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Tom Tapper, Ed.D.
Superintendent of Schools

To: Members of the School Board
From: Tom Tapper, Superintendent
Re: Preliminary Budget for the 2010-2011 School Year
Date: June 2010

Contained within this report entitled, "Preliminary Budget for the 2010-11 School Year" is a comprehensive analysis of our budget and related activities of our school District for the past school year. This 'report-out' of our finances and the many activities that have taken place at our various school sites is intended to give you a broad overview of how our limited resources have been utilized this year, as well as lay the foundation for the development of the budget for the 2010-2011 school year.

The Preliminary Budget is shown on page 22 within this document. We are asking for your approval of a budget that is not in balance for the coming year.

As shown in the final chapter of this document, once the budget is approved, planning must get underway in a variety of operational areas to better ensure that we are able to maintain our fiscal integrity while maintaining the level of quality in our programs and services that our community has come to expect. These are very challenging times, not only for our school District but for our community, state and nation as well. To 'come out the other side' of our national economic crisis as a viable and valued part of our nation's foundation will require that we take extraordinary measures throughout our entire organization beginning next year. Chapter 12 presents thoughts for your consideration and begins a discussion about what we must do to structurally balance our budget.

As a final note, I'd like to thank the entire administrative team, along with Dianna Groskreutz and Nancy McSweeney for all of their efforts in making our schools operate efficiently while providing educational excellence as shown in the contents of this report.

DEFINITIONS

ABE	Adult Basic Education
ALC	Area Learning Center
ARRA	American Recovery and Reinvestment Act
ASD	Autism Spectrum Disorders
AYP	Adequate Yearly Progress
COMPASS	Continuous Opportunities for Modeling Professionalism and Academic Strategies in Schools
DCD	Developmental Cognitive Disorders
DD	Developmental Delays
EBD	Emotional Behavioral Disorders
ELL	English Language Learner
ESL	English as a Second Language
FRE	Free and Reduced Entitlement
IDEA	Individuals with Disabilities Education Act
LEP	Limited English Proficiency
MAEF	Minnesota Academic Excellence Foundation
MAP	Measures of Academic Progress
MCA	Minnesota Comprehensive Assessment
MDE	Minnesota Department of Education
NCLB	No Child Left Behind
NWEA	Northwest Evaluation Association
OHS	Owatonna High School
OJHS	Owatonna Junior High School
OPS	Owatonna Public Schools
PDSA	Plan, Do, Study, Act
PLC	Professional Learning Communities
PSEO	Post Secondary Enrollment Options
ROSE	Raising Our Success in Education
RTI	Response to Intervention
SIOP	Sheltered Instruction Observation Protocol
SLD	Specific Learning Disability
WCRB	Work Cooperate Respect Belong

FINANCE TERMS

Fund

The Minnesota Department of Education breaks school district financial reporting into several funds. Each fund is a fiscal and accounting entity with a self-balancing set of accounts. Transfers between funds are allowed only as specified by statute. In general, revenues may be transferred from the General Fund to any operating fund only to eliminate a deficit; such a transfer requires board action.

List of ISD 761 Funds:

Operating Funds

General Fund

Accounts for all revenues and expenditure of the district not accounted for elsewhere. Special Services is accounted for separately, but is part of the General Fund.

Food Service Fund

Records the financial activities of the district's food service program.

Community Service Fund

Records the financial activities of Community Service program.

Non-Operating Funds

Building Construction Fund

Records all operations of the district's building construction programs that are funded by the sale of bonds, capital loans, or the Alternative Bonding Program.

Debt Service Fund

Records revenues and expenditures for the district's outstanding bond indebtedness, whether for building construction or operating capital.

Fiduciary Funds

Trust Fund

Records the activities for trust agreements where the board has accepted the responsibility to serve as trustee. ISD 761 uses this fund for the OHS Museum.

Internal Service Fund

Accounts for the financing of goods or services provided by one department to another within the district. ISD 761 has one internal service fund that is currently inactive except for interest earned on the balance. This balance is a carryover of funds remaining from self-insured health plan activities and are being held in the event the district decides to self-insure in the future.

PROGRAM

The program dimension of district accounting is used to designate the programmatic areas in which financial activity takes place. The ten categories of the program series are as follows:

1. Administration
This budget category includes all costs associated with District management. It includes all budgets associated with the school board, superintendent, special services and ALC. It also includes costs related to head principals and head secretaries.
2. District Support Services
This budget category includes all costs associated with district support services including district level administrative support, business office support, human resource office support, information technology departments, legal, communications, offset, and elections.
3. Elementary and Secondary Regular Instruction
This budget category includes all costs associated with classroom activities including teachers and teacher aides and instructional supplies. It also includes all costs associated with the extracurricular program.
4. Vocational Education Instruction
Vocational teachers and expenses.
5. Special Education Instruction
This budget category includes all costs associated with the special education programs and services including teachers, and program assistants.
6. Community Education and Services
All expenses related to Community Education
7. Instructional Support Services
This budget category includes curriculum, educational media, staff development, and assistant principals.
8. Pupil Support Services
This budget category includes all costs associated with the provision of special services that enhance student attendance and performance in school. Pupil Support Services includes counseling, health services, social workers, assistant secretaries, and transportation.
9. Sites and Buildings
This budget category includes all costs associated with the maintenance and upkeep of our various buildings and grounds. Personnel, utilities, and supplies are included within these costs.
10. Fiscal and Other Fixed Costs Programs
This budget category includes costs associated with retirement of long-term obligations, severance pay and benefits, technology, property insurance, and special projects involving purchases exceeding \$500.

ENROLLMENT TERMS

Adjusted Marginal Cost Pupil Units (AMCPU)- The current pupil units or sum of 77% of the adjusted pupil units computed using current year data plus 23% of the adjusted pupil units computed using prior year data, whichever is greater.

Average Daily Membership (ADM)- The average membership of students in a school during a reporting period (normally a school year) divided by the number of days that the school is in session during this period.

Weighted Average Daily Membership (WADM)- A varied weighting of pupils by grade. For example, a student in grades 1-3 may be counted as a 1.115 student, grades 4-6 may be counted as a 1.06 student and a student in grades 7-12 may be counted as a 1.30 pupil unit. The state uses these weighted numbers to figure the district's general education aid amount. Also referred to as **Pupil Units**.

OTHER TERMS

Adjusted Net Tax Capacity (ANTC) - The property value used for calculating most school taxes. ANTC is determined by equalizing differences in tax capacities by property type in different counties. This equalization process compares market values to actual sales and is intended to neutralize the effect of differing assessment practices. Also, the ANTC reflects the application of the classification rates to the market value of property.

Equalization - The relationship between local tax payer obligation and state aid to pay for operating levies, bonds, and/or formula allowances. ISD 761 is currently at the 63 percent rate for equalization on our operating referendum.

Equity Revenue - Revenue generated from a state formula intended to reduce the per pupil disparity between the highest and lowest revenue districts on a regional basis.

Indirect Expenditures - Expenditures recorded as district-wide then allocated out to each site based on its Weighted Average Daily Membership (WADM). Examples include expenses associated with the school board, superintendent's office, the business office, information technology, human resources, curriculum, and buildings and grounds

Indirect Revenues - Revenues recorded as district-wide then allocated out to each site based on its Weighted Average Daily Membership (WADM). Examples include interest revenue, miscellaneous revenues, rental fees, and non-specific state aids.

Miscellaneous Revenue - Revenue that does not fit into any other revenue categories. An example would be the money received from the Coca-Cola contract.

Other Expenditures - Expenditures that do not fit into any other program codes. Examples include judgments against the district, dues and memberships, and scholarships.

Purchased Services - Includes expenditures for services rendered by personnel who are not on the payroll of the district and other services the district may purchase. Examples are transportation costs, travel expenses, and legal and auditor fees.

Referendum Market Value (RMV) - Allows for certain types of property that have classification rates below one to have a lower market value than the value assigned by the assessor, and excludes cabins and agricultural land.

CHAPTER ONE - DISTRICT OVERVIEW

The Owatonna School District is one of the five (5) largest businesses in Owatonna. We employ approximately 720 employees and maintain a budget in excess of \$51,000,000. Our student enrollment in our K-12 programs is approximately 5048. This includes students attending our Alternative Learning Center and Actions program. In addition to our K-12 student population, we serve over 15,000 early childhood and adult learners through our community education program.

Our student population is largely comprised of Caucasian (82%), Hispanic (10%), Black (6%), Asian (2%), and American Indian (<1%) students. Approximately 36% of the students who attend our public schools are eligible for our free and reduced lunch program.

The Owatonna Public School children receive their education in one (1) of four (4) elementary schools- Lincoln, McKinley, Washington, Wilson, two (2) intermediate schools- Willow Creek, Owatonna Junior High, or one (1) of two (2) secondary schools- Owatonna Senior High School, and the Alternative Learning Center. Special programs are also offered in Roosevelt Community Center. The District Office is located on the site of the old Jefferson Elementary School Building.

Enrollment Trends

Enrollment across the District has averaged 4964 over the past four years. The table below shows the enrollment by grade over this period of time.

The estimated ADM Final PreK-12 ALC Total does not include Extended Time (about 75/year).

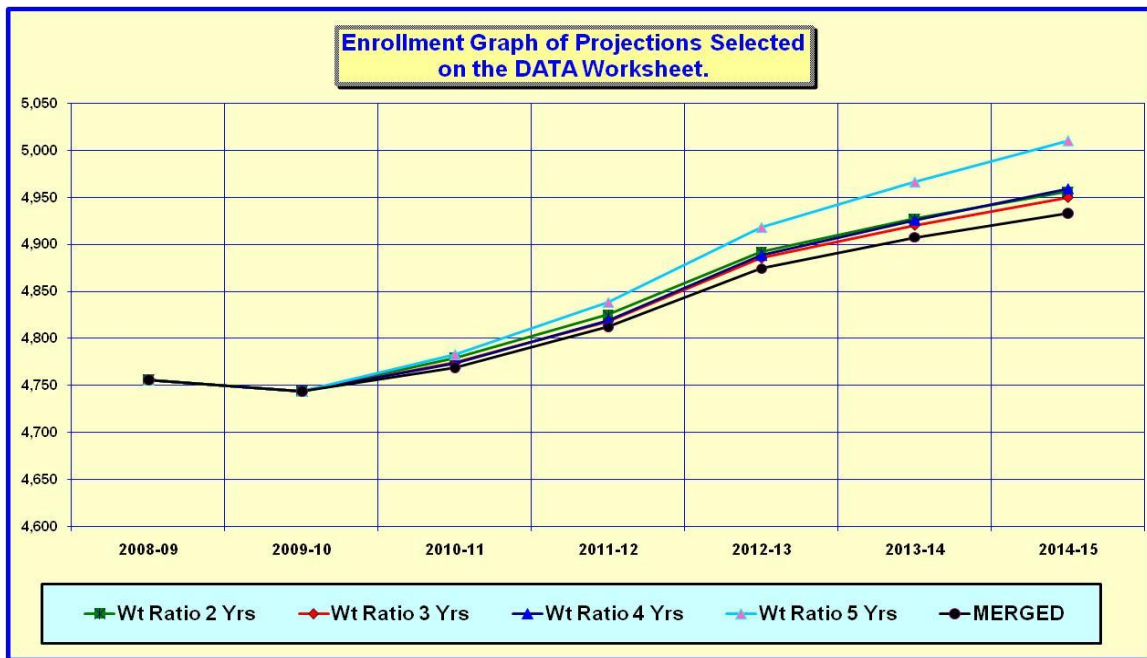
09-10 PreK-12 ALC Budget includes Extended Time.

	5/7/2007			5/5/2008			5/4/2009			5/17/2010	
	Average Enrollment	06-07 ADM Final	%	Average Enrollment	07-08 ADM Final	%	Average Enrollment	08-09 ADM Final	%	Average Enrollment	09-10 Estimated ADM Final
Pre-K	79	26.40	0.3342	94	33.28	0.3540	103	34.69	0.3368	129	44.05
HK	15	22.14	1.4760	15	15.57	1.0380	15	22.26	1.4840	15	20.23
K	334	318.25	0.9528	289	278.40	0.9633	339	315.58	0.9309	347	327.92
1	383	381.19	0.9953	376	374.79	0.9968	312	310.65	0.9957	366	364.51
2	339	338.81	0.9994	374	373.42	0.9984	373	371.85	0.9969	307	306.35
3	356	356.15	1.0004	334	334.28	1.0008	379	376.49	0.9934	360	358.93
4	326	328.66	1.0082	357	356.06	0.9974	337	337.81	1.0024	378	378.77
5	368	368.41	1.0011	325	323.59	0.9957	370	368.87	0.9969	353	352.08
6	361	360.47	0.9985	381	378.83	0.9943	340	340.61	1.0018	357	356.61
7	380	373.00	0.9816	362	352.33	0.9733	382	377.06	0.9871	340	333.82
8	359	352.44	0.9817	376	364.73	0.9700	364	353.63	0.9715	385	374.65
9	437	438.74	1.0040	398	396.49	0.9962	419	416.39	0.9938	404	402.60
10	404	408.97	1.0123	417	420.81	1.0091	404	404.51	1.0013	400	402.33
11	405	408.86	1.0095	394	394.47	1.0012	382	381.07	0.9976	399	399.42
12	385	377.44	0.9804	403	374.86	0.9302	385	379.23	0.9850	377	364.80
PreK-12 TOTAL	4931	4859.93	0.9856	4895	4771.91		4904	4790.70		4917	4787.07
ALC	189	166.41	0.8805	131	195.99	1.50	136	167.47	1.23	95	117.86
PreK-12 ALC TOTAL	5120	5026.34	0.9817	5026	4967.90	0.99	5040	4958.17	0.98	5012	4904.93
The estimated ADM Final PreK-12 ALC Total does not include Extended Time (about 75/year), however the 09-10 PreK-12 ALC Budget includes Extended Time.									09-10 PreK-12 Budget		4898
									09-10 PreK-12 ALC Budget		5048

For planning purposes, the enrollment projections (shown in the table below) show an overall increase for the coming year. Enrollment trend is a 1.5 percent average increase per year over the next five years.

		Est. 2010-11	Est. 2011-12	Est. 2012-13	Est. 2013-14	Est. 2014-15
Grade	K	362.0	395.0	403.0	362.7	374.6
	1	375.4	389.5	425.0	433.6	390.2
	2	359.8	370.2	384.0	419.0	427.5
	3	300.6	353.9	364.0	377.6	412.1
	4	361.6	302.7	356.3	366.5	380.2
	5	390.7	372.7	312.0	367.3	377.8
	6	354.4	393.0	374.9	313.8	369.4
	7	352.2	349.8	388.0	370.1	309.8
	8	333.8	350.5	348.0	386.0	368.2
	9	426.5	379.6	398.5	395.8	438.9
	10	395.8	419.5	373.3	391.9	389.2
	11	383.7	377.2	399.7	355.7	373.4
	12	377.5	365.2	358.9	380.4	338.5
Total K-12		4774.0	4818.8	4885.6	4920.4	4949.8
Change		30.1	44.8	66.8	34.8	29.4
ALC		150.0	150.0	150.0	150.0	150.0
Total K-12		4924.0	4968.8	5035.6	5070.4	5099.8
Pre-K		37.2	40.6	41.4	37.2	38.5
Total PreK-12		4961.2	5009.4	5077.0	5107.6	5138.3

The enrollment graph is a forecasting tool. This graph indicates the different projection available to use for enrollment. These projections are based on our current and past enrollment with different weighted ratios. Our current projection reflects the graph located in the middle of the line graphs (the red line).



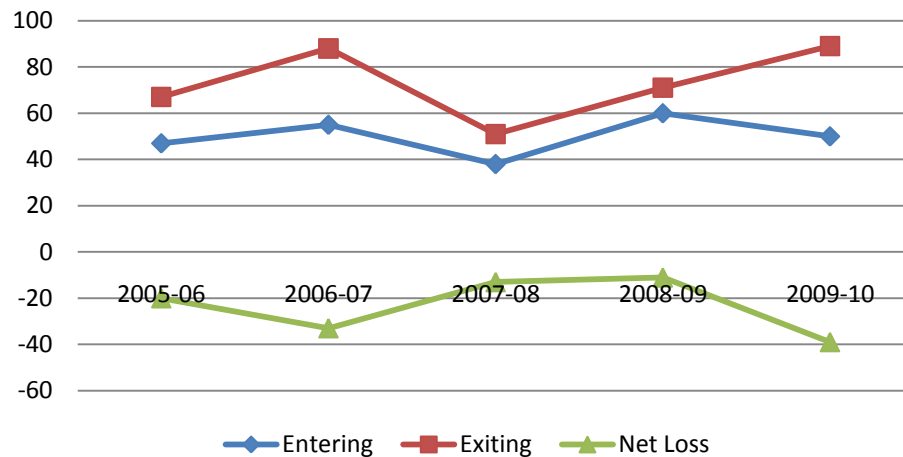
In the fall of 2005, the District School Board examined existing attendance boundaries for its four (4) elementary schools and established class size 'targets' for each grade level. Those targets are shown below. As student enrollment continues to trend upward over the next 5 years, our ability to stay within the established class size targets will become increasingly difficult due to space limitations and limited state revenues. In fact, consideration will need to be given to modifying these targets for the 2011-12 school year. The variances shown in the right hand column represent the 2009-10 school enrollments by grade.

School Board Average Class Size Targets (as of May 17, 2010)			
Grade	Total Average Class Size	Actual Average Class Size	Variance
K	19.00	22.44	3.44
1	20.00	21.06	1.06
2	23.00	22.92	-0.08
3	23.00	22.13	-0.88
4	28.00	28.08	0.08
5	28.00	28.58	0.58
6	28.00	29.75	1.75

Our schools are governed by state laws and regulations. One law that impacts our enrollment trends is “Open Enrollment.” As shown in the table below, in 2009-10 Owatonna had a net loss of students enrolling under the provisions of this law.

	Attending Owatonna	Attending Other Districts	Net Gain/(Loss)
Albert Lea	1	1	0
Austin	1	1	0
Blooming Prairie	7	5	2
Brooklyn Center	0	4	(4)
Cleveland	0	1	(1)
Eden Valley-Watkins	0	1	(1)
Faribault	2	12	(10)
Fergus Falls	0	1	(1)
Kasson	1	0	1
Kenyon-Wanamingo	0	2	(2)
Houston	0	6	(6)
Mankato	1	0	1
Medford	17	43	(26)
Minneapolis	0	1	(1)
NRHEG	5	3	2
New Prague	1	0	1
Northfield	1	1	0
St. Paul	0	1	(1)
Triton	7	4	3
Waseca	6	2	4
TOTAL	50	89	(39)

Open Enrollment Trends



The table below shows students who chose to open enroll in our District by grade.

Attending Owatonna

	K	Gr 1	Gr 2	Gr 3	Gr 4	Gr 5	Gr 6	Gr 7	Gr 8	Gr 9	Gr 10	Gr 11	Gr 12	Total
Albert Lea												1		1
Austin													1	1
Blooming Prairie	5				1		1							7
Faribault								1			1			2
Kasson												1		1
Mankato												1		1
Medford	2						2	1	4	3	1	3	1	17
NRHEG	4										1			5
New Prague	1													1
Northfield	1													1
Triton	3	1		1			1		1					7
Waseca							1		1	1	2		1	6
TOTAL	16	1	0	1	1	0	5	2	6	4	5	6	3	50

From the table below showing students opting out of our District, the largest loss of students is in Kindergarten. Medford has an all-day every-day program.

Attending Other Districts

	K	Gr 1	Gr 2	Gr 3	Gr 4	Gr 5	Gr 6	Gr 7	Gr 8	Gr 9	Gr 10	Gr 11	Gr 12	Total
Albert Lea	1													1
Austin	1													1
Blooming Prairie					1	1		1			1	1		5
Brooklyn Center										1	1	1	1	4
Cleveland												1		1
Eden Valley-Watkins												1		1
Faribault	2	1	1	2							2	2	2	12
Fergus Falls										1				1
Kenyon-Wanamingo						1				1				2
Houston			1				1			1	1	2		6
Medford	20	2	2	1		1	1	1	6	4	2	1	2	43
Minneapolis											1			1
NRHEG	1					1				1				3
Northfield	1													1
St. Paul													1	1
Triton	3								1					4
Waseca	2													2
TOTAL	31	3	4	3	1	4	2	2	7	9	8	9	6	89

These numbers pose two concerns for our District. The exodus of students to Medford and to Kids Korner for the all-day Kindergarten experience does translate into an annual loss in revenue. For every twelve (12) students lost, we lose approximately \$54,000 in revenue. And while it is difficult to know how many of the students return to our District over time, records indicate that only about 30% return as first grade students (Medford only). Also, the net loss in students from grades 9-12 creates an even greater loss in revenue; estimated to be greater than \$80,000 for this year.

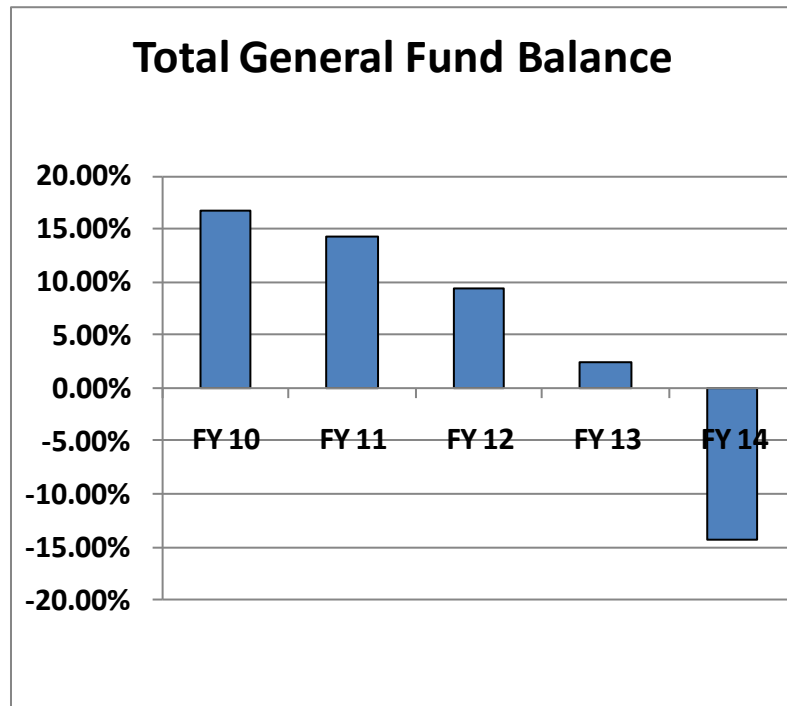
CHAPTER TWO - BUDGET OVERVIEW

The Owatonna School District has a total annual budget of \$54,530,460 for the 2010-11 school year. In FY 10 the district anticipates deficit spending by \$401,469. The FY 11 budget is established to further step-down the existing fund balance by \$990,000. This will place the district's total general fund balance at 14 percent.

Revenue and Expenditure Long Range Forecast

Below is the table and graph which shows the long range forecast of our fund balance through FY 14.

(in millions)	FY 09 Actual	FY 10	FY 11	FY 12	FY 13	FY 14
Total Revenue	\$46.595	\$46.372	\$47.002	\$47.284	\$47.568	\$43.863
Total Expenditures	\$45.917	\$46.773	\$47.992	\$49.480	\$51.014	\$52.595
Fund Balance Change	\$0.678	-\$0.401	-\$0.990	-\$2.196	-\$3.446	-\$8.732
Fund Balance	\$8.238	\$7.837	\$6.847	\$4.651	\$1.205	-\$7.527
Percent	17.94%	16.76%	14.27%	9.40%	2.36%	-14.31%



Overview and assumptions

The total general fund operating budget proposed for the 2010-11 school year is \$47,991,448. This budget is based on the budget assumptions described below.

- Zero percent increase in all funding sources.
- The revenue increase listed in the table reflects anticipated revenue due to increased enrollment, and assumes the district will continue to receive revenue payments as they are currently being paid.
- The inflation factor of 3.1 percent increase per year is used for all expenditures.
- The FY 10 budget reflects minimal increases in all salaries and wages across all employee groups.
- The dramatic drop in revenue in FY 14 reflects the expiration of the existing operating levy after FY 13.

The forecasts above show that the district would spend down its current fund balance to 2.36 percent after FY 13. With this scenario, the district would then need to generate enough revenue and/or implement cost containment measures to cover the forecasted deficit of \$8.73 million in FY 14 to balance its budget.

The budget includes revenues from six different funds that are required by law to maintain separate accounting systems. Those funds include the General, Food Service, Community Service, Debt Service, Trust, and Internal Service Funds. Detailed information on the General, Food Service, Community Service, and Debt Service Funds are included below. The 2009-10 numbers are based on the revised final budget.

Revenues

The table below describes a breakdown of anticipated revenues by category for the General Fund.

GENERAL FUND REVENUE (Funds 1, 10, and 11)	2009-10 Revised Final Budget	2010-11 Preliminary Budget	Difference
Tax Levy	\$ 5,114,560	\$ 7,408,287	\$ 2,293,727
Delinquent Taxes	20,000	-	(20,000)
County Apportionment	65,400	76,300	10,900
Miscellaneous County Tax Revenue	17,787	17,787	-
Revenue from Other MN ISD's for Special Ed.	169,946	65,072	(104,874)
Tuition from Patrons	56,660	56,550	(110)
Fees from Patrons	136,495	138,443	1,948
Admissions/Student Activity Revenue	168,367	151,764	(16,603)
Medical Assistance Reimbursement	500,000	500,000	-
Interest Earnings	72,837	28,603	(44,234)
Rent	13,130	13,130	-
Gifts and Bequests	119,667	107,823	(11,844)
Miscellaneous Revenue	242,251	218,420	(23,831)
Endowment	167,261	142,562	(24,699)
General Education Aid	30,099,817	31,054,939	955,122
Shared Time	62,830	62,830	-
Abatement Aid	3,455	3,455	-
Disparity Reduction Aid	9,732	9,700	(32)
Homestead/Ag Market Value Credit	108,091	108,000	(91)
Other State Credits	-	2,000	2,000
State Aids and Grants	169,917	181,427	11,510
Special Education	3,500,825	3,394,702	(106,123)
Miscellaneous Revenue from MDE	14,835	18,500	3,665
Federal Aids and Grants	5,871,467	3,069,251	(2,802,216)
Sale of Equipment	16,600	16,600	-
Judgments for District	150,000	157,000	7,000
TOTAL GENERAL FUND REVENUES	<u>\$46,871,930</u>	<u>\$47,003,145</u>	<u>\$ 131,215</u>

It should be noted we have projected a slight increase in revenue for 2010-11. The overall increase is related to an increase in the number of students projected. The District did project a 0% increase in the basic formula allowance. As you can see above, there are some large increases and decreases in various revenue categories. The changes in tax levy, general education aid, and federal aids and grants are related. For 2010-11, there is an anticipated tax shift to occur. This means the District is to record tax levy revenue received earlier than it did previous years. At the same time, general education aid will not be received by the same amount. For Owatonna, this is about \$2.3 million. Total revenue doesn't change in 2010-11, but the recording of revenue and how it is received changes. The second item affecting the general education aid amount is due to the Stabilization Grant funds received in 2009-10. In 2009-10, general education aid was reduced by approximately \$2.9 million and paid with federal aids and grants. In 2010-11, this amount is paid by general education aid again, so that is why there is a large decrease in federal aids and grants. The additional amount recorded for general education aid is due to additional enrollment and compensatory funds. The District is anticipating an increase of students of about 23 adjusted marginal cost pupil units. This will generate about \$150,000 in additional revenue. General

education aid includes basic per pupil allotment along with all other aid categories, such as compensatory, staff development, Limited English Proficiency aid, and operating capital.

Revenue from other Minnesota school districts for special education is decreasing because the 2009-10 budget amount includes an amount that should have been charged to other districts in 2009-10. Therefore, it includes two years of contracting with other districts. Interest earnings is decreasing dramatically because interest rates have not rebounded as anticipated and the District is acknowledging cash may not be as readily available to invest in 2010-11. Special education aid is decreasing due to the District not anticipated to receive the Alternative Delivery funds for the Response to Intervention (RTI) program.

Our Food Service Fund is shown in the following table. The largest portion of the fund is derived from the sale of meal tickets to students. Another portion comes to us through special assistance. This line item includes government subsidies, which is the largest portion of the revenue. **As part of the budget, the District is proposing an increase in all meal prices by 10 cents for 2010-11.** Even though revenues are being increased, total expenditures are expected to be more than the revenue generated.

FOOD SERVICE FUND REVENUE (Fund 2)	2009-10 Revised Final Budget	2010-11 Preliminary Budget	Difference
Interest Earnings	\$ 1,080	\$ 888	\$ (192)
State Aids and Grants	156,864	154,754	(2,110)
School Lunch Program	91,749	86,745	(5,004)
Special Assistance	552,198	618,417	66,219
Commodity Rebates	29,000	25,000	(4,000)
Special Milk Program	6,503	6,287	(216)
School Breakfast Program	198,681	219,549	20,868
Summer School	26,731	25,000	(1,731)
Sales to Pupils	1,350,692	1,409,884	59,192
Sales to Adults	38,566	31,201	(7,365)
Special Function Food Sales	1,500	3,000	1,500
TOTAL FOOD SERVICE FUND REVENUES	<u>\$ 2,453,564</u>	<u>\$ 2,580,725</u>	<u>\$ 127,161</u>

While it is legally possible to transfer general education funds into the Food Service Fund as a means of balancing the fund, it is not legal to transfer any fund balance from the Food Service Fund into the General Fund.

For our Community Education programs, the table below shows the categories we receive funding.

COMMUNITY SERVICE FUND REVENUE (Fund 4)	2009-10 Revised Final Budget	2010-11 Preliminary Budget	Difference
Tax Levy	\$ 290,193	\$ 284,847	\$ (5,346)
Tuition from Patrons	204,500	202,500	(2,000)
Fees from Patrons	395,000	372,700	(22,300)
Interest Earnings	4,584	1,835	(2,749)
Rent	2,000	2,000	-
Gifts and Bequests	650	250	(400)
Miscellaneous Revenue	6,550	5,050	(1,500)
Disparity Reduction Aid	1,994	2,000	6
Homestead/Ag Market Value Credit	22,143	22,000	(143)
State Aids and Grants	740,217	766,532	26,315
Non-Public Aid	64,429	64,429	-
Federal Aids and Grants	45,650	26,481	(19,169)
Permanent Fund Transfer	28,000	28,000	-
TOTAL COMMUNITY SERVICE FUND REVENUES	<u>\$ 1,805,910</u>	<u>\$ 1,778,624</u>	<u>\$ (27,286)</u>

Projected revenues for the coming year are anticipated to decrease slightly for the Community Education programs. The decreases come in the areas of fees from patrons and the Adult Basic Education (ABE) federal grant. The increase in state aids and grants is due to ABE funding. The District is a member of a consortium with Albert Lea and Austin for ABE, where we are the fiscal host. Therefore, any decrease or increase in funding to any of these districts affects our revenues and expenditures for Adult Basic Education.

Below are the revenue sources for the Debt Service Fund.

DEBT SERVICE FUND REVENUE (Fund 7)	2009-10 Revised Final Budget	2010-11 Preliminary Budget	Difference
Tax Levy	\$ 3,140,482	\$ 2,371,046	\$ (769,436)
Delinquent Taxes	15,000	15,000	-
Miscellaneous County Tax Revenue	4,590	5,800	1,210
Interest Earnings	19,155	7,589	(11,566)
Disparity Reduction Aid	21,718	21,700	(18)
Homestead/Ag Market Value Credit	241,471	241,000	(471)
Other Property Tax Credit	2,300	3,400	1,100
TOTAL DEBT SERVICE FUND REVENUES	<u>\$ 3,444,716</u>	<u>\$ 2,665,535</u>	<u>\$ (779,181)</u>

Debt service revenue can only be used for costs associated with the payout of bonds sold for the construction and/or repair of district facilities. Most of the revenue is the direct result of a voter approved bond levy. Currently, we are paying down on three separate bond issues. The decrease is due to the final payoff occurring in 2009-10 on the 2001 General Obligation Refunding Bonds. If no other bonds are approved in the future, the final payment of the existing bonds would be in 2017.

Total revenue for the operating funds is shown in the table below. The increase of approximately \$231,000 represents an overall increase of approximately .5% from 2009-10.

Fund Name	2009-10 Revised Final Budget	2010-11 Preliminary Budget	Difference
<u>Total Operating Funds Revenue:</u>			
General Fund (Funds 1, 10, and 11)	\$ 46,871,930	\$ 47,003,145	\$ 131,215
Food Service Fund (Fund 2)	2,453,564	2,580,725	127,161
Community Service Fund (Fund 4)	1,805,910	1,778,624	(27,286)
Total Operating Funds Revenue	<u>\$ 51,131,404</u>	<u>\$ 51,362,494</u>	<u>\$ 231,090</u>

When debt service revenue is added to the operating funds, total revenue is shown in the table below.

Fund Name	2009-10 Revised Final Budget	2010-11 Preliminary Budget	Difference
<u>Total Non-Operating Funds Revenue:</u>			
Debt Service Fund (Fund 7)	\$ 3,444,716	\$ 2,665,535	\$ (779,181)
Total Non-Operating Funds Revenue	<u>\$ 3,444,716</u>	<u>\$ 2,665,535</u>	<u>\$ (779,181)</u>
TOTAL REVENUE	<u>\$ 54,576,120</u>	<u>\$ 54,028,029</u>	<u>\$ (548,091)</u>

Expenditures

All instructional programs and service expenditures are paid from the General Fund. Category allocations are shown in the table on the next page. The category of "Administrative and District Support Services" includes areas such as the board of education, superintendent's office, business office, human resources, and information technology services. The category of "Instructional" includes all costs associated with regular, vocational, and special education instruction. The category of "Instructional and Pupil Support" includes costs associated with assisting instructional staff and services provided to students that are not considered instructional. Examples of instructional and pupil support services include social workers, counselors, and transportation. The category of "Operations, Maintenance, and Fixed" includes costs associated with the maintenance and operations of our buildings and property insurance.

"Administrative and District Support Services" is anticipated to decrease in the coming year. "Instructional", "Instructional and Pupil Support", and "Operations, Maintenance, and Fixed" are anticipated to increase. "Administrative and District Support Services" costs will decrease by approximately 1.2%. "Instructional" costs will increase by approximately .05%. "Instructional and Pupil Support" costs will increase by approximately .8%. The "Operations, Maintenance, and Fixed" costs will increase by approximately 2.1%.

GENERAL FUND EXPENDITURES (Funds 1, 10, and 11)	2009-10 Revised Final Budget	2010-11 Preliminary Budget	Difference
<u>Administrative and District Support Services</u>			
Salaries	\$ 2,140,964	\$ 2,115,717	\$ (25,247)
Benefits	741,835	747,258	5,423
Purchased Services	511,296	542,722	31,426
Supplies and Materials	171,766	119,299	(52,467)
Capital Expenditures	519,953	509,618	(10,335)
Other Expenditures	(36,201)	(34,530)	1,671
Total Administrative and District Support Services	\$ 4,049,613	\$ 4,000,084	\$ (49,529)
<u>Instructional</u>			
Salaries	\$ 21,268,252	\$ 21,338,892	\$ 70,640
Benefits	7,282,199	7,425,162	142,963
Purchased Services	1,689,200	1,788,054	98,854
Supplies and Materials	1,732,156	1,581,709	(150,447)
Capital Expenditures	523,942	383,388	(140,554)
Other Expenditures	90,353	84,993	(5,360)
Total Instructional	\$ 32,586,102	\$ 32,602,198	\$ 16,096
<u>Instructional and Pupil Support</u>			
Salaries	\$ 2,328,092	\$ 2,454,092	\$ 126,000
Benefits	799,677	833,167	33,490
Purchased Services	2,572,892	2,626,516	53,624
Supplies and Materials	480,802	301,467	(179,335)
Capital Expenditures	14,536	34,186	19,650
Other Expenditures	18,699	13,255	(5,444)
Total Instructional and Pupil Support	\$ 6,214,698	\$ 6,262,683	\$ 47,985
<u>Operations, Maintenance, and Fixed</u>			
Salaries	\$ 1,377,904	\$ 1,394,102	\$ 16,198
Benefits	636,871	659,389	22,518
Purchased Services	1,979,235	2,038,146	58,911
Supplies and Materials	739,139	709,150	(29,989)
Capital Expenditures	213,103	260,500	47,397
Other Expenditures	76,734	65,196	(11,538)
Total Operations, Maintenance, and Fixed	\$ 5,022,986	\$ 5,126,483	\$ 103,497
TOTAL GENERAL FUND EXPENDITURES	\$ 47,873,399	\$ 47,991,448	\$ 118,049

The decrease in "Administrative and District Support Services" is due to a software program budgeted in 2009-10 that was originally part of the "Instructional and Pupil Support" budget and the Options Program and K-8 Explorations. The Options Program had three staff assigned to the program for the entire year. The K-8 Explorations project will not have staff coded to the program for the entire year. Also, there was additional staff development funds budgeted to the Options Program that is not included in the preliminary budget for K-8 Explorations. The planning for these programs is considered a District support service because it's for research and development.

Overall, the “Instructional” budget sees little change. There is fluctuation between the various categories. The increase in salaries is due to employee contracts and the hiring of additional staff in special education. Benefits increased primarily to an increase in health insurance benefits based on settled and unsettled contracts and the movement of employees to the various plans. The decrease in supplies and materials and capital expenditures is largely due to sites using up their compensatory carryover funds in 2009-10. The sites used the carryover amounts for supplies and technology equipment for appropriate compensatory expenditures.

The increase in salaries for “Instructional and Pupil Support” was largely due to three areas. There were positions during 2009-10 that were new or only filled for part of the year. Therefore, the 2010-11 budget now includes these positions for the entire time. The COMPASS program will now have 4 people assigned for the entire year. An IT position was left empty for most of the year. Finally, additional educational assistants were hired at OHS for hall monitoring. Purchased services increased in “Instructional and Pupil Support” for the hiring of a security company for the District for 2010-11. The decrease in supplies and materials is due to \$145,000 that was allocated for curriculum enhancements in 2009-10 from the freed-up ARRA funds.

“Operations, Maintenance, and Fixed” will see an increase for 2010-11. The costs relating to the replacement of the boiler at OHS is included in the budget. This increase was offset by decreases in health and safety projects, operating capital, and safe schools projects.

The table below shows the proposed expenditure allocations in the Food Service Fund.

FOOD SERVICE FUND EXPENDITURES (Fund 2)	2009-10 Revised Final Budget	2010-11 Preliminary Budget	Difference
Salaries	\$ 827,523	\$ 843,538	\$ 16,015
Benefits	301,858	314,105	12,247
Purchased Services	66,379	81,223	14,844
Supplies and Materials	1,325,041	1,391,497	66,456
Capital Expenditures	113,200	52,407	(60,793)
Other Expenditures	930	476	(454)
TOTAL FOOD SERVICE EXPENDITURES	<u>\$ 2,634,931</u>	<u>\$ 2,683,246</u>	<u>\$ 48,315</u>

The increase in salaries and benefits is due to changes in the employee’s contracts and employees taking benefits. Purchased services are increasing due to additional repairs and maintenance costs. Supplies and materials is increasing due to food prices and offering breakfast at more sites for the entire year.

The table below shows the changes in expenditures of the Community Service Fund.

COMMUNITY SERVICE FUND EXPENDITURES (Fund 4)	2009-10 Revised Final Budget	2010-11 Preliminary Budget	Difference
Salaries	\$ 820,551	\$ 813,730	\$ (6,821)
Benefits	261,058	261,238	180
Purchased Services	700,654	687,873	(12,781)
Supplies and Materials	79,203	66,669	(12,534)
Capital Expenditures	8,643	8,179	(464)
Other Expenditures	1,950	1,925	(25)
TOTAL COMMUNITY SERVICE EXPENDITURES	<u>\$ 1,872,059</u>	<u>\$ 1,839,614</u>	<u>\$ (32,445)</u>

The decrease in community service expenditures is due mostly to changing positions and funding streams. There is some recognition of reduced fees/tuitions based on the current economy. Enrollments began to “flat line” in the fourth quarter of 2009-10, so 2010-11 projections take into account this shift in participation. Adult Basic Education will earn fewer dollars through formula in 2010-11 due to a decline in contact hours in 2009-10. Potential grant sources will be explored in 2010-11 as well as reprioritizing instructional services to retain a higher percentage of adult learners. Some of the programming days have been adjusted based on the academic calendar. Whenever possible, purchased services, supplies, and equipment have been reduced to reflect anticipated changes in funding streams, with no large-scale projects planned for 2010-11. Community Education is adjusted from year to year based on the revenue received and the fund balances per program. Most programs are proposing deficit-based budgets for 2010-11 to maintain programming and ensure fund balances meet statutory caps.

The Debt Service Fund, as shown below, is calculated based upon the outstanding principal and interest payments due during the year. The large decrease is due to the 2001 General Obligation Refunding Bonds being paid off in 2009-10. The District only has three bonds remaining to be paid. Bond principal and bond interest will fluctuate from year to year because as bond principal increases this translates to a decrease in bond interest due.

DEBT SERVICE FUND EXPENDITURES (Fund 7)	2009-10 Revised Final Budget	2010-11 Preliminary Budget	Difference
Bond Principal	\$ 2,905,000	\$ 2,265,000	\$ (640,000)
Bond Interest	617,676	529,921	(87,755)
Other Debt Service Expenditures	3,525	3,094	(431)
TOTAL DEBT SERVICE EXPENDITURES	<u>\$ 3,526,201</u>	<u>\$ 2,798,015</u>	<u>\$ (728,186)</u>

Total expenditures for all operating funds are shown in the table below. The increase of \$133,919 represents an overall increase of approximately .3% from 2009-10.

Fund Name	2009-10 Revised Final Budget	2010-11 Preliminary Budget	Difference
Total Operating Funds Expenditures:			
General Fund (Funds 1, 10, and 11)	\$ 47,873,399	\$ 47,991,448	\$ 118,049
Food Service Fund (Fund 2)	2,634,931	2,683,246	48,315
Community Service Fund (Fund 4)	1,872,059	1,839,614	(32,445)
Total Operating Funds Expenditures	<u>\$ 52,380,389</u>	<u>\$ 52,514,308</u>	<u>\$ 133,919</u>

When debt service expenditures are added to the operating funds, total expenditures are as shown in the table below.

Fund Name	2009-10 Revised Final Budget	2010-11 Preliminary Budget	Difference
Total Non-Operating Funds Expenditures:			
Debt Service Fund (Fund 7)	\$ 3,526,201	\$ 2,798,015	\$ (728,186)
Total Non-Operating Funds Expenditures	<u>\$ 3,526,201</u>	<u>\$ 2,798,015</u>	<u>\$ (728,186)</u>
TOTAL EXPENDITURES	<u>\$ 55,906,590</u>	<u>\$ 55,312,323</u>	<u>\$ (594,267)</u>

The budget proposed for Board passage for 2010-11 is shown in the summary on page 22. Total operating revenue for 2010-11 is projected to be \$51,362,494. Total operating expenditures for 2010-11 is projected to be \$52,514,308. The net difference is an operating deficit of \$1,151,814 for 2010-11.

However, when considering only the General Fund (the largest fund and the fund from which our instructional programs and services are derived), the total revenue is projected to be \$47,003,145 and total expenditures are projected to be \$47,991,448. The net difference is a deficit of \$988,303 for 2010-11. This represents about a 2.1% difference between revenues and expenditures.

The chart below shows the difference between revenues and expenditures for the operating funds, which includes the general fund, food service fund, and community service fund.

<u>Category</u>	<u>2009-10 Revised Final Budget</u>	<u>2010-11 Preliminary Budget</u>	<u>Difference</u>
<u>Includes General Fund, Food Service Fund, and Community Service Fund:</u>			
Total Operating Revenues	\$ 51,131,404	\$ 51,362,494	\$ 231,090
Total Operating Expenditures	52,380,389	52,514,308	133,919
Total Revenues less Expenditures	<u>\$ (1,248,985)</u>	<u>\$ (1,151,814)</u>	<u>\$ 97,171</u>

The chart below shows the difference between revenues and expenditures for the general fund only.

<u>Category</u>	<u>2009-10 Revised Final Budget</u>	<u>2010-11 Preliminary Budget</u>	<u>Difference</u>
<u>Includes General Fund Only:</u>			
Total Revenues	\$ 46,871,930	\$ 47,003,145	\$ 131,215
Total Expenditures	47,873,399	47,991,448	118,049
Total Revenues less Expenditures	<u>\$ (1,001,469)</u>	<u>\$ (988,303)</u>	<u>\$ 13,166</u>

The above chart shows the difference between revenues and expenditures for the general fund only.

Below is the table that contains the proposed budget for the 2010-11 school year. This is the budget the Board is being asked to approve for fiscal year 2011. Included in this proposal is a 10 cent increase to all meal prices in the Food Service budget for the 2010-11 school year. Approval of this budget approves the food service price increase. Also included is a permanent transfer from the General Fund to the Community Service Fund of \$28,000 for the Kids First Program for FY '11. By approving this budget, the Board is also approving the permanent transfer of \$28,000.

2010-11 PROPOSED PRELIMINARY BUDGET

JUNE 30, 2010 PROJECTED ENDING FUND BALANCES

Fund	6/30/2009 Balance	2009-10 Revenues	2009-10 Expenditures	6/30/2010 Balance
General - Unreserved	6,787,611	39,633,022	39,457,905	6,962,728
General - Designated	321,320	-	-	321,320
General - Reserved	1,130,657	6,738,908	7,315,494	554,071
Food Service	242,626	2,413,003	2,357,405	298,224
Community Service	229,407	1,805,910	1,872,059	163,258
Debt Service	921,100	3,444,716	3,526,201	839,615
Trust	3,065	1,396	1,396	3,065
Internal Service	250,586	2,308	-	252,894
Total	9,886,372	54,039,263	54,530,460	9,395,175

JUNE 30, 2011 PROJECTED ENDING FUND BALANCES

Fund	6/30/2010 Balance	2010-11 Revenues	2010-11 Expenditures	6/30/2011 Balance
General - Unreserved	6,962,728	40,469,856	41,332,930	6,099,654
General - Designated	321,320	-	-	321,320
General - Reserved	554,071	6,533,289	6,658,518	428,842
Food Service	298,224	2,580,725	2,683,246	195,703
Community Service	163,258	1,778,624	1,839,614	102,268
Debt Service	839,615	2,665,535	2,798,015	707,135
Trust	3,065	1,013	1,013	3,065
Internal Service	252,894	1,072	-	253,966
Total	9,395,175	54,030,114	55,313,336	8,111,953

JUNE 30, 2011 FUND BALANCE COMPARISON PROJECTION

Fund	6/30/2010 Balance	6/30/2011 Balance	Difference
General - Unreserved	6,962,728	6,099,654	(863,074)
General - Designated	321,320	321,320	-
General - Reserved	554,071	428,842	(125,229)
Food Service	298,224	195,703	(102,521)
Community Service	163,258	102,268	(60,990)
Debt Service	839,615	707,135	(132,480)
Trust	3,065	3,065	-
Internal Service	252,894	253,966	1,072
Total	9,395,175	8,111,953	(1,283,222)

2010-11 REVENUE/EXPENDITURE COMPARISON

Fund	Revenues			Expenditures		
	6/30/2010 Rev. Final	6/30/2011 Preliminary	Difference	6/30/2010 Rev. Final	6/30/2011 Preliminary	Difference
General - Unreserved	39,633,022	40,469,856	836,834	39,457,905	41,332,930	1,875,025
General - Designated	-	-	-	-	-	-
General - Reserved	6,738,908	6,533,289	(205,619)	7,315,494	6,658,518	(656,976)
Food Service	2,413,003	2,580,725	167,722	2,357,405	2,683,246	325,841
Community Service	1,805,910	1,778,624	(27,286)	1,872,059	1,839,614	(32,445)
Debt Service	3,444,716	2,665,535	(779,181)	3,526,201	2,798,015	(728,186)
Trust	1,396	1,013	(383)	1,396	1,013	(383)
Internal Service	2,308	1,072	(1,236)	-	-	-
Total	54,039,263	54,030,114	(9,149)	54,530,460	55,313,336	782,876

The projected ending fund balances as of June 30, 2010 does not equal the revised final budget. The District has adjusted the revenue and expenditure amounts based on current situations. The FY '10 auditing process will validate the actual financial performance of the District and those results could change the listed ending fund balances for FY '11. As always, any such adjustments will be used in the FY '11 final budget, which the Board typically approves in December.

CHAPTER THREE - ELEMENTARY SCHOOL REPORT

The Owatonna School District operates four elementary education schools. Student enrollment is determined by specific boundaries that have been created to provide for 'neighborhood' school programs. Programs and services are coordinated through the Office of Instructional Services to ensure every student within the District receives comparable learning opportunities.

McKinley Elementary School serves approximately 526 students, K-5, in the northeast sector of Owatonna. The make-up of the students is approximately: 10% Hispanic; 18% Black not Hispanic; 1% Asian / Pacific Islander and 72% Caucasian. 53% of our students receive free or reduced lunch, 13% of McKinley's students receive Special Education services and approximately 24% receive ELL services. In addition to basic academic instruction in Reading, Math, Science, and Social Studies, McKinley has special programs to meet the needs of its special education students and English Language Learners (ELL). Students also receive instruction in Phy Ed (1/2 hr. every day), Music (1/2 hr. 3 days / wk) and Art (1 hr. / wk). McKinley 4th and 5th graders have the opportunity to participate in band, orchestra and choir. We also have a very active Student Council and Safety Patrol.

This past year, McKinley continued to run an Extended Day Kindergarten Program in space rented from The Church of God across the street from November through May. Fifteen (15) identified morning and fifteen (15) afternoon Kindergartners attend an extra 90 minutes of school four (4) days per week. We also had an Extended Day Targeted Services Program for students in Grades 1-5. A new part of the Extended Day Program was 2 sections of ELL. Our students really showed some good growth in all of these areas. Students worked from 2:30 to 4:00 on Tuesdays and Thursdays from November through April.

We are in our 2nd year of our RTI reading program. We were able to hire a teacher to help students that were below grade level in reading. Our teacher has been meeting with identified students daily and they have been showing tremendous growth. Many of our students have been able to move out of the RTI program and back into the regular reading class. The RTI program has been a great addition to our school and the entire district.

In addition to the RTI program in 2010 McKinley added a literacy coach to the staff. This position has been a driving force of change in the way we teach reading to our students. This person has worked with our teachers on teaching reading strategies. She has increased our guided reading library and guided our building's PLC's throughout the year. This position will continue into next year. We are anticipating good growth in reading, but are realistic that it will take more than one year to get over the hump. We are confident in our plan and feel we are on the right track to success for all students.

New to McKinley in 2009-10 are interactive whiteboards. In January, we used our compensatory money carryover to purchase a Smartboard for every classroom, Title I, ELL, Special Education, Art and Music room. Our Kindergarten rooms each received an additional Smart Table which is specifically designed for primary learners. Each 4th and 5th grade room received a set of 32 Smart Response system and the 1 system for each of the 1st – 3rd grade levels. This technology has immediately become the teachers' biggest asset in the classroom. We have noticed an increase in student excitement, student interaction and a decrease in student discipline in the classrooms. We are confident with these changes in the students we will see an increase in student achievement.

McKinley's Economic Outlook

School District funding comes from a variety of sources. The primary source is general education aid revenue derived from the State's basic funding formula. The District has assumed a 0% increase in this formula. The general education basic aid for 2010-11 is calculated at a rate of \$5,124 per pupil unit in the elementary school. As a District, for students who are in kindergarten, we receive .612 of the base amount, for students in grades one through three we receive 1.115 of the base amount, and for students in grades four through six we receive 1.06 of the base amount. For 2009-10, the State received Stabilization ARRA funds from the Federal government for education. The State decided to give districts this money, but at the same time general education aid revenue was reduced by the same amount. The District decided to use this money to pay for grades 3-6 teachers. For most elementary sites, the amount in the "Other Federal Aids" line under 2009-10 relates to the Stabilization ARRA funds they received and was subtracted from the "Other General Ed. Aid" line.

In the following table, the amount of state aid that we anticipate to receive for 2009-10 based upon our student enrollment at McKinley is \$2,265,524. This does not include the amount subtracted for the Stabilization ARRA funds. For McKinley, this amount is \$428,944. Other additional revenue is also listed. The next largest revenue amount that we anticipate to be received is \$350,580. This amount has been generated as a result of our successful excess levy referendum passed in 2002.

McKinley Revenues

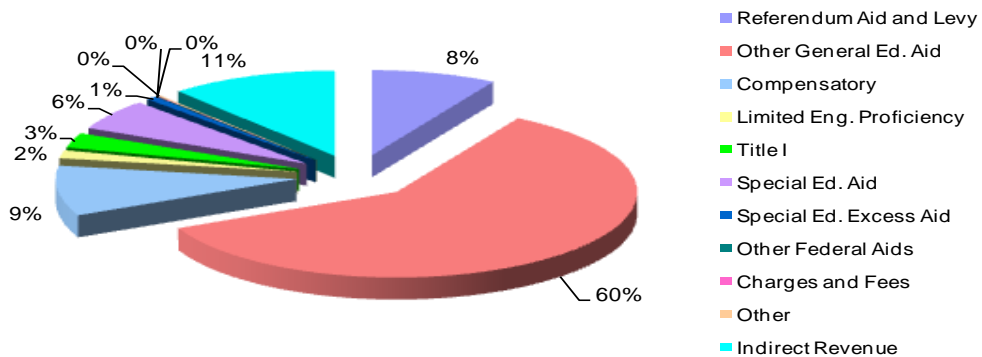
Description	2007-08 Actual	2008-09 Actual	2009-10 Budget	2010-11 Budget	Change Percent	Change Amount
Referendum Aid and Levy	\$ 346,684	\$ 357,537	\$ 350,580	\$ 357,399	1.9%	\$ 6,819
Other General Ed. Aid	2,656,566	2,812,009	2,265,524	2,525,934	11.5%	260,410
Compensatory	275,673	288,520	285,365	402,149	40.9%	116,784
Limited Eng. Proficiency	71,448	66,429	65,059	64,904	-0.2%	(155)
Title I	99,251	100,380	108,753	119,038	9.5%	10,285
Special Ed. Aid	194,477	212,230	253,218	247,909	-2.1%	(5,309)
Special Ed. Excess Aid	22,404	23,961	30,842	31,236	1.3%	394
Other Federal Aids	-	-	428,944	-	-100.0%	(428,944)
Charges and Fees	1,012	1,200	1,110	1,142	2.9%	32
Other	21,449	19,008	9,629	9,063	-5.9%	(566)
Indirect Revenue	303,622	271,334	302,395	479,076	58.4%	176,681
Total	\$ 3,992,586	\$ 4,152,608	\$ 4,101,419	\$ 4,237,850	3.3%	\$ 136,431

The table above identifies projected changes in our overall revenue picture for McKinley in the 2010-11 school year. Revenue will increase by about 3.3%. The majority of the increase for McKinley is in compensatory revenue. McKinley will receive \$402,149 in compensatory revenue, which is an increase of \$116,784. Compensatory revenue is a categorical aid that is intended to provide additional funding for students eligible for the free and reduced lunch program. These funds are under the direct administration of each building site. State law allows the site leadership teams to decide how these funds are expended. Since they are a rather unstable source of revenue, the most frequent use of this funding is for positions that do not have continuing contract provisions.

Most sites will see large fluctuations in the other general education aid, other federal aids, and indirect revenue categories. This is due to the ARRA funding described above and the tax shift that is to occur in 2010-11. Please see Chapter 2 in the revenues area for the tax shift explanation. The tax shift will affect other general education aid and indirect revenue. Indirect revenue is revenue that is not directly allocated to the sites, like non-specific levy items, state aids, interest, and other miscellaneous revenue.

The following chart is a graphic representation of the revenues that are received by the District and allocated to McKinley. McKinley receives about 60% of its revenue from the general education aid formula. Indirect revenue is 11% and this increased from prior years due to the tax shift. Of equal interest is the 9% allocation received as a result of compensatory.

2010-11 McKinley Revenue Budget



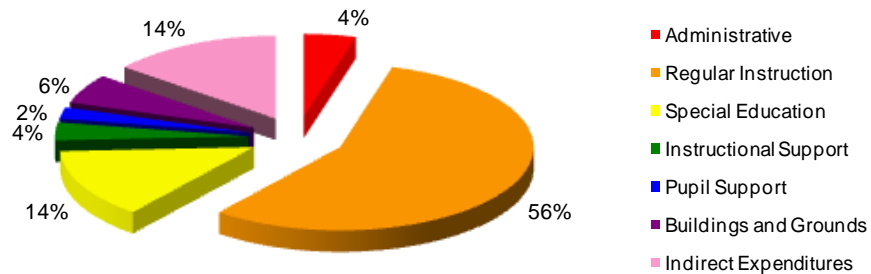
McKinley's proposed expenditure budget for the coming year is below the allocated revenue amount. McKinley's expenditure budget is to decrease by 6.2%. The largest decrease will be in regular instruction. McKinley will have fewer classroom teachers in 2010-11 due to a decrease in enrollment. Also, McKinley had a large compensatory carryover amount in 2009-10 that was budgeted to be spent.

McKinley Expenditures

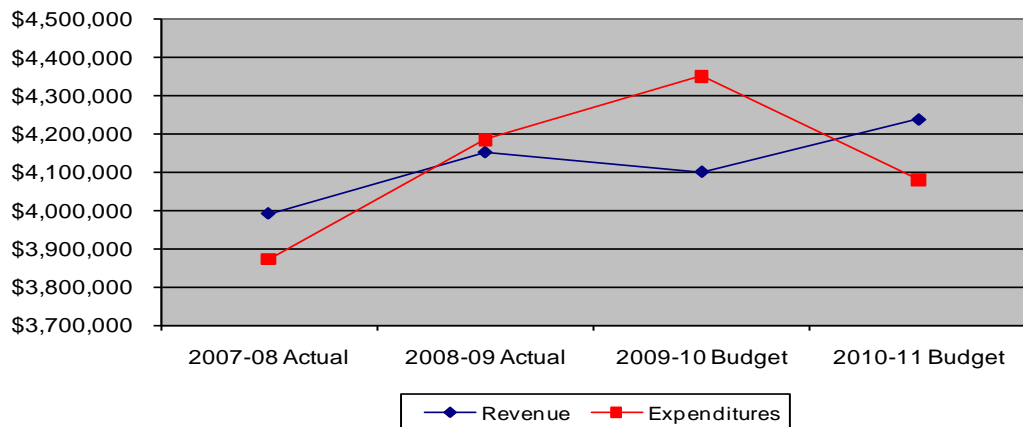
Description	2007-08	2008-09	2009-10	2010-11	Change	Change
	Actual	Actual	Budget	Budget	Percent	Amount
Administrative	\$ 186,817	\$ 186,659	\$ 177,230	\$ 178,047	0.5%	\$ 817
Regular Instruction	2,199,182	2,425,951	2,554,873	2,300,319	-10.0%	(254,554)
Special Education	456,506	459,171	559,178	550,354	-1.6%	(8,824)
Instructional Support	119,763	136,832	150,225	141,931	-5.5%	(8,294)
Pupil Support	164,488	45,197	81,171	90,814	11.9%	9,643
Buildings and Grounds	292,240	399,296	221,589	234,413	5.8%	12,824
Indirect Expenditures	453,695	532,599	608,305	584,769	-3.9%	(23,536)
Total	\$ 3,872,691	\$ 4,185,705	\$ 4,352,571	\$ 4,080,647	-6.2%	\$ (271,924)

Graphically, the allocation of resources at McKinley can be shown below. The largest portion of expenditures is in the area of regular instruction, which includes classroom teachers. The next largest portion of the budget allocation is in the area of special education and indirect costs at 14%. Most sites spend about 10% to 14% on special education.

2010-11 McKinley Expenditure Budget



The average revenue per student allocated to McKinley is \$8,297. The expenditure per student at McKinley is \$7,989. The relationship between revenues and expenditures over the last three years can be shown in the table below.



Lincoln Elementary School proudly serves as a learning community for Kindergarten through Fifth Grade students and is located in the southeast sector of Owatonna on a beautiful site of forty (40) acres with hundreds of burr oak trees. Enrollment for the 2009-2010 school year has decreased slightly throughout the year with a student enrollment of 556 at the start of the year and 546 at the end of April. Enrollment at the conclusion of the 2008-2009 school year was 553.

Lincoln's licensed staff of forty (40) includes classroom teachers, art, music, physical education, media, special education, English as a second language, extended day kindergarten, school psychologist, social worker, response to intervention, and gifted/talented teachers. Our classified staff of twenty - two (22) includes educational assistants, media assistant, secretaries, school nurse, paraprofessionals, noon supervisors, custodians, and food service.

Demographic data shows that Lincoln's percentage of students qualifying for free/reduced lunch has increased to twenty-six (26.06%), which is the second year in a row an increase has occurred. The percentage of students receiving English Language Learner services has decreased from three percent (3%) last year to two percent (2%) now. The percentage of students qualifying for Special Education services this school year is ten percent (10%), which is a decrease of four percent (4%) as compared with last year. This is an encouraging statistic when we consider our building and district's implementation of the Response to Intervention (RTI) process.

Lincoln Elementary School's mission, "Within a collaborative family environment, Lincoln Elementary School builds the foundation that inspires each child's learning journey" is the focus for all that we do. Our school district's creation and implementation of the Strategic Roadmap served as the guide for setting our goals, initiatives and actions.

Reading has been the core area for our standard work change with measurements being tracked through formative and summative assessments. Aligning reading instruction and vocabulary across grade levels and departments has been key to this change. We have followed the reading student achievement committee's recommended reading framework. Gaining clarity and developing a prioritization of comprehension strategies has had a positive impact upon our reading instruction and student achievement. Mid-year NWEA results in reading showed higher gains than we have experienced in the past.

Our strategic roadmap implementation work for Lincoln Elementary has been in the areas of response to intervention processes and Professional Learning Community (PLC) study groups. This was Lincoln's second year of formally implementing the response to intervention process. Tier one instruction has improved as a result of the alignment already mentioned. Tier two and three interventions take place in all grade levels in reading as well as adding math for a smaller portion of time. Mid-year reading data showed an improvement from fall to winter with twenty-four percent (24%) of students in grades one through five having fluency rates below the twenty-fifth percentile (25%ile) in the fall to only eight percent (8%) in the winter. Spring benchmark fluency rates will be conducted during the month of May.

Data PLCs are an integral part to the RTI process and have been meeting on a consistent manner twice a month. Our district's late starts are an important part of providing time for this consistency for meeting. Study group PLCs have been created to support and enhance the reading instruction alignment we are committed to having; again as indicated in our change of standard work. These study groups are mixed grade levels and include teachers from support service departments. Reading comprehension strategies have been the focus of research, discussion, and book studies. Samples of the book resources used in these study groups include The Daily Five, The Café Book (Engaging All Students in Daily Literacy Assessment and Instruction), Strategies That Work, and Comprehension Connections. Teachers discuss this information, share student work and lesson ideas, decide upon a next focus and continue the cycle of learning. This format of professional development has been valuable and is definitely an initiative we look forward to continuing within Lincoln and with our district.

Lincoln Elementary School's strategic roadmap learning work has been in the area of technology. Effective use of LCD projectors has been taking place in our intermediate grades throughout the year and most recently expanded to include interactive white boards in all first through fifth grades. The number of classrooms incorporating blogging, skype, and communication with schools beyond our district has increased. We continue to study ways to increase our students' access to computers and find that our wireless laptops are always in high demand. This is another encouraging sign of the use and

implementation of technology in teaching and learning. The use of flip recorders and audio recorders has also increased creating additional ways for students to demonstrate their learning in more authentic ways.

As we look to the future, we will be working with the implementation of the new reading resource within our reading instruction. This resource combined with our district's reading framework and implementation of best practices in all five areas of reading will definitely be priorities for our strategic roadmap. Another area of focus will be the effective use of interactive white boards to increase student achievement and understanding. Accompanying all of this will be the research, design, and implementation work from the K – 8 Explorations project.

Lincoln's Economic Outlook

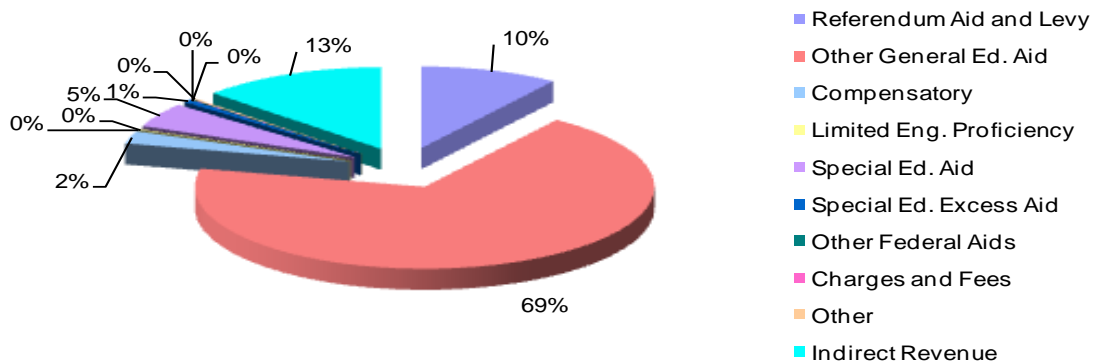
The table below identifies projected changes in our overall revenue picture for Lincoln in the 2010-11 school year. Revenue will decrease by about 3.6%. Lincoln will have about 15 less students in 2010-11. This creates the decrease in total revenue. Lincoln is seeing an increase in compensatory aid, which is funded based on the number of students on free and reduced lunch.

Lincoln Revenues

Description	2007-08	2008-09	2009-10	2010-11	Change Percent	Change Amount
	Actual	Actual	Budget	Budget		
Referendum Aid and Levy	\$ 380,819	\$ 386,481	\$ 385,083	\$ 374,747	-2.7%	\$ (10,336)
Other General Ed. Aid	2,918,134	3,039,651	2,446,664	2,648,546	8.3%	201,882
Compensatory	69,699	54,577	62,488	95,828	53.4%	33,340
Limited Eng. Proficiency	14,193	6,056	5,693	5,679	-0.2%	(14)
Title I	-	-	-	-	0.0%	-
Special Ed. Aid	179,884	219,121	206,105	186,408	-9.6%	(19,697)
Special Ed. Excess Aid	20,723	24,739	25,104	23,487	-6.4%	(1,617)
Other Federal Aids	-	-	512,991	-	-100.0%	(512,991)
Charges and Fees	1,111	1,297	1,219	1,197	-1.8%	(22)
Other	26,987	26,532	12,799	9,413	-26.5%	(3,386)
Indirect Revenue	333,517	293,299	332,157	502,331	51.2%	170,174
Total	\$ 3,945,067	\$ 4,051,753	\$ 3,990,303	\$ 3,847,636	-3.6%	\$ (142,667)

Graphically, Lincoln's revenue allocation is shown in the chart below. Since Lincoln receives fewer funds in special categorical aids, a larger share of its revenue is derived from the general education formula. Lincoln receives the smallest allocation in the area of compensatory aid in comparison to our other elementary schools.

2010-11 Lincoln Revenue Budget



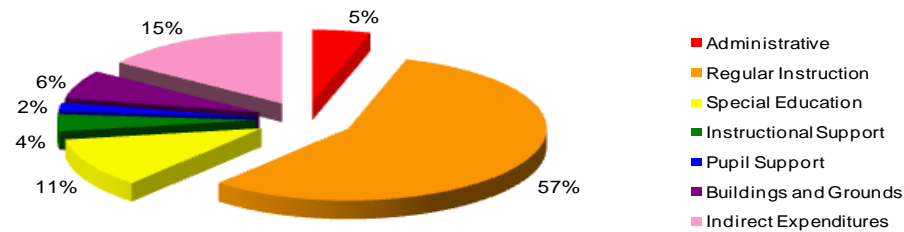
A table of Lincoln’s expenditures follows. Lincoln will also see a decrease in expenditures. Most of it is in indirect expenditures which relate to the number of students at your site. The reduction in special education is due to the RTI funded program not being in place for next year.

Lincoln Expenditures

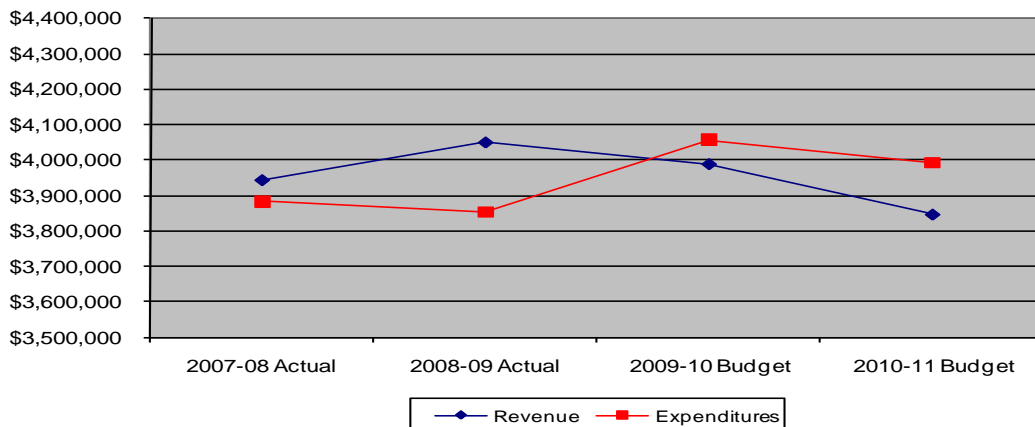
Description	2007-08 Actual	2008-09 Actual	2009-10 Budget	2010-11 Budget	Change Percent	Change Amount
Administrative	\$ 177,214	\$ 203,372	\$ 187,984	\$ 188,530	0.3%	\$ 546
Regular Instruction	2,128,349	2,157,825	2,231,394	2,260,001	1.3%	28,607
Special Education	414,227	451,290	471,371	446,810	-5.2%	(24,561)
Instructional Support	136,531	150,166	161,223	151,933	-5.8%	(9,290)
Pupil Support	193,620	62,635	68,518	74,792	9.2%	6,274
Buildings and Grounds	334,226	252,941	268,930	256,877	-4.5%	(12,053)
Indirect Expenditures	498,366	575,714	668,174	613,154	-8.2%	(55,020)
Total	\$ 3,882,533	\$ 3,853,943	\$ 4,057,594	\$ 3,992,097	-1.6%	\$ (65,497)

Graphically, the expenditure budget for Lincoln is illustrated below. Administrative costs for Lincoln, as well as our other sites remain relatively constant at 5% or less. These costs include costs associated with the operation of the principal’s office. Indirect expenditures make up the second largest portion of the budget. Included in the indirect expenditures category is the school’s share, based on pupil units, of expenditures for the school board, superintendent, and district support staff including directors, staff development, and indirect building and grounds costs.

2010-11 Lincoln Expenditure Budget



The average revenue per student allocated to Lincoln is \$7,235. The expenditure per student at Lincoln is \$7,507. The relationship between revenues and expenditures over the last three years are shown in the table below.



Washington Elementary School is proud to serve as a learning community for Kindergarten through Sixth Grade students. It is located in the central sector of Owatonna near the downtown business community. Total enrollment for the 2009-10 school year was approximately 555 students with 509 K through 5 students and two sections of Montessori at 46 students. Washington's licensed staff of forty-five (45) teachers includes classroom teachers in the areas of art, music, physical education, media, special education, English as a Second Language, reading support, school psychologist, social worker, reading support, and gifted/talented. Our classified staff of twenty (20) includes educational assistants, paraprofessionals, media assistant, secretaries, school nurse, noon supervisors, custodians and food service. Demographic information data shows Washington's percentage of students qualifying for free and reduced lunch is approximately 34.48% for this school year which is a 6.4% increase from 28% in 2006-07. Washington will qualify as a Title I school for 2010-11. The percentage of students identified as English Language Learners are approximately 6%. Percentages of students qualifying for special education services this school year are approximately 11%.

The main themes at Washington School this past year included, 1) providing staff development in the area of reading comprehension for all students with a focus on improving student growth for the subgroups of Hispanic, English Language Learners and Special Education 2) infusing technology into the classrooms with the purpose of using technology as an instructional tool to further student engagement 3) continuing implementation of Response to Intervention across our K-5 classrooms in both reading and math, 4) continuing the premise of professional learning communities started in 2003-04 school year which includes common planning time for grade levels and beginning PLC's meeting outside of the school day to focus on common learning initiatives, 5) creating the climate at Washington Elementary for Peer Coaching to enhance professional development and students achievement.

In reviewing the work accomplished during the 2009-10 school year it is apparent Washington School is deeply committed to providing all students the tools to be successful learners. A number of staff development opportunities have been provided during the school year and align with our site's action plan and score card. These opportunities included Smartboards installed in every classroom grades 2 through 5, professional development in the use of Smartboards to enhance student engagement, professional learning communities in the areas of reading comprehension, innovative technology implementation, integration of reading and writing within the curriculum, and peer coaching development. The Peer Coaching professional learning community was a collaborative effort between the University of Minnesota, Mankato and Washington Elementary. Of the seven teachers who participated in the on-site peer coaching PLC, four of these teachers will be enhancing their expertise by attending a Cognitive Coaching Seminar of eight days at Mankato during the spring and summer months. This peer coaching initiative is setting the foundational climate for peers coaching peers through reflective practice and supporting one another's professional growth. When teachers are given the time and support to reflect on their instruction with a trusted peer, the result is improved professional practice. Improved professional practice, it is believed, results in improved student achievement.

Looking forward to 2010-11 school year, Washington staff is eager to build upon what we have already begun in the area of innovative use of technology in the classrooms. Our efforts in this regard were greatly enhanced with the addition of Smartboards to our classrooms. Staff is in the process of designing lessons which will greatly enhance student engagement and interaction. Lesson design is becoming more focused on project based student work at the upper grades allowing students to show what they know through different mediums and demonstrations.

We will continue to create the conditions for peer coaching in our building with the collaboration between the University of Minnesota, Mankato and our school. With the training of four teachers in Cognitive Coaching during the summer, we will prepare for another year long professional learning community focused on the tenants of peer coaching in a trusted, non-evaluative climate.

We also look forward to implementation of the new reading resource, TREASURES, which will require grade level common planning time to fully embrace the components of the new resource and the alignment to our District's K-6 Reading Framework.

As the School Board is well aware, a continuing need at our school is space for additional students and updates on both the internal capacity of the building as well as the green space surrounding the school. The green space that is available at our school quickly turns to dirt or mud because of the amount

of student wear and tear on the limited space. We will continue to be above capacity and have limited space for any added classrooms to our building. We are currently at approximately the same numbers as Lincoln Elementary enrollments which has been considered the largest elementary school in our District. With the lack of space comes the challenge of finding ways to create small group learning spaces for twenty-first century learning practice. Additional concerns relate to the safety of students and staff due to the lack of visibility of key entry points for visitors.

Washington’s Economic Outlook

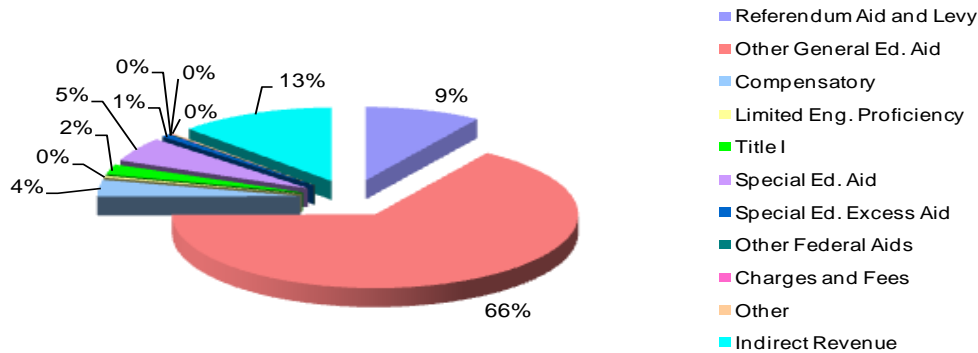
Washington’s revenue for the coming year will be increasing. This is a result of increased enrollment. In addition, Washington will see an increase in compensatory aid and indirect revenue, like the other sites.

Washington Revenues

Description	2007-08	2008-09	2009-10	2010-11	Change Percent	Change Amount
	Actual	Actual	Budget	Budget		
Referendum Aid and Levy	\$ 374,899	\$ 381,267	\$ 391,051	\$ 403,901	3.3%	\$ 12,850
Other General Ed. Aid	2,872,773	2,998,645	2,456,236	2,854,590	16.2%	398,354
Compensatory	119,923	88,152	124,318	158,317	27.3%	33,999
Limited Eng. Proficiency	17,811	18,448	17,891	17,849	-0.2%	(42)
Title I	71,113	65,394	101,916	97,468	-4.4%	(4,448)
Special Ed. Aid	156,719	199,154	244,031	234,750	-3.8%	(9,281)
Special Ed. Excess Aid	18,054	22,485	29,723	29,579	-0.5%	(144)
Other Federal Aids	-	-	549,280	-	-100.0%	(549,280)
Charges and Fees	1,094	1,280	1,238	1,290	4.2%	52
Other	15,389	24,674	10,615	10,468	-1.4%	(147)
Indirect Revenue	328,332	289,342	337,304	541,410	60.5%	204,106
Total	\$ 3,976,107	\$ 4,088,841	\$ 4,263,603	\$ 4,349,622	2.0%	\$ 86,019

Graphically, the revenues received by Washington Elementary are shown in the chart below. Washington’s 4% allocation for compensatory aid is only slightly better than Lincoln. Wilson’s and McKinley’s total percent allocation of 10% and 9% is the greatest amount received of any school in the District. It is this differential in funding from site to site that provides autonomy and a level of ‘uniqueness’ in program design and delivery among our schools. Just like Lincoln, the vast majority of Washington’s revenue comes from other general education aid.

2010-11 Washington Revenue Budget



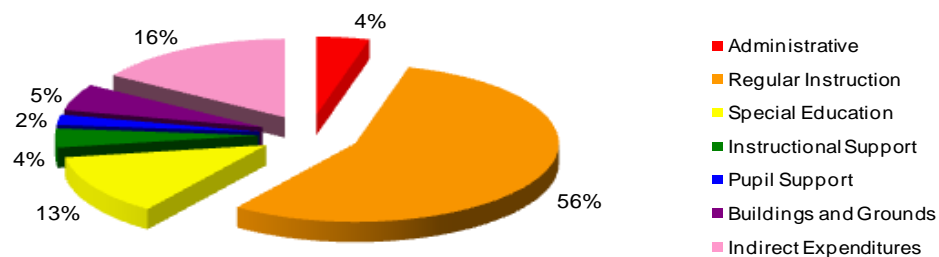
Washington's expenditures are listed in the following table. Washington's overall expenditure budget decreased. Regular instruction changed due to the use of carryover compensatory funds in 2009-10. Special education decreased due to the RTI program.

Washington Expenditures

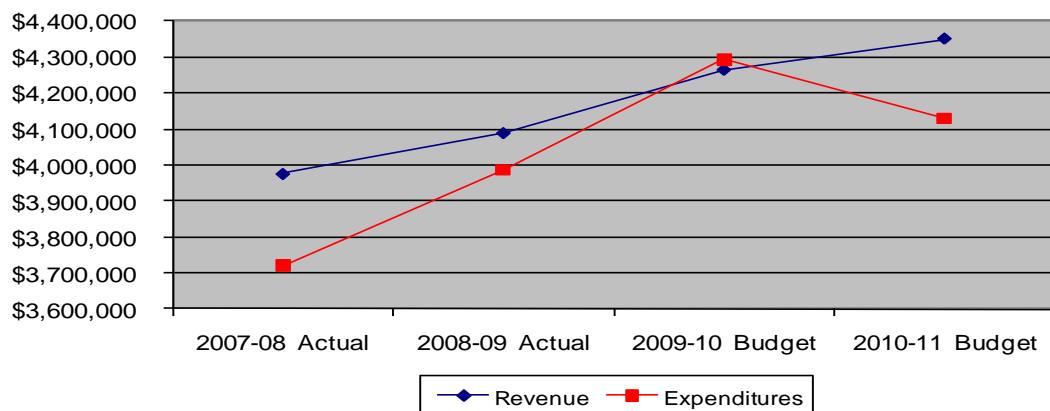
Description	2007-08	2008-09	2009-10	2010-11	Change Percent	Change Amount
	Actual	Actual	Budget	Budget		
Administrative	\$ 193,985	\$ 190,279	\$ 177,974	\$ 174,112	-2.2%	\$ (3,862)
Regular Instruction	2,119,372	2,181,670	2,416,520	2,298,529	-4.9%	(117,991)
Special Education	354,720	450,038	550,607	521,037	-5.4%	(29,570)
Instructional Support	134,784	151,475	165,744	161,105	-2.8%	(4,639)
Pupil Support	182,701	77,229	75,705	86,506	14.3%	10,801
Buildings and Grounds	243,414	368,254	228,784	227,116	-0.7%	(1,668)
Indirect Expenditures	490,619	567,948	678,528	660,855	-2.6%	(17,673)
Total	\$ 3,719,595	\$ 3,986,893	\$ 4,293,862	\$ 4,129,260	-3.8%	\$ (164,602)

Graphically, Washington's expenditure budget is shown below. Overall, the allocation per category is consistent with each of our other elementary school programs.

2010-11 Washington Expenditure Budget



The average revenue per student allocated to Washington is \$7,581. The expenditure per student at Washington is \$7,197. The relationship between revenues and expenditures over the last three years can be shown in the table below.



The west side of Owatonna is serviced by **Wilson Elementary**, a kindergarten through fifth grade building with enrollment of approximately 510 students and 80 staff members. All kindergarten students participate in an all day, every day program. Our student population is 70% white, 21% Hispanic and 9% black. Currently 57% of our students are eligible for free or reduced lunch, 21% English language learners and 14% special education.

During the 2009-2010 school year we began implementing our Growth-Transition-Change plan as a part of our District strategic roadmap. This plan served as a guide in continuing to build our capacity to personalize learning in order to meet the needs of each individual student. Through this we focused on standard work, structures and strategies already imbedded in our practice; implementation work, the focus for our current initiatives; and learning work, items for staff to study for potential implications. Our implementation work included advancing our literacy model through the ongoing alignment of our comprehensive literacy initiative through Reading First to the district wide response to intervention (RTI) initiative by refining interventions and assessments. We also worked to further expand this process into the area of math with the continued implementation of guided math groups and math stations in all classrooms using a workshop format to provide interventions and extensions. Our commitment to collaboration continued through ongoing study groups focused on student engagement and motivation as well as monthly data meetings to monitor student progress in order to inform instruction. Our building wide character education program, PAWS, was restructured to provide a more systematic approach to skill instruction and behavior expectations. Staff received training and support for the alignment of positive behavior interventions and supports (PBIS) with our PAWS program and began using the tiered RTI process to monitor student's growth in social skill development and self regulation. Additionally, vocabulary and key concepts from the core areas of reading and math were further supported through the instruction of specialists and English language teachers.

As we prepare for the 2010-2011 school year we will continue to focus on meeting the individual academic and social needs of our learners. Our commitment to collaboration will continue through ongoing study groups (PLC) and monthly data meetings to monitor student progress in order to inform instruction. We will focus on implementation of a new reading resource to further support our ongoing literacy work. This year we will also further expand the RTI process in the area of math by refining our intervention and assessment structure. The restructuring of our PAWS program to align to a Positive Behavior Interventions and Supports process will be expanded to include a systematic tier 2 and tier 3 intervention structure that provides students support through skill groups when additional instruction in social skill development and self regulation are needed. Additionally, with the infusion of SMART Boards into our classrooms we will move our study of 21st Century instructional strategies from learning work to implementation work as we focus on utilizing technology to further engage learners and enhance instruction.

Wilson's Economic Outlook

A large portion of Wilson's students are eligible for special funding such as Compensatory, Title I, and Limited English Proficiency. Therefore, total revenue per student is larger at this site than any of our other elementary school sites, excluding Willow Creek.

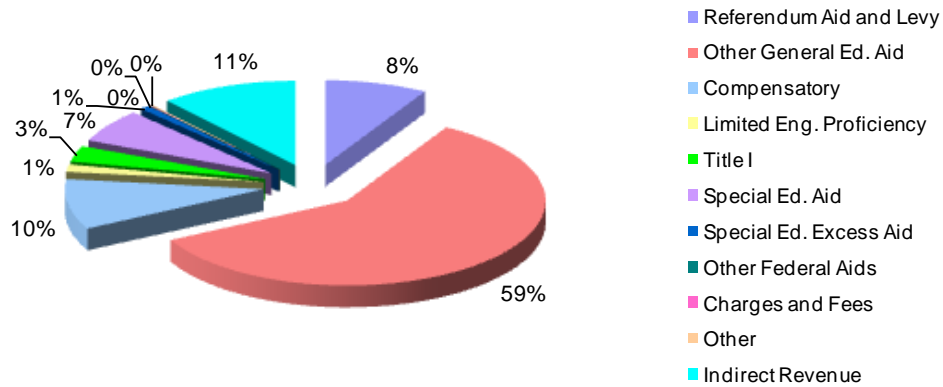
Wilson Revenues

Description	2007-08	2008-09	2009-10	2010-11	Change	Change
	Actual	Actual	Budget	Budget	%	Amount
Referendum Aid and Levy	\$ 357,750	\$ 356,478	\$ 356,469	\$ 373,485	4.8%	\$ 17,016
Other General Ed. Aid	2,741,364	2,803,679	2,336,664	2,639,623	13.0%	302,959
Compensatory	377,798	404,786	379,451	429,225	13.1%	49,774
Limited Eng. Proficiency	65,454	65,279	63,432	63,281	-0.2%	(151)
Title I	109,569	139,415	138,945	135,951	-2.2%	(2,994)
Special Ed. Aid	283,373	261,792	283,314	287,508	1.5%	4,194
Special Ed. Excess Aid	32,645	29,556	34,508	36,226	5.0%	1,718
Other Federal Aids	286,692	152,692	477,918	-	-100.0%	(477,918)
Charges and Fees	1,044	1,197	1,128	1,193	5.8%	65
Other	21,971	17,856	9,343	9,141	-2.2%	(202)
Indirect Revenue	313,313	270,530	307,475	500,638	62.8%	193,163
Total	\$ 4,590,973	\$ 4,503,260	\$ 4,388,647	\$ 4,476,271	2.0%	\$ 87,624

Wilson will see an increase in total revenue due to increased enrollment and compensatory. After a decrease in compensatory funds in 2009-10, Wilson will see an increase in compensatory aid for 2010-11. In addition, this is the first year in four years Wilson will not have Reading First federal grant money coming to their site.

The graph below shows the overall proportion of revenue received by category at Wilson. When compared to our other elementary school sites, Wilson benefits financially from a larger proportion of compensatory aid and Title I revenue.

2010-11 Wilson Revenue Budget



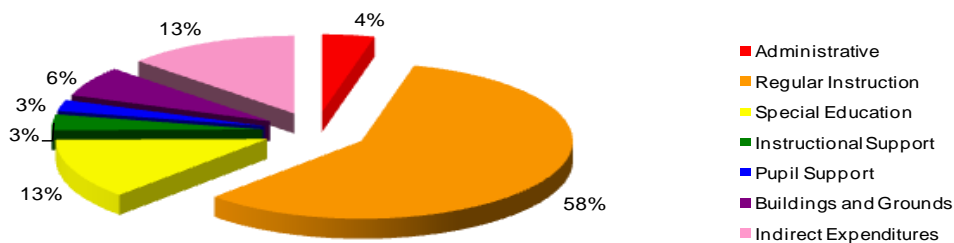
Wilson's expenditures are listed in the following table. Wilson's expenditures will increase by .2% for the coming year. There is no specific area for the slight increase.

Wilson Expenditures

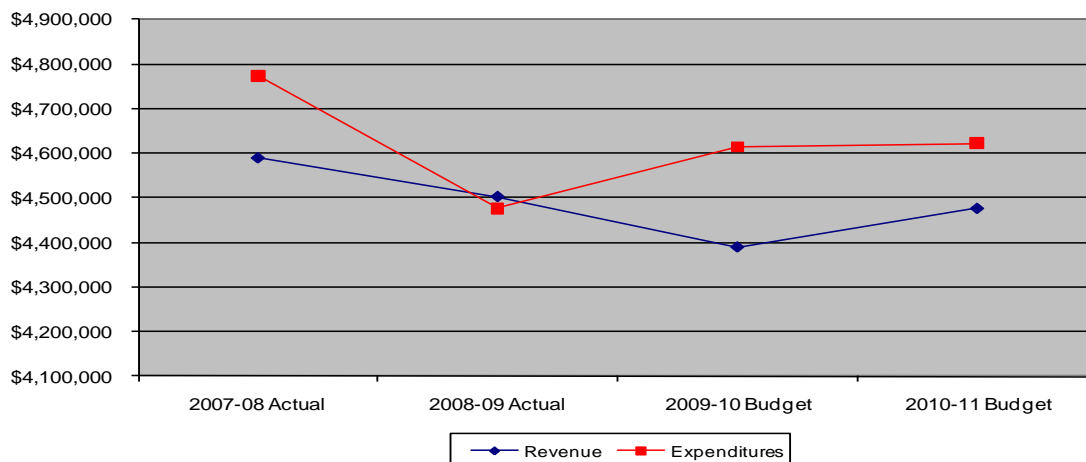
Description	2007-08	2008-09	2009-10	2010-11	Change	Change
	Actual	Actual	Budget	Budget	%	Amount
Administrative	\$ 185,300	\$ 200,302	\$ 189,653	\$ 185,222	-2.3%	\$ (4,431)
Regular Instruction	2,875,779	2,689,420	2,691,716	2,693,040	0.0%	\$ 1,324
Special Education	557,568	513,352	566,954	581,711	2.6%	\$ 14,757
Instructional Support	123,707	140,676	149,692	151,684	1.3%	\$ 1,992
Pupil Support	211,738	91,124	97,980	108,295	10.5%	\$ 10,315
Buildings and Grounds	351,547	310,637	300,065	291,952	-2.7%	\$ (8,113)
Indirect Expenditures	468,177	531,021	618,524	611,088	-1.2%	\$ (7,436)
Total	\$ 4,773,816	\$ 4,476,532	\$ 4,614,584	\$ 4,622,992	0.2%	\$ 8,408

Graphically, Wilson's expenditures are shown in the chart below. Wilson's allocations of expenditures are consistent with the other elementary buildings.

2010-11 Wilson Expenditure Budget



The average revenue per student allocated to Wilson is \$8,386. The expenditure per student at Wilson is \$8,661. The relationship between revenues and expenditures over the last three years can be shown in the table below.



CHAPTER FOUR - INTERMEDIATE SCHOOL REPORT

The Owatonna School District has two intermediate level schools. Willow Creek brings all sixth grade students from across the District into a single site to begin the process of assimilation into our secondary schools. The Junior High school serves students in grades seven and eight. Our intermediate level approach to instruction is 'team' based; ensuring that students have individual and guided student interaction and social development.

Willow Creek Intermediate School is a 56,000 square foot building on sixty-three (63) acres located in Northeast Owatonna. Its student enrollment is approximately 360 students who are supported and served by fifty (50) staff members. Our student enrollment and staff have remained stable through this academic year. The school opened in the fall of 1990 and has sustained a positive academic and social program since that time.

The free and reduced program (F&R) numbers at Willow Creek exceed the District level and we are presently at 135 students or 37.57% of our students requiring this support. The class of 2009-2010 has presented with significant academic and social needs that has required an additional .20 special education teacher and a 1.0 paraprofessional. We have maintained a special education level at 50 students, or 14% of our student population. Our other subgroups represent the English Language Learners (ELL) and Hispanic students. Although the F&R population is not a particular concern for Willow Creek, the special education students, ELL, and Hispanic populations have received additional intervention support.

Specifically, Read 180 has been implemented at Willow Creek since January 2010 for 46 students. Willow Creek is now in its second year with Response to Intervention, a tiered program designed to provide additional assistance in reading (although areas of math and behavior are also available at other sites). We are working with a Strategic Instruction Model (SIM) consultant to assist the staff in planning units of instruction in vocabulary and comprehension as required under AYP guidelines, since Willow Creek is now in Corrective Action 3.1. A Homework Help Program, the Imagine Character Program, and the Imagine Hour (afterschool intervention program) represent additional programs offering assistance to our students academically as well as socially.

Our projects for the 2009-2010 school year include maintaining MCAII reading scores at the 5.0 level or > 84%; increasing the number of ELL students meeting proficiency on MCAII reading tests; and increasing the number of special education students proficient in math. Willow Creek has set a specific process in place (since August 2009) to analyze data and set appropriate instruction and interventions to meet student needs.

Willow Creek’s Economic Outlook

Even though Willow Creek is considered to be a part of our ‘Intermediate’ level program, we continue to receive a base amount of general education revenue calculated at \$5,124 per pupil. Willow Creek will experience a slight decrease in revenue. All classroom teachers at Willow Creek were paid with the Stabilization ARRA funds in 2009-10. That is why Willow Creek shows a large amount in Other Federal Aids for 2009-10 and nothing in 2010-11. In 2007-08, Willow Creek received a new portable. The District has lease levied on the new portable.

Willow Creek Revenues

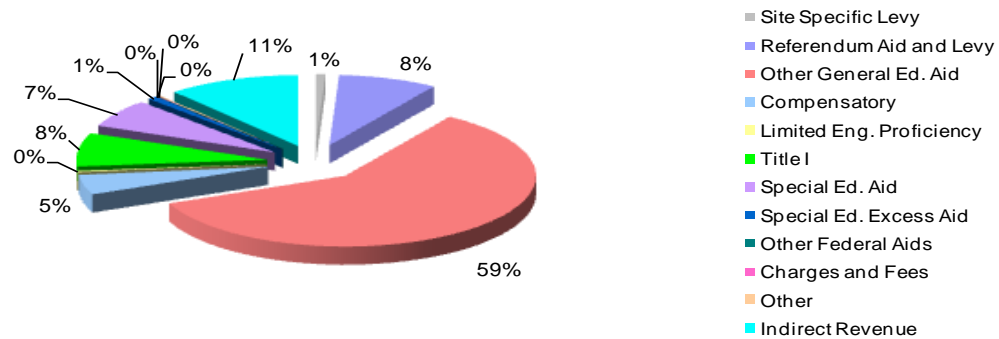
Description	2007-08 Actual	2008-09 Actual	2009-10 Budget	2010-11 Budget	Change %	Change Amount
Site Specific Levy	\$ -	\$ 25,416	\$ 25,416	\$ 25,416	0.0%	\$ -
Referendum Aid and Levy	276,710	246,780	260,624	258,866	-0.7%	(1,758)
Other General Ed. Aid	2,120,370	1,940,911	988,767	1,829,551	85.0%	840,784
Compensatory	105,852	105,953	118,196	140,517	18.9%	22,321
Limited Eng. Proficiency	7,845	8,744	8,946	8,924	-0.2%	(22)
Title I	44,058	82,718	232,441	237,636	2.2%	5,195
Special Ed. Aid	255,520	206,330	211,924	200,788	-5.3%	(11,136)
Special Ed. Excess Aid	29,436	23,295	25,812	25,299	-2.0%	(513)
Other Federal Aids	-	-	1,014,326	-	-100.0%	(1,014,326)
Charges and Fees	808	828	825	827	0.2%	2
Other	25,067	31,738	11,981	6,456	-46.1%	(5,525)
Indirect Revenue	242,339	187,280	224,804	346,998	54.4%	122,194
Total	\$ 3,108,005	\$ 2,859,993	\$ 3,124,062	\$ 3,081,278	-1.4%	\$ (42,784)

Willow Creek will receive additional compensatory aid. The site specific levy is for the lease levy on the portable. Willow Creek receives a larger amount in Title I than any other site. This is because Willow

Creek must receive additional revenue that other sites don't for School Choice and Supplemental Education because of their AYP status.

The following graph illustrates the proportionate value of the revenue received on behalf of this site. State aid continues to account for the majority of the funding we receive to support our instructional program. Simply stated, our State provides the majority of revenue for our educational costs. This level of support rose significantly as a result of the decision by the legislature in 2002 to provide property tax relief by shifting approximately \$450 per pupil of local referendum levy into the state general education formula. The net result was a 'zero' increase in school aids, but a reduction in local property taxes related to school funding. This reduction is now being eroded as districts are continuing to propose excess levy referendums via local elections and the State is shifting the cost back to the property tax owners.

2010-11 Willow Creek Revenue Budget



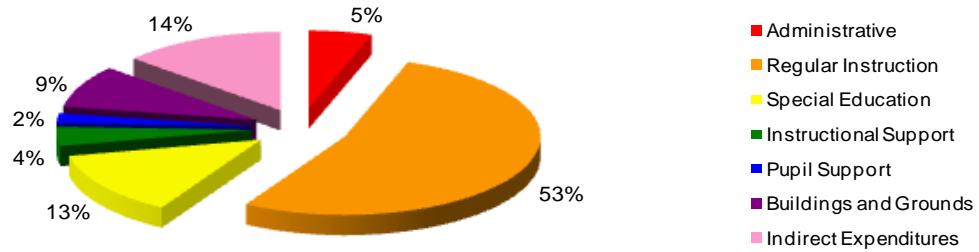
Expenditures are projected to decrease by 3.9%. The largest decrease will be in the area of buildings and grounds. Willow Creek had some deferred maintenance projects to be completed in 2009-10, where there are no projects planned for 2010-11. Special education decreased due to the RTI program not happening. Then, instructional support has a decrease due to a Willow Creek spending their prior year staff development carryover funds in 2009-10.

Willow Creek Expenditures

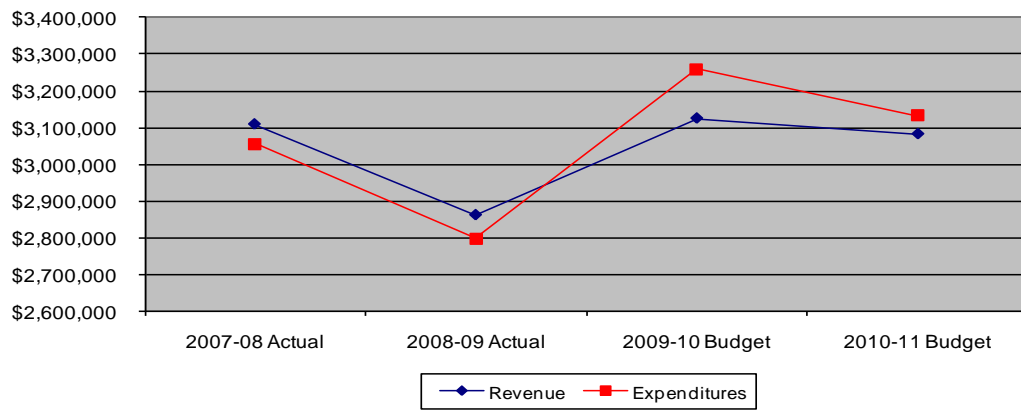
Description	2007-08 Actual	2008-09 Actual	2009-10 Budget	2010-11 Budget	Change %	Change Amount
Administrative	\$ 169,748	\$ 192,684	\$ 153,114	\$ 163,916	7.1%	\$ 10,802
Regular Instruction	1,390,183	1,393,770	1,672,945	1,666,286	-0.4%	(6,659)
Special Education	519,472	401,928	435,866	414,964	-4.8%	(20,902)
Instructional Support	90,262	113,765	151,697	123,746	-18.4%	(27,951)
Pupil Support	143,847	40,542	69,274	63,663	-8.1%	(5,611)
Buildings and Grounds	378,916	286,846	324,229	275,878	-14.9%	(48,351)
Indirect Expenditures	362,122	367,611	452,220	423,552	-6.3%	(28,668)
Total	\$ 3,054,550	\$ 2,797,146	\$ 3,259,345	\$ 3,132,005	-3.9%	\$ (127,340)

Graphically, Willow Creek’s expenditure budget is depicted in the chart below. Regular instruction, special education, instructional support, and pupil support comprise approximately 72% of the total budget. This is consistent with the budget allocations of our other elementary schools.

2010-11 Willow Creek Expenditure Budget



The total amount of revenue allocated per pupil at Willow Creek totals \$8,719. The total expenditures per pupil are \$8,862. This relationship over the past three years is shown in the following graph.



Owatonna Junior High School will be home to approximately 700 7th and 8th grade students and over eighty-five (85) staff for the 10-11 school year. The building demographics reflect a free and reduced population of approximately 30%, an LEP population of approximately 6%, and a special education population of 10%. All OJHS students are placed on interdisciplinary teams consisting of four core academic content areas. The teaming concept is the foundation of school life for OJHS learners. It is hoped that each student will make a personal connection with at least one adult in the building who will know them well. A variety of support services are in place to assist at-risk learners.

The 2009-2010 school year marked the implementation of several curriculum initiatives designed to provide additional targeted support for OJHS students. One of the program changes was the implementation of a math intervention support class entitled, Voyageur Math. 100 OJHS students participated in the math intervention program. In addition, a Read 180 Reading Intervention Program was implemented in December where 48 students participated in the program. OJHS offered for the first time, a pre-AP Geometry program for 8th grade students who have been on an accelerated math program. OJHS completed a two year partnership in the University of Minnesota Team-Up Grant aimed at providing training in best practices for ELL learners in the content areas. The Team-Up PLC completed a two year action plan addressing student needs through a concentrated staff development effort.

A number of programming revisions occurred in an effort to contain overall costs. *The Spanish and Family and Consumer Science programs were reduced along with the elimination of all elective course offerings.* These changes resulted in OJHS staff being creative and flexible in program delivery and learner support. Exploratory offerings moved from a quarter schedule to a trimester schedule. All courses previously implemented on a semester long basis were revised to an alternating A/B six week learning block rotation for the entire school year.

A number of curriculum initiatives will continue for the 2010-11 school year: The Voyageur Math program will move into its second year with 100 students receiving additional time and support on identified math strands as delivered through this program. The Read 180 program will increase to approximately 70 students. OJHS staff will be participating in a variety of professional learning community opportunities as a part of staff development initiatives for the upcoming year. As a part of increasing opportunities for student engagement, 20 Smartboards are being installed. Each of the core academic classes will be home to a Smartboard and all other classrooms will have an LCD projector as a part of technology access.

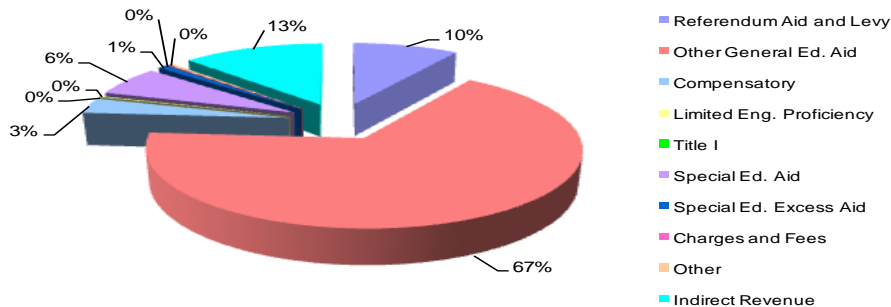
Owatonna Junior High's Economic Outlook

The general education aid per pupil remained at \$5,124 from 2008-09 to 2009-10. The District has projected a 0% increase in this amount for 2010-11. The District receives a 'weighted' value for each student. Grades 7-12 are weighted at 1.30. This increase in the weighted value is intended to represent additional costs needed to instruct our older students in subject areas such as industrial technology, science, and family consumer science. For 2010-11, there is a 4.4% reduction being projected in the overall revenue allocation. The Junior High will see a decrease in the referendum and general education aid. This is due to the change in the number of students attending the Junior High. They are projected to see a decrease of approximately 24 students. OJHS will see a slight increase in compensatory revenue.

OJHS Revenues						
Description	2007-08 Actual	2008-09 Actual	2009-10 Budget	2010-11 Budget	Change %	Change Amount
Referendum Aid and Levy	\$ 640,525	\$ 653,309	\$ 638,369	\$ 616,269	-3.5%	\$ (22,100)
Other General Ed. Aid	4,908,204	5,138,234	4,906,343	4,355,516	-11.2%	(550,827)
Compensatory	146,945	144,331	195,847	215,719	10.1%	19,872
Limited Eng. Proficiency	20,415	14,303	13,825	13,792	-0.2%	(33)
Title I	98,072	4,614	-	-	0.0%	-
Special Ed. Aid	316,942	437,279	446,329	418,234	-6.3%	(28,095)
Special Ed. Excess Aid	36,512	49,369	54,363	52,697	-3.1%	(1,666)
Charges and Fees	3,478	4,015	4,536	6,000	32.3%	1,464
Other	30,533	65,302	21,147	25,496	20.6%	4,349
Indirect Revenue	560,964	495,793	550,630	826,079	50.0%	275,449
Total	\$ 6,762,590	\$ 7,006,549	\$ 6,831,389	\$ 6,529,802	-4.4%	\$ (301,587)

Graphically, the proportion of revenue coming to the Junior High next year is shown in the following graph. Due to the relatively small amount of special funding available for its programs, general education aid represents the largest portion of revenue. Also, as in the case of all other buildings, our local excess levy referendum generates approximately 10% of the revenue used to support our junior high programs. While the current operating referendum will be in place through FY '13, if it were not in place, we would face a 10% reduction in programs and services.

2010-11 OJHS Revenue Budget



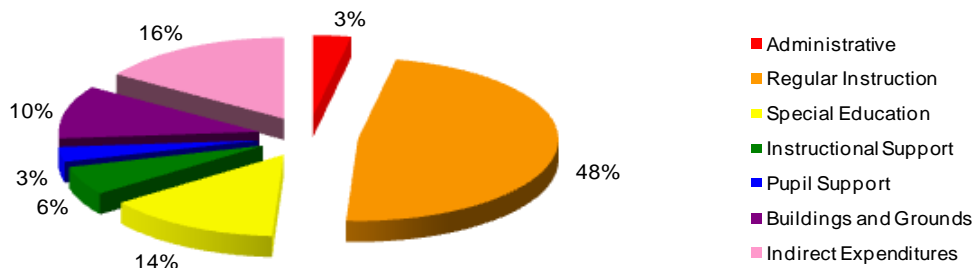
The table below shows how the revenue is allocated across the various expenditure categories. There is an anticipated decrease of .4%. Indirect expenditures are the largest decrease which relates to the decrease in students at the site. Buildings and grounds will have an offsetting increase. This is due to a large health and safety project planned.

OJHS Expenditures

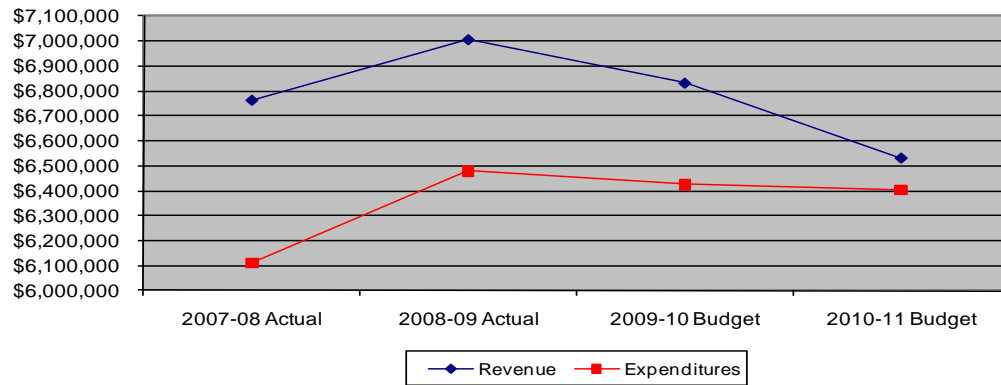
Description	2007-08 Actual	2008-09 Actual	2009-10 Budget	2010-11 Budget	Change %	Change Amount
Administrative	\$ 182,461	\$ 211,236	\$ 196,945	\$ 196,736	-0.1%	\$ (209)
Regular Instruction	3,076,763	3,302,075	3,042,058	3,064,470	0.7%	22,412
Special Education	648,212	869,202	932,891	901,779	-3.3%	(31,112)
Instructional Support	288,259	408,910	381,107	367,735	-3.5%	(13,372)
Pupil Support	397,780	155,436	172,669	187,710	8.7%	15,041
Buildings and Grounds	678,433	559,095	593,037	675,936	14.0%	82,899
Indirect Expenditures	838,235	973,189	1,107,660	1,008,328	-9.0%	(99,332)
Total	\$ 6,110,143	\$ 6,479,143	\$ 6,426,367	\$ 6,402,694	-0.4%	\$ (23,673)

The graph below shows the proportionate allocation of revenues across the various expenditure categories. Administrative costs remain below the 5% level. Regular instruction, special education, instructional support, and pupil support total approximately 71% of the operating budget.

2010-11 OJHS Expenditure Budget



The total amount of revenue allocated per pupil at Owatonna Junior High School totals \$9,519. The total expenditures per pupil are \$9,333. This relationship over the past three years is shown in the following graph.



CHAPTER FIVE - SECONDARY SCHOOL REPORT

The Owatonna School District has one high school serving students in grades nine through twelve. In order to more effectively meet the needs of a diverse student population, the high school is supported by the Alternative Learning Center and the ACTIONS program. Each of these school programs operate learning centers designed to meet the different learning styles of students who are considered to be 'at-risk' of successfully completing high school.

Owatonna Senior High School offers a comprehensive and rigorous program within the core areas of mathematics, science, English/language arts and social studies. In addition, the school provides a wide-range of elective offerings within the disciplines of agriculture, family and consumer science, business, foreign languages, technical arts, the visual arts, music, health, physical education as well as opportunities to connect these fields with various careers through our career development classes and our “Top Team” program. Furthermore, OHS provides opportunities for those students who choose to accelerate their education by providing 19 different Advanced Placement courses and twelve college-level courses.

Other programs exist as well for students with special needs (special education and ESL – English as a Second Language) and other classes involving online learning. At present, OHS’s almost 1600 students represent a wide variety of ethnicities: 87% Caucasian, 6% Hispanic, 5% African-American, 2% Asian and 1% Native American descent. Approximately 10% of our students receive special education services and 21% receive assistance through our free and reduced lunch. Our average daily attendance rate is just over 96% and almost 97% of our students leave with a high school diploma.

Our high school consists of 139 staff members, 81 of whom are classroom teachers, four guidance counselors, one social worker, and three principals, along with several other professional support staff. Seventy-three percent of our professional staff hold a Masters degree and over 77 percent of our teachers have ten or more years of experience. Most importantly, 100 percent of our teachers are “highly qualified” according to the federal guidelines of No Child Left Behind.

Led by our site team, Owatonna High School’s students and staff are committed to improving the quality of our school by using continuous improvement practices. We have an extremely active student council in addition to a committee of department chairmen and women who, in concert with our site team, seek to place our school on the cutting edge of educational progress resulting in ever increasing student achievement. Our progress is measured by our student successes: Over the past five years we have had five National Merit Finalists, six semi-finalists and several more “commended” students. Annually, we send our graduates to the three major national service academies – the Naval Academy at Annapolis, the Military Academy at West Point and the Air Force Academy at Colorado Springs. In addition, over the past ten years we have had the top National Honor Society student in the State of Minnesota, four times. In recent years, our student council president was also the President of the State Association of Student Councils and last year our president was the Vice-President of that same association. Furthermore, our students regularly provide leadership in state and national student organizations such as the Distributive Education Clubs of America (DECA), FFA (Future Farmers of America) and BPA (Business Professionals of America). Our Concert Band two years ago was recognized as one of the best within the state by being invited to be one of the performing groups at the Minnesota Music Educators Convention. Our Concert Choir was the featured choir at the Dorian Music Festival at Luther College last year and at the winter music festival at Concordia College, Moorhead, this past winter. At the recent Section One Solo and Ensemble contest, our students took 10 of 17 “Best in Site” awards amongst the schools of our size within this part of the State.

We are proud of the success of our “Ninth Grade Academy”, a “school within a school”, for approximately one-third of our entering ninth grade students. Working with these ninth graders are two teacher teams consisting each of a social studies, English, science and special education teacher, who together as a team seek to provide both academic and study skills to our potentially “at-risk” students. The efforts of these teachers has resulted in the failure rate of our 9th grade being cut in half. Some of these same teachers are also involved in “looping”, another strategic effort whereby these same students will have the same teacher for both 9th and 10th grade English and social studies in an effort to provide some much needed follow through and “connections” as they continue beyond the ninth grade. Another strategy that was implemented this past year involved our English as a Second Language (ESL) teachers. They have been working alongside some of our science, English and social studies teachers in a “teaming” role, all in an effort to raise the achievement of our English language learners, several of whom are relatively recent arrivals to our country. Also recently, one of our science teachers was named Minnesota Science Teacher of the Year. And the previous year, a similar honor was bestowed on one of our math instructors. This past year, another of our math teachers was been named a “finalist” as the State Teacher of the Year.

Progress has been and will continue to be made in other areas within our school this coming year. Our school is in its third year of implementing Professional Learning Communities, involving over 80 teachers, studying a variety of topics including: Best practices in math, science, English, special education, programming for English language learners, and more! This coming year, many of these PLCs will be spending even more time examining additional best practices in teaching within their particular areas of expertise.

This past year, our mathematics department completed the transition away from the “Core Math” program to one that is more “traditional” in nature and also more aligned with the Minnesota Comprehensive Exam. The continuing increase in number of students taking courses in mathematics these past years has resulted in our need to hire additional mathematics instructors. We will also be entering year four in our effort to provide pre-engineering courses for interested students as part of the Project: Lead the Way program, part of our Technical Education Department. In addition, we will add a Project: Lead the Way program in Agriculture, a program one of our agriculture teachers has been directly involved in developing on the national level. Overall, our high school faculty represent some of the best teachers from around our state!

Owatonna High School’s Economic Outlook

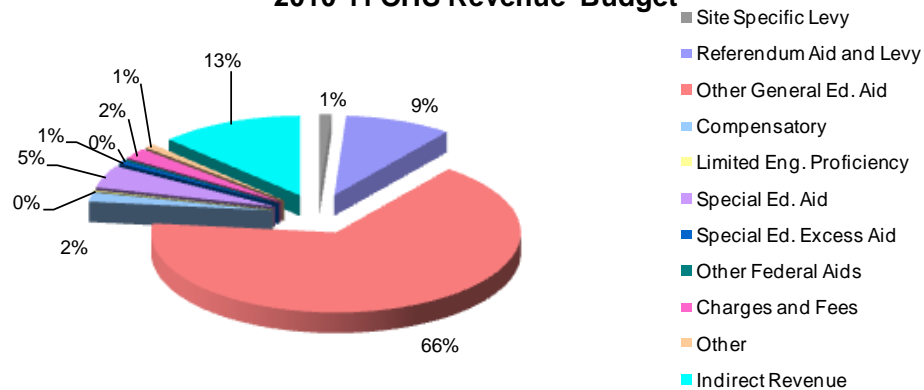
Revenue from the state’s general education aid formula is calculated at a rate of 1.30 of the basic student count times \$5,124. The revenue for the High School will be increased by approximately .3%. OHS will see an increase in compensatory aid of about \$87,000. This is a large increase based on the prior three year history.

OHS Revenues

Description	2007-08	2008-09	2009-10	2010-11	Change %	Change Amount
	Actual	Actual	Budget	Budget		
Site Specific Levy	\$ 143,572	\$ 147,395	\$ 154,849	\$ 155,349	0.3%	\$ 500
Referendum Aid and Levy	1,404,016	1,401,905	1,399,093	1,414,455	1.1%	15,362
Other General Ed. Aid	10,758,674	11,025,904	10,753,081	9,996,734	-7.0%	(756,347)
Compensatory	174,247	189,019	191,750	279,244	45.6%	87,494
Limited Eng. Proficiency	32,740	28,665	27,650	27,584	-0.2%	(66)
Special Ed. Aid	485,220	625,190	690,898	690,714	0.0%	(184)
Special Ed. Excess Aid	55,897	70,584	84,151	87,030	3.4%	2,879
Other Federal Aids	33,503	20,779	37,721	37,721	0.0%	-
Charges and Fees	334,496	355,118	351,467	335,107	-4.7%	(16,360)
Other	151,998	229,374	119,599	138,052	15.4%	18,453
Indirect Revenue	1,229,620	1,063,901	1,206,799	1,896,008	57.1%	689,209
Total	\$14,803,983	\$15,157,834	\$15,017,058	\$15,057,998	0.3%	\$ 40,940

A graphic illustration of the projected revenues in the High School is shown in the following chart. Approximately 66% of the total revenue of the High School is derived from the general education aid formula. This percent is relatively large when compared to some of our other school sites. This is due to the ‘weighting’ factor of 1.30 given to secondary students. It should also be noted that 1% of the revenue is attributed to a ‘site specific levy.’ This levy covers the costs associated with the District’s utilization of community assets, such as the Four Seasons and Gymnastics center.

2010-11 OHS Revenue Budget

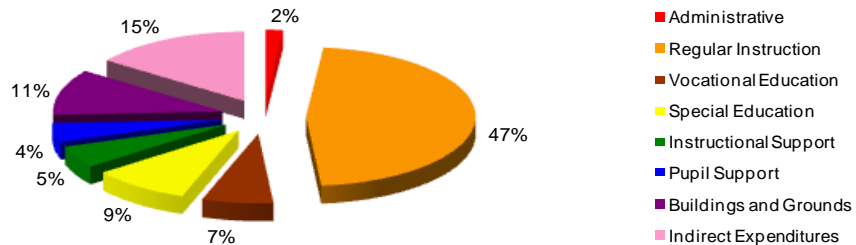


The OHS expenditure budget represents the largest site budget in the District. For the 2010-11 school year, the projected increase in expenditures will be 5.3%. Every area, except administration and indirect expenditures, is showing an increase. The largest areas of increase are regular instruction and buildings and grounds. Regular instruction increased mostly due to the new Options Program being implemented. There were costs reallocated from other areas to OHS for curriculum and technology for the program. Also, the three Options Program research teachers put on special assignment in 2009-10 are returning to OHS. They had been replaced with younger staff. In addition, the increase in compensatory funds will create additional expenditures. Buildings and grounds is increasing due to amounts budgeted to replace the boiler at OHS. Also, there are deferred maintenance funds being allocated to OHS for the Options Program.

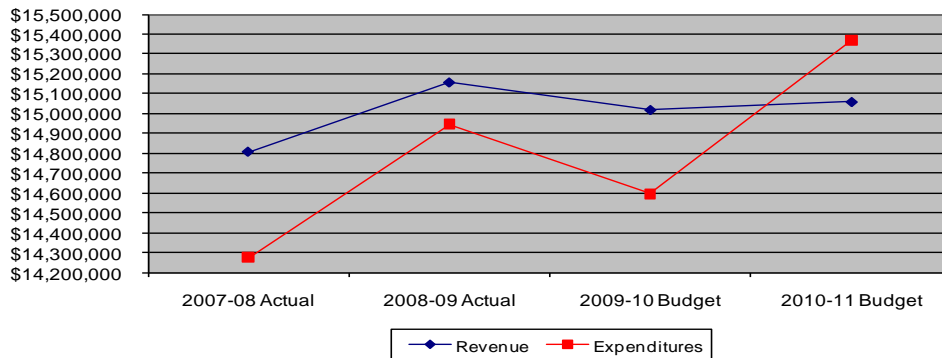
OHS Expenditures						
Description	2007-08 Actual	2008-09 Actual	2009-10 Budget	2010-11 Budget	Change %	Change Amount
Administrative	\$ 279,031	\$ 329,646	\$ 254,195	\$ 253,107	-0.4%	\$ (1,088)
Regular Instruction	6,819,494	7,010,486	6,770,782	7,210,681	6.5%	439,899
Vocational Education	1,097,477	1,068,017	971,070	1,043,635	7.5%	72,565
Special Education	1,007,931	1,302,094	1,425,129	1,431,988	0.5%	6,859
Instructional Support	819,247	924,237	767,287	789,606	2.9%	22,319
Pupil Support	1,021,362	696,520	639,284	674,609	5.5%	35,325
Buildings and Grounds	1,393,899	1,526,740	1,339,693	1,649,128	23.1%	309,435
Indirect Expenditures	1,837,393	2,088,322	2,427,625	2,314,304	-4.7%	(113,321)
Total	\$14,275,834	\$14,946,062	\$14,595,065	\$15,367,058	5.3%	\$ 771,993

Shown graphically, a relatively large portion of the overall expenditure budget has been dedicated to indirect services (15%). These services include the school's share, based on pupil units, of expenditures for the school board, superintendent, district support staff including directors, staff development expenditures, and indirect buildings and grounds costs. The total percent of the budget dedicated to various instructional programs (regular, vocational, special education, instructional support, and pupil support) approaches 72%.

2010-11 OHS Expenditure Budget



The total revenue per pupil allocated to the senior high school is \$9,564 while the total expenditure is \$9,760. This comparison is shown in the graph below for the past three years.



The **Owatonna Alternative Learning Center** is made up of several programs including the Vine Street Day program, an afternoon program, and the OJHS Studio. Summer school, targeted services, and extended day programs are also made available through the Alternative Learning Center. During the 2009-2010 school year we provided educational services to 171 ALC students at Vine Street, 429 students during K-12 summer school, and 468 students during extended day K-8. The percentage of ALC students served at Vine Street who were eligible to participate in free and reduced lunch was 65%. About 30% of our students are Hispanic and 6.5% Black, and 64% White. During the 2009-2010 school year we plan to graduate 21 at risk students, who would not have graduated without our services. This year we have struggled to maintain our attendance rate and anticipate a significant drop in this area.

The Owatonna Alternative School's programs serve at-risk students in our District who meet the graduation incentives criteria set up by the state of Minnesota. The programs sponsored by the ALC provided a range of educational opportunities including math, language arts, and social skill instruction for students in grades 7-8, a complete selection of courses needed for graduation for students in grades 9-12, credit recovery for students in grades 9-12 who need to repeat failed classes, summer school classes for students in grades 7-12, and district access to Targeted Services. To meet the needs of our at-risk population our day program includes work experience and job skills, character education, parenting classes, service learning, and daily access to a social worker.

The Owatonna ALC continues to receive support from the ISD761 Foundation to support its MAAP Stars program. This is a student leadership organization for students in secondary alternative programs and it stands for Success, Teamwork, Achievement, and Recognition. Because of this grant our program was able to encourage student's participation in state wide activities including competing in the Spring Events Conference where our Teams received Gold, Silver, and Blue ribbons while competing in events ranging from public speaking to job interviews and team decision making. We also had funds to support our students in Homecoming, Snow Week, Yearbook, Spring Olympics, and a variety of student led activities.

Our science teacher applied for and received an Education Minnesota grant to improve our Electrathon car during the 2009-2010 school year. This has encouraged our students to use problem solving skills, science and technical expertise to develop and improve the battery efficiency of their electric car. This is a very innovative project that brings the classroom into the real world.

Our program has continued to participate in many service learning projects and has received recognition in the community for our efforts. Some of these projects include Lighting of the Lights, Downtown Cleanup, Elderly Assistance, and Toys for Tots. We also had several students represented in a state Art and Literary magazine called the Alchemist which is published by the state MAAP organization. One of our senior students will receive a scholarship from the Morning Rotary and 1 more student will receive a scholarship from the Kiwanis.

As we look forward to the next school year we have made several adjustments in our programming. First, we are planning to blend our online learning options with direct instruction as a way to improve student success and provide greater flexibility while meeting more individual needs. Many of our classrooms will have more than one learning option and using online curriculum some will have multiple content options as well. We are exploring additional math interventions for our students and hope to have more interventions available for our students in the fall. We have full implementation of READ 180 and continue with collecting reading data using reading probes and maze testing. We have a data PLC and use this time to evaluate Math and Reading data and plan intervention for students who are not making academic progress.

Alternative Learning Center (ALC) Economic Outlook

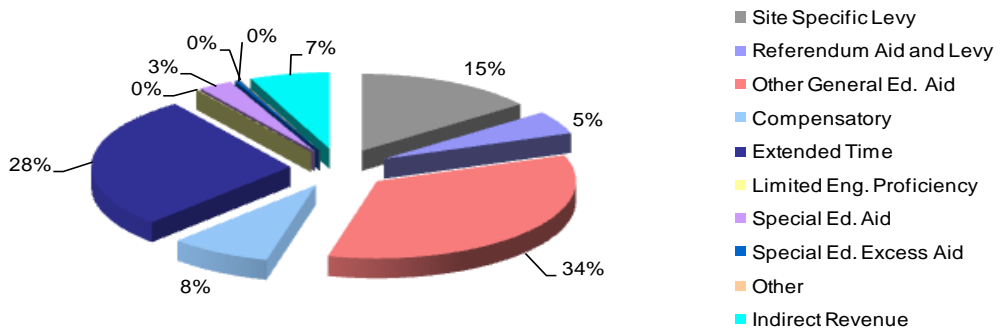
Revenue sources for the Alternative Learning Center (ALC) works differently than for our 'regular' education program sites. While the school receives the same funding per pupil as OJHS and OHS (\$5,124 times 1.30), ALC funding is based upon membership hours and average daily enrollment. This level of accounting requires a high degree of record keeping. Also, the revenues are based on a formula that is separate from the regular revenue calculation for the other sites. General education aid is calculated based on the actual formula at 90% of what is allowed to be applied to area learning centers. About one-half of the ALC students are "extended time" students that receive a lower per pupil funding rate of \$4,601

versus \$5,124 for regular time pupil units. The ALC moved into a new space in 2009-10 that is leased. The District decided to lease levy for the space and the amount will be received by the District in 2010-11. This is the revenue identified as the site specific levy. The ALC, like other sites, is seeing an increase in compensatory aid.

ALC Revenues						
Description	2007-08 Actual	2008-09 Actual	2009-10 Budget	2010-11 Budget	Change %	Change Amount
Site Specific Levy	\$ -	\$ -	\$ -	\$ 201,272	100.0%	\$ 201,272
Referendum Aid and Levy	82,498	79,327	59,689	66,875	12.0%	7,186
Other General Ed. Aid	632,167	623,899	458,751	472,645	3.0%	13,894
Compensatory	33,498	85,657	88,623	113,251	27.8%	24,628
Extended Time	539,237	433,552	388,324	383,861	-1.1%	(4,463)
Limited Eng. Proficiency	1,775	794	813	811	-0.2%	(2)
Special Ed. Aid	25,641	13,605	45,626	38,318	-16.0%	(7,308)
Special Ed. Excess Aid	2,954	1,536	5,557	4,828	-13.1%	(729)
Other	1,360	2,356	1,160	1,358	17.1%	198
Indirect Revenue	72,251	60,201	51,485	89,643	74.1%	38,158
Total	\$ 1,391,381	\$ 1,300,927	\$ 1,100,028	\$ 1,372,862	24.8%	\$ 272,834

From the graph below, it can be seen the ALC operates under fewer revenue sources. Extended time and general education aid are the two largest sources of income. This is approximately 62%.

2010-11 ALC Revenue Budget

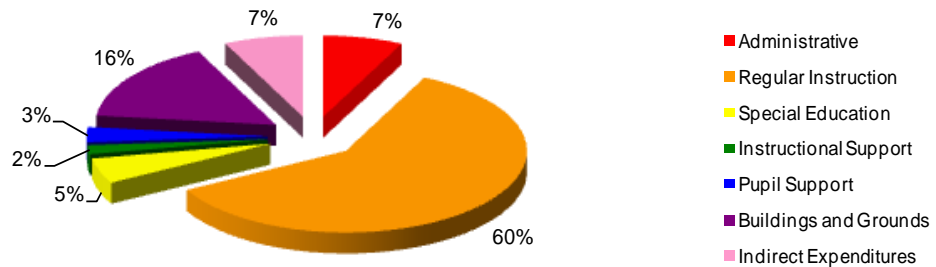


The following expenditure budget projects a decrease of 2.7% for the coming year. This decrease is primarily due to a decrease in regular instruction. There was additional operating capital allocated to ALC in 2009-10. Also, there was an additional supply budget allocated to ALC in 2009-10 relating to the move of the site from a District owned building to a leased building. Additional supplies were needed for the move. Buildings and grounds saw an increase in this year's budget due to the District being responsible for utilities and maintenance at the ALC. See the expenditure detail below.

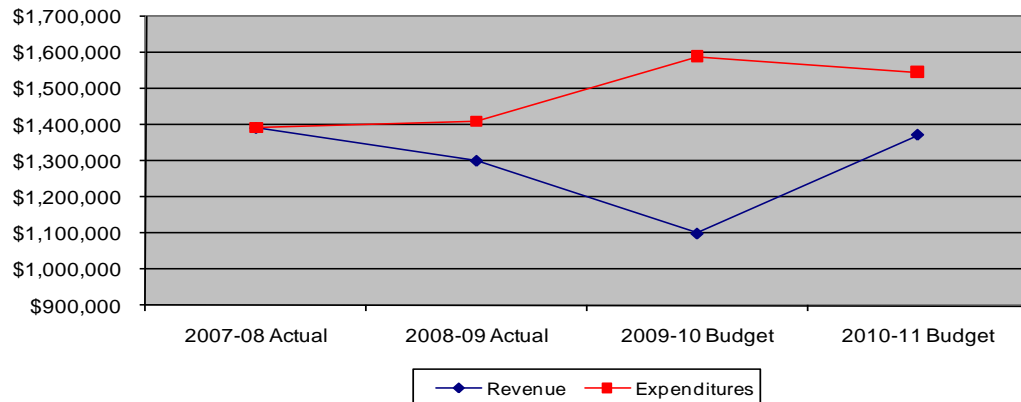
ALC Expenditures						
Description	2007-08 Actual	2008-09 Actual	2009-10 Budget	2010-11 Budget	Change %	Change Amount
Administrative	\$ 142,925	\$ 152,605	\$ 98,826	\$ 110,619	11.9%	\$ 11,793
Regular Instruction	989,342	1,046,160	1,004,291	926,531	-7.7%	(77,760)
Special Education	49,046	30,322	91,447	78,038	-14.7%	(13,409)
Instructional Support	14,113	13,191	23,709	27,659	16.7%	3,950
Pupil Support	90,500	50,366	48,011	45,884	-4.4%	(2,127)
Buildings and Grounds	-	-	220,485	248,839	12.9%	28,354
Indirect Expenditures	107,963	118,167	103,568	109,420	5.7%	5,852
Total	\$ 1,393,889	\$ 1,410,811	\$ 1,590,337	\$ 1,546,990	-2.7%	(43,347)

Based on the graph below, the ALC spends approximately 70% of the budget on regular instruction, special education, instructional support, and pupil support. Administrative costs seem higher than the other sites, but this is due to the lower total budget.

2010-11 ALC Expenditure Budget

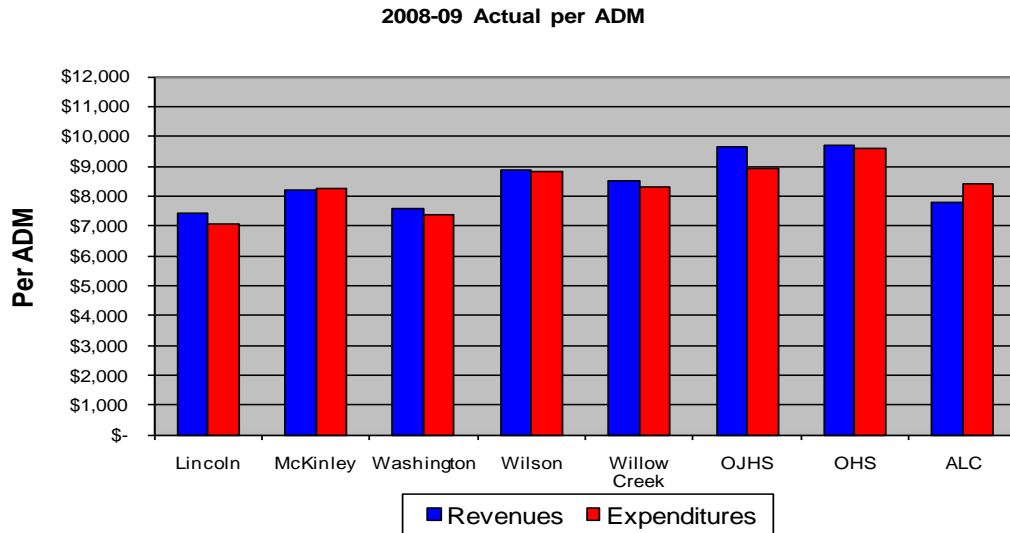


The total revenue per pupil allocated to the Alternative Learning Center is \$9,152 while the total expenditure per pupil is \$10,313. The relationship between revenues and expenditures over the last three years can be shown in the table below.

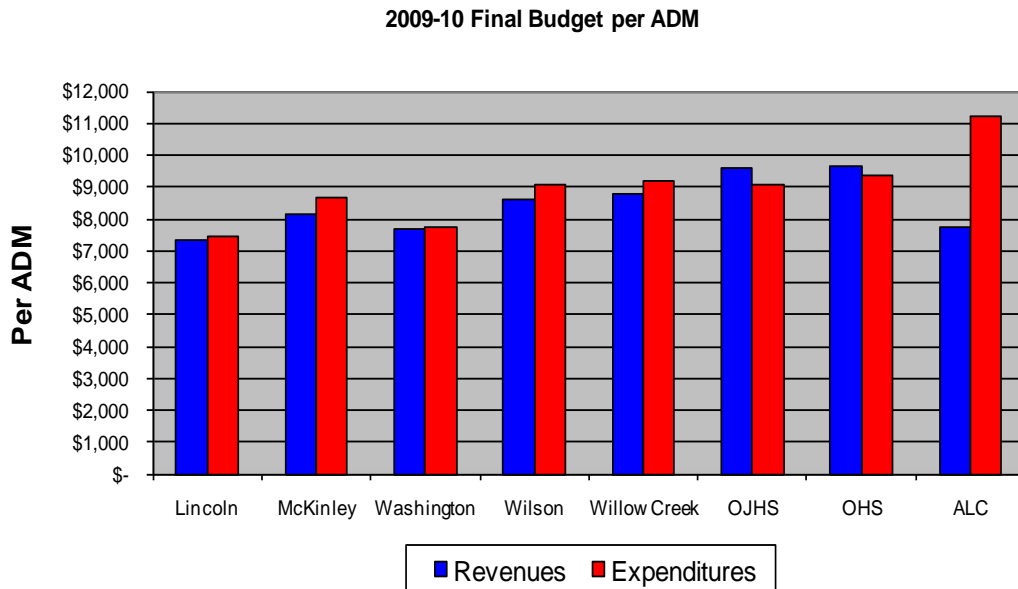


K-12 Summary Cost Comparison

When looking at each building site collectively, the comparison between revenues and expenditures per adjusted daily membership (ADM) in 2008-09 can be seen in the graph below. The 'gaps' represent a redistribution of revenue across the District in order to balance learning expectations, such as elementary class sizes and student needs.

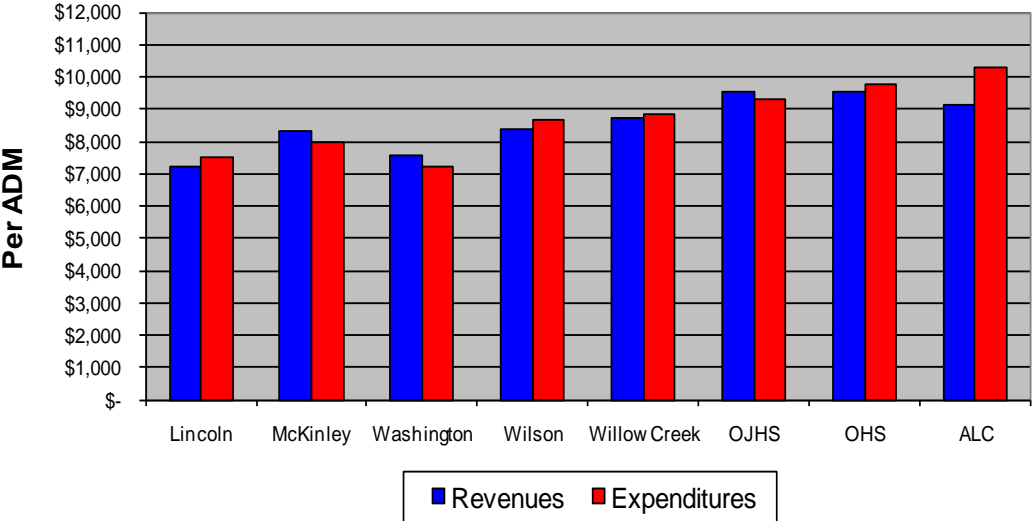


The graph below shows the same comparison between revenues and expenditures per ADM for 2009-10.



The graph below shows the same comparison as the above graphs between revenues and expenditures per ADM for 2010-11.

2010-11 Preliminary Budget per ADM



CHAPTER SIX - ACTIVITIES PROGRAM REPORT

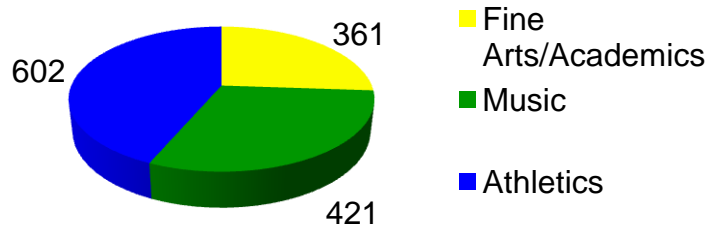
The Owatonna School District has an extensive array of activities designed to complement and enhance the learning experience for our senior high students. The tradition of excellence in arts and activities is one of the benchmarks against which our school district is measured.

Activities Overview

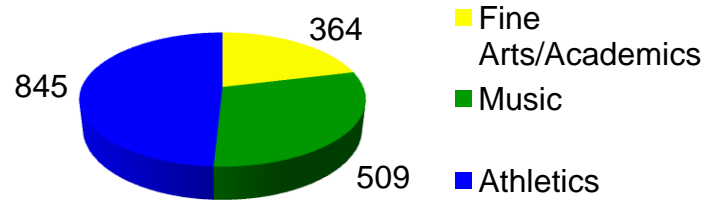
The breadth in curricular opportunities is important to our ability to provide a wide range of opportunities for students in Owatonna High School's extra-curricular program; helping them to cultivate and expand upon their personal growth and development. This past year, students could choose to participate in one or more of over seventy-five (75) activities in the areas of music, fine arts and athletics. While the success of these programs is measured by the quality of the experience, and their ability to help students learn more about themselves by challenging their physical, emotional and intellectual self, individual and team successes could also be found through the advancement of many students into regional and state level competitions.

The graphs below illustrate the number of students who chose to participate in our various extra-curricular programs. There is three years of history included. For each category, students are counted only once. However, if a student participated in both music and athletics that student would appear in both categories.

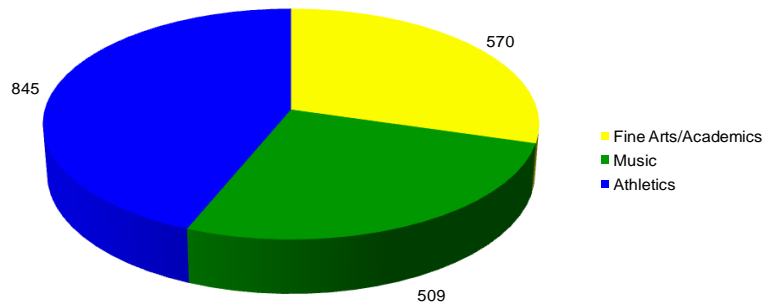
2007-08 Number of Students in Extra-Curricular Activities



2008-09 Number of Students in Extra-Curricular Activities



2009-10 Number of Students in Extra-Curricular Activities



OHS Activities Expenditure Budget

	2007-08 Actual	2008-09 Actual	2009-10 Budget	2010-11 Budget
Adaptive Athletics	13,046	11,423	10,458	10,502
<u>Boys Athletics</u>				
Baseball	24,794	25,090	21,973	21,521
Basketball *	37,313	37,695	40,745	41,349
Cross Country	9,579	10,634	10,260	10,474
Football *	50,802	57,646	57,495	58,747
Soccer	23,246	24,471	23,291	22,621
Golf	11,374	9,934	9,553	9,549
Hockey *	24,163	27,558	26,059	26,079
Swimming *	21,910	19,773	20,619	20,620
Tennis	9,407	10,628	9,379	9,375
Track	20,095	19,948	17,847	17,956
Wrestling *	35,637	34,579	27,354	27,376
Operating Capital	15,852	6,675	5,500	5,500
Total Boys Athletics	284,172	284,631	270,075	271,167
<u>Girls Athletics</u>				
Basketball *	35,295	33,402	38,765	39,444
Cross Country	9,330	9,877	10,289	10,399
Soccer	22,030	23,364	24,726	25,152
Golf	9,536	12,288	9,603	9,599
Hockey *	26,312	16,439	24,595	23,898
Swimming *	22,413	19,612	20,340	20,574
Tennis	10,908	10,208	9,944	9,940
Track	22,749	22,579	19,696	19,570
Softball	19,439	20,446	20,754	20,646
Gymnastics *	14,844	14,893	15,170	14,892
Volleyball *	31,871	27,135	25,064	25,412
Cheerleading	13,925	14,558	15,492	15,699
Operating Capital	37,617	12,023	1,500	1,500
Total Girls Athletics	276,269	236,824	235,938	236,725
<u>Activities</u>				
Extra-Curricular Publication	6,660	6,789	7,791	5,493
Link Crew	1,772	2,151	1,803	1,802
Magnet (Newspaper)	14,479	18,406	18,978	18,975
Photography	2,825	2,258	-	-
Yearbook	6,279	5,990	6,178	5,925
Speech	11,850	11,165	8,199	8,197
Drama *	24,922	29,697	23,822	23,815
Other	15,315	17,922	15,093	15,088
Total Activities	84,102	94,378	81,864	79,295
<u>Other</u>				
Auditorium Management	13,017	1,115	8,815	8,810
Athletic Training	8,795	8,517	9,050	9,050
Operating Capital	2,880	7,311	35,011	9,000
Activities Admin., Office Support, Etc.	234,431	272,865	200,846	201,520
Total Other	259,123	289,808	253,722	228,380
TOTAL ACTIVITIES BUDGET	916,712	917,064	852,057	826,069

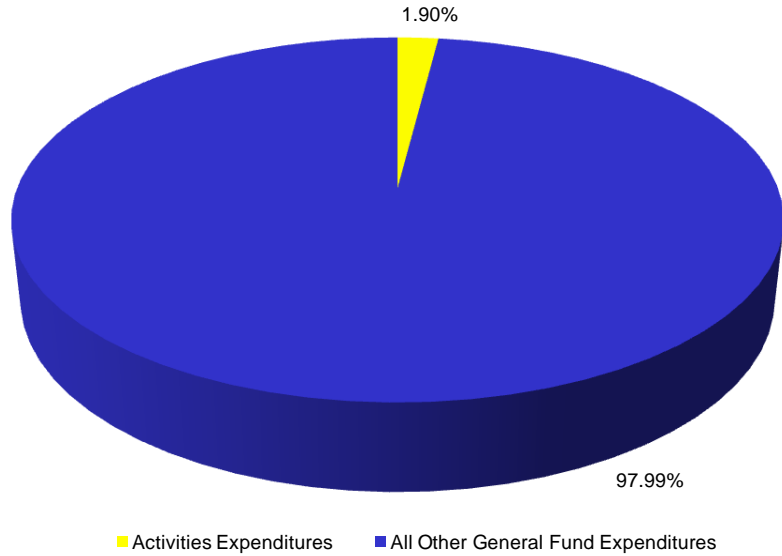
* Revenue generating activities

Note: Lacrosse is not included because of being reimbursed 100%.

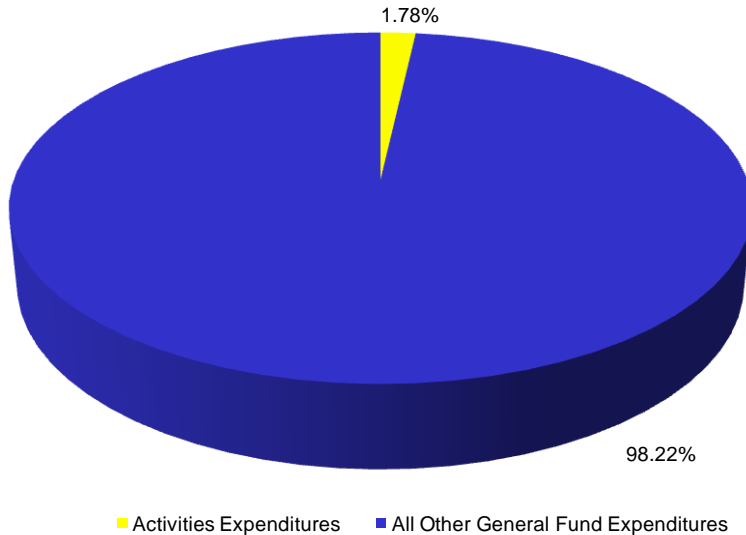
The projected decrease in the budget for next year is due to a decrease in operating capital. A new PA system at OHS was purchased in 2009-10 with operating capital funds. Also, there may be changes in particular activities relating to the allocation in the budget per activity and the change in coding parameters.

The activities expenditure budget was approximately \$852,000 for the 2009-10 school year and is projected to be \$826,000 for the 2010-11 school year. The graphs below illustrate the size of these budgets when compared to the total general fund budget. Information has been provided for three years. The activities budget does not reflect funds from revenue.

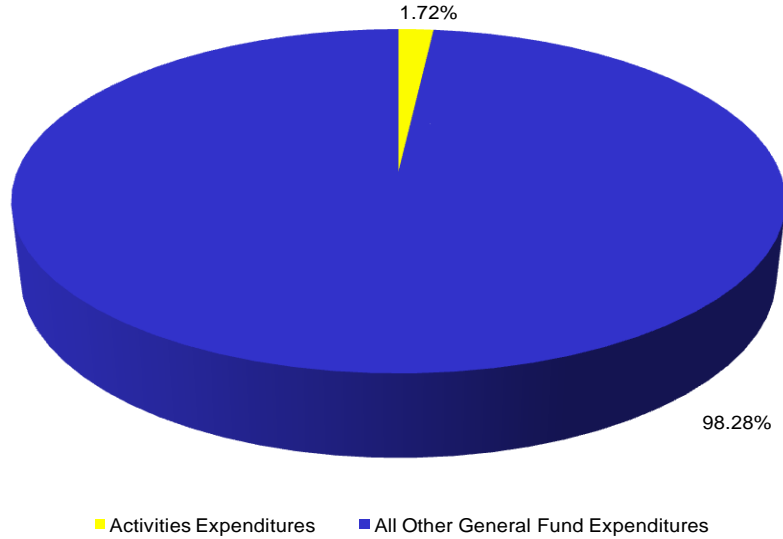
2008-09 Actual Activities/General Fund Comparison



2009-10 Budgeted Activities/General Fund Comparison



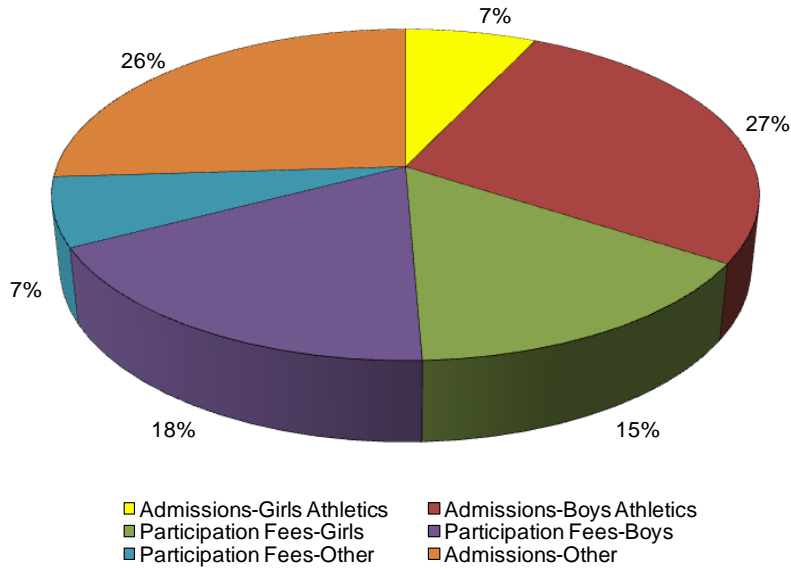
2010-11 Budgeted Activities/General Fund Comparison



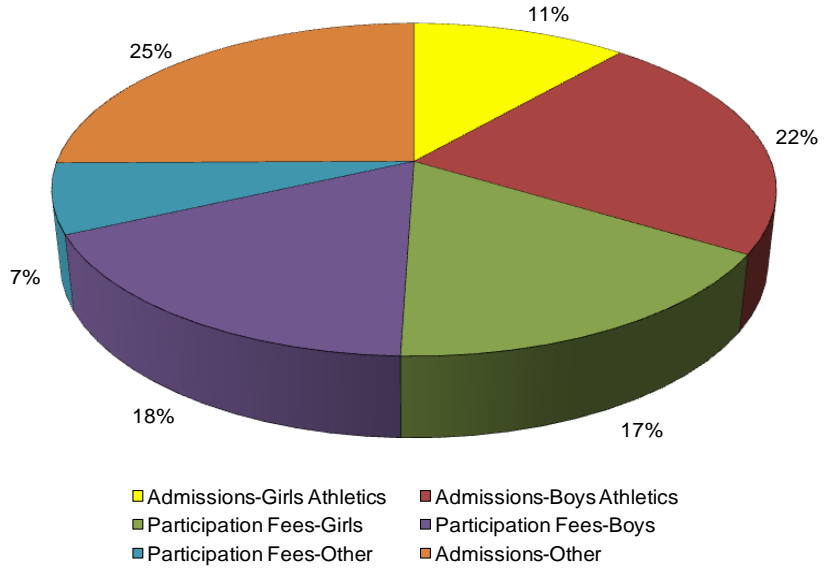
These costs in relation to the overall budget have remained fairly consistent over the past several years and are projected to remain with little change in the upcoming year.

The impact of the activities program on the budget reduces slightly when considering the revenue that is generated from various sources. Various fee increases occurred in 2008-09 and 2009-10. A breakout of those sources is shown in the graphs below.

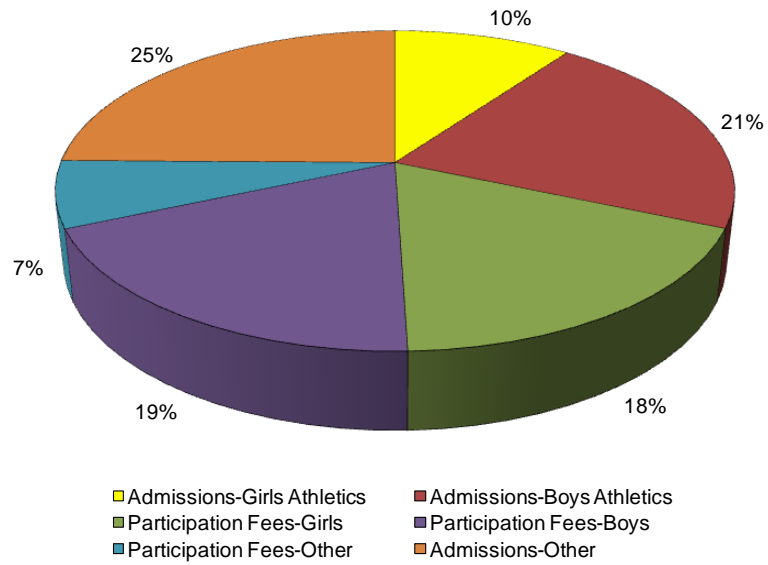
2008-09 Actual Activities Revenue Sources



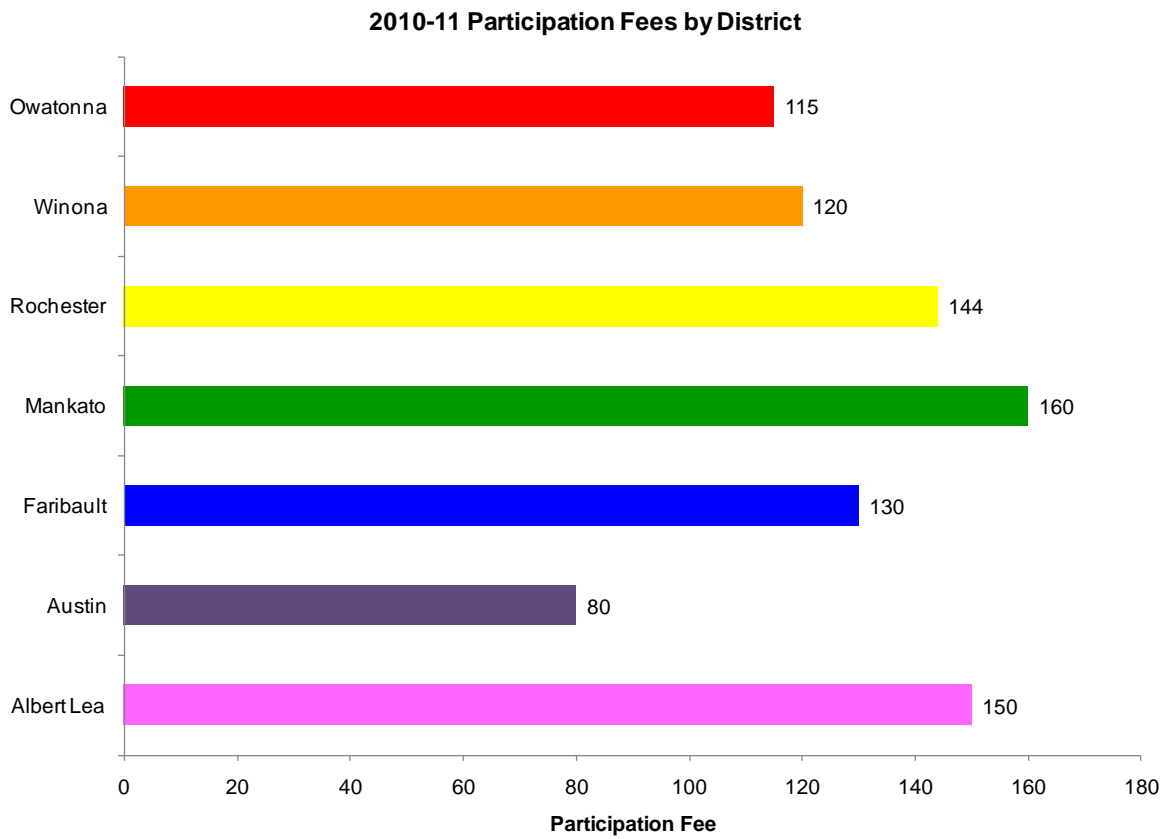
2009-10 Budgeted Activities Revenue Sources



2010-11 Budgeted Activities Revenue Sources



While student fees have remained relatively stable over the past several years, they continue to serve as one of the primary sources of income for the program (approximately 44%). The chart below shows participation fees across the Big 9.



CHAPTER SEVEN - SPECIAL SERVICES & SPECIAL EDUCATION REPORT

The Owatonna School District serves hundreds of students who have special needs in support of their learning. Some of the programs and services that are provided are done so through the collaborative efforts of local agencies.

Special Services programs are designed to meet the specific educational needs that extend beyond the general education classroom. These include: Special Education and related services, English Language Learner programs, Title I programs, Safe and Drug Free Schools programs, School Social Worker, Psychologist, Targeted Services and Extended School Year programs. These programs follow specific Minnesota State Rules and Federal Laws and are designed to supplement the general educational programs for our students. Owatonna Public Schools embed these programs within the various school sites, and students are served within the same educational environment as their peers when possible.

As we move forward with implementation of the No Child Left Behind initiative with the goal of 2012 approaching, Special Services staff continue to work on accountability measures. Data collection, review and analysis have traditionally been a large part of the work of special services staff members. Higher levels of accountability have led to increased discussions about identification and programming for students based on their individual needs.

The Owatonna Public Schools continued to implement the Alternative Delivery of Specialized Instructional Services program, which allowed each site to provide Response to Intervention services to identified students in Kindergarten through 10th grade. This program was made possible by an award from MDE. We provide response to intervention instruction in the areas of reading, mathematics, and behavior. As a part of this project, the Owatonna schools contribute data to MDE on the impact of RTI on academic and behavioral progress of students, the level of satisfaction of teachers, parents/guardians, pupils, and community advocates, and the effect of the program on the number of referrals for special education, federal Title I and other compensatory programs. We also provide a cost per student for this program. Preliminary results indicate that RTI has reduced the number of referrals to special education.

Attempts are made to find a balance for Special education workloads. The Assessment Team process insures that our building special education teachers are able to work directly with student instruction. The Assessment Team members conduct all special education assessments. Elementary case load targets are 1:16. Intermediate Case Load targets are 1:19, and Secondary Case Load targets are 1:21.

Concerted attention and effort was directed toward meeting Due Process requirements as mandated by Minnesota Rule 3525. The Minnesota Department of Education (MDE) conducted a Due Process monitoring of our District in the spring of 2009 and submitted a report to the District in the fall. The report cited several areas that the District was required to address. The Special Education staff members have been diligent in correcting the errors.

There has been a tremendous growth in the number of students being served in our Birth to 2 and 3-5 years old programs. This increase is due, in part, to legislative mandates for earlier identification as well as increased awareness in the community of services available to students.

In the coming year, Special Services will continue to review the A-Team's effectiveness, explore options for our higher need students, and continue to improve our staff member's skills to address students' unique educational needs.

Owatonna continues to be a leader in capturing third party billing revenues for eligible services received by medically related special education students. Capturing these revenues allows for the district to offset the local cost of special education services allowing for additional general fund dollars for the sites.

Owatonna will continue to provide special education director services to Medford and the Recovery School during the 2010-2011 school year. This collaboration will provide for efficiencies within all three programs. Related services staff such as psychologists, teacher of the Deaf and Hard of Hearing, and Vision Impaired, will also work between the three districts.

Special Services staff members work directly with students, and also provide important consultative services to their general education colleagues. Our highly skilled staff are committed to assisting all students in meeting their educational goals.

Special Services Economic Outlook

The special services area includes English Language Learner (ELL) programs, Title federal grants, and Targeted Services (after school and summer programming). The special services budget generates revenues from a variety of federal and state sources. The table below illustrates the sources of revenue for the special services programs.

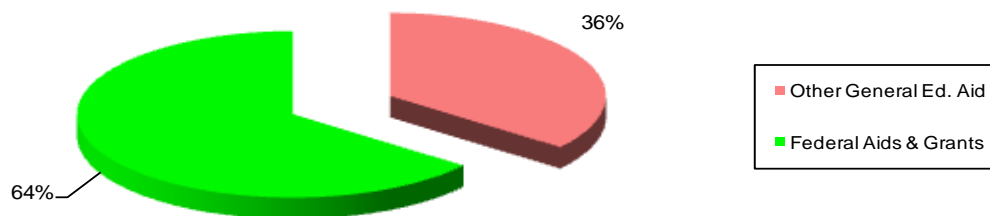
Special Services Revenues by Source

Source	Description	2007-08 Actual	2008-09 Actual	2009-10 Budget	2010-11 Budget	Change %	Change Amount
099	Miscellaneous	\$ 51,509	\$ -	\$ -	\$ -	0.0%	\$ -
211	Other General Ed. Aid	472,256	399,382	386,119	462,214	19.7%	76,095
400	Federal Aids & Grants	646,839	588,741	862,077	838,025	-2.8%	(24,052)
Special Services Totals		\$ 1,170,604	\$ 988,123	\$ 1,248,196	\$ 1,300,239	4.2%	\$ 52,043

In the above table, the general education aid includes State funding for the ELL programs and Targeted Services. Other general education aid increased due to recoding a Targeted Services program to Special Services. The decrease in federal aids and grants is due to the loss of the Safe and Drug Free Schools Grant and changes in the amount awarded for the Title programs.

The funding categories are shown in the following graph.

2010-11 Special Services Revenue



From this graph, it is evident that the largest portion of revenue received for our special services programs comes from federal grants. The total federal grants received in special services have remained fairly constant, except for the increase in funds from ARRA. The ARRA funds were received in 2009-10. The District decided to split the ARRA funds to be used over two years. The remaining revenue is from the general education aid.

Below is the breakdown of expenditures for the special services programs by program.

Special Services Expenditures by Program

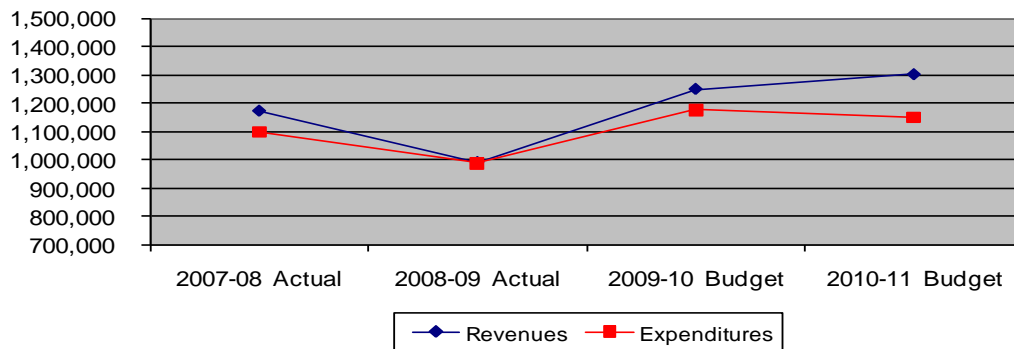
Program	Description	2007-08 Actual	2008-09 Actual	2009-10 Budget	2010-11 Budget	Change %	Change Amount
201	Elem Ed - Kindergarten	\$ -	\$ 257	\$ 12,134	\$ 12,150	0.0%	\$ 16
203	Elem Ed Grades 1-6	217,763	217,845	97,335	94,651	-2.8%	(2,684)
204	Title II, Part A	131,914	140,546	199,785	199,788	0.0%	3
205	Title III, Part A	53,506	32,436	67,542	48,144	-28.7%	(19,398)
206	Title IV	20,351	21,469	12,695	-	-100.0%	(12,695)
207	Title V	16,146	-	-	-	0.0%	-
210	Title II, Part D	2,330	-	-	-	0.0%	-
211	Secondary Ed. - General	1,485	417	-	-	0.0%	-
216	Title I	422,062	394,821	582,055	590,093	1.4%	8,038
219	Limited Eng. Proficiency	231,847	178,963	203,309	202,887	-0.2%	(422)
Special Services Total		\$ 1,097,404	\$ 986,754	\$ 1,174,855	\$ 1,147,713	-2.3%	\$ (27,142)

Based on the above, Title I is the largest expenditure program in special services. This accounts for over 50% of the budget. This program increased due to the additional funds received from ARRA that the District planned to spend in 2009-10 and 2010-11. The other large programs are Title II, Part A and the ELL or Limited English Proficiency programs. The ELL or Limited English Proficiency program revenue is based on the number of students we receive funding. Not all ELL students generate revenue.

Below is a table and graph showing the increases and decreases in revenues and expenditures. Any 'gap' where expenditures is greater than revenues represents the amount of additional funding that must be 'transferred' from the general fund into the special services area in order to continue to provide the level of programs and services currently in place. The Targeted Services summer school programming is the primary reason for revenue to be greater than expenditures in 2010-11.

	2007-08 Actual	2008-09 Actual	2009-10 Budget	2010-11 Budget
Revenues	1,170,604	988,123	1,248,196	1,300,239
Expenditures	1,097,404	986,754	1,174,855	1,147,713

Special Services Revenue and Expenditure Comparison



Special Education Economic Outlook

The special education budget includes those revenues and expenditures directly related to special education programs, like speech, visually impaired, emotional/behavioral disorder, and autism. The special education budget generates revenues from a variety of federal, state, and local sources. The expenditure table illustrates the sources of revenue for the special education programs.

Special Education Revenues by Source

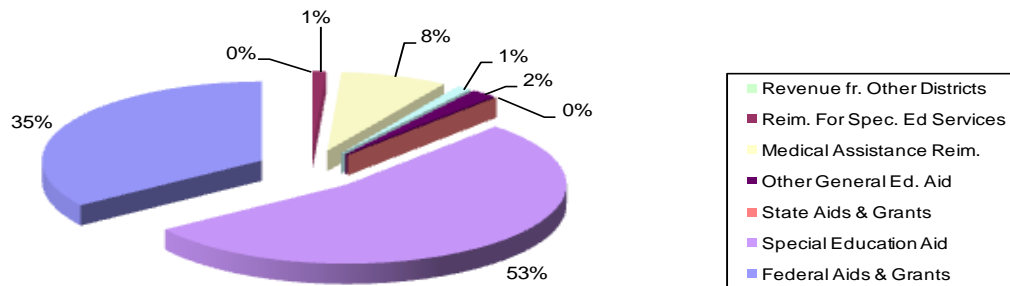
Source	Description	2007-08 Actual	2008-09 Actual	2009-10 Budget	2010-11 Budget	Change %	Change Amount
021	Revenue fr. Other Districts	\$ 22,059	\$ 27,014	\$ -	\$ -		\$ -
022	Reim. For Spec. Ed Services	-	23,953	169,946	65,072	-61.7%	(104,874)
071	Medical Assistance Reim.	262,255	524,862	500,000	500,000	0.0%	-
099	Miscellaneous	103,648	49,000	107,800	67,600	-37.3%	(40,200)
211	Other General Ed. Aid	90,115	89,234	89,852	118,911	32.3%	29,059
300	State Aids & Grants	45	-	-	-	0.0%	-
360	Special Education Aid	2,937,215	3,710,052	3,500,825	3,394,702	-3.0%	(106,123)
400	Federal Aids & Grants	1,166,053	1,451,412	1,988,210	2,193,505	10.3%	205,295
Special Education Totals		\$ 4,581,390	\$ 5,875,527	\$ 6,356,633	\$ 6,339,790	-0.26%	\$ (16,843)

The reimbursement for special education services is expecting a decrease because additional amounts were invoiced to other districts in 2009-10 for work completed in 2008-09. Therefore, 2009-10 includes two years of invoices. Miscellaneous revenue in the above table includes revenue from the county for the Actions program and social workers. Miscellaneous revenue decreased due to the decreased funding being provided to the District from the county through the Local Collaborative. Special education aid decreased due to the Alternative Delivery award from the State for the RTI program is not expected for 2010-11. Also, federal aids and grants increased due to an anticipated increase in the use of federal funds remaining. The District entered into an agreement with Medford in 2009-10 to be the fiscal

host for their federal special education funds. This year's budget includes the amount Medford will spend directly on their federal grants that flow through the District.

The funding categories are shown in the following graph.

2010-11 Special Education Revenue



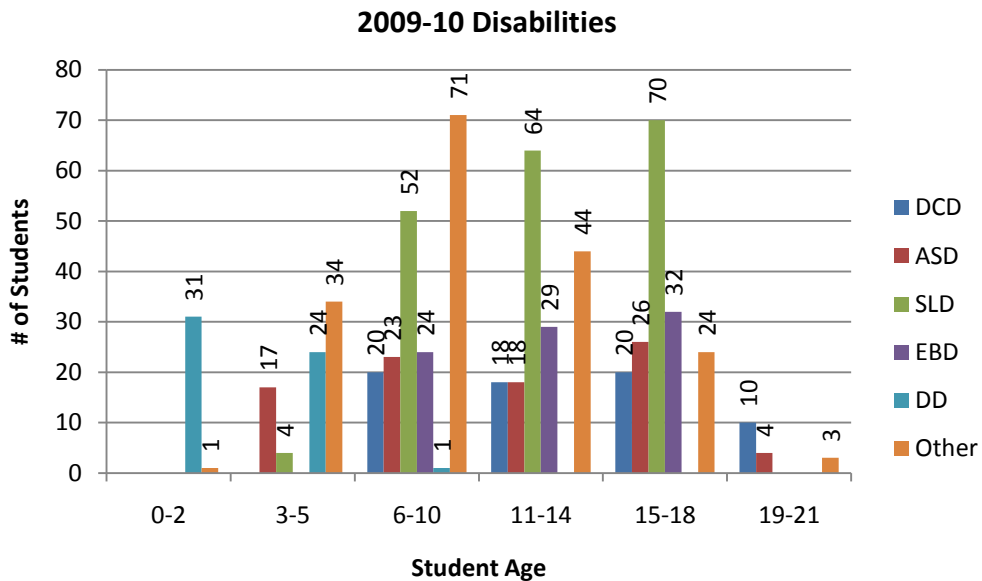
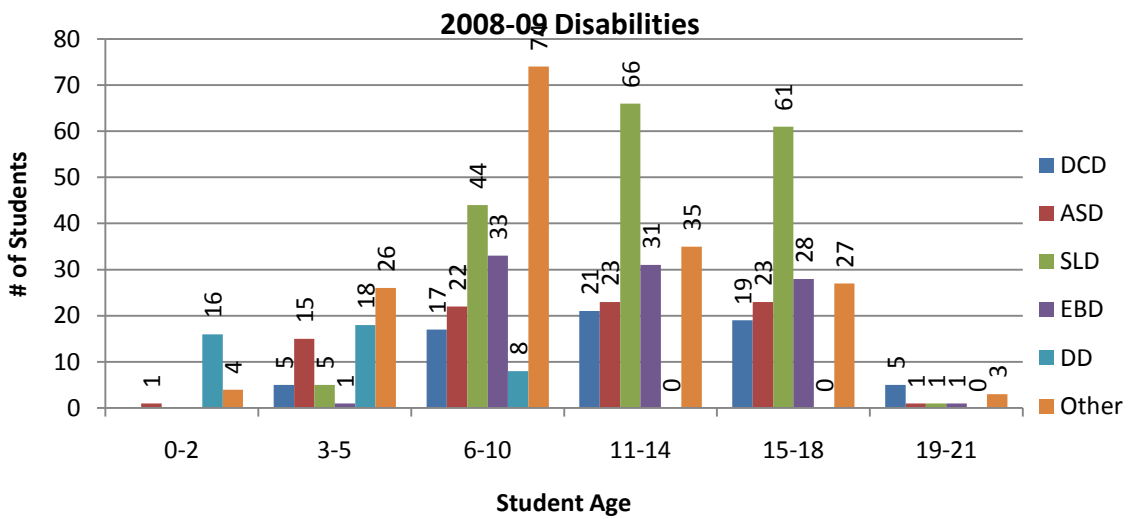
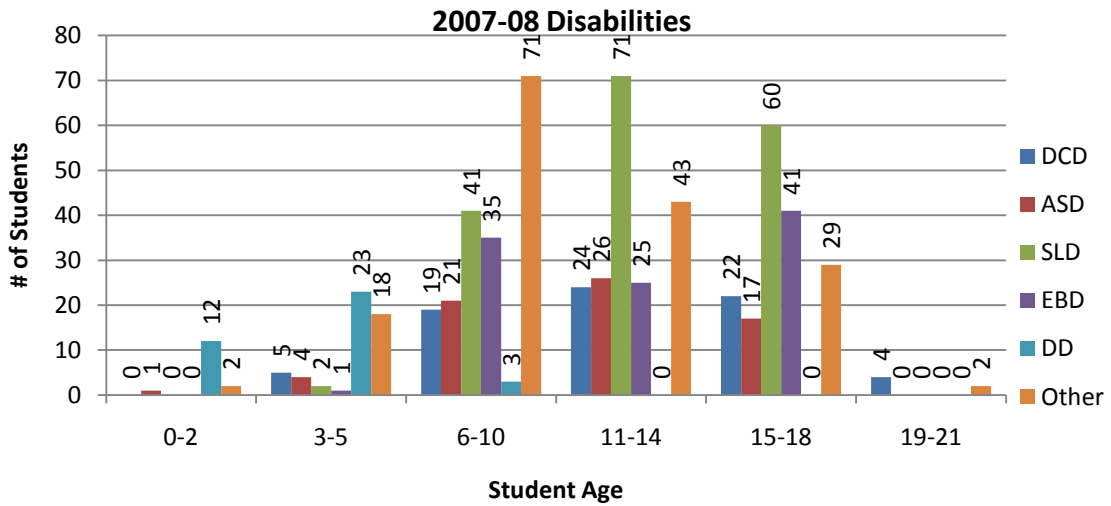
From this graph, it is evident that the largest portion of revenue received for our special education program comes from the state reimbursement formula. Currently, the State provides reimbursement for up to 68% of all expenditures related to teacher and support staff compensation. However, the costs for fringe benefits are not allowable expenditures upon which to claim reimbursement. Also, the State will reimburse for 52% of contracts, 47% of supplies and equipment, plus 100% of special education transportation expenditures. Then, these can further be decreased by a statewide adjustment factor and/or proration factor.

Below is a breakout of the expenditures across various disability categories. It can be readily seen that the single largest expenditure for special education services is in the area of Special Education General. Included within this category are the students who have multiple disabilities or those supplies that can be used for all disabilities. Other programs with large expenditure budgets are the Emotional/Behavioral Disorders program and Specific Learning Disability program.

Special Education Expenditures by Program

Program	Description	2007-08 Actual	2008-09 Actual	2009-10 Budget	2010-11 Budget	Change %	Change Amount
030	Instructional Administration	\$ 76,084	\$ 87,482	\$ 27,335	\$ 32,012	17.1%	\$ 4,677
203	Elementary Ed. - General	421	-	-	-	0.0%	-
211	Secondary Ed. - General	2,180	-	44,582	15,728	-64.7%	(28,854)
400	General Special Ed.	25,183	123,410	-	114,755	100.0%	114,755
401	Speech/Lang. Impaired	397,707	449,414	519,997	536,613	3.2%	16,616
402	Mild-Mod. Mentally Imp.	762,797	887,953	691,549	745,398	7.8%	53,849
403	Mod.-Severe Mentally Imp.	534,798	616,172	538,033	569,344	5.8%	31,311
404	Physically Impaired	318,230	282,630	343,813	353,088	2.7%	9,275
405	Deaf - Hard of Hearing	62,162	68,957	66,100	58,061	-12.2%	(8,039)
406	Visually Impaired	86,791	84,961	81,948	83,680	2.1%	1,732
407	Specific Learning Disability	1,057,852	942,297	1,072,093	1,121,493	4.6%	49,400
408	Emot/Behavioral Disorder	1,102,004	1,092,445	1,290,474	1,378,794	6.8%	88,320
409	Deaf - Blind	8,473	8,484	4,800	4,800	0.0%	-
410	Other Health Impaired	175,110	164,337	163,349	171,187	4.8%	7,838
411	Autism	650,306	471,091	596,416	681,481	14.3%	85,065
412	Early Childhood Spec. Ed.	388,444	366,957	561,537	618,815	10.2%	57,278
420	Special Education General	1,484,436	1,738,214	2,370,078	2,376,827	0.3%	6,749
422	Special Ed Students w/o Disabilities	39,221	300,063	655,895	90,000	-86.3%	(565,895)
740	Social Work Services	41,414	42,361	-	-	0.0%	-
760	Pupil Transportation	845,937	775,440	635,193	654,249	3.0%	19,056
810	Operations/Maintenance	6,941	3,662	7,861	3,300	-58.0%	(4,561)
850	Capital Facilities	105,396	105,396	47,000	47,000	0.0%	-
Special Education Totals		\$ 8,171,887	\$ 8,611,726	\$ 9,718,053	\$ 9,656,625	-0.6%	\$ (61,428)

A breakdown of the disabilities being served is shown in the following charts.



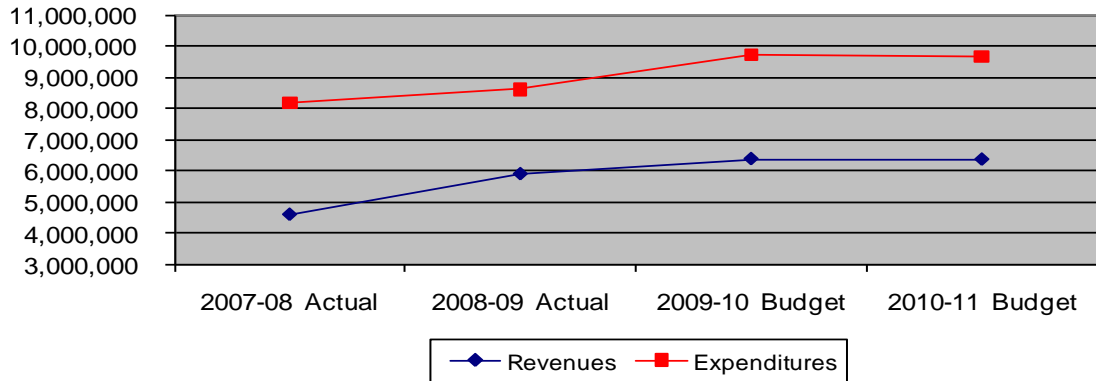
Overall, the special education budget is expected to decrease by .6%. The special education department will hire additional staff to cover increases in students in various programs. Also, part of the

increases by categories is for the relationship with Medford and reallocation of staff. Since special education teachers are often licensed in multiple areas, this will lead to changes within program codes to account for the needs of the students for the school year. The increase in General Special Ed is because of clarification by the State on how to code various items that are for special education purposes, but not eligible for special education reimbursement. The related decrease in special education students without disabilities is due to the Alternative Delivery program funds received by the State for the RTI program is not expected for 2010-11.

Below is a table and graph showing the increases and decreases in revenues and expenditures. The 'gap' between revenues and expenditures represents the amount of additional funding that must be 'transferred' from the general fund into the special education area in order to continue to provide the level of programs and services currently in place.

	<u>2007-08 Actual</u>	<u>2008-09 Actual</u>	<u>2009-10 Budget</u>	<u>2010-11 Budget</u>
Revenues	4,581,390	5,875,527	6,356,633	6,339,790
Expenditures	8,171,887	8,611,726	9,718,053	9,656,625

Special Education Revenue Expenditure Comparison



CHAPTER EIGHT – FOOD & NUTRITION AND COMMUNITY EDUCATION REPORT

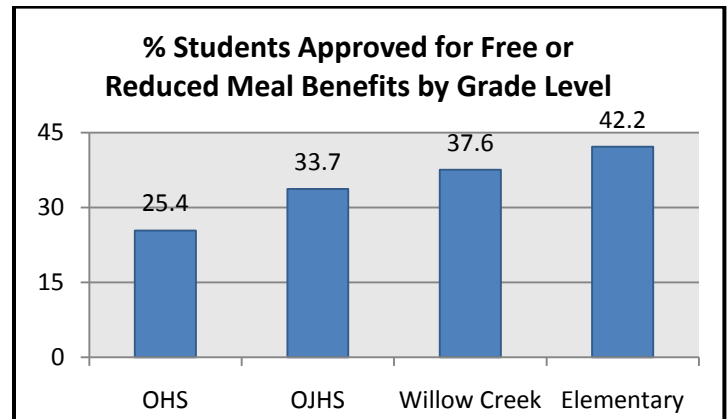
The Food and Nutrition Services Department provides nutritious school meals to the students and staff of Owatonna Public Schools. It also provides an interactive nutrition learning environment for our students. It is projected that the Food & Nutrition Services staff will have served over 566,812 student lunches, 9,251 adult lunches, and 246,276 student breakfasts – nearly 823,000 meals during the 2009-2010 school year.

The Food and Nutrition Services Department not only provides nutritious school meals to the students and staff of Owatonna Public Schools, it also provides an interactive nutrition learning environment for our students. The forty (40) department staff members that prepare and serve the meals reinforce what children learn in the classroom about health and nutrition in many different ways. The most effective method they use is personal interaction with each child by encouraging them to try new foods and to select fruits and vegetables on a daily basis. Owatonna Public Schools participates in the National School Lunch Program (NSLP) at nine of the school sites; the School Breakfast Program (SBP) at eight of the school sites; and the School Milk Program at the four elementary schools and Rose Street Center. Also, sales in excess of \$465,000 are projected to be collected in ala carte revenue during the 2009-10 school year.

An additional function that the Food and Nutrition Services Department is responsible for is the administration and approval process for the Application for Educational Benefits. The Application for Educational benefits not only provides the important benefit of providing nutritious meals to children in low-income households, it also is a statistic used by the Minnesota Department of Education (MDE) to calculate the amount of Compensatory earned by each school site. The higher the percentage of students approved to receive these benefits, the more Compensatory Revenue is received. Compensatory is used at each site to help improve student achievement. This year's statistics are as follows:

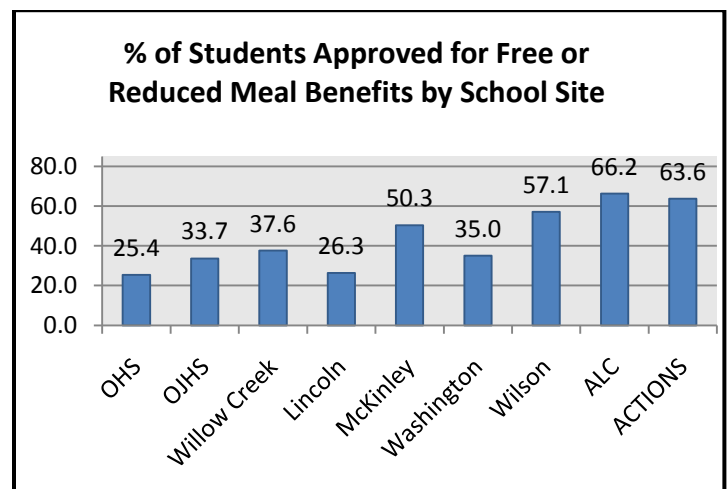
Free & Reduced Stats by Grade Level

OHS	25.4%
OJHS	33.7%
Willow Creek	37.6%
Elementary	42.2%



Free & Reduced Stats by School Site

OHS	25.4%
OJHS	33.7%
Willow Creek	37.6%
Lincoln Elementary	26.3%
McKinley Elementary	50.3%
Washington Elementary	35.0%
Wilson Elementary	57.1%
ALC	66.2%
Actions	63.6%

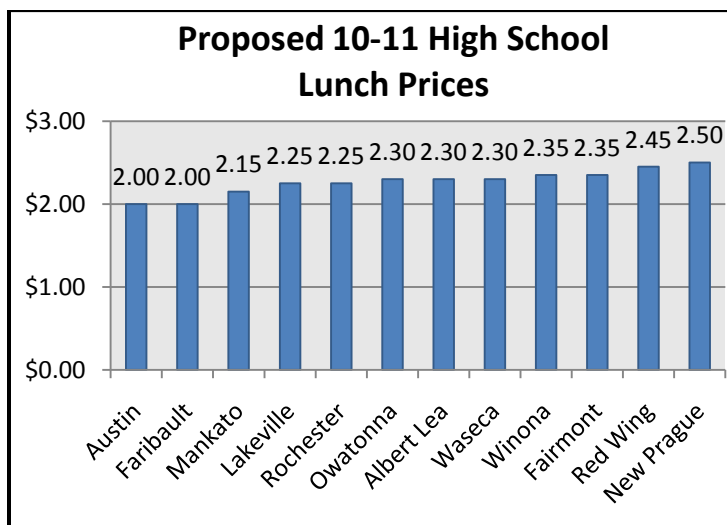
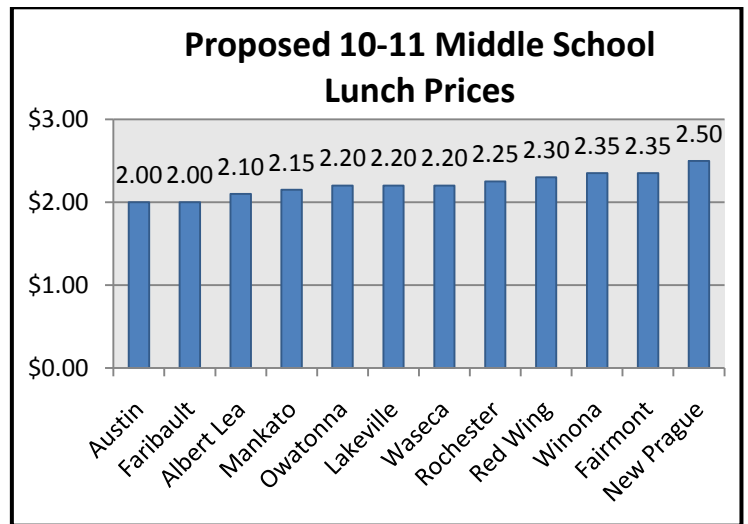
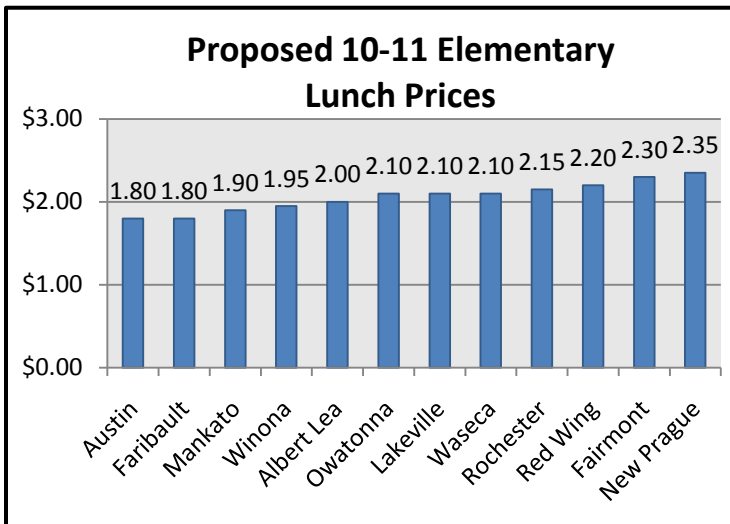


Historically, our ala carte program has financially supported the NSBP and NSLP program. Using a MDE District Financial Report from SY 07-08 (latest information available) a break-even pricing strategy would indicate that we should actually charge a minimum of ~\$2.49 per lunch. Because of our strong ala

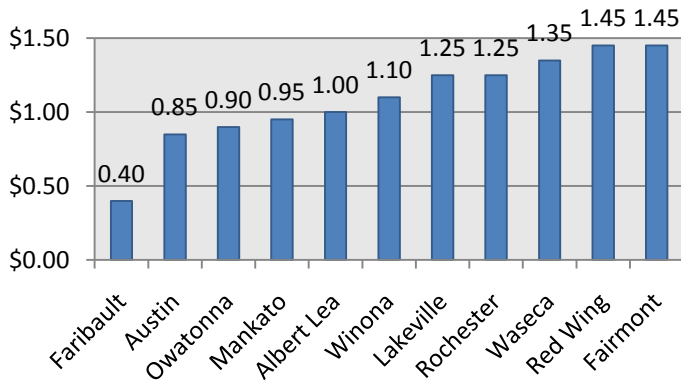
carte program, our operating excess from ala carte sales has supported our lunch and breakfast programs. However, ala carte program sales have decreased over the past year, likely due to changes in economic conditions in our community. The potential loss of ala carte revenue for the 2010-11 school year is unknown at this time.

The Food & Nutrition Services Department is recommending a 10¢ meal price increase for lunch and breakfast prices for the 2010-11 school year, based on the following factors:

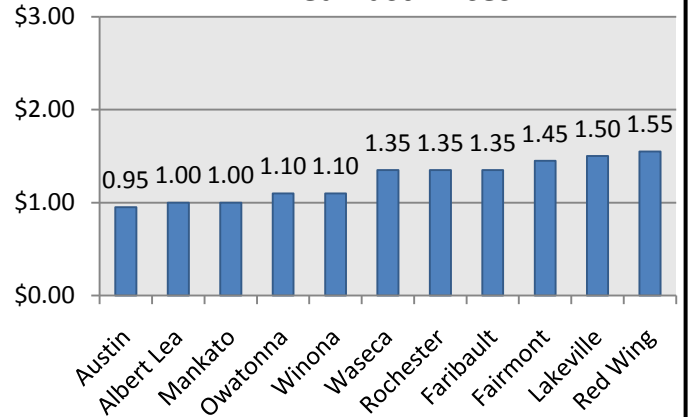
- To keep pace with the rising costs of food, milk, and supplies. Many food items critical to providing balanced, nutritious school meals, such as fresh fruits, vegetables, and whole grains are costly.
- To implement future revisions to USDA Child Nutrition Meal Program standards and requirements (such as increasing the amounts of fruits, vegetables, and whole grains that we must offer).
- It is best to make small incremental price increases because it has far less impact on family budgets than making large increases.
- To continue to move our meal programs forward, it will require capital improvements (replacement of kitchen equipment).
- Lunch and breakfast price comparisons show our prices to be similar to surrounding Districts (as depicted in the following charts).



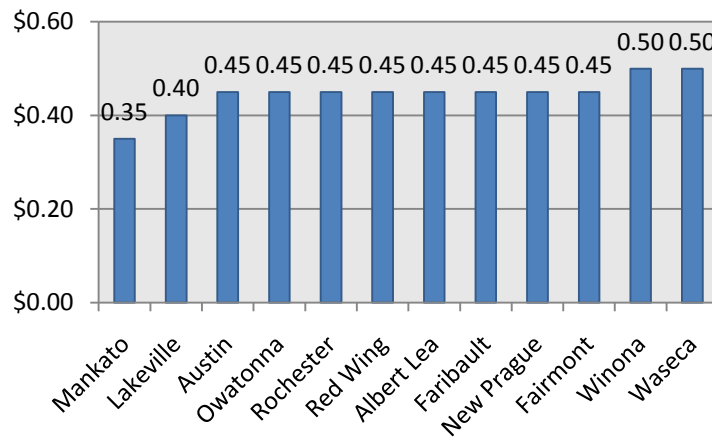
Proposed 10-11 Elementary Breakfast Prices



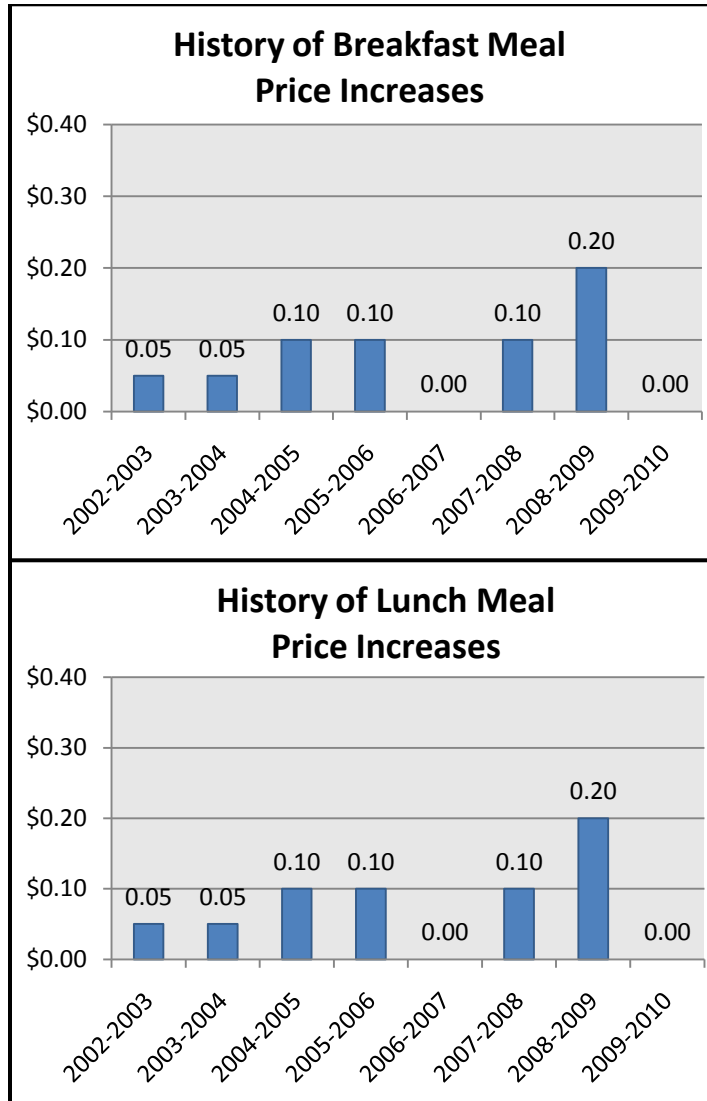
Proposed 10-11 Secondary School Breakfast Prices



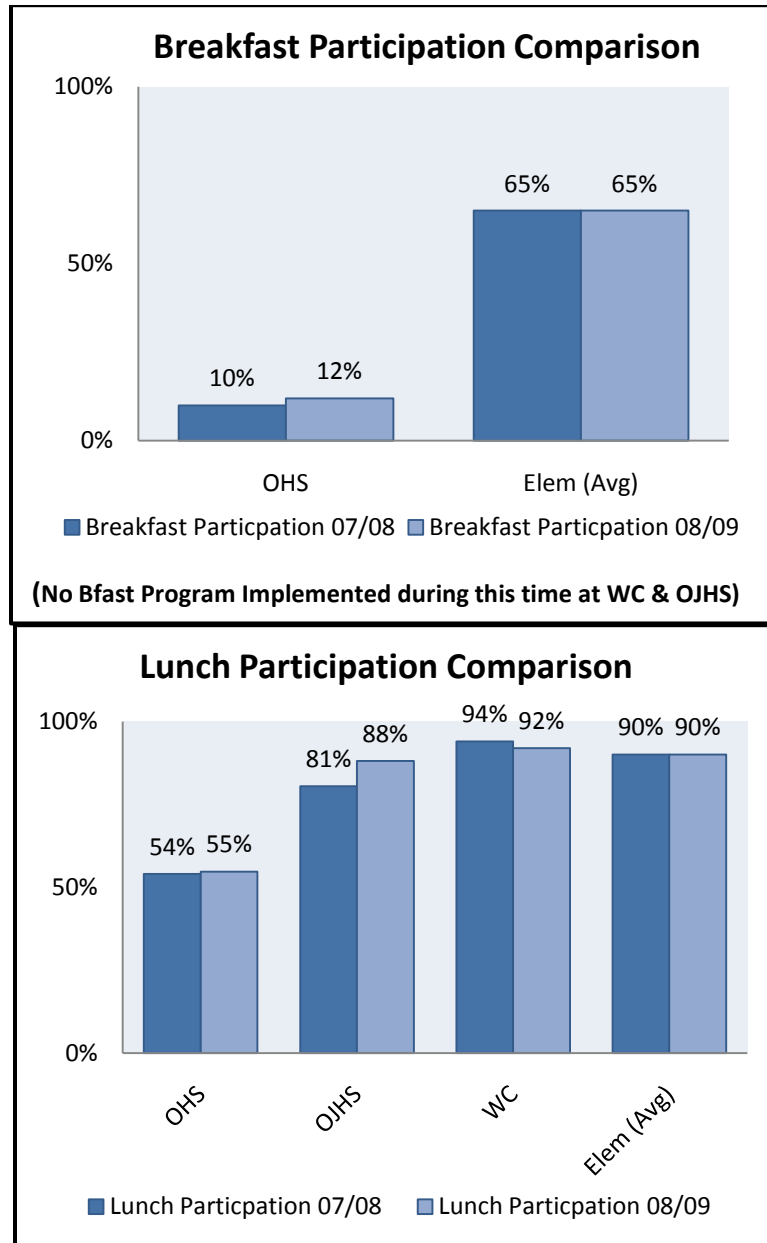
Proposed 10-11 Milk Prices



The following charts show a history of meal price increases over the past eight years:



The following charts show that lunch and breakfast participation has remained relatively the same from the 2007-2008 school year to the 2008-2009 school year when our last meal price increase occurred:



According to Federal Regulations, a food service fund balance should not exceed the maximum of three months operating costs, unless for an approved, specific documented need, i.e., equipment purchase or remodel project. Translated into a dollar figure, our monthly operating costs come to approximately \$250,000, or a maximum fund balance of \$750,000. However, it is good business practice to have a minimum of at least three weeks operating capital in the Food Service Fund Balance to assist the District with cash flow for Food and Nutrition Services fund expenditures. The Food Service fund balance should be managed to be self-supporting to eliminate the need to take funds from the General Fund Balance.

Food Service Fund Balance Overview

SCENARIO #1: CURRENT PRICING

	Audited FY 09	Projected FY 10*	No Meal Price Increase FY 11
Revenue	\$2,531,118	\$2,413,003	\$2,531,874
Expenditures	\$2,436,815	\$2,357,405	\$2,683,246**
Operating Excess or Deficit	\$94,303	\$55,598	(\$151,372)
Fund Balance	\$242,626	\$298,224	\$146,852

*FY10 projected Food Service Fund balance higher than originally anticipated because department did not spend \$100,000 on equipment purchases as planned due to decrease in ala carte sales.

**Included is a projected expenditure of \$50,000 for capital improvements (ovens) and \$45,000 for equipment repairs and maintenance services.

With the above scenario, the Food Service Fund balance would drop to 5.5%. Industry standard for Food Service Fund balances is 5.8%.

SCENARIO #2: INCREASE OF \$.10 FOR ALL MEAL PRICES

	Audited FY 09	Projected FY 10	W/Meal Price Increase FY 11*
Revenue	\$2,531,118	\$2,413,003	\$2,580,725
Expenditures	\$2,436,815	\$2,357,405	\$2,683,246**
Operating Excess or Deficit	\$94,303	\$55,598	(\$102,521)
Fund Balance	\$242,626	\$298,224	\$195,703

*Additional revenue realized by increasing meal prices: \$48,851

**Included is a projected expenditure of \$50,000 for capital improvements (ovens) and \$45,000 for equipment repairs and maintenance services.

With the above scenario, the Food Service Fund balance would still decrease, but only to 7.3%.

Food Service Economic Outlook

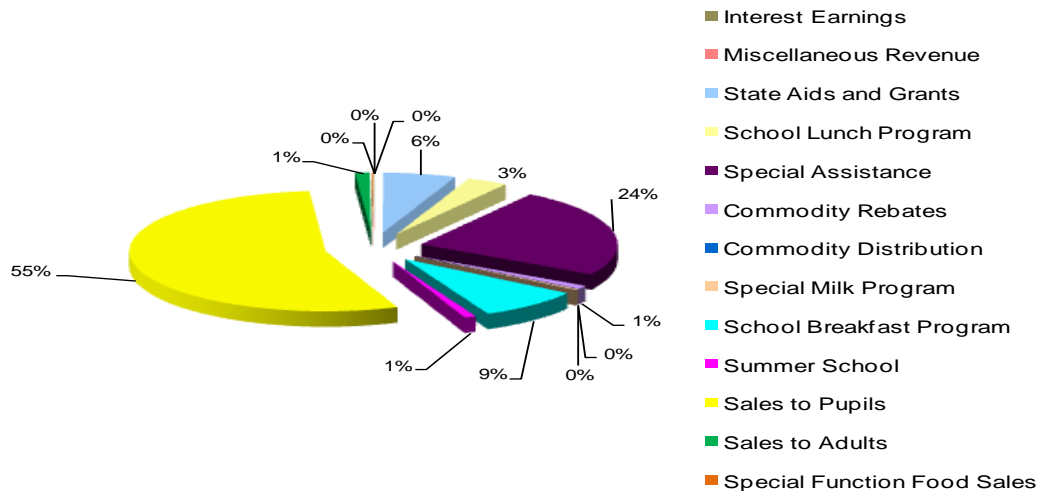
The projected revenue between 2009-10 and 2010-11 as shown in the table below shows an increase. The increases are in the areas of special assistance, school breakfast program, and sales to pupils. The increase in special assistance is the revenue we receive from the Federal Free and Reduced Lunch Program. The increases in the school breakfast program and sales to pupils is due to the requested 10 cent increase in meal prices.

Food Service Revenues

Description	2007-08 Actual	2008-09 Actual	2009-10 Budget	2010-11 Budget	Change Percent	Change Amount
Interest Earnings	\$ 309	\$ 2,380	\$ 1,080	\$ 888	-17.78%	\$ (192)
Miscellaneous Revenue	-	1,070	-	-	0.00%	-
State Aids and Grants	155,215	145,574	156,864	154,754	-1.35%	(2,110)
School Lunch Program	134,961	140,103	91,749	86,745	-5.45%	(5,004)
Special Assistance	447,866	491,379	552,198	618,417	11.99%	66,219
Commodity Rebates	33,301	40,084	29,000	25,000	-13.79%	(4,000)
Commodity Distribution	82,204	70,283	-	-	0.00%	-
Special Milk Program	5,456	6,817	6,503	6,287	-3.32%	(216)
School Breakfast Program	190,422	193,280	198,681	219,549	10.50%	20,868
Summer School	-	15,151	26,731	25,000	-6.48%	(1,731)
Sales to Pupils	1,286,212	1,351,314	1,350,692	1,409,884	4.38%	59,192
Sales to Adults	49,907	44,723	38,566	31,201	-19.10%	(7,365)
Special Function Food Sales	37,211	28,961	1,500	3,000	100.00%	1,500
Total	\$ 2,423,064	\$ 2,531,119	\$ 2,453,564	\$ 2,580,725	5.18%	\$ 127,161

The largest source of funds is sales to pupils (55%). The next largest source is for special assistance. This accounts for 24% of total revenue. See the following pie chart for the breakdown of revenue for the Food Service Fund.

2010-11 Food Service Revenue Budget



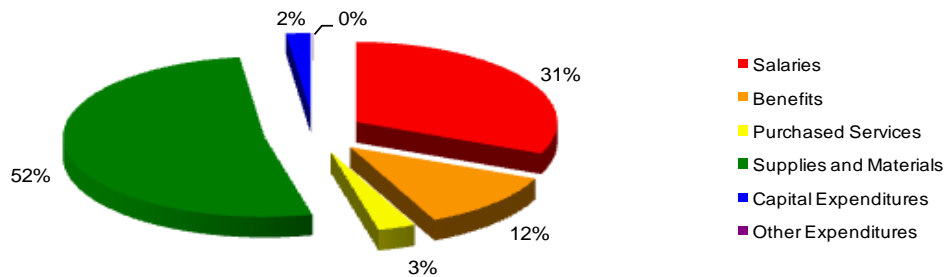
Expenditure changes in 2009-10 and 2010-11, as shown on the next page, varied because of certain items. The projected expenditures for 2010-11 increased from 2009-10 is largely due to the changes in employee contracts. The purchased services increase is due to an increase in the amount of the repairs and maintenance budget. Supplies and materials increased due to food, which increased due to the addition of the breakfast program at new sites for the entire year. The decrease in capital expenditures is related to the increase in purchased services as we plan to repair equipment rather than purchase new equipment.

Food Service Expenditures

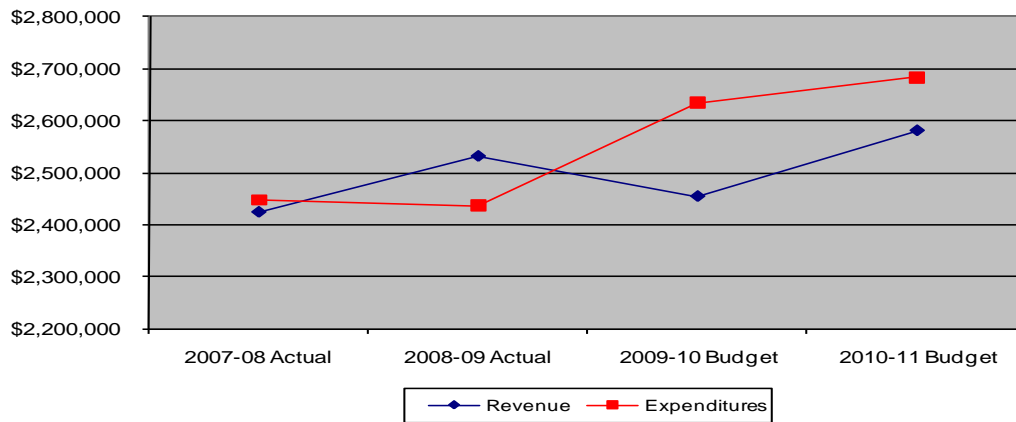
Description	2007-08 Actual	2008-09 Actual	2009-10 Budget	2010-11 Budget	Change Percent	Change Amount
Salaries	\$ 818,235	\$ 823,121	\$ 827,523	\$ 843,538	1.94%	\$ 16,015
Benefits	283,253	289,293	301,858	314,105	4.06%	12,247
Purchased Services	65,307	53,281	66,379	81,223	22.36%	14,844
Supplies and Materials	1,249,124	1,267,328	1,325,041	1,391,497	5.02%	66,456
Capital Expenditures	31,439	3,199	113,200	52,407	-53.70%	(60,793)
Other Expenditures	330	593	930	476	-48.82%	(454)
Total	\$ 2,447,688	\$ 2,436,815	\$ 2,634,931	\$ 2,683,246	1.83%	\$ 48,315

The Food Service budget is mostly made up of salaries and supplies. These items make up 83% of the total Food Service expenditure budget.

2010-11 Food Service Expenditure Budget



As indicated on the following graph, expenditures continue to exceed revenues in order to spend down the existing fund balance, while at the same time providing affordable lunch prices and quality meals.



Owatonna Community Education celebrates learning and life through community-based programming that enhances the quality of life for Owatonna school district residents. Life-long learners from a thirty-mile radius of Owatonna participate in programming presented through the community education model. Annual participation across all program interests remains in the 16,000-20,000 annual participation range. While the sluggish economy is just now beginning to impact our program participation, our long-term goal as a program remains trying to exceed the number of district residents (28,005) choosing to engage in one or more of the world-class learning opportunities facilitated by our program staff.

Program areas that will operate in 2010-2011 include:

<ul style="list-style-type: none"> • Adult and Family Enrichment 	<ul style="list-style-type: none"> • Adult Basic Education
<ul style="list-style-type: none"> • School Age Care 	<ul style="list-style-type: none"> • Early Childhood Family Education
<ul style="list-style-type: none"> • School Readiness 	<ul style="list-style-type: none"> • Early Childhood Screening
<ul style="list-style-type: none"> • Youth Development/Youth Service/Youth Enrichment 	<ul style="list-style-type: none"> • OJHS/Kids First Athletics

The cornerstone of excellence in programming for each program component is the ability to model a learning organization, engage in cross-program learning and to provide relevant, transparent, and engaging pathways and partnerships for sharing life skills within the greater Owatonna community.

Program priorities for 2010-11 emanate from these cultural realities of our organization:

- Program offerings need to be respectful of the current economic climate by continuing to provide affordable programming that enhances individual and family decision-making and employability skills for navigating this critical time in our history;
- Attentive listening will be critical in the identification of needs and wants among our individual and organizational partners in this dynamic global culture and responding in fast and effective ways with plausible solutions;
- Reflective dialogue and data analysis will drive the ongoing quest to quantify and define adequate yearly progress in a qualitative learning environment;
- Continuous improvement initiatives build on the history we have established of being open and reflective with ourselves and our program participants/partners; and to benchmark experiences with programs judged to be effective around the state in modeling cutting-edge delivery of accountable and impactful programming;
- The Community Education component of ISD 761 is totally dependent on the individual and collective success of our program teams. Individuals need clear pathways to share their voice and their technical skill towards building the capacity of our community to grow world-class learners. Employee orientation and staff development processes need refinement to address engagement and ownership in individual and team accountability for delivery, growth and evaluation.
- Highly competent technology skills need on-going assessment and instruction for successful delivery of programs. Five Smartboards will be deployed in Roosevelt in 2010-11 that will impact delivery of direct instruction, communication, and student achievement and data analysis.
- Expanding program partnerships will receive focus in the areas of school readiness, work readiness, cultural diversity/sensitivity, and maternal outreach and support.
- The ABE team will critically review its delivery system in an effort to align itself with the reality of a new core mission.
- Believing that school readiness begins at birth, the Early Childhood programs will refocus their efforts towards initiatives that connect families of young children with resources designed to enhance their child(ren)'s ability to succeed in their school career.
- The SAC Program is facing the reality of plateauing in its ability to increase the size of programming; however, the potential for reaching children with high-quality and aligned programming that responds to the learning needs of the whole child in today's highly-accountable culture has yet to be defined and will become a welcomed challenge in the 2010-2011 program year.

Community Education Economic Outlook

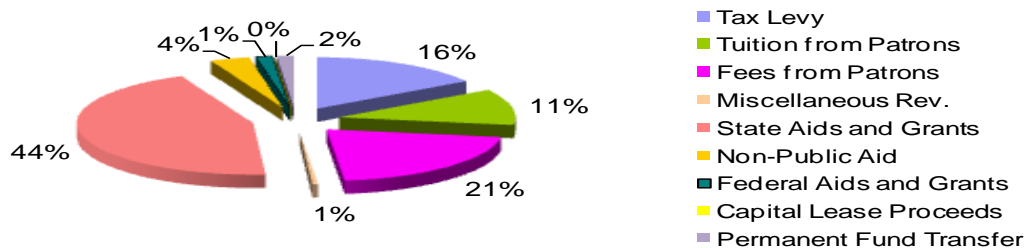
The projected revenue for 2009-10 and 2010-11 as shown in the table below shows a slight decrease. Less fees from patrons are expected. Owatonna participates in an Adult Basic Education Consortium where Owatonna is the fiscal host. The consortium includes Albert Lea and Austin Public Schools. ABE funding is driven by student contact hours in the previous year. Therefore, ABE funding can change based on what is happening between all three districts. The ABE program is the cause for the increase in state aids and grants and the decrease in federal aids and grants.

Community Service Revenues

Description	2007-08 Actual	2008-09 Actual	2009-10 Budget	2010-11 Budget	Change %	Change Amount
Tax Levy	\$ 282,285	\$ 250,920	\$ 290,193	\$ 284,847	-1.84%	\$ (5,346)
Tuition from Patrons	199,916	211,051	204,500	202,500	-0.98%	(2,000)
Fees from Patrons	343,561	336,403	395,000	372,700	-5.65%	(22,300)
Miscellaneous Rev.	43,804	30,737	13,784	9,135	-33.73%	(4,649)
State Aids and Grants	743,912	802,804	764,354	790,532	3.42%	26,178
Non-Public Aid	64,784	61,382	64,429	64,429	0.00%	-
Federal Aids and Grants	39,449	49,553	45,650	26,481	-41.99%	(19,169)
Capital Lease Proceeds	-	16,375	-	-	0.00%	-
Permanent Fund Transfer	-	-	28,000	28,000	0.00%	-
	\$ 1,717,711	\$ 1,759,225	\$ 1,805,910	\$ 1,778,624	-1.51%	\$ (27,286)

The largest source of funds is state aid and grants (44%). However, a substantial amount of funding comes from fees from patrons (21%) and local tax levy (16%) as shown in the following pie chart.

2010-11 Community Service Revenue Budget



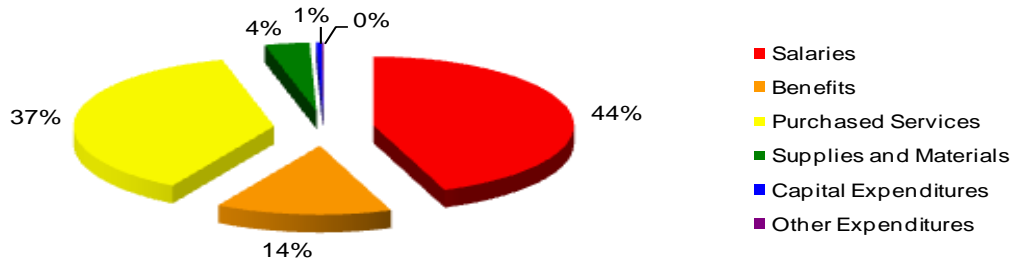
Expenditure decreases from 2009-10 to 2010-11, as shown below, are in response to the reduction in revenues and maintaining fund balances in each community education program. Each community education program is considered on its own, so programs are offered based on the revenues coming in for the program and the anticipated fund balance.

Community Service Expenditures

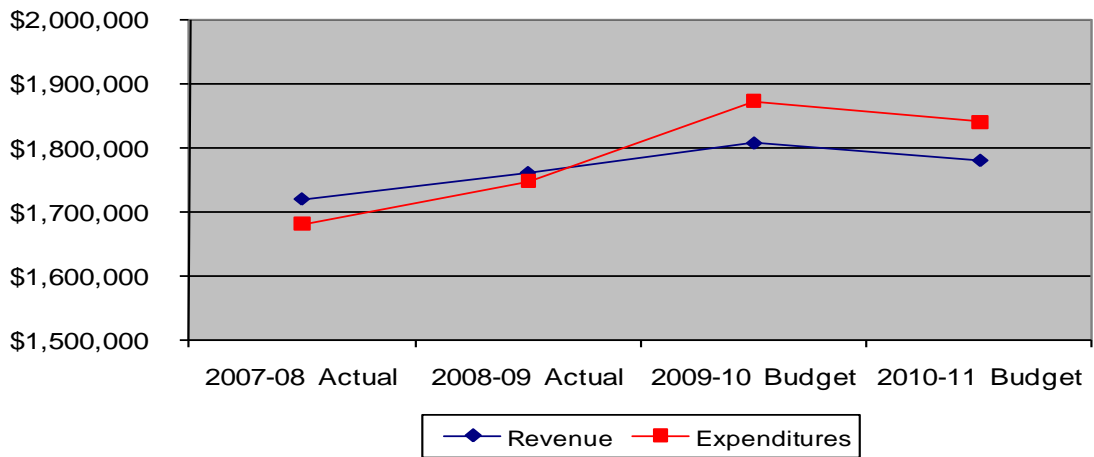
Description	2007-08 Actual	2008-09 Actual	2009-10 Budget	2010-11 Budget	Change %	Change Amount
Salaries	\$ 751,703	\$ 734,183	\$ 820,551	\$ 813,730	-0.83%	\$ (6,821)
Benefits	207,732	219,623	261,058	261,238	0.07%	180
Purchased Services	623,771	664,985	700,654	687,873	-1.82%	(12,781)
Supplies and Materials	83,864	72,868	79,203	66,669	-15.83%	(12,534)
Capital Expenditures	10,963	53,437	8,643	8,179	-5.37%	(464)
Other Expenditures	2,231	1,755	1,950	1,925	-1.28%	(25)
	\$ 1,680,264	\$ 1,746,851	\$ 1,872,059	\$ 1,839,614	-1.73%	\$ (32,445)

As with other programs in a school district, salaries and benefits comprise the majority portion of expenditures (58%). However, purchased services are another large area (37%). Of the \$687,873 budgeted for purchased services, \$339,743 is Adult Basic Education money passed on to the other districts and \$80,504 is for the use of Roosevelt.

2010-11 Community Service Expenditure Budget



For the last two years, expenditures continue to exceed revenues in order to spend down previously existing program fund balances. See the graph below.



CHAPTER NINE - CAPITAL BUDGET OVERVIEW

The Owatonna School District annually receives in excess of \$1,500,000 in state funding intended to support capital purchases and projects. These funds are typically used for the acquisition and maintenance of technology, school books, school building furniture, ongoing facility repair and upkeep.

OWATONNA PUBLIC SCHOOLS

**OPERATING CAPITAL EXPENDITURES (FIN 302)
FISCAL YEAR 2010-11**

Projected Beginning Balance				\$ 484,534
Revenue				
Operating Capital - Aid			610,482	
Operating Capital - Levy			592,410	
Lease Levy			61,058	
Advanced Recognition - Lease Levy			269,266	
Total Revenue			<u>1,533,216</u>	
Expenditures				
Fixed				
Taxes/Assessments			15,234	
Four Seasons Lease			60,766	
Gymnastic's Lease			4,600	
Actions Lease - EBD Program			47,000	
Willow Creek Portable Lease			25,416	
ALC Lease			201,272	
Copiers				
- District wide			9,866	
- Lincoln			4,890	
- McKinley			4,890	
- Washington			4,890	
- Wilson			4,890	
- Willow Creek			4,890	
- OJHS			9,741	
- OHS			25,140	
- ALC			2,729	
- Special Services			2,729	
Postage Machine			3,516	
District Van			4,680	
Total Fixed Expense			<u>437,139</u>	
Operating Capital Allocation				
OHS	\$ 15.00	2,059.20	30,888	
OJHS	\$ 15.00	891.80	13,377	
Grade 6	\$ 15.00	375.24	5,629	
K-5	\$ 15.00	2,173.14	32,597	
ALC	\$ 15.00	180.79	<u>2,712</u>	
Total Building Operating Capital Allocations			85,202	
Program Operating Capital Allocations				
Athletics			16,000	
Curriculum			155,000	
District Administration			10,000	
Finance System			11,247	
Operations & Maintenance/Boilers			240,000	
Options Program			20,000	
Options Program			50,000	
Options Program			150,000	
Special Services			3,000	
Technology - LCM			402,702	
Technology - Instructional Software			33,000	
Total Program Operating Capital Allocations			<u>1,090,949</u>	
Total Expenditures				<u>1,613,291</u>
Addition (Reduction) To Fund Balance				<u>(80,075)</u>
Projected Ending Balance				<u><u>\$ 404,460</u></u>

Health and Safety, Deferred Maintenance, and Capital Budgets for 2010-11

Health and Safety			
Resources Available:	\$385,854.00	Projects:	Expenses:
		Playground Resurfacing and other hazards	\$4,800.00
		Mechanical & Power Equipment - Safety Modifications	\$14,000.00
		OSHA Physical and Electrical Hazard Violation Corrections	\$38,000.00
		Food Code Safety - MDH Health Code Requirements	\$3,000.00
		Elevator and Lift Inspections	\$18,750.00
		Personal Protective Equipment	\$5,500.00
		Hazardous / Infectious Waste Management & Disposal	\$15,300.00
		Lead in Water - Testing & Mitigation	\$1,500.00
		Boiler - Main Supply Backflow Preventor and	\$1,700.00
		Health, Safety & Environmental Management - School District Personnel	\$63,554.00
		Health, Safety & Environmental Management - IEA Consultant	\$9,500.00
		Safety Committee and AWAIR	\$500.00
		Science Labs - Inventory & Other Safety Compliance	\$1,600.00
		Blood Borne Pathogen Standard Compliance	\$3,000.00
		Integrated Pest Management	\$200.00
		Computer Based Management Support Programs	\$5,500.00
		H&S Management Assistance (Nancy Marquart)	\$2,000.00
		Three Year Fire Inspection	\$4,500.00
		IAQ plan and IAQ Coordinator Expenses	\$5,000.00
		Automated External Defibrillators	\$1,200.00
		Removal and Encapsulation of Asbestos (not replacement of materials)	\$100,000.00
		Repair and Maintenance - Asbestos	\$11,500.00
		Asbestos - Staff Training	\$1,750.00
		Asbestos Worker Required Health Physicals	\$1,500.00
		Fire Alarm Equipment	\$41,500.00
		Fire Extinguisher Inspection & Maintenance	\$5,000.00
		Fire Marshall Order Violation Corrections	\$14,000.00
		Lighting - Emergency and Egress	\$8,500.00
		Mold Cleanup and Abatement	\$3,000.00
		Unexpected Needs	\$0.00
		TOTAL	\$385,854.00
Deferred Maintenance			
Resources Available:	\$339,692.00	Projects:	Expenses:
		Tennis Court Renovations - OHS	\$200,000.00
		Unexpected Needs	\$139,692.00
		TOTAL	\$339,692.00
Capital			
Resources Available:	\$460,000.00	Projects:	Expenses:
		Boiler Replacement - OHS	\$200,000.00
		Options	\$220,000.00
		Unexpected Needs/On-going Maintenance	\$40,000.00
		TOTAL	\$460,000.00

The majority of the Buildings and Grounds work in FY 11 will occur in health and safety (\$385,854) and deferred maintenance (\$339,692). These expenses are met through the board approved levy certification process.

Anticipated Capital Needs 2010-14

CAPITAL & MAINTENANCE	APPROX COSTS	2010	2011	2012	2013	2014
District Wide	130,000.00	0.00	75,000.00	55,000.00	0.00	0.00
Lincoln	3,463,975.00	242,698.00	311,794.00	990,106.00	1,919,377.00	0.00
McKinley	4,125,646.00	194,068.00	127,259.00	1,093,837.00	2,710,482.00	0.00
Washington	3,057,790.00	339,890.00	464,384.00	1,784,581.00	468,935.00	0.00
Wilson	3,346,441.00	0.00	62,697.00	182,248.00	3,101,496.00	0.00
Willow Creek	491,508.00	79,776.00	0.00	20,000.00	196,338.00	195,394.00
OJHS	7,243,053.00	477,550.00	624,499.00	2,031,498.00	4,109,506.00	0.00
OHS	23,871,981.93	1,786,935.00	2,448,236.93	11,577,212.00	8,059,598.00	0.00
Roosevelt	1,207,324.00	0.00	3,500.00	90,877.00	114,158.00	998,789.00
District Office	887,983.00	416,947.00	13,000.00	266,349.00	191,687.00	0.00
Activities Office	0.00	0.00	0.00	0.00	0.00	0.00
Rose Street	123,596.00	0.00	0.00	0.00	38,315.00	85,281.00
Total Capital	47,949,297.93	3,537,864.00	4,130,369.93	18,091,708.00	20,909,892.00	1,279,464.00

The costs identified above reflect potential anticipated needs based on data gathered during the ATS&R facility study of 2007-08. The annual health and safety, deferred maintenance, and capital budgets are prioritized to meet as many of the above needs as economically feasible.

Summary of District Facilities Meeting on April 26, 2010

Facility Needs:

- Boilers at OHS: \$400,000; need to do; make plans to replace using existing capital and/or deferred maintenance budgets. Working with ATS&R on getting the job done by fall 2010.
- Tennis courts at OHS: \$200,000; need to do; make plans to replace using existing capital and/or deferred maintenance budgets. Working with ATS&R on getting the job done by fall 2010.
- Roofs district wide: \$1.6 million; need to do; make plans on financing and time table for repairs; spread annual payments out to about \$300,000/year, similar to initial roofing project.
- Resurface track and move field events: \$350,000; not at this time.
- Turf field: \$1,000,000; not at this time.
- Phone system: \$500,000: not at this time.

Options Program:

For the coming year, through the use of various funds, Plaza A will be renovated using the following funding sources:

FY 2010

- \$210,000 from ARRA and district staff development.
- The majority of this expense came from assigning 3.0 FTE's to research and plan the Options program.
- Approximately \$18,000 remaining in this budget for FY 10.

FY 2011

Facility Build Out	\$100,000
Furniture	\$150,000
Technology (Includes both ATS&R <u>and</u> OPS lists.)	\$150,000
Supplies and Curriculum	<u>\$100,000</u>
Total	<u>\$500,000</u>

Revenue Sources

ARRA Curriculum	\$140,000
ARRA Technology	\$40,000
Operating Capital	\$50,000
Operating Capital	\$20,000
Deferred Maintenance	\$100,000
Operating Capital Fund Balance	<u>\$150,000</u>
(The district also has the option of using part of the FY 11 staff development allocation.)	
Total	\$500,000

CHAPTER TEN – STRATEGIC PLAN AND STUDENT ACHIEVEMENT

The Owatonna School District has in place a process for the annual establishment of goals. Goals are developed through analysis of state testing mandates, standardized tests, and annual surveys of the community, parents, students and staff. During the 2008-09 school year, a new 'Strategic Plan' was developed for implementation in the 2009-10 school year. This 'Plan' differs from the previous plan because of the inclusion of a 'ScoreCard' system of accountability. Our new Plan, along with the Scorecard is contained within this chapter. In subsequent years, an update of the 'ScoreCard' system of accountability will be incorporated within this document.

Also included within this chapter is an analysis of our student achievement for the year just completed.

Owatonna Public Schools
Strategic Roadmap

February 2009

<p>Mission Statement <i>(Our Core Purpose)</i></p> <p style="text-align: center;">To inspire all learners to excel in a dynamic society by creating a world class education within an innovative learning community.</p>	<p>Core Values <i>(What Drives Our Words and Actions)</i></p> <p>Excellence A relentless pursuit of commitment to the highest standards.</p> <p>Integrity Honest and genuine in our words and actions to strengthen and enrich all we do</p> <p>Engagement Students, families, staff and community working together toward a common purpose</p> <p>Respect Recognize and value individual strengths, differences, and contributions</p> <p>Responsibility Acceptance and engagement of one’s role in the mission of the District and getting the job done in a professional and timely manner</p> <p>Innovation Creative, new and purposeful ways to achieve goals and meet needs</p>
<p>Vision - 2012 * <i>(What we intend to create by 2012)</i></p> <ul style="list-style-type: none"> • Resources needed for 21st Century learning • Clarity of our goals and roles • Engagement in change and innovation • Excellence: high expectations and success for all • E-12 curriculum alignment • Customized learning for individual student needs 	<p>Strategic Directions <i>(Focused allocation of resources)</i></p> <ul style="list-style-type: none"> A. Move all students toward identified learning targets B. Integrate technology and provide facilities to improve instruction and operational efficiency C. Align curriculum and improve instruction around student needs D. Create a culture that embraces change for continual improvement E. Educate and engage the community to recognize public education as an economic and cultural asset

* Note: Our ‘vision’ defines “...what we hope we look like, and are recognized for, by 2012...”

**Owatonna Public Schools
VISION-2012 DRAFT 01**

Resources needed for 21st century learning *	Clarity for our goals and roles	Engaging in change & innovation	Excellence, defining expectations & success	E-12 curriculum alignment	Customized learning for individual student needs
<ul style="list-style-type: none"> • Fully-funded schools (MN miracle) • Accept & maximize our financial condition • Pass/renew our levy • Decrease the gap between have and have not's • More competition between districts • Engage our community in meeting our challenges and celebrating success • A new elem. school, bldg updates, plans for new OHS • Increase our enrollment • Diversity—community and district will become diverse • Increased poverty • 21st century facilities • Response to more diverse needs due to economic times • Flat or less resources available 	<ul style="list-style-type: none"> • Clear expectations for learning, leadership & linkage • Clearly defined strategic roadmap • Bd provide policy and governance role and support staff in fulfilling vision and reach for mission • Operate under a commonly-developed mission 	<ul style="list-style-type: none"> • Renew the discussion related to neighborhood schools, new grade levels • Assess/evaluate year-round schools • Q-comp and PLC's part of our culture • Professional staff dev. collaboration is the norm • Cross grade/ cross subject collaboration • Integrate cultural relationships • Trust & support for innovation • Ability to feed innovation quickly enough • Expectation of value added (excellent product for minimal community \$ commitment) 	<ul style="list-style-type: none"> • Success is defined higher than meeting AYP • A survey of previous graduates indicates 100% success at their next level • Push beyond AYP—all students • Lead change, prepare world class students • "No excuse" culture is in place 	<ul style="list-style-type: none"> • Continuum of skills rather than grades—elem. • Increased PK-12 alignment • Research based instructional practice (system wide) • Instructional innovation that is supported by technology • Core curriculum identified and taught with fidelity • Aligned district curriculum • Tighter, more focused, database curriculum focused on relationships 	<ul style="list-style-type: none"> • Online/virtual learning • 1 to 1 computing • Individualized learning • Increase flexible learning space (less classroom isolation) • Flexible learning environment • Merging business expertise w/educational PLC's • Electronic textbooks • Data driven individualized instruction • 21st century education in practice • Customized programs/instructional tracks • RTI in practice in all our schools • Social networking (technology) • Role for parents in student learning • Base of technology in all classrooms for instructions • College in the schools • Role of business community in student learning • Student driven course selection

* Note: The 'bulleted' comments under each vision statement do not represent the consensus of the planning team, but rather simple observations generated through small and large group discussions and are intended to create a foundation for Plan development.

	A. Move all students toward identified learning targets *	B. Integrate technology and provide facilities to improve instruction and operational efficiency	C. Align curriculum and improve instruction around student needs	D. Create a culture that embraces change for continual improvement	E. Educate & engage the community to recognize public education as an economic and cultural asset
A C C O M P L I S H M E N T S	<ul style="list-style-type: none"> All students will meet or exceed benchmarks in MCA II's All student at or above anticipated growth targets Close the gap between expectations & performance Exceed state composite scores in ACT and PSAT Make AYP in all cells _% increase in NWEA target index 	<ul style="list-style-type: none"> Increase in on-line learning By 2012, base technology in all classrooms 	<ul style="list-style-type: none"> Articulated scope & sequence RTI (less referrals, reading sooner @ grade levels) Curriculum road maps in place Alignment would be visible through classroom observations & grade level/dep't planning Differentiation of instruction as observed by leadership Innovation is transparent, with a framework for allocation for projects and resources Increased/active involvement in PLC's By 2012, mapped curriculum implemented in all content areas Multiple instr. Approaches supported by diagnostics are in place 	<ul style="list-style-type: none"> Staff & self evaluations Implementation of Q-comp by 7/10/10 ALL goals are SMART Baldrige finalist Increased student engagement – measured by attendee and satisfaction surveys Ability to consistently use data to analyze & problem solve solutions People are operating within the defined roles _% increase in participation in extracurricular activities Employee engagement scores 	<ul style="list-style-type: none"> MSBA school Board of the year 90% approval rating
C O N T R A D I C T I O N S	<ul style="list-style-type: none"> Narrow achievement gaps by 50% across all subgroups Standardized tests don't measure success for all Teaching to the tests Changing/moving targets by politicians Standards in constant state of flux 	<ul style="list-style-type: none"> Base technology is a moving target 	<ul style="list-style-type: none"> Curriculum may be aligned, but is it being delivered with fidelity? Conflicting approaches (professional judgments) Time consuming – requires staff stipends increase \$ One size fits all Success is difficult to define Number of electives Alignment without opportunity for customization Difficulty in measuring – subjectivity Tenure Change capacity is under-developed Re-examine of leadership/work priorities As standards change, so does your curriculum Time & resources to complete curriculum mapping 	<ul style="list-style-type: none"> Viewpoint that Q-comp may be unfair & inequitable. Not teacher role to educate other teachers Define a baseline of core values embedded in district culture & establish an improvement target Resistance to change Differences in perception Attitudes Time prioritization Not operating within defined roles – unwilling to accept – on the wrong bus! This, too, shall pass 	<ul style="list-style-type: none"> Non-supportive families Upfront sustainable funding Parent/community opinion Commitment to and understanding core values Increased government role in education Resource prioritization

Owatonna Public Schools' Pyramid Of Success



Strategic Direction A: Move all students toward identified learning targets.

Measures	WT (%)	Intervene (1.0 – 1.9)	Concern (2.0 – 2.9)	Baseline (3.0 – 3.9)	Progress (4.0-4.9)	Vision (5.0)
NWEA MAP Growth – Math by Student Group	13.4%	< 45% of all students meet expected growth in RIT targets	45-54% of all students meet expected growth in RIT targets.	55-64% of all students meet expected growth in RIT targets	65-75% of all students meet expected growth in RIT targets	> 75% of all students meet expected growth in RIT targets
NWEA MAP Growth Reading by Student Group	13.4%	< 45 % of all students meet expected growth in RIT targets	45-54% of all students meet expected growth in RIT targets.	55-64% of all students meet expected growth in RIT targets	65-75% of all students meet expected growth in RIT targets	> 75% of all students meet expected growth in RIT targets
Curriculum-based Measures – Reading*	13.6%	< 65 % of all students meet/exceed expected proficiency	65-71% of all students meet/exceed expected proficiency	72-78% of all students meet/exceed expected proficiency	79-85% of all students meet/exceed expected proficiency	> 85% of all students meet/exceed expected proficiency
MCA-II Reading Scores	14%	< 65 % of all students meet/exceed expected proficiency	65-71% of all students meet/exceed expected proficiency	72-78% of all students meet/exceed expected proficiency	79-85% of all students meet/exceed expected proficiency	> 85% of all students meet/exceed expected proficiency
MCA-II Math Scores	14%	< 63 % of all students meet/exceed expected proficiency	63-69% of all students meet/exceed expected proficiency	70-77% of all students meet/exceed expected proficiency	78-85% of all students meet/exceed expected proficiency	> 85% of all students meet/exceed expected proficiency
Difference across all subgroups in reading and math	12%	25% or greater difference	20 – 24% difference	14 – 19% difference	10 – 13% difference	< 10% difference
% of K-8 student ready for grade level progression	4.5%	< 65% of all students	65-71% of all students	72-78% of all students	79-85% of all students	> 85% of all students
% of grades 9-11 student on-track to graduation per grading period	4.5%	< 65% of all students	65-71% of all students	72-78% of all students	79-85% of all students	> 85% of all students
MN graduation tests grades 10-11	3%	< 90% passage	90-92% passage	93-95% passage	95-98% passage	>98% passage
Graduation Rate	1.5%	< 90% graduation rate	90 – 92% graduation rate	93 – 95% graduation rate	96 – 98% graduation rate	> 98% graduation rate
ACT - Composite Score.	1.5%	The average composite score of 18 or below	The average composite score of >18 and <20	The average composite score of >20 and <22	The average composite score of >22 and <24	The average composite score of 24 or greater
All day, every day attendance	.5%	< 75 % all day , every day attendance rate	75 - 78 % all day , every day attendance rate	79 - 81 % all day, every day attendance rate	82 - 85 % all day, every day attendance rate	> 85 % all day, every day attendance rate

*These targets represent qualitative benchmarks. Specific assessments will be established this year.

Strategic Direction B: Integrate technology and provide facilities to improve instruction and operational efficiency.

Measures	WT (%)	Intervene (1.0 – 1.9)	Concern (2.0 – 2.9)	Baseline (3.0 – 3.9)	Progress (4.0-4.9)	Vision (5.0)
% of instructional time utilizing technology to improve student learning*	30%	< 50 % of instructional time in a school and classrooms are observed utilizing technology to improve student learning	50 - 59 % of instructional time in a school and classrooms are observed utilizing technology to improve student learning	60 - 69 % of instructional time in a school and classrooms are observed utilizing technology to improve student learning	70 - 79 % of instructional time in a school and classrooms are observed utilizing technology to improve student learning	> 80 % of instructional time in a school and classrooms are observed utilizing technology to improve student learning
Adequacy of space and facilities*	30%	< 75% of teachers and administrators view space as an asset in meeting program goals and District vision	75-79% of teachers and administrators view space as an asset in meeting program goals and District vision	80-84% of teachers and administrators view space as an asset in meeting program goals and District vision	85 - 90% of teachers and administrators view space as an asset in meeting program goals and District vision	> 90% of teachers and administrators view space as an asset in meeting program goals and District vision
Quality of facilities and grounds*	20%	District is appraised to be in the lower 25 % of districts with similar financial resources	District is appraised to be in the lower 50 % of districts with similar financial resources	District is appraised to be in the top 50 % of districts with similar financial resources	District is appraised to be in the top 25 % of districts with similar financial resources	District is appraised to be in the top 10 % of districts with similar financial resources
Student to computer ratio	15%	> a 10:1 ratio across all schools	10:1 ratio across all schools	5:1 or less ratio across all schools	2:1 or less ratio across all schools	1:1 or less ratio across all schools
Energy efficiency of District	5%	TBD	TBD	TBD	TBD	TBD

*These targets represent qualitative benchmarks. Specific assessments will be established this year.

Strategic Direction C: Align our curriculum and improve instruction to meet students’ needs.

Measures	WT (%)	Intervene (1.0 – 1.9)	Concern (2.0 – 2.9)	Baseline (3.0 – 3.9)	Progress (4.0-4.9)	Vision (5.0)
E – 12 core curriculum mapping and pacing guides are developed for all subject areas*	10%	< 65% of faculty utilize the curriculum maps and pacing guides	66 - 75% of faculty utilize the curriculum maps and pacing guides	76 - 85% of faculty utilize the curriculum maps and pacing guides	86 - 89% of faculty utilize the curriculum maps and pacing guides	> 90 % of faculty utilize the curriculum maps and pacing guides

Measures	WT (%)	Intervene (1.0 – 1.9)	Concern (2.0 – 2.9)	Baseline (3.0 – 3.9)	Progress (4.0-4.9)	Vision (5.0)
Faculty use differentiation of instruction strategies for student learning	20%	< 75% of faculty use differentiation of instruction to meet student needs	75-79% of instructional program components include differentiation for students with special educational needs	80-84% of instructional program components include differentiation for students with special educational needs and other at risk students	85 - 89% of instructional programs indicate a fully differentiated program with components to respond to the identified needs of a cluster of students	> 90% of instructional programs have in place the tools and processes to design, review and refine the instructional programs to meet the targeted learning needs of students
PLC's use data to monitor student progress and improve learning	20%	< 75% of faculty use data to monitor and improve student learning	75-79% of faculty use data to monitor and improve student learning	80-84% of faculty use data to monitor and improve student learning	85 - 89% of faculty use data to monitor and improve student learning	> 90% of faculty use data to monitor and improve student learning
Teacher proficiency at 21 st Century Skill Development through Instructional strategies*	20%	< 75 % of teachers are observed implementing 21 st Century Skill development practices consistently	75-79% of teachers are observed implementing 21 st Century Skill development practices consistently	80-84% of teachers are observed implementing 21 st Century Skill development practices consistently	85-89% of teachers are observed implementing 21 st Century Skill development practices consistently	> 90% of teachers are observed implementing 21 st Century Skill development practices consistently
Student engagement – Observed*	10%	Less than 70% of students observed are actively engaged in learning in a positive manner	70-74% of students observed are actively engaged in learning in a positive manner	75-79% of students observed are actively engaged in learning in a positive manner	80-85% of students observed are actively engaged in learning in a positive manner	>85% of students observed are actively engaged in learning in a positive manner
Difference across all NCLB groups in engagement – self reporting of high to very high engagement	10%	25 % or greater difference between white students and one or more other student groups	20 – 24 % difference between white students and one or more other student groups	14 – 19 % difference between white students and one or more other student groups	10 – 14 % difference between white students and one or more other student groups	Less than 10 % difference between white students and one or more other student groups
Teachers Not Teaching to the Test	10%	Greater than 70 % of teachers surveyed report significant adjustment in curriculum and time to teach to State and Federal Tests	51 - 70 % of teachers surveyed report significant adjustment in curriculum and time to teach to State and Federal Tests	31 - 50 % of teachers surveyed report significant adjustment in curriculum and time to teach to State and Federal Tests	10 - 30 % of teachers surveyed report significant adjustment in curriculum and time to teach to State and Federal Tests	Less than 10 % of teachers surveyed report significant adjustment in curriculum and time to teach to State and Federal Tests

*These targets represent qualitative benchmarks. Specific assessments will be established this year.

Strategic Direction D: Create a culture that embraces change for continual improvement.

Measures	WT (%)	Intervene (1.0 – 1.9)	Concern (2.0 – 2.9)	Baseline (3.0 – 3.9)	Progress (4.0-4.9)	Vision (5.0)
Faculty are actively engaged in PLC's	30%	< 75% of faculty are members of a PLC	75 – 79 % of faculty are members of a PLC	80 – 84% of faculty are members of a PLC	85 – 89% of faculty are members of a PLC	> 90% of faculty are members of a PLC
Faculty reports utilization of at least three strategies / practices gained from involvement in PLC's*	25%	< 75 % of faculty self -reporting use of strategies / practices in daily classroom setting	75 - 79 % of faculty self-reporting use of strategies / practices in daily classroom setting	80 - 84 % of faculty self-reporting use of strategies / practices in daily classroom setting	85 - 89 % of faculty-self reporting use of strategies / practices in daily classroom setting	> 90 % of faculty self- reporting use of strategies / practices in daily classroom setting
Staff provides evidence of practices gained through district staff development*	25%	< 75% of staff provide evidence of implementing knowledge, skills and practices provided through PD	75- 79 % of staff provide evidence of implementing knowledge, skills and practices provided through PD	80-84 % of staff provide evidence of implementing knowledge, skills and practices provided through PD	85-89 % of staff provide evidence of implementing knowledge, skills and practices provided through PD	> 90 % of staff provide evidence of implementing knowledge, skills and practices provided through PD
All staff set and meet S.M.A.R.T. goals aligned to district strategic direction	10%	< 75% of staff meeting goals	75-79% of staff meeting goals	80-84% of staff meeting goals	85 - 90% of staff meeting goals	> 90% of staff meeting goals
Community recognition of, and satisfaction with, innovation in our schools	10%	< 45% of community members surveyed indicate moderate to high satisfaction in mission attainment	45-54 % of community members surveyed indicate moderate to high satisfaction in mission attainment	55-64 % of community members surveyed indicate moderate to high satisfaction in mission attainment	65-74 % of community members surveyed indicate moderate to high satisfaction in mission attainment	> 75 % of community members surveyed indicate moderate to high satisfaction in mission attainment

*These targets represent qualitative benchmarks. Specific assessments will be established this year.

Strategic Direction E: Educate and engage the community to recognize public education as an economic and cultural asset.

Measures	WT (%)	Intervene (1.0 – 1.9)	Concern (2.0 – 2.9)	Baseline (3.0 – 3.9)	Progress (4.0-4.9)	Vision (5.0)
District per pupil levy	40%	< 50 % of MN State average	50 – 75 % of MN State average	76 – 100 % of MN State average	101 – 125 % of MN State average	> 125+ % of MN State average
Partnerships in place to support District funding	25%	< .1 % of annual operating budget through partnerships	.1 – .24 % of annual operating budget through partnerships	.25 – .49 % of annual operating budget through partnerships	.50 – .74 % of annual operating budget through partnerships	>.75 % of annual operating budget through partnerships
District’s impact on recruiting and retaining employees in Owatonna area*	25%	> 80% of major employers see the District as having a negative role in new employee recruitment	> 80% of major employers see the District as having no role in new employee recruitment	> 80% of major employers see the District as having a minor role in new employee recruitment	> 80% of major employers see the District as having a moderate role in new employee recruitment	> 80% of major employers see the District as having a major role in new employee recruitment
District staff participation in acts of social responsibility in local community by choice (i.e., community-based organizations, sports, church, fine arts, service, charity, United Way, etc.)*	10%	< 30% of staff self-reporting participation and support on an annual basis	31-49% of staff self-reporting participation and support on an annual basis	50-64% of staff self-reporting participation and support on an annual basis	65 - 79% of staff self-reporting participation and support on an annual basis	>80 % of staff self-reporting participation and support on an annual basis

*These targets represent qualitative benchmarks. Specific assessments will be established this year.

Student Achievement Assessment Instruments

Owatonna Public Schools (OPS) utilizes primarily two assessment processes to measure student achievement in the areas of reading and mathematics.

The first set of assessments is required by the state of Minnesota and involves administering the Minnesota Comprehensive Assessments-II (MCA-II) in reading, mathematics in grades 3, 4, 5, 6, 7, 8, 10, and 11 that meet the requirements of the federal No Child Left Behind (NCLB) act. These tests are given every year to measure student performance on the Minnesota Academic Standards, which define what our students should know and do in a particular grade. This version of the state assessments for Reading and Mathematics MCA-IIs began in 2006.

The purpose of the MCA-IIs is to find out how well students can apply the Minnesota Academic Standards in mathematics and reading. While students do not pass or fail these tests, each student receives a score that falls in one of four achievement levels (a) does not meet the standards, (b) partially meets the standards, (c) meets the standards, and (d) exceeds the standards. The mathematics and reading MCA-IIs are paper and pencil tests and the results are used to determine whether schools and districts have made Adequate Yearly Progress (AYP) toward all students being proficient for the No Child Left Behind act.

The MCA-II results reported in this chapter are from the 2009 administration of the math and reading assessments and 2010 results will not be available to districts until late June or July of 2010. Even with the delay in the release of the test results, our district and schools continue to use the information to assist in enhancing instruction and improving student achievement.

Owatonna Public Schools also employs the Northwest Evaluation Association's (NWEA) Measures of Academic Progress (MAP) as a second set of assessments used to assist in determining a student's academic growth in the areas of math and reading. The purpose of these computerized adaptive tests is to determine the current instructional level of each student. The NWEA assessments may be used to assist in measuring a student's academic growth over time. This assessment is used by Owatonna Public schools to assess students in grades 2-10 in the fall, winter and spring of each school year in the areas of reading and mathematics and assist teachers in the differentiation of instruction that best meets the learning and educational needs of a student.

MCA-II Analysis and Comparative Data Benchmarks

As part of the analysis process, Owatonna Public Schools utilized comparative data and information to assist District personnel in better understanding student achievement in the subject areas of mathematics and reading. A number of figures in this section compare Owatonna MCA-II results with Big 9 schools and Minnesota school districts that were determined to be similar demographically to Owatonna. Based on established benchmarks, the Minnesota school districts determined to be comparative to Owatonna include Moorhead, St. Louis Park, West St. Paul, Shakopee, Austin, Spring Lake Park, and Winona.

Criteria used to assist in determining comparative school districts included (a) school districts where the district census of students was within a range of 1000 students to Owatonna, (b) school districts where the level of Limited English Proficiency (LEP) students was within a range of 3%, and (c) school districts where the Free and Reduced Lunch (FRE) students (students of low socio-economic status) was within a range of 5%.

Overview

Similar to last year, the Minnesota Department of Education (MDE) reporting timelines provide school districts with some of additional time to respond to the Minnesota Comprehensive Assessment-II (MCA-II) results. Overall, students in our schools continued to perform at a higher level than they have in the past. Contained within this report is an overview of results with identification of some steps that were taken over the past school year that we believe have helped lead us to the positive results this year.

Results

Below, *Figure 1* shows the comparative performance of our students over the three years preceding our current year (2009) in the area of reading. You can see from these results that our overall performance is varied, while improving from one year to another in a number of areas, we have typically mirrored state performance results. A significant increase in the percent of students demonstrating proficiency in grade 10 in 2008 increased even further in 2009. These increases may be attributed to the fact that a graduation requirement is connected with the 10th grade administration of the MCA-II reading test.

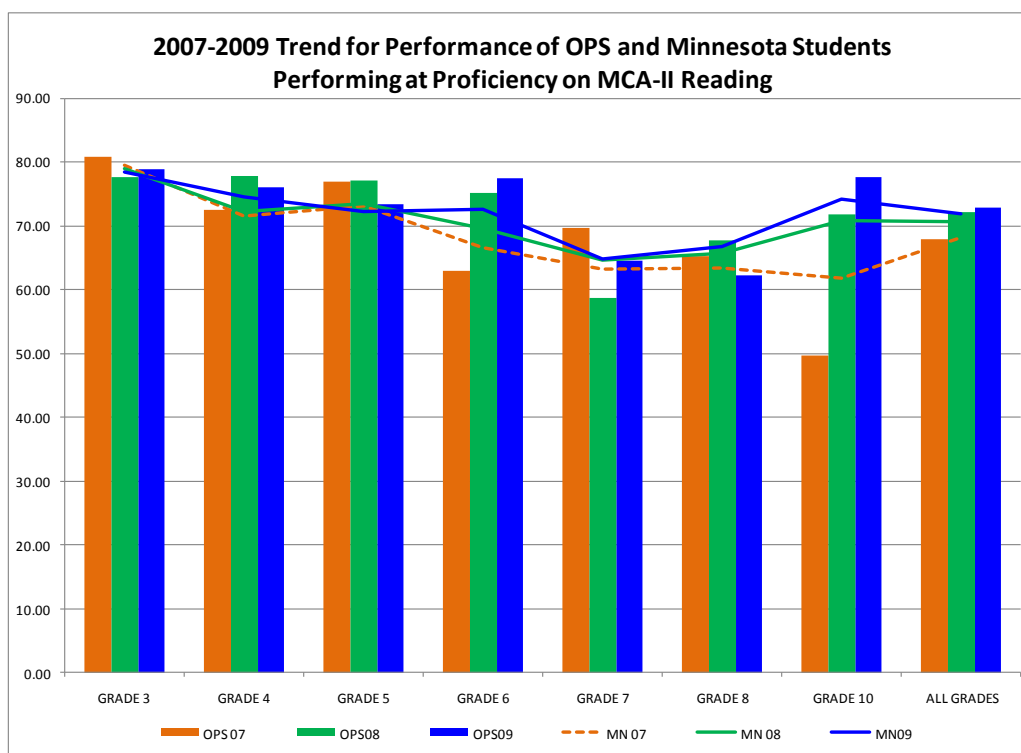


Figure 1

Figure 2 on the next page shows the 2009 results by grade level for students demonstrating proficiency on the MCA-IIs in reading. Except for performance results in grades 7 and 8, our scores exceeded those registered by the state and also showed improvement from previous year's cohort groups. The results are very positive.

PERCENT OF OPS STUDENTS PERFORMING AT PROFICIENCY
ON 2009 MCA-II READING CF. STATE OF MINNESOTA

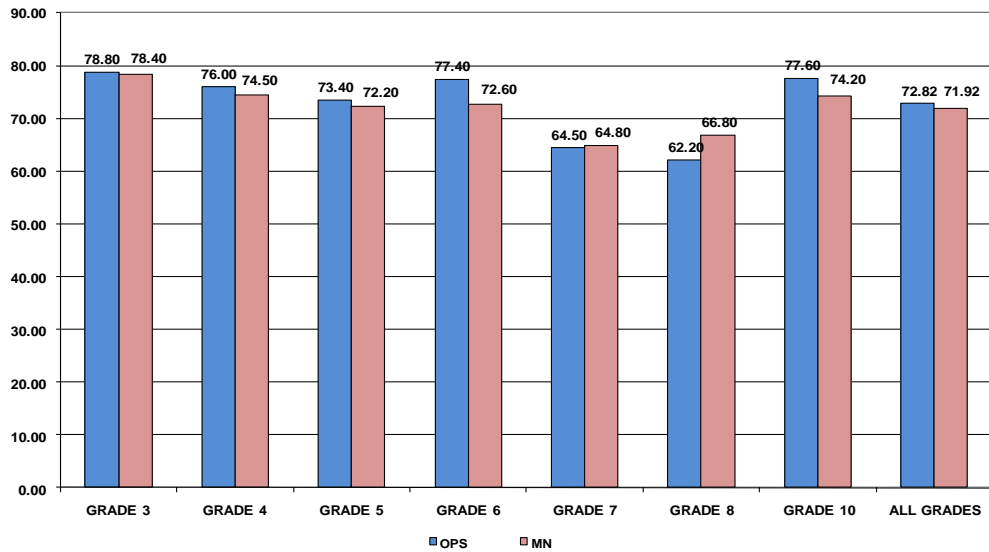


Figure 2

The percent of students performing at proficiency by grade level and in the state over a three year period from 2007 to 2009 are displayed in *Figure 3* below. The most recent results for Owatonna students and the state are illustrated by the dark blue bar and line. It can be noted that with the exception of the results for the Owatonna students in grade 8, there was a positive or stable trend at all grade levels from 2008 to 2009. Over a three-year period, there was a positive trend in the percent of Owatonna students achieving proficiency on the MCA tests at all grades except grade 7. With this in mind, the most notable increases in percent of students demonstrating proficiency over the three-year trend were in grades 3, 4, and 5. While the percent of students demonstrating proficiency was flat-lined from 2008 to 2009 at grade 10, students in the graduating class of 2010, will need to meet graduation requirements in mathematics as outlined by the MDE and recent legislation.

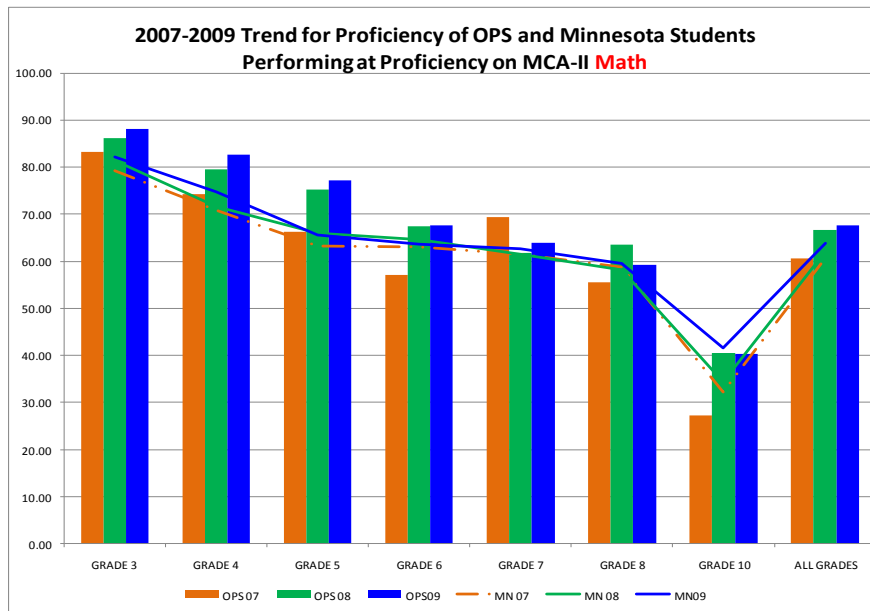


Figure 3

The comparative performance by grade level of the percent of Owatonna students demonstrating proficiency on the MCA-II in math with the state is illustrated in *Figure 4*. You can see from these results that the percent of students achieving proficiency was above the state overall as well as at each of the grade levels except for grade 8 and grade 11. Our ability to score above the state is encouraging in that our district has focused energy and resources during the student achievement curricular review process in realigning our K-12 math curriculum with the newly established Minnesota Academic Standards in math.

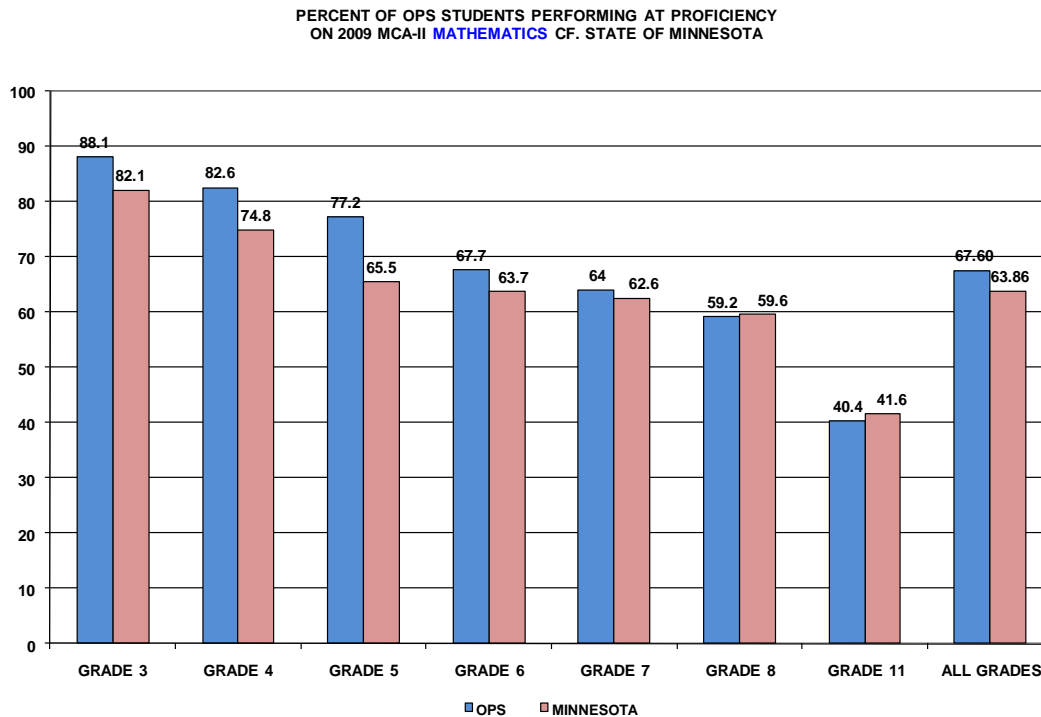


Figure 4

In addition to comparing the performance of our district with the performance of the state, we also compare our performance with two other groups of districts as a means of benchmarking. The first group of districts is the Big 9. The illustrations in *Figure 5*, *Figure 6*, and *Figure 7* show our comparative performance to our Big 9 colleagues over a three-year period from 2007 to 2009 testing cycles in the area of reading. The comparative performance to our Big 9 colleagues during the 2007 and 2008 testing cycles in mathematics is illustrated in *Figure 8*, *Figure 9*, and *Figure 10*. While we ranked above the state in both reading and math in both 2008 and 2009, we lagged behind Rochester and Mankato on both tests. As illustrated, we outperformed all of the Big 9 districts in the area of mathematics except for Rochester in 2008 and both Rochester and Mankato in 2009. Over the course of the three-year period we continued to maintain our position in reading with a slight improvement in the percent of students achieving proficiency in 2009. It should be noted that our overall performance in both mathematics and reading over the three-year period outpaced all other schools in the Big 9.

OPS and Big 9 Districts: Overall Performance Percent at Proficiency, 2007 MCA-II Reading

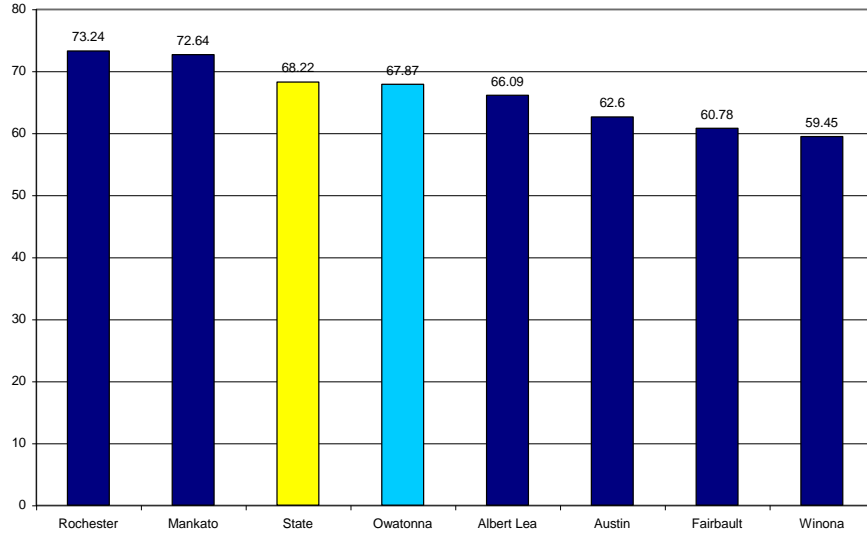


Figure 5

OPS and Big 9 Districts: Overall Performance Percent at Proficiency, 2008 MCA-II Reading

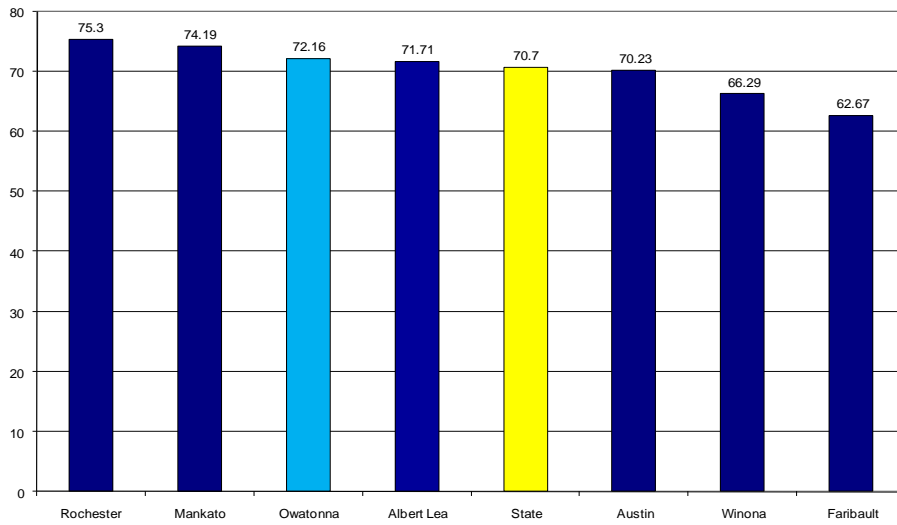


Figure 6

OPS and Big 9 Districts: Overall Performance Percent at Proficiency, 2009 MCA-II Reading

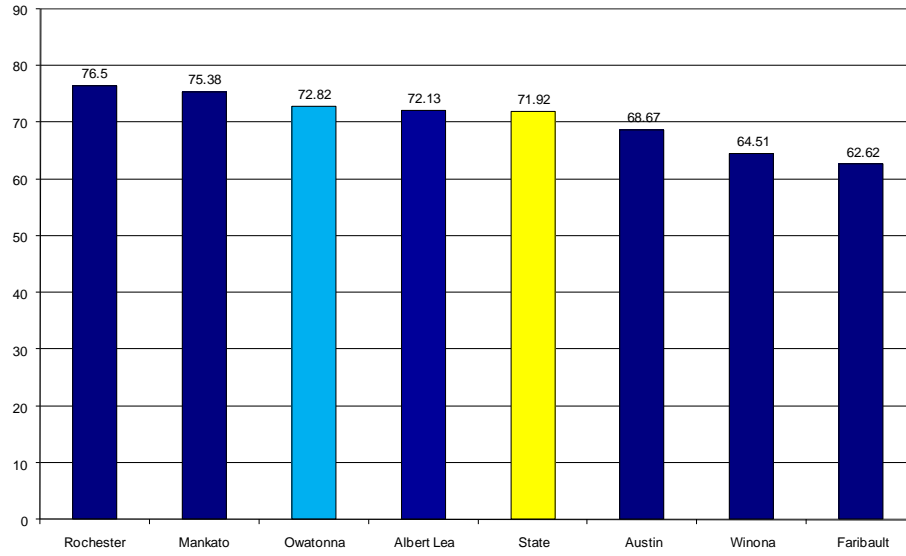


Figure 7

OPS and Big 9 Districts: Overall Performance Percent at Proficiency, 2007 MCA-II Math

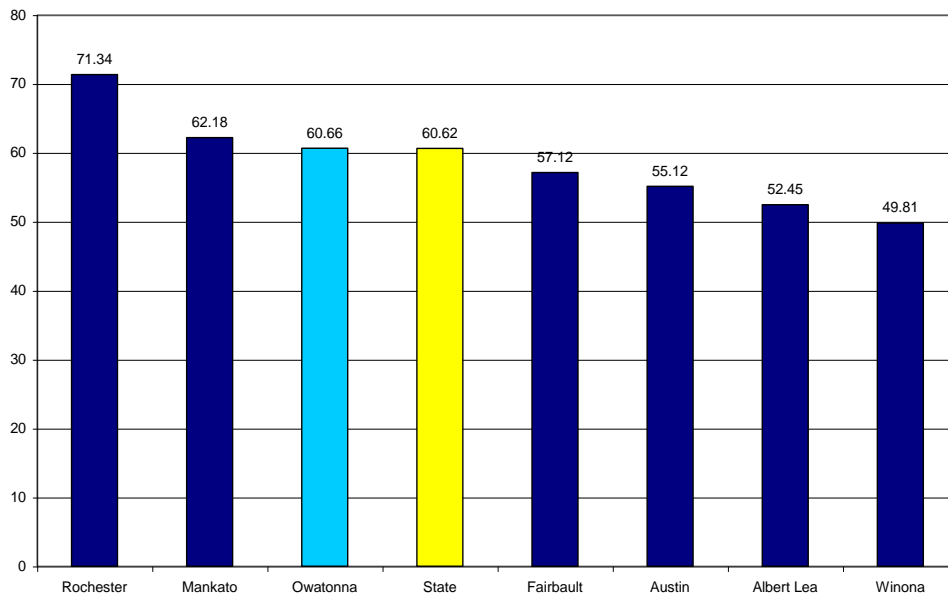


Figure 8

OPS and Big 9 Districts: Overall Performance Percent at Proficiency, 2008 MCA-II
Math

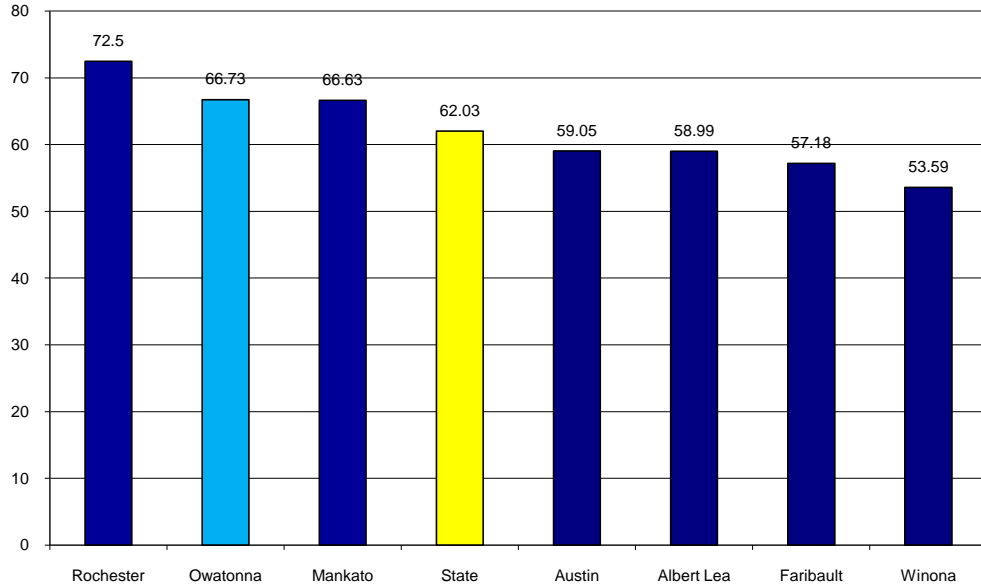


Figure 9

OPS and Big 9 Districts: Overall Performance Percent at Proficiency, 2009 MCA-II Math

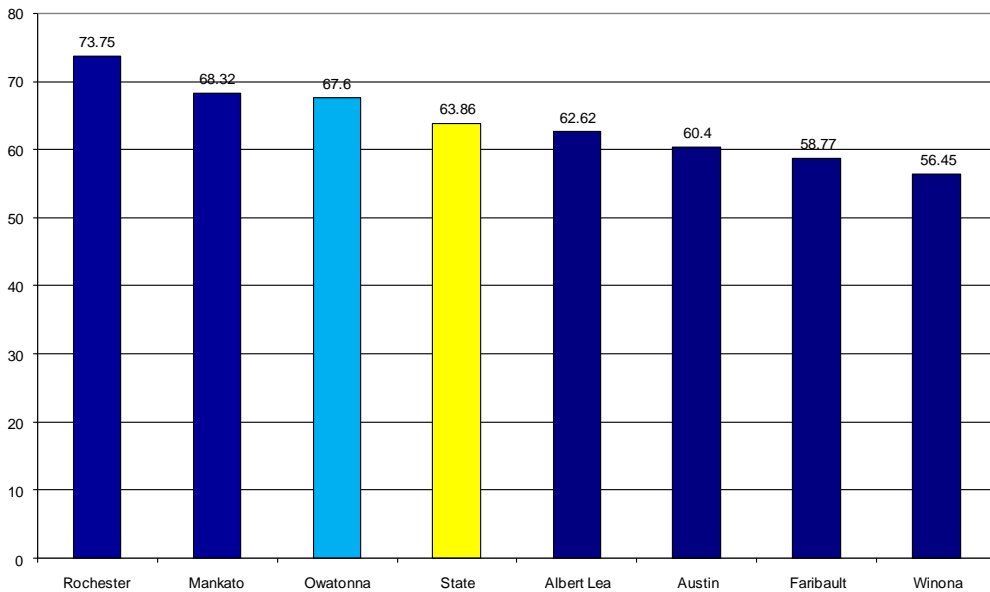


Figure 10

The second group of comparisons is with school districts that have been determined to be demographically similar to Owatonna. Based on established benchmarks, the Minnesota school districts determined to be demographically similar include Moorhead, St. Louis Park, West St. Paul, Shakopee, Austin, Spring Lake Park, and Winona. The 2006-2007 demographic data from the MDE for each of the comparative districts is listed in *Figure 11* below. An example of how the criteria have assisted in eliminating some districts from being used for comparison is the metrics for the Willmar Public Schools. While the Willmar district is within a 1000 students of Owatonna, the percent of students receiving Free and Reduced Lunch Price (FRLP) is 47% where the percent of students receiving FRLP in Owatonna is only 30%.

The criteria used to assist in determining comparative school districts include (a) school districts where the district census of students was within a range of 1000 students to Owatonna, (b) school districts where the level of Limited English Proficiency (LEP) students was within a range of 3%, and (c) school districts where the Free and Reduced Lunch Price (FRLP) students (students of low socio-economic status) was within a range of 3% to 5%.

Comparative Districts* 2009	Reading	Math	Population	LEP	SpEd	FRLP
St. Louis Park	75.52	67.38	4177	7	14	27
Owatonna	72.82	67.6	4934	8	11	30
Moorhead	72.12	65.4	5292	7	15	30
W. St. Paul	72.04	62.34	4223	8	14	33
State	71.92	63.86	4418	8	13	32
Shakopee	71.84	66.7	3566	13	11	27
Spring Lake Park	71.31	62.25	6139	8	11	29
Austin	68.67	60.4	4589	9	13	47
Winona	64.57	56.45	4141	3	15	35
Willmar	58.92	54.2	4177	14	11	47

*MDE Demographic Information from SY 2007-2008

Figure 11

The similar districts and comparative results for the 2007 through 2009 testing cycles for reading are displayed in *Figure 12*, *Figure 13*, and *Figure 14* below. The similar districts and comparative results for the 2007 through 2009 testing cycles for mathematics are displayed in *Figure 15*, *Figure 16*, and *Figure 17* below. Different from the Big 9 comparisons, our overall performance when compared with those school districts that are demographically similar to Owatonna was very positive. In reading, only St. Louis Park outperformed our students in the overall percent of students achieving proficiency in 2009 and in math Owatonna moved to the top position in the overall percent of students achieving proficiency.

**OPS and Comparison Districts: Overall Performance
Percent at Proficiency, 2007 MCA-II Reading**

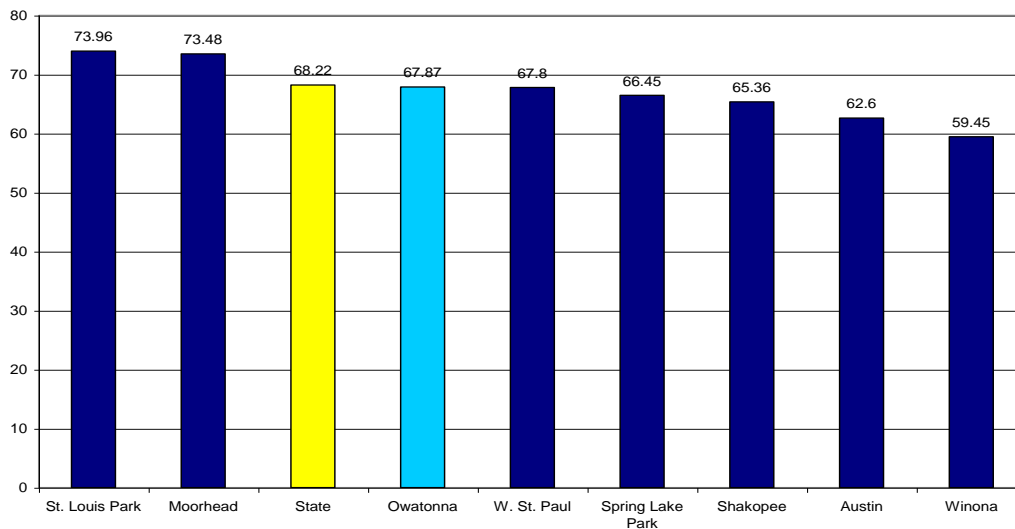


Figure 12

**OPS and Comparison Districts: Overall Performance
Percent at Proficiency, 2008 MCA-II Reading**

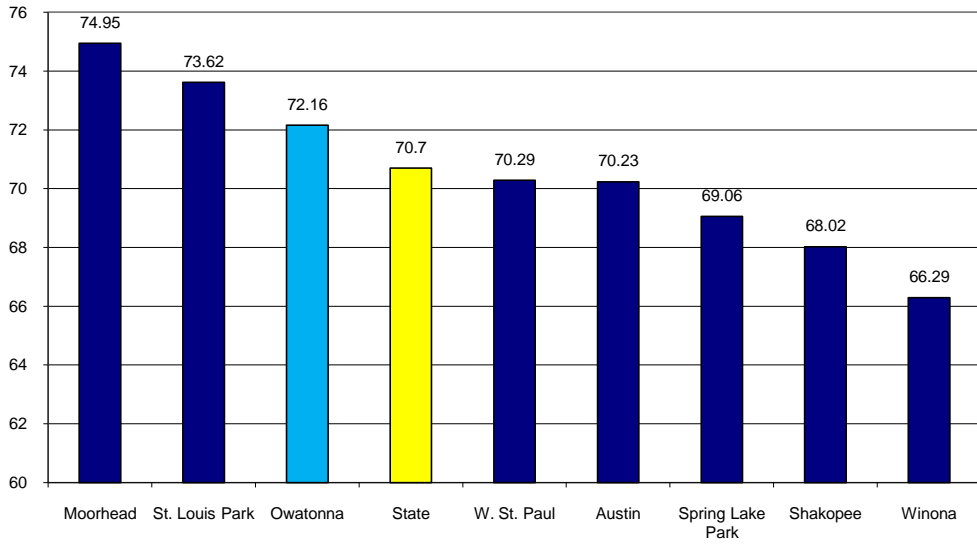


Figure 13

**OPS and Comparison Districts: Overall Performance
Percent at Proficiency, 2009 MCA-II Reading**

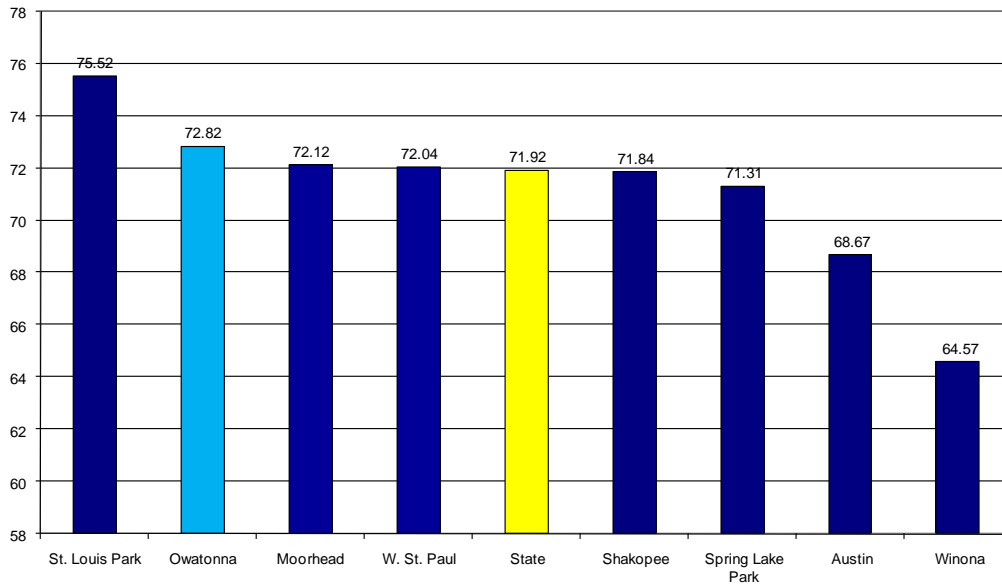


Figure 14

OPS and Comparison Districts: Overall Performance
Percent at Proficiency, 2007 MCA-II Math

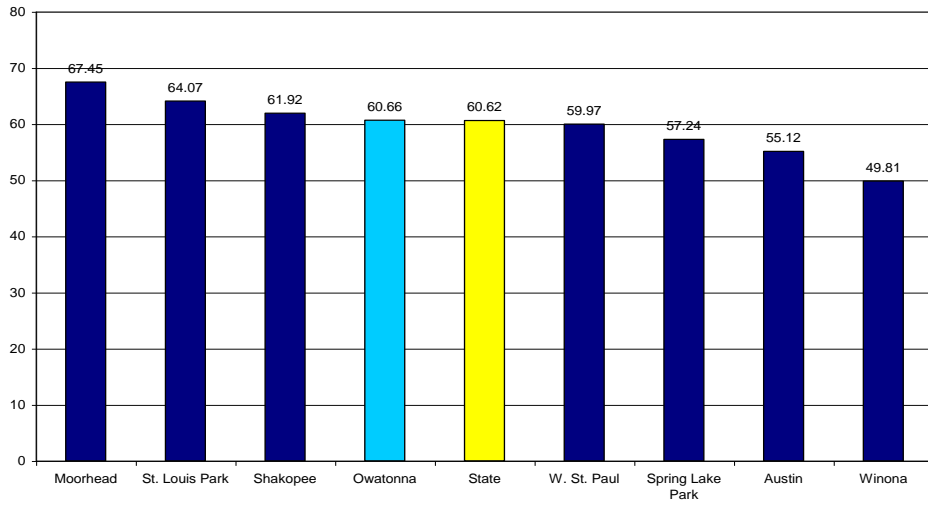


Figure 15

OPS and Comparison Districts: Overall Performance
Percent at Proficiency, 2008 MCA-II Math

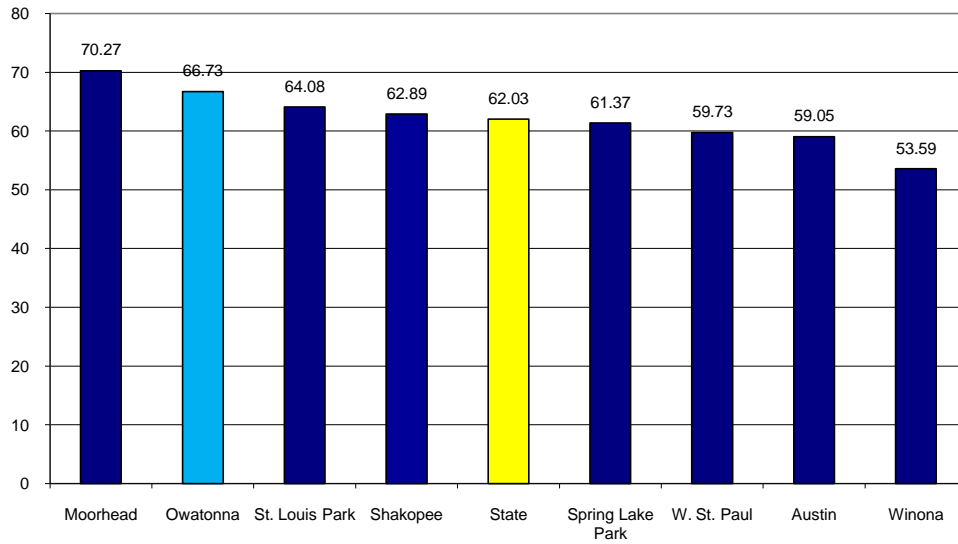


Figure 16

OPS and Comparison Districts: Overall Performance
Percent at Proficiency, 2009 MCA-II Math

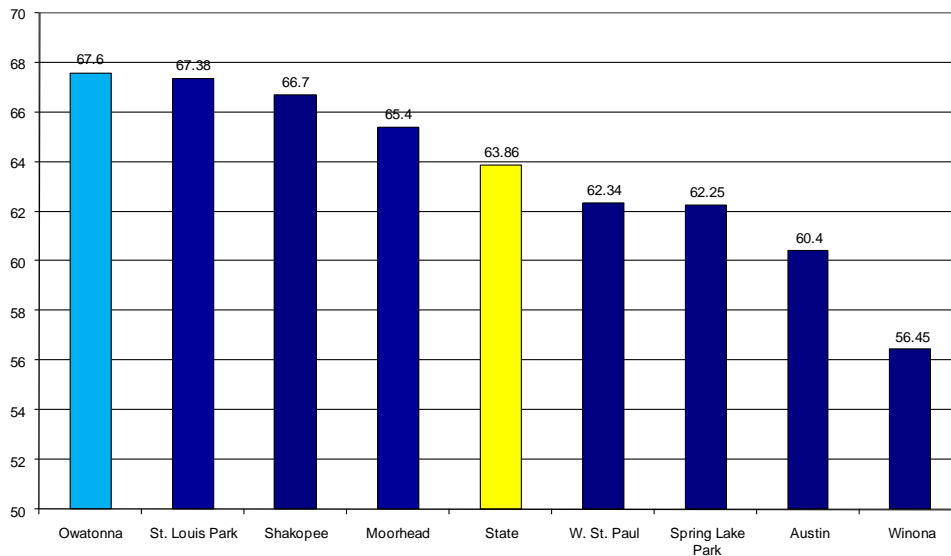


Figure 17

Approach

The results from the 2008 and 2009 state assessments are encouraging. However, a level of caution needs to be given when attempting to ‘draw a straight line’ between specific academic interventions that have been implemented and the positive results that are beginning to trend in our District. With this in mind our schools, and the District as a whole, did take a number of specific and deliberate steps to improve our overall achievement on these state assessments. Some of the initiatives for the 2008-2009 school year are described below.

While there continues to be room for improvement the results from the 2008 and 2009 state assessments are encouraging.

1. Submission and approval of an Adequate Yearly Progress (AYP) Improvement Plan- Because our District was cited for not meeting AYP for two consecutive years for a specific population, we were required by the state to submit a plan leading to the improvement in our overall performance. Several our schools including Wilson Elementary School, McKinley Elementary School, and Willow Creek Intermediate School were also required to develop and submit AYP Improvement Plans. The plans were completed and approved the MDE in the fall of 2008 and were implemented over the course of the 2008-2009 school year. Highlights of the Plan are as follows:

The District’s AYP Improvement Plan focused energy and resources on three goals that included:

- Alignment of K-12 curricula and assessments with the most recent Minnesota Academic Standards (MAS) in reading and mathematics that will be addressed through the identification of curricular gaps and omissions and curriculum mapping.
- Provide professional development that will assist staff in using effective instructional strategies (Differentiation of Instruction) that meet the educational needs of Hispanic, LEP and SPED students in mathematics and reading.
- Provide ongoing training opportunities to assist all staff in maximizing effective communications with Hispanic, LEP and SPED students and families.

Action plans to meet the AYP goals for the District included:

During the 2008-2009 school year OPS will align the K-12 curriculum and resources with MAS to improve the overall performance of LEP and SPED students in the area of reading as measured by the 2009 MCA-II assessments.

- District Student Achievement Curricular Review Language Arts Committee will conduct curriculum alignment study and gap analysis
- Curriculum alignment of MCA-II reading assessment terms and phrases across all curricular areas (mathematics, science, health, etc.)
- District-wide deployment of MCA terms and phrases across the K-12 curriculum.
- Extended day and extended school year activities (i.e. targeted services, etc) at building sites for students identified as not meeting adequate yearly progress in mathematics and reading. Services will employ best practices through the use highly qualified teachers to assist students in meeting proficiency expectations.
- Professional development in deploying asynchronous learning resources (i.e. Study Island, Class.com, Compass Learning: Odyssey, Carnegie Learning, etc.) at building sites in an effort to assist in focusing instruction to meet the specific learning needs of students identified as not meeting AYP in math and/or reading.
- Provide professional development opportunities for OPS instructors to assist in the implementation of differentiation strategies that will meet the specific learning needs of students identified as not meeting AYP in the area of reading.
- OPS' professional development team (COMPASS) will provide professional learning opportunities for OPS instructors in the area of Rtl strategies. The purpose is to diagnose instructional needs of students identified as not meeting AYP in the area of reading.
- OPS' professional development team (COMPASS) will provide professional learning opportunities for OPS instructors in the area of NWEA strategies. The purpose is to diagnose instructional needs of students identified as not meeting AYP in the area of reading.
- Provide professional development to assist OPS instructors in garnering an increased understanding of constructed response as employed within the MCA-II for reading
- Using internal and external expertise (e.g., OPS' mentoring program and COMPASS team) to provide ongoing professional development opportunities to assist OPS instructors in enhancing data analysis skills.
- OPS will provide training to enhance the skills of District staff in using the a student information and data warehousing system to enhance instruction and improve student achievement

During the 2008-2009 and 2009-2010 school years, OPS will provide ongoing professional development opportunities as guided by the district's professional development team (COMPASS) to improve the skills necessary to *"maximize effective internal and external communications to build and strengthen relationships and partnerships"* that will assist in improving the adequate yearly progress of LEP and SPED students in the area of reading.

- Provide professional development opportunities for OPS stakeholders to enhance the understanding in effective parental involvement of LEP and SPED parents with the school in the education of their child. While the district will focus primarily on LEP and SPED families of children identified as not meeting AYP in the area of reading, training sessions are intended to meet the district's strategic initiative to maximize effective internal and external communications. Internal and external expertise will be used to assist in the implementation of this strategy.

- Extended day and extended school year activities (i.e. targeted services, etc) at building sites for students identified as not meeting adequate yearly progress in mathematics and reading. Services will employ best practices through the use of highly qualified teachers to assist students in meeting proficiency expectations.
- Professional development in deploying asynchronous learning resources (i.e. Study Island, Class.com, Carnegie Learning, etc.) at building sites in an effort to assist in focusing instruction to meet the specific learning needs of students identified as not meeting adequate yearly progress in math and/or reading.
- Provide professional development opportunities for Owatonna Public School instructors to assist in the implementation of differentiation strategies that will meet the specific learning needs of students identified as not meeting adequate yearly progress in the area of mathematics.
- The District's professional development team (COMPASS) will provide professional learning opportunities for Owatonna Public School instructors in the area of Response to Intervention (RTI) strategies. The purpose is to assist in determining appropriate instructional needs for students identified as not meeting adequate progress in the area of mathematics and reading.
- Provide professional development to assist Owatonna Public School instructors in garnering an increased understanding of constructed response as employed within the Minnesota Comprehensive Assessment-II for mathematics
- Using internal and external expertise (i.e. District's mentoring program and COMPASS team) to provide ongoing professional development opportunities to assist Owatonna Public School instructors in enhancing data analysis skills.
- Owatonna Public Schools will explore the upgrade of the District's student information system.

During the 2008-2009 school year, OPS will maintain alignment between the OPS K-12 mathematics curriculum and resources with the MAS to continuously improve the overall performance of Hispanic students in the area of mathematics as measured by the 2009 MCA II assessments.

- District Student Achievement Curricular Review Committee will continue the curriculum alignment study and gap analysis of the math curriculum with the Minnesota Academic Standards
 - Continuing curriculum alignment of MCA-II math assessment terms and phrases across all curricular areas (reading, science, health, etc.)
 - OPS-wide deployment of MCA terms and phrases across the K-12 curriculum.
 - OPS will continue to explore advancing a curriculum mapping initiative to a digital format over the term of this improvement plan. This initiative is contingent on updating OPS' student information system to a compliant format.
2. Response To Intervention (RTI)- This past year, all of our school sites were able to put into place an RTI initiative that directly targeted specific skill sets of students at their site. This initiative was made possible through as a result of a grant awarded to our District by the MDE. In general, the resources acquired through the grant were focused on advancing the academic skills of students struggling with reading and at the secondary level the resources of the grant were focused on advancing the academic skills of students with mathematics.
 3. COMPASS Activities- Over the course of the 2008-2009 school year the COMPASS team was able to assist sites, grade levels, and departments in meeting their goals through the implementation of profess

4. Professional development and training that was specifically designed and tailored to assist sites in meeting their goals. For example, one of the professional development initiatives conducted by COMPASS included facilitating the development of professional learning communities at our sites where our faculty and staff had an opportunity to research teaching methodologies that would enhance instruction and ultimately improve student achievement in our schools. Other areas of focus by COMPASS included (a) assisting in establishing a framework for the realignment of our curricular areas, (b) assisting faculty and administrators in the analysis of student information to assist in the development of differentiated lessons, (c) modeling instructional for new and beginning instructors, (d) promoting and demonstrating instructional practices that would assist in the improvement of our district's student achievement.

There were many other building level initiatives that focused specifically on improving our performance on the MCA II's. Based upon our results this year, our collective efforts had a positive impact.

What is Adequate Year Progress (AYP)?

As part of the federal No Child Left Behind (NCLB) act, AYP represents a level of student achievement on statewide tests. Schools and districts make AYP in one of two ways, (1) meeting targets for the number of students performing above state standards on state developed tests and (2) reducing by 10% the number of students who score lower in performance levels.

2007 AYP Status Summary Sheet
District and School Sites (Cell size at 20)

	Reading		Mathematics		Attendance/Graduation	
	Participation Rate	Percent of Proficiency	Participation Rate	Percent of Proficiency	Rate	Rate
All Students	ALC	Yes	Yes	ALC	ALC	Yes
American Indian/Alaskan Native	-	-	-	-		
Asian/Pacific Islander	-	Yes	-	Yes		
Hispanic	Yes	Wilson	Yes	District, OHS, OJHS, Willow Creek, Wilson		
Black	Yes	Yes	Yes	Yes		
White	Yes	Yes	Yes	Yes		
Limited English Proficient	Yes	Yes	Yes	OJHS, Willow Creek, Wilson		
Special Education	Yes	District, OHS, McKinley, Willow Creek	Yes	OHS, Lincoln, Willow Creek		
Free/Reduced Price Lunch	OHS	OHS	Yes	OHS, Willow Creek		

Figure 18

2008 AYP Status Summary Sheet						
District and School Sites (Cell size at 20)						
	Reading		Mathematics		Attendance/Graduation	
	Participation Rate	Percent of Proficiency	Participation Rate	Percent of Proficiency	Rate	Rate
All Students	Yes	Yes	Yes	<u>ALC</u>	Yes	Yes
American Indian/Alaskan Native	-	-	-	-		
Asian/Pacific Islander	-	Yes	-	Yes		
Hispanic	Yes	Yes	Yes	Washington		
Black	Yes	<u>OJHS</u>	Yes	<u>OJHS</u>		
White	Yes	Yes	Yes	Yes		
Limited English Proficient	Yes	<u>District, OJHS, McKinley, Willow Creek</u>	Yes	<u>OJHS</u>		
Special Education	Yes	<u>District, OJHS, Washington, Willow Creek</u>	Yes	<u>OJHS, OJHS, Washington, Willow Creek</u>		
Free/Reduced Price Lunch	Yes	<u>OJHS</u>	Yes	Yes		

Figure 19

2009 AYP Status Summary Sheet						
District and School Sites (Cell size at 20)						
	Reading		Mathematics		Attendance/Graduation	
	Participation Rate	Percent of Proficiency	Participation Rate	Percent of Proficiency	Rate	Rate
All Students	Yes	Yes	Yes	<u>ALC</u>	Yes	Yes
American Indian/Alaskan Native	-	-	-	-		
Asian/Pacific Islander	-	Yes	-	Yes		
Hispanic	Yes	<u>District, Willow Creek</u>	Yes	Yes		
Black	Yes	<u>District, McKinley</u>	Yes	<u>McKinley</u>		
White	Yes	Yes	Yes	Yes		
Limited English Proficient	Yes	<u>OJHS, McKinley, Willow Creek</u>	Yes	<u>OJHS</u>		
Special Education	Yes	<u>District, OJHS</u>	Yes	<u>OJHS, Willow Creek</u>		
Free/Reduced Price Lunch	Yes	<u>OJHS, McKinley</u>	Yes	Yes		

Figure 20

The information displayed in Figure 18, Figure 19, and Figure 20 displays a summary of the Adequate Year Progress (AYP) for Owatonna Public Schools (OPS) in school years 2007 through 2009. Boxes highlighted in light blue indicate school sites that the requirements of the federal No Child Left Behind act and were deemed proficient. Boxes highlighted in light red indicate school sites that were not proficient as required by NCLB. School sites that are underlined indicate those schools that were not proficient as required by NCLB for a second year and were required to file an improvement plan with the Minnesota Department of Education.

Looking Ahead Toward AYP

While the student achievement for the District overall were positive, future required achievement levels for meeting AYP will continue to rise. With this in mind, we need to be prepared to show improved results in all areas and, in all probability, at a greater rate of improvement. In spite of the positive results for our District, we should anticipate that we will once again be cited for failing to make AYP in a number of schools. And, because of our schools being cited, our District will be also. Official AYP results will not be made public until August. Once these results are announced, we will be in a better position to make appropriate plans both in our sites as well as at the District level. *Figure 21* below illustrates why making AYP for a specific subgroup is challenging and why increasing numbers of schools will ultimately be placed on the AYP list.

The legislative mandate of No Child Left Behind (NCLB) requires that 100% of all students demonstrate proficiency in the areas of reading and mathematics by 2014. With this in mind, the metrics and slope line shown in blue illustrate the yearly expectations that have been established for the Owatonna Public Schools by the MDE for one of more than thirty (30) subgroups. The metrics and slope line in red show the progress that must be made annually by Owatonna public school students for this subgroup in order for the District to remain off AYP and meet the requirement of 100% of all students demonstrating proficiency by 2014.

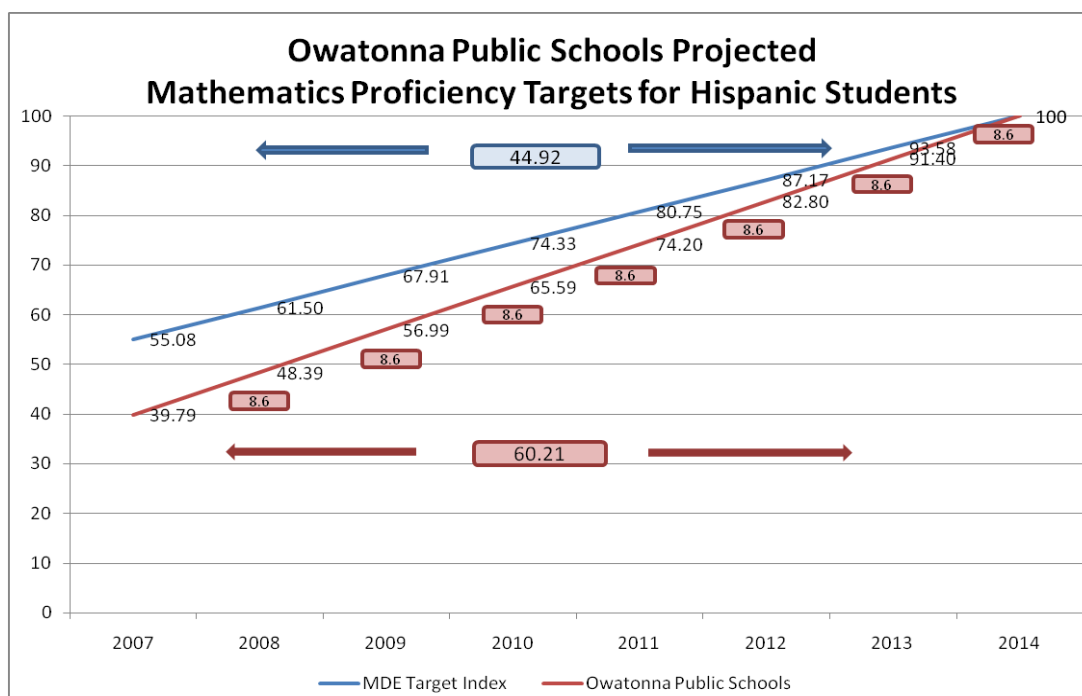


Figure 21

In the above graph, the values represent index points that our District must achieve in order to reach 100% proficiency by 2014. By state standards for this demographic subgroup (in blue) the annual improvement increments would be 6.42 for Owatonna while based upon the reality of where we are today, our annual improvement increments need to be 8.6.

As long as a gap exists between these two lines, our District will continue to be cited for a failure to make AYP; even as we make the kind of significant gains we made this past year. Simply stated, closing the gap is not good enough, eliminating the gap is our mandate!

CHAPTER ELEVEN - DISTRICT BENCHMARKS

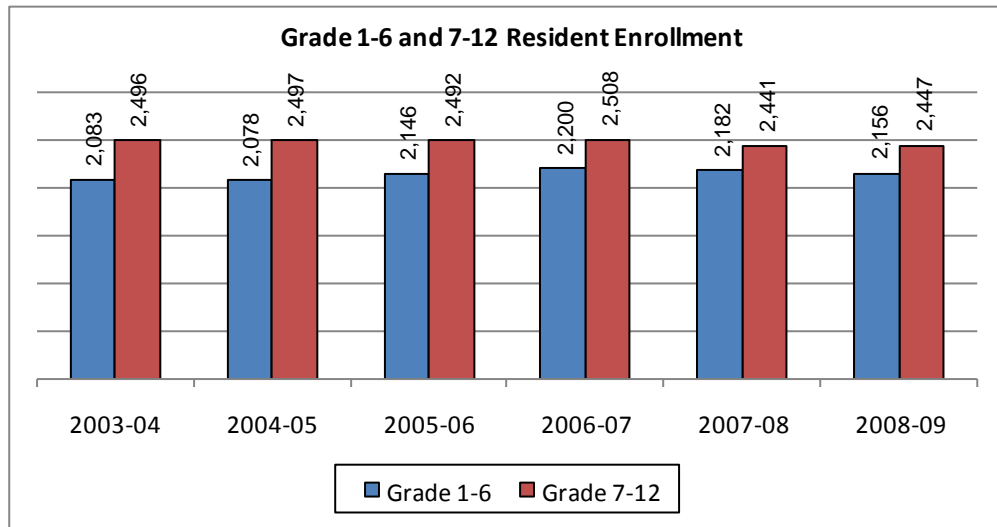
As a means of comparing performance in areas such as finance, the Owatonna School District compares student achievement and school finance data with similarly sized schools across the state. The graphs listed in this document are from FY 09.

The source of this information is the Minnesota Department of Education website.

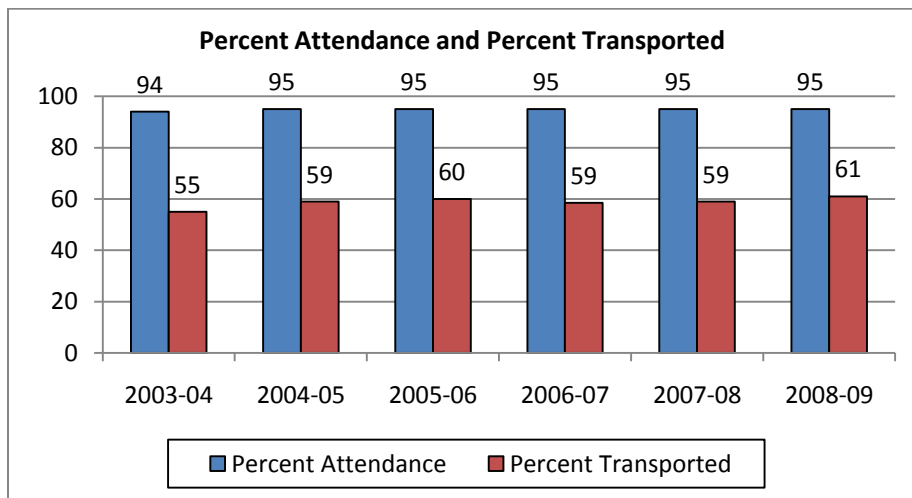
Working to Improve-

Quality improvement requires the District to gather important data and to establish benchmarks against which to be measured, and targets against which goals are set.

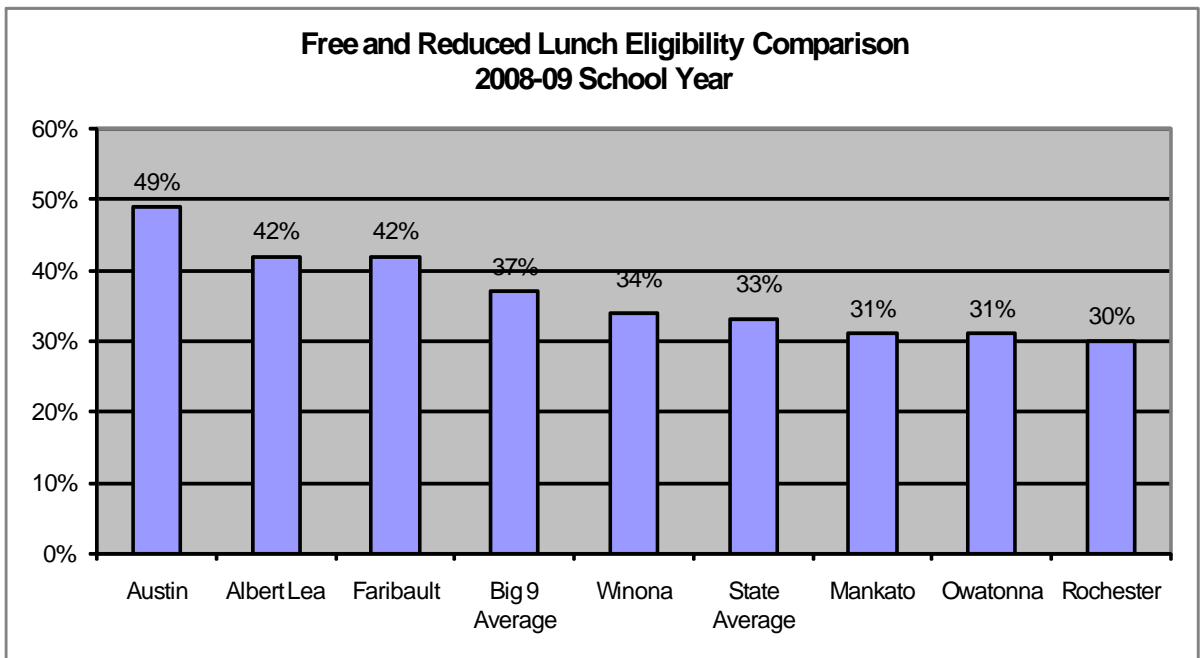
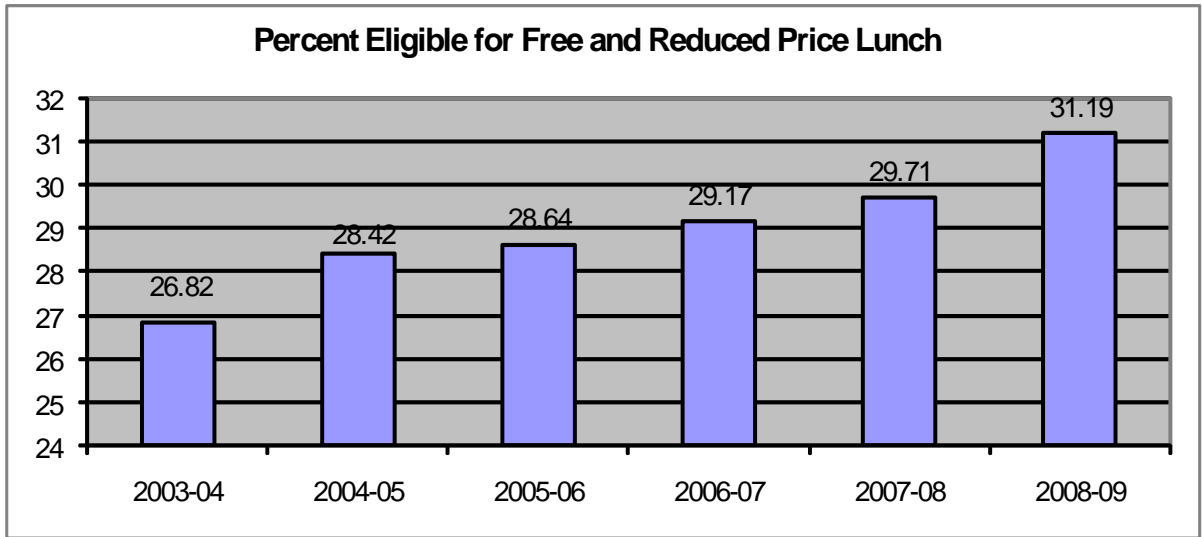
The graph below suggests that there is a difference between those students who reside in Owatonna and those who attend the Owatonna Public Schools. Certainly a large share of that disparity can be attributed to the existence of private schools and other educational alternatives such as home schooling. For future reference, this information can be useful in determining trends.



Average daily attendance, and the percent of students transported to our schools is shown in the graph below.

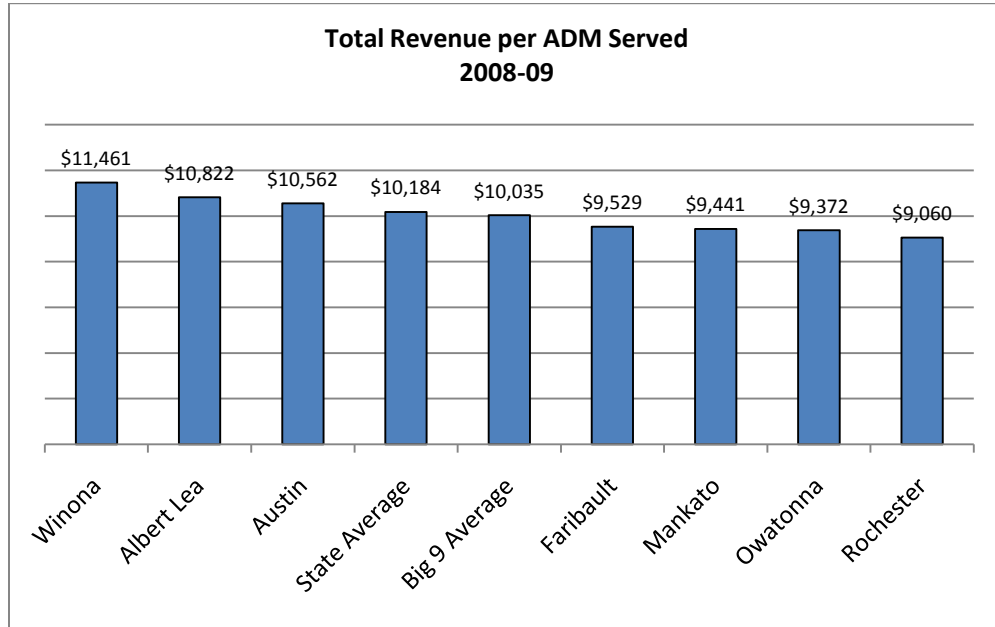


The graphs on this page illustrate the trend in the number of students attending the Owatonna Public Schools and eligible for free and/or reduced lunch and how Owatonna compares with the other Big 9 schools.

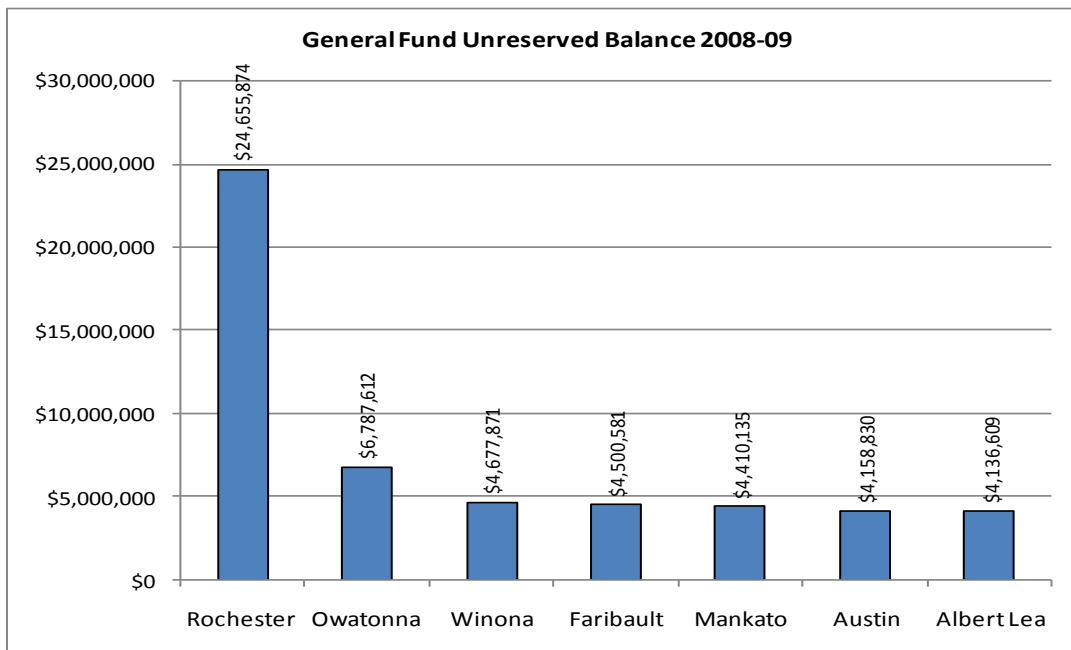


From the graph below, it can be shown that the revenue generated through state and federal aid, along with the local referendum, is relatively low when compared to other school districts in the Big 9. Winona's high ranking is because of their operating levy, which is in excess of \$1,500 per pupil as compared to Owatonna's \$691 per pupil.

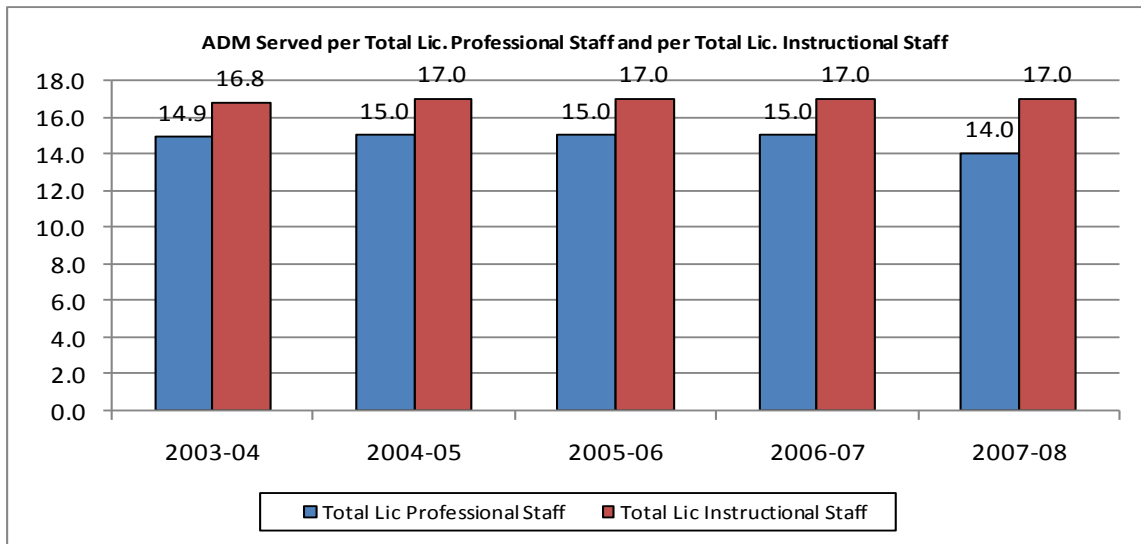
Historically, Owatonna's relatively lower revenue per ADM is also a result of lower compensatory aid, as well as special education funding.



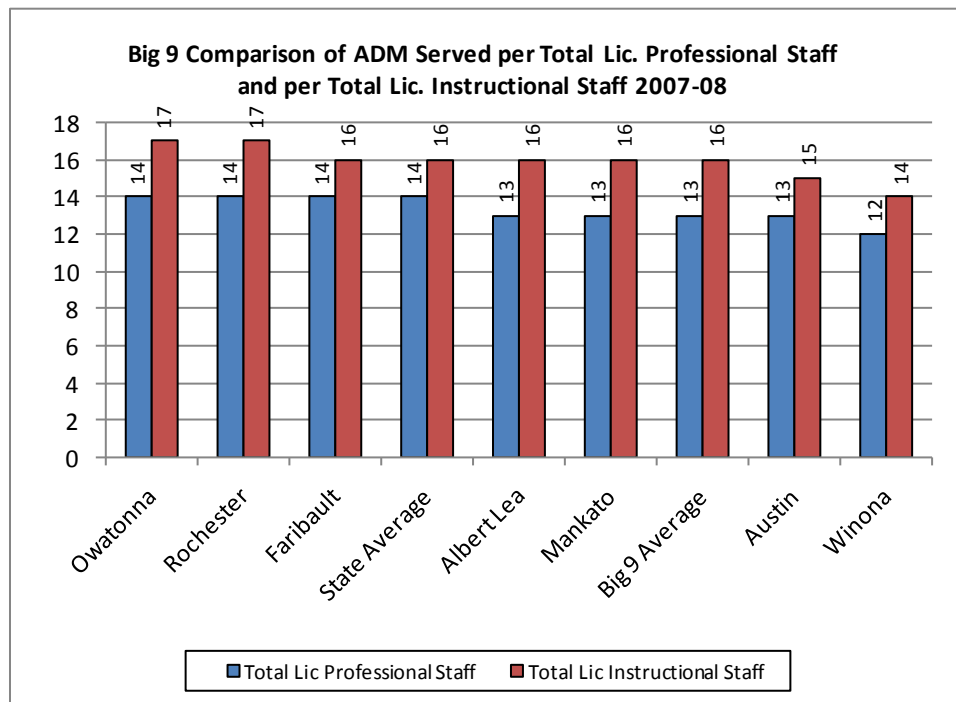
The size of our 'unreserved' fund balance, when compared to other Big 9 schools is comparable.



The comparison of Owatonna's student to teacher and professional staff over the last several years is shown in the graph below.



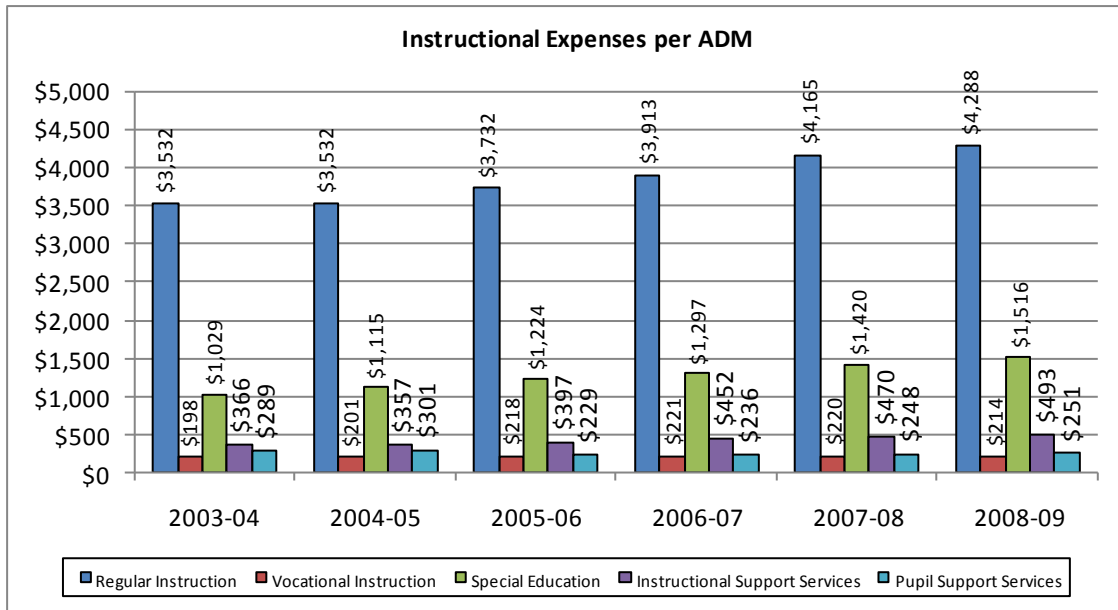
The graph suggests that little real change has occurred over the past several years, although fewer students were served (14) in FY 08, as compared to 15 in years past. While it has not yet been calculated, these comparisons should remain relatively stable for 2009-10. The graph below is a comparison of Big 9 schools.



Owatonna is serving more students per licensed staff member than other Big 9 schools, except for Rochester, who is serving the same amount.

* The information on this page is the most recent data available on the MDE web site.

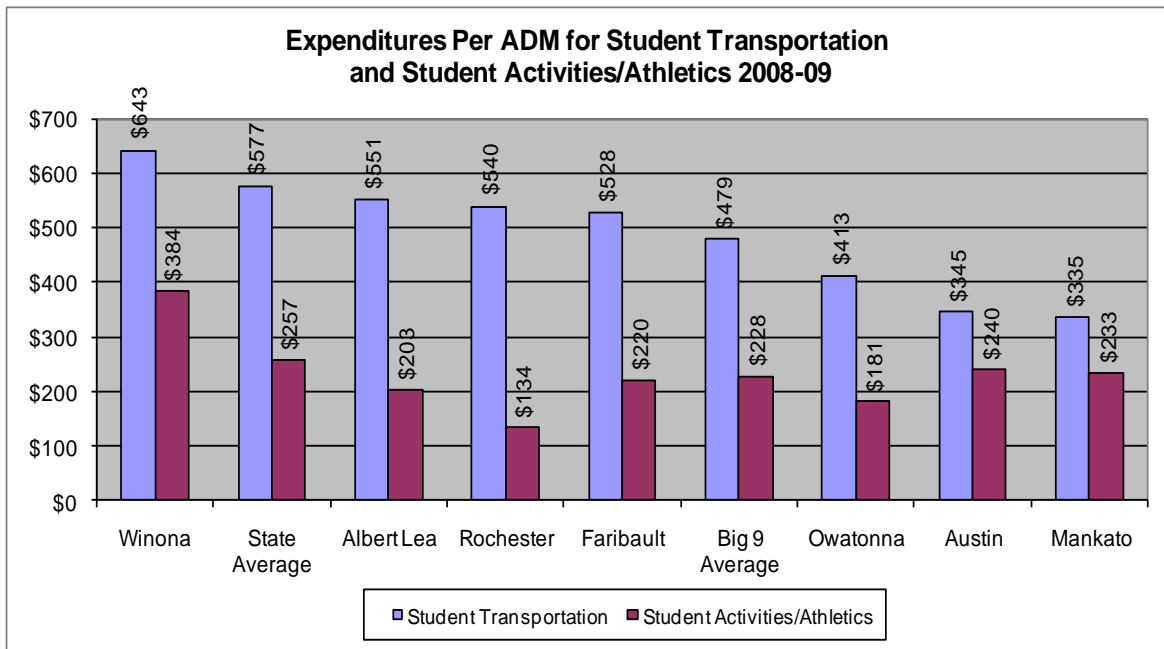
Below, it can be seen that over the past several years there has been little or no change in the relationship between budget allocations to various instructional areas. Although, regular instruction has increased on average 4.3 percent per year. Special education has increased by 9.5 percent per year.



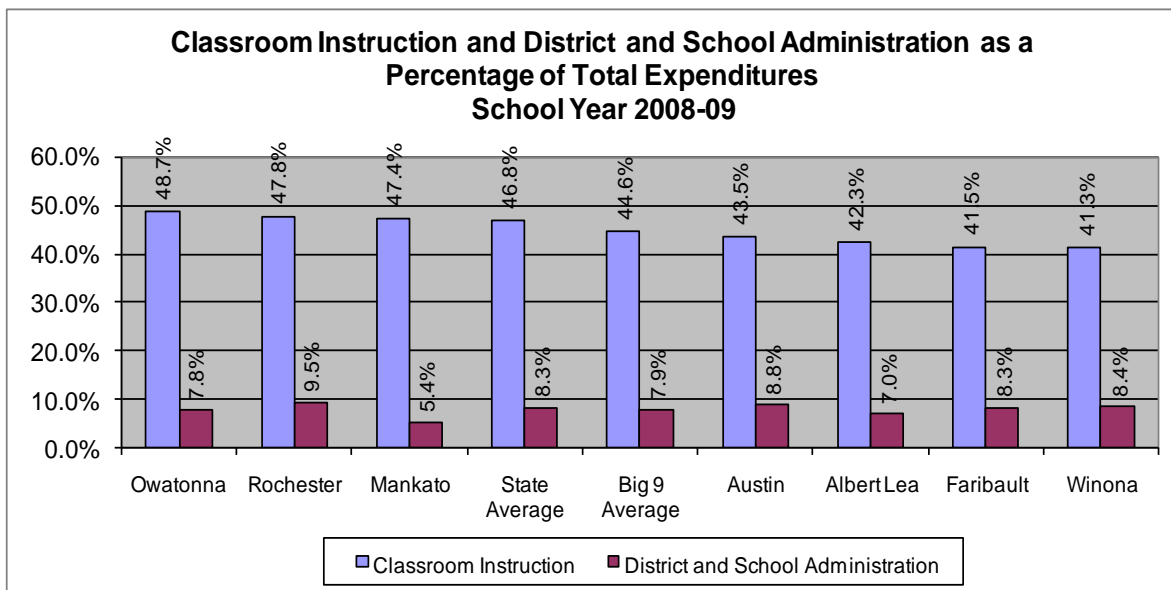
Critical data such as this is important to maintain as decisions are made related to budget development. The information provided suggests that no dramatic shifts in program have taken place in the District over the last five years. It also indicates that the current level of allocation across various instructional areas is consistent with other districts within the Big 9. The relatively low revenue available to our district suggests that our operations are efficient when compared to state and local benchmarks.

	Total PPU	District & School Administration	Student Instruction (Includes Sp. Ed.)	Special Education	Regular / Technical Instruction
Mankato	9,405	507	6,338	1,885	4,453
Albert Lea	12,140	861	8,011	2,873	5,138
Austin	10,413	913	6,345	1,815	4,530
Rochester	9,163	872	5,727	1,343	4,384
Faribault	9,175	755	5,768	1,960	3,808
Owatonna	9,237	716	6,018	1,516	4,502
Winona	13,770	1,160	8,502	2,821	5,681
Big 9 Average	10,472	826	6,673	2,030	4,642
State Average	10,639	887	6,776	1,794	4,982

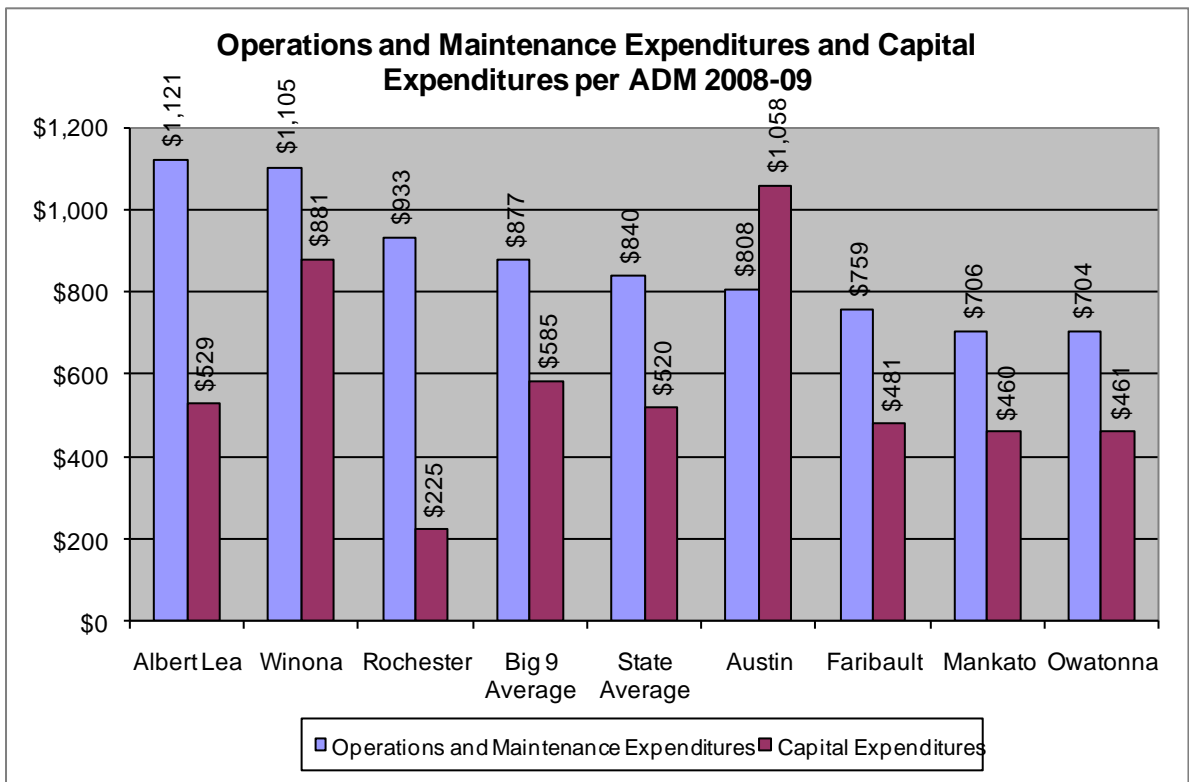
The amount that a district spends on transportation is related to the number of students transported and the distance covered by the various routes. With the exception of Rochester, Owatonna spends less per ADM on student activities than the Big 9 or state average. Also, Owatonna is well below averages in transportation costs.



When comparing expenditures in administration, we find Owatonna is “below average,” as compared to state and Big 9 counterparts. In classroom instruction, we rank well above state average, and highest in the Big 9 spent on classroom instruction.



Owatonna's expense per ADM in maintenance and capital is well below other Big 9 districts and the state average.



CHAPTER TWELVE – TROUBLING TIMES

It goes without saying that we will be facing some of the most severe economic challenges in the history of the District. Funding for our school programs and services was held 'flat' during the 2009-2010 and 2011-2012 school years. This is the second biennial freeze in the last eight (8) years. Moreover, the state chose to modify its current schedule of payments to schools by increasing the level of 'delay' from 10% to 30%; thereby creating potentially significant cash flow problems for school districts across the state. Add to those challenges the fact that the state used monies it received through the federal stimulus program to pay some of its general fund obligation to local school districts with no real plan for making up that difference in the coming biennium helps us to understand just how troubling our economic picture over the next several years will be.

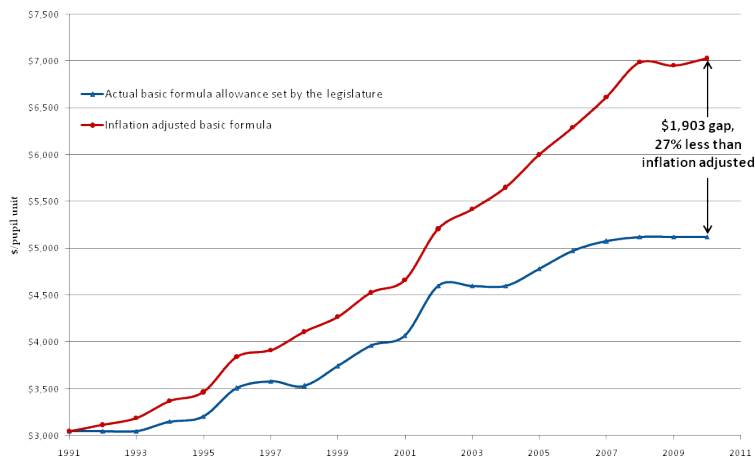
On the following pages is an analysis of some of the variables that will play into our planning for the next several years.

Public Schools in Minnesota have faced some very difficult challenges in their ability to sustain the level of programs and services that parents, communities and students have come to expect. The challenge centers primarily on funding; or the lack thereof. While acknowledging the very difficult economic times that we are in today, the suggestion made by some that public schools have for too long failed to 'make do' with the resources they have is belied by the reality of funding that has been provided to us. The table below provides some history of the general education aid that OPS has received since the passage of our operating levy in 2002.

School Year	Formula Allowance	General Increase	Percent Change
2002-03	\$ 4,601.00	\$ -	Base
2003-04	\$ 4,601.00	\$ -	0.00%
2004-05	\$ 4,601.00	\$ -	0.00%
2005-06	\$ 4,785.00	\$ 184.00	4.00%
2006-07	\$ 4,976.00	\$ 191.00	3.99%
2007-08	\$ 5,075.00	\$ 99.00	1.99%
2008-09	\$ 5,124.00	\$ 49.00	0.97%
2009-10	\$ 5,124.00	\$ -	0.00%
2010-11	\$ 5,124.00	\$ -	0.00%
Average Annual % Increase			1.22%
Average Annual Cost of Living Increase			~3.0%

Table 1: History of State Aid

This lagging nature of revenue behind inflationary increases is shown graphically below.

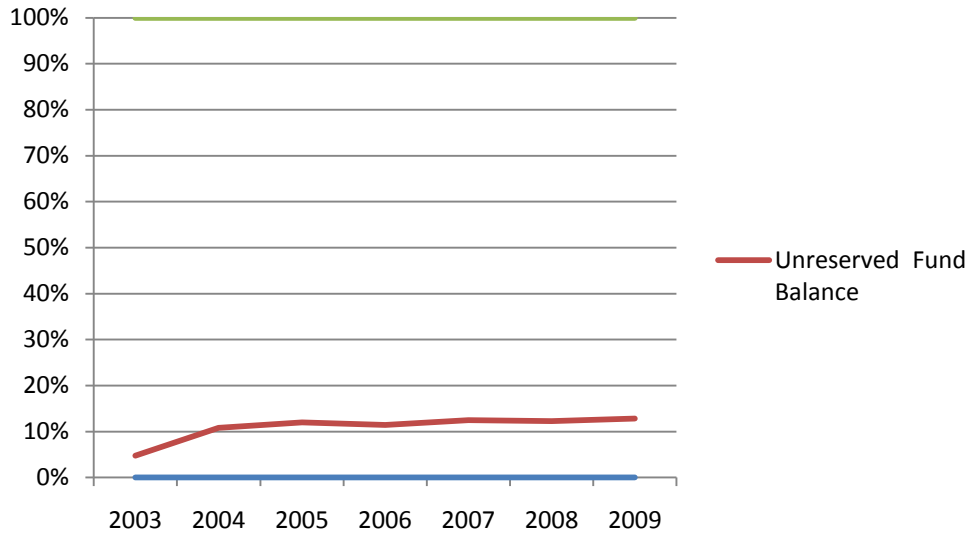


Graph 1: Revenue/Inflation Gap

Historically over the last several years, our fund balance has either maintained its current level or increased slightly. Graph 2 below shows our history of year end unreserved fund balances as a percent of our expenditures. The 'jump' from just above 5% to over 14% occurred in the year following the successful passage of our operating level in the fall of 2002.

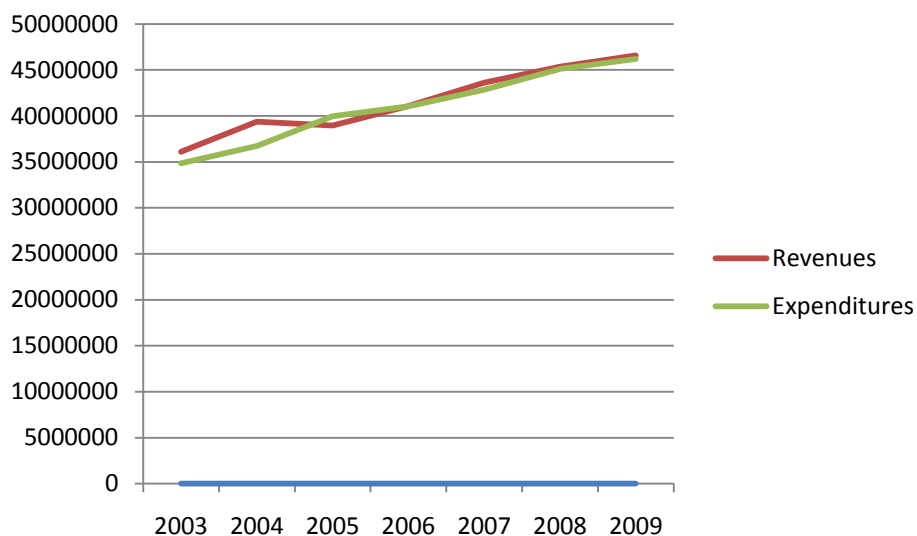
Our ability to maintain a higher level of fund balance above the Board's desired level (6 and 8%) is due in large part by a tendency toward conservative estimates in projected revenue increases as well as planful expenditures aligned with projected revenues. Steady and sometimes growing student enrollments also had an impact.

Unreserved Fund Balance as a Percent of Expenditures



Graph 2: Fund Balance History

A direct comparison of actual expenditures and revenues over the same period of time show this very close alignment. We have managed to keep our expenditures at, or below, revenues in six (6) out of the past seven (7) years.



Graph 3: Actual Revenue and Expenditure Comparisons

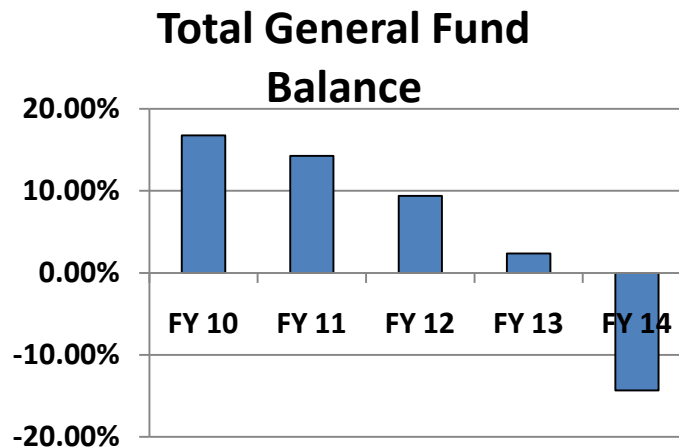
This close alignment of revenues and expenditures is unlikely to continue if we want to sustain the same level of programs and services now in place.

As we plan ahead, we face a reality that the state funding level will not increase for at least the next biennium. In fact, it is likely that the current level of funding will decrease. Table 2 below (from page 15 of this document) illustrates what will happen to our fund balance over the next four (4) years if the state allows the shift in aids to remain in place and finds the means to replace the stabilization funds we received in the first year of this biennium. It also makes an assumption that we will not take steps to balance the budget.

	FY 10 Baseline		Keep Stab Fund			
		Keep Shift				
(in millions)	FY 09 Actual	FY 10	FY 11	FY 12	FY 13	FY 14
Total Revenue	\$46.595	\$46.372	\$47.002	\$47.284	\$47.568	\$43.863
Total Expenditures	\$45.917	\$46.773	\$47.992	\$49.480	\$51.014	\$52.595
Fund Balance Change	\$0.678	-\$0.401	-\$0.990	-\$2.196	-\$3.446	-\$8.732
Fund Balance	\$8.238	\$7.837	\$6.847	\$4.651	\$1.205	-\$7.527
Percent	17.94%	16.76%	14.27%	9.40%	2.36%	-14.31%

Table 2: Fund Balance Through FY14 Without Changes in Expenditures

Shown graphically, it is apparent that doing little or nothing to align our expenditures to revenues dramatically changes our financial stability.



Graph 4: General Fund Balance Without Expenditure Adjustments

By continuing to allow our budget to be out of balance, the challenges that we will face financially in the future will compound. Probably equally important, if there is the appearance that as a Board and District, we have done little or nothing to balance our budget prior to seeking approval of a renewed levy, our chances of success are considerably diminished.

Structurally Balanced Budget- (Discussion) The stability, and even small growth, in our fund balance over the past seven (7) years has placed us in a position that has allowed us to weather a very difficult two years. The delay in state aid payments this year, while affecting our cash flow, was not significant enough to require us to seek additional revenue through borrowing. In fact, it has enabled us to look at critical maintenance and instructional needs and address them as well. For example, this year, additional expenditures were committed to instructional technology, set up costs associated with Options and expanded textbook acquisitions and routine maintenance and upkeep of our buildings. In the current proposed budget, additional expenditures for maintenance upgrades includes a new boiler at OHS and a complete overhaul of the tennis courts. Other expenditures of a similar nature are also under consideration.

However, because of the uncertainty looming in our future, and with an eye on the expiration of our operating levy following FY'13, it will be important that we implement a planned spend down of our current fund balance; anticipating no increase in state general education aid in the next biennium. A planned spend down of our fund balance will mean that we continue to invest in areas such as textbooks, technology and facility maintenance while reducing costs in areas that will have on-going financial commitments such as in all personnel areas. In other words, we must plan to have a 'structurally balanced budget' for each of the next three years. This is a budget where on-going expenditures are virtually equal to projected revenues. By following this financial pathway, we will be in the best position to control the reduction in our fund balance and minimize the likelihood of facing massive reductions in the year just prior to the expiration of our operating levy. We in effect, will be treating our current fund balance as a 'savings account' that is used to off-set onetime costs to repair and/or maintain our capital assets. We will be able to identify the most critical areas in need of improvement and take steps to address them; thereby reducing the possible need for inclusion in a subsequent levy.

In the case of instruction, taking action to upgrade in areas such as technology and instructional supplies through prudent use of our unreserved fund balance serves to avoid the 'sticker shock' that is all too common when the systematic replacement of outdated instructional materials is delayed due to other budget priorities or budget limitations.

And in the case of maintenance, they are investments in the schools' infrastructure and are designed specifically to off-set potentially larger costs related to facility maintenance if proper upgrades are not done in a systematic manner. As the table on page 81 shows, there are a great many other capital improvement projects that need to be done and consideration at some future date will need to be given to go to our community seeking approval of a bond levy. However, now is not the time to do so; we should focus our attention of the expiration of our operating levy first.

One time expenditures do not have 'tails' that have a lasting impact on the expenditure side of the journal. This is especially important to note at a time when the current and projected level of revenues from the state is at an all-time low point.

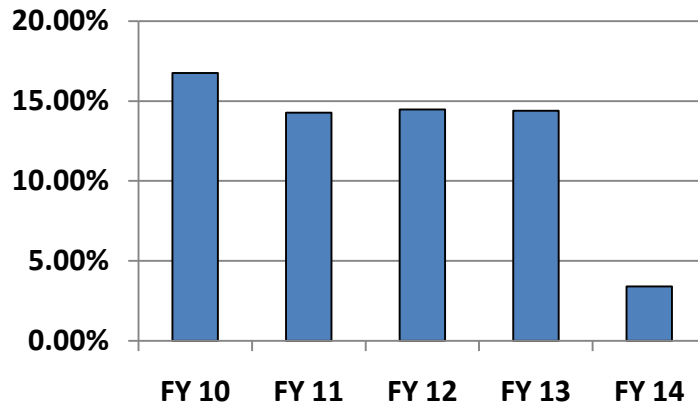
If we structurally balance our budget beginning in FY12, and do so again in FY13, the table depicting our general education fund balance through the expiration of our operating levy in FY13 is shown on the next page.

	FY 10 Baseline		Keep Stab Fund			
	FY 09 Actual	FY 10	FY 11	FY 12	FY 13	FY 14
(in millions)						
Total Revenue	\$46.595	\$46.372	\$47.002	\$47.284	\$47.568	\$43.863
Total Expenditures	\$45.917	\$46.773	\$47.992	\$47.284	\$47.568	\$49.042
Fund Balance Change	\$0.678	-\$0.401	-\$0.990	\$0.000	\$0.000	-\$5.179
Fund Balance	\$8.238	\$7.837	\$6.847	\$6.847	\$6.847	\$1.668
Percent	17.94%	16.76%	14.27%	14.48%	14.39%	3.40%

Table 3: Structurally Balanced Budget in FY12 and FY13

Graphically, the stability of our fund balance with a structurally balance budget in the coming biennium becomes readily apparent.

Total General Fund Balance



Graph 5: Structurally Balanced Budget

To maintain a structurally balanced budget over the next biennium, approximately \$2.2 million will need to be cut out of the current operating expenditures for FY12. (Note: This reduction is based upon an assumption of a 3.1% increase in all expenditures in each year of the next biennium. If the rate of increase in expenditures varies, the actual amount to be reduced will vary accordingly.) And to maintain a structurally balanced budget in the second year of the biennium, an additional \$1.2 million dollars will need to be cut out of our operating expenditures in FY13. Keep in mind that this latter amount assumes that our budget was structurally balanced in FY12.

Recognizing the need to reduce our overall general fund balance, a portion of the \$2.2 million in FY'12 and a similar portion in FY'13 becomes available for capital improvements in our infrastructure (i.e. building upgrades, repair) and/or instruction (i.e. technology, materials and supplies etc.)

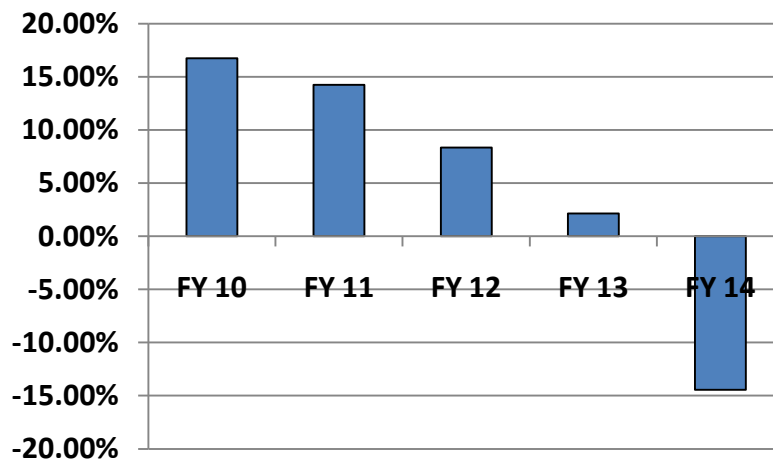
It also is available should the legislature decide that ‘real’ reductions to school funding are necessary in the coming biennium. The series of tables and graphs below illustrate various scenarios related to the ‘what if’s in school aid funding in the next biennium. They are provided to you for information purposes and in an effort to assist you in understanding the wide variations in funding that we must be prepared for.

		FY 10 Baseline				
		Keep Shift	Lose State Stab			
(in millions)	FY 09 Actual	FY 10	FY 11	FY 12	FY 13	FY 14
Total Revenue	\$46.595	\$46.372	\$47.002	\$44.384	\$44.650	\$40.928
Total Expenditures	\$45.917	\$46.773	\$47.992	\$47.284	\$47.568	\$49.043
Fund Balance Change	\$0.678	-\$0.401	-\$0.990	-\$2.900	-\$2.918	-\$8.114
Fund Balance	\$8.238	\$7.837	\$6.847	\$3.947	\$1.029	-\$7.085
Percent	17.94%	16.76%	14.27%	8.35%	2.16%	-14.45%

Table 4: Structural Balance and Loss of Stabilization Funding in FY’12 and FY’13

Graphically, it is evident that if the state were to reduce the funding to schools by the amount previously provided through the federal stimulus package, even with a structurally balance budget, our fund balance would be reduced to less than the range desired by the Board prior to the expiration of our operating levy.

Total General Fund Balance



Graph 6: Loss of General Education Revenue

Under this scenario, there would be no funds available for capital improvements beyond those available through our normal capital outlay budget allocation.

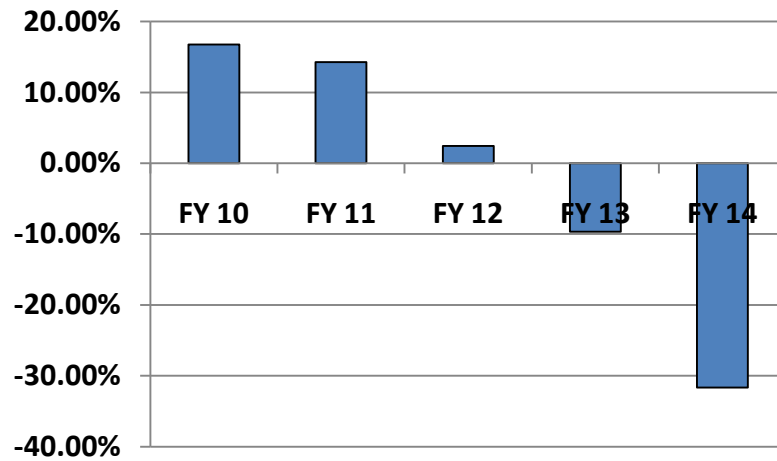
If the state failed to continue the shift (a possibility that will need to be addressed in the next legislative session) but continues to provide the aid previously supported by the stimulus funds, the District would face an operating deficit as soon as the FY13 school year.

		FY 10 Baseline				
		Lose Shift	Keep State Stab			
(in millions)	FY 09 Actual	FY 10	FY 11	FY 12	FY 13	FY 14
Total Revenue	\$46.595	\$46.372	\$47.002	\$41.584	\$41.834	\$38.095
Total Expenditures	\$45.917	\$46.773	\$47.992	\$47.284	\$47.568	\$49.043
Fund Balance Change	\$0.678	-\$0.401	-\$0.990	-\$5.700	-\$5.734	-\$10.948
Fund Balance	\$8.238	\$7.837	\$6.847	\$1.147	-\$4.587	-\$15.536
Percent	17.94%	16.76%	14.27%	2.43%	-9.64%	-31.68%

Table 4: Structural Balance in FY'12 and FY'13 and Loss of State Shift

Graphically, under this scenario, the change in our fund balance shows that without even more dramatic changes in expenditures our fund balance will drop into statutory operating debt by FY'13.

Total General Fund Balance



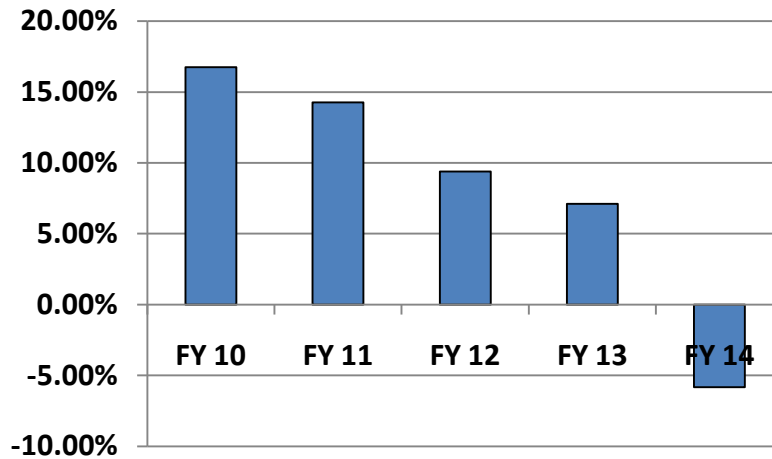
Graph 7: Unreserved Fund Balance Without Shift

It is the magnitude of the possible loss of either of these ‘gimmicks’ enacted into law in the most recent legislative session that is cause for us to look most carefully in how we want to proceed over the next two years. The option does remain for us to not structurally balance our budget as early as FY’12 and simply walk the balance down to within acceptable operating levels. This is shown in Table 5 below.

	FY 10 Baseline					
		Keep Shift	Keep Stab Fund			
(in millions)	FY 09 Actual	FY 10	FY 11	FY 12	FY 13	FY 14
Total Revenue	\$46.595	\$46.372	\$47.002	\$47.284	\$47.568	\$43.863
Total Expenditures	\$45.917	\$46.773	\$47.992	\$49.480	\$48.750	\$50.261
Fund Balance Change	\$0.678	-\$0.401	-\$0.990	-\$2.196	-\$1.182	-\$6.398
Fund Balance	\$8.238	\$7.837	\$6.847	\$4.651	\$3.469	-\$2.929
Percent	17.94%	16.76%	14.27%	9.40%	7.12%	-5.83%

Table 5: ‘Walk Down’ Our Fund Balance

Total General Fund Balance



Graph 8: ‘Walk Down’ Our Fund Balance

This approach, however, results in the District ‘never’ catching up to its expenditures prior to an operating levy and places it the position of asking the public for a renewal of its levy while still having to cut its budget. This is something that should be avoided if possible. This approach also relies heavily on the hope that our legislature either changes course in the next biennium and increases funding to schools by as much as 3.1% or we successfully pass an operating levy as early as the fall of 2012; a levy that is increased considerably over the current level. This information and these scenarios will form the basis of our planning meeting in July.