

2004-2005 Budget

Willmar Public Schools

June 14, 2004



Serving the communities of Blomkest, Kandiyohi, Pennock, and Willmar

WILLMAR PUBLIC SCHOOLS

2004-2005 Budget

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ISD 347 Willmar Public Schools
School Board and Administration
June 14, 2004

| | |
|---------------------------------------|--|
| School Board Members | |
| Brad Schmidt | Chair |
| Dion Warne | Vice-Chair |
| Mike Carlson | Clerk |
| Eric Roberts | Treasurer |
| Wayne Lenzmeier | Director |
| Shawn Mueske | Director |
| Sandra Unger | Director |
| District Office Administration | |
| Kathy Leedom | Superintendent |
| Bob Haines | Director of Business and Finance |
| Bill Busta | Director of Human Resources |
| Wendell Erickson | Director of Special Education |
| Connie Spartz | Director of Curriculum and Instruction |
| Principals | |
| Rob Anderson | Senior High |
| Steve Brisendine | Washington Learning Center |
| Patti Dols | Roosevelt Elementary |
| Maria Erlandson | Kennedy Elementary |
| Brad Knudson | Alternative Programs |
| Mike Prunty | Junior High |
| Beckie Simenson | Jefferson and Lincoln Elementary |

DATE: Monday, June 14, 2004

TO: School Board, Finance Advisory Committee and Administrative Team

FROM: Kathy Leedom and Bob Haines

RE: FY 2005 District Wide Budget

We submit and recommend to you the 2004-2005 District Wide Budget for the Willmar Public Schools. Extensive supporting documentation is included.

The FY 2005 budget includes several initiatives that are designed to further the goals of the School Board. First, the new Reading First grant represents \$670,000 of federal revenue and associated expenditures focused on improving student reading skills at Kennedy Elementary School. The District also intends to fully share the knowledge and skills gained from this grant with Jefferson and Lincoln elementary schools, too.

Other initiatives in the FY 05 budget include the completion of a Facility Assessment Long Range Plan, continued efforts towards the prestigious North Central Association (NCA) designation on a district wide basis, and further implementation of the NWEA academic testing program.

The district has made great progress towards becoming a more data-driven organization. The goal is to prove the success of our students with measurable results.

The district's financial planning model projects the General Fund will again exceed our 6% fund balance goal again in FY 2005. Based on reasonably conservative assumptions, the General Fund's unreserved fund balance is projected to steadily decline beginning in FY 2006. The reason for this decline is the anticipated lack of new revenue, continued declining enrollment and modest inflationary cost increases. The bottom line is that even modest inflationary expenditure increases will outpace limited revenue increases resulting in a net fund balance decrease.

This "model" is only a model at this point, and not a plan. The District plans to proactively manage expenditures and revenues to maintain a reasonable and prudent fund balance of 6% or greater.

Our 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 our educational programs and services. In addition, we want to emphasize to all constituents our continued careful and deliberate financial stewardship of taxpayer dollars.

Special thanks go to Dan Holtz, District Accountant, for his excellent assistance on this project.

While working diligently to demonstrate accountability through results, the district is also stressing the importance of helping each child maximize achievement progress. The Willmar Public Schools wants each child to imagine great possibilities and then work hard in school towards reaching those possibilities. Clearly, sound fiscal practices and financial stability are essential underpinnings for carrying out our primary mission of educating every child who comes to our doors.

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

Willmar Public Schools 2004-2005 Budget

Executive Summary

Budget Summary - Governmental Funds

| Fund | Budget | Revenue | Expenditure | Change |
|------|-------------------|--------------|--------------|-------------|
| 01 | General Fund | \$36,951,890 | \$36,944,732 | \$7,158 |
| 02 | Food Service | \$1,732,888 | \$1,915,579 | (\$182,691) |
| 04 | Community Service | \$1,853,212 | \$1,915,202 | (\$61,990) |
| 07 | Debt Service | \$2,633,538 | \$2,785,840 | (\$152,302) |

General Fund

General fund revenues are budgeted to decrease by \$505,539, or 1.3%, from the Final FY 04 budget. These reduced revenues are primarily the result of four factors:

- Grants are not included and reduce the budget by \$293,363 compared to FY 04.
- Projected Special Education revenue is down by \$311,051.
- Projected Tuition billing revenue is down \$200,000.
- Federal revenues are up \$397,342 primarily due to the new Reading First grant.

| Revenue Source | Actual FY 03 | 2nd Revision | | Change | |
|----------------|-------------------|-------------------|-----------------------------|-----------------|--------------|
| | | Budget FY 04 | Original Budget FY 05 | FY 04 to FY 05 | |
| | | | | \$ | % |
| State | 32,194,247 | 31,967,425 | 31,598,705 | -368,720 | -1.2% |
| Local | 3,384,616 | 3,410,626 | 2,876,928 | -533,698 | -15.6% |
| Federal | 1,593,643 | 2,061,633 | 2,458,957 | 397,324 | 19.3% |
| Miscellaneous | 37,245 | 17,745 | 17,300 | -445 | -2.5% |
| TOTAL | 37,209,751 | 37,457,429 | 36,951,890 | -505,539 | -1.3% |

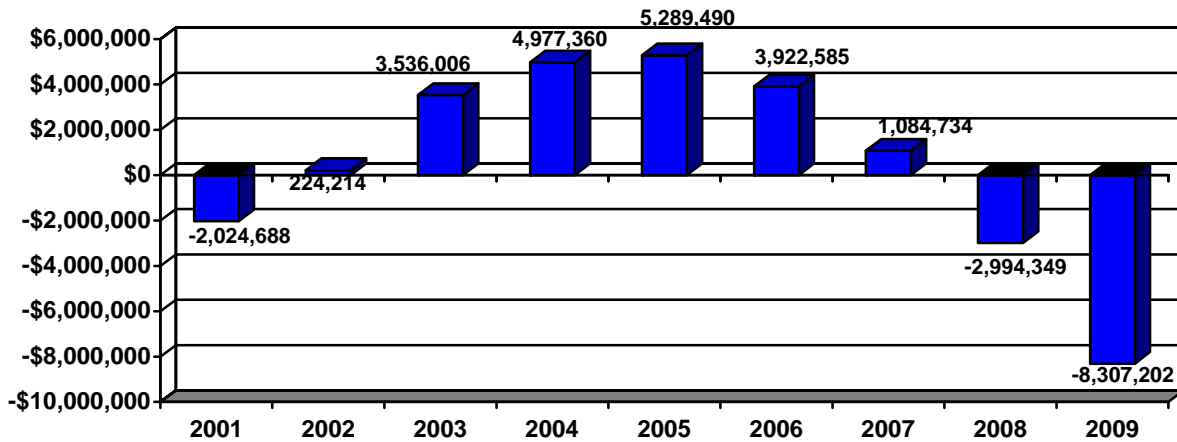
General fund expenditures are budgeted to increase by \$854,167, or 2.4%, compared to the final FY 2004 budget.

The expenditure increase is primarily a function of several large changes to the budget:

- \$353,734 of additional expenditures resulting primarily from the new Reading First Grant (federal program).
- \$251,315 increase in the Severance budget based on best estimates.
- The impact of negotiated wage and benefit increases.
- Note that Grants are not included and reduce the budget by \$293,363 compared to FY 04.

| Expenditure Object Codes | Actual FY 03 | 2nd Revision | Original | Change | |
|-----------------------------|-------------------|-------------------|-------------------|----------------|-------------|
| | | Budget | Budget | FY 04 to FY 05 | |
| | | FY 04 | FY 05 | \$ | % |
| Salaries and Wages | 21,395,957 | 21,547,047 | 22,352,588 | 805,540 | 3.7% |
| Employee Benefits | 4,780,820 | 5,763,102 | 5,960,535 | 197,432 | 3.4% |
| Purchased Services | 4,687,872 | 5,903,920 | 5,622,707 | -281,213 | -4.8% |
| Supplies and Materials | 1,259,670 | 1,881,900 | 2,070,524 | 188,624 | 10.0% |
| Capital Expenditures | 1,001,832 | 819,629 | 799,560 | -20,069 | -2.4% |
| Debt Service | 132,995 | 55,645 | 6,874 | -48,771 | -87.6% |
| Other | 120,545 | 119,321 | 131,944 | 12,623 | 10.6% |
| TOTAL | 33,379,691 | 36,090,565 | 36,944,732 | 854,167 | 2.4% |

General Fund Unreserved Fund Balance Projection



General Fund Bottom line: We project the FY 05 unreserved fund balance to remain relatively constant vs. a projected increase of \$1.38 million in FY 04 and an actual increase of \$3.3 million in FY 03.

Food Service

Food Service revenues are budgeted to decrease by \$16,655, or .95%, compared to FY 04. The revenue budget represents best estimates. Federal funding amounts are estimated at this time.

Food Service expenditures are budgeted to increase by \$95,372, or 5.24%, compared to FY 04. The increase is a result of three main items:

- The Kennedy kitchen compliance construction project increases Repairs and Maintenance by \$87,532 compared to FY 04.
- Estimates of wage and benefits negotiations that are ongoing
- A reduction of \$27,300 in technology equipment purchases

Community Service

Community Service Fund revenues are projected to increase by \$56,119, or 3.12%, compared to FY 04.

Community Service Fund expenditures are projected to increase by \$37,390, or 1.99%, compared to FY 04.

Organizational

Geographic Area and Location

Independent School District 347 serves the communities of Blomkest, Kandiyohi, Pennock and Willmar. The District is located in west-central Minnesota, approximately 100 miles west of the Minneapolis/St. Paul metropolitan area. All school buildings are located in the City of Willmar. The District encompasses an area of approximately 149,294 acres in Kandiyohi County.

The area is fortunate to have an expanding economic base with an excellent quality of life. The City of Willmar was recently named the 19th most livable micropolitan city in the nation by Life in America's Small Cities. In addition, Willmar was also recently named one of 141 United States "dream towns" by Demographics Daily.

Although the economy of the District and adjacent communities is reliant on agriculture and related businesses, the City of Willmar serves as a regional center for retail, trade, medical care, education and small industries. The diversity of the economic base has provided steady growth and stability.

The Reporting Entity

The financial reporting entity includes all the funds of the primary government (ISD 347). Component units are legally separate entities for which the District (primary government) is financially accountable. There are no organizations considered to be component units of the District.

The District provides a full range of public education services appropriate to 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 education 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.

ISD 347 was incorporated in 1881. The School Board, elected through general elections, is responsible for pre-k, elementary and secondary education within the District. The estimated population of the District is 24,000 citizens. The District currently operates 12 owned or leased buildings.

Mission Statement

Preparing All Students for a Successful Tomorrow

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

Long Term District Wide Goal

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.

Budget Development Process

Minnesota school finance law requires that the budget fiscal year begin July 1 and end June 30. ISD 347 develops a General Fund Budget, Food Service Fund Budget, Community Education & Recreation Budget, Debt Service Budget and other necessary budgets on an annual basis.

The budget process is comprised of five phases – planning, preparation, adoption, implementation, and evaluation. Planning and preparation for the original budget (this version) budget began in the winter of 2004 with the development of the budget development plan shown below and analysis of the student enrollment trend. The current enrollment status provided the data to update allocations for site non-payroll budgets. Expenditure estimates were updated both on a site basis and district-wide in the spring. An enrollment projection was developed in early May and provided the key data for the revenue projection.

A preliminary version of the 2004-2005 General Fund budget was reviewed by the Finance Advisory Committee on May 17, 2004.

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.

Budgeting Policy #709 and 709.1: Establishes guidelines for allocation of District resources.

The District has established a system of internal controls that provide reasonable assurance that assets are safeguarded from misuse for losses.

There were no significant changes to our site non-payroll budget allocation process. Also, 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 05 Budget Development Calendar

| ID | Task Name | Start | Finish | Resource Names | Q1 04 | | Q2 04 | | |
|----|--|-----------|-----------|--------------------|-------|-----|-------|-----|-----|
| | | | | | Feb | Mar | Apr | May | Jun |
| 1 | Develop Tentative Budget Plan Calendar | 2/23/2004 | 3/5/2004 | Bob, Dan, Kathy | ▲ | | | | |
| 2 | Big picture overview with School Board | 3/8/2004 | 3/8/2004 | Bob, Kathy | ■ | | | | |
| 3 | Review Plan with Finance Advisory Committee | 3/15/2004 | 3/15/2004 | Bob, Kathy | ■ | | | | |
| 4 | Review Plan with Administrative Team | 3/16/2004 | 3/16/2004 | Bob, Kathy | ■ | | | | |
| 5 | Determine site allocations and specific site budget codes | 3/15/2004 | 4/23/2004 | Bob, Dan, Kathy | ▲ | ▲ | | | |
| 6 | Revise Payroll/Benefits Budget | 4/26/2004 | 4/30/2004 | Dan, Norma | | | ■ | | |
| 7 | Distribute and complete Site budget worksheets | 4/26/2004 | 5/7/2004 | Dan and Principals | | | ▲ | | |
| 8 | Develop Revenue budget | 4/26/2004 | 5/7/2004 | Bob, Dan, Barb | | | ▲ | | |
| 9 | Develop Enrollment projection | 5/3/2004 | 5/3/2004 | Bob, Dan, Kathy | | | ■ | | |
| 10 | Revise district wide expenditures, Federal programs, gifts & grants, misc. budgets | 5/3/2004 | 5/7/2004 | Dan, Bob | | | ■ | | |
| 11 | Development of preliminary Budget Document | 5/10/2004 | 5/13/2004 | Bob, Dan & Kathy | | | ■ | | |
| 12 | Forward preliminary budget document to Board and Finance Advisory Committee (FAC) | 5/13/2004 | 5/13/2004 | Dan | | | ■ | | |
| 13 | Present preliminary budget to FAC | 5/17/2004 | 5/17/2004 | Bob, Dan & Kathy | | | ■ | | |
| 14 | Present preliminary budget to Admin Team | 5/18/2004 | 5/18/2004 | Bob, Kathy | | | ■ | | |
| 15 | Additional revisions/development of final budget document | 5/18/2004 | 6/9/2004 | Bob, Dan & Kathy | | | ▲ | ▲ | |
| 16 | Forward final budget document to Board and FAC | 6/9/2004 | 6/9/2004 | Dan | | | | ■ | |
| 17 | Present final budget to School Board | 6/14/2004 | 6/14/2004 | Bob, Dan & Kathy | | | | ■ | |
| 18 | Update finance website with new budget info | 6/15/2004 | 6/15/2004 | Bob, Tanya | | | | ■ | |
| 19 | Write budget article for next Cardinal Connection | 6/15/2004 | 6/15/2004 | Bob | | | | ■ | |

Financial

General Fund

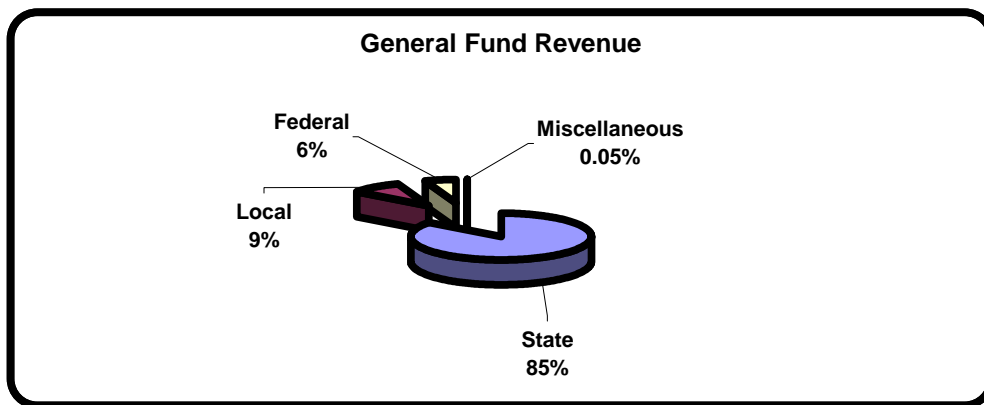
Revenues are budgeted to decrease by \$505,539, or 1.3%, compared to the final FY 2004 budget.

| Revenue Source | Actual FY 03 | 2nd Revision | Original | Change | |
|----------------|-------------------|-------------------|-------------------|-----------------|--------------|
| | | Budget FY 04 | Budget FY 05 | FY 04 to FY 05 | |
| | | | | \$ | % |
| State | 32,194,247 | 31,967,425 | 31,598,705 | -368,720 | -1.2% |
| Local | 3,384,616 | 3,410,626 | 2,876,928 | -533,698 | -15.6% |
| Federal | 1,593,643 | 2,061,633 | 2,458,957 | 397,324 | 19.3% |
| Miscellaneous | 37,245 | 17,745 | 17,300 | -445 | -2.5% |
| TOTAL | 37,209,751 | 37,457,429 | 36,951,890 | -505,539 | -1.3% |

These reduced revenues are primarily the result of four factors:

- Grants are not included and reduce the budget by \$293,363 compared to FY 04.
- Special Education revenue is down by \$311,051, based on our best estimate.
- Projected tuition billing revenue is down \$200,000.
- Federal revenues are up \$397,342 primarily due to the first full year of the new Reading First grant.

Analysis of State of MN formula related revenues shows that projected FY 05 formula related revenues of \$28,920,151 are \$30,964, or .11%, less than in FY 04. Please see the State Revenue Changes report included in the Information Section for more details on this topic.



Revenue Assumptions

1. K-12 Student enrollment will decline from 4,204 ADM's in FY 04 to 4,143 ADM's.
2. State aid is based on 2004-2005 school finance legislation passed in 2003 and summarized in the MN General Education Revenue document (What-if) published by the MN Department of Education.

3. Levy revenue is based on the 2003 Pay 2004 Levy Certification approved by the School Board in December of 2003 (for fiscal year 2004-2005) and published by the MN Department of Education.
4. Federal program revenues are based on signed documents and include the new Reading First Grant.
5. Non-levy local revenue is based on estimates and the best information available.
6. Grant revenue is not generally known at this point and no revenue or expenditures for this category are included.

Revenues by Source Code Group

| | FY 00-01 | FY 01-02 | FY 02-03 | FY 03-04 | FY 04-05 | FY 03-04 | FY 03-04 | |
|----------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------|---------------|--|
| | Actual | Actual | Actual | Final | Original | FY 04-05 | FY 04-05 | |
| Source | Audited | Audited | Audited | Budget | Budget | Difference | % Change | Comments |
| Local | 7,040,485 | 6,096,598 | 3,384,616 | 3,410,626 | 2,876,928 | -533,698 | -15.65% | Grants at \$0, legislative impact, Excess Cost Aid |
| State | 27,284,549 | 26,390,524 | 32,194,247 | 31,967,425 | 31,598,705 | -368,720 | -1.15% | Best estimate of special education aid |
| Federal | 1,147,444 | 1,687,479 | 1,593,643 | 2,061,633 | 2,458,957 | 397,324 | 19.27% | Reading First Grant |
| Other | 71,458 | 95,942 | 37,244 | 17,745 | 17,300 | -445 | -2.51% | |
| TOTAL | 35,543,936 | 34,270,543 | 37,209,751 | 37,457,429 | 36,951,890 | -505,539 | -1.35% | |

Summary comparison of the FY 04-05 Budget to the FY 03-04 Final Budget

Local Revenues: The property tax levy increases \$67,016 from FY 04 due to legislation that reduces referendum levy revenue and adds levies for Operating Capital and Equity revenue. Grant revenue declines \$292,363 as they are not included in the budget at this point. Special Ed tuition billing declines \$200,000 based on best estimates of the impact of excess cost aid.

State Revenues: The reduction is primarily a function of our best estimate for Special Education revenue. The State formula aid per student remained at \$4,601 again.

Federal Revenues: This increase is primarily a function of the new Reading First Grant, totaling \$670,367 in FY 05, \$354,000 more than FY 04.

A more detailed revenue report for each source code along with narrative information is included in the Information Section. In addition, various revenue source documents and worksheets are also included in that section.

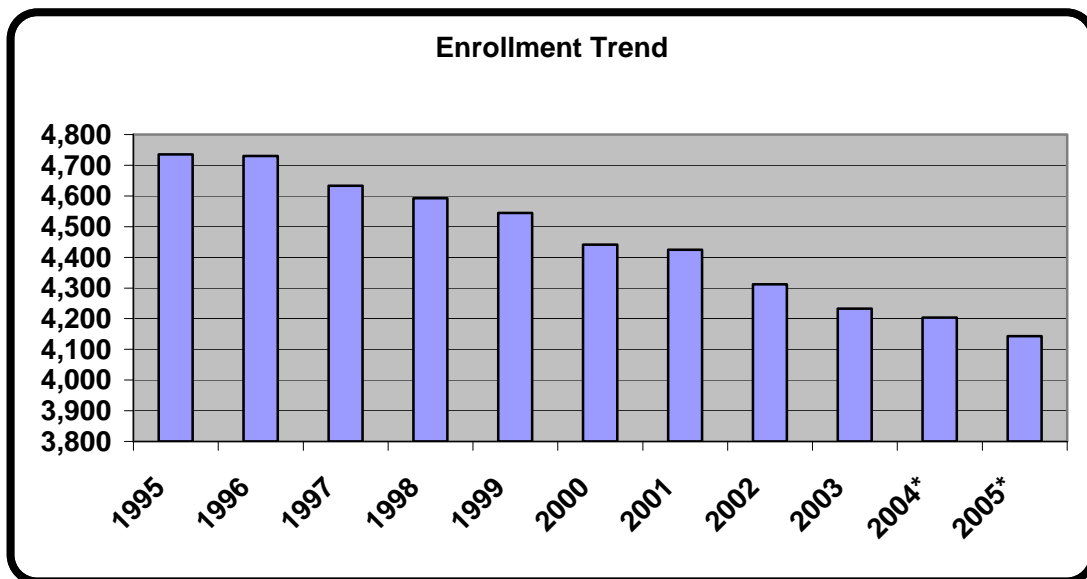
Enrollment

The District utilizes enrollment projections provided by two enrollment projection tools, along with other internal calculations. The District has historically been very accurate in forecasting end-of-year (EOY) enrollment since the implementation of the new enrollment tools in early FY 2002.

The following charts show the actual and projected enrollment trend for the district for the fiscal years 1995 – 2005.

| Fiscal Year | Student ADM's |
|-------------|---------------|
| 1995 | 4,735 |
| 1996 | 4,730 |
| 1997 | 4,633 |
| 1998 | 4,592 |
| 1999 | 4,545 |
| 2000 | 4,441 |
| 2001 | 4,425 |
| 2002 | 4,312 |
| 2003 | 4,233 |
| 2004* | 4,204 |
| 2005* | 4,143 |

* Projected enrollment



* Projected

Our projected K-12 enrollment for the FY 2005 Budget is 4,143 ADM's. The ENPRO model projects 4,142 ADM's and the H-Model projects 4,144 ADM's. The ENPRO model has more emphasis and weight on past history vs. the H-Model which has more emphasis on recent history. Dennis Hoogeveen of Larson, Allen Weishair & Co. also reviewed the enrollment projections.

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 family households, a decline in the number of households with children, lower overall populations of children, and increased mobility. In addition, the district also faces a challenge from student open enrollment options.

Looking into the future, demographic trends point to continued declining enrollment for the Willmar Public Schools, based on a detailed demographic study complete in the summer of 2003. However, there are a number of signs that point to successful economic development trends in Kandiyohi County. It is too early to tell if this economic expansion will positively affect our enrollment.

Although the first official student enrollment statistics for FY 2004 will not be unavailable until July, some base conclusions can be drawn from the past year. First, K-12 student seat count numbers show a net decline of 44 students comparing October 1, 2003 to May 1, 2004. This compares favorably with the prior year when the same dates show a decline of 103 students and overall ADM's declined by 76 that year. However, this would indicate that enrollment continued to decline. Second, analysis of mobility related statistics reflects perhaps reduced mobility for the past year, indicating that the negative impact of mobility on enrollment may be slightly muted, at least for FY 2004.

Reviewing this data, the enrollment projection information, and the demographic data supports the updated enrollment projection of 4,143 for FY 05.

General fund Expenditures are budgeted to increase by \$854,167, or 2.4%, compared to the final FY 2004 budget.

| Expenditure Object Codes | Actual FY 03 | 2nd Revision | Original | Change | |
|-----------------------------|-------------------|-------------------|-------------------|----------------|-------------|
| | | Budget FY 04 | Budget FY 05 | FY 04 to FY 05 | |
| | | | | \$ | % |
| Salaries and Wages | 21,395,957 | 21,547,047 | 22,352,588 | 805,540 | 3.7% |
| Employee Benefits | 4,780,820 | 5,763,102 | 5,960,535 | 197,432 | 3.4% |
| Purchased Services | 4,687,872 | 5,903,920 | 5,622,707 | -281,213 | -4.8% |
| Supplies and Materials | 1,259,670 | 1,881,900 | 2,070,524 | 188,624 | 10.0% |
| Capital Expenditures | 1,001,832 | 819,629 | 799,560 | -20,069 | -2.4% |
| Debt Service | 132,995 | 55,645 | 6,874 | -48,771 | -87.6% |
| Other | 120,545 | 119,321 | 131,944 | 12,623 | 10.6% |
| TOTAL | 33,379,691 | 36,090,565 | 36,944,732 | 854,167 | 2.4% |

The expenditure increase is primarily a function of several large changes to the budget:

- \$353,734 of additional expenditures resulting primarily from the new Reading First Grant (federal program).
- \$251,315 increase in the Severance budget based on best estimates.
- The impact of negotiated wage and benefit increases.
- Note that local Grants are not included and reduce the budget by \$293,363 compared to FY 04.

Expenditure Assumptions

1. Payroll and benefit budgets for employees with contracts in the process of negotiation are based on a 3.65% total increase to payroll and benefits for FY 2005. Payroll and benefit budgets for employees with School Board approved contracts for FY 2005 accurately reflect those contracts.
2. Maintain minimum 6% fund balance per School Board resolution.

3. Transportation budget is based on a 3% negotiated increase.
4. Non-payroll budgets are generally based on a 2% increase.
5. There are no increases to the site supply and operating allotments on a per student basis.
6. Grant revenue is not generally known at this point and no expenditures or revenue for this category are included.
7. There are no new legislated Staff Development reserve budget dollars, per MN legislation. Staff Development budgets reflect carryover dollars from the prior year.
8. No unplanned and significant new capital expenditures.

Expenditures by Object Code Group

| Object Code Groups | FY 00-01 | FY 01-02 | FY 02-03 | FY 03-04 | FY 04-05 | FY 03-04 | FY 03-04 | Comments On Major Changes |
|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------|--------------|--------------------------------------|
| | Actual | Actual | Actual | Final | Original | FY 04-05 | FY 04-05 | |
| | Audited | Audited | Audited | Budget | Budget | Difference | Change % | |
| Salaries and Wages | 22,314,647 | 20,141,643 | 21,395,957 | 21,547,047 | 22,352,588 | 805,540 | 3.74% | Severance, Reading First Grant |
| Employee Benefits | 5,306,674 | 4,641,610 | 4,780,820 | 5,763,102 | 5,960,535 | 197,432 | 3.43% | Negotiated settlements - health ins. |
| Purchased Services | 4,644,102 | 4,667,939 | 4,687,871 | 5,903,920 | 5,622,707 | -281,213 | -4.76% | Local grants not included in budget |
| Supplies and Materials | 1,431,151 | 1,207,926 | 1,259,670 | 1,881,900 | 2,070,524 | 188,624 | 10.02% | Local grants not included/curriculum |
| Capital Expenditures | 1,349,138 | 845,605 | 1,001,832 | 819,629 | 799,560 | -20,069 | -2.45% | |
| Debt Service | 351,736 | 235,881 | 132,995 | 55,645 | 6,874 | -48,771 | -87.65% | No FY 05 Aid Anticipation borrowing |
| Other Expenditures | 251,240 | 187,133 | 120,544 | 119,321 | 131,944 | 12,623 | 10.58% | |
| TOTAL | 35,648,688 | 31,927,738 | 33,379,691 | 36,090,565 | 36,944,732 | 854,167 | 2.37% | |

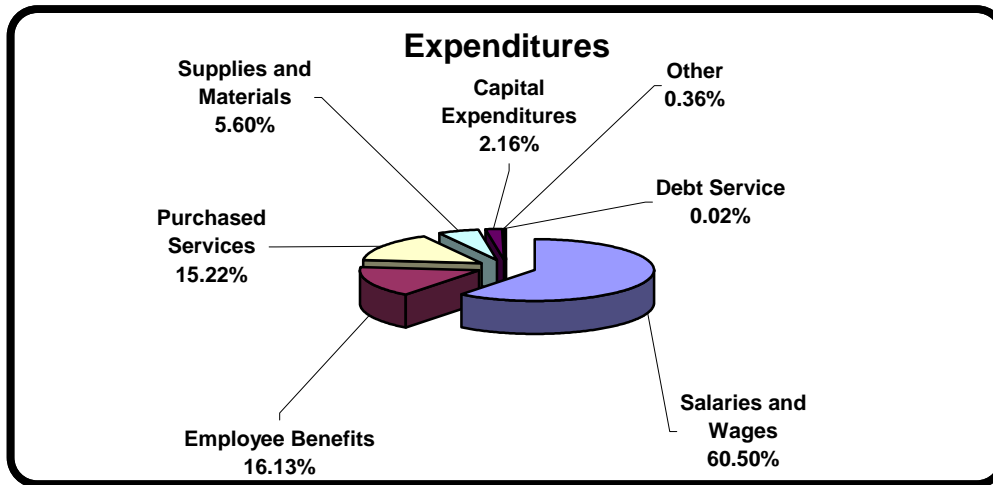
Summary comparison of the proposed FY 05 Budget to the FY 03-04 final Budget

Salaries and Wages: This category increases by \$805,540, or 3.74%. There are 3 main reasons for the increase. First, Severance increases by \$251,315 over the final FY 04 budget, based on best estimate. Second, The Reading First grant increases Other Salary Payments. by \$297,867. Finally, negotiated settlements, and estimates of those still in negotiations, make up the remainder of the increase.

Employee Benefits: Benefits increase by \$197,432, or 3.43%. The main reason for the increase is negotiated settlements, and estimates of those, and their impact on health insurance.

Purchased Services: This category decreases by \$281,213, or 4.76%, compared to FY 04. The main reasons for the decrease are that local grants are not included in this budget version and a decrease in the SW/WC Special Ed contract.

Supplies and Materials: Supplies increases by \$188,624, or 10.02%. This is a function of a decrease due to no local grants included and an increase in the curriculum adoption cycle, mainly for the science adoption.



Expenditures by Program Code Group

| | FY 00-01 | FY 01-02 | FY 02-03 | FY 03-04 | FY 04-05 | FY 03-04 | FY 03-04 | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|-------------------|--------------|--|
| | Actual | Actual | Actual | Final | Original | FY 04-05 | FY 04-05 | |
| Program | Audited | Audited | Audited | Budget | Budget | Difference | % Change | Comments On Major Changes |
| Administration | 2,003,800.21 | 956,951.34 | 1,188,380.32 | 1,357,584.83 | 1,298,044.09 | (59,540.74) | -4.39% | Severance Allocations By Program |
| District Support Services | 2,080,512.72 | 1,334,088.59 | 1,496,621.29 | 1,029,422.56 | 997,103.38 | (32,319.18) | -3.14% | Retiree health insurance |
| Elementary And Secondary Regular Instruction | 16,008,015.76 | 14,601,422.66 | 14,792,484.19 | 16,532,280.41 | 18,145,866.53 | 1,613,586.12 | 9.76% | Severance, Reading First, Negotiations |
| Vocational Education Instruction | 1,178,364.09 | 940,050.93 | 1,016,871.46 | 921,882.45 | 853,216.04 | (68,666.41) | -7.45% | Reassign FACS Coding |
| Special Education Instruction | 6,277,266.19 | 6,636,752.53 | 6,965,758.03 | 7,443,710.59 | 7,443,251.41 | (459.18) | -0.01% | |
| Instructional Support Services | 1,176,274.32 | 1,705,627.18 | 1,786,263.96 | 2,572,397.03 | 1,899,257.60 | (673,139.43) | -26.17% | Coding, Integration exp's to 219 |
| Pupil Support Services | 2,705,042.66 | 2,418,042.55 | 2,522,229.38 | 2,643,264.37 | 2,596,106.90 | (47,157.47) | -1.78% | Grants not included |
| Sites And Buildings | 3,741,314.63 | 2,960,876.64 | 3,310,990.39 | 3,326,377.51 | 3,462,511.78 | 136,134.27 | 4.09% | Increased Health & Safety, maintenance |
| Fiscal And Other Fixed Costs Programs | 478,097.56 | 373,925.26 | 300,091.48 | 263,645.00 | 249,374.00 | (14,271.00) | -5.41% | No aid anticipation, higher P&C ins. Costs |
| | 35,648,688.14 | 31,927,737.68 | 33,379,690.50 | 36,090,564.75 | 36,944,731.73 | 854,166.98 | 2.37% | |

Several more detailed expenditure reports by both object code and program code along with narrative are included in the Information Section.

Operating Capital

The detailed Operating Capital Budget is included in the Information Section.

The operating Capital Budget development process includes multiple requests for projects from Principals and Head Custodians, multiple reviews by each site of projects under consideration, analysis by Bob Haines, Rich Olson and Bob Engstrom to develop a tentative recommendation, and finally a detailed review of this tentative recommendation by Kathy Leedom and the Board Buildings and Grounds Committee which includes Dion Warne and Sandi Unger.

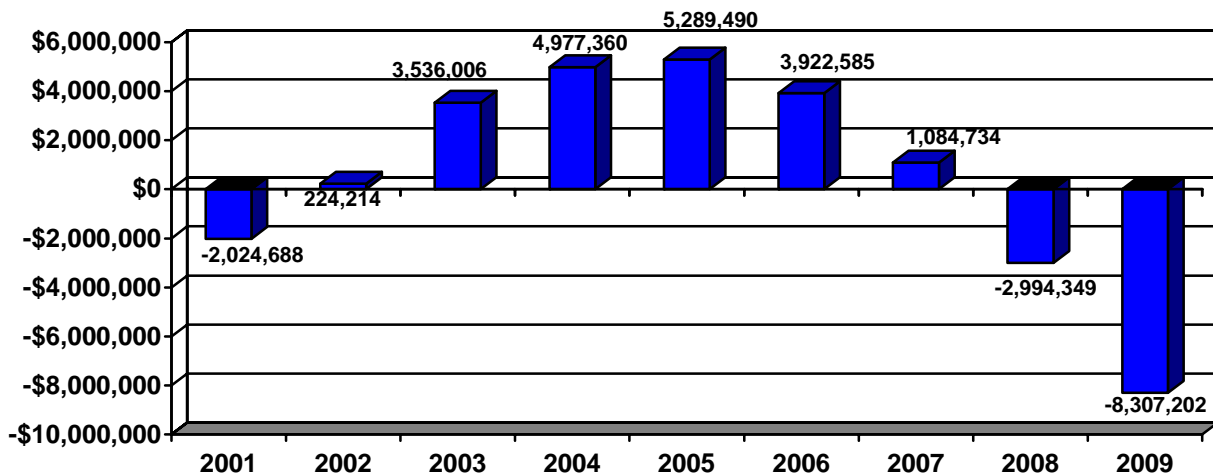
Financial Planning Model

A five-year financial projection is prepared several times per year for the General Fund using our Financial Planning Model (FPM) and provided to the School Board, Administrative Team, Finance Advisory Committee, staff and the public. This projection includes FY 2004-2005 through FY 2008-2009 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.

Assumptions:

- **Fund Balance Goal** 6% of Operating Expenditures
- **Annual Financial Audit** 2002-2003
- **Budgets** FY 04 Budget 2nd Revision and FY 05 Budget
- **Enrollment** Updated projection from FY 05 budget proposal
- **Revenue** 0% increase FY 05, 0% 06/07, 2% 08/09
- **Payroll and Benefits** 3.65% increase annually to the total.
- **Non-payroll** 2.0% increase annually
- **Teacher Staffing Ratio** Steady, matches enrollment projection
- **Non-licensed Staff** 3 FTE's reduction annually from 06-09
- **Reserves** Updated reserve projections 6/2/04

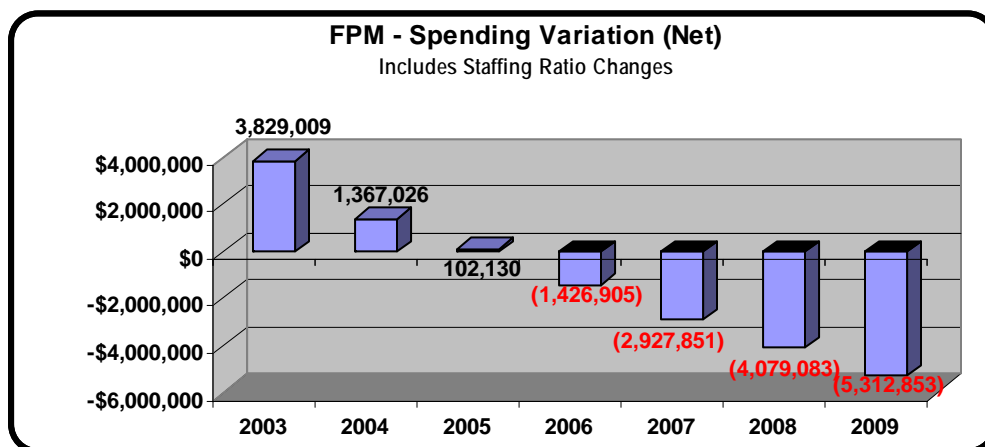
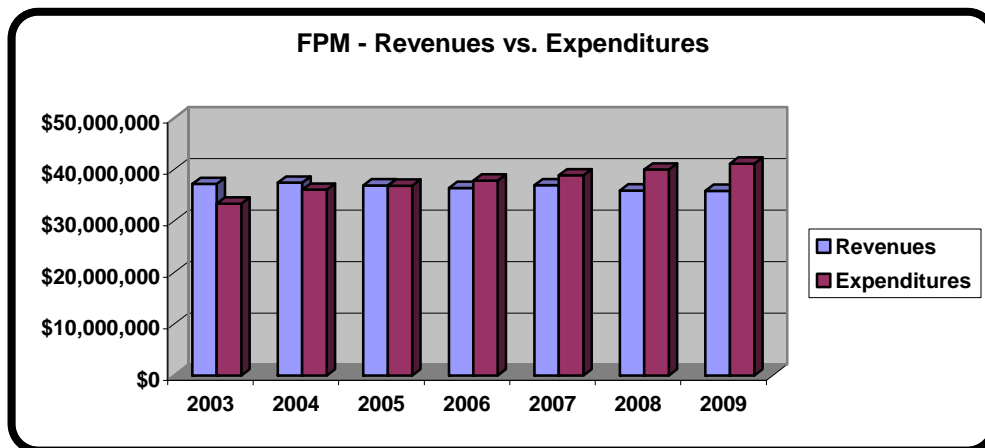
FPM General Fund Unreserved Fund Balance



Financial Planning Model (FPM) Analysis

This planning model depicts the general fund undesignated/unreserved fund balance. The years 1998 through 2003 represent actual audited fund balance numbers. The years from 2004 to 2009 represent projected fund balance numbers based on the assumptions listed above. Additional supporting documents for this model are provided in the Information Section.

This model projects that the fund balance will basically level out in FY 2005 and begin to steadily decline through FY 2009. This projected fund balance decrease is a function of limited new revenue, continued declining enrollment and modest inflationary expenditure increases. Keep in mind that the long-term trend itself is more accurate and important than the specific numbers it depicts.



This is a model – not a plan. The trend represented is not unique to the Willmar Public Schools. The District plans to proactively manage expenditures and revenues to maintain a reasonable and prudent fund balance.

Food Service

Food Service revenues are budgeted to decrease by \$16,655, or .95%, compared to FY 04. The revenue budget represents best estimates. Federal funding amounts are estimated at this time.

| | FY 00-01 | FY 01-02 | FY 02-03 | FY 03-04 | FY 04-05 | <u>FY 03-04</u> | <u>FY 03-04</u> |
|----------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|-----------------|
| | Actual | Actual | Actual | Final | Original | FY 04-05 | FY 04-05 |
| Source | Audited | Audited | Audited | Budget | Budget | Difference | % Change |
| Local | 19,456.88 | 11,443.98 | 6,998.63 | 9,000.00 | 9,000.00 | 0.00 | 0.00% |
| State | 49,609.33 | 66,108.98 | 212,584.58 | 143,359.60 | 142,955.00 | (404.60) | -0.28% |
| Federal | 634,891.74 | 693,669.22 | 903,819.84 | 947,254.00 | 937,329.00 | (9,925.00) | -1.05% |
| Other | 743,826.24 | 706,428.17 | 689,410.98 | 649,929.00 | 643,604.00 | (6,325.00) | -0.97% |
| TOTAL | \$1,447,784.19 | \$1,477,650.35 | \$1,812,814.03 | \$1,749,542.60 | \$1,732,888.00 | (\$16,654.60) | -0.95% |

Summary comparison of the FY 04-05 Original Budget to the FY 03-04 Final Budget

There are minimal budget \$ changes compared to FY 04 at this point, based on best estimates.

Food Service expenditures are budgeted to increase by \$95,372, or 5.24%, compared to FY 04. The increase is a result of three main items:

- The Kennedy kitchen compliance construction project increases Repairs and Maintenance by \$87,532 compared to FY 04.
- Estimates of wage and benefits negotiations that are ongoing
- A reduction of \$27,300 in technology equipment purchases

Food Service Expenditures

| Object Code Groups | FY 00-01 | FY 01-02 | FY 02-03 | FY 03-04 | FY 04-05 | FY 03-04 | FY 03-04 | Comments On Major Changes |
|------------------------|------------------|------------------|------------------|------------------|------------------|---------------|--------------|-------------------------------------|
| | Actual | Actual | Actual | Final | Original | FY 04-05 | FY 04-05 | |
| | Audited | Audited | Audited | Budget | Budget | Difference | % Change | |
| Salaries and Wages | 571,500 | 557,949 | 627,885 | 613,056 | 621,543 | 8,487 | 1.38% | Estimated. Negotiations are ongoing |
| Employee Benefits | 99,004 | 104,753 | 118,928 | 123,923 | 139,924 | 16,002 | 12.91% | Estimated. Negotiations are ongoing |
| Purchased Services | 52,643 | 69,337 | 70,632 | 148,629 | 222,112 | 73,483 | 49.44% | Kennedy kitchen project |
| Supplies and Materials | 683,740 | 720,529 | 793,620 | 787,300 | 806,130 | 18,830 | 2.39% | Best estimates. |
| Capital Expenditures | 11,708 | 30,712 | 17,476 | 144,300 | 122,870 | (21,430) | -14.85% | Campus PC equipment in FY04 |
| Other Expenditures | 0 | 0 | 1,500 | 3,000 | 3,000 | 0 | 0.00% | |
| TOTAL | 1,418,594 | 1,483,280 | 1,630,041 | 1,820,207 | 1,915,579 | 95,372 | 5.24% | Kitchen projects and negotiations |

Summary comparison of the proposed FY 05 Budget to the FY 03-04 final Budget

| | |
|--------------------------------|---|
| Salaries and Wages: | Negotiations with the Food Service staff are continuing. |
| Employee Benefits: | Negotiations with the Food Service staff are continuing |
| Purchased Services: | This group increases \$73,483, or 49.44%. This increase is due to the construction portion (object code 350) of the Kennedy project, which is more extensive than the ALC/Bridgeway projects in FY04. Fee for service expenses showed a decrease of \$16,044 because we are only preparing plans for one kitchen compliance project during the next fiscal year, vs. two projects that had plans and specifications prepared in FY 04. |
| Supplies and Materials: | Based on maintaining current after school snack and summer feeding programs, along with current breakfast and lunch programs. |
| Capital Expenditures: | This group decreases \$21,430 in FY 05. The main change is that the new Campus Food Service POS equipment was purchased in FY04. |

The Food Service Fund has a goal of maintaining a fund balance in the range of \$200,000. The ending fund balance for FY 03 was \$398,961. The kitchen compliance projects, beginning in FY 04, will be funded with a combination of fund balance and net profit designed to maintain the fund balance goal.

Community Service

Community Service Revenue

| Source | FY 00-01 | FY 01-02 | FY 02-03 | FY 03-04 | FY 04-05 | FY 03-04 | FY 03-04 |
|--------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|--------------------|--------------|
| | Actual | Actual | Actual | Final | Original | FY 04-05 | FY 04-05 |
| | Audited | Audited | Audited | Budget | Budget | Difference | % Change |
| Local | 477,336.19 | 740,675.69 | 831,838.30 | 809,503.66 | 948,421.00 | 138,917.34 | 17.16% |
| State | 820,964.22 | 818,547.36 | 737,512.65 | 748,689.81 | 851,780.00 | 103,090.19 | 13.77% |
| Federal | 12,832.38 | 52,862.31 | 84,841.84 | 238,900.00 | 53,011.00 | (185,889.00) | -77.81% |
| Other | 24,111.00 | 1,954.10 | 842.00 | 0.00 | 0.00 | 0.00 | N/A |
| TOTAL | \$1,335,243.79 | \$1,614,039.46 | \$1,655,034.79 | \$1,797,093.47 | \$1,853,212.00 | \$56,118.53 | 3.12% |

Community Service Expenditures

| Object Code Groups | FY 00-01 | FY 01-02 | FY 02-03 | FY 03-04 | FY 04-05 | FY 03-04 | FY 03-04 |
|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|--------------------|--------------|
| | Actual | Actual | Actual | Final | Original | FY 04-05 | FY 04-05 |
| | Audited | Audited | Audited | Budget | Budget | Difference | % Change |
| Salaries and Wages | 819,112.01 | 1,009,189.14 | 1,196,741.03 | 1,270,884.79 | 1,299,493.00 | 28,608.21 | 2.25% |
| Employee Benefits | 138,468.70 | 177,020.81 | 206,521.24 | 236,513.26 | 235,677.00 | (836.26) | -0.35% |
| Purchased Services | 150,988.45 | 179,626.51 | 248,921.00 | 228,596.08 | 257,416.00 | 28,819.92 | 12.61% |
| Supplies and Materials | 102,387.82 | 165,902.48 | 131,673.13 | 116,815.37 | 91,991.00 | (24,824.37) | -21.25% |
| Capital Expenditures | 19,543.05 | 34,801.30 | 28,313.71 | 24,003.00 | 29,200.00 | 5,197.00 | 21.65% |
| Other Expenditures | 12,089.81 | 14,806.40 | 1,055.79 | 1,000.00 | 1,425.00 | 425.00 | 42.50% |
| TOTAL | \$1,242,589.84 | \$1,581,346.64 | \$1,813,225.90 | \$1,877,812.50 | \$1,915,202.00 | \$37,389.50 | 1.99% |

Debt Service

Debt Service Revenue

| Source | FY 00-01 | FY 01-02 | FY 02-03 | FY 03-04 | FY 04-05 | <u>FY 03-04</u> | <u>FY 03-04</u> | Comments |
|--------------|------------------|------------------|------------------|------------------|------------------|--------------------|-----------------|---|
| | Actual | Actual | Actual | Final | Original | FY 04-05 | FY 04-05 | |
| | Audited | Audited | Audited | Budget | Budget | Difference | % Change | |
| Local | 3,789,942 | 3,847,675 | 2,242,526 | 2,778,649 | 2,632,388 | (146,261) | -5.26% | Reduction due to debt service excess \$ |
| State | 263,821 | 221,382 | 412,768 | 403,536 | 1,150 | (402,386) | -99.72% | Info unavailable on HMCC and equalization |
| Other | 0 | 0 | 0 | 892,117 | 0 | (892,117) | -100.00% | Roosevelt Bonds refunded in FY 04 |
| TOTAL | 4,053,762 | 4,069,058 | 2,655,295 | 4,074,302 | 2,633,538 | (1,440,764) | -35.36% | |

Debt Service Expenditures

| Object Code Groups | FY 00-01 | FY 01-02 | FY 02-03 | FY 03-04 | FY 04-05 | <u>FY 03-04</u> | <u>FY 03-04</u> | Comments On Major Changes |
|--------------------|------------------|-------------------|------------------|------------------|------------------|------------------|-----------------|-----------------------------------|
| | Actual | Actual | Actual | Final | Original | FY 04-05 | FY 04-05 | |
| | Audited | Audited | Audited | Budget | Budget | Difference | % Change | |
| Debt Service | 3,835,683 | 24,221,325 | 2,740,935 | 3,637,470 | 2,785,840 | (851,630) | -23.41% | Roosevelt bonds refunded in FY 04 |
| TOTAL | 3,835,683 | 24,221,325 | 2,740,935 | 3,637,470 | 2,785,840 | (851,630) | -23.41% | |

Detailed supporting documents follow in the Information Section.

ISD 347 Finance Web Site at www.willmar.k12.mn.us/jrhigh/distweb/Business/business.htm

Please contact Bob Haines at 320-231-8511, hainesb@willmar.k12.mn.us or Dan Holtz at 320-231-8527, holtzd@willmar.k12.mn.us with any budget questions.

INFORMATION SECTION

(not included with this version)

General Fund

- Change in overall Fund Balance
- Revenue Budget Checklist
- State Revenue Changes
- Revenues by Source Code
- Expenditures by Object Code
- Expenditures by Program Code
- FPM Charts and Supporting Reports
- Reserve Worksheet
- Operating Capital Budget
- Safe Schools Levy Budget
- Revenue Planning Model
- Revenue Worksheet
- Revenue Trial Balance Worksheet
- What-if Revenue Report
- Pay 2004 (FY 05) General Fund Levy Reconciliation
- Budget Progress Responsibility Report
- Enrollment Data Reports

Food Service

- Revenue by Source Code
- Expenditures by Object Code

Community Education

- Revenue by Source Code
- Expenditures by Object Code

Debt Service

- Revenue by Source Code
- Expenditures by Object Code