

**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, 2010, 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, 2010, 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, 2011 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 xvii through xxxvii and budgetary comparison information on pages 54 through 61 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, 2011

## **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, 2010. 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 seventh 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 2009 and 2010.

### THE FINANCIAL HIGHLIGHTS

- The Village's net assets (assets less liabilities) total \$68,488,034 as of December 31, 2010, which was an overall increase of \$39,311 from 2009. Net assets from Governmental Activities account for \$11,854,686 of the total, a decrease of \$240,348 from the previous year. Business-Type Activities net assets were \$56,633,348, an increase of \$279,659 from 2009.
- The Village ended 2010 with a fund balance of \$14,251,531 for all Governmental Funds. This total includes \$2,714,668 which is unreserved and undesignated in the Village's General Fund, a \$174,235 increase from the previous year. This fund balance is 36.6% of the Village's 2010 General Fund expenditures of \$7,414,268.
- The Village issued a total of \$7,810,000 of debt in 2010. The full amount of this debt was issued as General Obligation ("G.O.") debt backed by the full faith and credit of the Village. Of this amount, \$5,400,000 of the debt was used for Village capital improvement projects, and \$2,410,000 was used to refund existing Village G.O. debt.
- In January 2010, the Village of Weston closed out its Environmental TIF District since all of its obligations had been paid in full. Therefore, the district generated \$2,602,800 of new property tax base which returned onto the December 2010 tax roll. This TIF district was closed six years ahead of the schedule with the original TIF district plan (year 2016).
- In April 2010, Moody's Investors Service released its new Global Scale Rating (GSR) for Wisconsin municipalities. The Global Scale Rating attempts to establish a uniform rating scale for municipal and corporate debt. The Village's bond ratings under the Global Scale Rating for all five types of debt that the Village presently issues have increased by two levels each, when compared to the Municipal Scale Rating (MSR). The Village's general obligation ("G.O.") debt increased from "A1" to "Aa2", water utility revenue bonds increased from "A2" to "Aa3", sewer utility revenue bonds increased from "A2" to "Aa3", stormwater utility revenue bonds increased from "A3" to "A1", and community development authority (CDA) revenue bonds increased from "A3" to "A1". Moody's does not consider the Global Scale Rating a formal "upgrade". However, the rating changes are very positive for the Village during this continuing economic recession.

# Village of Weston

## Management's Discussion and Analysis

### THE FINANCIAL HIGHLIGHTS (cont.)

- The Village's share of the assessed tax rate as of December 2010 (for the 2011 budget year) was set at \$5.08 for the third consecutive year. The Village Board and staff are proud of the fact that the Village's share of the tax rate has remained unchanged in the past three years, meaning that the Village is only expanding its annual budget for operating and debt service costs at the "same pace" as the assessed valuation growth of the Village. In addition, the Village's combined assessed tax rate was set at \$20.26 in December 2010 which was the second year in a row that the combined assessed tax rate had decreased from the previous year. The combined rate had been \$20.42 in 2009 and \$20.89 in 2008.

### 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, 2010. 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, 2010, we will try to answer some very basic questions. Is the Village better or worse off financially than it was in 2009? 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 2010:

#### *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 2010, the Village of Weston used special revenue funds to account for:

Recycling	Aquatic Center
Block Grant/Revolving Loan	Room Taxes
TIF District #1 (major fund)	Civic and Social
TIF District #2	Park and Recreation
Environmental TIF District	
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 2010, 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	
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 2010, 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 2010, 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 2010, 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 14-53 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 54-89 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 \$68,488,034 as of December 31, 2010. This includes total assets of \$168,421,609 and total liabilities of \$99,933,575. 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 69% 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 71% 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:

<b>VILLAGE OF WESTON NET ASSETS December 31, 2010 and 2009</b>						
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 41,143,050	\$ 37,892,922	\$ 11,768,601	\$ 11,983,166	\$ 52,911,651	\$ 49,876,088
Capital assets	58,943,733	61,494,117	56,566,225	57,265,790	115,509,958	118,759,907
Total assets	<u>100,086,783</u>	<u>99,387,039</u>	<u>68,334,826</u>	<u>69,248,956</u>	<u>168,421,609</u>	<u>168,635,995</u>
Non-current liabilities	(63,022,431)	(61,955,622)	(10,849,005)	(11,887,993)	(73,871,436)	(73,843,615)
Current and other liabilities	(25,209,666)	(25,336,383)	(852,473)	(1,007,274)	(26,062,139)	(26,343,657)
Total liabilities	<u>(88,232,097)</u>	<u>(87,292,005)</u>	<u>(11,701,478)</u>	<u>(12,895,267)</u>	<u>(99,933,575)</u>	<u>(100,187,272)</u>
Net assets:						
Invested in capital assets, net of related debt	14,354,445	13,911,596	46,240,858	45,977,237	48,822,424	47,262,512
Restricted	4,578,310	5,400,610	720,677	801,591	5,298,987	6,202,201
Unrestricted (deficit)	(7,078,069)	(7,217,172)	9,671,813	9,574,861	14,366,623	14,984,010
Total net assets	<u>\$ 11,854,686</u>	<u>\$ 12,095,034</u>	<u>\$ 56,633,348</u>	<u>\$ 56,353,689</u>	<u>\$ 68,488,034</u>	<u>\$ 68,448,723</u>

## CHANGES IN NET ASSETS

The 2010 combined net assets of the Village increased by \$39,311 from 2009.

Net assets of the Village's governmental activities totaled \$11,854,686 as of December 31, 2010. Governmental activities for the year decreased net assets by \$240,348. 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 \$7,078,069, 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 \$4,578,310 for debt service.

The net assets of business-type activities totaled \$56,633,348, an increase of \$279,659. The Village can use the unrestricted net assets of \$9,671,813 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, 2010 and 2009**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,754,139	\$ 1,515,694	\$ 4,288,896	\$ 4,341,591	\$ 6,043,035	\$ 5,857,285
Operating grants and contributions	212,972	166,012	2,992	-	215,964	166,012
Capital grants and contributions	2,839,967	1,423,231	465,870	48,000	3,305,837	1,471,231
General revenues:						
Property taxes	8,977,876	8,844,061	-	-	8,977,876	8,844,061
Other taxes	295,078	292,672	-	-	295,078	292,672
Intergovernmental revenues not restricted to specific programs	1,350,087	1,463,078	-	-	1,350,087	1,463,078
Public gifts and/or grants not restricted to specific programs	8,044	9,225	-	-	8,044	9,225
Investment earnings	276,962	291,621	313,215	300,822	590,177	592,443
Other general revenues	275,753	275,141	22,991	43,258	298,744	318,399
<b>Total Revenues</b>	<b>15,990,878</b>	<b>14,280,735</b>	<b>5,093,964</b>	<b>4,733,671</b>	<b>21,084,842</b>	<b>19,014,406</b>
<b>Expenses:</b>						
General government	917,357	898,037	-	-	917,357	898,037
Public safety	3,837,699	3,786,131	-	-	3,837,699	3,786,131
Public works	7,029,917	6,205,348	-	-	7,029,917	6,205,348
Health and human services	-	1,140	-	-	-	1,140
Parks, recreation, and education	656,865	611,109	-	-	656,865	611,109
Community development	1,450,652	354,588	-	-	1,450,652	354,588
Interest and fiscal charges	2,757,034	2,757,318	-	-	2,757,034	2,757,318
Water utility	-	-	1,640,872	1,649,682	1,640,872	1,649,682
Sewer utility	-	-	2,044,851	1,928,468	2,044,851	1,928,468
Stormwater utility	-	-	710,284	739,633	710,284	739,633
<b>Total Expenses</b>	<b>16,649,524</b>	<b>14,613,671</b>	<b>4,396,007</b>	<b>4,317,783</b>	<b>21,045,531</b>	<b>18,931,454</b>
Increase (decrease) in net assets before transfers	(658,646)	(332,936)	697,957	415,888	39,311	82,952
Transfers	418,298	390,854	(418,298)	(390,854)	-	-
<b>Change in net assets</b>	<b>(240,348)</b>	<b>57,918</b>	<b>279,659</b>	<b>25,034</b>	<b>39,311</b>	<b>82,952</b>
Net assets-beginning of year	12,095,034	12,037,116	56,353,689	56,328,655	68,448,723	68,365,771
<b>Net assets-end of year</b>	<b>\$11,854,686</b>	<b>\$12,095,034</b>	<b>\$56,633,348</b>	<b>\$56,353,689</b>	<b>\$68,488,034</b>	<b>\$68,448,723</b>

# Village of Weston

## Management's Discussion and Analysis

### GOVERNMENTAL ACTIVITIES

Governmental activities for 2010 decreased the Village's net assets by \$240,348. Governmental expenses included \$3,643,322 in depreciation expense allocated as follows: \$3,280,129 to public works, \$63,593 to general government, \$174,405 to public safety, and \$125,195 to parks and recreation. Depreciation expense represents 21.9% of the total expenses for governmental activities. Total revenues and transfers increased by \$1,737,587 from 2009. The Village was awarded a Federal Stimulus grant through the Wisconsin Department of Transportation for a road project which increased capital grants and contributions revenue by \$1,416,736. Charges for services increased by \$238,445, and property taxes increased by \$133,815. The other revenue sources remained relatively the same. Property taxes in 2010 accounted for 56.1%, and capital grants and contributions were 17.8% of total governmental activities revenue. Expenses for public safety and public works were 65.3% of all governmental activities expenses.

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

#### Revenues:

- Property tax revenue increased in 2010 by \$133,815 (1.5%). In 2010, the state reduced the equalized valuation of the TIF districts allowing for only a slight increase of \$28,404 (0.6%) in property taxes in the TIF's. In addition, there were also increases for debt service of \$150,000 (10.7%), recycling for \$52,000 (100%) since there had been no property tax revenue for recycling in 2009, and business grants for \$5,000 (100%). There was a property tax revenue decrease of \$7,589 (-0.3%) for general operations. There was no property tax revenue for mass transit in 2010, which was a decrease of \$94,000, due to the elimination of the mass transit fund at the end of 2009.
- Revenues from charges for services totaled \$1,754,139, an increase of \$238,445 (15.7%) from 2009. The largest increase in 2010 was for public safety billable services, which increased by \$91,254 (13.7%). In 2010, the Village had an increase of 196 ambulance runs, and they added ambulance service to the Town of Wausau.
- Operating grants and contributions totaled \$212,972, an increase of \$46,960 (28.3%) from 2009. There was an increase of \$12,286 (59.4%) for the Village-organized community festival (Weston Fest) and a \$10,699 increase (34.8%) in public safety grants.
- Revenues received from capital grants and contributions totaled \$2,839,967, which was an increase of \$1,416,736 (99.5%) from 2009. The Village was awarded a stimulus grant where the state managed the rebuilding of Ross Avenue which added \$1,276,132 in infrastructure to the Village. The fire department received grants totaling \$127,295 toward the purchase of new radios in 2010.
- Investment earnings totaled \$276,962, which was \$14,659 lower (-5.0%) than 2009. This decrease reflects high-earning investments being called or maturing and the purchasing of lower interest earning investments to replace them.

# Village of Weston

## Management's Discussion and Analysis

### GOVERNMENTAL ACTIVITIES (cont.)

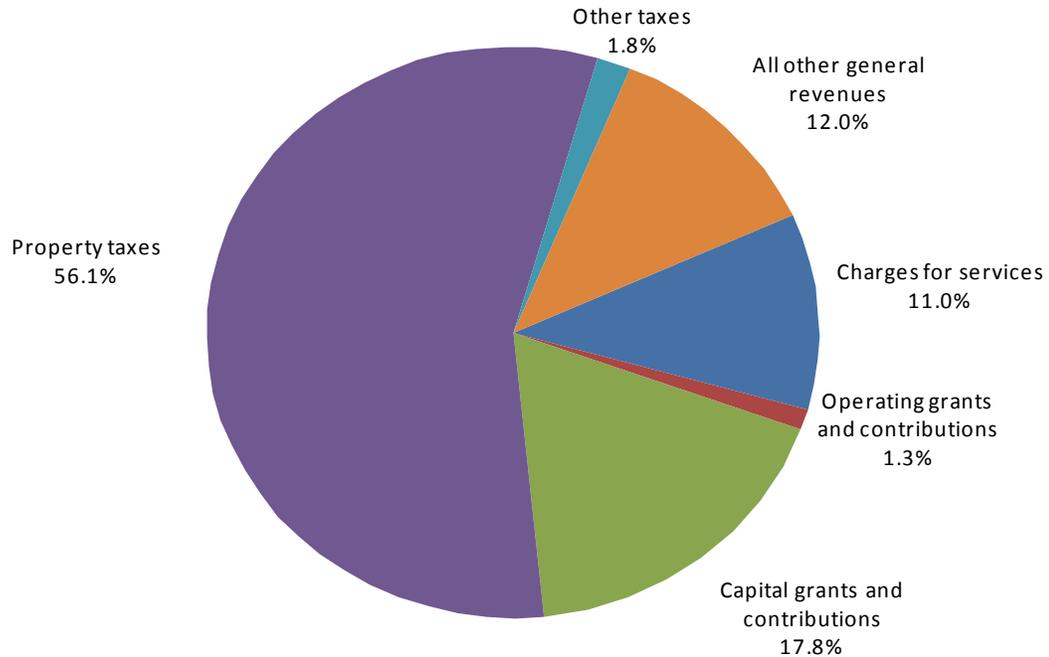
#### Expenses:

- General government expenses increased by \$19,320 (2.2%). This slight increase showed the effort by departments to hold expenses to prior year's numbers.
- Public safety expenses totaled \$3,837,699 in 2010 which was an increase of \$51,568 (1.4%). 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 2010 budget.
- Public works expenses totaled \$7,029,917 in 2010 which was an increase of \$824,569 (13.3%). This increase in public works expenses was largely attributable to the change in the recorded loss on disposal of assets. In 2010, the Village suffered a large loss on disposal of assets (\$986,950), and in 2009, there was only a small loss of \$14,750. Gasoline and diesel costs increased by \$6,112 (9.8%) in 2010 due to rising fuel prices as compared to 2009.
- Parks, recreation, and education expenses increased by \$45,756 (7.5%). Aquatic Center expenses increased by \$26,121 (20.0%) because of some additional maintenance work completed in 2010 and increased usage of the pool, due to warmer weather during the 2010 season. Weston Fest expenses increased by \$8,771 (24.5%) in 2010.
- Community development expenses increased by \$1,096,064 (309.1%) in 2010. There was a \$760,951 increase in expenditures in the Revolving Loan Fund. The Village has transferred all responsibility and rights of their economic development revolving loans to the Central Wisconsin Economic Development organization. In addition, the business grants awarded in the TIF District #1 Fund increased by \$285,000 in 2010.
- Interest and fiscal charges expenses which totaled \$2,757,034 for 2010 decreased by \$284 (-0.01%), which was therefore relatively unchanged from 2009.

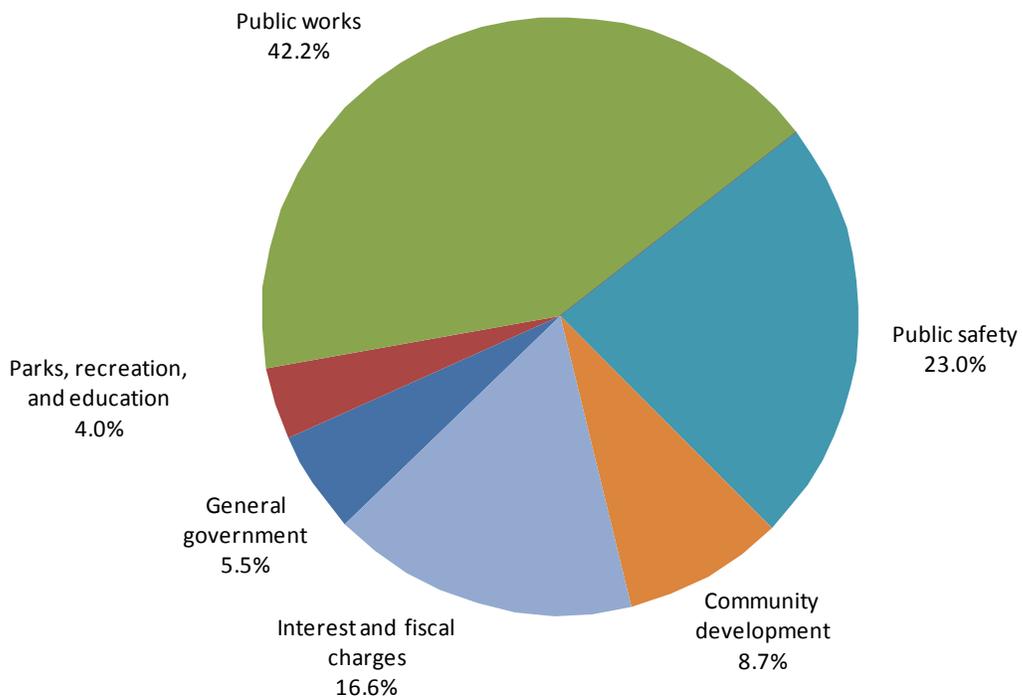
The following graphs provide a breakdown of all governmental activities revenues and expenses:

# 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 \$279,659. Expenses were over charges for services by \$107,111. Capital grants and contributions of \$465,870, operating grants and contributions of \$2,992, and other general revenues of \$336,206 were other 2010 funding sources for the utility funds.

Revenues for business-type activities, excluding capital and operating grants and contributions, decreased by \$60,569 in 2010. Capital grants and contributions increased by \$417,870. This increase was due to the stimulus grant that the Village was awarded which covered stormwater capital assets. Operating grants and contributions increased by \$2,992. Some of the significant changes in revenues were as follows:

- Water Utility operating revenues totaled \$1,994,573 for 2010, which was a decrease of \$43,131 (-2.1%) from 2009. This decrease was the result of a change to a conservation water rate scale during 2009-2010. The Village implemented this new conservation rate based scale that increases the cost when the customer uses more gallons of water, promoting water conservation. After a modest increase in revenues last year, the conservation rate is working, and people are using less water resulting in a decrease in revenue. A contributing factor to the reduction in water usage in 2010 was the wet weather in late summer resulting in less lawn watering. Interest earnings on investments increased by \$40,730 (38.9%) from 2009.
- Sewer Utility operating revenues totaled \$1,736,298 for 2010, which was a decrease of \$16,468 (-0.9%) from 2009. User fees decreased as a result of lower water usage which is the unit of measure for sewer fees. A decrease of \$18,250 (-48.3%) in sewer hook-up fees was realized in 2010, due to the slowing of new construction activity. Interest earnings decreased by \$35,754 (-18.9%) from 2009. Part of the interest earnings decrease was due to older investments being called or maturing and being replaced with new investments at lower interest rates. The Sewer Utility held rates at the 2005 level.
- Stormwater Utility operating revenues totaled \$584,008 for 2010, which was a slight increase of \$3,582 (0.6%) from 2009. Interest earnings on investments increased by \$7,417 (105.1%) as the fair value of investments had increased. The Stormwater Utility held rates at the original 2004 level.

Expenses, excluding depreciation, totaled \$2,236,655, an increase of \$41,257 (1.9%) from 2009. Depreciation expense increased by \$18,204 (1.2%). Some of the significant changes in expenses were as follows:

- Water Utility operating expenses, excluding depreciation, decreased by \$228 (-0.02%) in 2010. During 2010, the utility did perform some needed maintenance during a road reconstruction project. All other operating expenses remained unchanged for 2010.
- Sewer Utility operating expenses, excluding depreciation, increased by \$82,585 (8.1%). The main reason for the increase was the maintenance that was done during a planned road reconstruction project. In addition, there was an increase in sewer usage which resulted in higher operating and capital charges paid to the RMMSD (Rib Mountain Metro Sewerage District), which increased by \$45,977 (7.5%). Finally, there was an increase of \$42,147 (71.0%) in the debt service charge to RMMSD. When debt is borrowed by the RMMSD, each participating community's debt payment increases.

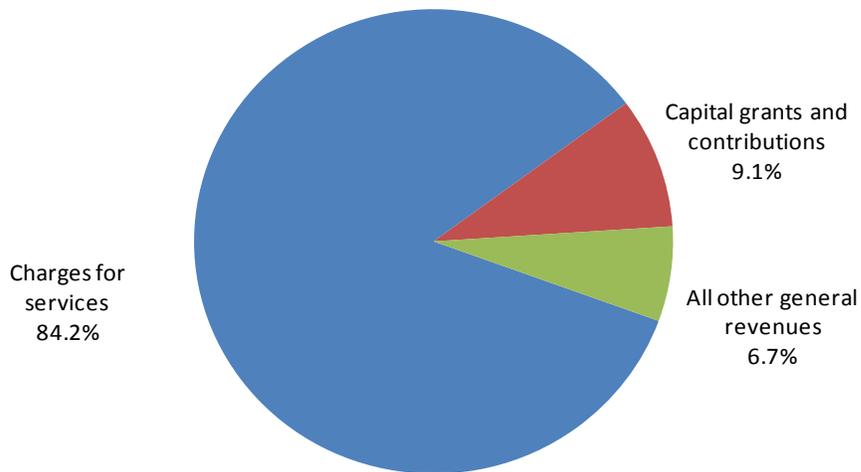
# Village of Weston Management's Discussion and Analysis

## BUSINESS-TYPE ACTIVITIES (cont.)

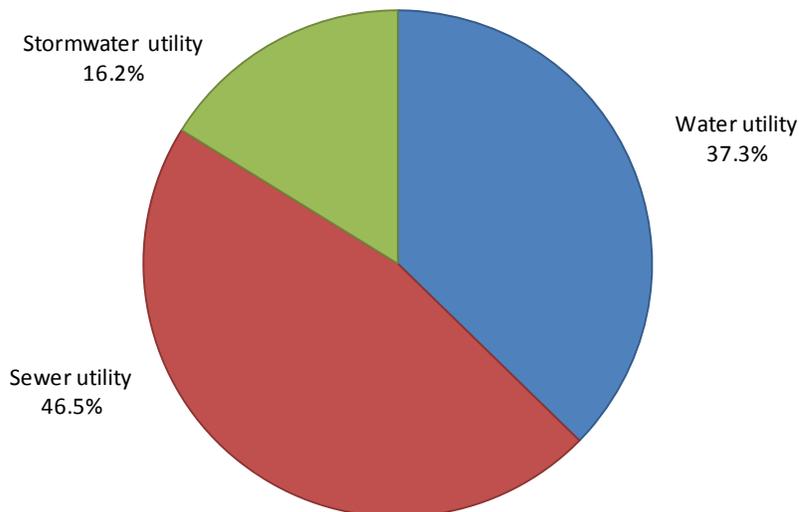
- Stormwater Utility operating expenses, excluding depreciation, decreased by \$41,100 (-22.6%). The decrease was the result of a position being vacant for most of 2010 that is funded primarily by the Stormwater Utility.

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 2010 with a fund balance of \$14,251,531 in its governmental funds, compared to \$10,763,156 as of December 31, 2009. This is an increase of \$3,488,375. Of the 2010 fund balance, \$5,617,526 was reserved and \$8,634,005 was unreserved. The reserved balance includes \$5,142,797 for debt service, \$221,497 for encumbrances/open contracts, \$204,159 for long-term receivables/advances, and \$49,073 for prepaid and inventory expenditures. The unreserved balance includes \$6,123,178 designated for subsequent year's expenditures (primarily capital projects) and \$2,510,827 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 \$179,628 from 2010 operations. Fund balance at year-end totaled \$2,932,063, of which \$2,714,668 is unreserved and undesignated. This undesignated fund balance is 36.6% of the Village's 2010 General Fund expenditures of \$7,414,268. 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 36.6% of expenditures is considered a very strong fund balance by Moody's, and helps contribute to the Village of Weston's strong "Aa2" 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 \$5,591, which resulted in a reserved fund balance at year-end of \$768,646. Of the \$768,646 fund balance amount, \$204,159 is reserved for long-term receivables/advances and \$564,487 is reserved for debt service.

#### *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 decrease in fund balance during the year of \$544,850, which resulted in a positive fund balance at year-end of \$731,074. The decrease in fund balance was partially due to the early callable retirement of \$490,000 in water revenue bonds (Series 2001C) in June 2010. In addition, a 2010 letter-of-credit (LOC) payment amount of \$243,987 due from a developer in 2010 was not received within 60 days of year-end, and therefore, would not be recorded as revenue until 2011. As future development is constructed in TIF District #1, the future property taxes generated from these new increments will 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 \$84,697, which resulted in a fund balance at year-end of \$4,209,895. 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 2010 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 \$2,336,900, which resulted in a fund balance at year-end of \$2,508,231. The reason for the increase in fund balance was that bond proceeds were borrowed in late 2010 for capital expenditures that will occur in 2011. Of the \$2,508,231 fund balance amount, \$16,738 is reserved for encumbrances and \$117,092 is reserved for debt service.

### *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 \$1,941,691, which resulted in fund balance at year-end of \$2,066,073. The reason for the increase in fund balance was that bond proceeds were borrowed in late 2010 for capital expenditures that will occur in 2011. Of the \$2,066,073 fund balance amount, \$196,121 is reserved for encumbrances.

## **Proprietary Funds**

### *Water Utility Fund*

The water utility's operating income, before transfers and other nonoperating revenues and expenses, was \$475,250 in 2010. The overall change to net assets was an increase of \$88,293. The water utility's 2010 rate of return was 3.35%.

### *Sewer Utility Fund*

The sewer utility realized an operating loss, before transfers and other nonoperating revenues and expenses, of \$25,273. Overall net assets decreased by \$157,852. The sewer utility's 2010 rate of return was -0.23%.

# 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 2010, the utility had an operating income, before transfers and other nonoperating revenues and expenses, of \$103,892. The utility had an increase in net assets of \$349,218. The stormwater utility's 2010 rate of return was 0.81%.

## **BUDGETARY ANALYSIS**

The Village's 2010 General Fund adopted expenditure budget totaled \$7,581,150. The Village's final General Fund revenue budget totaled \$7,451,859. The 2010 revenue budget anticipated the use of \$129,291 in undesignated reserves.

As previously stated, the Village ended 2010 with a fund balance increase of \$179,628 from 2009. In other words, the Village did not reduce its reserves by \$129,291, but added to the reserves by \$179,628.

Actual general fund revenue exceeded the budget by \$142,037. A large positive variance of \$141,370 was realized from charges for services, \$78,523 from investment earnings and miscellaneous revenues, and \$35,398 from other financing sources. The Village saw a large increase in ambulance runs and expanded their EMS service area to the Town of Wausau in 2010. Negative variances occurred in licenses and permits of \$98,076 and fines and forfeitures of \$27,197. Other revenue categories experienced small positive or negative variances.

General fund expenditures finished 2010 with a budget variance of \$166,882, or 2.2% below budget. Some positive variances occurred in general government (\$31,179 or 3.6%), public works (\$113,807 or 4.6%), and community development (\$9,936 or 4.8%). The negative variances occurred in public safety (\$30,914 or 0.84%). Most other Village department expenditure categories experienced small to moderate positive budget variances. Contingency reserve/other had a positive budget variance of \$38,272.

General fund statements highlighting budget versus actual variances can be found on pages 54-58 of this report.

# Village of Weston Management's Discussion and Analysis

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2010, the Village of Weston had an investment in capital assets of \$115,509,958 net of accumulated depreciation, of all governmental and business-type activities of the Village. This amounts to a \$3,249,949 decrease (2.7%) from the end of 2009.

Major capital improvements that took place in the Village's governmental activities include road, curb, and gutter project costs for the Ross Avenue Stimulus Reconstruction Project (\$1,242,886), Schofield Avenue widening project engineering and design costs (\$229,059), and pedestrian bridge engineering and design costs (\$147,725).

The land improvement costs totaled \$164,639, including the Village parking lot (\$158,619). The balance of 2010 land improvement additions was for miscellaneous items.

Equipment, furniture, and fixtures had an increase of \$548,130. The fire department purchased new turnout gear and hose (\$304,337), and the parks department added a new slide at the aquatic center (\$220,110).

In the Village's business-type activities, major capital additions (prior to depreciation) include \$176,108 to the transmission and distribution system of the Water Utility. The Village's Sewer Utility saw \$66,253 of additions to its collection system (prior to depreciation). The Stormwater Utility saw \$506,822 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, 2010 and 2009

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land/right-of-ways	\$ 5,007,546	\$ 5,075,474	\$ 316,312	\$ 277,727	\$ 5,323,858	\$ 5,353,201
Land rights	-	-	587,109	587,109	587,109	587,109
Buildings	6,910,471	6,896,542	2,571,048	2,571,048	9,481,519	9,467,590
Improvements	5,864,806	5,700,167	67,705,977	67,071,976	73,570,783	72,772,143
Equipment	5,748,286	5,490,732	2,487,483	2,445,856	8,235,769	7,936,588
Infrastructure	74,495,538	74,986,064	-	-	74,495,538	74,986,064
Construction in progress	627,201	620,055	110,135	128,770	737,336	748,825
Total capital assets	98,653,848	98,769,034	73,778,064	73,082,486	172,431,912	171,851,520
Less accumulated depreciation	(39,710,115)	(37,274,917)	(17,211,839)	(15,816,696)	(56,921,954)	(53,091,613)
Capital assets, net of depreciation	<u>\$ 58,943,733</u>	<u>\$ 61,494,117</u>	<u>\$ 56,566,225</u>	<u>\$ 57,265,790</u>	<u>\$ 115,509,958</u>	<u>\$ 118,759,907</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, 2010 totaled \$20,778,226. In addition, the Village had revenue debt outstanding (backed by revenues generated from the Weston Water, Sewer, and Stormwater Utilities) of \$9,990,000. 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 \$40,630,000. There was also \$1,885,000 outstanding in bond anticipation notes at the end of 2010. Therefore, the total outstanding debt of the Village at December 31, 2010 totaled \$73,283,226.

In 2010, the Village issued Taxable General Obligation Promissory Notes totaling \$5,400,000 for projects included in the 2010 and 2011 capital improvements program. Notes are debt instruments in which the debt principal will be paid off in ten years or less. Proceeds from the 2010 notes were authorized for use in the following manner:

Village Capital Improvement Projects	<u>\$5,400,000</u>
--------------------------------------	--------------------

The Village also issued \$2,410,000 General Obligation Refunding Bonds that were used to refund existing general obligation debt from the 2001A Series (\$1,550,000) and 2002A Series (\$680,000) bonds. Bonds are debt instruments in which the debt principal will be paid off in 10 to 20 years.

On April 19, 2010, Moody's Investors Service announced its new Global Scale Rating (GSR) for Wisconsin municipalities. The Global Scale Rating attempts to establish a uniform rating scale for municipal and corporate debt. The following table shows the Village's rating on the Municipal Scale Rating compared to its new recalibrated Global Scale Rating.

	Municipal Scale Rating	Global Scale Rating	Change
General Obligation	A1	Aa2	Increase 2 levels
CDA	A3	A1	Increase 2 levels
Water Utility	A2	Aa3	Increase 2 levels
Sewer Utility	A2	Aa3	Increase 2 levels
Stormwater Utility	A3	A1	Increase 2 levels

Moody's does not consider the Global Scale Rating a formal "upgrade". However, the rating changes are positive for the Village and brings Moody's ratings more in-line with ratings issued by Standard and Poor's recently. Moody's affirmed the Aa2 rating on the Village's general obligation (G.O.) debt with the issuance of the new 2010 G.O. notes and bonds.

# 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 2010 equalized value of \$1,017,654,200, the Village's statutory debt limit totaled \$50,882,710. The Village was at 39.73% of its legal debt limit as of December 31, 2010.

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

### VILLAGE OF WESTON OUTSTANDING DEBT December 31, 2010 and 2009

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds & notes	\$ 18,511,048	\$ 15,067,279	\$ 2,267,178	\$ 2,405,360	\$ 20,778,226	\$ 17,472,639
Bond anticipation notes	1,885,000	1,885,000	-	-	1,885,000	1,885,000
CDA lease revenue bonds	40,630,000	42,625,000	-	-	40,630,000	42,625,000
Water utility revenue bonds	119,000	669,000	2,296,000	2,751,000	2,415,000	3,420,000
Sewer utility revenue bonds	410,000	465,000	4,070,000	4,385,000	4,480,000	4,850,000
Stormwater utility revenue bonds	-	-	3,095,000	3,220,000	3,095,000	3,220,000
<b>Total</b>	<b>\$ 61,555,048</b>	<b>\$ 60,711,279</b>	<b>\$ 11,728,178</b>	<b>\$ 12,761,360</b>	<b>\$ 73,283,226</b>	<b>\$ 73,472,639</b>

More detail regarding the Village's outstanding debt can be found in Note IV (F) on pages 41-47 of this report.

# Village of Weston

## Management's Discussion and Analysis

### ECONOMIC FACTORS, 2010 TAX RATES AND THE 2011 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 2010. Fortunately, there remains to be construction occurring at a reduced pace within the existing residential subdivisions. The Village's end-of-year 2010 unemployment rate of 8.8% is slightly above the state's end-of-year 2010 rate of 8.3%.

The Village's equalized property value decreased by \$35,297,300 in 2010 (a 3.35% decrease). This decrease reflects a state-wide devaluation of property in Wisconsin by the Department of Revenue for the second year in a row. The 2010 building permits were \$12.9 million, which was a slight reduction from the \$13.5 million reported in 2009. This 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 through 2011 budget years, which limits tax levy increases to the percentage change in annual new construction growth on an equalized valuation basis. The Village's 2010 tax levy/2011 budget year maximum increase derived by the State of Wisconsin was 3.123%. The Village was successful in adopting its 2010 tax levy with a \$121,113 revenue increase (2.82% increase), but a 0% increase in the assessed 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 \$1,063,702,760 in 2009 to \$1,076,925,570 in 2010, which was an increase of \$13,222,810 (1.24% increase). No revaluation of Village property occurred in 2010. The last reassessment had occurred in 2007.

Despite this difficult budgetary environment, the Village's 2011 budget increased its total tax levy (excluding TIF Districts) by 2.82%, 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 \$23,791,451 in 2010, or a 2.81% increase. The Village's TIF assessed valuation decreased by \$10,568,641 in 2010, or a decrease of -4.86%. 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 request, including asking the voters in the form of a referendum when deemed applicable).

# Village of Weston

## Management's Discussion and Analysis

### **ECONOMIC FACTORS, 2010 TAX RATES AND THE 2011 BUDGET (cont.)**

This translated into a 2010 assessed tax rate of \$5.08 per \$1,000 of assessed valuation (a 0.0% increase from the 2009 assessed tax rate of \$5.08), with a corresponding 2010 equalized tax rate of \$5.38, a 4.87% increase from 2009. This equalized tax rate of \$5.38 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 one of the fastest growing communities in the State of Wisconsin, since the 2000 census, among communities over 10,000 in population. With 2,789 new residents from 2000 to 2010, and with a 2010 population of 14,868, the population increase during that time was 23.09%.

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 2011 fiscal year combined operating budget includes \$33,522,875 in projected revenues and \$40,496,065 in projected expenditures and transfers. The projected overall decrease in fund equity is due to a budgeted deficit of \$6,973,190. 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 2011 operating budget. The 2011 budgeted deficit of \$4,471,000 in the capital projects funds is due to the issuance of 2010 taxable general obligation ("G.O.") promissory notes of \$5,400,000 in December 2010, but the majority of those note proceeds will not be expended until 2011.

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 2011 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 2011 operating budget.

# Village of Weston Management's Discussion and Analysis

## **ECONOMIC FACTORS, 2010 TAX RATES AND THE 2011 BUDGET (cont.)**

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 2011 fiscal year combined CIP budget includes \$4,395,500 in projected revenues and \$9,129,100 in projected expenditures and transfers. The projected overall decrease in fund equity is due to a budgeted deficit of \$4,733,600. The majority of the December 2010 G.O. note proceeds will be utilized for the 2011 CIP Budget. In addition, 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 2011 CIP budget.

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 2005-2010. 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 included changes to the utility's operating rules and a 2-tiered rate structure with separate schedules for residential and non-residential customers. This was the first overall rate change for the Water Utility since 1988. Stormwater Utility rates held steady in 2010. 2010 was the seventh 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).