



KM 2003 - 2004 Annual Budget Report

Dear Kettle Moraine Friends,

In these difficult budget times, it is easy to be overwhelmed by the bad news. But there is much good news to celebrate. We need to remember the good news and put the bad news in perspective. Yes, we face shrinking revenues. Yes, we will experience “shrinking pains.” And yes, programs have been reduced and fees increased in response to the decreased state aid. However, reductions for the 03-04 budget have been made with a plan to restore when revenues allow restoration - and to preserve as much as possible via creative measures. Our intent is to continue the distinguished and distinctive programs that have made Kettle Moraine so special. Another perspective is to remember we are a microcosm in a much bigger picture. KMSD is one of 426 Wisconsin school districts — and Wisconsin is one of 48 states with such severe budget woes that adjustments are needed. You might ask, “What can we do?” One important step is to share your thoughts and concerns with the legislators regarding continued financial support for education.

Fortunately, our history of sound fiscal management, high achieving students, and a supportive community remains intact. And with the optimism that the community engenders, KMSD will face these significant, critical, and unprecedented challenges with characteristic resiliency, courage, determination, and hope. And now for some good news:

Kettle Moraine students perform at high levels. For several years, our 3rd and 4th grade students have scored #1 on the Wisconsin Knowledge and Concepts Exams as compared to many other K-12 districts. According to The School Facts 02 CESA 1 publication of the Wisconsin Taxpayers Alliance, Kettle Moraine 4th graders were #1 compared to those in 32 K-12 districts in southeastern Wisconsin. The same is true for Kettle Moraine 3rd grade reading scores - #1 in southeastern Wisconsin. This high performance by Kettle Moraine students is true for the past decade, although some variance occurs from year to year. Each year brings a new group of students with individual differences resulting in differences in scores, as noted in the school report card in the 5, 8, and 11-year comparisons. The goal on state tests is to have every student reach proficient or advanced ratings.

Some themes are repeated from year to year:

Achievement – KM students consistently score higher than state averages and are among the highest in southeastern Wisconsin: 94% to 97% of 4th graders, 64% to 93% of 8th graders, and 64% to 78% of 10th graders have proficient and advanced scores in reading, language arts, math, science, and social studies.

Taxes & Expenditures – KM yields higher achieving students for less than the state average expenditure. In other words, greater academic dividends from lesser per student expenditures – this means **a great bargain for taxpayers!** Kettle Moraine spends \$9139 per student; state average is \$9213 per student.

Student & Teachers – KM provides excellent teacher-student ratios ranging from 12:1 to 16:1 depending on grade level and we accomplish this with fewer administrators than the state average.

College Bound – KM graduates are accepted in many of the nation’s highly competitive colleges, universities, and graduate schools: MIT, Harvard, Princeton, Yale, University of Wisconsin, Duke, University of Michigan, University of Chicago, University of California, Northwestern, Purdue, Notre Dame, Marquette, Lawrence, etc. In addition, **82%** of KM graduates plan to attend a two or four year college or university. Over the past 8 years, the ACT average composite score is 23. The 2002 SAT composite score of 1250 is a record high for KMHS.

Computers – KM students have technology available to help them prepare for 21st century learning: 1 computer for every 2.43 students in K-12. (with 1,340 networked instructional computers and an additional 459 portable typing keyboards in the 6 schools. Total units are 1,799 serving a student population of 4,372.)

Wealth and Income – KM’s average household income is \$64,527. The K-12 comparison ranges from \$30,000 to \$96,191 in the 32 K-12 southeastern Wisconsin school districts. (See School Facts 02) In Waukesha County: Elmbrook – \$84,048; KM - \$64,527; Oconomowoc - \$61,532; Arrowhead -\$54,775; Pewaukee - \$53,008; New Berlin - \$50,931; Mukwonago - \$50,735; Hamilton - \$46,757; Waukesha - \$46,729; Menomonee Falls - \$46,032.

Teachers – KM teachers are among the most able and dedicated in the profession. Since 1990, eleven KM teachers have been selected as recipients of the coveted Kohl Fellowship for Teachers. Two KM teachers earned the rigorous National Board for Professional Teaching Standards Certification. One teacher received the Robert W. Baird Wisconsin Economics Teacher of the Year Award as well as the National Council for Economic Education National Teacher of the Year award. Many are leaders in their professional organizations and are involved in post-master’s research projects, publications, and presentations. All KM teachers have pursued advanced courses in writing and technology in order to help KM students become proficient in these important endeavors. All elementary teachers have taken advanced courses in the teaching of reading and math.

Writing – The K-12 Writing Program is a unique and intellectually demanding experience. All students must produce a portfolio and demonstrate writing proficiency as a requirement for graduation. A writing lab, **The Write Place**, provides teacher and peer coaching for students at KMHS seeking editorial support.

Travel – KM students explore the world in many ways. Within the classroom and with the assistance of technology, KM students connect with students in other countries. In addition, students travel to Washington DC, Chicago, New York City, and throughout the USA as well as Germany, Spain, Mexico, Italy, France, Costa Rica, Canada, and Wales as part of the student exchange programs, performances, language and cultural studies, and club activities.

Elementary Arts & Foreign Language – KM students participate in language study and the arts. Elementary students receive weekly art, music, and Spanish instruction.

Sports – KM athletics offers 22 WIAA sports programs for secondary students. Students excel in learning teamwork and leadership, in addition to the fun of interscholastic competition. Several teams have competed in state level competition multiple times, including tennis, skiing, hockey, basketball, swimming, gymnastics, wrestling, cross country, track and field, golf, baseball, and soccer.

Scholars – National Merit Scholarship program: KMHS has had 20 Merit Finalists in the past 7 years.

Community Education – KM’s active community education and recreation program provides opportunities for senior citizens, youth, and adults in recreation, evening courses, and weekend programs.

Kettle Moraine students have the opportunity to receive an outstanding education in all 6 Kettle Moraine schools. Each facility is well equipped and well maintained to provide a safe, healthy atmosphere conducive to learning.

The community supports the schools and its students with involvement, appropriate funding, and participation in coaching, attendance at games, musicals and plays, and by serving as mentors and tutors.

Kettle Moraine students are nurtured in this school community — a school learning-community dedicated to the **PASSIONATE & PERSISTENT PURSUIT OF POTENTIAL**. Thank you to every community resident for making this good work possible!

Sincerely,



Sarah Jerome, Ed.D., Superintendent



District Profile and its Board of Education

The School District serves all or part of the following communities: City of Delafield, Town of Delafield, Village of Dousman, Town of Eagle, Town of Genesee, Village of North Prairie, Town of Ottawa, Town of Sullivan, Town of Summit, and the Village of Wales.



Michael Wagner
President
Term Expires April, 2004



Jacqueline Offerman
Vice President
Term Expires April,
2004



Gerald Powell
Clerk
Term Expires April, 2006



Gary Vose
Treasurer, Finance Chair
Term Expires April, 2005



Kimberly Haines
Personnel Chair
Term Expires April, 2005



Jay Crouse
Transportation Chair
Term Expires April, 2006



Patricia Millichap
Curriculum Chair
Term Expires April, 2006

36th Annual Meeting

Tuesday, June 24th, 2002

Kettle Moraine Middle School - 8:00 PM

The Superintendent reports that proper notification of this meeting has been posted in accordance with the open meeting laws of the State of Wisconsin.

Agenda

- I. Roll Call
- II. Pledge of Allegiance
- III. Voter Qualifications (Page 16)
- IV. Election of Meeting Chairperson
- V. Approve Minutes of Last Annual Meeting (Page 5)
- VI. Superintendent's Report
- VII. Budget for 2003 - 2004 (Pages 6-14)
 Questions/comments period
- VIII. Approval of Tax Levy
 The following motion would be in order: "Be it resolved that a tax in the amount of \$24,762,038 be levied on all the property, real and personal, within the bounds of the School District of Kettle Moraine, for the purpose of operating and maintaining schools." (Vote by show of hands.)
- IX. Unfinished Business
- X. New Business
 - A. TEACH Resolution
 - B. Board Member salaries and expenses: (Each board member presently receives \$3,000 per year. A motion "to maintain salaries for 2003-2004 and thereafter, until changed by the Annual Meeting" would be in order.)
 - C. Be it resolved by the electors of the School District of Kettle Moraine to create a Capital Projects Sinking Fund in the amount of \$217,000 for the purpose of financing small and large capital improvement projects throughout the district.
 - D. Other matters
- XI. Informational Items
- XII. A motion to establish the date and time for the 2004 Annual Meeting as Tuesday, June 22, 2004, at 8:00 PM would be in order.
- XIII. Adjournment

All Welcome

The Annual Meeting is the opportunity for citizens to vote on the School District of Kettle Moraine's proposed tax levy for 2003-2004. Information about the levy is included in this Annual Report. We welcome your presence and participation at the meeting.

Notice of Budget Hearing

(Section 65.90(4))

Notice is hereby given to qualified electors of the School District of Kettle Moraine, that the budget hearing will be held at the Kettle Moraine Middle School on Tuesday, the 24th day of June, 2003 at 7:00 PM. The summary of the budget is printed herein. Detailed copies of the budget are available for inspection in the District's office at 563 A.J. Allen Circle, Wales, WI.

Dated this 1st day of June, 2003.



Gerald Powell
District Clerk

Notice for Annual District Meeting

(Section 120.08(1))

Notice is hereby given to qualified electors of the School District of Kettle Moraine, that the annual meeting of said district for the transaction of business, will be held at Kettle Moraine Middle School, on the 24th day of June, 2003, at 8 PM.

Dated this 1st day of June, 2003.



Gerald Powell
District Clerk

Annual Meeting Minutes — June 25th, 2002

The Annual Meeting of the School District of Kettle Moraine was called to order by the temporary chairperson, Michael Wagner, at 8:00 p.m., Monday, June 25, 2002, in the Kettle Moraine Middle School 500 area.

Board of Education members present: Michael Wagner, Gary Vose, Patricia Millichap, Jackie Offerman, Kimberly Haines, David Wentworth and Gerald Powell.

Others present: Sarah Jerome, Superintendent; Maurice Sullivan, Assistant Superintendent - Instruction; Roger Dickson, Assistant Superintendent - Business; Debbie Williams, secretary. Public: Maggie Amberg, James Arts, Mary Bacon, Richard Bacon, Helen Bera, Deb Berg, Karen Bewer, Erica Bobrofsky, Greg Bolin, Judy Braine, Jan Brakken, Michael Brundidge, Dan Brzezinski, Colin Butler, Scott Clippinger, Liz Clippinger, Jay Crouse, Debbie Culhane, Kristi Davis, Pat Deklotz, David DeYoung, Magda Dimmendaal, Kelly Donaldson, Cheryl Duff, Karen Fosse, Howard Gleason, Charlotte Hall, Lynn Haugner, Mary Hauke, Carl Hayek, Jody Herder, Germaine Hillmer, Kim Horneck, Mary Jane Huber, Karly Jasm, Jim Jastrow, Nancy Jenkins, Mike Johnson, Sue Johnson, Terry Kirsop, Traci Konieczky, Monica LaBonte, Joanne Leiby, Kathryn Littlejohn, Amy Maier, Cindy Malley, Jim Merchant, Scott Miller, Lori Narloch, Elizabeth Neitzel, Margaret Heffron Neuhold, Rick Neuhold, Dick Offerman, John Parrott, David Parulski, Jane Parulski, Deborah Pearce, Charmaine Reynolds, Larry Rigden, Lynn Riggs, Kim Rohde, Peg Sewert, Barb Smith, Ruth Stememann, Jody Swentic, P. Swentic, Cheri Krause, Barbara Jean Wagner, Hillary Wanacke, Barb Wentworth, Jane Wettstein, Mike Wettstein, Marli Williams, Dick Winz, Jennifer Witek, Mike Witek, and David Zeier. Press: Erin Mellone of The Index.

Mr. Wagner announced that notice of this meeting had been posted and published in The Index, the official newspaper of the district. The notice was published June 14 and June 21 informing SDKM residents the Annual Meeting would be held June 25, 2001. Residents were also mailed a copy of the Annual Report. The district notice for the open meeting laws of the State of Wisconsin has been met as per Wisconsin Statute 120.08 (c).

Mr. Wentworth led the assembly in the Pledge of Allegiance.

Kettle Moraine student, David Parulski, sang the Star Spangled Banner.

Mr. Wagner reviewed the voter qualifications

and ground rules for the annual meeting and noted district attorney Gary Ruesch would act as parliamentarian. Nominations were opened for chairperson for the annual meeting.

Motion: Gery Powell moved and Jackie Offerman seconded the nomination of Mr. Wagner as chairperson for the annual meeting.

Motion: M. Heffron Neuhold moved and E. Bobrofsky second the nomination of Mr. Powell as chairperson for the annual.

There were no further nominations. A hand count was done to determine the chair for the Annual Meeting. Votes cast, 33 for Wagner, 29 for Powell. Wagner would be chair.

Motion: G. Vose moved and J. Offerman seconded to approve the minutes of the June 25, 2001 School District of Kettle Moraine Annual Meeting. Motion carried.

Dr. Jerome welcomed everyone to the Annual meeting and introduced Elysse Lindell and John Hallagan. Elysse, fourth grade student at Magee Elementary, read her poem "Nature's Beat." Her poem was selected for publishing in the Reading, Writing and Thinking magazine as a result of their young people's poetry contest.

John Hallagan, Magee Elementary teacher, shared a video with the audience. The video engaged fourth grade students in learning about the immigration process. Students interviewed area residents who have immigrated to the United States. Students also learned about their own heritage with one student tracing relatives who came over to America on the Mayflower.

Dr. Jerome said these two examples personify the essence of excellence in education in the School District of Kettle Moraine.

Mr. Wagner stated the 2002-2003 budget for the School District of Kettle Moraine had been presented prior to the Annual Meeting at the Budget Hearing. The floor was open for questions specifically related to the budget as presented.

There were no questions. Mr. Wagner asked for a motion to approve the tax levy, reminding the public that motions at the annual meeting could be made by residents and not solely by school board members.

Motion: J. Offerman motioned and G. Vose seconded the motion that it be RESOLVED that a tax in the amount of \$24,423,204 be levied on all the property, real and personal, within the bounds of the School District of Kettle Moraine, for the purpose of operating and maintaining schools.

Motion: M. Heffron Neuhold moved and C. Butler seconded to amend the motion that it be RESOLVED that a tax in the amount of

\$24,523,204 be levied on all property, real and personal, within the bounds of the School District of Kettle Moraine for the purpose of operating and maintaining schools, the additional \$100,000 to be added for the purpose of adding a fourth grade teacher.

Mr. Wagner called for a vote on the motion to amend the tax levy by increasing it in the amount of \$100,000. Vote: 41 yes; 27 no. It was clarified the levy amount can be increased, but the Board cannot specify where the money will be spent. Motion passed.

Mr. Wagner called for a vote to approve the tax levy as amended. Vote: 66 yes; 3 no. Motion carried.

There was no unfinished business.

Motion: G. Vose moved and K. Haines seconded the motion to approve RESOLUTION TEACH as presented in the agenda. Mr. Wagner stated that according to state statutes the district is required to adopt the resolution at the Annual Meeting. This resolution provides that the school district is eligible for educational technology grant funds. These funds cannot be used for salary or benefits of any district employee. Motion carried.

Motion: G. Vose moved and P. Millichap seconded the motion to maintain the salary of school board members at \$3,000 per year for 2002-2003. Motion carried. Board members abstained from voting due to possible conflict of interest.

Motion: G. Vose moved and K. Haines seconded a motion be it resolved by the electors of the School District of Kettle Moraine to create a Capital Projects Sinking Fund in the amount of \$661,194 for the purpose of financing small and large capital improvement projects throughout the district. Mr. Dickson stated it is not allowed to increase this amount. This money will be used for capital expenditures related to building projects.

There were no additional items for discussion or information.

Motion: T. Kirseff moved and Magda Dimmendaal seconded to establish the 2003 Annual Meeting to be held Tuesday, June 24, 2003 at 8:00 p.m. Motion carried.

Motion: C. Butler moved and B. Wentworth seconded the motion to adjourn. Carried.

The June 25, 2002 Annual Meeting adjourned at 8:55p.m.

Submitted: Debbie Williams — Secretary to the School Board

Approved: Michael Wagner, Board President and Jacqueline Offerman, Clerk

Summary 2003-2004

Introduction

The interim budget for the 2003-04 school year is presented here in summary form. The budget is prepared by the Business Office and recommended to the Building and Finance Committee by the Superintendent. The interim budget was presented to the public for comment at the school board meetings on May 13 and May 27, and May 15 at the Superintendent's all-day Open Door. It was adopted by the School Board on May 27. A property tax levy to support the budget will be submitted for consideration by the Annual Meeting on Tuesday, June 24. The interim budget is adjusted and the annual budget for the school year is adopted by the School Board after determination of the official enrollment in September and certification of general state aid in October.

Budget Highlights

The budget is a financial plan to achieve educational objectives for the year. Factors that influence the annual budget are:

1. Number of pupils served

Enrollment is budgeted to increase by 16 students:

- ✓ Resident enrollment will decrease by 4
- ✓ Open enrollment students from other school districts will increase by 20

2. Available finance resources

The district's growth in financial resources is not equal to the growth in the cost to maintain programs:

- ✓ The allowable increase in revenues subject to the revenue limit (generally property taxes and general state aid) is \$1,102,600
- ✓ Additional fees, charges and other revenues of \$259,700 were approved to help balance the budget
- ✓ Property taxes required for debt payment and community service will increase \$228,200
- ✓ Food service prices will be raised by \$.15 on average for a total impact of \$102,200

3. Programs offered

\$300,650 of program reductions will have to be implemented to balance resources with expenditures:

- ✓ Reduce one gifted and talented resource teacher

- 6 ✓ Reduce one elementary guidance position

- ✓ Reduce Pass II position at high school
- ✓ Reduce electives at the middle school
- ✓ Reduce musical instrument replacement annual allocation

4. Support services provided

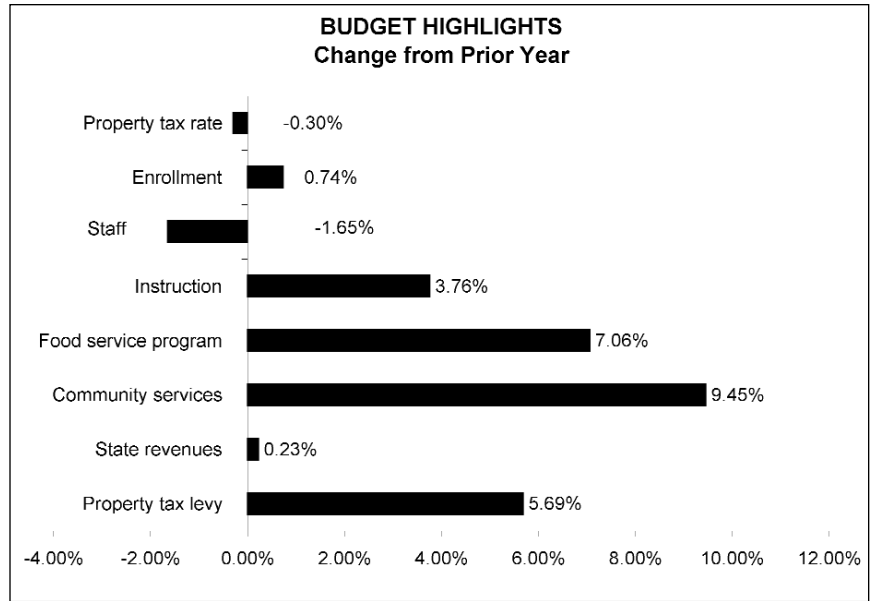
Support services will be reduced to save \$525,650:

- ✓ Additional custodians needed for high school expansion will not be hired
- ✓ Para-educator positions at the high school and middle school will be reduced
- ✓ Secretarial services at the high school will be reduced
- ✓ Changes in transportation policies and practices will be implemented
- ✓ Reduce allocation for facility maintenance and remodeling
- ✓ Reduce all budgets by 2%

The interim budget is developed assuming current state law for school finance, including revenue limits, 2/3rds funding, the qualified economic offer (QEO), and funding levels for categorical aids will continue for the next school year. There are several proposals before the legislature, if enacted, that may require significant budgetary changes. Various legislative changes could be made that could necessitate further expenditure reductions. The following strategies are under consideration.

- Withhold technology spending until final budget approval
- Reduce spending for technology by \$100,000 to \$150,000 if necessary to achieve a balanced budget
- Accept additional students under the states open enrollment law
- Reduce secretarial work days in schools to 230 days
- Reduce or eliminate elementary Spanish program
- Reduce elementary art and music from 90 minutes to 60 minutes and physical education at 3-5th grades
- Further reduce operating budgets
- Reduce elementary librarians
- Reduce guidance counselors
- Reduce support staff
- Explore converting elementary band and orchestra lessons to a Community Education program to be financed with a fee

- Reduce or eliminate the Write Place and Career Guidance positions at the high school
- Move toward self-sustaining athletic and other co-curricular programs
- Petition DPI to allow alternative satisfaction of physical education requirement through athletic participation
- Reduce elementary specials (art, music, physical education)
- Reduce kindergarten music program from 90 to 45 minutes per week
- Increase class sizes
- Seek alternative revenue sources
- Increase use of volunteers
- Implement energy conservation measures
- Reduce staff travel



- Restructure elementary Poynette trip (current cost \$12,000)
- Seek labor concessions from unions

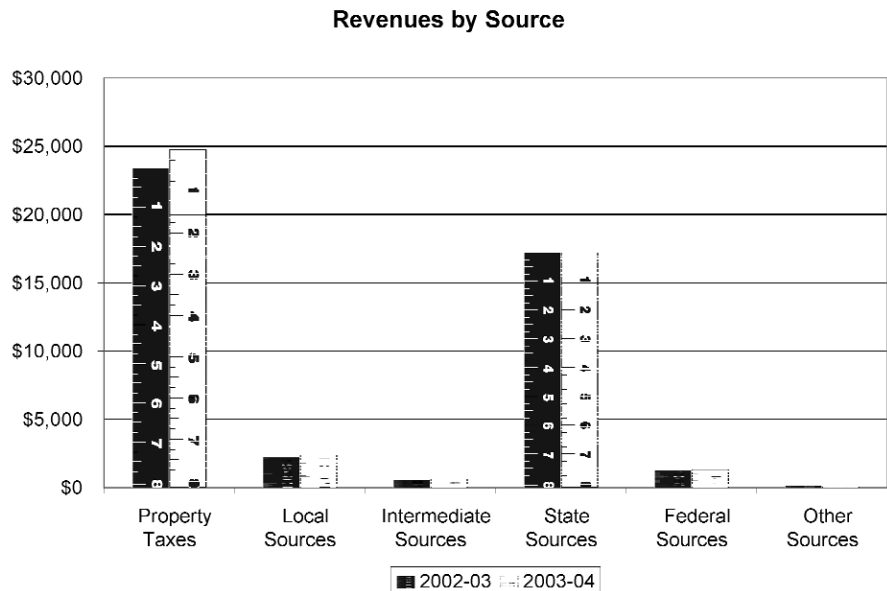


WHERE DOES THE MONEY COME FROM

School finance regulations specify the amount of dollars the district is permitted to raise from property taxes and general state aid, an amount referred to as the revenue limit. Kettle Moraine receives 90% of its money from these two revenues: property taxes - 53% and payments from the state - 37%. Other sources include federal funds (3%), intermediate sources (1%) and other local sources (6%). Overall, revenues are estimated to increase 3.8% to \$46,575,610.

The chart to the right, Revenues by Source, illustrates that the portion of funds raised from each source has not change materially from the prior year.

The increase in property taxes is related to the lack of growth in state aid as there is a direct correlation between the two. Legislative action may result in further reduction of general state aids which could, under current law, cause a property tax increase.



Revenues for local sources will increase as a result of approved changes in general supply, activity and parking fees. The increase in intermediate sources reflects additional revenue that will be raised by accepting 20 more students under open enrollment.

Property Taxes

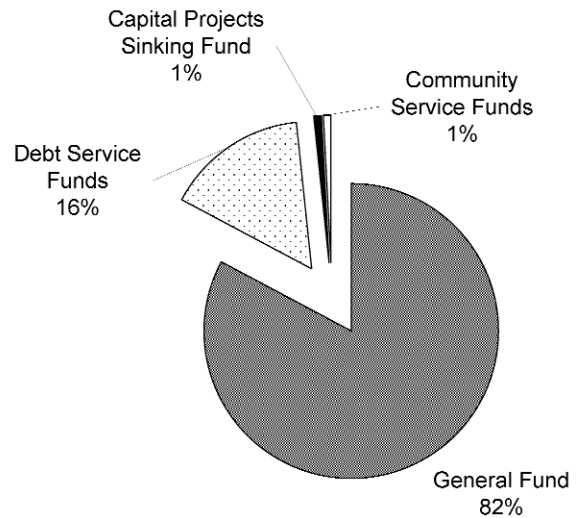
The property tax levy required to support the budget is estimated to be \$24,762,038 for an increase of \$1,332,299 or 5.7%. The tax levy increase includes \$206,800 of new principal and interest payments for previously approved debt.

The estimated property tax rate for 2003-04 is \$10.33 per \$1,000 of property value, which is \$.03 less than the current school tax rate. The difference between the increase in tax levy, 5.7% and decrease in tax rate is due to an expected 6% growth in property values. The property tax impact for a home valued at \$250,000 would be a decrease of \$226.

The property tax levy and tax rate are estimates. A number of factors such as actual enrollment and actual property values, determined in September, and the amount of state general aid, determined in October, will change the levy to be approved in October.

Property taxes support general educational programs, capital projects, adult and community programs and repayment of long-term debt. The following chart shows the percentage of the projected tax levy that supports each purpose. The capital projects sinking

Composition of Projected Property Tax Levy



fund is used for long-term capital maintenance projects on buildings owned by the district. Funding for long-term maintenance has been significantly reduced in each of the last two years.



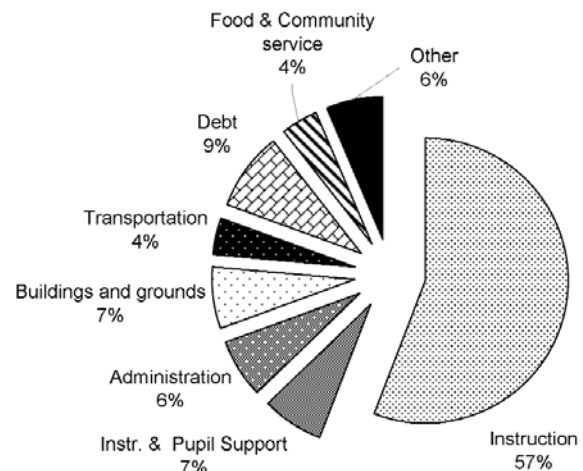
HOW THE MONEY IS USED

The school district analyzes expenditures from different perspectives. The chart to the right and the following page illustrate two perspectives - function and object. Function is the purpose for which an expenditure is made and an object is the goods or services purchased. The multiple perspectives are a different way of looking at the same expenditures. The following charts do not include expenditures for the high school expansion and renovation project.

The function definitions used by the district are consistent with definitions used by the Wisconsin Department of Public Instruction and the Wisconsin Taxpayers Alliance. "Instruction" includes costs for direct interactions between classroom teachers and students. The "instructional & pupil support" category includes libraries, psychologists, counselors, nurses, and therapists. "Administration" shows the cost of the offices of the building principals, superintendent, and business services. Utilities, cleaning, safety and maintenance of buildings are reported as "buildings and grounds". The "transportation" function includes the cost of getting children to and from school as well as the cost of field trips and co-curricular travel. The "debt" category is repayment of long-term debt

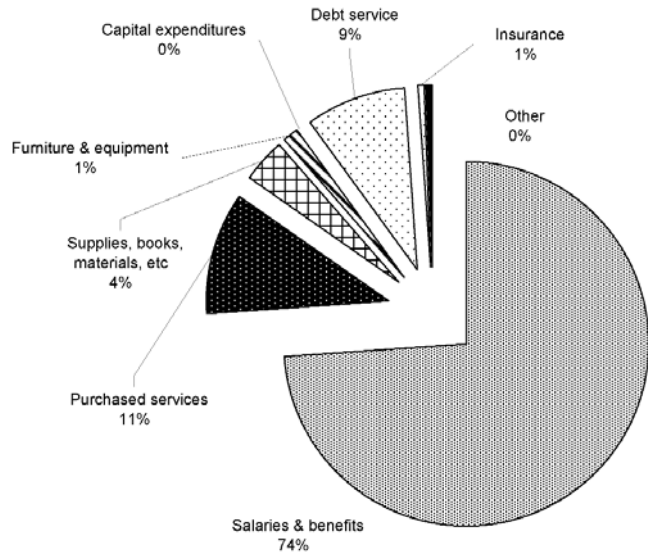
incurred for various construction, renovation and expansion projects and interest on short-term cash flow borrowing. The category "other" includes insurance, payments to CESA and the cost of benefits for retirees.

Expenditures by function



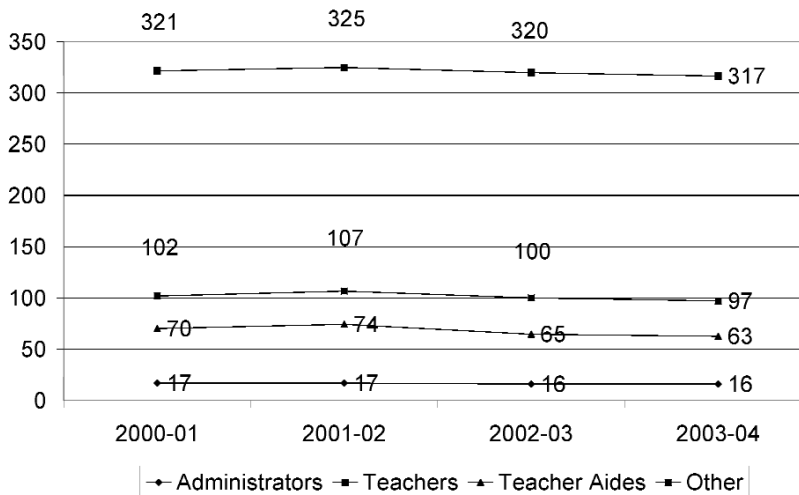
Another way to view costs is by the thing or service purchased, called objects. Wages and benefits for staff, at 74% of the budget, is the single largest cost item. Overall, compensation is budgeted to increase 3.8% plus costs related to additional educational preparation. The following graph illustrates the percentage of the budget used in each of seven broad categories.

Expenditures by object



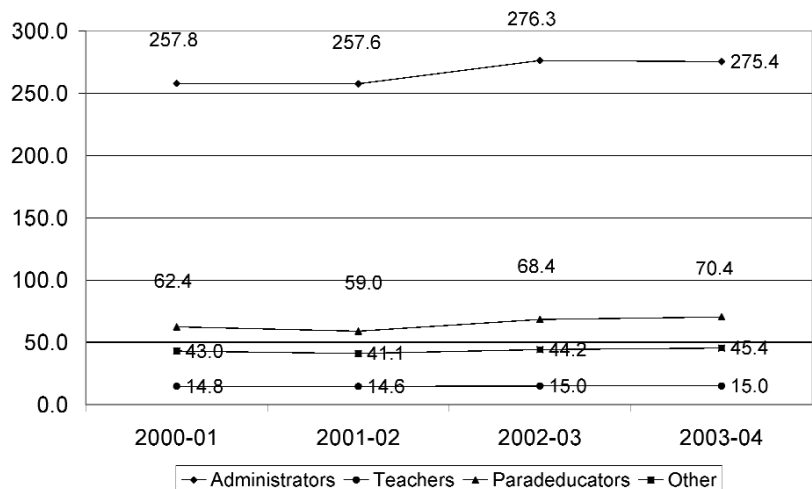
Since personnel related costs are such a large portion of the budget, an analysis of staff by classification is also provided. The staff by category chart below shows the total number of staff in each of 4 major categories for the past three years and the budget year. The category "other" includes clerical, custodial, food service, and technical employees. The number of full-time equivalent staff for 'teachers' and 'other' reflects reductions described above.

Staff by Category



The student to staff ratio for teachers and other support staff will not materially change next year. The number of students for each para-educator will increase somewhat, with classroom teacher ratios remaining at 15 students per teacher. The number of students per administrator is higher than the state average (see 2001-2002 School Performance Report in the March/April 2003 *Communicator*) thus creating the impact of fewer administrators in KMSD when compared to the state average.

Student to Staff Ratio



A n n u a l B u d g e t

The following combined statement of revenues, expenditures and changes in fund balance reflects financial activity for all governmental funds, other than the high school expansion and renovation project,

which is shown on a separate statement. Overall, expenditures will exceed revenues by \$54,574. This is a normal due to the timing difference in the debt service fund.

ALL FUNDS EXCEPT NON-ANNUAL CAPITAL PROJECTS Combined Statement of Revenues, Expenditures and Changes in Fund Balance Revenues by Source, Expenditures by Function INTERIM BUDGET

	2000-01 ACTUAL	2001-02 ACTUAL	2002-03 BUDGET	2003-04 INTERIM
Revenues by Source				
Property Taxes	\$19,344,266	\$22,282,852	\$23,429,739	\$24,762,038
Local Sources	2,230,534	2,060,401	2,224,985	2,465,559
Intermediate Sources	257,359	398,019	551,277	641,822
State Sources	17,332,129	16,917,428	17,246,661	17,285,811
Federal Sources	1,034,577	1,212,989	1,287,867	1,300,280
Other Sources	648,842	172,384	142,123	120,100
Total Revenues	40,847,707	43,044,074	44,882,651	46,575,610
Expenditures by Function				
Instruction				
Regular Instruction	16,754,625	17,031,715	18,175,547	19,029,634
Vocational Instruction	983,736	1,010,216	886,277	962,146
Special Instruction	3,568,418	3,841,688	4,125,971	4,340,391
Other Instruction	1,795,222	1,764,858	1,852,702	1,846,748
Total Instruction	23,102,000	23,648,476	25,040,497	26,178,919
Support Service				
Pupil Services	1,823,077	1,770,682	1,868,282	1,915,925
Libraries & Instructional Support	1,362,539	1,370,788	1,374,479	1,313,840
Administration	2,705,053	2,870,867	2,950,439	2,979,184
Buildings & grounds	3,022,579	3,601,911	3,390,249	3,290,101
Transportation	2,060,936	1,947,482	1,982,780	1,974,879
Debt payments	2,853,153	2,772,548	11,758,127	4,127,038
Other support services	1,762,785	2,435,053	2,663,837	2,958,283
Food service	1,295,396	1,508,019	1,447,545	1,549,760
Community service	282,270	313,765	312,574	342,255
Total Support Services	17,167,787	18,591,114	27,748,311	20,451,265
Total Expenditures	40,269,788	42,239,590	52,788,808	46,630,184
Excess (deficiency) of Revenues over Expenditures	577,919	804,483	(7,906,157)	(54,574)
Other Financing Sources (Uses)	130,259	7,050,033	0	0
Total Excess (deficiency) of Revenues over Expenditures and Other Financing Sources (Uses)	708,178	7,854,516	(7,906,157)	(54,574)
Fund Balance Beginning of Year	4,647,626	5,355,804	13,210,321	5,304,164
Fund Balance End of Year	\$5,355,804	\$13,210,321	\$5,304,164	\$5,249,590

High School Expansion & Renovation
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
Revenues by Source, Expenditures by Object
INTERIM BUDGET

	2000-01 ACTUAL	2001-02 ACTUAL	2002-03 BUDGET	2003-04 INTERIM
Revenues by source				
Earnings on investments	\$0	\$475,086	\$377,669	\$31,790
Other local sources	0	0	0	0
Federal sources	0	0	0	0
Other sources	0	8,556	0	0
Total revenues	0	483,642	377,669	31,790
Expenditures for buildings & grounds				
Salaries & benefits	0	0	0	0
Purchased services	148,512	3,250,965	10,999,946	1,806,641
Supplies, books, & materials	0	0	0	0
Furniture & equipment	0	829,315	640,000	220,000
Sites & capital equipment	0	0	0	0
Debt service	0	192,692	0	0
Insurance	0	1,168	0	0
Other	0	52,144	0	0
Total expenditures	148,512	4,326,285	11,639,946	2,026,641
Excess (deficiency) of revenues over expenditures	(148,512)	(3,842,643)	(11,262,277)	(1,994,851)
Other financing sources (uses)	0	7,175,670	10,510,000	0
Total excess (deficiency) of revenues over expenditures and other financing sources (uses)	(148,512)	3,333,027	(752,277)	(1,994,851)
Fund balance beginning of year	0	(148,512)	3,184,515	2,432,238
Fund balance end of year	(\$148,512)	\$3,184,515	\$2,432,238	\$437,387

School districts analyze costs in various ways. One method is per pupil costs. The two cost measures considered most reliable for comparison purposes are Current Education Cost and Total Education Cost. Charts showing per pupil costs for Kettle Moraine and other Waukesha County school districts operating a high school, as calculated by the Wisconsin Department of Public Instruction, are shown on the following page. The charts provide comparison of 2002-03 budgeted data. The relationship between districts has remained unchanged over the last three years with Kettle Moraine among the lowest spending in Waukesha County.

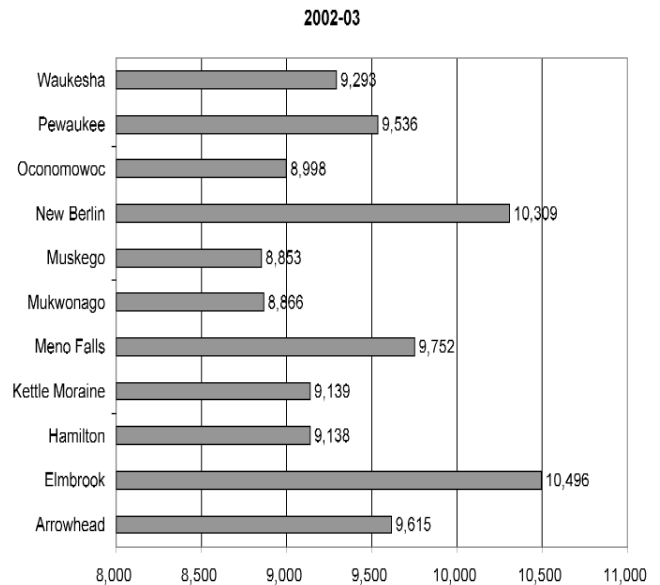
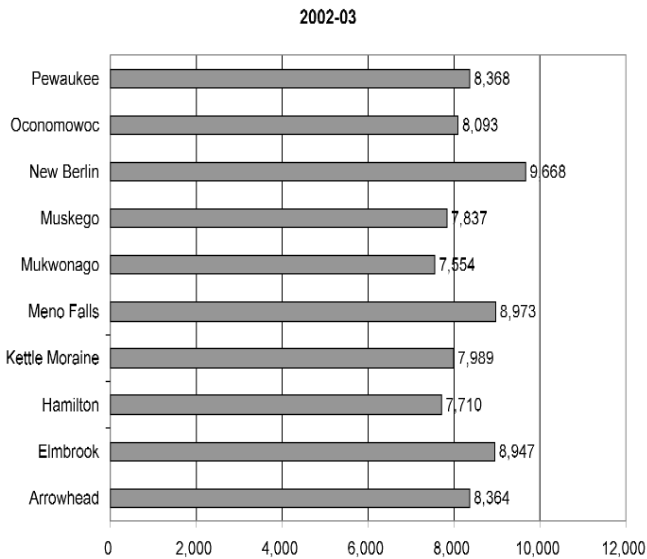


Current Education Cost Comparison - Waukesha County

Current Education Cost (CEC) identifies overall instructional and instructional support costs for services to district residents. CEC can generally be described as the cost of the district's general and special education programs, excluding transportation and facility expansion. Six school districts in Waukesha

County have CEC higher than Kettle Moraine.

Total Education Costs (TEC) are current education costs (CEC) plus transportation, facility expansion and principal and interest payments. Six school districts in Waukesha County have a higher per pupil TEC than Kettle Moraine.



WHAT MIGHT HAPPEN NEXT

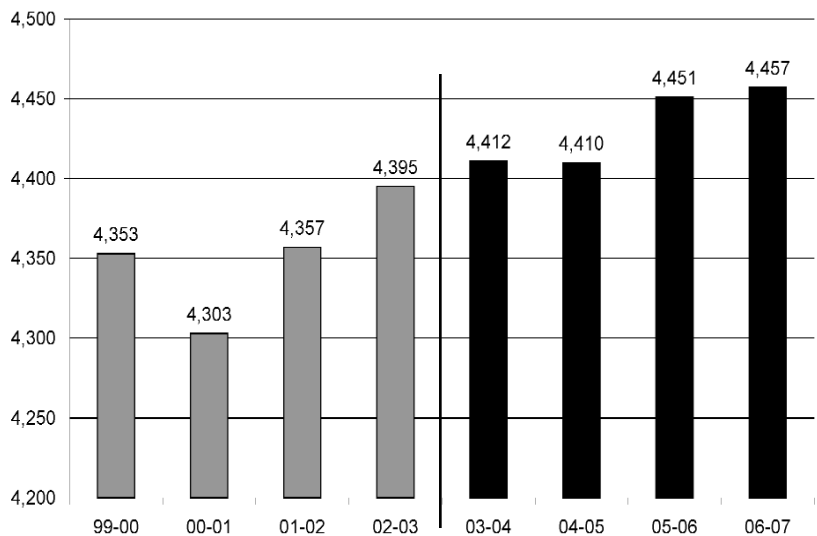
Enrollment

The district's total enrollment, including open enrollment, has experienced steady growth since a decline in 2000-01. Projections for the next four years show continued moderate growth, with a slight dip for 2004-05.

Property Taxes

Kettle Moraine is located in a region of the state that has experienced rapid population growth. Commercial development to support the population is increasing. These factors create a rate of growth that exceeds the average rate of growth for the state. Consequently, based on current school aid funding formula, Kettle Moraine will receive a continuously smaller portion of its total costs from the state creating greater reliance on local property taxes in the future.

Enrollment History & Projection



School Finances

The district prepares a three-year budget forecast each year. The forecast assumes continuation of present regulations, such as revenue limits. The forecast projects deficit budgets in each of the next two years. The projected deficit could result in additional program and staffing reductions in the next few years.

The current budget bill before the state legislature includes several proposals to modify school finance regulations. Several of these proposals result in a negative impact to Kettle Moraine. If the proposals

become law the district will need to further reduce expenditures.

Facilities

The district has planned for and constructed good facilities. The cost to maintain and upgrade schools continues to increase. Due to budget reductions in the last two years, the portion of the budget appropriated for maintenance is not sufficient to maintain facilities at the high level the district has experienced over the past ten years.



TEN YEARS UNDER REVENUE LIMITS

The 2003-04 budget is the 2nd year that the district has had to reduce staff, programs and other expenditures; a cumulative result of 10 years under revenue limits. Although program and staff reductions have occurred in only the last two years, revenue limits, first effective for school districts beginning with the 1992-93 school year, have had an impact on Kettle Moraine.

From its inception, the Board was advised that the law will eventually result in reduction of staff and programs. During the first several years under revenue limits, Kettle Moraine experienced increased enrollment resulting in positive budget flexibility - meaning the district could enhance or expand programs. As enrollment began to plateau, management implemented a number of methods to enable the district to maintain current programs. These strategies were effective through the 2001-2002 school year. Program and staff reductions became necessary beginning with the 2002-2003 school year.

Finance Regulations

A strategy adopted early was to aggressively apply school finance regulations in such a manner to stave off reduction of educational programs for children. These actions were critical to avoid staff and program reductions before the 2001-2002 school year. The following actions, taken over the last several years, were implemented to cause a shift of costs from funds subject to revenue limits to funds not subject to revenue limits:

- Require the food service operation to pay the full cost of utilities, trash removal, personnel and other items directly benefiting the program for a savings in the general fund of approximately \$172,800.
- Shift personnel and facility costs associated directly with offering community service programs from the general fund to the community service fund in the amount of about \$83,000.
- Refinance the district's prior service obligation with

the Wisconsin Retirement Fund for an annual savings of \$220,000 (total since refinancing took place in 1996 is \$1,760,000). The initial savings were used for one-time capital items (purchase of property in Dousman). In later years the funds were used to maintain facilities.

Purchasing

Several actions were implemented by the business office to improve effectiveness and efficiency and to achieve savings. The following items are examples of actions taken. The savings have occurred as a result of improved efficiency and therefore it is hard to place a precious value on the impact.

- Modify purchasing practices to take advantage of bulk purchasing opportunities in cooperation with other governmental agencies.
- Enroll in corporate gift program to receive donated supplies, equipment and materials for an annual savings of about \$10,000. The program has returned over \$110,000 since its inception.
- Develop contracts with shipping companies to reduce freight costs on items shipped to Kettle Moraine.
- Coordinate purchases of copiers centrally to receive volume discounts on acquisition and on-going maintenance.
- Operating budgets have not been increased, in most years, since the inception of revenue limits.

Revenue Enhancement

Although the number of opportunities for soliciting non-traditional revenues by a public school district are not great, the district has taken several steps to enhance revenues whenever possible.

- Improve cash flow management to enhance investment earnings.
- Increase number of students accepted under the open enrollment program.

- Increase user fees for facilities rentals.
- Increase student fees to help offset the cost of consumable supplies and assist with paying for co-curricular programs

Personnel

Despite numerous efforts to avoid reductions in staff, the district, in the later years of revenue limits, was forced to make a number of staffing changes.

- Eliminate 6th grade ½ house at the middle school.
- Reduce 10 FTE para-educators to save about \$330,000.
- Eliminate 1 FTE principal position (2 part-time positions to replace two full-time) to save about \$100,000.
- Eliminate Director of Community Services position - \$112,000.
- Reduce technology resource teachers from 2 to 1 - \$85,000.
- Reduce .5 FTE secretary at the district office - \$15,000.
- Reduce science department resource teacher - \$48,000.
- Require all non-union employees (administrators, secretaries and general support staff) to convert to a health insurance plan with higher deductibles and co-payments - \$57,264.
- Eliminate AODA position at the high school - \$69,400.
- Eliminate gifted and talented coordinator - \$70,000.
- Reduce staff development budget - \$20,000.

Facilities

The school district owns about 646,650 square feet of school and office space with a total estimated value of about \$65,882,300 (prior to high school expansion). Industry recommendations for proper facility maintenance and remodeling can be determined using either overall value or number of square feet. The most acceptable methods suggest \$1.00 to \$1.50 per square foot or 1% to 1.5% of total value. Either calculation results in a facility maintenance budget of about \$650,000 to \$975,000. Because Kettle Moraine has newer facilities, management targeted for a budget equal to 1% of the value. The district achieved this level for only one year, 2001-02, before budget cuts became necessary. In 2002-03 the overall facility maintenance budget was reduced to \$395,000 and will be reduced to \$217,000 in 2003-04.

In addition to reductions in the maintenance and remodeling budget, the number of custodians planned for the high school expansion was reduced from 5 to 1.

Transportation

Cost savings in transportation has been a goal for several years. The district purchased transportation routing software to help achieve savings by making it easier to model transportation changes. The district eliminated paying for after school activity buses several years ago (savings \$35,000 per year). In addition the district annually tightens routes and increases load factors and enforcement of walk-zone policies.

Other

Cost savings have been achieved in a number of other areas since the inception of revenue limits. The following is a sampling of the types of actions implemented.

- Restructured short-term borrowing in order to slow the increase in borrowed amounts, thereby reducing interest expenses.
- Achieved an increase in the district's credit rating to Aa3 which results in reduced interest costs on long-term borrowing.
- Closed supply warehouse resulting in reduced labor costs for operations and elimination of cost of disposal of obsolete stock.
- Implemented a number of changes in contracting with consultants to increase efficiency and effectiveness of services, including food service, transportation, custodial, employer provided employee benefits and various renovation projects.
- Reduced audit costs through preparation of award winning financial statements.
- Revised short-term cash flow borrowing strategies to maximize interest earnings to create additional resources to support instructional programs.
- Aggressively pursued various grants for energy savings.

While there are challenges to operating the district in the next few years, the history of educational excellence is established. Kettle Moraine can take pride in its educational programs - productive, high achieving students - are part of the school district's proven accomplishments. The challenge before us is to continue to meet the needs of students within a balanced budget. To do this will require the efforts of legislators, parents, staff, and taxpayers working together toward a solution that keeps Wisconsin schools strong and productive.

TECHNOLOGY RESOLUTION

RESOLUTION TO REQUEST EDUCATIONAL TECHNOLOGY BLOCK GRANT FROM THE TECHNOLOGY FOR EDUCATIONAL ACHIEVEMENT IN WISCONSIN BOARD

WHEREAS, 1997 Wisconsin Act 27 created the Technology for Educational Achievement in Wisconsin Board (TEACH Board) under section 15.105(25) of the Wisconsin Statutes; and

WHEREAS, section 44.71(2), of the Wisconsin Statutes directs the TEACH Board, in cooperation with school districts, cooperative educational service agencies, the technical college system Board, the UW Board of Regents and the Department of Administration, to promote the efficient, cost-effective procurement, installation and maintenance of educational technology by school districts, CESAs, technical college districts and the UW System; and

WHEREAS, section 44.72(2) of the Wisconsin Statutes provides that the TEACH Board distribute Educational Technology Block Grant monies appropriated by the Wisconsin Legislature annually to eligible school districts; and

WHEREAS, section 44.72(2)(c), of the Wisconsin Statutes provides that a school district is eligible for an Educational Technology Block Grant in 2003-2004 only if the annual meeting in a common school district, or the school board in a unified school district or in a school district operating under Chapter 119 of the Wisconsin Statutes, adopts a resolution requesting the grant; and

WHEREAS, the Kettle Moraine School District desires to be eligible to receive an Educational Technology Block Grant, under s. 44.72(2) of the Wisconsin Statutes, which shall not be used to replace available funding from any other source for the purposes stated herein.

NOW, THEREFORE, BE IT RESOLVED that the Kettle Moraine School District hereby requests an Educational Technology Block Grant under s. 44.72(2), of the Wisconsin Statutes.

BE IT FURTHER RESOLVED that all Educational Technology Block Grant funds received from the TEACH Board shall be used for any purpose related to educational technology, except that the monies shall not be used to pay the salary or benefits of any School District employee.



SCHOOL BOARD CALENDAR

The 2003-2004 Board meetings are on the second and fourth **Tuesday** of each month. One meeting is held in August, December, April, and June. All School Board meetings begin at 7:30 p.m.

- 2003** August 19 - District Office
- September 9 - Magee
- September 23 - District Office
- October 14 - Cushing
- October 28 - District Office
- November 11 - Dousman
- November 25 - District Office
- December 9 - Wales

- 2004** January 13 - District Office
- January 27 - Middle School
- February 10 - District Office
- February 24 - District Office
- March 9 - High School
- March 23 - District Office
- April 20 - District Office
- May 11 - District Office
- May 25 - District Office
- June 22 - High School—Annual Meeting

CALENDAR HIGHLIGHTS 03-04*

- 2003**
- Aug. 18 - Registration - students new to district
- Aug. 19 - MS Registration
- Aug. 20, 21 - HS Registration
- Sept. 1 - Labor Day — No School
- Sept. 2 - School Begins K-12
- Oct. 30, 31 - No School
- Nov. 7 - No School
- Nov. 27, 28 - No School
- Dec. 22-Jan. 2 - No School

- 2004**
- Jan. 5 - School Resumes
- Jan. 26 - No School
- Mar. 29 - No School
- Apr. 9-16 - Spring Break — No School
- Apr. 19 - School Resumes
- May 31 - Memorial Day
- June 11 - Last Day of School

Voters Qualifications for the Annual Meeting

- A. A citizen of the United States, eighteen years of age or older.
- B. A resident of the district for at least ten (10) days before any election. (Wisconsin Statutes Sec. 6.02)
- C. If a person is challenged as to his/her qualifications to vote, the chairperson shall state the above qualifications to the challenged person. If such challenged person declares he/she is eligible to vote and the challenged is not withdrawn, the chairperson shall administer the following oath and affirmation to the challenged person: "You do solemnly swear that you are an actual resident of this school district and that you are qualified, according to law, to vote in this matter."
A person taking such oath or affirmation shall be

permitted to vote, but if he/she refuses to take such oath or affirmation, he/she may not vote. (Wisconsin Statutes Sec.120.08 (3).)

Ground Rules for the Annual Meeting

- 1. Each person addressing the chair shall rise and state his/her name and place of residence.
- 2. No person shall speak more than twice on the same subject or more than two minutes unless authorized by a 2/3 vote of the assembly.
- 3. The chair may establish an order of speakers to give equal time to pro and con sides.
- 4. All voters shall be voice votes unless a division of the house is specifically requested. Standing votes shall be used, unless paper secret ballots are requested.



MISSION STATEMENT

The Mission of the School District of Kettle Moraine is to serve the students and community by inspiring excellence, inquiry, creativity, academic rigor, and high achievement; by fostering character, integrity, compassion, and respect; and by promoting productive citizenship, commitment, service, and lifelong learning.

Quality Performance Standards and Expectations for World Class Students

Students are expected to achieve in both academics and citizenship by demonstrating at a superior level the ability to:

- 1. communicate through written and spoken word.
- 2. understand and apply mathematics and its symbols.
- 3. appreciate and participate in media and the arts.
- 4. acquire information and technological literacy as tools for lifelong learning.
- 5. think and solve problems creatively, critically, and responsibly in a diverse interdependent world.
- 6. exhibit character and life skills which develop responsible, compassionate citizens; productive, cooperative workers and healthy contributors to society.

Quality Performance Standards and Expectations for World Class Schools and Staff

All staff are expected to be role models for Kettle Moraine students and to enthusiastically demonstrate:

- 1. leadership on learning and the joy of learning.
- 2. service to the community through collaboration, cooperation, and ethical behavior.
- 3. insistence on excellence and high standards of performance.
- 4. mutually respectful partnerships with parents, colleagues, and community in sharing the ownership and common vision for student success and achievement.
- 5. connections across disciplines and recognition of patterns in learning by providing enriched learning experiences for students.
- 6. inspiration which leads every student to be a disciplined, creative, well-motivated learner.

KETTLE MORAINE

Budget Report

Published - June, 2003
Superintendent - Sarah Jerome Ed.D.
Budget Summary - Roger Dickson
Editor - Ruth Sternemann
General Assistance - Kelly Donaldson

The *Communicator* is the official newsletter of the Kettle Moraine School District.

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