

## 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, 2007, 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, 2007, 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 July 9, 2008, on our consideration of Village of Weston, Wisconsin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages xx through xli 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 supplemental 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.

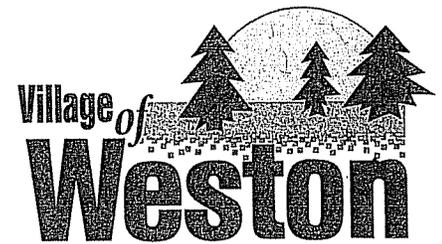
The introductory section and statistical section listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Clifton Henderson LLP*

Stevens Point, Wisconsin  
July 9, 2008

## **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, 2007. 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 fourth 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 2006 and 2007.

## THE FINANCIAL HIGHLIGHTS

- The Village's net assets (assets less liabilities) total \$70,388,541 as of December 31, 2007, which was an overall decrease of \$1,525,201 from 2006. Net assets from Governmental Activities account for \$14,045,704 of the total, a decrease of \$3,064,328 from the previous year. Business-Type Activities net assets were \$56,342,837, an increase of \$1,539,127 from 2006.
- The Village ended 2007 with a fund balance of \$9,918,759 for all Governmental Funds. This total includes \$2,351,120 which is unreserved and undesignated in the Village's General Fund, a \$46,409 increase from the previous year. This fund balance is 34.90% of the Village's 2007 General Fund expenditures of \$6,736,506.
- The Village issued a total of \$5,865,000 of debt in 2007. Of this amount, \$2,425,000 was issued as General Obligation ("G.O.") debt backed by the full faith and credit of the Village. This G.O. debt included \$2,142,700 for Village capital improvement projects and \$282,300 for water utility capital improvement projects. The Village also issued Stormwater Utility Revenue/Refunding Bonds in 2007 for \$3,440,000. Of this amount, \$1,960,000 was used to finance new stormwater capital improvement projects and \$1,480,000 was used to refund existing G.O. debt that had been borrowed for stormwater projects.
- The Weston Community Development Authority ("CDA") issued \$3,760,000 in Lease Revenue Bonds in 2007; with \$1,325,000 borrowed for the land acquisition of Weston Business Technology Park – Business Park South and \$2,435,000 borrowed for the capital improvement projects required for Business Park South. The entire amount borrowed for CDA debt in 2007 was for Tax Incremental Financing ("TIF") District #1. The future tax increments of TIF District #1 and #2 will be the source of revenue needed to fund the future debt service payments for all CDA lease revenue bond issues.

## Village of Weston Management's Discussion and Analysis

### THE FINANCIAL HIGHLIGHTS (cont.)

- The Village received an advance from four TIF letters of credit ("LOC's") in 2007 of \$537,846. The Village also reimbursed one developer in 2007 (\$289,171) for surplus tax increment funds received. The Village began 2007 with a total advance from developers of \$770,079 and ended the year with a balance due to developers of \$1,018,754 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 received three favorable bond rating upgrades or first-time ratings in 2007 from Moody's Investors Service. In August 2007, the Village's general obligation ("G.O.") debt received a ½-step upgrade from an "A2" to an "A2+" (positive outlook). Also in August 2007, the CDA (lease revenue bonds of the TIF Districts) received its very first bond rating of an "A3". Finally, the Village's Stormwater Utility received its very first bond rating of an "A3" in December 2007. Therefore, the Village and CDA had all types of debt issued by both entities rated by the end of 2007. 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.

### 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, 2007. 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, 2007, we will try to answer some very basic questions. Is the Village better or worse off financially than it was in 2006? 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 2007:

## *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 2007, 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 2007, the Village of Weston used capital projects funds to account for:

Street Projects	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 2007, 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 2007, 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 2007, 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 \$70,388,541 as of December 31, 2007. This includes total assets of \$170,278,746 and total liabilities of \$99,890,205. 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 72% 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 79% 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 76% 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, 2007 and 2006

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 34,744,640	\$ 31,944,578	\$ 12,109,343	\$ 12,060,623	\$ 46,853,983	\$ 44,005,201
Capital assets	65,430,493	65,140,002	57,994,270	56,086,316	123,424,763	121,226,318
<b>Total assets</b>	<b>100,175,133</b>	<b>97,084,580</b>	<b>70,103,613</b>	<b>68,146,939</b>	<b>170,278,746</b>	<b>165,231,519</b>
Non-current liabilities	(62,976,263)	(58,826,542)	(12,980,489)	(12,475,533)	(75,956,752)	(71,302,075)
Current and other liabilities	(23,153,166)	(21,148,006)	(780,287)	(867,696)	(23,933,453)	(22,015,702)
<b>Total liabilities</b>	<b>(86,129,429)</b>	<b>(79,974,548)</b>	<b>(13,760,776)</b>	<b>(13,343,229)</b>	<b>(99,890,205)</b>	<b>(93,317,777)</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	20,077,746	23,644,209	48,984,228	48,950,040	55,282,142	59,863,908
Restricted	5,944,977	5,547,005	483,020	454,841	6,427,997	6,001,846
Unrestricted (deficit)	(11,977,019)	(12,081,182)	6,875,589	5,398,829	8,678,402	6,047,988
<b>Total net assets</b>	<b>\$ 14,045,704</b>	<b>\$ 17,110,032</b>	<b>\$ 56,342,837</b>	<b>\$ 54,803,710</b>	<b>\$ 70,388,541</b>	<b>\$ 71,913,742</b>

### CHANGES IN NET ASSETS

The 2007 combined net assets of the Village decreased \$1,525,201 from 2006.

Net assets of the Village's governmental activities totaled \$14,045,704 as of December 31, 2007. Governmental activities for the year decreased net assets by \$3,064,328. 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 \$11,977,019, 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 \$5,220,300 for debt service and \$724,677 for specific purposes.

The net assets of business-type activities totaled \$56,342,837, an increase of \$1,539,127. The Village can use the unrestricted net assets of \$6,875,589 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, 2007 and 2006

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,458,207	\$ 1,841,336	\$ 4,247,066	\$ 4,173,877	\$ 5,705,273	\$ 6,015,213
Operating grants and contributions	158,492	147,356	-	-	158,492	147,356
Capital grants and contributions	1,847,418	1,084,844	1,313,989	2,536,144	3,161,407	3,620,988
General revenues:						
Property taxes	6,379,618	5,190,969	-	-	6,379,618	5,190,969
Other taxes	196,096	277,487	-	-	196,096	277,487
Intergovernmental revenues not restricted to specific programs	1,497,154	1,329,135	-	-	1,497,154	1,329,135
Public gifts and/or grants not restricted to specific programs	12,768	44,091	-	-	12,768	44,091
Investment earnings	666,542	663,359	481,871	463,151	1,148,413	1,126,510
Other general revenues	325,919	249,563	42,654	45,149	368,573	294,712
<b>Total Revenues</b>	<b>12,542,214</b>	<b>10,828,140</b>	<b>6,085,580</b>	<b>7,218,321</b>	<b>18,627,794</b>	<b>18,046,461</b>
<b>Expenses:</b>						
General government	908,187	1,004,367	-	-	908,187	1,004,367
Public safety	3,372,892	3,117,903	-	-	3,372,892	3,117,903
Public works	8,026,685	6,614,505	-	-	8,026,685	6,614,505
Health and human services	35,160	-	-	-	35,160	-
Parks, recreation, and education	557,596	536,649	-	-	557,596	536,649
Community development	358,898	219,762	-	-	358,898	219,762
Other	-	-	-	-	-	-
Interest and fiscal charges	2,704,633	2,836,854	-	-	2,704,633	2,836,854
Water utility	-	-	1,596,142	1,522,191	1,596,142	1,522,191
Sewer utility	-	-	1,828,946	1,680,986	1,828,946	1,680,986
Stormwater utility	-	-	763,856	705,096	763,856	705,096
<b>Total Expenses</b>	<b>15,964,051</b>	<b>14,330,040</b>	<b>4,188,944</b>	<b>3,908,273</b>	<b>20,152,995</b>	<b>18,238,313</b>
Increase (decrease) in net assets before transfers	(3,421,837)	(3,501,900)	1,896,636	3,310,048	(1,525,201)	(191,852)
Transfers	357,509	332,466	(357,509)	(332,466)	-	-
Change in net assets	(3,064,328)	(3,169,434)	1,539,127	2,977,582	(1,525,201)	(191,852)
Net assets-beginning of year	17,110,032	20,279,466	54,803,710	51,826,128	71,913,742	72,105,594
<b>Net assets-end of year</b>	<b>\$ 14,045,704</b>	<b>\$ 17,110,032</b>	<b>\$ 56,342,837</b>	<b>\$ 54,803,710</b>	<b>\$ 70,388,541</b>	<b>\$ 71,913,742</b>

# Village of Weston

## Management's Discussion and Analysis

### GOVERNMENTAL ACTIVITIES

Governmental activities for 2007 decreased the Village's net assets by \$3,064,328. The decrease in governmental activity net assets is primarily due to the fact that the Village of Weston Community Development Authority ("CDA") had borrowed \$2,435,000 in CDA Lease Revenue Bonds, Series 2007A, during 2007 for TIF District #1, whereby the outstanding debt is reported as a governmental activity long-term debt obligation. However, some of the capital borrowing proceeds for the capital asset additions for TIF District #1 were actually for water, sewer, and stormwater utility projects (\$1,207,263) that are reportable as business-type activity capital assets. Therefore, the CDA lease revenue bonds will be repaid with tax increments received from TIF #1 and reported as governmental activities, and the utility capital assets from TIF #1 will be depreciated over time and reported as business-type activities. This increase in business-type activity net assets reflects that increase in capital assets less depreciation.

Governmental expenses included \$3,799,711 in depreciation expense allocated as follows: \$3,520,400 to public works, \$39,933 to general government, \$147,390 to public safety, and \$91,988 to parks and recreation. Depreciation expense represents 23.8% of the total expenses for governmental activities. General revenues and transfers increased by \$1,348,536 from 2006. Program revenues increased by \$390,581. Property taxes in 2007 accounted for 50.87% and capital grants and contributions were 14.73% of total governmental activities revenue. Expenses for public safety and public works were 71.41% of all governmental activities expenses.

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

#### Revenues:

- Property tax revenue increased in 2007 by \$1,188,649 (22.9%). Of this total increase, the increase for general operations was \$210,756 (8.6%), for debt service was \$75,000 (7.0%), and for TIF Districts was \$845,253 (51.3%). In 2007 the Village levied separately for Recycling and Mass Transit for their respective funds. The increase in property valuation for the TIF Districts generated the significant increase for property tax revenue in 2007.
- Revenues from charges for services totaled \$1,458,207, a decrease of \$383,129 (-20.8%) from 2006.
- Operating grants totaled \$158,492, an increase of \$11,136 from 2006. EMS funding grants and other public safety grants were slightly higher in 2007.
- Revenues received from capital grants and contributions totaled \$1,847,418, an increase of \$762,574 (70.3%) from 2006. Special assessments increased by \$518,831.
- Investment earnings totaled \$666,542, which was \$3,183 higher than 2006. This small increase reflects a stable interest rate environment during 2007 as compared to 2006.
- Other general revenues totaled \$325,919, an increase of \$76,356 from 2006. Of this increase, the energy credits and rebates received from Wisconsin Public Service in the Business Park because of new business tenants increased by \$57,222 in 2007.

## Village of Weston Management's Discussion and Analysis

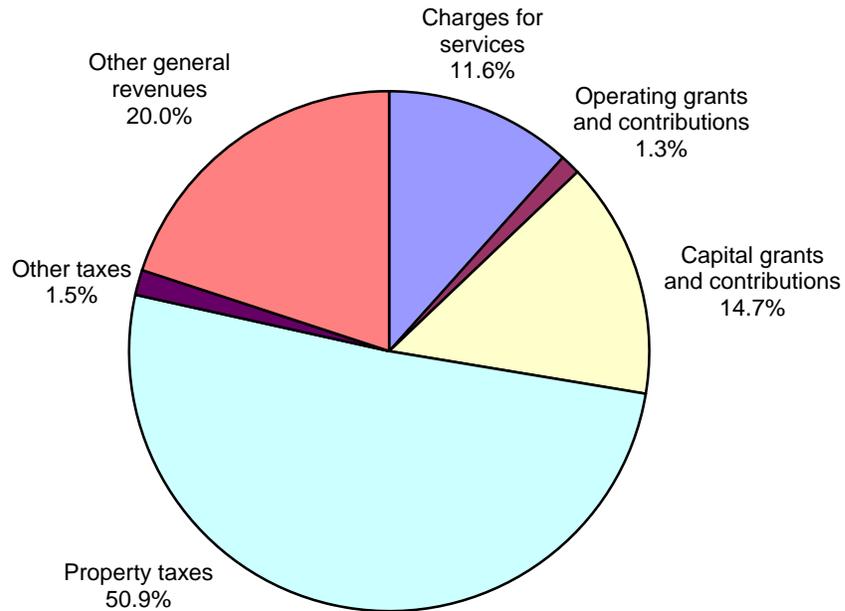
### Expenses:

- General government expenses decreased by \$96,180 (9.6%). The primary reason for the decrease was the Taxpayer Relations Coordinator position in the 2006 was recorded in general government, and in 2007 it was moved to community development (\$67,392).
- Public safety expenses increased by \$254,989 (8.2%). Police and fire department expenses increased by \$146,793 and \$102,487 respectively, due to a higher percentage of the total Metro operating budget being paid by the Village and a third full-time crew was added to the Fire/EMS Department in March 2007.
- Public works expenses which totaled \$8,026,685 increased by \$1,412,180 (21.4%). This significant increase was the result of a large amount of capital assets paid for by TIF District #1 that was capitalized in the utilities (\$1,207,263) in 2007. This \$1,207,263 cost included the utility infrastructure for the new Business Park South Addition. Depreciation expense increased by \$110,866 (3%). Costs related to the continual growth of the Village and in its TIF Districts were realized in the following areas: street lighting additions, traffic control and signalization, and street irrigation maintenance in right-of-way areas that have automated watering landscaped units.
- Parks, recreation and education expenses increased by \$20,947 (3.9%).
- Community development expenses increased by \$139,136 (63.3%) in 2007. The primary reason for the increase was the Taxpayer Relations Coordinator position in 2006 was recorded in general government, and in 2007 it was moved to community development (\$67,392). As the room tax fund continues to collect more funds from the increasing number of motels in the Village, the room tax fund had increased its expenses in 2007 by \$25,539 with the payments made to the Central Wisconsin/Wausau Area Convention Bureau and to various other organizations.
- Interest and fiscal charges expenses decreased by \$132,221 (-4.7%).

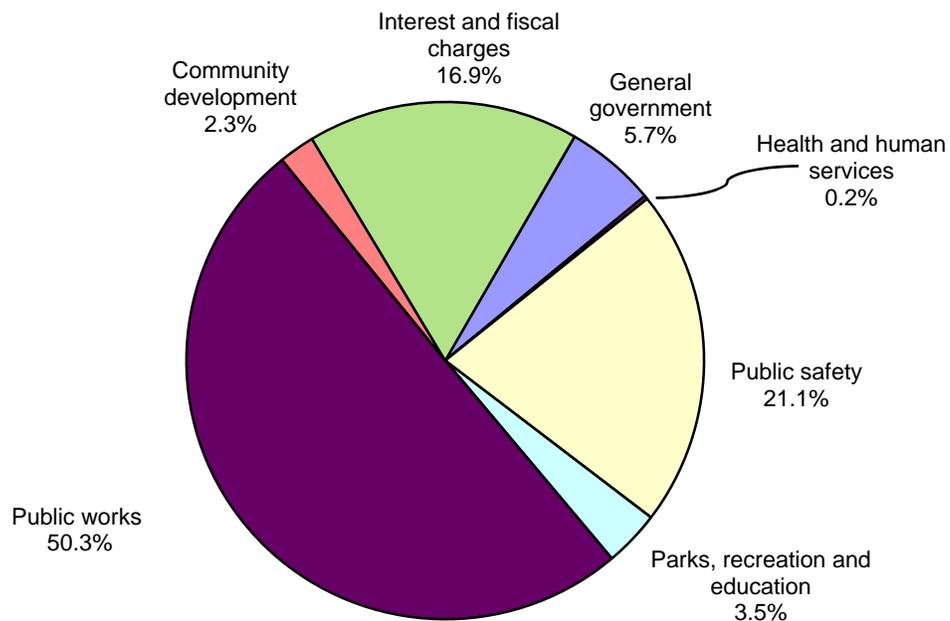
The following graphs provide a breakdown of all governmental activities revenues and expenses:

# 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 \$1,539,127. Charges for services exceeded expenses by \$58,122. Capital grants and contributions of \$1,313,989 and other general revenues of \$524,525 were also other 2007 funding sources for the utility funds.

Revenues for business-type activities, excluding capital grants and contributions, increased by \$89,414 in 2007. Capital grants and contributions decreased by \$1,222,155. Some of the significant changes in revenues were as follows:

- Water Utility operating revenues totaled \$1,970,407 for 2007, an increase of \$47,000 (2.4%) from 2006. The Water Utility added 209 new customers in 2007. There were no changes in water rates for 2007. Revenue from fire protection services totaled \$444,315 which was slightly higher than 2006. Interest earnings on investments increased by \$3,257 (1.5%).
- Sewer Utility operating revenues totaled \$1,731,192 for 2007, a decrease of \$3,571 (-0.2%) from 2006. The decrease is due to less fees being collected for sewer hook up. The Sewer Utility added 104 new customers in 2007 and held rates at the 2005 level. Interest earnings on investments increased by \$17,807 (7.4%) from 2006.
- Stormwater Utility operating revenues totaled \$587,280 for 2007, an increase of \$32,224 (5.8%) from 2006. The Stormwater Utility held rates at the 2005 level.

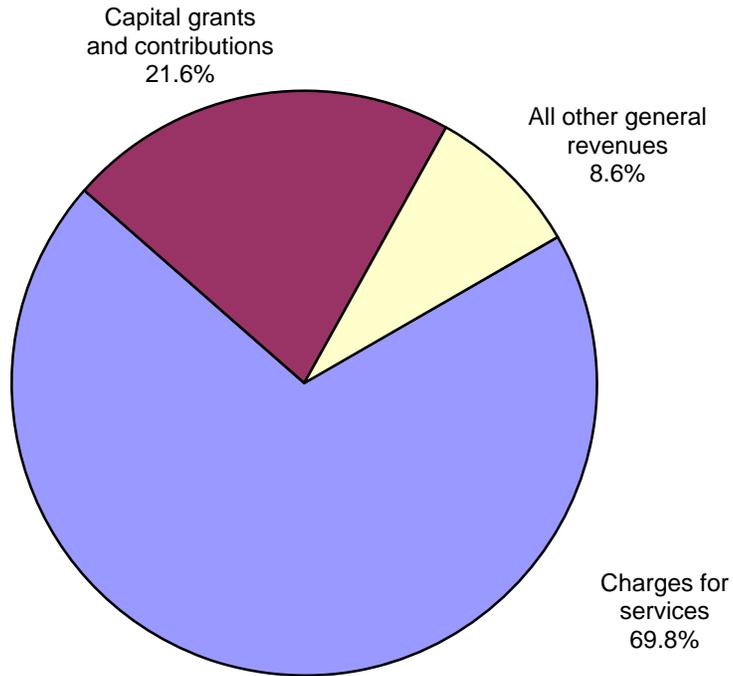
Expenses, excluding depreciation, totaled \$1,960,672, an increase of \$127,474 (7.0%) from 2006. Depreciation expense increased by \$74,649 (5.4%). Some of the significant changes in expenses were as follows:

- Water Utility operating expenses, excluding depreciation, decreased by \$18,762 (-2.2%). Transmission and distribution expenses decreased by \$63,316 (-27.2%) due to lower maintenance costs for water mains (\$15,509 decrease), hydrants (\$17,986 decrease), and the repainting of the Summit Elevated Tank Tower (\$39,252 decrease).
- Sewer Utility operating expenses, excluding depreciation, increased by \$115,486 (15.4%). Operating and capital charges paid to the RMMSD (Rib Mountain Metro Sewerage District) increased by \$113,258 (27.3%).
- Stormwater Utility operating expenses, excluding depreciation, increased by \$30,750 (12.7%). Stormwater sweeping and mowing increased by \$24,992 when comparing 2007 costs (\$44,563) to 2006 costs (\$19,571).

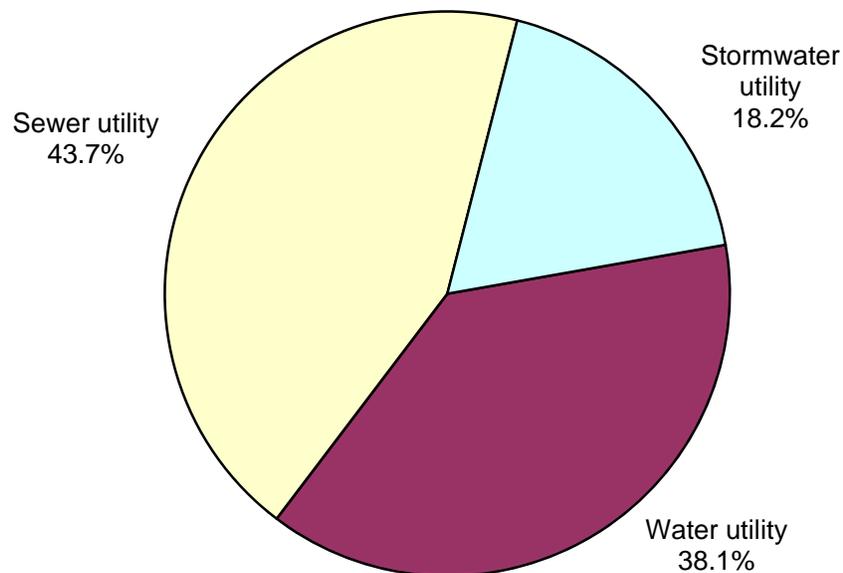
The following graphs provide a breakdown of all business-type activities revenues and expenses:

# Village of Weston Management's Discussion and Analysis

## 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 2007 with a fund balance of \$9,918,759 in its governmental funds, compared to \$9,609,627 as of December 31, 2006. This is a slight increase of \$309,132. Of the 2007 fund balance, \$6,740,699 was reserved and \$3,178,060 was unreserved. The reserved balance includes \$5,909,654 for debt service, \$69,861 for encumbrances/open contracts, \$699,562 for long-term receivables/advances, and \$61,622 for prepaid expenditures. The unreserved balance includes \$1,411,973 designated for subsequent year's expenditures (primarily capital projects) and \$1,766,087 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 \$204,386 from 2007 operations. Fund balance at year-end totaled \$2,902,954, of which \$2,351,120 is unreserved and undesignated. This undesignated fund balance is 34.90% of the Village's 2007 General Fund expenditures of \$6,736,506. 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 34.90% of expenditures is considered a very strong fund balance by Moody's, and helps contribute to the Village of Weston's moderately strong "A2+" (positive outlook) 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 \$54,216, which resulted in reserved fund balance at year-end of \$746,240. However, the Village had budgeted for a reduction of fund balance of \$52,964. The actual increase in fund balance was caused primarily by a greater than anticipated collection of special assessments during 2007.

#### *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 \$416,783, which resulted in a fund balance (deficit) at year-end of (\$331,615) compared to a deficit balance of (\$748,398) in 2006. 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 increase in fund balance during the year was \$432,154, which resulted in a fund balance at year-end of \$4,871,609.

### *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 \$950,318, which resulted in fund balance at year-end of \$169,950. The reason for the significant reduction in fund balance was the result of planned capital expenditures that had occurred in 2007, while a portion of the bonds used to finance those projects had been issued in 2005-2006.

## ***Proprietary Funds***

### *Water Utility Fund*

The water utility's operating income, before transfers and other nonoperating revenues and expenses, was \$647,408 in 2007. The overall change to net assets was an increase of \$687,251. The water utility's 2007 rate of return was 4.72%.

### *Sewer Utility Fund*

The sewer utility realized an operating income, before transfers and other nonoperating revenues and expenses, of \$228,521. Overall net assets increased by \$795,988. The sewer utility's 2007 rate of return was 1.91%.

### *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 2007, the utility had an operating loss, before transfers and other nonoperating revenues and expenses, of \$3,400. The utility had an increase in net assets of \$55,888.

# Village of Weston Management's Discussion and Analysis

## BUDGETARY ANALYSIS

The Village's 2007 General Fund adopted expenditure budget totaled \$6,942,876. The Village's final General Fund revenue budget totaled \$6,686,556. The 2007 revenue budget anticipated the use of \$256,320 in undesignated reserves.

As previously stated, the Village ended 2007 with a fund balance increase of \$204,386 from 2006. In other words, the Village not only did not reduce reserves as anticipated by \$256,320, it added \$204,386 to its general fund reserves by year-end. This leads to an overall positive general fund budget variance of \$460,706 for fiscal year 2007.

Actual general fund revenue exceeded budget by \$262,469. Positive variances occurred in intergovernmental revenues of \$100,886, charges for services of \$69,119, and in investment earnings and miscellaneous income of \$63,860. Negative variances occurred in fines and forfeitures of \$13,357 and in contributions and donations of \$3,908. Other revenue categories experienced small positive or negative variances.

General fund expenditures finished 2007 with a healthy positive budget variance of \$198,237, or 2.86% below budget. Most operating facets of the Village contributed to this favorable variance. The largest variance was realized in the Fire Department (\$147,569 or 11.06%). The reason for the positive variance was the initialization of a third Fire/EMS crew (3-person crew) that had been budgeted for twelve months in 2007, but which did not begin until the end of March 2007. Some other positive variances occurred in general government (\$25,157 or 2.78%), public works (\$20,833 or 0.99%), and parks, recreation, and education (\$19,832 or 5.97%). Most other Village department expenditure categories experienced small to moderate positive budget variances. Contingency reserve/other and transfers to the aquatic center fund had minor negative budget variances of \$19,596 and \$8,133, respectively.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### *Capital Assets*

At the end of 2007, the Village of Weston had an investment in capital assets of \$123,424,763 net of accumulated depreciation, of all governmental and business-type activities of the Village. This amounts to a \$2,198,445 increase (1.81%) from the end of 2006.

Major capital improvements that took place in the Village's governmental activities include road, curb, and gutter project costs for Business and Technology Park South (\$712,037), Mesker Street reconstruction (\$520,467), Mount View East reconstruction (\$361,023), and Community Center Drive construction (\$281,409).

# Village of Weston Management's Discussion and Analysis

## CAPITAL ASSET AND DEBT ADMINISTRATION (cont.)

### Capital Assets (cont.)

Other capital projects included sidewalks (\$233,547) and driveway approaches (\$108,791).

In addition, the Village had purchased an additional 73.60 acres to expand the Weston Business Technology Park (now called "Business Park South") for a cost of \$1,712,380 in 2007.

The total capital equipment purchases totaled \$340,088, including the purchase of a new ambulance (\$140,965). The balance of 2007 additions was from infrastructure projects in developer residential subdivisions.

In the Village's business-type activities, major capital additions (prior to depreciation) include \$801,851 to the transmission and distribution system of the Water Utility. The Water utility also added a new well in 2007 (\$734,040). The Village's Sewer Utility saw \$456,821 of additions to its collection system (prior to depreciation). The Stormwater Utility saw \$995,755 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, 2007 and 2006

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land/right-of-ways	\$ 4,820,055	\$ 3,985,276	\$ 863,658	\$ 752,519	\$ 5,683,713	\$ 4,737,795
Buildings	6,730,330	6,730,330	2,562,218	1,890,563	9,292,548	8,620,893
Improvements	5,249,793	4,986,765	64,939,723	62,884,166	70,189,516	67,870,931
Equipment	5,539,783	5,246,896	2,411,796	2,158,200	7,951,579	7,405,096
Infrastructure	73,739,628	71,415,849	-	-	73,739,628	71,415,849
Construction in progress	229,876	247,763	305,212	166,105	535,088	413,868
<b>Total capital assets</b>	<b>96,309,465</b>	<b>92,612,879</b>	<b>71,082,607</b>	<b>67,851,553</b>	<b>167,392,072</b>	<b>160,464,432</b>
Less accumulated depreciation	(30,878,972)	(27,472,877)	(13,088,337)	(11,765,237)	(43,967,309)	(39,238,114)
<b>Capital assets, net of depreciation</b>	<b>\$ 65,430,493</b>	<b>\$ 65,140,002</b>	<b>\$ 57,994,270</b>	<b>\$ 56,086,316</b>	<b>\$ 123,424,763</b>	<b>\$ 121,226,318</b>

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, 2007 totaled \$16,847,155. In addition, the Village had revenue debt outstanding (backed by revenues generated from the Weston Water, Sewer, and Stormwater Utilities) of \$12,585,000. 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 \$44,825,000. There was also \$1,885,000 outstanding in bond anticipation notes at the end of 2007. Therefore, the total outstanding debt of the Village at December 31, 2007 totaled \$76,142,155.

In 2007, the Village issued General Obligation Promissory Notes totaling \$2,425,000 for projects included in the 2007 capital improvements program. Notes are debt instruments in which the debt principal will be paid off in ten years or less. Proceeds from the 2007 notes were authorized for use in the following manner:

Village Capital Improvement Projects	\$2,142,700
Water Utility Capital Improvement Projects	<u>282,300</u>
	<u>\$2,425,000</u>

In addition, the Village's Community Development Authority ("CDA") issued \$3,760,000 in Community Development Authority Lease Revenue Bonds in 2007 for TIF District #1. As part of the lease agreement, the Village is obligated to pay annual lease payments to the CDA equal to the CDA's annual debt service on the bonds. Bonds are debt instruments in which the debt principal will be paid off in 10 to 20 years.

Finally, the Village's Stormwater Utility issued \$3,440,000 in Water Utility Revenue/Refunding Bonds in 2007. The bonds were used to finance the 2007-2008 capital improvement projects of the stormwater utility (\$1,960,000) and to refund existing general obligation debt issued in 2000 (\$1,480,000) for stormwater projects. Bonds are debt instruments in which the debt principal will be paid off in 10 to 20 years.

# Village of Weston Management's Discussion and Analysis

## CAPITAL ASSET AND DEBT ADMINISTRATION (cont.)

### Outstanding Debt (cont.)

Village outstanding G.O. notes and bonds were upgraded in 2007 from an "A2" to an "A2+" (positive outlook) 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". Moody's 2007 rating for all outstanding water and sewer utility revenue debt was "A3".

In 2007, Moody's also assigned two first-time ratings to the Village of Weston. The Stormwater Utility revenue bonds received an "A3" rating. Finally, the Village's Community Development Authority ("CDA") lease revenue bonds received an "A3" rating as well.

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 2007 equalized value of \$956,047,100, the Village's statutory debt limit totaled \$47,802,355. The Village was at 33.80% of its legal debt limit as of December 31, 2007.

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

### VILLAGE OF WESTON OUTSTANDING DEBT December 31, 2007 and 2006

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds & notes	\$ 14,381,839	\$ 13,786,972	\$ 2,465,316	\$ 4,773,099	\$ 16,847,155	\$ 18,560,071
Bond anticipation notes	1,885,000	1,885,000	-	-	1,885,000	1,885,000
CDA lease revenue bonds	44,825,000	41,455,000	-	-	44,825,000	41,455,000
Water utility revenue bonds	769,000	804,000	3,086,000	3,281,000	3,855,000	4,085,000
Sewer utility revenue bonds	560,000	595,000	4,730,000	4,980,000	5,290,000	5,575,000
Stormwater utility revenue bonds	-	-	3,440,000	-	3,440,000	-
<b>Total</b>	<b>\$ 62,420,839</b>	<b>\$ 58,525,972</b>	<b>\$ 13,721,316</b>	<b>\$ 13,034,099</b>	<b>\$ 76,142,155</b>	<b>\$ 71,560,071</b>

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

# Village of Weston Management's Discussion and Analysis

## ECONOMIC FACTORS, 2007 TAX RATES AND THE 2008 BUDGET

The Village of Weston economy continues to thrive with the continual commercial/manufacturing construction occurring 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), the forthcoming businesses to the Schofield Avenue Business Corridor Area (TIF District #2), and the continual addition of new residential subdivisions on the drawing board. In addition, the Village's end-of-year 2007 unemployment rate of 3.9% also remains below the state end-of-year 2007 rate of 4.6%.

The Village's equalized property value increased by \$88,684,100 in 2007 (a 10.22% increase). This compares to the 2006 previous record-year of an increase of \$115,745,200 (a 15.40% increase). The 2007 building permits were \$31.9 million, which was lower than the \$48.8 Million report in 2006 that had been the third highest new construction valuation on record for the Village. 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 2005-2008 and in the future, the state shared revenue payment is expected to remain flat and unchanged, while the State of Wisconsin analyzes its fiscal problems.

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 budget year, which limits tax levy increases to the percentage change in annual new construction growth on an equalized valuation basis. The Village's 2007 tax levy/2008 budget year maximum increase derived by the State of Wisconsin was 5.402%. The Village was successful in adopting its 2007 tax levy with a 3.47% increase, which was below the State's maximum cap for the Village.

A revaluation of all Village property was completed in 2007. The Village's total assessed value rose from \$742,136,720 in 2006 to \$992,310,980 in 2007, which was an increase of \$250,174,260 (33.71% increase). The last reassessment had occurred in 1999.

Despite this difficult budgetary environment, the Village's 2008 budget increased its total tax levy (excluding TIF Districts) by 3.47%, including a provision for allowable prior years' debt service payments. Of this increase, the Village's non-TIF assessed valuation growth was a significant increase of 27.91% after the Village-wide reassessment in 2007. 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, 2007 TAX RATES AND THE 2008 BUDGET (cont.)

This translated into a 2007 assessed tax rate of \$4.91 per \$1,000 of assessed valuation (a 19.10% decrease from the 2006 assessed tax rate of \$6.07), with a corresponding 2007 equalized tax rate of \$5.09, a small 1.93% decrease from 2006. This equalized tax rate of \$5.09 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 12<sup>th</sup> fastest growing community in the State of Wisconsin, since the 2000 census, among communities over 10,000 in population. With 1,726 new residents from 2000 to 2007, and with a 2007 population of 13,805, the population increase during that time was 14.29%.

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 2008 fiscal year combined operating budget includes \$25,341,482 in projected revenues and \$24,531,816 in projected expenditures and transfers. The projected overall increase in fund equity is due to a budgeted surplus of \$809,666. 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 2008 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 2008 budget included increased revenues from sources affected by the overall economy, such as room taxes and investment earnings, offset in part by the loss of state shared revenues.

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. The only new service program included in the 2008-operating budget was for the agreement with the Marathon County Humane Society for estimated animal control services that would cost \$6,000 annually. No other significant new programs were added to the 2008-operating budget.

# Village of Weston Management's Discussion and Analysis

## **ECONOMIC FACTORS, 2007 TAX RATES AND THE 2008 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 2008 fiscal year combined CIP budget includes \$3,243,914 in projected revenues and \$4,797,948 in projected expenditures and transfers. The projected overall decrease in fund equity is due to a budgeted deficit of \$1,554,034. 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 2008 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 2005-2007. Water Utility rates held steady in 2007, as did rates for the Village's recently formed Stormwater Utility. 2007 was the fourth 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).