

**FINANCIAL
SECTION**



INDEPENDENT AUDITORS' REPORT

Members of the Village Board
Village of Weston
Weston, Wisconsin

Report on the Financial Statements

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, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Members of the Village Board
Village of Weston

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2015 on our consideration of Village of Weston'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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village of Weston's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Stevens Point, Wisconsin
July 29, 2015

MANAGEMENT'S DISCUSSION & ANALYSIS



Village of Weston Management's Discussion and Analysis

As management of the Village of Weston, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village of Weston for the fiscal year ended December 31, 2014. 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).

We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the letter of transmittal at the front of this report and the Village's financial statements, which begin on page 1 of this report. A comparative analysis has been presented for 2013 and 2014.

THE FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Village of Weston exceeded its liabilities and deferred inflows of resources as of the fiscal year ended December 31, 2014 by \$72,652,057 (reported as "net position"). Of this amount, \$12,172,920 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors. Net position from Governmental Activities was \$13,385,036, while the Business-Type Activities net position was \$59,267,021.
- The Village's total net position increased by \$1,819,754 during fiscal year 2014, resulting from governmental and business-type activities. There was an increase of \$1,159,631 in net position from Governmental Activities, and an increase of \$660,123 in net position from Business-Type Activities.
- At the close of the current fiscal year, the Village of Weston's governmental funds reported combined fund balances of \$6,438,992, which was an increase of \$110,315 in comparison with the prior year. The unassigned fund balance was \$211,308. At the end of the year, management had designated \$1,009,866 of the total fund balance as committed or assigned for specific purposes and \$5,217,818 as restricted or nonspendable due to allocations of prepaid expenditures or constrained by external factors, such as grants or regulations defining specific use.
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of fund balance) for the general fund was \$2,531,519, or approximately 39.8% of the Village's 2014 total general fund expenditures of \$6,358,080. The unassigned fund balance in the Village's General Fund was \$2,386,103, which was an increase of \$40,026 from the previous year.
- The Village entered into two new capital leases in 2014 to acquire public works equipment. The equipment is valued at \$431,211. Total lease payments are \$450,667, which includes \$19,456 representing interest. These lease payments will be paid back in 2014-2018.

Village of Weston Management's Discussion and Analysis

THE FINANCIAL HIGHLIGHTS (cont.)

- The Village's share of the assessed tax rate as of December 2014 (for the 2015 budget year) was set at \$5.57, which was a tax rate increase of \$0.26 from the previous year. The Village Board and staff are proud of the fact that the Village's share of the tax rate has remained relatively unchanged in the past seven years, even after large cuts in state aids. The Village is adopting its annual budget for operating and debt service costs at the "same pace" as the assessed valuation growth of the Village, while adjusting the budget for reductions in state aid. In the meantime, the Village's combined assessed tax rate was set at \$20.34 in December 2014, which was a tax rate decrease of \$0.75 from the previous year, due to the slight decrease in the assessed tax rates of the other taxing jurisdictions (D.C. Everest School District, Marathon County, and North Central Technical College). The combined tax rate had been \$21.09 in 2013, \$20.51 in 2012, and \$20.90 in 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the Village of Weston's basic financial statements. The Village's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the Village's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the Village's net position changed during the fiscal year ended December 31, 2014. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). In the statement of net position and statement of activities, we divide the Village into these two categories:

Village of Weston Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL STATEMENTS (cont.)

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 government-wide financial statements can be found on pages 1-3 of this report.

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, like other state and local governments, uses "fund accounting" to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village of Weston maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service

Village of Weston Management's Discussion and Analysis

Governmental Funds (cont.)

Fund, the Special Revenue Fund-Community Development Authority/TIF District #1, and the the Special Revenue Fund-TIF District #1, all of which are considered to be major funds. Data from the other eleven governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The Village adopts an annual appropriated budget for its General, Special Revenue, Capital Projects, and Debt Service Funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the Village's adopted and final revised budget and can be found on pages 57-61 of this report. Budgetary comparisons for the Special Revenue, Capital Projects, and Debt Service Funds can be found on pages 62-63, 66, and 73-83 of this report.

Following is a listing and description of the governmental funds reported by the Village of Weston in 2014:

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) that are legally restricted to expenditures for specified purposes. In 2014, the Village of Weston used special revenue funds to account for:

- Refuse/Recycling
- Transportation Utility
- TIF District #1 (major fund)
- TIF District #2
- 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 2014, the Village of Weston used capital projects funds to account for:

Street Projects

TIF District #1

Capital Equipment

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

Proprietary Funds

The Village of Weston maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its water, sewer, and stormwater utility operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Village uses internal service funds to account for the management of its retained risks. Because this service predominantly benefits governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Utility, the Sewer Utility, and the Stormwater Utility enterprise funds and the one internal service fund. All three enterprise funds are considered major funds.

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

Village of Weston Management's Discussion and Analysis

Proprietary Funds (cont.)

Enterprise Funds (cont.)

accountability or other purposes. In 2014, the Village of Weston used enterprise funds to account for:

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

Internal Service Funds

Internal Service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village or to other governmental units on a cost-reimbursement basis. In 2014, 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

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary 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 2014, the Village of Weston did not have any agency funds.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-56 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Combining and individual fund statements and schedules can be found on pages 57-85 of this report.

Village of Weston Management's Discussion and Analysis

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

An analysis of the Village's financial position begins with a review of the Statement of Net Position and the Statement of Activities. These two statements report the Village's net position 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 position may serve over time as a useful indicator of a government's financial position. In the case of the Village of Weston, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$72,652,057 (net position) as of December 31, 2014. This includes total assets of \$150,258,943, deferred outflows of resources of \$179,236, total liabilities of \$67,344,613, and deferred inflows of resources of \$10,441,509. It is useful to examine the specifics of the Village's total net position.

By far, the largest portion of the Village's net position (75.8%) reflects its investment in capital assets (e.g. land, buildings, building improvements, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress), less any related outstanding debt that was used to acquire those assets. This amount includes the Village's investment in roads, sewers, and bridges. The Village uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of any related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Village's net position (7.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position of \$12,172,920 (16.7%) is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Non-current liabilities, most of which were incurred to finance capital assets, account for approximately 76.5% of all Village liabilities. The following table provides an analysis of the Village's net position outlook:

Village of Weston Management's Discussion and Analysis

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS (cont.)

VILLAGE OF WESTON NET POSITION December 31, 2014 and 2013

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 33,662,163	\$ 33,934,121	\$ 12,956,157	\$ 12,077,488	\$ 46,618,320	\$ 46,011,609
Capital assets	49,248,774	53,600,934	54,391,849	55,696,864	103,640,623	109,297,798
Total assets	<u>82,910,937</u>	<u>87,535,055</u>	<u>67,348,006</u>	<u>67,774,352</u>	<u>150,258,943</u>	<u>155,309,407</u>
Total deferred outflow s of resources	33,924	46,261	145,312	179,896	179,236	226,157
Non-current liabilities	(44,150,100)	(48,981,541)	(7,397,886)	(8,471,309)	(51,547,986)	(57,452,850)
Current and other liabilities	(14,968,216)	(16,279,738)	(828,411)	(876,041)	(15,796,627)	(17,155,779)
Total liabilities	<u>(59,118,316)</u>	<u>(65,261,279)</u>	<u>(8,226,297)</u>	<u>(9,347,350)</u>	<u>(67,344,613)</u>	<u>(74,608,629)</u>
Total deferred inflow s of resources	(10,441,509)	(10,094,632)	-	-	(10,441,509)	(10,094,632)
Net position:						
Net investment in capital assets	16,569,901	16,220,117	47,985,348	48,215,910	55,060,177	54,371,214
Restricted	4,641,760	4,776,158	777,200	716,974	5,418,960	5,493,132
Unrestricted (deficit)	<u>(7,826,625)</u>	<u>(8,770,870)</u>	<u>10,504,473</u>	<u>9,674,014</u>	<u>12,172,920</u>	<u>10,967,957</u>
Total net position	<u>\$ 13,385,036</u>	<u>\$ 12,225,405</u>	<u>\$ 59,267,021</u>	<u>\$ 58,606,898</u>	<u>\$ 72,652,057</u>	<u>\$ 70,832,303</u>

CHANGES IN NET POSITION

The 2014 overall net position of the Village increased by \$1,819,754 from 2013.

Net position of the Village's governmental activities totaled \$13,385,036 as of December 31, 2014. Governmental activities for the year increased net position by \$1,159,631. The Village's unrestricted net position for governmental activities, which part of net position that can be used to finance day-to-day activities, was a deficit balance of \$7,826,625, 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 position for governmental activities included \$4,641,760 for debt service.

The net position of business-type activities totaled \$59,267,021, an increase of \$660,123. The Village can use the unrestricted net position of \$10,504,473 to finance the continuing operations of the water, sewer, and stormwater utilities.

Village of Weston Management's Discussion and Analysis

CHANGES IN NET POSITION (cont.)

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

VILLAGE OF WESTON CONDENSED STATEMENT OF ACTIVITIES For the Years Ended December 31, 2014 and 2013

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 1,604,660	\$ 1,959,080	\$ 4,500,479	\$ 4,567,786	\$ 6,105,139	\$ 6,526,866
Operating grants and contributions	301,304	315,768	3,147	3,537	304,451	319,305
Capital grants and contributions	915,235	1,432,162	42,485	239,595	957,720	1,671,757
General revenues:						
Property taxes	9,231,467	8,736,189	-	-	9,231,467	8,736,189
Other taxes	562,988	527,403	-	-	562,988	527,403
Intergovernmental revenues not restricted to specific programs	1,214,495	1,170,768	-	-	1,214,495	1,170,768
Public gifts and/or grants not restricted to specific programs	-	-	-	-	-	-
Investment earnings (loss)	592,996	(323,354)	615,672	(358,666)	1,208,668	(682,020)
Other general revenues	68,084	43,564	16,174	-	84,258	43,564
Total Revenues	14,491,229	13,861,580	5,177,957	4,452,252	19,669,186	18,313,832
Expenses:						
General government	934,298	959,267	-	-	934,298	959,267
Public safety	3,173,460	3,658,714	-	-	3,173,460	3,658,714
Public works	6,166,762	6,371,828	-	-	6,166,762	6,371,828
Health and human services	14,359	15,663	-	-	14,359	15,663
Parks, recreation, and education	578,672	607,286	-	-	578,672	607,286
Community development	919,002	642,698	-	-	919,002	642,698
Interest and fiscal charges	2,015,445	2,165,386	-	-	2,015,445	2,165,386
Water utility	-	-	1,632,282	1,482,962	1,632,282	1,482,962
Sewer utility	-	-	1,828,453	1,741,139	1,828,453	1,741,139
Stormwater utility	-	-	586,699	599,133	586,699	599,133
Total Expenses	13,801,998	14,420,842	4,047,434	3,823,234	17,849,432	18,244,076
Increase (decrease) in net position before transfers	689,231	(559,262)	1,130,523	629,018	1,819,754	69,756
Transfers	470,400	486,281	(470,400)	(486,281)	-	-
Change in net position	1,159,631	(72,981)	660,123	142,737	1,819,754	69,756
Net position-beginning of year	12,225,405	12,298,386	58,606,898	58,464,161	70,832,303	70,762,547
Net position-end of year	<u>\$13,385,036</u>	<u>\$12,225,405</u>	<u>\$59,267,021</u>	<u>\$58,606,898</u>	<u>\$72,652,057</u>	<u>\$70,832,303</u>

Village of Weston

Management's Discussion and Analysis

GOVERNMENTAL ACTIVITIES

Governmental activities for 2014 increased the Village's net position by \$1,159,631. Total revenues, excluding transfers, had increased by \$629,649 for 2014. Property taxes in 2014 accounted for 61.7% and charges for services were 10.7% of total governmental activities revenue, including transfers. Total expenses decreased by \$618,844 for 2014. Expenses for public safety and public works were 67.7% of all governmental activities. Governmental expenses included \$3,823,231 in depreciation expense allocated as follows: \$3,577,459 to public works, \$34,095 to general government, \$74,849 to public safety, and \$136,828 to parks and recreation. Depreciation expense represents 27.7% 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 increase in 2014 of \$495,278 (5.67%). The TIF district tax levy had increased by \$282,329 (6.63%) in 2014 due to growth and increased valuation of properties in TIF #1. The property tax revenue increased by \$310,046 in TIF District #1, but decreased by \$27,717 in TIF District #2. There was no change in the debt service tax levy for 2014. Therefore, the general purpose tax levy of the Village increased by \$212,949 (7.28%) in 2014.
- Revenues from charges for services totaled \$1,604,660, which was a decrease of \$354,420 (-18.09%) from 2013. In 2014, the Village joined the (South Area Fire & Emergency Response District (SAFER) so all the revenue and expenses related to fire and ambulance services have been moved to SAFER's financial statements. The Village contracts with SAFER for fire and emergency services, both of which contributed to the \$387,985 decrease in charges for services reported on the Village's financial statements for 2014.
- Operating grants and contributions totaled \$301,304, which was a decrease of \$14,464 (-4.58%) from 2013. In 2013, the Village fire department and EMS paid-on-call employees donated funds to purchase equipment for the fire department (\$7,644), but in 2014, that was all handled through SAFER.
- Revenues received from capital grants and contributions totaled \$915,235, which was a decrease of \$516,927 (-36.09%) from 2013. In 2013, the Village had two large street reconstruction projects that were special assessed to property owners in the amount of \$208,477. In 2014, there were no large special assessment projects which occurred. In addition, the state general transportation aids payment decreased by \$101,106 (-10.00%) in 2014.
- Investment earnings (loss) totaled a negative amount of -\$323,354 in 2013. But in 2014, the 2013 downward market adjustment reversed itself, and the Village had a positive \$592,996 in investment earnings. The unrealized loss was primarily the result of the Village recording a net decrease in the fair value of investments for 2013 (-\$544,584), because the Village's investments had a lower market value at year-end 2013 compared to 2012. The Village intends on holding onto all of their investments to maturity and does

Village of Weston

Management's Discussion and Analysis

GOVERNMENTAL ACTIVITIES (cont.)

Revenues (cont.):

not anticipate on an actual realized gain or loss at the time of maturity. In fact, the fair value of the investments will be adjusted to face value up to the time of maturity and unrealized gains and losses in investment income will be recorded in future years up to the maturity date.

Expenses:

- General government expenses decreased by \$24,969 (-2.60%). The municipal court expenses decreased by \$33,776 in 2014, due to the transfer of the Schofield-Weston Municipal Court operations from the Village of Weston's financial records to the Everest Metro Public Safety's financial records as of July 1, 2014. During the first six months of 2014, all of the gross expenses of the municipal court were recorded in the Village of Weston's financial records, while a reimbursement amount was recorded as revenue for the allocated cost share due from the City of Schofield and the Town of Weston. However, during the second six months of 2014, all of the gross expenses of the municipal court were recorded in the Everest Metro Public Safety's financial records, while the net reimbursement cost share due from the Village of Weston was recorded as an expense in the Village's financial statements. All other departments showed a strong effort to hold expenses near prior year's numbers.
- Public safety expenses totaled \$3,173,460 in 2014, which was a decrease of \$485,254 (-13.26%). In 2014, with the creation of SAFER, the EMS/Fire expenses decreased by \$486,703. The expense for police protection increased by \$49,135 in 2014. The other areas of public safety had minimal changes in 2014.
- Public works expenses totaled \$6,166,762 in 2014, which was a decrease of \$205,066 (-3.22%). In 2013, the Village had an \$116,507 loss on removal of capital assets, but there was no such loss in 2014. In addition, the refuse/recycling costs in 2014 decreased by \$113,328, due to the elimination of this service provided to the Village's four mobile home parks in 2014. In its place, the four mobile home parks are now responsible to contract their own hauler for refuse/recycling services, instead of through the Village. Finally, the Village continued to do minimal public works capital projects in 2014 as the economy is beginning to grow once again.
- Parks, recreation, and education expenses decreased by \$28,614 (-4.71%). The net decrease was due to a couple of different factors. In 2013, there was a large landscaping repair expense that had been incurred for \$45,881, but minimal repairs occurred in 2014. The Weston Aquatic Center had an increase of \$14,731 in expenses for 2014, as compared to 2013.
- Community development expenses increased by \$276,304 (42.99%) in 2014. In 2010, the Village had set up a letter of credit receivable from a developer for \$243,987, and it was adjusted to \$216,329 in 2011. That amount was written off in 2014 as uncollectible.

Village of Weston Management's Discussion and Analysis

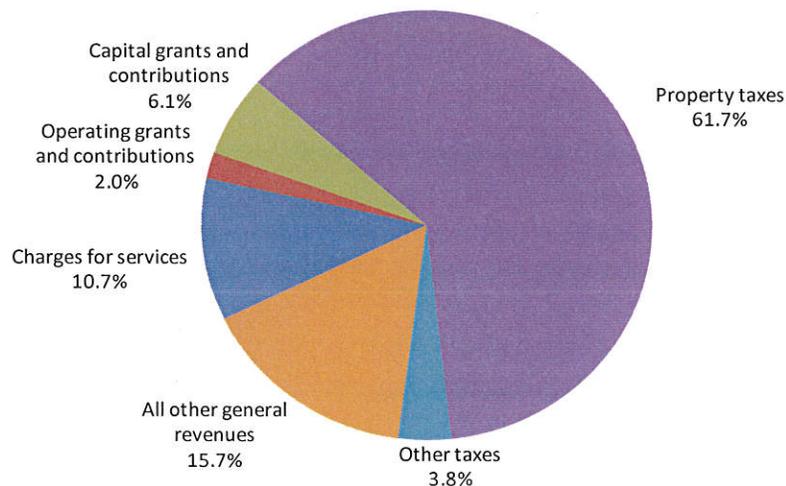
GOVERNMENTAL ACTIVITIES (cont.)

Expenses (cont.):

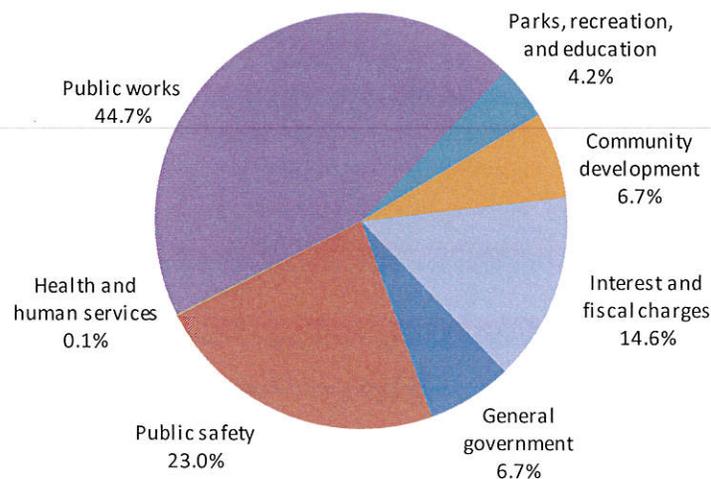
- Interest and fiscal charges expenses which totaled \$2,015,445 for 2014 decreased by \$149,941 (-6.92%). This decrease was due to the fact that the Village only issued two new capital leases in 2014 and incurred minimal issuance costs and accrued interest expense on these two new debt issuances in 2014.

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 \$660,123. Charges for services were over expenses by \$453,045. Capital grants and contributions of \$42,485 and operating grants and contributions of \$3,147 were other 2014 funding sources for the utility funds. Investment earnings, other general revenues, and transfers resulted in an increase of revenues of \$161,446.

Revenues for business-type activities, excluding capital and operating grants and contributions, increased by \$923,205 (21.93%) in 2014. Included in that increase was the \$974,338 increase in investment earnings. Charges for services decreased by \$67,307 (-1.47%) in 2014. Capital grants and contributions decreased by \$197,110. There was a minimal change in operating grants. Some of the significant changes in revenues were as follows:

- Water Utility operating revenues totaled \$2,070,320 for 2014, which was a decrease of \$80,785 (-3.76%) from 2013. Interest earnings on investments increased by \$335,630 (280.51%) from 2013, which reflected the investments of the water utility having a higher fair value than the previous year. The Water Utility held rates at the 2009 level.
- Sewer Utility operating revenues totaled \$1,832,117 for 2014, which was an increase of \$10,255 (0.56%) from 2013. Interest earnings increased by \$532,897 (279.57%) from 2013, which reflected the investments of the sewer utility having a higher fair value than the previous year. The Sewer Utility held rates at the 2005 level.
- Stormwater Utility operating revenues totaled \$601,189 for 2014, which was a slight increase of \$2,833 (0.47%) from 2013. Interest earnings on investments increased by \$105,811 (218.60%) due to the increase in fair value of those investments compared to the previous year. In 2014, the Stormwater Utility borrowed an additional \$117,741 from the Sewer Utility to finance stormwater operations. The total amount owed to the Sewer Utility is \$257,862. In 2014, the Stormwater Utility held rates at the original 2004 level. However, the Village is looking into rate options in 2015.

Expenses, excluding depreciation, totaled \$2,072,716, which was an increase of \$280,790 (15.67%) from 2013. Depreciation expense increased by \$7,066 (0.44%). Some of the significant changes in expenses were as follows:

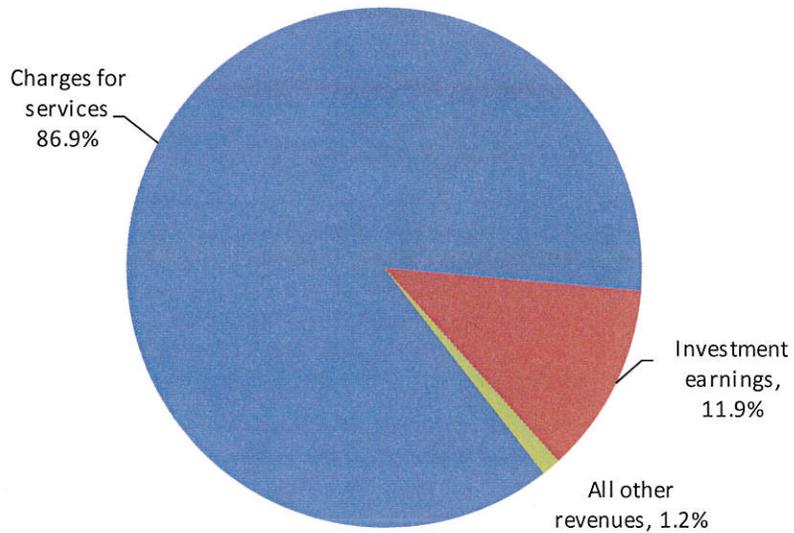
- Water Utility operations expense, excluding depreciation, increased by \$155,162 (18.43%). January and February of 2014 were very tough on the utility because there were freeze-ups of mains and services that required additional expenses.
- Sewer Utility operating expenses, excluding depreciation, increased by \$112,641 (12.45%). The main reasons for the change in expenses was an increase of \$54,386 in payments to the City of Schofield for sewer services and some additional main and manhole repairs.
- Stormwater Utility operating expenses, excluding depreciation, increased by \$12,987 (28.82%). The increase was because more drainage work was done in 2014.

Village of Weston Management's Discussion and Analysis

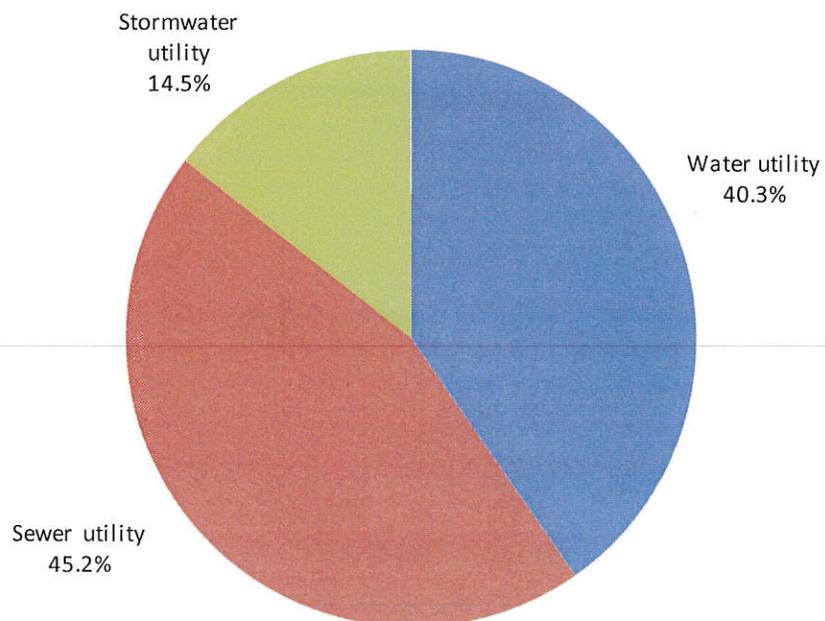
BUSINESS-TYPE ACTIVITIES (cont.)

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 2014 with a fund balance of \$6,438,992 in its governmental funds, compared to \$6,328,677 as of December 31, 2013. This is an increase of \$110,315. Of the 2014 fund balance, \$111,188 was nonspendable, \$5,106,630 was restricted, \$76,180 was committed, \$933,686 was assigned, and \$211,308 was unassigned. The restricted balance includes \$5,106,630 for debt service. The committed balance includes \$70,406 for encumbrances.

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 \$224,083 from 2014 operations. Fund balance at year-end totaled \$2,642,707, of which \$111,188 is nonspendable, \$145,416 assigned, and \$2,386,103 is unassigned. This unassigned fund balance is 37.53% of the Village's 2014 General Fund expenditures of \$6,358,080. 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 37.53% 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 \$198,983, which resulted in a total fund balance at year-end of \$530,380.

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 \$192,417, which resulted in a deficit fund balance at year-end of (\$2,167,408). The decrease in fund balance was mainly due to the increasing debt service payments outpacing the increasing tax increment revenue. 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. There was no change in fund balance this year; the fund balance at year-end was \$4,208,713.

Proprietary Funds

Water Utility Fund

The water utility's operating income, before transfers and other nonoperating revenues and expenses, was \$515,662 in 2014. The overall change to net position was an increase of \$206,523. The water utility's 2014 rate of return was 3.67%.

Sewer Utility Fund

The sewer utility realized an operating income, before transfers and other nonoperating revenues and expenses, of \$136,990. Overall net position increased by \$381,703. The sewer utility's 2014 rate of return was 1.46%.

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 2014, the utility had an operating income, before transfers and other nonoperating revenues and expenses, of \$177,263. The utility had an increase in net position of \$71,897. The stormwater utility's 2014 rate of return was 1.40%.

Village of Weston Management's Discussion and Analysis

BUDGETARY ANALYSIS

The Village's 2014 General Fund adopted expenditure budget totaled \$6,508,680, which equaled the budgeted revenue amount. There was no use of fund balance in 2014.

As previously stated, the Village ended 2014 with a general fund balance increase of \$224,083 from 2013. In other words, the Village increased its reserves by \$224,083.

Actual General Fund revenue and other financing sources were over budget by \$287,128, or 4.4% above budget. A large positive variance of \$150,190 was realized from licenses and permits and \$120,903 in investment earnings and miscellaneous. Negative variances occurred in charges for services of \$12,364. Other revenue categories experienced small positive or negative variances.

General Fund expenditures and other financing uses finished 2014 with a negative budget variance of \$63,045, or 0.97% above budget. Some positive variances occurred in parks and recreation (\$66,104) and general government (\$6,164). Negative budget variances occurred in public works (\$85,858) and public safety (\$26,420). Most other Village department expenditure categories experienced small positive and negative budget variances.

General fund statements highlighting budget versus actual variances can be found on pages 57-61 of this report.

Village of Weston Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the Village of Weston had an investment in capital assets of \$103,640,623 net of accumulated depreciation, of all governmental and business-type activities of the Village. This amounts to a \$5,657,175 decrease (-5.18%) from the end of 2013.

Major capital additions that took place in the Village's governmental activities included the addition of two pieces of public works equipment: a loader (\$232,816) and a plow truck (\$198,395). The Village also added a new hoist (\$28,575) and a new Park truck (\$33,179).

The large deletion in the governmental activities was the transfer of assets to the South Area Fire & Emergency Response District (SAFER). The Village transferred \$970,865 (net of depreciation) of assets to SAFER. SAFER provides the Village's fire and emergency services.

There were limited additions in the Village's business-type activities. The major capital additions (prior to depreciation) for the Water Utility included new meters for \$122,139 and replacing valves for \$130,854. The Sewer Utility had \$14,772 of additions to its collection system (prior to depreciation). The Stormwater Utility had no capital additions in 2014. The following table provides a summary of the Village's change in capital assets.

VILLAGE OF WESTON CAPITAL ASSETS December 31, 2014 and 2013

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land/right-of-ways	\$ 5,015,579	\$ 5,100,759	\$ 623,352	\$ 623,352	\$ 5,638,931	\$ 5,724,111
Wells and springs	-	-	597,507	597,507	597,507	597,507
Buildings	6,910,471	6,910,471	2,579,855	2,579,855	9,490,326	9,490,326
Improvements	5,927,274	5,927,274	70,650,507	70,374,524	76,577,781	76,301,798
Equipment	3,644,730	5,921,859	2,820,214	2,813,044	6,464,944	8,734,903
Infrastructure	80,626,590	80,626,590	-	-	80,626,590	80,626,590
Construction in progress	47,031	45,004	114,686	114,686	161,717	159,690
Total capital assets	102,171,675	104,531,957	77,386,121	77,102,968	179,557,796	181,634,925
Less accumulated depreciation	(52,922,901)	(50,931,023)	(22,994,272)	(21,406,104)	(75,917,173)	(72,337,127)
Capital assets, net of depreciation	<u>\$49,248,774</u>	<u>\$53,600,934</u>	<u>\$54,391,849</u>	<u>\$55,696,864</u>	<u>\$ 103,640,623</u>	<u>\$ 109,297,798</u>

More detail regarding the Village's capital assets can be found in Note IV (D) on pages 38-40 of this report.

Village of Weston Management's Discussion and Analysis

CAPITAL ASSETS 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, 2014 totaled \$12,890,086. In addition, the Village had revenue debt outstanding (backed by revenues generated from the Weston Water, Sewer, and Stormwater Utilities) of \$7,220,000. 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 \$30,375,000. Capital lease obligations outstanding were \$389,533. Therefore, the total outstanding debt of the Village at December 31, 2014 totaled \$50,874,619.

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 2014 equalized value of \$1,000,982,900, the Village's statutory debt limit totaled \$50,049,145. The Village was at 24.70% of its legal debt limit as of December 31, 2014.

In 2014, the Village entered into two lease agreements to acquire public works equipment. The total minimum lease payments are \$408,989, which includes \$19,456 of interest costs.

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

VILLAGE OF WESTON OUTSTANDING DEBT December 31, 2014 and 2013

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds & notes	\$ 11,868,474	\$ 14,148,038	\$ 1,021,612	\$ 1,453,516	\$ 12,890,086	\$ 15,601,554
CDA lease revenue bonds	30,375,000	33,315,000	-	-	30,375,000	33,315,000
Water utility revenue bonds	29,000	54,000	1,756,000	1,896,000	1,785,000	1,950,000
Sewer utility revenue bonds	135,000	210,000	2,755,000	3,105,000	2,890,000	3,315,000
Stormwater utility revenue bonds	-	-	2,545,000	2,690,000	2,545,000	2,690,000
Capital leases	389,533	-	-	-	389,533	-
Total	\$ 42,797,007	\$ 47,727,038	\$ 8,077,612	\$ 9,144,516	\$ 50,874,619	\$ 56,871,554

More detail regarding the Village's outstanding debt can be found in Note IV (F) and Note IV (G) on pages 43-48 of this report.

Village of Weston Management's Discussion and Analysis

ECONOMIC FACTORS, 2014 TAX RATES, AND THE 2015 BUDGET

The Village of Weston economy has picked up in 2014. There is increasing 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), with some new construction. There continues to be construction occurring at a reduced pace within the existing residential subdivisions. There had been a large increase in new single family home building permits issued in 2014, with permits of \$3,100,000 issued in 2014 as compared to \$1,804,900 in 2013. The Village's end-of-year 2014 unemployment rate of 5.1% was slightly below the state's end-of-year 2014 rate of 5.5%.

The Village's equalized property value increased by \$4,509,900 in 2014 (a 0.45% increase). This increase included \$11,528,900 in net new construction in 2014 (a 1.16% increase). 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 statewide devaluation of property in the years of 2009, 2010, and 2012. The Village's 2014 building permits were \$23.6 million (with 313 permits issued), which was an increase from the \$14.6 million (with 155 permits issued) as reported in 2013. In addition, the 2015 building permits are already trending near 2014 levels as of June 2015, with 150 building permits issued to date. Of that 2015 total amount so far, \$1.8 million in new construction valuation of 12 new single-family home building permits have been issued.

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 2013 and 2014, minimal reductions of \$326 (-0.03% decrease) and \$493 (-0.05% decrease) were realized in those respective years. Finally, in 2015, another minimal reduction of \$480 (-0.05% decrease) is expected. In addition, the state transportation aid payment made to the Village decreased by \$112,340 (-10.00% decrease) in 2013 and decreased by an additional \$101,105 (-10.00% decrease) in 2014. For 2015, another \$90,995 decrease (-10.00% decrease) is expected for this transportation aid payment from the state.

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 2015 budget years, which limits tax levy increases to the percentage change in annual net new construction growth on an equalized valuation basis. The Village's 2014 tax levy/2015 budget year maximum increase derived by the State of Wisconsin was 1.157%. Beginning with the 2014 budget year, the Village Board decided to adopt a capital equipment replacement program without funding from capital borrowing proceeds, which would increase the Village's debt burden. In its place, the Village decided to begin utilizing the Debt Service exception option, which is an allowable provision

Village of Weston

Management's Discussion and Analysis

ECONOMIC FACTORS, 2014 TAX RATES, AND THE 2015 BUDGET (cont.)

under the tax levy limits law, to exceed the annual maximum tax levy limits from the State. The Debt Service exception option will be used for funding capital equipment replacement purchases in future years. With the 2014 tax levy/2015 budget, the Village approved increasing the maximum allowable tax levy by \$241,922 to fund the capital equipment replacement purchases scheduled for 2015. Therefore, the Village was successful in adopting its 2014 tax levy in the amount of \$4,883,049, which was an increase of \$194,010 (4.14% increase) from the previous year.

The Village's total assessed value increased from \$1,087,922,990 in 2013 to \$1,094,996,600 in 2014, which was an increase of \$7,073,610 (0.65% increase). No revaluation of Village property occurred in 2014. The last reassessment had occurred in 2007.

Despite this difficult budgetary environment, the Village's 2015 budget increased its total tax levy (excluding TIF Districts) by 4.14%, including the execution of a provision for allowable prior years' debt service payments. Of this \$7,073,610 total assessed valuation increase, the Village's TIF assessed valuation increased by \$12,293,600 in 2014, or an increase of 6.56%. In the meantime, the Village's non-TIF assessed valuation decreased slightly by \$7,783,700, or a decrease of 0.96%. 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 2014 assessed tax rate of \$5.57 per \$1,000 of assessed valuation (a 4.90% increase from the 2013 assessed tax rate of \$5.31), with a corresponding 2014 equalized tax rate of \$6.09, which was a 5.00% increase from 2013. This equalized tax rate of \$6.09 maintains the Village of Weston in the bottom 25%-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 3,011 new residents from 2000 to 2014, and with a 2014 population of 15,090, the population increase during that time was 24.93%.

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 2015 fiscal year combined operating budget includes \$31,125,298 in projected revenues and \$32,726,220 in projected expenditures and transfers. The projected overall decrease in fund equity is due to a budgeted deficit of \$1,600,922. 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 2015 operating budget.

Village of Weston

Management's Discussion and Analysis

ECONOMIC FACTORS, 2014 TAX RATES, AND THE 2015 BUDGET (cont.)

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 2015 budget included increased revenues from sources affected by the overall economy, such as building permits, offset in part by the decrease in state shared revenues and the market rate increase in interest rates for investment earnings.

Expenditures for salaries, which represent the single largest operating cost, continue to be held down with the low inflation economy and active labor relations efforts. 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 2015 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 2015 fiscal year combined CIP budget includes \$1,261,696 in projected revenues and \$1,515,451 in projected expenditures and transfers. The projected overall decrease in fund equity is due to a budgeted deficit of \$253,755. Fund balances from several governmental and enterprise funds will be applied towards this budget rather than increasing the capital borrowing amount any further to balance the 2015 CIP budget.

In the Village's enterprise funds, the Village's utility customers have not experienced a rate increase for many years. The last increase was in 2009 when the Public Service Commission of Wisconsin (PSC) approved an overall 7% increase for the Water Utility rates. 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. In 2015, a sewer rate increase was approved to be effective on March 1, 2015, and a stormwater rate increase of 4.17% was approved to be effective on January 1, 2016.

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.westonwi.gov.