Surface Drainage.....	2013	2.0 - 4.0	-	214,000	-	214,000
Morses Pond Dredging.....	2013	2.0 - 4.0	-	485,000	-	485,000
DPW Operations Building.....	2013	2.0 - 4.0	-	1,960,000	-	1,960,000
Subtotal .....			105,275,000	10,505,000	17,295,000	98,485,000
Unamortized Premiums on Bonds.....			1,313,272	722,832	563,636	1,472,468
Total .....			\$ 106,588,272	\$ 11,227,832	\$ 17,858,636	\$ 99,957,468

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>
2014	\$ 8,915,000	\$ 3,926,552	12,841,552
2015	8,825,000	3,594,121	12,419,121
2016	8,405,000	3,236,184	11,641,184
2017	7,760,000	2,878,283	10,638,283
2018	5,920,000	2,588,413	8,508,413
2019	5,330,000	2,367,851	7,697,851
2020	5,295,000	2,149,725	7,444,725
2021	5,305,000	1,930,725	7,235,725
2022	5,260,000	1,716,227	6,976,227
2023	5,275,000	1,504,063	6,779,063
2024	4,135,000	1,296,600	5,431,600
2025	4,145,000	1,133,563	5,278,563
2026	3,745,000	967,563	4,712,563
2027	3,260,000	819,298	4,079,298
2028	3,250,000	688,900	3,938,900
2029	3,060,000	558,900	3,618,900
2030	2,500,000	436,500	2,936,500
2031	2,500,000	333,750	2,833,750
2032	1,400,000	231,000	1,631,000
2033	1,400,000	175,000	1,575,000
2034	1,400,000	119,000	1,519,000
2035	<u>1,400,000</u>	<u>59,500</u>	<u>1,459,500</u>
Total	\$ <u>98,485,000</u>	\$ <u>32,711,717</u>	\$ <u>131,196,717</u>

The Town has recently completed construction of a new High School which was funded with long-term and a construction grant from the MSBA. At the time of grant approval the project carried an expected total cost of approximately \$116 million. The MSBA previously approved grant assistance for this project at a reimbursement rate of 40% of eligible construction costs not to exceed approximately \$40 million. To date the Town has submitted reimbursement requests for approximately \$105.7 million of eligible construction costs and has received reimbursements of \$36 million, including \$863,000 of current receivables at June 30, 2013.

Details related to the Town’s outstanding general obligation indebtedness at June 30, 2013, and the debt service requirements for the enterprise funds are as follows:

Project	Date of Issue	Interest Rate (%)	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
Water System Improvements.....	1998	4.15 - 5.25	\$ 430,000	\$ -	\$ 430,000	\$ -
MWRA-Water Bond.....	2006	0.00	206,781	-	51,696	155,085
MWRA-Water Bond.....	2007	0.00	159,745	-	31,949	127,796
MWRA-Sewer Bond.....	2008	0.00	42,383	-	42,383	-
MWRA-Water Bond.....	2008	0.00	99,591	-	16,599	82,992
Water Garage.....	2009	2.5 - 5.0	2,732,500	-	172,500	2,560,000
Sewer Garage.....	2009	2.5 - 5.0	2,732,500	-	172,500	2,560,000
MWRA-Sewer Bond.....	2010	0.00	193,215	-	64,405	128,810
MWRA-Water Bond.....	2011	0.00	206,180	-	22,909	183,271
MWRA-Sewer Bond.....	2011	0.00	183,832	-	45,958	137,874
MWRA-Sewer Bond.....	2012	0.00	143,694	-	28,739	114,955
MWRA-Water Bond.....	2013	2.0 - 4	-	1,300,000	-	1,300,000
MWRA-Water Bond.....	2013	0.00	-	289,323	-	289,323
Subtotal .....			7,130,421	1,589,323	1,079,638	7,640,106
Unamortized Premiums on Bonds.....			134,008	-	15,114	118,894
Total .....			\$ 7,264,429	\$ 1,589,323	\$ 1,094,752	\$ 7,759,000

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
2014	\$ 766,187	\$ 187,676	\$ 953,863
2015	766,187	179,050	945,237
2016	701,779	161,800	863,579
2017	604,127	151,450	755,577
2018	538,440	141,100	679,540
2019	521,841	130,050	651,891
2020	521,841	119,000	640,841
2021	521,841	107,100	628,941
2022	498,932	94,350	593,282
2023	498,935	81,600	580,535
2024	340,000	68,000	408,000
2025	340,000	54,400	394,400
2026	340,000	40,800	380,800
2027	340,000	27,200	367,200
2028	339,996	13,600	353,596
Total	\$ 7,640,106	\$ 1,557,176	\$ 9,197,282

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the program, financial assistance received from the MWRA consists of a grant and non-interest bearing loan. In the current and prior fiscal periods \$2,562,650 of loans subject to repayment were received from this program. At June 30, 2013, the outstanding principal amount of these loans totaled \$1,220,106.

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, 2013, the Town had the following authorized and un-issued debt:

Purpose	Amount
Storm Water Drainage.....	\$ 456,000
Drainage & Road Repairs.....	380,000
Well Reconstruction.....	300,000
Town Hall HVAC.....	40,000
Police Station HVAC.....	72,600
DPW Building HVAC.....	960,700
Sewer System Reconstruction.....	271,700
MWRA Sewer.....	272,800
Water.....	2,108,431
Fire Station Projects.....	160,100
Fire Ladder Truck.....	264,000
Hunnewell School Roof Repairs.....	36,000
Sprague School Projects.....	163,700
Middle School Projects.....	82,000
High School Project.....	22,966,866
District Telephone System Replacement....	411,000
District-wide Security Upgrade.....	186,000
Warren Building Repairs.....	70,630
Wales Street Bridge Planning.....	400,000
Land Acquisition.....	1,560,000
<b>Total.....</b>	<b>\$ 31,162,527</b>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2013, the following changes occurred in long-term liabilities:

	Balance June 30, 2012	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Balance June 30, 2013	Due Within One Year
<b>Governmental Activities:</b>							
Long-Term Bonds.....	\$ 105,275,000	\$ 10,505,000	\$ (17,295,000)	\$ -	\$ -	\$ 98,485,000	\$ 8,915,000
Unamortized Bond Premium.....	1,313,272	722,832	(563,636)	-	-	1,472,468	119,380
Workers' Compensation.....	732,000	-	-	334,000	(380,000)	686,000	357,000
Compensated Absences.....	207,954	-	-	198,481	(124,800)	281,635	169,000
Total Governmental Activities.....	<u>107,528,226</u>	<u>11,227,832</u>	<u>(17,858,636)</u>	<u>532,481</u>	<u>(504,800)</u>	<u>100,925,103</u>	<u>9,560,380</u>
<b>Business Type Activities:</b>							
Long-Term Bonds.....	7,130,421	1,589,323	(1,079,638)	-	-	7,640,106	766,187
Unamortized Bond Premium.....	134,008	-	(15,114)	-	-	118,894	14,330
Compensated Absences.....	34,729	-	-	31,047	(20,800)	44,976	27,000
Total Business Type Activities.....	<u>7,299,158</u>	<u>1,589,323</u>	<u>(1,094,752)</u>	<u>31,047</u>	<u>(20,800)</u>	<u>7,803,976</u>	<u>807,517</u>
Total.....	<u>\$ 114,827,384</u>	<u>\$ 12,817,155</u>	<u>\$ (18,953,388)</u>	<u>\$ 563,528</u>	<u>\$ (525,600)</u>	<u>\$ 108,729,079</u>	<u>\$ 10,367,897</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, \$686,000 of internal service funds accrued workers compensation liability is included above. Except for the amounts related to the internal service funds, the governmental activities long-term liabilities are generally liquidated by the general fund. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures, namely the general fund and the water and electric enterprise funds.

**NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

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

At June 30, 2013, \$3 million has been set aside in a stabilization fund that is classified as part of the general fund in the governmental funds financial statements. Municipal finance laws of the Commonwealth of Massachusetts authorize municipalities to establish stabilization funds on an as needed basis. The number of and exact purpose of the stabilization funds of the Town are dependent upon authorization and approval of Town Meeting. During fiscal year 2013, the fund recognized investment earnings of \$23,000. The stabilization fund balance can be used for general and/or capital purposes upon approval of Town Meeting. Additions to the fund can only be made upon Town Meeting approval.

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

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

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

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

	Governmental Funds				Total Governmental Funds
	General	Capital Projects Fund	High School Construction Fund	Nonmajor Governmental Funds	
<b>Fund Balances</b>					
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	210,612	\$ 210,612
Restricted for:					
Highway chapter 90.....	-	9,694	3,395,713	-	3,405,407
Capital projects.....	-	-	-	4,137,330	4,137,330
School lunch.....	-	-	-	284,723	284,723
Community preservation fund.....	-	-	-	5,275,665	5,275,665
Receipts reserved.....	-	-	-	1,629,567	1,629,567
Revolving.....	-	-	-	2,384,062	2,384,062
Recreation revolving.....	-	-	-	311,877	311,877
Other special revenue.....	-	-	-	1,936,480	1,936,480
Permanent funds.....	-	-	-	1,786,461	1,786,461
Committed to:					
Selectmen/Executive director.....	7,300	-	-	-	7,300
Natural resources commission.....	242,823	-	-	-	242,823
Permanent building committee.....	450,123	-	-	-	450,123
Facilities maintenance.....	402,277	-	-	-	402,277
Public safety and protective services - Fire.....	87,663	-	-	-	87,663
Education.....	260,820	-	-	-	260,820
Public works.....	1,334,742	-	-	-	1,334,742
Assigned to:					
Selectmen/Executive director.....	4,900	-	-	-	4,900
General and management services.....	1,111	-	-	-	1,111
Finance department.....	67	-	-	-	67
Treasurer/Collector.....	11,000	-	-	-	11,000
Legal services and expenses.....	27,480	-	-	-	27,480
Natural resources commission.....	38	-	-	-	38
Planning board.....	300	-	-	-	300
Zoning board of appeals.....	200	-	-	-	200
Facilities maintenance.....	598	-	-	-	598
Public safety and protective services - Police.....	20,071	-	-	-	20,071
Public safety and protective services - Fire.....	4,796	-	-	-	4,796
Public safety and protective services - All other.....	28	-	-	-	28
Education.....	634,806	-	-	-	634,806
Public works.....	9,847	-	-	-	9,847
Board of health.....	1,665	-	-	-	1,665
Human services.....	64	-	-	-	64
Wellesley free library and branches thereof.....	25,557	-	-	-	25,557
Historical district commission.....	25	-	-	-	25
Risk management.....	25,120	-	-	-	25,120
Subsequent year expenditures.....	2,866,107	-	-	-	2,866,107
Unassigned.....	15,342,967	-	-	(41,158)	15,301,809
<b>Total Fund Balances.....</b>	<b>\$ 21,762,495</b>	<b>\$ 9,694</b>	<b>\$ 3,395,713</b>	<b>\$ 17,915,619</b>	<b>\$ 43,083,521</b>

**NOTE 9 – RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has purchased commercial insurance for these risks, except for those risks identified in the following paragraphs, which the Town accounts for in its Internal Service Fund. The amount of claim settlements has not exceeded insurance coverage in any of the previous three 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 insurance coverage with various carriers. Under these agreements, the insurance claims of the covered employees are paid for by the insurance carrier and are subsequently reimbursed by the Group. The Group charges monthly premiums to each governmental unit based upon requirements established through underwriting or actuarial estimates. The Group also maintains a deposit with the insurance carrier which is sufficient to cover two months of claims paid by the carrier for the Group. In addition, the Group provides full reinsurance coverage for all claim costs in excess of \$225,000 per covered employee.

In the event of a dissolution of the Group or if the assets of the Group are insufficient to pay claims which occur, the Town remains liable. The Group had a fund balance of approximately \$23 million at June 30, 2012 (based on the most recent audited information available), which appears sufficient to cover future claims. The Town’s total potential liability is not based on its participants’ claims but on the pro rata share of any deficit based on the ratio of the Town’s members to total participants at the time of dissolution. At June 30, 2013, the Group’s mandatory deposit, discussed above, is sufficient to cover the Town’s projected liability for incurred but not reported claims as of that date.

The Town is self-insured for workers’ compensation claims. The Town has recorded an actuarially determined loss liability in its Internal Service Fund to reserve against future losses. This liability includes a provision for estimated claims incurred but not reported. In addition to these reserves, the Town retains insurance against claims in excess of \$250,000 per employee.

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

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End	Current Portion
Fiscal Year 2012.....	\$ 285,000	\$ 1,051,388	\$ (604,388)	\$ 732,000	\$ 380,000
Fiscal Year 2013.....	732,000	310,741	(356,741)	686,000	357,000

**NOTE 10 – CONTRIBUTORY RETIREMENT SYSTEM**

*Plan Description* - The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Wellesley Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$11.6 million for the fiscal year ended June 30, 2013, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

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

At December 31, 2012, the System's membership consists of the following:

Active members.....	667
Inactive members.....	223
Disabled members.....	36
Retirees and beneficiaries currently receiving benefits.....	<u>363</u>
 Total.....	 <u><u>1,289</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. 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, 2013, 2012, and 2011 were \$3,793,846, \$3,000,000 and \$2,000,000, respectively, which equaled its required contribution for each fiscal year. The required contribution was determined as part of the January 1, 2012 actuarial valuation using the entry age normal actuarial cost method. The 2012 actuarial assumptions included a 7.75% (lowered to 7% in the 1/1/13 valuation) investment rate of return and projected salary increases based on years of service, ranging from 8% decreasing to 4.5% after 19 years of service for Group 1 and 2 employees, and ranging from 10% decreasing to 5% after 19 years for Group 4 employees. These ranges were lowered in the 2013 valuation to 7% decreasing to 3.5% and 8% decreasing to 4%, respectively. The actuarial value of the System's assets, prior to the January 1, 2010 valuation, was equal to actual market value. Beginning with the 2010 valuation the assets are valued at market less unrecognized returns in each of the in each of the last five years. Unrecognized return is equal to the difference between the expected return and the actuarial investment return on a market value and is recognized over a five year period. The actuarial value of assets is adjusted, if necessary, to be within 20% of the market value.

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/13	\$ 125,714,763	\$ 186,235,650	\$ 60,520,887	67.5%	\$ 34,036,988	177.8%
01/01/12	125,424,614	165,408,231	39,983,617	75.8%	33,919,655	117.9%
01/01/10	129,514,453	149,447,086	19,932,633	86.7%	32,053,329	62.2%
01/01/08	144,298,124	136,021,926	(8,276,198)	106.1%	30,256,013	-27.4%
01/01/06	127,011,492	123,086,217	(3,925,275)	103.2%	26,392,253	-14.9%
01/01/04	116,792,365	112,846,159	(3,946,206)	103.5%	23,172,848	-17.0%

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

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

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

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

At June 30, 2012, the Plan’s membership consisted of the following:

Current retirees, beneficiaries, and dependents.....	912
Current active members.....	<u>903</u>
Total.....	<u><u>1,815</u></u>

*Funding Policy* – Contribution requirements are also negotiated between the Town and union representatives. Retired plan members and beneficiaries currently receiving benefits are required to contribute between 17.7% and 50% of the cost of benefits provided depending on the plan they choose. The Town is required to contribute the balance of the current premiums and may contribute additional amounts to pre-fund benefits. The Town contributed \$10,191,000 during fiscal year 2013 towards these benefits including the pre-funding amount discussed below. Administrative costs of the Plan are assumed to be included in the fully insured premium rates.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish the Postemployment Benefit Trust Fund and to enable the Town to raise taxes necessary to begin pre-funding its OPEB liabilities. During fiscal year 2013, the Town pre-funded future OPEB liabilities in the amount of \$3,000,000.

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

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

Annual required contribution.....	\$	9,305,607
Interest on net OPEB obligation/(asset).....		(296,403)
Adjustments to annual required contribution.....		<u>237,020</u>
Annual OPEB cost.....		9,246,224
Contributions made.....		<u>(10,191,192)</u>
Increase/(Decrease) in net OPEB obligation.....		(944,968)
Net OPEB obligation/(asset) - beginning of year.....		<u>(3,952,034)</u>
Net OPEB obligation/(asset) - end of year.....	\$	<u><u>(4,897,002)</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two 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>
6/30/2013	\$ 9,246,224	110%	\$ (4,897,002)
6/30/2012	9,636,485	105%	(3,952,034)
6/30/2011	9,127,366	104%	(3,425,693)

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
06/30/12	\$ 21,313,571	\$ 127,611,942	\$ 106,298,371	16.70%	\$ 80,220,910	132.51%
06/30/10	11,133,131	125,582,243	114,449,112	8.87%	65,958,264	173.52%
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, 2012
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Payments increasing at 4%, level % of payroll
Remaining amortization period.....	25 years as of July 1, 2012, closed (10 years as of July 1, 2012, closed for the Municipal Light Plant)
Asset valuation method.....	Market value
Actuarial assumptions:	
Investment rate of return.....	7.5% pre-funding scenario
Inflation rate.....	4.0%
Projected salary increases.....	4.0%
Medical/Drug cost trend rate.....	8.0% decreasing by 0.50% for 6 years to an ultimate level of 5.0% per year

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

**NOTE 12 – COMMITMENTS**

The Town is committed to completing various projects throughout the Town which will be funded with long-term debt totaling approximately \$12 million.

The Wellesley Municipal Light Plant’s future purchase commitments at June 30, 2013 are as follows:

<b>Energy Purchase Commitments</b>				
<b>Megawatt-Hour (MWH)</b>				
<u>Fiscal Year</u>	<u>Projected MWH's</u>	<u>Committed MWH's</u>	<u>Average Cost Per MWH</u>	<u>Total Commitments</u>
2014	250,877	213,896	\$ 58.30	\$ 12,470,137
2015	252,943	208,446	54.73	11,408,250
2016	256,898	193,293	53.14	10,271,590
2017	<u>257,717</u>	<u>182,928</u>	48.94	<u>8,952,496</u>
	<u>1,018,435</u>	<u>798,563</u>		<u>\$ 43,102,473</u>

**NOTE 13 - CONTINGENCIES**

The Town participates in a number of Federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2013, 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, 2013, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2013.

**NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2013, the following GASB pronouncements were implemented:

- GASB Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #61, *The Financial Reporting Entity: Omnibus*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Financial statement changes included net assets changing to net position and invested in capital assets, net of related debt changing to net investment in capital assets. The Notes to the financial statements were changed to provide additional disclosure on deferred outflows and deferred inflows of resources.
- GASB Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future fiscal years.

- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #67, *Financial Reporting for Pension Plans*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is required to be implemented in fiscal year 2014.

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

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

## ***Required Supplementary Information***

# ***General Fund Budgetary Comparison Schedule***

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

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

FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Amounts	
	Original Budget	Final Budget		Carried Forward To Next Year	Variance to Final Budget
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 108,706,793	\$ 108,706,793	\$ 108,577,198	\$ -	\$ (129,595)
Tax liens.....	-	-	342,763	-	342,763
Motor vehicle and other excise taxes.....	4,696,000	4,696,000	4,854,984	-	158,984
Penalties and interest on taxes.....	235,000	235,000	181,579	-	(53,421)
Payments in lieu of taxes.....	270,083	270,083	226,459	-	(43,624)
Intergovernmental.....	9,494,484	9,494,484	11,290,582	-	1,796,098
Departmental and other.....	3,492,612	3,492,612	3,558,923	-	66,311
Interest income.....	325,300	325,300	202,870	-	(122,430)
<b>TOTAL REVENUES.....</b>	<b>127,220,272</b>	<b>127,220,272</b>	<b>129,235,358</b>	<b>-</b>	<b>2,015,086</b>
<b>EXPENDITURES:</b>					
Selectmen/Executive Director:					
Personal Services.....	402,331	402,896	317,432	-	85,464
Expenses.....	37,768	37,768	20,567	12,200	5,001
	<u>440,099</u>	<u>440,664</u>	<u>337,999</u>	<u>12,200</u>	<u>90,465</u>
Finance Department:					
Personal Services.....	346,875	350,834	328,583	-	22,251
Expenses.....	9,125	9,125	5,856	67	3,202
	<u>356,000</u>	<u>359,959</u>	<u>334,439</u>	<u>67</u>	<u>25,453</u>
General and Management Services:					
Personal Services.....	18,960	18,960	13,661	-	5,299
Expenses.....	43,412	58,312	45,787	1,111	11,414
	<u>62,372</u>	<u>77,272</u>	<u>59,448</u>	<u>1,111</u>	<u>16,713</u>
Treasurer/Collector:					
Personal Services.....	256,414	259,407	254,965	-	4,442
Expenses.....	133,370	133,370	117,015	11,000	5,355
	<u>389,784</u>	<u>392,777</u>	<u>371,980</u>	<u>11,000</u>	<u>9,797</u>
Facilities Maintenance:					
Personal Services.....	3,276,988	3,276,988	3,132,709	-	144,279
Expenses.....	2,932,623	2,883,030	2,535,287	598	347,145
Capital Outlay.....	1,107,621	1,107,621	620,891	402,278	84,452
	<u>7,317,232</u>	<u>7,267,639</u>	<u>6,288,887</u>	<u>402,876</u>	<u>575,876</u>
Network Information Services:					
Personal Services.....	445,368	460,925	460,925	-	-
Expenses.....	214,127	214,127	214,127	-	-
Capital Outlay.....	27,000	27,000	27,000	-	-
	<u>686,495</u>	<u>702,052</u>	<u>702,052</u>	<u>-</u>	<u>-</u>
Human Services:					
Personal Services.....	240,677	254,652	252,444	-	2,208
Expenses.....	237,460	237,460	234,741	64	2,655
	<u>478,137</u>	<u>492,112</u>	<u>487,185</u>	<u>64</u>	<u>4,863</u>
Public Safety and Protective Services - Police:					
Personal Services.....	4,663,783	4,665,059	4,664,579	-	480
Expenses.....	626,078	626,078	605,872	20,071	135
Capital Outlay.....	92,362	92,362	91,285	-	1,077
	<u>5,382,223</u>	<u>5,383,499</u>	<u>5,361,736</u>	<u>20,071</u>	<u>1,692</u>
Public Safety and Protective Services - Fire:					
Personal Services.....	4,459,186	4,461,006	4,333,698	-	127,308
Expenses.....	255,079	255,079	235,297	4,796	14,986
Capital Outlay.....	175,676	175,676	88,013	87,663	-
	<u>4,889,941</u>	<u>4,891,761</u>	<u>4,657,008</u>	<u>92,459</u>	<u>142,294</u>

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Amounts	
	Original Budget	Final Budget		Carried Forward To Next Year	Variance to Final Budget
Public Safety and Protective Services - All Other:					
Personal Services.....	523,303	530,230	468,947	-	61,283
Expenses.....	113,082	113,082	103,632	28	9,422
	<u>636,385</u>	<u>643,312</u>	<u>572,579</u>	<u>28</u>	<u>70,705</u>
Historical Commission.....	750	750	-	-	750
Historical District Commission.....	250	250	110	25	115
Zoning Board of Appeals:					
Personal Services.....	47,220	48,401	48,401	-	-
Expenses.....	7,298	7,298	4,419	200	2,679
	<u>54,518</u>	<u>55,699</u>	<u>52,820</u>	<u>200</u>	<u>2,679</u>
Advisory Committee:					
Personal Services.....	8,782	8,782	2,541	-	6,241
Expenses.....	14,039	14,039	9,044	-	4,995
	<u>22,821</u>	<u>22,821</u>	<u>11,585</u>	<u>-</u>	<u>11,236</u>
Audit Committee.....	56,250	56,250	56,250	-	-
Permanent Building Committee:					
Personal Services.....	12,641	13,554	13,554	-	-
Expenses.....	17,224	17,224	1,034	-	16,190
Capital Outlay.....	613,991	815,116	149,418	450,123	215,575
	<u>643,856</u>	<u>845,894</u>	<u>164,006</u>	<u>450,123</u>	<u>231,765</u>
Human Resources Board:					
Personal Services.....	265,359	272,929	272,929	-	-
Expenses.....	22,300	22,300	19,975	-	2,325
	<u>287,659</u>	<u>295,229</u>	<u>292,904</u>	<u>-</u>	<u>2,325</u>
Assessors:					
Personal Services.....	242,717	245,856	234,495	-	11,361
Expenses.....	81,950	81,950	77,632	-	4,318
	<u>324,667</u>	<u>327,806</u>	<u>312,127</u>	<u>-</u>	<u>15,679</u>
Board of Health:					
Personal Services.....	336,135	341,497	316,355	-	25,142
Expenses.....	68,683	68,683	55,058	1,665	11,960
Mental Health Services.....	213,555	213,555	210,228	-	3,327
	<u>618,373</u>	<u>623,735</u>	<u>581,641</u>	<u>1,665</u>	<u>40,429</u>
Natural Resources Commission:					
Personal Services.....	190,254	192,645	191,319	-	1,326
Expenses.....	167,295	167,295	142,467	38	24,790
Capital Outlay.....	313,279	313,279	70,456	242,823	-
	<u>670,828</u>	<u>673,219</u>	<u>404,242</u>	<u>242,861</u>	<u>26,116</u>
Planning Board:					
Personal Services.....	211,092	214,190	208,872	-	5,318
Expenses.....	56,520	56,520	25,190	300	31,030
	<u>267,612</u>	<u>270,710</u>	<u>234,062</u>	<u>300</u>	<u>36,348</u>
Recreation Commission:					
Personal Services.....	273,692	288,889	287,872	-	1,017
Expenses.....	23,800	23,800	23,718	-	82
	<u>297,492</u>	<u>312,689</u>	<u>311,590</u>	<u>-</u>	<u>1,099</u>
Town Clerk/Election and Registration:					
Personal Services.....	249,002	260,663	260,663	-	-
Expenses.....	54,300	54,300	39,082	-	15,218
	<u>303,302</u>	<u>314,963</u>	<u>299,745</u>	<u>-</u>	<u>15,218</u>
Legal Services and Expenses.....	294,002	294,002	263,746	27,480	2,776
Reserve Fund.....	175,000	175,000	-	-	175,000

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
Memorial Day.....	2,500	2,500	1,727	-	773
Celebrations.....	4,700	4,700	4,700	-	-
Risk Management.....	357,000	357,000	255,841	25,120	76,039
Employee Group Life and Health Insurance.....	18,436,184	18,436,184	18,436,184	-	-
Pensions and Annuities.....	3,240,749	3,240,749	3,226,373	-	14,376
Workers Compensation.....	360,584	360,584	360,584	-	-
Compensated Absences.....	90,000	90,000	50,075	-	39,925
Wellesley Free Library and branches thereof:					
Personal Services.....	1,730,800	1,736,392	1,727,257	2,731	6,404
Expenses.....	542,109	542,109	519,283	22,826	-
Capital Outlay.....	40,500	40,500	40,500	-	-
	<u>2,313,409</u>	<u>2,319,001</u>	<u>2,287,040</u>	<u>25,557</u>	<u>6,404</u>
Public works:					
Personal Services.....	3,891,608	3,858,726	3,821,735	160	36,831
Expenses.....	2,233,118	2,233,118	2,171,313	9,687	52,118
Street lights.....	225,300	225,300	222,536	-	2,764
Winter Maintenance.....	348,703	798,703	798,703	-	-
Capital Outlay.....	2,537,469	2,593,457	1,258,687	1,334,742	28
	<u>9,236,198</u>	<u>9,709,304</u>	<u>8,272,974</u>	<u>1,344,589</u>	<u>91,741</u>
Radio masterbox:					
Personal Services.....	90,584	92,423	92,423	-	-
Education.....	63,358,814	63,393,507	58,848,066	3,921,613	623,828
State and county charges.....	1,167,309	1,167,309	1,164,742	-	2,567
Debt service:					
Principal (1).....	10,230,120	9,585,120	11,390,000	-	(1,804,880)
Interest.....	3,951,904	4,080,520	3,970,894	-	109,626
	<u>14,182,024</u>	<u>13,665,640</u>	<u>15,360,894</u>	<u>-</u>	<u>(1,695,254)</u>
<b>TOTAL EXPENDITURES.....</b>	<b>137,496,103</b>	<b>137,758,965</b>	<b>130,519,764</b>	<b>6,579,409</b>	<b>659,792</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES.....</b>	<b>(10,275,831)</b>	<b>(10,538,693)</b>	<b>(1,284,406)</b>	<b>(6,579,409)</b>	<b>2,674,878</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Free cash voted to fund fiscal year 2013 budget.....	2,701,715	3,222,498	-	-	(3,222,498)
Use of prior year fund balance to fund carryovers.....	6,824,116	6,824,116	-	-	(6,824,116)
Premium from issuance of bond anticipation notes.....	-	722,832	722,832	-	-
Transfers in.....	1,000,000	1,000,000	1,281,663	-	281,663
Transfers out.....	(250,000)	(1,230,753)	(1,230,753)	-	-
	<u>10,275,831</u>	<u>10,538,693</u>	<u>773,742</u>	<u>-</u>	<u>(9,764,951)</u>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>-</b>	<b>-</b>	<b>(510,664)</b>	<b>(6,579,409)</b>	<b>(7,090,073)</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>22,765,607</b>	<b>22,765,607</b>	<b>22,765,607</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 22,765,607</b>	<b>\$ 22,765,607</b>	<b>\$ 22,254,943</b>	<b>\$ (6,579,409)</b>	<b>\$ (7,090,073)</b>

(1) As discussed in Note 7, the Town paid down addition principal on school bonds funded with a grant from the Massachusetts School Building Authority.

(Concluded)

See notes to required supplementary information.

# ***Other Postemployment Benefit Plan Schedules***

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

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

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

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

JUNE 30, 2013

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2012	\$ 21,313,571	\$ 127,611,942	\$ 106,298,371	16.70%	\$ 80,220,910	132.51%
6/30/2010	11,133,131	125,582,243	114,449,112	8.87%	65,958,264	173.52%
6/30/2008	3,961,548	109,103,295	105,141,747	3.63%	61,221,013	171.74%

**Schedule of Employer Contributions**

Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions Made	Percentage Contributed
2013	\$ 9,305,607	\$ 10,191,192	109.5%
2012	9,764,460	10,162,826	104.1%
2011	9,182,304	9,478,438	103.2%
2010	8,506,559	9,519,441	111.9%
2009	8,159,418	10,491,432	128.6%
2008	7,794,493	7,524,218	96.5%

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

See notes to required supplementary information.

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

FISCAL YEAR ENDED JUNE 30, 2013

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Actuarial Methods:

Valuation date.....	June 30, 2012
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 4.0%, level % of payroll
Remaining amortization period.....	25 years as of July 1, 2012, closed (10 years as of July 1, 2012, closed for the Municipal Light Plant)
Asset valuation method.....	Market value

Actuarial Assumptions:

Investment rate of return.....	7.5% pre-funding scenario
Inflation rate.....	4.0%
Projected salary increases.....	4.0%
Medical/drug cost trend rate.....	8.0% decreasing by 0.50% for 6 years to an ultimate level of 5.0% per year

Plan Membership:

Current retirees, beneficiaries, and dependents.....	912
Current active members.....	<u>903</u>
Total.....	<u><u>1,815</u></u>

See notes to required supplementary information.

**NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY****A. Budgetary Information**

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

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

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2013 budget consisted of approximately \$137.7 million in appropriations and other amounts to be raised. Included in the original budget are approximately \$6.8 million in amounts carried over from previous fiscal years.

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

**B. Budgetary – GAAP Reconciliation**

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2013, is presented below:

Net change in fund balance, budgetary basis.....	\$ (510,664)
<u>Perspective difference:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	22,786
<u>Basis of accounting differences:</u>	
Net change in revenue accrual.....	51,000
Net change in expenditure accrual.....	698,345
Net change in tax refunds payable.....	(231,453)
Recognition of revenue for on-behalf payments.....	11,576,070
Recognition of expenditures for on-behalf payments.....	<u>(11,576,070)</u>
Net change in fund balance, GAAP basis.....	<u>\$ 30,014</u>

**NOTE B – OTHER POSTEMPLOYMENT BENEFITS**

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

The Town currently finances its other postemployment benefits (OPEB) on combined pre-funded and a pay-as-you-go basis whereby the funding schedule is designed to pay the normal cost currently and amortizes the unfunded liability over a period of 30 years. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarially accrued liability) as of the most recent valuation was 16.70%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

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

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

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

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

# ***Combining Statements***

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# ***Nonmajor Governmental Funds***

## **SPECIAL REVENUE FUNDS**

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

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

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

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

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

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

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

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

## **CAPITAL PROJECT FUND**

***Capital Projects Fund*** – This fund accounts for financial resources for the acquisition of major capital assets except those financed entirely with grants from the commonwealth.

## **PERMANENT FUND**

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

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

JUNE 30, 2013

	<b>Special Revenue Funds</b>			
<b>ASSETS</b>	School Lunch	Community Preservation	Grants	Receipts Reserved
Cash and cash equivalents.....	\$ 356,632	\$ 5,283,726	\$ 47,533	\$ 1,654,886
Investments.....	-	-	-	-
Receivables, net of uncollectibles:				
Departmental and other.....	-	7,950	-	-
Intergovernmental.....	-	508,375	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 356,632</b>	<b>\$ 5,800,051</b>	<b>\$ 47,533</b>	<b>\$ 1,654,886</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Warrants payable.....	\$ 71,909	\$ 3,019	\$ 77,148	\$ 19,304
Accrued payroll.....	-	1,300	11,543	6,015
Deferred revenues.....	-	520,067	-	-
<b>TOTAL LIABILITIES.....</b>	<b>71,909</b>	<b>524,386</b>	<b>88,691</b>	<b>25,319</b>
<b>FUND BALANCES:</b>				
Nonspendable.....	-	-	-	-
Restricted.....	284,723	5,275,665	-	1,629,567
Unassigned.....	-	-	(41,158)	-
<b>TOTAL FUND BALANCES.....</b>	<b>284,723</b>	<b>5,275,665</b>	<b>(41,158)</b>	<b>1,629,567</b>
<b>TOTAL LIABILITIES AND FUND BALANCES....</b>	<b>\$ 356,632</b>	<b>\$ 5,800,051</b>	<b>\$ 47,533</b>	<b>\$ 1,654,886</b>

<b>Special Revenue Funds</b>				<b>Capital Projects Fund</b>	<b>Permanent Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<u>Revolving</u>	<u>Recreation Revolving</u>	<u>Other</u>	<u>Sub-total</u>			
\$ 2,506,698	\$ 347,098	\$ 2,046,576	\$ 12,243,149	\$ 4,216,861	\$ 897,218	\$ 17,357,228
-	-	-	-	-	1,109,569	1,109,569
139,841	-	-	147,791	-	-	147,791
-	-	-	508,375	-	-	508,375
<u>\$ 2,646,539</u>	<u>\$ 347,098</u>	<u>\$ 2,046,576</u>	<u>\$ 12,899,315</u>	<u>\$ 4,216,861</u>	<u>\$ 2,006,787</u>	<u>\$ 19,122,963</u>
\$ 131,779	\$ 25,868	\$ 104,969	\$ 433,996	\$ 77,784	\$ 8,961	\$ 520,741
27,227	9,353	5,127	60,565	1,747	753	63,065
103,471	-	-	623,538	-	-	623,538
<u>262,477</u>	<u>35,221</u>	<u>110,096</u>	<u>1,118,099</u>	<u>79,531</u>	<u>9,714</u>	<u>1,207,344</u>
-	-	-	-	-	210,612	210,612
2,384,062	311,877	1,936,480	11,822,374	4,137,330	1,786,461	17,746,165
-	-	-	(41,158)	-	-	(41,158)
<u>2,384,062</u>	<u>311,877</u>	<u>1,936,480</u>	<u>11,781,216</u>	<u>4,137,330</u>	<u>1,997,073</u>	<u>17,915,619</u>
<u>\$ 2,646,539</u>	<u>\$ 347,098</u>	<u>\$ 2,046,576</u>	<u>\$ 12,899,315</u>	<u>\$ 4,216,861</u>	<u>\$ 2,006,787</u>	<u>\$ 19,122,963</u>

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

FISCAL YEAR ENDED JUNE 30, 2013

	<b>Special Revenue Funds</b>			
	School Lunch	Community Preservation	Grants	Receipts Reserved
<b>REVENUES:</b>				
Charges for services.....	\$ 1,036,744	\$ -	\$ -	\$ -
Parking meter receipts.....	-	-	-	882,649
Intergovernmental.....	164,625	251,233	2,021,999	-
Departmental and other.....	-	-	-	-
Community preservation tax.....	-	982,069	-	-
Contributions.....	-	-	-	-
Interest income.....	-	10,333	-	-
<b>TOTAL REVENUES.....</b>	<b>1,201,369</b>	<b>1,243,635</b>	<b>2,021,999</b>	<b>882,649</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	-	-	768	-
Public safety.....	-	-	129,310	26,080
Public education.....	1,240,302	-	2,388,781	-
Public works.....	-	-	-	-
Health and human services.....	-	-	15,632	-
Recreation.....	-	-	23,722	-
Library.....	-	-	32,489	-
Employee benefits.....	-	-	-	-
Traffic and parking management.....	-	-	-	598,789
Community preservation.....	-	458,702	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>1,240,302</b>	<b>458,702</b>	<b>2,590,702</b>	<b>624,869</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(38,933)</b>	<b>784,933</b>	<b>(568,703)</b>	<b>257,780</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of long-term debt.....	-	-	-	-
Transfers in.....	25,753	-	-	-
Transfers out.....	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>25,753</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(13,180)</b>	<b>784,933</b>	<b>(568,703)</b>	<b>257,780</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>297,903</b>	<b>4,490,732</b>	<b>527,545</b>	<b>1,371,787</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 284,723</b>	<b>\$ 5,275,665</b>	<b>\$ (41,158)</b>	<b>\$ 1,629,567</b>

<b>Special Revenue Funds</b>						
Revolving	Recreation Revolving	Other	Sub-total	Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 22,030	\$ 1,058,774	\$ -	\$ -	\$ 1,058,774
-	-	-	882,649	-	-	882,649
52,200	-	2,752,942	5,242,999	-	-	5,242,999
3,312,595	1,006,422	3,318	4,322,335	-	-	4,322,335
-	-	-	982,069	-	-	982,069
98,335	-	1,104,900	1,203,235	250,000	-	1,453,235
-	-	-	10,333	-	106,139	116,472
<u>3,463,130</u>	<u>1,006,422</u>	<u>3,883,190</u>	<u>13,702,394</u>	<u>250,000</u>	<u>106,139</u>	<u>14,058,533</u>
3,114	-	51,063	54,945	60,832	4,473	120,250
827,808	-	164,461	1,147,659	841,000	-	1,988,659
2,336,138	220	2,707,891	8,673,332	80,239	-	8,753,571
243,372	-	31,728	275,100	2,997,325	-	3,272,425
171,253	-	18,239	205,124	-	-	205,124
31,150	930,575	99,679	1,085,126	-	154,829	1,239,955
-	-	213,798	246,287	-	-	246,287
-	-	-	-	-	121,172	121,172
-	-	-	598,789	-	-	598,789
-	-	-	458,702	-	-	458,702
<u>3,612,835</u>	<u>930,795</u>	<u>3,286,859</u>	<u>12,745,064</u>	<u>3,979,396</u>	<u>280,474</u>	<u>17,004,934</u>
(149,705)	75,627	596,331	957,330	(3,729,396)	(174,335)	(2,946,401)
-	-	-	-	4,775,000	-	4,775,000
-	-	-	25,753	955,000	250,000	1,230,753
-	(92,204)	-	(92,204)	(189,459)	-	(281,663)
-	(92,204)	-	(66,451)	5,540,541	250,000	5,724,090
(149,705)	(16,577)	596,331	890,879	1,811,145	75,665	2,777,689
<u>2,533,767</u>	<u>328,454</u>	<u>1,340,149</u>	<u>10,890,337</u>	<u>2,326,185</u>	<u>1,921,408</u>	<u>15,137,930</u>
\$ <u>2,384,062</u>	\$ <u>311,877</u>	\$ <u>1,936,480</u>	\$ <u>11,781,216</u>	\$ <u>4,137,330</u>	\$ <u>1,997,073</u>	\$ <u>17,915,619</u>

## ***Internal Service Funds***

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

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

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

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

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

**INTERNAL SERVICE FUNDS**  
COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2013

	Network Information Services	Fleet Maintenance	Health Insurance	Worker's Compensation	Total Internal Service Funds
<b>ASSETS</b>					
<b>CURRENT:</b>					
Cash and cash equivalents.....	\$ 190,798	\$ 226,802	\$ 1,990,732	\$ 73,046	\$ 2,481,378
Investments.....	-	-	-	39,005	39,005
Receivables, net of allowance for uncollectibles:					
Departmental and other.....	-	-	6,434	-	6,434
<b>TOTAL ASSETS.....</b>	<b>190,798</b>	<b>226,802</b>	<b>1,997,166</b>	<b>112,051</b>	<b>2,526,817</b>
<b>LIABILITIES</b>					
<b>CURRENT:</b>					
Warrants payable.....	5,291	83,322	-	-	88,613
Accrued payroll.....	19,256	19,612	311,767	980	351,615
Workers' compensation.....	-	-	-	357,000	357,000
<b>Total current liabilities.....</b>	<b>24,547</b>	<b>102,934</b>	<b>311,767</b>	<b>357,980</b>	<b>797,228</b>
<b>NONCURRENT:</b>					
Workers' compensation.....	-	-	-	329,000	329,000
<b>TOTAL LIABILITIES.....</b>	<b>24,547</b>	<b>102,934</b>	<b>311,767</b>	<b>686,980</b>	<b>1,126,228</b>
<b>NET POSITION</b>					
Unrestricted.....	\$ 166,251	\$ 123,868	\$ 1,685,399	\$ (574,929)	\$ 1,400,589

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

FISCAL YEAR ENDED JUNE 30, 2013

	Network Information Services	Fleet Maintenance	Health Insurance	Worker's Compensation	Total Internal Service Funds
<b>OPERATING REVENUES:</b>					
Employee contributions .....	\$ -	\$ -	\$ 7,574,983	\$ -	\$ 7,574,983
Charges for services .....	964,773	1,218,381	13,941,184	383,694	16,508,032
<b>TOTAL OPERATING REVENUES .....</b>	<b>964,773</b>	<b>1,218,381</b>	<b>21,516,167</b>	<b>383,694</b>	<b>24,083,015</b>
<b>OPERATING EXPENSES:</b>					
Supplies and services.....	905,616	1,198,056	22,110,181	310,741	24,524,594
<b>OPERATING INCOME (LOSS).....</b>	<b>59,157</b>	<b>20,325</b>	<b>(594,014)</b>	<b>72,953</b>	<b>(441,579)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment income.....	-	-	3,838	3,209	7,047
<b>CHANGE IN NET POSITION.....</b>	<b>59,157</b>	<b>20,325</b>	<b>(590,176)</b>	<b>76,162</b>	<b>(434,532)</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>107,094</b>	<b>103,543</b>	<b>2,275,575</b>	<b>(651,091)</b>	<b>1,835,121</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 166,251</b>	<b>\$ 123,868</b>	<b>\$ 1,685,399</b>	<b>\$ (574,929)</b>	<b>\$ 1,400,589</b>

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

FISCAL YEAR ENDED JUNE 30, 2013

	Network Information Services	Fleet Maintenance	Health Insurance	Worker's Compensation	Total Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users.....	\$ -	\$ -	\$ 7,572,220	\$ -	\$ 7,572,220
Receipts from interfund services provided.....	964,773	1,218,381	13,941,184	383,694	16,508,032
Payments to employees.....	-	-	-	(356,803)	(356,803)
Payments for interfund services used.....	(908,355)	(1,155,964)	(21,800,570)	-	(23,864,889)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>56,418</b>	<b>62,417</b>	<b>(287,166)</b>	<b>26,891</b>	<b>(141,440)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Advances to other funds.....	-	-	-	(161,022)	(161,022)
Advances from other funds.....	-	-	161,022	-	161,022
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>-</b>	<b>-</b>	<b>161,022</b>	<b>(161,022)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Proceeds from sales and maturities of investments.....	-	-	-	242,973	242,973
Purchase of investments.....	-	-	-	(39,005)	(39,005)
Investment income.....	-	-	3,838	3,209	7,047
<b>NET CASH FROM INVESTING ACTIVITIES.....</b>	<b>-</b>	<b>-</b>	<b>3,838</b>	<b>207,177</b>	<b>211,015</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>56,418</b>	<b>62,417</b>	<b>(122,306)</b>	<b>73,046</b>	<b>69,575</b>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	134,380	164,385	2,113,038	-	2,411,803
CASH AND CASH EQUIVALENTS, END OF YEAR.....	\$ <u>190,798</u>	\$ <u>226,802</u>	\$ <u>1,990,732</u>	\$ <u>73,046</u>	\$ <u>2,481,378</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>					
Operating income (loss).....	\$ 59,157	\$ 20,325	\$ (594,014)	\$ 72,953	\$ (441,579)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Changes in assets and liabilities:					
Departmental and other.....	-	-	(2,763)	-	(2,763)
Warrants payable.....	(2,907)	37,412	(2,156)	-	32,349
Accrued payroll.....	168	4,680	311,767	(62)	316,553
Workers' compensation.....	-	-	-	(46,000)	(46,000)
Total adjustments.....	(2,739)	42,092	306,848	(46,062)	300,139
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ <u>56,418</u></b>	<b>\$ <u>62,417</u></b>	<b>\$ <u>(287,166)</u></b>	<b>\$ <u>26,891</u></b>	<b>\$ <u>(141,440)</u></b>

# ***Fiduciary Funds***

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

**AGENCY FUND**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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	<u>Agency Accounts July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Agency Accounts June 30, 2013</u>
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ <u>1,165,058</u>	\$ <u>16,838,416</u>	\$ <u>(16,638,511)</u>	\$ <u>1,364,963</u>
<b>LIABILITIES</b>				
Liabilities due depositors.....	\$ <u>1,165,058</u>	\$ <u>16,838,416</u>	\$ <u>(16,638,511)</u>	\$ <u>1,364,963</u>

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# ***Statistical Section***

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



**Footpath over the peaceful Charles River.**

Town of Wellesley, Massachusetts  
Comprehensive Annual Financial Report  
For the fiscal year ended June 30, 2013

# ***Statistical Section***

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

## ***Financial Trends***

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

## ***Revenue Capacity***

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

## ***Debt Capacity***

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

## ***Demographic and Economic Information***

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

## ***Operating Information***

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

*SOURCES: Unless otherwise noted, the information in these schedules is derived from the audited financial reports for the relevant year.*

**Net Position By Component  
Last Ten Fiscal Years**

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental activities</b>										
Net investment in capital assets.....	\$ 60,416,766	\$ 56,280,575	\$ 59,460,936	\$ 89,282,328	\$ 90,783,718	\$ 90,953,257	\$ 98,914,209	\$ 122,874,236	\$ 136,010,244	\$ 140,647,943
Restricted.....	2,622,666	4,235,793	5,156,611	8,820,120	8,586,171	10,336,566	11,181,819	11,789,893	8,279,834	9,177,754
Unrestricted.....	13,051,094	13,819,989	16,306,929	22,970,214	29,431,407	34,229,972	36,333,715	37,090,605	41,155,077	40,250,651
<b>Total governmental activities net position.....</b>	<b>\$ 76,090,526</b>	<b>\$ 74,336,357</b>	<b>\$ 80,924,476</b>	<b>\$ 121,072,662</b>	<b>\$ 128,801,296</b>	<b>\$ 135,519,795</b>	<b>\$ 146,429,743</b>	<b>\$ 171,754,734</b>	<b>\$ 185,445,155</b>	<b>\$ 190,076,348</b>
<b>Business-type activities</b>										
Net investment in capital assets.....	\$ 52,192,699	\$ 54,876,155	\$ 59,462,054	\$ 61,389,671	\$ 70,218,356	\$ 71,187,448	\$ 73,118,249	\$ 76,222,981	\$ 79,158,029	\$ 82,672,463
Restricted.....	-	-	-	-	-	-	-	-	2,458,152	2,000,000
Unrestricted.....	16,796,672	18,463,745	17,200,472	23,033,350	15,308,496	12,999,282	12,491,865	13,714,674	13,935,227	14,212,650
<b>Total business-type activities net position.....</b>	<b>\$ 68,989,371</b>	<b>\$ 73,339,900</b>	<b>\$ 76,662,526</b>	<b>\$ 84,423,021</b>	<b>\$ 85,526,852</b>	<b>\$ 84,186,730</b>	<b>\$ 85,610,114</b>	<b>\$ 89,937,655</b>	<b>\$ 95,551,408</b>	<b>\$ 98,885,113</b>
<b>Primary government</b>										
Net investment in capital assets.....	\$ 112,609,465	\$ 111,156,730	\$ 118,922,990	\$ 150,671,999	\$ 161,002,074	\$ 162,140,705	\$ 172,032,458	\$ 199,097,217	\$ 215,168,273	\$ 223,320,406
Restricted.....	2,622,666	4,235,793	5,156,611	8,820,120	8,586,171	10,336,566	11,181,819	11,789,893	10,737,986	11,177,754
Unrestricted.....	29,847,766	32,283,734	33,507,401	46,003,564	44,739,903	47,229,254	48,825,580	50,805,279	55,090,304	54,463,301
<b>Total primary government net position.....</b>	<b>\$ 145,079,897</b>	<b>\$ 147,676,257</b>	<b>\$ 157,587,002</b>	<b>\$ 205,495,683</b>	<b>\$ 214,328,148</b>	<b>\$ 219,706,525</b>	<b>\$ 232,039,857</b>	<b>\$ 261,692,389</b>	<b>\$ 280,996,563</b>	<b>\$ 288,961,461</b>

**Changes in Net Position  
Last Ten Fiscal Years**

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Expenses</b>										
Governmental activities:										
General government.....	\$ 5,044,581	\$ 5,934,146	\$ 5,751,822	\$ 5,684,079	\$ 5,985,099	\$ 7,647,280	\$ 8,576,509	\$ 8,039,353	\$ 9,670,731	\$ 12,874,364
Public safety.....	10,642,772	10,515,879	11,210,299	12,196,439	12,304,806	12,840,721	14,139,090	14,807,588	16,064,398	16,973,654
Public education.....	59,361,961	68,110,742	66,774,878	72,434,095	80,998,592	83,694,291	86,694,832	90,309,800	99,679,399	99,210,900
Public works.....	8,250,480	8,060,375	7,765,401	8,910,481	10,256,928	9,764,169	10,280,799	10,574,130	10,315,238	9,709,246
Health and human services.....	906,951	911,381	926,992	1,099,860	1,173,150	1,173,751	1,319,220	1,481,237	1,558,985	1,597,225
Library.....	3,228,081	2,982,299	3,204,781	3,313,582	3,588,760	3,662,740	3,317,361	3,659,739	3,907,255	3,853,620
Recreation.....	1,795,038	1,591,944	1,563,683	1,859,635	2,317,498	2,223,787	2,701,249	2,535,659	2,548,867	2,456,850
Traffic and parking management.....	592,766	616,467	614,061	410,319	391,994	371,662	580,125	523,460	541,165	598,789
Community preservation.....	-	401,717	394,938	156,154	61,876	166,752	129,981	669,739	789,270	105,345
Interest.....	1,363,670	1,725,684	1,965,900	2,715,786	2,510,195	2,653,697	3,107,717	3,790,479	4,100,237	3,816,585
<b>Total government activities expenses.....</b>	<b>91,186,300</b>	<b>100,850,634</b>	<b>100,172,755</b>	<b>108,780,430</b>	<b>119,588,898</b>	<b>124,198,830</b>	<b>130,846,883</b>	<b>136,371,184</b>	<b>149,175,545</b>	<b>151,196,578</b>
Business-type activities:										
Sewer.....	4,999,788	5,030,351	5,231,528	5,643,469	5,921,175	6,033,451	6,368,443	6,494,844	6,798,842	6,799,922
Water.....	3,282,334	3,473,977	3,776,231	4,091,223	4,431,064	5,060,034	5,101,386	5,341,473	5,414,502	5,189,293
Electric.....	15,612,029	15,675,397	18,305,554	16,090,148	30,975,657	33,736,181	32,292,755	30,330,724	28,865,770	31,253,122
<b>Total business-type activities expenses.....</b>	<b>23,894,151</b>	<b>24,179,725</b>	<b>27,313,313</b>	<b>25,824,840</b>	<b>41,327,896</b>	<b>44,829,666</b>	<b>43,762,584</b>	<b>42,167,041</b>	<b>41,079,114</b>	<b>43,242,337</b>
<b>Total primary government expenses.....</b>	<b>\$ 115,080,451</b>	<b>\$ 125,030,359</b>	<b>\$ 127,486,068</b>	<b>\$ 134,605,270</b>	<b>\$ 160,916,794</b>	<b>\$ 169,028,496</b>	<b>\$ 174,609,467</b>	<b>\$ 160,916,794</b>	<b>\$ 190,254,659</b>	<b>\$ 194,438,915</b>
<b>Program Revenues</b>										
Governmental activities:										
Education charges for services.....	\$ 2,136,661	\$ 2,195,309	\$ 2,385,765	\$ 2,462,304	\$ 2,783,042	\$ 2,790,239	\$ 3,119,832	\$ 2,945,519	\$ 3,445,765	\$ 3,284,351
Public safety charges for services.....	2,665,474	2,514,000	2,829,868	3,287,869	3,013,488	2,994,109	3,028,707	3,139,731	3,083,319	2,894,844
Other charges for services.....	2,335,672	2,662,604	2,854,573	3,434,294	3,176,983	2,875,925	3,378,951	4,145,090	3,816,824	3,640,168
Education operating grants and contributions.....	11,293,770	13,448,572	14,537,555	15,788,954	18,252,263	20,819,345	21,666,819	23,240,231	24,030,559	24,201,659
Other operating grants and contributions.....	3,386,078	1,500,867	991,475	1,025,278	1,437,244	823,882	906,100	1,306,643	973,067	1,391,765
Education capital grant and contributions.....	18,778,000	-	-	-	-	940,950	5,047,729	16,833,405	13,255,854	-
Other capital grant and contributions.....	5,074,298	910,763	2,240,277	3,160,217	2,012,223	947,869	919,854	1,048,294	258,148	2,345,265
<b>Total government activities program revenues.....</b>	<b>45,669,953</b>	<b>23,232,115</b>	<b>25,839,513</b>	<b>29,158,916</b>	<b>30,675,243</b>	<b>32,192,319</b>	<b>38,067,992</b>	<b>52,658,913</b>	<b>48,863,536</b>	<b>37,758,052</b>
Business-type activities:										
Electric light charges for services.....	20,683,699	20,612,378	22,006,910	23,884,664	30,558,977	32,563,804	33,846,698	33,971,542	33,845,457	33,775,820
Sewer and water charges for services.....	8,424,932	8,614,427	9,072,079	9,354,153	11,904,930	11,185,632	11,318,414	13,087,800	13,179,396	13,359,293
Electric light capital grant and contributions.....	270,456	512,127	533,944	1,094,051	709,035	667,821	757,381	1,110,888	550,447	441,019
Other capital grant and contributions.....	43,625	123,091	57,879	158,889	241,187	72,287	263,475	188,010	117,567	-
<b>Total business-type activities program revenues.....</b>	<b>29,422,712</b>	<b>29,862,023</b>	<b>31,670,812</b>	<b>34,491,757</b>	<b>43,414,129</b>	<b>44,489,544</b>	<b>46,185,968</b>	<b>48,358,240</b>	<b>47,692,867</b>	<b>47,576,042</b>
<b>Total primary government program revenues.....</b>	<b>\$ 75,092,665</b>	<b>\$ 53,094,138</b>	<b>\$ 57,510,325</b>	<b>\$ 63,650,673</b>	<b>\$ 74,089,372</b>	<b>\$ 76,681,863</b>	<b>\$ 84,253,960</b>	<b>\$ 101,017,153</b>	<b>\$ 96,556,403</b>	<b>\$ 85,334,094</b>
<b>Net (Expense)/Revenue</b>										
Governmental activities.....	\$ (45,516,347)	\$ (77,618,519)	\$ (74,333,242)	\$ (79,621,514)	\$ (88,913,655)	\$ (92,006,511)	\$ (92,778,891)	\$ (83,712,271)	\$ (100,312,009)	\$ (113,438,526)
Business-type activities.....	5,528,561	5,682,298	4,357,499	8,666,917	2,086,233	(340,122)	2,423,384	6,191,199	6,613,753	4,333,705
<b>Total primary government net expense.....</b>	<b>\$ (39,987,786)</b>	<b>\$ (71,936,221)</b>	<b>\$ (69,975,743)</b>	<b>\$ (70,954,597)</b>	<b>\$ (86,827,422)</b>	<b>\$ (92,346,633)</b>	<b>\$ (90,355,507)</b>	<b>\$ (77,521,072)</b>	<b>\$ (93,698,256)</b>	<b>\$ (109,104,821)</b>
<b>General Revenues and other Changes in Net Position</b>										
Governmental activities:										
Real estate and personal property taxes, net of tax refunds payable.....	\$ 64,070,276	\$ 67,205,004	\$ 71,321,199	\$ 78,163,604	\$ 83,982,678	\$ 88,861,087	\$ 93,769,116	\$ 99,994,520	\$ 104,498,139	\$ 108,975,300
Community preservation tax.....	563,595	590,772	647,462	714,889	761,549	805,247	844,254	897,294	944,740	982,069
Motor vehicle and other excise taxes.....	4,404,140	3,992,408	4,024,721	4,208,500	4,447,163	4,061,173	4,081,451	4,722,416	4,751,494	5,008,641
Nonrestricted grants, contributions, and other.....	2,001,048	1,841,256	2,190,228	2,459,970	4,260,435	2,791,169	2,327,910	2,158,510	2,338,231	1,761,581
Unrestricted investment income.....	554,593	843,910	1,612,751	4,088,451	2,190,464	1,206,334	1,801,769	738,342	469,826	342,128
Transfers.....	1,000,000	1,391,000	1,125,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
<b>Total governmental activities.....</b>	<b>72,593,652</b>	<b>75,864,350</b>	<b>80,921,361</b>	<b>90,635,414</b>	<b>96,642,289</b>	<b>98,725,010</b>	<b>103,824,500</b>	<b>109,511,082</b>	<b>114,002,430</b>	<b>118,069,719</b>
Business-type activities:										
Unrestricted investment income.....	68,595	59,231	90,127	93,578	17,598	-	-	-	-	-
Transfers.....	(1,000,000)	(1,391,000)	(1,125,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
<b>Total business type activities.....</b>	<b>(931,405)</b>	<b>(1,331,769)</b>	<b>(1,034,873)</b>	<b>(906,422)</b>	<b>(982,402)</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>
<b>Total primary government.....</b>	<b>\$ 71,662,247</b>	<b>\$ 74,532,581</b>	<b>\$ 79,886,488</b>	<b>\$ 89,728,992</b>	<b>\$ 95,659,887</b>	<b>\$ 97,725,010</b>	<b>\$ 102,824,500</b>	<b>\$ 108,511,082</b>	<b>\$ 113,002,430</b>	<b>\$ 117,069,719</b>
<b>Changes in Net Position</b>										
Governmental activities.....	\$ 27,077,305	\$ (1,754,169)	\$ 6,588,119	\$ 11,013,900	\$ 7,728,634	\$ 6,718,499	\$ 11,045,609	\$ 25,324,991	\$ 13,690,421	\$ 4,631,193
Business-type activities.....	4,597,156	4,350,529	3,322,626	7,760,495	1,103,831	(1,340,122)	1,423,384	5,191,199	5,613,753	3,333,705
<b>Total primary government.....</b>	<b>\$ 31,674,461</b>	<b>\$ 2,596,360</b>	<b>\$ 9,910,745</b>	<b>\$ 18,774,395</b>	<b>\$ 8,832,465</b>	<b>\$ 5,378,377</b>	<b>\$ 12,468,993</b>	<b>\$ 30,516,190</b>	<b>\$ 19,304,174</b>	<b>\$ 7,964,898</b>

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

Fiscal Year

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General Fund</b>										
Reserved.....	\$ 2,718,614	\$ 2,845,563	\$ 2,014,113	\$ 2,233,791	\$ 2,298,533	\$ 4,201,344	\$ 5,003,837	\$ -	\$ -	\$ -
Unreserved.....	2,430,987	4,399,672	6,480,373	11,898,962	13,588,148	12,443,909	12,366,774	-	-	-
Committed.....	-	-	-	-	-	-	-	4,579,461	2,106,100	2,785,748
Assigned.....	-	-	-	-	-	-	-	1,204,575	993,682	3,633,780
Unassigned.....	-	-	-	-	-	-	-	15,961,930	18,632,699	15,342,967
<b>Total general fund.....</b>	<b>\$ 5,149,601</b>	<b>\$ 7,245,235</b>	<b>\$ 8,494,486</b>	<b>\$ 14,132,753</b>	<b>\$ 15,886,681</b>	<b>\$ 16,645,253</b>	<b>\$ 17,370,611</b>	<b>\$ 21,745,966</b>	<b>\$ 21,732,481</b>	<b>\$ 21,762,495</b>
<b>All Other Governmental Funds</b>										
Reserved.....	\$ 221,272	\$ 220,419	\$ 220,712	\$ 220,399	\$ 220,421	\$ 210,612	\$ 210,612	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds.....	7,385,439	7,838,882	9,533,391	13,136,539	13,888,098	14,656,232	16,874,079	-	-	-
Capital projects funds.....	(4,637,594)	11,510,107	8,544,779	(4,458,393)	6,433,306	16,535,624	30,983,269	-	-	-
Permanent funds.....	549,688	543,542	658,718	2,769,806	2,446,689	2,089,342	1,985,854	-	-	-
Nonspendable.....	-	-	-	-	-	-	-	210,612	210,612	210,612
Restricted.....	-	-	-	-	-	-	-	43,284,958	24,249,828	21,151,572
Unassigned.....	-	-	-	-	-	-	-	-	-	(41,158)
<b>Total all other governmental funds.....</b>	<b>\$ 3,518,805</b>	<b>\$ 20,112,950</b>	<b>\$ 18,957,600</b>	<b>\$ 11,668,351</b>	<b>\$ 22,988,514</b>	<b>\$ 33,491,810</b>	<b>\$ 50,053,814</b>	<b>\$ 43,495,570</b>	<b>\$ 24,460,440</b>	<b>\$ 21,321,026</b>

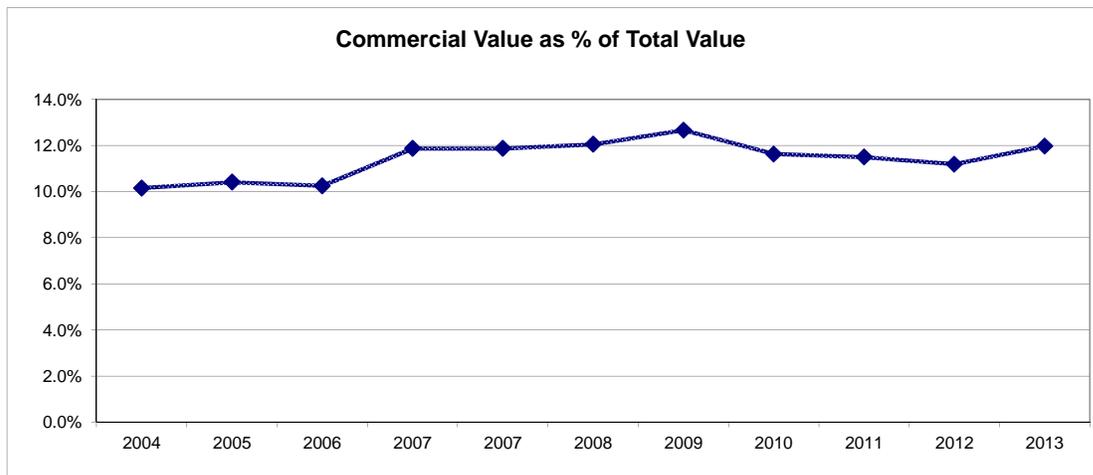
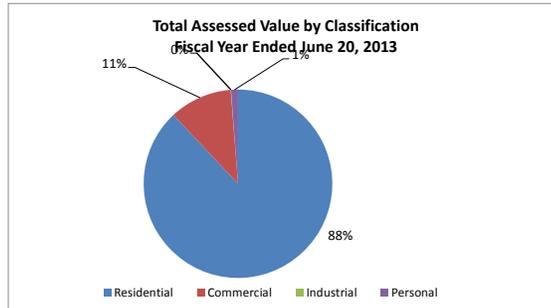
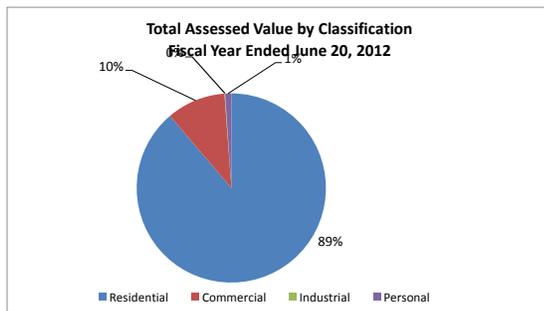
**Changes in Fund Balances, Governmental Funds  
Last Ten Fiscal Years**

Fiscal Year

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues:</b>										
Real estate and personal property taxes, net of tax refunds.....	\$ 62,151,256	\$ 66,459,298	\$ 71,217,505	\$ 78,742,825	\$ 82,815,734	\$ 88,561,385	\$ 93,608,197	\$ 99,818,198	\$ 104,226,073	\$ 108,739,508
Motor vehicle and other excise taxes.....	3,846,238	3,945,707	4,038,289	4,211,503	4,369,268	4,142,655	4,012,295	4,650,629	4,738,993	4,854,984
Community preservation tax.....	563,595	590,772	647,462	714,889	761,549	805,247	844,254	897,294	944,740	982,069
Charges for service.....	875,507	920,385	990,903	896,374	953,550	944,868	1,018,737	1,027,099	1,093,207	1,058,774
Intergovernmental.....	16,877,556	20,721,836	18,952,519	18,447,436	21,487,114	24,709,199	30,574,353	42,988,428	39,931,269	28,646,792
Departmental and other.....	10,953,699	8,483,502	11,931,673	18,075,693	14,032,126	10,736,481	12,320,816	11,664,631	11,542,943	10,967,308
<b>Total Revenue.....</b>	<b>95,267,851</b>	<b>101,121,500</b>	<b>107,778,351</b>	<b>121,088,720</b>	<b>124,419,341</b>	<b>129,899,835</b>	<b>142,378,652</b>	<b>161,046,279</b>	<b>162,477,225</b>	<b>155,249,435</b>
<b>Expenditures:</b>										
General government.....	3,233,489	4,113,096	3,851,097	3,770,805	4,231,528	6,407,900	5,978,378	5,408,845	6,877,414	10,298,877
Public safety.....	8,917,285	8,979,145	9,430,067	9,731,124	9,722,790	10,665,820	10,859,400	11,083,552	10,816,829	11,460,664
Education.....	45,058,667	47,036,196	50,135,066	53,779,909	57,440,650	57,988,449	60,957,940	61,973,391	67,902,646	66,984,931
Public works.....	7,071,277	6,832,213	6,319,997	6,387,626	7,294,031	10,791,540	8,138,529	8,564,830	7,763,448	7,088,348
Health and human services.....	855,613	861,634	828,810	970,230	1,005,000	1,018,414	1,132,236	1,267,769	1,268,209	1,273,950
Recreation.....	1,417,905	1,170,948	1,228,227	1,533,224	1,933,308	1,531,872	1,558,161	1,732,633	1,671,069	1,558,082
Library.....	2,526,667	2,257,163	2,509,317	2,549,641	2,662,930	2,775,680	2,796,692	2,672,071	2,677,590	2,533,327
Teachers pension benefits - state funded.....	6,174,123	6,912,222	7,571,709	7,928,963	8,848,569	9,484,705	10,018,000	10,681,200	11,056,041	11,576,070
Town pension.....	-	-	-	-	-	-	900,540	1,714,065	2,647,015	3,226,373
Employee benefits and insurances.....	8,348,890	8,913,374	10,466,484	12,556,366	17,078,179	17,819,054	17,139,946	17,203,335	18,376,472	19,223,856
Capital outlay.....	6,930,073	6,129,829	18,907,402	13,805,180	9,770,283	11,864,260	29,738,436	49,457,590	35,072,030	12,426,663
Community preservation.....	-	-	394,938	149,825	61,876	166,752	129,981	669,739	789,270	105,345
State and county charges.....	1,041,780	989,645	932,492	993,897	1,009,686	1,018,870	1,051,076	1,054,462	1,087,753	1,140,498
Other.....	1,044,073	1,504,964	1,311,020	1,091,428	391,994	371,662	580,125	523,460	541,165	598,789
Debt service.....										
Principal.....	3,110,000	3,750,000	4,520,000	5,781,000	5,570,000	6,760,000	8,026,000	9,395,000	9,740,000	11,390,000
Interest.....	1,279,274	1,679,941	1,938,444	2,729,042	2,498,646	2,619,287	2,812,934	3,784,370	4,262,024	3,970,894
<b>Total Expenditures.....</b>	<b>97,009,116</b>	<b>101,130,370</b>	<b>120,345,070</b>	<b>123,758,260</b>	<b>129,519,470</b>	<b>141,284,265</b>	<b>161,818,374</b>	<b>187,186,312</b>	<b>182,548,975</b>	<b>164,856,667</b>
Excess (Deficiency) of revenues over (under) expenditures.....	(1,741,265)	(8,870)	(12,566,719)	(2,669,540)	(5,100,129)	(11,384,430)	(19,439,722)	(26,140,033)	(20,071,750)	(9,607,232)
<b>Other Financing Sources (Uses)</b>										
Issuance of bonds and notes.....	15,660,000	17,290,000	11,466,000	-	16,560,000	19,031,000	35,000,000	22,610,000	-	10,505,000
Premium from issuance of bonds.....	513,602	199,649	69,620	18,558	226,758	521,321	727,174	347,144	23,135	1,344,535
Payments to refunded bond escrow agent.....	-	-	-	-	-	-	-	-	-	(6,351,703)
Transfers in.....	2,641,000	1,663,932	2,272,628	1,176,825	5,486,031	2,432,932	1,625,968	1,596,641	5,135,568	2,512,416
Transfers out.....	(1,641,000)	(663,932)	(1,147,628)	(176,825)	(4,098,569)	(1,432,932)	(625,962)	(596,641)	(4,135,568)	(1,512,416)
<b>Total other financing sources (uses).....</b>	<b>17,173,602</b>	<b>18,489,649</b>	<b>12,660,620</b>	<b>1,018,558</b>	<b>18,174,220</b>	<b>20,552,321</b>	<b>36,727,180</b>	<b>23,957,144</b>	<b>1,023,135</b>	<b>6,497,832</b>
<b>Net change in fund balance.....</b>	<b>\$ 15,432,337</b>	<b>\$ 18,480,779</b>	<b>\$ 93,901</b>	<b>\$ (1,650,982)</b>	<b>\$ 13,074,091</b>	<b>\$ 9,167,891</b>	<b>\$ 17,287,458</b>	<b>\$ (2,182,889)</b>	<b>\$ (19,048,615)</b>	<b>\$ (3,109,400)</b>
Debt service as a percentage of noncapital expenditures.....	4.87%	5.72%	6.37%	7.74%	6.74%	7.25%	8.21%	9.57%	9.49%	10.08%

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

Fiscal Year	Assessed and Actual Values and Tax Rates									
	Residential Value	Residential Tax Rate	Residential % of Total Value	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Commercial % of Total Value	Total Town Value
2004	\$6,687,379,000	8.56	89.84%	\$688,831,000	\$5,428,000	\$62,123,900	\$756,382,900	8.56	10.16%	\$7,443,761,900
2005	\$7,073,527,000	8.40	89.58%	\$753,855,000	\$5,896,000	\$62,710,000	\$822,461,000	8.40	10.42%	\$7,895,988,000
2006	\$7,743,110,000	8.32	89.75%	\$815,399,000	\$6,504,000	\$62,828,500	\$884,731,500	8.32	10.25%	\$8,627,841,500
2007	\$7,946,702,000	8.87	88.12%	\$995,225,000	\$7,047,000	\$68,796,000	\$1,071,068,000	8.87	11.88%	\$9,017,770,000
2008	\$8,069,347,000	9.18	87.94%	\$1,026,983,000	\$7,433,000	\$71,884,000	\$1,106,300,000	9.18	12.06%	\$9,175,647,000
2009	\$8,226,771,000	9.47	87.32%	\$1,096,037,000	\$7,488,000	\$90,616,000	\$1,194,141,000	9.47	12.68%	\$9,420,912,000
2010	\$7,936,624,000	10.48	88.36%	\$947,998,000	\$6,622,000	\$90,687,000	\$1,045,307,000	10.48	11.64%	\$8,981,931,000
2011	\$7,753,180,000	11.43	88.49%	\$904,740,000	\$6,622,000	\$97,082,100	\$1,008,444,100	11.43	11.51%	\$8,761,624,100
2012	\$8,125,029,000	11.48	88.80%	\$921,119,000	\$7,110,000	\$96,383,800	\$1,024,612,800	11.48	11.20%	\$9,149,641,800
2013	\$8,234,182,000	11.70	88.01%	\$1,005,915,000	\$7,438,000	\$108,072,185	\$1,121,425,185	11.70	11.99%	\$9,355,607,185



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

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

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

Name	Nature of Business	2013			2004		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Beacon Properties	Office Buildings	\$ 140,197,000	1	1.53%	\$ 111,283,000	1	2.02%
Haynes Management	Office Buildings	132,820,000	2	1.45%	106,422,000	2	1.94%
Federal Realty FR Linden Square*	Retail/Real Estate	94,976,000	3	1.04%	42,205,000	6	0.59%
Sun Life Assurance	Insurance and Financial Services	82,133,000	4	0.90%	67,602,000	3	1.23%
Wellesley College	Higher Education	74,686,000	5	0.82%	57,337,000	4	1.04%
National Development	Office Buildings	59,725,000	6	0.65%	N/A	N/A	N/A
Harvard Pilgrim Health	Insurance Provider	58,223,000	7	0.64%	49,938,000	5	0.69%
Hunnewell Family	Residential	28,958,000	8	0.32%	32,036,000	7	0.58%
Newton Wellesley Executive Office Park	Office Buildings	27,517,000	9	0.30%	20,381,000	9	0.37%
Grignaffini Construction Company	Real Estate Development	20,918,000	10	0.23%	16,580,000	10	0.30%
GPT Realty Trust	Residential	N/A	N/A	N/A	21,028,000	8	0.24%
<b>Totals</b>		<u>\$ 720,153,000</u>		<u>7.87%</u>	<u>\$ 524,812,000</u>		<u>9.01%</u>

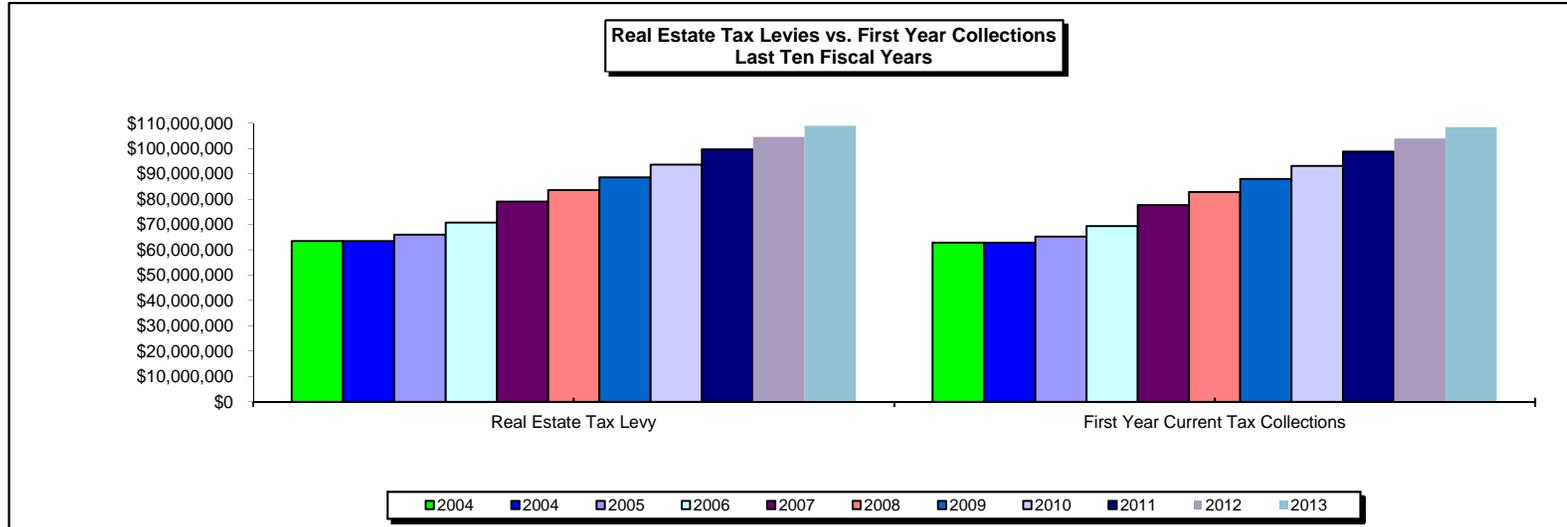
Source: Board of Assessors

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

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

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

Fiscal Year	Total Tax Levy (1)	Less Abatements & Exemptions	Net Tax Levy (1)	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Net Tax Levy (2)
2004	\$63,718,602	\$316,357	\$63,402,245	\$62,843,022	99.1%	\$482,833	\$63,325,855	99.88%
2005	\$66,326,299	\$300,410	\$66,025,889	\$65,215,885	98.8%	\$164,911	\$65,380,796	99.02%
2006	\$71,260,908	\$471,259	\$70,789,649	\$69,322,837	97.9%	\$601,879	\$69,924,716	98.78%
2007	\$79,316,412	\$255,505	\$79,060,907	\$77,624,632	98.2%	\$487,568	\$78,112,200	98.80%
2008	\$84,232,439	\$627,125	\$83,605,314	\$82,836,669	99.1%	\$260,531	\$83,097,200	99.39%
2009	\$89,216,037	\$599,219	\$88,616,818	\$88,005,826	99.3%	\$385,198	\$88,391,024	99.75%
2010	\$94,130,637	\$542,260	\$93,588,377	\$93,074,651	99.5%	\$527,203	\$93,601,854	100.01%
2011	\$100,145,363	\$473,167	\$99,672,196	\$98,786,724	99.1%	\$548,280	\$99,335,004	99.66%
2012	\$105,037,888	\$482,547	\$104,555,341	\$103,876,244	99.4%	\$574,623	\$104,450,867	99.90%
2013	\$109,460,604	\$511,863	\$108,948,741	\$108,403,084	99.5%	\$510,101	\$108,913,185	99.97%



Source: Assessor's Department, Town of Wellesley

(1) Includes tax liens.

(2) If the actual abatements and exemptions are lower than the reserve, the actual collections can exceed the levy.

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

Fiscal Year	U. S. Census Population (1)	Personal Income	Assessed Value	Governmental Activities Debt			
				General Obligation Bonds	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2004	26,578	\$1,551,313,627	\$7,443,761,900	\$36,860,000	\$1,387	2.38%	0.50%
2005	26,515	\$1,578,589,151	\$7,895,988,000	\$50,400,000	\$1,901	3.19%	0.64%
2006	26,978	\$1,638,277,264	\$8,627,841,500	\$57,346,000	\$2,126	3.50%	0.66%
2007	26,978	\$1,671,044,298	\$9,017,770,000	\$51,565,000	\$1,911	3.09%	0.57%
2008	26,985	\$1,704,912,300	\$9,175,647,000	\$62,555,000	\$2,318	3.67%	0.68%
2009	27,244	\$1,755,694,873	\$9,420,912,000	\$74,826,000	\$2,747	4.26%	0.79%
2010	27,412	\$1,801,851,784	\$8,981,931,000	\$101,800,000	\$3,714	5.65%	1.13%
2011	27,982	\$1,876,105,536	\$8,761,624,100	\$115,015,000	\$4,110	6.13%	1.31%
2012	27,982	\$1,913,627,647	\$9,149,641,800	\$106,588,272	\$3,809	5.57%	1.16%
2013	27,982	\$1,951,900,200	\$9,355,607,185	99,957,468	\$3,572	5.12%	1.07%

Fiscal Year	Business-Type Activities (2)		Total Primary Government		
	General Obligation Bonds	Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2004	\$3,985,000	\$40,845,000	\$1,537	2.63%	0.55%
2005	\$3,694,954	\$54,094,954	\$2,040	3.43%	0.69%
2006	\$3,849,935	\$61,195,935	\$2,268	3.74%	0.71%
2007	\$3,741,792	\$55,306,792	\$2,050	3.31%	0.61%
2008	\$3,498,856	\$66,053,856	\$2,448	3.87%	0.72%
2009	\$9,319,036	\$84,145,036	\$3,089	4.79%	0.89%
2010	\$8,805,739	\$110,605,739	\$4,035	6.14%	1.23%
2011	\$8,064,518	\$123,079,518	\$4,399	6.56%	1.40%
2012	\$7,264,429	\$112,261,734	\$4,012	5.87%	1.23%
2013	\$7,759,000	\$104,020,112	\$3,717	5.33%	1.11%

(1) Massachusetts Department of Revenue Municipal Databank

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

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

**Direct and Overlapping Governmental Activities Debt**

**As of June 30, 2013**

<u>Town of Wellesley, Massachusetts</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Norfolk County.....	\$ 12,860,000	8.24%	\$ 1,059,664
Town direct debt.....			<u>99,957,468</u>
Total direct and overlapping debt.....			<u>\$ 101,017,132</u>

Source: Norfolk County Treasurer's Office

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the taxpayers of the Town. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) County expenses, including debt service, are assessed upon the Towns within the County in proportion to their taxable valuation.

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Equalized Valuation.....	\$ 8,211,971,900	\$ 8,211,971,900	\$ 9,523,566,700	\$ 9,523,566,700	\$ 10,029,555,000	\$ 10,029,555,000	\$ 10,032,866,400	\$ 10,032,866,400	\$ 9,773,806,800	\$ 9,773,806,800
Debt Limit -5% of Equalized Valuation.....	\$ 410,598,595	\$ 410,598,595	\$ 476,178,335	\$ 476,178,335	\$ 501,477,750	\$ 501,477,750	\$ 501,643,320	\$ 501,643,320	\$ 488,690,340	\$ 488,690,340
Less:										
Outstanding debt applicable to limit.....	36,168,000	52,370,890	57,346,000	51,565,000	62,555,000	74,826,000	101,800,000	115,015,000	105,275,000	97,670,000
Authorized and unissued debt.....	11,375,000	20,457,974	11,722,323	35,453,000	27,091,842	95,374,071	45,046,853	25,450,146	27,406,452	22,360,581
Legal debt margin.....	<u>\$ 363,055,595</u>	<u>\$ 337,769,731</u>	<u>\$ 407,110,012</u>	<u>\$ 389,160,335</u>	<u>\$ 411,830,908</u>	<u>\$ 331,277,679</u>	<u>\$ 354,796,467</u>	<u>\$ 361,178,174</u>	<u>\$ 356,008,888</u>	<u>\$ 368,659,759</u>
Total debt applicable to the limit as a percentage of debt limit.....	11.58%	17.74%	14.50%	18.27%	17.88%	33.94%	29.27%	28.00%	27.15%	24.56%

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

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

<b>Fiscal Year</b>	<b>Population Estimates</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2004	26,578	\$1,551,313,627	\$58,368	37.6	4,171	3.40%
2005	26,515	\$1,578,589,151	\$59,536	37.6	4,385	3.00%
2006	26,978	\$1,638,277,264	\$60,726	37.6	4,547	2.80%
2007	26,978	\$1,671,042,810	\$61,941	37.6	4,610	2.80%
2008	26,985	\$1,704,905,924	\$63,180	37.6	4,678	4.30%
2009	27,244	\$1,755,694,873	\$64,443	37.6	4,799	7.00%
2010	27,412	\$1,801,851,784	\$65,732	37.0	4,868	5.60%
2011	27,982	\$1,876,105,536	\$67,047	37.0	4,892	4.00%
2012	27,982	\$1,913,627,647	\$68,388	37.0	4,986	4.00%
2013	27,982	\$1,951,900,200	\$69,756	37.0	4,954	5.80%

Source: U. S. Census, Division of Local Services.

Population estimates are based on most recent census data from 2010. More current information is not available but it is not expected to be significantly different.

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

Employer	Nature of Business	2013			2004		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Sun Life Assurance	Insurance Company	1661	1	11.87%	1900	1	13.58%
Wellesley College	Higher Education	1200	2	8.58%	1500	2	10.72%
Harvard Pilgrim Health Care	Insurance Company	1000	3	7.15%	490	5	3.50%
Babson College	Higher Education	750	4	5.36%	750	3	5.36%
Mass Bay Community College	Higher Education	350	5	2.50%	250	7	1.79%
Roche Brothers	Grocery	330	6	2.36%	254	6	1.82%
Dana Hall School	Private School	250	7	1.79%	236	8	1.69%
Wellesley Country Club	Private Recreation Club	220	8	1.57%	N/A	N/A	N/A
Comcast Spotlight	Advertising	200	9	1.43%	N/A	N/A	N/A
Towers Watson	Actuary	200	9	1.43%	200	9	1.43%
Accenture	Management Consulting	N/A	N/A	N/A	700	4	5.00%
Amica Mutual Life	Insurance Company	N/A	N/A	N/A	165	10	1.18%

According to the Massachusetts Workforce Development Data, in June 2013 Wellesley had a total labor force of 13,991 of whom 13,179 were employed and 812 were unemployed.

Sources: Massachusetts Workplace Development Agency & Employer Human Resources department  
N/A = Value not included because not in the Top 10 Principal Employers

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

<b>Function/Program</b>	<b>Fiscal Year</b>									
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
General Government										
New home building permits.....	50	83	59	51	58	50	53	33	61	71
Police										
Physical arrests.....	430	375	403	282	173	185	256	234	190	190
Motor vehicle violations.....	10,046	8,183	8,136	6,804	7,373	8,359	8,106	7,541	7,524	6,984
Police personnel and officers.....	57	57	58	53	54	56	57	57	56	56
Fire										
Inspections.....	2,529	2,565	2,628	2,856	2,118	1,871	2,013	1,864	2,076	2,160
Emergency responses.....	4,380	4,019	4,208	4,208	4,041	3,943	4,022	3,894	3,924	3,881
Fire personnel and officers.....	55	55	54	57	57	57	57	58	55	55
Education										
Number of public school students....	4,171	4,385	4,547	4,610	4,678	4,799	4,868	4,892	4,986	4,954
Health and human services										
Number of vaccinations.....	1,550	1,640	1,790	1,596	1,489	2,039	5,585	1,716	1,162	942
Library										
Volumes in circulation.....	525,246	557,402	560,258	575,651	605,900	644,277	667,173	672,094	730,474	741,704
Recreation										
Total program revenue.....	\$654,170	\$843,347	\$779,317	\$1,506,886	\$1,260,132	\$989,018	\$909,217	\$963,609	\$1,002,059	\$914,214
Traffic and parking management										
Total parking revenue.....	\$291,106	\$344,554	\$440,348	\$607,826	\$587,919	\$522,861	\$634,513	\$647,623	\$784,911	\$882,648
Sewer										
Number of accounts.....	8,003	8,053	8,133	8,160	8,156	8,156	8,190	8,125	8,126	8,122
Feet rodded/flushed.....	234,670	295,470	307,069	297,711	353,698	256,083	297,780	305,337	398,951	275,776
Water										
Number of accounts.....	11,204	11,368	11,663	11,711	11,804	11,894	12,016	12,006	12,041	12,100
Consumption in gallons (millions)....	815	811	924	884	968	841	780	871	847	864
Daily consumption (millions).....	2.23	2.22	2.53	2.42	2.65	2.31	2.14	2.39	2.21	2.11
Electric										
Total kilowatt hour sales.....	241,672,671	235,275,937	245,544,223	243,375,963	245,565,820	239,369,643	237,220,172	241,443,224	238,399,850	248,169,479
Municipal kilowatt hour usage.....	9,964,718	10,522,834	10,772,991	11,141,705	11,145,742	10,646,521	10,990,228	10,898,822	10,880,167	11,214,680
Streetlight kilowatt hour usage.....	2,510,806	2,478,078	2,513,676	2,487,320	2,457,164	2,436,957	2,361,425	2,256,278	1,875,180	1,879,056

Source: Various Town Departments

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

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
** General government.....	47	47	46	47	47	53	53	92	93	111
Public safety.....	109	110	112	120	123	121	122	122	118	116
* Public education.....	629	659	665	681	700	726	759	740	741	725
Public works.....	91	91	90	90	93	88	88	87	88	88
Health and human services.....	4	4	4	5	5	5	5	6	6	5
Library.....	31	27	27	39	32	34	34	34	34	33
Recreation.....	6	6	7	6	7	5	5	5	5	5
Water/Sewer.....	26	28	28	28	28	28	28	28	28	28
Electric light.....	34	33	37	37	35	36	35	34	32	32
<b>Total .....</b>	<b>977</b>	<b>1,005</b>	<b>1,016</b>	<b>1,053</b>	<b>1,070</b>	<b>1,096</b>	<b>1,129</b>	<b>1,148</b>	<b>1,145</b>	<b>1,143</b>

Source: Various Town Departments

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

\*\*Custodians moved to Facilities Maintenance Department from School in 2011

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

<u>Function/Program</u>	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
Number of buildings.....	3	3	3	3	3	4	4	4	4	4
Police										
Number of stations.....	1	1	1	1	1	1	1	1	1	1
Fire										
Number of stations.....	2	2	2	2	2	2	2	2	2	2
Education										
Number of elementary schools.....	7	7	7	7	7	7	7	7	7	7
Number of preschools.....	1	1	1	1	1	1	1	1	1	1
Number of middle schools.....	1	1	1	1	1	1	1	1	1	1
Number of high schools.....	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets to maintain (miles).....	110	110	110	110	110	110	110	110	110	110
Sidewalks to maintain (miles).....	118	118	118	118	118	118	118	118	118	118
Library										
Buildings.....	3	3	3	3	3	3	3	3	3	3
Recreation										
Park and playground (acreage).....	268	365	365	365	365	365	365	365	365	365
Feet of public beach front.....	660	660	660	660	660	660	660	660	660	660
Public beaches.....	1	1	1	1	1	1	1	1	1	1
Tennis courts.....	16	16	16	16	16	16	16	16	16	16

Source: Various Town Departments

## Free Cash and Stabilization Fund Balances

### Last Nine Fiscal Years

<u>Fiscal Year</u>	<u>Free Cash</u>	<u>Stabilization Fund</u>
FY2013.....	\$ 10,950,782	\$ 3,094,076
FY2012.....	\$ 10,499,623	\$ 3,071,289
FY2011.....	\$ 8,439,070	\$ 3,045,628
FY2010.....	\$ 9,471,751	\$ 3,022,256
FY2009.....	\$ 9,145,674	\$ 2,786,552
FY2008.....	\$ 10,692,354	\$ 2,150,628
FY2007.....	\$ 6,786,366	\$ 1,980,183
FY2006.....	\$ 4,028,225	\$ 1,992,348
FY2005.....	\$ 2,771,548	\$ 1,060,005

Source: Town Records

Information prior to fiscal year 2005 is not available.