

**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, 2006, 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, 2006, 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 14, 2007, on our consideration of Village of Weston, Wisconsin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages xx through xl and budgetary comparison information on pages 54 through 61 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Weston, Wisconsin's basic financial statements. The accompanying 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
June 14, 2007

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, 2006. 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 third 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 2005 and 2006.

THE FINANCIAL HIGHLIGHTS

- The Village's net assets (assets less liabilities) total \$71,913,742 as of December 31, 2006, which was an overall decrease of \$191,852 from 2005. Net assets from Governmental Activities account for \$17,110,032 of the total, a decrease of \$3,169,434 from the previous year. Business-Type Activities net assets were \$54,803,710, an increase of \$2,977,582 from 2005.
- The Village ended 2006 with a fund balance of \$9,609,627 for all Governmental Funds. This total includes \$2,304,711 which is unreserved and undesignated in the Village's General Fund, a \$134,030 increase from the previous year. This fund balance is 35.44% of the Village's 2006 General Fund expenditures of \$6,502,921.
- The Village issued a total of \$8,250,399 of debt in 2006. Of this amount, \$3,725,399 was issued as General Obligation ("G.O.") debt backed by the full faith and credit of the Village. This G.O. debt included \$905,000 for Village capital improvement projects; \$345,399 for stormwater utility capital improvement projects; and \$2,475,000 for the purpose of refunding existing G.O. debt. The Village issued Water Utility Revenue/Refunding Bonds in 2006 for \$2,640,000. Of this amount, \$1,300,000 was used to finance new water capital improvement projects and \$1,340,000 was used to refund existing water revenue bonds. Finally, the Village issued \$1,885,000 Bond Anticipation Notes for capital improvement projects in Tax Incremental Financing ("TIF") Districts #1 and #2.
- The Village began to reimburse developers in 2006 (\$167,955) for the advances received from the eight TIF letters of credit ("LOC's") from previous years. 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 be short of the debt service payments due. However, when surplus tax increments

Village of Weston Management's Discussion and Analysis

THE FINANCIAL HIGHLIGHTS (cont.)

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 began 2006 with a total advance from developers of \$750,835. The Village received LOC advances from developers of \$187,199 in 2006, while \$167,955 was repaid from surplus tax increment funds to a developer in 2006. This left the advance balance to the developers at the end of 2006 at \$770,079.

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, 2006. 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, 2006, we will try to answer some very basic questions. Is the Village better or worse off financially than it was in 2005? Has the Village planned appropriately for its operations and activities? Is the Village financially healthy as it plans for the future?

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

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

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

Village of Weston Management's Discussion and Analysis

FUND FINANCIAL STATEMENTS

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

Governmental Funds

The majority of the Village's operations and activities are reported in governmental funds, which focus on how money flows into and out of those funds. The balances left in these funds are available to be spent in future years. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Village's general government operations and the basic services it provides. It also is useful in evaluating a government's ability to meet near-term financing requirements. The relationship between governmental *activities* (as reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* is reconciled at the end of the fund financial statements on page 8. Following is a listing and description of the governmental funds reported by the Village of Weston in 2006:

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 2006, the Village of Weston used special revenue funds to account for:

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

Village of Weston Management's Discussion and Analysis

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 2006, 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.

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 2006, 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

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 2006, 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 2006, the Village of Weston did not have any agency funds.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-53 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information. Combining and individual fund statements and schedules can be found on pages 54-89 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As stated earlier, net assets (assets less liabilities) total \$71,913,742 for the Village of Weston as of December 31, 2006. This includes total assets of \$165,231,519 and total liabilities of \$93,317,777. 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

Capital assets (land, buildings, building improvements, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress) account for approximately 73% of the Village's total assets. This includes the Village's investment in roads, sewers and bridges. 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 NET ASSETS December 31, 2006 and 2005

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$31,944,578	\$32,689,005	\$12,060,623	\$10,089,473	\$44,005,201	\$42,778,478
Capital assets	<u>65,140,002</u>	<u>66,915,729</u>	<u>56,086,316</u>	<u>54,460,050</u>	<u>121,226,318</u>	<u>121,375,779</u>
Total assets	<u>97,084,580</u>	<u>99,604,734</u>	<u>68,146,939</u>	<u>64,549,523</u>	<u>165,231,519</u>	<u>164,154,257</u>
Non-current liabilities	(58,826,542)	(57,661,240)	(12,475,533)	(11,633,823)	(71,302,075)	(69,295,063)
Current and other liabilities	<u>(21,148,006)</u>	<u>(21,664,028)</u>	<u>(867,696)</u>	<u>(1,089,572)</u>	<u>(22,015,702)</u>	<u>(22,753,600)</u>
Total liabilities	<u>(79,974,548)</u>	<u>(79,325,268)</u>	<u>(13,343,229)</u>	<u>(12,723,395)</u>	<u>(93,317,777)</u>	<u>(92,048,663)</u>
Net assets:						
Invested in capital assets, net of debt	23,644,209	25,713,115	48,950,040	45,446,361	59,863,908	58,845,379
Restricted	5,547,005	6,230,861	454,841	646,571	6,001,846	6,877,432
Unrestricted (deficit)	<u>(12,081,182)</u>	<u>(11,664,510)</u>	<u>5,398,829</u>	<u>5,733,196</u>	<u>6,047,988</u>	<u>6,382,783</u>
Total net assets	<u>\$17,110,032</u>	<u>\$20,279,466</u>	<u>\$54,803,710</u>	<u>\$51,826,128</u>	<u>\$71,913,742</u>	<u>\$72,105,594</u>

CHANGES IN NET ASSETS

The 2006 net assets of the Village remained stable with a slight decrease of \$191,852 from 2005.

Net assets of the Village's governmental activities totaled \$17,110,032 as of December 31, 2006. Governmental activities for the year decreased net assets by \$3,169,434. 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 \$12,081,182, due to the TIF District debt accumulated to date in the governmental activities, but the TIF water, sewer, and stormwater capital assets are reported as business-type activities instead. Restricted net assets for governmental activities included \$4,841,805 for debt service and \$705,200 for specific purposes.

The net assets of business-type activities totaled \$54,803,710, an increase of \$2,977,582. The Village can use the unrestricted net assets of \$5,398,829 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 CHANGES IN NET ASSETS For the Years Ended December 31, 2006 and 2005

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$1,841,336	\$2,049,880	\$4,173,877	\$4,058,513	\$6,015,213	\$6,108,393
Operating grants and contributions	147,356	133,598	-	-	147,356	133,598
Capital grants and contributions	1,084,844	1,003,368	2,536,144	5,953,462	3,620,988	6,956,830
General revenues:						
Property taxes	5,190,969	4,141,669	-	-	5,190,969	4,141,669
Other taxes	277,487	249,963	-	-	277,487	249,963
Intergovernmental revenues not restricted to specific programs	1,329,135	1,340,285	-	-	1,329,135	1,340,285
Public gifts and/or grants not restricted to specific programs	44,091	28,092	-	-	44,091	28,092
Investment earnings	663,359	597,085	463,151	270,283	1,126,510	867,368
Other general revenues	249,563	37,203	45,149	88,830	294,712	126,033
Total revenues	<u>10,828,140</u>	<u>9,581,143</u>	<u>7,218,321</u>	<u>10,371,088</u>	<u>18,046,461</u>	<u>19,952,231</u>
Expenses:						
General government	1,004,367	938,693	-	-	1,004,367	938,693
Public safety	3,117,903	2,989,026	-	-	3,117,903	2,989,026
Public works	6,614,505	9,147,099	-	-	6,614,505	9,147,099
Parks, recreation and education	536,649	468,364	-	-	536,649	468,364
Community development	219,762	182,209	-	-	219,762	182,209
Other	-	3,668	-	-	-	3,668
Interest and fiscal charges	2,836,854	2,494,926	-	-	2,836,854	2,494,926
Water utility	-	-	1,522,191	1,241,165	1,522,191	1,241,165
Sewer utility	-	-	1,680,986	1,718,424	1,680,986	1,718,424
Stormwater utility	-	-	705,096	776,241	705,096	776,241
Total expenses	<u>14,330,040</u>	<u>16,223,985</u>	<u>3,908,273</u>	<u>3,735,830</u>	<u>18,238,313</u>	<u>19,959,815</u>
Increase (decrease) in net assets before transfers	(3,501,900)	(6,642,842)	3,310,048	6,635,258	(191,852)	(7,584)
Transfers	332,466	303,317	(332,466)	(303,317)	-	-
Change in net assets	(3,169,434)	(6,339,525)	2,977,582	6,331,941	(191,852)	(7,584)
Net assets-beginning of year	<u>20,279,466</u>	<u>26,618,991</u>	<u>51,826,128</u>	<u>45,494,187</u>	<u>72,105,594</u>	<u>72,113,178</u>
Net assets-end of year	<u>\$17,110,032</u>	<u>\$20,279,466</u>	<u>\$54,803,710</u>	<u>\$51,826,128</u>	<u>\$71,913,742</u>	<u>\$72,105,594</u>

Village of Weston Management's Discussion and Analysis

GOVERNMENTAL ACTIVITIES

Governmental activities for 2006 decreased the Village's net assets by \$3,169,434. The decrease in governmental activity net assets is primarily due to the fact that the Village of Weston had borrowed \$1,885,000 in Bond Anticipation Notes during 2006 for TIF Districts #1 and #2, 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 and #2 were actually for water, sewer, and stormwater utility projects that are reportable as business-type activity capital assets. Therefore, the bond anticipation notes will be repaid with tax increments received from the TIF Districts and reported as governmental activities, and the utility capital assets from the TIF Districts will be depreciated over time and reported as business-type activities.

Governmental expenses included \$3,688,845 in depreciation expense allocated as follows: \$3,411,769 to public works, \$36,166 to general government, \$150,972 to public safety, and \$89,938 to parks and recreation. Depreciation expense represents 25.7% of the total expenses for governmental activities. General revenues and transfers increased by \$1,389,456 from 2005. Program revenues decreased by \$113,310. Property taxes in 2006 accounted for 47.94% and capital grants and contributions were 10.02% of total governmental activities revenue. Expenses for public safety and public works were 67.80% of all governmental activities expenses.

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

Revenues:

- Property tax revenue increased in 2006 by \$1,049,300 (25.3%). Of this total increase, the increase for general operations was \$167,360 (7.3%), for debt service was \$150,000 (16.2%), and for TIF Districts was \$734,870 (80.4%). The increase in property valuation for the TIF Districts generated the significant increase for property tax revenue in 2006.
- Revenues from charges for services totaled \$1,841,336, a decrease of \$208,544 (-10.2%) from 2005.
- Operating grants totaled \$147,356, an increase of \$13,758 from 2005. EMS funding grants and other public safety grants were slightly higher in 2006.
- Revenues received from capital grants and contributions totaled \$1,084,844, an increase of \$81,476 (8.1%) from 2005. General transportation aids increased by \$89,094.
- Investment earnings totaled \$663,359, which was \$66,274 higher than 2005. This increase was due to the faster than expected increase in market interest rates.
- Other general revenues totaled \$249,563, an increase of \$212,360 from 2005. Of this increase, \$66,000 was received from the Wisconsin Public Service Corporation ("WPS") for reimbursement of debt issuance costs incurred on the \$22 million Pollution Control Refunding Revenue Bonds issued by the Village of Weston for WPS in 2006.

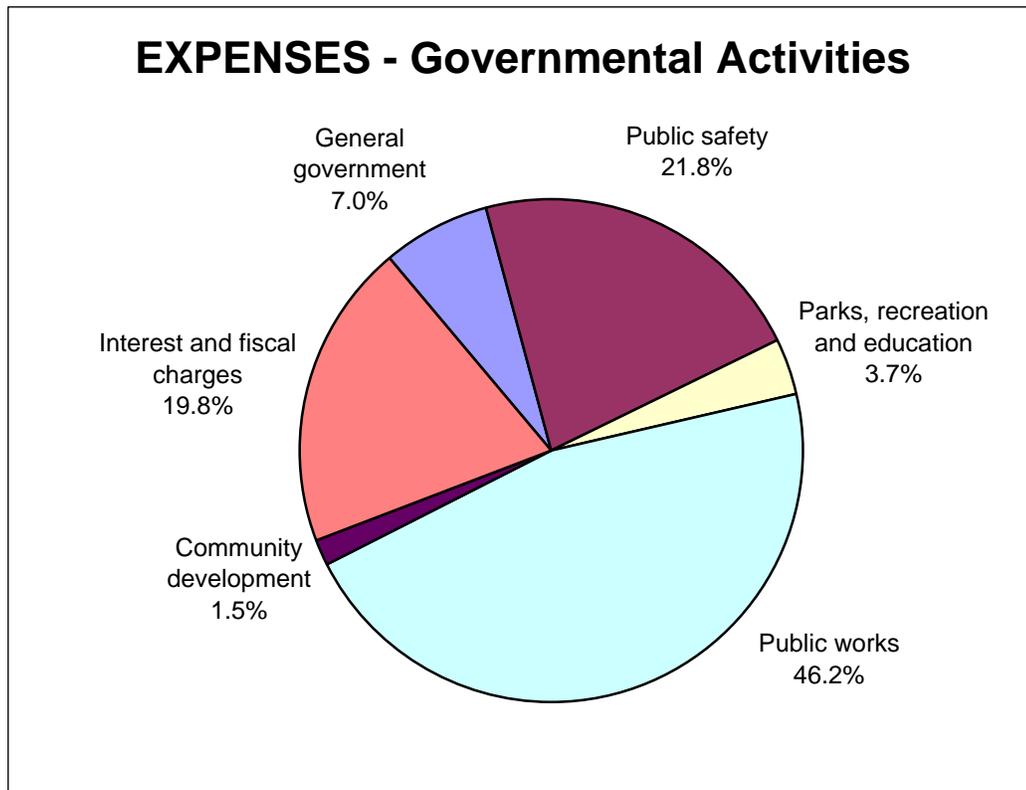
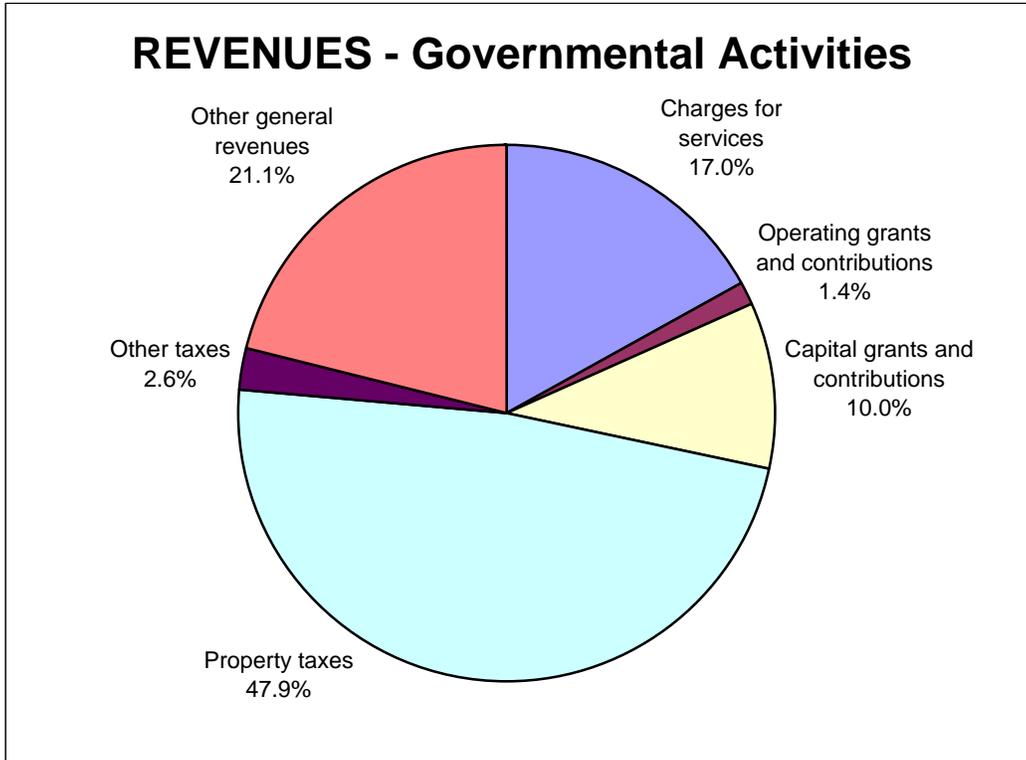
Village of Weston Management's Discussion and Analysis

Expenses:

- General government expenses increased by \$65,674 (7.0%). The primary reason for the increase was for the addition of the Taxpayer Relations Coordinator position in the fall of 2005, which was now funded for salaries and benefit costs for twelve months in 2006 for \$63,750.
- Public safety expenses increased by \$128,877 (4.3%). Police and fire department expenses increased by \$42,927 and \$44,787 respectively, due to higher salary and benefit costs. Public fire protection fees increased by \$20,954.
- Public works expenses which totaled \$6,614,505 decreased by \$2,532,594 (27.7%). This significant decrease was the result of the conversion of \$3,139,999 capital assets from work-in-progress to public works use in 2005, as compared to only \$105,952 work-in-progress converted costs in 2006. Depreciation expense increased by \$346,476 (11.3%). Costs related to the continual growth of the Village and in its TIF Districts were realized in the following areas: street lighting increased \$53,065 (42.1%) for additional street lights added; traffic control increased \$12,963 for more repairs needed to the growing number of traffic signalized intersections in the Village; and street irrigation maintenance increased by \$9,530 for the additional right-of-way areas that have automated watering landscaped units. The Village began a mass transit service program in 2006 for \$71,689, which was partially funded (\$27,500) from local business contributions in 2006. Landfill monitoring expenses increased by \$14,662. However, a reduction in road maintenance/street capital outlay expenses of \$74,776 (7.7%) did occur in 2006 as compared to 2005, primarily the result of the establishment of a long-range street surface maintenance program which now prioritizes a listing of Village neighborhoods that require street maintenance with an estimated cost and year for the recommended improvements.
- Parks, recreation and education expenses increased by \$68,285 (14.6%). A portion of the DPW street crew wages and benefit costs (approximately \$45,000) were allocated to the parks and recreation budget due to the involvement in the site development of the new Machmueller Park, instead of hiring an outside contractor to perform the work.
- Community development expenses increased by \$37,553 (20.6%) in 2006. 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 2006 by \$27,132 with the payments made to the Central Wisconsin/Wausau Area Convention Bureau and to various other organizations.
- Interest and fiscal charges expenses increased by \$341,928 (13.7%).

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

Village of Weston Management's Discussion and Analysis



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 \$2,977,582. Charges for services exceeded expenses by \$265,604. Capital grants and contributions of \$2,536,144 and other general revenues of \$508,300 were also other 2006 funding sources for the utility funds.

Revenues for business-type activities, excluding capital grants and contributions, increased by \$264,551 in 2006. Capital grants and contributions decreased by \$3,417,318. Some of the significant changes in revenues were as follows:

- Water Utility operating revenues totaled \$1,923,407 for 2006, an increase of \$84,888 (4.6%) from 2005. The Water Utility added 188 new customers in 2006. There were no changes in water rates for 2006. Revenue from fire protection services totaled \$435,027 which was slightly higher than 2005. Interest earnings on investments significantly increased by \$108,075 (100.0%) due to increases in interest rates.
- Sewer Utility operating revenues totaled \$1,734,763 for 2006, an increase of \$21,338 (1.2%) from 2005. The Sewer Utility added 126 new customers in 2006 and held rates at the 2005 level. Interest earnings on investments increased by \$81,569 (51.4%) from 2005 due to increases in interest rates.
- Stormwater Utility operating revenues totaled \$555,056 for 2006, an increase of \$8,695 (1.6%) from 2005. The Stormwater Utility held rates at the 2005 level.

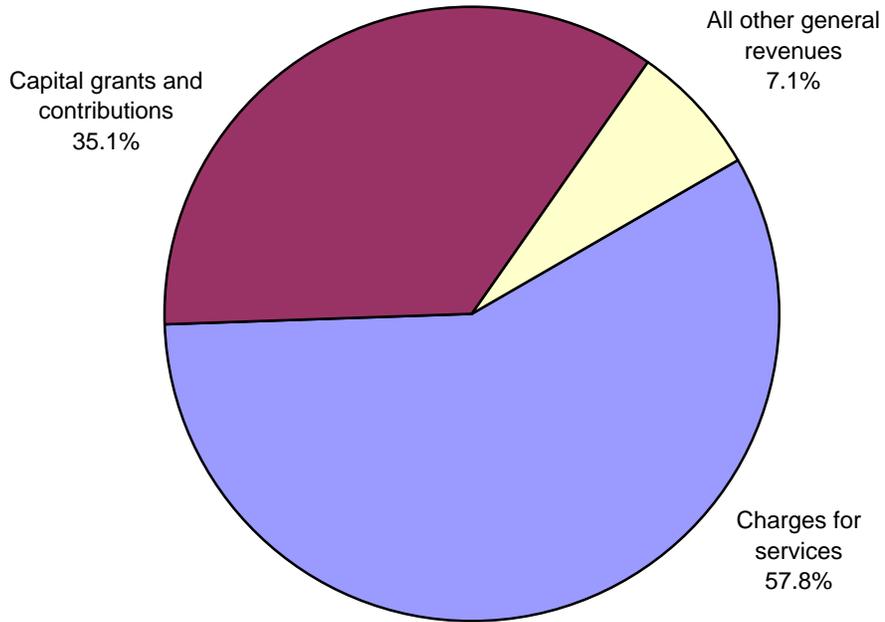
Expenses, excluding depreciation, totaled \$1,833,198, an increase of only \$56,894 (3.2%) from 2005. Depreciation expense increased by \$149,843 (12.2%). Some of the significant changes in expenses were as follows:

- Water Utility operating expenses, excluding depreciation, increased by \$181,056 (27.5%). Transmission and distribution expenses increased by \$118,789 (104.0%) due to higher maintenance costs for water mains (\$33,279 increase), hydrants (\$14,325 increase), water services (\$19,889 increase), and the repainting of the Summit Elevated Tank Tower (\$38,337 increase). Water treatment expenses increased by \$23,110 (15.0%) due primarily to higher chemical costs.
- Sewer Utility operating expenses, excluding depreciation, decreased by \$51,419 (-6.4%). Treatment plant expenses decreased by \$16,537 (24.1%) in 2006. Operating and capital charges paid to the RMMSD (Rib Mountain Metro Sewerage District) decreased by \$31,502 (-6.5%).
- Stormwater Utility operating expenses, excluding depreciation, decreased by \$72,743 (-23.2%). Stormwater feasibility/drainage maintenance plan costs decreased by \$88,063 when comparing 2006 costs (\$20,853) to 2005 costs (\$108,916). The utility had completed its third year of operation in 2006, and the outside contracted studies required by the utility in 2006 were significantly fewer than those required in 2004-2005.

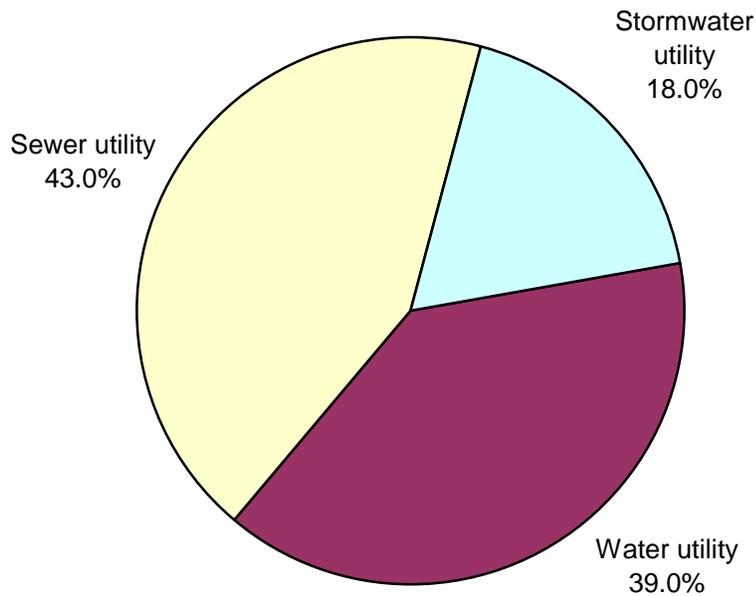
The following graphs provide a breakdown of all business-type activities revenues and expenses:

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 2006 with a fund balance of \$9,609,627 in its governmental funds, compared to \$9,929,128 as of December 31, 2005. This is a slight decrease of \$319,501. Of the 2006 fund balance, \$6,106,718 was reserved and \$3,502,909 was unreserved. The reserved balance includes \$5,441,411 for debt service, \$105,252 for encumbrances/open contracts, \$524,532 for long-term receivables/advances, and \$35,523 for prepaid expenditures. The unreserved balance includes \$2,097,808 designated for subsequent year's expenditures (primarily capital projects) and \$1,405,101 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 \$231,588 from 2006 operations. Fund balance at year-end totaled \$2,698,568, of which \$2,304,711 is unreserved and undesignated. This undesignated fund balance is 35.44% of the Village's 2006 General Fund expenditures of \$6,502,921. Municipal credit analyst, Moody's Investors Service, considers the fund balance in the general fund an important measure of a municipality's financial condition. The unreserved and undesignated fund balance of 35.44% of expenditures is considered a very strong fund balance by Moody's, and helps contribute to the Village of Weston's moderately strong "A2" 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 \$50,162, which resulted in reserved fund balance at year-end of \$692,024. The Village did budget for a reduction of fund balance of \$67,347. Other financing sources included \$2,609,000 refunding bonds proceeds for the refunding of previously issued general obligation debt, which resulted in a payment of \$2,591,508 to the refunded bond escrow agent.

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 \$187,635, which resulted in a fund balance (deficit) at year-end of (\$748,398) compared to a deficit balance of (\$560,763) in 2005. As future development is constructed in TIF District #1, the future property taxes generated from these new increments will be more than sufficient to cover all annual debt service payments.

Village of Weston Management's Discussion and Analysis

Governmental Funds (cont.)

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

This fund accounts for the receipt of CDA Lease Revenue Bond proceeds issued by the CDA on the behalf of the Village of Weston. These proceeds are then transferred out to the TIF District #1 – Capital Projects Fund. Corresponding program expenditures and bond issuance costs are also recorded in this fund. The net decrease in fund balance during the year was \$630,580, which resulted in a fund balance at year-end of \$4,439,455.

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 \$22,851, which resulted in fund balance at year-end of \$1,120,268.

Proprietary Funds

Water Utility Fund

The water utility's operating income, before transfers and other nonoperating revenues and expenses, was \$613,919 in 2006. The overall change to net assets was an increase of \$1,220,950. The water utility's 2006 rate of return was 4.76%.

Sewer Utility Fund

The sewer utility realized an operating income, before transfers and other nonoperating revenues and expenses, of \$362,737. Overall net assets increased by \$1,488,499. The sewer utility's 2006 rate of return was 3.11%.

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 2006, the utility had an operating income, before transfers and other nonoperating revenues and expenses, of \$22,343. The utility had an increase in net assets of \$268,133.

Village of Weston Management's Discussion and Analysis

BUDGETARY ANALYSIS

The Village's 2006 General Fund adopted expenditure budget totaled \$6,585,600. The Village's final General Fund revenue budget totaled \$6,454,700. The 2006 revenue budget anticipated the use of \$130,900 in undesignated reserves.

As previously stated, the Village ended 2006 with a fund balance increase of \$231,588 from 2005. In other words, the Village not only did not reduce reserves as anticipated by \$130,900, it added \$231,588 to its general fund reserves by year-end. This leads to an overall positive general fund budget variance of \$362,488 for fiscal year 2006.

Actual general fund revenue exceeded budget by \$365,941. Positive variances occurred in licenses and permits of \$84,787, charges for services of \$105,911, and in investment earnings and miscellaneous income of \$151,956. Negative variances occurred in contributions and donations of \$16,026 and in fines and forfeitures of \$7,503. Other revenue categories experienced small positive or negative variances.

General fund expenditures finished 2006 with a slight negative budget variance of \$3,453, or 0.05% above budget. The reason for the negative budget variance was a transfer to the capital equipment fund (\$86,132) for the 2006 advance purchase of a 2007 budgeted public works truck, to lock in the price of the vehicle at a lower 2006 cost and before the new fuel emission standards are implemented on all new built vehicles in the future. Most operating facets of the Village contributed to a favorable budget variance. The largest variance was realized in Public Works (\$61,463 or 2.67%). Reasons include the reduced costs needed for snow and ice removal and continued greater efficiency in street maintenance and repair projects. Some other positive variances occurred in public safety (\$29,128 or 0.98%) and general government (\$5,952 or 0.66%). Parks, recreation, and education and contingency reserve/other had minor negative budget variances of \$5,943 and \$7,784, respectively. Most other Village department expenditure categories experienced small to moderate positive budget variances.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2006, the Village of Weston had an investment in capital assets of \$121,226,318, net of accumulated depreciation, of all governmental and business-type activities of the Village. This amounts to a \$149,461 decrease (-0.12%) from the end of 2005.

Major capital improvements that took place in the Village's governmental activities include road, curb, and gutter project costs for Ross Avenue/Sandy Lane Roundabout (\$330,236), Zinser Street south of STH 29 (\$193,947), Business STH 51 (\$95,179), and VonKanel Street (\$22,483).

Village of Weston Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION (cont.)

Capital Assets (cont.)

Other capital projects for TIF Districts #1 and #2 development areas included sidewalks (\$278,428), street lighting (\$120,434), streetscape/landscaping (\$87,895), and traffic signals (\$10,653).

In addition, 2006 capital equipment purchases of \$205,172 were made. A remodeling addition of \$274,634 was added to the Weston Municipal Center building in 2006. The balance of 2006 additions was from infrastructure projects in developer residential subdivisions.

In the Village's business-type activities, major capital additions (prior to depreciation) include \$1,125,107 to the transmission and distribution system of the Water Utility. The Village's Sewer Utility saw \$1,012,229 of additions to its collection system (prior to depreciation). The Stormwater Utility saw \$549,663 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, 2006 and 2005

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land/right-of-ways	\$3,985,276	\$4,313,233	\$752,519	\$752,519	\$4,737,795	\$5,065,752
Buildings	6,730,330	6,432,315	1,890,563	1,751,940	8,620,893	8,184,255
Improvements	4,986,765	4,883,390	62,884,166	60,197,167	67,870,931	65,080,557
Equipment	5,246,896	5,071,724	2,158,200	2,149,089	7,405,096	7,220,813
Infrastructure	71,415,849	69,923,147	-	-	71,415,849	69,923,147
Construction in progress	<u>247,763</u>	<u>105,952</u>	<u>166,105</u>	<u>10,682</u>	<u>413,868</u>	<u>116,634</u>
Total capital assets	92,612,879	90,729,761	67,851,553	64,861,397	160,464,432	155,591,158
Less accumulated depreciation	<u>(27,472,877)</u>	<u>(23,814,032)</u>	<u>(11,765,237)</u>	<u>(10,401,347)</u>	<u>(39,238,114)</u>	<u>(34,215,379)</u>
Capital assets, net of depreciation	<u>\$65,140,002</u>	<u>\$66,915,729</u>	<u>\$56,086,316</u>	<u>\$54,460,050</u>	<u>\$121,226,318</u>	<u>\$121,375,779</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, 2006 totaled \$18,560,071. In addition, the Village had revenue debt outstanding (backed by revenues generated from the Weston Water and Sewer Utilities) of \$9,660,000. 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 \$41,455,000. There was also \$1,885,000 outstanding in bond anticipation notes at the end of 2006. Therefore, the total outstanding debt of the Village at December 31, 2006 totaled \$71,560,071.

In 2006, the Village issued \$2,475,000 in General Obligation Refunding Bonds. Refunding Bonds are debt instruments used to refinance existing debt at lower interest rates. Proceeds from the refunding were used to refund the following debt issues:

G.O. Promissory Notes, Series 1997A	\$165,000	(2006-2007 principal payments)
G.O. Promissory Bonds, Series 1998A	\$1,310,000	(2007-2013 principal payments)
G.O. Promissory Bonds, Series 2000A	\$900,000	(2010-2015 principal payments)

In 2006, the Village also issued General Obligation Promissory Notes totaling \$975,000 for projects included in the 2006 capital improvements program. Notes are debt instruments in which the debt principal will be paid off in ten years or less. Proceeds from the 2006 notes were authorized for use in the following manner:

Village Capital Improvement Projects	\$905,000
Stormwater Utility Capital Improvement Projects	<u>70,000</u>
	<u>\$975,000</u>

A state trust fund loan promissory note for \$275,399 was received in 2006 for the balance of the 2005 capital projects of the stormwater utility that were completed last year.

In addition, the Village issued \$1,885,000 in Bond Anticipation Notes ("BAN's") in 2006. BAN's are debt instruments with a short-term repayment schedule that are designed to finance projects on a temporary basis. The Village issued the BAN for the 2006 capital improvement projects of TIF District #1 (\$1,260,000) and TIF District #2 (\$625,000) in anticipation of future tax increments generated from both TIF Districts by 2011 that will be used to pay off the BAN.

Finally, the Village's Water Utility issued \$2,640,000 in Water Utility Revenue/Refunding Bonds in 2006. The bonds were used to finance the 2006 capital improvement projects of the water utility (\$1,300,000) and to refund Water Revenue Debt issued in 2000 (\$1,340,000). 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 continue to carry an "A2" bond rating from 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 growing tax base", "satisfactory financial performance characterized by healthy reserve levels", "high debt burden expected to remain manageable given rapid principal retirement", and "significant non-tax levy support for repayment of debt". Moody's current rating for all outstanding water and sewer utility revenue debt is "A3".

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 2006 equalized value of \$867,363,000, the Village's statutory debt limit totaled \$43,368,150. The Village was at 42.80% of its legal debt limit as of December 31, 2006.

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

VILLAGE OF WESTON OUTSTANDING DEBT December 31, 2006 and 2005

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds & notes	\$13,786,972	\$14,218,805	\$4,773,099	\$4,759,700	\$18,560,071	\$18,978,505
Bond anticipation notes	1,885,000	-	-	-	1,885,000	-
CDA lease revenue bonds	41,455,000	41,785,000	-	-	41,455,000	41,785,000
Water utility revenue bonds	804,000	834,000	3,281,000	2,421,000	4,085,000	3,255,000
Sewer utility revenue bonds	595,000	625,000	4,980,000	5,225,000	5,575,000	5,850,000
Total	<u>\$58,525,972</u>	<u>\$57,462,805</u>	<u>\$13,034,099</u>	<u>\$12,405,700</u>	<u>\$71,560,071</u>	<u>\$69,868,505</u>

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, 2006 TAX RATES AND THE 2007 BUDGET

The Village of Weston economy continues to thrive with the continual commercial/manufacturing construction occurring in the Weston Business Technology Park and the First Addition to the Business Park, 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 2006 unemployment rate of 4.0% also remains slightly below the state end-of-year 2006 rate of 4.5%.

The Village's equalized property value increased by \$115,745,200 in 2006 (a 15.40% increase), a record-year for the Village of Weston. This compares to the 2005 previous record-year of an increase of \$81,859,300 (a 12.22% increase). The 2006 building permits were \$48.8 million, which was the third highest amount ever (2002 was the highest), and slightly below the \$53.5 million recorded in 2005. 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 2005-2007 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, which limits tax levy increases to the percentage change in annual new construction growth on an equalized valuation basis. The Village's 2006 tax levy/2007 budget year maximum increase derived by the State of Wisconsin was 5.999%. The Village was successful in adopting its 2006 tax levy (before consideration for the referendum exception) with a 3.30% increase, which was below the State's maximum cap for the Village. A November 2006 referendum was approved by the Village of Weston voters to add \$226,636 to the 2006 tax levy (2007 budget) for the addition of a third EMS crew to the Fire Department in order to create a 24/7 level of service to the Weston residents and which would in some cases improve response times to parts of the Village.

Despite this difficult budgetary environment, the Village's 2007 budget increased its total tax levy (excluding TIF Districts) by 9.69%, including a provision for allowable prior years' debt service payments and the third EMS crew referendum funding. Of this increase, the Village's non-TIF assessed valuation growth was a moderate increase of 2.51%. Therefore, the Village actually only increased its total tax levy by 7.18%, of which was primarily derived from the 6.39% tax levy increase for the EMS referendum and the remaining 0.79% increase was for the costs of wages, fringe benefits for employees, and energy/utilities. 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, 2006 TAX RATES AND THE 2007 BUDGET (cont.)

This translated into a 2006 assessed tax rate of \$6.07 per \$1,000 of assessed valuation (a 6.49% increase), with a corresponding equalized tax rate of \$5.19, a slight 0.95% decrease from 2005. This equalized tax rate of \$5.19 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 16th fastest growing community in the State of Wisconsin, since the 2000 census, among communities over 10,000 in population. With 1,271 new residents from 2000 to 2006, and with a 2006 population of 13,350, the population increase during that time was 10.52%.

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 2007 fiscal year combined operating budget includes \$32,582,671 in projected revenues and \$30,961,907 in projected expenditures and transfers. The projected overall increase in fund equity is due to a budgeted surplus of \$1,620,764. 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 2007 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 2007 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 primary new service program included in the 2007-operating budget was for the referendum-approved addition of a third EMS crew costing \$226,636. No other significant new programs were added to the 2007-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 2007 fiscal year combined CIP budget includes \$8,183,505 in projected revenues and \$9,078,500 in projected expenditures and transfers. The projected overall decrease in fund equity is due to a budgeted deficit of \$894,995. 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 2007 CIP budget.

Village of Weston Management's Discussion and Analysis

ECONOMIC FACTORS, 2006 TAX RATES AND THE 2007 BUDGET (cont.)

In the Village's enterprise funds, the Village's Sewer Utility customers experienced a rate increase of 25% effective January 2004. This large increase was needed primarily to support the increasing capital reserve funding required by the Rib Mountain Metro Sanitary District plant facilities. Since then, the Sewer Utility rates have remained unchanged for 2005-2006. Water Utility rates held steady in 2006, as did rates for the Village's recently formed Stormwater Utility. 2006 was the third 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.