Fiscal Consolidation Study:

Montello and Westfield School Districts

December 2008

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Executive Summary

In September 2008, the Montello and Westfield school districts' ("MSD" and "WSD" respectively) boards of education approved a study to be done that would analyze the potential fiscal impacts of creating a newly Consolidated School District ("CSD").

Analysis, Data and Assumptions

This report was prepared by Robert W. Baird & Co. Incorporated. A school finance computer model was used which was originally developed by Baird in 1998. The model was appropriately modified to estimate the fiscal impacts of a consolidation of the two districts.

Data for the analysis was secured primarily from MSD and WSD administration and the state Departments of Public Instruction ("DPI") and of Revenue ("DOR").

Assumptions were made regarding enrollments, property values, revenues and expenditures under revenue caps, state law and school district costs. The assumptions were developed, tested and revised to ensure reasonableness based on: (1) likely district comparables and statewide trends; and (2) comments solicited from MSD and WSD administration, boards of education, and DPI staff.

Important Insights

Critical insights were gained from this modeling process and similar projects conducted for other school districts. First, state laws governing school aids, revenue limits and consolidation incentive aid are paramount in the resulting tax and financial impacts. When districts are similar in size and fiscal landscape, a consolidation will typically show a very similar structure.

State law in this area is complex. Our focus is strictly on the fiscal impact as noted above. Reorganized districts receive special funding outside the revenue limit. Thus, the true impact of the consolidation is not fully realized for at least five years after implementation begins. Additionally,

"…State law in this area is complex. Reorganized districts receive special funding outside the revenue limit. …"

the legal process to consolidate takes one to two years. For purposes of this analysis we have used 2010-11 as the first year of the consolidation.

Key Findings

The study examines two scenarios. The recent economic condition lends itself to a complete review of area tax base. While growth in this area has historically been substantial for most Wisconsin schools, it has slowed tremendously for many in the recent year. This trend is presumed to continue, so we assumed tax base growth as 6% and 0%. For purposes of this report, all data is gathered from the 0% growth scenario, however detailed forecasts for the 6% growth scenario are highlighted in Appendix 1.

Summarized in Exhibit A are projected tax rates, state aid and surplus/deficits for each district. In each case, the "new" consolidated district is compared to the existing districts.

The tax rates are based upon projected levy and equalized valuation (TID-Out) for the Districts. It is appropriate to assume that MSD, the community with the higher rate, would see a tax rate reduction with the consolidation.

State aid in this study has two components:

- *State Equalization Aid* is general financial assistance to public school districts for use in funding a broad range of school district operational expenditures. It is allocated based on district spending, equalized valuation and membership (enrollment).
- *Consolidation Incentive Aid* is strictly meant for districts who have consolidated and is based upon a complex formula written in Wisconsin State Statutes 121.07(6)(e) and 121.07(7)(e). This aid would be received for five years beginning in the first year of consolidation and would be counted as revenue outside of the Revenue Limit. It is typically not meant to be used for on-going operational expenditures.

Exhibit A

First Year of Consolidation

Summary of Key Findings

District	2007-08	2008-09	2009-10	2010-11
Tax Rate (per $1,000 of Equalized Value)				
MSD	$7.34	$8.29	$9.24	$8.40
WSD	$7.19	$7.15	$7.53	$7.73
Consolidated	---	---	---	$7.92
Taxes ($100,000 Home)				
MSD	$734	$829	$924	$840
WSD	$719	$715	$753	$773
Consolidated	---	---	---	$792
Surplus/(Deficit)				***($ in thousands)***
MSD	($24.2)	$115.7	($244.5)	($1,509.4)
WSD	($6.5)	$10.7	($182.2)	($377.4)
Consolidated	---	---	---	$905.4
State Equalization Aid				***($ in millions)***
MSD	$3.105	$2.918	$2.480	$2.108
WSD	$5.271	$5.077	$4.937	$5.032
Consolidated	---	---	---	$7.190
Consolidation Incentive Aid				***($ in millions)***
MSD	---	---	---	---
WSD	---	---	---	---
Consolidated	---	---	---	$2.730

Research Process and Assumptions

Estimating the financial impact of consolidating two school districts is complex and time consuming. Baird staff began the process by meeting with each administration and a majority of both school boards to explain the study procedures and to gather district data. The data on enrollments, tax base growth and spending for prior years would be used for the forecast model projections.

When initial assumptions and financial estimates were completed, a second meeting was held with district administration. The objective was to review assumptions and preliminary findings.

The primary analytical tool used to estimate school aid entitlements, state revenue limits, and tax levies and rates was a school financial computer model originally developed and updated annually by Baird. Baird staff made appropriate changes to the model so that it accurately reflected state law regarding district consolidation. A five-year projection is analyzed for each individual district; however, because the consolidation takes place in years 2010-11, the projections for the consolidated district extend three years.

The model requires information on school district budgets, enrollments, equalized values and state aid projections. Some of this information was gathered from the Districts, some from the Department of Public Instruction ("DPI"), and some from the Wisconsin Department of Revenue ("DOR").

One of the more challenging aspects of the research was state law pertaining to the calculation of state aid and revenue limits in a newly consolidated school district. The legislature enacted a major school district reorganization law in 1998; however, statutes remain somewhat silent on details of revenue limit calculation, especially for a new district.

Early in the research process, considerable time was spent developing and testing

This study estimates the fiscal impacts of a district consolidation. It does not make assumptions or attempt to determine the operational savings resulting from shared costs and services.

assumptions. The key assumptions are reviewed in the next section.

Enrollment

Student enrollment is a key factor in determining a school district's revenue limit. Enrollment in both districts is projected based upon the Administration and Board of Education's best estimates. Once these assumptions were established, they were held constant. Both districts agreed that a declining enrollment scenario was appropriate (Exhibit B).

Additionally, open enrollment was an important consideration as many students enroll to and from each district. The model assumptions used current year estimates for open enrollment students.

Estimated Open Enrollment for 2008

	In	Out
Westfield		
Montello	3	23
Other	25	70
Total	28	93
Montello		
Westfield	23	3
Other	3	63
Total	26	66
Total (Others)	28	133

Equalized Valuation

The equalized valuation of a school district is defined as the full value of all taxable general property as determined by the Wisconsin Department of Revenue. This value is determined independently of the locally assessed value and is meant to reflect the actual market value of the property in the district. This value is a key component of the forecast model as a determinate of tax rate and state aid. For purposes of this study, equalized values are projected to grow 0% to 6% annually. When estimating the growth rates in the MSD and WSD, Baird found little difference historically in growth rates (see Exhibit C). The new District's tax base will be comprised of approximately 38% as MSD and 62% WSD. A detailed breakout of the property within each district is highlighted in Appendix 2.

Numbers used in the Forecast Model

Exhibit B

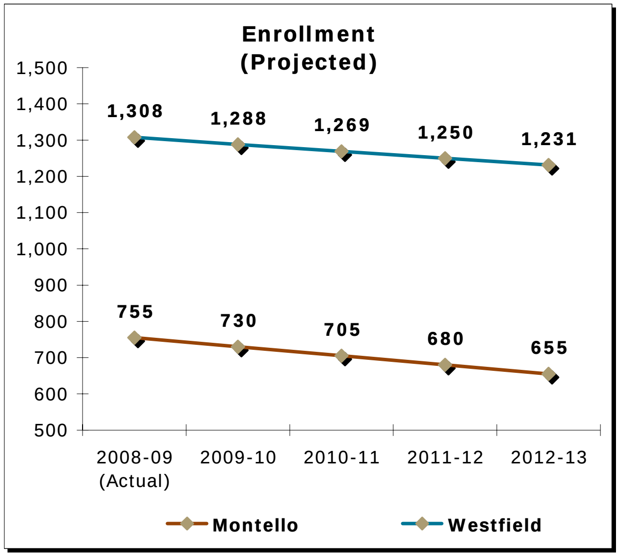
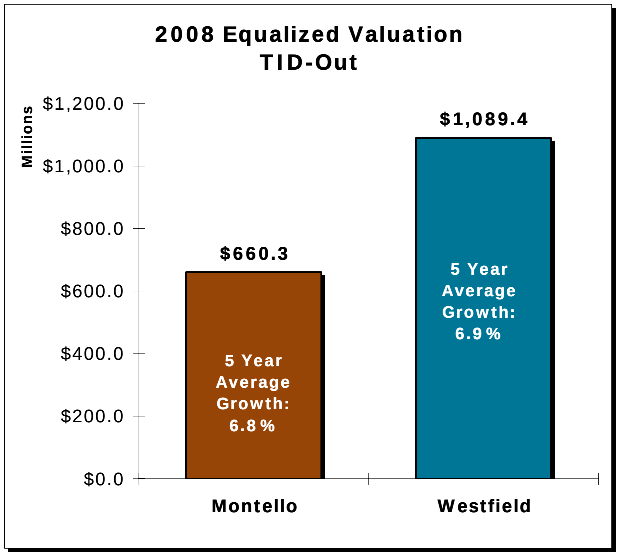


Exhibit C



State Equalization Aid

The Wisconsin State Equalization Aid is general financial assistance to public school districts for funding a broad range of school district operational expenditures. It is allocated based on spending, equalized valuation and membership. To calculate state aid, assumptions also had to be made about parameters in state law. The K-12 primary cost ceiling and guarantee would remain as is. The secondary cost ceiling was estimated to increase 3% annually. The secondary and tertiary guarantees were set based on projections of equalized values, student enrollments and estimated total aids. Current state budget issues were also a key consideration in the forecasting of the guarantees. A conservative approach was suggested by all parties.

A key factor in determining equalization aid is a district's property value per student. Typically, the more "property rich" a district is, the less state equalization aid received.

Currently MSD has a property value per student of $772,928 and is aided at 38%. WSD has a property value per student of $765,063 and is aided at 40% (see Exhibit D). While one district is quite a bit larger, they are very similarly structured as it relates to state equalization aid. This trend will continue as we review the results of a consolidated district. The aid formula is complex. There are three "tiers" of state aid, primary, secondary and tertiary. As shown in Exhibit E, both districts are in "negative tertiary" aid. That is, for each dollar spent (new expenditures) aid is lost at the tertiary level.

Revenue Limits

Wisconsin Act 16 implemented revenue limits beginning with the 1993-94 school year. A district's revenue limit is the maximum amount of revenue it may raise through state general aid and property taxes. The maximum limit is based upon enrollment changes, the Consumer Price Index ("CPI") and each district's prior year controlled revenue. Revenues from

Exhibit D

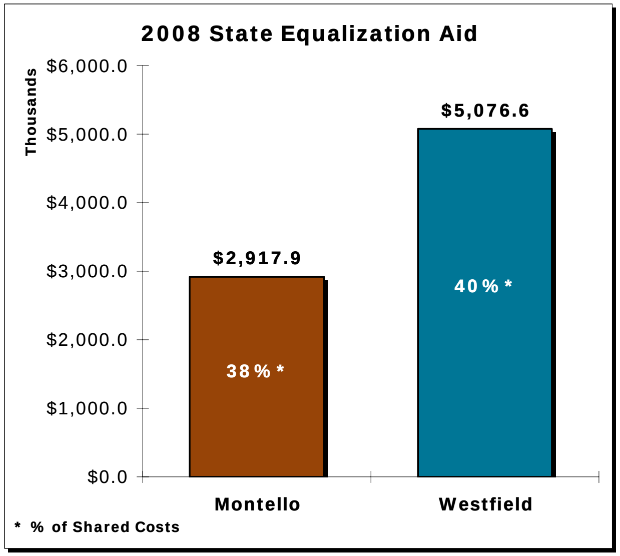


Exhibit E

2008 Estimated Equalization Aid Breakdown

	MSD	WSD
Primary	$ 472,000	$ 800,000
Secondary	2,716,000	4,628,000
Tertiary	(243,000)	(301,000)
MPS	(27,000)	(50,000)
Total	$ 2,918,000	$ 5,077,000

the revenue limit make up approximately 95% of any district's operating budget.

For purposes of this study, per student increases in state revenue caps were assumed to rise at an inflationary rate of 4.0% annually.

It is important to note that in 2008 MSD passed a non-recurring revenue cap override. This two-year increase in the revenue limit will expire in 2009-10 and therefore is reflected in MSD's forecast, but not in the consolidated district.

MSD 2008 Revenue Cap Referendum

	Passed	Levied
2008-09	$950,000	$830,000
2009-10	$950,000	$950,000*

***Estimated**

Districts with declining enrollments tend to have more difficulty staying within the limits because expenses generally do not fall in line with enrollment declines. This has become a theme that permeates throughout this report. The "structural deficit" in the state funding formula affects all districts, including the three districts analyzed in this study. Over the past three years, MSD'S revenue limit has increased on average 1.88% per year (excluding the impact of the recent referendum). WSD's 3-year average came in slightly higher at 2.43%.

District Expenses

Total expenses for MSD were assumed to increase approximately 3.8% per year, with an increase of 4.2% in salaries and benefits. The WSD is assumed to have a similar cost structure; however, it projected an increase of 4.0% annually on salary and benefits. It is important to note that salaries and benefits for each district make up nearly 80% of total expenses. Additionally, expenses were not adjusted for any shared operational cost savings from consolidation.

General Obligation Debt

The long term debt of each district varies and is highlighted in Exhibit F. While MSD has less debt outstanding, its final year of payment is 2018. WSD will have all of its debt paid in full in 2016.

Exhibit F

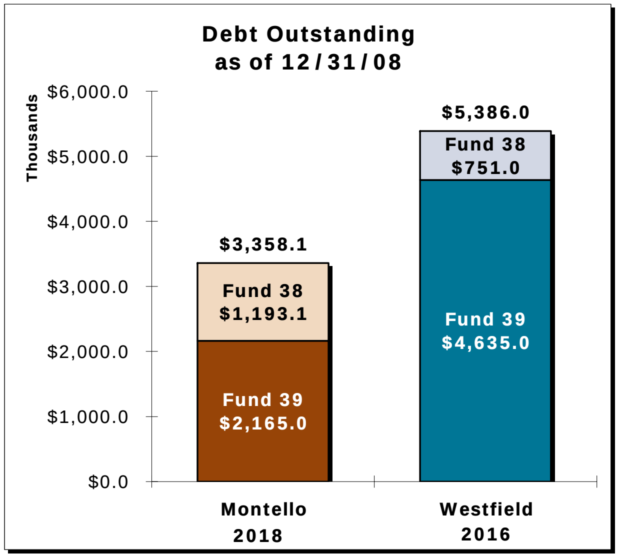


Exhibit G

Referendum Debt Levy and Rate (2008-09)

	MSD	WSD
Debt Levy	$294,214	$884,510
Tax Rate	$0.45	$0.81

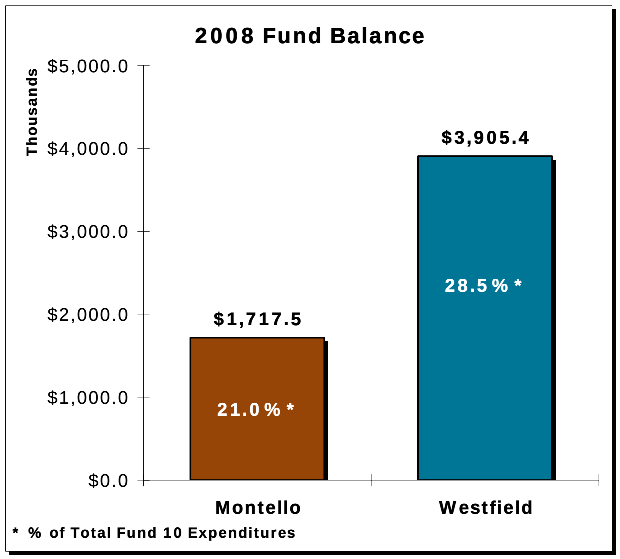
Research Process and Assumptions

As a consolidated district, the overall debt burden would not be compromised. A district is allowed to borrow up to 10% of their equalized valuation.

Fund Balance

Fund balance is a critical factor for financial planning and budgeting processes. It is typically used to “bridge the gap” between receipt of revenues (quarterly) and payment of expenditures (semi-monthly). It can also be used to fund certain expenditures. A district with an appropriate fund balance can avoid excessive short-term borrowing and make designated purchases or cover unforeseen expenditure needs. Fund balance is a key factor in the bond rating process. While fund balances across the state vary greatly, a typical fund balance, as a percent of expenditures, would range from 10% to 20%. Under criteria reviewed by Moody’s Investor Service, it is inadvisable for a fund balance to be below 5%, and views any fund balance in excess of 15% as very favorable (see Exhibit H).

Exhibit H



A Consolidated District

Summary

There are two crucial questions to be answered concerning the fiscal impact of a potential consolidation. The first involves the tax impact. The obvious question is: *Will my taxes rise or fall?* The second and equally important question is: *Is the new district fiscally viable?*

There are several ways to answer the first question. One approach is to compare future tax rates to current ones. The problem with this is that even without a consolidation, tax rates and burdens will rise or fall due to changes in enrollment, property values and the state's complex school-finance system.

To mitigate such complications, the study used a different approach. It first made assumptions about such factors as state law, enrollment and equalized valuations over the next five years. It then used those assumptions to model the future of each of the current districts. These base assumptions are then used to build internally consistent assumptions about the newly consolidated district.

The second question relates to fiscal health of a consolidated district. It is clear that the consolidation incentive aid is a key component of the fiscal stability of the newly created district. It is estimated that the newly created district could earn over $13.5 million in additional aid (outside of the revenue limit) over five years. Absent of those funds, however, a much less fiscally viable district emerges.

Overall, the projected deficits for both districts and the consolidated district must be examined. One can see that while all districts are subject to the current "structural deficit" in the school funding formula, the newly consolidated district could have more fiscal stability for a longer period of time. Key to this finding is the fact that we have not looked at the operational savings that could be achieved by reviewing shared services between the two districts. Appendix 1 provides detailed financial forecasts for MSD and WSD as well as the consolidated district.

Taxpayer Effects

The tax rates for each district tell an interesting story. Taxpayers in MSD have seen a significant increase during the 2008-09 and 2009-10 school years. This is due to the recent passage of a two-year referendum. It is likely that the substantial drop in the rate in 2010-11 will not be reality, as the District may not have revenue to operate. Nonetheless, in the CSD scenario with no growth in tax base, MSD will likely experience property tax decrease, while taxpayers in WSD will see increase (Exhibit I).

The tax bills for two "typical" property owners are reported. It is important to note that these tax bills are based upon equalized valuations, or fair market value, and will not be the rate that a particular taxpayer will see on their statement, if their assessed property value is not at fair market.

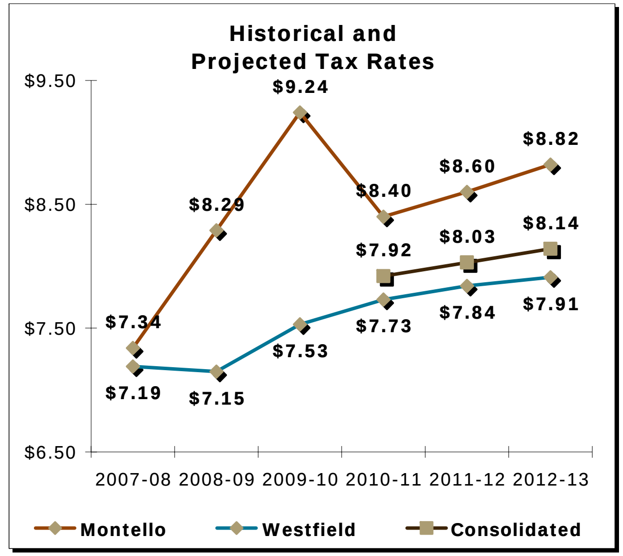
Estimated Tax Bill (School Portion)

	MSD	WSD	CSD
$100,000 Home			
2007-08	$734	$719	---
2008-09	$829	$715	---
2009-10	$924	$753	---
2010-11	$840	$773	$792
2011-12	$860	$784	$803
2012-13	$882	$791	$814
$300,000 Home			
2007-08	$2,202	$2,157	---
2008-09	$2,487	$2,145	---
2009-10	$2,772	$2,259	---
2010-11	$2,520	$2,319	$2,376
2011-12	$2,580	$2,352	$2,409
2012-13	$2,646	$2,373	$2,442

Consolidation Incentive Aid

According to Wisconsin State Statutes 121.07(6)(e) and 121.07(7)(e): For each year, and for each subsequent year for four years the guaranteed valuation per member, and cost ceilings per member shall be multiplied by 1.1 and rounded to the next lowest dollar. Additionally, Wisconsin State Statutes 121.105(3) states that for each year, and for each subsequent year for four years the consolidated aid shall be an amount that is

Exhibit I



not less than the aggregate state aid received by the consolidating school district in the school year prior to the school year in which the consolidation takes effect. The difference between the consolidated aid calculation (without the 1.1) and the greater of a) the combination of prior year's aid for each consolidating district or b) the consolidated aid payment with the 1.1 is the amount of additional aid the District would receive to spend outside the revenue cap. The additional aid will only be received for five years and will fluctuate annually.

Certain assumptions were made with respect to expected growth of the guarantees and cost ceiling each year. The table below shows the projected revenue for consolidated incentive aid for the five years it is statutorily allowed.

Estimated Consolidation Incentive Aid

	Consolidated Aid*	Equalization Aid	Total
2010-11	$2,730,118	$7,189,971	$9,920,089
2011-12	$2,760,067	$7,177,490	$9,937,557
2012-13	$2,788,994	$7,197,834	$9,986,828
2013-14	$2,788,994	$7,197,834	$9,986,828
2014-15	$2,788,994	$7,197,834	$9,986,828

* Received for five years.

The aid received is to be used outside of the revenue limit, and because it is not ongoing revenue, it is typically earmarked for one-time expenses. It is important to note that after 5 years, the CSD would see a significant drop in aid. The District would no longer receive the $2.7 million in consolidation incentive aid.

Projected Revenues and Expenses

Finally, and equally as important is the fiscal viability of each district on its own and consolidated. Exhibit J on the next page shows the projected forecasted results of each district as it relates to revenues and expenses, fund balance and each year's deficit. It is clear that a consolidated district will give both districts fiscal stability further into the future. This is undoubtedly a result of the consolidation incentive aid the districts would receive for five years. Without that aid, a very different district would emerge. Nonetheless, it is important to note that as a consolidated district, shared staff and services would result in reduced expenses. It is recommended that administration

"Per state statute, the consolidated district will not receive less than $7,417,713 in total aid (estimated combined state aid for both districts prior to consolidation in 09-10) for the first five years of consolidation."

review and possibly report on the operational savings a consolidated district might achieve if this, in fact, becomes a viable option.

Unresolved Issues

Given the statutory timeline for consolidation and the complexity of the financial issues associated with it, this study has to be viewed as an enlightened exercise rather than a sure answer. There are outstanding issues that this report either does not address, or addresses only in part.

It is important to note that this financial analysis does not make assumptions about program offerings, staff reductions, or mode of delivery. Additionally, cost savings including building modifications, bussing and staffing levels need to be considered. The school boards would ultimately need to decide how the consolidation would affect academic achievement.

As you will see, the deficit projected for the third year of the consolidation, will most likely continue to grow. The "structural deficit" currently evident with MSD and WSD will emerge with the CSD resulting in significant deficits once the incentive aid has dropped off.

Exhibit J

Projected Forecast Results
($ in millions)

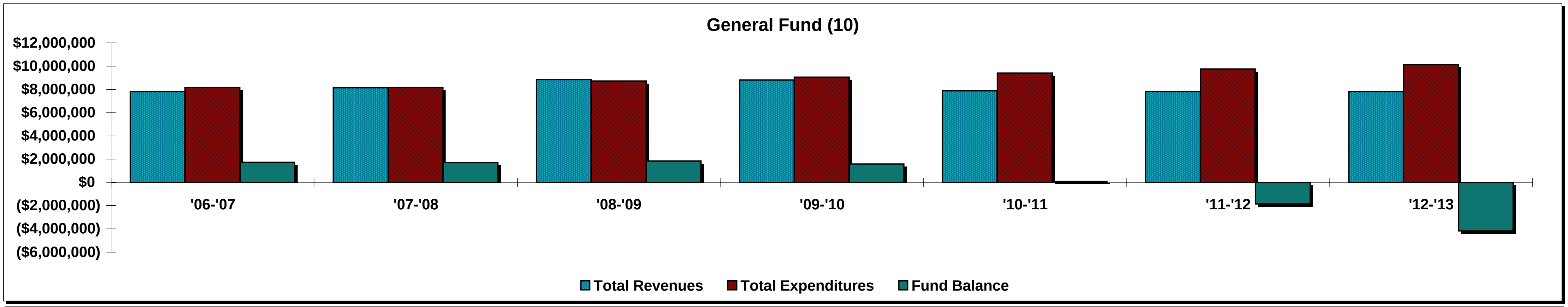
	07-08	08-09	09-10	10-11	11-12	12-13
Montello						
Revenues	$8.1	$8.8	$8.8	$7.9	$7.8	$7.8
Expenditures	8.2	8.7	9.0	9.4	9.7	10.1
Surplus/Deficit	0.0	0.1	(0.2)	(1.5)	(1.9)	(2.3)
Fund Balance	1.7	1.8	1.6	0.1	(1.8)	(4.2)
Westfield						
Revenues	$13.7	$13.9	$14.3	$14.6	$14.9	$15.2
Expenditures	13.7	13.9	14.4	15.0	15.5	16.1
Surplus/Deficit	0.0	0.0	(0.1)	(0.4)	(0.6)	(0.9)
Fund Balance	3.9	3.9	3.7	3.4	2.7	1.8
Consolidated						
Revenues	---	---	---	$25.1	$25.4	$25.7
Expenditures	---	---	---	24.2	25.1	26.1
Surplus/Deficit	---	---	---	0.9	0.3	(0.4)
Fund Balance	---	---	---	6.4	6.6	6.3

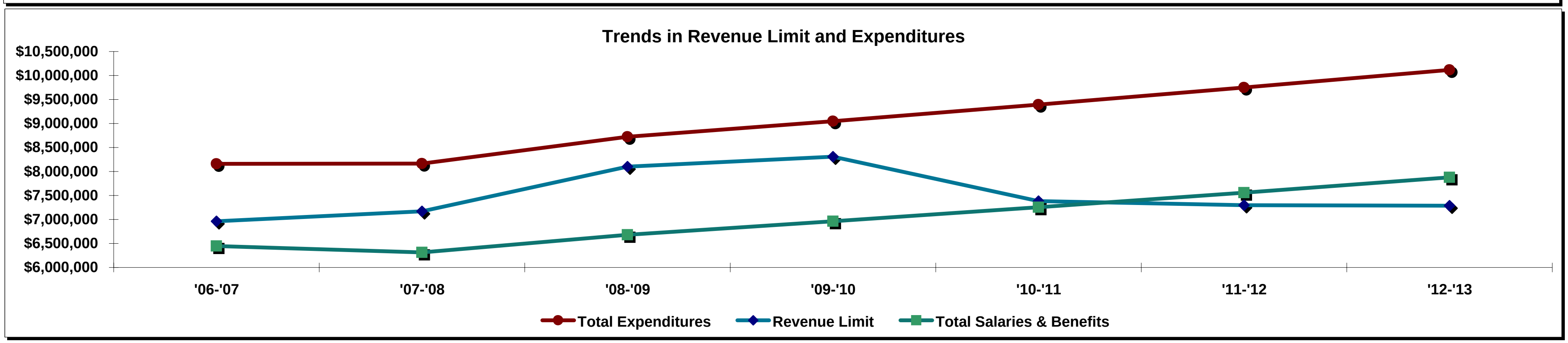
Appendix 1

Detailed Financial Forecasts

MONTELLO SCHOOL DISTRICT

Forecast Model Scenario:	Base Case - No Growth in Tax Base						
	'06-'07	'07-'08	'08-'09	'09-'10	'10-'11	'11-'12	'12-'13
Enrollment Growth/Decline:	0.25%	-1.86%	-4.67%	-3.31%	-3.42%	-3.55%	-3.68%
Equalized Valuation Growth:		5.87%	8.52%	0.00%	0.00%	0.00%	0.00%
Fund 10 Revenues	$7,824,784	$8,142,927	$8,839,316	$8,803,182	$7,881,679	$7,808,030	$7,803,856
Fund 10 Expenditures	$8,162,092	$8,167,198	$8,723,546	$9,047,710	$9,391,123	$9,747,984	$10,118,835
Surplus (Deficit)	($337,308)	($24,271)	$115,770	($244,528)	($1,509,445)	($1,939,954)	($2,314,979)
Fund Balance	$1,741,732	$1,717,461	$1,833,231	$1,588,703	$79,258	($1,860,696)	($4,175,674)
Fund Balance as % of Expenditures	21.34%	21.03%	21.01%	17.56%	0.84%	-19.09%	-41.27%
Total Tax Rate per $1,000 Equalized Valuation	$6.99	$7.34	$8.29	$9.24	$8.40	$8.60	$8.82





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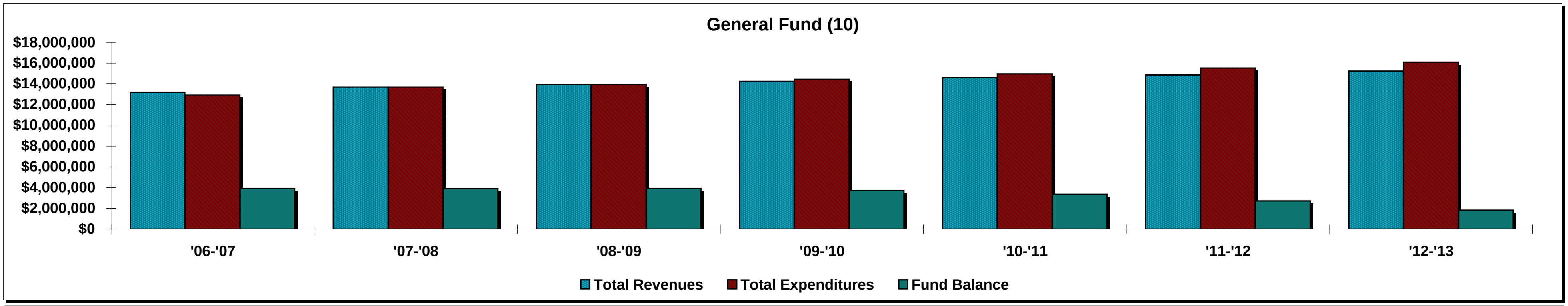
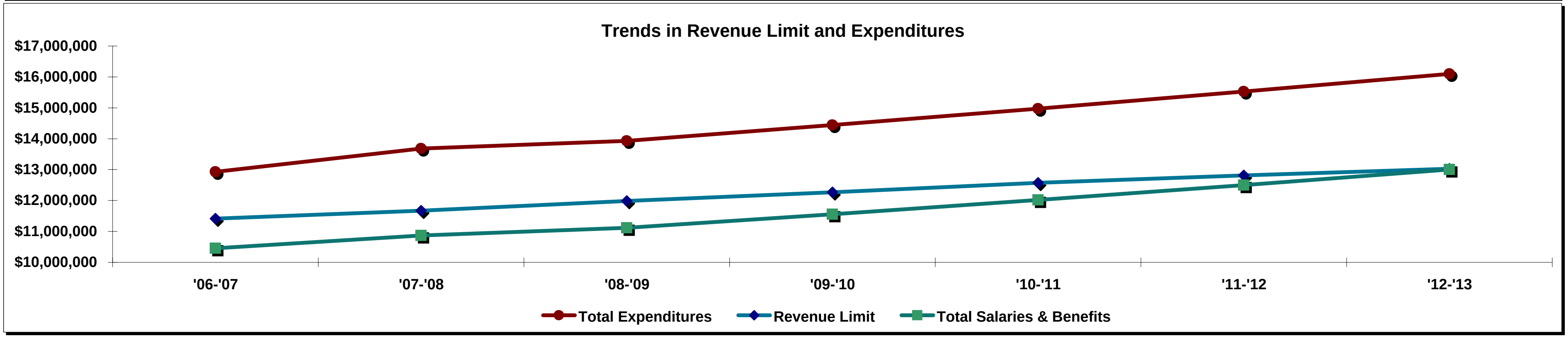
Montello Foreast no growth.xls

WESTFIELD SCHOOL DISTRICT

Forecast Model Scenario:	Base Case - No Growth in Tax Base						
	'06-'07	'07-'08	'08-'09	'09-'10	'10-'11	'11-'12	'12-'13
Enrollment Growth:	-1.94%	0.38%	-1.50%	-1.50%	-1.50%	-1.50%	-1.50%
Equalized Valuation Growth:		6.34%	7.59%	0.00%	0.00%	0.00%	0.00%
Fund 10 Revenues	$13,174,492	$13,674,494	$13,937,816	$14,257,533	$14,594,345	$14,873,573	$15,226,918
Fund 10 Expenditures	$12,926,402	$13,681,022	$13,927,102	$14,439,792	$14,971,826	$15,523,951	$16,096,942
Surplus (Deficit)	$248,090	($6,528)	$10,714	($182,259)	($377,481)	($650,378)	($870,024)
Fund Balance	$3,911,920	$3,905,392	$3,916,106	$3,733,847	$3,356,366	$2,705,987	$1,835,963
Fund Balance as % of Expenditures	30.26%	28.55%	28.12%	25.86%	22.42%	17.43%	11.41%
Total Tax Rate per $1,000 Equalized Valuation	$6.99	$7.19	$7.15	$7.53	$7.73	$7.84	$7.91





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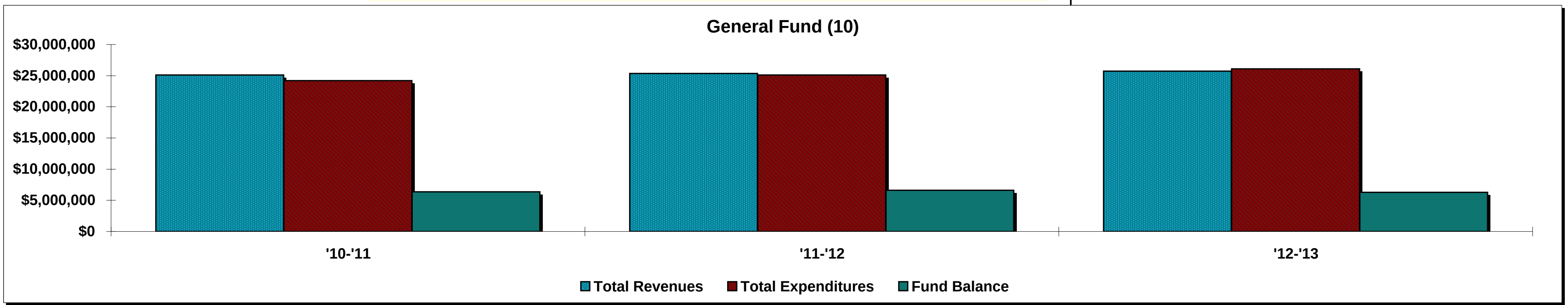
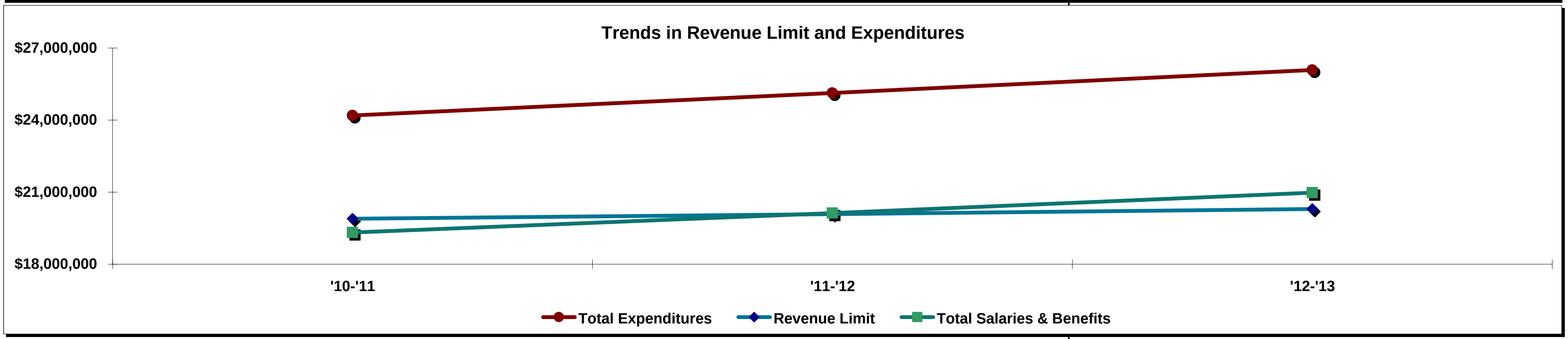
CONSOLIDATED SCHOOL DISTRICT

Forecast Model Scenario:

	'06-'07	'07-'08	'08-'09	'09-'10	'10-'11	'11-'12	'12-'13
Enrollment Growth/Decline:					-2.18%	-2.23%	-2.28%
Equalized Valuation Growth:					0.00%	0.00%	0.00%
Fund 10 Revenues					$25,099,185	$25,373,735	$25,743,526
Fund 10 Expenditures					$24,193,726	$25,123,098	$26,089,231
Surplus (Deficit)					$905,459	$250,638	($345,705)
Fund Balance					$6,374,573	$6,625,211	$6,279,506
CONSOLIDATION INCENTIVE AID					$2,730,118	$2,760,067	$2,788,994
Fund Balance as % of Expenditures					26.35%	26.37%	24.07%
Total Tax Rate per $1,000 Equalized Valuation					$7.92	$8.03	$8.14





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CONSOLIDATION FORECAST NO GROWTH.xls

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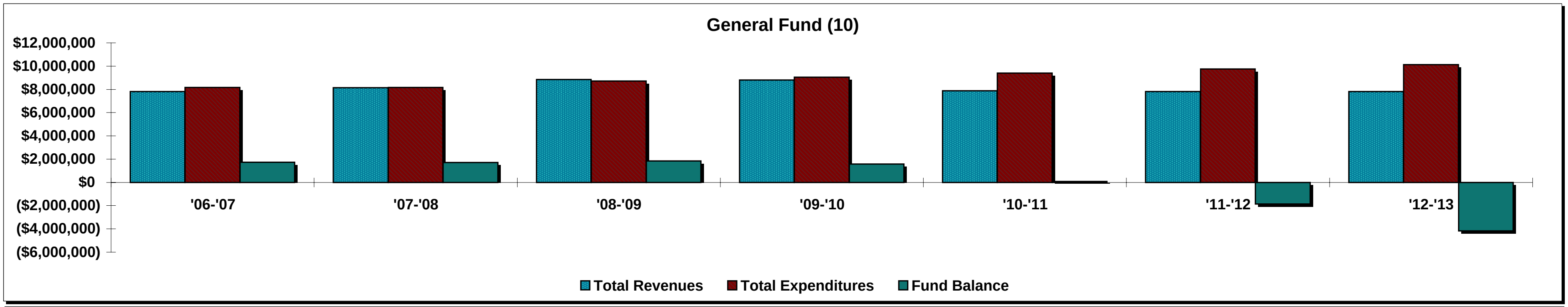
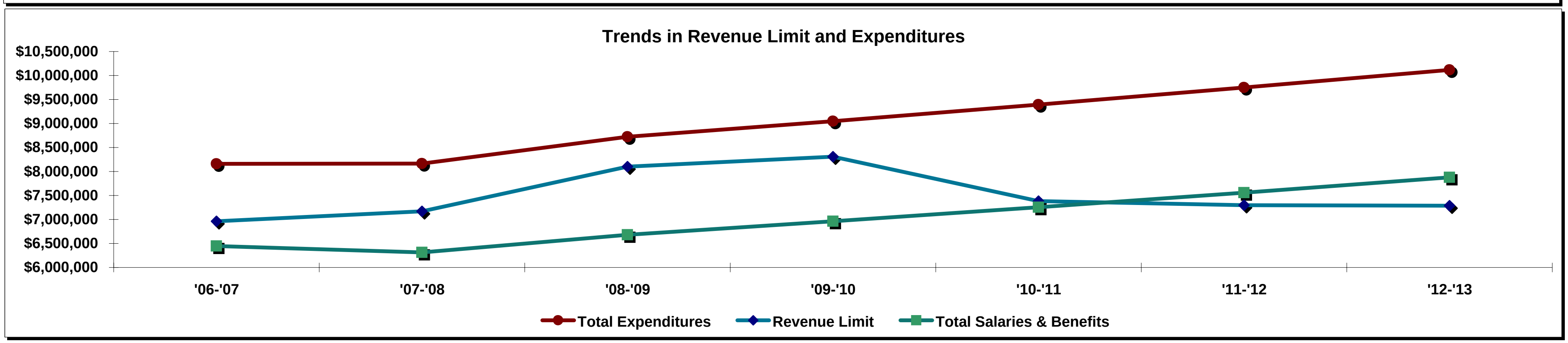
MONTELLO SCHOOL DISTRICT

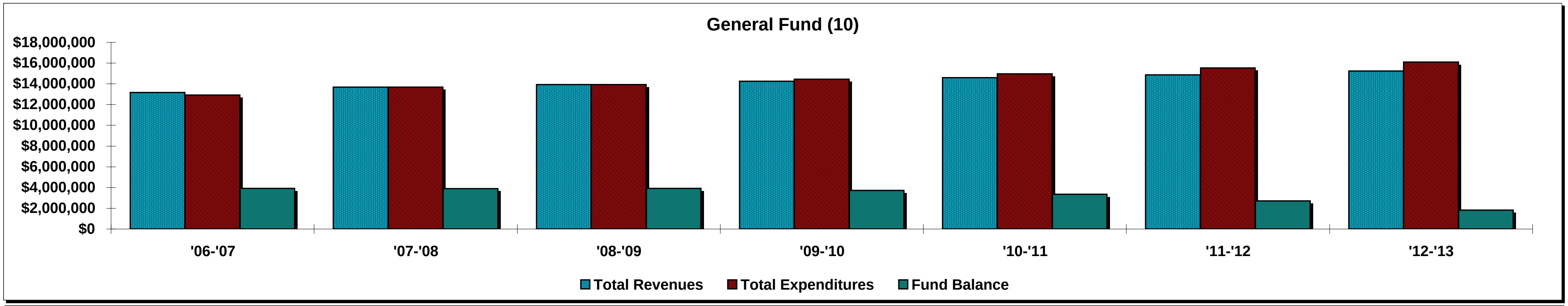
Forecast Model Scenario:	Base Case						
	'06-'07	'07-'08	'08-'09	'09-'10	'10-'11	'11-'12	'12-'13
Enrollment Growth/Decline:	0.25%	-1.86%	-4.67%	-3.31%	-3.42%	-3.55%	-3.68%
Equalized Valuation Growth:		5.87%	8.52%	6.00%	6.00%	6.00%	6.00%
Fund 10 Revenues	$7,824,784	$8,142,927	$8,839,316	$8,803,182	$7,881,679	$7,808,030	$7,803,856
Fund 10 Expenditures	$8,162,092	$8,167,198	$8,723,546	$9,047,710	$9,391,123	$9,747,984	$10,118,835
Surplus (Deficit)	($337,308)	($24,271)	$115,770	($244,528)	($1,509,445)	($1,939,954)	($2,314,979)
Fund Balance	$1,741,732	$1,717,461	$1,833,231	$1,588,703	$79,258	($1,860,696)	($4,175,674)
Fund Balance as % of Expenditures	21.34%	21.03%	21.01%	17.56%	0.84%	-19.09%	-41.27%
Total Tax Rate per $1,000 Equalized Valuation	$6.99	$7.34	$8.29	$8.72	$7.48	$7.35	$7.25

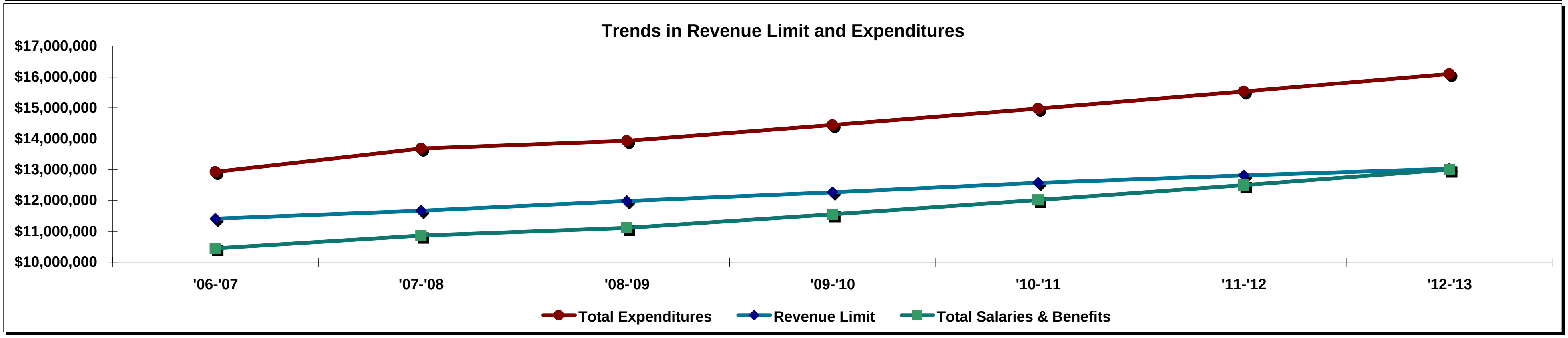




WESTFIELD SCHOOL DISTRICT

Forecast Model Scenario:	Base Case						
	'06-'07	'07-'08	'08-'09	'09-'10	'10-'11	'11-'12	'12-'13
Enrollment Growth:	-1.94%	0.38%	-1.50%	-1.50%	-1.50%	-1.50%	-1.50%
Equalized Valuation Growth:		6.34%	7.59%	6.00%	6.00%	6.00%	6.00%
Fund 10 Revenues	$13,174,492	$13,674,494	$13,937,816	$14,257,533	$14,594,345	$14,873,573	$15,226,918
Fund 10 Expenditures	$12,926,402	$13,681,022	$13,927,102	$14,439,792	$14,971,826	$15,523,951	$16,096,942
Surplus (Deficit)	$248,090	($6,528)	$10,714	($182,259)	($377,481)	($650,378)	($870,024)
Fund Balance	$3,911,920	$3,905,392	$3,916,106	$3,733,847	$3,356,366	$2,705,987	$1,835,963
Fund Balance as % of Expenditures	30.26%	28.55%	28.12%	25.86%	22.42%	17.43%	11.41%
Total Tax Rate per $1,000 Equalized Valuation	$6.99	$7.19	$7.15	$7.11	$7.28	$7.40	$7.51





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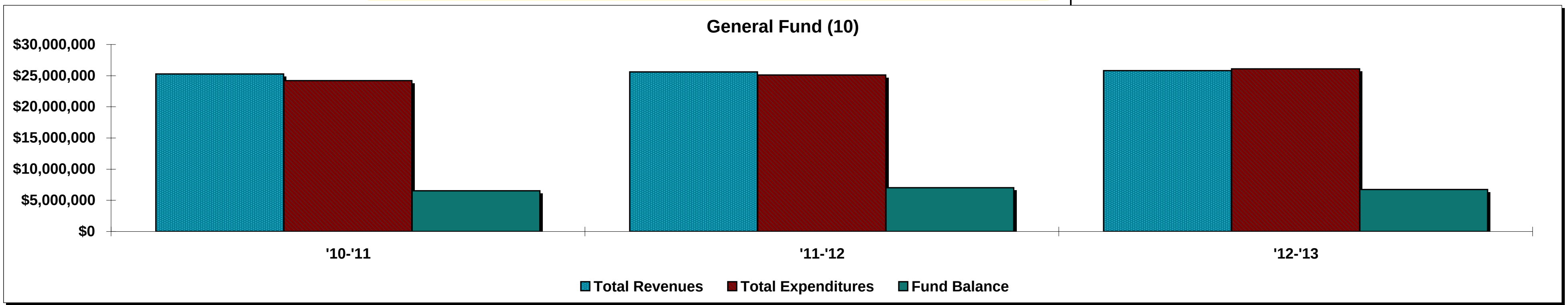
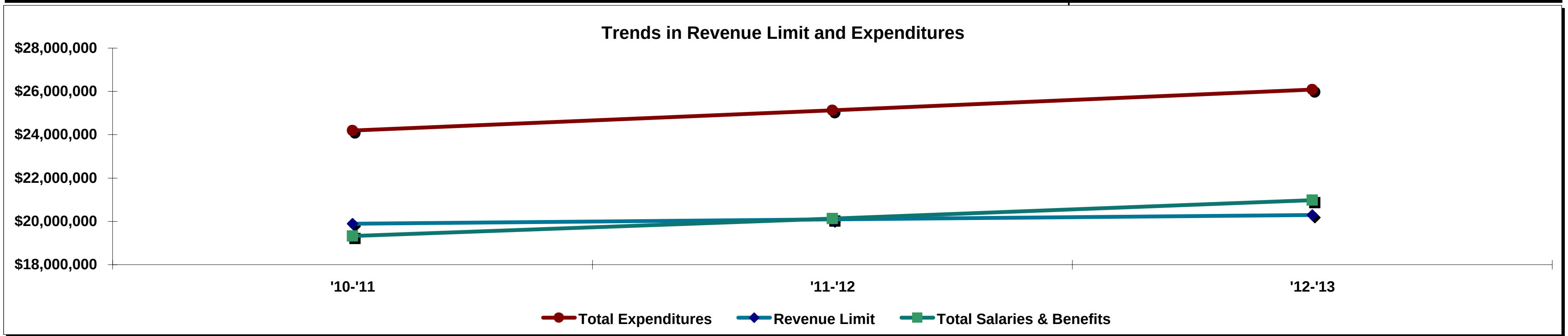
CONSOLIDATED SCHOOL DISTRICT

Forecast Model Scenario:

	'06-'07	'07-'08	'08-'09	'09-'10	'10-'11	'11-'12	'12-'13
Enrollment Growth/Decline:					-2.18%	-2.23%	-2.28%
Equalized Valuation Growth:					6.00%	6.00%	6.00%
Fund 10 Revenues					$25,262,811	$25,612,223	$25,793,769
Fund 10 Expenditures					$24,193,726	$25,123,098	$26,089,231
Surplus (Deficit)					$1,069,085	$489,126	($295,462)
Fund Balance					$6,538,199	$7,027,325	$6,731,863
CONSOLIDATION INCENTIVE AID					$2,893,744	$2,998,555	$2,839,237
Fund Balance as % of Expenditures					27.02%	27.97%	25.80%
Total Tax Rate per $1,000 Equalized Valuation					$7.50	$7.62	$7.64





12/2/2008

CONSOLIDATION FORECAST.xls

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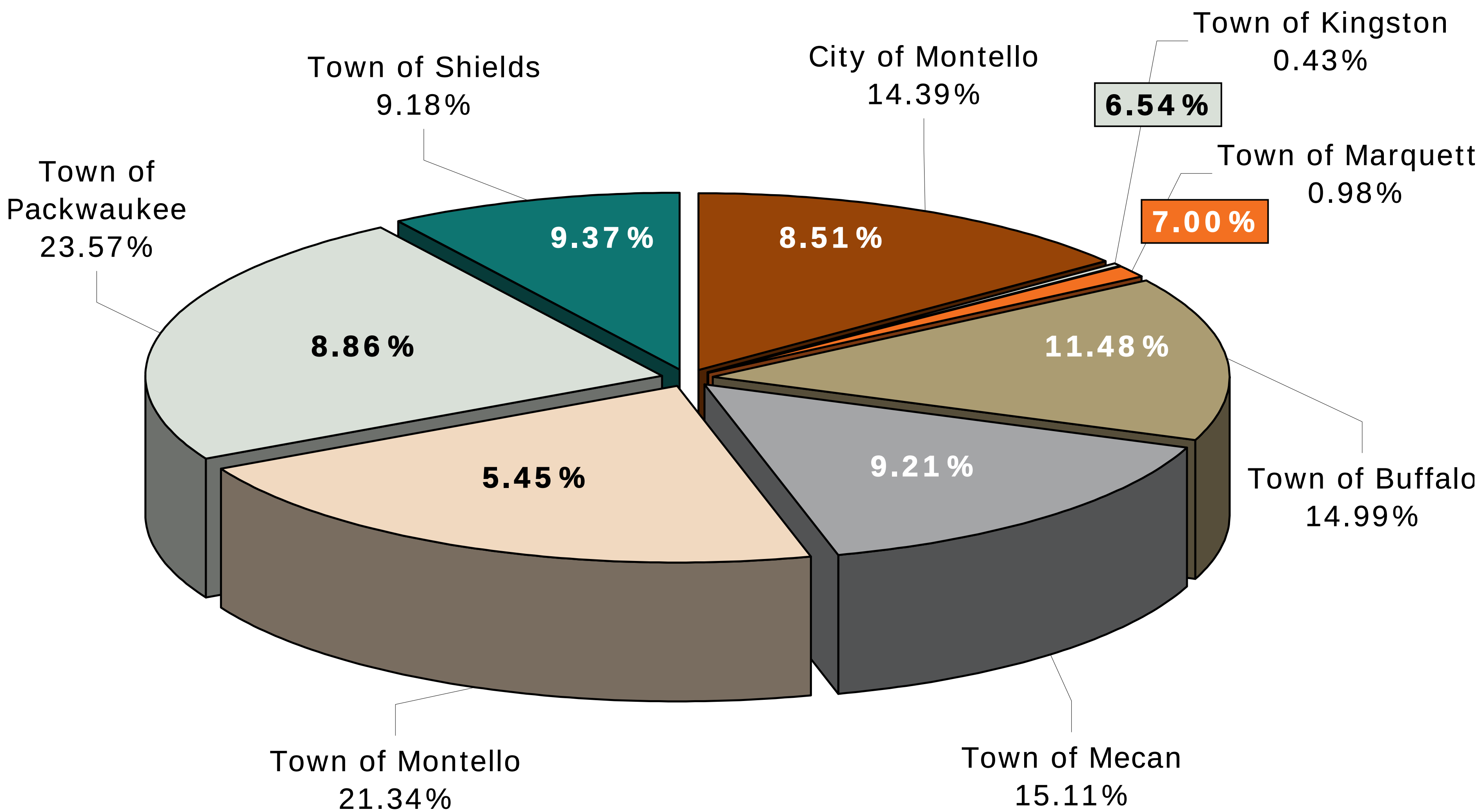
Appendix 2

Property Value Components

School District of Montello

Valuation Breakdown

with 2008 growth shown inside pie



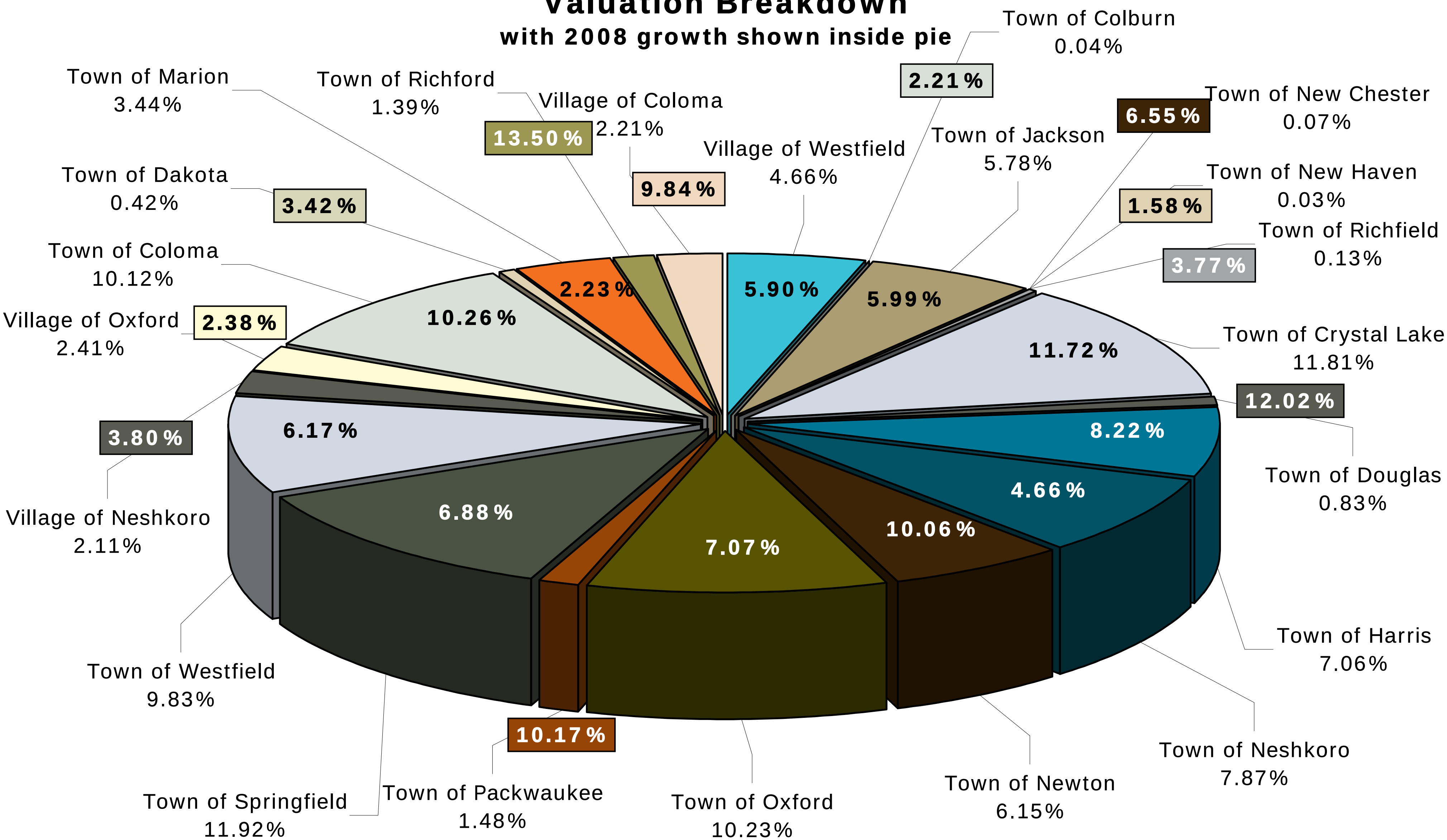
Total 2008 Equalized Value (TID OUT) Growth = 8.52%

Prepared by Robert W. Baird & Co. Incorporated S:\school district\montello sd\debt service\valuation detail montello sd.xls /prh 12/2/2008

School District of Westfield

Valuation Breakdown

with 2008 growth shown inside pie



Total 2008 Equalized Value (TID OUT) Growth = 7.59%