

***Town of Wellesley,  
Massachusetts***

*Basic Financial Statements for the Year Ended June 30,  
2003, Required Supplementary Information and  
Supplementary Schedules as of and for the Year Ended  
June 30, 2003 and Independent Auditors' Report*

# TOWN OF WELLESLEY, MASSACHUSETTS

## TABLE OF CONTENTS

---

	<b>Page</b>
INDEPENDENT AUDITORS' REPORT	1-2
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets as of June 30, 2003	3-4
Statement of Activities for the Year Ended June 30, 2003	5-6
Fund Financial Statements:	
Balance Sheet—Governmental Funds as of June 30, 2003	7
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Assets as of June 30, 2003	8
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds for the Year Ended June 30, 2003	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities for the Year Ended June 30, 2003	10
Statement of Net Assets—Proprietary Funds as of June 30, 2003	11-12
Statement of Revenues, Expenses, and Changes in Net Assets—Proprietary Funds for the Year Ended June 30, 2003	13
Statement of Cash Flows—Proprietary Fund for the Year Ended June 30, 2003	14-15
Statement of Fiduciary Net Assets as of June 30, 2003 (December 31, 2002 for the Contributory Retirement System)	16
Statement of Changes in Fiduciary Net Assets for the Year Ended June 30, 2003 (December 31, 2002 for the Contributory Retirement System)	17
Notes to Basic Financial Statements	18-40
REQUIRED SUPPLEMENTARY BUDGET INFORMATION:	
Schedule of Revenues and Expenditures, Budget and Actual (Budgetary Basis), General Fund (Unaudited) for the Year Ended June 30, 2003	41
Schedule of Funding Progress of the Town of Wellesley Contributory Retirement System (Unaudited) for the Year Ended June 30, 2003	42
Notes to Required Supplementary Information (Unaudited)	43-44
SUPPLEMENTAL SCHEDULES:	
Reconciliation of Treasurer's Cash and Cash Equivalents and Investments (Unaudited) for the Year Ended June 30, 2003	45
Taxes (Unaudited) for the Year Ended June 30, 2003	46
Bond Indebtedness, by Issue (Unaudited) as of June 30, 2003	47
Bond Maturities and Bond Interest (Unaudited) as of June 30, 2003	48
Computation of Legal Debt Margin (Unaudited) as of June 30, 2003	49

**INDEPENDENT AUDITORS' REPORT To the Audit Committee  
Town of Wellesley, Massachusetts:**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wellesley, Massachusetts (the "Town") as of and for the year ended June 30, 2003 (December 31, 2002 for the Contributory Retirement System), which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town of Wellesley's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wellesley, Massachusetts, as of June 30, 2003 (December 31, 2002 for the Contributory Retirement System), and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Town has not presented a Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

As discussed in Note 1, during fiscal year ended June 30, 2003 (December 31, 2002 for the Contributory Retirement System), the Town adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 34, “Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments,” GASB Statement No. 37, “Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus,” GASB Statement No. 38, “Certain Financial Statement Note Disclosures,” and GASB Statement No. 41, “Budgetary Comparison Schedules—Perspective Differences.” The implementation of these standards changed the basic financial statement reporting model to include government-wide, full accrual statements and created a modified reporting of the fund-perspective financial statements. Implementing these standards also required reporting of infrastructure assets, changed the method of reporting cash flows from the indirect method to the direct method, and included the requirement for reporting a Management’s Discussion and Analysis as required supplementary information. These standards allow for the deferral of historical reporting of infrastructure assets until fiscal year 2007. Management has elected to defer the implementation of the historical infrastructure reporting requirements of these standards. Beginning net asset and fund balances have been restated to account for the implementation of these accounting standards.

The Schedule of Revenues and Expenditures, Budget and Actual (Budgetary Basis), General Fund for the year ended June 30, 2003, and the notes thereto on pages 42 and 43, and the Schedule of Funding Progress of the Town of Wellesley Contributory Retirement System, and the notes thereto on pages 45 and 46, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This information is the responsibility of the Town’s management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Town taken as a whole. The accompanying supplemental schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. These supplemental schedules are also the responsibility of the Town’s management. Such supplemental schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

*Deloitte & Touche LLP*

March 20, 2004  
(December 20, 2003 as to the Contributory Retirement System)

# TOWN OF WELLESLEY, MASSACHUSETTS

## STATEMENT OF NET ASSETS JUNE 30, 2003

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS:</b>			
<b>Current:</b>			
Cash and cash equivalents	\$ 16,083,602	\$ 10,184,269	\$ 26,267,871
Investments	11,564,697	3,529,299	15,093,996
Receivables—net of allowance for uncollectibles:			
Real estate and personal property taxes receivable	31,293,897		31,293,897
Motor vehicle excise tax receivable	434,571		434,571
School building assistance receivable—current	924,758		924,758
Customer accounts receivable		2,394,671	2,394,671
Other receivables	152,485		152,485
Due from other governments	876,081		876,081
Inventory		661,552	661,552
Other assets		272,323	272,323
	<hr/>	<hr/>	<hr/>
Total current assets	61,330,091	17,042,114	78,372,205
<b>Noncurrent:</b>			
<b>Restricted:</b>			
Cash and cash equivalents		1,479,630	1,479,630
Investments	483,930		483,930
<b>Unrestricted:</b>			
School building assistance receivable—long term	1,991,335		1,991,335
Capital assets (net—where applicable, of accumulated depreciation)	73,035,537	53,081,255	126,116,792
	<hr/>	<hr/>	<hr/>
Total noncurrent assets	75,510,802	54,560,885	130,071,687
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	136,840,893	71,602,999	208,443,892

(Continued)

# TOWN OF WELLESLEY, MASSACHUSETTS

## STATEMENT OF NET ASSETS

JUNE 30, 2003

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>LIABILITIES:</b>			
Current:			
Accounts payable and accrued expenses	7,701,070	2,244,528	9,945,598
Other liabilities		625,129	625,129
Long term debt—current	3,110,000	430,000	3,540,000
Compensated absences—current	127,795	18,413	146,208
Bond anticipation notes payable	27,500,000		27,500,000
Deferred, revenue	27,907,044		27,907,044
Workers' compensation liability—current	228,000		228,000
<b>Total current liabilities</b>	<b>66,573,909</b>	<b>3,318,070</b>	<b>69,891,979</b>
Noncurrent:			
Long-term debt—long term	21,200,000	3,870,000	25,070,000
Compensated absences—long term	596,744	22,714	619,458
Deferred revenue—long term	1,991,335		1,991,335
Workers' compensation liability—long term	535,000		535,000
<b>Total noncurrent liabilities</b>	<b>24,323,079</b>	<b>3,892,714</b>	<b>28,215,793</b>
<b>TOTAL LIABILITIES</b>	<b>90,896,988</b>	<b>7,210,784</b>	<b>98,107,772</b>
<b>NET ASSETS:</b>			
Invested in capital assets—net of related debt	48,725,537	48,781,255	97,506,792
Restricted for:			
Net assets—restricted for depreciation		1,479,630	1,479,630
Perpetual funds:			
Net assets—restricted for perpetual funds (nonexpendable)	483,930		483,930
Net assets—restricted for perpetual funds (expendable)	3,032,181		3,032,181
Net assets—unrestricted	(6,297,743)	14,131,330	7,833,587
<b>TOTAL NET ASSETS</b>	<b>\$ 45,943,905</b>	<b>\$ 64,392,215</b>	<b>\$ 110,336,120</b>

(Concluded)

See notes to basic financial statements.

**TOWN OF WELLESLEY, MASSACHUSETTS**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2003**

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>FUNCTIONS/PROGRAMS:</b>							
Primary Government:							
Governmental activities:							
General government	\$ (3,807,975)	\$ 413,200	\$ -	\$ -	\$ (3,394,775)	\$ -	\$ (3,394,775)
Public safety	(8,976,386)	2,118,225	264,343		(6,593,818)		(6,593,818)
Health and sanitation	(530,201)	57,527			(472,674)		(472,674)
Public works	(6,983,459)	457,506	660,452		(5,865,501)		(5,865,501)
Public education	(47,244,917)	1,939,722	5,594,596	924,758	(38,785,841)		(38,785,841)
Traffic and parking management	(561,341)	510,819			(50,522)		(50,522)
Recreation	(782,467)	472,926			(309,541)		(309,541)
Veteran's services	(80,442)				(80,442)		(80,442)
Libraries	(2,499,339)	110,324	343,639	1,670,009	(375,367)		(375,367)
State and county assessments	(1,000,627)				(1,000,627)		(1,000,627)
Other	(1,030,665)				(1,030,665)		(1,030,665)
Unclassified:							
Pension	(5,865,883)		5,124,471		(741,412)		(741,412)
Insurance	(7,655,776)				(7,655,776)		(7,655,776)
Debt service:							
Interest	(1,520,180)				(1,520,180)		(1,520,180)
Depreciation (unallocated)	(2,000,727)				(2,000,727)		(2,000,727)
Total governmental activities	<u>(90,540,385)</u>	<u>6,080,249</u>	<u>11,987,501</u>	<u>2,594,767</u>	<u>(69,877,868)</u>		<u>(69,877,868)</u>
Business type activities:							
Electric light	(16,813,918)	20,417,267		226,218		3,829,567	3,829,567
Water	(3,226,687)	3,456,549		30,014		259,876	259,876
Sewer	(4,912,376)	4,816,988		4,143		(91,245)	(91,245)
Total business-type activities	<u>(24,952,981)</u>	<u>28,690,804</u>		<u>260,375</u>		<u>3,998,198</u>	<u>3,998,198</u>
Total primary government	<u>\$ (115,493,366)</u>	<u>\$ 34,771,053</u>	<u>\$ 11,987,501</u>	<u>\$ 2,855,142</u>	<u>(69,877,868)</u>	<u>3,998,198</u>	<u>(65,879,670)</u>

(Continued)

**TOWN OF WELLESLEY, MASSACHUSETTS**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2003**

	Net (Expenses) Revenues and Changes in Net Assets		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS:			
General revenues:			
Taxes:			
Real estate and personal property taxes	61,585,388		61,585,388
Motor vehicle excise taxes	4,283,663		4,283,663
Grants and contributions not restricted to specific programs	4,301,414		4,301,414
Unrestricted investment earnings	606,170		606,170
Transfers—Electric Fund payment in lieu of taxes	1,000,000	(1,000,000)	-
Total general revenues and transfers	<u>71,776,635</u>	<u>(1,000,000)</u>	<u>70,776,635</u>
 CHANGE IN NET ASSETS	 1,898,767	 2,998,198	 4,896,965
 NET ASSETS—Beginning	 <u>44,045,138</u>	 <u>61,394,017</u>	 <u>105,439,155</u>
 NET ASSETS—Ending	 <u>\$ 45,943,905</u>	 <u>\$ 64,392,215</u>	 <u>\$ 110,336,120</u>
			(Concluded)

See notes to the basic financial statements.



# TOWN OF WELLESLEY, MASSACHUSETTS

## BALANCE SHEET—GOVERNMENTAL FUNDS JUNE 30, 2003

	Major Funds		Non-Major Governmental Fund	Total Governmental Funds
	General Fund	Capital Projects Fund		
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 4,226,768	\$ 8,687,843	\$ 2,769,648	\$ 15,684,259
Investments	2,882,976	3,365,864	4,309,359	10,558,199
Real estate and personal property taxes receivable	31,846,207			31,846,207
School building assistance receivable—current	924,758			924,758
School building assistance receivable—long term	1,991,335			1,991,335
Other receivables	196,837		103,175	300,012
Due from other governments		670,009	206,072	876,081
<b>Total assets</b>	<b>\$ 42,068,881</b>	<b>\$ 12,723,716</b>	<b>\$ 7,388,254</b>	<b>\$ 62,180,851</b>
<b>LIABILITIES:</b>				
Accounts payable and accrued expenses	\$ 3,333,986	\$ 4,089,833	\$ 220,492	\$ 7,644,311
Deferred revenue—long term	34,709,428		97,360	34,806,788
Bond anticipation notes payable		27,500,000		27,500,000
<b>Total liabilities</b>	<b>38,043,414</b>	<b>31,589,833</b>	<b>317,852</b>	<b>69,951,099</b>
<b>FUND BALANCES:</b>				
Reserved for:				
Encumbrances and continuing appropriations	3,272,806		790,099	4,062,905
Perpetual Permanent Funds			483,930	483,930
Unreserved—reported in:				
General Fund	752,661			752,661
Capital Projects Fund		(18,866,117)		(18,866,117)
Special Revenue Fund			2,764,192	2,764,192
Permanent Fund			3,032,181	3,032,181
<b>Total fund balances</b>	<b>4,025,467</b>	<b>(18,866,117)</b>	<b>7,070,402</b>	<b>(7,770,248)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 42,068,881</b>	<b>\$ 12,723,716</b>	<b>\$ 7,388,254</b>	<b>\$ 62,180,851</b>

See notes to the basic financial statements.

## TOWN OF WELLESELY, MASSACHUSETTS

### RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS JUNE 30, 2003

---

Total fund deficit—governmental funds (page 7)	\$ (7,770,248)
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	73,035,537
Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	3,718,385
An internal service fund is used by the Town's management. The assets and liabilities of the internal service funds are included with governmental activities. At the fund level the assets and liabilities of the internal service fund are reported with proprietary funds.	1,070,012
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(25,034,539)
School Building Assistance grant revenue not recognized as income in the current year because revenues are not available soon enough after year end to pay for the current period's expenditures.	<u>924,758</u>
Total net assets—governmental activities (page 4)	<u>\$ 45,943,905</u>

See notes to the basic financial statements.

TOWN OF WELLESLEY MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2003

	Major Funds		Non-Major	Total
	General Fund	Capital Projects Fund	Governmental Funds	Governmental Funds
<b>REVENUES:</b>				
Real estate and personal property taxes	\$ 58,104,152	\$ -	\$ -	\$ 58,104,152
Motor vehicle excise taxes	3,827,688			3,827,688
Intergovernmental revenue	12,352,747		2,660,364	15,013,111
Local receipts	3,450,704			3,450,704
School lunch			874,822	874,822
Other	573,182	1,715,594	3,136,657	5,425,433
Parking meter receipts			510,819	510,819
Change in fair value of investments	38,473	(50,312)	(455,358)	(467,197)
Electric Fund payment in lieu of taxes	1,000,000			1,000,000
Investment income	664,572		307,424	971,996
<b>Total revenues</b>	<b>80,011,518</b>	<b>1,665,282</b>	<b>7,034,728</b>	<b>88,711,528</b>
<b>EXPENDITURES:</b>				
Current:				
General government	3,661,104		111,104	3,772,208
Protection of persons and property	8,317,438		658,948	8,976,386
Health and sanitation	511,107		19,094	530,201
Public works	6,959,044		239,415	7,198,459
Public education	39,853,667	2,989,374	4,404,549	47,247,590
Traffic and parking management			561,341	561,341
Recreation	713,926		68,541	782,467
Veterans' services	47,454		32,988	80,442
Libraries	2,165,421		333,918	2,499,339
Other			213,476	213,476
State and county assessments	1,000,627			1,000,627
Capital outlay		19,537,019		19,537,019
Unclassified:				
Pension	5,865,883			5,865,883
Insurance	7,655,776			7,655,776
Miscellaneous	817,189			817,189
Debt Service:				
Principal retirement	2,685,000			2,685,000
Interest	1,520,180			1,520,180
<b>Total expenditures</b>	<b>81,773,816</b>	<b>22,526,393</b>	<b>6,643,374</b>	<b>110,943,583</b>
<b>(DEFICIENCY) EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,762,298)</b>	<b>(20,861,111)</b>	<b>391,354</b>	<b>(22,232,055)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	676,905	719,120	821,195	2,217,220
Operating transfers out	(238,000)	(206,832)	(1,772,388)	(2,217,220)
Proceeds from general obligation bonds		5,510,000		5,510,000
<b>Total other financing sources (uses)</b>	<b>438,905</b>	<b>6,022,288</b>	<b>(951,193)</b>	<b>5,510,000</b>
<b>DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>(1,323,393)</b>	<b>(14,838,823)</b>	<b>(559,839)</b>	<b>(16,722,055)</b>
<b>FUND BALANCE—BEGINNING</b>	<b>5,348,860</b>	<b>(4,027,294)</b>	<b>7,630,241</b>	<b>8,951,807</b>
<b>FUND BALANCE—ENDING</b>	<b>\$ 4,025,467</b>	<b>\$ (18,866,117)</b>	<b>\$ 7,070,402</b>	<b>\$ (7,770,248)</b>

See notes to the basic financial statements.

# TOWN OF WELLESLEY MASSACHUSETTS

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2003

---

Net change in fund balances—total governmental funds \$ (16,722,055)

Amounts reported for governmental activities in the statement of activities are different because:

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. This is the amount by which capital outlay and related expenditures (\$19,537,019) exceed depreciation (\$2,000,727) in the current period. 17,536,292

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 3,625,975

Certain long-term liabilities are accrued at the government-wide level but not at the fund level. This is the current year change in those liabilities, reported as revenue in the statement of activities (negative expenses). 283,555

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments. (2,825,000)

Change in net assets of governmental activities \$ 1,898,767

See notes to the basic financial statements.

**TOWN OF WELLESLEY, MASSACHUSETTS**

**STATEMENT OF FUND NET ASSETS—PROPRIETARY FUNDS  
JUNE 30, 2003**

	Business-Type Activities Enterprise Funds Major Funds			Total Business-Type Activities	Governmental Activities Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund		
<b>ASSETS</b>					
Current:					
Cash and cash equivalents	\$ 6,504,724	\$ 1,810,790	\$ 1,868,755	\$ 10,184,269	\$ 399,343
Investments	2,413,637	561,658	554,004	3,529,299	1,490,428
Customer accounts receivable	1,749,923	295,657	349,091	2,394,671	
Other receivables				-	5,648
Inventory	587,988	73,564		661,552	
Other assets	272,323			272,323	
<b>Total current assets</b>	<b>11,528,595</b>	<b>2,741,669</b>	<b>2,771,850</b>	<b>17,042,114</b>	<b>1,895,419</b>
Noncurrent:					
Restricted assets—cash and cash equivalents	1,479,630			1,479,630	
Capital assets (net, where applicable, of accumulated depreciation)	27,637,916	14,877,121	10,566,218	53,081,255	
<b>Total noncurrent assets</b>	<b>29,117,546</b>	<b>14,877,121</b>	<b>10,566,218</b>	<b>54,560,885</b>	
<b>Total assets</b>	<b>40,646,141</b>	<b>17,618,790</b>	<b>13,338,068</b>	<b>71,602,999</b>	<b>1,895,419</b>
<b>LIABILITIES</b>					
Current:					
Accounts payable and accrued expenses	1,974,409	192,626	77,493	2,244,528	56,759
Other liabilities	589,984	33,420	1,725	625,129	
Long-term debt—current		430,000		430,000	
Compensated absences—current	12,225	6,186		18,411	
<b>Total current liabilities</b>	<b>2,576,618</b>	<b>662,232</b>	<b>79,218</b>	<b>3,318,068</b>	<b>56,759</b>
Noncurrent:					
Long-term debt		3,870,000		3,870,000	
Compensated absences	14,715	8,001		22,716	
Deferred revenue				-	5,648
Workers' compensation liability				-	763,000
<b>Total noncurrent liabilities</b>	<b>14,715</b>	<b>3,878,001</b>	<b>-</b>	<b>3,892,716</b>	<b>768,648</b>
<b>Total liabilities</b>	<b>2,591,333</b>	<b>4,540,233</b>	<b>79,218</b>	<b>7,210,784</b>	<b>825,407</b>

See notes to the basic financial statements.

(Continued)

**TOWN OF WELLESLEY, MASSACHUSETTS**

**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS  
JUNE 30, 2003**

	Business-Type Activities Enterprise Funds			Total Business-Type Activities	Governmental
	Major Funds				Internal Service
	Electric Fund	Water Fund	Sewer Fund		Funds
NET ASSETS:					
Invested in capital assets, net of related debt	\$ 27,637,916	\$ 10,577,121	\$ 10,566,218	\$ 48,781,255	\$
Net assets—restricted for depreciation	1,479,630			1,479,630	
Net assets—unrestricted	8,937,262	2,501,436	2,692,632	14,131,330	1,070,012
<b>TOTAL NET ASSETS</b>	<u>\$ 38,054,808</u>	<u>\$ 13,078,557</u>	<u>\$ 13,258,850</u>	<u>\$ 64,392,215</u>	<u>\$ 1,070,012</u>

(Concluded)

See notes to the basic financial statements.

# TOWN OF WELLESLEY, MASSACHUSETTS

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS—PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2003

	Business-Type Activities Enterprise Funds			Total Business-Type Activities	Governmental Activities Internal Service Fund
	Major Funds				
	Electric Fund	Water Fund	Sewer Fund		
OPERATING REVENUES:					
Charges for services	\$ 20,239,747	\$ 3,618,745	\$ 4,804,353	\$ 28,662,845	\$ 13,395,487
Other	132,773		9,374	142,147	
Net operating revenues	20,372,520	3,618,745	4,813,727	28,804,992	13,395,487
OPERATING EXPENSES:					
Production	11,302,325			11,302,325	
Transmission and distribution	2,949,238	664,865		3,614,103	
Source of supply		553,725		553,725	
Pumping and treatment		547,416	156,692	704,108	
Collection			4,018,115	4,018,115	
Customer accounts	288,018	229,644	103,229	620,891	
Supplies and services				-	13,650,407
Administrative and general	826,509	712,647	400,339	1,939,495	
Depreciation	1,447,828	682,392	234,001	2,364,221	
Total operating expenses	16,813,918	3,390,689	4,912,376	25,116,983	13,650,407
NET OPERATING INCOME (LOSS)	3,558,602	228,056	(98,649)	3,688,009	(254,920)
NONOPERATING REVENUES—Investment income	44,747	1,806	3,261	49,814	101,371
Income (loss) before capital contributions and transfers	3,603,349	229,862	(95,388)	3,737,823	(153,549)
ELECTRIC FUND PAYMENT IN LIEU OF TAXES	(1,000,000)			(1,000,000)	
CAPITAL GRANTS	226,218	30,014	4,143	260,375	
NET INCOME (LOSS)	2,829,567	259,876	(91,245)	2,998,198	(153,549)
NET ASSETS AT BEGINNING OF YEAR	35,225,241	12,818,681	13,350,095	61,394,017	1,223,561
NET ASSETS AT END OF YEAR	\$ 38,054,808	\$ 13,078,557	\$ 13,258,850	\$ 64,392,215	\$ 1,070,012

See notes to the basic financial statements.

**TOWN OF WELLESLEY, MASSACHUSETTS**

**STATEMENT OF CASH FLOWS—PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2003**

	Business-Type Activities—Enterprise Funds			Total Business-Type Activities	Governmental
	Electric Fund	Major Funds Water Fund	Sewer Fund		Activities Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Payments from customers	\$ 21,986,932	\$ 3,508,226	\$ 4,799,462	\$ 30,294,620	\$ 13,408,158
Payments to employees for services	(16,156,956)	(1,399,078)	(4,054,300)	(21,610,334)	
Payments to suppliers and contractors	(2,445,478)	(1,041,413)	(588,385)	(4,075,276)	(13,617,411)
Depreciation fund	949,650			949,650	
Payment in lieu of taxes	(1,000,000)			(1,000,000)	
Net cash provided by (used in) operating activities	<u>3,334,148</u>	<u>1,067,735</u>	<u>156,777</u>	<u>4,558,660</u>	<u>(209,253)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Interest (received) paid on customer accounts	(29,716)	6,582		(23,134)	
Net cash (used in) provided by noncapital financing activities	<u>(29,716)</u>	<u>6,582</u>	<u>-</u>	<u>(23,134)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition and construction of capital assets	(2,492,767)	(655,843)	(445,738)	(3,594,348)	
Principal paid on general obligation bonds		(440,000)		(440,000)	
Repayment of bond anticipation notes		(240,000)		(240,000)	
Interest paid on bonds		(215,205)		(215,205)	
Capital contributed in aid of construction	226,218	30,014	4,143	260,375	
Net cash used in capital and related financing activities	<u>(2,266,549)</u>	<u>(1,521,034)</u>	<u>(441,595)</u>	<u>(4,229,178)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Purchase of investments, net	1,185,647	837,026	652,101	2,674,774	393,254
Interest received on investments	21,297	4,188	5,550	31,035	59,876
Net cash provided by investing activities	<u>1,206,944</u>	<u>841,214</u>	<u>657,651</u>	<u>2,705,809</u>	<u>453,130</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>2,244,827</u>	<u>394,497</u>	<u>372,833</u>	<u>3,012,157</u>	<u>243,877</u>
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<u>5,739,527</u>	<u>1,416,293</u>	<u>1,495,922</u>	<u>8,651,742</u>	<u>155,466</u>
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<u>\$ 7,984,354</u>	<u>\$ 1,810,790</u>	<u>\$ 1,868,755</u>	<u>\$ 11,663,899</u>	<u>\$ 399,343</u>

(Continued)



**TOWN OF WELLESLEY, MASSACHUSETTS**

**STATEMENT OF CASH FLOWS—PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2003**

	Business-Type Activities Enterprise Funds			Total Business-Type Activities	Governmental
	Electric Fund	Major Funds Water Fund	Sewer Fund		Activities Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 2,829,567	\$ 259,876	\$ (91,245)	\$ 2,998,198	\$ (153,549)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	1,519,876	736,704	248,992	2,505,572	
Unrealized loss on investments	7,895	2,382	2,289	12,566	(41,495)
Provision for uncollectible accounts	8,456			8,456	
Change in assets and liabilities:				-	
(Increase) decrease in accounts receivable	28,262	1,213	(26,583)	2,892	12,671
(Increase) decrease in inventory and supplies	(20,214)	(23,412)		(43,626)	
(Increase) decrease in prepaid expenses	31,679			31,679	
(Increase) decrease in other current assets	(210,757)			(210,757)	
Increase (decrease) in accounts payable	(877,416)	88,559	23,324	(765,533)	(26,880)
Increase (decrease) in accrued liabilities	23,983	2,413		26,396	
Increase (decrease) in customer advances	(69,939)			(69,939)	
Increase (decrease) in customer deposits	62,756			62,756	
Net cash provided by (used in) operating activities	<u>\$ 3,334,148</u>	<u>\$ 1,067,735</u>	<u>\$ 156,777</u>	<u>\$ 4,558,660</u>	<u>\$ (209,253)</u>

See notes to the basic financial statements.

(Concluded)

# TOWN OF WELLESLEY, MASSACHUSETTS

## STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2003 (DECEMBER 31, 2002 AS TO THE CONTRIBUTORY RETIREMENT SYSTEM)

	Contributory Retirement System	Deferred Compensation Fund	Agency Fund	Total
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 178,916	\$ -	\$ 315,463	\$ 494,379
Investments, at fair value:				
Equity securities	64,330,247			64,330,247
Fixed-income securities	32,185,912			32,185,912
Short-term investment fund	7,577,424			7,577,424
Mutual funds		7,010,829		7,010,829
Total investments, at fair value	104,093,583	7,010,829	-	111,104,412
Receivables:				
Pension reimbursements receivable	122,783			122,783
Interest and dividends receivable	350,500			350,500
Unsettled trades	798,474			798,474
Total receivables	1,271,757	-	-	1,271,757
Total assets	105,544,256	7,010,829	315,463	112,870,548
<b>LIABILITIES:</b>				
Accounts payable	224,318		315,463	539,781
Unsettled trades	5,698,568			5,698,568
Total liabilities	5,922,886	-	315,463	6,238,349
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES</b>				
	\$ 99,621,370	\$ 7,010,829	\$ -	\$ 106,632,199

See notes to the basic financial statements.

**TOWN OF WELLESLEY, MASSACHUSETTS**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

**YEAR ENDED JUNE 30, 2003 (DECEMBER 31, 2002 AS TO THE CONTRIBUTORY RETIREMENT SYSTEM)**

	Contributory Retirement System	Deferred Compensation Fund	Total
ADDITIONS:			
Contributions:			
Participant contributions	\$ 2,121,917	\$ -	\$ 2,121,917
Housing Authority and other contributions	874,737		874,737
Total contributions	2,996,654	-	2,996,654
Net investment income (loss):			
Net depreciation in fair value of investments	(15,625,478)		(15,625,478)
Interest and dividend income	4,189,656		4,189,656
Total investment loss	(11,435,822)	-	(11,435,822)
Less administrative expenses	(585,541)		(585,541)
Net investment loss	(12,021,363)	-	(12,021,363)
Total additions	(9,024,709)	-	(9,024,709)
DEDUCTIONS:			
Benefits	6,962,992		6,962,992
Pension reimbursements	116,876		116,876
Other		(215,579)	(215,579)
Total deductions	7,079,868	(215,579)	6,864,289
NET (DECREASE) INCREASE	(16,104,577)	215,579	(15,888,998)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	115,725,947	6,795,250	122,521,197
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR	\$ 99,621,370	\$ 7,010,829	\$ 106,632,199

See notes to the basic financial statements.

# TOWN OF WELLESLEY, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2003

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Town of Wellesley, Massachusetts (the “Town”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town’s accounting policies are described below:

- a. **Reporting Entity**—GAAP requires that the accompanying basic financial statements present the Town (the primary government) and its component units. Component units are included in the Town’s reporting entity if their operational and financial relationships with the Town are significant. Pursuant to this criteria, the Town of Wellesley’s Contributory Retirement System (the “System”) has been identified as a component unit. The System was established under the authority of Chapter 32 of the Massachusetts General Laws, as amended, and is an independent contributory retirement system available to employees of the Town. The powers of the System are vested in the Retirement Board. The System has been blended into the Town’s Fiduciary Funds for reporting purposes. Audited financial statements for the System have been issued in a separate report. A copy of this report can be obtained from the Board of Selectmen’s Office (the “Selectmen”).

The Town was incorporated in 1881 under the statutes of the Commonwealth of Massachusetts (the “Commonwealth”). The Town operates under a representative town meeting form of government and provides the following services: general and administrative services, individual and community protection, education, health, culture, leisure time, environmental preservation, community development, planning and zoning, electric, water and sewer, and highway and street construction and maintenance. This report includes the fund types and account groups required to account for these activities.

- b. **Government-Wide and Fund-Level Financial Statements**—The financial statements include both government-wide and fund-level reporting. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. In the government-wide reporting model, governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- b. *Government-Wide and Fund-Level Financial Statements (continued)*—The fund-level statements are separate financial statements provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. In the fund-level reporting model, the Town reports its financial position and results of operations in funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Transactions between funds within a fund type, if any, have not been eliminated.
- c. *Measurement Focus, Basis of Accounting, and Financial Reporting Presentation*—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major Governmental Funds:

- The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Capital Projects Fund* is used to account for resources used for the acquisition of major capital assets except those financed entirely by the General or Proprietary Funds.

The government reports the following major Proprietary Funds:

- 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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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 or 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 or services to the general public on a continuing basis be financed or recovered primarily through user charges.
- 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 various inventories. Amounts are charged to other funds and covered employees for services provided.

Additionally, the government reports the following fund types:

- The *Special Revenue Funds* are used to provide separate accountability for revenues that are restricted to expenditures for specified purposes (other than major capital projects or expendable trusts). The Special Revenue Funds are reported in the nonmajor funds column of the governmental fund financial statements.
- The *Contributory Retirement System Fund* is used to account for the assets, liabilities, and changes in net assets available for benefits of the Town-administered retirement system.
- The *Deferred Compensation Fund* is used to account for assets held by the Town in a trustee capacity or as an agent for participants in the Town's Deferred Compensation Plan.
- The *Agency Fund* is used to account for assets held under a custodial relationship and do not involve measurement of results of operations.

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the Town applies all Financial Accounting Standards Board ("FASB") pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case GASB prevails. The Town has elected not to adopt the FASB statements and interpretations issued after November 30, 1989, in accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting."

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are payment in lieu of taxes and other charges between the government's electric, water and sewer functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicant for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally, dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

The Proprietary Funds distinguish between operating revenues and expenses and nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Town's electric, water, sewer and internal service funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

- d. **Cash and Cash Equivalents**—Cash and cash equivalents consist substantially of interest-bearing deposits with financial institutions and investments with original maturities of three months or less.

The Town follows the practice of pooling cash and cash equivalents for all funds, except the Fiduciary Fund types. Interest earned on pooled cash and cash equivalents is allocated primarily to the General Fund. Interest earned on pooled cash from the Enterprise Funds is primarily retained by the Governmental Fund types.

- e. **Investments**—Investments in equity securities with readily determinable fair values and all investments in debt securities, which are held by governmental entities other than external investment pools and defined benefit pension plans, are reported at fair value based on quoted market prices. In accordance with authorized investment regulations, the Contributory Retirement System invests in various structured notes, floating-rate bonds, mortgage-backed securities, and mutual funds with investments in derivative financial instruments in order to maximize the investment yield from the portfolio.

The defined contribution plan and the deferred compensation plan invest in mutual funds, which are recorded at their quoted market value.

The Town and the System invest in various securities including U.S. government securities, corporate debt instruments, and corporate stocks. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the basic financial statements.

- f. **Receivables**—All trade and property taxes receivable are shown net of an allowance for uncollectible accounts. Estimates of uncollectible accounts are based on historical trends for collections and write-offs.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- g. Inventory*—Materials and supplies held by the Enterprise Funds are generally recorded at the lower of cost or market, using the first-in, first-out method.
- h. Restricted Assets*—Assets within the individual funds, which can be designated by the Town for any use within the fund’s purpose, are considered to be unrestricted assets. Assets which are restricted for specific use by bonded debt requirements, grant provisions, state law, or other requirements are classified as restricted assets.
- i. Capital Assets*—Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. 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. Capital assets are valued at historical costs or estimated fair market value on the date donated.

Capital assets of the Proprietary Funds are recorded at cost, if purchased, and at fair value at date of gift, if donated, except in the Electric Fund, where in accordance with the Federal Energy Regulatory Commission contributed assets are recorded at zero cost. Depreciation of all exhaustable property, plant, and equipment used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on the Proprietary Funds balance sheets.

Capital asset costs include the purchase price or construction cost, plus those costs necessary to place the asset in its intended location and condition for use. In Governmental Funds, interest costs on self-constructed assets are not capitalized. In Proprietary Funds, interest costs (if material) on self-constructed assets are included in the cost. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Public domain infrastructure	50 years
Buildings	10-40 years
Improvements other than buildings	20-30 years
Equipment	5-21 years

The cost of maintenance and repairs that do not add to the value of the asset or materially extend the assets life are not included as fixed assets capitalized in the Proprietary Funds.

At June 30, 2003, the Town has four long-term construction projects in process. The total contract value of these projects is \$33,456,647. At June 30, 2003, the remaining balance on these contracts is \$4,033,055.

- j. Revenues of Enterprise Funds*—Customers’ meters are read and bills are rendered on a cycle basis.



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- k. Accumulated Unpaid Vacation and Sick Pay*—Compensated absences incurred by Governmental and Enterprise Fund types are recorded in the funds from which such obligations are expected to be liquidated. The long-term portion of these obligations is only reported in the government-wide financial statements. Employees are granted vacation and sick leave in varying amounts. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their then-current rates of pay. Firefighters are paid for 100% of their sick leave days up to a maximum of 520 hours upon termination of employment. Similarly, uniformed police personnel are paid for 50% of their sick leave days upon termination of employment. Employees may not accumulate vacation days for subsequent use. Employees separated from employment are paid for unused vacation days earned.
- l. Net Assets*—The Town reports net assets as reserved where legally segregated for a specific future use. Otherwise these balances are considered unrestricted. Net assets have been restricted as follows:
- Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.
  - Restricted for depreciation identifies amounts restricted to comply with Section 57 of Chapter 164 of the General Laws of the Commonwealth for the restricted use of making property additions, replacements, and renewals in excess of ordinary repairs for the Town’s Electric System.
  - Restricted for perpetual funds identifies amounts restricted for the unexpendable corpus and expendable accumulated earnings of contributions to the Town to be used in support of government functions.
- m. Fund Equity*—In the Fund financial statements, Governmental Funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.
- n. Deficit Fund Equity*—At June 30, 2003, the Capital Projects Fund had a fund deficit of \$18,866,117. This deficit results from the Town electing to fund current capital projects with short-term bond anticipation notes. If the Town elects to refinance these projects through the issuance of long-term general obligation bonds, the deficit fund equity will be eliminated.
- o. On-Behalf Payments*—GASB Statement No. 24, “Accounting and Financial Reporting for Certain Grants and Other Financial Assistance,” requires the Town to recognize, as income, certain payments made on behalf of the Town by the Commonwealth. Specifically, the Commonwealth makes contributions to a contributory retirement plan administered by the Massachusetts Teachers’ Retirement Board (the “State Plan”) on behalf of the Town’s teaching employees; the Town is not legally required to contribute to the State Plan, which is fully funded by the Commonwealth.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the fiscal year ended June 30, 2003, the Commonwealth provided the Town with the amounts paid to the State Plan on behalf of employees of the Town, or with information for the Town to use in estimating the amounts paid by the Commonwealth on behalf of the Town's teaching employees. Accordingly, the accompanying basic financial statements include the required adjustments, which have increased both intergovernmental revenues and pension expenditures by \$5,124,471.

- p. Use of Estimates*—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein. Actual results could differ from those estimates.
- q. Future Adoption of Accounting Pronouncements*—The GASB has issued the following statements which the Town has not yet adopted and which require adoption subsequent to June 30, 2003:

Statement No.		Adoption Required in Fiscal Year
39	“Determining Whether Certain Organizations Are Component Units—An Amendment of GASB Statement No. 14”	June 30, 2004
40	“Deposit and Investment Risk Disclosures—An Amendment of GASB Statement No. 3”	June 30, 2005
42	“Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries”	June 30, 2006

The implications of these statements on the Town's fiscal practices and financial reports are being evaluated.

- r. Implementation of New Accounting Pronouncements*—During fiscal year 2003, the Town was required to implement the provisions of GASB Statement No. 34, “Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,” Statement No. 37, “Basic Financial Statements and Management Discussion and Analysis for State and Local Governments; Omnibus,” Statement No. 38, “Certain Financial Statement Note Disclosures,” and Statement No. 41, “Budgetary Comparison Schedules—Perspective Differences.” The implementation of these standards changed the basic financial statement reporting model to include government-wide, full accrual statements and created a modified reporting of the fund-perspective financial statements. Implementing these standards also required reporting of infrastructure assets, changed the method of reporting cash flows from the indirect method to the direct method, and included the requirement for reporting a Management's Discussion and Analysis as required supplementary information. In addition, the implementation of these standards added certain disclosures related to the basis of accounting, financial reporting presentation and interfund activities requires the addition of a roll-forward of long-term obligations and capital assets.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

These standards allow for the deferral of historical reporting of infrastructure assets until fiscal year 2007. Management has elected to defer the implementation of the historical infrastructure reporting requirements of these standards. Management has also elected not to prepare a Management's Discussion and Analysis.

Beginning net assets of governmental activities reconcile to ending fund balance of governmental funds as follows:

Fund Balances, as previously reported June 30, 2002:	
General Fund	\$ 5,348,860
Special Revenue Fund	2,938,789
Capital Projects Fund	(4,027,294)
Internal Service Fund	<u>1,223,561</u>
Total Fund Balances, June 30, 2002, as previously reported	5,483,916
Accounting adjustments:	
Add:	
Capital assets—net at June 30, 2002	55,512,527
Elimination of deferred revenue at June 30, 2002	249,633
School building assistance revenues that should have been recognized in 2002	924,757
Less:	
Outstanding governmental bonds payable at June 30, 2002	(21,485,000)
Governmental compensated absences balances at June 30, 2002	(836,617)
Governmental claims and judgements balance at June 30, 2002	(215,000)
Allowance for bad debts at June 30, 2002	(280,530)
Trust funds reclassified to governmental funds	<u>4,691,452</u>
Total governmental activities net assets, June 30, 2002, as restated	<u>\$ 44,045,138</u>

Amounts reported as fund balances for the Electric, Water and Sewer Funds have been reclassified as invested in capital assets, net of related debt, restricted and unrestricted to conform with the provisions of the new accounting standards. The total net asset balances for these funds are unchanged from the total fund balances previously reported at June 30, 2002.

## 2. PROPERTY TAXES

**Levy**—Property taxes are levied each July for the following fiscal year ending June 30. The taxes for each fiscal year are due in four quarterly installments and are payable upon receipt of notice. Property taxes are recorded as receivables and deferred revenues at the time quarterly installments are billed. Interest accrues on delinquent taxes at the rate of 14% per annum and is recognized as revenue when received.

## 2. PROPERTY TAXES (CONTINUED)

The assessed value for the tax roll, upon which the original fiscal year 2003 levy was based, was \$7,443,761,900.

**Lien**—Real property (land and buildings) is subject to a lien for the taxes assessed upon it, subject to any paramount federal lien and bankruptcy and insolvency laws. In addition, real property is subject to a lien for certain unpaid municipal charges or fees. If the property has been transferred, an unenforced lien expires on the third October 1, after the fiscal year levied. If the property has not been transferred by the third October 1, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment.

**Personal Liability**—The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property by the Town.

**Limitations**—The Town is subject to certain limitations on the amount of property taxes it may levy. A statewide property tax limitation statute known as “Proposition 2½” limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2½ limits the total levy to an amount not greater than 2½% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2½% of the prior year’s levy limit, plus the taxes on property newly added to the tax rolls. During fiscal years 2003 and 2002, voters approved operating overrides of \$2,539,201 and \$750,000, respectively.

Certain provisions of Proposition 2½ can be overridden by a Town-wide referendum. The voters have authorized that the amounts required to pay for certain bonds issued be exempt from the Proposition 2½ limitations, including: 1990 for school renovations; 1996 for improvements to a recycling and disposal facility; and 2000 for two school expansion/renovation projects.

## 3. CASH AND INVESTMENTS

The Town maintains a cash and investments pool that is available for use by all funds, except the Fiduciary Fund types. Each fund type’s portion of this pool is classified as “cash and cash equivalents,” “investments,” or “restricted assets” on the balance sheet. The cash and investments of the Fiduciary Fund types are held separately from other Town funds.

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, money market deposits, term deposits, and certificates of deposit) in any one financial institution may not exceed certain levels defined by statute. Investments may only be made in securities issued or unconditionally guaranteed by the U. S. government or its agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase and units in the Massachusetts Municipal Depository Trust.

The Town’s Contributory Retirement System (the “System”) has additional investment powers, most notably the ability to invest in common stocks, corporate bonds, and other specified investments.

**Deposits**—The Town maintains deposits in several financial institutions which are subject to federal depository insurance.

### 3. CASH AND INVESTMENTS (CONTINUED)

Deposits, including restricted amounts (see Note 4) of \$1,479,630 at June 30, 2003 (December 31, 2002 as to the System), are summarized as follows:

	<b>Bank Balance</b>	<b>Carrying Amount</b>	<b>Insured Amount</b>
Financial institutions	\$12,086,972	\$10,634,006	\$800,000
Massachusetts Municipal Depository Trust	<u>17,113,495</u>	<u>17,113,495</u>	<u>-</u>
 Total	 <u>\$29,200,467</u>	 <u>\$27,747,501</u>	 <u>\$800,000</u>

**Investments**—The following tables summarize the fair value and risk characteristics (categories) of the Town’s and the System’s investments as of year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Town or its agent in the Town’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker’s or dealer’s trust department or agent in the Town’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the name of the Town or the System.

Investments (including restricted amounts for nonexpendable perpetual funds of \$483,930 and excluding System amounts, see below) at June 30, 2003 are summarized as follows:

	<b>Category</b>			<b>Fair Value</b>
	<b>1</b>	<b>2</b>	<b>3</b>	
U.S. government obligations	\$ 884,040	\$ -	\$ -	\$ 884,040
U.S. government agency obligations	662,287	9,773,582		10,435,869
Equity securities	2,938,434			2,938,434
Other	<u>1,241,192</u>	<u>                    </u>	<u>                    </u>	<u>1,241,192</u>
	<u>\$5,725,953</u>	<u>\$ 9,773,582</u>	<u>\$ -</u>	15,499,535
Mutual funds—uncategorized				<u>7,089,220</u>
Total				<u>\$22,588,755</u>

### 3. CASH AND INVESTMENTS (CONTINUED)

Investments of the System at December 31, 2002 are summarized as follows:

	Category			Fair Value
	1	2	3	
U.S. government obligations	\$ -	\$ 10,587,583	\$ -	\$ 10,587,583
U.S. government agency obligations		7,377,993		7,377,993
Equity securities		27,988,898		27,988,898
Other		21,797,760		21,797,760
	\$ -	\$ 67,752,234	\$ -	67,752,234
Mutual funds—uncategorized				36,341,349
Total				\$ 104,093,583

At June 30, 2002, the System held investments in four mutual funds, which include in their portfolios various derivative financial instruments, including structured notes, options, futures, currency transactions, swaps, caps, floors, collars, and Eurodollar contracts. The mutual funds are part of a family of funds organized by the System's investment advisor. The System's investment in these funds is carried at market fair value, which is \$36,341,349 at December 31, 2002.

### 4. RESTRICTED ASSETS

**Electric System**—A Depreciation Fund is maintained in accordance with Section 57 of Chapter 164 of the General Laws of the Commonwealth for the restricted use of making property additions, replacements, and renewals in excess of ordinary repairs for the Town's Electric System. At June 30, 2003, the Depreciation Fund maintained a balance of \$1,479,630. In accordance with Section 57, the Depreciation Fund is required to be increased annually by the transfer of available funds in an amount approximately equal to the depreciation provision for the current year and by income earned on the invested funds or such smaller or larger amount as the Massachusetts Department of Public Utilities may approve.

**General Fund**—The general fund includes restricted investments totaling \$483,930 which represent the unexpendable portion of perpetual funds held by the Town.

## 5. CAPITAL ASSETS

A summary of changes in capital assets for the governmental activities of the Town for the year ended June 30, 2003 is as follows:

	<b>Balance, June 30, 2002</b>	<b>Additions</b>	<b>Retirements</b>	<b>Completed Construction</b>	<b>Balance, June 30, 2003</b>
Capital assets not being depreciated:					
Land	\$ 2,939,536	\$ 719,120	\$ -	\$ -	\$ 3,658,656
Construction in progress	<u>26,192,853</u>	<u>17,090,702</u>	<u>          </u>	<u>29,251,215</u>	<u>14,032,340</u>
Total capital assets not being depreciated	<u>29,132,389</u>	<u>17,809,822</u>	<u>-</u>	<u>29,251,215</u>	<u>17,690,996</u>
Capital assets being depreciated:					
Buildings	46,504,000	29,251,215			75,755,215
Public domain infrastructure		897,077			897,077
Improvements other than buildings	930,252				930,252
Machinery and equipment	<u>5,754,117</u>	<u>816,838</u>	<u>          </u>	<u>          </u>	<u>6,570,955</u>
Total capital assets being depreciated	53,188,369	30,965,130	-	-	84,153,499
Less accumulated depreciation for:					
Buildings	(23,928,463)	(1,526,642)			(25,455,105)
Public domain infrastructure		(8,971)			(8,971)
Improvements other than buildings	(160,210)	(32,085)			(192,295)
Machinery and equipment	<u>(2,719,558)</u>	<u>(433,029)</u>	<u>          </u>	<u>          </u>	<u>(3,152,587)</u>
Total capital assets being depreciated—net	<u>26,380,138</u>	<u>28,964,403</u>	<u>-</u>	<u>-</u>	<u>55,344,541</u>
Governmental activities capital assets—net	<u>\$ 55,512,527</u>	<u>\$ 46,774,225</u>	<u>\$ -</u>	<u>\$ 29,251,215</u>	<u>\$ 73,035,537</u>

Capital assets for the Town's business-type activities at June 30, 2003 are summarized as follows:

	<b>Balance, June 30, 2002</b>	<b>Additions</b>	<b>Retirements</b>	<b>Completed Construction</b>	<b>Balance, June 30, 2003</b>
Capital assets not being depreciated— construction in progress	<u>\$ 457,840</u>	<u>\$2,632,918</u>	<u>\$ -</u>	<u>\$(2,037,432)</u>	<u>\$ 1,053,326</u>
Capital assets being depreciated:					
Transmission, distribution and other plant	80,744,837		(142,692)	743,619	81,345,764
Vehicles and other equipment	<u>2,039,610</u>	<u>961,431</u>	<u>          </u>	<u>1,293,813</u>	<u>4,294,854</u>
Total capital assets being depreciated	82,784,447	961,431	(142,692)	2,037,432	85,640,618
Less accumulated depreciation for transmission, distribution, other plant, vehicles and other equipment					
	<u>(31,181,228)</u>	<u>(2,553,790)</u>	<u>122,329</u>	<u>          </u>	<u>(33,612,689)</u>
Total capital assets being depreciated—net	<u>51,603,219</u>	<u>(1,592,359)</u>	<u>(20,363)</u>	<u>2,037,432</u>	<u>52,027,929</u>
Business-type capital assets—net	<u>\$ 52,061,059</u>	<u>\$ 1,040,559</u>	<u>\$ (20,363)</u>	<u>\$ -</u>	<u>\$ 53,081,255</u>

**5. CAPITAL ASSETS (CONTINUED)**

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

Governmental activities:	
General government	\$ 150,140
Public safety	340,012
Education	1,045,733
Public works	430,000
Culture and recreation	<u>34,842</u>
Total depreciation expense—governmental activities	<u>2,000,727</u>
Business-type activities:	
Electric	1,447,828
Water	682,392
Sewer	<u>234,001</u>
Total depreciation expense—governmental activities	<u>2,364,221</u>
Total depreciation expense	<u><u>\$4,364,948</u></u>

Total depreciation and amortization expense in the Proprietary Fund types for the year ended June 30, 2003 aggregated \$2,553,790, of which \$189,569 is included with other operating expenses in the accompanying statement of revenues, expenses, and changes in net assets— proprietary funds.



## 6. LONG-TERM OBLIGATIONS

*General Long-Term Debt*—General long-term debt at June 30, 2003 is summarized as follows:

General Obligation Bonds:

1994 corporate bond issue for school renovations, due in semiannual installments through 2004, 4.80% – 4.90%	\$ 545,000
1994 corporate bond issue for street reconstructions, due in semiannual installments through 2004, 4.80% – 4.90%	65,000
1995 corporate bond issue for police station construction, oil tank removal, platform aerial truck, and redesign plans, due in semiannual installments through 2005, 4.40% – 4.55%	1,000,000
1996 corporate bond issue for storm drain improvements, oil tank removal, and solid waste facility improvements, due in semiannual installments through 2006, 4.85% – 5.90%	1,125,000
2001 corporate bond issue for Sprague School, due in semiannual installments through 2016, 4.00% – 4.75%	14,445,000
2001 corporate bond issue for street improvement, due in semiannual installments through 2008, 4.00% – 4.75%	650,000
2001 corporate bond issue for street improvement, due in semiannual installments through 2007, 4.00% – 4.75%	720,000
2001 corporate bond issue for street improvement, due in semiannual installments through 2006, 4.00% – 4.75%	250,000
2003 corporate bond issue for Bates School renovation/expansion, due in semiannual installments through 2013, 2.50% – 3.00%	<u>5,510,000</u>
Total	<u><u>\$24,310,000</u></u>

The annual debt service requirements of all outstanding general long-term debt of the Town at June 30, 2003 are summarized as follows:

Fiscal Year	Principal	Interest	Total
2004	\$ 3,110,000	\$ 947,439	\$ 4,057,439
2005	2,500,000	814,564	3,314,564
2006	1,990,000	715,787	2,705,787
2007	2,440,000	642,500	3,082,500
2008	2,255,000	555,900	2,810,900
2009-2013	9,285,000	1,625,471	10,910,471
2013-2018	<u>2,730,000</u>	<u>257,075</u>	<u>2,987,075</u>
	<u>\$24,310,000</u>	<u>\$5,558,736</u>	<u>\$29,868,736</u>

**6. LONG-TERM OBLIGATIONS (CONTINUED)**

Changes in general long-term debt and other long-term obligations of the Town for the year ended June 30, 2003 are summarized as follows:

	<u>Bonds</u>		<b>Total</b>
	<b>Inside the Debt Limit</b>	<b>Outside the Debt Limit</b>	
Balance—June 30, 2002	\$20,101,000	\$1,384,000	\$21,485,000
Additions	5,510,000	-	5,510,000
Retirements	<u>(2,339,000)</u>	<u>(346,000)</u>	<u>(2,685,000)</u>
Balance—June 30, 2003	<u>\$23,272,000</u>	<u>\$1,038,000</u>	<u>\$24,310,000</u>
Amounts due within one year	<u>\$ 2,764,000</u>	<u>\$ 346,000</u>	<u>\$ 3,110,000</u>
			<b>Compensated Absences</b>
Balance—June 30, 2002			\$836,617
Net decrease			<u>112,078</u>
Balance—June 30, 2003			<u>\$724,539</u>
Amounts due within one year			<u>\$127,795</u>

On June 5, 2003, the Town obtained a bond anticipation note (the “Note”) to cover certain short-term financing requirements relating to the general obligation bonds which are authorized and unissued at June 30, 2003. The Note, in the amount of \$27,500,000, is payable on June 3, 2004 and bears interest at the rate of 1.15%.

Changes in short-term debt of the Town for the year ended June 30, 2003 are summarized as follows:

	<b>Bond Anticipation Notes Payable</b>
Balance—June 30, 2002	\$ 16,020,000
Additions	41,000,000
Retirements	<u>(29,520,000)</u>
Balance—June 30, 2003	<u>\$27,500,000</u>

**6. LONG-TERM OBLIGATIONS (CONTINUED)**

General obligation bonds authorized and unissued at June 30, 2003 are summarized as follows:

<b>Purpose</b>	<b>Year Authorized</b>	
Warren Building renovation	2003	\$ 450,000
Hunnewell Field/tennis courts	2002	385,000
Weston Road improvements	2002	500,000
Middle School planning	2002	460,000
Street layout – Upson Road	2002	180,000
Warren School renovation	2002	6,800,000
Bates School addition/renovation	2002	6,460,000
Sprague School addition/renovation	2002	255,000
Central Fire Station	2001	55,000
Street/sidewalk reconstruction	2001	235,000
H.S. bleachers/Hunnewell Field lighting	2001	150,000
New Wellesley Free Library	2001	11,240,000
Warren School final design	2001	275,000
Glen Road sidewalk	2001	75,000
Pond restoration	2000	175,000
Intersection improvements—Linden/Crest	2000	120,000
Street improvements—Barton	2000	245,000
Library construction plans	1999	100,000
Fire station repairs	1999	55,000
Police station improvements	1999	<u>70,000</u>
Total		<u>\$28,285,000</u>

**Enterprise Fund Debt**—Enterprise Fund debt at June 30, 2003 is summarized as follows:

1998 corporate bond issue for water system improvements, due in semiannual installments through 2013, 4.20% – 4.85%	<u>\$4,300,000</u>
Total	<u>\$4,300,000</u>
Current portion	<u>\$ 430,000</u>

The annual debt service requirements of all outstanding Enterprise Fund debt of the Town at June 30, 2003 are summarized as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2004	\$ 430,000	\$ 196,725	\$ 626,725
2005	430,000	178,235	608,235
2006	430,000	159,315	589,315
2007	430,000	140,395	570,395
2008	430,000	121,260	551,260
2009-2013	<u>2,150,000</u>	<u>308,310</u>	<u>2,458,310</u>
	<u>\$4,300,000</u>	<u>\$1,104,240</u>	<u>\$5,404,240</u>

**6. LONG-TERM OBLIGATIONS (CONTINUED)**

Changes in Enterprise Fund debt for the year ended June 30, 2003 are summarized as follows:

	<b>Bonds</b>		
	<b>Inside the Debt Limit</b>	<b>Outside the Debt Limit</b>	<b>Total</b>
Balance—June 30, 2002	\$ -	\$4,740,000	\$4,740,000
Additions			
Retirements	<u>-</u>	<u>(440,000)</u>	<u>(440,000)</u>
Balance—June 30, 2003	<u>\$ -</u>	<u>\$4,300,000</u>	<u>\$4,300,000</u>

	<b>Compensated Absences</b>
Balance—June 30, 2002	\$ 43,522
Net decrease	<u>(2,395)</u>
Balance—June 30, 2003	<u>\$ 41,127</u>
Amounts due within one year	<u>\$ 18,411</u>

Changes in short-term debt of the Enterprise Funds for the year ended June 30, 2003 are summarized as follows:

	<b>Bond Anticipation Notes Payable</b>
Balance—June 30, 2002	\$ -
Additions	240,000
Retirements	<u>(240,000)</u>
Balance—June 30, 2003	<u>\$ -</u>

**7. CONTRIBUTORY RETIREMENT SYSTEM**

- a. System Description*—The following brief description of the Town of Wellesley’s Contributory Retirement System (the “System”), a component unit of the Town, is provided for general information purposes only. Participants should refer to the General Laws of the Commonwealth (principally Chapter 32) and the rules, regulations, and procedures adopted by the Public Employee Retirement Administration Commission of the Commonwealth of Massachusetts (“PERAC”) and by the Town of Wellesley Retirement Board (the “Board”) for more complete information.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Town Accountant, Town of Wellesley, Town Hall, Wellesley, Massachusetts.

## **7. CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)**

The System is a single employer contributory defined benefit plan covering Town employees deemed eligible by the Board, with the exception of School Department employees who serve in a teaching capacity. The pensions of such school employees are administered by the State Teachers' Retirement Board.

The System was organized on July 1, 1937 in accordance with the provisions of Chapter 32 of the General Laws of the Commonwealth. Participation in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees. Nonteaching employees of the Town who are employed on a basis which anticipates work at an annual rate to exceed 1,000 hours are eligible to participate in the System. Full-time employees are eligible immediately and part-time employees are eligible six months after the date of employment. In addition, employees of the Wellesley Housing Authority are included as participants.

Massachusetts Contributory Retirement System benefits are uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest three-year average annual rate of regular compensation. Benefit payments are based upon a participant's age, length of creditable service, level of compensation, and group classification. By vote of the Town Meeting, the System does not cap at \$30,000, the level of compensation upon which benefits are calculated as permitted under the Commonwealth's Pension Reform Act of 1987.

Contributions by the Town for participants vest at a rate of 10% per year and become fully vested after 10 years of creditable service. Participants' contributions are fully vested at all times. A superannuation allowance may be received upon completion of 20 years of service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. Participants' accumulated total contributions and a portion of the interest those contributions generate constitute the annuity. The differential between the total retirement benefit and the annuity benefit is the pension benefit. The average retirement benefit is approximately 80%-85% pension and 15%-20% annuity.

Active participants contribute 5%, 7%, 8%, or 9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's participation commenced. Active participants who were hired on or after January 1, 1979 contribute an additional 2% of salary in excess of \$30,000. All deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by PERAC's actuary (1.4% during calendar year 2002). When a participant's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund.

From time to time, the Massachusetts Legislature may grant cost-of-living increases to benefits being paid to retirees. These increases are expressed as a percentage of the retiree's allowance subject to a maximum dollar increase. From 1981 until fiscal year 1999, cost-of-living increases granted to members of local retirement systems were the financial responsibility of the Commonwealth. Effective for fiscal year 1999 and subsequent fiscal years, the responsibility for funding and approving cost-of-living adjustments for nonteacher systems is the responsibility of the System.

**7. CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)**

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The Town annually appropriates and contributes an amount determined by its actuary. Administrative expenses are paid from investment earnings of the System.

Participants who become permanently and totally disabled may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors, including whether the disability is work-related, the participant’s age, years of creditable service, level of compensation, veteran’s status, and group classification.

Participants who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total contributions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive 0%, 50%, or 100% of the regular interest which has accrued upon those contributions.

Survivor benefits are extended to eligible beneficiaries of participants whose deaths occur prior to or following retirement.

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of the Commonwealth, if such member has paid the stipulated contributions specified in sections or provisions of such laws.

b. **Annual Pension Cost**—The Town’s annual pension cost for the current and two preceding years was as follows:

	<b>2003</b>	<b>2002</b>	<b>2001</b>
Annual pension cost (“APC”)	\$ 741,412	\$ 77,190	\$ -
Contributions made	<u>(741,412)</u>	<u>(77,190)</u>	<u>-</u>
Change in net pension obligation	-	-	-
Net pension obligation, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Net pension obligation, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Percentage of APC contributed	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

The annual required contribution for the current year was determined as part of the January 1, 2003 actuarial valuation using the individual entry-age normal cost method. The actuarial assumptions included (a) 7.0% investment rate of return, and (b) projected salary increases ranging from 3.0% to 4.0% per year. Both (a) and (b) included a blended inflation rate of 3.0%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period.

## **7. CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)**

The payroll for teaching employees of the Town's School Department covered by the Massachusetts State Teachers Retirement System (see Note 8) for the year ended December 31, 2002 was \$26,321,756.

## **8. OTHER RETIREMENT PLANS**

The Town has a noncontributory pension plan for certain retirees who elected not to become members of the System at its inception. Benefits are paid by the Town on a pay-as-you-go basis. Total pension expense of this plan for the year ended June 30, 2003 was \$80,965. The unfunded vested benefit as of December 31, 2000 (latest information available) was \$559,842.

The majority of the teaching employees of the School Department participate in a contributory retirement plan administered by the Commonwealth. The Town does not contribute to this plan (see Note 2).

Teaching employees of the School Department who meet certain requirements and are employed on a basis which anticipates work at an annual rate to exceed 1,000 hours are required to participate in the State Plan.

For participants who became members of the State Plan prior to January 1, 1978, benefits become vested after 20 or more years of creditable service or upon reaching the age of 55. Benefits relating to participants who became members of the State Plan subsequent to December 31, 1977 become vested after 20 or more years of creditable service or after 10 or more years of creditable service and having reached the age of 55.

Teaching employees contribute 5% of regular compensation if they became a member of the State Plan prior to January 1, 1975, 7% if they became a member from January 1, 1975 to December 31, 1983, 8% if they became a member from January 1, 1984 to December 31, 1995, or 9% if they became a member on or after January 1, 1996.

In addition, if they became a member on or after January 1, 1979, employees are required to contribute an additional 2% of regular compensation in excess of \$30,000.

The Commonwealth is obligated to fund the State Plan. State law requires that public employee retirement systems in the Commonwealth be funded on a pay-as-you-go basis, that is, an amount necessary to pay pensions actually falling due must be funded each year. The amount funded by the Commonwealth to the State Plan is not analyzed by community; funding is made in total for participating employees throughout the Commonwealth.

In addition to the pension benefits described in Note 7, the Town provides postretirement health care benefits to all employees who retire from the Town on or after attaining age 55 with at least 20 years of service and who were receiving health care benefits from the Town at retirement. The Town provides health insurance premium assistance at a lower level than the employee received when employed. This currently averages 50%. If Medicare covers the individual, 50% of the Medicare supplement is provided. The Town's expenditures for these benefits were approximately \$2,230,000 for the year ended June 30, 2003.

## **8. OTHER RETIREMENT PLANS (CONTINUED)**

The Town also maintains a plan providing coverage for governmental employees not covered by Social Security in compliance with the Omnibus Budget Reconciliation Act of 1990, effective January 1, 1992. The plan is a deferred compensation plan identical in nature to the Section 457 plan described in Note 9.

## **9. DEFERRED COMPENSATION PLAN**

The Town has a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code (the "Code"). The Section 457 plan, available to all Town employees, permits them to defer a portion of their current salary to future years. The deferred compensation is not available to the participants until termination, retirement, death, or unforeseeable emergency.

During fiscal year 1998, the Town amended its Plan-Trust Declaration relating to the Section 457 plan to conform with changes made to the Code. The amendments to the Plan-Trust Declaration are such that the Section 457 plan's assets are held in trust and reported as fiduciary fund for the exclusive benefit of participants and their beneficiaries.

The Town and its agent have no liability for losses under the plan, but do have the duty of care that would be required of an ordinary prudent investor.

## **10. RISK MANAGEMENT**

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.

During 1991, the Town entered into an agreement with certain suburban communities and other governmental units forming the West Suburban Health Group (the "Group"). The purpose of the Group is for the joint negotiation and purchase of health coverage with an insurance carrier. Under these agreements, the insurance claims of the covered employees are paid for by the insurance carrier and are subsequently reimbursed by the Group. The Group charges monthly premiums to each governmental unit based upon requirements established through underwriting or actuarial estimates. The Group also maintains a deposit with the insurance carrier which is sufficient to cover an estimated 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 \$75,000 per covered employee.

In the event of the dissolution of the Group or if the assets of the Group are insufficient to pay claims which occur, the Town remains liable. As of June 30, 2003, the Group had a fund balance of approximately \$6,153,000. The Town's liability is not based on its participants' claims but on the pro rata shares of the deficit based on the ratio of the Town's members to total participants at the time of dissolution. At June 30, 2003, the Town's mandatory deposit, discussed above, is sufficient to cover the Town's projected liability as of that date.



## 10. RISK MANAGEMENT (CONTINUED)

The Town is self-insured for workers' compensation claims. An actuary, Tillinghast-Towers Perrin, was hired to estimate the losses which the Town would have to pay under the self-insured plan. The Town recorded a liability in its Internal Service Fund to reserve against future losses in accordance with GASB No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues." 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 Worker's Compensation Fund claims liability amount for the fiscal years ended June 30 were as follows:

	2003	2002
Balance—beginning of year	\$ 806,000	\$ 778,000
Current claims and changes in estimates	441,629	399,459
Claims/payments	<u>(484,629)</u>	<u>(371,459)</u>
Balance—end of year	<u>\$ 763,000</u>	<u>\$ 806,000</u>

## 11. COMMITMENTS AND CONTINGENCIES

In June 2001, the Town was notified that it had been named by the Environmental Protection Agency ("EPA") as a potentially responsible party ("PRP") in the Beede Waste Oil Superfund lawsuit. Contractors in Massachusetts and New England disposed of contaminated waste oil at this site. The Town was designated as a PRP on the basis of the EPA determination that approximately 7,500 gallons of contaminated waste oil were attributable to the Town. In May 2003, the Town entered into an exit strategy settlement offer from TRC Companies, Inc. ("TRC"). Under this agreement, the Town has committed to pay TRC \$4.85 per gallon for each gallon of waste oil attributable to the Town, or approximately \$36,000. In return, TRC will assume the Town's responsibility for all future payments to the EPA and other related to the cleanup of the Beede Oil site.

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

The Town has been named as a defendant in a number of additional lawsuits at June 30, 2003. In the opinion of Town officials, the ultimate resolution of these legal actions will not result in a material loss to the Town.

**11. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grants. Town officials are not aware of any potential disallowances.

**12. INTERFUND ACTIVITY**

Transfers and their purposes during the year ended June 30, 2003 were as follows:

	<b>General</b>	<b>Capital Projects</b>	<b>Nonmajor Governmental Funds</b>
Purpose of operating transfer:			
Stabilization Fund - 2002 ATM, Art. 48	\$ (203,000)	\$ -	\$ 203,000
Unemployment Comp - 2002 ATM, Art. 8	(35,000)		35,000
Traffic & Parking Debt - 2002 ATM, Art. 8	70,073		(70,073)
School Capital Plan - 2003 ATM, Art. 8	206,832	(206,832)	
Selectmen Capital Plan - 2003 ATM, Art. 8	5,100		(5,100)
DPW Capital Plan - 2003 ATM, Art. 8	379,500		(379,500)
Library Capital Plan - 2003 ATM, Art. 8	15,400		(15,400)
Land Acquisition - Nov 2002 STM, Art. 4	<u>-</u>	<u>719,120</u>	<u>(719,120)</u>
Totals, budget basis	<u>\$ 438,905</u>	<u>\$ 512,288</u>	<u>\$ (951,193)</u>
Transfers to other funds	\$ (238,000)	\$ (206,832)	\$ (1,772,388)
Transfers from other funds	<u>676,905</u>	<u>719,120</u>	<u>821,195</u>
	<u>\$ 438,905</u>	<u>\$ 512,288</u>	<u>\$ (951,193)</u>

There were no interfund due to/from balances at June 30, 2003.

\* \* \* \* \*

TOWN OF WELLESLEY, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF REVENUES AND EXPENDITURES, BUDGET AND ACTUAL  
(BUDGETARY BASIS), GENERAL FUND (UNAUDITED)  
YEAR ENDED JUNE 30, 2003

	General Fund			
	Original Budget	Final Budget	Actual	Variance
REVENUES:				
Budgeted:				
Property taxes—net of abatements	\$ 58,068,303	\$ 58,068,303	\$ 58,104,152	\$ 35,849
Intergovernmental	6,689,154	6,689,154	6,564,054	(125,100)
Motor vehicle excise tax	3,925,000	3,925,000	3,827,688	(97,312)
Local receipts	3,319,995	3,319,995	3,450,704	130,709
Investment income	1,300,000	1,300,000	706,067	(593,933)
Parking meter receipts				
Change in fair value of investments			(3,022)	(3,022)
Other	145,000	145,000	6,159,401	6,014,401
Nonbudgeted			202,474	202,474
Total revenues	<u>73,447,452</u>	<u>73,447,452</u>	<u>79,011,518</u>	<u>5,564,066</u>
EXPENDITURES:				
Current:				
General government	3,563,746	3,825,367	3,701,496	123,871
Protection of persons and property	8,264,237	8,430,157	8,274,561	155,596
Health and sanitation	523,593	531,148	510,204	20,944
Public works	5,475,085	6,255,393	6,463,764	(208,371)
Public education	38,710,718	38,960,644	38,900,588	60,056
Recreation	842,652	902,627	730,794	171,833
Veterans' services	58,307	61,022	46,880	14,142
Libraries	2,133,308	2,158,868	2,158,796	72
State and county assessments	970,015	970,015	1,000,627	(30,612)
Traffic and parking management				
Unclassified	8,205,490	7,951,836	8,043,148	(91,312)
Debt service	5,418,839	5,418,839	5,395,180	23,659
Nonbudgeted			6,262,707	(6,262,707)
Total expenditures	<u>74,165,990</u>	<u>75,465,916</u>	<u>81,488,745</u>	<u>(6,022,829)</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	<u>(718,538)</u>	<u>(2,018,464)</u>	<u>(2,477,227)</u>	<u>(458,763)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	72,400	679,232	676,905	(2,327)
Operating transfers out	(238,000)	(238,000)	(238,000)	
Electric fund distribution	1,000,000	1,000,000	1,000,000	
Total other financing sources (uses)	<u>834,400</u>	<u>1,441,232</u>	<u>1,438,905</u>	<u>(2,327)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	115,862	(577,232)	<u>\$ (1,038,322)</u>	<u>\$ (461,090)</u>
OTHER BUDGET ITEMS:				
Unreserved fund balance	273	650,273		
FB reserved-continued appropriations		43,094		
Prior year state assessment raised	(41,520)	(41,520)		
Prior year overlay deficits raised	(74,615)	(74,615)		
Overlay surplus				
Net budget	<u>\$ -</u>	<u>\$ -</u>		

See note to required supplementary budget information.

## TOWN OF WELLESLEY, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION – SCHEDULE OF FUNDING PROGRESS OF THE  
TOWN OF WELLESLEY CONTRIBUTORY RETIREMENT SYSTEM (UNAUDITED)  
YEAR ENDED JUNE 30, 2003

---

Actuarial Valuation Date*	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability ("AAL")	(3) Funded (Unfunded) AAL ("UAAL") (1) Minus (2)	(4) Funded Ratio (1) Divided by (2)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) Divided by (5)
January 1, 1995	\$ 62,744,371	\$ 62,680,623	\$ 63,748	100.1 %	\$ 16,138,898	0.4 %
January 1, 1997	78,665,972	69,141,005	9,524,967	113.8	17,800,326	53.5
January 1, 1999	106,295,893	81,975,372	24,320,521	129.7	17,694,603	137.4
January 1, 2001	123,291,025	92,278,891	31,012,134	133.6	21,561,329	143.8
January 1, 2003	119,033,662	114,811,026	4,222,636	103.7	22,572,703	18.7

\* Only years for which information is available.

See notes to required supplementary information.

# TOWN OF WELLESLEY, MASSACHUSETTS

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) YEAR ENDED JUNE 30, 2003

---

### 1. BUDGET AND APPROPRIATIONS

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all Governmental Funds, except as noted below in the discussion of continued appropriations. Appropriations for the General Fund of the Town are made at the Annual Town Meeting, which is held each March. Appropriations may also be voted at special Town Meetings. The Town has an advisory committee which submits reports on proposed appropriations at Town Meetings. The Town does not vote on annual appropriations for the Special Revenue and Capital Projects Funds.

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

All annual appropriations lapse at fiscal year end. Appropriations for certain projects and specific items not fully expended at fiscal year end are carried forward as continued appropriations to the new fiscal year and are reported as a component of fund balance. Expenditures from continued appropriations are recorded as current year expenditures of the General Fund in the statement of revenues, expenditures, and changes in fund balance, budget and actual (budgetary basis).

The school budget included within the General Fund is limited to the amount appropriated by the Town Meeting, but the School Committee retains full power to allocate the funds appropriated.

The Town Meeting does not vote general operating appropriations for Enterprise Funds (Electric, Water and Sewer Funds), but rather authorizes these self-supporting enterprises to incur expenses from receipts. In the case of the Electric Fund, this is done without limit as to amount. (The Municipal Light Board may appropriate Electric Funds without Town Meeting approval.) In the case of the Water and Sewer Funds, a cap on the level of expenditures is generally voted on at the Town Meeting.

It is unlawful to authorize an expenditure in excess of the amounts which have been appropriated by Town Meetings.

The schedule of revenues, expenditures, and changes in fund balance, budget and actual (budgetary basis), General Fund has been prepared on a budgetary basis, which is substantially the same as a GAAP basis.

Encumbrance accounting is employed in Governmental Funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Certain unexpended and unencumbered appropriations for incomplete projects are carried over to succeeding years. Such continuing appropriations are accounted for similar to encumbrances. Other unencumbered appropriations lapse at year end.

The following summarizes the differences between budgetary and GAAP-basis accounting principles for the year ended June 30, 2003:

	Revenues	Expenditures	Other Financing Sources (Uses)	Deficiency of Revenues Under Expenditures
General Fund:				
As reported on a budgetary basis	\$79,011,518	\$ (81,488,745)	\$ 1,438,905	\$(1,038,322)
Adjustment of expenditures to the modified basis	<u>                    </u>	<u>(285,071)</u>	<u>                    </u>	<u>(285,071)</u>
As reported on a GAAP basis	<u>\$ 79,011,518</u>	<u>\$ (81,773,816)</u>	<u>\$ 1,438,905</u>	<u>\$(1,323,393)</u>

## 2. ACTUARIAL ASSUMPTIONS

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation follows:

- *Valuation Date*—January 1, 2003
- *Actuarial Cost Method*—Individual Entry Age Normal Cost Method
- *Amortization Method*—Not applicable; plan fully funded
- *Remaining Amortization Period*—Not applicable; plan fully funded
- *Asset Valuation Method*—Three-year smoothed market
- *Actuarial Assumptions:*
  - Investment rate of return—7.0%
  - Projected salary increases—3.0%-4.0%
  - Cost-of-living adjustments—3.0%

\* \* \* \* \*

# TOWN OF WELLESLEY, MASSACHUSETTS

## SUPPLEMENTAL SCHEDULE OF RECONCILIATION OF TREASURER'S CASH AND CASH EQUIVALENTS AND INVESTMENTS (UNAUDITED) YEAR ENDED JUNE 30, 2003

AS OF JUNE 30, 2003, CASH AND CASH EQUIVALENTS AND INVESTMENTS  
ARE COMPRISED OF THE FOLLOWING BALANCES:

Massachusetts Municipal Depository Trust	\$ 17,113,495
Boston Safe Deposit & Trust	4,553,990
Fleet Bank	530,737
Century Bank & Trust	1,740,274
Citizens Bank	1,280,301
State Street Bank and Trust	75,218
Wellesley Cooperative Bank	210,875
UBS Painewebber	2,945,577
Sovereign	750,000
UBS—short-term investments	968,633
First Tennessee—short-term investments	8,661,008
State Street Bank and Trust—short-term investments	<u>5,953,464</u>

44,783,572

Add—cash on hand

1,375

Less:

Outstanding checks

\$ (1,127,566)

Other miscellaneous reconciling items

(16,491) (1,144,057)

CASH AND CASH EQUIVALENTS AND INVESTMENTS ON THE COMBINED  
BALANCE SHEET AT JUNE 30, 2003

\$ 43,640,890

PRESENTATION OF CASH AND CASH EQUIVALENTS AND INVESTMENTS  
ON THE BALANCE SHEET AT JUNE 30, 2003:

General Fund	\$ 7,109,744
Capital Projects Funds	12,053,707
Nonmajor Governmental Funds	7,079,007
Proprietary Funds, including \$1,479,630 of restricted assets	17,082,969
Trust and Agency Funds, excluding deferred compensation plan mutual funds of \$7,010,829 not presented in Treasurer's cash	<u>315,463</u>

TOTAL

\$ 43,640,890

# TOWN OF WELLESLEY, MASSACHUSETTS

## SUPPLEMENTAL SCHEDULE OF TAXES (UNAUDITED) YEAR ENDED JUNE 30, 2003

---

	Uncollected, June 30, 2002		Add Commitments	Less Abatements	Add Cash Refunds	Other (Deductions) Additions	Less Collections	Uncollected, June 30, 2003
REAL ESTATE	\$ 28,755,535	(1)	\$60,789,522	\$196,018	\$412,670	\$(436,770)	\$58,091,221	\$31,233,718
PERSONAL PROPERTY	300,084	(1)	463,447	14,524	13,371		445,387	316,991
MOTOR VEHICLE EXCISE	<u>418,256</u>	(2)	<u>4,068,546</u>	<u>196,783</u>	<u>114,766</u>	<u>          </u>	<u>3,942,681</u>	<u>462,104</u>
TOTAL	<u>\$ 29,473,875</u>		<u>\$65,321,515</u>	<u>\$407,325</u>	<u>\$ 540,807</u>	<u>\$(436,770)</u>	<u>\$62,479,289</u>	<u>\$32,012,813</u>

(1) Amounts are before deferred revenue balances totalling \$31,040,763 and the allowance for uncollected taxes and abatements of \$166,608.

(2) Amounts are before deferred revenue balances totalling of \$474,316.



# TOWN OF WELLESLEY, MASSACHUSETTS

## SUPPLEMENTAL SCHEDULE OF BOND INDEBTEDNESS, BY ISSUE (UNAUDITED)

JUNE 30, 2003

Description	Original Amount	Interest Rate (%)	Fiscal Year of Issue	Fiscal Year of Maturity	Balance Outstanding, June 30, 2002	Additions	Retirements	Balance Outstanding, June 30, 2003
GENERAL FUND—Inside the debt limit:								
Senior high school renovations construction								
Elementary school improvement construction	\$ 5,250,000	4.80-4.90 %	1994	2004	\$ 1,100,000	\$ -	\$ 555,000	\$ 545,000
Street reconstruction/improvement	650,000	4.80-4.90	1994	2004	130,000		65,000	65,000
Police station construction/other	3,900,000	4.40-4.55	1995	2005	1,500,000		500,000	1,000,000
Storm drain improvements/other	320,000	4.85-5.90	1996	2006	121,000		34,000	87,000
Sprague school renovation/expansion	15,995,000	4.00-4.75	2001	2016	15,220,000		775,000	14,445,000
Street improvements	1,155,000	4.00-4.75	2001	2007	915,000		195,000	720,000
Street amenities/sidewalk program	830,000	4.00-4.75	2001	2008	780,000		130,000	650,000
Land acquisition—63 Hastings Street	420,000	4.00-4.75	2001	2006	335,000		85,000	250,000
Bates School Renovation/Expansion	5,510,000	2.50-3.00	2003	2013		5,510,000		5,510,000
Subtotal					20,101,000	5,510,000	2,339,000	23,272,000
GENERAL FUND—Outside the debt limit—RDF								
improvements	3,460,000	4.85-5.90	1996	2006	1,384,000		346,000	1,038,000
ENTERPRISE FUND—Outside the debt limit—Water								
system improvements	6,500,000	4.20-4.85	1998	2013	4,740,000		440,000	4,300,000
<b>TOTAL BOND INDEBTEDNESS</b>					<b>\$26,225,000</b>	<b>\$ 5,510,000</b>	<b>\$ 3,125,000</b>	<b>\$28,610,000</b>

# TOWN OF WELLESLEY, MASSACHUSETTS

## SUPPLEMENTAL SCHEDULE OF BOND MATURITIES AND BOND INTEREST (UNAUDITED)

JUNE 30, 2003

	Inside					Outside		Total
	School	Storm Drain Improvements	Police Station	Street Reconstruction	Land Acquisition	RDF Improvements	Water Treatment	
<b>PRINCIPAL PAYMENT DUE FOR THE FISCAL YEAR ENDING JUNE 30, 2003</b>								
2004	\$ 1,775,000	\$ 29,000	\$ 500,000	\$ 375,000	\$ 85,000	\$ 346,000	\$ 430,000	\$ 3,540,000
2005	1,230,000	29,000	500,000	310,000	85,000	346,000	430,000	2,930,000
2006	1,225,000	29,000		310,000	80,000	346,000	430,000	2,420,000
2007	2,130,000			310,000			430,000	2,870,000
2008	2,125,000			130,000			430,000	2,685,000
2009	2,125,000						430,000	2,555,000
2010	2,120,000						430,000	2,550,000
2011	2,120,000						430,000	2,550,000
2012	1,460,000						430,000	1,890,000
2013	1,460,000						430,000	1,890,000
2014	910,000							910,000
2015	910,000							910,000
2016	910,000							910,000
<b>TOTAL</b>	<b>\$20,500,000</b>	<b>\$ 87,000</b>	<b>\$1,000,000</b>	<b>\$1,435,000</b>	<b>\$ 250,000</b>	<b>\$1,038,000</b>	<b>\$4,300,000</b>	<b>\$28,610,000</b>
<b>INTEREST PAYMENT DUE FOR THE FISCAL YEAR ENDING JUNE 30, 2003</b>								
2004	\$ 773,641	\$ 4,684	\$ 45,250	\$ 57,985	\$ 10,000	\$ 55,879	\$ 196,725	\$ 1,144,164
2005	701,001	3,234	22,750	42,400	6,600	38,579	178,235	992,799
2006	662,900	1,522		30,000	3,200	18,165	159,315	875,102
2007	624,900			17,600			140,395	782,895
2008	550,700			5,200			121,260	677,160
2009	476,701						101,910	578,611
2010	400,812						82,130	482,942
2011	321,908						61,920	383,828
2012	240,745						41,495	282,240
2013	185,305						20,855	206,160
2014	127,855							127,855
2015	85,995							85,995
2016	43,225							43,225
<b>TOTAL</b>	<b>\$ 5,195,688</b>	<b>\$ 9,440</b>	<b>\$ 68,000</b>	<b>\$ 153,185</b>	<b>\$ 19,800</b>	<b>\$ 112,623</b>	<b>\$1,104,240</b>	<b>\$ 6,662,976</b>

# TOWN OF WELLESLEY, MASSACHUSETTS

## SUPPLEMENTAL SCHEDULE OF COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED) JUNE 30, 2003

---

EQUALIZED VALUATION—Personal property and real estate, January 1, 2002		<u>\$7,153,728,900</u>
DEBT LIMIT—5% of equalized valuation		\$ 357,686,445
AMOUNT OF DEBT APPLICABLE TO DEBT LIMIT:		
Total bonded debt	\$28,610,000	
Less bonded debt not included in computation of legal debt margin as defined in Massachusetts Statutes	<u>5,338,000</u>	<u>23,272,000</u>
LEGAL DEBT MARGIN		<u>\$ 334,414,445</u>

