

**FINANCIAL  
SECTION**

## Independent Auditor's Report

Members of the Village Board  
Village of Weston, Wisconsin  
Weston, Wisconsin

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 Village of Weston, Wisconsin, as of and for the year ended December 31, 2009, which collectively comprise Village of Weston, Wisconsin's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Weston, Wisconsin'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Weston, Wisconsin, as of December 31, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2010, on our consideration of Village of Weston, Wisconsin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages xx through xl and budgetary comparison information on pages 56 through 63 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Weston, Wisconsin's basic financial statements. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Clifton Henderson LLP*

Stevens Point, Wisconsin  
June 17, 2010

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

## Village of Weston Management's Discussion and Analysis

The following discussion and analysis is intended to provide readers an overview of the financial activities of the Village of Weston (the "Village") for the fiscal year ended December 31, 2009. It is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the Village's financial activity, (3) identify changes in the Village's financial position, and (4) identify any changes in the Village's financial plan (approved budget).

The information should be read in conjunction with the preceding letter of transmittal, as well as the Village's financial statements, which begin on page 1 of this report. This is the sixth year the Village has reported its financial statements in conformance with Governmental Accounting Standards Board Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. A comparative analysis has been presented for 2008 and 2009.

### THE FINANCIAL HIGHLIGHTS

- The Village's net assets (assets less liabilities) total \$68,448,723 as of December 31, 2009, which was an overall increase of \$82,952 from 2008. Net assets from Governmental Activities account for \$12,095,034 of the total, an increase of \$57,918 from the previous year. Business-Type Activities net assets were \$56,353,689, an increase of \$25,034 from 2008.
- The Village ended 2009 with a fund balance of \$10,763,156 for all Governmental Funds. This total includes \$2,540,433 which is unreserved and undesignated in the Village's General Fund, a \$120,375 increase from the previous year. This fund balance is 35.1% of the Village's 2009 General Fund expenditures of \$7,229,839.
- The Village issued a total of \$2,500,000 of debt in 2009. The full amount was issued as General Obligation ("G.O.") debt backed by the full faith and credit of the Village. This G.O. debt was used for Village capital improvement projects.
- The Village received an advance from two TIF letters of credit ("LOC's") in 2009 of \$261,163. The Village began 2009 with a total advance from developers of \$1,311,467 and ended the year with a balance due to developers of \$1,572,630 on the LOC's. The economic development that is created by the developers in each project area will generate tax increments that will be used to finance the annual debt service payments of these individual project areas. The CDA (Community Development Authority) of the Village of Weston had borrowed for the necessary infrastructure costs of these project areas on behalf of the developers. Future tax increments of TIF District #1 are the source of revenue needed to fund the future debt service payments of the CDA Lease Revenue Bonds of TIF District #1. The LOC's are in place with the developers of each capital project area in TIF District #1, in order to guarantee the funding for the debt service payments of each development when the tax increments may fall short of the debt service payments due. However, when surplus tax increments have been attained in one of the developer project areas, those surplus funds can be reimbursed back to the developer for the previous years' draw payments on the LOC's.

# Village of Weston

## Management's Discussion and Analysis

### THE FINANCIAL HIGHLIGHTS (cont.)

- The Village's share of the equalized tax rate as of December 2009 (for the 2010 budget year) was set at \$5.13, as compared to December 2004 (for the 2005 budget year) when the equalized tax rate was \$5.14. The Village Board and staff are proud of the fact that the Village's share of the tax rate has basically remained unchanged in the past five years, meaning that the Village is only expanding its annual budget for operating and debt service costs at the "same pace" as the equalized valuation growth of the Village.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements designed to provide readers a broad overview of the financial condition of the Village of Weston as of December 31, 2009. The Statement of Net Assets and Statement of Activities (pages 1 through 3) provide information about the financial condition of the Village as a whole. It provides the reader the Total Net Assets of the Village (all assets less all liabilities). It also provides the reader a financial summary of the activities and operations of the Village. On pages 4 through 8 are fund financial statements that provide a more detailed summary of the Governmental Funds (non business-type activities). The remaining statements on pages 9 through 13 provide information on the Village's Proprietary (business-type activity) Funds.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

As we begin to analyze the Village's financial condition and operations as of December 31, 2009, we will try to answer some very basic questions. Is the Village better or worse off financially than it was in 2008? Has the Village planned appropriately for its operations and activities? Is the Village financially healthy as it plans for the future?

First, let's provide some general information to facilitate a better understanding of how local government is required to account for and report on its operations and activities. In the Statement of Net Assets and Statement of Activities, we divide the Village into two categories:

**Governmental Activities:** Most of the Village's basic services are reported here. This includes Public Safety (police, fire, ambulance, emergency government, building inspections), Public Works (engineering, street lighting, garbage collection, street repair, snow and ice removal, traffic control), Parks, Recreation, and Education (parks, recreation programs, aquatic center, special events), Community Development (economic development, zoning, planning), and General Government (village board, administration, municipal court, risk management/insurance). These services are funded by various revenue sources, including property taxes, intergovernmental aid, licenses and permits, charges for services and investment earnings.

**Business-Type Activities:** For these activities, the Village charges a fee to cover all or most of the costs of certain services it provides. The Village's Water, Sewer, and Stormwater Utilities are reported here.

# Village of Weston Management's Discussion and Analysis

## FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Weston is required by law to use "fund accounting" to ensure and demonstrate compliance with all finance-related requirements. All funds of the Village are divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*. Each category of funds uses different accounting methods to account for and report financial results.

### ***Governmental Funds***

The majority of the Village's operations and activities are reported in governmental funds, which focus on how money flows into and out of those funds. The balances left in these funds are available to be spent in future years. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Village's general government operations and the basic services it provides. It also is useful in evaluating a government's ability to meet near-term financing requirements.

The relationship between governmental *activities* (as reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* is reconciled at the end of the fund financial statements on page 8. Following is a listing and description of the governmental funds reported by the Village of Weston in 2009:

#### *General Fund*

The general fund (major fund) is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

#### *Special Revenue Funds*

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes. In 2009, the Village of Weston used special revenue funds to account for:

Recycling	Mass Transit
Block Grant/Revolving Loan	Aquatic Center
TIF District #1 (major fund)	Room Taxes
TIF District #2	Civic and Social
Environmental TIF District	Park and Recreation
Business Grants	
Community Development Authority (CDA) – TIF District #1 (major fund)	
Community Development Authority (CDA) – TIF District #2	

# Village of Weston Management's Discussion and Analysis

## ***Governmental Funds (cont.)***

### *Debt Service Fund*

The debt service fund (major fund) is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs (other than those being financed by proprietary funds).

### *Capital Projects Funds*

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment (other than those financed by proprietary funds). In 2009, the Village of Weston used capital projects funds to account for:

Street Projects (major fund)	TIF District #1 (major fund)
Facility Projects	TIF District #2
Public Safety Building	Environmental TIF District
Capital Equipment	

The basic governmental fund financial statements can be found on pages 4-8 of this report.

## ***Proprietary Funds***

When the Village charges customers for the services it provides, whether to outside customers or other units of the Village, these services are generally accounted for and reported in the proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and Statement of Activities. They include *enterprise funds*, which are the same (with more detail) as the business-type activities that are reported in the government-wide statements, and *internal service funds*, which report activities that provide services and supplies for the Village's other programs and activities.

### *Enterprise Funds*

Enterprise funds are used to account for operations (a) 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; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control and accountability or other purposes. In 2009, the Village of Weston used enterprise funds to account for:

Water Utility (major fund)
Sewer Utility (major fund)
Stormwater Utility (major fund)

# Village of Weston Management's Discussion and Analysis

## ***Proprietary Funds (cont.)***

### *Internal Service Funds*

Internal Service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village or to other governmental units on a cost-reimbursement basis. In 2009, the Village of Weston used internal service funds to account for:

Fringe Benefits/Insurances

The basic proprietary fund financial statements can be found on pages 9-13 of this report.

## ***Fiduciary Funds***

### *Agency Funds*

Agency funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. In 2009, the Village of Weston did not have any agency funds.

## **NOTES TO THE FINANCIAL STATEMENTS**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-55 of this report.

## **OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information. Combining and individual fund statements and schedules can be found on pages 56-93 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

An analysis of the Village's financial position begins with a review of the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets. These two statements report the Village's net assets and changes therein. It should be noted that the financial position can also be affected by non-financial factors, including economic conditions, population growth, and new regulations.

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Weston, assets exceeded liabilities by \$68,448,723 as of December 31, 2009. This includes total assets of \$168,635,995 and total liabilities of \$100,187,272. While the usefulness of these numbers in determining the financial position of the Village is somewhat debatable, it is useful to examine the specifics of the Village's total net assets.

# Village of Weston Management's Discussion and Analysis

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

Capital assets (e.g. land, buildings, building improvements, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress) account for approximately 70% of the Village's total assets. This includes the Village's investment in roads, sewers and bridges. The Village uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of any related debt used to acquire those assets that is still outstanding (approximately 69% of total net assets are invested in capital assets, net of related debt), it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Non-current liabilities, most of which were incurred to finance capital assets, account for approximately 74% of all Village liabilities. The following table provides an analysis of the Village's net asset outlook:

### VILLAGE OF WESTON NET ASSETS December 31, 2009 and 2008

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 37,892,922	\$ 36,699,482	\$ 11,983,166	\$ 11,835,778	\$ 49,876,088	\$ 48,535,260
Capital assets	61,494,117	63,678,914	57,265,790	57,637,070	118,759,907	121,315,984
Total assets	99,387,039	100,378,396	69,248,956	69,472,848	168,635,995	169,851,244
Non-current liabilities	(61,955,622)	(63,054,326)	(11,887,993)	(12,300,971)	(73,843,615)	(75,355,297)
Current and other liabilities	(25,336,383)	(25,286,954)	(1,007,274)	(843,222)	(26,343,657)	(26,130,176)
Total liabilities	(87,292,005)	(88,341,280)	(12,895,267)	(13,144,193)	(100,187,272)	(101,485,473)
Net assets:						
Invested in capital assets, net of related debt	13,911,596	17,469,669	45,977,237	46,190,322	47,262,512	50,765,709
Restricted	5,400,610	5,585,693	801,591	513,509	6,202,201	6,099,202
Unrestricted (deficit)	(7,217,172)	(11,018,246)	9,574,861	9,624,824	14,984,010	11,500,860
Total net assets	\$ 12,095,034	\$ 12,037,116	\$ 56,353,689	\$ 56,328,655	\$ 68,448,723	\$ 68,365,771

## CHANGES IN NET ASSETS

The 2009 combined net assets of the Village increased by \$82,952 from 2008.

Net assets of the Village's governmental activities totaled \$12,095,034 as of December 31, 2009. Governmental activities for the year increased net assets by \$57,918. The Village's unrestricted net assets for governmental activities, that part of net assets that can be used to finance day-to-day activities, was a deficit balance of \$7,217,172, due to the TIF District debt

# Village of Weston Management's Discussion and Analysis

## CHANGES IN NET ASSETS (cont.)

accumulated to date in the governmental activities, but the TIF water, sewer, and stormwater capital assets are reported as business-type activities instead. Restricted net assets for governmental activities included \$4,639,659 for debt service and \$760,951 for specific purposes.

The net assets of business-type activities totaled \$56,353,689, an increase of \$25,034. The Village can use the unrestricted net assets of \$9,574,861 to finance the continuing operations of the water, sewer, and stormwater utilities.

The following table provides a more detailed analysis of the Village's change in net assets:

### VILLAGE OF WESTON CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS For the Years Ended December 31, 2009 and 2008

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,515,694	\$ 1,651,820	\$ 4,341,591	\$ 4,270,130	\$ 5,857,285	\$ 5,921,950
Operating grants and contributions	166,012	155,036	-	-	166,012	155,036
Capital grants and contributions	1,423,231	1,753,454	48,000	89,588	1,471,231	1,843,042
General revenues:						
Property taxes	8,844,061	7,619,050	-	-	8,844,061	7,619,050
Other taxes	292,672	192,874	-	-	292,672	192,874
Intergovernmental revenues not restricted to specific programs	1,463,078	1,457,899	-	-	1,463,078	1,457,899
Public gifts and/or grants not restricted to specific programs	9,225	34,244	-	-	9,225	34,244
Investment earnings	291,621	486,227	300,822	401,986	592,443	888,213
Other general revenues	275,141	246,349	43,258	34,097	318,399	280,446
<b>Total Revenues</b>	<b>14,280,735</b>	<b>13,596,953</b>	<b>4,733,671</b>	<b>4,795,801</b>	<b>19,014,406</b>	<b>18,392,754</b>
<b>Expenses:</b>						
General government	898,037	915,956	-	-	898,037	915,956
Public safety	3,786,131	3,756,082	-	-	3,786,131	3,756,082
Public works	6,205,348	7,573,288	-	-	6,205,348	7,573,288
Health and human services	1,140	1,919	-	-	1,140	1,919
Parks, recreation, and education	611,109	568,607	-	-	611,109	568,607
Community development	354,588	388,430	-	-	354,588	388,430
Interest and fiscal charges	2,757,318	2,779,555	-	-	2,757,318	2,779,555
Water utility	-	-	1,649,682	1,646,484	1,649,682	1,646,484
Sewer utility	-	-	1,928,468	1,929,358	1,928,468	1,929,358
Stormwater utility	-	-	739,633	855,845	739,633	855,845
<b>Total Expenses</b>	<b>14,613,671</b>	<b>15,983,837</b>	<b>4,317,783</b>	<b>4,431,687</b>	<b>18,931,454</b>	<b>20,415,524</b>
Increase (decrease) in net assets before transfers	(332,936)	(2,386,884)	415,888	364,114	82,952	(2,022,770)
Transfers	390,854	378,296	(390,854)	(378,296)	-	-
Change in net assets	57,918	(2,008,588)	25,034	(14,182)	82,952	(2,022,770)
Net assets-beginning of year	12,037,116	14,045,704	56,328,655	56,342,837	68,365,771	70,388,541
<b>Net assets-end of year</b>	<b>\$12,095,034</b>	<b>\$12,037,116</b>	<b>\$56,353,689</b>	<b>\$56,328,655</b>	<b>\$68,448,723</b>	<b>\$68,365,771</b>

## Village of Weston Management's Discussion and Analysis

### GOVERNMENTAL ACTIVITIES

Governmental activities for 2009 increased the Village's net assets by \$57,918. Governmental expenses included \$3,898,196 in depreciation expense allocated as follows: \$3,563,678 to public works, \$59,992 to general government, \$157,431 to public safety, and \$117,095 to parks and recreation. Depreciation expense represents 26.7% of the total expenses for governmental activities. General revenues and transfers increased by \$696,340 from 2008. The Village's property tax revenue increased by \$1,225,011, but decreased revenues had occurred in investment earnings, capital grants and contributions, and charges for services revenues. Property taxes in 2009 accounted for 61.9%, and capital grants and contributions were 10.0% of total governmental activities revenue. Expenses for public safety and public works were 68.4% of all governmental activities expenses.

Some of the significant changes in revenues and expenses were as follows:

#### Revenues:

- Property tax revenue increased in 2009 by \$1,225,011 (16.1%). Of this total increase, the increase for general operations was \$65,599 (2.5%), for debt service was \$150,000 (12%), for TIF Districts was \$1,049,952 (29.2%), and for mass transit was \$4,160 (4.6%). There was no property tax revenue for recycling in 2009, which was a decrease of \$44,700. The increase in property valuation for the TIF Districts generated the significant increase for property tax revenue in 2009.
- Revenues from charges for services totaled \$1,515,694, a decrease of \$136,126 (-8.2%) from 2008. The largest decrease in 2009 was for Public Works billable services, which decreased by \$81,456. In 2008, the Village participated in a Safe Routes to School Grant and did some work for the DC Everest School District. The school district paid the Village \$65,156 for work done in 2008. There was no work done for the school district in 2009.
- Operating grants and contributions totaled \$166,012, an increase of \$10,976 (7.1%) from 2008. In 2009, the Village held a festival for the community (Weston Fest) and collected contributions of \$18,560 to help fund the event.
- Revenues received from capital grants and contributions totaled \$1,423,231, which was a decrease of \$330,223 (-18.8%) from 2008. The Village received a \$232,500 grant for road work done in 2008. There were no grants received in 2009.
- Investment earnings totaled \$291,621, which was \$194,606 lower (-40.0%) than 2008. This decrease reflected the dramatic drop in interest rates that occurred at the end of 2008 and continued through 2009.

## Village of Weston Management's Discussion and Analysis

### GOVERNMENTAL ACTIVITIES (cont.)

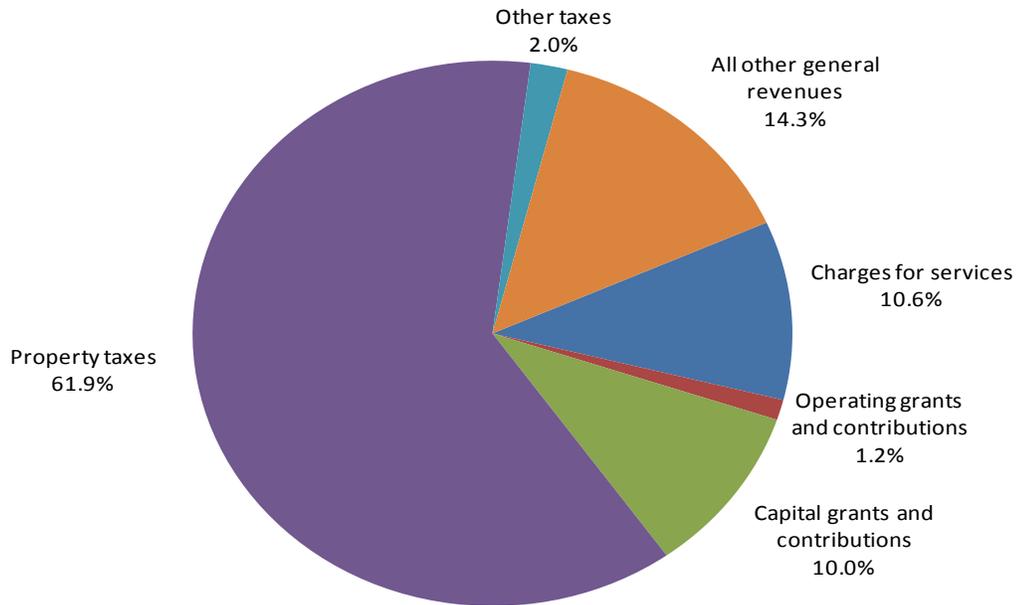
#### Expenses:

- General government expenses decreased by \$17,919 (-2.0%). This slight decrease showed the effort by departments to hold expenses to prior year's numbers.
- Public safety expenses increased by \$30,049 (0.8%). This again shows the effort of all departments in the Village to control costs and keep the tax rate low for our taxpayers. Even though salary and benefits increased by over 3%, the departments have found other areas to decrease expenses to maintain the 2009 budget.
- Public works expenses which totaled \$6,205,348 decreased by \$1,367,940 (-18.1%). In 2008, the Village suffered a large loss on disposal of assets (\$707,575), and in 2009, there was a small loss of \$14,750. Gasoline and diesel costs decreased by \$37,895 in 2009 due to lower costs compared to 2008.
- Parks, recreation and education expenses increased by \$42,502 (7.5%) because of the addition of a full-time park employee.
- Community development expenses decreased by \$33,842 (-8.7%) in 2009. In 2008, it was higher due to administrative expenses incurred by the Village's three TIF Districts in 2008, including the three separate TIF audits that were conducted according to Wisconsin Department of Revenue requirements for TIF Districts. The grand total of the TIF audits was \$11,000.
- Interest and fiscal charges expenses decreased by \$22,237 (-0.8%).

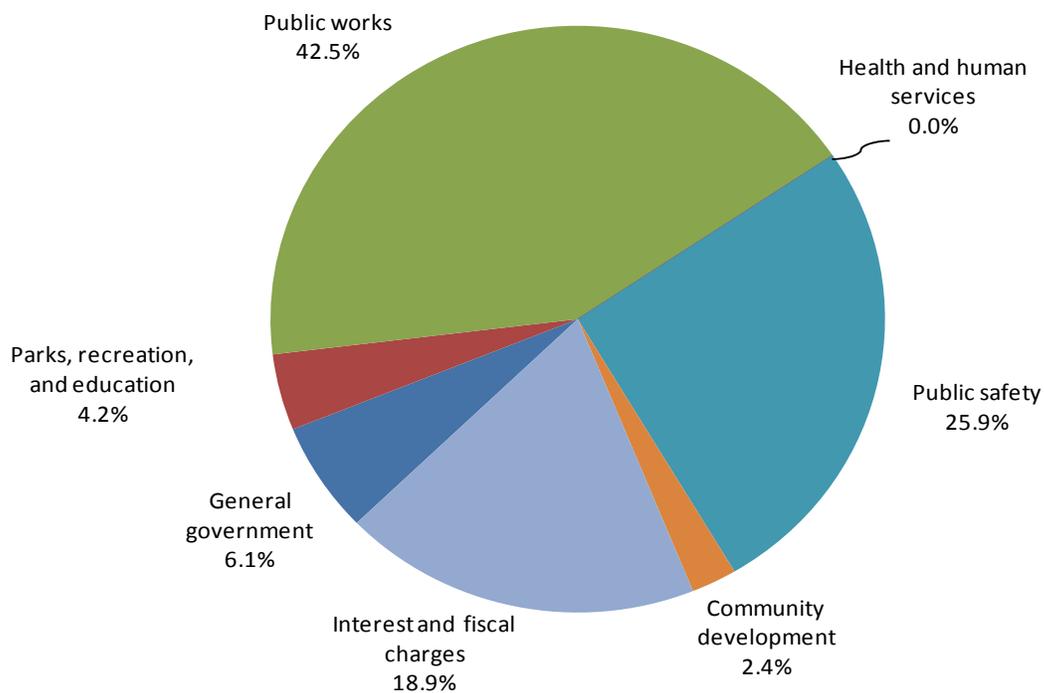
The following graphs provide a breakdown of all governmental activities revenues and expenses:

# Village of Weston Management's Discussion and Analysis

## REVENUES - Governmental Activities



## EXPENSES - Governmental Activities



# Village of Weston

## Management's Discussion and Analysis

### BUSINESS-TYPE ACTIVITIES

Business-type activities, which include the operations of the water, sewer, and stormwater utilities, provided an increase to the Village's net assets of \$25,034. Charges for services were over expenses by \$23,808. Capital grants and contributions of \$48,000 and other general revenues of \$344,080 were also other 2009 funding sources for the utility funds.

Revenues for business-type activities, excluding capital grants and contributions, decreased by \$20,542 in 2009. Capital grants and contributions decreased by \$41,588. This decrease was because less work was done by the utility that resulted in special assessments. Some of the significant changes in revenues were as follows:

- Water Utility operating revenues totaled \$2,037,704 for 2009, an increase of \$64,928 (3.3%) from 2008. This increase is a result of a water rate increase during 2009. The Village implemented a new conservation rate based scale that increases the cost when the customer uses more gallons of water, promoting water conservation. The result was a modest increase in water revenues because even though there was a rate increase, there was a decrease in the use of water. Interest earnings on investments decreased by \$53,088 (-33.6%) from 2008, which reflected the market rate reduction that occurred in late 2008 and continued in 2009.
- Sewer Utility operating revenues totaled \$1,752,766 for 2009, a decrease of \$5,179 (-0.3%) from 2008. User fees decreased as a result of lower water usage which is the unit of measure for sewer fees. A decrease of \$15,750 (-29.4%) in sewer hook-up fees was realized in 2009, due to the slowing of new construction activity. Interest earnings decreased by \$5,926 (-3.0%) from 2008. The Sewer Utility held rates at the 2005 level.
- Stormwater Utility operating revenues totaled \$580,426 for 2009, an increase of \$6,942 (1.2%) from 2008. Interest earnings on investments decreased by \$42,150 as the result of fully investing the December 2007 revenue bond reserve account and construction account during twelve months in 2008, but spending the construction account balance down to zero in 2009. The Stormwater Utility held rates at the original 2004 level.

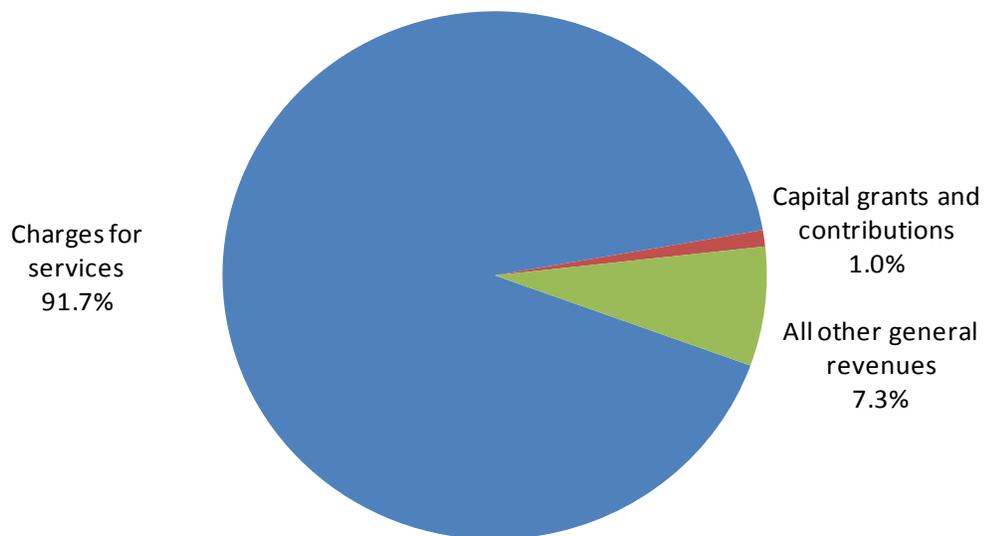
Expenses, excluding depreciation, totaled \$2,195,398, an increase of \$10,012 (0.5%) from 2008. Depreciation expense decreased by \$3,100 (-0.2%). Some of the significant changes in expenses were as follows:

- Water Utility operating expenses, excluding depreciation, increased by \$49,171 (5.2%) in 2009. The 2008 expenses were high because of the major repairs to its Foremost well and purchasing water from a neighboring community, while the utility again spent money at the Foremost site in 2009 to have the water tower painted and to purchase water during the down time.
- Sewer Utility operating expenses, excluding depreciation, decreased by \$25,291 (-2.4%). The main reason is because of the decrease in sewer usage which resulted in lower operating and capital charges paid to the RMMSD (Rib Mountain Metro Sewerage District), which decreased by \$33,253 (-5.2%).
- Stormwater Utility operating expenses, excluding depreciation, decreased by \$13,868 (-7.1%). The slight decrease is a result of a position being vacant for most of 2009 resulting in a decrease of \$40,610, but offset by additional drainage maintenance costs of \$20,000.

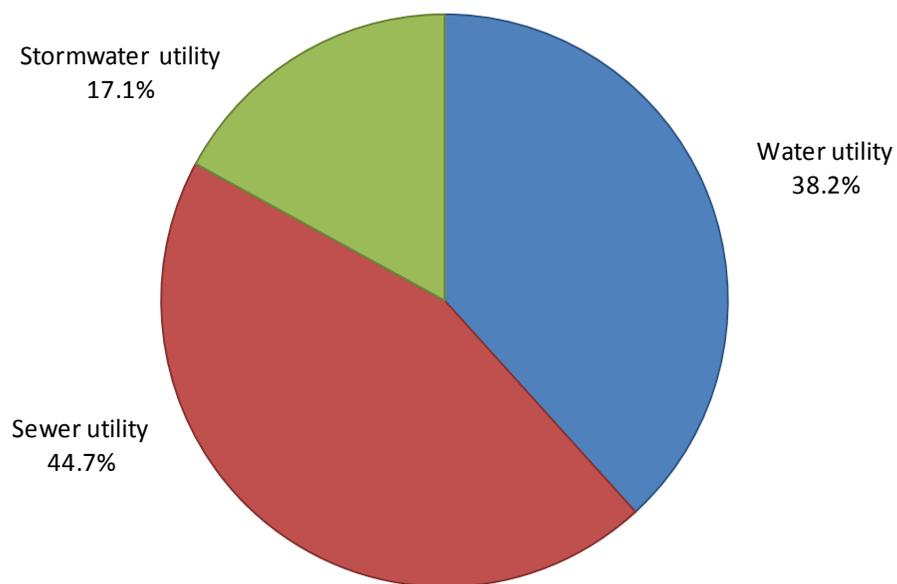
# Village of Weston Management's Discussion and Analysis

The following graphs provide a breakdown of all business-type activities revenues and expenses:

## REVENUES - Business-type Activities



## EXPENSES - Business-type Activities



# Village of Weston Management's Discussion and Analysis

## INDIVIDUAL FUND FINANCIAL ANALYSIS

### *Governmental Funds*

The Village of Weston ended 2009 with a fund balance of \$10,763,156 in its governmental funds, compared to \$9,598,580 as of December 31, 2008. This is an increase of \$1,164,576. Of the 2009 fund balance, \$6,290,049 was reserved and \$4,473,107 was unreserved. The reserved balance includes \$5,162,705 for debt service, \$120,635 for encumbrances/open contracts, \$921,584 for long-term receivables/advances, and \$85,125 for prepaid and inventory expenditures. The unreserved balance includes \$1,984,649 designated for subsequent year's expenditures (primarily capital projects) and \$2,488,458 was undesignated.

#### *General Fund*

The General Fund is the primary operating fund of the Village and supports the majority of the day-to-day services provided by the Village. The Village's General Fund realized a fund balance increase of \$27,187 from 2009 operations. Fund balance at year-end totaled \$2,752,435, of which \$2,540,433 is unreserved and undesignated. This undesignated fund balance is 35.1% of the Village's 2009 General Fund expenditures of \$7,229,839. Municipal credit analyst, Moody's Investors Service, considers the fund balance in the general fund an important measure of a municipality's financial condition. The unreserved and undesignated fund balance of 35.1% of expenditures is considered a very strong fund balance by Moody's, and helps contribute to the Village of Weston's moderately strong "A1" bond rating.

#### *Debt Service Fund*

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The net increase in fund balance during the year was \$35,398, which resulted in a reserved fund balance at year-end of \$763,055.

#### *Special Revenue Fund – TIF District #1*

This fund accounts for the receipt of district "incremental" property taxes and other revenues and the corresponding program expenditures for TIF District #1. There was a net increase in fund balance during the year of \$523,500, which resulted in a positive fund balance at year-end of \$1,275,924. The significant increase in fund balance was due to annual property tax increments and other financing sources that are now greater than the annual debt service payments of TIF District #1. As future development is constructed in TIF District #1, the future property taxes generated from these new increments will continue to be more than sufficient to cover all annual debt service payments.

# Village of Weston Management's Discussion and Analysis

## ***Governmental Funds (cont.)***

### *Special Revenue Fund – Community Development Authority (CDA) - TIF District #1*

This fund accounts for the receipt of CDA Lease Revenue Bond proceeds issued by the CDA on the behalf of the Village of Weston. These proceeds are then transferred out to the TIF District #1 – Capital Projects Fund. Corresponding program expenditures and bond issuance costs are also recorded in this fund. The net decrease in fund balance during the year was \$198,834, which resulted in a fund balance at year-end of \$4,294,592. The reason for the reduction in fund balance was that a portion of the capitalized interest proceeds, which are previously borrowed funds held by the escrow agent, was released by the escrow agent in 2009 per the planned withdrawal schedule and was transferred to the Debt Service Fund to make the annual TIF District #1 debt service payments.

### *Capital Projects Fund – TIF District #1*

This fund accounts for resources to be used to fund redevelopment projects within the Village's TIF District #1 improvement district area, covering the Weston Business Technology Park in the east and the Putnam Capital Management Development in the west. There was a net increase in fund balance of \$283,989, which resulted in a fund balance at year-end of \$171,331. The reason for the increase in fund balance was the result of a planned capital expenditure of \$355,000 that had occurred in 2008, and the bond proceeds were recorded in 2009.

### *Capital Projects Fund – Street Projects*

This fund accounts for resources to be used for the construction and maintenance of streets, sidewalks, and curb/gutters. There was an increase in fund balance of \$70,228, which resulted in fund balance at year-end of \$124,382. This increase is the difference between what was estimated to be spent and the amount actually borrowed in 2009. Of the \$124,382 fund balance amount, \$43,954 is reserved for encumbrances.

## ***Proprietary Funds***

### *Water Utility Fund*

The water utility's operating income, before transfers and other nonoperating revenues and expenses, was \$521,829 in 2009. The overall change to net assets was an increase of \$122,805. The water utility's 2009 rate of return was 3.64%.

### *Sewer Utility Fund*

The sewer utility realized an operating income, before transfers and other nonoperating revenues and expenses, of \$78,217. Overall net assets increased by \$54,376. The sewer utility's 2009 rate of return was 0.68%.

## Village of Weston Management's Discussion and Analysis

### *Proprietary Funds (cont.)*

#### *Stormwater Utility Fund*

The Village formed a stormwater utility in 2004 with an equivalent runoff unit ("ERU") rate of \$48 annually, or billed at \$12 quarterly. The number of units charged per parcel is dependent upon the amount of impervious surface located on each parcel. In 2009, the utility had an operating income, before transfers and other nonoperating revenues and expenses, of \$69,301. The utility had a decrease in net assets of \$152,147.

### **BUDGETARY ANALYSIS**

The Village's 2009 General Fund adopted expenditure budget totaled \$7,539,050. The Village's final General Fund revenue budget totaled \$7,314,050. The 2009 revenue budget anticipated the use of \$225,000 in undesignated reserves.

As previously stated, the Village ended 2009 with a fund balance increase of \$27,187 from 2008. In other words, the Village did not reduce its reserves by \$225,000, but added to the reserves by \$27,187.

Actual general fund revenue fell short of the budget by \$49,360. A large positive variance of \$107,954 was realized from tax revenues. The Village did not anticipate additional utility tax money coming from the Village of Rothschild of \$106,139. Negative variances occurred in licenses and permits of \$66,973, fines and forfeitures of \$22,061, charges for services of \$38,740, and investment earnings and miscellaneous of \$101,287. Other revenue categories experienced small positive or negative variances.

General fund expenditures finished 2009 with a budget variance of \$301,547, or 4.0% below budget. Some positive variances occurred in general government (\$60,778 or 6.7%), public works (\$208,672 or 8.7%), community development (\$10,652 or 5.2%), and parks, recreation, and education (\$34,726 or 10.3%). The negative variances occurred in public safety (\$23,782 or 0.65%). Most other Village department expenditure categories experienced small to moderate positive budget variances. Contingency reserve/other had a minor positive budget variance of \$16,805.

General fund statements highlighting budget versus actual variances can be found on pages 56-60 of this report.

# Village of Weston Management's Discussion and Analysis

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2009, the Village of Weston had an investment in capital assets of \$118,759,907 net of accumulated depreciation, of all governmental and business-type activities of the Village. This amounts to a \$2,556,077 decrease (2.1%) from the end of 2008.

Major capital improvements that took place in the Village's governmental activities include road, curb, and gutter project costs for the Mount View West Street reconstruction (\$653,216), Ross Avenue engineering and design costs (\$179,340), and pedestrian bridge engineering and design costs (\$136,542).

In addition, the Village had bought back some land in the business park that it sold in previous years for \$103,950.

The land improvement costs totaled \$112,779, including signage for the business park (\$45,577), Machmueller Park parking lot (\$32,997), and observation tower at the business park conservancy (\$27,725). The balance of 2009 land improvement additions was for miscellaneous items.

In the Village's business-type activities, major capital additions (prior to depreciation) include \$488,616 to the transmission and distribution system of the Water Utility. The Village's Sewer Utility saw \$209,529 of additions to its collection system (prior to depreciation). The Stormwater Utility saw \$289,420 in additions to its collection and detention basin systems (prior to depreciation). The following table provides a summary of the Village's change in capital assets.

### VILLAGE OF WESTON CAPITAL ASSETS December 31, 2009 and 2008

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land/right-of-ways	\$ 5,075,474	\$ 4,963,115	\$ 864,836	\$ 864,232	\$ 5,940,310	\$ 5,827,347
Buildings	6,896,542	6,837,010	2,571,048	2,571,048	9,467,590	9,408,058
Improvements	5,700,167	5,587,388	67,071,976	66,160,597	72,772,143	71,747,985
Equipment	5,490,732	5,420,268	2,445,856	2,459,114	7,936,588	7,879,382
Infrastructure	74,986,064	74,391,985	-	-	74,986,064	74,391,985
Construction in progress	620,055	61,166	128,770	3,985	748,825	65,151
Total capital assets	98,769,034	97,260,932	73,082,486	72,058,976	171,851,520	169,319,908
Less accumulated depreciation	(37,274,917)	(33,582,018)	(15,816,696)	(14,421,906)	(53,091,613)	(48,003,924)
Capital assets, net of depreciation	<u>\$ 61,494,117</u>	<u>\$ 63,678,914</u>	<u>\$ 57,265,790</u>	<u>\$ 57,637,070</u>	<u>\$ 118,759,907</u>	<u>\$ 121,315,984</u>

More detail regarding the Village's capital assets can be found in Note IV (D) on pages 36-38 of this report.

# Village of Weston Management’s Discussion and Analysis

## CAPITAL ASSET AND DEBT ADMINISTRATION (cont.)

### *Outstanding Debt*

The Village’s outstanding general obligation debt (backed by the full faith and credit of Village taxpayers) as of December 31, 2009 totaled \$17,472,639. In addition, the Village had revenue debt outstanding (backed by revenues generated from the Weston Water, Sewer, and Stormwater Utilities) of \$11,490,000. The Weston Community Development Authority had revenue debt outstanding (backed by revenues generated from future property tax increments in TIF Districts #1 and #2) of \$42,625,000. There was also \$1,885,000 outstanding in bond anticipation notes at the end of 2009. Therefore, the total outstanding debt of the Village at December 31, 2009 totaled \$73,472,639.

In 2009, the Village received a State Trust Fund Loan totaling \$2,500,000 for projects included in the 2009 capital improvements program. Proceeds from the 2009 loan were authorized for use in the following manner:

Village Capital Improvement Projects	\$2,163,431
Stormwater Utility Capital Improvement Projects	<u>336,569</u>
	<u>\$2,500,000</u>

Village outstanding G.O. notes and bonds were upgraded in 2008 from an “A2+” (positive outlook) to an “A1” bond rating by the municipal rating agency, Moody’s Investors Service. In its most recent rating analysis, Moody’s stated that factors contributing to the Village’s moderately high rating include “a quickly growing tax base”, “well managed financial operations”, “sound, healthy reserve levels in place”, “somewhat above average debt burden is expected to remain manageable given rapid principal retirement”, and “significant non-tax levy support for repayment of debt”. In 2008, Moody’s also upgraded the ratings for all outstanding water and sewer utility revenue debt from an “A3” to an “A2”.

Moody’s 2009 rating for all outstanding Stormwater Utility revenue bonds and Community Development Authority (“CDA”) lease revenue bonds was an “A3”.

There were no changes in bond ratings to the five types of debt issuances during 2009 by Moody’s for the Village of Weston or Weston CDA.

# Village of Weston Management's Discussion and Analysis

## CAPITAL ASSET AND DEBT ADMINISTRATION (cont.)

### Outstanding Debt (cont.)

Wisconsin state statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total equalized valuation. Based upon the Village's 2009 equalized value of \$1,052,951,500, the Village's statutory debt limit totaled \$52,647,575. The Village was at 32.19% of its legal debt limit as of December 31, 2009.

The following table provides a summary of all outstanding debt and lease obligations:

### VILLAGE OF WESTON OUTSTANDING DEBT December 31, 2009 and 2008

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds & notes	\$ 15,067,279	\$ 14,677,006	\$ 2,405,360	\$ 2,278,659	\$ 17,472,639	\$ 16,955,665
Bond anticipation notes	1,885,000	1,885,000	-	-	1,885,000	1,885,000
CDA lease revenue bonds	42,625,000	44,325,000	-	-	42,625,000	44,325,000
Water utility revenue bonds	669,000	724,000	2,751,000	2,881,000	3,420,000	3,605,000
Sewer utility revenue bonds	465,000	515,000	4,385,000	4,685,000	4,850,000	5,200,000
Stormwater utility revenue bonds	-	-	3,220,000	3,325,000	3,220,000	3,325,000
<b>Total</b>	<b>\$ 60,711,279</b>	<b>\$ 62,126,006</b>	<b>\$ 12,761,360</b>	<b>\$ 13,169,659</b>	<b>\$ 73,472,639</b>	<b>\$ 75,295,665</b>

More detail regarding the Village's outstanding debt can be found in Note IV (F) on pages 41-48 of this report.

## Village of Weston Management's Discussion and Analysis

### ECONOMIC FACTORS, 2009 TAX RATES AND THE 2010 BUDGET

The Village of Weston economy has slowed with hard economic times nationwide. There is still continued interest in the Weston Business Technology Park and its two additions (namely the First Addition to the Business Park and the new Business Park South Addition), but construction of new buildings has slowed. There were no new residential subdivisions added during 2009. Fortunately, there remains to be construction occurring at a reduced pace within the existing residential subdivisions. The Village's end-of-year 2009 unemployment rate of 8.7% is slightly above the state end-of-year 2009 rate of 8.5%.

The Village's equalized property value decreased by \$6,674,200 in 2009 (a 0.63% decrease). This decrease reflects a state-wide devaluation of property in Wisconsin by the Department of Revenue. The 2009 building permits were \$13.5 million, which was a considerable reduction from the \$30.3 million reported in 2008. This large decrease in building permits reflects the continued slowdown in the economy and the credit crunch.

The Village continues to be negatively affected by the ongoing dramatic decline in state aid (Shared Revenue and Expenditure Restraint payments) from the State of Wisconsin. State shared revenue declined by \$210,000 in 2004 compared to 2003, which was a 13.8% decrease. For budget years 2005-2009, the state shared revenue payment was flat and unchanged, while the State of Wisconsin analyzes its fiscal problems. For budget years 2010-2011, the Village received a further reduction in the state shared revenue payment of \$76,585 (5.84% decrease).

In addition, the State of Wisconsin has passed new tax levy limits onto local municipalities beginning with the 2006 and 2007 budget years and continuing into the 2008 and 2009 budget years, which limits tax levy increases to the percentage change in annual new construction growth on an equalized valuation basis. The Village's 2009 tax levy/2010 budget year maximum increase derived by the State of Wisconsin was 3.00%. The Village was successful in adopting its 2009 tax levy with a \$104,828 revenue increase (2.50% increase), but a 0% increase in the tax rate. The Village did not use the Debt Service exception option allowed under the current levy law.

The Village's total assessed value rose from \$1,037,220,590 in 2008 to \$1,063,702,760 in 2009, which was an increase of \$26,482,170 (2.55% increase). No revaluation of Village property occurred in 2009. The last reassessment had occurred in 2007.

Despite this difficult budgetary environment, the Village's 2010 budget increased its total tax levy (excluding TIF Districts) by 2.50%, without needing to execute a provision for allowable prior years' debt service payments. Of this increase, the Village's non-TIF assessed valuation growth was \$20,694,532 in 2009, or a 2.50% increase. The Village's TIF assessed valuation growth was \$5,787,638 in 2009, or an increase of 2.73%. The Village continues to be a leader and "model" government entity in the area for reducing the cost of labor through efficiency and for service prioritization (providing only those services that the residents/taxpayers want, including asking the voters in the form of a referendum when deemed applicable).

## Village of Weston Management's Discussion and Analysis

### **ECONOMIC FACTORS, 2009 TAX RATES AND THE 2010 BUDGET (cont.)**

This translated into a 2009 assessed tax rate of \$5.08 per \$1,000 of assessed valuation (a 0.0% increase from the 2008 assessed tax rate of \$5.08), with a corresponding 2009 equalized tax rate of \$5.13, a small 3.2% increase from 2008. This equalized tax rate of \$5.13 maintains the Village of Weston in the bottom 15%-quartile of statewide-equalized tax rates for Wisconsin communities greater than 10,000 in population. This is an amazing fact, because the Village of Weston is the 10<sup>th</sup> fastest growing community in the State of Wisconsin, since the 2000 census, among communities over 10,000 in population. With 2,231 new residents from 2000 to 2009, and with a 2009 population of 14,310, the population increase during that time was 18.47%.

The Village adopts operating budgets for its governmental funds (General, Special Revenue, Debt Service), enterprise funds (Water, Sewer, and Stormwater Utilities), and internal service fund (Fringe Benefits). The 2010 fiscal year combined operating budget includes \$31,503,496 in projected revenues and \$31,708,960 in projected expenditures and transfers. The projected overall decrease in fund equity is due to a budgeted deficit of \$205,464. Several individual funds do have budgeted deficits. Fund balances from several governmental funds will be applied towards the budgeted deficits rather than increasing property tax rates or user fees any further to balance the 2010 operating budget.

Funding for the operating budget of the Village is provided from many sources, including property taxes, grants and aids from the State and County, user fees, permits and licenses, fines and forfeitures, and other miscellaneous revenues. Economic factors affecting the 2010 budget included increased revenues from sources affected by the overall economy, such as ambulance fees, offset in part by the decrease in state shared revenues and the market rate reduction in interest rates for investment earnings.

Expenditures for salaries, which represent the single largest operating cost, continue to be held down with the low inflation economy and active labor relations efforts. However, the restraint in salaries is more than offset by cost factors that are largely beyond the Village's direct control, such as employee health insurance increases, state retirement system contribution rate increases, and energy costs. The Village continues to work with its employee groups to better manage health care costs, including the exploration of a narrowed-network provider. There were no new service programs added to the 2010-operating budget.

The Village has also adopted a capital improvements program (CIP) budget for its governmental funds (Capital Projects) and enterprise funds (Water, Sewer, and Stormwater Utilities). The 2010 fiscal year combined CIP budget includes \$4,268,501 in projected revenues and \$4,803,445 in projected expenditures and transfers. The projected overall decrease in fund equity is due to a budgeted deficit of \$534,944. Fund balances from several governmental and enterprise funds will be applied towards this budgeted deficit rather than increasing the capital borrowing amount any further to balance the 2010 CIP budget.

# Village of Weston Management's Discussion and Analysis

## **ECONOMIC FACTORS, 2009 TAX RATES AND THE 2010 BUDGET (cont.)**

In the Village's enterprise funds, the Village's Sewer Utility customers experienced a rate increase of 25% effective January 2004. This large increase was needed primarily to support the increasing capital reserve funding required by the Rib Mountain Metro Sanitary District plant facilities. Since then, the Sewer Utility rates have remained unchanged for 2005-2009. The Public Service Commission of Wisconsin (PSC) approved an overall 7% increase for the Water Utility rates on January 23, 2009. The PSC's rate order includes changes to the utility's operating rules and a 2-tiered rate structure with separate schedules for residential and non-residential customers. This is the first overall rate change for the Water Utility since 1988. Stormwater Utility rates held steady in 2009. 2009 was the sixth year of the Stormwater Utility, for which all Village properties are charged a fee based upon the approximate impervious surface of the property, which contributes to stormwater runoff.

## **REQUESTS FOR FINANCIAL INFORMATION**

This financial report is designed to provide a general overview of the Village of Weston's finances for anyone who would have an interest. Additional information regarding the Village's finances or questions concerning any of the information found in this report should be addressed to the Village of Weston Finance Director, 5500 Schofield Avenue, Weston, WI 54476. Other information related to the Village can be accessed on the Village's website at [www.westonwisconsin.org](http://www.westonwisconsin.org).