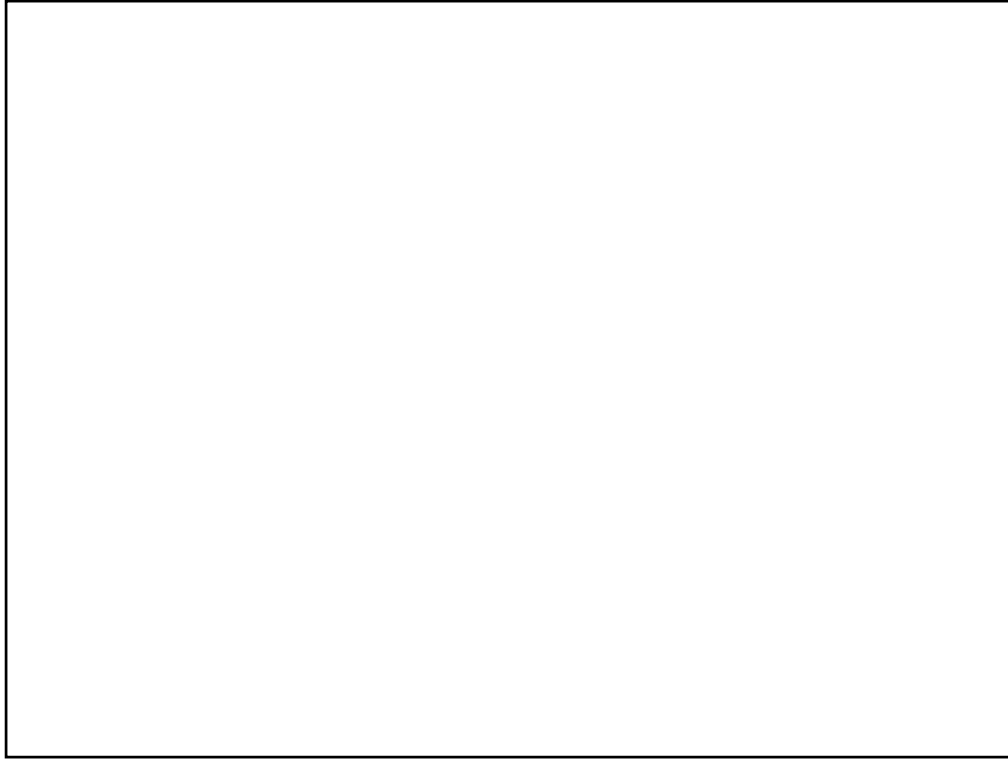


Presented by:  
Tina Schmitz, CFO  
Kenosh Unified School District

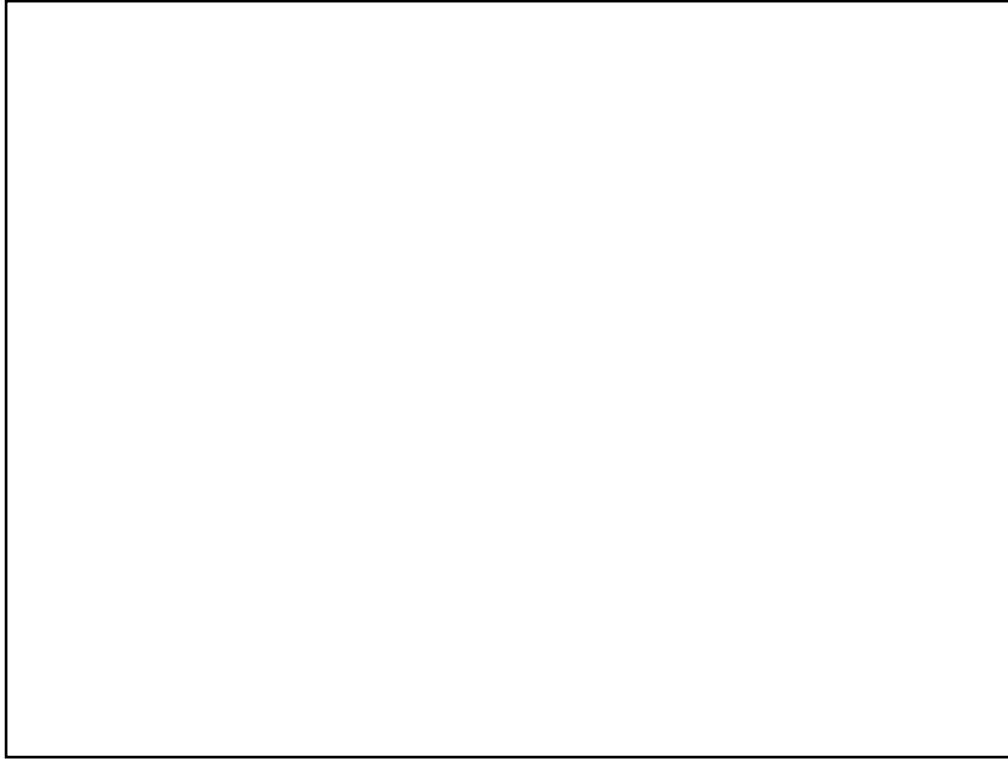


**As part of the District's Transformation Plan, our goals include:**

- 1) Improving student achievement by incorporating these principles
  - a) Blended personalized learning – adaptable to individual needs
  - b) Multi-dimensional life and career skills such as creativity, innovation, critical thinking, problem solving, communication and collaboration
  - c) Relevant global knowledge (content, information, media literacy, social and cross-cultural competencies)
- 2) Expand collaborative partnerships with families, community and industry
  - a) Engage community partners
  - b) Foster a service learning society
  - c) Welcoming environment/sense of belonging
  - d) Lifelong learning opportunities for all families
- 3) Secure resources to support learning
  - a) Maximize technology
  - b) Build partnerships and collaborate with community businesses, higher learning institutions, and other community organizations
  - c) Secure available external funding
  - d) Evaluate resources annually to ensure maximum effectiveness

Certain action steps have been identified crossing over fiscal years 11/12, 12/13, and 13/14.

For more information on the Transformation Plan – see our website <http://www.kusd.edu/transformation.pdf>



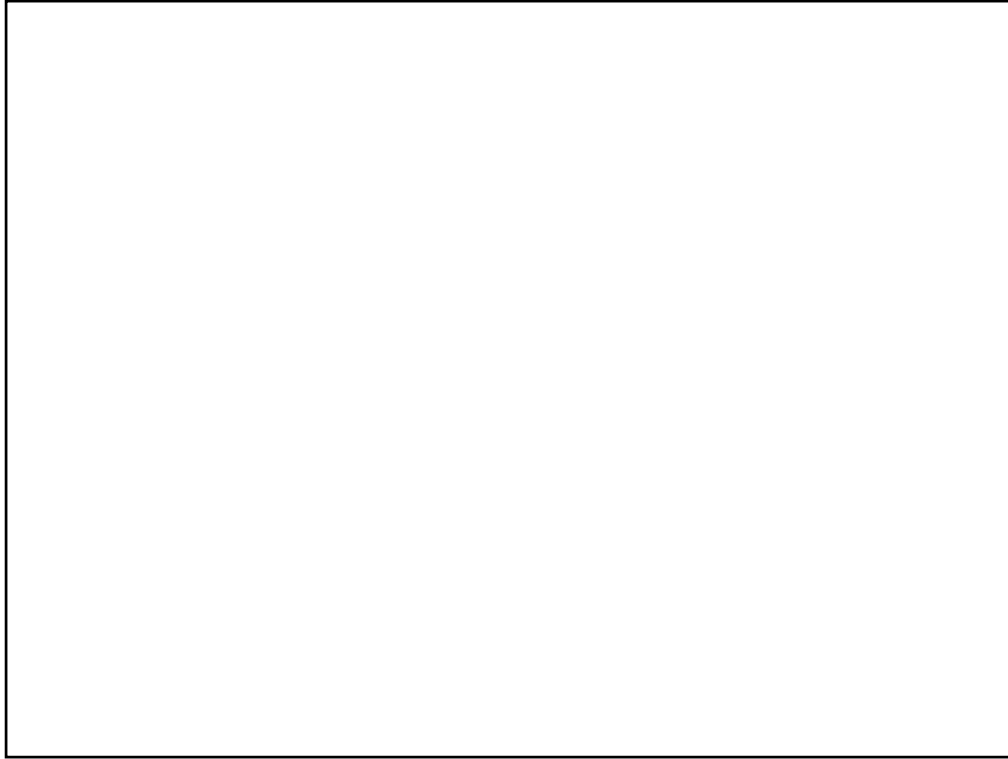
Maintaining fiscal responsibility to the District's stakeholders continues to be at the top of our priorities.

In January 2011 the District engaged the firm of Crowe Horwath to evaluate the organizational finance structure of KUSD. That study made observations and recommendations for 7 significant areas including:

- Structural deficit
- Athletic Funds
- Activity Funds
- OPEB Liability
- Professional Contracts
- Board Financial Reports
- Organizational structure.

The District has put in place many of the operational changes Crowe Horwath recommended.

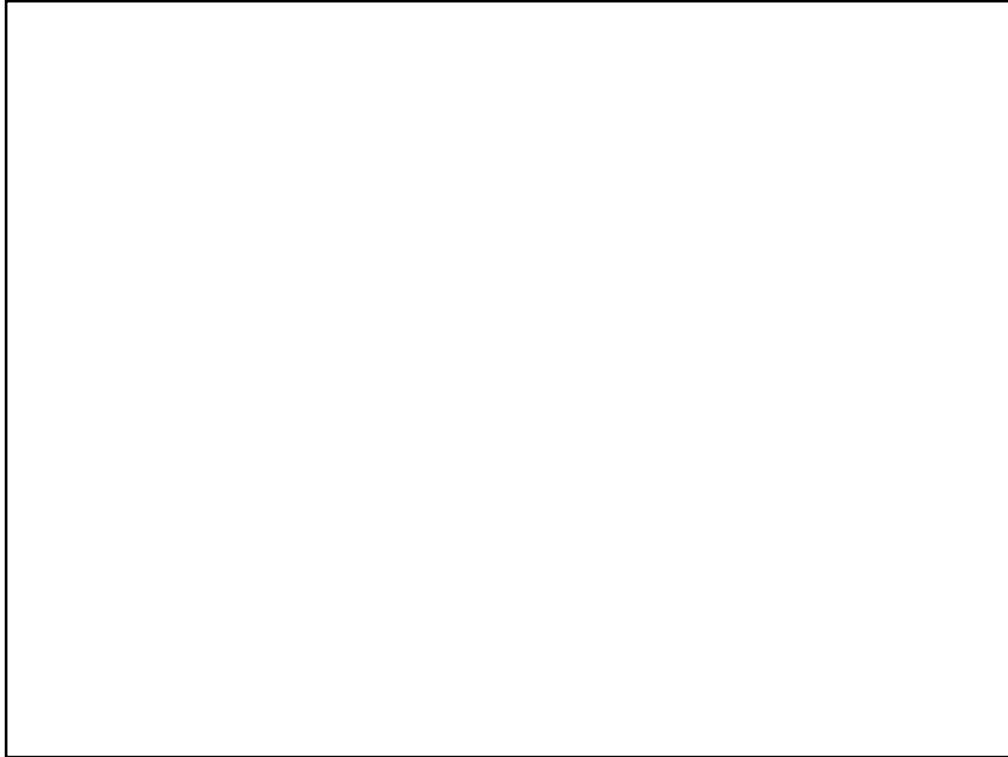
For more information on the Crowe Horwath study, see our website at [http://www.kusd.edu/media/pdf/budget/2010\\_11/financial\\_process\\_assessment.pdf](http://www.kusd.edu/media/pdf/budget/2010_11/financial_process_assessment.pdf)



As noted above, Crowe Horwath noted the structural deficit that required attention. Expenditure growth was projected to exceed that of revenue. The firm recommended that the District:

1. Bring revenues in line with expenditures
2. Restore general fund reserves
3. Consider the General Fund and Special Projects fund as one
4. Reduce expenditure growth to achieve a structural balance

The District has implemented these changes as reflected in the 2012-13 budget.

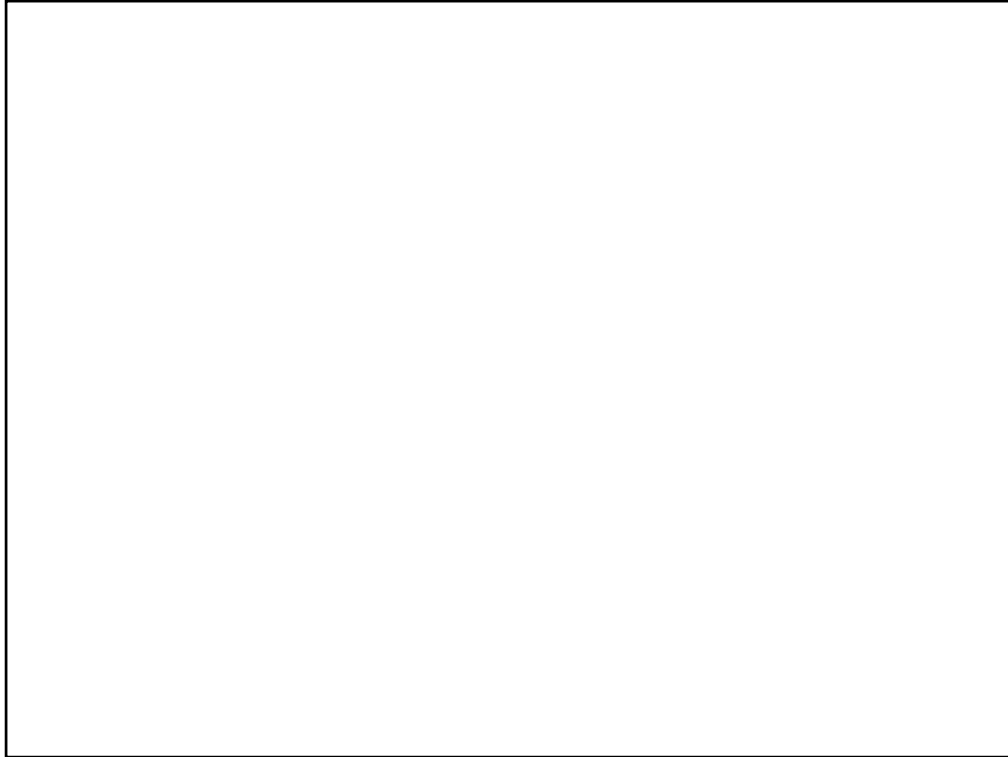


The District's budget plan includes restoring fund balance with the goal of meeting board policy to be at a minimum of 15% of budgeted expenses, representing approximately 45 days of operations. Restoring fund balance will help with improving our bond rating, and helps the district with cash flow needs throughout the year.

Given the changes at the state level, it is not uncommon for school districts to have tapped into their fund balances this past year, however the impact has been controlled by the District.

The General Fund balance was reduced in FY12 by approximately \$1,126,257 (preliminary) compared to a decrease of \$8,230,823 that the District originally budgeted. In February 2012 the District took strict measures in reducing expenses and exceeded the goal. Overall, the District reduced the impact to the fund balance by over \$7 million through reduced spending, efficiencies, use of technology, and improved processes. The District still had more expense than revenue for FY12, however the District did not spend all the funds that had been budgeted.

The preliminary budget proposal presented in February included a plan to restore fund



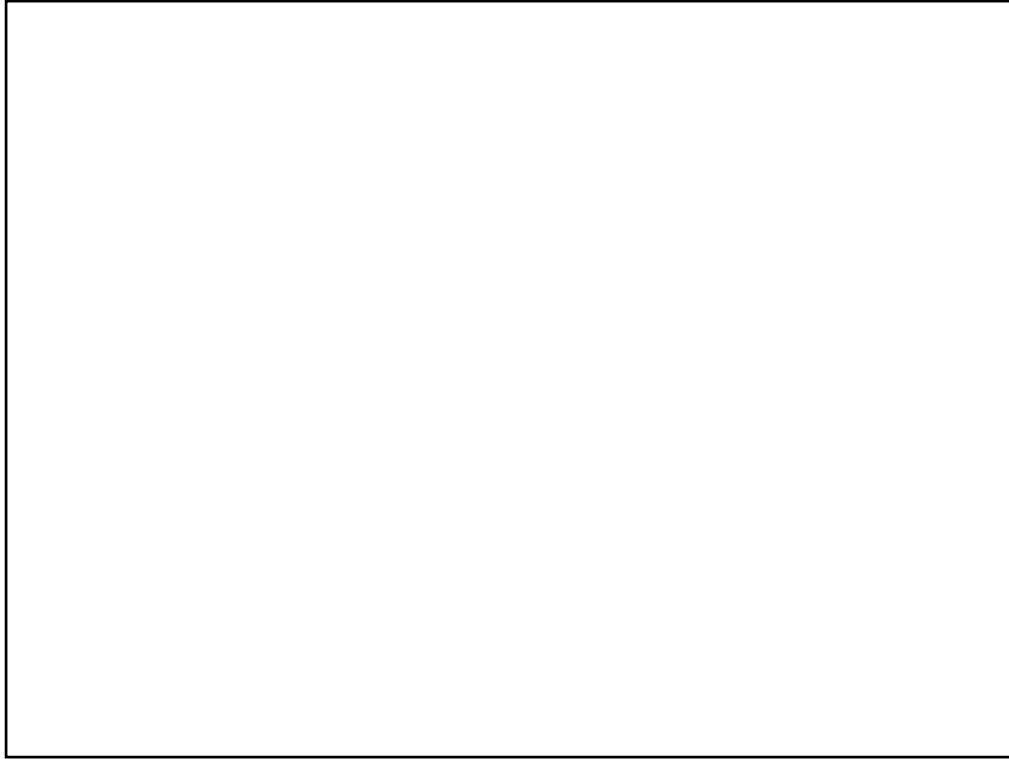
These variables are key to developing the District's budget. Most of these variables are controlled by outside factors, while several have limited control by the District such as the bottom row that is in blue and red.

We can be prudent in structuring our debt and take advantage of lower interest rates, when available.

We can tax advantage of a full tax levy within the limits set forth by the state, however there is a cap on tax levy and that is controlled by the state.

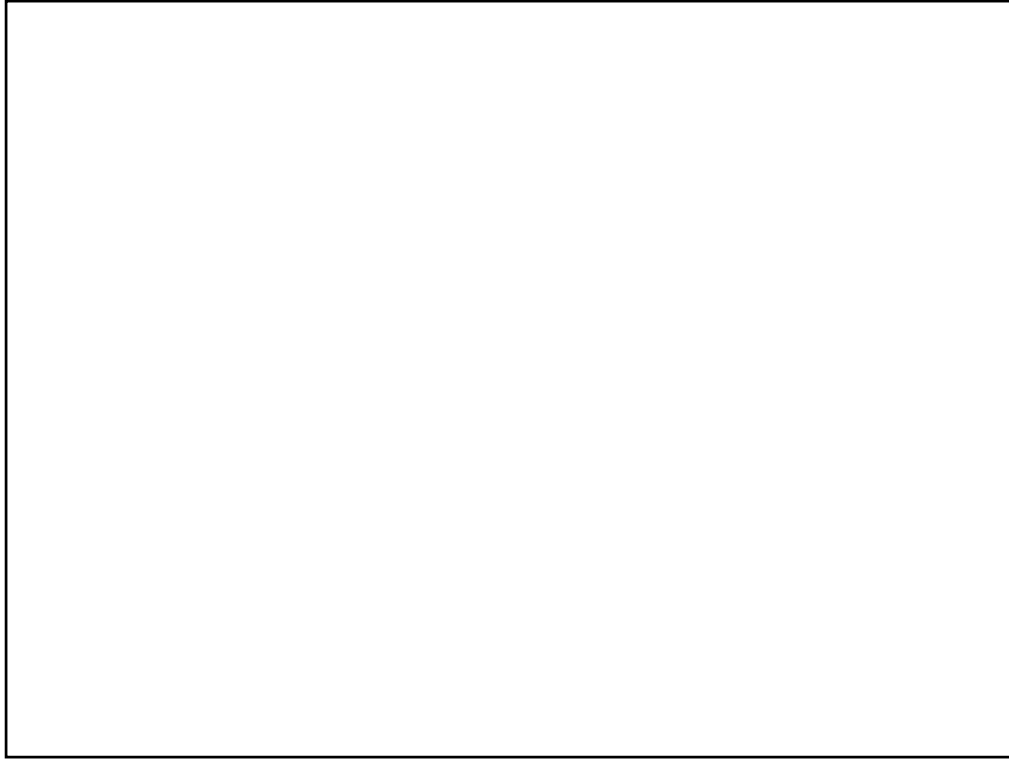
We also have limited control in this budget year with salary and fringes. We have contractual obligations which control some of the expense. Our flexibility comes through managing staff levels.

Some of these variables affect others; some variables may decline, like student enrollment, for example, which affects revenue. The challenge for the District is to find a balance between our revenue and expense.



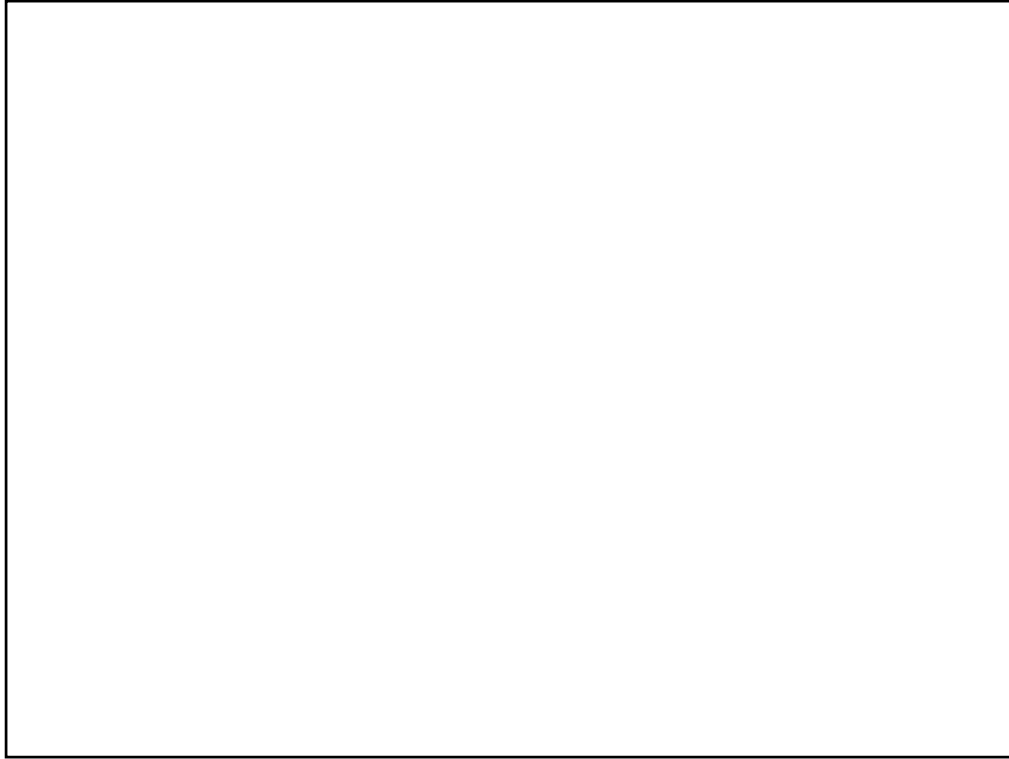
Funds in top green row – Require Tax Levy

Funds in bottom blue row – No Tax Levy



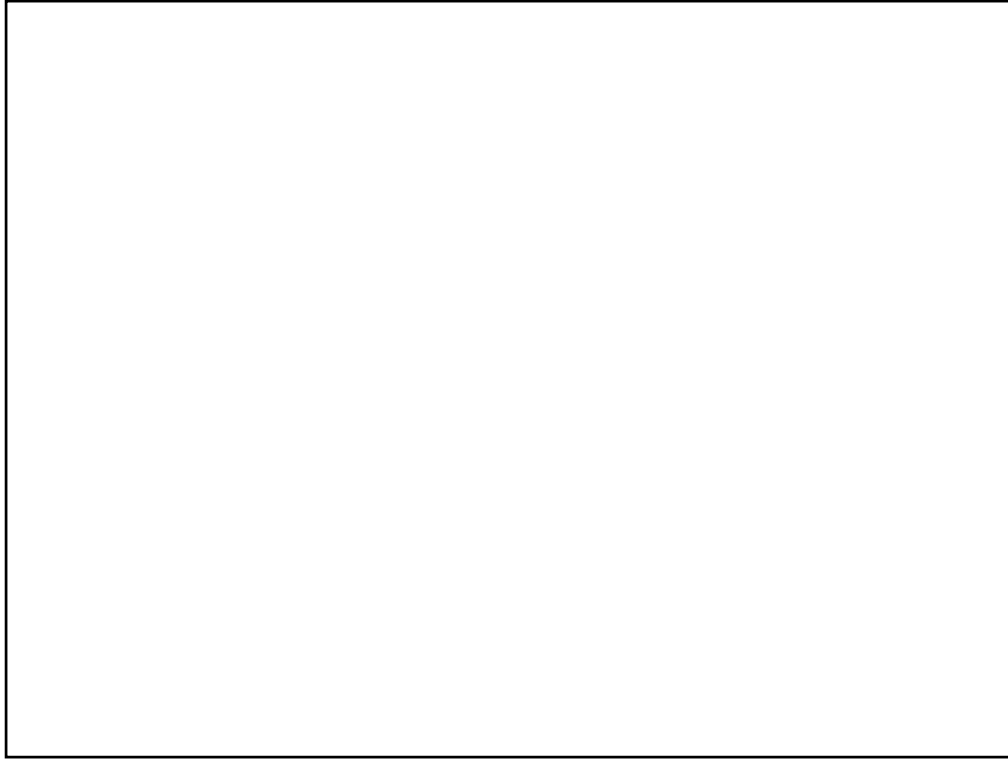
Our initial enrollment projections indicate a decrease of 100 students. The District is required to report counts on the 3<sup>rd</sup> Friday of September, and then again on the second Friday in January. The budgeted revenue and expenses for FY13 will be adjusted according to 3<sup>rd</sup> Friday enrollment.



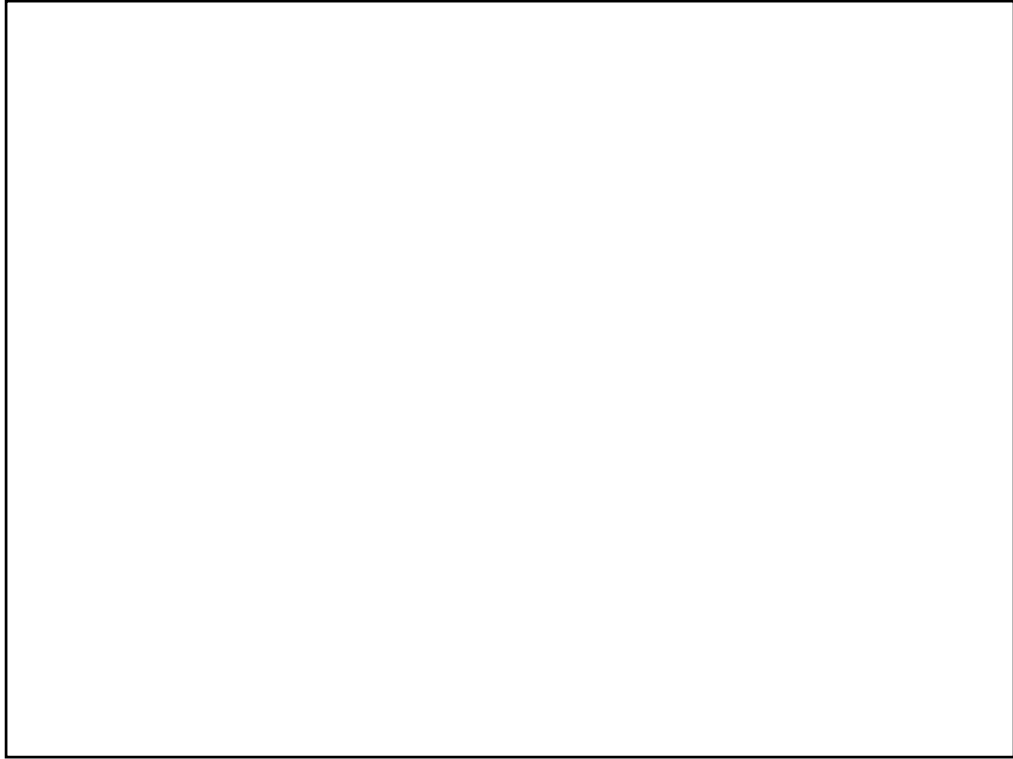


The District experienced a loss in revenue of nearly \$13 million last year due to the decrease of \$554 per member (student FTE).

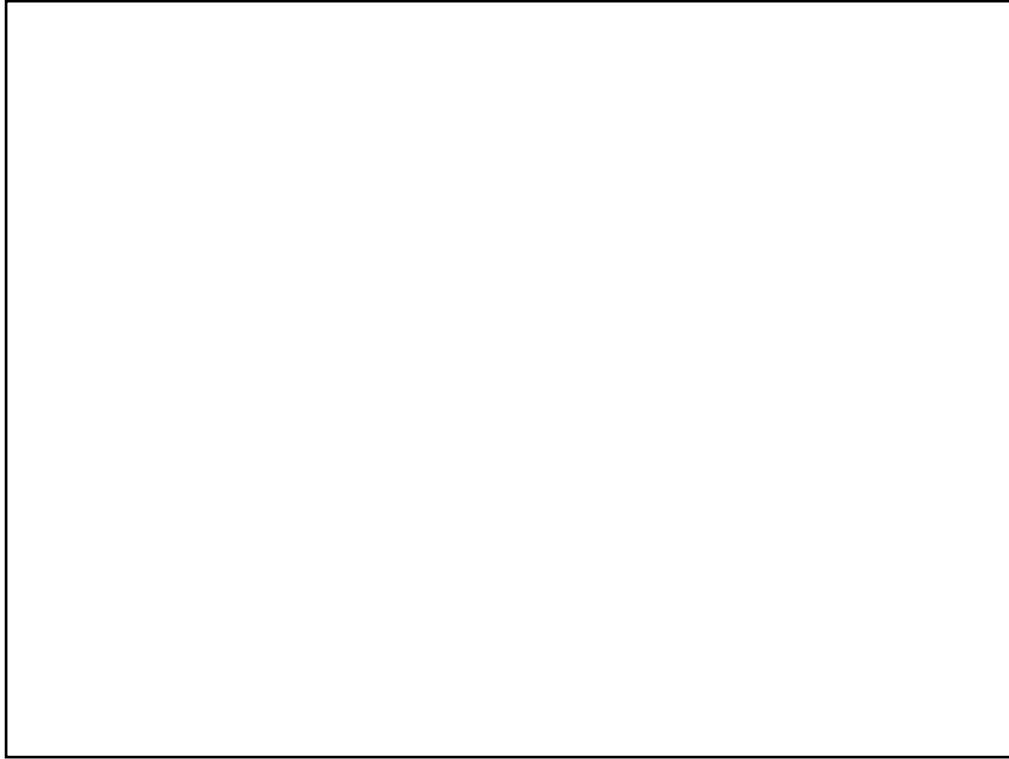
This year the state biennial budget includes an increase of \$50 per member which equates



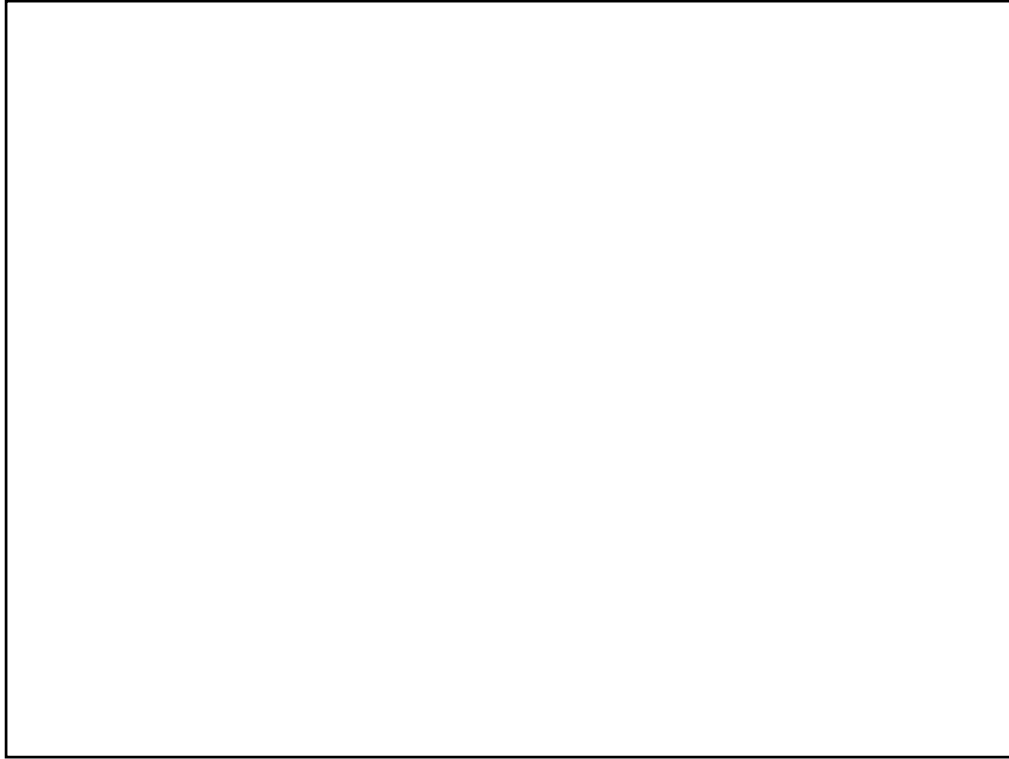
On an estimated revenue limit of \$224.6 million, 66.4% of that is driven by state aid, while 33.4% is left over (after computer aid is deducted) for tax levy. Our preliminary budget includes levying to the maximum by state law.



This charts shows the mix

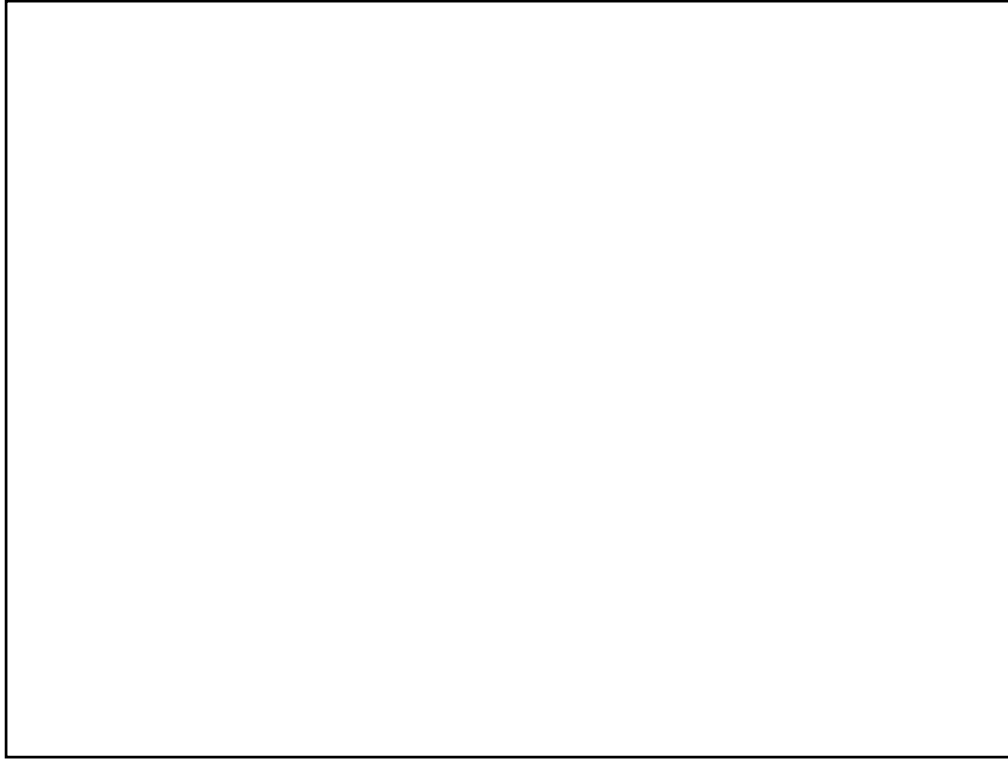


Here we have the last 7 years of tax levy history. Our total Levy has decreased from last year by approximately \$4 million dollars.

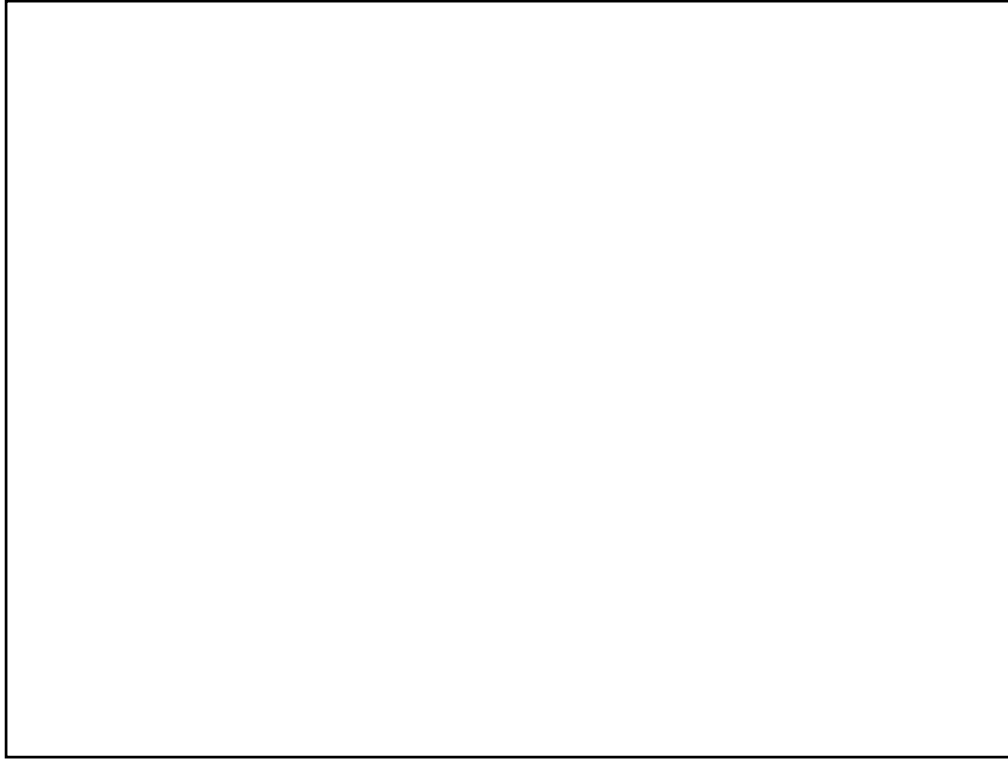


Current mill rate is calculated on equalized valuations decreasing by approximately 5% on average. A lower equalized valuation can increase the District's mill rate. The final equalized valuations and DPI revenue limit information is released in October. At that time, the District will update the tax levy and mill rate.





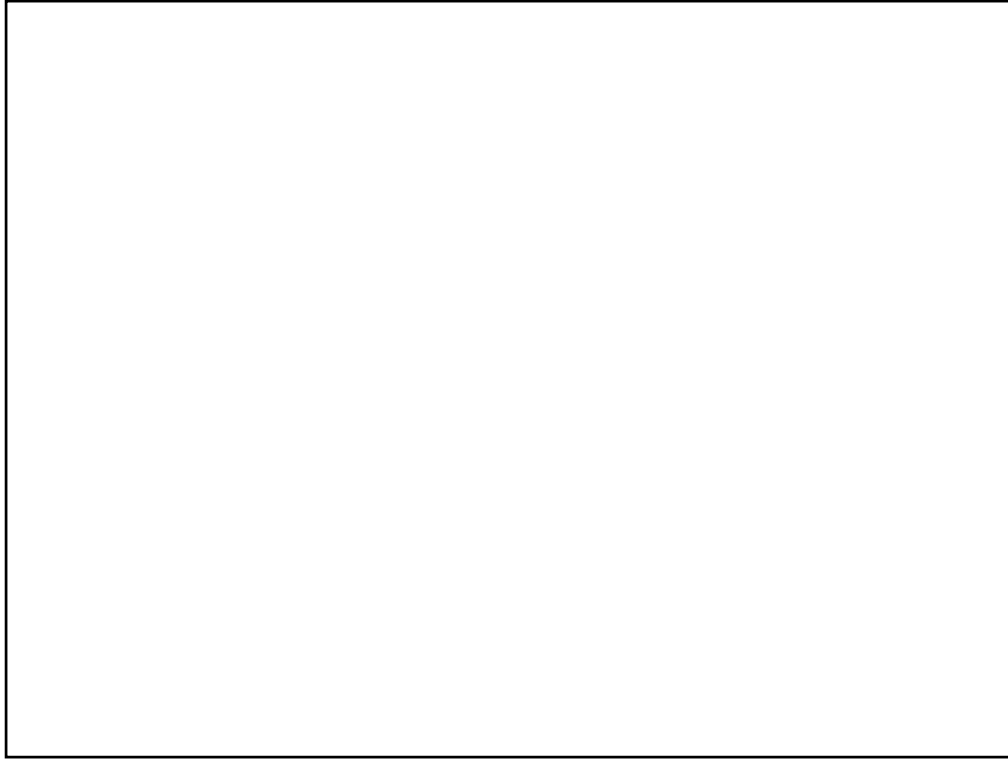
- \$50 per pupil revenue increase, but as shown on a previous slide, our increase is not that significant for FY13.
- New Categorical Aid of \$1.1 million is added this year and is outside the revenue limit – a benefit to the District. This is a one-time addition per the Biennial Budget.
- General State Aid increases by \$6.6 million
- Preliminary decrease of \$2 million in Federal and State grants are planned (this is adjusted as we are notified of grant awards)
- Slight increase projected in fees of approximately \$25,000
- **Preliminary** 4.38% decrease in tax levy (approximately \$4 million) is projected for FY13. Our overall revenue limit increased slightly and with general aid taking up a larger portion of that limit, reduces the amount in which we are able to levy. The preliminary budget includes taking advantage of levying to the maximum by law for the general fund.



- Salary increases have been incorporated per the collective bargaining contracts
- Through a new WEA Trust proposal, the District plans to save roughly \$730,000 in health insurance costs – this amount will vary depending on employment enrollment.
- Other benefits such as life insurance and retirement increase 2 to 5% over last year.
- The District plans to reduce overall ex







Due to the District's demonstrated action to reduce expenses and restore fund balance, Moody's has rated the District's upcoming short-term borrowing promissory notes at the highest rating possible. Clearly Moody's recognizes the improvement made in the District's fiscal health.

The Municipal Investment Grade (MIG) scale is used to rate US municipal bond anticipation notes of up to three years maturity. Municipal notes rated on the MIG scale may be secured by either pledged revenues or proceeds of a take-out financing received prior to note maturity. MIG ratings expire at the maturity of the obligation, and the issuer's long-term rating is only one consideration in assigning the MIG rating. MIG ratings are divided into three levels—MIG 1 through MIG 3—while speculative grade short-term obligations are designated SG.

- **MIG 1 This designation denotes superior credit quality. Excellent protection is afforded by established cash flows, highly reliable liquidity support, or demonstrated broad-based access to the market for refinancing.**
- MIG 2 This designation denotes strong credit quality. Margins of protection are ample, although not as large as in the preceding group.
- MIG 3 This designation denotes acceptable credit quality. Liquidity and cash-flow protection may be narrow, and market access for refinancing is likely to be less well-established.

