

**FINANCIAL
SECTION**



Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Weston, Wisconsin as of and for the year ended December 31, 2011, 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, 2011, 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 28, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages xvi through xxxv and 53 through 60 be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. 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. The accompanying supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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.

CliftonLarsonAllen LLP

Stevens Point, Wisconsin
June 28, 2012

MANAGEMENT'S DISCUSSION & ANALYSIS



Village of Weston Management's Discussion and Analysis

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, 2011. The Statement of Net Assets and Statement of Activities (pages 1 through 3) provide information about the financial condition of the Village as a whole. It provides the reader the Total Net Assets of the Village (all assets less all liabilities). It also provides the reader a financial summary of the activities and operations of the Village. On pages 4 through 8 are fund financial statements that provide a more detailed summary of the Governmental Funds (non business-type activities). The remaining statements on pages 9 through 13 provide information on the Village's Proprietary (business-type activity) Funds.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

As we begin to analyze the Village's financial condition and operations as of December 31, 2011, we will try to answer some very basic questions. Is the Village better or worse off financially than it was in 2010? 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.

The Statement of Net Assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village, as a whole, is improving or deteriorating.

The Statement of Activities presents information showing how the Village's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of the timing of the related cash flows.

Village of Weston Management's Discussion and Analysis

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Village of Weston Management's Discussion and Analysis

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

The relationship between governmental *activities* (as reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* is reconciled at the end of the fund financial statements on page 8. Following is a listing and description of the governmental funds reported by the Village of Weston in 2011:

General Fund

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

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes. In 2011, the Village of Weston used special revenue funds to account for:

- Recycling
- TIF District #1 (major fund)
- TIF District #2
- Business Grants
- Aquatic Center
- Room Taxes
- Civic and Social
- Park and Recreation
- Community Development Authority (CDA) – TIF District #1 (major fund)
- Community Development Authority (CDA) – TIF District #2

Village of Weston Management's Discussion and Analysis

Governmental Funds (cont.)

Debt Service Fund

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

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment (other than those financed by proprietary funds). In 2011, the Village of Weston used capital projects funds to account for:

Street Projects (major fund)
Facility Projects
Public Safety Building
Capital Equipment

TIF District #1 (major fund)
TIF District #2

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

Proprietary Funds

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

Enterprise Funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control and accountability or other purposes. In 2011, the Village of Weston used enterprise funds to account for:

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

Village of Weston Management's Discussion and Analysis

Proprietary Funds (cont.)

Internal Service Funds

Internal Service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village or to other governmental units on a cost-reimbursement basis. In 2011, 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 2011, the Village of Weston did not have any agency funds.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-52 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 53-84 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 \$70,677,740 as of December 31, 2011. This includes total assets of \$165,198,855 and total liabilities of \$94,521,115. While the usefulness of these numbers in determining the financial position of the Village is somewhat debatable, it is useful to examine the specifics of the Village's total net assets.

Village of Weston Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

Capital assets (e.g. land, buildings, building improvements, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress) account for approximately 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 75% 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 71% of all Village liabilities. The following table provides an analysis of the Village's net asset outlook:

VILLAGE OF WESTON NET ASSETS December 31, 2011 and 2010

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 36,096,367	\$ 41,143,050	\$ 11,917,006	\$ 11,768,601	\$ 48,013,373	\$ 52,911,651
Capital assets	60,390,817	58,943,733	56,794,665	56,566,225	117,185,482	115,509,958
Total assets	96,487,184	100,086,783	68,711,671	68,334,826	165,198,855	168,421,609
Non-current liabilities	(56,784,578)	(63,022,431)	(10,092,901)	(10,849,005)	(66,877,479)	(73,871,436)
Current and other liabilities	(26,723,763)	(25,209,666)	(919,873)	(852,473)	(27,643,636)	(26,062,139)
Total liabilities	(83,508,341)	(88,232,097)	(11,012,774)	(11,701,478)	(94,521,115)	(99,933,575)
Net assets:						
Invested in capital assets, net of related debt	17,308,466	14,354,445	47,111,399	46,240,858	53,323,922	48,822,424
Restricted	4,585,568	4,578,310	748,900	720,677	5,334,468	5,298,987
Unrestricted (deficit)	(8,915,191)	(7,078,069)	9,838,598	9,671,813	12,019,350	14,366,623
Total net assets	\$ 12,978,843	\$ 11,854,686	\$ 57,698,897	\$ 56,633,348	\$ 70,677,740	\$ 68,488,034

CHANGES IN NET ASSETS

The 2011 combined net assets of the Village increased by \$2,189,706 from 2010.

Net assets of the Village's governmental activities totaled \$12,978,843 as of December 31, 2011. Governmental activities for the year increased net assets by \$1,124,157. The Village's unrestricted net assets for governmental activities, which part of net assets that can be used to

Village of Weston Management's Discussion and Analysis

CHANGES IN NET ASSETS (cont.)

finance day-to-day activities, was a deficit balance of \$8,915,191, 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 \$4,585,568 for debt service.

The net assets of business-type activities totaled \$57,698,897, an increase of \$1,065,549. The Village can use the unrestricted net assets of \$9,838,598 to finance the continuing operations of the water, sewer, and stormwater utilities.

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

VILLAGE OF WESTON CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS For the Years Ended December 31, 2011 and 2010

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 1,681,080	\$ 1,641,646	\$ 4,360,863	\$ 4,288,896	\$ 6,041,943	\$ 5,930,542
Operating grants and contributions	360,128	325,465	4,778	2,992	364,906	328,457
Capital grants and contributions	3,371,644	2,839,967	7,613	465,870	3,379,257	3,305,837
General revenues:						
Property taxes	8,839,262	8,977,876	-	-	8,839,262	8,977,876
Other taxes	481,711	479,274	-	-	481,711	479,274
Intergovernmental revenues not restricted to specific programs	1,360,441	1,350,087	-	-	1,360,441	1,350,087
Public gifts and/or grants not restricted to specific programs	-	8,044	-	-	-	8,044
Investment earnings	337,372	276,962	542,318	313,215	879,690	590,177
Other general revenues	39,622	91,557	53,160	22,991	92,782	114,548
Total Revenues	16,471,260	15,990,878	4,968,732	5,093,964	21,439,992	21,084,842
Expenses:						
General government	945,182	917,357	-	-	945,182	917,357
Public safety	4,042,242	3,837,699	-	-	4,042,242	3,837,699
Public works	6,372,452	7,029,917	-	-	6,372,452	7,029,917
Health and human services	55	-	-	-	55	-
Parks, recreation, and education	686,631	656,865	-	-	686,631	656,865
Community development	482,021	1,450,652	-	-	482,021	1,450,652
Interest and fiscal charges	2,589,476	2,757,034	-	-	2,589,476	2,757,034
Water utility	-	-	1,633,569	1,640,872	1,633,569	1,640,872
Sewer utility	-	-	1,809,065	2,044,851	1,809,065	2,044,851
Stormwater utility	-	-	689,593	710,284	689,593	710,284
Total Expenses	15,118,059	16,649,524	4,132,227	4,396,007	19,250,286	21,045,531
Increase (decrease) in net assets before transfers	1,353,201	(658,646)	836,505	697,957	2,189,706	39,311
Transfers	(229,044)	418,298	229,044	(418,298)	-	-
Change in net assets	1,124,157	(240,348)	1,065,549	279,659	2,189,706	39,311
Net assets-beginning of year	11,854,686	12,095,034	56,633,348	56,353,689	68,488,034	68,448,723
Net assets-end of year	\$12,978,843	\$11,854,686	\$57,698,897	\$56,633,348	\$70,677,740	\$68,488,034

Village of Weston Management's Discussion and Analysis

GOVERNMENTAL ACTIVITIES

Governmental activities for 2011 increased the Village's net assets by \$1,124,157. Total revenues, excluding transfers, had increased by \$480,382 for 2011. However, total revenues and transfers combined had decreased by \$166,960 from 2010, primarily due to the transfer out to the Stormwater Utility for capital assets (\$659,447). Property taxes in 2011 accounted for 54.42%, and capital grants and contributions were 20.76% of total governmental activities revenue. Total expenses decreased by \$1,531,465 for 2011. Expenses for public safety and public works were 68.89% of all governmental activities. Governmental expenses included \$3,941,809 in depreciation expense allocated as follows: \$3,551,057 to public works, \$64,521 to general government, \$194,640 to public safety, and \$131,591 to parks and recreation. Depreciation expense represents 26.1% of the total expenses for governmental activities.

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

Revenues:

- Property tax revenue had an overall decrease in 2011 of \$138,614 (-1.54%). The TIF district tax levy had decreased by \$259,143 (-5.54%) in 2011. The main reason for the decrease was that in 2010, the state had reduced the equalized valuation of the TIF districts which resulted in lower property tax revenue in 2011 for the TIF's. The property tax revenue decreased by \$103,544 in TIF #1 and \$99,058 in TIF #2. The property tax revenue for the Environmental TIF had decreased by \$56,541 in 2011, because in 2010 the Village had closed the Environmental TIF so more property valuation was added to the general operation tax levy for 2011. In addition, there was an increase in the Business Grants Fund tax levy of \$5,000 and a decrease of \$52,000 in the Recycling Fund tax levy, which was not necessary in 2011. There was no change in the debt service tax levy for 2011. Therefore, the general operation tax levy of the Village increased by \$167,529 (6.22%) in 2011 due to some of these changes mentioned here.
- Revenues from charges for services totaled \$1,681,080, which was an increase of \$39,434 (2.40%) from 2010. The largest increase in 2011 was for public safety services, which increased by \$66,689 (10.37%). The court fines received by the Weston/Schofield Municipal Court increased by \$46,504 and the building inspections received from the Village of Kronenwetter increased by \$16,000 in 2011. Ambulance revenues decreased by \$22,935 (-5.74%). Park and recreation charges for services decreased by \$20,548 (-11.81%) in 2011, primarily due to the reduction of \$19,617 in reimbursements received for park damages, which were not prevalent in 2011. However, the aquatic center revenues had increased by \$5,071 (3.80%), due to the warmer than normal summer weather that had occurred in 2011.
- Operating grants and contributions totaled \$360,128, which was an increase of \$34,663 (10.65%) from 2010. There was an increase of \$76,739 in the Build America Bonds' interest rebates received from the federal government during 2011.
- Revenues received from capital grants and contributions totaled \$3,371,644, which was an increase of \$531,677 (18.72%) from 2010. The Village was awarded a 2011 federal grant where the state managed the widening construction project of Schofield Avenue which added \$950,000 in infrastructure to the Village. In addition, the Village was also awarded a grant of \$1,185,048 towards the construction of the Birch Street pedestrian bridge over STH 29 in 2011.

Village of Weston Management's Discussion and Analysis

GOVERNMENTAL ACTIVITIES (cont.)

Revenues (cont.):

- Investment earnings totaled \$337,372, which was \$60,410 higher (21.81%) than 2010. This increase reflected the temporary investment opportunity in 2011 of the 2010B Taxable General Obligation Promissory Notes prior to the utilization of those note proceeds for capital projects included in the 2011 CIP Budget. The notes had been issued in December 2010.

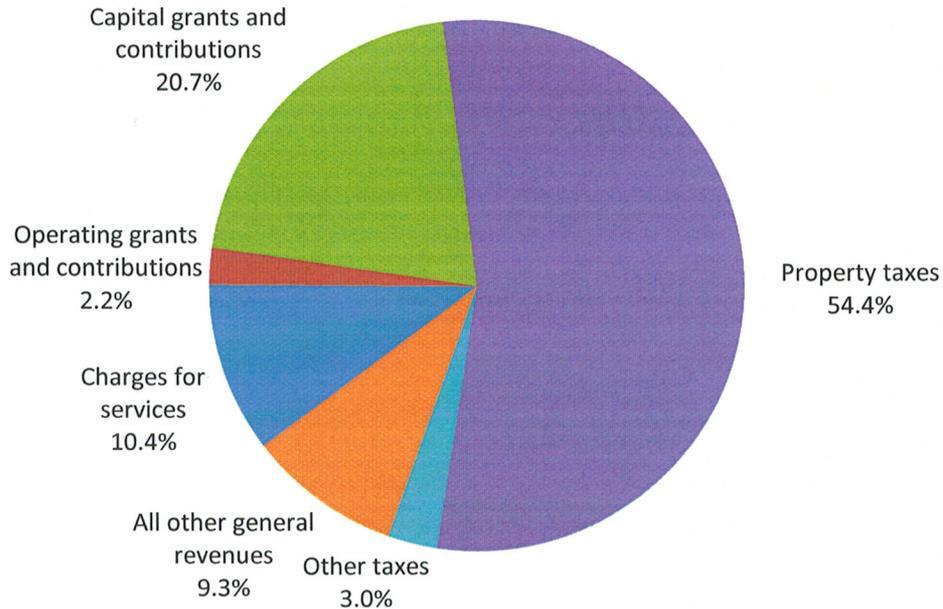
Expenses:

- General government expenses increased by \$27,825 (3.03%). The largest increase in this category was for Village Attorney expenses, which increased by \$19,559, primarily for the Village of Rothschild utility taxes lawsuit appeal in 2011. All other departments showed a strong effort to hold expenses near prior year's numbers.
- Public safety expenses totaled \$4,042,242 in 2011 which was an increase of \$204,543 (5.33%). The Everest Metro Police Department expenses increased by \$63,975 due to the Village's increasing formula allocation for the Metro. The Weston Fire Department expenses increased by \$66,077 due to the hiring of new paid- on-call employees which required additional training that increased both training expenses and wages.
- Public works expenses totaled \$6,372,452 in 2011 which was a decrease of \$657,465 (-9.35%). This decrease in public works expenses was largely attributable to the change in the recorded loss on disposal of assets. In 2010, the Village suffered a large loss on disposal of assets (\$986,950); while in 2011, there was only a small loss of (\$66,422). In 2011, more funds were spent on street maintenance (\$103,731) than in 2010, demonstrating the Village's commitment to maintaining roads and preventing major replacements in the future.
- Parks, recreation, and education expenses increased by \$29,766 (4.53%). Aquatic Center expenses increased by \$14,695 (9.39%) because of some additional maintenance and increased usage of the pool, due to warmer weather during the 2011 season. In 2011, the Village Board approved a donation to the Boys & Girls Club of \$5,000 while there had been no similar donation in the previous year.
- Community development expenses decreased by \$968,631 (-66.77%) in 2011. In 2010, there was a \$760,951 increase in expenditures in the Revolving Loan Fund. The Village had transferred all responsibility and rights of their economic development revolving loans to the Central Wisconsin Economic Development organization in 2010. Therefore, this activity did not reoccur in 2011. In addition, the business grants awarded in 2011 by the TIF District #1 Fund decreased by \$245,000 compared to 2010.
- Interest and fiscal charges expenses which totaled \$2,589,476 for 2011 decreased by \$167,558 (-6.08%). This decrease was due to the fact that the Village did not issue any new debt in 2011, and therefore, did not incur any new debt issuance costs or not accrue any additional interest expense on new debt issues in 2011.

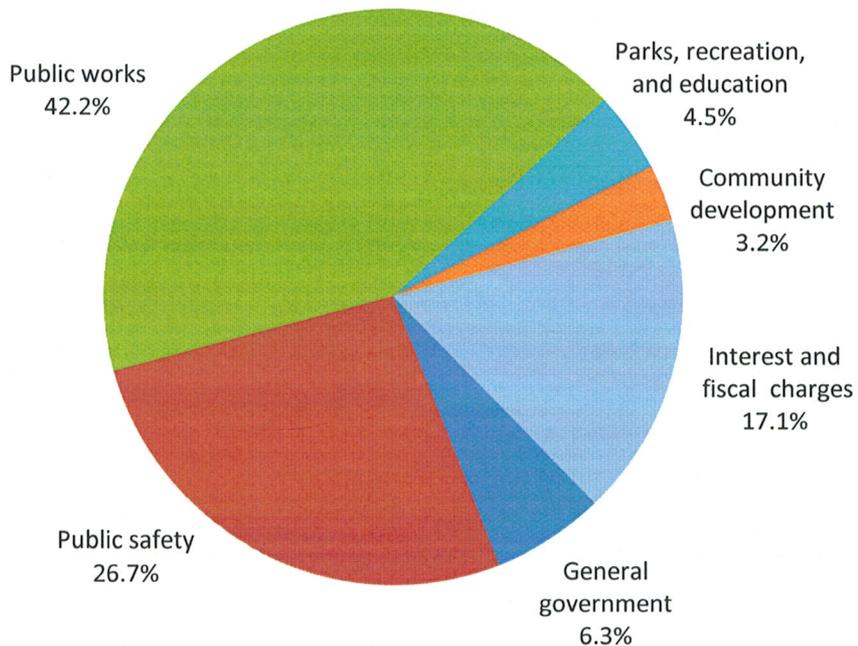
Village of Weston Management's Discussion and Analysis

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

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 \$1,065,549. Charges for services were over expenses by \$228,636. Capital grants and contributions of \$7,613, operating grants and contributions of \$4,778, and other general revenues and transfers of \$824,522 were other 2011 funding sources for the utility funds.

Revenues for business-type activities, excluding capital and operating grants and contributions, increased by \$331,239 (7.16%) in 2011. Charges for services increased by \$71,967 (1.68%) in 2011. Capital grants and contributions decreased by \$458,257. This decrease was due to the stimulus grant that the Village was awarded which covered stormwater capital assets in 2010. Operating grants and contributions increased by \$1,786. Some of the significant changes in revenues were as follows:

- Water Utility operating revenues totaled \$2,010,248 for 2011, which was a slight increase of \$15,675 (0.79%) from 2010. Interest earnings on investments increased by \$36,270 (24.93%) from 2010, which reflects favorable market adjustments for the investments. The Water Utility held rates at the 2009 level.
- Sewer Utility operating revenues totaled \$1,766,694 for 2011, which was an increase of \$30,396 (1.75%) from 2010. The total increase in metered sales was \$31,718 (1.87%). There was a decrease of \$4,185 in miscellaneous billed services in 2011. An increase of \$2,500 (12.82%) in sewer hook-up fees was realized in 2011, due to the reemerging growth in new construction activity. Interest earnings increased by \$176,824 (115.40%) from 2010, reflecting significant favorable market value adjustments during 2011. The Sewer Utility held rates at the 2005 level.
- Stormwater Utility operating revenues totaled \$588,699 for 2011, which was a slight increase of \$4,691 (0.80%) from 2010. Interest earnings on investments increased by \$16,009 (110.58%) as the fair value of investments had increased. The Stormwater Utility held rates at the original 2004 level.

Expenses, excluding depreciation, totaled \$2,005,517, which was a decrease of \$231,138 (-10.33%) from 2010. Depreciation expense increased by \$40,520 (2.66%). Some of the significant changes in expenses were as follows:

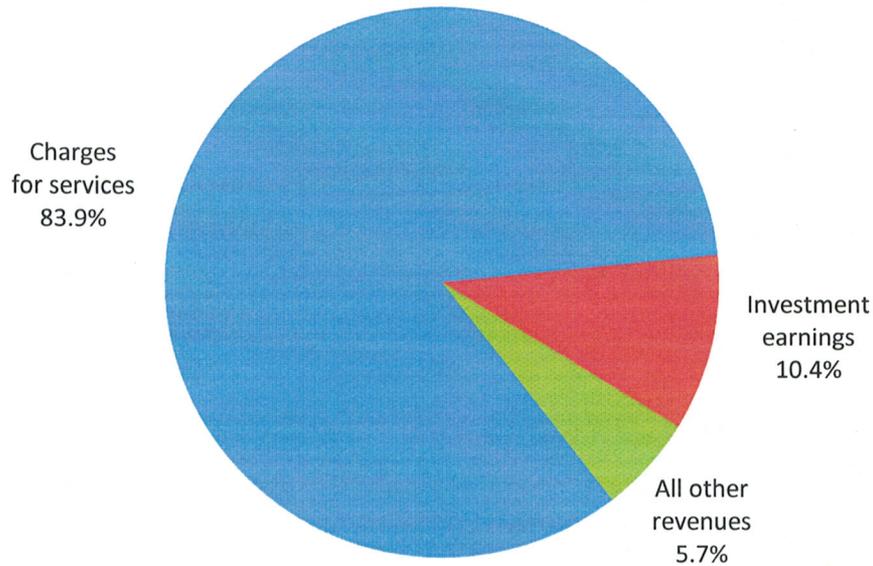
- Water Utility operating expenses, excluding depreciation, increased by \$8,796 (0.89%) in 2011. During 2011, the utility did perform some needed maintenance during a road reconstruction project. All other operating expenses remained unchanged for 2011.
- Sewer Utility operating expenses, excluding depreciation, decreased by \$223,160 (-20.19%). The two main reasons for the decrease were due to minimal sanitary sewer maintenance projects completed in 2011 and a decrease of \$156,141 (-23.80%) in charges from the Rib Mountain Sewerage District in 2011.
- Stormwater Utility operating expenses, excluding depreciation, decreased by \$16,774 (-11.94%). The decrease was the result of less time and resources required by Village employees in drainage maintenance and mowing activities during 2011.

Village of Weston Management's Discussion and Analysis

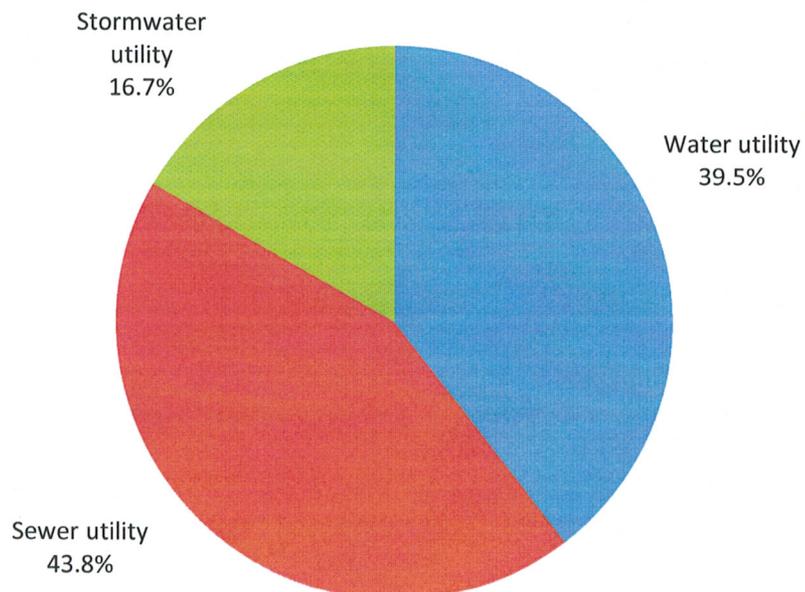
BUSINESS-TYPE ACTIVITIES (cont.)

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 2011 with a fund balance of \$7,985,801 in its governmental funds, compared to \$14,251,531 as of December 31, 2010. This is a decrease of \$6,265,730. Of the 2011 fund balance, \$263,820 was nonspendable, \$4,947,394 was restricted, \$82,503 was committed, \$1,081,846 was assigned, and \$1,610,238 was unassigned. The restricted balance includes \$4,942,733 for debt service. The committed balance includes \$76,930 for encumbrances. The assigned balance includes \$98,782 for subsequent year's expenditures and \$844,600 for capital project funding.

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 \$16,484 from 2011 operations. Fund balance at year-end totaled \$2,915,579, of which \$76,922 is nonspendable, \$4,661 is restricted, \$110,642 assigned and \$2,723,354 is unassigned. This unassigned fund balance is 35.3% of the Village's 2011 General Fund expenditures of \$7,716,270. Municipal credit analyst, Moody's Investors Service, considers the fund balance in the General Fund an important measure of a municipality's financial condition. An unassigned fund balance of 35.3% of expenditures is considered a very strong fund balance by Moody's, and helps contribute to the Village of Weston's strong "Aa2" bond rating.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The net decrease in fund balance during the year was \$220,787, which resulted in a total fund balance at year-end of \$547,859. Of the \$547,859 fund balance amount, \$186,033 is nonspendable for long-term receivables/advances and \$361,826 is restricted for debt service.

Special Revenue Fund – TIF District #1

This fund accounts for the receipt of district "incremental" property taxes and other revenues and the corresponding program expenditures for TIF District #1. There was a net decrease in fund balance during the year of \$1,516,915, which resulted in a deficit fund balance at year-end of (\$785,841). The decrease in fund balance was partially due to the payoff of the bond anticipation notes in 2011. In addition, a 2010 letter-of-credit (LOC) payment amount of \$216,329 due from a developer in 2010 was not yet received in 2011, and therefore, would not be recorded as revenue until 2012. As future development is constructed in TIF District #1, the future property taxes generated from these new increments is expected 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 \$1,182, which resulted in a fund balance at year-end of \$4,208,713.

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 \$2,256,875, which resulted in a fund balance at year-end of \$251,356. The reason for the decrease in fund balance was that bond proceeds were borrowed in late 2010 for capital expenditures that occurred in 2011. Of the \$251,356 fund balance amount, \$120,941 is restricted for debt service, \$20,204 is committed for encumbrances, and \$110,211 is assigned for subsequent year's expenditures.

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 decrease in fund balance of \$1,318,682, which resulted in a fund balance at year-end of \$747,391. The reason for the decrease in fund balance was that bond proceeds were borrowed in late 2010 for capital expenditures that occurred in 2011. Of the \$747,391 fund balance amount, \$56,726 is committed for encumbrances and \$690,665 is assigned for subsequent year's expenditures.

Proprietary Funds

Water Utility Fund

The water utility's operating income, before transfers and other nonoperating revenues and expenses, was \$476,333 in 2011. The overall change to net assets was an increase of \$137,965. The water utility's 2011 rate of return was 3.38%.

Sewer Utility Fund

The sewer utility realized an operating income, before transfers and other nonoperating revenues and expenses, of \$206,820. Overall net assets increased by \$338,545. The sewer utility's 2011 rate of return was 1.94%.

Village of Weston Management's Discussion and Analysis

Proprietary Funds (cont.)

Stormwater Utility Fund

The Village formed a stormwater utility in 2004 with an equivalent runoff unit ("ERU") rate of \$48 annually, or billed at \$12 quarterly. The number of units charged per parcel is dependent upon the amount of impervious surface located on each parcel. In 2011, the utility had an operating income, before transfers and other nonoperating revenues and expenses, of \$112,096. The utility had an increase in net assets of \$589,039. The stormwater utility's 2011 rate of return was 0.86%.

BUDGETARY ANALYSIS

The Village's 2011 General Fund adopted expenditure budget totaled \$7,735,360. The Village's final General Fund revenue budget totaled \$7,580,360. The 2011 revenue budget anticipated the use of \$155,000 in assigned fund balance.

As previously stated, the Village ended 2011 with a fund balance decrease of \$16,484 from 2010. In other words, the Village reduced its reserves by \$16,484, which was significantly better than the original 2011 budget amount of \$155,000.

Actual General Fund revenue exceeded the budget by \$166,733, or 2.2%. A large positive variance of \$103,245 was realized from taxes, \$56,237 from charges for services, and \$14,473 from fines and forfeitures. The Village saw large positives in special utility shared revenue from the Village of Rothschild (\$107,200) and \$48,124 in ambulance runs which was a combination of increased runs and fee increases. Negative variances occurred in inspection services of \$14,922 and investment earnings of \$10,756. Other revenue categories experienced small positive or negative variances.

General Fund expenditures finished 2011 with a negative budget variance of (\$28,217), or 0.36% above budget, due to the year-end transfer of \$47,307 to the Business Grants Fund. If this year-end transfer had not occurred, there would have been a positive expenditure budget variance of \$19,090, or 0.25% below budget. Some positive variances occurred in parks and recreation (\$15,493) and community development (\$10,185). The negative variances occurred in public safety (\$40,608) and public works (\$18,227). Most other Village department expenditure categories experienced small to moderate positive budget variances. Contingency reserve/other had a positive budget variance of \$44,159.

General fund statements highlighting budget versus actual variances can be found on pages 53-57 of this report.

Village of Weston Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the Village of Weston had an investment in capital assets of \$117,185,482 net of accumulated depreciation, of all governmental and business-type activities of the Village. This amounts to a \$1,675,524 increase (1.5%) from the end of 2010.

Major capital improvements that took place in the Village's governmental activities include road, curb, and gutter project costs for the Schofield Avenue widening project (\$2,229,960), Schofield Avenue sidewalks (\$162,518), Alderson Street reconstruction (\$389,228), and the construction of the Birch Street pedestrian bridge (\$2,118,154).

The land improvement costs totaled \$49,958 for the Schofield Avenue walking path between Ryan Street and County Highway J. Equipment, furniture, and fixtures had an increase of \$242,686. The fire department purchased a new ambulance (\$178,968), and the public works department built a leaf vac truck (\$21,458).

In the Village's business-type activities, major capital additions (prior to depreciation) for the Water Utility include \$225,005 in transmission and distribution lines for the Camp Phillips Road utility extension project and the purchase of land for a new well (\$307,040). The Village's Sewer Utility saw \$103,970 of additions to its collection system (prior to depreciation) for the Camp Phillips Road utility extension project and the purchase of a new sewer vac truck (\$351,085). The Stormwater Utility saw \$659,447 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, 2011 and 2010

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land/right-of-ways	\$ 5,075,728	\$ 5,007,546	\$ 623,352	\$ 316,312	\$ 5,699,080	\$ 5,323,858
Wells and springs	-	-	587,109	587,109	587,109	587,109
Buildings	6,910,471	6,910,471	2,576,860	2,571,048	9,487,331	9,481,519
Improvements	5,914,764	5,864,806	68,871,839	67,705,977	74,786,603	73,570,783
Equipment	5,833,321	5,748,286	2,537,015	2,487,483	8,370,336	8,235,769
Infrastructure	79,936,498	74,495,538	-	-	79,936,498	74,495,538
Construction in progress	69,810	627,201	103,692	110,135	173,502	737,336
Total capital assets	103,740,592	98,653,848	75,299,867	73,778,064	179,040,459	172,431,912
Less accumulated depreciation	(43,349,775)	(39,710,115)	(18,505,202)	(17,211,839)	(61,854,977)	(56,921,954)
Capital assets, net of depreciation	<u>\$ 60,390,817</u>	<u>\$ 58,943,733</u>	<u>\$ 56,794,665</u>	<u>\$ 56,566,225</u>	<u>\$ 117,185,482</u>	<u>\$ 115,509,958</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, 2011 totaled \$18,371,701. In addition, the Village had revenue debt outstanding (backed by revenues generated from the Weston Water, Sewer, and Stormwater Utilities) of \$9,335,000. 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 \$38,725,000. Therefore, the total outstanding debt of the Village at December 31, 2011 totaled \$66,431,701. No new debt was issued in 2011.

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 2011 equalized value of \$1,030,372,700, the Village's statutory debt limit totaled \$51,518,635. The Village was at 34.96% of its legal debt limit as of December 31, 2011.

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

VILLAGE OF WESTON OUTSTANDING DEBT December 31, 2011 and 2010

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds & notes	\$ 16,299,349	\$ 18,511,048	\$ 2,072,352	\$ 2,267,178	\$ 18,371,701	\$ 20,778,226
Bond anticipation notes	-	1,885,000	-	-	-	1,885,000
CDA lease revenue bonds	38,725,000	40,630,000	-	-	38,725,000	40,630,000
Water utility revenue bonds	99,000	119,000	2,166,000	2,296,000	2,265,000	2,415,000
Sewer utility revenue bonds	350,000	410,000	3,755,000	4,070,000	4,105,000	4,480,000
Stormwater utility revenue bonds	-	-	2,965,000	3,095,000	2,965,000	3,095,000
Total	\$ 55,473,349	\$ 61,555,048	\$ 10,958,352	\$ 11,728,178	\$ 66,431,701	\$ 73,283,226

More detail regarding the Village's outstanding debt can be found in Note IV (F) on pages 41-46 of this report.

Village of Weston

Management's Discussion and Analysis

ECONOMIC FACTORS, 2011 TAX RATES, AND THE 2012 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 2011. Fortunately, there remains to be construction occurring at a reduced pace within the existing residential subdivisions. The Village's end-of-year 2011 unemployment rate of 7.6% is slightly below the state's end-of-year 2011 rate of 8.3%.

The Village's equalized property value increased by \$12,718,500 in 2011 (a 1.25% increase). This increase included \$7,749,300 in net new construction in 2011. The valuation increase was also a good indicator that the construction industry was beginning to improve, after the Wisconsin Department of Revenue had made a state-wide devaluation of property in both 2009 and 2010. The 2011 building permits were \$6.5 million, which was a reduction from the \$12.9 million reported in 2010. This decrease in building permits reflected the continued slowdown in the economy and the credit crunch. However, the 2012 building permits are already trending in excess of \$13 million as of June 2012.

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 analyzed its fiscal problems. For budget years 2010-2011, the Village received a further reduction in the state shared revenue payment of \$76,585 (-5.84% decrease). For 2012, another reduction of \$177,480 (-14.37% decrease) in state shared revenue was passed onto the Village. In addition, the 2012 state transportation aid payment made to the Village decreased by \$124,940 (-10.00% decrease).

In addition, the State of Wisconsin has passed new tax levy limits onto local municipalities beginning with the 2006 and 2007 budget years and continuing into the 2008 through 2013 budget years, which limits tax levy increases to the percentage change in annual new construction growth on an equalized valuation basis. The Village's 2011 tax levy/2012 budget year maximum increase derived by the State of Wisconsin was 0.761%. The Village was successful in adopting its 2011 tax levy with a \$33,649 revenue increase (0.761% increase), which resulted in only a 0.30% increase in the assessed tax rate. The Village did not use the Debt Service exception option allowed under the current levy law.

The Village's total assessed value decreased slightly from \$1,076,925,570 in 2010 to \$1,076,850,600 in 2011, which was a decrease of \$74,970 (-0.01% decrease). No revaluation of Village property occurred in 2011. The last reassessment had occurred in 2007.

Village of Weston Management's Discussion and Analysis

ECONOMIC FACTORS, 2011 TAX RATES, AND THE 2012 BUDGET (cont.)

Despite this difficult budgetary environment, the Village's 2012 budget increased its total tax levy (excluding TIF Districts) by 0.761%, 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 \$3,962,613 in 2011, or a 0.46% increase. The Village's TIF assessed valuation decreased by \$4,141,187 in 2011, or a decrease of -2.20%. The Village continues to be a leader and "model" government entity in the area for reducing the cost of labor through efficiency and for service prioritization (providing only those services that the residents/taxpayers request, including asking the voters in the form of a referendum when deemed applicable).

This translated into a 2011 assessed tax rate of \$5.10 per \$1,000 of assessed valuation (a 0.30% increase from the 2010 assessed tax rate of \$5.08), with a corresponding 2011 equalized tax rate of \$5.33, which is a -0.93% decrease from 2010. This equalized tax rate of \$5.33 maintains the Village of Weston in the bottom 15%-quartile of statewide-equalized tax rates for Wisconsin communities greater than 10,000 in population. This is an amazing fact, because the Village of Weston is one of the fastest growing communities in the State of Wisconsin, since the 2000 census, among communities over 10,000 in population. With 2,966 new residents from 2000 to 2011, and with a 2011 population of 15,045, the population increase during that time was 24.56%.

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 2012 fiscal year combined operating budget includes \$38,301,497 in projected revenues and \$39,783,059 in projected expenditures and transfers. The projected overall decrease in fund equity is due to a budgeted deficit of \$1,481,562. 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 2012 operating budget. For example, the 2012 budgeted deficit of \$652,513 in the capital projects funds is due to the issuance of 2010 taxable general obligation ("G.O.") promissory notes of \$5,400,000 in December 2010, but the remaining unused portion of those note proceeds will not be expended until 2012.

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 2012 budget included increased revenues from sources affected by the overall economy, such as ambulance fees, offset in part by the decrease in state shared revenues and the market rate reduction in interest rates for investment earnings.

Village of Weston

Management's Discussion and Analysis

ECONOMIC FACTORS, 2011 TAX RATES, AND THE 2012 BUDGET (cont.)

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. An additional factor limiting such costs was the passage of Wisconsin Act 10 in 2011 which mandated employee payment of pension contributions for most employee groups. 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 2012 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 2012 fiscal year combined CIP budget includes \$3,694,825 in projected revenues and \$4,347,338 in projected expenditures and transfers. The projected overall decrease in fund equity is due to a budgeted deficit of \$652,513. The majority of the December 2010 G.O. note proceeds were utilized for the 2011 CIP Budget, but the remaining unused proceeds will be applied to the 2012 CIP budget. In addition, fund balances from several governmental and enterprise funds will be applied towards this budgeted deficit rather than increasing the capital borrowing amount any further to balance the 2012 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 2005-2011. The Public Service Commission of Wisconsin (PSC) approved an overall 7% increase for the Water Utility rates on January 23, 2009. The PSC's rate order included changes to the utility's operating rules and a 2-tiered rate structure with separate schedules for residential and non-residential customers. This was the first overall rate change for the Water Utility since 1988. Stormwater Utility rates held steady in 2011. 2011 was the eighth 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.