

Town of Wellesley, Massachusetts

Independent Auditors' Report

General Purpose Financial Statements

Year Ended June 30, 2001

*Required Supplementary Information and
Supplementary Schedules*

Year Ended June 30, 2001

TOWN OF WELLESLEY, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee
Town of Wellesley, Massachusetts:

We have audited the accompanying general purpose financial statements of the Town of Wellesley, Massachusetts (the "Town") as of June 30, 2001 (December 31, 2000 for the Contributory Retirement System) and for the year then ended, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed assets account group, which, in our opinion, should be included to conform with accounting principles generally accepted in the United States of America. The amounts that should be recorded in the general fixed assets account group are not known.

In our opinion, except for the effects on the general purpose financial statements of the omission of the information discussed in the preceding paragraph, such general purpose financial statements present fairly, in all material respects, the financial position of the Town of Wellesley, Massachusetts, as of June 30, 2001 (December 31, 2000 for the Contributory Retirement System) and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements of the Town taken as a whole. The accompanying combining statements and supplemental schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. The required supplementary information on pages 31 and 32 is not a required part of the general purpose financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information, combining statements and supplemental schedules are also the responsibility of the Town's management. Such required supplementary information, combining statements and supplemental schedules have been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

DELOITTE & TOUCHE, LLP

Boston, Massachusetts
November 30, 2001

TOWN OF WELLESLEY, MASSACHUSETTS

COMBINED BALANCE SHEET

ALL FUND TYPES AND ACCOUNT GROUP

JUNE 30, 2001 (CONTRIBUTORY RETIREMENT SYSTEM AS OF DECEMBER 31, 2000)

ASSETS	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Group	Total (Memorandum Only)	
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	Contributory Retirement	General Long-Term Obligations	2001	2000
CASH AND CASH EQUIVALENTS	\$ 4,679,063	\$1,618,737	\$12,416,996	\$ 7,524,154	\$ 259,923	\$ 204,385	\$ 467,979	\$ -	\$ 27,171,237	\$ 6,351,678
INVESTMENTS	3,499,100	1,042,882	4,100,856	5,648,910	2,282,590	12,941,873	127,375,099	-	156,891,310	166,114,049
RECEIVABLES:										
Real estate and personal property taxes (net of allowance for abatements of \$330,339)	26,465,096	-	-	-	-	-	-	-	26,465,096	23,514,221
Customer accounts	-	-	-	3,016,263	-	-	-	-	3,016,263	4,504,906
Due from other funds	-	-	-	-	-	-	-	-	-	894,162
Other receivables	548,316	-	-	-	-	-	2,626,650	-	3,174,966	1,174,592
DUE FROM OTHER GOVERNMENTS	-	83,719	-	-	-	-	-	-	83,719	-
INVENTORY	-	-	-	703,358	-	-	-	-	703,358	622,145
RESTRICTED ASSETS	-	-	-	567,554	-	-	-	-	567,554	553,529
PROPERTY, PLANT AND EQUIPMENT – Net	-	-	-	51,951,695	-	-	-	-	51,951,695	50,100,197
OTHER ASSETS	-	-	-	27,492	-	-	-	-	27,492	622,405
AMOUNT TO BE PROVIDED FOR:										
Retirement of general long-term debt	-	-	-	-	-	-	-	24,510,000	24,510,000	8,415,000
Compensated absences	-	-	-	-	-	-	-	653,430	653,430	763,698
TOTAL ASSETS	<u>\$35,191,575</u>	<u>\$2,745,338</u>	<u>\$16,517,852</u>	<u>\$69,439,426</u>	<u>\$2,542,513</u>	<u>\$13,146,258</u>	<u>\$130,469,728</u>	<u>\$25,163,430</u>	<u>\$295,216,120</u>	<u>\$263,630,582</u>

(Continued)

TOWN OF WELLESLEY, MASSACHUSETTS

COMBINED BALANCE SHEET

ALL FUND TYPES AND ACCOUNT GROUP

JUNE 30, 2001 (CONTRIBUTORY RETIREMENT SYSTEM AS OF DECEMBER 31, 2000)

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Group	Total (Memorandum Only)	
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	Contributory Retirement	General	2001	2000
								Long-Term Obligations		
LIABILITIES AND FUND EQUITY AND OTHER BALANCES										
LIABILITIES:										
Accounts payable and accrued expenses	\$ 3,516,331	\$ 188,572	\$ 208,230	\$ 4,330,734	\$ 114,666	\$ 15,019	\$ 2,479,277	\$ -	\$ 10,852,829	\$ 7,776,325
Bond anticipation note	-	-	2,555,000	425,000	-	-	-	-	2,980,000	4,230,000
Due to other funds	-	-	-	-	-	-	-	-	-	894,162
Due to MWRRA	-	-	-	-	-	-	-	-	-	-
Deferred revenues	26,406,387	-	-	-	-	-	-	-	26,406,387	23,430,874
Unearned revenues	-	-	-	-	-	-	-	-	-	49,307
Long-term debt	-	-	-	5,180,000	-	-	-	24,510,000	29,690,000	14,035,000
Compensated absences	-	-	-	-	-	-	-	653,430	653,430	763,698
Workers' compensation liability	-	-	-	-	778,000	-	-	-	778,000	706,000
Other liabilities	5,446	-	-	518,099	-	204,385	-	-	727,930	665,981
Total liabilities	29,928,164	188,572	2,763,230	10,453,833	892,666	219,404	2,479,277	25,163,430	72,088,576	52,551,347
FUND EQUITY AND OTHER BALANCES:										
Contributions in aid of construction	-	-	-	12,618,025	-	-	-	-	12,618,025	12,256,515
Contributed capital	-	-	-	7,084,548	-	-	-	-	7,084,548	7,084,548
Retained earnings:										
Reserved for continued appropriations	-	-	-	-	1,388,798	-	-	-	1,388,798	1,996,613
Unreserved	-	-	-	39,283,020	261,049	-	-	-	39,544,069	40,539,709
Fund balances:										
Reserved for employees' pension benefits	-	-	-	-	-	-	127,990,451	-	127,990,451	128,149,300
Reserved for encumbrances	-	389,764	30,303	-	-	-	-	-	420,067	33,701
Reserved for continued appropriations	2,527,264	-	-	-	-	-	-	-	2,527,264	2,079,152
Receipts reserved for appropriations	-	371,718	-	-	-	-	-	-	371,718	1,456,317
Reserved for construction	-	-	13,724,319	-	-	-	-	-	13,724,319	(1,033,613)
Reserved for deferred compensation plan benefits	-	-	-	-	-	7,021,047	-	-	7,021,047	8,059,265
Reserved for nonexpendable trusts	-	-	-	-	-	481,335	-	-	481,335	480,913
Unreserved	2,736,147	1,795,284	-	-	-	5,424,472	-	-	9,955,903	9,976,815
Total fund equity and other balances	5,263,411	2,556,766	13,754,622	58,985,593	1,649,847	12,926,854	127,990,451	-	223,127,544	211,079,235
TOTAL LIABILITIES AND FUND EQUITY AND OTHER BALANCES	\$ 35,191,575	\$ 2,745,338	\$ 16,517,852	\$ 69,439,426	\$ 2,542,513	\$ 13,146,258	\$ 130,469,728	\$ 25,163,430	\$ 295,216,120	\$ 263,630,582

See notes to general purpose financial statements.

(Concluded)

TOWN OF WELLESLEY, MASSACHUSETTS

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS), ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS YEAR ENDED JUNE 30, 2001

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)	
	General	Special Revenue	Capital Projects	Expendable Trust	2001	2000
REVENUES:						
Property taxes – net of abatements	\$48,364,287	\$ -	\$ -	\$ -	\$ 48,364,287	\$ 45,605,810
Intergovernmental	12,691,828	1,638,948	-	-	14,330,776	12,986,064
Motor vehicle excise tax	3,837,247	-	-	-	3,837,247	3,866,212
Local receipts	3,165,178	-	-	-	3,165,178	2,920,729
Investment income	1,951,340	-	-	239,255	2,190,595	1,853,662
School lunches	-	973,019	-	-	973,019	889,807
Parking meter receipts	-	540,097	-	-	540,097	546,909
Change in fair value of investments	-	-	-	(1,475,094)	(1,475,094)	1,007,871
Other	694,260	2,119,150	-	648,835	3,462,245	4,059,491
Total revenues	70,704,140	5,271,214	-	(587,004)	75,388,350	73,736,555
EXPENDITURES:						
Current:						
General government	3,383,759	112,870	-	-	3,496,629	3,317,580
Protection of persons and property	7,771,779	782,455	-	-	8,554,234	8,388,383
Health and sanitation	413,347	4,167	-	-	417,514	404,011
Public works	6,345,966	199,093	-	-	6,545,059	5,905,897
Public education	34,157,577	3,047,969	-	-	37,205,546	34,656,803
Recreation	727,138	64,585	-	-	791,723	777,639
Traffic and parking management	-	432,492	-	-	432,492	438,251
Veterans' services	43,455	29,882	-	-	73,337	68,391
Libraries	2,141,426	95,000	-	-	2,236,426	2,271,179
State and county assessments	1,019,278	-	-	-	1,019,278	1,010,052
Other	-	65	-	251,327	251,392	596,566
Unclassified:						
Pension	5,909,834	-	-	-	5,909,834	5,424,843
Insurance	4,784,500	-	-	-	4,784,500	4,119,883
Miscellaneous	581,527	-	-	-	581,527	387,692
Capital outlay	-	-	4,707,429	-	4,707,429	1,514,577
Debt service (including interest of \$403,392)	4,332,350	-	-	-	4,332,350	4,089,867
Total expenditures	71,611,936	4,768,578	4,707,429	251,327	81,339,270	73,371,614
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(907,796)	502,636	(4,707,429)	(838,331)	(5,950,920)	364,941

(Continued)

TOWN OF WELLESLEY, MASSACHUSETTS

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS), ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS YEAR ENDED JUNE 30, 2000

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)	
	General	Special Revenue	Capital Projects	Expendable Trust	2001	2000
OTHER FINANCING SOURCES (USES):						
Proceeds from issuance of debt	-	-	18,400,000	-	18,400,000	-
Transfers to other funds	(1,885,150)	(141,668)	(58,187)	(795,661)	(2,880,666)	(3,823,533)
Transfers from other funds	855,974	-	1,120,150	904,143	2,880,267	2,885,995
Electric fund distribution	1,000,000	-	-	-	1,000,000	800,000
Sale of land	-	-	-	-	-	1,100,000
Total other financing sources (uses)	<u>(29,176)</u>	<u>(141,668)</u>	<u>19,461,963</u>	<u>108,482</u>	<u>19,399,601</u>	<u>962,462</u>
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(936,972)	360,968	14,754,534	(729,849)	13,448,681	1,327,403
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	<u>6,200,383</u>	<u>2,195,798</u>	<u>(999,912)</u>	<u>13,175,368</u>	<u>20,571,637</u>	<u>19,244,234</u>
FUND BALANCES, END OF YEAR	<u>\$5,263,411</u>	<u>\$2,556,766</u>	<u>\$13,754,622</u>	<u>\$12,445,519</u>	<u>\$34,020,318</u>	<u>\$20,571,637</u>

(Concluded)

See notes to general purpose financial statements.

TOWN OF WELLESLEY, MASSACHUSETTS

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL (BUDGETARY BASIS), GENERAL AND SPECIAL REVENUE – TRAFFIC AND PARKING MANAGEMENT FUNDS YEAR ENDED JUNE 30, 2001

	General Fund				Special Revenue Fund – Traffic and Parking Management			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:								
Budgeted:								
Property taxes – net of abatements	\$48,362,907	\$48,362,907	\$48,364,287	\$ 1,380	\$ -	\$ -	\$ -	\$ -
Intergovernmental	6,642,416	6,642,416	6,781,994	139,578	-	-	-	-
Motor vehicle excise tax	3,875,000	3,875,000	3,837,247	(37,753)	-	-	-	-
Local receipts	2,867,667	2,896,917	3,165,178	268,261	-	-	-	-
Investment income	1,650,000	1,650,000	1,951,340	301,340	-	-	-	-
Parking meter receipts	-	-	-	-	356,317	356,317	540,097	183,780
Other	129,250	205,531	257,715	52,184	-	-	-	-
Nonbudgeted	-	-	6,346,379	6,346,379	-	-	-	-
Total revenues	<u>63,527,240</u>	<u>63,632,771</u>	<u>70,704,140</u>	<u>7,071,369</u>	<u>356,317</u>	<u>356,317</u>	<u>540,097</u>	<u>183,780</u>
EXPENDITURES:								
Current:								
General government	3,280,330	3,545,706	3,464,988	80,718	-	-	-	-
Protection of persons and property	7,608,946	8,013,286	7,907,736	105,550	-	-	-	-
Health and sanitation	454,100	458,655	448,347	10,308	-	-	-	-
Public works	5,103,893	6,551,251	6,532,877	18,374	-	-	-	-
Public education	33,425,845	34,309,239	34,207,932	101,307	-	-	-	-
Recreation	847,613	867,823	739,126	128,697	-	-	-	-
Veterans' services	53,844	55,909	43,455	12,454	-	-	-	-
Libraries	2,165,808	2,197,503	2,155,289	42,214	-	-	-	-
State and county assessments	980,643	980,643	1,019,278	(38,635)	-	-	-	-
Traffic and parking management	-	-	-	-	356,317	463,817	432,492	31,325
Unclassified	5,534,940	5,367,509	5,183,731	183,778	-	-	-	-
Debt service	4,339,620	4,339,620	4,332,350	7,270	-	-	-	-
Nonbudgeted	-	-	6,095,822	(6,095,822)	-	-	-	-
Total expenditures	<u>63,795,582</u>	<u>66,687,144</u>	<u>72,130,931</u>	<u>(5,443,787)</u>	<u>356,317</u>	<u>463,817</u>	<u>432,492</u>	<u>31,325</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	<u>(268,342)</u>	<u>(3,054,373)</u>	<u>(1,426,791)</u>	<u>1,627,582</u>	<u>-</u>	<u>(107,500)</u>	<u>107,605</u>	<u>215,105</u>
OTHER FINANCING SOURCES (USES):								
Operating transfers in	75,000	853,849	855,974	(2,125)	-	-	-	-
Operating transfers (out)	(765,000)	(1,883,500)	(1,885,150)	1,650	-	-	-	-
Nonbudgeted	-	-	518,995	(518,995)	-	-	-	-
Electric fund distribution	1,000,000	1,000,000	1,000,000	-	-	-	-	-
Total other financing sources (uses)	<u>310,000</u>	<u>(29,651)</u>	<u>489,819</u>	<u>(519,470)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>41,658</u>	<u>(3,084,024)</u>	<u>(936,972)</u>	<u>2,147,052</u>	<u>-</u>	<u>(107,500)</u>	<u>107,605</u>	<u>215,105</u>
FUND BALANCE, BEGINNING OF YEAR	<u>6,200,383</u>	<u>6,200,383</u>	<u>6,200,383</u>	<u>-</u>	<u>718,943</u>	<u>718,943</u>	<u>718,943</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 6,242,041</u>	<u>\$ 3,116,359</u>	<u>\$ 5,263,411</u>	<u>\$ 2,147,052</u>	<u>\$718,943</u>	<u>\$611,443</u>	<u>\$826,548</u>	<u>\$ 215,105</u>

See notes to general purpose financial statements.

TOWN OF WELLESLEY, MASSACHUSETTS

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS, ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUNDS YEAR ENDED JUNE 30, 2001

	Enterprise	Internal Service	Nonexpendable Trust Funds	Total (Memorandum Only) 2001	Total 2000
OPERATING REVENUES	<u>\$27,625,894</u>	<u>\$9,518,499</u>	<u>\$ -</u>	<u>\$37,144,393</u>	<u>\$34,340,168</u>
OPERATING EXPENSES:					
Production (purchased power)	16,965,577	-	-	16,965,577	13,303,793
Transmission and distribution	1,701,790	-	-	1,701,790	1,830,887
Source of supply	584,993	-	-	584,993	401,666
Pumping and treatment	654,906	-	-	654,906	577,146
Collection	3,846,937	-	-	3,846,937	3,856,336
Customer accounts	550,333	-	-	550,333	470,289
Administrative and general	1,261,346	-	-	1,261,346	1,216,898
Supplies and services	-	10,126,314	-	10,126,314	8,672,749
Depreciation	<u>2,173,375</u>	<u>-</u>	<u>-</u>	<u>2,173,375</u>	<u>1,959,256</u>
Total operating expenses	<u>27,739,257</u>	<u>10,126,314</u>	<u>-</u>	<u>37,865,571</u>	<u>32,289,020</u>
OPERATING (LOSS) INCOME	<u>(113,363)</u>	<u>(607,815)</u>	<u>-</u>	<u>(721,178)</u>	<u>2,051,148</u>
NONOPERATING REVENUES:					
Change in fair value of investments	-	(69,054)	-	(69,054)	1,036,103
Interest	96,769	-	-	96,769	172,517
Other – net	<u>90,008</u>	<u>-</u>	<u>23</u>	<u>90,031</u>	<u>(18,148)</u>
Total nonoperating revenues	<u>186,777</u>	<u>(69,054)</u>	<u>23</u>	<u>117,746</u>	<u>1,190,472</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	73,414	(676,869)	23	(603,432)	3,241,620
OPERATING TRANSFERS:					
Payment to Town in lieu of taxes	(1,000,000)	-	-	(1,000,000)	(800,000)
Transfers to other funds	-	-	-	-	(3,953)
Transfers from other funds	<u>-</u>	<u>-</u>	<u>399</u>	<u>399</u>	<u>941,491</u>
NET (LOSS) INCOME	(926,586)	(676,869)	422	(1,603,033)	3,379,158
RETAINED EARNINGS, BEGINNING OF YEAR	<u>40,209,606</u>	<u>2,326,716</u>	<u>480,913</u>	<u>43,017,235</u>	<u>39,638,077</u>
RETAINED EARNINGS, END OF YEAR	<u>\$39,283,020</u>	<u>\$1,649,847</u>	<u>\$481,335</u>	<u>\$41,414,202</u>	<u>\$43,017,235</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION AND CONTRIBUTED CAPITAL, BEGINNING OF YEAR	\$19,341,063	\$ -	\$ -	\$19,341,063	\$17,765,652
CONTRIBUTIONS IN AID OF CONSTRUCTION	<u>361,510</u>	<u>-</u>	<u>-</u>	<u>361,510</u>	<u>1,575,411</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION AND CONTRIBUTED CAPITAL, END OF YEAR	<u>\$19,702,573</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$19,702,573</u>	<u>\$19,341,063</u>

See notes to general purpose financial statements.

TOWN OF WELLESLEY, MASSACHUSETTS

COMBINED STATEMENT OF CASH FLOWS, ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS YEAR ENDED JUNE 30, 2001

	Enterprise	Internal Service	Nonexpendable Trust Funds	Total (Memorandum Only) 2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating (loss) income	\$ (113,363)	\$ (607,815)	\$ -	\$ (721,178)	\$ 2,051,148
Adjustments to reconcile operating (loss) income to net cash flows from operating activities:					
Depreciation and amortization	2,291,208	-	-	2,291,208	2,087,550
Loss on disposal of fixed assets	87,779	-	-	87,779	248,610
Cash paid to Town in lieu of taxes	(1,000,000)	-	-	(1,000,000)	(800,000)
Transfer to other funds	-	-	-	-	(3,953)
Transfer from other funds	-	-	-	-	941,491
Changes in assets and liabilities:					
Customer accounts receivable	1,488,643	-	-	1,488,643	(476,893)
Inventory	(81,213)	-	-	(81,213)	42,391
Other assets	-	594,913	-	594,913	(569,213)
Accounts payable and accrued expenses	1,059,747	128,085	-	1,187,832	665,958
Other liabilities	23,792	-	-	23,792	(72,752)
Total adjustments	<u>3,869,956</u>	<u>722,998</u>	<u>-</u>	<u>4,592,954</u>	<u>2,063,189</u>
Net cash flows from operating activities	<u>3,756,593</u>	<u>115,183</u>	<u>-</u>	<u>3,871,776</u>	<u>4,114,337</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Proceeds from merchandising, jobbing, damages, equipment operation, installations and other nonoperating activities	968,618	-	422	969,040	732,074
Payments for merchandising, jobbing, damages, equipment operation, installations and other nonoperating activities	(589,133)	-	-	(589,133)	(418,029)
Net cash flows from noncapital financing activities	<u>379,485</u>	<u>-</u>	<u>422</u>	<u>379,907</u>	<u>314,045</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from bond anticipation note	425,000	-	-	425,000	610,000
Principal payments on bond anticipation note	-	-	-	-	(800,000)
Principal payments on general obligation bonds	(1,050,000)	-	-	(1,050,000)	(440,000)
Interest paid	(289,477)	-	-	(289,477)	(332,193)
Capital expenditures	(4,230,484)	-	-	(4,230,484)	(5,002,342)
Contributions in aid of construction	361,510	-	-	361,510	1,575,411
MWRA connection fee	-	-	-	-	(25,275)
Net cash flows used in capital and related financing activities	<u>(4,783,451)</u>	<u>-</u>	<u>-</u>	<u>(4,783,451)</u>	<u>(4,414,399)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Change in short-term investments	4,141,935	142,113	-	4,284,048	(3,312,647)
Change in fair value of investments	-	(69,054)	-	(69,054)	1,036,103
Interest received	96,769	-	-	96,769	172,517
Net cash flows from (used in) investing activities	<u>4,238,704</u>	<u>73,059</u>	<u>-</u>	<u>4,311,763</u>	<u>(2,104,027)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	3,591,331	188,242	422	3,779,995	(2,090,044)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,932,823</u>	<u>71,681</u>	<u>480,913</u>	<u>4,485,417</u>	<u>6,575,461</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 7,524,154</u>	<u>\$ 259,923</u>	<u>\$ 481,335</u>	<u>\$ 8,265,412</u>	<u>\$ 4,485,417</u>

See notes to general purpose financial statements.

TOWN OF WELLESLEY, MASSACHUSETTS

STATEMENT OF CHANGES IN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (FUND BALANCE RESERVED FOR EMPLOYEES' PENSION BENEFITS) YEAR ENDED DECEMBER 31, 2000

ADDITIONS:

Contributions:

Participant contributions	\$ 1,692,814
Housing Authority and other contributions	<u>1,228,981</u>

Total contributions	<u>2,921,795</u>
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Net investment income:

Net depreciation in fair value of investments	(6,921,570)
Interest and dividend income	<u>10,573,673</u>

Total investment income	3,652,103
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Less investment expense	<u>(609,893)</u>
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Net investment income	<u>3,042,210</u>
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Total additions	<u>5,964,005</u>
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DEDUCTIONS:

Benefits	6,014,592
Pension reimbursements	<u>108,262</u>

Total deductions	<u>6,122,854</u>
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NET DECREASE	(158,849)
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NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR (Fund balance reserved for employees' pension benefits)	<u>128,149,300</u>
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NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR (Fund balance reserved for employees' pension benefits)	<u>\$ 127,990,451</u>
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See notes to general purpose financial statements.

TOWN OF WELLESLEY, MASSACHUSETTS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUND YEAR ENDED JUNE 30, 2001

	Balance, June 30, 2001	Additions	Deductions	Balance, June 30, 2002
ASSETS				
CASH	<u>\$171,400</u>	<u>\$60,436</u>	<u>\$27,451</u>	<u>\$204,385</u>
TOTAL ASSETS	<u>\$171,400</u>	<u>\$60,436</u>	<u>\$27,451</u>	<u>\$204,385</u>
LIABILITIES				
OTHER LIABILITIES	<u>\$171,400</u>	<u>\$60,436</u>	<u>\$27,451</u>	<u>\$204,385</u>
TOTAL LIABILITIES	<u>\$171,400</u>	<u>\$60,436</u>	<u>\$27,451</u>	<u>\$204,385</u>

See notes to general purpose financial statements.

TOWN OF WELLESLEY, MASSACHUSETTS

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose 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, except for fixed assets. 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 general purpose 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. **Basis of Presentation** – The accounts of the Town are organized on the basis of funds and an account group, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements into three broad fund categories composed of seven fund types and one account group as follows:

Governmental Funds

General Fund is the principal fund of the Town and is used to account for financial transactions not properly accounted for in another fund.

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).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. *Basis of Presentation (Continued)* – **Governmental Funds (Continued)**

Capital Projects Funds are used to account for resources used for the acquisition of major capital assets except those financed entirely by the General or Proprietary Funds.

Proprietary Funds

Enterprise Funds are used to account for operations 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.

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 Funds are 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.

Fiduciary Funds

Trust and Agency Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Expendable Trust and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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.

Account Group

The General Long-Term Obligations Account Group is used to account for general obligation bonds and other forms of long-term obligations of the Town that are backed by the full faith and credit of the Town and not recorded within Proprietary Funds.

- c. *Measurement Focus* – All Governmental Funds and Expendable Trust Funds are accounted for on a spending or “financial flow” measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheets. The reported fund balance is considered a measure of “available spendable resources.” Governmental Fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Accordingly, such statements present a summary of sources and uses of “available spendable resources” during a period.

Long-term receivables payable to the Town's Governmental Funds represent property tax receivables recognized in advance of the year for which they are levied. These receivables are recorded as deferred revenues and recognized as revenue in the year for which they are levied.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- c. **Measurement Focus (Continued)** – Because of its spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as Governmental Fund-type expenditures or fund liabilities, but are reported as liabilities in the General Long-Term Obligations Account Group.

Proprietary Funds are accounted for on a cost of services or “capital maintenance” measurement focus. With this measurement focus, all assets and all liabilities (whether current or noncurrent) associated with their activity are included on the balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary Fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

- d. **Basis of Accounting** – Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the general purpose financial statements. Basis of accounting relates to the timing of measurements made regardless of the measurement focus applied.

Governmental Funds and Expendable Trust Funds are accounted for using the modified accrual basis of accounting. These revenues are recognized when they become measurable and available as net current assets. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary sources of revenue considered susceptible to accrual consist principally of real estate and personal property taxes, motor vehicle excise taxes, amounts due under grants, charges for services and investment income. Property taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year end.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated vacation, sick pay, and other employee amounts which are not to be liquidated from expendable and available resources; and (2) principal and interest on general long-term debt which are recognized when due.

Agency Fund assets and liabilities are accounted for on the modified accrual basis of accounting.

Proprietary Funds, Nonexpendable Trust Funds and the Contributory Retirement System are accounted for using the accrual basis of accounting. These revenues are recognized when they are earned, and these expenses are recognized when they are incurred.

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 applicable GASB pronouncements and all applicable Financial Accounting Standards Board (“FASB”) pronouncements in accounting and reporting for its enterprise fund operations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- e. Budgets 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 and Internal Service Funds 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 combined 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 combined statement of revenues, expenditures, and changes in fund balance, budget and actual (budgetary basis), General and Special Revenue – Traffic and Parking Management Funds 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.

- f. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- g. 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.

- h. 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.

- i. 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.

- j. Fixed Assets* – Fixed assets, other than those accounted for in the Enterprise Funds, are not recorded as assets in a general fixed-assets account group when acquired. Funds used to acquire such fixed assets and make the debt service payments on borrowings in connection therewith are accounted for as expenditures in the year payments are made. GAAP requires that general fixed assets be accounted for in a separate fixed-assets account group.

In the Enterprise Funds, property, plant and equipment are stated at cost; depreciation is provided over the estimated useful lives of the various classes of assets using the straight-line method.

- k. Revenues of Enterprise Funds* – Customers' meters are read and bills are rendered on a cycle basis.

- l. Accumulated Unpaid Vacation and Sick Pay* – Compensated absences incurred by Governmental and Enterprise Fund types are recorded in the funds if they normally will be liquidated with then-expendable available resources; otherwise, they are recorded in the General Long-Term Obligations Account Group. 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.

- m. Transfers* – Transfers of resources from a fund-receiving revenue to the fund through which the resources are to be expended are recorded as operating transfers and are reported as other financing sources (uses).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- n. **Fund Equity** – Contributed capital is recorded in Enterprise Funds within Proprietary Fund Types that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not able to be appropriated for expenditure or which are legally segregated for a specific future use.
- o. **Total Columns on Combined Statements** – The total columns on the combined statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with GAAP. Additionally, such data is not comparable to a consolidation. Interfund eliminations have not been considered in the aggregation of this data.
- p. **On-Behalf Payments** – During fiscal year 1996, the Town was required to adopt GASB Statement No. 24, “Accounting and Financial Reporting for Certain Grants and Other Financial Assistance.” GASB Statement No. 24 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.

For the fiscal year ended June 30, 2001, 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 general purpose financial statements include the required adjustments, which have increased both intergovernmental revenues and pension expenditures by \$5,909,834.

- q. **Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

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 general purpose financial statements.

- r. **Comparative Data/Reclassifications** – Comparative total data for the prior year have been presented in selected sections of the accompanying general purpose financial statements in order to provide an understanding of the changes in the Town’s financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation.
- s. **Implementation of New Accounting Pronouncements** – During fiscal year 2001, the Town was required to implement the provisions of GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions,” and GASB Statement No. 36, “Recipient Reporting for Certain Shared Nonexchange Revenues an amendment of GASB Statement No. 33.” The provisions of these standards did not have a material impact on the Town.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- t. **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, 2001:

Statement No.		Adoption Required in Fiscal Year
34	“Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments”	June 30, 2003
37	“Basic Financial Statements and Management Discussion and Analysis for State and Local Governments; Omnibus”	June 30, 2003
38	“Certain Financial Statement Note Disclosures”	June 30, 2003

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

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.

The assessed value for the tax roll, upon which the original fiscal year 2001 levy was based, was \$5,498,513,500.

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. 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 combined 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 United States 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 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.

Deposits, including restricted amounts (see Note 4) of \$567,554 at June 30, 2001 (December 31, 2000 as to the Contributory Retirement System), are summarized as follows:

	Bank Balance	Carrying Amount	Insured Amount
Financial institutions	\$ 4,705,732	\$ 4,522,859	\$321,238
Massachusetts Municipal Depository Trust	<u>23,215,932</u>	<u>23,215,932</u>	<u>-</u>
Total	<u>\$27,921,664</u>	<u>\$27,738,791</u>	<u>\$321,238</u>

Investments – The following tables summarize the fair value and risk characteristics (categories) of the Town’s and the Contributory Retirement 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 Contributory Retirement System.

3. CASH AND INVESTMENTS (CONTINUED)

Investments (Continued) – Investments (excluding Contributory Retirement System amounts, see below) at June 30, 2001 are summarized as follows:

	Category			Fair Value
	1	2	3	
U.S. Government obligations	\$2,302,019	\$ -	\$ -	\$ 2,302,019
U.S. Government agency obligations	615,233	14,380,465	-	14,995,698
Equity securities	4,287,683	-	-	4,287,683
Other	<u>186,865</u>	<u>-</u>	<u>-</u>	<u>186,865</u>
	<u>\$7,391,800</u>	<u>\$14,380,465</u>	<u>\$ -</u>	21,772,265
Mutual funds				<u>7,743,946</u>
Total				<u>\$29,516,211</u>

Investments of the Contributory Retirement System at December 31, 2000 are summarized as follows:

	Category			Fair Value
	1	2	3	
U.S. Government obligations	\$ -	\$ -	\$ 7,708,761	\$ 7,708,761
U.S. Government agency obligations	-	-	7,847,691	7,847,691
Equity securities	-	-	60,582,378	60,582,378
Corporate debt	-	-	32,059,611	32,059,611
Short-term investment fund	<u>-</u>	<u>-</u>	<u>3,041,682</u>	<u>3,041,682</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$111,240,123</u>	111,240,123
Mutual funds				<u>16,134,976</u>
Total				<u>\$127,375,099</u>

At December 31, 2000, 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 fair value.

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, 2001, the Depreciation Fund maintained a balance of \$567,554.

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.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment for the Town’s Enterprise Funds at June 30, 2001 is summarized as follows:

Transmission	\$ 11,092,705
Distribution, collection and other plant	67,650,767
Vehicles and other equipment	1,946,219
Construction in progress	239,554
Less accumulated depreciation	<u>(28,977,550)</u>
Total	<u>\$ 51,951,695</u>

Total depreciation and amortization expense for the year ended June 30, 2001 aggregated \$2,291,208, of which \$117,833 is included with other operating expenses in the accompanying combined statement of revenues, expenses, and changes in retained earnings, all proprietary fund types and nonexpendable trust funds.

6. LONG-TERM OBLIGATIONS

General Long-Term Debt – General long-term debt at June 30, 2001 is summarized as follows:

General Obligation Bonds:

1992 corporate purpose bond issue for school renovations, due in semiannual installments through 2002, 4.5% – 5.6%	\$ 375,000
1994 corporate bond issue for school renovations, due in semiannual installments through 2004, 4.30% – 4.90%	1,655,000
1994 corporate bond issue for street reconstructions, due in semiannual installments through 2004, 4.30% – 4.90%	195,000
1995 corporate bond issue for police station construction, oil tank removal, platform aerial truck and redesign plans, due in semiannual installments through 2005, 4.10% – 5.00%	2,000,000
1996 corporate bond issue for storm drain improvements, oil tank removal, and solid waste facility improvements, due in semiannual installments through 2006, 4.7% – 5.90%	1,885,000
2001 corporate bond issue for Sprague School, due in semiannual installments through 2016, 4.00% – 4.75%	15,995,000
2001 corporate bond issue for Street Improvement, due in semiannual installments through 2008, 4.00% – 4.75%	1,985,000
2001 corporate bond issue for Street Improvement, due in semiannual installments through 2006, 4.05% – 4.75%	<u>420,000</u>
Total	<u>\$24,510,000</u>

The annual debt service requirements of all outstanding general long-term debt of the Town at June 30, 2001 are summarized as follows:

Fiscal year	Principal	Interest	Total
2002	\$ 2,990,000	\$1,093,243	\$ 4,083,243
2003	2,650,000	929,806	3,579,806
2004	2,555,000	812,215	3,367,215
2005	1,945,000	698,276	2,643,276
2006	1,440,000	610,599	2,050,599
Thereafter	<u>12,930,000</u>	<u>2,676,560</u>	<u>15,606,560</u>
	<u>\$24,510,000</u>	<u>\$6,820,699</u>	<u>\$31,330,699</u>

6. LONG-TERM OBLIGATIONS (CONTINUED)

General Long-Term Debt (Continued) – General obligation bonds authorized and unissued at June 30, 2001 are summarized as follows:

Purpose	Year Authorized	
Bates School Repairs/Improvements	2001	\$ 285,000
Central Fire Station	2001	165,000
Street/Sidewalk Reconstruction	2001	300,000
H.S. Bleachers/Hunnewell Field Lighting	2001	250,000
New Wellesley Free Library	2001	13,410,000
Warren School Final Design	2001	455,000
Glen Road Sidewalk	2001	115,000
Pond Restoration	2000	175,000
Intersection Improvements – Linden/Crest	2000	240,000
Street Improvements – Barton	2000	310,000
Library Construction Plans	1999	330,000
Elementary School Construction Plans	1999	225,000
Elementary School Addition/Reconstruction	1999	250,000
Fire Station Repairs	1999	195,000
Police Station Improvements	1999	210,000
Water System Improvements	1999	425,000
Town Hall Improvements	1998	180,000
Town Hall Repairs	1997	<u>225,000</u>
Total		<u>\$17,745,000</u>

Changes in general long-term debt for the year ended June 30, 2001 are summarized as follows:

	Bonds		Total
	Inside the Debt Limit	Outside the Debt Limit	
Balance, June 1, 2000	\$ 6,339,000	\$7,696,000	\$14,035,000
Additions	18,400,000	-	18,400,000
Retirements	<u>(1,959,000)</u>	<u>(786,000)</u>	<u>(2,745,000)</u>
Balance, June 30, 2001	<u>\$22,780,000</u>	<u>\$6,910,000</u>	<u>\$29,690,000</u>

	Other Long-Term Obligations
Balance, June 1, 2000	\$ 763,698
Additions	-
Net decrease	<u>(110,268)</u>
Balance, June 30, 2001	<u>\$ 653,430</u>

6. LONG-TERM OBLIGATIONS (CONTINUED)

General Long-Term Debt (Continued) – On June 7, 2001, 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, 2001. The Note, in the amount of \$2,980,000, is payable on June 7, 2002 and bears interest at the rate of 4.73%.

Enterprise Fund Debt – Enterprise Fund debt at June 30, 2001 is summarized as follows:

1998 corporate bond issue for water system improvements, due in semiannual installments through 2013, 4.15% – 5.00%	<u>\$5,180,000</u>
Total	<u>\$5,180,000</u>

The annual debt service requirements of all outstanding Enterprise Fund debt of the Town at June 30, 2001 are summarized as follows:

Fiscal Year	Principal	Interest	Total
2002	\$ 440,000	\$ 233,468	\$ 673,468
2003	440,000	215,205	655,205
2004	430,000	196,725	626,725
2005	430,000	178,235	608,235
2006	430,000	159,315	589,315
Thereafter	<u>3,010,000</u>	<u>569,962</u>	<u>3,579,962</u>
	<u>\$5,180,000</u>	<u>\$1,552,910</u>	<u>\$6,732,910</u>

Changes in Enterprise Fund debt for the year ended June 30, 2001 are summarized as follows:

	Bonds		Total
	Inside the Debt Limit	Outside the Debt Limit	
Balance, June 1, 2000	\$ -	\$5,620,000	\$5,620,000
Additions	-	-	-
Retirements	<u>-</u>	<u>(440,000)</u>	<u>(440,000)</u>
Balance, June 30, 2001	<u>\$ -</u>	<u>\$5,180,000</u>	<u>\$5,180,000</u>

7. COMPONENTS OF GENERAL FUND BALANCE

The fund balance shown in the General Fund financial statements includes “Surplus Revenue” and other accounts maintained by the Town in accordance with the Commonwealth’s statutes and requirements prescribed by the Bureau of Accounts. At the time the annual budget is approved by the Town Meeting, the amounts of the fund balances, which will be utilized to finance the succeeding fiscal year’s operations, are transferred from unappropriated fund balances to appropriated fund balances. The components of the General Fund balance at June 30, 2001 are as follows:

Continued appropriations		\$2,527,264
Appropriated fund balance:		
Appropriations budgeted for succeeding year	\$ 67,850,327	
Revenue budgeted for succeeding year – tax levy and other	<u>(67,850,327)</u>	<u>-</u>
Reserved for continued appropriation		2,527,264
Unappropriated fund balance – undesignated		<u>2,722,318</u>
General Fund balance		<u><u>\$5,249,582</u></u>

8. CONTINUED APPROPRIATIONS

The changes in the combined General Fund and Internal Service Fund continued appropriations for the year ended June 30, 2001 are summarized as follows:

	Balance, June 30, 2000	Encumbrances and Expenditures	Additions, Net of Transfers	Balance, June 30, 2001
General Fund:				
General government	\$ 283,489	\$ 111,393	\$ 192,122	\$ 364,218
Protection of persons and property	209,384	188,609	307,890	328,665
Education	-	-	50,355	50,355
Public works	1,565,706	957,704	1,091,847	1,699,849
Health	-	-	35,000	35,000
Recreation	7,889	1,837	13,825	19,877
Library	18,242	7,858	21,721	32,105
Other	<u>(5,558)</u>	<u>(36,765)</u>	<u>(34,012)</u>	<u>(2,805)</u>
Subtotal	2,079,152	1,230,636	1,678,748	2,527,264
Internal Service Fund – supplies and services	<u>1,996,613</u>	<u>10,126,314</u>	<u>9,518,499</u>	<u>1,388,798</u>
Total	<u><u>\$4,075,765</u></u>	<u><u>\$11,356,950</u></u>	<u><u>\$11,197,247</u></u>	<u><u>\$3,916,062</u></u>

9. CONTRIBUTORY RETIREMENT SYSTEM

- a. **System Description** – The following brief description of the Town of Wellesley 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.

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.

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.

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.

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.

9. CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)

- a. ***System Description (Continued)*** – Active participants contribute either 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 (2.1% during calendar year 2000). 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.

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 either 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.

9. CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)

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

	2000	1999	1998
Annual pension cost (“APC”)	\$ -	\$ -	\$ -
Contributions made	<u>-</u>	<u>-</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, 1999 actuarial valuation using the individual entry-age normal cost method. The actuarial assumptions included (a) 7.5% investment rate of return and (b) projected salary increases ranging from 4.0% to 5.0% per year. Both (a) and (b) included a blended inflation rate of 3.5%. 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.

The payroll for teaching employees of the Town’s School Department covered by the Massachusetts State Teachers Retirement System (see Note 10) for the year ended December 31, 2000 was \$20,912,648.

10. 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, 2001 was \$77,190. The unfunded vested benefit as of December 31, 2000 was \$559,896.

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

10. OTHER RETIREMENT PLANS (CONTINUED)

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 10, 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 the individual is covered by Medicare, 50% of the Medicare supplement is provided. The Town's expenditures for these benefits were approximately \$1,628,000 for the year ended June 30, 2001.

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 12.

11. 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 an expendable trust 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.

12. 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.

12. RISK MANAGEMENT (CONTINUED)

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, 2001, the Group had a fund balance of approximately \$86,000. 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, 2001, the Town's mandatory deposit, discussed above, is sufficient to cover the Town's projected liability as of that date.

The Town is self-insured for workers' compensation claims. An actuary, Tillinghast-Towers Perrin, was hired to estimate the losses which the Town would have to pay under the self-insured plan. The Town recorded a liability in its Internal Service Fund to reserve against future losses in accordance with Statement of Financial Accounting Standards ("SFAS") No. 5. 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 \$200,000 per employee.

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

	2001	2000
Balance, beginning of year	\$ 706,000	\$ 638,591
Current claims and changes in estimates	329,167	406,262
Claims/payments	<u>(257,167)</u>	<u>(338,853)</u>
Balance, end of year	<u>\$ 778,000</u>	<u>\$ 706,000</u>

13. COMMITMENTS AND CONTINGENCIES

The Town has been named as a defendant in a number of lawsuits at June 30, 2001. In the opinion of Town officials, the ultimate resolution of these legal actions will not result in a material loss to the Town.

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.

14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Town maintains Enterprise Funds which provide electric, water and sewer services. Segment information for the year ended June 30, 2001 is as follows:

	Electric Fund	Water Fund	Sewer Fund	Total Enterprise Funds
Operating revenue	\$ 18,967,914	\$ 3,625,770	\$ 5,032,210	\$27,625,894
Depreciation	1,351,718	694,823	244,667	2,291,208
Operating (loss) income	(1,126,327)	607,024	405,940	(113,363)
Net (loss) income	(1,668,258)	326,712	414,960	(926,586)
Net additions to property, plant and equipment	4,154,478	334,193	9,823	4,498,494
Net working capital	6,158,371	2,459,918	2,722,205	11,340,494
Total assets	38,130,509	18,013,860	13,295,057	69,439,426
Bonds and other long-term liabilities – payable from operating revenues	-	5,180,000	-	5,180,000
Total equity	33,499,796	12,258,729	13,227,068	58,985,593

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TOWN OF WELLESLEY, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION – SCHEDULE OF FUNDING PROGRESS OF THE TOWN OF WELLESLEY CONTRIBUTORY RETIREMENT SYSTEM YEARS ENDED DECEMBER 31, 2000, 1998, 1996 AND 1994

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

See note to required supplementary information.

TOWN OF WELLESLEY, MASSACHUSETTS

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION YEARS ENDED DECEMBER 31, 2000, 1998, 1996 AND 1994

1. 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, 2001
- *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 – 7.5%
 - Projected salary increases* – 4.0%-5.0%
 - Cost-of-living adjustments – 3.0%

*Includes inflation at 3.5%.

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TOWN OF WELLESLEY, MASSACHUSETTS

COMBINING BALANCE SHEET – ENTERPRISE FUNDS JUNE 30, 2001

ASSETS	Electric Fund	Water Fund	Sewer Fund	Total
CASH AND CASH EQUIVALENTS	\$ 5,316,569	\$ 1,105,704	\$ 1,101,881	\$ 7,524,154
INVESTMENTS	3,334,146	1,065,739	1,249,025	5,648,910
CUSTOMER ACCOUNTS RECEIVABLE (Net of allowance of \$13,500)	2,138,369	438,606	439,288	3,016,263
INVENTORY	646,274	57,084	-	703,358
RESTRICTED ASSETS	567,554	-	-	567,554
PROPERTY, PLANT AND EQUIPMENT – Net	26,100,105	15,346,727	10,504,863	51,951,695
OTHER ASSETS	<u>27,492</u>	<u>-</u>	<u>-</u>	<u>27,492</u>
TOTAL ASSETS	<u>\$38,130,509</u>	<u>\$18,013,860</u>	<u>\$13,295,057</u>	<u>\$69,439,426</u>
LIABILITIES AND RETAINED EARNINGS				
LIABILITIES:				
Accounts payable and accrued expenses	\$ 4,155,999	\$ 106,746	\$ 67,989	\$ 4,330,734
Bond anticipation note	-	425,000	-	425,000
Long-term debt	-	5,180,000	-	5,180,000
Other liabilities	<u>474,714</u>	<u>43,385</u>	<u>-</u>	<u>518,099</u>
Total liabilities	<u>4,630,713</u>	<u>5,755,131</u>	<u>67,989</u>	<u>10,453,833</u>
RETAINED EARNINGS AND OTHER BALANCES:				
Contribution in aid of construction	4,839,985	3,141,466	4,636,574	12,618,025
Contributed capital	152,331	1,355,463	5,576,754	7,084,548
Retained earnings – unreserved	<u>28,507,480</u>	<u>7,761,800</u>	<u>3,013,740</u>	<u>39,283,020</u>
Total retained earnings and other balances	<u>33,499,796</u>	<u>12,258,729</u>	<u>13,227,068</u>	<u>58,985,593</u>
TOTAL LIABILITIES AND RETAINED EARNINGS AND OTHER BALANCES	<u>\$38,130,509</u>	<u>\$18,013,860</u>	<u>\$13,295,057</u>	<u>\$69,439,426</u>

TOWN OF WELLESLEY, MASSACHUSETTS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS – ENTERPRISE FUNDS YEAR ENDED JUNE 30, 2001

	Electric Fund	Water Fund	Sewer Fund	Total
OPERATING REVENUES	<u>\$18,967,914</u>	<u>\$3,625,770</u>	<u>\$ 5,032,210</u>	<u>\$27,625,894</u>
OPERATING EXPENSES:				
Production (purchased power)	16,965,577	-	-	16,965,577
Transmission and distribution	1,002,751	699,039	-	1,701,790
Source of supply	-	584,993	-	584,993
Pumping and treatment	-	490,347	164,559	654,906
Collection	-	-	3,846,937	3,846,937
Customer accounts	304,387	166,338	79,608	550,333
Administrative and general	556,870	401,852	302,624	1,261,346
Depreciation	<u>1,264,656</u>	<u>676,177</u>	<u>232,542</u>	<u>2,173,375</u>
Total operating expenses	<u>20,094,241</u>	<u>3,018,746</u>	<u>4,626,270</u>	<u>27,739,257</u>
OPERATING (LOSS) INCOME	<u>(1,126,327)</u>	<u>607,024</u>	<u>405,940</u>	<u>(113,363)</u>
NONOPERATING REVENUES (EXPENSES):				
Interest	80,759	8,477	7,533	96,769
Other – net	<u>377,310</u>	<u>(288,789)</u>	<u>1,487</u>	<u>90,008</u>
Total nonoperating revenues (expenses)	<u>458,069</u>	<u>(280,312)</u>	<u>9,020</u>	<u>186,777</u>
(LOSS) INCOME BEFORE OPERATING TRANSFERS	(668,258)	326,712	414,960	73,414
OPERATING TRANSFERS – Payment to				
Town in lieu of taxes	<u>(1,000,000)</u>	<u>-</u>	<u>-</u>	<u>(1,000,000)</u>
NET (LOSS) INCOME	(1,668,258)	326,712	414,960	(926,586)
RETAINED EARNINGS, BEGINNING OF YEAR	<u>30,175,738</u>	<u>7,435,088</u>	<u>2,598,780</u>	<u>40,209,606</u>
RETAINED EARNINGS, END OF YEAR	<u>\$28,507,480</u>	<u>\$7,761,800</u>	<u>\$ 3,013,740</u>	<u>\$39,283,020</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION AND CONTRIBUTED CAPITAL, BEGINNING OF YEAR	\$ 4,669,989	\$4,465,309	\$10,205,765	\$19,341,063
CONTRIBUTIONS IN AID OF CONSTRUCTION	<u>322,326</u>	<u>31,620</u>	<u>7,564</u>	<u>361,510</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION AND CONTRIBUTED CAPITAL, END OF YEAR	<u>\$ 4,992,315</u>	<u>\$4,496,929</u>	<u>\$10,213,329</u>	<u>\$19,702,573</u>

TOWN OF WELLESLEY, MASSACHUSETTS

COMBINING STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS YEAR ENDED JUNE 30, 2001

	Electric Fund	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating (loss) income	\$(1,126,327)	\$ 607,024	\$ 405,940	\$ (113,363)
Adjustments to reconcile operating (loss) income to net cash flows from operating activities:				
Depreciation and amortization	1,351,718	694,823	244,667	2,291,208
Loss on disposal of fixed assets	40,280	47,114	385	87,779
Cash paid to Town in lieu of taxes	(1,000,000)	-	-	(1,000,000)
Changes in assets and liabilities:				
Customer accounts receivable	1,155,908	179,535	153,200	1,488,643
Inventory	(86,713)	5,500	-	(81,213)
Other assets	-	-	-	-
Accounts payable and accrued expenses	1,034,375	(4,109)	29,481	1,059,747
Other liabilities	(3,853)	27,645	-	23,792
Total adjustments	<u>2,491,715</u>	<u>950,508</u>	<u>427,733</u>	<u>3,869,956</u>
Net cash flows from operating activities	<u>1,365,388</u>	<u>1,557,532</u>	<u>833,673</u>	<u>3,756,593</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Proceeds from merchandising, jobbing, damages, equipment operation, installations and other nonoperating activities	779,111	157,122	32,385	968,618
Payments for merchandising, jobbing, damages, equipment operation, installations and other nonoperating activities	(375,857)	(182,378)	(30,898)	(589,133)
Net cash flows from (used in) noncapital financing activities	<u>403,254</u>	<u>(25,256)</u>	<u>1,487</u>	<u>379,485</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from bond anticipation note	-	425,000	-	425,000
Principal payments on bond anticipation note	-	-	-	-
Principal payments on general obligation bonds	-	(1,050,000)	-	(1,050,000)
Interest paid	(25,944)	(263,533)	-	(289,477)
Capital expenditures	(3,845,474)	(295,595)	(89,415)	(4,230,484)
Contributions in aid of construction	322,326	31,620	7,564	361,510
Net cash flows used in capital and related financing activities	<u>(3,549,092)</u>	<u>(1,152,508)</u>	<u>(81,851)</u>	<u>(4,783,451)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Change in short-term investments	3,958,713	182,198	1,024	4,141,935
Interest received	80,759	8,477	7,533	96,769
Net cash flows from investing activities	<u>4,039,472</u>	<u>190,675</u>	<u>8,557</u>	<u>4,238,704</u>
CHANGE IN CASH AND CASH EQUIVALENTS	2,259,022	570,443	761,866	3,591,331
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,057,547</u>	<u>535,261</u>	<u>340,015</u>	<u>3,932,823</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,316,569</u>	<u>\$ 1,105,704</u>	<u>\$ 1,101,881</u>	<u>\$ 7,524,154</u>

TOWN OF WELLESLEY, MASSACHUSETTS

SUPPLEMENTAL SCHEDULE OF RECONCILIATION OF TREASURER'S CASH AND CASH EQUIVALENTS AND INVESTMENTS JUNE 30, 2001

AS OF JUNE 30, 2001, CASH AND CASH EQUIVALENTS AND INVESTMENTS
ARE COMPOSED OF THE FOLLOWING BALANCES:

Massachusetts Municipal Depository Trust	\$23,215,932
Boston Safe Deposit & Trust	2,813,125
Fleet Bank	652,058
Century Bank & Trust	141,036
Citizens Bank	1,078,275
State Street Bank and Trust	29,832
First Tennessee – short-term investments	10,858,457
Citizens Bank – short-term investments	3,522,008
State Street Bank and Trust – short-term investments	<u>8,353,980</u>
	50,664,703
ADD – Cash on hand	1,375

LESS:

Outstanding checks	\$ (918,427)	
Agency Fund deposits	(204,385)	
Other miscellaneous reconciling items	<u>18,325</u>	<u>(1,104,487)</u>

CASH AND CASH EQUIVALENTS AND INVESTMENTS ON THE COMBINED
BALANCE SHEET AT JUNE 30, 2001

\$49,561,591

PRESENTATION OF CASH AND CASH EQUIVALENTS AND INVESTMENTS
ON THE COMBINED BALANCE SHEET AT JUNE 30, 2001:

General Fund	\$ 8,178,163
Special Revenue Funds	2,661,619
Capital Projects Funds	16,517,852
Proprietary Funds, including \$567,554 of restricted assets	13,740,618
Internal Service Fund	2,542,513
Trust Funds, excluding deferred compensation plan mutual funds of \$7,021,047 and Agency Fund deposits of \$204,385 not presented in Treasurer's cash	<u>5,920,826</u>

TOTAL

\$49,561,591

TOWN OF WELLESLEY, MASSACHUSETTS

SUPPLEMENTAL SCHEDULE OF TAXES YEAR ENDED JUNE 30, 2001

	Uncollected, June 1, 2000	Add Commitments	Less Abatements	Add Cash Refunds	Other Deductions	Less Collections	Uncollected, June 30, 2001
REAL ESTATE	\$23,386,855	\$51,239,307	\$105,404	\$240,964	\$(182,187)	\$48,060,907	\$26,518,628 (1)
PERSONAL PROPERTY	268,335	399,435	4,168	1,503	(3,801)	384,497	276,807 (1)
MOTOR VEHICLE EXCISE	<u>554,020</u>	<u>3,768,474</u>	<u>115,071</u>	<u>65,665</u>	<u>-</u>	<u>3,901,601</u>	<u>371,487 (2)</u>
TOTAL	<u>\$24,209,210</u>	<u>\$55,407,216</u>	<u>\$224,643</u>	<u>\$308,132</u>	<u>\$(185,988)</u>	<u>\$52,347,005</u>	<u>\$27,166,922</u>

(1) Amounts are before the allowance for uncollected taxes and abatements of \$330,339.

(2) Before allowances of \$371,487.

TOWN OF WELLESLEY, MASSACHUSETTS

SUPPLEMENTAL SCHEDULE OF BOND INDEBTEDNESS, BY ISSUE JUNE 30, 2001

Description	Original Amount	Interest Rate (%)	Fiscal Year of Issue	Fiscal Year of Maturity	Balance Outstanding, June 30, 2000	Additions	Retirements	Balance Outstanding, June 30, 2001
GENERAL FUND – INSIDE THE DEBT LIMIT								
Storm drain improvements	\$ 300,000	5.80	1991	2001	\$ 30,000	\$ -	\$ 30,000	\$ -
Senior high school renovations – construction:								
Phase 1	2,650,000	5.80	1991	2001	280,000	-	280,000	-
Phases 2 and 3	3,750,000	5.00	1992	2002	750,000	-	375,000	375,000
Elementary school improvement construction	5,250,000	7.00	1994	2004	2,210,000	-	555,000	1,655,000
Street reconstruction/improvement	650,000	4.70	1994	2004	260,000	-	65,000	195,000
Police station construction	3,900,000	4.30	1995	2005	2,500,000	-	500,000	2,000,000
Oil tank removal	608,000	4.65	1996	2001	120,000	-	120,000	-
Storm drain improvements	320,000	4.65	1996	2006	189,000	-	34,000	155,000
Sprague school renovation/expansion	15,995,000	4.00	2001	2016	-	15,995,000	-	15,995,000
Street improvements	1,155,000	4.00	2001	2007	-	1,155,000	-	1,155,000
Street amenities/ sidewalk program	830,000	4.00	2001	2008	-	830,000	-	830,000
Land acquisition – 63 Hastings Street	420,000	4.00	2001	2006	-	420,000	-	420,000
Subtotal					6,339,000	18,400,000	1,959,000	22,780,000
GENERAL FUND – OUTSIDE THE DEBT LIMIT –								
RDF improvements	3,460,000	4.65		2,006	2,076,000	-	346,000	1,730,000
ENTERPRISE FUND – OUTSIDE THE DEBT LIMIT –								
Water system improvements	6,500,000	5.00		2,013	5,620,000	-	440,000	5,180,000
TOTAL BOND INDEBTEDNESS					<u>\$14,035,000</u>	<u>\$18,400,000</u>	<u>\$2,745,000</u>	<u>\$29,690,000</u>

TOWN OF WELLESLEY, MASSACHUSETTS

SUPPLEMENTAL SCHEDULE OF BOND MATURITIES AND BOND INTEREST JUNE 30, 2001

	Inside					Outside		Total
	School	Storm Drain Improvements	Police Station	Street Reconstruction	Land Acquisition	RDF Improvements	Water Treatment	
PRINCIPAL PAYMENT DUE FOR THE FISCAL YEAR ENDING JUNE 30								
2002	\$ 1,670,000	\$ 34,000	\$ 500,000	\$ 355,000	\$ 85,000	\$ 346,000	\$ 440,000	\$ 3,430,000
2003	1,295,000	34,000	500,000	390,000	85,000	346,000	440,000	3,090,000
2004	1,220,000	29,000	500,000	375,000	85,000	346,000	430,000	2,985,000
2005	675,000	29,000	500,000	310,000	85,000	346,000	430,000	2,375,000
2006	675,000	29,000	-	310,000	80,000	346,000	430,000	1,870,000
2007	1,590,000	-	-	310,000	-	-	430,000	2,330,000
2008	1,590,000	-	-	130,000	-	-	430,000	2,150,000
2009	1,590,000	-	-	-	-	-	430,000	2,020,000
2010	1,585,000	-	-	-	-	-	430,000	2,015,000
2011	1,585,000	-	-	-	-	-	430,000	2,015,000
2012	910,000	-	-	-	-	-	430,000	1,340,000
2013	910,000	-	-	-	-	-	430,000	1,340,000
2014	910,000	-	-	-	-	-	-	910,000
2015	910,000	-	-	-	-	-	-	910,000
2016	910,000	-	-	-	-	-	-	910,000
TOTAL	<u>\$ 18,025,000</u>	<u>\$ 155,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,180,000</u>	<u>\$ 420,000</u>	<u>\$ 1,730,000</u>	<u>\$ 5,180,000</u>	<u>\$ 29,690,000</u>
INTEREST PAYMENT DUE FOR THE FISCAL YEAR ENDING JUNE 30								
2002	\$ 798,093	\$ 7,930	\$ 89,000	\$ 91,848	\$ 17,453	\$ 88,922	\$ 233,468	\$ 1,326,711
2003	696,058	6,333	67,250	74,105	13,400	72,660	215,205	1,145,011
2004	638,417	4,684	45,250	57,985	10,000	55,879	196,725	1,008,940
2005	584,713	3,234	22,750	42,400	6,600	38,579	178,235	876,511
2006	557,712	1,522	-	30,000	3,200	18,165	159,315	769,914
2007	530,713	-	-	17,600	-	-	140,395	688,708
2008	467,512	-	-	5,200	-	-	121,260	593,972
2009	404,513	-	-	-	-	-	101,910	506,423
2010	340,724	-	-	-	-	-	82,130	422,854
2011	275,570	-	-	-	-	-	61,920	337,490
2012	208,845	-	-	-	-	-	41,495	250,340
2013	168,805	-	-	-	-	-	20,855	189,660
2014	127,855	-	-	-	-	-	-	127,855
2015	85,995	-	-	-	-	-	-	85,995
2016	43,225	-	-	-	-	-	-	43,225
TOTAL	<u>\$ 5,928,750</u>	<u>\$ 23,703</u>	<u>\$ 224,250</u>	<u>\$ 319,138</u>	<u>\$ 50,653</u>	<u>\$ 274,205</u>	<u>\$ 1,552,910</u>	<u>\$ 8,373,609</u>

TOWN OF WELLESLEY, MASSACHUSETTS

SUPPLEMENTAL SCHEDULE OF COMPUTATION OF LEGAL DEBT MARGIN JUNE 30, 2001

EQUALIZED VALUATION – Personal property and real estate, January 1, 2000		<u>\$5,266,642,800</u>
DEBT LIMIT – 5% of equalized valuation		263,332,140
AMOUNT OF DEBT APPLICABLE TO DEBT LIMIT:		
Total bonded debt	\$29,690,000	
Less bonded debt not included in computation of legal debt margin as defined in Massachusetts Statutes	<u>6,910,000</u>	<u>22,780,000</u>
LEGAL DEBT MARGIN		<u>\$ 240,552,140</u>

