2008-2009 Original Budget

WILLMAR PUBLIC SCHOOLS

Independent School District No. 347
Willmar, Minnesota 56201
www.willmar.k12.mn.us

NCA accredited

June 9, 2008

SERVING THE COMMUNITIES OF BLOMKEST, KANDIYOHI, PENNOCK AND WILLMAR

WILLMAR PUBLIC SCHOOLS
2008-2009 Original Budget

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INFORMATIONAL SECTION

INTRODUCTORY SECTION

Willmar Public Schools

SCHOOL BOARD

Mike Carlson
Chair
Term expires: December 2010

Brad Schmidt
Vice-Chair
Term expires: December 2010

Eric Roberts
Clerk
Term expires: December 2008

Wayne Lenzmeier
Treasurer
Term expires: December 2008

Shawn Mueske
Director
Term expires: December 2008

Sandra Unger
Director
Term expires: December 2008

Dion Warne
Director
Term expires: December 2010

Willmar Public Schools

District Administration

Superintendent

Kathy Leedom

Pam Harrington	Director of Business and Finance
Bill Busta	Director of Human Resources
Danith Clausen	Director of Curriculum and Instruction
Susan Smith	Director of Special Education
Annette Derouin	Director of Food and Nutrition Services

Willmar Public Schools

School Administration

Willmar Senior High School	
Rob Anderson	Principal
Neil Schendel	Assistant Principal
Paul Schmitz	Assistant Principal
Secondary Alternative Programs	
Mike Mohs	Director
Willmar Junior High School	
Mark Miley	Principal
Roosevelt Elementary School	
Patti Dols	Principal
Kennedy Elementary School	
Scott Hisken	Principal
Jefferson Elementary School	
Beckie Simenson	Principal
Lincoln Elementary School	
Beckie Simenson	Principal
Washington Learning Center	
Steve Brisendine	Director

EXECUTIVE SUMMARY

KATHRYN A. LEEDOM, Ed. S., Superintendent
PAMELA J. HARRINGTON, Director of Business and Finance
WILLIAM B. BUSTA, Director of Human Resources

The Willmar Public Schools

Independent School District 347
611 SW 5th St., Willmar, MN 56201
Phone: 320/231-8500
Fax: 320/231-8504
www.willmar.k12.mn.us

DATE: **Monday, June 9, 2008**
TO: **School Board, Finance Advisory Committee and Administrative Team**
FROM: **Kathy Leedom and Pam Harrington**
RE: **Fiscal Year 2009 Districtwide Original Budget**

The fiscal year 2008-2009 Original Budget for the Willmar Public Schools (the "District") is presented. Extensive supporting documentation is included. The District assumes responsibility for data accuracy and completeness.

Budget Presentation

This budget presents the District's finance and operations plan, and all necessary disclosures. The budget was completed after a detailed review of every revenue and expenditure item within the context of the District's mission, goals and financial policies.

This document represents the District's four major governmental funds: General Fund, Food Service Fund, Community Service Fund and Debt Service Fund. Information on each fund budget is provided in the budget document.

This budget report is one of the primary tools to present financial information, along with the annual audit report and the Comprehensive Annual Financial Report. The information included in this budget document is structured to meet the requirements of the Meritorious Budget Award (MBA) of the Association of School Business Officials International (ASBO).

The MBA is the highest form of recognition in budgeting for school districts. Its attainment represents a significant accomplishment by a school district and its management. The award is presented after the document has been through a comprehensive review by an independent panel of budget professionals. The review not only critiques the budget document using rigorous criteria but also provides feedback with suggested comments for improvements. The District has received this prestigious award for its fiscal year 2007-08 budget.

This report is presented in four sections: Introductory, Organizational, Financial and Informational. The Introductory section includes an executive summary as well as a listing of School Board members and administrators. The Organizational section includes an organizational chart, mission, major goals, district description, financial policies and fiscal practices. The Financial section includes the budgets for all Governmental Funds. The Informational section includes additional supporting data.

The most important concern in the presentation of the budget data is to improve the quality of information to the School Board, staff, parents and community about the financial aspects of the District that relate to the educational programs and services. In addition, the District emphasizes to all constituents the continued deliberate financial stewardship of taxpayer dollars.

Mission, Vision, Goals & Theme

The Mission Statement of the Willmar Public Schools is “Preparing all Students for a Successful Tomorrow.” The idea is to prepare students to be purposeful thinkers, effective communicators, self directed learners, productive group participants and responsible citizens.

The District launched a Vision Statement in 2007-08. The Vision Statement is “Every student understanding that education adds value to life.” The vision is ultimately the end result of numerous ideals coming together throughout the learning years.

The School Board approved a long-range strategic work plan. Five key Districtwide goals were identified: 1) Provide a world class education; 2) Improve the lives of students; 3) Ensure achievement for all students; 4) Continue responsible financial stewardship; 5) Enhance school and community relationships. The approved plan includes numerous building-level activities and initiatives that describe and support the five key goals. Clearly, a sound district financial condition provides the framework for carrying out these goals and the overall mission of the district.

The District adopts a theme each year as a way to integrate and improve instruction. The current theme is “Willmar Public Schools: Your Partner in Learning!” These are exciting times and the District has the privilege of playing a key role in partnering with parents, family and community in preparing the children and young people to be the future caretakers of the state, nation and world.

Budget Process and Significant Changes

The budget process is comprised of five phases – planning, preparation, adoption, implementation, and evaluation. The process has two main goals: 1) to provide students with the best possible educational opportunities and; 2) maximize the use of available resources. Planning and preparation for this budget began in January of 2008. An enrollment projection was developed in January and provided key data for the revenue projection.

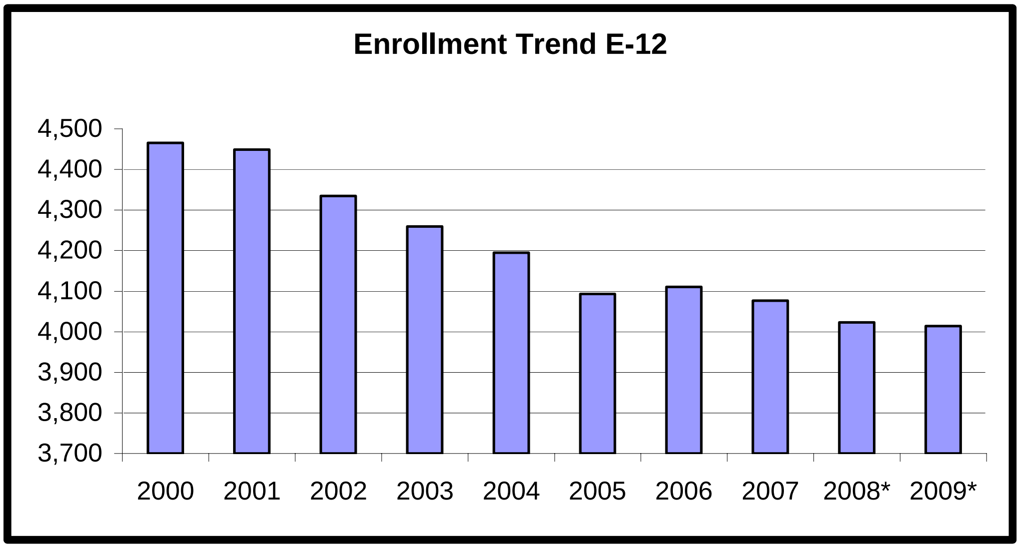
There were no significant changes to the site non-payroll budget allocation process. The School Board approved staff reductions of approximately $1.3 million in an effort to reduce deficit spending and offset the impact of declining enrollment. The Board has not instituted any major changes in the delivery of educational programs and services that have materially affected the financial or operating policies of the District.

The Finance Advisory Committee comprised of staff, board members and community members met in early June to review and provide input regarding the budget. The Board approved the budget at the June 9, 2008 regular board meeting.

Student Enrollment

Student enrollment is extremely important as it not only drives staffing decisions but is also the key component of the general education revenue funding formula which is the major funding source of the district.

Enrollment for FY 2009 is projected to be 4,014 Average Daily Membership’s (ADM’s), a decrease of 9 ADM’s, or .22% from the FY 2008 projected ADM’s. Enrollment is beginning to level out as incoming Kindergarten classes and exiting grade 12 classes are becoming similar in size. The District constantly monitors enrollment for changes caused by mobility, local economic development or decline and other external factors. The District's enrollment history is presented in the following graph.



* Projected

Staffing

The District reduced staffing in 2008-09 in an effort to offset declining enrollment and reduce deficit spending. Below is a chart that illustrates the difference in staffing between FY 2008 and FY 2009 by category.

Category	Actual FY 2008	Budgeted FY 2009	Change
Instruction			
Teachers	338.0	322.7	(15.3)
Title Teachers	17.0	15.0	(2.0)
Deans of Students	5.0	4.0	(1.0)
Total Instruction	360.0	341.7	(18.3)
Support			
Principals and District Administration	10.0	9.0	(1.0)
Directors & Community Education	6.0	6.0	-
Secretaries	20.0	20.0	-
Custodians	27.0	27.0	-
Food Service Staff	30.0	30.0	-
Clerical/Non-Affiliated	42.0	42.0	-
Paraprofessionals	102.0	97.0	(5.0)
Total Support	237.0	231.0	(6.0)
Total	597.0	572.7	(24.3)

Governmental Funds Budget Summary

The following chart presents the budgeted revenue and expenditures for fiscal year 2008-09.

Fund	Revenue	Expenditure	Change
General Fund	$ 41,123,337	$ 43,508,379	$ (2,385,041)
Food Service	2,169,495	2,148,954	20,541
Community Service	1,859,791	1,907,169	(47,378)
Debt Service	2,276,017	2,519,100	(243,083)
Total	$ 47,428,641	$ 50,083,602	$ (2,654,961)

Revenue Budgets for Governmental Funds

Fund	Actual FY 2007	Original Budget FY 2009	$ Change	% Change
General	$ 40,703,140	$ 41,123,337	$ 420,197	1.03%
Food Service	2,055,222	2,169,495	114,273	5.56%
Community Service	2,168,039	1,859,791	(308,248)	-14.22%
Building Construction	488,565	-	(488,565)	-100.00%
Debt Service	2,600,953	2,276,017	(324,936)	-12.49%
Total	$ 48,015,919	$ 47,428,641	$ (587,278)	-1.22%

Expenditure Budgets for Governmental Funds

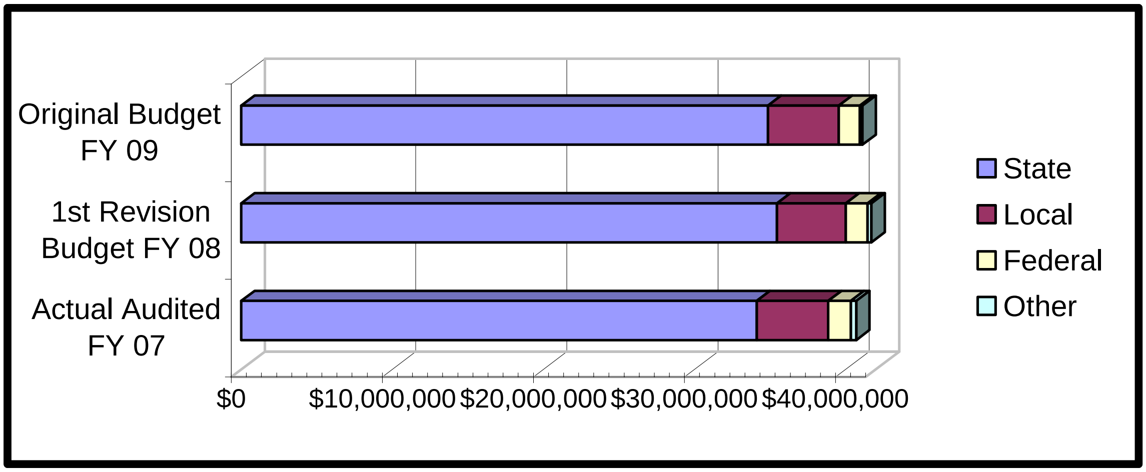
Fund	Actual FY 2007	Original Budget FY 2009	$ Change	% Change
General	$ 40,136,576	$ 43,508,379	$ 3,371,803	8.40%
Food Service	1,961,452	2,148,954	187,502	9.56%
Community Service	2,045,631	1,907,169	(138,462)	-6.77%
Building Construction	75,692	-	(75,692)	-100.00%
Debt Service	2,533,563	2,519,100	(14,463)	-0.57%
Total	$ 46,752,914	$ 50,083,602	$ 3,330,688	7.12%

General Discussion of Proposed Budgets

General Fund Revenues

General Fund Revenues come from state, local, federal and other sources as depicted in the chart and graph below.

Revenue Sources	Actual Audited FY 07	1st Revision Budget FY 08	Original Budget FY 09	Budget Change FY 08 to FY 09 $	Budget Change FY 08 to FY 09 %
State	$ 34,111,061	$ 35,463,377	$ 34,852,150	$ (611,226)	-1.72%
Local	4,735,037	4,554,612	4,702,931	148,319	3.26%
Federal	1,496,352	1,433,556	1,391,523	(42,033)	-2.93%
Other	360,689	260,638	176,733	(83,905)	-32.19%
Total	$ 40,703,140	$ 41,712,182	$ 41,123,337	$ (588,845)	-1.41%



Revenue from state sources decreased from the FY 08 budget mainly due to revenue received in prior years from the state becoming the responsibility of local sources through property taxes. In addition, FY 09 has a reduction in the special education aid estimate. Local sources increased due to the shifting of a portion of revenue responsibility from state. Federal revenue declined due to shrinking federal entitlements. Other sources decreased as insurance recoveries experienced in FY 08 are not expected in FY 09.

Revenues received from property taxes make up a portion of the total revenue of the district. The following charts show the taxes levied and collection and the tax burden on the taxpayers.

Property Tax Levies and Collections

FY 2009 With Comparative Information For Fiscal Years 2004 - 2008

					Estimated	
Levy Payable Year	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Fiscal Year	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**
Local Spread Tax Levy	$ 4,298,325	$ 4,280,311	$ 4,406,976	$ 5,167,807	$ 5,649,261	$ 5,601,898
Fiscal Disparities	971	962	958	958	958	953
Gross Tax Levy	$ 4,299,296	$ 4,281,273	$ 4,407,934	$ 5,168,765	$ 5,650,219	$ 5,602,851
Market Value Credit	(331,314)	(341,277)	(348,210)	(348,211)	(357,015)	(325,953)
Net Tax Levy	$ 3,967,982	$ 3,939,996	$ 4,059,724	$ 4,820,554	$ 5,293,204	$ 5,276,899
Amount Collected During Collection Year	3,943,462	3,916,909	4,035,183	4,797,789	5,262,650	5,276,899
Amount Delinquent at end of Collection Year	$ 24,520	$ 23,087	$ 24,541	$ 22,765	$ 30,554	$ -
Percent of Net Tax Collected	99.38%	99.41%	99.40%	99.53%	99.42%	100.00%

Property Tax Levies and Collections

FY 2009 With Comparative Information For Fiscal Years 2004 - 2008

					Estimated	
Levy Payable Year	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Fiscal Year	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**
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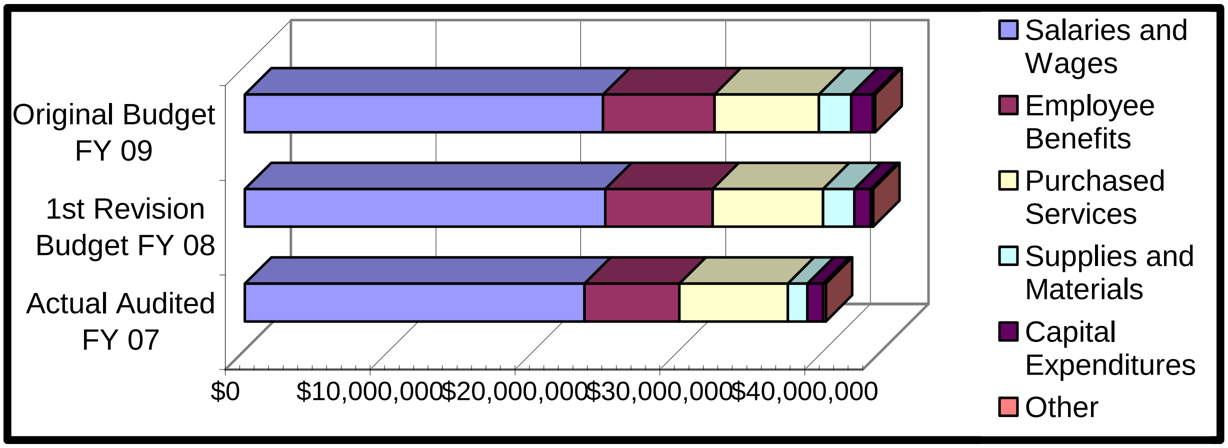
Percent of Net Tax Collected	99.38%	99.41%	99.40%	99.53%	99.42%	100.00%

General Fund Expenditures

General Fund Expenditures are split into the following object groups: salaries and wages, employee benefits, purchased services, supplies and materials, capital expenditures and other as depicted in the chart and graph below.

Expenditure Object Groups	Actual Audited FY 07	1st Revision Budget FY 08	Original Budget FY 09	Budget Change FY 08 to FY 09 $	Budget Change FY 08 to FY 09 %
Salaries and Wages	$ 23,441,364	$ 24,872,520	$ 24,730,145	$ (142,375)	-0.57%
Employee Benefits	6,548,794	7,405,023	7,679,636	274,613	3.71%
Purchased Services	7,479,405	7,626,022	7,216,596	(409,426)	-5.37%
Supplies and Materials	1,358,895	2,169,523	2,229,662	60,139	2.77%
Capital Expenditures	1,075,893	1,128,063	1,496,766	368,703	32.68%
Other	200,129	164,531	155,574	(8,957)	-5.44%
Total	$ 40,136,576	$ 43,365,682	$ 43,508,379	$ 142,697	0.33%



Salaries and wages and employee benefits together increased from the FY 08 budget primarily due to contract settlements and retiree severance offset by staff reductions. Purchased services decreased as a result of classifying certain items as capital expenditures versus purchased services in FY 09. Supplies and materials increased due to the impact of rising fuel costs on products. Capital expenditures climbed as a result of classifying certain items as capital expenditures versus purchased services in FY 09. Other expenditures remained steady.

The General Fund budget includes a number of initiatives that are designed to further the School Board's goals. For example, All-Day Every Day Kindergarten is a solid investment which improves student learning. The district is also committed to continue offering a wide variety of curricular, co-curricular and extra-curricular opportunities for students despite operating in a statewide climate of budget reductions.

Other initiatives in the General Fund budget include continued efforts toward maintaining the prestigious North Central Association (NCA) designation on a districtwide basis, and further implementation of the Northwest Evaluation Association (NWEA) academic testing program. The district has made great progress toward becoming a more data-driven organization. The goal is to demonstrate the progress of our students with measurable results. The district continually looks for ways to address the achievement gap that is evident, especially in children from low-income families.

The General Fund budget includes several large maintenance and technology projects: 1) $210,000 for the final phase of the Sr. High Wall and Roof repair project, stemming from construction problems dating back to 1992; 2) $180,000 for the junior high boiler replacement; and, 3) additional funds are being spent on technology advances including the installation and use of electronic whiteboards.

The District continues to pursue initiatives to provide improved efficiencies that will impact the budget. The District is especially focused on ways to increase purchasing power and broaden revenue collection options.

Five-Year General Fund Financial Planning Projection

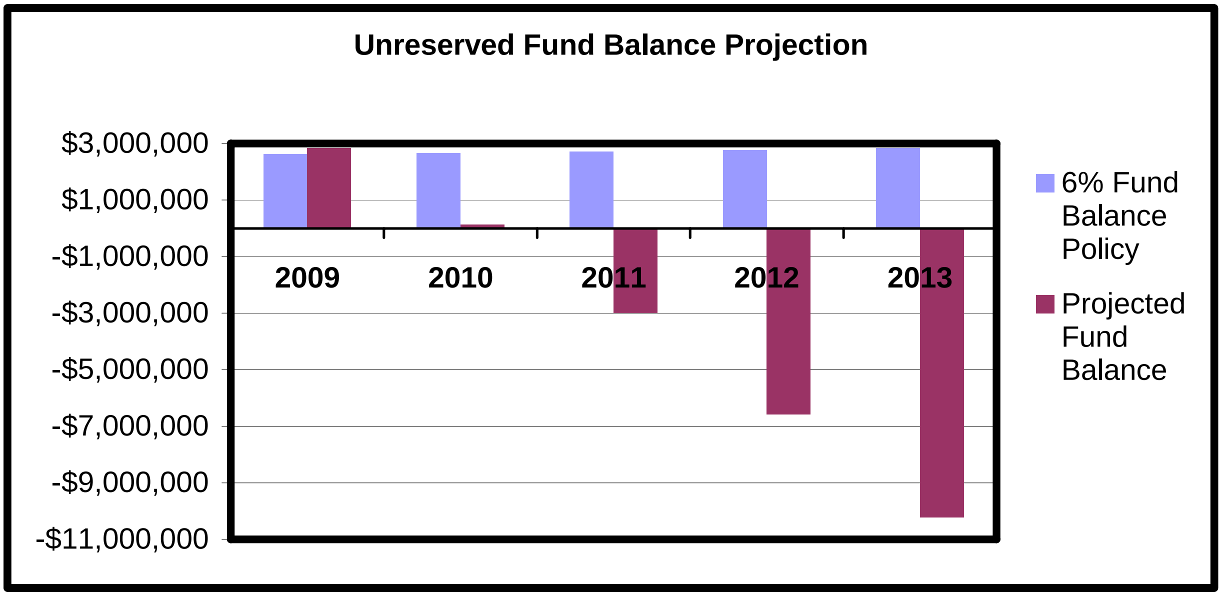
The District uses a Financial Planning Model created by Schoolfinances.com. This model provides the district with a five-year projection of the district's financial position which allows the District to make decisions and plan for the future.

The model takes into consideration a number of assumptions. The fund balance goal of the District is a minimum of 6% of expenditures. Student enrollment is projected as follows: 4,014 students in FY 09; 4,033 students in FY 10; 3,999 students in FY 11; 3,977 students in FY 12; and 4,088 students in FY 13. General education formula revenue from the state is assumed to increase 2% in each year. Payroll and benefits is assumed to increase 2% in each year. Non-payroll expenditures are expected to increase based on 3% or current trends. Teacher staffing ratio fluctuates with enrollment. It is assumed the District will maintain the $498 per resident pupil operating referendum.

Projected Revenues and Expenditures Fiscal Years 2009 - 2013

	Original Budget 2009	Projected 2010	Projected 2011	Projected 2012	Projected 2013
Total Revenues	$ 41,123,337	$ 41,618,439	$ 42,015,822	$ 42,405,333	$ 43,553,623
Total Expenditures	43,508,379	44,341,216	45,156,292	46,050,723	47,244,052
Excess (deficiency) of revenues over expenditures	$ (2,385,042)	$ (2,722,777)	$ (3,140,470)	$ (3,645,390)	$ (3,690,429)
Fund Balance July 1*	6,225,678	3,840,637	1,117,860	(2,022,610)	(5,668,000)
Fund Balance June 30*	**$ 3,840,637**	**$ 1,117,860**	**$ (2,022,610)**	**$ (5,668,000)**	**$ (9,358,429)**

* Undesignated plus reserves

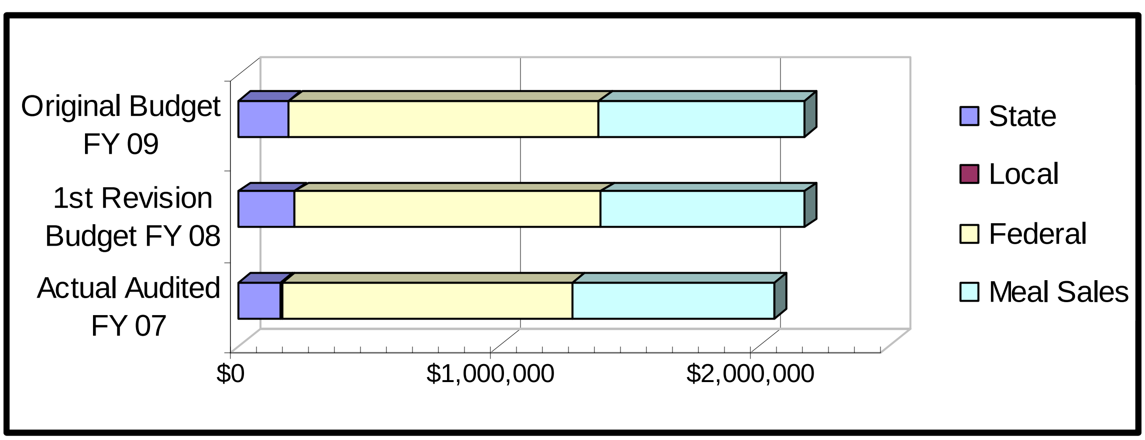


The District will be using the above chart and graph to make decisions that will impact the fund balance so as to maintain the 6% fund balance policy. As a result, the District will need to create a plan to increase revenue and decrease expenditures to eliminate deficit spending.

Food Service Fund Revenues

Food Service Fund Revenues come from state, local and federal sources as well as meal sales. Overall, revenue remained steady as depicted in the chart and graph below.

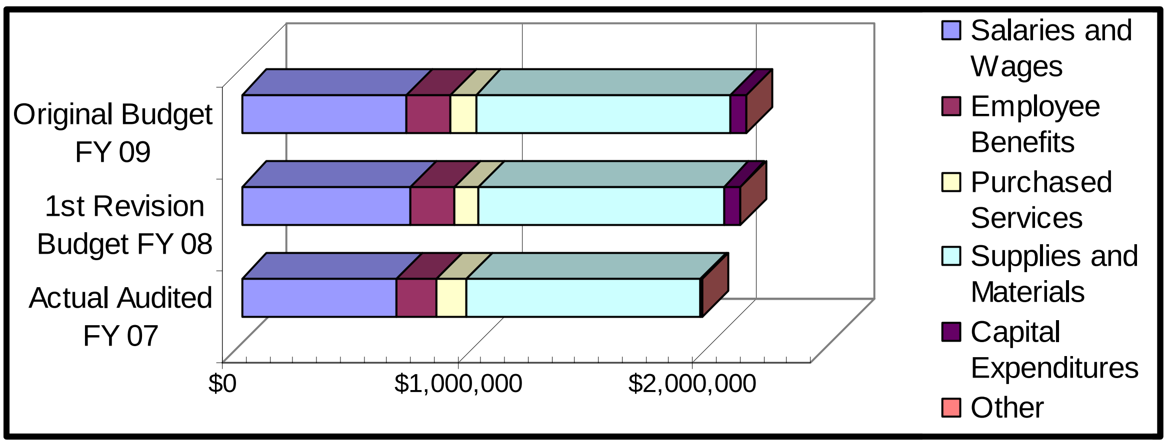
Revenue Sources	Actual Audited FY 07	1st Revision Budget FY 08	Original Budget FY 09	Budget Change FY 08 to FY 09 $	Budget Change FY 08 to FY 09 %
State	$ 159,811	$ 211,038	$ 190,100	$ (20,938)	-9.92%
Local	9,634	6,189	3,000	(3,189)	-51.53%
Federal	1,111,782	1,174,272	1,191,620	17,348	1.48%
Meal Sales	773,995	778,258	784,775	6,517	0.84%
Total	$ 2,055,222	$ 2,169,757	$ 2,169,495	$ (262)	-0.01%



Food Service Fund Expenditures

Food Service Fund Expenditures are split into the following object groups: salaries and wages, employee benefits, purchased services, supplies and materials, capital expenditures and other as depicted in the chart and graph below.

Expenditure Object Groups	Actual Audited FY 07	1st Revision Budget FY 08	Original Budget FY 09	Budget Change FY 08 to FY 09 $	Budget Change FY 08 to FY 09 %
Salaries and Wages	$ 655,997	$ 720,086	$ 702,682	$ (17,404)	-2.42%
Employee Benefits	176,451	187,071	188,609	1,538	0.82%
Purchased Services	125,497	100,060	103,491	3,431	3.43%
Supplies and Materials	992,811	1,042,310	1,086,974	44,664	4.29%
Capital Expenditures	10,058	67,580	65,197	(2,383)	-3.53%
Other	638	2,000	2,000	-	0.00%
Total	$ 1,961,452	$ 2,119,107	$ 2,148,954	$ 29,847	1.41%



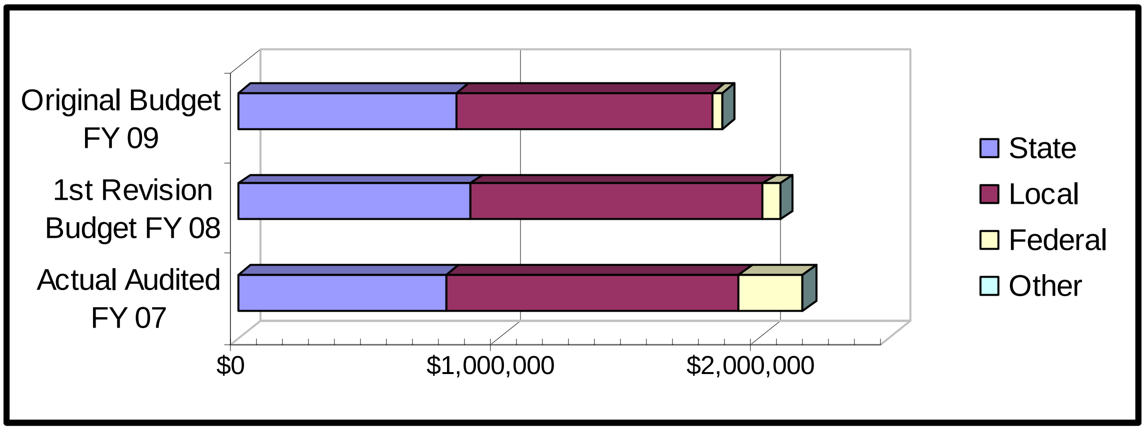
Salaries and wages and employee benefits together decreased from the FY 08 budget primarily due to contract settlements offset by staff reductions. Supplies and materials increased due to the impact of rising fuel costs on products.

The Food Service Fund budget is supporting a number of initiatives to continuously improve its service and to support the School Board goals. Several of these initiatives include continuing the implementation of a HACCP (Hazardous Analysis Critical Control Point) Food Safety Plan, a required Recipe Manual and a districtwide Wellness Policy. The district has clearly been a leader both statewide and nationally in the pace and quality of these policy developments. The district continues to implement the “Farm to School Cafeteria Initiative” and projects through the “Steps to a Healthier Willmar” grant. Finally, the district has completed a major project to nutritionally analyze our menus for use in menu planning and for parent, student and community information.

Community Service Fund Revenues

Community Service Fund Revenues come from state, local, federal and other sources as depicted in the chart and graph below.

Revenue Sources	Actual Audited FY 07	1st Revision Budget FY 08	Original Budget FY 09	Budget Change FY 08 to FY 09 $	Budget Change FY 08 to FY 09 %
State	$ 796,112	$ 889,674	$ 836,690	$ (52,984)	-5.96%
Local	1,125,630	1,124,525	983,101	(141,424)	-12.58%
Federal	246,297	67,982	40,000	(27,982)	-41.16%
Other	-	-	-	-	0.00%
TOTAL	$ 2,168,039	$ 2,082,182	$ 1,859,791	$ (222,390)	-10.68%

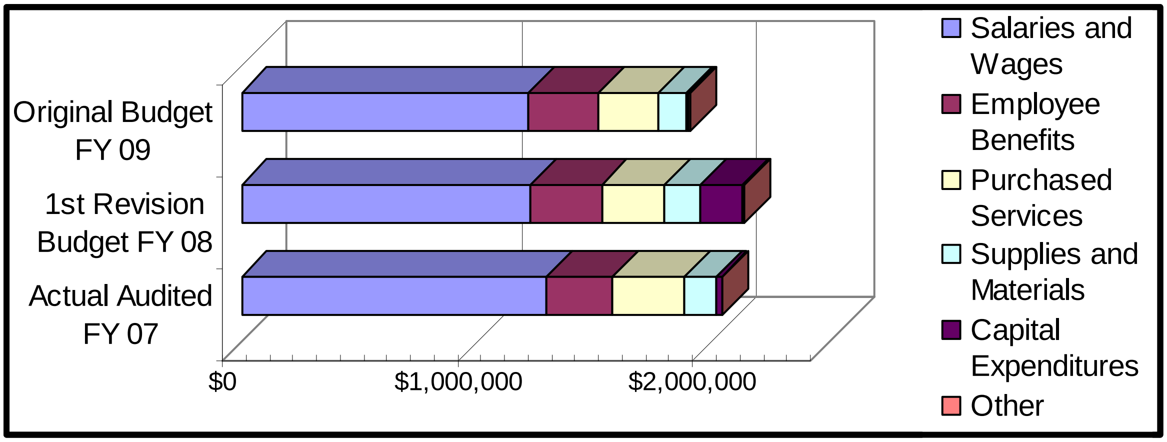


Revenue from state sources decreased mainly due to a reduction in Adult Basic Education (ABE) funding. Local sources declined due to a large donation for the soccer field received in FY 08 that is not expected in FY 09. Federal revenue declined due to shrinking federal entitlements.

Community Service Fund Expenditures

Community Service Fund Expenditures are split into the following object groups: salaries and wages, employee benefits, purchased services, supplies and materials, capital expenditures and other as depicted in the chart and graph below.

Expenditure Object Groups	Actual Audited FY 07	1st Revision Budget FY 08	Original Budget FY 09	Budget Change FY 08 to FY 09 $	Budget Change FY 08 to FY 09 %
Salaries and Wages	$ 1,297,428	$ 1,228,435	$ 1,221,999	$ (6,436)	-0.52%
Employee Benefits	283,261	302,313	298,003	(4,311)	-1.43%
Purchased Services	299,447	270,311	253,838	(16,473)	-6.09%
Supplies and Materials	140,059	148,704	116,800	(31,904)	-21.45%
Capital Expenditures	19,818	182,223	10,600	(171,623)	-94.18%
Other	5,619	4,025	5,930	1,905	47.33%
Total	$ 2,045,631	$ 2,136,011	$ 1,907,169	$ (228,842)	-10.71%



Salaries and wages and employee benefits together decreased from the FY 08 budget primarily due to contract settlements offset by staff reductions. Purchases services and supplies and materials declined due to the completion of the soccer field in FY 08.

Community Ed & Recreation plans on enhancing its investment in early childhood programs in an effort to meet the needs of the youngest children. The continued emphasis on early childhood programming is central to the district's mission.

Building Construction Fund

The School Board voted on May 29, 2007 to accept bids for $495,000 of Capital Facilities Bonds. These bonds are paid for from a property tax levy funded by a shift of operating capital revenue. Ultimately, no additional dollars are levied as a result of these bonds. These bonds are a cost effective funding option available to the district.

The district funded the majority of the costs for the Sr. High Parking Lot Reconstruction project and the Jr. High Roof Top Units Replacement project with the new bonds. Both projects were completed in the summer of 2007 and there is no current activity in this fund.

Debt Service Fund

There are no plans for issuing additional long-term debt at this point. The district projects that total long-term debt will decrease from $17,090,000 to $13,765,000 during the year. This includes the issuance of the Capital Facilities bonds noted above FY 07. The amortization debt schedule for outstanding bond issues is listed on page 55.

Community Discussion on Facilities and Deferred Maintenance

The District hired an architectural firm to work together with the School Board and a Community Stakeholders Committee to analyze facility issues, in particular with the elementary buildings. There was a series of community meetings, along with the formation of a Community Stakeholders task force to take an in-depth look at the district's facility issues. The purpose of this project is to develop a long-range plan for the resolution of the significant facility and deferred maintenance issues that exist across the district, in particular with the elementary buildings.

Student Performance Measurements

The goal of the federal No Child Left Behind (NCLB) legislation is that by 2014 all students in every public school will be proficient and successfully perform grade level work. Individual schools and districts must demonstrate Adequate Yearly Progress (AYP) toward reaching the goal. The AYP target scores are determined annually for demographic groups of students within a school and district.

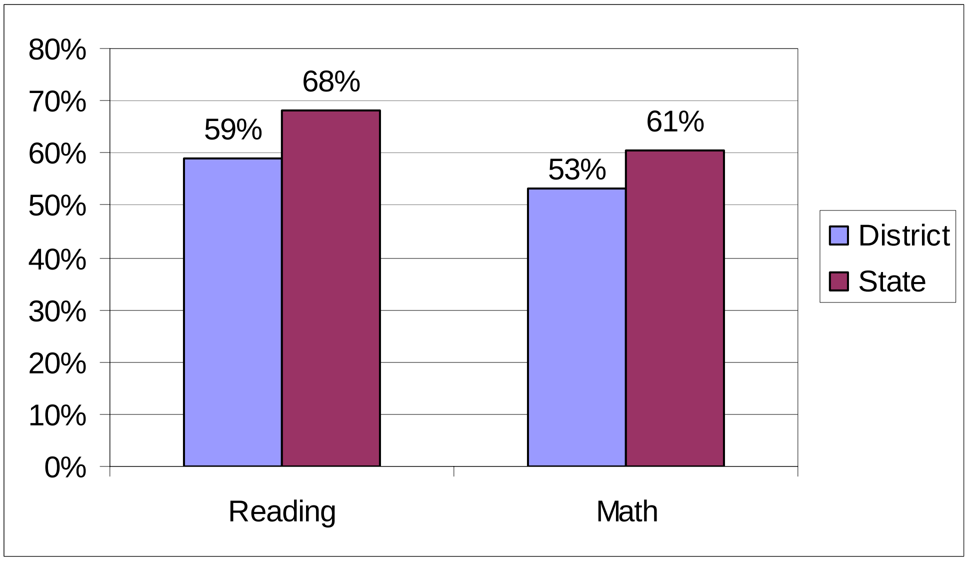
The Minnesota Comprehensive Assessments (MCA) satisfies the NCLB legislation as a test that can be used to determine AYP. Students in Minnesota earn an overall score on the MCA that places them in one of four levels. Students who meet or exceed the standards are considered proficient and capable of performing grade level work. Students who do not meet the standards are considered not proficient and not capable of performing grade level work. The goal of NCLB is to have all students proficient and performing grade level work.

In fiscal year 2007, the District successfully met AYP goals in thirty-seven of the thirty-eight categories. It did not meet the AYP proficiency rate goal for English Language Learners in mathematics. Below is a chart depicting the AYP status in each category for the District.

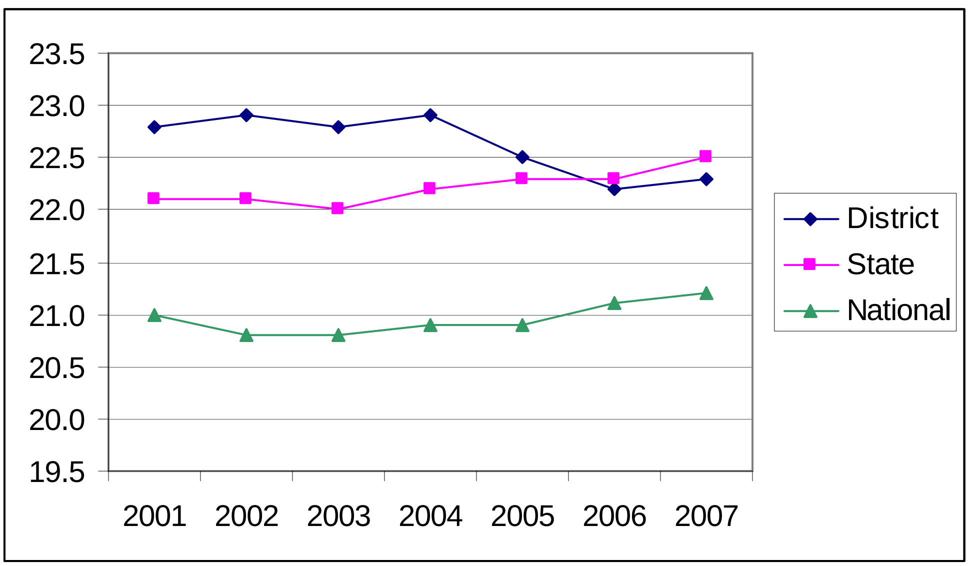
Districtwide 2007 AYP Status

	All students	American Indian	Asian American	Hispanic	African American	Caucasian	LEP	Spec Ed	F/R price lunch
Math participation	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Reading participation	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Math proficiency	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Reading proficiency	Yes	Yes	Yes	Yes	Yes	Yes	**No**	Yes	Yes
Attendance	Yes								
Graduation	Yes								

The graph below compares the percentage of students in the District who are proficient to the percentage of students in Minnesota who are proficient.



The District also tracks performance measures for college bound students who took the ACT. The District had an average composite score of 22.3 for 2007 which is above the national average of 21.2 and slightly below the state average of 22.5. The graph below shows the history of the average ACT composite score for the district, state and nation since 2001.



The district was actively involved in both the 2007 and 2008 Legislative Sessions. The 2007 session was a significant funding session for Pre K-12 education.

Acknowledgements

The Willmar Public Schools wants each child to imagine great possibilities and then work hard in school towards reaching those possibilities. Sound fiscal practices and financial stability of the District are essential underpinnings for carrying out the primary mission of educating every child who comes through the doors. Special thanks to the commitment of the School Board, Principals, Directors, staff, students and members of the community for their support of the district.

Please contact us with any questions about this budget or about the district in general.

Sincerely,

/s/ Kathy Leedom	/s/Pam Harrington
Kathy Leedom Superintendent	Pam Harrington Director of Business and Finance

Association of School Business Officials International

MERITORIOUS BUDGET AWARD

This Meritorious Budget Award is presented to

Willmar Public Schools ISD 347

for excellence in the preparation and issuance
of its school system budget
for the Fiscal Year 2007-2008.
The budget is judged to conform
to the principles and standards of the
ASBO International Meritorious Budget Awards Program.

Jerry Brendel
President

John D. Musso
Executive Director

ORGANIZATIONAL SECTION

Reporting Entity

Independent School District No. 347, also known as the Willmar Public Schools, is an instrumentality of the State of Minnesota established to function as an educational institution. The District is an independent entity governed by an elected seven member School Board. The School Board has the power and duty to set budgets, certify tax levies, issue debt and perform other tasks necessary to the operation of the District. The District is subject to the oversight of the Minnesota Department of Education.

The District, established in 1881, serves the communities of Blomkest, Kandiyohi, Pennock, Willmar, and all or part of ten townships. The District is located in west-central Minnesota, approximately 100 miles west of the Minneapolis/St. Paul metropolitan area. The District encompasses an area of approximately 149,294 acres in Kandiyohi County with an estimated population of 24,000 citizens, including a population of 18,597 in Willmar. All school buildings are located in Willmar. The District currently operates 12 owned or leased buildings.

The District provides a full range of public education services to over 4,000 students in grade levels ranging from pre-kindergarten through grade 12. These include regular and enriched academic education, special education and career/vocational education. Food service and transportation are provided as supporting programs. The District's community service program includes Early Childhood and Family Education programs, Adult Basic Education programs and a wide variety of classes for lifelong learning experiences for children and adults.

Funds

The existence of the various District funds has been established by the Minnesota Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The various funds are as follows:

The ***General Fund*** is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations, pupil transportation and capital related maintenance activities.

The ***Food Service Fund*** is used to account for Food Service revenues and expenditures.

The ***Community Service Fund*** is used to account for services provided to residents in the areas of recreation, adult/early childhood programs and other similar activities.

The ***Building Construction Fund*** is used to account for financial resources used for the construction of major capital projects.

The ***Debt Service Fund*** is used to account for the accumulation of resources for, and payment of, general long-term obligation bond principal, interest, and related costs.

The ***Internal Service Fund*** accounts for the District's dental self-insurance plan. The self-insurance costs are charged to the various funds based on established premium rates.

The ***Private Purpose Trust Fund*** is used to account for gifts and bequests that are used for scholarships.

System of Classifying Revenues and Expenditures

Revenues for the District are classified by source within a fund. Revenues are grouped into major source divisions. The divisions, with examples of some major revenue sources for the General Fund, are:

- Local Property Tax Levies – Referendum.
- Other Local and County Revenues – Tuition Billing, Student Fees, Admissions.
- Revenues from State Sources – General Education Aid, Special Education Aid.
- Revenues from Federal Sources – Various "Title" programs, Reading First Grant.
- Other Revenues – miscellaneous.

Expenditures are classified by fund, organization (building), program, a descriptive course code, financial category or reserve, and object code (purpose). The primary presentation for the General Fund is by object code and by program. Expenditures for other funds are presented by object code. The District does not present organization code, course code or finance code budgets in this document.

Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus and basis of accounting.

Government Funds are reported using the current financial resources measurement focus and the modified basis of accrual accounting. Under this basis of accounting transactions are recorded in the following manner:

Revenue Recognition – Revenue is recognized when it becomes measurable and available.

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Recording of Expenditures – Expenditures are generally recorded when a liability is incurred.

Financial and Budgetary Control

Minnesota school finance law requires that the budget fiscal year begins on July 1 and ends on June 30. The School Board, by law, must have a budget adopted for the upcoming fiscal year prior to July 1. The District develops a General Fund Budget, Food Service Fund Budget, Community Education & Recreation Budget, Debt Service Budget and other necessary budgets on an annual basis. Budgeting is a challenging process since much of the funding is determined by the state legislature which often doesn't adjourn until the middle of May or later.

The District's budget sets forth the financial plan for the upcoming year. It is based on the projected financial needs of the district to allocate limited resources in the best possible way to give the most advantageous educational opportunities to students. The budget process begins with the development of the budget plan and timeline for completion and adoption. The plan is disseminated to board members, administration, Finance Advisory Committee and applicable staff and the preparation of the budget is implemented. The administration reviews enrollment projections and fiscal projections using the Financial Planning Model (FPM) and determines staffing levels needed for the upcoming budget year. The administration recommends staffing changes to the Board for approval starting in April and ending in June.

The budget process continues involving staff at all levels as they inform administration of their needs and anticipated expenditures. Each building principal is allocated an amount for supplies, materials and equipment based on student enrollment at that building. The building principal adjusts the buildings budget and submits it to the district office for inclusion in the budget.

The business office prepares the salary and benefits budgets based on future staffing, contract settlements and estimates. The business office assembles the budget, budget documents and enters the budget into the financial system.

The budget is presented to the Finance Advisory Committee and then to the School Board for adoption.

The budget is implemented and administered after adoption. Administrators are responsible for approving purchase requisitions and purchase orders. Administrators are also responsible for monitoring that budget accounts they oversee.

Budget revisions take place once or twice through the year as budget adjustments are needed due to more accurate finance information becoming available.

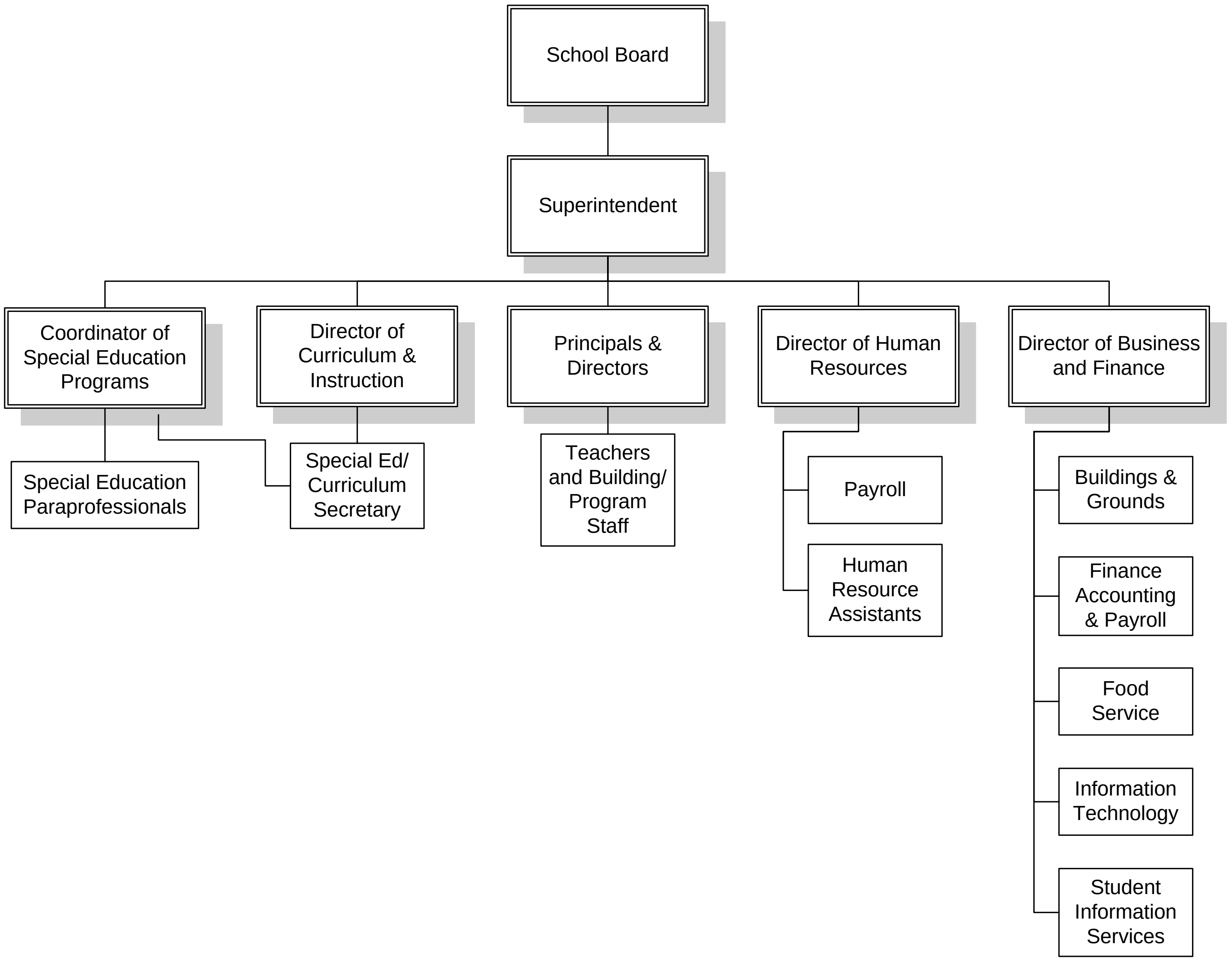
The District complies with the Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota schools. UFARS, established in 1976, dictates a modified accrual basis of accounting. An audited annual financial report is required to be provided to the Minnesota Department of Education by November 30, subsequent to the year end on June 30.

The District has established and maintained internal controls designed to ensure that the assets of the District are protected from theft, misuse or losses. These controls are also designed to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) and Minnesota UFARS. The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of the costs and benefits requires estimates and judgments by management.

The District's budget and financial management practices are evidenced by the following District policies:

> *Fund Balance Policy #703*: Requires the District to maintain a minimum General Fund unreserved fund balance of 6% of the annual operating budget. When the unreserved fund balance is equal to or less than 6% of the expenditure budget, the administration shall alert the School Board and propose alternative measures such as, seeking additional funds through a referendum and/or reducing expenditures by curtailing program services.
>
> *Budgeting Policy #709 and 709.1*: Requires the District to comply with the budget process as explained above.

Organizational Chart



Mission Statement

"Preparing All Students for a Successful Tomorrow!"

- Purposeful Thinker
- Effective Communicator
- Self Directed Learner
- Productive Group Participant
- Responsible Citizen

Vision Statement

Every student understanding that education adds value to life.

Long Term Goals

Increase the academic proficiency of all students through effective instruction and appropriate curriculum and assessments in partnership with all staff as well as parents, guardians and community members.

In order to meet our mission and reach our goal it is understood that we must all work collaboratively to provide for the social, physical and emotional well being of every child.

The School Board's major district-wide goals are:

- Provide a world class education;
- Improve the lives of students;
- Ensure achievement for all students;
- Continue responsible financial stewardship;
- Enhance school and community relationship.

In FY 2008, the Administrative Team worked together with the School Board and staff throughout the year to update the activities and initiatives that support the Board's Districtwide goals.

Objectives that Support the Board's Long Term Goals (summary)

Goal #1 – Provide a World Class Education

Alternative Programs. Provide curricula that meets the needs of students relevant to age and grade.
Jefferson. Install wireless laptops for instructional staff. Offer foreign language for K-3 students.
Jr. High. Pursue technology integration. Implement Project Lead the Way (pre-engineering).
Kennedy. Implement research-based reading strategies. Continue NCA accreditation.
Lincoln. Update school webpage. Implementing Campus Gradebook.
Sr. High. Implement Project Lead the Way and Mandarin Chinese language offerings. Sustain Advanced Placement offerings.
CE & R. Create cutting edge educational and recreational activities for the Willmar community.
HR. Improve hiring processes, employee training, and background checks.
Roosevelt. Research and design building technology applications that enhance student learning

Goal #2 – Improve The Lives Of Students

Alternative Programs. Improve attendance rates at Area Learning Center.

Districtwide. After school programs provide enrichment as well as homework support.
Food Service. Complete student, staff and parent surveys. Implement HACCP Food Safety Plan.
Jefferson and Lincoln. Implement the OLWEUS Bully prevention program. Pilot recess before lunch to increase physical activity.
Jr. High. Expose all students to culturally diverse events to foster cultural appreciation.
Kennedy. Instruct all students in character education. Expand enrichment opportunities before and after school.
Special Education. Increase opportunities to apply academic & functional skills to authentic life situations.
Sr. High. Enhance special education learning opportunities. Provide after school tutoring.
CE & R. Increase number of children screened prior to kindergarten.
Roosevelt. Maintain Engage Program. Increase Social Worker services.

Goal # 3 – Ensure Achievement For All Students

Alternative Programs. Improve literal reading comprehension skills.
Curriculum & Instruction. Provide staff development that is focused on eliminating the achievement gap.
Jefferson. Utilize NWEA test date for reading and math. Give DIBELS Assessment at least two times per year.
Jr. High. Improve reading comprehension skills.
Kennedy. Utilize balanced literacy approach in reading. Focus on math test data to drive interventions.
Lincoln. Implement variety of instructional models to meet student needs.
Special Education. Utilize evidence-based curricular materials.
Sr. High. Improve note-taking skills across the curriculum. Improve test-taking skills.
CE & R. Improve Early Childhood preschool student preparation for kindergarten. Increase knowledge and skills of parents. Provide educational opportunities to meet adult learner needs.
Business Office. Coordinate strategic implementation of student data system capabilities.
Roosevelt. Increase reading comprehension skills across the curriculum.

Goal #4 – Continue Responsible Fiscal Stewardship

Alternative Programs. Ensure spending is within site allotments.
Curriculum & Instruction. Evaluate purchases according to need and to impact on the education of students.
Food Service. Reach and maintain 12% fund balance.
Jefferson. Full participation in SEE program. Enhance collaboration between Kindergarten Programming & Early Childhood Coalition.
Jr. High. Emphasis on facility maintenance.
Kennedy. Promote energy efficiency. Strive for additional grants and fund raising $.
Lincoln. Pursue various grants. Add security measures through Share Grant.
Roosevelt. Maintain fiscal management of site-based funds.
Special Education. Seek additional reimbursement of health-related special ed. Costs billable to M.A.
Sr. High. Contain expenditures at or below budget allocation.
CE & R. Reduce energy use in various programs. Monitor expenses and revenue to maximize resources.
HR. Maximize technology, improve communication and update employee job descriptions.
Business Office. Bid cleaning supplies. Maintain fund balance goals. Protect information and data in the event of a disaster.

Goal #5 – Enhance School and Community Relationships

Alternative Programs. Seek community input from Interagency Planning Team to provide input about new programs and projects.
Jefferson. Continue PTSA support, Rotary Readers and Title I Parent Advisory Committee.
Jr. High. Improve communications among parent's staff and students.
Kennedy. Provide opportunities to enhance community involvement and communication.
Lincoln. Continue and expand Foster Grandparent Program, Junior Achievement and PTSA events.
Roosevelt. Utilize classbook, Parent Portal and computer-based report cards to inform parents about academic progress.
Special Education. Improve staff communication skills in IEP meetings. Increase community awareness of special education programs.
Sr. High. Enhance the Sr. High website to increase access and information.
CE & R. Continue collaborations with local, regional and state organizations.
Business Office. Provide high quality, low cost services to parents and students. Work with community to explore alternative energy sources and their educational benefits.

Budget Development Process

The budget process is comprised of five phases – planning, preparation, adoption, implementation, and evaluation. The process has two main goals: 1) to provide students with the best possible educational opportunities and; 2) maximize the use of available resources. The Board attempts to balance the educational needs of students and the resources available to the District from local, state and federal sources. The outcome, a budget that details the revenues and expenditures to support education, is a delicate balance of policy choices.

Planning and preparation for this budget began in February 2008 with the capital budget development schedule shown below. The current capital budget was approved by the Board's Buildings and Grounds Committee on April 22, 2008. The original budget development schedule was developed in April as shown on the next page. An enrollment projection was also developed in April and provided key data for the revenue projection. The Finance Advisory Committee comprised of staff, board members and community members met in early June to review and provide input regarding the budget. The FY 2009 Original Budget is scheduled to be adopted by the School Board on June 9, 2008. The District normally completes two budget revisions during the fiscal year, in January and April.

There were no significant changes to the site non-payroll budget allocation process. The School Board approved staff reductions of approximately $1.3 million in an effort to reduce deficit spending and offset the impact of declining enrollment. The Board has not instituted any major changes in the delivery of educational programs and services that have materially affected the financial or operating policies of the District.

FY 09 Capital Budget Development Schedule

ID	*Task Name*	*Start*	*Finish*	*Resource Names*	*Q1 08*	*Q2 08*
1	Develop preliminary plans, bid specs, etc. for major FY 09 projects	2/1/2008	5/20/2008	Pam, Rich		
2	Develop Capital Budget Plan	2/1/2008	2/7/2008	Pam, Rich, Kathy		
3	Capital Plan Communication to Head Custodians, Administration and Bldgs & Grounds Committee	2/5/2008	2/5/2008	Pam		
4	Head Custodians and Administration submit requests	2/5/2008	2/26/2008	Head Custodians, Principals, Rich, Pam		
5	Analyze requests, questions, quotes, development of capital projects rating sheet, tours, etc.	2/27/2008	3/11/2008	Pam, Rich, Bob E., Kathy		
6	Develop budget recommendation	3/31/2008	4/21/2008	Pam, Rich, Bob E., Kathy		
7	Review Plan with Buildings & Grounds Committee	4/22/2008	4/22/2008	Pam, Kathy, Rich		
8	Begin implementation of budgeted projects	4/23/2008	6/30/2008	Rich, Bob E., Pam		
9	Include approved budget in overall District budget documents for FAC, Admin and Board	5/12/2008	5/30/2008	Pam		
10	Present final Budget proposal to Board for approval	6/9/2008	6/9/2008	Pam, Kathy		

FY 09 Original Budget Development Schedule

ID	Task Name	Start	Finish	Resource Names	Q1 08	Q2 08
1	Develop Budget Plan - coordinating with Capital Budget Plan	4/17/2008	4/17/2008	Pam, Kathy		
2	Develop Enrollment projection	4/17/2008	4/22/2008	Pam, Kathy		
3	Develop base budget assumptions	4/17/2008	4/23/2008	Pam, Kathy, Admin		
4	Develop Revenue Budget	4/17/2008	4/28/2008	Pam		
5	Develop district wide expenditures, Federal program, gifts & grants, misc. budgets	4/17/2008	5/6/2008	Pam, Shannon		
6	Develop Site allocations	4/21/2008	4/23/2008	Pam		
7	Review Plan with Administrative Team	4/23/2008	4/23/2008	Pam, Kathy		
8	Revise Payroll Budget	4/23/2008	4/29/2008	Pam, Norma		
9	Distribute Site Budget Worksheets	4/24/2008	4/24/2008	Pam		
10	Administrators complete updated budget worksheets	4/25/2008	5/5/2008	Administrators		
11	Review Plan with School Board and forward to Finance Advisory Committee (FAC)	4/28/2008	4/28/2008	Pam, Kathy		
12	Distribute Fund 02 & 04 budget worksheets	4/29/2008	4/29/2008	Pam		
13	Fund 02 & 04 budget worksheets completed	4/29/2008	5/6/2008	Steve, Annette		
14	Preliminary budget review	5/7/2008	5/15/2008	Pam, Kathy, Shannon		
15	Approval of internal budget proposal	5/16/2008	5/16/2008	Kathy, Pam		
16	Email preliminary budget proposal to FAC and Administration	5/16/2008	5/16/2008	Pam		
17	Present Preliminary Budget to FAC	5/19/2008	5/19/2008	Pam, Kathy, Shannon		
18	Preliminary Budget to Administrators	5/20/2008	5/20/2008	Pam, Kathy		
19	Prepare and review final proposed Budget document	6/2/2008	6/4/2008	Pam, Kathy, Shannon		
20	Email final Budget proposal to Board and FAC	6/5/2008	6/5/2008	Pam		
21	Present final Budget proposal to Board for approval	6/9/2008	6/9/2008	Pam, Kathy, Shannon		
22	Update Smart Finance with new budget	6/10/2008	6/10/2008	Shannon		
23	Update Finance Website with new budget and finance news update	6/10/2008	6/10/2008	Pam		
24	Update Enrollment projection on EDRS	6/10/2008	6/10/2008	Pam		
25	Prepare Cardinal Connection article	6/10/2008	6/10/2008	Pam		

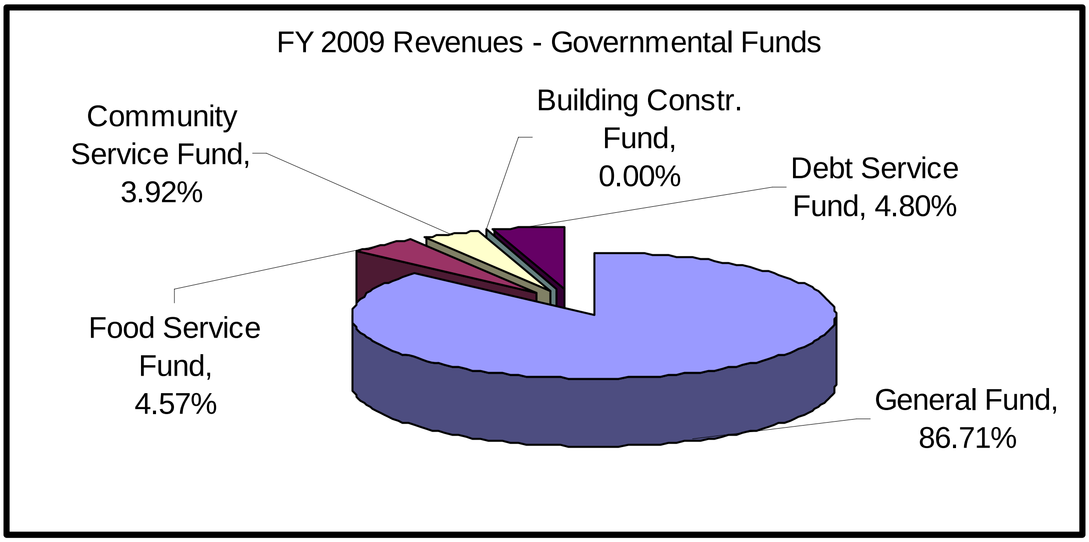
FINANCIAL SECTION

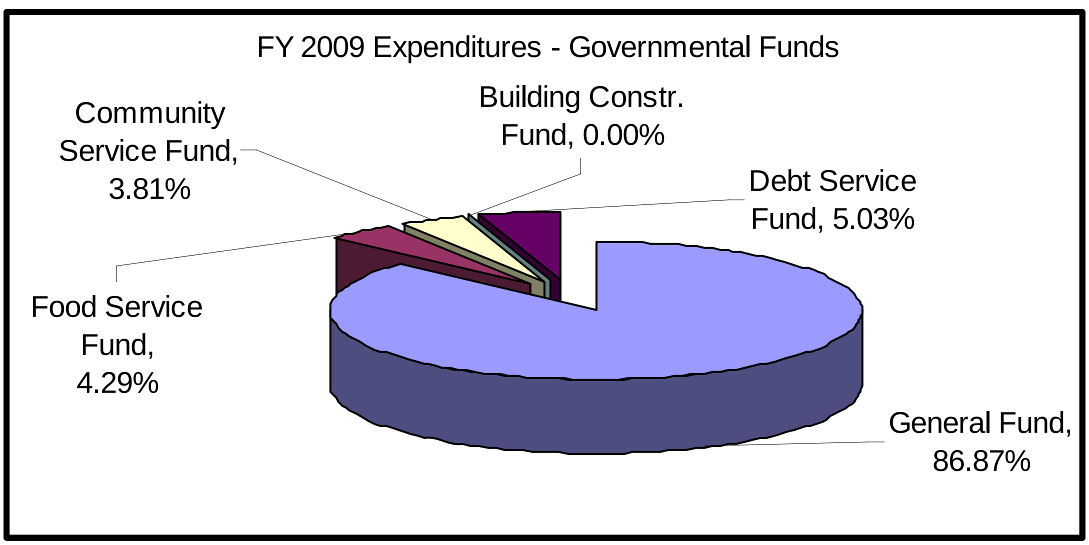
FY 2009 Budget Summary

FUND DESCRIPTION	BUDGETED BALANCE 6/30/08	BUDGETED REVENUES 2008-2009	BUDGETED EXPENDITURES 2008-2009	TRANSFERS 2008-2009	BUDGETED FUND BALANCE 6/30/09
General Fund					
Unreserved/Undesignated	$ 4,447,515	$ 34,063,251	$ (35,884,220)	$ 215,252	$ 2,841,798
Reserved For:					
Staff Development (1%)	163,016	261,093	(424,108)	-	-
Health & Safety	(35,419)	286,542	(277,250)	-	(26,128)
Deferred Maintenance	(1)	278,657	(278,657)	1	-
Severance	1,200,000	-	(618,500)	-	581,500
Operating Capital	440,488	905,201	(906,957)	-	438,732
Learning & Development	-	910,726	(618,257)	(292,469)	-
Area Learning Center	-	983,146	(978,411)	-	4,735
Gifted & Talented	10,080	55,567	(65,647)	-	-
Basic Skills	-	3,156,173	(2,639,387)	(516,786)	-
Career and Tech Programs	-	80,086	(674,089)	594,003	-
Safe Schools	-	142,895	(142,895)	-	-
Total - General Fund	$ 6,225,679	$ 41,123,337	$ (43,508,379)	$ -	$ 3,840,637
Food Service Fund					
Unreserved/Undesignated	$ 239,573	$ 2,169,495	$ (2,148,954)	$ -	$ 260,114
Total - Food Service Fund	$ 239,573	$ 2,169,495	$ (2,148,954)	$ -	$ 260,114
Community Education Fund					
Unreserved/Undesignated	$ 180,327	$ 63,750	$ (52,176)	$ -	$ 191,902
Reserved For:					
Community Education	114,910	819,487	(827,309)	(69,200)	37,889
ECFE	-	348,792	(438,795)	90,003	-
School Readiness	-	121,012	(100,209)	(20,803)	-
Adult Basic Ed	-	506,750	(488,681)	-	18,069
Total - Community Education Fund	$ 295,237	$ 1,859,791	$ (1,907,169)	$ -	$ 247,860
Construction Fund					
Unreserved/Undesignated	$ -	$ -	$ -	$ -	$ -
Total - Construction Fund	$ -	$ -	$ -	$ -	$ -
Debt Service Fund					
Unreserved/Undesignated	$ 955,079	$ 2,276,017	$ (2,519,100)	$ -	$ 711,996
Total - Debt Service Fund	$ 955,079	$ 2,276,017	$ (2,519,100)	$ -	$ 711,996
Fiduciary (Scholarships) Fund					
Unreserved/Undesignated	$ 36,663	$ 672	$ (750)	$ -	$ 36,585
Total - Fuduciary Fund	$ 36,663	$ 672	$ (750)	$ -	$ 36,585
Propriety (Delta Dental) Fund					
Retained Earnings	$ 67,686	$ 243,700	$ (233,580)	$ -	$ 77,806
Total - Propriety Fund	$ 67,686	$ 243,700	$ (233,580)	$ -	$ 77,806
TOTALS - ALL FUNDS	$ 7,819,918	$ 47,673,013	$ (50,317,932)	$ -	$ 5,174,999

	Total All Governmental Funds	FY 2009 Governmental Funds				
		General Fund	Food Service Fund	Community Service Fund	Building Construction Fund	Debt Service Fund
Total Revenue	$ 47,428,641	$ 41,123,337	$ 2,169,495	$ 1,859,791	$ -	$ 2,276,017
Total Expenditures	50,083,602	43,508,379	2,148,954	1,907,169	-	2,519,100
Excess of Revenues Over (under) Expenditures	(2,654,961)	(2,385,041)	20,541	(47,378)	-	(243,083)
Fund Balance - June 30, 2007*	7,715,568	6,225,679	239,573	295,237	-	955,079
Fund Balance - June 30, 2008*	$ 5,060,608	$ 3,840,636	$ 260,114	$ 247,860	$ -	$ 711,996

*Undesignated plus reserves





FY 2009 Governmental Funds Comparison to FY 2008

Revenue Budget Comparison

Fund	1st Revision Budget FY 2008	Original Budget FY 2009	$ Change	% Change
General	$ 41,712,182	$ 41,123,337	$ (588,845)	-1.41%
Food Service	2,169,757	2,169,495	(262)	-0.01%
Community Service	2,082,182	1,859,791	(222,391)	-10.68%
Building Construction	-	-	-	0.00%
Debt Service	2,636,485	2,276,017	(360,468)	-13.67%
Total	$ 48,600,606	$ 47,428,641	$ (1,171,965)	-2.41%

Expenditure Budget Comparison

Fund	1st Revision Budget FY 2008	Original Budget FY 2009	$ Change	% Change
General	$ 43,365,682	$ 43,508,379	$ 142,697	0.33%
Food Service	2,119,107	2,148,954	29,847	1.41%
Community Service	2,136,011	1,907,169	(228,842)	-10.71%
Building Construction	412,873	-	(412,873)	-100.00%
Debt Service	2,584,180	2,519,100	(65,080)	-2.52%
Total	$ 50,617,853	$ 50,083,602	$ (534,251)	-1.06%

Note: The above includes other financing sources or uses

Fund Descriptions

General Fund – The largest and primary fund. Used to account for K-12 educational activities, student transportation and capital related activities. All financial resources are accounted for here, unless they are specifically required to be accounted for in another fund.

Food Service Fund – used to account for food service revenues and expenditures.

Community Service Fund – used to account for services provided to residents in the areas of early childhood or adult programs, recreation, civic activities, nonpublic pupils, veterans, or other similar activities.

Building Construction Fund – used to account for financial resources used for the construction of major capital projects.

Debt Service Fund – used to account for the accumulation of resources for, and payment of, general long-term obligation bond principal, interest and related costs.

FY 2009 Budget Summary of Governmental Funds

	Total All Governmental Funds	General Fund	Food Service Fund	Community Service Fund	Bldg. Constr. Fund	Debt Service Fund
REVENUES						
Local Property Tax Levies	$ 5,245,480	$ 2,950,314	$ -	$ 276,370	$ -	$ 2,018,796
Other Local and County Revenues	2,660,162	1,929,351	-	706,732	-	24,080
Revenues from State Sources	36,112,081	34,852,150	190,100	836,690	-	233,141
Revenues from Federal Sources	2,623,143	1,391,523	1,191,620	40,000	-	-
Other	787,775	-	787,775	-	-	-
Total Revenues	$ 47,428,641	$ 41,123,337	$ 2,169,495	$ 1,859,791	$ -	$ 2,276,017
EXPENDITURES						
Administration	$ 1,821,601	$ 1,821,601	$ -	$ -	$ -	$ -
District Support Services	975,238	975,238	-	-	-	-
Regular Instruction	20,241,030	20,241,030	-	-	-	-
Vocational Education Instruction	894,146	894,146	-	-	-	-
Special Education Instruction	8,291,121	8,291,121	-	-	-	-
Community Education	1,894,669	-	-	1,894,669	-	-
Instructional Support Services	2,544,363	2,544,363	-	-	-	-
Pupil Support Services	5,841,609	3,680,156	2,148,954	12,500	-	-
Sites and Buildings	4,900,724	4,900,724	-	-	-	-
Debt Service Principal	1,835,000	-	-	-	-	1,835,000
Debt Service Interest/Fiscal Charges	683,300	-	-	-	-	683,300
Fiscal/Other Fixed Cost Programs	160,800	160,000	-	-	-	800
Total Expenditures	$ 50,083,602	$ 43,508,379	$ 2,148,954	$ 1,907,169	$ -	$ 2,519,100
Excess (deficiency) of Revenues Over (under) Expenditures	(2,654,961)	(2,385,041)	20,541	(47,378)	-	(243,083)
Fund Balance - June 30, 2007*	7,715,568	6,225,679	239,573	295,237	-	955,079
Fund Balance - June 30, 2008*	**$ 5,060,608**	**$ 3,840,637**	**$ 260,114**	**$ 247,860**	**$ -**	**$ 711,996**

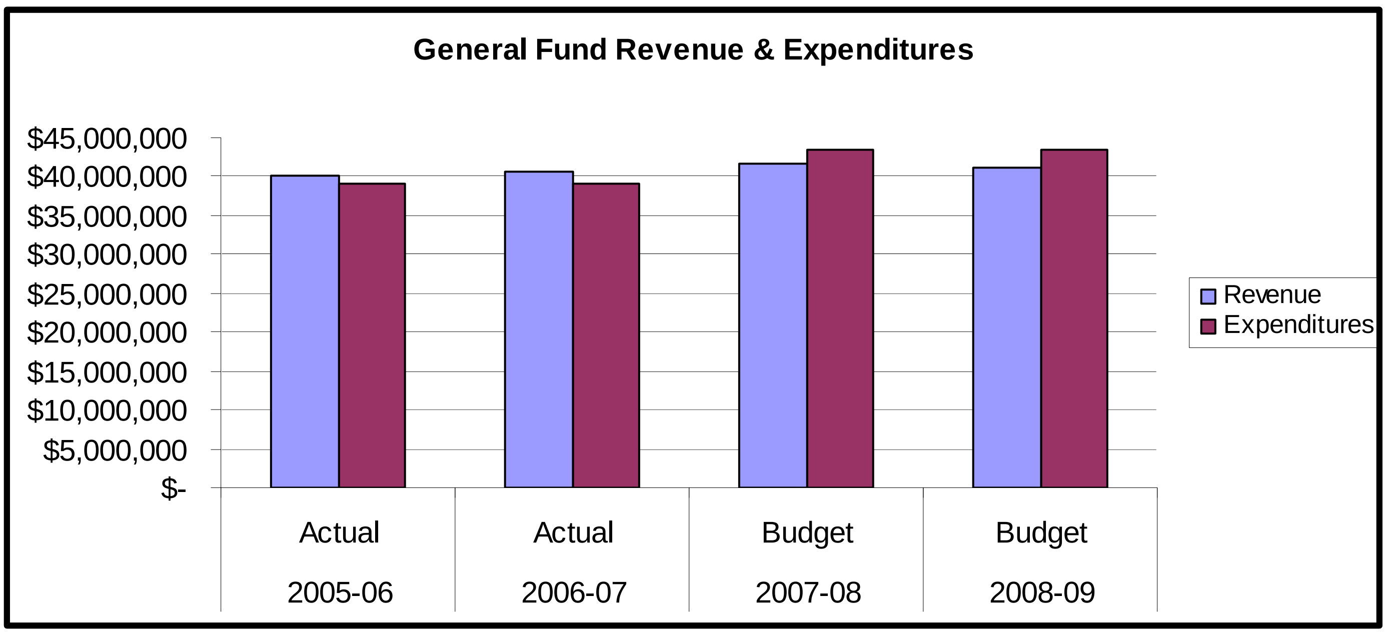
* Undesignated plus reserves

General Fund

Comparative Information

General Fund Budget
Comparative Information for Fiscal Years 2005-06 Through 2008-09
Fund Revenues & Expenditures
With Percent Change from Previous Year

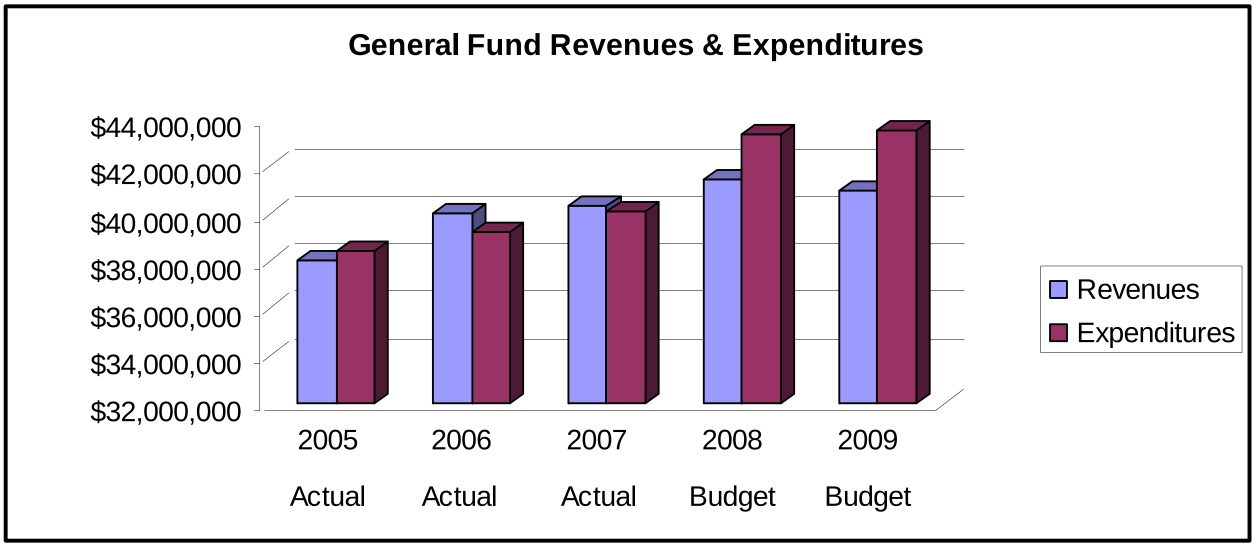
	2005-06 Actual	2006-07 Actual	% Change	1st Revision 2007-08 Actual	% Change	Original 2008-09 Budget	% Change	Average % Change
Revenue	$ 40,049,974	$ 40,703,140	1.63%	$ 41,712,182	2.48%	$ 41,123,337	-1.41%	0.90%
Expenditures	$ 39,210,139	$ 40,136,576	2.36%	$ 43,365,682	8.05%	$ 43,508,379	0.33%	3.58%



General Fund
Revenues, Expenditures and Fund Balance
FY 2009 With Comparative Information For Fiscal Years 2005 - 2008

	Actual 2005	Actual 2006	% Change	Actual 2007	% Change	1st Revision Budget 2008	% Change	Original Budget 2009	% Change	Avg % Change
Revenues										
State	$ 31,476,589	$ 33,264,022	5.68%	$ 34,111,061	2.55%	$ 35,463,377	3.96%	$ 34,852,150	-1.72%	2.62%
Property Taxes	1,645,621	1,170,379	-28.88%	2,411,863	106.08%	2,672,184	10.79%	2,950,314	10.41%	24.60%
Federal	2,813,608	2,379,043	-15.45%	1,496,352	-37.10%	1,433,556	-4.20%	1,391,523	-2.93%	-14.92%
Other Local	2,109,291	3,236,530	53.44%	2,351,032	-27.36%	1,909,428	-18.78%	1,776,617	-6.96%	0.09%
Total Revenues	$ 38,045,109	$ 40,049,974	5.27%	$ 40,370,308	0.80%	$ 41,478,544	2.75%	$ 40,970,604	-1.22%	1.90%
Expenditures										
Salaries	$ 23,371,725	$ 23,357,820	-0.06%	$ 23,441,364	0.36%	$ 24,872,520	6.11%	$ 24,730,145	-0.57%	1.46%
Benefits	6,046,743	6,379,747	5.51%	6,548,794	2.65%	7,405,023	13.07%	7,679,636	3.71%	6.23%
Purchased Services	6,395,629	7,043,012	10.12%	7,479,405	6.20%	7,626,022	1.96%	7,216,596	-5.37%	3.23%
Supplies & Materials	1,652,554	1,388,929	-15.95%	1,358,895	-2.16%	2,169,523	59.65%	2,229,662	2.77%	11.08%
Capital Expenditures	850,748	711,018	-16.42%	1,075,893	51.32%	1,128,063	4.85%	1,496,766	32.68%	18.11%
Debt Service	7,068	103,578	1365.46%	32,096	-69.01%	-	-100.00%	-	0.00%	299.11%
Other	128,812	226,035	75.48%	200,129	-11.46%	164,531	-17.79%	155,574	-5.44%	10.20%
Total Expenditures	$ 38,453,279	$ 39,210,139	1.97%	$ 40,136,576	2.36%	$ 43,365,682	8.05%	$ 43,508,379	0.33%	3.18%
Excess (deficiency) of revenue over expenditures	$ (408,170)	$ 839,835		$ 233,732		$ (1,887,138)		$ (2,537,775)		
Other Fin. Sources (uses	2,778	24,574		332,832		233,638		152,733		
Fund Balance* July 1	6,853,597	6,448,205		7,312,614		7,879,178		6,225,678		
Fund Balance* June 30	$ 6,448,205	$ 7,312,614		$ 7,879,178		$ 6,225,678		$ 3,840,637		

* Undesignated plus reserves



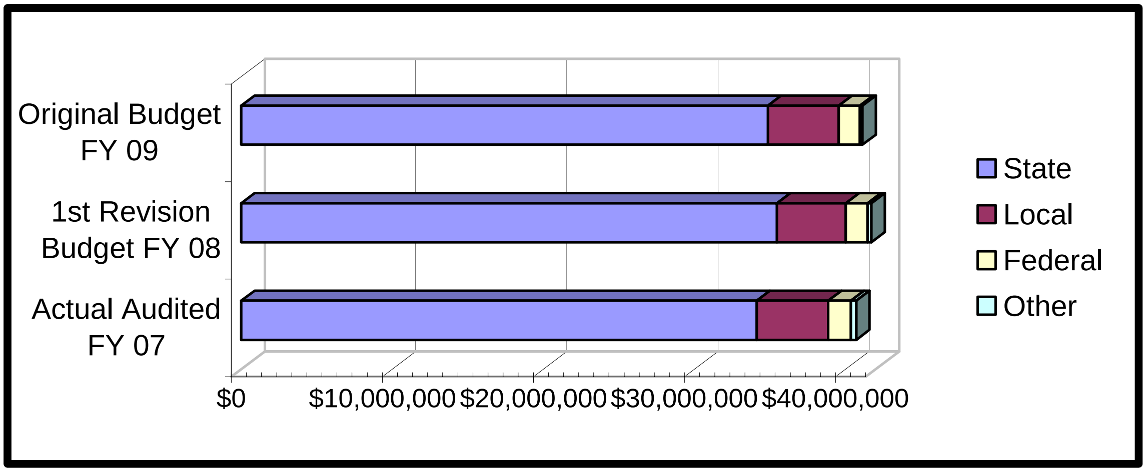
FY 09 Original General Fund Revenue Assumptions

1. E-12 Student enrollment will decline slightly from 4,023 Average Daily Memberships (ADM's) in FY 08 to 4,014 ADM's in FY 09. Kindergarten enrollment is projected at 300 ADM's.
2. State aid is based on State of MN legislation for FY 09, including a one-time 1% general education formula increase as passed by the 2008 legislature.
3. Levy revenue is based on the 2007 Pay 2008 Levy Certification approved by the School Board in December of 2007 (for fiscal year 2008-2009) and published by the MN Department of Education.
4. Special Education aid is based on reasonably conservative estimates along with past history.
5. Non-levy local revenues are based on estimates and the best information available at the time of the budget.
6. Microsoft settlement revenues match expenditures in the same fiscal year.
7. Federal program revenues are based on preliminary FY 09 allocations.
8. Grant revenue and associated expenditures are based on estimates and the best information available at the time of the budget.

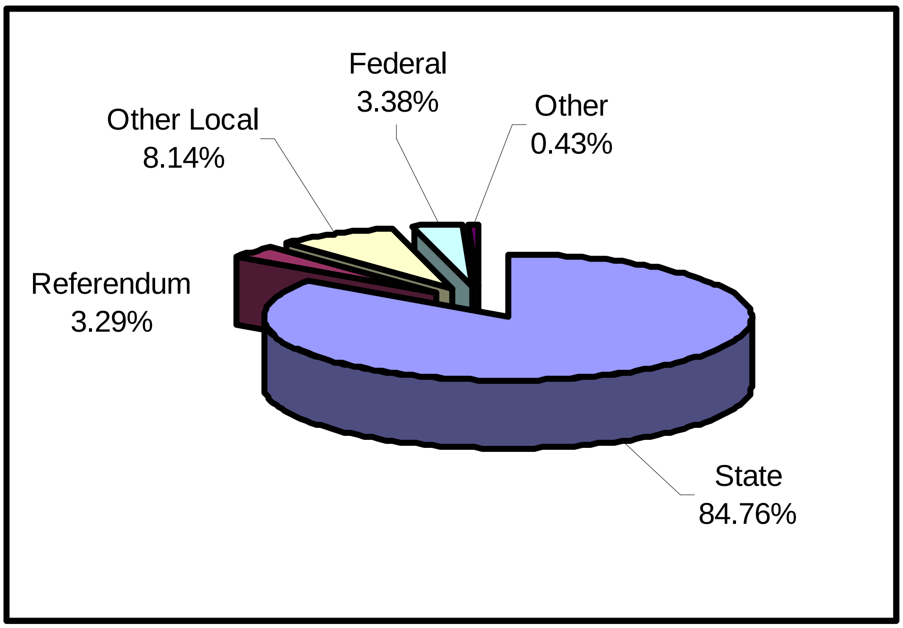
General Fund Revenues

General Fund Revenues come from state, local, federal and other sources as depicted in the chart and graph below.

Revenue Sources	Actual Audited FY 07	1st Revision Budget FY 08	Original Budget FY 09	Budget Change FY 08 to FY 09 $	Budget Change FY 08 to FY 09 %
State	$ 34,111,061	$ 35,463,377	$ 34,852,150	$ (611,226)	-1.72%
Local	4,735,037	4,554,612	4,702,931	148,319	3.26%
Federal	1,496,352	1,433,556	1,391,523	(42,033)	-2.93%
Other	360,689	260,638	176,733	(83,905)	-32.19%
Total	$ 40,703,140	$ 41,712,182	$ 41,123,337	$ (588,845)	-1.41%



FY 2009 General Fund Revenue Sources



A Summary of Revenue Variances from the FY 08 1st Revision Budget

Local Revenue increased $148,319 primarily due to revenue that was formerly paid as state aid being shifted to local levy.

State Revenue decreased $611,226 mainly due to the special education aid estimate in the FY 08 1st Revision Budget being too high.

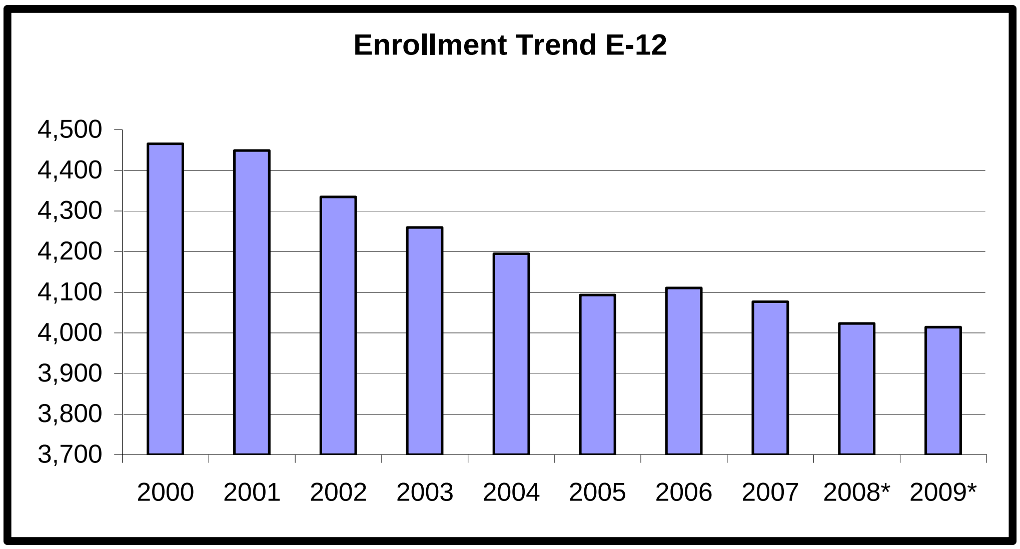
Federal Revenue is down due to lower federal entitlements.

Other Revenues are down due to the Microsoft Settlement diminishing and no expected insurance recoveries.

Enrollment

Student enrollment is extremely important as it not only drives staffing decisions but is also the key component of the general education revenue funding formula which is the major funding source of the district.

Enrollment for FY 2009 is projected to be 4,014 Average Daily Membership's (ADM's), a decrease of 9 ADM's, or .22% from the FY 2008 projected ADM's. Enrollment is beginning to level out as incoming Kindergarten classes and exiting grade 12 classes are becoming similar in size. The District constantly monitors enrollment for changes caused by mobility, local economic development or decline and other external factors. The District's enrollment history is presented in the following graph.



* Projected

Fiscal Year	Student ADM's
2000	4,465
2001	4,449
2002	4,335
2003	4,259
2004	4,195
2005	4,093
2006	4,111
2007	4,077
2008*	4,023
2009*	4,014

* Projected Enrollment

The projected E-12 enrollment for the FY 2009 Original Budget is 4,014 ADM's.

> ADM's (Average Daily membership) calculates actual "membership time" in Willmar Public Schools, rather than simple enrollment counts at a given point in time. This also includes the net impact of "open enrollment" agreements with other MN districts.

This projection is based on the information summarized in the charts on the prior page. The ENPRO model projects 4,014 ADM's (this model now provides 18 different types of projections; this is roughly the average of the five chosen to compare). Also factored into this projection are the student seat count trend, a separate ENPRO projection based on October 1 seat count, analysis of non-public school enrollments and Sr. class/K class size issues. Finally, the mobility index along with local economic development and housing trends was considered.

The ENPRO model uses the following enrollment projection techniques:

- ⇒ <u>Cohort Survival method</u>: based on the ratio between the number of students at one grade level vs. the number in the previous grade level the prior year.
- ⇒ <u>Weighted Cohort Survival method</u>: same as the above, but assigns a greater value to the cohort survival ratios for the most recent years.
- ⇒ <u>Numeric Survival method</u>: based on the difference (numerical) of the enrollment change from year to year as opposed to a ratio.
- ⇒ <u>Weighted Numeric Survival method</u>: same as above, but assigns a greater value to the numeric ratios for the most recent years.
- ⇒ <u>Merged/average of the above</u>: Merging and averaging various versions of the above ratios.

Although the population of both the City of Willmar and Kandiyohi County grew during the 1990's, the district's student enrollment declined. In general, the district's long-term enrollment decline is a function of demographic trends affecting the majority of Minnesota school districts. These trends include a decline in the number of households with children, lower overall populations of children, and increased mobility. In addition, the district also faces typical enrollment challenges from open enrollment options, drop outs and competition from local private schools and home schooling options.

Looking into the near future, demographic trends point to a more level enrollment trend. This conclusion is based on a detailed demographic study completed in the spring of 2006 along with recent trends and analysis. There are a number of signs that point to successful economic development trends in Kandiyohi County. It is too early to tell how positively this economic expansion will affect enrollment.

Because of the above-mentioned demographic trends and even factoring in promising economic development taking place in the Willmar area, the District projects that enrollment will begin to level out, based on the information available to us. However, the leveling out will include slight increases or decreases to enrollment each year.

<u>FY 09 Original Budget General Fund Expenditure Assumptions</u>

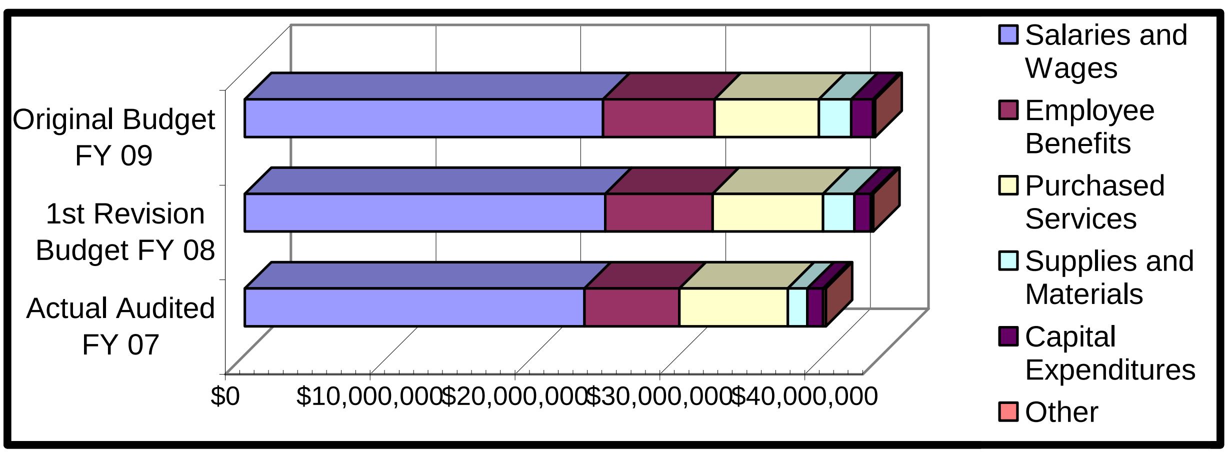
1. Payroll and benefits reflect settled contracts for FY 09. Unsettled contracts are being budgeted at a combined 4% increase for payroll and benefits.
2. Staffing reductions made at the May Board meetings related to FY 09 are reflected in the budget.
3. Transportation budget is based on the contracts to be approved at the June Board meeting.

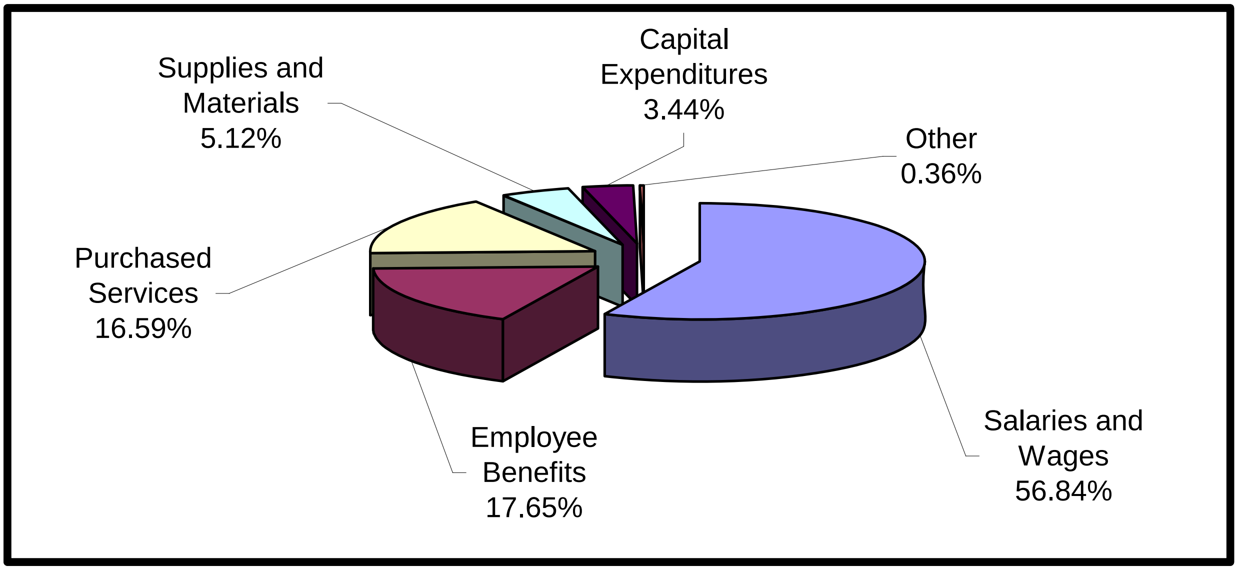
4. Non-payroll budgets are generally based on a 3% increase, economical factors or known trends.
5. The Staff Development expenditures reflect a vote by the teachers and the Board to set aside 1% of basic revenue to Staff Development versus the 2% allowed by law. Expenditures also reflect spending that would leave a zero fund balance for Staff Development.
6. Phase 4 of the Sr. High exterior wall repair project is budgeted at $210,000. This project is scheduled to be completed in the summer of 2008.
7. Federal program expenditures are based on preliminary FY 09 allocations.
8. Grant expenditures and associated revenues are based on estimates and the best information available at the time of the budget.

General Fund Expenditures

General Fund Expenditures are split into the following object groups: salaries and wages, employee benefits, purchased services, supplies and materials, capital expenditures and other as depicted in the chart and graph below.

Expenditure Object Groups	Actual Audited FY 07	1st Revision Budget FY 08	Original Budget FY 09	Budget Change FY 08 to FY 09 $	Budget Change FY 08 to FY 09 %
Salaries and Wages	$ 23,441,364	$ 24,872,520	$ 24,730,145	$ (142,375)	-0.57%
Employee Benefits	6,548,794	7,405,023	7,679,636	274,613	3.71%
Purchased Services	7,479,405	7,626,022	7,216,596	(409,426)	-5.37%
Supplies and Materials	1,358,895	2,169,523	2,229,662	60,139	2.77%
Capital Expenditures	1,075,893	1,128,063	1,496,766	368,703	32.68%
Other	200,129	164,531	155,574	(8,957)	-5.44%
Total	$ 40,136,576	$ 43,365,682	$ 43,508,379	$ 142,697	0.33%





A Summary of Expenditure Variances from the FY 2008 1st Revision Budget

Payroll & Benefits together increased $132,238 primarily due to a combination of contract settlements and retiree's severance offset by staff reductions.

Purchased Services decreased $409,426 mainly due to capital expenditures being recorded as capital instead of repairs.

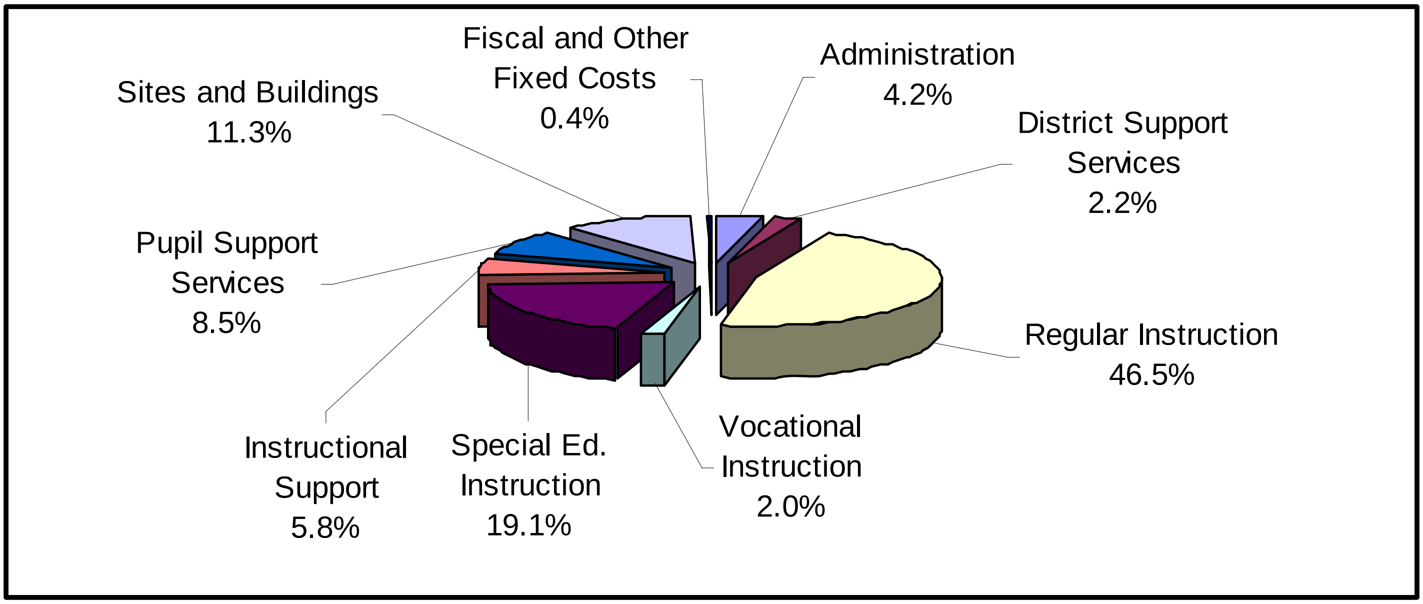
Supplies and Materials increased $60,139 primarily due to the rising cost of fuel.

Capital Expenditures increased $368,703 mainly due to capital expenditures being recorded as capital instead of repairs.

Other Expenditures remained fairly steady.

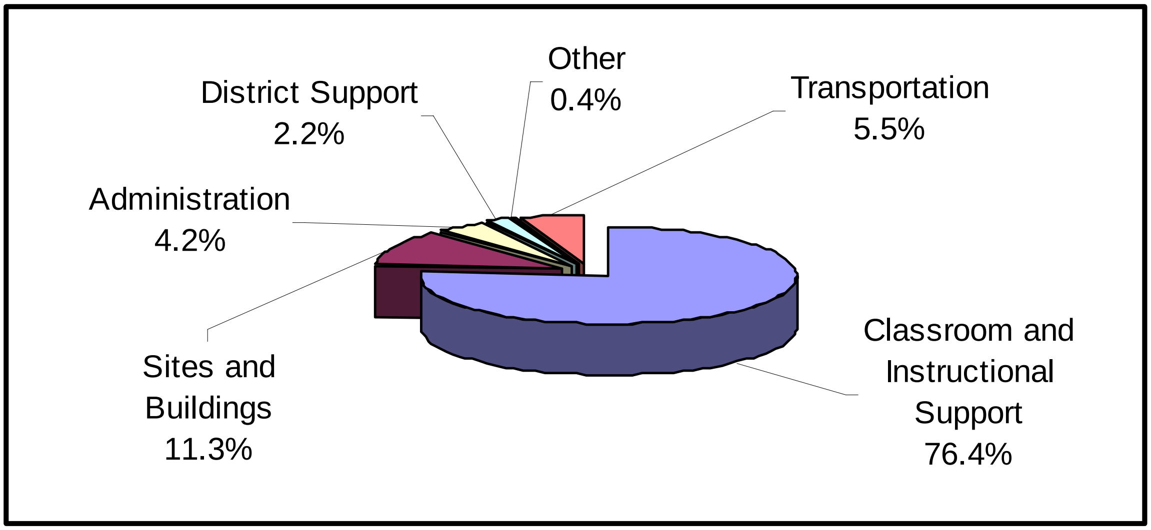
Expenditures by Program Groups

Expenditure Program Groups	Actual Audited FY 07	1st Revision Budget FY 08	Original Budget FY 09	Budget Change FY 08 to FY 09	
				$	%
Administration	$ 1,556,254	$ 1,621,462	$ 1,821,601	$ 200,139	12.34%
District Support Services	961,731	980,899	975,238	(5,661)	-0.58%
Regular Instruction	18,959,537	20,562,026	20,241,030	(320,996)	-1.56%
Vocational Instruction	626,345	739,409	894,146	154,737	20.93%
Special Ed. Instruction	7,674,200	8,394,851	8,291,121	(103,730)	-1.24%
Instructional Support	1,994,171	2,628,610	2,544,363	(84,247)	-3.21%
Pupil Support Services	3,196,510	3,460,538	3,680,156	219,618	6.35%
Sites and Buildings	4,928,436	4,817,887	4,900,724	82,837	1.72%
Fiscal and Other Fixed Costs	239,392	160,000	160,000	-	0.00%
Total	$ 40,136,576	$ 43,365,682	$ 43,508,379	$ 142,697	0.33%



Instruction Takes Top Priority

Functions	Detailed Functions	Budget
Classroom Instruction	Regular and Vocational Programs	$ 21,135,176
and Pupil Support	Special Education	$ 8,291,121
$31,417,659 or 76.7%	Instructional and Pupil Support	$ 3,817,408
Transportation	Pupil Transportation	$ 2,407,111
$2,407,111		
5.30%		
Sites and Buildings	Operations, Maintenance and	
$4,900,724	Capital	$ 4,623,474
11.10%	Health & Safety	$ 277,250
Administration	School Board	$ 81,238
$1,821,601	Office of the Superintendent	$ 474,068
3.90%	Building and District Leadership	$ 1,266,295
District Support	Business Office	$ 541,611
$975,238	Human Resources	$ 305,554
2.40%	Other	$ 128,073
Other	Interest Expense	$ -
$160,000	Property Casualty Insurance	$ 160,000
0.60%	Misc.	$ -
	TOTAL	**$ 43,508,379**



Explanation of General Fund Program Classifications of Expenditures
(per State Uniform Financial Accounting and Reporting Standards - UFARS guidelines)

Administration – This function includes all costs for instruction or instructional-related administration and school site administration. This includes the School Board, Superintendent, Principals and Director of Curriculum & Instruction. Included are the costs of their immediate offices, including those staff in direct support of the administrator.

District Support Services – This function consists of activities related to general administrative support not included in the "Administrative" category. This category includes the Business Office, Human Resources, Legal, School Elections, etc.

Regular Instruction – This function includes all activities dealing directly with the teaching of pupils. It does not include special education, vocational education or community education. This function also includes aides or assistants (such as paraprofessionals) who assist in the educational process.

Vocational Instruction – This function encompasses courses and activities that develop knowledge, skills, attitudes and behavioral characteristics for students seeking career exploration and employability. Examples include Agriculture and Business courses.

Special Education Instruction – This function includes those activities providing learning experiences for students that, because of certain atypical characteristics or conditions have been identified as requiring educational programs differentiated from those provided students in regular or vocational instruction.

Instructional Support Services – This function encompasses activities that assist the instructional staff with the content and process of providing student learning experiences. Activities include curriculum development, media centers and staff development. Includes Assistant Principals.

Pupil Support Services – This function includes all services provided to pupils, which do not qualify to be classified as instructional services. These programs include: guidance counseling, health services, psychological, social work and transportation.

Sites, Buildings and Equipment – This function encompasses activities related to the operation, maintenance, repair, remodeling and leasing of all facilities and grounds.

Fiscal and Other Fixed Cost Programs – This function includes all other activities not recorded elsewhere and includes property/casualty insurance and interest expense on cash flow borrowing.

Capital

The District is responsible for due diligence in maintaining fixed assets that are community assets. The Capital Budget is necessary to maintain 865,804 square feet in 9 owned building sites. The Capital Budget funds repair/maintenance projects and purchases of equipment as allowed by state statute. The District receives state aid and levies taxes to the used for these purposes. The cumulative excess of such revenue over capital expenditures is reported as a reserve of operating capital fund balance in the General Fund.

The Operating Capital Revenue for FY 2009 is $956,028. State aid comprises 58% of this revenue, with the local levy providing the remaining 42%. Revenue in this category includes the $48,202 lease levy. Operating capital revenue of $97,274 goes towards the annual payment on the district's Capital Facilities Bonds, leaving $906,956 for the operating capital budget.

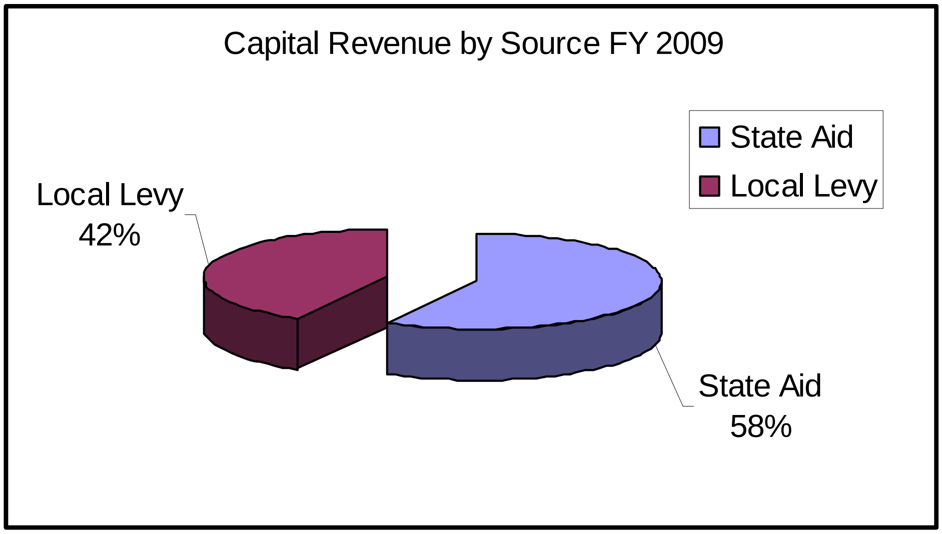
The Operating Capital revenue used for funding these projects is designated specifically for that use. The district is not allowed to use those dollars for classroom specific expenditures such as wages, benefits or supplies.

The Operating Capital Budget development process includes: 1) multiple requests for projects from Principals and Head Custodians, along with analysis of the district's comprehensive facility study, 2) multiple reviews by site of projects under consideration, 3) analysis by the Director of Business and Finance, Rich Olson and Bob Engstrom to develop a tentative recommendation, and finally 4) a detailed review of this tentative recommendation by Kathy Leedom and the Board Buildings and Grounds Committee which includes Board members Dion Warne and Mike Carlson, along with Kathy Leedom, the Director of Business and Finance and Rich Olson. The Buildings and Grounds Committee met on April 22, 2008 and approved a proposed FY 2009 Operating Capital Budget that was approved by the Board as part of the FY 2009 Original Budget. The following charts provide further information on the Capital Budget.

Operating Capital Budget
Comparative Information for Fiscal Years 2003-2004 Through 2008-2009
Expenditure History

Actual 2003-04	Actual 2004-05	Actual 2005-06	Actual 2006-07	Budget 2007-08	Budget 2008-09
$663,149	$628,077	$886,373	$867,007	$879,127	$906,956

The increased budgeted expenditures for FY 2006 compared to FY 05 were primarily due to the decrease in the Facility and Equipment Bond payment of $214,383, which increased available Capital Revenue.



Capital Budget FY 2009, Major Project Descriptions

Lincoln Elementary School, Jefferson Elementary School, Junior High School – Replace steam traps, $32,250, funded with operating capital. This maintenance will extend the life of the boilers, as well as, reduce energy and repair costs.

WEAC – Replace section of roof, $31,129, funded with operating capital. This project will replace a section of roof and will stop leaks, reduce maintenance and energy costs.

Junior High School – Replace boilers, $180,000, funded with operating capital. This project will replace current boilers that have outlived their useful life. The new boilers will be more energy efficient and easier to maintain thus lower energy and maintenance costs.

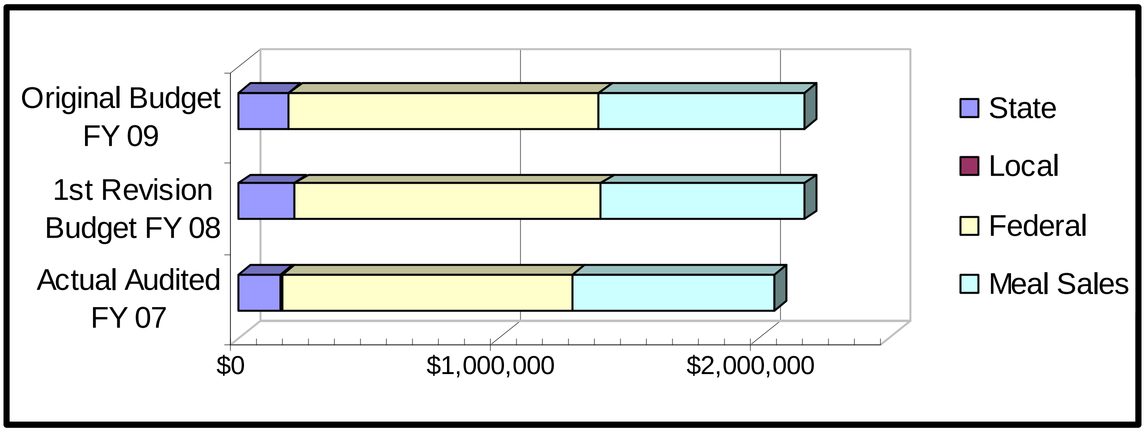
Kennedy Elementary School – Repair parking lot, $35,815, and make security improvements, $42,900. The parking lot repair will extend the life of the parking lot before a major overhaul is needed. Security improvements will make this large building more secure for the elementary students and staff.

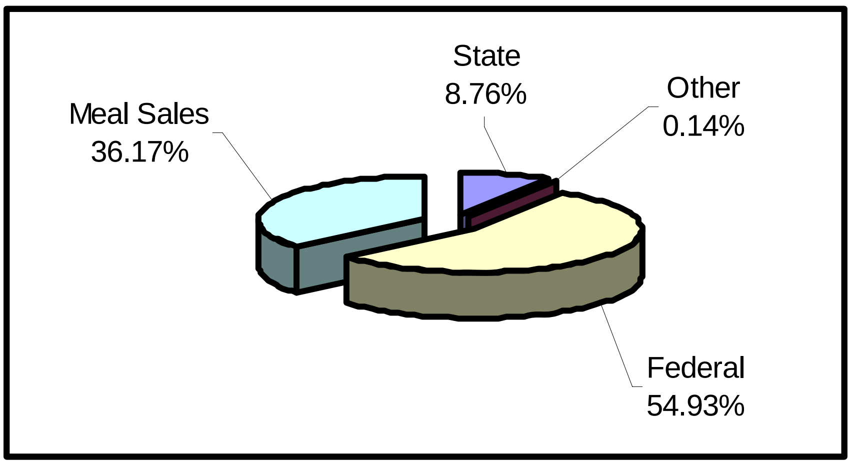
Food Service Fund

Revenue

Food Service Fund Revenues come from state, local and federal sources as well as meal sales. Overall, revenue remained steady as depicted in the chart and graph below.

Revenue Sources	Actual Audited FY 07	1st Revision Budget FY 08	Original Budget FY 09	Budget Change FY 08 to FY 09 $	Budget Change FY 08 to FY 09 %
State	$ 159,811	$ 211,038	$ 190,100	$ (20,938)	-9.92%
Local	9,634	6,189	3,000	(3,189)	-51.53%
Federal	1,111,782	1,174,272	1,191,620	17,348	1.48%
Meal Sales	773,995	778,258	784,775	6,517	0.84%
Total	$ 2,055,222	$ 2,169,757	$ 2,169,495	$ (262)	-0.01%

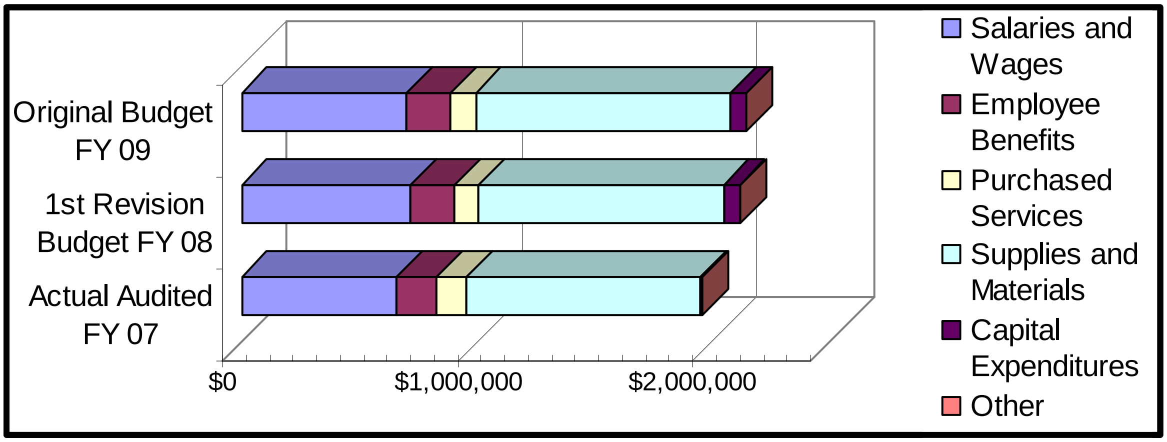


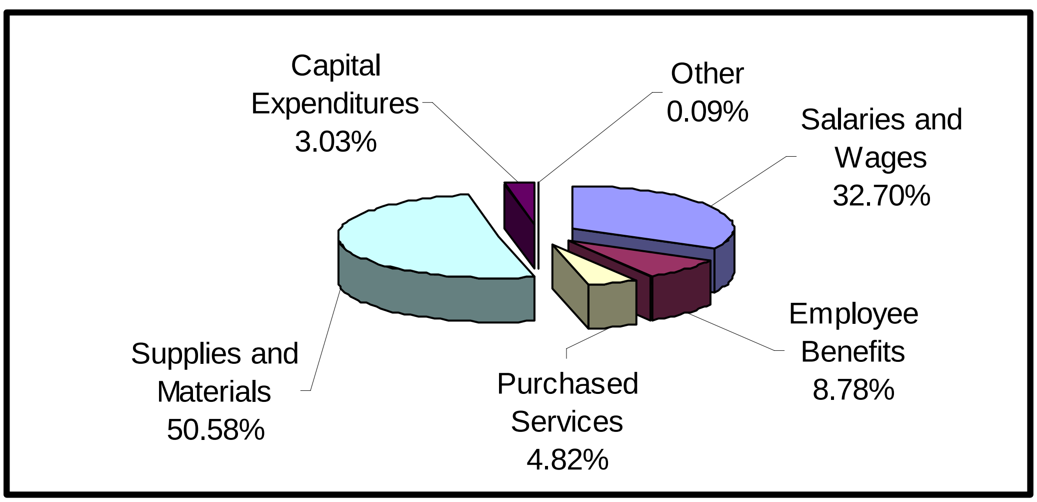


Expenditures

Food Service Fund Expenditures are split into the following object groups: salaries and wages, employee benefits, purchased services, supplies and materials, capital expenditures and other as depicted in the chart and graph below.

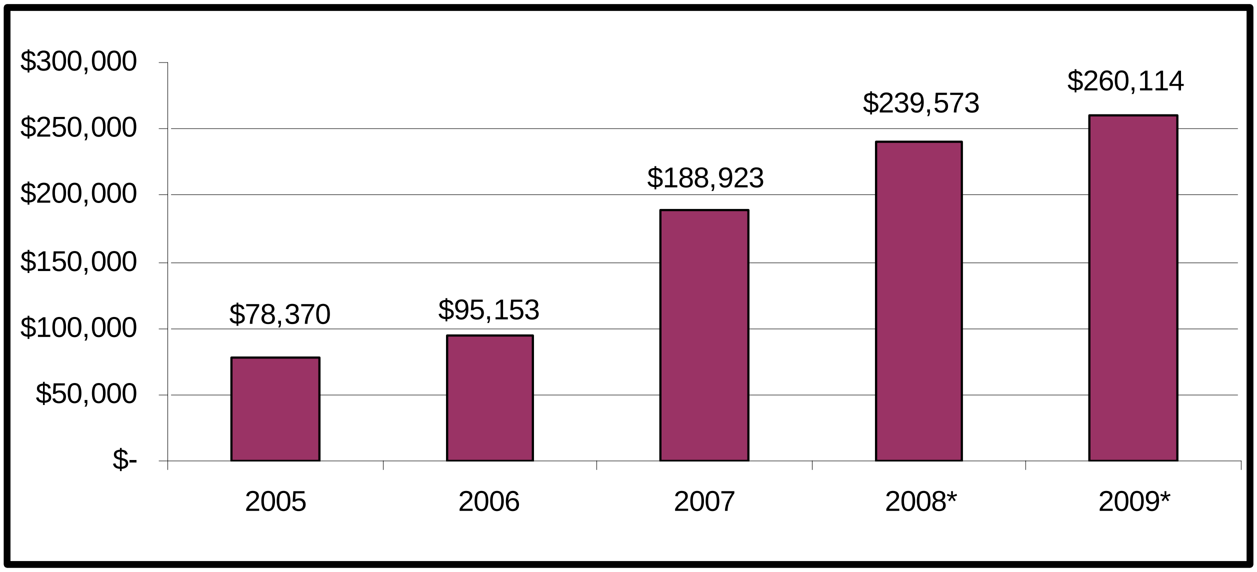
Expenditure Object Groups	Actual Audited FY 07	1st Revision Budget FY 08	Original Budget FY 09	Budget Change FY 08 to FY 09	
				$	%
Salaries and Wages	$ 655,997	$ 720,086	$ 702,682	$ (17,404)	-2.42%
Employee Benefits	176,451	187,071	188,609	1,538	0.82%
Purchased Services	125,497	100,060	103,491	3,431	3.43%
Supplies and Materials	992,811	1,042,310	1,086,974	44,664	4.29%
Capital Expenditures	10,058	67,580	65,197	(2,383)	-3.53%
Other	638	2,000	2,000	-	0.00%
Total	$ 1,961,452	$ 2,119,107	$ 2,148,954	$ 29,847	1.41%



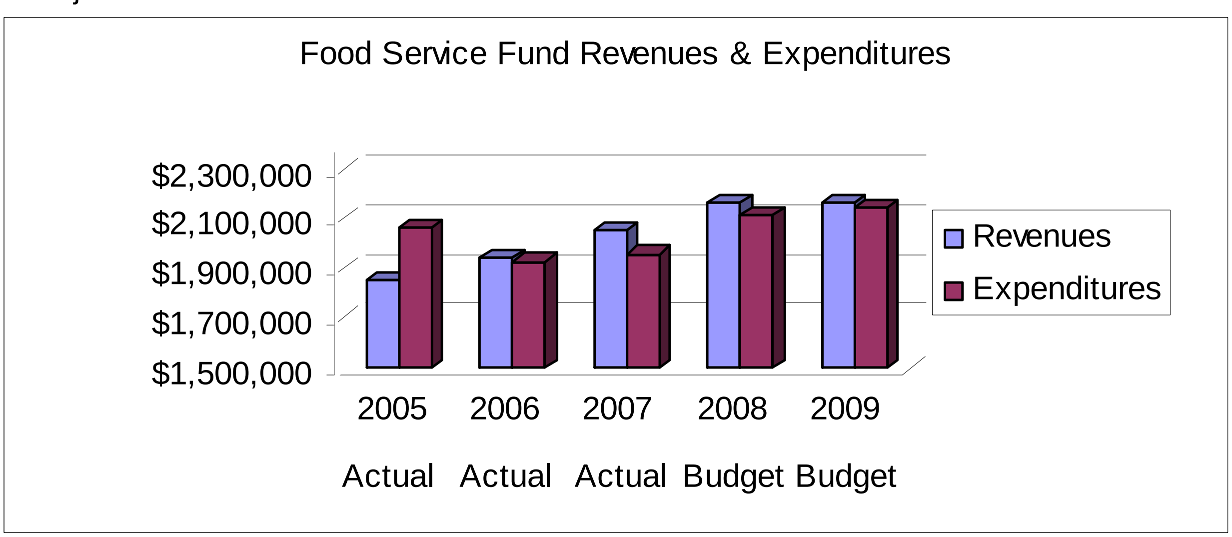


Food Service Fund Balance

	2005	2006	2007	2008*	2009*
Unreserved Fund Balance	$ 78,370	$ 95,153	$ 188,923	$ 239,573	$ 260,114
% Change	-73.14%	21.42%	98.55%	26.81%	8.57%
Expenditures	$ 2,066,305	$ 1,928,250	$ 1,961,452	$ 2,119,107	$ 2,148,954
% Change	12.53%	-6.68%	1.72%	8.04%	1.41%
% of Fund Balance to Exp.	3.79%	4.93%	9.63%	11.31%	12.10%



* Projection



Food Service Fund
Revenues, Expenditures and Fund Balance
FY 2009 With Comparative Information For Fiscal Years 2005 - 2008

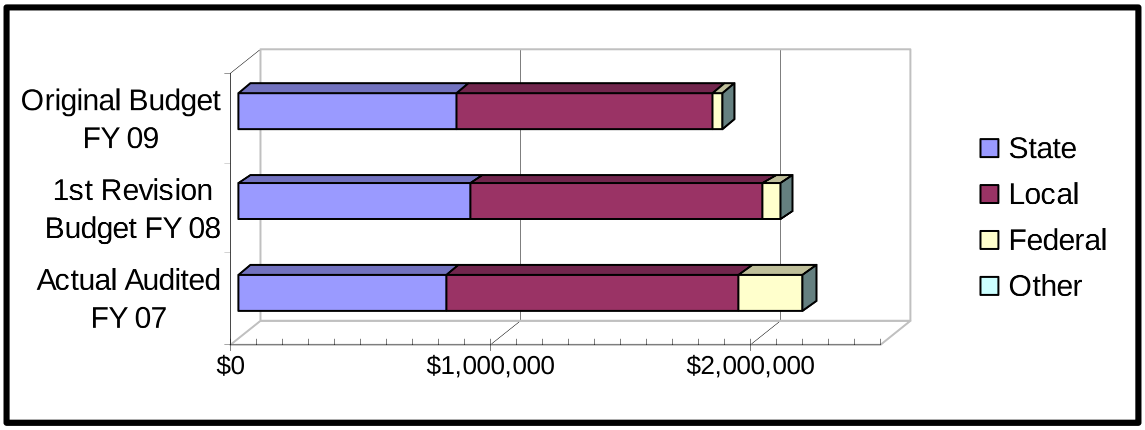
	Actual 2005	Actual 2006	% Change	Actual 2007	% Change	1st Revision Budget 2008	% Change	Original Budget 2009	% Change	Average % Change
Revenues										
State	$ 173,595	$ 163,578	-5.77%	$ 159,811	-2.30%	$ 211,038	32.05%	$ 190,100	-9.92%	3.52%
Federal	997,880	1,058,230	6.05%	1,111,782	5.06%	1,174,272	5.62%	1,191,620	1.48%	4.55%
Other Local	681,452	722,724	6.06%	783,629	8.43%	784,447	0.10%	787,775	0.42%	3.75%
Total Revenues	$ 1,852,927	$ 1,944,532	4.94%	$ 2,055,222	5.69%	$ 2,169,757	5.57%	$ 2,169,495	-0.01%	4.05%
Expenditures										
Salaries	$ 643,791	$ 669,797	4.04%	$ 655,997	-2.06%	$ 720,086	9.77%	$ 702,682	-2.42%	2.33%
Benefits	163,549	168,237	2.87%	176,451	4.88%	187,071	6.02%	188,609	0.82%	3.65%
Purchased Services	272,561	115,887	-57.48%	125,497	8.29%	100,060	-20.27%	103,491	3.43%	-16.51%
Supplies & Materials	879,716	920,230	4.61%	992,811	7.89%	1,042,310	4.99%	1,086,974	4.29%	5.44%
Capital Expenditures	106,354	50,581	-52.44%	10,058	-80.11%	67,580	571.90%	65,197	-3.53%	108.95%
Other	335	3,518	950.15%	638	-81.86%	2,000	213.48%	2,000	0.00%	270.44%
Total Expenditures	$ 2,066,305	$ 1,928,250	-6.68%	$ 1,961,452	1.72%	$ 2,119,107	8.04%	$ 2,148,954	1.41%	1.12%
Excess (def.) of revenues over expenditures	$ (213,378)	$ 16,282		$ 93,770		$ 50,650		$ 20,541		
Other Fin. Sources (uses)	-	500		-		-		-		
Fund Balance July 1	291,749	78,371		95,153		188,923		239,573		
Fund Balance June 30	**$ 78,372**	**$ 95,153**		**$ 188,923**		**$ 239,573**		**$ 260,114**		

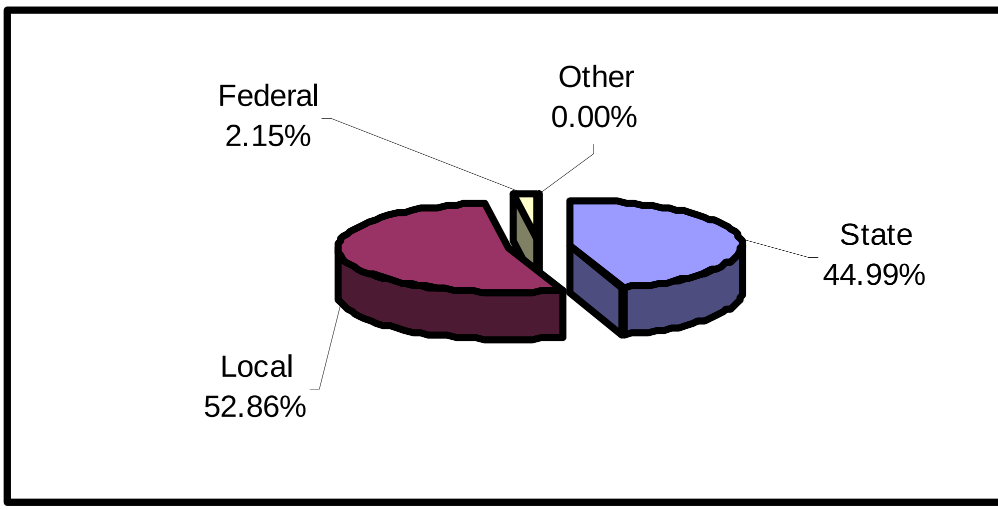
Community Service Fund

Revenue

Community Service Fund Revenues come from state, local, federal and other sources as depicted in the chart and graph below.

Revenue Sources	Actual Audited FY 07	1st Revision Budget FY 08	Original Budget FY 09	Budget Change FY 08 to FY 09 $	Budget Change FY 08 to FY 09 %
State	$ 796,112	$ 889,674	$ 836,690	$ (52,984)	-5.96%
Local	1,125,630	1,124,525	983,101	(141,424)	-12.58%
Federal	246,297	67,982	40,000	(27,982)	-41.16%
Other	-	-	-	-	0.00%
TOTAL	$ 2,168,039	$ 2,082,182	$ 1,859,791	$ (222,390)	-10.68%

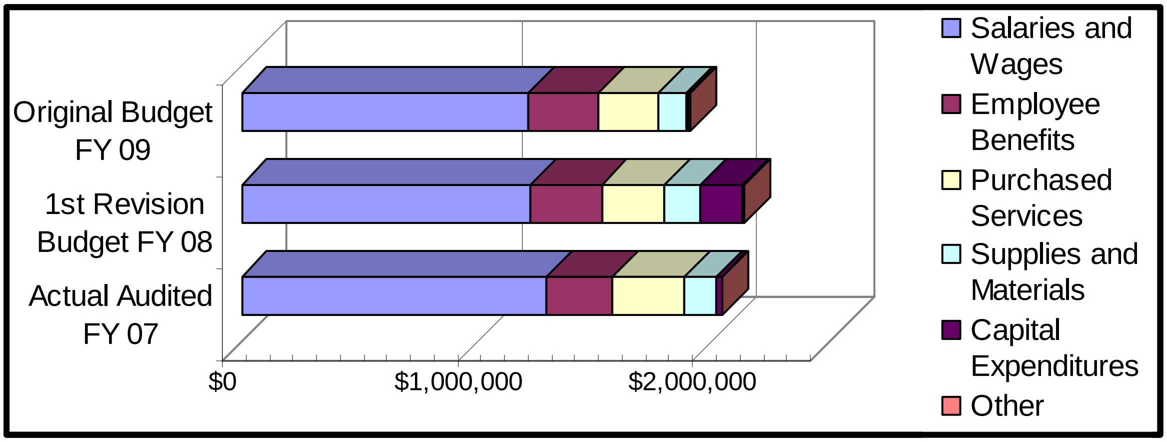


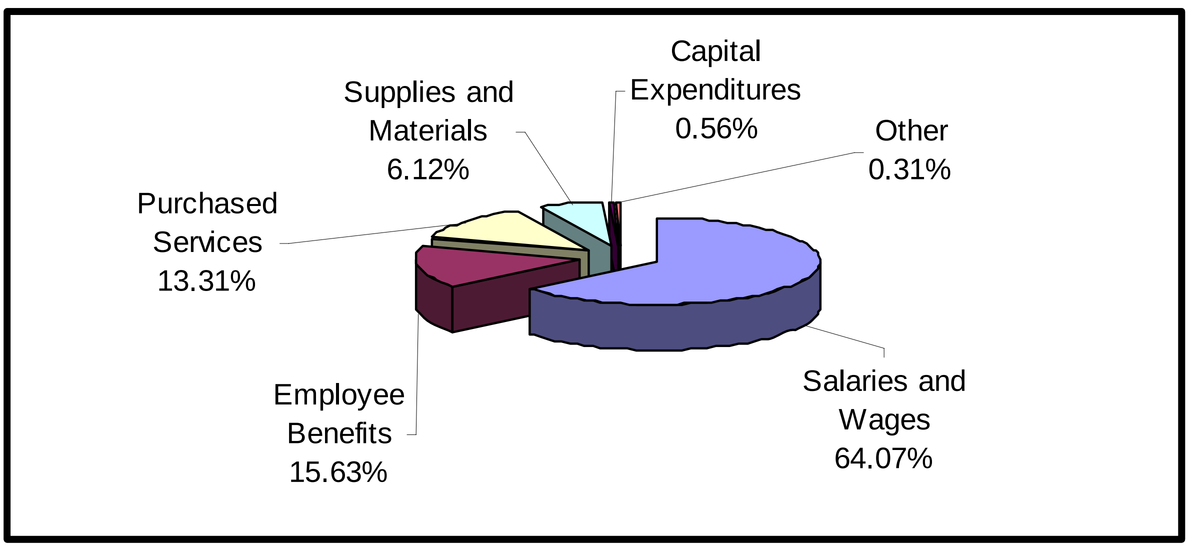


Expenditures

Community Service Fund Expenditures are split into the following object groups: salaries and wages, employee benefits, purchased services, supplies and materials, capital expenditures and other as depicted in the chart and graph below.

Expenditure Object Groups	Actual Audited FY 07	1st Revision Budget FY 08	Original Budget FY 09	Budget Change FY 08 to FY 09	
				$	%
Salaries and Wages	$ 1,297,428	$ 1,228,435	$ 1,221,999	$ (6,436)	-0.52%
Employee Benefits	283,261	302,313	298,003	(4,311)	-1.43%
Purchased Services	299,447	270,311	253,838	(16,473)	-6.09%
Supplies and Materials	140,059	148,704	116,800	(31,904)	-21.45%
Capital Expenditures	19,818	182,223	10,600	(171,623)	-94.18%
Other	5,619	4,025	5,930	1,905	47.33%
Total	$ 2,045,631	$ 2,136,011	$ 1,907,169	$ (228,842)	-10.71%

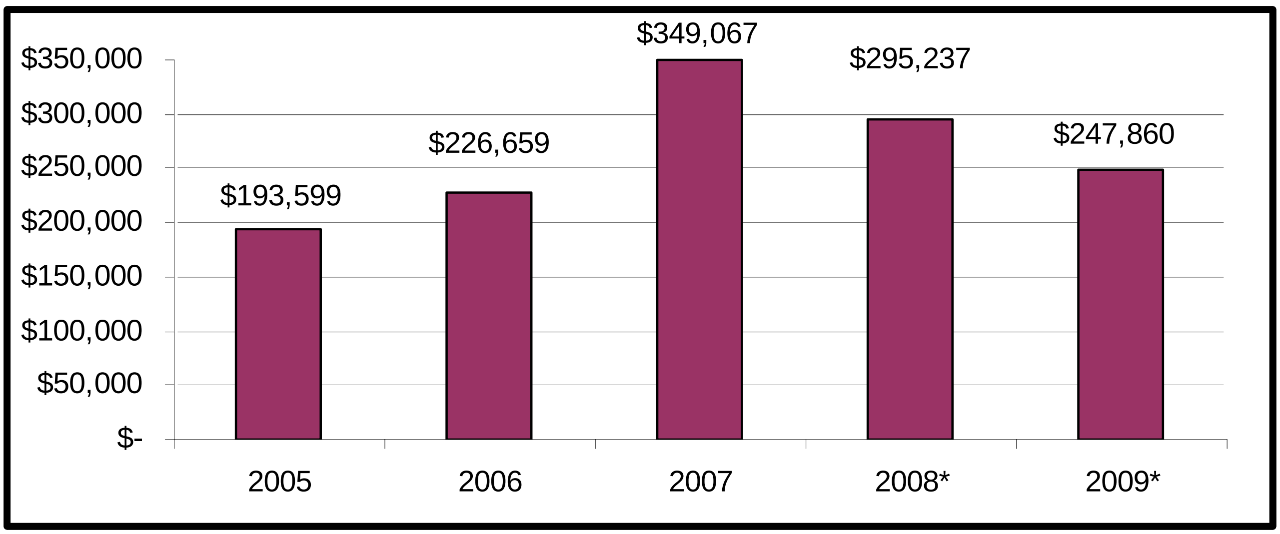


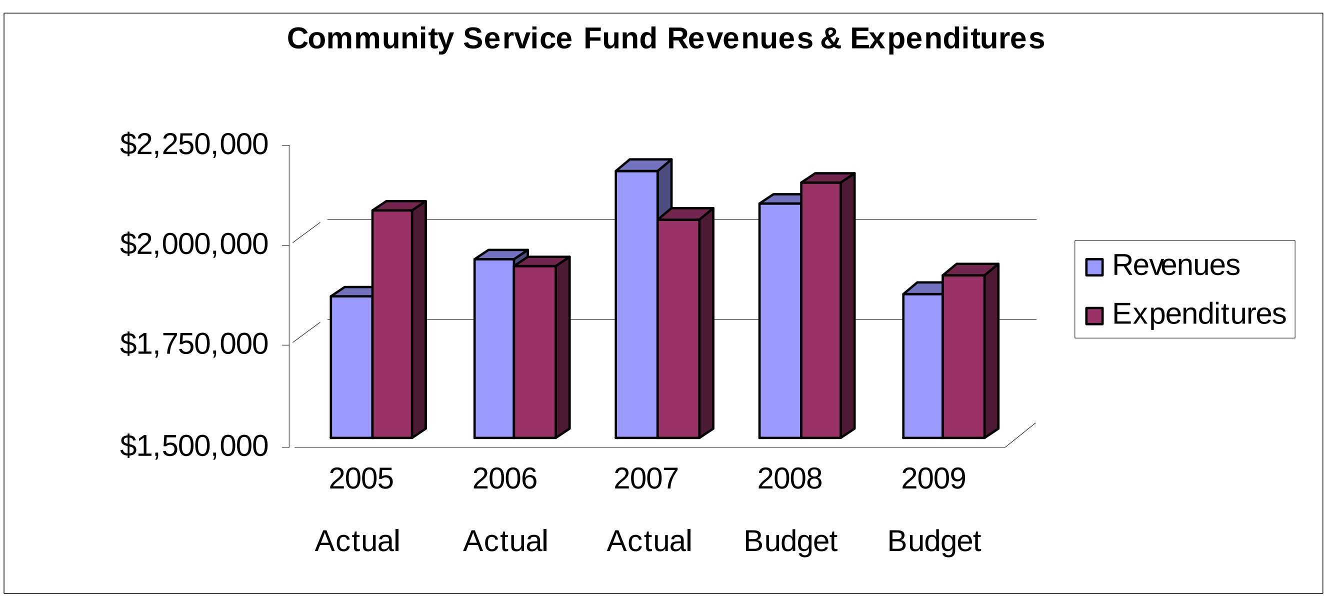


Community Service Fund Balance

	2005	2006	2007	2008*	2009*
Fund Balance	$ 193,599	$ 226,659	$ 349,067	$ 295,237	$ 247,860
% Change	-45.93%	17.08%	54.01%	-15.42%	-16.05%
Expenditures	$ 2,195,490	$ 2,059,993	$ 2,045,631	$ 2,136,011	$ 1,907,169
% Change	10.39%	-6.17%	-0.70%	4.42%	-10.71%
% of Fund Balance to Exp.	8.82%	11.00%	17.06%	13.82%	13.00%

* Projection





Community Service Fund
Revenues, Expenditures and Fund Balance
FY 2009 With Comparative Information For Fiscal Years 2005 - 2008

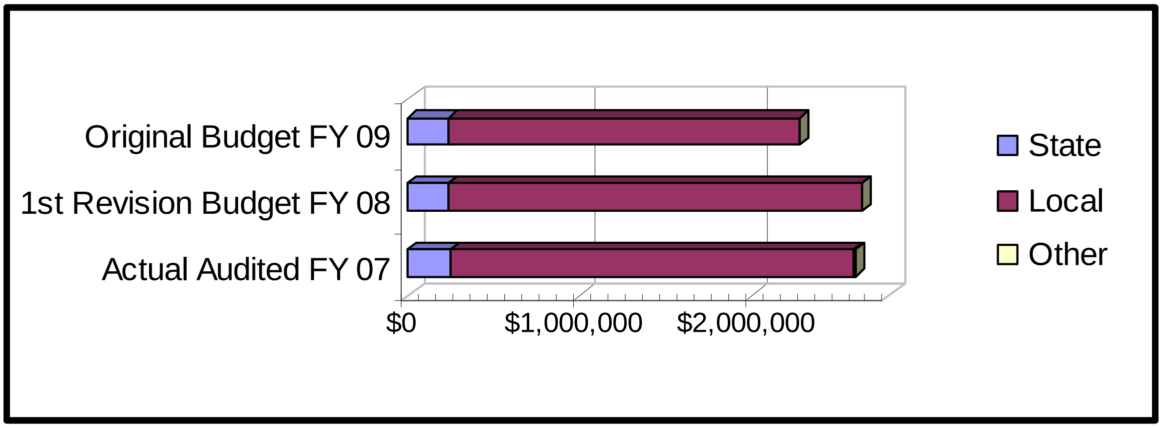
	Actual 2005	Actual 2006	% Change	Actual 2007	% Change	1st Revision Budget 2008	% Change	Original Budget 2009	% Change	Average % Change
Revenues										
State	$ 728,362	$ 851,693	16.93%	$ 796,112	-6.53%	$ 889,674	11.75%	$ 706,732	-20.56%	0.40%
Property Taxes	213,899	125,058	-41.53%	246,756	97.31%	281,430	14.05%	276,370	-1.80%	17.01%
Federal	163,061	206,861	26.86%	246,297	19.06%	67,982	-72.40%	40,000	-41.16%	-16.91%
Other Local	925,713	909,441	-1.76%	878,874	-3.36%	843,095	-4.07%	836,690	-0.76%	-2.49%
Total Revenues	$ 2,031,034	$ 2,093,053	3.05%	$ 2,168,039	3.58%	$ 2,082,182	-3.96%	$ 1,859,791	-10.68%	-2.00%
Expenditures										
Salaries	$ 1,360,204	$ 1,287,700	-5.33%	$ 1,297,428	0.76%	$ 1,228,435	-5.32%	$ 1,221,999	-0.52%	-2.60%
Benefits	287,726	265,741	-7.64%	283,261	6.59%	302,313	6.73%	298,003	-1.43%	1.06%
Purchased Services	342,384	366,198	6.96%	299,447	-18.23%	270,311	-9.73%	253,838	-6.09%	-6.77%
Supplies & Materials	175,829	112,166	-36.21%	140,059	24.87%	148,704	6.17%	116,800	-21.45%	-6.66%
Capital Expenditures	26,562	22,736	-14.40%	19,818	-12.84%	182,223	819.48%	10,600	-94.18%	174.51%
Debt Service	-	-	0.00%	-	0.00%	-	0.00%	-	0.00%	0.00%
Other	2,782	5,451	95.93%	5,619	3.08%	4,025	-28.37%	5,930	47.33%	29.49%
Total Expenditures	$ 2,195,487	$ 2,059,993	-6.17%	$ 2,045,631	-0.70%	$ 2,136,011	4.42%	$ 1,907,169	-10.71%	-3.29%
Excess (def.) of revenues over expenditures	$ (164,454)	$ 33,060		$ 122,408		$ (53,829)		$ (47,378)		
Other Fin. Sources (uses)	-	-		-		-		-		
Fund Balance July 1	358,053	193,599		226,659		349,067		295,237		
Fund Balance June 30	**$ 193,599**	**$ 226,659**		**$ 349,067**		**$ 295,237**		**$ 247,860**		

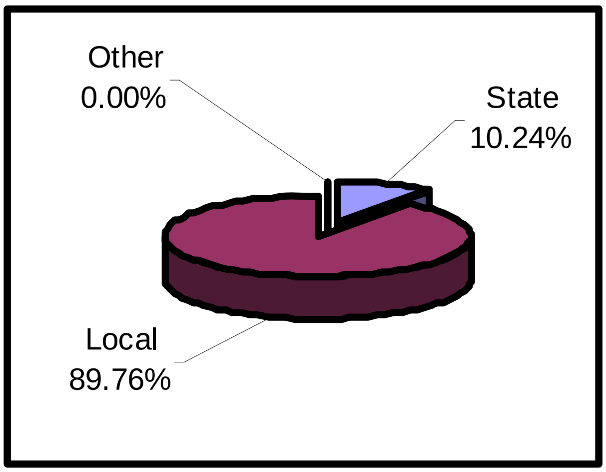
Debt Service Fund

Revenues

Debt Service Fund Revenues come from state, local, and other sources as depicted in the chart and graph below.

Revenue Sources	Actual Audited FY 07	1st Revision Budget FY 08	Original Budget FY 09	Budget Change FY 08 to FY 09 $	Budget Change FY 08 to FY 09 %
State	$ 248,457	$ 233,035	$ 233,141	$ 106	0.05%
Local	2,343,819	2,403,450	2,042,877	(360,574)	-15.00%
Other	8,677	-	-	-	0.00%
Total	$ 2,600,953	$ 2,636,485	$ 2,276,017	$ (360,468)	-13.67%

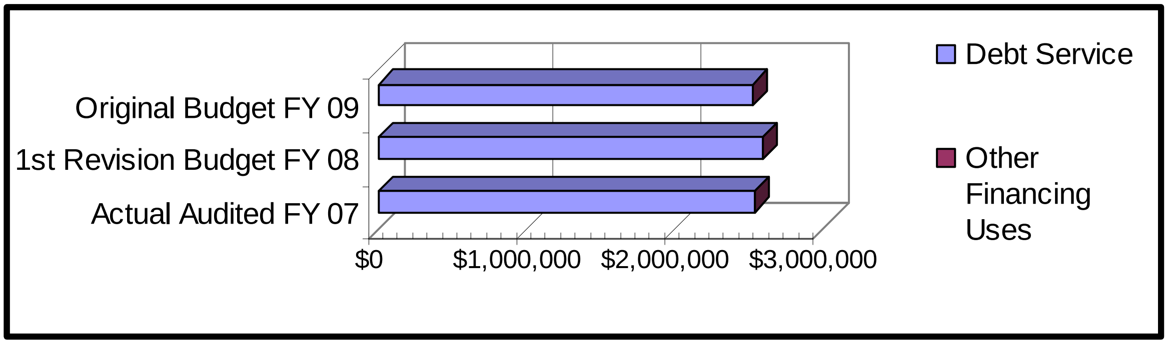


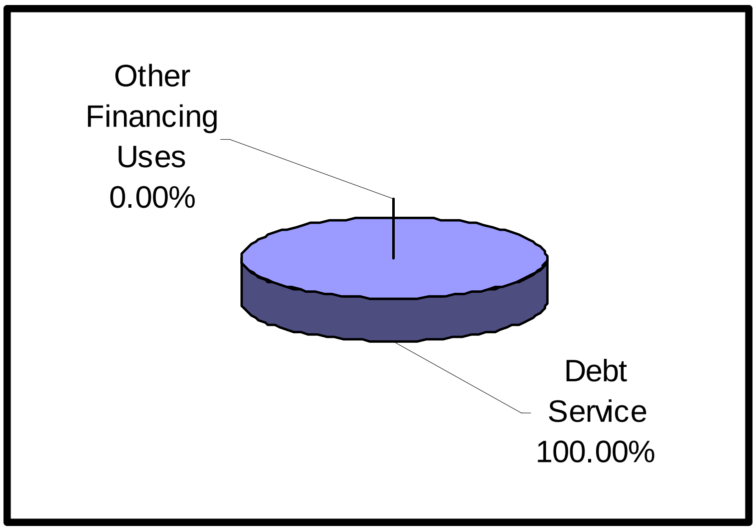


Expenditures

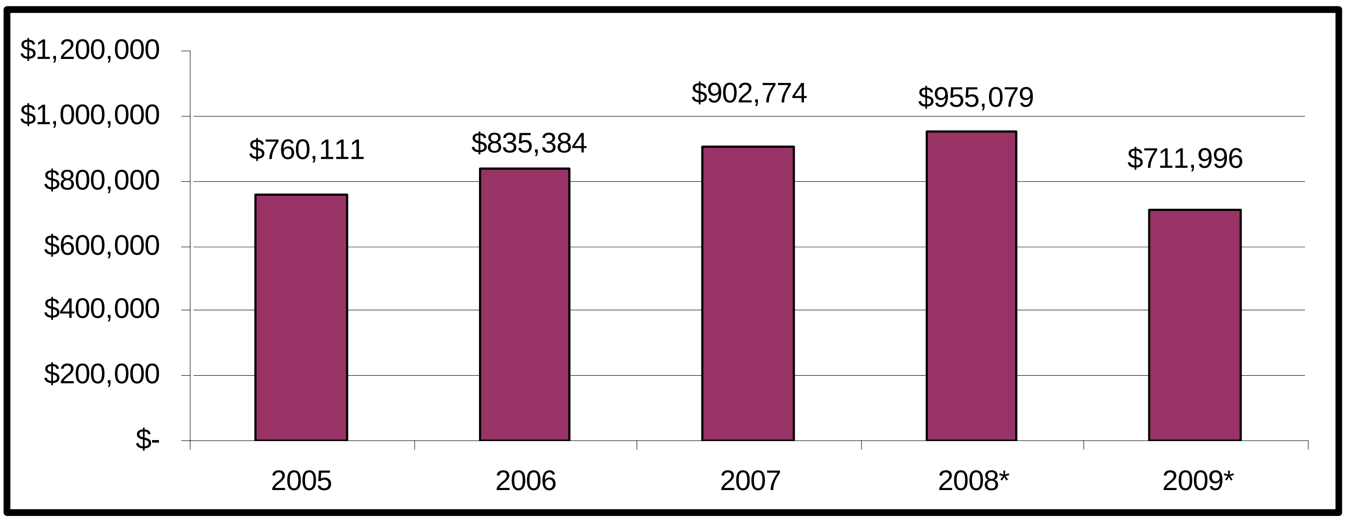
Debt Service Fund Expenditures are split into the following object groups: debt service and other financing uses as depicted in the chart and graph below.

Expenditure Object Groups	Actual Audited FY 07	1st Revision Budget FY 08	Original Budget FY 09	Budget Change FY 08 to FY 09	
				$	%
Debt Service	$ 2,533,563	$ 2,584,180	$ 2,519,100	$ (65,080)	-2.52%
Other Financing Uses	-	-	-	-	0.00%
Total	$ 2,533,563	$ 2,584,180	$ 2,519,100	$ (65,080)	-2.57%

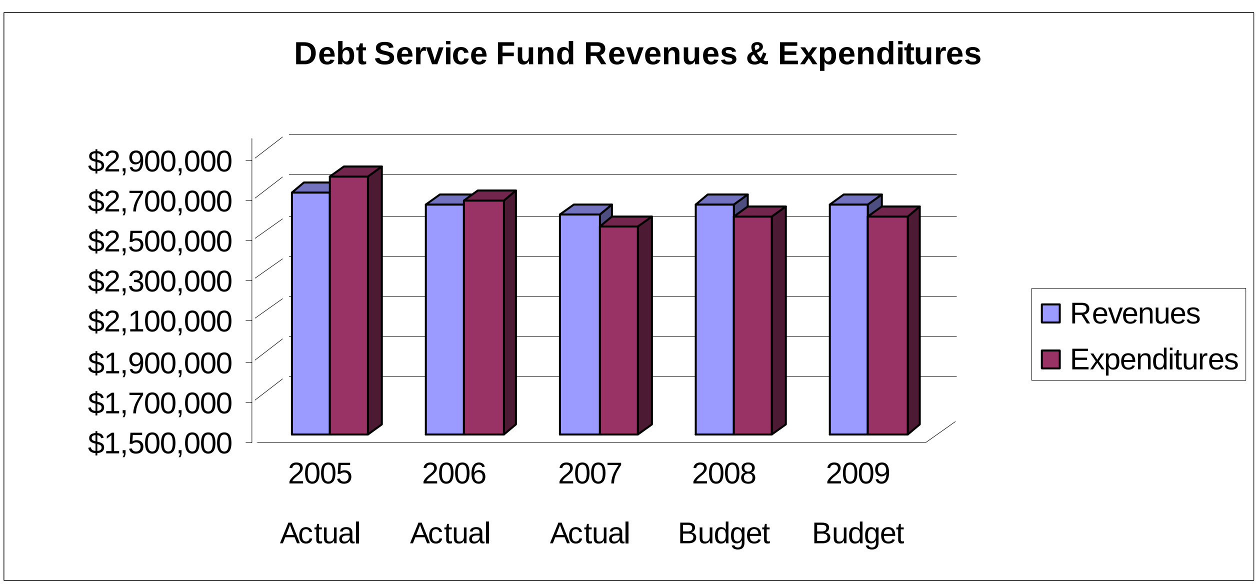




Debt Service Fund Balance					
	2005	2006	2007	2008*	2009*
Unreserved Fund Balance	$ 760,111	$ 835,384	$ 902,774	$ 955,079	$ 711,996
% Change	-9.60%	9.90%	8.07%	5.79%	-25.45%
Expenditures	$ 2,195,490	$ 2,657,910	$ 2,533,563	$ 2,584,180	$ 2,519,100
% Change	10.39%	21.06%	-4.68%	2.00%	-2.52%
% of Fund Balance to Exp.	34.62%	31.43%	35.63%	36.96%	28.26%



* Projection



Debt Service Fund
Revenues, Expenditures and Fund Balance
FY 2009 With Comparative Information For Fiscal Years 2005 - 2008

	Actual 2005	Actual 2006	% Change	Actual 2007	% Change	1st Revision Budget 2008	% Change	Original Budget 2009	% Change	Average % Change
Revenues										
State	$ 353,315	$ 254,848	-27.87%	$ 248,457	-2.51%	$ 233,035	-6.21%	$ 233,141	0.05%	-9.13%
Property Taxes	2,327,456	2,161,957	-7.11%	2,272,580	5.12%	2,340,601	2.99%	2,018,796	-13.75%	-3.19%
Other Local	22,451	222,618	891.57%	71,239	-68.00%	62,850	-11.78%	24,080	-61.69%	187.53%
Total Revenues	$ 2,703,222	$ 2,639,423	-2.36%	$ 2,592,276	-1.79%	$ 2,636,485	1.71%	$ 2,276,017	-13.67%	-4.03%
Expenditures										
Salaries	$ -	$ -		$ -		$ -		$ -		
Benefits	-	-		-		-		-		
Purchased Services	-	-		-		-		-		
Supplies & Materials	-	-		-		-		-		
Capital Expenditures	-	-		-		-		-		
Debt Service	2,783,915	2,657,910	-4.53%	2,533,563	-4.68%	2,584,180	2.00%	2,519,100	-2.52%	-2.43%
Other	-	-		-		-		-		
Total Expenditures	$ 2,783,915	$ 2,657,910	-4.53%	$ 2,533,563	-4.68%	$ 2,584,180	2.00%	$ 2,519,100	-2.52%	-2.43%
Excess (def.) of revenues over expenditures	$ (80,693)	$ (18,487)		$ 58,713		$ 52,305		$ (243,083)		
Other Fin. Sources (uses)	-	93,760		8,677		-		-		
Fund Balance July 1	840,804	760,111		835,384		902,774		955,079		
Fund Balance June 30	**$ 760,111**	**$ 835,384**		**$ 902,774**		**$ 955,079**		**$ 711,996**		

The Debt Service Budget history reflects the Sr. High bond refinancing in FY 05, effective FY 06, noted below. Debt service dollars are only available to the Debt Service Fund. This money can only be spent on debt service.

On June 1, 1997, the District issued $20,650,000 of General Obligation Refunding Bonds to refinance the remaining maturities of the District's 1992 Sr. High School Bonds. On March 14, 2005, the School Board refinanced those Sr. High School Bonds again. The refinancing will save district property taxpayers over $122,000 annually, on average, in lower property taxes beginning in 2007 and continuing through 2015. The Board sold $16,265,000 of new bonds which will be used to pay off the remaining Sr. High Bond Debt.

The Board also issued $495,000 of General Obligation Capital Facilities Bonds in May, 2007. These bonds are paid for from a property tax levy funded by a shift of operating capital revenue. Ultimately, no additional dollars are levied as a result of these bonds. The district funded the majority of the costs for the Sr. High Parking Lot Reconstruction project and the Jr. High Roof Top Units Replacement project from this funding source. Both projects were completed in the summer of 2007.

The district's current unused legal debt margin is $221,412,950. The general obligation bonded debt of the district is limited by Minnesota law to 15% of the assessed market value of the total taxable property in the district.

The School Board is in the process, together with community, of working through facility repair and remodeling issues. One of the options being considered is to build a new elementary school rather than repairing and remodeling several older buildings.

The following is a summary amortization schedule for these bond issues showing the debt service to be paid in FY 2009 and future years on bonds currently outstanding.

	2005A Refunding Bonds			**2007A Capital Facilities Bonds**			**Total of all Bonds**
Year Ending 30-Jun	**Principal**	**Interest**	**Total Principal & Interest**	**Principal**	**Interest**	**Total Principal & Interest**	
2009	$ 1,745,000	$ 663,500	$ 2,408,500	$ 90,000	$ 19,800	$ 109,800	$ 2,518,300
2010	1,900,000	576,250	2,476,250	95,000	16,200	111,200	2,587,450
2011	2,000,000	481,250	2,481,250	100,000	12,400	112,400	2,593,650
2012	2,095,000	381,250	2,476,250	105,000	8,400	113,400	2,589,650
2013	2,210,000	276,500	2,486,500	105,000	4,200	109,200	2,595,700
2014	2,320,000	166,000	2,486,000	-	-	-	2,486,000
2015	1,000,000	50,000	1,050,000	-	-	-	1,050,000
Total	$13,270,000	$2,594,750	$15,864,750	$495,000	$61,000	$556,000	

District Buildings

Expenditures per ADM, Audited

Building	FY 07 Expenditures	FY 07 ADM's	FY 07 Expenditures per ADM
Jefferson	$1,832,412	257.75	$7,109
Lincoln	$2,110,523	324.84	$6,497
Roosevelt	$4,138,502	698.18	$5,928
Kennedy	$6,454,728	796.24	$8,107
Sr. High	$10,114,686	1,194.80	$8,466
Jr. High	$4,885,076	608.78	$8,024
ALC	$1,202,932	88.68	$13,565

INFORMATIONAL SECTION

Long-term Financial Planning Projection

GENERAL FUND

A five-year financial projection is prepared at least twice per year for the General Fund and provided to the School Board, Administrative Team, Finance Advisory Committee, staff and the public. The projection is prepared using the Financial Planning Model (FPM). This projection includes the current budget year along with FY's 2010 through 2013 and helps to provide an important frame of reference for district budget and policymaking. All figures are subject to change and are for planning purposes only.

Revenue Assumptions:

1. Enrollment will be as follows for grades EC – 12: FY 2009 – 4,014; FY 2010 – 4,033; FY 2011 – 3,999; FY 2012 – 3, 977 and FY 2013 – 4,008.
2. Basic formula allowance will increase 2% for all projected years.
3. Operating referendum will end after FY 2012 and will be renewed for the same amount going forward.

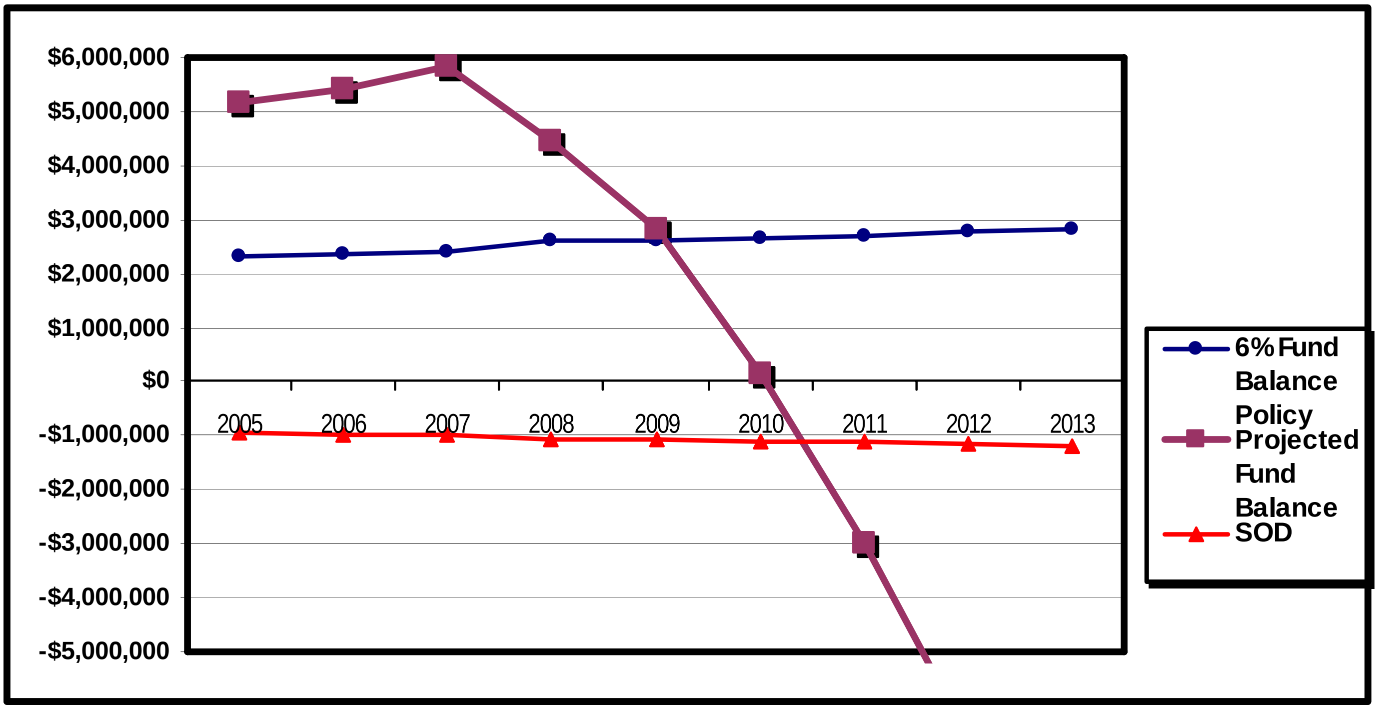
Expenditure Assumptions:

1. Salary and benefit increases for projected years are 2%.
2. Assumes the following FTE changes to maintain current class sizes: FY 2010 – add 1.64; FY 2011 – reduce 2.79; FY 2012 – reduce 1.49 and FY 2013 – add 2.81.
3. Insurance will not increase in FY 2010 but will increase 3% in each of the following years.
4. Repairs and maintenance will decrease in FY 2010 due to the completion of the Senior High exterior wall project. This budget line will increase 3% in each of the following years.
5. General and instructional supplies will remain constant for FY 2010 – FY 2013.
6. Building and vehicle fuel budgets are assumed to increase 5% each year.

Other Assumptions:

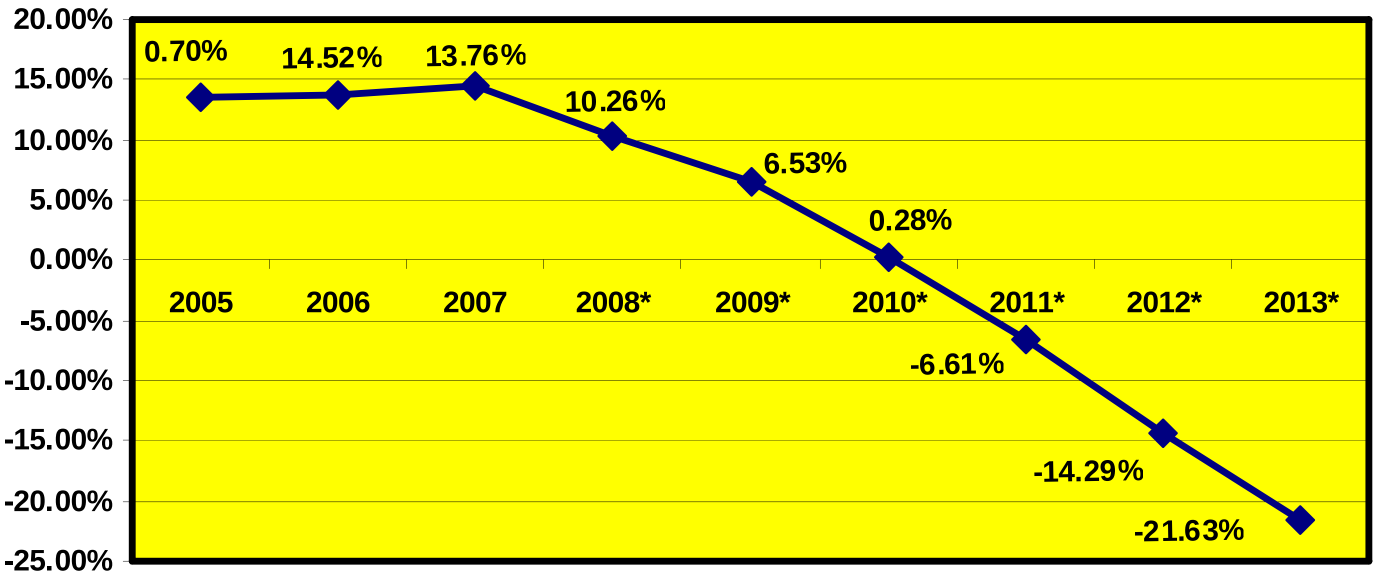
1. The Fund Balance Policy remains at 6% of operating expenditures except for FY 2009 which has been set at 7% to provide a greater cushion due to the uncertainty of future legislation.
2. The base audit for the projection is the FY 2007 audit.
3. Statutory Reserves are based on projections that assume level Staff Development spending trends, a level Health & Safety reserve, gradually reducing the Severance Payable reserve from $1.2 million to $450,000 in FY 2013 and a level Operating Capital Reserve.
4. The base budget for the projection is the FY 2009 Original Budget.

General Fund Unreserved Fund Balance



General Fund Unreserved-Undesignated Fund Balance and Expenditures					
	2005	2006	2007	2008*	2009*
Unreserved Fund Balance	$ 5,171,261	$ 5,397,098	$ 5,827,204	$ 4,447,515	$ 2,841,798
% Change	-4.40%	4.37%	7.97%	-23.68%	-36.10%
Expenditures	$ 38,453,246	$ 39,210,105	$ 40,136,548	$ 43,365,682	$ 43,508,379
% Change	8.20%	1.97%	2.36%	8.05%	0.33%
% of Fund Balance t	13.45%	13.76%	14.52%	10.26%	6.53%

General Fund Unreserved-Undesignated Fund Balance %



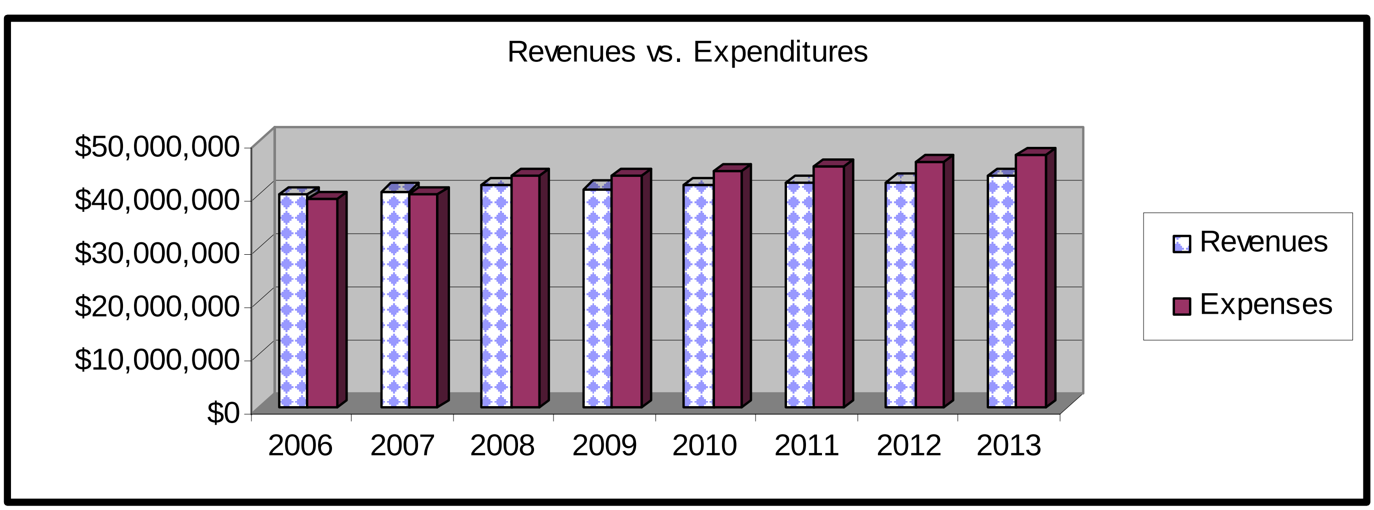
* Projected

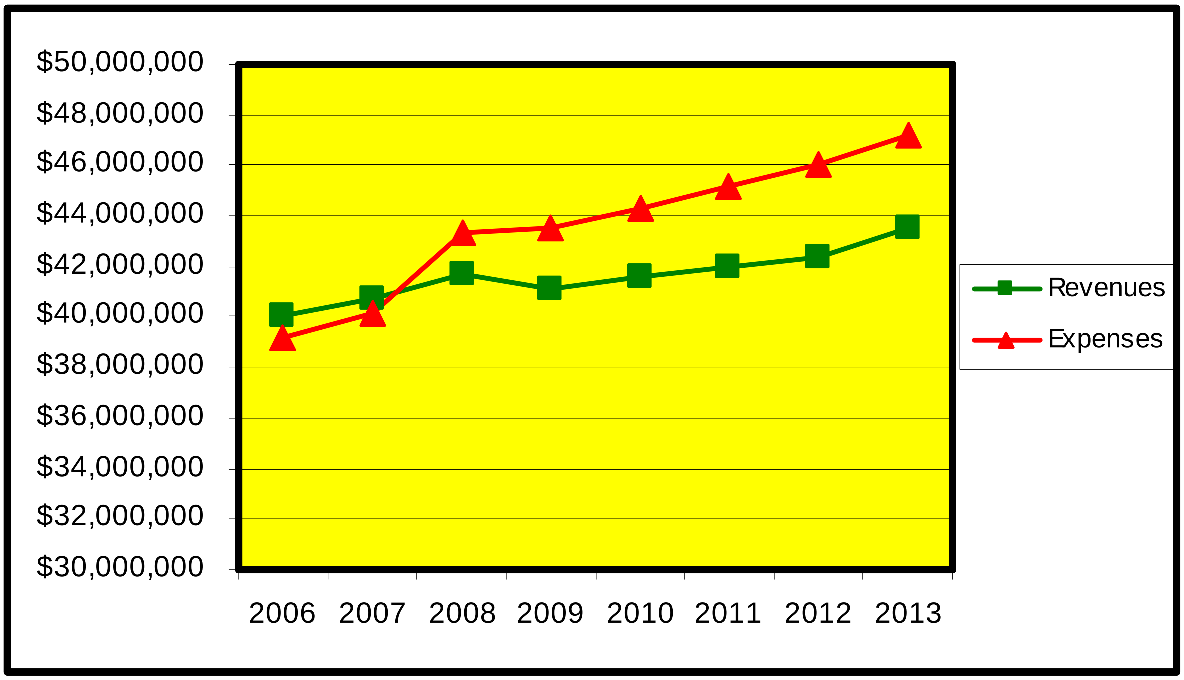
Financial Planning Model (FPM) Summary Analysis

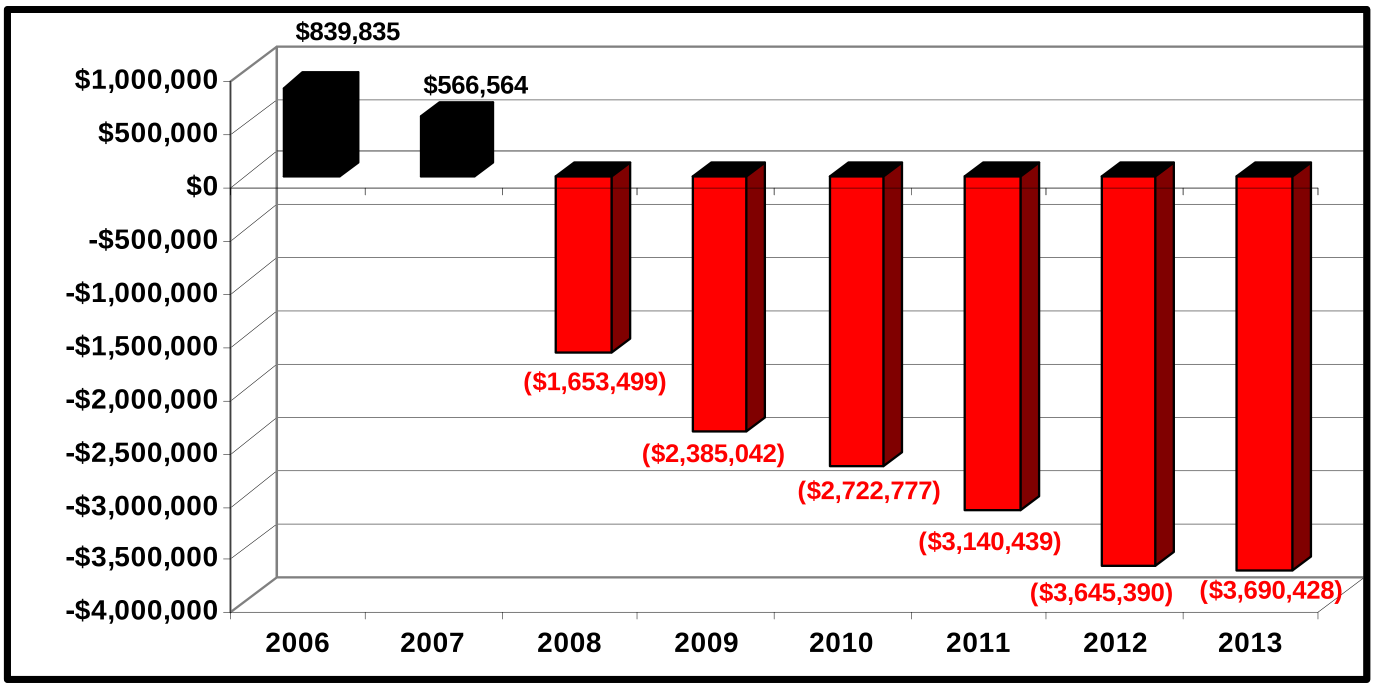
This planning model depicts the general fund undesignated/unreserved fund balance. The years prior to 2008 represent actual audited fund balance numbers. The years from 2008 and forward represent projected fund balance numbers based on the assumptions listed.

This model projects that the fund balance will continue to steadily decline through FY 2013. This projected fund balance decrease is a function of limited new revenue, modest inflationary expenditure increases, and leveling enrollment. The impact of these issues is reflected in the following charts. Keep in mind that the long-term trend itself is more accurate and important than the specific numbers it depicts.

Variance between Revenues and Expenditures







<u>This is a forecast – not a plan</u>

The trend represented is not unique to the Willmar Public Schools and is quite common among Minnesota districts. The District plans to proactively manage expenditures and revenues to maintain a reasonable and prudent fund balance of 6% or more of operating expenditures.

The District offered a series of public forums for community and staff in the Spring of 2008 to discuss the budgetary and facility challenges facing the district.

General Fund Budget

Comparative Information for Fiscal Years 2005-06 Through 2008-09

Revenue and Expenditure Change per ADM

With Percent Change from Previous Year and Average Percent Change for Period

	2005-06 Actual	2006-07 Actual	% Change	1st Revision 2007-08 Budget	% Change	Original 2008-09 Budget	% Change	Average % Change
REVENUES								
Local Property Tax Levies	$ 1,170,379	$ 2,411,863	106.08%	$ 2,672,184	10.79%	$ 2,950,314	10.41%	42.43%
Other Local and County	3,236,530	2,351,032	-27.36%	1,909,428	-18.78%	1,776,618	-6.96%	-17.70%
Revenues from State Sources	33,264,022	34,111,061	2.55%	35,463,377	3.96%	34,852,150	-1.72%	1.60%
Revenues from Federal Sources	2,379,043	1,496,352	-37.10%	1,433,556	-4.20%	1,391,523	-2.93%	-14.74%
Other	-	-	0.00%	-	0.00%	-	0.00%	0.00%
Total Revenues	**40,049,974**	**40,370,308**	**0.80%**	**41,478,544**	**2.75%**	**40,970,604**	**-1.22%**	**0.77%**
ADM's	4,111	4,077	-0.83%	4,023	-1.32%	4,014	-0.22%	-0.79%
Total Revenue per ADM	**$ 9,742**	**$ 9,902**	**1.64%**	**$ 10,310**	**4.12%**	**$ 10,207**	**-1.00%**	**1.59%**
EXPENDITURES								
Administration	1,396,790	$ 1,543,232	10.48%	$ 1,621,462	5.07%	$ 1,821,601	12.34%	9.30%
District Support Services	855,165	959,115	12.16%	980,899	2.27%	975,238	-0.58%	4.62%
Regular Instruction	17,799,589	18,220,574	2.37%	20,562,026	12.85%	20,241,030	-1.56%	4.55%
Vocational Edcucational Instruction	855,159	612,387	-28.39%	739,409	20.74%	894,146	20.93%	4.43%
Special Education Instruction	8,303,384	7,593,015	-8.56%	8,394,851	10.56%	8,291,121	-1.24%	0.26%
Community Education & Services	-	-	0.00%	-	0.00%	-	0.00%	0.00%
Instructional Support Services	2,036,393	1,953,089	-4.09%	2,628,610	9.57%	2,544,363	6.35%	3.94%
Pupil Support Services	3,098,484	3,158,359	1.93%	3,460,538	-17.75%	3,680,156	1.72%	-4.70%
Sites and Buildings	4,551,975	5,857,413	28.68%	4,817,887	-33.16%	4,900,724	0.00%	-1.50%
Fiscal and Other Fixed Cost Pr.	313,200	239,392	0.00%	160,000	0.00%	160,000	0.00%	0.00%
Total Expenditures	**39,210,139**	**40,136,576**	**2.36%**	**43,365,682**	**8.05%**	**43,508,379**	**0.33%**	**3.58%**
ADM's	4,111	4,077	-0.83%	4,023	-1.32%	4,014	-0.22%	-0.79%
Total Exp's per ADM	**$ 9,538**	**$ 9,845**	**3.22%**	**$ 10,779**	**9.50%**	**$ 10,839**	**0.55%**	**4.42%**
Excess (Deficiency) of Revenue Over (Under) Expenditures	839,835	233,732		(1,887,138)		(2,537,774)		
Other Financing Sources	24,574	332,832		233,638		152,733		
Fund Balance - July 1 Beginning*	6,448,205	7,312,614		7,879,178		6,225,678		
Fund Balance - June 30 Ending*	$ 7,312,614	$ 7,879,178		$ 6,225,678		$ 3,840,637		

* Undesignated plus reserves

General Fund
Projected Revenues and Expenditures
Fiscal Years 2009 - 2013

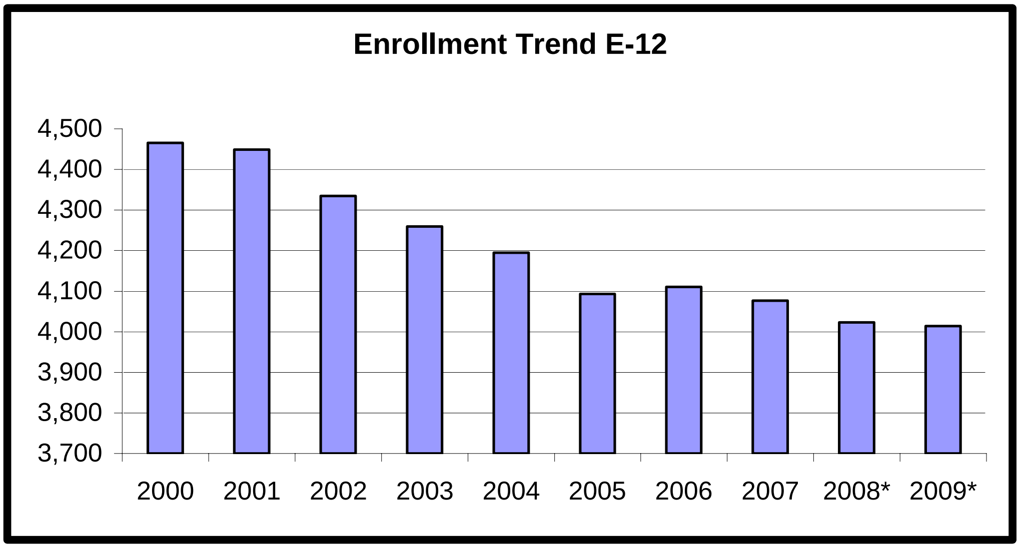
	Original Budget 2009	Projected 2010	Projected 2011	Projected 2012	Projected 2013
Revenues					
State	$ 34,852,150	$ 35,306,992	$ 35,662,492	$ 36,008,490	$ 37,111,627
Property Taxes	2,950,314	2,979,817	3,009,615	3,039,711	3,070,108
Federal	1,391,523	1,363,693	1,336,419	1,309,690	1,283,497
Other Local	1,929,350	1,967,937	2,007,296	2,047,442	2,088,391
Total Revenues	$ 41,123,337	$ 41,618,439	$ 42,015,822	$ 42,405,333	$ 43,553,623
Expenditures					
Salaries	$ 24,730,145	$ 25,338,065	$ 25,700,858	$ 26,130,736	$ 26,846,896
Benefits	7,679,636	7,833,229	7,989,893	8,149,691	8,312,685
Purchased Services	7,216,596	7,211,190	7,427,525	7,650,351	7,879,862
Supplies & Materials	2,229,662	2,256,822	2,285,049	2,314,388	2,344,886
Capital Expenditures	1,496,766	1,541,669	1,587,919	1,635,557	1,684,623
Debt Service	-	-	-	-	-
Other	155,574	160,241	165,048	170,000	175,100
Total Expenditures	$ 43,508,379	$ 44,341,216	$ 45,156,292	$ 46,050,723	$ 47,244,052
Excess (deficit) of revenues over expenditures	$ (2,385,042)	$ (2,722,777)	$ (3,140,470)	$ (3,645,390)	$ (3,690,429)
Fund Balance July 1*	6,225,678	3,840,637	1,117,860	(2,022,610)	(5,668,000)
Fund Balance June 30*	**$ 3,840,637**	**$ 1,117,860**	**$ (2,022,610)**	**$ (5,668,000)**	**$ (9,358,429)**

* Undesignated plus reserves

General Fund Enrollment

Student enrollment is extremely important as it not only drives staffing decisions but is also the key component of the general education revenue funding formula which is the major funding source of the district.

Enrollment for FY 2009 is projected to be 4,014 Average Daily Membership's (ADM's), a decrease of 9 ADM's, or .22% from the FY 2008 projected ADM's. Enrollment is beginning to level out as incoming Kindergarten classes and exiting grade 12 classes are becoming similar in size. The District constantly monitors enrollment for changes caused by mobility, local economic development or decline and other external factors. The District's enrollment history is presented in the following graph.



* Projected

Fiscal Year	Student ADM's
2000	4,465
2001	4,449
2002	4,335
2003	4,259
2004	4,195
2005	4,093
2006	4,111
2007	4,077
2008*	4,023
2009*	4,014

* Projected Enrollment

The projected E-12 enrollment for the FY 2009 Original Budget is 4,014 ADM's.

ADM's (Average Daily membership) calculates actual "membership time" in Willmar Public Schools, rather than simple enrollment counts at a given point in time. This also includes the net impact of "open enrollment" agreements with other MN districts.

This projection is based on the information summarized in the charts on the prior page. The ENPRO model projects 4,014 ADM's (this model now provides 18 different types of projections; this is roughly the average of the five chosen to compare). Also factored into this projection are the student seat count trend, a separate ENPRO projection based on October 1 seat count, analysis of non-public school enrollments and Sr. class/K class size issues. Finally, the mobility index along with local economic development and housing trends was considered.

The ENPRO model uses the following enrollment projection techniques:

- ⇒ Cohort Survival method: based on the ratio between the number of students at one grade level vs. the number in the previous grade level the prior year.
- ⇒ Weighted Cohort Survival method: same as the above, but assigns a greater value to the cohort survival ratios for the most recent years.
- ⇒ Numeric Survival method: based on the difference (numerical) of the enrollment change from year to year as opposed to a ratio.
- ⇒ Weighted Numeric Survival method: same as above, but assigns a greater value to the numeric ratios for the most recent years.
- ⇒ Merged/average of the above: Merging and averaging various versions of the above ratios.

Although the population of both the City of Willmar and Kandiyohi County grew during the 1990's, the district's student enrollment declined. In general, the district's long-term enrollment decline is a function of demographic trends affecting the majority of Minnesota school districts. These trends include a decline in the number of households with children, lower overall populations of children, and increased mobility. In addition, the district also faces typical enrollment challenges from open enrollment options, drop outs and competition from local private schools and home schooling options.

Looking into the near future, demographic trends point to a more level enrollment trend. This conclusion is based on a detailed demographic study completed in the spring of 2006 along with recent trends and analysis. There are a number of signs that point to successful economic development trends in Kandiyohi County. It is too early to tell how positively this economic expansion will affect enrollment.

Because of the above-mentioned demographic trends and even factoring in promising economic development taking place in the Willmar area, the District projects that enrollment will begin to level out, based on the information available to us. However, the leveling out will include slight increases or decreases to enrollment each year.

Enrollment Summary and Projection

Grade Level	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Projected 2008	Projected 2009	Projected 2010
Pre-K	23.8	21.8	21.6	22.4	24.7	23.0	26.0	24.0
K	295.5	294.6	268.8	304.9	330.2	305.0	300.0	300.0
1	273.9	298.9	304.6	272.0	302.5	330.7	323.0	301.0
2	272.3	276.4	297.6	298.3	273.4	305.1	320.0	319.0
3	285.6	269.9	278.7	305.9	306.6	269.0	305.0	326.0
4	320.8	279.6	276.9	280.4	310.7	301.7	288.0	307.0
5	331.3	321.4	281.2	274.0	279.5	305.4	307.0	285.0
6	308.1	330.3	329.5	283.7	277.4	280.6	303.0	307.0
7	335.1	314.0	331.2	341.5	282.3	281.1	282.0	311.0
8	341.9	344.7	312.4	327.5	344.1	289.1	296.0	283.0
9	409.2	374.0	351.6	351.0	364.5	367.1	307.0	323.0
10	366.4	399.0	360.9	354.5	322.3	341.2	364.0	301.0
11	349.0	342.3	361.2	348.7	337.7	322.3	341.0	334.0
12	346.6	299.7	317.1	345.8	321.2	302.1	252.0	312.0
K-12	**4,235.7**	**4,144.8**	**4,071.5**	**4,088.3**	**4,052.1**	**4,000.4**	**3,988.0**	**4,009.0**
Pre K-12	**4,259.5**	**4,166.6**	**4,093.1**	**4,110.7**	**4,076.8**	**4,023.4**	**4,014.0**	**4,033.0**
% Change K-12		**-2.15%**	**-1.77%**	**0.41%**	**-0.89%**	**-1.28%**	**-0.31%**	**0.53%**

Food Service Fund

Projected Revenues and Expenditures
Fiscal Years 2009 - 2013

	Original Budget 2009	Projected 2010	Projected 2011	Projected 2012	Projected 2013
Revenues					
State	$ 190,100	$ 192,001	$ 193,921	$ 195,860	$ 197,819
Property Taxes	-	-	-	-	-
Federal	1,191,620	1,227,369	1,264,190	1,302,115	1,341,179
Other Local	787,775	811,408	835,750	860,823	886,648
Total Revenues	$ 2,169,495	$ 2,230,778	$ 2,293,861	$ 2,358,799	$ 2,425,645
Expenditures					
Salaries	$ 702,682	$ 730,789	$ 760,021	$ 790,422	$ 822,039
Benefits	188,609	196,153	203,999	212,159	220,646
Purchased Services	103,491	106,596	109,794	113,087	116,480
Supplies & Materials	1,086,974	1,119,583	1,153,171	1,187,766	1,223,399
Capital Expenditures	65,197	259,000	70,518	73,338	76,272
Debt Service	-	-	-	-	-
Other	2,000	2,000	2,060	2,122	2,185
Total Expenditures	$ 2,148,954	$ 2,414,122	$ 2,299,562	$ 2,378,895	$ 2,461,021
Excess (deficiency) of revenues over expenditures	$ 20,541	$ (183,344)	$ (5,701)	$ (20,096)	$ (35,375)
Other Financing Sources (uses)	-	-	-	-	-
Fund Balance July 1	239,573	260,114	76,771	71,069	50,973
Fund Balance June 30	**$ 260,114**	**$ 76,771**	**$ 71,069**	**$ 50,973**	**$ 15,598**

Community Services Fund

Projected Revenues and Expenditures
Fiscal Years 2009 - 2013

	Original Budget 2009	Projected 2010	Projected 2011	Projected 2012	Projected 2013
Revenues					
State	$ 706,732	$ 713,799	$ 720,937	$ 728,146	$ 735,428
Property Taxes	276,370	284,661	293,201	301,997	311,057
Federal	40,000	41,200	42,436	43,709	45,020
Other Local	836,690	861,791	887,644	914,274	941,702
Total Revenues	$ 1,859,791	$ 1,901,451	$ 1,944,218	$ 1,988,126	$ 2,033,207
Expenditures					
Salaries	$ 1,221,999	$ 1,246,438	$ 1,271,367	$ 1,296,795	$ 1,322,730
Benefits	298,003	$ 303,963	$ 310,042	$ 316,243	$ 322,568
Purchased Services	253,838	270,311	$ 278,420	$ 286,773	$ 295,376
Supplies & Materials	116,800	$ 120,304	$ 123,913	$ 127,631	$ 131,459
Capital Expenditures	10,600	$ 11,660	$ 12,826	$ 14,109	$ 15,519
Debt Service	-	-	-	-	-
Other	5,930	6,108	6,291	6,480	6,674
Total Expenditures	$ 1,907,169	$ 1,958,784	$ 2,002,860	$ 2,048,030	$ 2,094,328
Excess (deficiency) of revenues over expenditures	$ (47,378)	$ (57,334)	$ (58,642)	$ (59,904)	$ (61,121)
Other Financing Sources (uses)	-	-	-	-	-
Fund Balance July 1*	295,237	247,860	190,526	131,884	71,980
Fund Balance June 30*	**$ 247,860**	**$ 190,526**	**$ 131,884**	**$ 71,980**	**$ 10,859**

* Undesignated plus reserves

Debt Service Fund

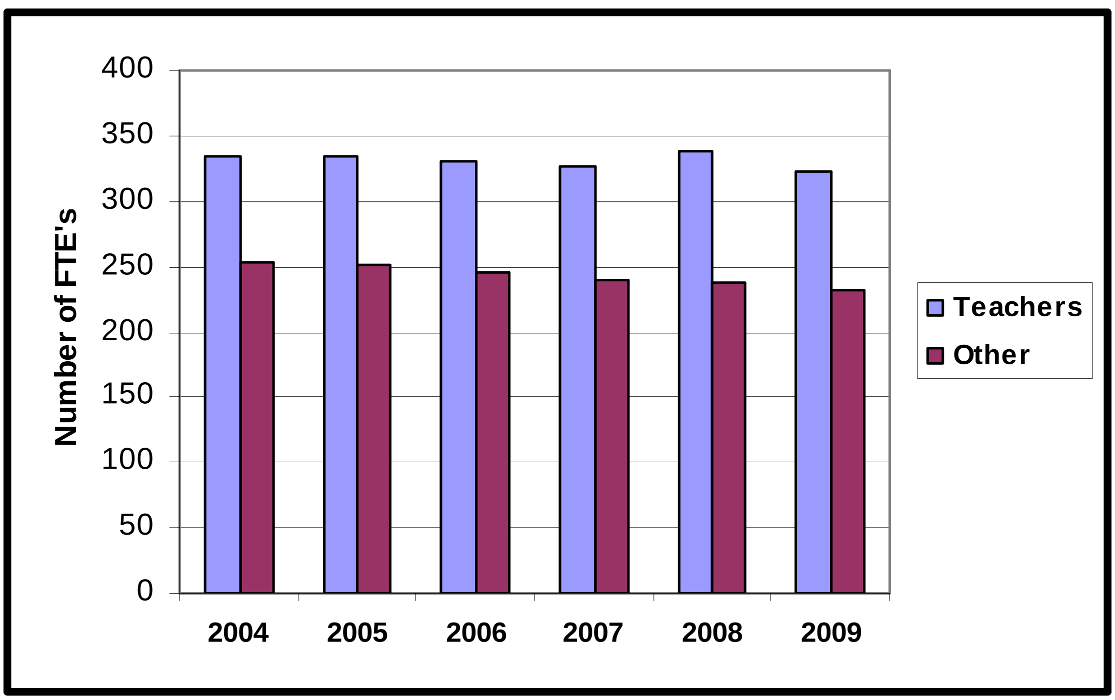
Fiscal Years 2009 - 2013

	Original Budget 2009	Projected 2010	Projected 2011	Projected 2012	Projected 2013
Revenues					
State	$ 233,141	$ 233,035	$ 237,696	$ 242,450	$ 247,299
Property Taxes	2,018,796	2,284,628	2,286,477	2,277,523	2,279,026
Federal	-	-	-	-	-
Other Local	24,080	24,321	24,564	24,810	25,058
Total Revenues	$ 2,276,017	$ 2,541,983	$ 2,548,737	$ 2,544,782	$ 2,551,383
Expenditures					
Salaries	$ -	$ -	$ -	$ -	$ -
Benefits	-	-	-	-	-
Purchased Services	-	-	-	-	-
Supplies & Materials	-	-	-	-	-
Capital Expenditures	-	-	-	-	-
Debt Service	2,519,100	2,588,250	2,594,450	2,590,450	2,596,500
Other	-	-	-	-	-
Total Expenditures	$ 2,519,100	$ 2,588,250	$ 2,594,450	$ 2,590,450	$ 2,596,500
Excess (deficiency) of revenues over expenditures	$ (243,083)	$ (46,267)	$ (45,713)	$ (45,668)	$ (45,117)
Other Financing Sources (uses)	-	-	-	-	-
Fund Balance July 1*	955,079	711,996	665,729	620,016	574,348
Fund Balance June 30*	**$ 711,996**	**$ 665,729**	**$ 620,016**	**$ 574,348**	**$ 529,231**

District Staffing Levels

All Funds
Comparative Information for Fiscal Years 2004 Through 2009
District Staffing Levels
By Full-Time Equivalent

Category	Actual FY 2004	Actual FY 2005	Actual FY 2006	Actual FY 2007	Actual FY 2008	Budgeted FY 2009
Instruction						
Teachers	335.0	333.5	331.0	327.0	338.0	322.7
Title Teachers	17.0	15.5	17.5	16.5	17.0	15.0
Deans of Students	4.0	4.0	4.0	3.0	5.0	4.0
Total Instruction	356.0	353.0	352.5	346.5	360.0	341.7
Principals and District Administration	10.0	10.0	10.0	10.0	10.0	9.0
Directors & Community Education	8.0	8.0	8.0	6.0	6.0	6.0
Secretaries	16.5	16.5	16.5	16.0	20.0	20.0
Custodians	27.0	26.0	25.5	24.5	27.0	27.0
Food Service Staff	28.0	28.0	30.0	30.0	30.0	30.0
Clerical/Non-Affiliated	45.0	44.5	44.5	44.5	42.0	42.0
Paraprofessionals	119.0	118.5	110.0	99.0	102.0	97.0
Total Support	253.5	251.5	244.5	230.0	237.0	231.0
Total	**609.5**	**604.5**	**597.0**	**576.5**	**597.0**	**572.7**



Property Taxes

Willmar Public Schools
History of Assessed and Market Value of Taxable Property

Year	Net Tax Capacity (1)	% Increase/ (Decrease)	Estimated Market Value (2)	% Total Net Tax Capacity of Estimated Market Value
1999-00	11,999,377	-2.1%	834,172,700	1.44%
2000-01	12,731,996	6.1%	891,089,700	1.43%
2001-02	13,574,536	6.6%	932,790,300	1.46%
2002-03	10,817,537	-20.3%	964,873,409	1.12%
2003-04	11,137,963	3.0%	1,005,065,841	1.11%
2004-05	11,673,803	4.8%	1,057,116,000	1.10%
2005-06	12,460,210	6.7%	1,126,230,800	1.11%
2006-07	14,049,800	12.8%	1,262,731,300	1.11%
2007-08	15,572,334	10.8%	1,411,159,979	1.10%
2008-09	17,452,176	12.1%	1,579,986,330	1.10%

Note 1: Net Tax Capacity is determined by multiplying a property's taxable market value by a state determined class rate. Class rates vary by property type and change periodically based on state legislation.

Note 2: Calculated by dividing the county's estimated market value by the sales ratio established for the District each year by the State Department of Revenue. The 2008-09 sales ratio was 84.2%.

Source: Minnesota Department of Education, Kandiyohi County Auditor

Property Tax Levies and Collections

FY 2009 With Comparative Information For Fiscal Years 2004 - 2008

					Estimated	
Levy Payable Year	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Fiscal Year	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**
Local Spread Tax Levy	$ 4,298,325	$ 4,280,311	$ 4,406,976	$ 5,167,807	$ 5,649,261	$ 5,601,898
Fiscal Disparities	971	962	958	958	958	953
Gross Tax Levy	$ 4,299,296	$ 4,281,273	$ 4,407,934	$ 5,168,765	$ 5,650,219	$ 5,602,851
Market Value Credit	(331,314)	(341,277)	(348,210)	(348,211)	(357,015)	(325,953)
Net Tax Levy	$ 3,967,982	$ 3,939,996	$ 4,059,724	$ 4,820,554	$ 5,293,204	$ 5,276,899
Amount Collected During Collection Year	3,943,462	3,916,909	4,035,183	4,797,789	5,262,650	5,276,899
Amount Delinquent at end of Collection Year	$ 24,520	$ 23,087	$ 24,541	$ 22,765	$ 30,554	$ -
Percent of Net Tax Collected	99.38%	99.41%	99.40%	99.53%	99.42%	100.00%

Analysis of Budget Effect on Taxpayers

All Governmental Funds

FY 2009 With Comparative Information For Fiscal Years 2004 - 2008

Levy Payable Year	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Fiscal Year	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**
Market Value of Home	$ 90,000	$ 95,000	$ 100,000	$ 105,000	$ 110,000	$ 115,000
School Rate Against RMV (1)	0.001552	0.001144	0.001026	0.001317	0.001302	0.001250
School Rate Against NTC (1)	0.250663	0.257095	0.236942	0.233430	0.226930	0.202290
Property Tax Due	$ 365	$ 353	$ 340	$ 383	$ 393	$ 376
Property Tax Increase (Decrease) from Prior Year	$ 22	$ (12)	$ (13)	$ 44	$ 9	$ (16)

Note 1: A school district's levy burden can by separated into two parts: the part that is distributed among property owners in proportion to referendum market value (RMV) and the part that is distributed in proportion to net tax capacity (NTC).

Property Tax System Terminology

In order to understand education finance, it is important to be familiar with Minnesota's property tax terminology and its two types of property tax bases that are used to compute and spread school district levies.

Tax Base Terms

Market Value - Each individual parcel of property is valued by an assessor. This value is referred to as estimated market value. Estimated market value is the value, as the name implies, that the property would bring in a sale on the open market.

Limited Market Value - In certain circumstances, the assessor is required by state statute to value a property at some amount below full market value; in those cases, the constrained value is called the limited market value. The constrained value is a state tool designed to limit year-to-year increases in a homeowner's property tax due to large increases in market value.

Referendum Market Value - Referendum market value is the market value of all taxable property in the school district excluding seasonal recreational and agricultural lands. School taxes for the local share of the operating referendum, equity revenue, and transition revenue are computed and spread against referendum market value.

Net Tax Capacity (NTC) - The legislature has established class rates for different types of property (e.g., homestead, commercial, residential, rental, etc.), and the assessor applies the appropriate class rate to the limited market value of each parcel of property. The resulting value is called tax capacity or net tax capacity. Tax capacity is the value of the property that the property taxes will be levied against for all school funding formulas, except for the levy share of operating referendum revenue, equity revenue, and transition revenue (which are levied against the referendum market value of the school district).

Adjusted Net Tax Capacity (ANTC) - School funding formulas that are spread on net tax capacity are generally calculated using adjusted net tax capacity. Adjusted net tax capacity is the net tax capacity of the district divided by its sales ratio.

Calculating and Paying School Taxes

Tax Rates - The property taxes levied against each parcel of property are computed by the county auditor, who adds up the total dollars of property tax levied by each local unit of government and determines what rate of taxation needs to be applied to the tax capacity of the taxing jurisdictions in order to raise that dollar amount. The rate of taxation is called the tax rate. A net tax capacity tax rate is expressed as a percentage of taxable value. A 50 percent tax rate, therefore, raises $50 for each $100 of taxable value (tax capacity).

Tax Statement - The property taxpayer receives a statement listing the total tax rate levied by each taxing jurisdiction (school district, county, and city or township) and the total dollar amount of taxes owed. A preliminary version of this statement, called the Notice of Proposed Property Taxes, is sent out in November each year. The final version is sent out the following spring.

Payment of Property Taxes - The taxpayer makes two payments to the county treasurer for the total taxes owed, and the county treasurer then forwards the remitted amounts to the appropriate taxing jurisdiction (city, county, or school district).

Bonded Debt Amortization Schedule - for current issues
General Obligation Bonds

Year Ending 30-Jun	2005A Refunding Bonds Principal	2005A Refunding Bonds Interest	2005A Refunding Bonds Total Principal & Interest	2007A Capital Facilities Bonds Principal	2007A Capital Facilities Bonds Interest	2007A Capital Facilities Bonds Total Principal & Interest	Total of all Bonds
2009	$ 1,745,000	$ 663,500	$ 2,408,500	$ 90,000	$ 19,800	$ 109,800	$ 2,518,300
2010	1,900,000	576,250	2,476,250	95,000	16,200	111,200	2,587,450
2011	2,000,000	481,250	2,481,250	100,000	12,400	112,400	2,593,650
2012	2,095,000	381,250	2,476,250	105,000	8,400	113,400	2,589,650
2013	2,210,000	276,500	2,486,500	105,000	4,200	109,200	2,595,700
2014	2,320,000	166,000	2,486,000	-	-	-	2,486,000
2015	1,000,000	50,000	1,050,000	-	-	-	1,050,000
Total	$13,270,000	$2,594,750	$15,864,750	$495,000	$61,000	$556,000	

Annual Report on Curriculum, Instruction and Student Achievement for 2006-07
Willmar Public Schools, ISD 347
Willmar Public Schools: Your Partner in Learning

This report was approved by the Willmar School Board on September 24, 2007.

A Message from Kathy Leedom
Superintendent of Schools

Dear Reader:

A new school year is off to a very smooth start, and we have selected as our theme for the year: "Willmar Public Schools: Your Partner in Learning!" This theme focuses on the fact that your school system is comprised of people who are partners with children, young people, and adults in the learning process. We are committed to being a partner with the learner on the journey which we call lifelong learning that begins here in the Willmar Public Schools.

When we think about being a partner in learning, words like teamwork, collaboration, and assistance come to mind. Furthermore, a partner is typically a person who cares about the well-being and success of another person. The Willmar Public Schools is made up of people who care deeply about the well-being and success of our learners. Whether a learner is in pre-school, elementary school, junior high, senior high, alternative settings, community education, or adult basic education, our staff understands how important it is for us to be your partners in the learning process.

All of our staff members are partners in the learning process because everyone contributes to our overall goal of increasing student achievement no matter what their job might be in the district. This year we will be working hard to clearly identify how every employee of the Willmar Public Schools is connected to learning and how each job contributes to the success of our learners. In other words, as partners, each employee is a part of the team that collaborates to make the learning process work. We need every partner in order to make the most out of the learning years and the learning experience in our school system.

Just like employees are partners in learning, we also know how parents, guardians, and other community members are partners in learning. Parents especially have very central roles to play as partners in learning. The school district needs parents to stress the importance of working hard, taking learning seriously, respecting others, and generally reminding their children of just how important education is to their future. In addition, all of the stakeholders in the community play a role by taking an interest in educating our children, and all of our stakeholders have a key part to play in ensuring the success of all of our learners. I guess you could say that we need each other in order to get the most out of these important learning years. We are all essential partners in learning!

The Willmar Public Schools has also launched a vision statement this year that summarizes a significant direction towards which we all will be working. "Every student understanding that education adds value to life!" places into focus a basic principle that we believe must be realized by all of our children and young people during their years in our school system. When people understand that education adds value to life they will:

- Apply themselves to the learning that occurs in school
- Complete homework
- Set goals for the future
- Demonstrate respect for educators
- Take the learning years seriously
- Understand how important mastery of core subject matter such as reading, math, and science is to future learning
- Make every effort to attend school regularly and on time
- Seek a balance between hours worked while attending school
- Make plans for education beyond high school
- Understand that one's entry level average hourly income increases significantly in direct correlation to one's education and learning
- Regard education and learning as an essential privilege and not just as an entitlement that must be endured
- Regard the school years as a priority!

Our hope is that all partners in learning will assist us in carrying out the vision as outlined above. This team effort will pay big dividends for our students and ultimately to the future of our community, our state, and our nation.

Throughout the course of the school year, I encourage parents and constituents to contact the Willmar Public Schools if questions arise or if more information is needed on a topic of which you become aware. Please contact my office at 231-8510 to visit with me or contact any of our building principals or program directors to discuss issues as well as to get questions answered.

We want our stakeholders to be proud of our school system and all it has to offer our children and young people. Please join us in making the Willmar Public Schools one of the premier school districts in Minnesota and the nation! Together, as *Partners in Learning*, we will accomplish great things!

Sincerely,
Kathy Leedom

Report on Activities from 2006-07

Curriculum Advisory Committee

The Curriculum Advisory Committee (CAC) is an advisory group that provides public participation in the curriculum development process. The CAC meets four times during the school year. Members serve as patrons for specific subject areas. They are appointed by the school board for a three-year term, according to the CAC bylaws. If you are interested in serving on the CAC, contact the Director of Curriculum and Instruction (320-231-8541) about vacancies. Whenever possible, members are selected to achieve a balance in diversity and in views.

Curriculum Advisory Committee 2006-07

Member	Patron for	Representing	Term of Office Expires June 30
Fernando Alvarado	Health	Community	2009
Marilyn Bolin	Physical Education	Community	2009
Kendall Boline-Fenstra	Science, Elementary	Community	2009
Joel Brenckman	Media	Teacher	2008
Joan Christianson	Music	Community	2009
Keri Gramm	Art	Community	2009
Brandt Haglund		Student	2008
Trevor Johnson	Science, Junior High	Community	2007
Kathy Leedom		District	On-going
Lori Park-Smith	Social Studies	Community	2009
Mariana Thurston	Communications	Support Staff	2009
Ali Unger	Science, High School	Student	2008
Sandi Unger		School Board	2007
Lisa Wendt	Agriculture	Community	2007
Mary Wilkowske	English Language Learners	Community	2009

District Goals

The Willmar School Board adopted the following district-wide goals:

- Ensure achievement for all students
- Provide a world class education
- Enhance school and community relationships
- Continue responsible fiscal stewardship
- Improve the lives of students

Site Goals

Each of the educational sites in the district continued to work on goals that had been established through the North Central Association (NCA) continuous improvement process. They were determined through the analysis of test scores and additional data. All goals are aimed at improving student achievement on the Minnesota standards and local standards in all subject areas. These goals include the following.

- Senior High -- All students will improve their note taking skills across the curriculum. All students will improve their test taking skills in all curricular areas.
- Junior High --All students will improve their reading comprehension skills across the curriculum. All students will demonstrate improvement in personal responsibility.
- Roosevelt Elementary -- All students will increase their math computation skills. All students will increase their reading comprehension scores across the curriculum.
- Kennedy Elementary -- To improve reading achievement by using a balanced literacy approach to teaching reading, focusing on the five elements of reading: phonemic awareness, phonics, vocabulary, fluency and comprehension
- Lincoln Learning Center -- All students will show improvement in reading comprehension. All students will demonstrate growth in math computation.
- Jefferson Elementary -- All students will show a minimum growth of one year in reading comprehension and fluency. All students will show a minimum growth of one year in mathematical understanding.
- Area Learning Center -- To continue to practice restorative measures; To increase student attendance and decrease suspensions and graffiti
- Willmar Lakeview School – To focus students on proper classroom behavior
- Prairie Lakes School – Students will improve their reading and math scores.
- Bridgeway Learning Center – To increase the number of students passing the Basic Skills Tests and to increase the scores of non-passing students by at least ten percent; To upgrade curriculum materials to be current with the rest of the district
- Early Childhood Programs – To increase students' developmentally appropriate communication skills in social situations
- Adult Basic Education – To assess learners after 60 hours of participation in order to measure and document each learner’s progress

Report on Improvement Plans and Progress on Implementation

All educational sites wrote continuous improvement plans that address their goals. Staff development is a significant component of these plans. On-going improvement activities include the following highlights from 2006-07. All sites showed progress in the implementation of their plans.

- Senior High -- Teachers continued to receive annual training in note-taking and test-taking skills due to our multiple year NCA building goals. Teachers continued to instruct students in note-taking and test-taking skills. As a result, course completion rates in 2006-2007 went up slightly from the previous year to 92.9%. The latest AYP report shows Willmar Senior High with an 80% minority graduation rate and a 73.8% Hispanic graduation rate. Both are the highest rates since the school building opened in 1994-95.
- Junior High -- Teachers continued to use test data to determine the reading and math needs of students. After-school instruction was available in both curriculum areas of math and reading. The students read a combined total of over 7,000 books for the school year! Teachers received training in note-taking strategies and continued to incorporate them into their instruction. All seventh grade students participated in a “Courage Retreat” during the 2006-07 school year to improve personal responsibility.
- Roosevelt – The staff aligned the math curriculum with the state test specs and their instruction. They received training on constructive response strategies for students and implemented weekly constructive response student practice. The staff also participated in learning circles on the following topics: Peaceful classrooms, SMART activities in the classroom, and how to support ELL students in the regular classroom.
- Kennedy Elementary -- Teachers have received training in a variety of reading strategies and in differentiated instruction through whole group and small group staff development time. To sustain the reading efforts at Kennedy, a small group/whole group model

continued via online staff development provided by Teachscape, which is a company hired through the Reading First Grant to support schools in improving teaching and learning in reading. Small group teams met to share ideas and learn new strategies to use in their classrooms.

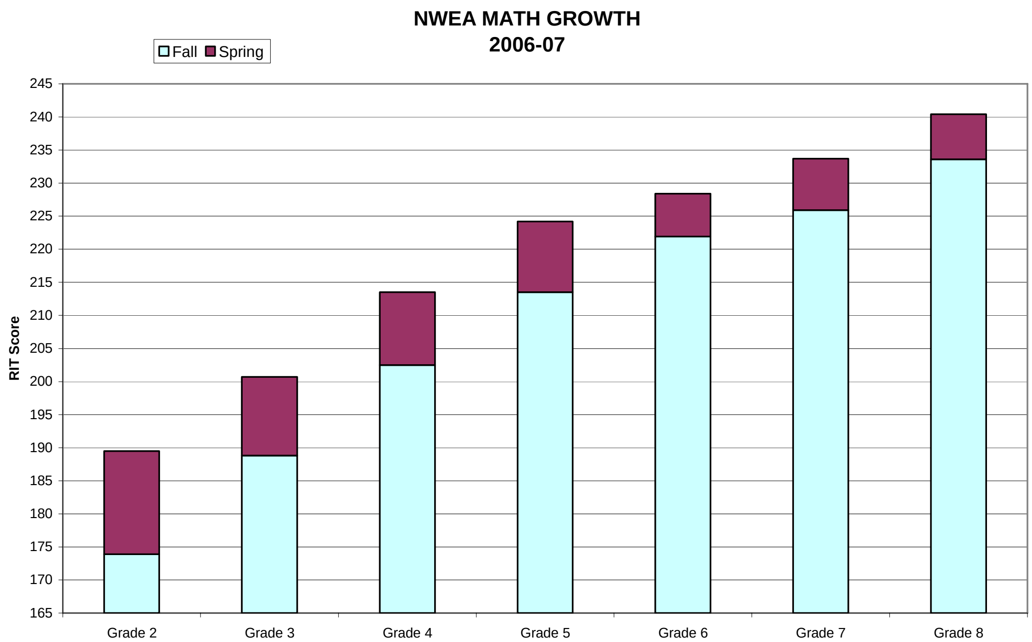
- Lincoln Learning Center – Teachers took part in Connecting Our Reading Experiences (CORE) staff development activities each month. They have received training in guided reading. Guided reading strategies were implemented in the classrooms.
- Jefferson Elementary -- Teachers took part in Connecting Our Reading Experiences (CORE) staff development activities each month. They have received training in guided reading. Guided reading strategies were implemented in the classrooms.
- Area Learning Center -- Teachers continued to implement restorative measures by using the circle method. The “Fish” philosophy continued to be at the root of the ALC environment by placing an emphasis on personal accountability for the students. Students were encouraged to display positive attitudes and behaviors. Teachers continued to Play, Make Their Day, Be There and Choose Your Attitude. Teachers worked with a grant through the Quality Teacher Network and offered a six week thematic Egyptian experience for the students. They worked on the goal of improving reading and literal comprehension by using NWEA testing scores of ninth and tenth graders.
- Willmar Lakeview School -- Teachers continued to implement the training they received to focus students on proper classroom behavior. Staff continued training updates through the Child Adolescent Behavioral Health Service program.
- Prairie Lakes School -- Teaching staff met with the Perpich Center three full days and one afternoon for training and collaboration to develop an interdisciplinary unit during the 2006-07 school year. The Perpich Center again met with the teachers in August to assist in the implementation, and will continue meetings throughout the current school year. The interdisciplinary curriculum unit has been developed and implemented in the classroom. Teachers have studied the state standards and developed curriculum to meet Minnesota Standards. They have aligned their classroom practice to the standards through the work of Rick Stiggins. They have developed essential learning questions and defined questions for study and student learning activities looking at the large process for each of the content areas. Through Reflective Coaching, teachers have improved teaching strategies. They have studied research based teaching and learning models to develop their curriculum. They have also studied their content standards to provide students the necessary learning goals. Students who were pre- and post-tested using NWEA showed an overall increase of 3.07 RIT scores for reading comprehension. 65% (35n) increased an average of 7.5 RIT scores with a range of 1 to 16.
- Bridgeway Learning Center -- Teachers shared their training in crisis management with teachers in the rest of the district through Will U classes.
- Early Childhood Programs -- Teachers continued to use best practices as they strive for excellence is utilizing CreativeCurriculum.net to ensure that state standards are met with each individual child.
- Adult Basic Education -- Teachers continued to use best practices. The program exceeds state and national goals for educational gains.

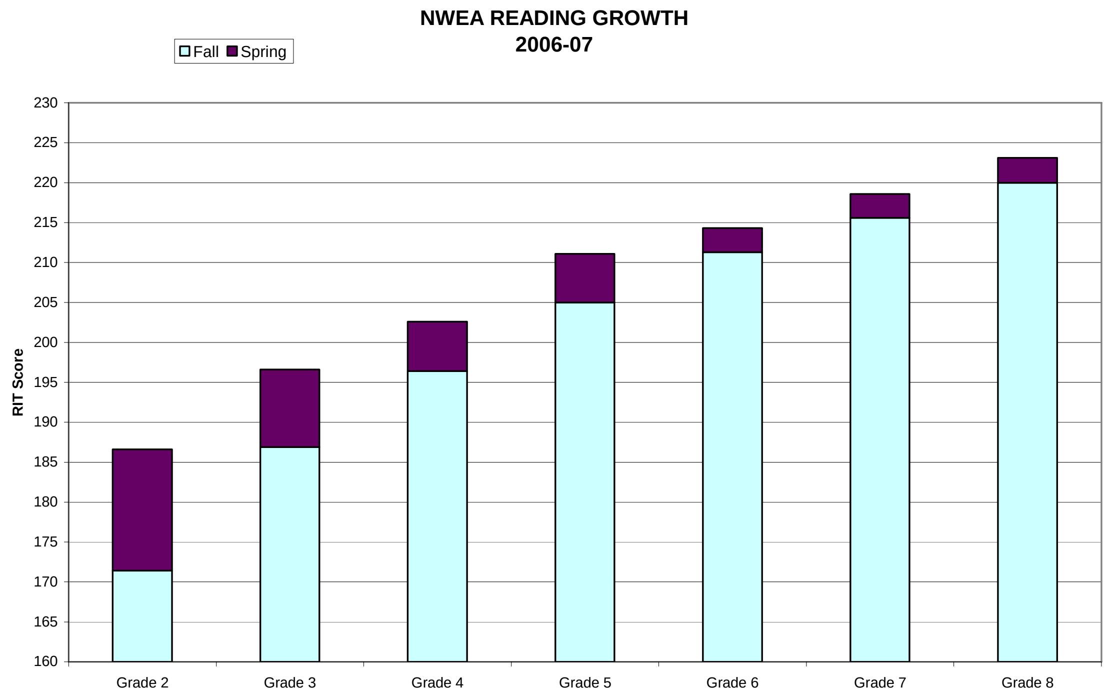
Testing

Teachers and principals use data from standardized tests to make decisions about improving teaching and learning. The NWEA, MCA-IIs and Basic Skills Tests provide information on student achievement and the effectiveness of curriculum and instruction.

NWEA Test Results

All students in grades 2 through 8 take the computerized Northwest Evaluation Association (NWEA) tests in mathematics and reading in the Fall and again in the Spring. These tests measure a student's growth during the year. The following graphs show student achievement for 2006-07. The first mark on the bar indicates the average Fall score. The top of the bar indicates the average Spring score. The difference between the two is the growth students gained during the year. It is normal for students to make greater growth in the lower grades and less growth in the upper grades. At Willmar Public Schools we want to make sure that all of our students achieve gains during each school year.



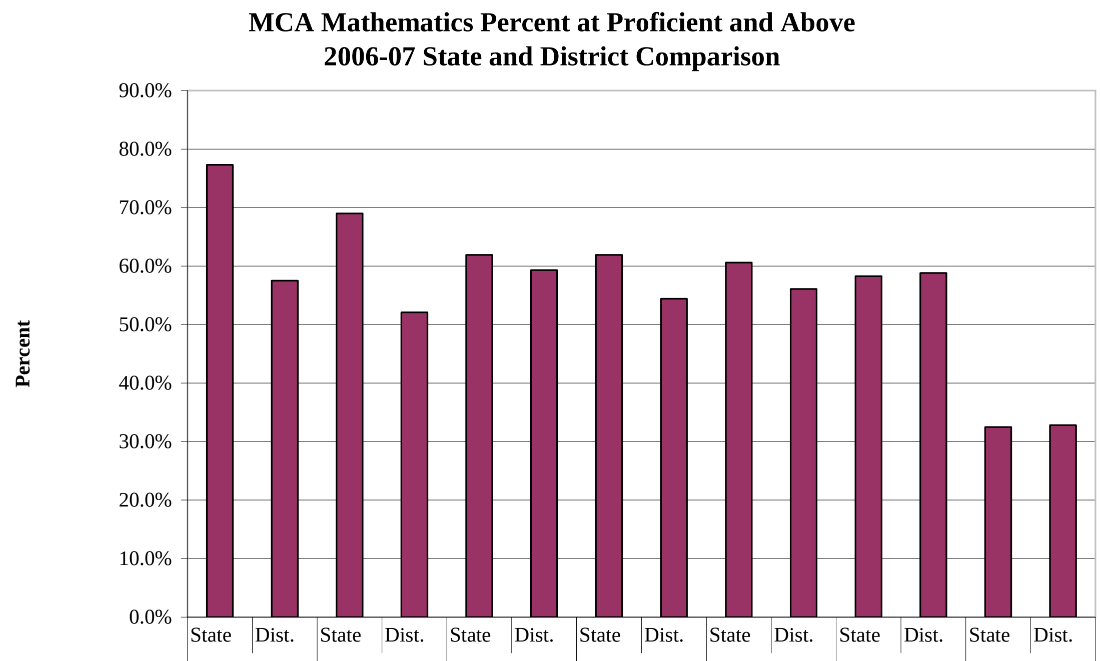


MCA-IIs

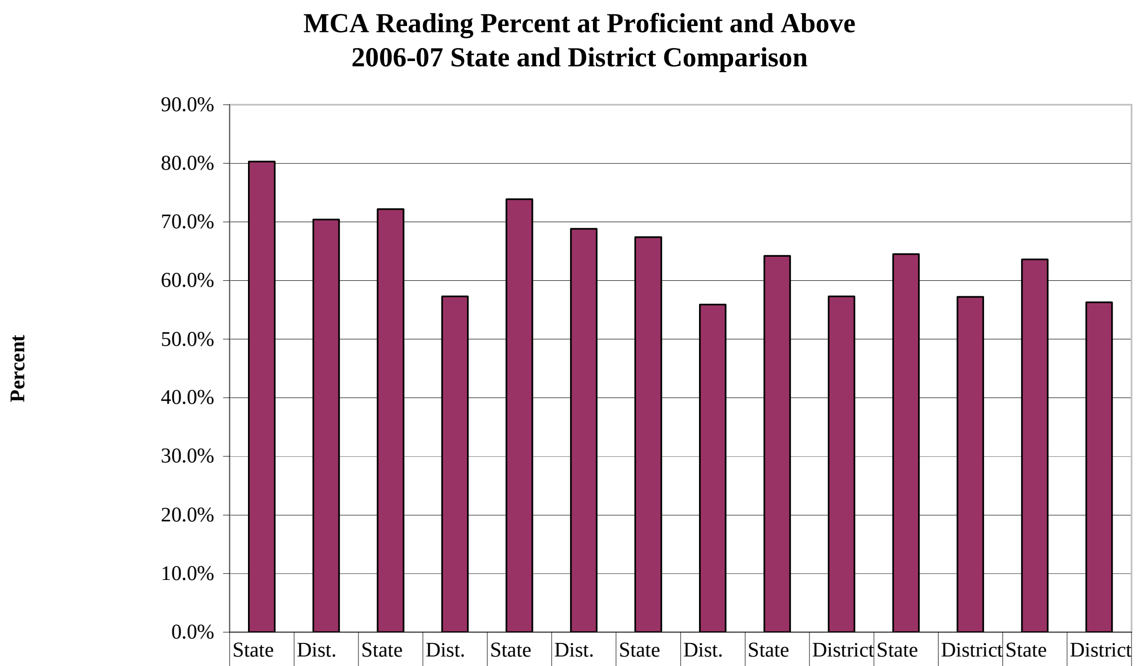
The Minnesota Comprehensive Assessments-Series II (MCA-IIs) measure student performance on state academic standards. During 2006-07, the tests were given as follows:

- Grades 3 through 8 -- reading and mathematics
- Grade 9 – writing on a combined MCA and graduation test (see New GRAD Tests section below)
- Grade 10 -- reading and writing on a combined MCA and basic skills test (see Basic Skills Tests section below)
- Grade 11 -- mathematics

The federal No Child Left Behind (NCLB) legislation requires that districts meet state-established proficiency goals on the MCA-IIs. These goals increase each year. By 2013-14, districts are expected to have 100% of their students at the proficient level or above. The charts below show the state and the district percentages of students who scored at or above the proficient level on the MCA-IIs in 2006-07 in the areas of mathematics and reading.



	Grade 3 State	Grade 3 Dist.	Grade 4 State	Grade 4 Dist.	Grade 5 State	Grade 5 Dist.	Grade 6 State	Grade 6 Dist.	Grade 7 State	Grade 7 Dist.	Grade 8 State	Grade 8 Dist.	Grade 11 State	Grade 11 Dist.
Proficent & Above	77.3%	57.5%	69.0%	52.1%	61.9%	59.3%	61.9%	54.4%	60.6%	56.1%	58.3%	58.8%	32.5%	32.8%



	Grade 3 State	Grade 3 Dist.	Grade 4 State	Grade 4 Dist.	Grade 5 State	Grade 5 Dist.	Grade 6 State	Grade 6 Dist.	Grade 7 State	Grade 7 District	Grade 8 State	Grade 8 District	Grade 10 State	Grade 10 District
Proficient & Above	80.3%	70.4%	72.2%	57.3%	73.9%	68.8%	67.4%	55.9%	64.2%	57.3%	64.5%	57.2%	63.6%	56.3%

Basic Skills Tests

To qualify for a diploma from a Minnesota public school, students who were in grades 10 through 12 in 2006-07 must pass the state Basic Skills Tests (BSTs) in reading, mathematics and writing. Students who pass the tests must still meet all other district requirements in order to graduate. The reading and mathematics tests were given for the first time in eighth grade. The writing test was given for the first time in tenth grade. Students have opportunities each year to pass these tests. Once a student passes a test, he/she does not have to take that test again. In 2006-07 86.7% of the tenth graders passed the writing test. This is below the state average of 91.8%. The chart below shows the summary of passing rates for the basic skills tests at grades 10 through 12.

Basic Skills Test Summary 2006-07

	Mathematics			Reading			Writing		
Graduation Class	2009	2008	2007	2009	2008	2007	2009	2008	2007
Grade	10	11	12	10	11	12	10	11	12
Number of students in the grade	320	343	331	320	343	331	320	343	331
Number of students who passed the test at the state level*	235	294	284	256	314	284	261	324	285
Number of students who passed the test at an individual level as stated on an Individual Education Plan (IEP) or other accommodation plan	***	***	24	***	***	25	***	***	28
Number of students who had language accommodations	0	0	0	**	**	**	**	**	**
Number of students who were exempt from taking the test due to an Individual Education Plan (IEP) or other accommodation plan	0	0	0	0	0	0	0	0	0

* For the mathematics and reading tests, passing is a score of 600, which equates to approximately 75%. For the writing test, passing is a score of at least 3 out of a possible 6 points.
**Does not apply to the reading test and the writing test. The reading test can only be given in the English language. The writing test must be written in English.
*** Due to data privacy requirements, the number is too small to be reported.

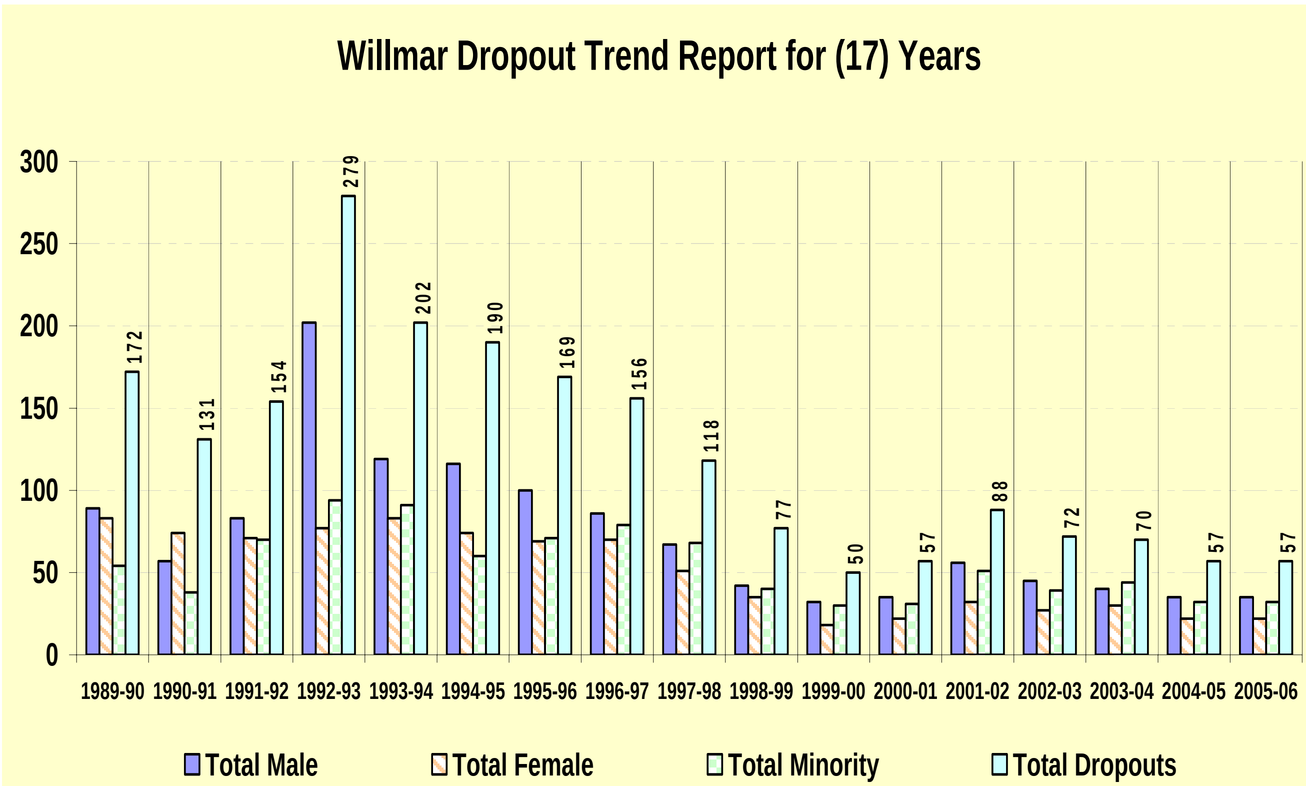
New GRAD Tests

Students in grades 9 and below in 2006-07 must pass new graduation tests that will be given for the first time as follows: writing in ninth grade, reading in tenth grade, and mathematics in eleventh grade. The tests are called Graduation-Required Assessment for Diploma (GRAD) tests. They will replace the Basic Skills Tests. Students in ninth grade took the writing test in 2006-07. 87.5% of the students passed the test. This is below the state average of 90.8%.

Testing Is Not the Only Focus

With the Basic Skills Tests, the MCA-IIs, the local NWEA assessments, and the new GRAD tests, it might appear that Willmar Public Schools is only interested in test scores. This is not the case.

The district is committed to providing experiences that develop the whole child. We want each of our graduates to walk out the door not only with a diploma indicating academic success, but also with the skills to build a responsible, productive and fulfilling life. We work together and with our community toward this goal. We are all partners in learning.



SCHOOL FINANCE FUNDING

Introduction

The Minnesota school finance system is the method by which funds are provided to operate public elementary and secondary schools. Historical, legal, and descriptive information in the following pages provide the context for understanding the school finance system.

Historical and Legal Background

Public education in the United States is the legal responsibility of state government. In Minnesota, as in most states, the state constitution charges the legislature with responsibility for public schools:

> The stability of a republican form of government depending mainly upon the intelligence of the people, it is the duty of the legislature to establish a general and uniform system of public schools. The legislature shall make such provisions by taxation or otherwise as will secure a thorough and efficient system of public schools throughout the state.
> (Minn. Const., art. XIII, § 1)

Minnesota delegates responsibility for the actual operation of schools to local school districts whose powers and duties are prescribed by state statute. Historically, the property taxes levied by the school boards governing these school districts have been the primary source of revenue for running schools. Some time after 1900, property taxes were supplemented by limited amounts of state appropriations for aid to school districts. By 1970-71, the Minnesota state foundation aid program provided all districts a flat grant per pupil unit (a pupil unit is a weighted enrollment measure) and provided some districts an additional “equalized” amount which varied inversely with a district’s property valuation. Under this system, state aid funded about 43 percent of the cost of running schools, and school expenditures per pupil varied widely from district to district. Local property taxes rose rapidly in all districts in the late 1960s, and the tax rate for schools also varied widely among districts.

The 1971 Legislature addressed these disparities by substantially increasing the amount of equalized state foundation aid per pupil unit and imposing a uniform statewide limit on the property tax rate for schools. The 1973 Legislature eliminated flat grants and established a system whereby the amount of foundation aid program revenue available per pupil unit to low-spending districts would be increased to the state average over a six-year period. From 1973 to 1983, the legislature adjusted the foundation aid formula several times making it more responsive to differences among districts and altering the relationship between local tax effort and state aid, without changing the formula’s basic structure.

The 1983 Legislature enacted a new foundation aid program that became effective in the 1984-85 school year. The new program replaced several components of the previous foundation aid formula (i.e., discretionary, replacement, grandfather, and low-fund balance aids and levies) with five tiers of optional aids and levies. The main characteristics of the new five-tier program were equal access to revenues, recognition of some specific cost differences, and more discretion on the part of school boards in choosing the necessary level of revenue.

Current Program Design

The 1987 Legislature replaced the foundation aid program with a modified funding formula called the general education revenue program effective for the 1988-89 school year. General education formula components have remained relatively stable since 1989. In general, each component reflects school district funding needs in different areas and is based on pupil counts and the extent of need for each school district.

For fiscal year 2004 and later, each school district's general education revenue is the sum of the following components:

- basic revenue
- extended time revenue
- compensatory revenue
- Limited English Proficiency revenue
- gifted and talented revenue
- training and experience revenue
- operating sparsity revenue
- transportation sparsity revenue
- operating capital revenue
- equity revenue
- alternative compensation revenue
- transition revenue

General education revenue is the primary source of general operating funds for Minnesota's 340 school districts and 145 charter schools. Operating expenses of the district include employee salaries, fringe benefits, and supply costs. School districts also receive state appropriations through categorical aids, which are funds designated for specific purposes (such as special education and school integration/desegregation).

Descriptive Information for Minnesota

Public elementary and secondary education is provided via a financial partnership between the state and 340 local school districts and 145 charter schools. These school districts and charter schools exhibit diversity in terms of enrollment, local property wealth, and expenditure levels.

The state and federal governments share in financial partnership with local districts and charter schools to fund elementary and secondary education. For the 2005-06 school year, the state provided approximately 72 percent of the operating costs of elementary and secondary education. Local revenue sources (primarily property taxes and fees for services such as school lunch) provided approximately 22 percent of 2005-06 operating revenues, and the federal government provided approximately 6 percent.

The bulk of state support for elementary and secondary education is distributed to the districts through the general education revenue program, which provides money for the current operating expenditures of the districts. The remaining portion of the state's appropriation to local districts is provided through special purpose or categorical aids, such as special education aid and local property tax relief aids.

General Education Revenue

Elementary and secondary schools receive the bulk of their general operating funds from the state through the general education revenue program. For fiscal year 2005 and later, basic general education revenue is provided entirely through state aid payments, but there are equalized levies for operating capital, equity revenue, and transition revenue.

Components of General Education Revenue

The general education revenue funding formula is the primary source of general operating funds for school districts. Statewide, approximately two-thirds of school districts' total revenue comes from the general education program. Each school district's general education revenue is the sum of the components shown in the table below. The table shows each general education revenue component name, revenue amount, and the number of districts eligible for the revenue for that year.

General Education Revenue Components

	General Education Revenue Component
1	Basic Formula Allowance
2	Extended Time Revenue
3	Basic Skills (including LEP) Revenue
4	Gifted and Talented
5	Operating Sparsity (elementary and secondary)
6	Transportation Sparsity Revenue
7	Operating Capital Revenue
8	Equity Revenue
9	Training and Experience (T&E) Revenue
10	Alternative Compensation Revenue
11	Transition Revenue
12	Pension Reduction
13	Options Adjustment

Minnesota's 340 school districts and 145 charter schools use general education revenue to pay for the operating expenses of the district including employee salaries, employee benefits, and supply costs.
General education revenue, except for the portion of revenue attributable to compensatory revenue, which must be passed through to each school site, is provided to school districts, and each local school board determines how to allocate that money among school sites and programs, subject to certain legislative restrictions.

Basic Education Revenue

Basic education revenue for each district equals the product of the formula allowance multiplied by the adjusted marginal cost pupil units for the school year. Adjusted marginal cost pupil units is a statutorily defined count of pupils in daily attendance. The basic formula allowance for the 2008-09 school year is $5,124 per adjusted marginal cost pupil unit (AMCPU).

Extended Time Revenue

Beginning in fiscal year 2004, school districts are prohibited from counting a student as more than 1.0 in average daily membership (ADM). Prior to this, a student could be counted in excess of 1.0 if the student was participating in a learning year program. A learning year program may include extended day, extended week, summer school programming, or an independent study program. The 1987 Legislature eliminated funding for summer school when it replaced the foundation aid program with the general education revenue program. During the 1990s, many school districts started using the learning year program as a method to fund summer school programs. The growth in learning year pupils was quite significant. The 2003 Legislature adopted a provision that limits a student's annual average daily membership to 1.0.

The extended time revenue program allows a school district to count a student who participates in extended programming for up to an additional 0.2 students in ADM for the time the student spends in extended day, extended week, summer school, or other additional programming authorized by the learning year program. This additional ADM counts only for purposes of generating extended time revenue.

Basic Skills Revenue

Basic skills revenue consists of compensatory revenue and limited English proficiency (LEP) revenue.

Compensatory Revenue - The vast majority of basic skills revenue is generated by the compensatory revenue formula. Compensatory revenue is site-based revenue. The revenue is calculated based on the characteristics of each school site, and the revenue must be distributed to, and spent on, qualifying programs at each site. Compensatory revenue must be used to meet the educational needs of pupils whose progress toward meeting state or local content or performance standards is below the level that is appropriate for learners of their age.

Eligible uses of compensatory revenue include the following:

- providing direct instructional services under the assurance of mastery program
- providing remedial instruction in reading, math, and other core curriculum
- adding teachers and teacher aides to provide more individualized instruction
- lengthening the school day, week, or year (including summer school)
- providing staff development consistent with each site's site plan
- purchasing instructional materials and technology
- implementing programs to reduce truancy, encourage graduation, and provide a safe and secure learning environment
- providing bilingual, bicultural, and LEP programs
- providing all-day kindergarten
- providing parental involvement programs

Compensatory revenue must be reserved in a separate account and each district must produce an annual report describing how compensatory revenue has been spent at each site within the district.

The formula that generates compensatory revenue is a concentration formula based on each school building's count of students that are eligible for free or reduced price meals.

The compensatory revenue increases as the number of compensatory pupil units goes up, which is driven by the number of free and reduced lunch students as well as the percentage of such students at the school site. A higher percentage concentration of free and reduced price lunch students leads to a higher count of compensatory pupil units.

Limited English Proficiency Revenue - Districts receive limited English proficiency (LEP) revenue to provide instruction to students with limited English skills. Programs may include bilingual programs or English-as-a-second-language (ESL) programs. Bilingual education programs provide curriculum instruction to students in their native language. ESL program students are taught to read, write, listen, and speak in English. The state has provided funding for LEP programs since 1980. In 1997, the LEP formula was significantly expanded by adding a pupil concentration formula to the cost-based formula. Beginning in fiscal year 2004, a student is limited to a maximum of five years of funding for LEP revenue.

There are two parts to the LEP portion of basic skills revenue: the first part or basic formula is a set amount per marginal cost LEP pupil; the second part of the LEP formula is a concentration formula. A school district with at least one student eligible for LEP services has a statutorily assigned minimum LEP pupil count of 20.

Gifted and Talented Revenue

Beginning in fiscal year 2006, each school district received $4 per pupil unit for gifted and talented programming. This amount is increased to $9 per pupil unit for fiscal year 2007 and further increased to $12 per pupil unit for fiscal year 2008 and later. The revenue must be reserved and spent only to:

(1) identify gifted and talented students;
(2) provide education programs for gifted and talented students; or
(3) provide staff development to prepare teachers to teach gifted and talented students.

Gifted and Talented Revenue = $12 x AMCPU

Sparsity Revenue

Secondary sparsity revenue provides additional revenue to geographically large districts that have relatively few secondary pupils. The formula measures sparsity and isolation of the district and then provides additional revenue to the district using an assumption about how many pupil units are necessary to run an acceptable secondary program. The formula assumes that a district with 400 secondary pupils in average daily attendance can provide an acceptable secondary program. Therefore, a district with one high school, no matter how few pupils per square mile it has, will not receive any sparsity aid if the district has a secondary average daily membership (SADM) in excess of 400. In addition, the requirement of large geographic size ensures funding for districts that have few pupils due to geographic isolation and not due to a school board's reluctance to provide cooperative programming with a neighboring school district.

Elementary Sparsity Revenue - A school district qualifies for elementary sparsity revenue if it has an elementary school that is located 19 or more miles from the next nearest elementary school and has fewer than 20 pupils per elementary grade. As with secondary sparsity revenue, the more elementary pupils in average daily membership (EADM) attending the school, the lower the elementary sparsity revenue per pupil.

Transportation Sparsity Revenue

A compromise agreement reached during the 1995 Special Session and affirmed by the 1997 Legislature led to the elimination of the basic transportation funding formulas. In their place,

$170 was added to the basic formula allowance; a new component called transportation sparsity revenue was added to the general education revenue program; and a portion of transition revenue was designed to soften the impact of the funding changes. Transportation sparsity revenue may be used for any general operating purpose. A district is not required to use transportation sparsity revenue for pupil transportation expenses.

Operating Capital Revenue

Operating capital revenue replaced two former capital formulas known as equipment revenue and facilities revenue and moved the revenue stream to each district's general fund. Operating capital revenue must be reserved and used for equipment and facility needs. A school board may spend other general fund money for operating capital expenses, but general fund money provided by the operating capital revenue component must be reserved and spent only for eligible equipment and facilities needs.

Revenue Computation - Operating capital revenue is computed by adding a fixed dollar amount for all districts to a variable amount per pupil unit based on the age of the district's school facilities. The age index is called the maintenance cost index (MCI).

Operating capital revenue provides $100 per AMCPU times the district's maintenance cost index. Districts with older buildings receive more revenue because of the maintenance cost index. Districts with newer buildings receive less revenue.

Equity Revenue

The equity revenue formula consists of three parts: basic equity revenue; low referendum revenue; and a supplemental formula, added beginning in fiscal year 2007. Equity revenue was added as a component to the general education revenue formula beginning with fiscal year 2000. The state is divided into a seven-county metro region and a greater Minnesota region, and equity revenue is calculated separately for districts within each region. The school districts located in cities of the first class (Minneapolis, St. Paul, and Duluth) are excluded from receiving basic equity revenue. For fiscal years 2002 and later, a school district's equity revenue is based only on the sum of its basic formula allowance and referendum revenue per pupil unit.

The first step in calculating equity revenue is to determine the 5th and 95th percentiles of the portion of general education revenue equal to the basic formula allowances and referendum revenue for the metro
and nonmetro regions. The second step in calculating equity revenue is to divide districts into two classes: those with a referendum and those without.

Equity revenue for a district with a referendum equals $13 plus the product of $75 and the district's equity index, all times the district's AMCPU. For a district located in the metro area, this amount is multiplied by 1.25. Equity revenue for a district without a referendum equals $13 times AMCPU.

Supplemental Equity Revenue - Beginning in fiscal year 2007, all school districts with per pupil referendum revenue less than the 95^{th} percentile are eligible for an additional $46 per pupil unit. Districts with per pupil referendum amounts that are equal to or greater than the 95^{th} percentile receive an additional $46 per pupil unit.

Low Referendum Revenue - A school district that has per pupil referendum revenue less than 10 percent of the statewide average amount of referendum revenue receives an additional equity amount equal to the lesser of $100,000 or the difference between 10 percent of the statewide average referendum revenue and the district's current amount of referendum revenue.

Equity Aid and Levy - Beginning in fiscal year 2005, a district's equity revenue is equalized on referendum market value using an equalizing factor of $476,000.

Training and Experience Revenue

Training and experience (T&E) revenue partially compensates school districts that have teachers who have a substantial number of years of service to the school district and higher levels of educational attainment. T&E revenue was temporarily eliminated for the 1996-97 and 1997-98 school years. T&E revenue was partially restored for the 1998-99 school year and is being phased out over time. Under its current structure, a school district's T&E revenue is limited to only those teachers who taught in the district during the 1996-97 school year and are still teaching in the same school district in the current year.

To calculate T&E revenue, the Department of Education develops a matrix of steps and lanes and places each teacher in the district in the appropriate cell within the matrix. The salary of the teachers in each district in each cell is compared to the statewide average salary for all teachers in each cell and an index number is created based on this comparison.

Alternative Compensation Revenue

Alternative compensation revenue was added to the general education program by the 2005 Legislature as a funding mechanism for the alternative teacher professional pay system. The alternative teacher professional pay system, referred to as Q-comp (short for quality compensation), often requires participating school districts and their teachers to develop an educational improvement plan and an alternative teacher pay system. A school district's alternative teacher compensation plan must be approved by the Commissioner of Education before a school district can access alternative compensation revenue. As of August 1, 2007, the Commissioner of Education had approved plans for 49 schools and another 20 schools have applications pending.

Beginning in fiscal year 2006, a school district that has an approved alternative compensation plan is eligible for alternative compensation revenue. The statewide amount of aid for the program is capped in statute at $19.329 million for fiscal year 2006 and $75.636 million for fiscal year 2007 and later. The revenue program consists of a basic revenue amount of $190 per pupil enrolled at the participating site, provided entirely in state aid plus an equalized aid and levy of $70 per enrollee (for 2006 only, the full amount of revenue is provided in state aid). For fiscal year 2010 and later, the basic revenue amount is reduced to $169 and the equalized aid and levy comprises the remaining $91 per pupil unit.

Transition Revenue

This transition revenue provides school districts with a partial grandfather or hold-harmless due to the 2003 Legislature's changes to general education revenue. Transition revenue guarantees a school district the lesser of (a) its fiscal year 2003 general education revenue per pupil or (b) the amount of revenue per pupil that the district would have received during the 2004 fiscal year under the old definitions of general education revenue. The difference between the actual fiscal year 2004 revenue and the guaranteed amount is the new transition revenue.

This revenue was provided entirely in state aid for fiscal year 2004 and is an equalized aid and levy for later years. Transition revenue is provided through an equalized aid and levy based on a referendum market value equalizing factor of $476,000.

Teacher Retirement (Pension) Reduction

Some of the changes in the school district employer-paid retirement contributions have been linked to other changes in school funding. Currently, a school district's general education revenue is reduced by two decreases in employer contribution rates and increased by one increase in the Public Employees Retirement Association (PERA) contribution rate.

(1) The 1984 PERA adjustment is equal to the amount of the 1984 PERA rate reduction times the school district's 1984 PERA payroll.
(2) The fiscal year 1997 TRA (Teachers Retirement Association) reduction equals 2.34 percent times the district's 1997 TRA payroll. (Prior to 1997, the reduction was .84 percent of TRA payroll. This reduction was added to the 2 percent reduction made in 1997, then reduced to the net amount of 2.34 percent after compensating for the PERA revenue increase under (3)).
(3) The fiscal year 1999 PERA increase equals .70 percent times the district's 1999 PERA payroll.
(4) The fiscal year 2007 increase equals .50 percent times each district's 2007 TRA payroll.

The reduction is a fixed total dollar amount (not a per pupil amount) and does not change each year unless the district's teacher payroll is significantly lower than its previous fiscal year, in which case the Commissioner of Education recalculates a lower reduction based on the new payroll data. The adjustment is statutorily eliminated June 30, 2020.

Options Adjustment

A school district's general education revenue is adjusted by the "options" adjustment based on enrollment changes made under student movement programs. Districts receive a reduction in revenue equal to the referendum aid that is generated by resident pupils who enroll in another school district or charter school. Districts receive an increase in revenue equal to the referendum aid attributable to nonresident students served by the school district plus an aid amount equal to the transportation portion of each charter school pupil whom the district transports.

Aid and Levy Calculations

School districts receive general education revenue from both state aid payments and local property taxes (charter schools receive their general education revenue entirely in state aid). The mix of aid and levy is designed to equalize local tax burdens. A school finance program that provides the same amount of total revenue per pupil unit to each district and requires the same tax rate of local effort is said to be fully equalized. Under an equalized system, the higher a district's property wealth per pupil unit, the lower the amount of general education aid the district receives from the state and the higher the amount of revenue provided through the local district's property tax.

General Education Levy and Aid **-** For the 2001-02 school year, the total local levy of all districts for the general education program was required to raise $1,330,000,000. To raise this revenue statewide, a tax rate of 32.41 percent of adjusted net tax capacity (ANTC) was necessary. For fiscal year 2003 and later, basic general education revenue is provided entirely in state aid and there is no longer a general education levy.

<u>Operating Capital Levy and Aid</u> - Beginning in fiscal year 2005 (taxes payable in 2004), a district's operating capital was provided through an equalized aid and levy (for the decade prior to fiscal year 2005, the full amount of operating capital was provided through state aid). The operating capital is equalized on net tax capacity using an equalizing factor of $22,222 for fiscal years 2005 and 2006. This is a relatively high level of equalization, providing about 80 percent of the revenue through state aid. For fiscal years 2007 and later, the equalizing factor is lowered to $10,700, lowering the aid share of operating capital revenue to approximately 50 percent of total revenue.

<u>Equity Levy and Aid</u> - Beginning in fiscal year 2005, a district's equity revenue is equalized on referendum market value using an equalizing factor of $476,000 (the same equalizing factor used for calculating the first tier of referendum revenue). This revenue is calculated and spread on referendum market value—so the levy is not spread on agricultural lands or seasonal recreational property. Prior to fiscal year 2005, a district's equity revenue was provided entirely in state aid. Just under one-half of the $41 million in equity revenue is provided in state aid; the remainder, $22 million, will be through the levy.

<u>Transition Levy and Aid</u> **-** Beginning in fiscal year 2005, a district's transition revenue is equalized on referendum market value using an equalizing factor of $476,000. Approximately $15 million out of the $25 million in transition revenue will come through the local levy. For fiscal year 2004 only, transition revenue was provided entirely through state aid.

<u>Referendum Revenue</u>

The referendum revenue program, often referred to as the operating referendum levy or the excess levy referendum, is a mechanism that allows a school district to obtain voter approval to increase its revenue beyond the limits set in statute. Because of the exceptional growth in the referendum levy in the late 1980s and early 1990s, the legislature has made several changes to the program including: equalizing a portion of the revenue; capping the total amount of per pupil revenue a district may have; limiting the length of time that new referendums may run; and requiring referendums approved after November 1, 1992, to be spread on referendum market value instead of tax capacity.

The 2001 Legislature greatly reduced the referendum levy beginning in fiscal year 2003. Each district's referendum revenue was reduced by $415 per pupil unit. (A district with less than $415 per pupil in referendum authority lost the full amount of its authority.) At the same time the referendum was reduced, the basic formula allowance for all districts was increased by $415 per pupil unit. As a result, referendum revenue was reduced by approximately $200 million. Since that time, referendum revenue has increased substantially as a result of subsequent elections.

<u>Referendum Revenue Cap</u> - School districts not eligible for sparsity revenue are subject to a cap on referendum revenue. For fiscal year 2007 and later, a district's maximum total referendum allowance is limited to 26 percent of the formula allowance adjusted for inflation ($1,418 for fiscal year 2007). For those districts with authority from 1994 that were above the cap, their capped authority increased by 26 percent of the formula allowance or 17.7 percent less $215 (instead of the $415 subtraction that applies to other school districts whichever is greater).

Referendum Revenue Equalization - A portion of each district's referendum revenue is subject to equalization. The first tier of equalization aid is $700 per pupil unit for fiscal year 2008 and later.

Referendum Tax Base Replacement Aid - Referendum tax base replacement aid was implemented by the 2001 Legislature as a mechanism designed to compensate school districts for the loss of agricultural land and cabin tax base. Tax base replacement aid is a frozen dollar amount based on fiscal year 2003 characteristics. Any referendum equalization aid earned by the school district is first offset by referendum tax base replacement aid. The remaining equalization aid, if any, is the amount used when computing the referendum aid accompanying charter schools and open enrollment pupils. Referendum tax base replacement aid was made permanent by the 2003 Legislature.

Election Requirements - A district's general levy can be increased with the approval of the voters at a referendum called by the school board on its own initiative or on petition of 15 percent of the school district residents. The election must be held during the November election only, unless the election is held by mail ballot or upon approval of the Commissioner of Education, if the district is in statutory operating debt. If the election is conducted by mail ballot, it must be in accordance with state election law and each taxpayer must receive notice by first class mail of the election and of the proposed tax increase at least 20 days before the referendum. A similar election may also be held to reduce or revoke the increase.

Referendum Market Value - Unlike most other school district levies, referendum levies are spread on referendum market value instead of net tax capacity. Referendum market value is the market value of all property within the school district with two exceptions. First, all seasonal recreational property (cabins) and farmland are excluded from referendum market value. Second, any property with a class rate of less than 1.0 percent is taxed at its market value times its class rate.

Capital Finance

School districts must finance both ongoing capital needs, such as equipment purchases, repairs, and maintenance, as well as major building construction projects. Major building projects are usually financed at the local level, often with the assistance of state-paid debt service equalization aid. Districts borrow money through the sale of bonds and levy an annual tax to repay the money over a period of years. Smaller remodeling projects, equipment purchases, and other ongoing capital needs are normally financed by capital revenue programs.

Beginning with the 1996-97 school year, two of the largest capital funding formulas—the equipment formula and the facilities formula—were moved from the capital fund to a reserved account in the general fund. The purpose of this change was to allow districts greater discretion in the use of operating money for capital needs. The new formulas, named operating capital revenue, are a component of the general education revenue program. School districts may now use general fund operating revenue for capital programs, but operating capital revenue must be used for specified capital purposes and may not be used for general operating purposes.

This section explains the financing methods available to districts to obtain funds for ongoing capital needs and major construction projects.

Review and Comment on Construction Projects **-** When a new school building is constructed or when an existing facility is substantially remodeled, a district incurs a substantial financial obligation that must be met immediately. School districts issue bonds to obtain the funds necessary to pay the contractors. The district then pays back the bonds over a period of years with money raised from the debt service levy and any debt service aid received from the state.

Because of the importance and cost of major construction projects, the Department of Education provides a review and comment on each major project.

Any school district that intends to construct an educational facility costing more than $100,000 must consult with the Commissioner of Education. The commissioner may require a review and comment on the project. Any project that requires an expenditure of more than $500,000, except for certain deferred maintenance projects, must be submitted by the district to the commissioner for review and comment.

The commissioner may give the project a positive, unfavorable, or negative review and comment. If the project receives a positive review and comment, the district may hold a referendum to authorize the sale of bonds; upon approval of a simple majority of the voters, the project may proceed. If the commissioner submits an unfavorable review and comment, the local school board must reconsider the project. If the local school board decides to continue with the project, the referendum to authorize the sale of bonds must receive the approval of at least 60 percent of the voters. If the commissioner submits a negative review and comment, the school board cannot proceed with the project.

The findings of the commissioner's review and comment must be published in the legal newspaper of the district prior to a referendum on the construction project.

Debt Service Revenue

Minnesota's local school districts have generally financed the construction of new school buildings through the sale of bonds. The bonds are repaid with revenue raised from the local district's property tax receipts. The total amount of building bonds issued by the district determines the yearly debt service that the district must pay; and the amount of bonds issued is, of course, directly related to the district's building needs. The tax rate that the district levies in order to make its debt service payments depends both on the amount of debt and the size of the district's property tax base. The larger the debt, and the smaller the property tax base, the greater the district's tax rate for debt service needs.

Debt Service Equalization Aid

The debt service equalization aid program provides state aid to local school districts to help repay the bonds issued to finance construction. The amount of a school district's debt service that the state will pay depends on two factors: the district's total amount of annual debt service and the district's taxable property tax base (net tax capacity) per pupil.

Debt service equalization aid is available for a school district's qualifying debt service. Debt service amounts that qualify for debt equalization are general debt service amounts for land acquisition, construction costs, and capital energy loans. Net debt is the sum of these amounts reduced by any excess balance that the district has in its debt redemption account. All debt incurred prior to July 1, 1992, will be included in the district's net debt. However, debt incurred after July 1, 1992, must be for facilities that:

- receive a positive review and comment from the Commissioner of Education;
- are comparable in size and quality to facilities in other districts; and
- have been reviewed by all neighboring school districts.

The debt service revenue is divided into tiers. The first tier applies to the portion of a school district's debt that is below 15 percent of the district's adjusted net tax capacity. The first tier must be provided entirely through the local levy. The second tier applies to the portion of debt revenue between 15 percent and 25 percent of adjusted net tax capacity. This tier is equalized at a relatively low level. A district qualifies for state aid only if its per pupil tax base is less than $3,200. The remaining debt revenue makes up the third tier. This revenue is equalized at a high rate—$8,000 per pupil.

Down Payment Levy

When approved by a voter referendum, school districts may levy the amount authorized for a down payment on future construction costs. Proceeds of the levy must be placed in a special account and may be used as a down payment on the approved construction project.

Maximum Effort School Aid Law

Some districts find it difficult or impossible to finance construction projects through conventional bond sales because the district property tax base is too small. These districts can qualify for state assistance under the Maximum Effort School Aid Law. Under this program, the state borrows money via bond sales and lends it to qualifying school districts on favorable terms. Two types of loans are available: **capital loans** (for new construction projects) and **debt service loans** (to reduce the amount which districts must levy for debt service on completed projects). Qualifying districts can obtain either or both types of loan. A district is eligible for a capital loan only if its net debt tax rate, after any state-paid debt service equalization aid, is more than 32 percent of ANTC.

Capital Loans - The process to obtain a capital loan follows.

1. A school district that intends to apply for a capital loan must submit the project proposal to the Commissioner of Education for review and comment by July 1. Capital loans may not be used to pay for swimming pools, ice arenas, athletic facilities, day care centers, bus garages, or heating system improvements.

2. The commissioner must prepare a review and comment of the proposed project. In order to grant a positive review and comment, the commissioner must determine that all of the following conditions have been met:

   - no adequate facilities currently exist
   - no form of cooperation with other districts would provide the needed facilities
   - the facilities are comparable to facilities recently constructed in other districts of similar enrollment
   - the facilities are comparable to facilities recently constructed in other districts that are financed without a capital loan
   - the district is projected to have adequate funds to support a quality education program during the next five years
   - the current facility poses a health and safety threat and cannot be brought into compliance with code
   - the district has made an effort to adequately maintain the existing facility
   - the district has shared its plans and received comments from neighboring school districts

3. The school board of a district that wants a capital loan must adopt a resolution that describes the project and submit an application for a capital loan to the commissioner by November 1.

4. The commissioner makes a recommendation for each capital loan to the education committees of the legislature by February 1.

5. Each capital loan must be approved in law.

6. A district must conduct a successful referendum on the project before February 1.

If the capital loan is approved, the district must issue bonds up to the amount of: (1) the district's net debt limit, as defined in Minnesota Statutes, section 475.53 or (2) 607 percent of ANTC, whichever is less. The amount of the capital loan the district is eligible for is the difference between the total cost of the project and the amount of the local bond issue.

The district's repayment of the loan is determined by one of several formulas, depending upon when the loan was obtained. For districts obtaining loans approved by the commissioner after January 1, 1990, the district must levy the greater of:

(1) 28 percent of ANTC; or
(2) the amount needed to pay the annual principal and interest on the local bond issue.

In any year, if 28 percent of ANTC is the greater amount, the difference between (1) and (2) is applied to repayment of the state loan. If the amount needed for local debt service is the greater amount, no payment is required on the state loan in that year. Maximum effort capital loans are forgiven if they are not paid within 50 years of issue.

<u>Debt Service Loans</u> - Districts in which the levy required to make debt service payments on local bond issues exceeds 28 percent of ANTC by 10 percent or by $5,000 can obtain a debt service loan from the state. This is a loan to reduce the magnitude of the debt service levy which must be collected. The amount of the loan can be up to the amount of the difference between the required debt service levy and 28 percent of ANTC. However, the debt service loan amount cannot exceed 1 percent of the district's outstanding bonded debt.

Debt service loans are repaid in the same fashion as capital loans. Districts must levy at least 28 percent of ANTC; if this amount exceeds the amount which the district must levy for debt service on its bonds, the difference is used to repay the state loan.

<u>Funding</u> - Capital loans and debt service loans are initially funded by the sale of state bonds. In addition to the bond proceeds, supplemental appropriations by the legislature are necessary to make principal and interest payments because repayments of loans by districts are occurring at a slower rate than that required to meet the state's obligations.

Cooperative Secondary Facilities Grant Program

The cooperative secondary facilities grant program provides state grants to groups of local school districts that desire to build or remodel a facility. Prior to July 1, 2007, the program focused only on secondary facilities. A district must meet the same criteria as required by the consolidation program in order to qualify for a grant; a minimum of two school districts must agree to apply for the grant. Grant amounts are currently limited to the lesser of 75 percent of the project cost, $20 million for a new facility, or $10 million for a remodeling project.

A consolidated school district or a group of districts that desires a cooperative facility grant must apply to the Department of Education for project approval. If the state makes state general obligation bond proceeds available, the district or districts must hold a referendum to approve the sale of bonds for the local portion of the project costs within 180 days of receiving a state grant. The referendum must be approved by a majority of those voting on the bond issue. In some years, the legislature has awarded a $100,000 planning grant to potential grant recipients and has also named specific grantees in law when the bond proceeds are made available.

Bonds for Certain Capital Facilities

A district may issue general obligation bonds without voter approval for certain capital projects. The bonds must be repaid within ten years of issuance with the district's annual operating capital revenue.

Health and Safety Revenue

A district with a building problem related to health or safety concerns may submit an application to the Commissioner of Education for authorization to receive health and safety revenue. Health and safety revenue may be used for the following purposes:

- to remove or encapsulate asbestos
- to dispose of polychlorinated biphenyls (PCBs)
- to remove and dispose of fuel oils
- to eliminate a fire hazard
- to remove a life safety hazard
- to correct certain air quality problems

The 2003 Legislature narrowed the scope of projects that qualify for health and safety revenue (particularly regarding indoor air quality projects). The legislature also required any project in excess of $500,000 to be handled through the alternative facilities program.

Alternative Facilities Program

Certain school districts may choose to participate in the alternative facilities bonding and levy program instead of the health and safety revenue program. A district qualifies to participate in the alternative facilities program if the district has:

(1) more than 66 students per grade;
(2) either:
   (a) over 1,850,000 square feet of space and an average age of building space that is 15 years or older, or
   (b) more than 1,500,000 square feet of space and an average building age of 35 years or more;

(3) insufficient funds from projected health and safety revenue and capital facilities revenue to meet the district's need for deferred maintenance repairs, to make accessibility improvements, or to make fire, safety, or health repairs; and
(4) a ten-year facility plan approved by the commissioner.

Additionally, the 2003 Legislature required any health and safety project with a cost exceeding $500,000 to be handled through this program.

An eligible school district may issue general obligation bonds without voter approval to finance the approved facilities plans. The district may then levy to repay the bonds. This levy qualifies for debt service equalization aid. Alternatively, an eligible district may make an annual levy for the costs incurred under the ten-year facility plan. The 1997 and 1998 Legislatures provided ongoing state aid payments to reduce these levy amounts for districts that qualified at that time.

Deferred Maintenance Revenue

Beginning in fiscal year 2008, a school district that is not eligible for alternative facilities revenue under Minnesota Statutes, section 123B.59, subdivision 1, paragraph (a), is eligible for deferred maintenance revenue. Deferred maintenance revenue must be maintained in a reserve account and used only for deferred maintenance purposes.

Disabled Access and Fire Safety Levy

A district that has insufficient money in its capital expenditure fund to either remove architectural access barriers from a building, or to make fire safety modifications required by the fire inspector, may submit an application to the commissioner for approval of levy authority of up to $300,000 spread over an eight-year period. For disabled access projects, the commissioner shall develop criteria to determine the cost effectiveness of removing barriers in consultation with the council on disabilities. The commissioner shall approve or disapprove an application within 60 days of receiving it. The state has also provided state bond proceeds to help small school districts remove barriers: $1 million was approved in 1993, $4 million was approved in 1994, $2 million was approved in 1996, and $1 million was approved in 1998.

Building Lease Levy

The leased facilities levy authority allows districts to levy to pay rent on leased facilities. The levy authority has been modified many times in the last two decades. The allowable purposes of the levy were narrowed and then expanded. Currently, upon the commissioner's approval, districts may levy for leased facilities when the leased facility would be economically advantageous. The lease levy must not exceed the lesser of the lease costs or $100 per pupil unit, except that a school district that is a member of an intermediate school district may levy an additional $25 per pupil unit for space in intermediate facilities. The facilities must be used for instructional purposes. The leased levy may not be used for a lease purchase agreement unless the agreement was approved by the Commissioner of Education prior to July 1, 1990, or the district levied for the payments in 1989.

Telecommunications/Internet Access Aid

School districts, charter schools, and nonpublic schools are eligible for state aid to pay for a portion of their telecommunications and Internet access costs. Beginning in fiscal year 2006, the telecommunications/Internet access aid program grants school districts and charter schools aid equal to 90 percent of the schools' unreimbursed telecommunications costs exceeding $15 per pupil unit.

School districts are required to provide telecommunications and Internet access to nonpublic schools (excluding a homeschool) located within the district's boundaries through a reimbursement equal to 90 percent of the nonpublic school's unreimbursed costs exceeding $10 per pupil unit. The school district receives additional telecommunications/Internet access aid from the state for this purpose.

In order to qualify for the aid, school districts and charter schools must submit their actual telecommunications and Internet access costs to the Commissioner of Education and file applications for federal Internet funds (commonly referred to as e-rate funds).

During fiscal years 2000 to 2002, the state had a similar program in place called the Telecommunications Access Revenue Program (TARP). There was no specific funding for this purpose during fiscal years 2004 and 2005.

Special Education Mandate

Local school districts are required by state law to provide appropriate and necessary special education to children with disabilities from birth to 21 years of age. Children with disabilities are defined in statute to include children who have a hearing impairment, visual disability, speech or language impairment, physical handicap, mental handicap, emotional/behavioral disorder, specific learning disability, deaf/blind disability, or other health impairment. The definition of a child with a disability also includes every child under age five who needs special instruction and services, as determined by state standards, because the child has a substantial delay or an identifiable and known physical or mental condition. The mandate for service does not include pupils with short-term or temporary physical or emotional disabilities.

Special instruction and services for children with disabilities must be based on the assessment and individual education plan (IEP). The statutes and rules specify school district responsibilities for program decisions for children with disabilities and for the education of children who are placed outside the district where their parents reside. Districts are required to provide special education on a shared time basis to pupils enrolled in nonpublic schools.

Approximately 121,511 students, or roughly 14.4 percent of the public K-12 pupils in the state, receive some special education services.

Special Education Funding Formulas

School districts receive state aid and some federal aid to pay for special education services. If these funds are insufficient to pay for the costs of the programs, districts must use other general fund revenue.

Regular Special Education Revenue

A school district's special education base revenue is determined by a revenue-capped reimbursement formula. Special education costs are calculated using base year expenditure data. For years prior to fiscal year 2009, the base year was two fiscal years prior to the year of the aid payment. For fiscal year 2008 and later, the base year is the current year. A district's revenue is the amount obtained by summing the special education reimbursements. Since the 1999-2000 school year, special education revenue has been provided in state aid and has not had a local levy component.

The overall amount of regular special education aid is set in state statute. The regular special education aid revenue cap was increased from $529 million in fiscal year 2007 to $694 million for fiscal year 2008. Prior to fiscal year 2004, the statewide revenue amount was increased yearly by an inflation factor called the program growth factor (which was set at 1.08 for fiscal year 2002 and 1.046 for fiscal year 2003). The 2003 Legislature eliminated the program growth factor so that regular special education revenue did not increase for fiscal year 2004 until fiscal year 2008. Beginning in fiscal year 2012, the annual program growth factor of 1.046 is reestablished.

A school district's base revenue is equal to the sum of the following expenditures for regular special education and summer special education programs:

- 68 percent of the salaries paid to essential personnel in the district's program for children with a disability (essential personnel are defined as teachers, related services, and support services staff providing direct services to students); plus

- 68 percent of the salary of instructional aides at the Minnesota academies, who are assigned to students by their individual education plan; plus

- 52 percent of the difference between the contract amount for special instruction and services and the general education revenue allowance for pupils who receive special education through a contract with an agency other than a school district; plus

- 52 percent of the contract amount for supplementary special education provided through a contract with an agency other than a school district; plus
- 47 percent of expenditures for special supplies and equipment for educating children with disabilities up to a maximum of $47 per child receiving instruction.

The base special education revenue is multiplied by the ratio of the current year's statewide enrollment to the previous year's statewide enrollment.

Each school district's regular special education revenue is then prorated so that the state total regular special education revenue does not exceed the statewide revenue cap for that year.

Excess Cost Aid

Excess cost aid is designed to provide additional special education funding for districts that have extremely high levels of unreimbursed special education expenses. A school district's excess cost aid is capped in much the same manner as the regular special education aid. Total state excess cost aid is limited to a fixed amount set in statute for fiscal years 2008-2011, and is annually inflated by 2 percent for subsequent fiscal years and is also adjusted for the change in pupil counts for each year. Each district's initial excess cost aid is based on the difference between unreimbursed special education costs and other general education revenue. Beginning in fiscal year 2006, referendum revenue is phased out of the definition of general education revenue used to compute excess cost aid over a three-year period. For fiscal year 2008, initial excess cost aid equals the greater of:

(a) 75 percent of the difference between the district's unreimbursed special education cost and 4.36 percent of the district's general education revenue; or
(b) zero.

A district's excess cost aid is its initial excess cost aid prorated to the state total excess cost aid by multiplying the district's initial excess cost aid by the ratio of the state total excess cost aid to initial (uncapped) state total excess cost aid.

Home-based Travel Aid

The state pays 50 percent of the expenditures on necessary travel of essential personnel to provide home-based services to children with a disability who are under five years old.

Aid for Children with Disabilities (Special Pupil Aid)

Some disabled children don't have a resident district because their parents' rights have been terminated, or their custodial parent or guardian lives outside Minnesota or is an inmate or resident of a state correctional facility. In these cases, the state pays to the serving school district 100 percent of the costs of instruction and services, less the general education basic revenue allowance and any other aid earned on their behalf.

Special Education Cross-subsidy Aid

For fiscal years 2004 and 2005 only, a categorical aid called special education cross-subsidy aid provides some additional support to school districts that lost excess cost aid due to the elimination of the program growth factors.

Source: "Minnesota School Finance, A Guide for Legislators" Prepared by Tim Strom, Legislative Analyst in the House Research Department. Used with permission.

INDEPENDENT SCHOOL DISTRICT #347
WILLMAR PUBLIC SCHOOLS

BUDGET & FINANCE GLOSSARY

Account: A descriptive heading under which are recorded financial transactions that are similar in terms of a given frame of reference.

Accountability: The capability and the responsibility to account for the expenditure of money and the commitment of other resources in terms of the results achieved.

Accounting: The procedure of maintaining systematic records of events relating to persons, objectives, or money and summarizing, analyzing, and interpreting the results of such records.

Accounting Period: A period at the end of which and for which financial statements are prepared.

Accounting System: The total mechanism of records and procedures of recording, retrieving, and reporting information on the financial position and operations of a governmental unit or any classifying of its funds, balance account groups, and organizational components.

Accounts Receivable: Amounts owing an open account from private persons, firms or corporations for goods and services furnished by the district.

Accounts Payable: Unpaid balances or invoices against a school district which are due and owing to private persons, firms, corporations, governmental units or others.

Accrual Basis: The basis of accounting under which revenues are recorded when earned or when levies are made, and expenditures are recorded as soon as they result in liabilities, regardless of when the revenue is actually received or the payment is actually made.

Accrue: to record revenues when earned or when levies are made and to record expenditures as soon as they result in liabilities, regardless of when the revenue is actually received or the payment is actually made.

Accrued Expenses: Expenses that have been incurred and have not been paid as of a given date.

Accrued Interest: Interest accumulated between interest dates but not yet due.

Accrued Liabilities: Amounts owed but not yet due.

Accrued Revenue: Levies made or other revenue earned and not collected regardless of whether due or not.

Adjusted Marginal Cost Pupil Units: The sum of 77 percent of the adjusted pupil units computed using current year data, plus 23 percent of the adjusted pupil units computed using prior year data.

Adjusted Net Tax Capacity (ANTC): The net tax capacity of a school district as adjusted by the sales ratio (Net Tax Capacity divided by the sales ratio). The purpose of the adjustment is to neutralize the effect of different assessment practices among the taxing jurisdictions of the state.

Adjusted Pupil Units: The sum of pupil units served plus pupil units whom the district pays tuition under an agreement with another district minus pupil units for whom the district receives tuition under an agreement with another district.

Agency Fund: A fund used to account for assets where the school district has a formal agency agreement with other governmental units, employees, students or others. As an agent, the district holds property for others and performs duties as directed. An example of the use of an Agency Fund is for deferred compensation.

Amortization of Debt: The gradual payment of an amount owed according to a specified schedule of times and amounts.

Amount Available in Debt Service Fund: An account in the general long-term debt group of accounts, which designates the amount of assets available in the Debt Service Fund for the retirement of general obligation term bonds.

Amount to be Provided for Payment of Bonds: An account in the general long-term debt group of accounts which represents the amount to be provided from taxes or other general revenue to retire outstanding general obligation term bonds.

Appropriation: A legal authorization granted by a legislative body to set money aside for a specific purpose.

Arbitrage: The profit from investing proceeds of tax exempt bonds, in taxable investments, at a yield higher than the yield on the tax exempt bonds.

Assessed Valuation: A valuation set upon real estate or other property by a government as a basis for levying taxes.

Assessment: The process of making the official valuation of property for the purpose of taxation. The valuation placed upon property as a result of this process.

Assets: The things of value that the district owns.

Audit: The examination of some or all of the following items: documents, records, reports, systems of internal control, accounting procedures, and other evidence, for one or more of the following purposes: determining the proprietary, legality, and mathematical accuracy of proposed or consummated transactions; ascertaining whether all transactions have been recorded; and determining whether the transactions are accurately reflected in the accounts and in statements drawn therefrom in accordance with generally accepted accounting principles.

Average Daily Attendance (ADA): The aggregate days of attendance of a given school during a reporting period divided by the number of days school is in session during this period.

Average Daily Membership (ADM): The sum for all pupils of the number of days in the district's school year each pupil is enrolled, divided by the number of days the schools are in session.

Balance Sheet: A formal statement showing the financial position of a fund or school district at a specified date.

Basis Point: One basis point is one-one hundredth of one percent. So if one compares an investment yielding 7.01% to one yielding 7.08% the difference is 7 basis points. An investment yielding 7.50% compared to an investment yielding 7.90% is a difference of 40 basis points.

Board of Education: The elected or appointed body which has been created according to state law and vested with responsibilities for educational activities in a given geographical area.

Bond: Most often, a written promise to pay a specified sum of money (called the face value or principal amount), on a specified date or dates in the future, called the maturity date(s), together with periodic interest at a specified rate.

Bond Discount: The excess of the face value of a bond over the price for which it is acquired or sold. The price does not include accrued interest at the date of acquisition or sale.

Bond Premium: The excess of the price at which a bond is acquired or sold, over its face value. The price does not include accrued interest at the date of acquisition or sale.

Bond Referendum: Funding for a proposed public building or major remodeling project submitted for local voter approval.

Budget: A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them.

Budgetary Control: The control or management of the business affairs of the district in accordance with an approved budget with a view toward keeping expenditures within the authorized amounts.

Budget Document: The instrument used by the budget-making authority to present a comprehensive financial program to the appropriating body.

Budgeting: Pertains to budget planning, formulation, administration, analysis, and evaluation.

Building Construction Fund: A fund used to record all operations of a district's building construction program that are funded by the sale of bonds or by capital loans.

Callable Bond: A type of bond which permits the issuer to pay the obligation before the stated maturity date by giving notice of redemption in a manner specified in the bond contract.

Capital Expenditure Fund: A fund to account for the revenues and expenditures associated with the equipment or other capital items.

Capital Outlay: An expenditure which results in the acquisition or replacement of fixed assets or additions to fixed assets, which are presumed to have benefits for more than one year.

Cash Basis: The basis of accounting under which revenues are recorded only when actually received, and only cash disbursements are recorded as expenditures.

Categorical Aid: Funds paid by the state to school districts and designated for specific purposes, such as special education for handicapped children and vocational education.

Child Nutrition Fund: Used to record financial transactions related to food service operations.

Class Rate: An index which when multiplied by the market value of a taxable property produces the Net Tax Capacity (NTC). Class rates range from .45% on disabled homesteads (residential homesteads with market values of less than $500,000 are subject to a class rate of 1%) to 2% for certain types of commercial/industrial property.

Collateral: Property, such as securities, that is pledged by the bank as additional security to protect the investments of the district. The FDIC insurance coverage that the bank carries only covers the district's investments to $100,000. Investments over this amount at a bank must be covered at 110% of the amount invested. This percentage is calculated on the market value of the collateral, not the par value.

Community Service Fund: A fund used to account for all financial activities of the Community Education program.

Construction Contracts Payable - Retained Percentage: Liabilities on account of construction contracts for that portion of the work which has been completed but on which part of the liability has not been paid pending final inspection, or the lapse of a specified time period, or both. The unpaid amount is usually a stated percentage of the contract price.

Construction Contracts Payable: Amounts due by a district on contracts for construction of buildings, structures, and other improvements.

Construction Work in Progress: The cost of construction work undertaken but not yet completed.

Cost Benefit: Analysis, which provides the means for comparing the resources to be allocated to a specific program with the results likely to be obtained from it.

Current: Refers to the fiscal year in progress.

Current Assets: Those assets, which are available or can be made readily available to meet the costs of operations or to pay current liabilities.

Current Expenditures per Pupil: Current expenditures for a given period of time divided by a pupil unit of measure.

Current Expense: Any expenditure except for capital outlay and debt service. Includes total charges incurred, whether paid or unpaid.

Current Funds: Money received during the current fiscal year from revenue which can be used to pay obligations currently due, and surpluses re-appropriated for the current fiscal year.

Current Liabilities: Liabilities which are payable within a relatively short period of time, usually no longer than a year.

Debt Limit: The maximum amount of bonded debt for which a school district may legally obligate itself.

Debt Service Fund: A fund established for the purpose of providing money for the payment of interest and principal on outstanding serial bonds as they fall due.

Debt Service: Money used to retire a school district's debt obligation should a school district issue bonds to pay for capital improvements, new buildings, major additions or remodeling.

Deficit: The excess of the obligations of a fund over the fund's resources.

Electronic Data Reporting System (EDRS): The system by which certain data is transmitted to the Minnesota Department of Education utilizing a computer and phone modem. Special education, vocational education and Chapter I program staff and expenditure data are examples of some data that is currently transmitted.

Elementary Sparsity Revenue: Revenue available to small, sparsely populated school districts. Elementary sparsity revenue is part of general education revenue. To qualify a district must have an elementary school that is at least 19 miles from the next nearest elementary school and have an average of 20 or fewer students per elementary grade.

Encumbrances: Purchase orders, contracts, and salary or other commitments which are chargeable to an appropriation and for which a part of the appropriation is reserved. They cease to be encumbrances when paid or when actual liability is set up.

Equalizing: Adding state aid dollars to balance local differences in property valuations-based school revenues. The basic education formula allowance is equalized so all school districts receive the same amount of revenue per pupil unit regardless of their local tax capacity.

Equalizing Factor: The maximum amount of adjusted net tax capacity per pupil unit a district may have without going “off the formula”--i.e., becoming disqualified from receiving basic general aid. A district receives no general education aid when the amount raised by the general education tax rate times its adjusted tax capacity exceeds its general education revenue (i.e., number of pupil units times the formula allowance). The equalizing factor is computed by dividing the basic formula allowance by the general education tax rate.

Equity: The mathematical excess of assets over liabilities. Generally this excess is called fund balance.

Excess Referendum Levy: A proposal for additional revenue for operating expenditures that is submitted for local voter approval.

Expenditures: Charges incurred, whether paid or unpaid, for current expense, capital outlay, and debt service.

Financial Accounting: The recording and reporting of activities and events affecting the money of an administrative unit and its program. Specifically, it is concerned (1) with determining what accounting records are to be maintained, how they will be maintained, and the procedures, methods, and forms to be used, (2) with recording, classifying, and summarizing activities or events, (3) with analyzing and interpreting recorded data, and (4) with preparing and initialing reports and statements which reflect conditions as of a given date, the results of operations for a specific period, and the evaluation of status and results of operation in terms of established objectives.

Fiscal Year: A 12-month period between settlements of financial accounts. The fiscal year for the state and school districts runs from July 1 through June 30, and is identified by the calendar year in which it ends. For example, fiscal year 2009 runs from July 1, 2008 through June 30, 2009. A fiscal year is interchangeable with a school year for school finance purposes. For example, fiscal year 2009 is equivalent to the 2008-09 school year.

Fiscal Services: Consists of activities involved with managing and conducting the fiscal operation of the district. This service area includes budgeting, receiving and disbursing, financial accounting, payroll, internal auditing, and purchasing.

Fixed Assets: Assets of a permanent character having continuing value, such as land, buildings, machinery, furniture, and other equipment. The term denotes the intent to continue use or possession. It does not indicate the immobility of an asset.

Fixed Assets Group of Accounts: This self-balancing group of accounts is used to account for fixed assets owned by the district.

Fixtures: Permanent attachments to buildings which are not intended to be removed and which are presumed to function as a part of the building with a useful life as long as that of the building.

Formula Allowance: The dollar amount per pupil unit used to calculate each district's basic general revenue -- the "front end" of the formula.

Full-Time Equivalence (FTE): The amount of employed time required in a part-time position expressed in proportion to that required in a full-time position with "1" representing one full-time position.

Full-Time Personnel: School employees whose positions require them to be on the job on school days throughout the school year, at least the number of hours the schools in the district are in session.

Fund: A sum of money or other resources segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations, and constituting an independent fiscal and accounting entity. Note: A fund is both a sum or resources and an independent accounting entity. A self-balancing group of accounts must be provided for each fund to show the assets and other resources on the one hand and obligations, surplus, and other credits on the other. Accounts must also be set up to permit the identification of revenues and expenditures and receipts and disbursements with the fund to which they apply.

Fund Balance: The excess of the assets of a fund over its liabilities and reserves except in the case of funds subject to budgetary accounting where, prior to the end of a fiscal period, it represents the excess of the fund's assets and estimated revenues for the period over its liabilities, reserves, and appropriations for the period.

Funding Formula: A method of equalizing aid to education using both property taxes and state appropriations. The funding formula is the proportion of property taxes versus state aid that funds any one school district.

General Education Aid: Funds paid by the state to school districts as part of the general education revenue program and permitted to be used for any operating expense. Replaces foundation aid.

General Education Tax Rate: The tax rate, that when multiplied by the adjusted net tax capacity of all districts raises the dollar value specified in statute. Prior to levies made in 1985, the legislature set the mill rate instead of the total dollar value that was to be raised.

General Education Revenue: General education revenue is the primary formula for providing general operating funds to school district and is comprised of: basic general education revenue; basic skills revenue; graduation standards implementation revenue; training and experience revenue; elementary and secondary sparsity revenue; and supplemental revenue.

General Fund: School district revenue used to cover teacher salaries and related expenses, school supplies, custodial operations and special education revenue. The fund is used to account for all revenues and expenditures of the district not accounted for elsewhere.

General Ledger: A book, file or other device in which accounts are kept to the degree of detail necessary, that summarizes the financial transactions of the district.

Internal Control: A plan or organization under which employees' duties are so arranged and records and procedures so designed as to make it possible to exercise effective accounting control over assets, liabilities, revenues, and expenditures.

Inventory: A detailed list or record showing quantities, descriptions, values, and frequently, units of measure and unit prices of property on hand at a given time. Also, the cost of supplies and equipment on hand not yet distributed to requisitioning units.

Investment in General Fixed Assets: An account in the general fixed assets. The balance of this account is subdivided according to the source of funds which financed the asset acquisition, such as General Fund revenues.

Investments: Securities and real estate held for the production of income in the form of interest, rentals, or lease payments.

Ledger: contains all the accounts of a particular fund or all those detail accounts, which support a particular General Ledger account.

Levy: A tax imposed on property. The amount of property taxes, which a school board may levy, is limited by statute. Each autumn, the Minnesota Department of Education computes the exact amounts of the limits on the permitted levies for each school district. For levies based on adjusted tax capacity, the previous year's adjusted tax capacity value is used. Each year, school boards hold truth-in-taxation hearings and then vote on how much to levy and "certify" the levy to the county auditor. A levy certified in the late fall is collected in the calendar year beginning the following January. For example, the levy certified in the fall of 2007 will be collected during calendar year 2008 and will provide revenue for the school year (fiscal year) 2008-2009.

Liabilities: Debt or other legal obligations arising out of transactions in the past which are payable but not necessarily due.

Local Education Agency (LEA): An educational agency at the local level, which exists primarily to operate schools or to contract for educational services.

Market Value: The value that an assessor gives each individual parcel of property which should approximate the amount the property would bring in a sale on the open market.

Matured Bonds Payable: Bonds, which have reached or passed their maturity date but which remain unpaid.

Matured Interest Payable: Interest on bonds which has reached the maturity date but which remains unpaid.

Membership: A pupil is a member of a class or school from the date he presents himself at school and is placed on the current roll until he permanently leaves the class or school for one of the courses recognized as sufficient by the state.

Minnesota Automated Reporting Student System (MARSS): A system of pupil accounting which maintains essential data elements for each public school student attending school in Minnesota and reported by school districts to the state.

Net Tax Capacity (NTC): This value derived by multiplying the estimated market value of each parcel by the appropriate class (use) rate for that parcel.

Non-Resident Student: A student whose legal residence is outside the geographical area served by the district.

Premium on Bonds Sold: That portion of the sales price of bonds in excess of their par value. The premium represents as adjustment of the interest rate.

Prepaid Expenses: Expenses entered in the accounts for benefits not yet received.

Principal of Bonds: The face value of bonds.

Pupil Accounting: A system for collecting, computing, and reporting information about pupils.

Pupil Unit: A weighted count of resident pupils in average daily membership used in the calculation of state aid and local tax levies. Kindergartners are counted at .612 pupil units, elementary students in grades 1 through 3 are counted at 1.115 pupil units, elementary students in grades 4 through 6 are counted at 1.06 pupil units, and secondary students in grades 7 through 12 are counted at 1.3 pupil units. This pupil unit count is often called "actual pupil units", "weighted average daily membership", or "WADM." A district's WADM changes every year as its enrollment changes.

Purchase Order: A written request to a vendor to provide material or services at a price set forth in the order and is used as an encumbrance document.

Redemption of Principal: Expenditures from current funds to retire serial bonds.

Refund Bonds: bonds issued to pay off bonds already outstanding.

Registered Warrant: A warrant (order) which is registered by the paying officer for future payment on account of present lack of funds, and which is to be paid in the order of its registration. In some cases, such warrants (orders) are registered when issued; in others, when first presented to the paying officer by the holders.

Requisition: A written request to a purchasing officer or to another department for specified articles or services. It is a request from one school official to another school official, whereas a purchase order is from a school official to a vendor.

Reserve: An amount set-aside for some specified purpose.

Resident Student: A student whose legal residence is within the geographic area served by the district.

Revenues: Additions to assets which do not increase any liability, do not represent the recovery of an expenditure, do not represent the cancellation of certain liabilities without a corresponding increase in other liabilities or a decrease in assets, and do not represent contributions of capital in Food Service or Pupil Activity Funds.

Sales of Bonds: Proceeds from the sale of bonds, except that if bonds are sold at a premium, only those proceeds representing the par value of the bonds would be included.

Sales Ratio: A sales ratio is a statistical measure prepared by the Department of Revenue that measures the difference between the actual sales prices of property with the assessor's market values on those properties. The purpose of the sales ratio is to neutralize the effect of different assessment practices among the taxing jurisdictions of the state. This is a critical component of an equalized system of school financing. The sales ratio is divided into the taxable value to obtain the adjusted tax capacity of a school district.

Secondary Sparsity Revenue: Revenue paid to small, sparsely populated school districts. The secondary sparsity revenue formula takes into account the secondary enrollment, the distance between high schools, and the surface area of the district. Secondary sparsity revenue is a component of the general education revenue program.

Securities: Bonds, notes, mortgages, or other forms of negotiable or nonnegotiable instruments.

Special Education: Consists of direct instructional activities designed primarily to deal with the following pupil exceptionalities: physically handicapped, emotionally disturbed, culturally different, mentally retarded and mentally gifted and talented.

Staff Automated Reporting System (STARS): The system by which staff data elements are recorded and transmitted to the Minnesota Department of Education.

State Aid: Dollars collected from state personal income taxes, sales taxes, corporate and bank taxes, gross earnings taxes, motor vehicle taxes, liquor and tobacco taxes, dedicated revenue and other monies that are appropriated to a specific expenditure.

Surety Bond: A written promise to pay damages or to indemnify against losses caused by the party or parties named in the document, through nonperformance or through defalcation.

Surplus: The excess of the assets of a fund over its liabilities; or if the fund also has other resources and obligations, the excess of resources over obligations.

Tax Anticipation Notes: Notes issued in anticipation of collection of taxes, usually retireable only from tax collections, and frequently only from the tax collections anticipated with their issuance.

Tax Base: The value of commercial, industrial, residential, agricultural and other properties in a school district, city, municipality, and county.

Tax Capacity: The value of property that school districts, counties, cities, townships, etc. tax.

Tax Capacity Percentages: Statutory classification percentages that are applied to market values. Tax Capacity Percentages replace classification ratios.

Tax Capacity Rate: The rate arrived at by dividing each district’s tax levy amount by the district’s total tax capacity. Tax capacity rate replaces the term mill rate.

Tax Credit: A state allowed reduction on local property taxes.

Tax Rates: The amount of dollars expressed in percentages, which a taxing body uses to fund the services it provides.

Taxes: Compulsory charges levied by a governmental unit for the purpose of financing services performed for the common benefit.

Taxes Receivable: The uncollected portion of taxes, which the district has levied, and which has become due, including any interest and penalties which may be accrued.

Transfer from Other Funds: Money received unconditionally from another fund without expectation of repayment.

Transfer Pupil: A pupil who severs his connection with a class, grade, or school in order to transfer to another class, grade, or school.

Transportation Fund: A fund used to account for the revenues and expenditures associated with the transportation of students.

Trust Fund: A fund consisting of resources received and held by the district as trustee to be expended or invested in accordance with the conditions of the trust.

Tuition Student: A pupil for whom tuition is paid.

Unamortized Discounts on Bonds Sold: That portion of the excess of the face value of bonds over the amount received from their sale which remains to be written off periodically over the life of the bonds.

Unamortized Discounts on Investments: the excess of the face value of securities over the amount paid for them which have not yet been written off.

Unamortized Premiums on Bonds Sold: An account which represents that portion of; the excess of bond proceeds over par value and which remains to be amortized over the remaining life of such bonds.

Unamortized Premiums on Investments: The excess of the amount paid for securities over the face value, which has not yet been amortized.

Unappropriated Surplus: That portion of the surplus of a given fund, which is not segregated for specific purposes.

Uniform Financial Accounting and Reporting System (UFARS): Rules and instructions adopted by the state Board of Education under legislative mandate to govern the methods by which school districts record financial transactions and inform the state Department of Children, Families and Learning about their finances.

Voucher: A document, which authorizes the payment of money and usually indicates the accounts to be charged.

Warrant: An order drawn by the school board to the district treasurer ordering him/her to pay a specified amount to a payee named on the warrant. Once signed by the treasurer the warrant becomes a check payable by a bank named on the warrant by the treasurer.

Yield: The return on an investment usually presented as a percentage.

Thanks to Gary Hauan from the Robbinsdale Area Schools for his help on the above Glossary

ISD #347 Finance Web Site is located on the District web site at www.willmar.k12.mn.us click on District, Finance, Budget and select FY 2009 Budget Original Report. Please contact Pam Harrington at 320-231-8511, harringtonp@willmar.k12.mn.us, or Shannon Groothuis at 320-231-8527, groothuiss@willmar.k12.mn.us, with any budget questions.