

**FINANCIAL
SECTION**

MANAGEMENT'S DISCUSSION & ANALYSIS

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, 2008, 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, 2008, 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 11, 2009, 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 xxiii through xlv and budgetary comparison information on pages 55 through 62 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 11, 2009



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, 2008. 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 fifth 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 2007 and 2008.

THE FINANCIAL HIGHLIGHTS

- The Village's net assets (assets less liabilities) total \$68,365,771 as of December 31, 2008, which was an overall decrease of \$2,022,770 from 2007. Net assets from Governmental Activities account for \$12,037,116 of the total, a decrease of \$2,008,588 from the previous year. Business-Type Activities net assets were \$56,328,655, a decrease of \$14,182 from 2007.
- The Village ended 2008 with a fund balance of \$9,598,580 for all Governmental Funds. This total includes \$2,420,058 which is unreserved and undesignated in the Village's General Fund, a \$68,938 increase from the previous year. This fund balance is 33.6% of the Village's 2008 General Fund expenditures of \$7,207,820.
- The Village issued a total of \$6,944,000 of debt in 2008. Of this amount, \$1,994,000 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 also issued Sanitary Sewerage System Revenue Bonds in 2008 for \$4,950,000. The full amount of the issue was used to refund existing sanitary sewerage system revenue bonds.
- The Village received three favorable bond rating upgrades in 2008 from Moody's Investors Service. In May 2008, the Village's general obligation ("G.O.") debt received a ½-step upgrade from an "A2+" (positive outlook) to an "A1". The Weston Sewer Utility's revenue bonds were upgraded from an "A3" to an "A2" at that same time. Finally, Moody's upgraded the Weston Water Utility's revenue bonds from an "A3" to an "A2" in July 2008. Therefore, the Village and CDA (Community Development Authority) continue to have all five types of issued debt rated by the end of 2008 with strong and continually-improving ratings. Robert W. Baird & Company, who is the financial advisor for the Village, reported that there are only a handful of communities in the State of Wisconsin (out of over 1,900 municipalities in the State) that have all of their various types of debt rated on the global market and under the microscope of the bond market today. The Village is proud to be in that elite group of fully-rated communities.

Village of Weston Management's Discussion and Analysis

THE FINANCIAL HIGHLIGHTS (cont.)

- The Village received an advance from two TIF letters of credit ("LOC's") in 2008 of \$321,033. The Village also reimbursed one developer in 2008 (\$28,320) for surplus tax increment funds received. The Village began 2008 with a total advance from developers of \$1,018,754 and ended the year with a balance due to developers of \$1,311,467 on the LOC's. 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.
- The Village's total equalized valuation for 2008 was certified as \$1,059,625,700 by the Wisconsin Department of Revenue. This milestone eclipsed the \$1 billion valuation mark for the first-time ever. This 2008 valuation was a 10.83% increase over the previous year and represented a staggering \$574 million increase in new valuation during the present decade so far (from 2000 to 2008).
- The Village's TIF District equalized valuation of cumulative tax increment created by 2008 was certified as \$216,274,600 by the Wisconsin Department of Revenue. This milestone eclipsed the \$200 million valuation mark for the first-time ever. This 2008 valuation was a \$49.6 million increase (or a 29.8% increase) over the previous year. All three TIF Districts are cash-flowing productively and will be closed out on-schedule or ahead of schedule when compared to the original TIF project plans.
- The Village's share of the equalized tax rate as of December 2008 (for the 2009 budget year) was set at \$4.97, as compared to December 2000 (for the 2001 budget year) when the equalized tax rate was \$4.89. 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 eight 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, 2008. 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.

Village of Weston Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL STATEMENTS

As we begin to analyze the Village's financial condition and operations as of December 31, 2008, we will try to answer some very basic questions. Is the Village better or worse off financially than it was in 2007? 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.

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.

Village of Weston Management's Discussion and Analysis

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 2008:

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 (non-major 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 2008, 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	

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 2008, 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.

Village of Weston Management's Discussion and Analysis

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 2008, the Village of Weston used enterprise funds to account for:

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

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 2008, 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 2008, the Village of Weston did not have any agency funds.

Village of Weston Management's Discussion and Analysis

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 14-54 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 55-92 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 \$68,365,771 as of December 31, 2008. This includes total assets of \$169,851,244 and total liabilities of \$101,485,473. 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.

Capital assets (e.g. land, buildings, building improvements, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress) account for approximately 71% 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 74% 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 Management's Discussion and Analysis

VILLAGE OF WESTON NET ASSETS December 31, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 36,699,482	\$ 34,744,640	\$ 11,835,778	\$ 12,109,343	\$ 48,535,260	\$ 46,853,983
Capital assets	63,678,914	65,430,493	57,637,070	57,994,270	121,315,984	123,424,763
Total assets	100,378,396	100,175,133	69,472,848	70,103,613	169,851,244	170,278,746
Non-current liabilities	(63,054,326)	(62,976,263)	(12,300,971)	(12,980,489)	(75,355,297)	(75,956,752)
Current and other liabilities	(25,286,954)	(23,153,166)	(843,222)	(780,287)	(26,130,176)	(23,933,453)
Total liabilities	(88,341,280)	(86,129,429)	(13,144,193)	(13,760,776)	(101,485,473)	(99,890,205)
Net assets:						
Invested in capital assets, net of related debt	17,469,669	20,077,746	46,190,322	48,984,228	50,765,709	55,282,142
Restricted	5,585,693	5,944,977	513,509	483,020	6,099,202	6,427,997
Unrestricted (deficit)	(11,018,246)	(11,977,019)	9,624,824	6,875,589	11,500,860	8,678,402
Total net assets	\$ 12,037,116	\$ 14,045,704	\$ 56,328,655	\$ 56,342,837	\$ 68,365,771	\$ 70,388,541

CHANGES IN NET ASSETS

The 2008 combined net assets of the Village decreased \$2,022,770 from 2007.

Net assets of the Village's governmental activities totaled \$12,037,116 as of December 31, 2008. Governmental activities for the year decreased net assets by \$2,008,588. 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 \$11,018,246, due to the TIF District debt 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 \$4,841,099 for debt service and \$744,594 for specific purposes.

The net assets of business-type activities totaled \$56,328,655, a decrease of \$14,182. The Village can use the unrestricted net assets of \$9,624,824 to finance the continuing operations of the water, sewer, and stormwater utilities.

Village of Weston Management's Discussion and Analysis

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, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 1,651,820	\$ 1,458,207	\$ 4,270,130	\$ 4,247,066	\$ 5,921,950	\$ 5,705,273
Operating grants and contributions	155,036	158,492	-	-	155,036	158,492
Capital grants and contributions	1,753,454	1,847,418	89,588	1,313,989	1,843,042	3,161,407
General revenues:						
Property taxes	7,619,050	6,379,618	-	-	7,619,050	6,379,618
Other taxes	192,874	196,096	-	-	192,874	196,096
Intergovernmental revenues not restricted to specific programs	1,457,899	1,497,154	-	-	1,457,899	1,497,154
Public gifts and/or grants not restricted to specific programs	34,244	12,768	-	-	34,244	12,768
Investment earnings	486,227	666,542	401,986	481,871	888,213	1,148,413
Other general revenues	246,349	325,919	34,097	42,654	280,446	368,573
Total Revenues	13,596,953	12,542,214	4,795,801	6,085,580	18,392,754	18,627,794
Expenses:						
General government	915,956	908,187	-	-	915,956	908,187
Public safety	3,756,082	3,372,892	-	-	3,756,082	3,372,892
Public works	7,573,288	8,026,685	-	-	7,573,288	8,026,685
Health and human services	1,919	35,160	-	-	1,919	35,160
Parks, recreation, and education	568,607	557,596	-	-	568,607	557,596
Community development	388,430	358,898	-	-	388,430	358,898
Interest and fiscal charges	2,779,555	2,704,633	-	-	2,779,555	2,704,633
Water utility	-	-	1,646,484	1,596,142	1,646,484	1,596,142
Sewer utility	-	-	1,929,358	1,828,946	1,929,358	1,828,946
Stormwater utility	-	-	855,845	763,856	855,845	763,856
Total Expenses	15,983,837	15,964,051	4,431,687	4,188,944	20,415,524	20,152,995
Increase (decrease) in net assets						
before transfers	(2,386,884)	(3,421,837)	364,114	1,896,636	(2,022,770)	(1,525,201)
Transfers	378,296	357,509	(378,296)	(357,509)	-	-
Change in net assets	(2,008,588)	(3,064,328)	(14,182)	1,539,127	(2,022,770)	(1,525,201)
Net assets-beginning of year	14,045,704	17,110,032	56,342,837	54,803,710	70,388,541	71,913,742
Net assets-end of year	<u>\$12,037,116</u>	<u>\$14,045,704</u>	<u>\$56,328,655</u>	<u>\$56,342,837</u>	<u>\$68,365,771</u>	<u>\$70,388,541</u>

Village of Weston Management's Discussion and Analysis

GOVERNMENTAL ACTIVITIES

Governmental activities for 2008 decreased the Village's net assets by \$2,008,588. The decrease in governmental activity net assets is primarily due to the fact that the Village recorded \$3,869,336 in depreciation expense in 2008 for its capital assets, which is a non-cash reduction in net assets. The Village does not budget funds, nor collects fees, in order to offset the annual reduction in net assets for this depreciation expense in its governmental activities.

Governmental expenses included \$3,869,336 in depreciation expense allocated as follows: \$3,564,367 to public works, \$44,925 to general government, \$155,507 to public safety, and \$104,537 to parks and recreation. Depreciation expense represents 24.2% of the total expenses for governmental activities. General revenues and transfers increased by \$1,075,526 from 2007. The Village's property tax revenue increased by \$1,239,432, but decreased revenues had occurred in both investment earnings and other general revenues. Program revenues increased by \$96,193. Property taxes in 2008 accounted for 56.0%, and capital grants and contributions were 12.9% of total governmental activities revenue. Expenses for public safety and public works were 70.9% of all governmental activities expenses.

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

Revenues:

- Property tax revenue increased in 2008 by \$1,239,432 (19.4%). Of this total increase, the increase for debt service was \$100,000 (8.7%), for TIF Districts was \$1,104,488 (44.3%), for recycling was \$22,810 (104.2%), and for mass transit was \$35,520 (65.4%). The tax levy for general operations actually decreased by \$23,386 (-0.9%). The increase in property valuation for the TIF Districts generated the significant increase for property tax revenue in 2008.
- Revenues from charges for services totaled \$1,651,820, an increase of \$193,613 (13.3%) from 2007. The largest increase in 2008 was for refuse and recycling collection fees, which increased by \$96,967 due to the new 2008 Veolia garbage contract.
- Operating grants totaled \$155,036, a decrease of \$3,456 (-2.2%) from 2007. Both public safety and public works grants decreased slightly in 2008.
- Revenues received from capital grants and contributions totaled \$1,753,454, which was a decrease of \$93,964 (-70.3%) from 2007. In 2007, the Village received contributed assets of \$174,306 from a developer, but did not receive any in 2008. The largest increase in 2008 was the highway maintenance aids that rose by \$117,827 (15.0%).
- Investment earnings totaled \$486,227, which was \$180,315 lower (-27.1%) than 2007. This decrease reflected the dramatic drop in interest rates that occurred at the end of 2008.
- Other general revenues totaled \$246,349, a decrease of \$79,570 (-24.4%) from 2007. Of this decrease, the energy credits and rebates received from Wisconsin Public Service in the Business Park because of new business tenants decreased by \$67,342 in 2008, due to slower construction growth.

Village of Weston Management's Discussion and Analysis

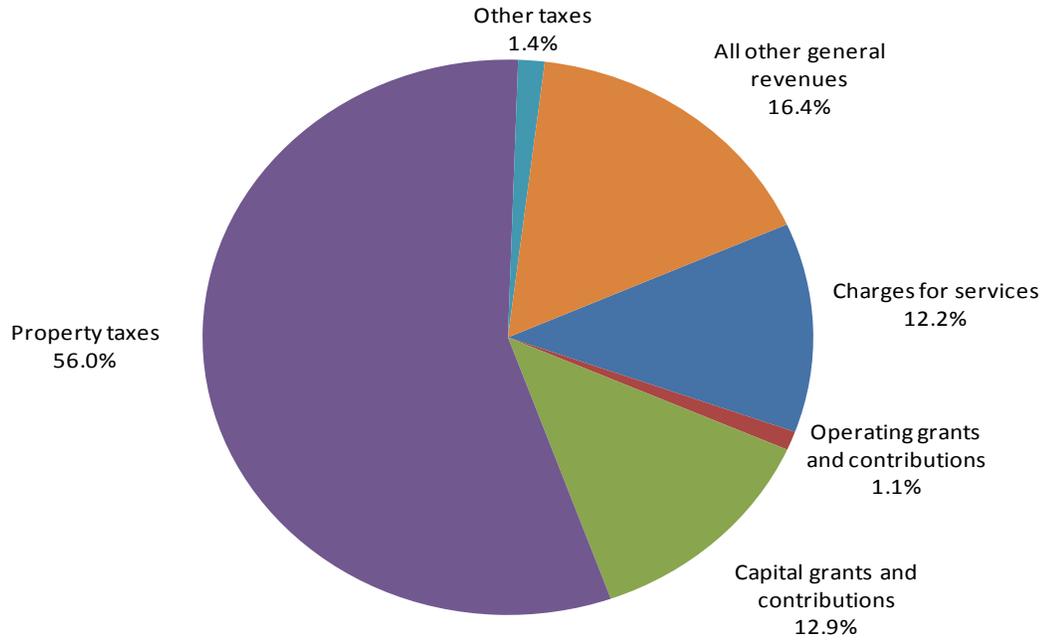
Expenses:

- General government expenses increased by \$7,769 (0.9%). This slight increase showed the effort by departments to hold expenses to prior year's numbers.
- Public safety expenses increased by \$383,190 (11.4%). Police and fire department expenses increased by \$176,337 and \$197,845 respectively. The increase in the police department expenses is due to a higher percentage of the total Everest Metro operating budget being paid by the Village in 2008. The major increase in fire department expenses was due to a third full-time crew was added to the Weston Fire/EMS Department in March 2007, and the full financial effect was now impacting the budget for twelve months in 2008. The fire department expenses also increased in 2008 by \$28,769 for capital outlay and \$32,034 for legal fees due to the creation of a Firefighter union contract in 2008.
- Public works expenses which totaled \$7,573,288 decreased by \$453,397 (-5.6%). The decrease is primarily due to fewer expenses incurred in 2008 in the TIF districts that were capitalized in the utilities as compared to 2007. Refuse and recycling charges by Veolia increased by \$94,598 (21.6%) in 2008 as the result of a new contract with Veolia that increased refuse collection pickup costs due to the significant rise in gasoline prices when compared to 2007.
- Health and human services decreased by \$33,241 (-94.5%) in 2008. The Village had paid a one-time contribution of \$35,000 in 2007 for the new County Humane Animal Shelter. Beginning in 2008, the only charges paid to the animal shelter were for stray animal pickup services, as needed.
- Parks, recreation and education expenses increased by \$11,011 (2.0%).
- Community development expenses increased by \$29,532 (8.2%) in 2008. The increase was due to higher 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 increased by \$74,922 (2.8%).

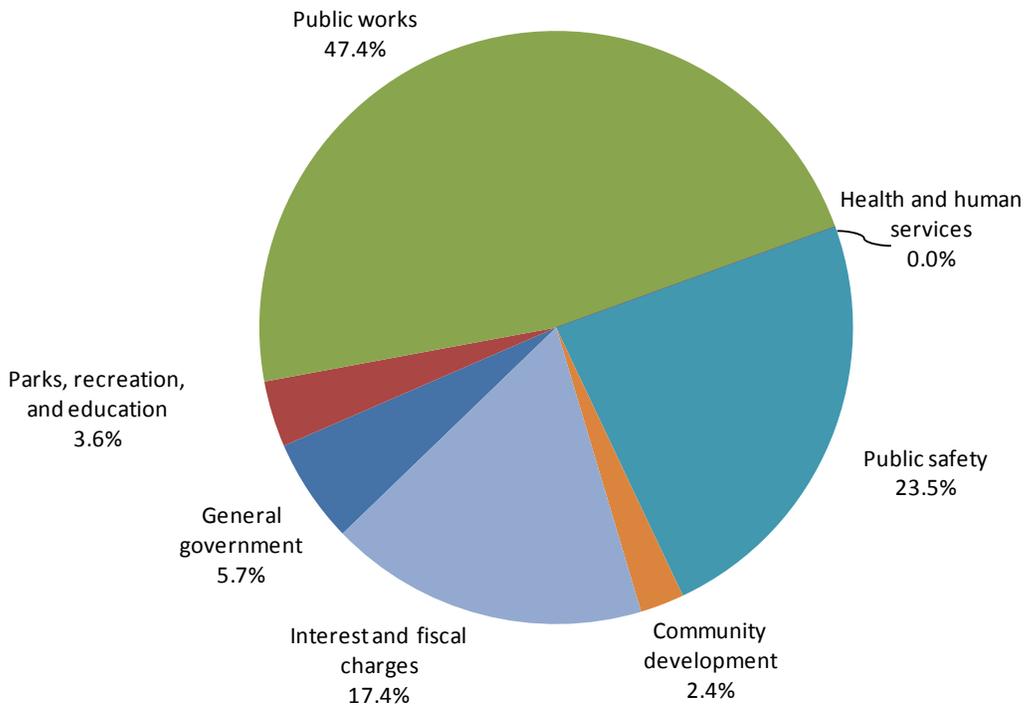
The following graphs provide a breakdown of all governmental activities revenues and expenses:

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 a decrease to the Village's net assets of \$14,182. Charges for services were under expenses by \$161,557. Capital grants and contributions of \$89,588 and other general revenues of \$436,083 were also other 2008 funding sources for the utility funds.

Revenues for business-type activities, excluding capital grants and contributions, decreased by \$65,378 in 2008. Capital grants and contributions decreased by \$1,224,401. This decrease was the result of a slower economy and fewer developers contributing infrastructure to the Utility. Some of the significant changes in revenues were as follows:

- Water Utility operating revenues totaled \$1,972,776 for 2008, an increase of \$2,369 (0.1%) from 2007. The stability in the Water Utility revenue reflects the slower economy with fewer new customers and existing customers being more conservative. The Water Utility added 149 new customers in 2008. There were no changes in water rates for 2008. Interest earnings on investments decreased by \$61,513 (-28.0%) from 2007, which reflected the market rate reduction that occurred in late 2008.
- Sewer Utility operating revenues totaled \$1,757,945 for 2008, an increase of \$26,753 (1.5%) from 2007. Revenue from commercial user fees increased by \$38,735 (7.5%) due to an increase in the number of customers in 2008. A decrease of \$13,250 (-19.9%) in sewer hook-up fees was realized in 2008, due to the slowing of new construction activity. Interest earnings on investments decreased by \$63,261 (-24.5%) from 2007. The Sewer Utility added 125 new customers in 2008 and held rates at the 2005 level.
- Stormwater Utility operating revenues totaled \$573,484 for 2008, a decrease of \$13,796 (-2.3%) from 2007. A decrease of \$5,450 (-49.8%) in stormwater drainage permits was realized in 2008, due again to the slowdown of the building sector. Interest earnings on investments increased by \$44,889 as the result of fully investing the December 2007 revenue bond reserve account during twelve months in 2008. The Stormwater Utility added 66 new customers in 2008 and held rates at the original 2004 level.

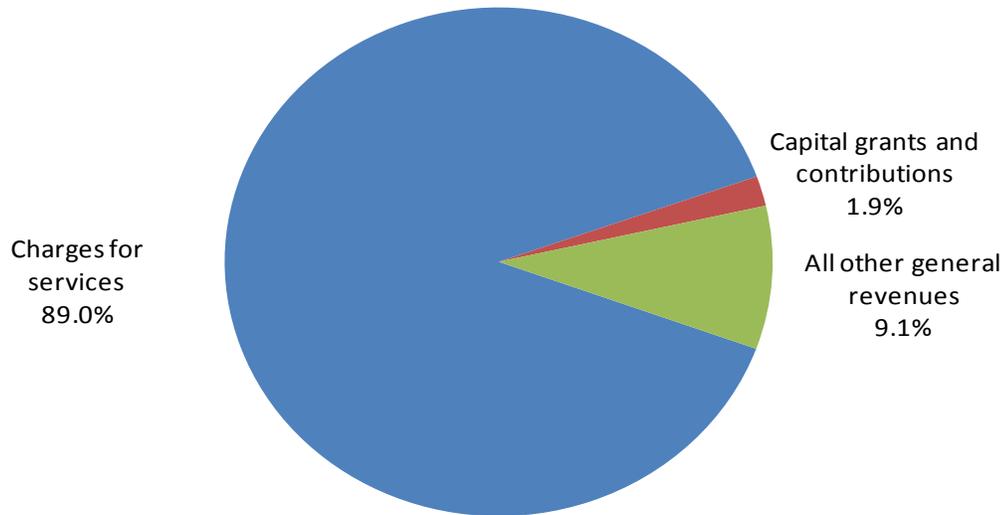
Expenses, excluding depreciation, totaled \$2,185,386, an increase of \$224,714 (11.5%) from 2007. Depreciation expense increased by \$53,573 (3.7%). Some of the significant changes in expenses were as follows:

- Water Utility operating expenses, excluding depreciation, increased by \$120,699 (14.7%). In 2008, the Utility was required to make major repairs to its Foremost well and purchased water from a neighboring community.
- Sewer Utility operating expenses, excluding depreciation, increased by \$180,467 (20.8%). Operating and capital charges paid to the RMMSD (Rib Mountain Metro Sewerage District) increased by \$115,729 (21.9%).
- Stormwater Utility operating expenses, excluding depreciation, decreased by \$76,452 (-28.1%). Recycling-curbside expenses of \$21,291 were moved to the Recycling Fund in 2008. Street sweeping costs of \$8,217 were now moved to the General Fund-Public Works Department in 2008. Stormwater engineering expenses and drainage maintenance costs both decreased in 2008, by \$27,305 and \$11,082, respectively.

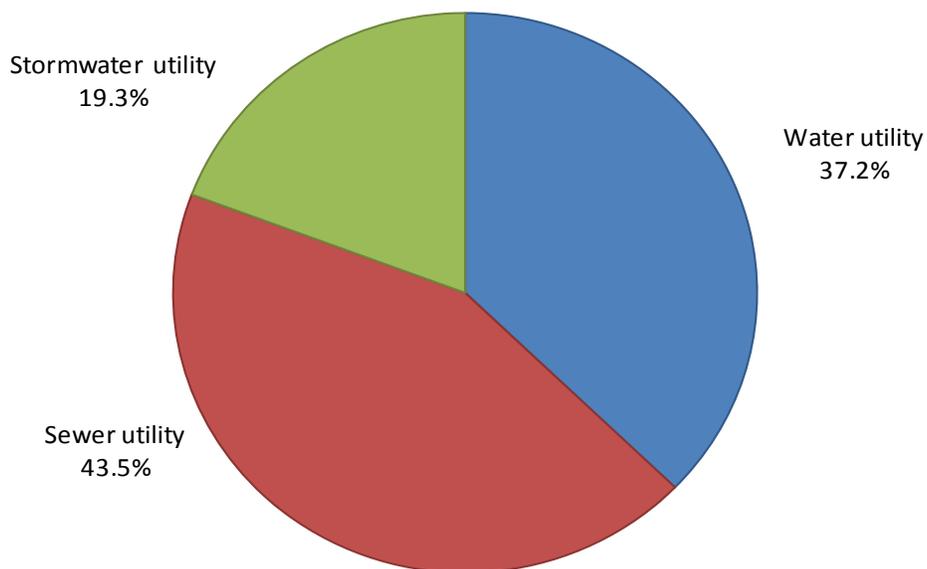
Village of Weston Management's Discussion and Analysis

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 2008 with a fund balance of \$9,598,580 in its governmental funds, compared to \$9,918,759 as of December 31, 2007. This is a slight decrease of \$320,179. Of the 2008 fund balance, \$6,122,018 was reserved and \$3,476,562 was unreserved. The reserved balance includes \$5,192,508 for debt service, \$57,201 for encumbrances/open contracts, \$815,148 for long-term receivables/advances, and \$57,161 for prepaid expenditures. The unreserved balance includes \$1,609,703 designated for subsequent year's expenditures (primarily capital projects) and \$1,866,859 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 decrease of \$177,706 from 2008 operations. Fund balance at year-end totaled \$2,725,248, of which \$2,420,058 is unreserved and undesignated. This undesignated fund balance is 33.6% of the Village's 2008 General Fund expenditures of \$7,207,820. 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 33.6% 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 decrease in fund balance during the year was \$18,583, which resulted in reserved fund balance at year-end of \$727,657. However, the Village had budgeted for a reduction of fund balance of \$101,096. The smaller decrease in fund balance was caused primarily by a greater than anticipated collection of special assessments during 2008.

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 \$1,084,039, which resulted in a positive fund balance at year-end of \$752,424 compared to a deficit balance of (\$331,615) in 2007. 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 \$378,183, which resulted in a fund balance at year-end of \$4,493,426. 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 2008 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 decrease in fund balance of \$282,608, which resulted in a deficit fund balance at year-end of (\$112,658). The reason for the reduction in fund balance was the result of a planned capital expenditure of \$355,000 that had occurred in 2008, while the bonds used to finance that project had not been issued in 2008. The \$355,000 amount will be included in the Village's 2009 capital borrowing program.

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 a planned net decrease in the fund balance of \$424,793, which resulted in fund balance at year-end of \$54,154. The accumulated 2008 fund balance was used to finance some of the 2008 street projects, instead of capital borrowing.

Proprietary Funds

Water Utility Fund

The water utility's operating income, before transfers and other nonoperating revenues and expenses, was \$498,946 in 2008. The overall change to net assets was an increase of \$175,094. The water utility's 2008 rate of return was 3.49%.

Sewer Utility Fund

The sewer utility realized an operating income, before transfers and other nonoperating revenues and expenses, of \$57,973. Overall net assets increased by \$43,875. The sewer utility's 2008 rate of return was 0.49%.

Village of Weston Management's Discussion and Analysis

Proprietary Funds (cont.)

Stormwater Utility Fund

The Village had formed a new 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 2008, the utility had an operating income, before transfers and other nonoperating revenues and expenses, of \$52,649. The utility had a decrease in net assets of \$233,151.

BUDGETARY ANALYSIS

The Village's 2008 General Fund adopted expenditure budget totaled \$7,238,410. The Village's final General Fund revenue budget totaled \$6,913,410. The 2008 revenue budget anticipated the use of \$325,000 in undesignated reserves.

As previously stated, the Village ended 2008 with a fund balance decrease of \$177,706 from 2007. In other words, the Village did reduce its reserves by \$177,706, which was lower than the anticipated reduction of \$325,000. This leads to an overall positive general fund budget variance of \$147,294 for fiscal year 2008.

Actual general fund revenue exceeded budget by \$125,823. Positive variances occurred in intergovernmental revenues of \$40,757, and charges for services of \$112,988. Negative variances occurred in fines and forfeitures of \$15,387 and in licenses and permits of \$32,506. Other revenue categories experienced small positive or negative variances.

General fund expenditures finished 2008 with a small budget variance of \$21,471, or 0.30% below budget. Some positive variances occurred in general government (\$35,804 or 3.89%), community development (\$14,372 or 7.11%), and parks, recreation, and education (\$19,371 or 5.92%). The negative variances occurred in public safety (\$13,033 or 0.37%) and public works (\$21,351 or 0.96%). Most other Village department expenditure categories experienced small to moderate positive budget variances. Contingency reserve/other and transfers to the aquatic center fund and capital equipment fund had minor negative budget variances of \$5,154 and \$9,119, respectively.

General fund statements highlighting budget versus actual variances can be found on pages 55-59 of this report.

Village of Weston Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008, the Village of Weston had an investment in capital assets of \$121,315,984 net of accumulated depreciation, of all governmental and business-type activities of the Village. This amounts to a \$2,108,779 decrease (1.71%) from the end of 2007.

Major capital improvements that took place in the Village's governmental activities include road, curb, and gutter project costs for the Birch/Jelinek/Alderson Street reconstruction (\$861,139), Highland Avenue reconstruction (\$260,161), and Machmueller Street reconstruction (\$345,227).

In addition, the Village had built a skateboard park within one of the parks (\$278,316) and purchased more land to increase the size of one of the parks (\$143,060).

The total capital equipment purchases totaled \$420,314, including the purchase of new software for accounting and recordkeeping (\$157,769), a trackless tractor (\$71,880), and filters for the fire trucks (\$78,066). The balance of 2008 additions was for miscellaneous equipment.

In the Village's business-type activities, major capital additions (prior to depreciation) include \$638,827 to the transmission and distribution system of the Water Utility. The Village's Sewer Utility saw \$319,360 of additions to its collection system (prior to depreciation). The Stormwater Utility saw \$531,074 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, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land/right-of-ways	\$ 4,963,115	\$ 4,820,055	\$ 864,232	\$ 863,658	\$ 5,827,347	\$ 5,683,713
Buildings	6,837,010	6,730,330	2,571,048	2,562,218	9,408,058	9,292,548
Improvements	5,587,388	5,249,793	66,160,597	64,939,723	71,747,985	70,189,516
Equipment	5,420,268	5,539,783	2,459,114	2,411,796	7,879,382	7,951,579
Infrastructure	74,391,985	73,739,628	-	-	74,391,985	73,739,628
Construction in progress	61,166	229,876	3,985	305,212	65,151	535,088
Total capital assets	97,260,932	96,309,465	72,058,976	71,082,607	169,319,908	167,392,072
Less accumulated depreciation	<u>(33,582,018)</u>	<u>(30,878,972)</u>	<u>(14,421,906)</u>	<u>(13,088,337)</u>	<u>(48,003,924)</u>	<u>(43,967,309)</u>
Capital assets, net of depreciation	<u>\$ 63,678,914</u>	<u>\$ 65,430,493</u>	<u>\$ 57,637,070</u>	<u>\$ 57,994,270</u>	<u>\$ 121,315,984</u>	<u>\$ 123,424,763</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, 2008 totaled \$16,955,665. In addition, the Village had revenue debt outstanding (backed by revenues generated from the Weston Water, Sewer, and Stormwater Utilities) of \$12,130,000. 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 \$44,325,000. There was also \$1,885,000 outstanding in bond anticipation notes at the end of 2008. Therefore, the total outstanding debt of the Village at December 31, 2008 totaled \$75,295,665.

In 2008, the Village issued General Obligation Promissory Notes totaling \$1,994,000 for projects included in the 2008 capital improvements program. Notes are debt instruments in which the debt principal will be paid off in ten years or less. Proceeds from the 2008 notes were authorized for use in the following manner:

Village Capital Improvement Projects	<u>\$1,994,000</u>
--------------------------------------	--------------------

The Village's Sewer Utility issued \$4,950,000 in Sanitary Sewerage System Revenue/Refunding Bonds in 2008. The bonds were used to refund existing revenue bonds issued in 1998 (\$1,470,000), 2000 (\$2,470,000), and 2001 (\$805,000) for sewer projects. Bonds are debt instruments in which the debt principal will be paid off in 10 to 20 years.

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 current rating for all outstanding Stormwater Utility revenue bonds and Community Development Authority ("CDA") lease revenue bonds is an "A3".

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 2008 equalized value of \$1,059,625,700, the Village's statutory debt limit totaled \$52,981,285. The Village was at 31.89% of its legal debt limit as of December 31, 2008.

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

VILLAGE OF WESTON OUTSTANDING DEBT December 31, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds & notes	\$ 14,677,006	\$ 14,381,839	\$ 2,278,659	\$ 2,465,316	\$ 16,955,665	\$ 16,847,155
Bond anticipation notes	1,885,000	1,885,000	-	-	1,885,000	1,885,000
CDA lease revenue bonds	44,325,000	44,825,000	-	-	44,325,000	44,825,000
Water utility revenue bonds	724,000	769,000	2,881,000	3,086,000	3,605,000	3,855,000
Sewer utility revenue bonds	515,000	560,000	4,685,000	4,730,000	5,200,000	5,290,000
Stormwater utility revenue bonds	-	-	3,325,000	3,440,000	3,325,000	3,440,000
Total	<u>\$ 62,126,006</u>	<u>\$ 62,420,839</u>	<u>\$ 13,169,659</u>	<u>\$ 13,721,316</u>	<u>\$ 75,295,665</u>	<u>\$ 76,142,155</u>

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, 2008 TAX RATES AND THE 2009 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 2008. Fortunately, there remains to be construction occurring at a reduced pace within the existing residential subdivisions. In addition, the Village's end-of-year 2008 unemployment rate of 5.3% remains below the state end-of-year 2008 rate of 5.8%.

The Village's equalized property value increased by \$103,578,600 in 2008 (a 10.83% increase). This compares to the 2006 record-year of an increase of \$115,745,200 (a 15.40% increase). The 2008 building permits were \$30.3 million, which was only slightly lower than the \$32.2 million reported in 2007. This small decrease in building permits reflects the slowdown in the economy and the credit crunch. Village resident per return adjusted gross income and per capita retail sales continue to well exceed county and state averages.

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 State is proposing a further reduction in the state shared revenue payment.

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 2008 tax levy/2009 budget year maximum increase derived by the State of Wisconsin was 4.354%. The Village was successful in adopting its 2008 tax levy with a \$175,059 increase, which represented a 4.354% increase, while the Village did not use the Debt Service exception option allowed under the current levy law.

The Village's total assessed value rose from \$992,310,980 in 2007 to \$1,037,220,590 in 2008, which was an increase of \$44,909,610 (4.53% increase). No revaluation of Village property occurred in 2008. The last reassessment had occurred in 2007.

Despite this difficult budgetary environment, the Village's 2009 budget increased its total tax levy (excluding TIF Districts) by 4.354%, 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 \$6,162,251 in 2008, or a 0.75% increase. The Village's TIF assessed valuation growth was \$38,747,359 in 2008, or a significant increase of 22.40%. 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, 2008 TAX RATES AND THE 2009 BUDGET (cont.)

This translated into a 2008 assessed tax rate of \$5.08 per \$1,000 of assessed valuation (a 3.46% increase from the 2007 assessed tax rate of \$4.91), with a corresponding 2008 equalized tax rate of \$4.97, a small 2.36% decrease from 2007. This equalized tax rate of \$4.97 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 10th fastest growing community in the State of Wisconsin, since the 2000 census, among communities over 10,000 in population. With 1,961 new residents from 2000 to 2008, and with a 2008 population of 14,040, the population increase during that time was 16.23%.

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 2009 fiscal year combined operating budget includes \$29,227,945 in projected revenues and \$29,112,597 in projected expenditures and transfers. The projected overall increase in fund equity is due to a budgeted surplus of \$115,348. However, 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 2009 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 2009 budget included increased revenues from sources affected by the overall economy, such as room taxes and ambulance fees, offset in part by the non-existent increase 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 2009-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 2009 fiscal year combined CIP budget includes \$2,075,000 in projected revenues and \$3,072,634 in projected expenditures and transfers. The projected overall decrease in fund equity is due to a budgeted deficit of \$997,634. 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 2009 CIP budget.

Village of Weston Management's Discussion and Analysis

ECONOMIC FACTORS, 2008 TAX RATES AND THE 2009 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 2005-2008. Water Utility rates held steady in 2008, as did rates for the Village's recently formed Stormwater Utility. 2008 was the fifth 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. 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.

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.