

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2010



independent school district #761

"Owatonna Public Schools will inspire all learners to excel in a dynamic society by creating a world class education within an innovative learning community."

**Owatonna Public Schools
Independent School District No. 761
515 West Bridge Street
Owatonna, MN 55060**

**Owatonna Public Schools
Independent School District No. 761
Owatonna, Minnesota**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**PREPARED BY:
DISTRICT BUSINESS OFFICE**

INTRODUCTORY SECTION

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INDEPENDENT SCHOOL DISTRICT NO. 761
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BOARD OF EDUCATION

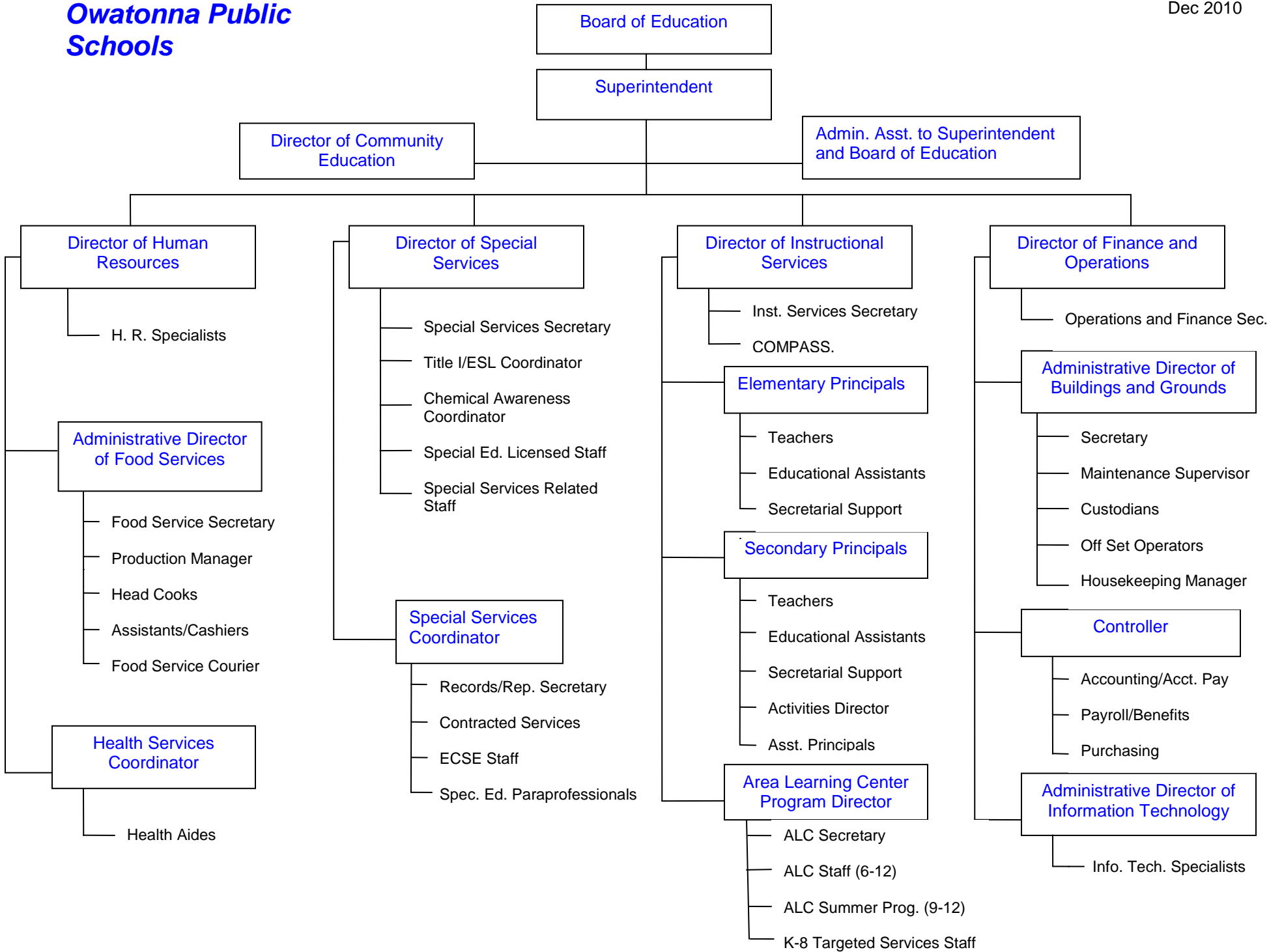
NAME	TERM ON BOARD EXPIRES	BOARD POSITION
Corey Mensink	12/31/2014	Chair
Don McCann	12/31/2014	Vice Chair
Samona Grubish	12/31/2012	Treasurer
Carol Winter	12/31/2012	Clerk
Vilnis Giga	12/31/2014	Director
Terri Wallace	12/31/2012	Director
Bill Bernard	12/31/2014	Director

CENTRAL ADMINISTRATION

NAME	TITLE
Tom Tapper, Ph.D.	Superintendent
Mark Krug	Director of Special Services
Debbie McDermott-Johnson	Director of Community Education
Stephen O'Connor, Ed.D.	Director of Instructional Services
Tom Sager	Director of Operations and Finance
Linda Skrien	Director of Human Resources/Student Affairs
Sheri Green, CPA	Controller

Owatonna Public Schools

Dec 2010





January 31, 2011

To: The School Board, Citizens, and Employees of Owatonna Public Schools

Introduction

We respectfully submit the Comprehensive Annual Financial Report of Independent School District 761, Owatonna, Minnesota, for the fiscal year ended June 30, 2010. Responsibility for the entire financial report rests with District management. The report contains all of the funds and government-wide statements of the District in conformity with auditing standards generally accepted in the United States of America for defining the reporting entity. The organization, form, and content of this report were prepared in accordance with standards prescribed by the Governmental Accounting Standards Board (GASB), the Association of School Business Officials International, the American Institute of Certified Public Accountants, and the Minnesota Department of Education. The District's annual financial reports are prepared according to School Board policy and Minnesota State Statutes.

This Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section includes a list of the Board of Education and central administrators, organizational chart, this transmittal letter, and a copy of the Certificate of Excellence in Financial Reporting for fiscal year ended June 30, 2009. The financial section includes the Independent Auditor's Report, Management's Discussion and Analysis, basic financial statements, required supplementary information, and supplementary information. The statistical section includes selected financial and general information presented on a multi-year comparative basis.

Management's Discussion and Analysis (MD&A) and the Notes to the Basic Financial Statements are provided in the financial section and are considered essential for fair presentation and adequate disclosure in the financial statements. The MD&A provides additional financial information, which is important to the reader's understanding of this report. The MD&A discusses the financial condition of the District at fiscal year-end in a narrative and graphic format. The notes include a summary of significant accounting policies for the District and other disclosures relating to the financial position of the District.

District management is responsible for the integrity of the financial data presented. We believe all disclosures necessary to enable the reader to gain the maximum understanding of the District's financial activity have been included. The District's accounting system and budgetary control records are maintained on the accrual basis. Revenues are recognized when earned. Expenditures are recognized when a liability is incurred. Capital assets are recorded at cost and depreciated over their estimated useful lives on the Statement of Net Assets and the Statement of Activities found in the financial section.

Reporting Entity and Its Services

Independent School District No. 761, also known as the Owatonna Public Schools, is an instrumentality of the State of Minnesota established to function as an educational institution. The District is an independent entity governed by an elected seven member School Board. The School Board receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The School Board has the power and duty to set budgets, certify tax levies, issue debt, and perform other tasks necessary to the operation of the District. The District is subject to the oversight of the Minnesota Department of Education. The District does not have any component units.

The District is a public educational system serving a 245 square mile area located in south central Minnesota. District boundaries encompass geographic portions of Steele and Waseca Counties, including the City of Owatonna, Minnesota. The adjusted net tax capacity as defined by the Minnesota Department of Revenue for the 2009 valuation year was \$28,954,484 or a 2.5% decrease over 2008.

District facilities currently include four elementary schools, an intermediate school, a junior high school, a senior high school, a community education building, an area learning center, a district administration center, a storage facility, and a combination early childhood center, printing, and storage facility. The average age of these buildings is 39.53 years.

The District provides a full range of public education services appropriate to our students in grade levels ranging from pre-kindergarten through grade 12. These include regular and enriched academic education, special education, and vocational education. Food service and transportation are provided as supporting programs. The District's community education program includes Early Childhood and Family Education, Adult Basic Education, School Readiness, and a variety of classes for lifelong learning experience for children and adults.

Economic Condition and Outlook

The District is dependent on the State of Minnesota for the majority of its revenue. In the opinion of the Board, legislated revenues are not sufficient to meet the demands posed by a quality education system. As a result, the District has relied on property tax referenda to support its educational programs. In November of 2002, the community voted to approve a new levy referendum of \$680 per pupil unit, which generated approximately \$4 million of revenue in fiscal year 2009. Due to changes in calculation at the State level, the amount is currently \$691.04 per pupil unit.

For fiscal year 2011, the State of Minnesota did not increase the general education aid for school districts. Inflation is running at approximately 1.64 percent. As a result, the District is anticipating expenditures to exceed revenues by approximately \$1.2 million in FY11. In November of 2010, the District passed an extension to the existing operating referendum to FY16, from an original expiration year of FY13.

The State of Minnesota is currently forecasting at least a \$6 billion shortfall for the next biennium. The K-12 education budget accounts for approximately 38 percent of the State's total budget. The District's current budget forecast assumes a zero percent increase in all revenues for FY11 and beyond. With anticipated expenditures increasing by at least 1.6 percent, the District is now looking at a consistent and purposeful spend down of its fund balance through FY16, the final year of the current operating levy. Given this scenario, the district would attempt to pass a continuing operating referendum no later than the fall of 2015.

The FY11 District budget is dependent on \$30.9 million in state general education aid. Approximately 93% of the revenue is derived from the basic per pupil allotment of \$5,124. The per pupil value has increased on average 1.4 percent per year during the past eight years. During this same period, the consumer price index for inflation increased an average of 2.7 percent per year. In FY11, the state changed its payment schedules to school districts from 73/27 % to 70/30 %. This lagging timeline for payment has created cash flow problems for many school districts, and again, with the state budget forecast being what it is districts are now concerned about whether or not these lagging payments will come at all. Should this scenario come to fruition, the District will need to pass an operating levy sooner than 2016. Should such a vote not pass the district would be faced with serious, draconian style reductions in the future.

Total enrollment for the 2009-10 school year was 4,930. This represents a decrease of 37 students from the previous year. At this time, total enrollment for FY11 will be less than FY 10, but is forecasted to increase approximately .50 percent per year (25 students) for the next five years. In calendar year 2010, the local hospital saw continued relatively high birth rates. Historically, approximately 70 percent of this birth number becomes the kindergarten number five years later.

The total enrollment for FY11 is slightly less than FY10, as the District realized about 80 students fewer than forecast. The majority of the students were elementary aged, especially kindergarten, while the secondary forecast was very close to actual. The declining local economy, especially in the manufacturing base, may have attributed to some transient movement. Younger students are typically attached to younger parents, and these younger parents are also the demographic that may not be as established in their work field, and/or have a greater propensity to move to other economic opportunities. These same families are also more apt to move their children to a different school district, as opposed to families whose children are high school aged and more established within their school and community.

As is the case almost everywhere, the economy in Minnesota and Steele County in particular is tenuous. The housing market continues to be stagnant and we are seeing for the first time in several years residential property values declining. Commercial properties seem to have been assessed higher than usual, perhaps in response to local tax levies still requiring certain amounts of revenue generation. The local insurance industry (Federated Insurance) has remained strong, and the manufacturing based industries are beginning to show sign of recovery. The local unemployment rate is 6.4 percent, which is slightly lower than the state average of 7 percent and the national average of 9.4 percent.

Major Initiatives

One primary initiative that continued in FY10 was the refinement and implementation of the District's strategic plan. The plan was created by the District administrative team, along with the school board and an independent consultant. The updated plan reflects current and forecasted needs of the District and community. This roadmap consists of five strategic directions, each addressing a specific area within the school district. These areas include student learning, integration of technology, curriculum and instruction alignment, creating a culture of continuous improvement, and engaging our community to recognize the District as an economic and cultural asset. Within each initiative, there exist several measurements by which progress for the initiative will be measured. Each school and district-wide department will be creating goals and work plans aligned to the District's strategic plan.

Another initiative in FY10 was the implementation of the high school Options program. This academic program focuses on student inquiry and interests to guide individualized instructional design. Students are still required to procure all the traditional credits for graduation and demonstrating mastery in learning targets; however, this program also allows for more student-driven learning and includes community and mentor components. There are currently 90 students and 4 teachers working in this area. This program also required some physical alterations of part of the high school, and the infusion of technology to create a very progressive 21st century learning environment.

During the later part of FY10 the school district began to plan and prepare for a bond and operating levy referendum intuitive for November 2010. This initiative involved the possible acquisition of the closed and vacated Pillsbury Baptist College, which is 17 acres located in Owatonna, on a city block directly between Owatonna High School and Washington Elementary School.

In spring of 2010, the district facility committee evaluated existing needs within the district's current facilities. These needs were first identified in the 2007 facility study conducted by the district and the architectural firm ATS&R. These needs included a new boiler at the high school, new tennis courts, roofs throughout the district, resurfacing of track and improved field design, a turf field for the stadium (football, lacrosse, soccer, and physical education), and upgrading the district-wide phone system. Of these projects, the boiler, tennis courts, and roofs were started and in various stages of completion. Funding for these larger projects came from several sources, including existing district capital finds, federal (ARRA) funds, and financing with certificates of participation.

In the fall of 2010, Owatonna Public Schools received student test results from the previous spring. The district has 34 eligible groups and has met 97 percent of the requirements for Adequate Yearly Progress under No Child Left Behind. In mathematics, 67 percent of students within the district demonstrated proficiency on state assessment tests, while the Minnesota state average was 65 percent. In reading, 75 percent of students within the district demonstrated proficiency on state assessment tests, while the Minnesota state average was 72 percent. Yet, the district is not making AYP, as defined by NCLB. There are 437 Minnesota districts (80 percent) that serve Title I schools. As a district with Title I schools, we will be implementing a corrective action plan in 2010-11. The district must continue to implement an improvement plan and continue to provide professional development for the teaching staff to improve the quality of education. More Title I and compensatory funds will be used this year to support school improvement activities. The District administrative team, in collaboration with the schools' site leadership teams, continues to define plans and implement strategies that will help improve student performance, as measured by State assessments. One example of such an initiative is the District's continued use of the Response to Intervention (RTI) grant for the FY 10 school year.



TECHNOLOGY

Owatonna Public School's success with technology over the years can largely be attributed to the districts commitment to maintaining a four year Life Cycle Management (LCM) plan. In short this LCM plan is the replacement of approximately 25% of our computer inventory every year. This ensures that our hardware remains current and can be depended on. It is imperative that we budget for the cost of this LCM plan in the future to ensure students, faculty and staff have access to the technology necessary to succeed.

Increase/Improve Technology Access

The largest increase in technology over the course of this year is the implementation of Smart Boards in all elementary and junior high school classrooms. We installed Smart Boards in 30 classrooms at the high school. This includes a dedicated computer, LCD projector, sound system and connection to the buildings cable TV distribution system. This has proven to be one of the most positive technology initiatives in the past several years. The Smart Board has literally taken the place of the old white boards and has become a dominant teacher tool in the classroom. Many elementary teachers are sharing lessons plans developed for the Smart Board with their colleagues in other elementary buildings and in some cases other school districts. This is something we had never seen before. This significant infusion of technology was made possible through a combination of funding streams which included staff development and Microsoft vouchers.

We have also increased our laptop and desktop computer inventories from 1,250 units to 1,838. This provides students and faculty much more access than they had before. This also greatly increases our LCM budget.

Delivery of Ongoing Professional Development

Over the course of the calendar year, personnel new to the District receive the appropriate technology training for their position during an orientation period. At the beginning of each school year, the District conducts a technology training session during 'new teacher workshop' for all new instructional personnel.

When introducing new software applications, the District will typically utilize the expertise of the software vendor to assist with the training program within the District.

Instruction Services and Information Technology departments are responsible for providing training and support for hardware and software applications utilized in the District. Current trainings include, but are not limited to, the suite of productivity products included within Microsoft Office and the District's student-information system software Infinite Campus. Training is ongoing and is customized to meet the needs of the stakeholder involved.

Technology Support Staff

Based on the current environment, the Technology Support Staff is meeting the needs of the District and stakeholders. The District is fortunate to have quality technical personnel as well as practices that have standardized the acquisition and deployment of hardware and software systems. Training is typically provided to IT staff through professional certified third party vendors (i.e. BenchMark).

IT support personnel pride themselves on meeting their goal of taking care of all technical problems the same day they are reported, if the problem is reported before noon, or by close of the business the next day if the problem is reported after noon.



STAFF DEVELOPMENT and CONTINUOUS IMPROVEMENT

In the fall of 2008, the school board enlisted the services of a professional planner to assist it in the task of reviewing the district's strategic plan that was adopted in the fall of 2005-06 school year. The planning process proceeded over the course of the 2008-09 school year leading to the adoption of a new strategic plan in the spring of 2009. The new plan is supported by a set of operational initiatives developed and adopted by each building and division within the District.

Mission Statement: The mission statement represents our core purpose. First adopted in the 2005 Strategic Plan, it was reviewed and deemed appropriate as stated. The mission of the Owatonna Public Schools is to, "...inspire all learners to excel in a dynamic society by creating a world class education within an innovative learning community."

Core Values: The set of core values represents that which we believe drives our words and actions. It is a reflection of the culture that we hope is present in our schools, and will always strive to achieve.

Excellence:	A relentless pursuit of commitment to the highest standards
Integrity:	Honest and genuine in our words and actions to strengthen and enrich all we do
Engagement:	Students, families, staff and community working together toward a common purpose
Respect:	Recognize and value individual strengths, differences, and contributions
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
Innovation:	Creative, new and purposeful ways to achieve goals and meet needs

Vision 2012: The vision is a set of objectives that describe what we intend to achieve and create by the year 2012.

- 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

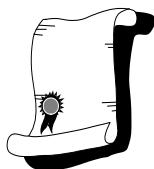
Strategic Directions: The strategic directions provide the focus upon which our resources (financial as well as human) will be directed. They are statements of what we intend to do in carrying out our strategic plan. To that end, we will:

- Move all students toward identified learning targets
- Integrate technology and provide facilities to improve instruction and operational efficiency
- Align curriculum and improve instruction around student needs
- Create a culture that embraces change for continual improvement
- Educate and engage community to recognize public education as an economic and cultural asset.

Continuous Opportunities for Modeling Professionalism and Academic Strategies in Schools (COMPASS) is Owatonna Public School's initiative to incorporate staff development into the District's strategic and improvement plans. The COMPASS program is organized to promote cooperation, initiative, empowerment, innovation, and keeping current, by using research to improve teaching practice and by capitalizing on the diverse ideas and backgrounds of our staff. Understanding that staff satisfaction is a key to long term success, the program attempts to balance organizational needs and staff needs by seeking and using staff input to focus training on the needs of all. An integral part of the process is providing support for staff members as they plan and initiate innovative instructional practices.

The COMPASS program and professional development model has assisted the District in increasing the professional development training available for staff, teachers, and administrators. Aligned with the District's strategic directions, data is used to drive instructional decisions that ultimately supports the improvement of student achievement. A shift from District driven professional development to site or department driven staff development as well as the shift from professional development for teachers to professional development for all District personnel is now the norm.

The COMPASS staff development facilitators, mentorship program coordinators, and staff development coordinators serve as a resource link for sites in the professional development and school improvement processes. Through enhanced site connections, COMPASS provided professional development access that was customized to meet the needs of all personnel and had the greatest influence on student achievement. As part of COMPASS, the mentorship program works in partnership with the staff development program by extending multiple opportunities for new and veteran staff to be engaged in continuous improvement activities that enhance instruction and improve student achievement.



SPECIAL SERVICES

The Special Services department provides instruction and support services to students who have unique needs. Special Education, Title I, and English Language Learner are all included in this department. Special Education programs follow an inclusive model. The least restrictive learning environment is identified and students receive educational and related services in the appropriate setting. Title I is a federally funded Special Services program that provides instructional help for students who need additional help in reading and math. Title I services are provided by licensed teachers and educational assistants. English Language Learner is a program that assists students who are not native speakers of English. Programs are available at buildings throughout the District.

Cash Management

District policy provides for investment of idle cash during the year. Investments may include certificates of deposit, government securities, demand deposits, repurchase agreements, banker's acceptances, and commercial paper. In accordance with Minnesota State Statutes, the District maintains deposits at those depository banks and the Minnesota School District Liquid Asset Fund as authorized by the School Board. All depository banks are members of the Federal Reserve System. The District's investment policies are structured to minimize credit and market risks, while maintaining a competitive yield on its portfolio. Accordingly, deposits are to be insured by federal depository insurance or collateralized in compliance with Minnesota State Statutes. While the district shows a relatively healthy total general fund balance, the payment ratio of 70/30 now being used from the State of Minnesota has forced all districts to scrutinize monthly cash flow on a very detailed basis. The district is working with an outside financial consultant to help maintain and monitor the timing of incoming revenue and outgoing expense.

Internal and Budgetary Controls

The District maintains a system of internal controls designed to safeguard the assets of the District. Also, there are budgetary controls in place that help prevent expenditures from going beyond those that are planned. The budget is revised twice during the fiscal year.

Debt Administration

The primary component of long-term debt on June 30, 2010 is outstanding bonds on school district facilities in the amount of \$15,500,000. The balance consists of two outstanding general obligation refunding bonds and one outstanding general obligation capital facilities bond. These bonds have varying maturity dates with the latest maturity date being in fiscal year 2017. These issues provided for the construction of Willow Creek Intermediate School, major additions to the senior high, junior high, and an elementary school, purchase of a district facilities building, and renovation to four other schools.

The District has two capital leases relating to copiers and added a food service vending machine capital lease in 2010. The balance on the vending machine and copier capital leases totaled \$173,426 on June 30, 2010.

The Debt Service Fund is used to account for the current year payment of principal and interest on District bonded debt. The District is authorized to levy 105% of the amount needed to make timely debt service payments. That degree of levy authority has provided excess reserves in this fund that continue to be systematically depleted by levying less.

Risk Management

The District continues to maintain a comprehensive risk management program to include workers' compensation, general liability and property, and School Leaders Error and Omissions.

Various risk control techniques, including work site health and safety inspections from an outside consultant, have been maintained during the year to minimize accident and/or health related losses.

Independent Audit

District policy requires that an annual audit be completed on the financial statements of the District by an independent public accounting firm. This requirement has been complied with and the opinion of Larson Allen LLP is included in this report. The financial statements are the responsibility of the District's management. The auditor's responsibility is to express an opinion on those financial statements based on their audit.

Other Information

The Association of School Business Officials International (ASBO) awarded the Certificate of Excellence in Financial Reporting to Independent School District No. 761 for its Comprehensive Annual Financial Report for the fiscal years ended June 30 of 1992 through 1995 and 1997 through 2009. Therefore, the District has received the award for 17 years. In order to be awarded a Certificate of Excellence in Financial Reporting by ASBO, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, which conforms to the program standard. Such reports must satisfy both auditing standards generally accepted in the United States of America and applicable legal requirements. A Certificate of Excellence is valid for a period of one year. We believe our current report conforms to the Certificate of Excellence in Financial Reporting program requirements. We will be submitting this year's report to ASBO to determine eligibility for the certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the District's business office staff.

We would like to express our appreciation to the School Board for their interest and support in planning and conducting the financial operations of the District in a responsible and progressive manner.

Respectfully submitted,



Tom Sager
Director of Operations and Finance



Sheri Green, CPA
Controller

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**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

OWATONNA PUBLIC SCHOOLS, ISD # 761

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2009

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

Evin Green

President

John D. Hueser

Executive Director

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Education
Independent School District No. 761
Owatonna, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 761 as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Independent School District No. 761's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative data has been derived from the District's 2009 financial statements and, in our report dated October 28, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities and each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

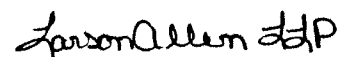
In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 761 as of June 30, 2010 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Food Service Fund, and Community Service Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1T to the basic financial statements, the District had a prior period adjustment to correct identified errors in the previous fixed asset records and for the change in the District's capitalization threshold.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2010 on our consideration of Independent School District No. 761's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the schedule of funding progress for postemployment benefit plan as listed in the table of contents are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Independent School District No. 761. The supplementary information and the schedule of expenditures of federal awards as required by U.S. Office Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Uniform Financial Accounting and Reporting Standards Compliance Table is presented as supplemental information as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District. The supplementary information, the schedule of expenditures of federal awards as required by U.S. Office Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and compliance table have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



LarsonAllen LLP

Austin, Minnesota
November 12, 2010

REQUIRED SUPPLEMENTARY INFORMATION

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

This section of Owatonna Independent School District No. 761's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is required supplementary information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2009-10) and the prior year (2008-09) is presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2009-10 fiscal year include the following:

- Net assets increased by \$2,842,658 over the prior year.
- In the Statement of Activities, overall revenues were \$54,055,350, while overall expenses totaled \$52,859,282.
- The General Fund balance decreased by \$535,285, the Food Service Fund balance increased by \$126,865, and the Community Service Fund balance decreased by \$28,030.
- The Health Insurance Internal Service Fund balance increased by \$953 due to interest earned on the existing balance. The District does not self-insure its health costs at the present time, so the balance in this fund will be held for future consideration.
- The Debt Service Fund balance decreased by \$107,951. The decrease was due to an increase in payments and general decrease in the fund balance due to state statute.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of five parts - Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, supplementary information, and single audit and other required reports. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements provide short-term and long-term financial information about the activities the District operates similar to a business.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1
Organization of Owatonna Public Schools Annual Financial Report**

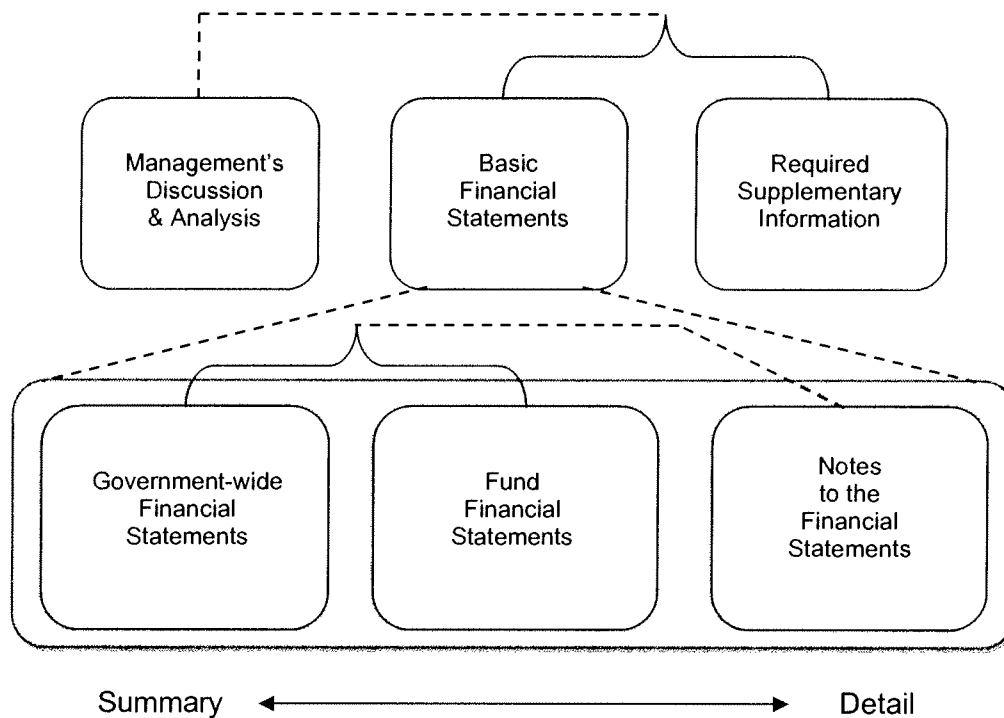


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and content of each of the statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

<p style="text-align: center;">Figure A-2 Major Features of the Government-wide and Fund Financial Statements</p>				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as special education, building and maintenance, food service, and community education.	Activities the District operates similar to a private business; Internal Service Fund.	Instances in which the District administers resources on behalf of someone else, such as the District's museum.
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenue, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fund Net Assets • Statement of Revenues, Expenses, and Changes in Fund Net Assets • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long term liabilities are included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and deductions during the year, regardless of when cash is received or paid.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements the District's activities are shown in one category.

- Governmental activities – Includes most of the District's basic services, such as regular instruction, special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds - focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debt).

The District has three kinds of funds:

- **Governmental Funds** - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Since this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the relationship (or differences) between these two types of financial statement presentations.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

FUND FINANCIAL STATEMENTS (CONTINUED)

- **Proprietary Funds** - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.
- The District uses proprietary funds to report activities that provide supplies and services for the District's other programs and activities. The District currently has one proprietary fund, an internal service fund for self-insured health benefits.
- **Fiduciary Funds** - The District is the trustee, or fiduciary, for assets that belong to others, such as the museum trust. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets. The District's combined net assets from Governmental activities were \$13,732,584 on June 30, 2010. (See Table A-1) This was an improvement of \$2,842,658 over the prior year.

**Table A-1
The District's Net Assets**

	Governmental Activities		Percentage
	2010	2009	Change
Current and Other Assets	\$ 22,521,402	\$ 23,523,549	-4.26%
Capital and Non-Current Assets	24,459,865	23,799,708	2.77%
Total Assets	46,981,267	47,323,257	-0.72%
Current Liabilities	16,133,255	17,251,390	-6.48%
Long-Term Liabilities	17,115,428	19,181,941	-10.77%
Total Liabilities	33,248,683	36,433,331	-8.74%
Net Assets			
Invested in Capital Assets, Net of Related Debt	11,702,040	8,374,839	39.73%
Restricted	1,974,164	2,331,612	-15.33%
Unrestricted	56,380	183,475	69.27%
Total Net Assets	\$ 13,732,584	\$ 10,889,926	26.10%

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Change in Net Assets. The increase in net assets was the result of the District's revenues being greater than expenses as presented in Table A-2 below.

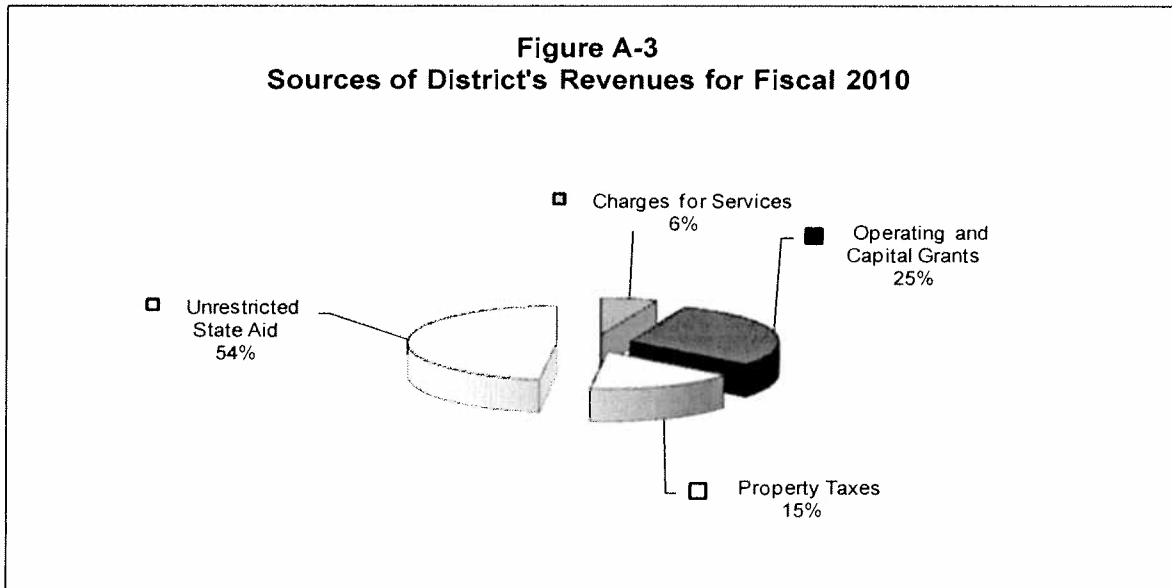
	Governmental Activities for the fiscal year ended June 30.	
	2010	2009
Revenues		
<u>Program Revenues</u>		
Charges for Services	\$ 3,272,378	\$ 3,217,787
Operating Grants and Contributions	15,508,360	12,669,616
Capital Grants and Contributions	564,322	928,090
<u>General Revenues</u>		
Property Taxes	8,653,468	8,078,628
Unrestricted State Aid	26,001,620	29,257,214
Investment Earnings	29,226	189,148
Miscellaneous	25,976	3,968
Total Revenues	<u>54,055,350</u>	<u>54,344,451</u>
Expenses		
Administration	1,802,903	1,867,489
District Support Services	2,424,401	1,876,749
Regular Instruction	23,186,502	23,038,470
Vocational Education Instruction	962,345	1,104,251
Special Education Instruction	8,459,955	7,624,288
Instructional Support Services	2,710,329	2,631,900
Pupil Support Services	3,390,886	3,282,534
Sites and Buildings	4,829,529	4,591,971
Fiscal and Other Fixed Cost Programs	97,686	97,836
Food Service	2,534,855	2,549,840
Community Service	1,862,951	1,709,072
Interest and Fiscal Charges on Long-Term Liabilities	596,940	679,085
Total Expenses	<u>52,859,282</u>	<u>51,053,485</u>
Increase in Net Assets	<u>1,196,068</u>	<u>3,290,966</u>
Beginning Net Assets, As Previously Stated *	10,889,926	7,598,960
Prior Period Adjustment	1,646,590	-
Beginning Net Assets, Restated	<u>12,536,516</u>	<u>7,598,960</u>
Ending Net Assets	<u>\$ 13,732,584</u>	<u>\$ 10,889,926</u>

*The June 30, 2010 net assets were restated due to errors discovered when we did a fixed asset valuation. See Note 1 for further information.

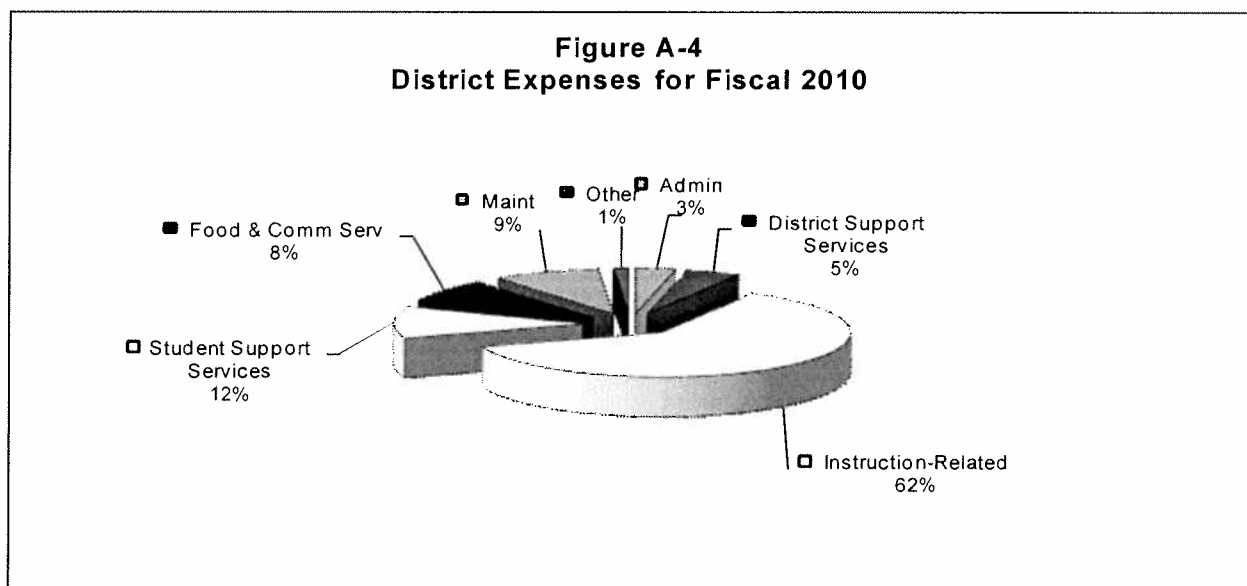
**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The District's total revenues were \$54,055,350 for the year ended June 30, 2010. This is a decrease of \$289,101 from June 30, 2009. (See Table A-2 on the previous page.) Revenues for the year were a mix of increases and decreases most notable was the loss of \$2,908,710 in State General Education Aid. The same amount of Federal Stabilization Funds received, resulting in a shift of revenues from Unrestricted State Aid to Operating Grants and Contributions. See Figure A-3 below for the related percentages of the District's revenues.



The total cost of all programs and services was \$52,859,282. The District's expenses are predominantly related to educating and caring for students and community members (81 percent) as shown in Figure A-4. Administrative activities of the District accounted for 3 percent of total costs.



**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Table A-3, presents the cost of twelve major District activities such as instruction, pupil and instructional services, administration, maintenance and operations, and others. The table also shows each activity's net costs (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

- The cost of all governmental activities this year was \$52.9 million.
- Of this cost, \$3.3 million was paid by the users of the District's programs.
- Federal and state governments, along with local donations, subsidized certain programs with grants and contributions of \$16.1 million.
- District property taxpayers financed \$8.7 million.
- State taxpayers financed \$26 million in the form of unrestricted state aid based on the statewide education aid formula.

**Table A-3
Change in Net Assets**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2010	2009		2010	2009	
Administration	\$ 1,802,903	\$ 1,867,489	-3.46%	\$ 1,681,338	\$ 1,821,184	-7.68%
District Support Services	2,424,401	1,876,749	29.18%	2,241,694	1,539,182	45.64%
Regular Instruction	23,186,502	23,038,470	0.64%	14,971,701	17,751,800	-15.66%
Vocational Education Instruction	962,345	1,104,251	-12.85%	928,438	1,077,472	-13.83%
Special Education Instruction	8,459,955	7,624,288	10.96%	2,231,843	1,811,089	23.23%
Instructional Support Services	2,710,329	2,631,900	2.98%	2,554,492	1,880,705	35.83%
Pupil Support Services	3,390,886	3,282,534	3.30%	3,271,475	3,154,760	3.70%
Sites and Buildings	4,829,529	4,591,971	5.17%	4,626,024	4,155,967	11.31%
Fiscal and Other Fixed						
Cost Programs	97,686	97,836	-0.15%	97,686	97,836	-0.15%
Food Service	2,534,855	2,549,840	-0.59%	(67,143)	21,101	-418.20%
Community Service	1,862,951	1,709,072	9.00%	379,734	247,811	53.24%
Interest and Fiscal Charges						
on Long-Term Liabilities	596,940	679,085	-12.10%	596,940	679,085	-12.10%
Total	\$ 52,859,282	\$ 51,053,485	3.54%	\$ 33,514,222	\$ 34,237,992	-2.11%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. The Food Service Fund revenues exceeded expenditures, thereby increasing the fund balance in this fund. In the General Fund, Community Service Fund and Debt Service Fund expenditures exceeded revenues, thereby decreasing the fund balance in these funds. In total, governmental funds decreased by \$544,401 with an ending balance of \$9,088,320. The proprietary fund type had an increase of \$953 resulting in a balance of \$251,539.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

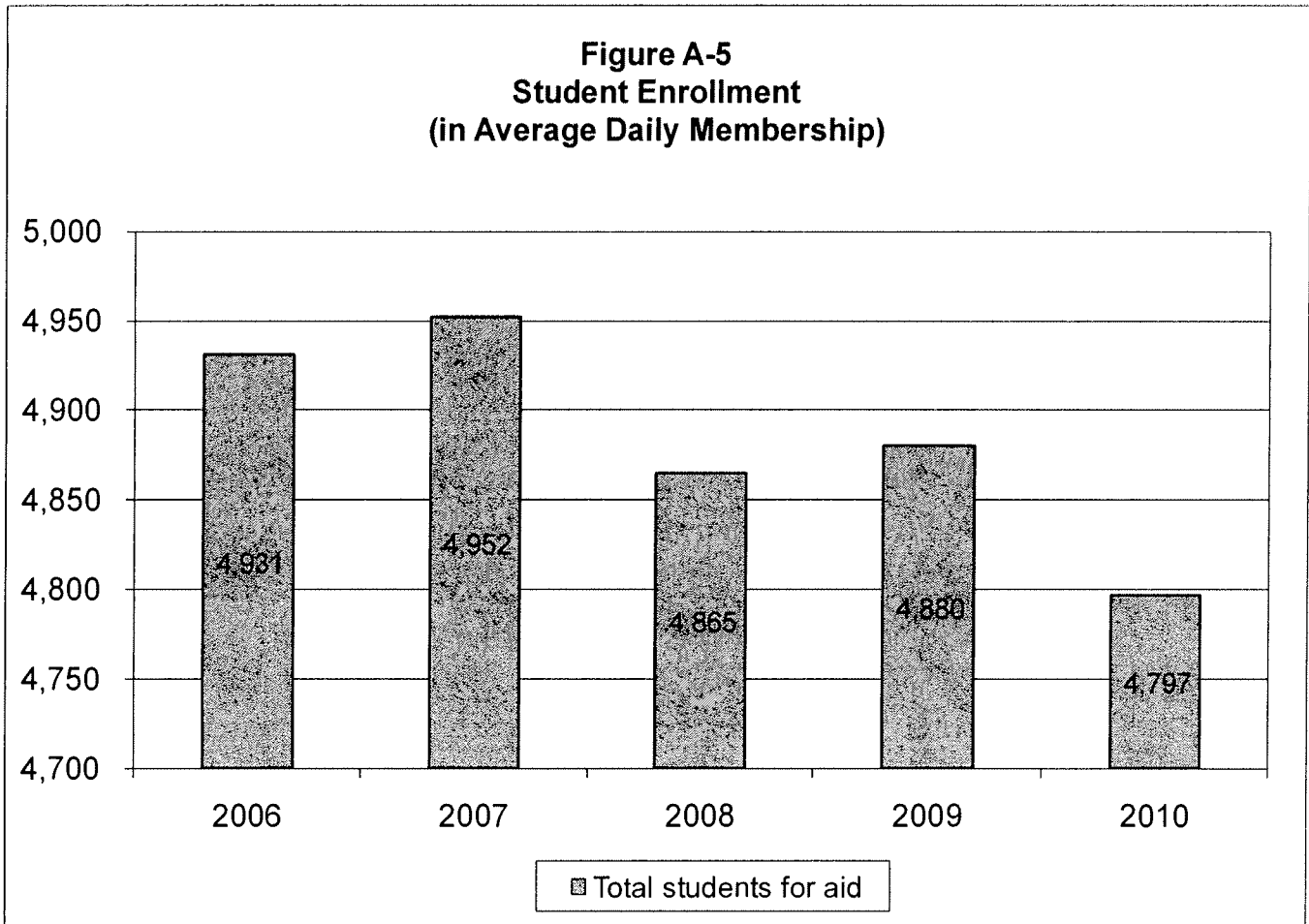
FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

GENERAL FUND

The General Fund is used to account for all revenues and expenditures of the school district not accounted for elsewhere. The General Fund is used to account for: K-12 educational activities, District instructional and student support programs, expenditures for the superintendent, District administration, normal operations and maintenance, pupil transportation, capital expenditures, and legal District expenditures not specifically designated to be accounted for in any other fund.

Enrollment

Funding for Minnesota school districts is largely driven by enrollment. The District has seen an overall decrease in enrollment of 134 pupil units since 2006. The 2009-10 year showed a decrease in enrollment of 83 students from 2008-09. As seen in Figure A-5, there was an enrollment decrease for the year of 1.7 percent from the prior year.



**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

Table A-4 presents a summary of General Fund revenue.

**Table A-4
General Fund Revenue**

Fund	Year Ended		Change	
	June 30, 2010	June 30, 2009	Increase (Decrease)	Percent
Local Sources				
Property Taxes	\$ 5,199,524	\$ 4,665,697	\$ 533,827	11.4%
Earnings on Investments	19,582	139,158	(119,576)	-85.9%
Other	1,556,344	1,515,535	40,809	2.7%
State Sources	33,580,948	38,054,283	(4,473,335)	-11.8%
Federal Sources	5,696,310	2,213,624	3,482,686	157.3%
Total General Fund Revenue	<u>\$ 46,052,708</u>	<u>\$ 46,588,297</u>	<u>\$ (535,589)</u>	-1.1%

Total General Fund revenue decreased \$535,589 or 1.1% from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including excess levy referenda, involves an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change on revenue. The increase in property taxes is mostly due to the change of who pays revenue between the State and local taxpayers based on the equity index for the District. The District saw a shift from State to local. Therefore, the amount from property taxes increased in several categories. In addition, the State decreased the amount of General Education aid by the amount of Federal Stabilization aid received, \$2.9 million. Earnings on investments decreased due to fewer available dollars to invest during the year.

Table A-5 presents a summary of General Fund expenditures.

**Table A-5
General Fund Expenditures**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2010	June 30, 2009		
Salaries	\$ 26,880,381	\$ 27,316,329	\$ (435,948)	-1.6%
Employee Benefits	9,315,905	9,119,810	196,095	2.2%
Purchased Services	6,696,247	6,229,489	466,758	7.5%
Supplies and Materials	2,212,780	1,894,405	318,375	16.8%
Capital Expenditures	1,563,501	1,541,164	22,337	1.4%
Other Expenditures	70,110	76,706	(6,596)	-8.6%
Total Expenditures	<u>\$ 46,738,924</u>	<u>\$ 46,177,903</u>	<u>\$ 561,021</u>	1.2%

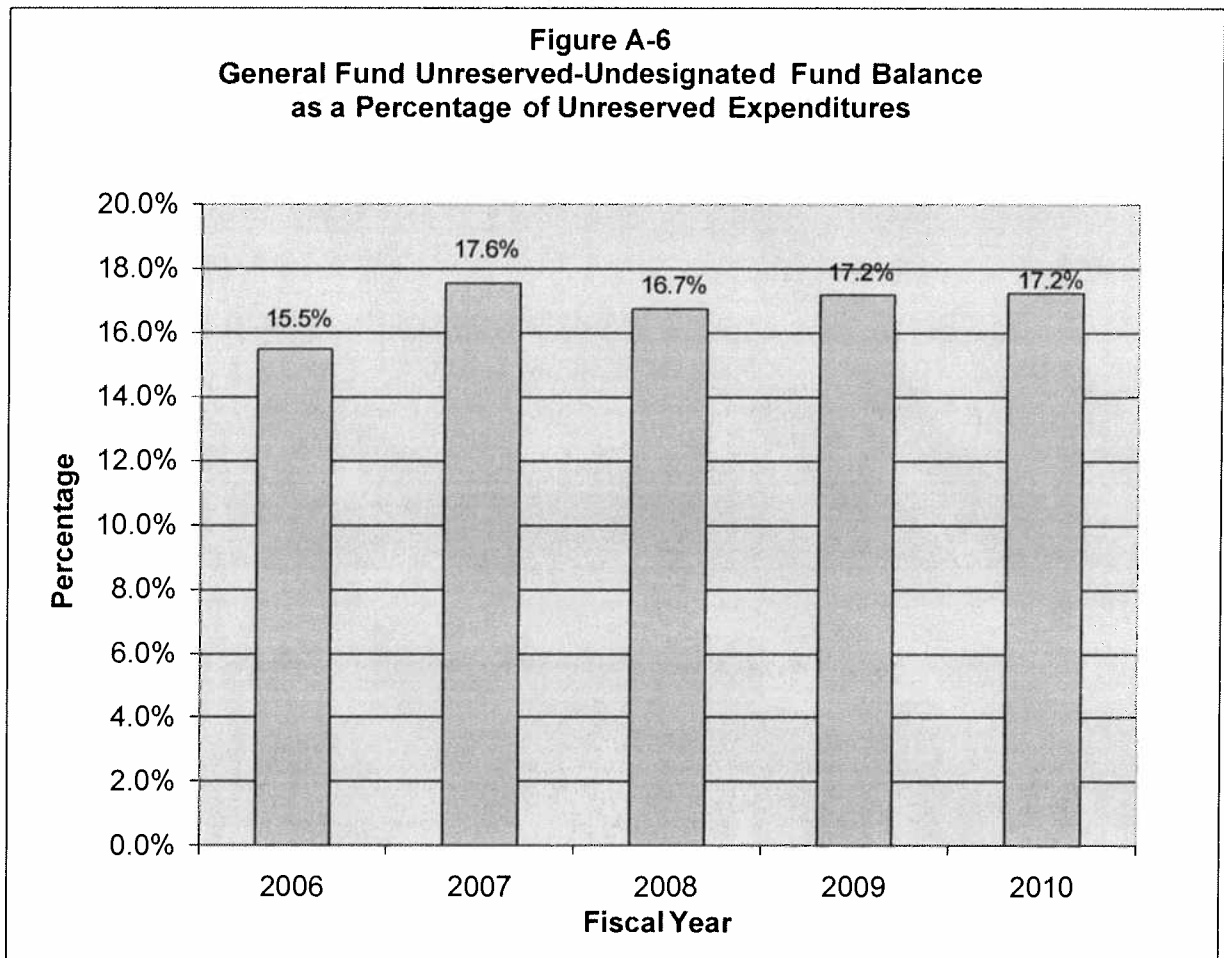
Total General Fund expenditures increased \$561,021 or 1.2% over the previous year. This increase was due to many factors. The most notable reason was the use of Federal ARRA dollars to fund several initiatives for technology, new school structure and an enhanced curriculum cycle.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

In 2009-10, General Fund expenditures were more than revenue and other financing sources by \$535,285, thereby decreasing the total fund balance as of June 30, 2010. After deducting statutory reserves, the unreserved-undesignated fund balance increased from \$6,787,611 at June 30, 2009 to \$6,893,355 at June 30, 2010.

The School Board has adopted a fund balance policy to maintain a 6 to 8 percent fund balance in the unreserved General Fund. Figure A-6 shows the General Fund unreserved-undesignated fund balance as a percentage of unreserved expenditures.



**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

**Table A-6
General Fund Unreserved-Undesignated Fund Balance
as a Percentage of Unreserved Expenditures**

	2006	2007	2008	2009	2010
Unreserved-Undesignated Fund Balance	\$ 5,516,090	\$ 6,451,532	\$ 6,455,191	\$ 6,787,611	\$ 6,893,355
% Increase (Decrease)	-1.1%	17.0%	0.1%	5.1%	1.6%
Unreserved Expenditures	\$ 35,585,641	\$ 36,748,416	\$ 38,557,542	\$ 39,459,065	\$ 39,974,567
% Increase (Decrease)	4.4%	3.3%	4.9%	2.3%	1.3%
Unreserved-Undesignated Fund Balance as a % of Unreserved Expenditures	15.5%	17.6%	16.7%	17.2%	17.2%

The preceding table is the single best measure of overall financial health. The unreserved-undesignated fund balance of \$6,893,355 at June 30, 2010 represents 17.2 percent of annual unreserved expenditures. The \$6,893,355 represents about 2.1 months of average monthly expenditures. The District closely monitors its fund balances.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget. The budget amendments fall into two categories:

- Implementing budgets for specially funded projects which include both federal and state grants, reinstating prior year purchase orders being carried over, and budgeting for donations received.
- Increases in appropriations for unbudgeted revenues or expenditures.

While the District's final budget for the General Fund anticipated a net decrease in fund balance of \$1,001,469, the actual results for the year show a \$535,285 decrease.

- Actual revenues and other financing sources were \$640,291 less than expected. \$555,815 of this revenue decrease relates to the decrease of 73 adjusted pupil units for State General Aid calculations. \$175,157 in federal revenue decrease relates to unspent, therefore unreimbursable, Special Ed planned expenditures.
- The actual expenditures were \$1,106,475 less than budget. In Regular Instruction, \$219,000 was unspent in Compensatory, \$80,000 in IT and Building and Grounds staffing was unspent as well. Special Education under spent budgeted amounts by \$594,518. This relates to unpurchased curriculum and supplies, different and less expensive consultants being used and the Special Ed Director position being unfilled for three months. Additionally, Sites and Buildings were under budget in the purchased services area.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

FOOD SERVICE FUND

The Food Service Fund increased by \$126,865. An anticipated decrease in the fund balance of \$181,367 was expected when the budget was prepared. Total revenues exceeded budgeted amounts due to more free and reduced lunches being served along with the introduction of a new summer meal program. The savings in expenditures were due to the Food Service department being diligent in their planning. More items were purchased from the Minnesota School Food Buying Group. Standardized recipes were used more often and portion sizes were watched more closely, which led to savings on the cost of food. Also, high cost items were offered less frequently. The District postponed the purchasing of \$100,000 in equipment. Repairs and maintenance expenses were also less than anticipated.

COMMUNITY SERVICE FUND

The reserved balances for Community Education, Early Childhood and Family Education, School Readiness, and Adult Basic Education decreased by \$12,158 from the prior year. Most of the employees in the Community Service Fund are paid hourly. The decrease in salaries and benefits compared to budget was due to several positions left vacant during the year and not hiring staff as planned because the enrollment was not at the level to increase staffing.

The unreserved Community Service Fund balance decreased by \$15,872 from the prior year. The total Community Service Fund balance decreased by \$28,030.

DEBT SERVICE FUND

There were no new bonds issued during the year and the School Refunding Bonds, Series 2001 were retired. The unreserved fund balance decreased to \$813,149 as of June 30, 2010 due to the regular payment of principal and interest.

The Owatonna Public Schools had maintained a favorable bond rating of Aa3. Currently, there are 22 school districts (of 340) in MN with a better bond rating than the OPS.

PROPRIETARY FUND

The Self-Insurance Internal Service Fund is the only proprietary fund for the District. Starting with fiscal year 2004, the District discontinued self-insuring its health costs but continues to maintain a balance in the fund for future use. The balance increased by \$953 due to earnings received on the invested balance.

FIDUCIARY FUND

The museum trust fund is the District's fiduciary fund. The net assets of the museum trust are \$2,637.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2010, the District had net capital assets of \$24,459,865 representing a broad range of capital assets, including school buildings, computer and audio-visual equipment, and other equipment for various instructional programs. (See Table A-7.) A restatement of fixed asset balance was required as the District re-established its fixed asset records through a fixed asset appraisal and identified errors in its previous fixed asset records. The restatement was \$1,646,590. More detailed information about capital assets can be found in Note 4 of the financial statements. Total depreciation expense for the year was \$1,160,642.

**Table A-7
The District's Capital Assets**

	<u>2010</u>	<u>2009</u>	<u>Percentage Change</u>
Land	\$ 1,823,335	\$ 1,823,335	0.0%
Land Improvements	2,195,727	810,019	171.1%
Buildings and Improvements	36,127,515	48,044,696	-24.8%
Equipment	7,111,862	12,231,670	-41.9%
Less: Accumulated Depreciation	<u>(22,798,574)</u>	<u>(39,110,012)</u>	-41.7%
Total	<u><u>\$ 24,459,865</u></u>	<u><u>\$ 23,799,708</u></u>	<u>2.8%</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Liabilities

At year-end, the District had \$15,500,000 in general obligation bonds outstanding. The decrease from 2009 was due to making principal payments on current bonds. The District also had \$3.8 million in severance payable at June 30, 2010, an increase of 3.7 percent over the previous year. More detailed information about the District's long-term liabilities is presented in Note 5 of the financial statements.

The District continues to pay down its debt, reducing its outstanding bond liability by \$2,905,000 in the year ending June 30, 2010.

**Table A-8
The District's Long-Term Liabilities**

	2010	2009	Percentage Change
General Obligation Bonds	\$ 15,500,000	\$ 18,405,000	-15.8%
Net Bond Premium and Discount	(24,427)	(28,556)	-14.5%
Obligations Under Capital Leases	172,332	297,758	-42.1%
Pension Payable	47,570	23,176	105.3%
Other Post Employment Benefits Payable	340,760	179,108	90.3%
Severance Benefits Payable	3,794,355	3,658,666	3.7%
Compensated Absences Payable	229,131	205,466	11.5%
Total	\$ 20,059,721	\$ 22,740,618	-11.8%
Long-Term Liabilities:			
Due Within One Year	\$ 2,944,293	\$ 3,558,677	
Due in More than One Year	17,115,428	19,181,941	
	\$ 20,059,721	\$ 22,740,618	

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved levies and other minor levies, the District is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

The 2007 Legislature approved a 2% increase in the General Education basic formula for fiscal year 2007-08 and a 1% increase for fiscal year 2008-09. The 2008 Legislature approved an additional \$51 per AMCPU in General Education Aid for 2008-09. The 2009 Legislature approved a 0% increase in the General Education basic formula for fiscal years 2009-10 and 2010-11. The District has a voter approved referendum of \$691 per pupil that became effective in 2003-04. The referendum was set to expire during the 2012-13 fiscal year but during the November 2010 election the referendum was extended at the same amount by three years (2015-2016).

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, creditors, and other stakeholders with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Business Office, Independent School District No. 761, 515 West Bridge Street, Owatonna, Minnesota 55060.

BASIC FINANCIAL STATEMENTS

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Governmental Activities 2010
ASSETS	
Cash and Investments	\$ 5,560,520
Receivables	
Property Taxes	4,891,233
Other Governments	11,560,938
Other	307,365
Prepaid Items	116,143
Inventories	35,394
Bond Issuance Costs, Net	49,809
Capital Assets	
Land	1,823,335
Other Capital Assets, Net of Depreciation	22,636,530
Total Assets	<u>46,981,267</u>
LIABILITIES	
Salaries and Wages Payable	4,047,319
Accounts and Contracts Payable	1,208,324
Accrued Interest	220,801
Due to Other Governmental Units	215,830
Unearned Revenue	
Property Taxes	7,454,882
Local Sources	41,806
Long-Term Liabilities	
Portion Due Within One Year	2,944,293
Portion Due in More Than One Year	17,115,428
Total Liabilities	<u>33,248,683</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	11,702,040
Restricted for:	
Operating Capital Purposes	520,132
State-Mandated Reserves	290,816
Food Service	369,491
Community Service	201,377
Debt Service	592,348
Unrestricted	56,380
Total Net Assets	<u><u>\$ 13,732,584</u></u>

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

2010			
Functions	Expenses	Charges for Services	Program Operating Grants and Contributions
Governmental Activities			
Administration	\$ 1,802,903	\$ -	\$ 96,936
District Support Services	2,424,401	-	-
Regular Instruction	23,186,502	567,537	7,449,318
Vocational Education Instruction	962,345	-	33,907
Special Education Instruction	8,459,955	730,155	5,496,958
Instructional Support Services	2,710,329	-	155,837
Pupil Support Services	3,390,886	-	119,411
Sites and Buildings	4,829,529	25,456	20,008
Fiscal and Other Fixed Cost Programs	97,686	-	-
Food Service	2,534,855	1,338,938	1,263,060
Community Service	1,862,951	610,292	872,925
Interest and Fiscal Charges on Long-Term Liabilities	596,940	-	-
Total School District	<u>\$ 52,859,282</u>	<u>\$ 3,272,378</u>	<u>\$ 15,508,360</u>
General Revenues			
Property Taxes Levied for:			
General Purposes			
Community Service			
Debt Service			
State Aid Not Restricted to Specific Purposes			
Earnings on Investments			
Gain on Sale of Fixed Assets			
Miscellaneous			
Total General Revenues			
Change in Net Assets			
Net Assets - Beginning, As Previously Stated			
Prior Period Adjustment (See Note 1.T.)			
Net Assets - Beginning, Restated			
Net Assets - Ending			

See accompanying Notes to Basic Financial Statements.

2010	
Revenues	Net (Expense) Revenue and Changes in Net Assets
Capital	Total
Grants and Contributions	Governmental Activities
\$ 24,629	\$ (1,681,338)
182,707	(2,241,694)
197,946	(14,971,701)
-	(928,438)
999	(2,231,843)
-	(2,554,492)
-	(3,271,475)
158,041	(4,626,024)
-	(97,686)
-	67,143
-	(379,734)
-	(596,940)
<u>\$ 564,322</u>	<u>(33,514,222)</u>

5,190,491
290,936
3,172,041
26,001,620
29,226
16,600
9,376
<u>34,710,290</u>
<u>1,196,068</u>
10,889,926
1,646,590
<u>12,536,516</u>
<u>\$ 13,732,584</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2010
(WITH COMPARATIVE DATA AS OF JUNE 30, 2009)**

Major

	General	Food Service	Community Service
ASSETS			
Cash and Investments	\$ 2,935,311	\$ 325,431	\$ 198,582
Receivables			
Current Property Taxes	2,920,170	-	180,484
Delinquent Property Taxes	148,512	-	7,445
Due from Other Minnesota School Districts	103,645	-	-
Due from Minnesota Department of Education	8,973,827	7,482	239,077
Due from Federal through Minnesota Department of Education	2,069,516	56,225	33,789
Due from Other Governmental Units	6,352	-	-
Other Receivables	294,098	12,659	608
Prepaid Items	115,873	150	120
Inventory	4,422	30,972	-
Total Assets	<u>\$ 17,571,726</u>	<u>\$ 432,919</u>	<u>\$ 660,105</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Salaries and Wages Payable	\$ 4,012,822	\$ 12,187	\$ 22,310
Accounts and Contracts Payable	1,161,864	8,300	38,160
Due to Other Governmental Units	133,186	1,135	81,509
Deferred Revenue:			
Property Taxes Levied for Subsequent Year	4,486,606	-	309,304
Delinquent Property Taxes	72,945	-	7,445
Local Sources	-	41,806	-
Total Liabilities	<u>9,867,423</u>	<u>63,428</u>	<u>458,728</u>
Fund Balance			
Reserved for			
Staff Development	-	-	-
Deferred Maintenance	1,445	-	-
Severance Benefits	-	-	-
Basic Skills Programs	136,857	-	-
Health and Safety	36,190	-	-
Operating Capital	520,132	-	-
Safe Schools	116,324	-	-
Community Education Programs	-	-	147,509
Early Childhood and Family Education Programs	-	-	47,317
School Readiness	-	-	(168)
Adult Basic Education	-	-	-
Unreserved			
Undesignated, Reported In			
General Fund	6,893,355	-	-
Debt Service Fund	-	-	-
Special Revenue Funds	-	369,491	6,719
Total Fund Balance	<u>7,704,303</u>	<u>369,491</u>	<u>201,377</u>
Total Liabilities and Fund Balance	<u>\$ 17,571,726</u>	<u>\$ 432,919</u>	<u>\$ 660,105</u>

See accompanying Notes to Basic Financial Statements.

Funds			
Debt Service	Total Governmental Funds		
	2010	2009	
\$ 1,849,657	\$ 5,308,981	\$ 11,529,541	
1,551,439	4,652,093	5,373,108	
83,183	239,140	146,381	
-	103,645	102,324	
71,025	9,291,411	4,647,025	
-	2,159,530	1,001,842	
-	6,352	88,554	
-	307,365	186,860	
-	116,143	83,264	
-	35,394	55,067	
<u>\$ 3,555,304</u>	<u>\$ 22,220,054</u>	<u>\$ 23,213,966</u>	
\$ -	\$ 4,047,319	\$ 4,513,839	
-	1,208,324	471,393	
-	215,830	153,527	
2,658,972	7,454,882	8,257,058	
83,183	163,573	146,381	
-	41,806	39,047	
<u>2,742,155</u>	<u>13,131,734</u>	<u>13,581,245</u>	
-	-	88,052	
-	1,445	(17,902)	
-	-	321,320	
-	136,857	448,908	
-	36,190	(47,285)	
-	520,132	547,130	
-	116,324	111,754	
-	147,509	156,134	
-	47,317	51,363	
-	(168)	(2,709)	
-	-	2,028	
-	6,893,355	6,787,611	
813,149	813,149	921,100	
-	376,210	265,217	
<u>813,149</u>	<u>9,088,320</u>	<u>9,632,721</u>	
<u>\$ 3,555,304</u>	<u>\$ 22,220,054</u>	<u>\$ 23,213,966</u>	

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

	<u>2010</u>
Total Fund Balance for Governmental Funds	\$ 9,088,320
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:	
Land	1,823,335
Land Improvements, Net of Accumulated Depreciation	835,411
Buildings and Improvements, Net of Accumulated Depreciation	19,743,951
Equipment, Net of Accumulated Depreciation	2,057,168
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.	163,573
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(220,801)
Bond issuance costs are reported as expenditures in the governmental funds.	49,809
Internal service funds are used by management to charge the costs of health and dental insurance services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets at year-end are:	251,539
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets.	
Balances at year-end are:	
Bonds Payable	(15,500,000)
Unamortized Discounts	24,427
Obligations Under Capital Leases	(172,332)
Other Post Employment Benefits Payable	(340,760)
Severance Benefits Payable	(3,794,355)
Compensated Absences Payable	(229,131)
Pension Payable	(47,570)
Total Net Assets of Governmental Activities	<u>\$ 13,732,584</u>

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2009)**

	Major		
	General	Food Service	Community Service
REVENUES			
Local Sources			
Property Taxes	\$ 5,199,524	\$ -	\$ 288,494
Earnings on Investments	19,582	898	1,490
Other	1,556,344	1,338,938	611,526
State Sources	33,580,948	156,190	862,432
Federal Sources	5,696,310	1,106,870	33,789
Total Revenues	<u>46,052,708</u>	<u>2,602,896</u>	<u>1,797,731</u>
EXPENDITURES			
Current			
Administration	1,738,247	-	-
District Support Services	1,843,598	-	-
Regular Instruction	21,686,361	-	-
Vocational Education Instruction	933,799	-	-
Special Education Instruction	8,311,029	-	-
Instructional Support Services	2,671,979	-	-
Pupil Support Services	3,438,413	-	-
Sites and Buildings	4,454,311	-	-
Fiscal and Other Fixed Cost Programs	97,686	-	-
Food Service	-	2,465,945	-
Community Service	-	-	1,814,794
Capital Outlay	1,563,501	16,773	26,186
Debt Service			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>46,738,924</u>	<u>2,482,718</u>	<u>1,840,980</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(686,216)	120,178	(43,249)
OTHER FINANCING SOURCES (USES)			
Capital Lease Proceeds	-	6,687	-
Judgments for School Districts	149,550	-	-
Sale of Equipment Proceeds	16,600	-	-
Transfers In	-	-	15,219
Transfers Out	(15,219)	-	-
Total Other Financing Sources (Uses)	<u>150,931</u>	<u>6,687</u>	<u>15,219</u>
Net Change in Fund Balances	(535,285)	126,865	(28,030)
Fund Balances - Beginning	8,239,588	242,626	229,407
Fund Balances - Ending	<u>\$ 7,704,303</u>	<u>\$ 369,491</u>	<u>\$ 201,377</u>

See accompanying Notes to Basic Financial Statements.

Funds			
Debt Service		Total Governmental Funds	
		2010	2009
\$ 3,148,258	\$	8,636,276	\$ 8,062,364
6,303		28,273	184,903
-		3,506,808	3,511,428
263,159		34,862,729	39,343,184
-		6,836,969	3,220,274
<u>3,417,720</u>		<u>53,871,055</u>	<u>54,322,153</u>
-		1,738,247	1,841,561
-		1,843,598	1,456,988
-		21,686,361	22,214,364
-		933,799	1,064,263
-		8,311,029	7,536,903
-		2,671,979	2,711,242
-		3,438,413	3,299,933
-		4,454,311	4,413,649
-		97,686	97,836
-		2,465,945	2,433,616
-		1,814,794	1,693,415
-		1,606,460	1,597,799
2,905,000		2,905,000	2,805,000
620,671		620,671	700,101
<u>3,525,671</u>		<u>54,588,293</u>	<u>53,866,670</u>
(107,951)		(717,238)	455,483
-		6,687	277,292
-		149,550	1,789
-		16,600	5,114
-		15,219	-
-		(15,219)	-
-		<u>172,837</u>	<u>284,195</u>
(107,951)		(544,401)	739,678
921,100		9,632,721	8,893,043
<u>\$ 813,149</u>	<u>\$</u>	<u>9,088,320</u>	<u>\$ 9,632,721</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

	<u>2010</u>
Net Change in Fund Balance-Total Governmental Funds	\$ (544,401)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$1,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlays	174,209
Gain on Disposal of Capital Assets	16,600
Proceeds from Sales of Capital Assets	(16,600)
Depreciation Expense	(1,160,642)
Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net assets.	
Other Financing Source - Capital Lease	(6,687)
Change in Accrued Interest Expense - Capital Leases	484
Principal Payments - Capital Leases	132,113
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs, discounts and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:	
Repayment of Bond Principal	2,905,000
Change in Accrued Interest Expense - General Obligation Bonds	36,564
Amortization of Bond Issuance Costs	(9,188)
Amortization of Bond Discount	(4,129)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	17,192
In the statement of activities, certain operating expenses - severance benefits and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(345,400)
Internal service funds are used by the District to charge the costs of employee health and dental benefits to individual funds. The net revenue of the internal service funds is reported with governmental activities.	953
Change in Net Assets of Governmental Activities	\$ 1,196,068

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Final Budget
REVENUES				
Local Sources				
Property Taxes	\$ 5,012,324	\$ 5,217,747	\$ 5,199,524	\$ (18,223)
Earnings on Investments	72,837	72,837	19,582	(53,255)
Other	1,181,168	1,406,516	1,556,344	149,828
State Sources	37,572,866	34,136,763	33,580,948	(555,815)
Federal Sources	2,424,239	5,871,467	5,696,310	(175,157)
Total Revenues	46,263,434	46,705,330	46,052,708	(652,622)
EXPENDITURES				
Current:				
Administration	1,771,091	1,705,203	1,738,247	33,044
District Support Services	1,524,517	1,824,457	1,843,598	19,141
Regular Instruction	21,844,075	22,185,543	21,686,361	(499,182)
Vocational Education Instruction	983,536	971,070	933,799	(37,271)
Special Education Instruction	8,279,616	8,905,547	8,311,029	(594,518)
Instructional Support Services	2,754,528	2,715,791	2,671,979	(43,812)
Pupil Support Services	3,533,745	3,484,371	3,438,413	(45,958)
Sites and Buildings	4,567,258	4,661,401	4,454,311	(207,090)
Fiscal and Other Fixed Cost Programs	143,486	120,482	97,686	(22,796)
Capital Outlay	859,691	1,271,534	1,563,501	291,967
Total Expenditures	46,261,543	47,845,399	46,738,924	(1,106,475)
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,891	(1,140,069)	(686,216)	453,853
OTHER FINANCING SOURCES (USES)				
Judgments for School Districts	-	150,000	149,550	(450)
Sale of Equipment Proceeds	12,000	16,600	16,600	-
Transfers Out	-	(28,000)	(15,219)	12,781
Total Other Financing Sources (Uses)	12,000	138,600	150,931	12,331
Net Change in Fund Balances	\$ 13,891	\$ (1,001,469)	(535,285)	\$ 466,184
FUND BALANCE				
Beginning of Year			8,239,588	
End of Year			\$ 7,704,303	

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Local Sources				
Earnings on Investments	\$ 1,080	\$ 1,080	\$ 898	\$ (182)
Other - Primarily Meal Sales	1,463,771	1,390,758	1,338,938	(51,820)
State Sources	148,087	156,864	156,190	(674)
Federal Sources	820,732	904,862	1,106,870	202,008
Total Revenues	<u>2,433,670</u>	<u>2,453,564</u>	<u>2,602,896</u>	<u>149,332</u>
EXPENDITURES				
Current				
Food Service	2,516,408	2,521,731	2,465,945	(55,786)
Capital Outlay	23,200	113,200	16,773	(96,427)
Total Expenditures	<u>2,539,608</u>	<u>2,634,931</u>	<u>2,482,718</u>	<u>(152,213)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(105,938)	(181,367)	120,178	301,545
OTHER FINANCING SOURCES				
Capital Lease Proceeds	-	-	6,687	6,687
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>6,687</u>	<u>6,687</u>
Net Change in Fund Balance	<u>\$ (105,938)</u>	<u>\$ (181,367)</u>	126,865	<u>\$ 308,232</u>
FUND BALANCE				
Beginning of Year			<u>242,626</u>	
End of Year			<u>\$ 369,491</u>	

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final	Amounts	
REVENUES				
Local Sources				
Property Taxes	\$ 292,530	\$ 290,193	\$ 288,494	\$ (1,699)
Earnings on Investments	4,584	4,584	1,490	(3,094)
Other - Primarily Tuition and Fees	545,800	608,700	611,526	2,826
State Sources	839,332	828,783	862,432	33,649
Federal Sources	45,650	45,650	33,789	(11,861)
Total Revenues	1,727,896	1,777,910	1,797,731	19,821
Community Service	1,736,043	1,863,416	1,814,794	(48,622)
Capital Outlay	3,463	8,643	26,186	17,543
Total Expenditures	1,739,506	1,872,059	1,840,980	(31,079)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,610)	(94,149)	(43,249)	50,900
OTHER FINANCING SOURCES				
Transfer in	-	28,000	15,219	(12,781)
Total Other Financing Sources	-	28,000	15,219	(12,781)
Net Change in Fund Balances	\$ (11,610)	\$ (66,149)	(28,030)	\$ 38,119
FUND BALANCE				
Beginning of Year			229,407	
End of Year			\$ 201,377	

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010
(WITH COMPARATIVE DATA AS OF JUNE 30, 2009)**

	Governmental Activities - Internal Service Funds	
	2010	2009
ASSETS		
Current Assets		
Cash and Investments	\$ 251,539	\$ 250,586
Total Assets	<u>\$ 251,539</u>	<u>\$ 250,586</u>
NET ASSETS		
Unrestricted	\$ 251,539	\$ 250,586
Total Net Assets	<u>\$ 251,539</u>	<u>\$ 250,586</u>

See accompanying Notes to Basic Financial Statements.

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2009)

	Governmental Activities - Internal Service Funds	
	2010	2009
NONOPERATING INCOME		
Earnings on Investments	\$ 953	\$ 4,245
Change in Net Assets	953	4,245
Total Net Assets - Beginning	250,586	246,341
Total Net Assets - Ending	<u>\$ 251,539</u>	<u>\$ 250,586</u>

See accompanying Notes to Basic Financial Statements.

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2009)

	Governmental Activities - Internal Service Funds	
	2010	2009
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	\$ 953	\$ 4,245
Net Cash Provided by Investing Activities	953	4,245
Cash and Cash Equivalents - Beginning	250,586	246,341
Cash and Cash Equivalents - Ending	<u>\$ 251,539</u>	<u>\$ 250,586</u>
Displayed on Statements of Fund Net Assets as:		
Cash and Investments	<u>\$ 251,539</u>	<u>\$ 250,586</u>

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010**

	<u>Private- Purpose Trust</u>
ASSETS	
Cash and Temporary Investments	\$ 3,007
Total Assets	<u>3,007</u>
LIABILITIES	
Salaries and Wages Payable	<u>370</u>
Total Liabilities	<u>370</u>
NET ASSETS	
Restricted for School Museum	2,637
Total Net Assets	<u>\$ 2,637</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2010**

	<u>Private- Purpose Trust</u>
ADDITIONS	
Contributions	\$ 604
Interest Income	12
Total Additions	<u>616</u>
DEDUCTIONS	
Salaries	733
Benefits	110
Supplies	201
Total Deductions	<u>1,044</u>
Change in Net Assets	(428)
Net Assets - Beginning of Year	3,065
Net Assets - End of Year	<u>\$ 2,637</u>

See accompanying Notes to Basic Financial Statements.

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 761 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

B. Financial Reporting Entity

Independent School District No. 761 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

Accounting Principles Generally Accepted in the United States of America (GAAP) require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units - entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the Organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the Organization. These financial statements include all funds of the District. There are no other entities for which the District is financially accountable.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The School Board does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities. However, in accordance with Minnesota State Statutes, the District's School Board has not elected to control or exercise oversight responsibility with respect to the underlying student activities. Accordingly, the student activity accounts are not included in these financial statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The Fiduciary Funds are only reported in the Statements of Fiduciary Net Assets at the Fund Financial Statement level.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational; or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net assets are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type. The District has only one type of fiduciary fund: private purpose trust. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide statements.

The Internal Service Fund is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. Revenue Recognition – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.
2. Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

The District applies only those applicable pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989 in accounting and reporting for its proprietary operations.

The District reports deferred revenue on its governmental funds' balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to incurring the qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report is as follows:

Major Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities equipment purchases, health and safety projects, and disabled accessibility projects.

Food Service Special Revenue Fund - The Food Service Fund is used to account for food service revenues and expenditures.

Community Service Special Revenue Fund - The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term obligation bond principal, interest, and related costs.

Proprietary Fund

Internal Service Fund – The Internal Service Fund accounts for financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. Prior to 2004, the District's Internal Service Fund accounted for the District's health self-insurance program. The self-insurance program was discontinued at the end of fiscal year 2003. The District is retaining the balance remaining in this fund as start-up funds should a decision be made in the future to self-insure.

Fiduciary Funds

Private Purpose Trust Fund – The Private Purpose Trust Fund is used to account for trust arrangements under which principal and income benefits individuals, private organizations, or other governments. This fund accounts for gifts and bequests that are to be used for the school museum.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Budgeted amounts include mid-year budget amendments that changed revenue and expenditure budgets as follows:

	Original Budget	Amendments	Amended Budget
<u>Revenues and Other Financing Sources</u>			
General Fund	\$ 46,275,434	\$ 596,496	\$ 46,871,930
Special Revenue Funds			
Food Service Fund	2,433,670	19,894	2,453,564
Community Service Fund	1,727,896	78,014	1,805,910
Debt Service Fund	3,444,716	-	3,444,716
<u>Expenditures</u>			
General Fund	46,261,543	1,611,856	47,873,399
Special Revenue Funds			
Food Service Fund	2,539,608	95,323	2,634,931
Community Service Fund	1,739,506	132,553	1,872,059
Debt Service Fund	3,526,201	-	3,526,201

Unencumbered expenditure appropriations lapse at year-end. Encumbrances are generally not recorded.

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

F. Cash and Investments

Cash and investments consist of interest and non-interest bearing checking and money market accounts, deposits in the Minnesota School District Liquid Asset Fund (MSDLAF) and certificates of deposit. Certificates of deposit are recorded at fair value. MSDLAF deposits are recorded at amortized cost, which approximates fair value.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Investments (Continued)

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

G. Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivables not expected to be collected within one year are current property taxes receivable.

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of paper, purchased food, supplies and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture. Paper is recorded at latest invoice price, which approximates the first-in, first-out method.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

J. Property Taxes

Property tax levies are established by the Board of Education in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1. Taxes are due on May 15 and October 15. The County generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred revenue (property taxes levied for subsequent year). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes (Continued)

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy (frozen at \$339,315) for the District. The tax shift also includes certain other levies that are recognized early based on statutory requirements.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2010, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$1000 for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

Capital assets not being depreciated include land.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, if material, are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Accrued Employee Benefits

Vacation Pay

All full-time, non-certified employees earn annual vacation pay at various rates based on length of service. All outstanding unpaid vacation pay is payable upon termination of employment. At June 30, 2010, unpaid vacation pay totaling \$229,131 is recorded in the financial statements.

Sick Pay

Substantially all District employees are entitled to sick leave at various rates. For certain employees, unused sick leave enters into the calculation of severance pay upon termination.

Severance Benefits Payable

Severance benefits consist of convertible sick leave.

The District maintains various severance plans for its employee groups. Each employee group contract contains benefit formulas based on years of service and/or minimum age requirements. No employee can receive severance payments exceeding one year's salary.

The District has recorded a liability for accrued convertible sick leave based on the sick leave accumulated at June 30, 2010 for employees currently eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments. Under this "vesting method," accruals for those employees expected to become eligible in the future are based on assumptions concerning the probability that the employees will become eligible to receive termination payments (vest) at some point in the future.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Accrued Employee Benefits (Continued)

Severance Benefits Payable (Continued)

During fiscal year 2010, expenditures for convertible sick leave benefits totaled \$376,315. At June 30, 2010, the long-term portion of the convertible sick leave liability is included as part of severance benefits payable in the Statement of Net Assets, totaling \$3,794,355.

Other Post Employment Benefits Payable

Under the terms of certain collective bargaining employment contracts, the District is required to pay 0% - 100% of single coverage health insurance premiums.

N. Statement of Cash Flows

For purposes of the statement of cash flows, the District considers cash on hand and demand deposits accounts to be cash and cash equivalents. Cash and cash equivalents are included in cash and investments.

O. Deferred Revenues

Deferred revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported deferred revenues for prepaid lunches in the Food Service Fund.

P. Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Q. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers compensation.

The District has joined together with other school districts in Minnesota in the Southeast Service Cooperative Gross Self-Insured Health Insurance Plan, a public entity risk pool currently operating as common risk management and insurance program for member districts. The District pays an annual premium to this plan for its health insurance coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators of the plan believe assessment to participating districts for future losses sustained is extremely remote.

The District continues to purchase commercial insurance coverage for all other risks. There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Net Assets

Net assets represent the difference between assets and liabilities in the government-wide, Proprietary Fund, and Fiduciary Fund financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the government-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The government-wide statement of net assets reports \$1,974,164 of restricted net assets, all of which is restricted by enabling legislation.

S. Comparative Data

Comparative data for the prior year has been presented only for certain sections of the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations.

T. Prior Period Adjustment

As of July 1, 2009, the District increased its capitalization threshold from \$500 to \$1,000. The District hired an appraisal company to inventory the fixed assets and establish July 1, 2009 balances. This change in accounting policy resulted in a restatement of beginning net assets of (\$3,922,356) In performing the fixed asset appraisal, the District identified errors in the previous fixed asset records, which resulted in a restatement of net asset of \$5,568,946. The total restatement of net assets is (\$1,646,590). The total restatement of beginning net as assets as follows:

Net Assets at June 30, 2009	\$ 10,889,926
Less: Capital Assets removed from Fixed Asset Listing	(15,825,490)
Add: Accumulated Depreciation removed from Fixed Asset Listing	<u>17,472,080</u>
Net assets at June 30, 2009	<u><u>\$ 12,536,516</u></u>

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

The District had the following interfund transfer at June 30, 2010:

Transfer Out:	Transfer In:
General Fund	Community
	Service
	Fund
	<u>\$ 15,219</u>

The purpose of this interfund transfer was to fund the Kid's First Program that the Community Services fund took over beginning in 2010.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned in full. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Investments." In accordance with Minnesota Statutes, the District maintains deposits at financial institutions which are authorized by the School District's Board.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota statutes.

B. Investments

The District may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of thirteen months or less.
- General obligations rated "A" or better; revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rate "A" or better.
- Banker's acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

At June 30, 2010, the District had the following investments:

Investments Held with Broker –

	Amortized Cost
Minnesota School District Liquid Asset Fund (MSDLAF+)	\$ 223,498
Minnesota School District Liquid Asset Fund Plus - MAX Series (MSDMAX)	2,520,941
Total	<u>\$ 2,744,439</u>

The Minnesota School District Liquid Asset Funds are external investment pools not registered with the Securities Exchange Commission (SEC) that follow the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2010 all investments and collateral were listed in the name of the District.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following chart summarizes year-end ratings for the District's investments as rated by Standard & Poors:

	Credit Quality Rating
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	AAAm
Minnesota School District Liquid Asset Fund Plus - MAX Series (MSDMAX)	AAAm

Interest Rate Risk

The District has a formal investment policy that addresses permissible investments, portfolio diversification and instrument maturities. Investment maturities are scheduled to coincide with projected school district cash flow needs. Within these parameters, it is the District's policy to stagger portfolio maturities to avoid undue concentration of assets, provide for stability of income, and limit exposure to fair value losses arising from rising interest rates.

Concentration of Credit Risk

Except for amounts invested with Trustees, the District limits the amount of its total deposits and investments portfolio that may be invested with any one depository to 75% of the total portfolio.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Concentration of Credit Risk (Continued)

The following investment individually comprises more than 5 percent of the District's total investments:

Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	\$ 223,498
Minnesota School District Liquid Asset Fund Plus - MAX Series (MSDMAX)	2,520,941
Total	<u>\$ 2,744,439</u>

C. Balance Sheet Presentation

The deposits and investments are presented in the financial statements as follows:

Deposits	\$ 2,819,088
Investments	2,744,439
Total Cash and Investments	<u>\$ 5,563,527</u>
Reconciliation of Cash and Investments:	
Cash and Investments - Statement of Net Assets	\$ 5,560,520
Cash and Investments - Statement of Fiduciary Net Assets	3,007
Total Cash and Investments	<u>\$ 5,563,527</u>

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 1,823,335	\$ -	\$ -	\$ 1,823,335
Total Capital Assets, Not Being Depreciated	1,823,335	-	-	1,823,335
Capital Assets, Being Depreciated				
Land Improvements	2,187,827	7,900	-	2,195,727
Buildings and Improvements	36,123,369	4,146	-	36,127,515
Equipment	6,949,699	162,163	-	7,111,862
Total Capital Assets, Being Depreciated	45,260,895	174,209	-	45,435,104
Accumulated Depreciation for				
Land Improvements	(1,266,037)	(94,279)	-	(1,360,316)
Buildings and Improvements	(15,771,609)	(611,955)	-	(16,383,564)
Equipment	(4,600,286)	(454,408)	-	(5,054,694)
Total Accumulated Depreciation	(21,637,932)	(1,160,642)	-	(22,798,574)
Total Capital Assets, Being Depreciated, Net	23,622,963	(986,433)	-	22,636,530
Governmental Activities Capital Assets, Net	<u>\$ 25,446,298</u>	<u>\$ (986,433)</u>	<u>\$ -</u>	<u>\$ 24,459,865</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the District as follows:

Governmental Activities	
Administration	\$ 8,684
District Support Services	95,032
Regular Instruction	848,806
Vocational Education Instruction	20,807
Special Education Instruction	2,036
Instructional Support Services	2,108
Pupil Support Services	33,911
Sites and Buildings	83,528
Food Service	46,080
Community Service	19,650
Total Depreciation Expense, Governmental Activities	<u>\$ 1,160,642</u>

NOTE 5 GENERAL LONG-TERM DEBT

A. Components of General Long-Term Debt

The District has issued general obligation school building bonds to finance the construction of capital facilities or refinance previous bond issues. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

Issue Date	Net Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
				Due Within One Year	Total
6/1/2003	1.75% - 3.13%	1,640,000	2/1/2013	\$ 305,000	\$ 980,000
1/15/2004	2.0% - 3.7%	21,305,000	2/1/2017	1,840,000	14,400,000
10/28/2004	2.0% - 3.0%	665,000	2/1/2011	120,000	120,000
Total General Obligation Bonds				2,265,000	15,500,000
Bond Discounts - Net				(4,129)	(24,427)
Capital Lease Payable				74,291	172,332
Pension Payable				-	47,570
Other Post Employment Benefits Payable				-	340,760
Severance Benefits Payable				380,000	3,794,355
Compensated Absences Payable				229,131	229,131
Total				<u>\$ 2,944,293</u>	<u>\$ 20,059,721</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 5 GENERAL LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term bonds are as follows:

Year Ending June 30	General Obligation Bonds Payable	
	Principal	Interest
2011	\$ 2,265,000	\$ 529,921
2012	2,225,000	462,353
2013	2,320,000	390,853
2014	2,045,000	310,965
2015	2,130,000	239,390
2016 - 2017	4,515,000	249,940
	<u>\$ 15,500,000</u>	<u>\$ 2,183,422</u>

C. Description of Long-Term Debt

General Obligation Bonds

On June 1, 2003, the District issued \$1,640,000 of General Obligation Capital Facilities Bonds, Series 2003B. The proceeds of this issue were used to finance improvements and repair school sites and buildings, purchases to equip or reequip school buildings with permanent attached fixtures. Capital facilities revenues under Minnesota Statue Section 124.2455 are dedicated to the retirement of these bonds. In the event the capital facilities revenues are not sufficient, the Districts will levy property taxes for the deficiency.

On January 15, 2004, the District issued \$21,305,000 of General Obligation School Building Refunding Bonds, Series 2004. The proceeds of this issue were used to advance refund certain maturities, of the General Obligation School Building Bonds, Series 1996. Future ad valorem tax levies are dedicated to the retirement of these bonds.

On October 28, 2004, the District issued \$665,000 of General Obligation School Building Refunding Bonds, Series 2004. The proceeds of this issue were used to refund, in advance of their stated maturities, the remaining maturities of the District's 1998 General Obligation Refunding Bonds. Future ad valorem tax levies are dedicated to the retirement of these bonds.

Capital Leases Payable

During 2009, the District entered into two lease agreements for copiers. The first lease for \$16,894 has principal and interest payments due monthly for 36 months at a rate of 6.6%. The second lease for \$260,398 has principal and interest payments due monthly for 48 months at a rate of 12%.

During 2010, the District entered into a lease agreement for a vending machine. The total lease for \$6,687 has principal and interest payments due monthly

**OWATONNA PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 5 GENERAL LONG-TERM DEBT (CONTINUED)

C. Description of Long-Term Debt (Continued)

Total cost of assets held under capital leases is \$283,980. Related accumulated depreciation of assets under capital leases at June 30, 2010 is \$127,642.

Annual payments required under capital leases are as follows:

<u>Year Ending June 30,</u>	
2011	\$ 91,714
2012	89,389
2013	<u>16,596</u>
Total Minimum Lease Payments	197,699
Less Amounts Representing Interest	<u>25,367</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 172,332</u></u>

Compensated Absences Payable

Compensated absences payable consists of unused vacation as of June 30, 2010. In the past, vacation expense has been paid by the General Fund, the Food Service Fund, and the Community Service Fund.

Severance Benefits Payable

Severance benefits payable consist of severance payments and accumulated sick leave. In the past, severance benefits have been liquidated by the General Fund, the Food Service Fund, and the Community Service Fund.

D. Changes in Long-Term Debt

	<u>June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2010</u>
Bonds Payable	\$ 18,405,000	\$ -	\$ 2,905,000	\$15,500,000
Bond Discounts	(28,556)	-	(4,129)	(24,427)
Lease Purchase Obligations	297,758	6,687	132,113	172,332
Pension Payable	23,176	61,838	37,444	47,570
Other Post Employment Benefits Payable	179,108	499,257	337,605	340,760
Severance Benefits Payable	3,658,666	512,004	376,315	3,794,355
Compensated Absences Payable	205,466	239,992	216,327	229,131
	<u><u>\$ 22,740,618</u></u>	<u><u>\$ 1,319,778</u></u>	<u><u>\$ 4,000,675</u></u>	<u><u>\$20,059,721</u></u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6 RESERVED FUND BALANCES

Fund Equity

Certain portions of fund balance are reserved based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. The following is a summary of the reserved fund balances for the governmental funds:

A. Reserved for Staff Development

In accordance with state statute, 2% of basic General Education revenue is allocated to staff development. The cumulative excess of such revenues over staff development expenditures is reported as a reservation of fund balance in the General Fund.

B. Reserved for Deferred Maintenance

Reserved for deferred maintenance represents available resources to be used only to provide for state approved deferred maintenance projects. Under Minnesota statute, a deficit in this reserve is allowable

C. Reserve for Severance Benefits

In accordance with state accounting regulations, a reserved fund balance is established for vested severance benefits. The reserved amount represents vested benefits for employees that are estimated to be paid in the second ensuing fiscal year. This reserve was discontinued in fiscal year 2010.

D. Reserved for Basic Skills Programs

In accordance with state statute, this reserve represents available resources dedicated exclusively for meeting the educational needs of pupils who enroll under-prepared for learners to their age.

E. Reserved for Health and Safety

Reserved for health and safety represents available resources to be used only to provide for the removal of hazardous substances and other state approved life/health safety projects. Under Minnesota statute, a deficit in this reserve generates specific future levy authority.

F. Reserved for Operating Capital

The District levies taxes and receives state aid to be used for the purchase of equipment, books and vehicles and to purchase, rent, improve, and repair school facilities as allowed by state statute. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a reservation of fund balance in the General Fund.

G. Reserved for Safe Schools

The fund balance reservation represents accumulated resources available to provide for safe schools programs in accordance with funding made available for that purpose.

H. Reserved for Community Education Programs

The fund balance reservation represents accumulated resources available to provide general community education programming.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6 RESERVED FUND BALANCES (CONTINUED)

I. Reserved for Early Childhood and Family Education Programs

This fund balance reservation represents accumulated resources available to provide services for early childhood and family education programming.

J. Reserved for School Readiness

The fund balance reservation represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.

K. Reserved for Adult Basic Education

The fund balance reservation represents accumulated resources available to provide adult basic education in accordance with funding made available for that purpose.

NOTE 7 PENSION PLANS

Substantially all employees of the District are required by state law to belong to pension plans administered by Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follow:

A. Teachers' Retirement Association (TRA)

1. Plan Description

All teachers employed by the District are covered by a cost sharing, multiple employer defined benefit pension plan administered by the State of Minnesota Teachers' Retirement Association (TRA). TRA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. These plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356.

TRA provides retirement benefits as well as death and disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for five consecutive years of allowable service, age, and years of credit at termination of service.

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, and further information on benefits provisions. A copy of the report may be obtained by writing TRA at Teachers' Retirement Association, 60 Empire Drive Suite 400, St. Paul, MN 55103 or by calling (651) 296-6449 or 1-800-657-3853.

**OWATONNA PUBLIC SCHOOLS
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JUNE 30, 2010**

NOTE 7 PENSION PLANS (CONTINUED)

A. Teachers' Retirement Association (TRA) (Continued)

2. Funding Policy

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. Coordinated and Basic Plan members are required to contribute 5.5% and 9.0%, respectively, of their annual covered salary while the District is required to contribute at an actuarially determined rate.

The District is required to contribute the following percentages of annual covered payroll: 5.5% for Coordinated Plan members and 9.5% for Basic plan members. The contribution requirements of plan members and the District are established and may be amended by state statute. The District contributions for the years ended June 30, 2010, 2009, and 2008 were \$1,141,856, \$1,172,528 and \$1,133,257, respectively, equal to the required contributions for each year as set by state statute.

B. Public Employees' Retirement Association (PERA)

1. Plan Description

All full-time and certain part-time employees of the District (other than teachers) are covered by a defined benefit plan administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the Public Employees' Retirement Fund (PERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF. That report may be obtained by writing to PERA, 60 Empire Drive #200, St. Paul, MN 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

2. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 6.0%, respectively, of their annual covered salary in 2010.

**OWATONNA PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7 PENSION PLANS (CONTINUED)

B. Public Employees' Retirement Association (PERA)

2. Funding Policy (Continued)

The District is required to contribute the following percentages of annual covered payroll in 2010: 11.78% for Basic Plan PERF members, 6.50% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan increased to 7.00% effective January 1, 2010. The contribution requirements of plan members and the District are established by and may be amended by state statute. The District's contributions for the years ending June 30, 2010, 2009, and 2008, were \$451,270, \$425,022 and \$401,825, respectively, equal to the contractually required contributions for each year as set by state statute.

C. Supplemental Pension Plan

1. Plan Description

The District operates a single-employer defined benefit supplemental pension benefit to the superintendent and eligible principal and directors. Currently, the superintendent has no age or years of service requirements in order to be eligible for the benefit. Principals and directors are eligible after 5 years of service. There are 22 active participants in the plan as of July 1, 2008. The pension payment is equal to a percentage of the final annual salary. Benefit and eligibility provisions are established through negotiations between the District and the employee or the union and are negotiated each bargaining period. The Plan does not issue a publicly available financial report.

2. Funding Policy

Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. The general fund is used for funding all pension benefits. The employer makes all contributions. For fiscal year 2010, the District contributed \$36,052 to the plan.

3. Annual Pension Cost and Net Pension Obligation

The annual required contribution for the current year was determined as part of the July 1, 2008 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included a 4.5% discount rate and projected salary increases at 3%. Mortality, disability and retirement rates are based on the District's employment history.

	2010
Annual Required Contribution	\$ 60,795
Interest on Net Pension Calculation	1,043
Adjustment to Annual Required Contribution	(1,392)
Annual Pension Cost (Expense)	60,446
Contributions Made	(36,052)
Increase in Net Pension Obligation	24,394
Net Pension Obligation - Beginning of Year	23,176
Net Pension Obligation - End of Year	<u>\$ 47,570</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7 PENSION PLANS (CONTINUED)

C. Supplemental Pension Plan (Continued)

3. Annual Pension Cost and Net Pension Obligation (Continued)

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 is:

Fiscal Year Ended	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
06/30/10	\$ 60,446	59.6%	\$ 47,570
06/30/09	\$ 60,795	61.9%	\$ 23,176

The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The unfunded actuarial accrued liability is being amortized as a level dollar amount. The remaining amortization period at June 30, 2010 is 28 years.

4. Funded Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date, the District unfunded actuarial accrued liability (UAAL) was \$270,980. The annual payroll for active employees covered by the plan in the actuarial valuation was \$1,981,766 for a ratio of UAAL to covered payroll of 13.7%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and salary increases. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**OWATONNA PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates a single-employer retiree benefit plan ("the Plan") that provides health, dental and life insurance to eligible employees and their spouses through the District's insurance plans. There are 626 active participants and 133 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing the District's employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

B. Funding Policy

Contribution requirements are also negotiated between the District and the union representatives. The District contributes 0% - 100% of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2010, the District contributed \$326,849 to the plan.

C. Annual OPEB Cost and Net OPEB Obligation

The District annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any un-funded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the District's net OPEB obligation.

	2010
Annual Required Contribution	\$ 491,197
Interest on Net OPEB Calculation	8,060
Adjustment to Annual Required Contribution	<u>(10,756)</u>
Annual OPEB Cost (Expense)	488,501
Contributions Made	<u>(326,849)</u>
Increase in Net OPEB Obligation	161,652
Net OPEB Obligation - Beginning of Year	179,108
Net OPEB Obligation - End of Year	<u><u>\$ 340,760</u></u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 is:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/10	\$ 488,501	66.9%	\$ 340,760
06/30/09	\$ 491,197	63.5%	\$ 179,108

**OWATONNA PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Funded Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date, the District unfunded actuarial accrued liability (UAAL) was \$3,750,691. The annual payroll for active employees covered by the plan in the actuarial valuation was \$24,835,198 for a ratio of UAAL to covered payroll of 15.1%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used to include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 9% reduced by decrements to an ultimate rate of 5.0% after eight years. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at June 30, 2010 was 28 years.

NOTE 9 FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan that is classified as a "cafeteria plan" under Section 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

**OWATONNA PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 9 FLEXIBLE BENEFIT PLAN (CONTINUED)

The current plan year runs from September 1 to August 31. Before the beginning of the plan year, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions for the health care portion of the plan, whether or not such contributions have been made.

Payments of health insurance premiums are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General, Food Service, and Community Service Funds.

Payments for amounts withheld for medical reimbursement and dependent care are made to participating employees upon submitting a request for reimbursement of eligible expenses.

All plan property and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the plan are equal to those of general creditors of the District in an amount equal to eligible health care and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 10 LINE OF CREDIT

On March 11, 2010, the District was approved for a line of credit of \$500,000 from US Bank. The interest rate applied on any borrowings was 1% plus the prime rate. Substantially all of the District's assets could be used as collateral on this line of credit. There was no borrowing on this line of credit during the year ended June 30, 2010.

NOTE 11 PROPRIETARY FUND

The District elected to discontinue self-insuring their employee health insurance program as of June 30, 2003. The District continued to pay claims they incurred before June 30, 2003. As of June 30, 2010, the District is not aware of any remaining unpaid claims. The District is retaining the balance remaining in this fund as start-up funds should a decision be made in the future to self-insure.

**OWATONNA PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 12 COMMITMENTS AND CONTINGENCIES

A. Lease Commitments

The District has entered into various operating leases for vehicles, office equipment and buildings. Rent expense under annual operating leases for the year ending June 30, 2010 was \$483,193.

Minimum rental commitments on leases in effect at June 30, 2010 are as follows:

<u>Year Ending June 30,</u>	
2011	\$ 235,952
2012	221,807
2013	204,202
2014	201,272
2015	201,272
Total Minimum Lease Payments	<u>\$ 1,064,505</u>

B. Federal and State Programs

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE 13 JOINT POWERS AGREEMENT

Effective March 1999, the City of Owatonna, Steele County, and the District entered into a joint powers agreement to provide for the operation and maintenance of a joint ice arena. The ice arena is run and maintained by the County, with the City contributing up to \$55,000 annually in the form of public utilities. Under the terms of the agreement, the District made financial contributions to the construction of the ice arena totaling \$250,000 between March 1999 and 2002. In addition, the District agreed to maintain its present level of use of the ice arena during the term any bonds are outstanding related to the project. Total payments for the use of the ice arena were \$49,453 for the year ended June 30, 2010. The bonds are set to mature in various increments through 2011.

NOTE 14 SUBSEQUENT EVENT

Subsequent to June 30, 2010, the District's Board of Education approved \$1,855,000 in Certificates of Participation that were issued on September 1, 2010 bearing an interest rate of 2.00% and maturing on February 1, 2019. The Certificates of Participation were issued to finance District roof repair and betterment at several District sites.

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REQUIRED SUPPLEMENTARY INFORMATION

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLANS
JUNE 30, 2010**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>Pension</u>						
7/1/2008	\$ -	\$ 270,980	\$ 270,980	0.0%	\$ 1,981,766	13.7%
<u>Other Post Employment Benefits</u>						
7/1/2008	\$ -	\$ 3,750,691	\$ 3,750,691	0.0%	\$ 24,835,198	15.1%

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SUPPLEMENTARY INFORMATION

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
GENERAL FUND
SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCE
JUNE 30, 2010
(WITH COMPARATIVE DATA AS OF JUNE 30, 2009)**

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and Investments	\$ 2,935,311	\$ 8,886,808
Receivables		
Current Property Taxes	2,920,170	3,042,321
Delinquent Property Taxes	148,512	81,978
Due from Other Minnesota School Districts	103,645	102,324
Due from Minnesota Department of Education	8,973,827	4,510,062
Due from Federal through the Minnesota Department of Education	2,069,516	849,413
Due from Other Governmental Units	6,352	88,554
Other Receivables	294,098	171,910
Prepaid Items	115,873	82,814
Inventory	4,422	9,039
Total Assets	<u>\$ 17,571,726</u>	<u>\$ 17,825,223</u>
 LIABILITIES AND FUND BALANCES		
Liabilities		
Salaries and Wages Payable	\$ 4,012,822	\$ 4,484,198
Accounts and Contracts Payable	1,161,864	394,468
Due to Other Governmental Units	133,186	111,532
Deferred Revenue:		
Property Taxes Levied for Subsequent Year	4,486,606	4,513,459
Delinquent Property Taxes	72,945	81,978
Total Liabilities	<u>9,867,423</u>	<u>9,585,635</u>
Fund Balances		
Reserved for		
Staff Development	-	88,052
Deferred Maintenance	1,445	(17,902)
Severance Benefits	-	321,320
Basic Skills Programs	136,857	448,908
Health and Safety	36,190	(47,285)
Operating Capital	520,132	547,130
Safe Schools	116,324	111,754
Unreserved		
Undesignated	<u>6,893,355</u>	<u>6,787,611</u>
Total Fund Balances	<u>7,704,303</u>	<u>8,239,588</u>
Total Liabilities and Fund Balances	<u>\$ 17,571,726</u>	<u>\$ 17,825,223</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2009)**

	2010				2009
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES					
Local Sources					
Property Taxes	\$ 5,012,324	\$ 5,217,747	\$ 5,199,524	\$ (18,223)	\$ 4,665,697
Earnings on Investments	72,837	72,837	19,582	(53,255)	139,158
Other	1,181,168	1,406,516	1,556,344	149,828	1,515,535
State Sources	37,572,866	34,136,763	33,580,948	(555,815)	38,054,283
Federal Sources	2,424,239	5,871,467	5,696,310	(175,157)	2,213,624
Total Revenues	46,263,434	46,705,330	46,052,708	(652,622)	46,588,297
EXPENDITURES					
Current					
Administration					
Salaries	1,167,878	1,155,835	1,208,348	52,513	1,268,938
Employee Benefits	374,484	370,368	390,526	20,158	396,505
Purchased Services	139,876	85,842	66,766	(19,076)	98,029
Supplies and Materials	55,923	60,228	51,657	(8,571)	52,903
Capital Expenditures	11,162	67,186	69,943	2,757	232,026
Other Expenditures	32,930	32,930	20,950	(11,980)	25,186
Total Administration	1,782,253	1,772,389	1,808,190	35,801	2,073,587
District Support Services					
Salaries	837,398	985,129	952,056	(33,073)	764,403
Employee Benefits	308,283	371,467	376,028	4,561	292,637
Purchased Services	371,551	425,454	470,460	45,006	404,474
Supplies and Materials	83,312	111,538	98,697	(12,841)	57,835
Capital Expenditures	533,670	452,767	492,248	39,481	517,567
Other Expenditures	(76,027)	(69,131)	(53,643)	15,488	(62,361)
Total District Support Services	2,058,187	2,277,224	2,335,846	58,622	1,974,555
Elementary and Secondary					
Regular Instruction					
Salaries	14,828,883	14,943,889	14,804,767	(139,122)	15,445,160
Employee Benefits	5,077,818	5,004,928	4,949,968	(54,960)	5,043,169
Purchased Services	814,649	894,920	929,097	34,177	1,021,385
Supplies and Materials	1,093,941	1,313,539	981,269	(332,270)	682,493
Capital Expenditures	115,354	473,407	558,800	85,393	248,613
Other Expenditures	28,784	28,267	21,260	(7,007)	22,157
Total Elementary and Secondary Regular Instruction	21,959,429	22,658,950	22,245,161	(413,789)	22,462,977

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2009)**

	2010				2009
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
EXPENDITURES (Continued)					
Current (Continued)					
Vocational Education Instruction					
Salaries	\$ 649,971	\$ 655,820	\$ 644,505	\$ (11,315)	\$ 738,155
Employee Benefits	234,363	219,261	214,343	(4,918)	255,720
Purchased Services	40,310	26,597	22,005	(4,592)	21,140
Supplies and Materials	58,612	68,612	52,192	(16,420)	48,913
Capital Expenditures	-	-	11,756	11,756	3,755
Other Expenditures	280	780	754	(26)	335
Total Vocational Education Instruction	983,536	971,070	945,555	(25,515)	1,068,018
Special Education Instruction					
Salaries	5,386,451	5,668,543	5,489,577	(178,966)	5,103,505
Employee Benefits	1,913,526	2,058,010	1,980,972	(77,038)	1,761,031
Purchased Services	767,723	766,783	666,567	(100,216)	530,003
Supplies and Materials	144,231	350,905	122,160	(228,745)	82,634
Capital Expenditures	48,406	50,535	52,673	2,138	69,109
Other Expenditures	67,685	61,306	51,753	(9,553)	59,730
Total Special Education Instruction	8,328,022	8,956,082	8,363,702	(592,380)	7,606,012
Instructional Support Services					
Salaries	1,536,384	1,533,370	1,633,590	100,220	1,791,072
Employee Benefits	510,536	490,989	501,443	10,454	520,541
Purchased Services	176,198	213,773	258,562	44,789	136,674
Supplies and Materials	314,562	458,960	271,767	(187,193)	257,334
Capital Expenditures	3,185	14,536	28,417	13,881	34,895
Other Expenditures	216,848	18,699	6,617	(12,082)	5,621
Total Instructional Support Services	2,757,713	2,730,327	2,700,396	(29,931)	2,746,137
Pupil Support Services					
Salaries	818,805	794,722	798,219	3,497	839,247
Employee Benefits	295,811	308,688	296,939	(11,749)	274,989
Purchased Services	2,396,887	2,359,119	2,323,916	(35,203)	2,169,516
Supplies and Materials	22,242	21,842	18,503	(3,339)	15,891
Capital Expenditures	-	-	606	606	-
Other Expenditures	-	-	836	836	290
Total Pupil Support Services	3,533,745	3,484,371	3,439,019	(45,352)	3,299,933

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2009)**

	2010				2009
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
EXPENDITURES (Continued)					
Current (Continued)					
Sites and Buildings					
Salaries	\$ 1,347,515	\$ 1,377,904	\$ 1,349,319	\$ (28,585)	\$ 1,365,849
Employee Benefits	592,658	624,763	605,686	(19,077)	575,218
Purchased Services	1,856,285	1,892,235	1,882,562	(9,673)	1,750,432
Supplies and Materials	743,440	739,139	616,535	(122,604)	696,402
Capital Expenditures	147,914	213,103	349,058	135,955	435,199
Other Expenditures	27,360	27,360	209	(27,151)	25,748
Total Sites and Buildings	4,715,172	4,874,504	4,803,369	(71,135)	4,848,848
Fiscal and Other Fixed Cost Programs					
Employee Benefits	12,108	12,108	-	(12,108)	-
Purchased Services	110,004	87,000	76,312	(10,688)	97,836
Other Expenditures	21,374	21,374	21,374	-	-
Total Fiscal and Other Fixed Costs Programs	143,486	120,482	97,686	(22,796)	97,836
Total Expenditures	46,261,543	47,845,399	46,738,924	(1,106,475)	46,177,903
Excess (Deficiency) of Revenues Over (Under)					
Expenditures	1,891	(1,140,069)	(686,216)	453,853	410,394
OTHER FINANCING SOURCES (USES)					
Capital Lease Proceeds	-	-	-	-	260,917
Judgments for School Districts	-	150,000	149,550	(450)	1,789
Sale of Equipment Proceeds	12,000	16,600	16,600	-	5,114
Transfers Out	-	(28,000)	(15,219)	12,781	-
Total Other Financing Sources (Uses)	12,000	138,600	150,931	12,331	267,820
Net Change in Fund Balances	\$ 13,891	\$ (1,001,469)	(535,285)	\$ 466,184	678,214
Fund Balance					
Beginning of Year			8,239,588		7,561,374
End of Year			\$ 7,704,303		\$ 8,239,588

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
FOOD SERVICE SPECIAL REVENUE FUND
SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCE
JUNE 30, 2010
(WITH COMPARATIVE DATA AS OF JUNE 30, 2009)**

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and Investments	\$ 325,431	\$ 83,591
Receivables		
Due from Minnesota Department of Education	7,482	20,937
Due from Federal through Minnesota Department of Education	56,225	144,330
Other Receivables	12,659	14,950
Prepaid Items	150	450
Inventory	30,972	46,028
Total Assets	<u>\$ 432,919</u>	<u>\$ 310,286</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Salaries and Wages Payable	\$ 12,187	\$ 7,800
Accounts and Contracts Payable	8,300	20,813
Due to Other Governmental Unit	1,135	-
Deferred Revenue - Local Sources	41,806	39,047
Total Liabilities	<u>63,428</u>	<u>67,660</u>
 Fund Balance		
Unreserved		
Undesignated	<u>369,491</u>	<u>242,626</u>
 Total Liabilities and Fund Balance	<u>\$ 432,919</u>	<u>\$ 310,286</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
FOOD SERVICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2009)**

	2010			2009	
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES					
Local Sources					
Earnings on Investments	\$ 1,080	\$ 1,080	\$ 898	\$ (182)	\$ 2,380
Other - Primarily Meal Sales	1,463,771	1,390,758	1,338,938	(51,820)	1,426,068
State Sources	148,087	156,864	156,190	(674)	145,574
Federal Sources	820,732	904,862	1,106,870	202,008	957,097
Total Revenues	2,433,670	2,453,564	2,602,896	149,332	2,531,119
EXPENDITURES					
Current					
Salaries	841,737	827,523	830,700	3,177	823,120
Employee Benefits	312,286	301,858	301,568	(290)	289,294
Purchased Services	64,879	66,379	56,959	(9,420)	53,281
Supplies and Materials	1,296,576	1,325,041	1,276,595	(48,446)	1,267,328
Other Expenditures	930	930	123	(807)	593
Capital Outlay	23,200	113,200	16,773	(96,427)	3,199
Total Expenditures	2,539,608	2,634,931	2,482,718	(152,213)	2,436,815
Excess (Deficiency) of Revenues Over (Under) Expenditures	(105,938)	(181,367)	120,178	301,545	94,304
OTHER FINANCING SOURCES					
Capital Lease Proceeds	-	-	6,687	6,687	-
Total Other Financing Sources	-	-	6,687	6,687	-
Net Change in Fund Balance	\$ (105,938)	\$ (181,367)	126,865	\$ 308,232	94,304
FUND BALANCE					
Beginning of Year			242,626		148,322
End of Year			\$ 369,491		\$ 242,626

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
COMMUNITY SERVICE SPECIAL REVENUE FUND
SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCE
JUNE 30, 2010
(WITH COMPARATIVE DATA AS OF JUNE 30, 2009)**

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and Investments	\$ 198,582	\$ 373,083
Receivables		
Current Property Taxes	180,484	194,526
Delinquent Property Taxes	7,445	5,003
Due from Minnesota Department of Education	239,077	88,111
Due from Federal Government through the Minnesota Department of Education	33,789	8,099
Other Receivables	608	-
Prepaid Items	120	-
Total Assets	<u>\$ 660,105</u>	<u>\$ 668,822</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Salaries and Wages Payable	\$ 22,310	\$ 21,841
Accounts and Contracts Payable	38,160	56,112
Due to Other School Districts	81,469	37,579
Due to Other Governmental Units	40	4,416
Property Taxes Levied for Subsequent Year	309,304	314,464
Deferred Revenue:		
Delinquent Property Taxes	7,445	5,003
Total Liabilities	<u>458,728</u>	<u>439,415</u>
 Fund Balance		
Reserved for		
Community Education Programs	147,509	156,134
Early Childhood and Family Education Programs	47,317	51,363
School Readiness	(168)	(2,709)
Adult Basic Education	-	2,028
Unreserved		
Undesignated	6,719	22,591
Total Fund Balance	<u>201,377</u>	<u>229,407</u>
 Total Liabilities and Fund Balance	<u>\$ 660,105</u>	<u>\$ 668,822</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
COMMUNITY SERVICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2009)**

	2010				2009
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES					
Local Sources					
Property Taxes	\$ 292,530	\$ 290,193	\$ 288,494	\$ (1,699)	\$ 250,920
Earnings on Investments	4,584	4,584	1,490	(3,094)	8,366
Other - Primarily Tuition and Fees	545,800	608,700	611,526	2,826	569,825
State Sources	839,332	828,783	862,432	33,649	864,186
Federal Sources	45,650	45,650	33,789	(11,861)	49,553
Total Revenues	1,727,896	1,777,910	1,797,731	19,821	1,742,850
EXPENDITURES					
Current:					
Salaries	739,808	820,551	774,791	(45,760)	734,184
Employee Benefits	230,881	261,058	260,371	(687)	219,628
Purchased Services	686,905	700,654	700,712	58	664,988
Supplies and Materials	76,499	79,203	77,042	(2,161)	72,867
Other Expenditures	1,950	1,950	1,878	(72)	1,748
Capital Outlay	3,463	8,643	26,186	17,543	53,436
Total Expenditures	1,739,506	1,872,059	1,840,980	(31,079)	1,746,851
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,610)	(94,149)	(43,249)	50,900	(4,001)
OTHER FINANCING SOURCES					
Capital Lease Proceeds	-	-	-	-	16,375
Transfer in	-	28,000	15,219	(12,781)	-
Total other financing sources	-	28,000	15,219	(12,781)	16,375
Net Change in Fund Balance	\$ (11,610)	\$ (66,149)	(28,030)	\$ 38,119	12,374
FUND BALANCE					
Beginning of Year			229,407		217,033
End of Year			\$ 201,377		\$ 229,407

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
DEBT SERVICE FUND
SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCE
JUNE 30, 2010
(WITH COMPARATIVE DATA AS OF JUNE 30, 2009)**

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and Investments	\$ 1,849,657	\$ 2,186,059
Receivables		
Current Property Taxes	1,551,439	2,136,261
Delinquent Property Taxes	83,183	59,400
Due from Minnesota Department of Education	71,025	27,915
Total Assets	<u>\$ 3,555,304</u>	<u>\$ 4,409,635</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Deferred Revenue:		
Property Taxes Levied for Subsequent Year	\$ 2,658,972	\$ 3,429,135
Delinquent Property Taxes	83,183	59,400
Total Liabilities	<u>2,742,155</u>	<u>3,488,535</u>
 Fund Equity		
Fund Balance		
Unreserved		
Undesignated	813,149	921,100
Total Fund Balance	<u>813,149</u>	<u>921,100</u>
 Total Liabilities and Fund Balance	<u>\$ 3,555,304</u>	<u>\$ 4,409,635</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2009)**

	2010			2009
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Over (Under) Final Budget Actual Amounts
REVENUES				
Local Sources				
Property Tax	\$ 3,148,261	\$ 3,160,072	\$ 3,148,258	\$ (11,814)
Earnings on Investments	19,155	19,155	6,303	(12,852)
State Sources	277,300	265,489	263,159	(2,330)
Total Revenues	<u>3,444,716</u>	<u>3,444,716</u>	<u>3,417,720</u>	<u>(26,996)</u>
EXPENDITURES				
Debt Service:				
Bond Principal	2,905,000	2,905,000	2,905,000	-
Bond Interest	617,676	617,676	617,676	-
Paying Agent Fees and Other	3,525	3,525	2,995	(530)
Total Expenditures	<u>3,526,201</u>	<u>3,526,201</u>	<u>3,525,671</u>	<u>(530)</u>
Deficiency of Revenues Under Expenditures	<u>\$ (81,485)</u>	<u>\$ (81,485)</u>	<u>(107,951)</u>	<u>\$ (26,466)</u>
Payment to Refunded Bond				
Fund Balance - Beginning			921,100	966,314
Fund Balance - Ending			<u>\$ 813,149</u>	<u>\$ 921,100</u>

STATISTICAL SECTION

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Statistical Section
(unaudited)**

This part of the District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends Information These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	73-98
Revenue Capacity Information These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	99-106
Debt Capacity Information These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	107-112
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	113-115
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	116-127

Sources: Unless otherwise noted, the information in these schedules is derived from the independent auditor's report for the relevant year. As a result of the District implementing GASB Statement 34, government-wide information includes information beginning with June 30, 2003.

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Financial Trends Information

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Net Assets by Component
Last Eight Fiscal Years (1)
(accrual basis of accounting)
(unaudited)**

	<u>2010</u>	<u>2009</u>
GOVERNMENTAL ACTIVITIES:		
Invested in Capital Assets, Net of Related Debt	\$ 11,702,040	\$ 8,374,839
Restricted	1,974,164	2,331,612
Unrestricted	56,380	183,475
Total Net Assets	<u><u>\$ 13,732,584</u></u>	<u><u>\$ 10,889,926</u></u>

(1) The District implemented GASB 34 for fiscal year ended June 30, 2003. Therefore, only eight years of information is available.

Source: Independent Auditor's Report

2008	2007	2006	2005	2004	2003
\$ 6,661,006	\$ 5,147,551	\$ 3,696,488	\$ 1,488,579	\$ 189,281	\$ (1,087,049)
1,744,977	1,723,634	1,700,442	1,446,620	1,095,064	1,094,593
(807,023)	(1,449,444)	(2,024,487)	(2,260,176)	(2,525,260)	(6,242,115)
\$ 7,598,960	\$ 5,421,741	\$ 3,372,443	\$ 675,023	\$ (1,240,915)	\$ (6,234,571)

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Government-wide Expenses, Program Revenues, and Net (Expense)/Revenue
Last Eight Fiscal Years (1)
(accrual basis of accounting)
(unaudited)

	<u>2010</u>	<u>2009</u>
EXPENSES:		
Governmental Activities:		
Administration	\$ 1,802,903	\$ 1,867,489
District Support Services	2,424,401	1,876,749
Regular Instruction	23,186,502	23,038,470
Vocational Education Instruction	962,345	1,104,251
Special Education Instruction	8,459,955	7,624,288
Instructional Support Services	2,710,329	2,631,900
Pupil Support Services	3,390,886	3,282,534
Sites and Buildings	4,829,529	4,591,971
Fiscal and Other Fixed Cost Programs	97,686	97,836
Food Service	2,534,855	2,549,840
Community Service	1,862,951	1,709,072
Interest and Fiscal Charges on		
Long-Term Liabilities	596,940	679,085
Total Government-wide Expenses	<u>52,859,282</u>	<u>51,053,485</u>
PROGRAM REVENUES:		
Governmental Activities:		
Charges for Services:		
Administration	-	-
District Support Services	-	-
Regular Instruction	567,537	570,321
Special Education Instruction	730,155	623,828
Instructional Support Services	-	-
Pupil Support Services	-	-
Sites and Buildings	25,456	35,775
Food Service	1,338,938	1,426,068
Community Service	610,292	561,795
Operating Grants and Contributions	15,508,360	12,669,616
Capital Grants and Contributions	564,322	928,090
Total Government-wide Program Revenues	<u>19,345,060</u>	<u>16,815,493</u>
Net (Expense)/Revenue		
Total Government-wide Net Expense	<u><u>\$ (33,514,222)</u></u>	<u><u>\$ (34,237,992)</u></u>

(1) The District implemented GASB 34 for fiscal year ended June 30, 2003. Therefore, only eight years of information is available.

Source: Independent Auditor's Report

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 2,017,978	\$ 2,043,610	\$ 1,897,371	\$ 2,127,326	\$ 1,876,294	\$ 1,723,357
2,235,492	1,954,163	1,689,963	1,615,688	1,207,184	1,437,051
22,530,340	21,733,532	20,265,718	17,319,293	18,486,001	18,322,170
1,151,186	1,180,673	1,133,464	1,028,113	1,020,122	1,018,723
7,071,990	6,673,018	6,162,871	5,872,564	5,105,151	5,129,326
2,618,775	3,006,111	2,346,645	2,018,849	1,814,111	1,572,806
3,263,988	2,846,914	3,183,385	3,209,390	3,170,864	3,025,749
4,386,242	4,278,259	4,145,207	5,308,341	3,486,255	3,884,502
211,020	238,805	436,758	336,888	440,367	192,872
2,533,141	2,383,782	1,695,085	2,091,530	2,087,082	2,011,140
1,716,448	1,677,294	1,562,122	1,289,064	1,250,170	1,199,894
748,219	811,003	1,514,332	2,156,027	1,571,476	1,537,674
50,484,819	48,827,164	46,032,921	44,373,073	41,515,077	41,055,264
-	-	-	-	69,375	-
3,483	358	-	-	-	-
541,507	389,021	450,017	372,645	367,586	425,189
74,198	65,280	87,779	156,979	146,738	140,364
142,171	197,492	166,887	176,639	109,892	63,908
103,018	103,018	143,018	103,018	88,407	109,705
25,854	28,841	31,101	90,919	78,514	84,360
1,373,330	1,315,917	1,283,275	1,242,395	1,258,301	1,230,218
545,477	518,614	488,373	447,207	463,817	408,928
8,105,522	7,429,462	6,948,704	8,373,998	6,629,663	6,270,069
833,062	772,308	994,018	1,619,932	1,189,147	1,330,291
11,747,622	10,820,311	10,593,172	12,583,732	10,401,440	10,063,032
<u>\$ (38,737,197)</u>	<u>\$ (38,006,853)</u>	<u>\$ (35,439,749)</u>	<u>\$ (31,789,341)</u>	<u>\$ (31,113,637)</u>	<u>\$ (30,992,232)</u>

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Government-wide General Revenues and Total Change in Net Assets
Last Eight Fiscal Years (1)
(accrual basis of accounting)
(unaudited)

	<u>2010</u>	<u>2009</u>
Net (Expense)/Revenue		
Total Government-wide Net Expense (2)	\$ (33,514,222)	\$ (34,237,992)
General Revenues and Changes in Net Assets		
Governmental Activities:		
Property Taxes Levied for:		
General Purposes	5,231,020	4,674,624
Community Service	287,300	251,077
Debt Service	3,135,148	3,152,927
State Aid Not Restricted to Specific Purposes	26,001,620	29,257,214
Earnings on Investments	29,226	189,148
Loss on Disposal of Assets	-	-
Miscellaneous	25,976	3,968
Total General Revenues and Changes in Net Assets	<u>34,710,290</u>	<u>37,528,958</u>
Change in Net Assets		
Total Government-wide	<u>\$ 1,196,068</u>	<u>\$ 3,290,966</u>

(1) The District implemented GASB 34 for fiscal year ended June 30, 2003. Therefore, only eight years of information is available.

(2) See previous page for these numbers.

Source: Independent Auditor's Report

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ (38,737,197)	\$ (38,006,853)	\$ (35,439,749)	\$ (31,789,341)	\$ (31,113,637)	\$ (30,992,232)
4,598,114	4,025,066	2,362,335	3,614,873	4,686,188	682,522
283,708	264,375	131,357	305,481	350,815	142,681
2,788,744	2,867,578	3,182,380	3,159,012	3,118,513	2,969,825
32,841,048	32,451,762	32,357,569	26,536,386	27,848,340	28,721,766
402,802	447,370	103,528	89,527	118,758	52,818
-	-	-	-	(15,321)	-
-	-	-	-	-	60,256
<u>40,914,416</u>	<u>40,056,151</u>	<u>38,137,169</u>	<u>33,705,279</u>	<u>36,107,293</u>	<u>32,629,868</u>
<u>\$ 2,177,219</u>	<u>\$ 2,049,298</u>	<u>\$ 2,697,420</u>	<u>\$ 1,915,938</u>	<u>\$ 4,993,656</u>	<u>\$ 1,637,636</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Governmental Funds Revenues
* Last Ten Fiscal Years
(modified accrual basis of accounting)
(unaudited)**

		<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Federal Sources:					
Federal Grants	*** \$	5,730,099	\$ 2,263,177	\$ 2,172,536	\$ 2,141,264
Food Service		1,106,870	957,097	894,210	835,793
Total Federal Sources		<u>6,836,969</u>	<u>3,220,274</u>	<u>3,066,746</u>	<u>2,977,057</u>
State Sources:					
General Education Aid	***	33,580,948	38,054,283	37,174,860	36,131,373
Food Service		156,190	145,574	155,216	134,165
Community Service		862,432	864,186	808,696	780,790
Debt Service Aid		263,159	279,141	274,695	319,470
Total State Sources		<u>34,862,729</u>	<u>39,343,184</u>	<u>38,413,467</u>	<u>37,365,798</u>
Local Sources:					
Property Taxes		8,636,276	8,062,364	7,632,068	7,132,050
Food Service Sales		1,338,938	1,426,068	1,373,329	1,315,918
Other Revenues		2,196,143	2,270,263	2,125,573	2,050,079
Total Local Sources		<u>12,171,357</u>	<u>11,758,695</u>	<u>11,130,970</u>	<u>10,498,047</u>
Total Revenues	\$	<u>53,871,055</u>	<u>\$ 54,322,153</u>	<u>\$ 52,611,183</u>	<u>\$ 50,840,902</u>

* Includes general, food service, community service, capital projects - building construction, and debt service funds.

** General Education Aid increased and Property Taxes decreased between fiscal years 2002 and 2003 due to two things. First, there was the removal of the general education revenue property tax via a funding model of 100% state aid. Also, there was a roll in of \$415 per pupil unit of referendum revenue into the basic formula for general education revenue. This was the State's effort to provide school property tax relief.

*** Federal Grant increased in fiscal year 2010 due to ARRA funds but State General Education Aid decreased by this same amount.

Source: Independent Auditor's Report

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 1,653,585	\$ 1,562,901	\$ 1,507,580	\$ 1,180,895	\$ 1,197,852	\$ 1,092,293
738,098	705,743	594,125	580,856	519,105	474,869
<u>2,391,683</u>	<u>2,268,644</u>	<u>2,101,705</u>	<u>1,761,751</u>	<u>1,716,957</u>	<u>1,567,162</u>
35,846,257	32,306,054	31,977,144	32,931,060 **	26,970,988	27,236,719
125,730	118,996	103,131	152,232	110,471	120,192
837,874	352,280	401,408	449,128	706,380	719,936
386,691	425,264	495,770	605,873	102,762	199,493
<u>37,196,552</u>	<u>33,202,594</u>	<u>32,977,453</u>	<u>34,138,293</u>	<u>27,890,601</u>	<u>28,276,340</u>
5,669,146	7,075,937	8,119,324	3,857,926 **	8,609,784	8,261,772
1,283,276	1,242,398	1,258,301	1,227,885	1,205,714	1,212,382
2,359,037	2,440,009	1,786,922	1,690,149	1,732,529	1,499,334
<u>9,311,459</u>	<u>10,758,344</u>	<u>11,164,547</u>	<u>6,775,960</u>	<u>11,548,027</u>	<u>10,973,488</u>
<u>\$ 48,899,694</u>	<u>\$ 46,229,582</u>	<u>\$ 46,243,705</u>	<u>\$ 42,676,004</u>	<u>\$ 41,155,585</u>	<u>\$ 40,816,990</u>

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Governmental Funds Expenditures and Debt Service Ratio
*** Last Ten Fiscal Years**
(modified accrual basis of accounting)
(unaudited)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Administration	\$ 1,738,247	\$ 1,841,561	\$ 1,819,936	\$ 1,892,973
District Support Services	1,843,598	1,456,988	1,630,028	1,369,566
Regular Instruction	21,686,361	22,214,364	21,668,324	20,558,356
Vocational Education Instruction	933,799	1,064,263	1,097,481	1,114,893
Special Education Instruction	8,311,029	7,536,903	7,080,734	6,541,282
Instructional Support Services	2,671,979	2,711,242	2,591,934	2,521,187
Pupil Support Services	3,438,413	3,299,933	3,252,298	2,820,826
Sites and Buildings	4,454,311	4,413,649	4,281,716	3,839,111
Fiscal and Other Fixed Cost Programs	97,686	97,836	324,121	348,059
Food Service	2,465,945	2,433,616	2,416,249	2,257,205
Community Service	1,814,791	1,693,415	1,669,301	1,616,814
Capital Outlay (1) (2)	1,606,460	1,597,799	1,412,225	1,856,652
Debt Service				
Principal	2,905,000	2,805,000	2,510,000	2,425,000
Interest and Fiscal Charges	620,671	700,101	764,221	822,424
Total Expenditures	<u>\$ 54,588,290</u>	<u>\$ 53,866,670</u>	<u>\$ 52,518,568</u>	<u>\$ 49,984,348</u>
 Debt Service as a percentage of non-capital expenditures	 6.65%	 6.71%	 6.41%	 6.75%

* Includes general, food service, community service, capital projects - building construction, and debt service funds.

(1) Capital Outlay was not presented separately in fiscal years 2000 to 2004. Therefore, debt service as a percentage of non-capital expenditures cannot be calculated as capital expenditures are included in total expenditures.

(2) Capital Outlay recorded in fiscal years 2001 and 2002 was for the capital projects - building construction fund only.

Source: Independent Auditor's Report

2006	2005	2004	2003	2002	2001
\$ 1,836,977	\$ 1,922,430	\$ 1,837,468	\$ 1,680,805	\$ 1,680,741	\$ 1,656,141
1,266,343	1,223,261	1,573,213	1,705,664	1,556,160	1,571,580
19,444,698	18,113,415	17,746,182	17,058,387	16,638,731	16,133,459
1,095,027	989,566	980,267	996,868	1,041,997	978,387
6,145,447	5,495,803	5,111,993	5,094,530	4,878,653	4,364,083
2,242,265	1,985,078	1,831,775	1,733,538	2,173,668	1,738,526
3,128,295	3,360,443	3,198,991	3,029,392	3,483,197	3,140,757
3,633,760	3,593,473	6,261,759	4,206,431	3,904,769	4,229,203
436,758	443,982	438,820	192,872	140,334	66,782
2,202,249	1,977,656	1,975,750	1,943,378	2,317,299	1,672,824
1,518,921	1,148,639	1,209,223	1,163,454	1,443,380	1,517,388
2,052,425	3,017,283	-	-	316,182	811,140
2,055,000	1,940,000	2,055,157	1,750,000	1,710,000	1,615,000
2,003,652	2,164,599	1,405,177	1,590,920	1,743,731	1,775,432
\$ 49,061,817	\$ 47,375,628	\$ 45,625,775	\$ 42,146,239	\$ 43,028,842	\$ 41,270,702
8.63%	9.25%	(1)	(1)	(1)	(1)

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Other Financing Sources and Uses and Net Change in Fund Balances,
Governmental Funds
*** Last Ten Fiscal Years**
(modified accrual basis of accounting)
(unaudited)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Total Revenues (1)	\$ 53,871,055	\$ 54,322,153	\$ 52,611,183	\$ 50,840,902
Total Expenditures (2)	<u>54,588,290</u>	<u>53,866,670</u>	<u>52,518,568</u>	<u>49,984,348</u>
Excess of Revenues Over (Under) Expenditures	(717,235)	455,483	92,615	856,554
Other Financing Sources (Uses)				
Capital Lease Proceeds	6,687	277,292	-	-
Capital Loan Proceeds	-	-	-	-
Judgments for School Districts	149,550	1,789	733	358
Sale of Equipment Proceeds	16,600	5,114	34,615	14,629
Insurance Recovery Proceeds	-	-	2,750	461
Sale of Bonds Proceeds	-	-	-	-
Bond Discount	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Total Other Financing Sources (Uses)	<u>172,837</u>	<u>284,195</u>	<u>38,098</u>	<u>15,448</u>
Net Change in Fund Balances	<u>\$ (544,398)</u>	<u>\$ 739,678</u>	<u>\$ 130,713</u>	<u>\$ 872,002</u>

* Includes general, food service, community service, capital projects - building construction, and debt service funds.

(1) From Governmental Funds Revenues spreadsheet.

(2) From Governmental Funds Expenditures and Debt Service Ratio spreadsheet.

(3) The large change in fiscal years 2004 and 2006 was due to a refunding bond. The bonds were sold in fiscal year 2004 and the original bonds were refunded in 2006.

Source: Independent Auditor's Report

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 48,899,694	\$ 46,229,582	\$ 46,243,705	\$ 42,676,004	\$ 41,155,585	\$ 40,816,990
<u>49,061,817</u>	<u>47,375,628</u>	<u>45,625,775</u>	<u>42,146,239</u>	<u>43,028,842</u>	<u>41,270,702</u>
(162,123)	(1,146,046)	617,930	529,765	(1,873,257)	(453,712)
-	1,403,000	-	500,000	-	-
-	-	-	500,000	-	-
42,167	-	-	-	-	-
8,200	-	-	-	-	-
-	-	-	-	-	-
-	665,000	21,274,104	1,640,000	5,228,800	-
-	(3,492)	-	-	-	-
(20,675,000)	(650,000)	-	-	(5,188,800)	-
<u>(20,624,633)</u>	<u>1,414,508</u>	<u>21,274,104</u>	<u>2,640,000</u>	<u>40,000</u>	<u>-</u>
<u>\$ (20,786,756)</u>	<u>\$ 268,462</u>	<u>\$ 21,892,034</u>	<u>\$ 3,169,765</u>	<u>\$ (1,833,257)</u>	<u>\$ (453,712)</u>
(3)		(3)			

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
General School System Revenues by Source - Government-wide
Last Eight Fiscal Years
(unaudited)

Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Revenues	Total
2000-2002	(1)	(1)	(1)	(1)	(1)
2003	\$ 2,462,672 6%	\$ 6,270,069 15%	\$ 1,330,291 3%	\$ 32,629,868 76%	\$ 42,692,900 100%
2004	2,582,630 5%	6,629,663 14%	1,189,147 3%	36,107,293 78%	46,508,733 100%
2005	2,589,802 6%	8,373,998 18%	1,619,932 3%	33,705,279 73%	46,289,011 100%
2006	2,650,450 6%	6,948,704 14%	994,018 2%	38,137,169 78%	48,730,341 100%
2007	2,618,541 5%	7,429,462 15%	772,308 1%	40,056,151 79%	50,876,462 100%
2008	2,809,038 5%	8,105,522 15%	833,062 2%	40,914,416 78%	52,662,038 100%
2009	3,217,787 6%	12,669,616 23%	928,090 2%	37,528,958 69%	54,344,451 100%
2010	3,272,378 6%	15,508,360 29%	564,322 1%	34,710,290 64%	54,055,350 100%

(1) The District implemented GASB 34 for fiscal year ended June 30, 2003. Therefore, only eight years of information is available.

Source: Independent Auditor's Report

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
General School System Revenues by Source - Fund Level
*** Last Ten Fiscal Years**
(unaudited)

Fiscal Year	Local Property Tax Levies	Other Local Sources	State Sources	Federal Sources	Total Revenues
2001	8,261,772 20%	2,711,716 7%	28,276,340 69%	1,567,162 4%	40,816,990 100%
2002	8,609,784 21%	2,938,243 7%	27,890,601 68%	1,716,957 4%	41,155,585 100%
2003 (1)	3,857,926 9%	2,918,034 7%	34,138,293 80%	1,761,751 4%	42,676,004 100%
2004	8,118,202 18%	3,045,483 7%	32,977,455 71%	2,101,705 5%	46,242,845 100%
2005	7,075,937 15%	3,682,407 8%	33,202,594 72%	2,268,644 5%	46,229,582 100%
2006	5,669,146 12%	3,642,313 7%	37,196,552 76%	2,391,683 5%	48,899,694 100%
2007	7,132,050 14%	3,365,997 7%	37,365,798 73%	2,977,057 6%	50,840,902 100%
2008	7,632,068 14%	3,498,902 7%	38,413,467 73%	3,066,746 6%	52,611,183 100%
2009	8,062,364 15%	3,696,331 7%	39,343,184 72%	3,220,274 6%	54,322,153 100%
2010 (2)	8,636,276 16%	3,535,081 7%	34,862,729 65%	6,836,969 13%	53,871,055 100%

* Includes general, food service, community service, capital projects - building construction, and debt service funds.

(1) General Education Aid increased and Property Taxes decreased between fiscal years 2002 and 2003 due to two things. First, there was the removal of the general education revenue property tax via a funding model of 100% state aid. Also, there was a roll in of \$415 per pupil unit of referendum revenue into the basic formula for general education revenue. This was the State's effort to provide school property tax relief.

(2) Federal Grant increased in fiscal year 2010 due to ARRA funds but State General Education Aid decreased by this same amount.

Source: Independent Auditor's Report

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
General School System Expenses by Function - Government-wide
Last Eight Fiscal Years
(unaudited)

Fiscal Year	Administration	District Support Services	Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services
2000-2002	(1)	(1)	(1)	(1)	(1)	(1)
2003	\$ 1,723,357 4%	\$ 1,437,051 4%	\$ 18,322,170 45%	\$ 1,018,723 2%	\$ 5,129,326 13%	\$ 1,572,806 4%
2004	1,876,294 5%	1,207,184 3%	18,486,001 45%	1,020,122 2%	5,105,151 12%	1,814,111 4%
2005	2,127,326 5%	1,615,688 4%	17,319,293 39%	1,028,113 2%	5,872,564 13%	2,018,849 4%
2006	1,897,371 4%	1,689,963 4%	20,265,718 44%	1,133,464 3%	6,162,871 13%	2,346,645 5%
2007	2,043,610 4%	1,954,163 4%	21,733,532 45%	1,180,673 2%	6,673,018 14%	3,006,111 6%
2008	2,017,978 4%	2,235,492 4%	22,530,340 45%	1,151,186 2%	7,071,990 14%	2,618,775 5%
2009	1,867,489 4%	1,876,749 4%	23,038,470 45%	1,104,251 2%	7,624,288 15%	2,631,900 5%
2010	1,802,903 3%	2,424,401 5%	23,186,502 44%	962,345 2%	8,459,955 16%	2,710,329 5%

(1) The District implemented GASB 34 for fiscal year ended June 30, 2003. Therefore, only eight years of information is available.

Source: Independent Auditor's Report

Pupil Support Services	Sites and Buildings	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Interest and Fiscal Charges on Long-term Liabilities	Total
(1)	(1)	(1)	(1)	(1)	(1)	(1)
\$ 3,025,749 7%	\$ 3,884,502 9%	\$ 192,872 0%	\$ 2,011,140 5%	\$ 1,199,894 3%	\$ 1,537,674 4%	\$ 41,055,264 100%
3,170,864 8%	3,486,255 8%	440,367 1%	2,087,082 5%	1,250,170 3%	1,571,476 4%	41,515,077 100%
3,209,390 7%	5,308,341 12%	336,888 1%	2,091,530 5%	1,289,064 3%	2,156,027 5%	44,373,073 100%
3,183,385 7%	4,145,207 9%	436,758 1%	1,695,085 4%	1,562,122 3%	1,514,332 3%	46,032,921 100%
2,846,914 6%	4,278,259 9%	238,805 0%	2,383,782 5%	1,677,294 3%	811,003 2%	48,827,164 100%
3,263,988 7%	4,386,242 9%	211,020 0%	2,533,141 5%	1,716,448 3%	748,219 2%	50,484,819 100%
3,282,534 7%	4,591,971 9%	97,836 0%	2,549,840 5%	1,709,072 3%	679,085 1%	51,053,485 100%
3,390,886 6%	4,829,529 9%	97,686 0%	2,534,855 5%	1,862,951 4%	596,940 1%	52,859,282 100%

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
General School System Expenditures by Function - Fund Level
*** Last Ten Fiscal Years**
(unaudited)

Fiscal Year	Administration	District Support Services	Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services
2001	\$ 1,656,142 4%	\$ 1,571,580 4%	\$ 16,133,459 39%	\$ 978,387 2%	\$ 4,364,083 11%	\$ 1,738,526 4%
2002	1,680,741 4%	1,556,160 4%	16,638,731 39%	1,041,997 3%	4,878,653 11%	2,173,668 5%
2003	1,680,805 4%	1,705,664 4%	17,058,387 41%	996,868 2%	5,094,530 12%	1,733,538 4%
2004	1,726,446 4%	1,259,452 3%	17,512,605 38%	980,269 2%	5,103,956 11%	1,816,411 4%
2005	1,922,430 4%	1,223,261 3%	18,113,415 38%	989,566 2%	5,495,803 12%	1,985,078 4%
2006	1,836,977 4%	1,266,343 3%	19,444,698 40%	1,095,027 2%	6,145,447 13%	2,242,265 5%
2007	1,892,973 4%	1,369,566 3%	20,558,356 41%	1,114,893 2%	6,541,282 13%	2,521,187 5%
2008	1,819,936 3%	1,630,028 3%	21,668,324 41%	1,097,481 2%	7,080,734 14%	2,591,934 5%
2009	1,841,561 3%	1,456,988 3%	22,214,364 41%	1,064,263 2%	7,536,903 14%	2,711,242 5%
2010	1,738,247 3%	1,843,598 3%	21,686,361 40%	933,799 2%	8,311,029 15%	2,671,979 5%

* Includes general, food service, community service, capital projects - building construction, and debt service funds.

Source: Independent Auditor's Report

Pupil Support Services	Sites and Buildings	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Capital Outlay and Building Construction	Debt Service	Total Expenditures
\$ 3,140,757 8%	\$ 4,229,203 10%	\$ 66,782 0%	\$ 1,672,824 4%	\$ 1,517,388 4%	\$ 811,140 2%	\$ 3,390,432 8%	\$ 41,270,703 100%
3,483,197 8%	3,904,769 9%	140,334 0%	2,317,299 5%	1,443,380 3%	316,182 1%	3,453,731 8%	43,028,842 100%
3,029,392 7%	3,356,275 8%	192,872 0%	1,943,378 5%	1,163,454 3%	850,156 2%	3,340,920 8%	42,146,239 100%
3,198,985 7%	3,400,845 7%	438,820 1%	1,882,332 4%	1,167,000 3%	3,678,320 8%	3,460,334 8%	45,625,775 100%
3,360,443 7%	3,593,473 8%	443,982 1%	1,977,656 4%	1,148,639 2%	3,017,283 6%	4,104,599 9%	47,375,628 100%
3,128,295 6%	3,633,760 7%	436,758 1%	2,202,249 4%	1,518,921 3%	2,052,425 4%	4,058,652 8%	49,061,817 100%
2,820,826 6%	3,839,111 8%	348,059 1%	2,257,205 4%	1,616,814 3%	1,856,652 4%	3,247,424 6%	49,984,348 100%
3,252,298 6%	4,281,716 8%	324,121 1%	2,416,249 5%	1,669,301 3%	1,412,225 3%	3,274,221 6%	52,518,568 100%
3,299,933 6%	4,413,649 8%	97,836 0%	2,433,616 5%	1,693,415 3%	1,597,799 3%	3,505,101 7%	53,866,670 100%
3,438,413 6%	4,454,311 8%	97,686 0%	2,465,945 5%	1,814,794 3%	1,606,460 3%	3,525,671 6%	54,588,293 100%

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Statement of Revenues and Expenditures
General Fund
Last Ten Fiscal Years
(unaudited)**

	2010	2009	2008	2007
<u>REVENUES:</u>				
Local Property Tax Levies	\$ 5,199,524	\$ 4,665,697	\$ 4,574,604	\$ 3,988,868
Other Local Sources	1,575,926	1,654,693	1,464,452	1,412,935
State Sources	33,580,948	38,054,283	37,174,860	36,131,373
Federal Sources	5,696,310	2,213,624	2,133,087	2,091,269
Sales & Other Conversion of Assets *	-	-	-	-
TOTAL REVENUES	\$ 46,052,708	\$ 46,588,297	\$ 45,347,003	\$ 43,624,445
<u>EXPENDITURES:</u>				
<i>Current</i>				
Administration	\$ 1,738,247	\$ 1,841,561	\$ 1,819,936	\$ 1,892,973
District Support Services	1,843,598	1,456,988	1,630,028	1,369,566
Regular Instruction	21,686,361	22,214,364	21,668,324	20,558,356
Vocational Education Instruction	933,799	1,064,263	1,097,481	1,114,893
Special Education Instruction	8,311,029	7,536,903	7,080,734	6,541,282
Instructional Support Services	2,671,979	2,711,242	2,591,934	2,521,187
Pupil Support Services	3,438,413	3,299,933	3,252,298	2,820,826
Sites and Buildings	4,454,311	4,413,649	4,281,716	3,839,111
Fiscal and Other Fixed Cost Programs	97,686	97,836	324,121	348,059
Capital Outlay **	1,563,501	1,541,164	1,369,823	1,848,126
TOTAL EXPENDITURES	\$ 46,738,924	\$ 46,177,903	\$ 45,116,395	\$ 42,854,379
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (686,216)	\$ 410,394	\$ 230,608	\$ 770,066
OTHER FINANCIAL SOURCES (USES)				
Capital Lease Proceeds	-	260,917	-	-
Insurance Recovery Proceeds	-	-	2,750	461
Judgments for School Districts	149,550	1,789	733	358
Transfers Out	(15,219)			
Sale of Equipment Proceeds	16,600	5,114	34,615	14,629
TOTAL OTHER FINANCING SOURCES (USES)	\$ 150,931	\$ 267,820	\$ 38,098	\$ 15,448
FUND BALANCE - BEGINNING OF YEAR	8,239,588	7,561,374	7,292,668	6,507,154
FUND BALANCE - END OF YEAR	\$ 7,704,303	\$ 8,239,588	\$ 7,561,374	\$ 7,292,668

* Sales and Other Conversions of Assets were not shown separately in the Revenues area on the Independent Auditor's Report starting fiscal year ended June 30, 2005. Any activity was included in Other Financial Sources (Uses).

** Starting in fiscal year ended June 30, 2005, capital outlay was reported separately.

Source: Independent Auditor's Report

2006	2005	2004	2003	2002	2001
\$ 2,379,543	\$ 3,611,946	\$ 4,659,230	\$ 749,328	\$ 5,194,672	\$ 5,084,001
1,240,597	1,495,692	1,189,938	1,079,047	1,044,167	820,783
35,846,257	32,306,054	31,977,145	32,931,060	26,970,988	27,236,719
1,603,459	1,546,829	1,492,474	1,163,817	1,161,850	1,061,301
-	-	52,362	158,441	176,153	50,051
\$ 41,069,856	\$ 38,960,521	\$ 39,371,149	\$ 36,081,693	\$ 34,547,830	\$ 34,252,855
\$ 1,836,977	\$ 1,922,430	\$ 1,837,468	\$ 1,680,805	\$ 1,680,741	\$ 1,656,142
1,266,343	1,223,261	1,573,213	1,705,664	1,556,160	1,571,580
19,444,698	18,113,415	17,746,182	17,058,387	16,638,731	16,133,459
1,095,027	989,566	980,267	996,868	1,041,997	978,387
6,145,447	5,495,803	5,111,993	5,094,530	4,878,653	4,364,083
2,242,265	1,985,078	1,831,775	1,733,538	2,173,668	1,738,526
3,128,295	3,360,443	3,198,991	3,029,392	3,483,197	3,140,757
3,633,760	3,593,473	4,005,735	3,356,275	3,904,769	4,229,203
436,758	443,982	438,820	192,872	140,334	66,782
1,826,752	2,838,712	-	-	-	-
\$ 41,056,322	\$ 39,966,163	\$ 36,724,444	\$ 34,848,331	\$ 35,498,250	\$ 33,878,919
\$ 13,534	\$ (1,005,642)	\$ 2,646,705	\$ 1,233,362	\$ (950,420)	\$ 373,936
-	1,403,000	-	-	-	-
-	-	860	-	-	-
42,167	-	-	-	-	-
8,000	-	-	-	-	-
\$ 50,167	\$ 1,403,000	\$ 860	\$ -	\$ -	\$ -
6,443,453	6,046,095	3,398,530	2,165,168	3,115,588	2,741,652
\$ 6,507,154	\$ 6,443,453	\$ 6,046,095	\$ 3,398,530	\$ 2,165,168	\$ 3,115,588

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
General Fund Compared to the Prior Year
Fiscal Years Ended June 30
(unaudited)**

	<u>2010</u>	<u>2009</u>	<u>Increase/ (Decrease)</u>	<u>% Inc/(Dec)</u>
<u>REVENUES:</u>				
Local Property Tax Levies	\$ 5,199,524	\$ 4,665,697	\$ 533,827	11.44%
Other Local Sources	1,575,926	1,654,693	(78,767)	-4.76%
State Sources	33,580,948	38,054,283	(4,473,335)	-11.76%
Federal Sources	5,696,310	2,213,624	3,482,686	157.33%
Total Revenue	\$ 46,052,708	\$ 46,588,297	\$ (535,589)	-1.15%
<u>EXPENDITURES:</u>				
<i>Current:</i>				
Administration	\$ 1,738,247	\$ 1,841,561	\$ (103,314)	-5.61%
District Support Services	1,843,598	1,456,988	386,610	26.53%
Regular Instruction	21,686,361	22,214,364	(528,003)	-2.38%
Vocational Education Instruction	933,799	1,064,263	(130,464)	-12.26%
Special Education Instruction	8,311,029	7,536,903	774,126	10.27%
Instructional Support Services	2,671,979	2,711,242	(39,263)	-1.45%
Pupil Support Services	3,438,413	3,299,933	138,480	4.20%
Sites and Buildings	4,454,311	4,413,649	40,662	0.92%
Fiscal and Other Fixed Cost Programs	97,686	97,836	(150)	-0.15%
Capital Outlay	1,563,501	1,541,164	22,337	1.45%
TOTAL EXPENDITURES	\$ 46,738,924	\$ 46,177,903	\$ 561,021	1.21%
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	\$ (686,216)	\$ 410,394		
OTHER FINANCING SOURCES (USES)				
Capital Lease Proceeds	-	260,917		
Insurance Recovery Proceeds	-	-		
Judgments for School Districts	149,550	1,789		
Transfers Out	(15,219)	-		
Sale of Equipment Proceeds	16,600	5,114		
TOTAL OTHER FINANCING SOURCES (USES)	\$ 150,931	\$ 267,820		
FUND BALANCES JULY 1:				
Reserved	\$ 1,451,977	\$ 1,106,183		
Unreserved - Undesignated	6,787,611	6,455,191		
TOTAL	\$ 8,239,588	\$ 7,561,374		
FUND BALANCES JUNE 30:				
Reserved	\$ 810,945	\$ 1,451,977		
Unreserved - Undesignated	6,893,358	6,787,611		
TOTAL	\$ 7,704,303	\$ 8,239,588		

Source: Independent Auditor's Report

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(unaudited)**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Fund				
Reserved	\$ 810,945	\$ 1,451,977	\$ 1,106,183	\$ 841,136
Unreserved	6,893,358	6,787,611	6,455,191	6,451,532
Total General Fund	<u><u>\$ 7,704,303</u></u>	<u><u>\$ 8,239,588</u></u>	<u><u>\$ 7,561,374</u></u>	<u><u>\$ 7,292,668</u></u>
All Other Governmental Funds				
Reserved	\$ 194,658	\$ 206,816	\$ 203,973	\$ 164,931
Unreserved:				
Special Revenue Funds	376,209	265,217	161,382	187,601
Capital Projects Fund	-	-	-	-
Debt Service Fund	813,147	921,100	966,314	1,117,130
Total All Other Governmental Funds	<u><u>\$ 1,384,014</u></u>	<u><u>\$ 1,393,133</u></u>	<u><u>\$ 1,331,669</u></u>	<u><u>\$ 1,469,662</u></u>

* The District had issued General Obligation School Building Refunding Bonds in January 2004. The proceeds were to be used to advance refund the General Obligation School Building Bonds of 1996. The 1996 bonds were retired in February 2006. Therefore, the issue of the refunding bonds increased the reserved fund balance in fiscal year 2004 and decreased the reserved fund balance in fiscal year 2006.

Source: Independent Auditor's Report

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 991,064	\$ 867,027	\$ 1,205,843	\$ 1,553,831	\$ 901,338	\$ 1,167,175
5,516,090	5,576,426	4,840,252	1,844,699	1,263,830	1,948,413
<u>\$ 6,507,154</u>	<u>\$ 6,443,453</u>	<u>\$ 6,046,095</u>	<u>\$ 3,398,530</u>	<u>\$ 2,165,168</u>	<u>\$ 3,115,588</u>
\$ 146,702 *	\$ 20,983,052	\$ 21,464,637 *	\$ 171,415	\$ 274,857	\$ 296,601
155,783	387,499	300,386	342,334	346,251	887,453
-	-	127,650	2,363,136	568,575	499,546
1,080,689	863,080	469,854	241,173	(8,028)	380,893
<u>\$ 1,383,174</u>	<u>\$ 22,233,631</u>	<u>\$ 22,362,527</u>	<u>\$ 3,118,058</u>	<u>\$ 1,181,655</u>	<u>\$ 2,064,493</u>

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Unreserved General Fund Balance Compared to Annual Expenditures
Last Ten Fiscal Years
(unaudited)**

<u>Fiscal Year</u>	<u>Unreserved Fund Balance</u>	<u>Following Year Expenditures</u>	<u>Balance As Percent of Expenditures</u>
2001	1,948,413	35,498,250	5.49%
2002	1,263,830	34,848,331	3.63%
2003	1,844,699	36,724,444	5.02%
2004	4,840,252	39,966,163	12.11%
2005	5,576,426	41,056,322	13.58%
2006	5,516,090	42,854,379	12.87%
2007	6,451,532	45,116,395	14.30%
2008	6,455,191	46,177,903	13.98%
2009	6,787,611	46,738,924	14.52%
2010	6,893,358	49,139,161 *	14.03%

* Total expenditures from the 2010-11 Preliminary Budget.

Source: Independent Auditor's Report and 2010-11 Preliminary Budget

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Cash and Investment Balances by Fund
Last Ten Fiscal Years
(unaudited)**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Fund without Tax Anticipation Certificate	\$ 2,935,311	\$ 8,886,808	\$ 9,131,038	\$ 9,317,079
General Fund - Tax Anticipation Certificate	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub Total General Fund	\$ 2,935,311	\$ 8,886,808	\$ 9,131,038	\$ 9,317,079
Food Service	\$ 325,431	\$ 83,591	\$ 17,369	\$ 58,469
Community Service	198,582	373,083	365,394	396,344
Debt Service	1,849,657	2,186,059	2,522,699	2,476,766
Building Construction	-	-	-	-
Internal Service Fund	251,539	250,586	246,341	237,467
Trust Funds	3,007	3,065	4,239	4,855
Agency Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 5,563,527</u>	<u>\$ 11,783,192</u>	<u>\$ 12,287,080</u>	<u>\$ 12,490,980</u>

Source: Independent Auditor's Report

2006	2005	2004	2003	2002	2001
\$ 7,174,126	\$ 3,424,445	\$ 332,981	\$ (447,631)	\$ (568,435)	\$ 1,238,387
-	-	2,600,000	2,300,000	-	-
\$ 7,174,126	\$ 3,424,445	\$ 2,932,981	\$ 1,852,369	\$ (568,435)	\$ 1,238,387
\$ 140,567	\$ 378,150	\$ 259,526	\$ 217,860	\$ 240,646	\$ 781,505
264,098	132,978	296,170	334,631	424,249	521,144
2,330,737	2,395,346	1,959,453	1,707,515	1,466,640	2,001,757
-	-	266,397	2,410,734	654,125	589,153
227,695	220,387	211,935	367,002	868,600	803,833
4,096	3,566	2,273	1,944	3,515	1,685
-	945	(87,473)	169,976	184,527	134,757
\$ 10,141,319	\$ 6,555,817	\$ 5,841,262	\$ 7,062,031	\$ 3,273,867	\$ 6,072,221

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Revenue Capacity Information

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Schedule of Tax Capacity, Tax Rates, and Tax Levied for June 30, 2010
(unaudited)**

	Levy Collectible in Calendar Year 2010
TAX CAPACITY	
Real Agriculture	\$ 4,306,583
Real Nonagricultural	22,812,860
Personal Property	433,192
Tax Increment	(277,184)
Total Tax Capacity Rate Determination Valuation	\$ 27,275,451
TAX CAPACITY RATE *	
General Fund	5.938%
Community Service Fund	1.134%
Debt Service Fund	9.749%
Total Tax Capacity Rate	16.821%
REFERENDUM MARKET VALUE	\$ 2,037,800,350
REFERENDUM MARKET VALUE TAX RATE **	0.17692%
COUNTY AUDITOR ADJUSTED CERTIFIED LEVY	
General Fund - Referendum	\$ 3,605,163
General Fund - Other	1,619,573
Community Service Fund	309,089
Debt Service Fund - Voter Approved	2,340,976
Debt Service Fund - Other	317,770
Total	\$ 8,192,571
COUNTY AUDITOR COMPUTED LEVY ***	
General Fund - Referendum	\$ 3,605,276
General Fund - Other	1,619,616
Community Service Fund	309,304
Debt Service Fund - Voter Approved	2,341,108
Debt Service Fund - Other	317,864
Total	\$ 8,193,168

* Applicable tax capacity rate is determined by dividing the computed levy by the total tax capacity rate determination valuation.

** Applicable referendum market value tax rate is determined by dividing the computed levy by the referendum market value.

*** The computed levy is net of abatements, fiscal disparities, and other adjustments.

Source: School Tax Report - 2009 Payable 2010

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Property Tax Levies and Collections
Last Ten Fiscal Years
(unaudited)**

Fiscal Year	Total Tax Levy *	Current Tax Collections	% of Current Tax Collected	Delinquent Tax Collections	Total Tax Collections	% of Total Tax Collected
2001	\$ 10,800,813	\$ 10,796,640	99.96%	\$ 14,515	\$ 10,811,155	100.10%
2002	11,283,846	11,271,711	99.89%	4,173	11,275,884	99.93%
2003 (1)	4,393,187	4,373,084	99.54%	44,466	4,417,550	100.55%
2004	7,203,341	7,171,864	99.56%	38,026	7,209,890	100.09%
2005	7,355,996	7,324,269	99.57%	32,306	7,356,575	100.01%
2006	7,524,988	7,488,014	99.51%	31,220	7,519,234	99.92%
2007	7,484,582	7,429,447	99.26%	35,001	7,464,448	99.73%
2008	7,912,422	7,850,329	99.22%	37,719	7,888,048	99.69%
2009	8,335,653	8,259,186	99.08%	54,262	8,313,448	99.73%
2010	8,808,838	8,735,780	99.17%	89,135	8,824,915	100.18%

* County auditor spread levy plus additional assessments less abatements and other reductions.

(1) In fiscal year 2003, the funding formula changed and the State of Minnesota started funding a substantially larger amount of General Fund revenue, which formerly was provided by local taxes.

Note: The State of Minnesota has funded a portion of the above levies through tax credits as follows:

Fiscal Year 2000	\$ 2,628,111
Fiscal Year 2001	2,762,896
Fiscal Year 2002	2,778,544
Fiscal Year 2003	577,303
Fiscal Year 2004	561,525
Fiscal Year 2005	512,342
Fiscal Year 2006	497,030
Fiscal Year 2007	423,422
Fiscal Year 2008	403,709
Fiscal Year 2009	378,645
Fiscal Year 2010	373,969

Source: Steele County Auditor School Tax Report - 2008 Payable 2009, Steele and Waseca County Auditors Taxes Receivable Reports, and District Records

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Assessed Value and Estimated Actual Value of Property
Last Ten Years
(unaudited)**

Year of Valuation	Net Tax Capacity	Estimated Market Value	% Total Net Tax Capacity of Estimated Market Value	Total Direct Rate
2000	14,357,859	1,316,144,562	1.09%	55.489
2001	16,026,350	1,452,417,485	1.10%	53.756
2002	17,110,073	1,577,242,700	1.08%	27.501
2003	18,249,929	1,695,645,327	1.08%	25.446
2004	19,782,780	1,821,650,400	1.09%	25.071
2005	22,272,299	2,059,081,778	1.08%	24.661
2006	25,027,997	2,290,212,228	1.09%	20.425
2007	26,419,168	2,445,201,914	1.08%	19.057
2008	27,584,129	2,532,571,400	1.09%	19.291
2009	27,274,351	2,533,303,000	1.08%	16.986

Note: The City Assessor, pursuant to State law, is responsible for the assessment of all taxable property located within a city. State law provides, with certain exceptions, that all taxable property is to be valued at its market value. All real property subject to taxation must be listed and may be revalued each year with reference to its value as of January 2. The assessor views and reappraises all parcels at maximum intervals of four years. Personal property subject to taxation must also be listed and assessed annually as of January 2. Property is appraised at Estimated Market Value, defined as the usual selling price of the property which would be obtained at private sale and not at a forced auction sale. The 2008 sales ratio was 94.2%. The taxable value of property, upon which taxes are levied, extended and collected, is a percentage of the Estimated Market Value. Taxable value is referred to as Net Tax Capacity. Net Tax Capacity equals Estimated Market Value multiplied by a given percentage called a class rate for the particular classification of property.

Source: Minnesota Department of Education Levy Limitation and Certification Reports and Steele County Auditor

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Net Tax Capacity and Adjusted Net Tax Capacity
Last Ten Years
(unaudited)**

Year of Valuation	Net Tax Capacity (1)	Sales Ratio	Adjusted Net Tax Capacity (2)
2000	14,357,859	88.0%	16,315,605
2001	16,026,350	87.4%	18,336,847
2002	17,110,073	89.2%	19,182,208
2003	18,249,929	92.6%	19,708,806
2004	19,782,780	88.9%	22,253,046
2005	22,272,299	83.1%	26,801,503
2006	25,027,997	84.4%	29,654,059
2007	26,419,168	84.5%	31,264,769
2008	27,584,129	92.9%	29,692,800
2009	27,274,351	94.2%	28,954,484

(1) The net tax capacity of a parcel of property is calculated by applying the appropriate classification rate as defined in State law to the estimated market valuation of the parcel.

(2) The adjusted net tax capacity is calculated by dividing the net tax capacity by the sales ratio.

Note: In 2000, the State of Minnesota made a significant change in property subject to taxation.

Source: Minnesota Department of Education Levy Limitation and Certification Reports

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
School Tax Levies, Initial Tax Rates by Fund
Last Ten Years
(unaudited)**

	Year Collectible	General Fund	Community Service	Debt Service	Total All Funds
Levies	2001	\$ 7,837,610	\$ 204,985	\$ 3,241,251	\$ 11,283,846
	2002	704,511	275,520	3,428,602	4,408,633
	2003	3,325,272	279,548	3,571,734	7,176,554
	2004	3,583,656	214,984	3,566,949	7,365,589
	2005	3,685,773	291,400	3,558,725	7,535,898
	2006	4,021,553	292,924	3,179,843	7,494,320
	2007	4,614,669	308,095	3,048,435	7,971,199
	2008	4,663,952	271,331	3,416,741	8,352,024
	2009	5,081,435	314,464	3,429,135	8,825,034
	2010	5,224,892	309,304	2,658,972	8,193,168
Initial Tax Rate *	2001	41.52%	1.09%	17.17%	59.78%
	2002	4.44%	1.74%	21.60%	27.78%
	2003	3.02%	1.63%	20.84%	25.49%
	2004	4.39%	1.18%	19.54%	25.11%
	2005	5.25%	1.47%	17.99%	24.71%
	2006	4.83%	1.32%	14.28%	20.42%
	2007	5.96%	1.23%	12.17%	19.36%
	2008	5.08%	1.02%	12.80%	18.89%
	2009	5.56%	1.14%	12.42%	19.12%
	2010	5.94%	1.13%	9.75%	16.82%

* Applicable initial tax rate is determined by dividing the computed levy by total taxable net tax capacity.

Note1: The State of Minnesota has funded a portion of the General Fund levies as follows:

Year Collectible 2000	\$ 2,628,111
Year Collectible 2001	2,762,896
Year Collectible 2002	2,778,544
Year Collectible 2003	577,303
Year Collectible 2004	561,525
Year Collectible 2005	512,342
Year Collectible 2006	497,030
Year Collectible 2007	423,422
Year Collectible 2008	403,709
Year Collectible 2009	378,645
Year Collectible 2010	373,969

Note2: In Fiscal Year 2002, the State of Minnesota changed the funding formula and transferred funding for all but a few specific levy items to the State.

Source: School Tax Report - 2008 Payable 2009 and District Records

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Direct and Overlapping Property Tax Rates
Last Ten Years
(unaudited)**

Fiscal Year	District Direct Rates			Overlapping Rates	
	Referendum Purposes	General Purposes	Total	Steele County	City of Owatonna
2001	0.087	53.669	53.756	35.597	27.714
2002	-	27.501	27.501	46.342	37.538
2003	0.209	25.237	25.446	49.152	37.813
2004	0.193	24.878	25.071	50.435	40.165
2005	0.171	24.490	24.661	50.861	42.071
2006	0.170	20.255	20.425	49.849	41.017
2007	0.162	19.361	19.523	49.536	41.190
2008	0.163	18.894	19.057	51.726	44.650
2009	0.170	19.121	19.291	52.839	45.336
2010	0.177	16.809	16.986	53.736	46.687

Note: The information provided includes Steele County only. Information was not obtained from Waseca County.

Source: Steele County Auditor

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Net Tax Capacity by Category
(unaudited)**

Real Estate Type	Net Tax Capacity Value * Taxes Payable 2009	% of Total Property
Residential	\$ 14,078,364	50.53%
Agricultural	3,993,560	14.33%
Commercial/Industrial	6,873,016	24.67%
Utility and Railroad	182,587	0.66%
Non-Homestead Residential	2,279,857	8.18%
Commercial & Residential Seasonal/Recreational	46,287	0.17%
Total Real Estate	\$ 27,453,671	98.54%
Personal Property	407,384	1.46%
Total Real and Personal Property	\$ 27,861,055	100.00%

* The taxes payable in 2009 are recorded as revenue for the 2009-10 fiscal year. The net tax capacity per county differ slightly from the amount used in the certified levy calculation.

Source: Steele County Auditor and Waseca County Auditor

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Principal Property Taxpayers
Current Year and Ten Years Ago
(unaudited)**

	2010 *			2000		
	2010 Net Tax Capacity	Rank (1)	% of Total Net Tax Capacity \$ 27,274,351	2000 Net Tax Capacity	Rank (2)	% of Total Net Tax Capacity \$ 14,357,859
Cabela's Retail, Inc.	\$ 195,404	1	0.72%	N/A	2	N/A
Viracon, Inc.	192,850	2	0.71%	N/A	1	N/A
Mills Properties, Inc.	166,440	3	0.61%			
Owatonna Clinic - Mayo Health Systems	156,300	4	0.57%			
Federated Mutual Insurance Company	147,670	5	0.54%	N/A	9	N/A
JAS Realty, L.L.C.	121,690	6	0.45%	N/A	6	N/A
Wal-Mart Stores	119,896	7	0.44%			
Owatonna Hospitality, L.L.C.	119,464	8	0.44%			
Lowe's Home Centers, Inc.	115,588	9	0.42%			
Cybex International, Inc.	112,902	10	0.41%			
Continental Beverage, Inc.				N/A	3	N/A
Third Horizon Group, Ltd.				N/A	4	N/A
Northern Natural Gas Company				N/A	5	N/A
Chiquita Processed Foods				N/A	7	N/A
SPX Corporation - OTC Industrial				N/A	8	N/A
SPX Corporation - OTC Division				N/A	10	N/A

* As of December 31, 2010

N/A - Information was not available.

(1) The ranking for 2010 is based on the total taxes paid by the taxpayer. Therefore, the related net tax capacity and percentage may not agree to the ranking.

(2) The ranking for 2000 was based on the market value of the company as of December 1, 1999, not the total taxes paid or net tax capacity.

Source: Steele County Auditor and 2000 CAFR Report

Debt Capacity Information

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Outstanding Debt by Type
Last Ten Fiscal Years
(unaudited)**

Fiscal Year	Bonded Debt	Lease Purchase Obligations	Capital Loan	Aid & Tax Anticipation Certificates	Total Primary Government	% of Personal Income	Per Capita (1)
2001	33,160,000	-	-	-	33,160,000	3.55%	1,244
2002	31,490,000	-	-	-	31,490,000	3.23%	1,181
2003	31,380,000	500,000	500,000	2,300,000	34,680,000	3.49%	1,301
2004	50,800,000	429,843	400,000	2,600,000	54,229,843	5.06%	2,034
2005	48,875,000	1,527,013	300,000	-	50,702,013	4.49%	1,810
2006	26,145,000	1,154,419	200,000	-	27,499,419	2.29%	982
2007	23,720,000	767,577	100,000	-	24,587,577	1.99%	878
2008	21,210,000	365,938	-	-	21,575,938	1.59%	770
2009	18,405,000	297,758	-	-	18,702,758	N/A	668
2010	15,500,000	172,332	-	-	15,672,332	N/A	560

N/A - Personal income for 2008 and 2009 is not available, so the calculation cannot be completed.

(1) The ratio was calculated by using the Independent School District No. 761 population.

Note1: Information of the District's current outstanding debt can be found in the Notes to Basic Financial Statements.

Note2: The District issued General Obligation School Building Refunding Bonds in January 2004. The proceeds were used to advance refund the General Obligation School Building Bonds of 1996. The 1996 bonds were retired in February 2006. Therefore, this resulted in the large increase and decrease in total outstanding debt and the ratios.

Note3: The decrease in 2008 was due to one lease purchase obligation and the capital loan being paid off in 2008.

Source: Independent Auditor's Report, Bureau of Economic Analysis

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Ratios of Outstanding Debt
Last Ten Fiscal Years
(unaudited)**

Fiscal Year	General Bonded Debt Outstanding			Net Tax Capacity	Percent of Net Debt to Net Tax Capacity	Percent of Personal Income	Per Capita
	General Obligation Bonds	Less: Debt Service Fund Balance (Deficit)	Net Bonded Debt				
2001	33,160,000	380,893	32,779,107	14,357,859	228.30%	3.51%	1,230
2002	31,490,000	(8,028)	31,498,028	16,026,350	196.54%	3.23%	1,181
2003	31,380,000	241,173	31,138,827	17,110,073	181.99%	3.13%	1,168
2004	50,800,000	21,697,382	29,102,618	18,249,929	159.47%	2.71%	1,092
2005	48,875,000	21,659,662	27,215,338	19,782,780	137.57%	2.41%	972
2006	26,145,000	1,080,689	25,064,311	22,272,299	112.54%	2.08%	895
2007	23,720,000	1,117,130	22,602,870	25,027,997	90.31%	1.83%	807
2008	21,210,000	966,314	20,243,686	26,419,168	76.62%	1.49%	723
2009	18,405,000	921,100	17,483,900	27,584,129	63.38%	N/A	624
2010	15,500,000	813,147	14,686,853	27,274,351	53.85%	N/A	524

N/A - Personal income for 2009 and 2010 is not available, so the calculation cannot be completed.

Note: In fiscal year 2004, the District issued \$21,305,000 of refunding bonds which was used to refund a bond issue in February of 2006. This accounts for the large increase and decrease in debt and fund balance.

Source: Independent Auditor's Report, Minnesota Department of Education Levy Limitation and Certification Reports, and Bureau of Economic Analysis

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Ratio of Annual Debt Service Expenditures
for General Obligation Bonded Debt
to Total General Governmental Expenditures*
Last Ten Fiscal Years
(unaudited)**

Fiscal Year	Principal	Interest and Fees	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to Gen. Gov't Expenditures
2001	1,615,000	1,775,432	3,390,432	41,270,703	8.22%
2002	1,710,000	1,743,731	3,453,731	43,028,842	8.03%
2003	1,750,000	1,590,920	3,340,920	42,146,239	7.93%
2004	2,055,157	1,405,177	3,460,334	45,625,775	7.58%
2005	1,940,000	2,164,599	4,104,599	47,375,628	8.66%
2006	2,055,000	2,003,652	4,058,652	49,061,817	8.27%
2007	2,425,000	822,424	3,247,424	49,984,348	6.50%
2008	2,510,000	764,221	3,274,221	52,518,568	6.23%
2009	2,805,000	700,101	3,505,101	53,866,670	6.51%
2010	2,905,000	620,670	3,525,670	54,596,797	6.46%

* Includes general, food service, community service, capital projects - building construction, and debt service funds.

Source: Independent Auditor's Report

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Direct and Overlapping Governmental Activities Debt
(unaudited)**

Governmental Unit (1)	General Obligation Debt	Estimated Applicable Percentage (2)	Estimated Share of Direct and Overlapping Debt
Steele County	\$ 16,560,000	77.57%	\$ 12,845,699
Waseca County	3,625,000	4.93%	178,713
City of Owatonna	20,365,000	100.00%	<u>20,365,000</u>
Subtotal, Overlapping Debt			\$ 33,389,411
District Direct Debt			<u>18,405,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 51,794,411</u></u>

(1) There were three taxing jurisdictions which overlap the District and had general obligation debt outstanding as of December 31, 2009.

(2) The Estimated Applicable Percentage is determined by dividing the Taxable Net Tax Capacity of the Governmental Unit within the District by Total Taxable Net Tax Capacity of the entire Governmental Unit.

Source: Independent Auditor's Report, Steele and Waseca County Auditors, City of Owatonna Finance Department.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Legal Debt Margin Information
Last Ten Fiscal Years
(unaudited)**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assessed Value	\$ 2,533,303,000	\$ 2,532,571,400	\$ 2,445,201,914	\$ 2,290,212,228
Debt Limit Percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt Limit	379,995,450	379,885,710	366,780,287	343,531,834
Total Net Debt Applicable to Limit	<u>15,500,000</u>	<u>18,405,000</u>	<u>21,210,000</u>	<u>23,720,000</u>
Legal Debt Margin	<u>\$ 364,495,450</u>	<u>\$ 361,480,710</u>	<u>\$ 345,570,287</u>	<u>\$ 319,811,834</u>
Total Net Debt Applicable to the Limit as a % of Debt Limit	4.08%	4.84%	5.78%	6.90%

Note1: Minnesota Statutes, Section 475.53, Subdivision 4, presently limits the outstanding indebtedness of school districts, net of debt redemption funds, to 15% of the actual market value.

Note2: In fiscal year 2004, the District issued \$21,305,000 of refunding bonds which was used to refund a bond issue in February of 2006. This accounts for the large increase and decrease in the total net debt applicable to limit and related percentage of debt limit.

Source: Independent Auditor's Report and Minnesota Department of Education Levy Limitation and Certification Reports

2006	2005	2004	2003	2002	2001
\$ 2,059,081,778	\$ 1,821,650,400	\$ 1,695,645,327	\$ 1,577,242,700	\$ 1,452,417,485	\$ 1,316,144,562
15%	15%	15%	15%	15%	15%
308,862,267	273,247,560	254,346,799	236,586,405	217,862,623	197,421,684
26,145,000	48,875,000	50,800,000	31,380,000	31,490,000	33,160,000
<u>\$ 282,717,267</u>	<u>\$ 224,372,560</u>	<u>\$ 203,546,799</u>	<u>\$ 205,206,405</u>	<u>\$ 186,372,623</u>	<u>\$ 164,261,684</u>
8.46%	17.89%	19.97%	13.26%	14.45%	16.80%

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Demographic and Economic Information

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Demographic and Economic Statistics
Last Ten Fiscal Years
(unaudited)**

Fiscal Year	Steele County				ISD No. 761
	Population (1)	Personal Income (1)	Per Capita Personal Income (1)	Unemployment Rate (2)	District Population (3)
2001	34,228	934,862,000	27,313	3.80%	26,660
2002	34,387	974,218,000	28,331	4.80%	26,660
2003	34,803	994,413,000	28,573	5.40%	26,660
2004	35,208	1,072,052,000	30,449	4.90%	26,660
2005	35,687	1,129,261,000	31,643	4.00%	28,005
2006	35,992	1,202,668,000	33,415	3.80%	28,005
2007	36,229	1,235,314,000	34,097	4.40%	28,005
2008	36,594	1,354,738,000	37,021	5.00%	28,005
2009	N/A	N/A	N/A	9.40%	28,005
2010	N/A	N/A	N/A	7.80%	28,005

N/A - Information is not available.

Note: The District includes parts of Steele County and Waseca County. Since the District is mostly in Steele County, we have decided to include information for Steele County only.

Source: (1) Bureau of Economic Analysis
(2) Minnesota Department of Employment and Economic Development
(3) Minnesota State Demographer

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Principal Employers
Current Year and Ten Years Ago
(unaudited)**

Employer	2010			2000		
	Number of Employees *	Rank	% of Total Employment 20,170	Number of Employees	Rank	% of Total Employment 19,751
Federated Mutual Ins. Co.	1,470	1	7.29%	1,650	1	8.35%
Viracon, Inc.	1,105	2	5.48%	1,475	2	7.47%
Truth Hardware Corporation	735	3	3.64%			
Owatonna Public Schools	688	4	3.41%			
SPX Corporation	540	5	2.68%	930	3	4.71%
Wenger Corporation	450	6	2.23%	410	5	2.08%
Josten's Inc.	416	7	2.06%	327	9	1.66%
Owatonna Hospital	323	8	1.60%			
Cybex Corporation	295	9	1.46%	330	8	1.67%
Owatonna Clinic	250	10	1.24%			0.00%
Cabela's				353	6	1.79%
Spx Corp. Truth Division				901	4	4.56%
SPx Corp. Power Team Division				350	7	1.77%
Chiquitas Processed Foods				240	10	1.22%
Total	6,272		31.10%	6,966		35.27%

* - The information is as of December 31, 2010.

Source: Owatonna Chamber of Commerce, 2000 CAFR Report, and Minnesota Department of Employment and Economic Development

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Property Value and Construction
Last Ten Fiscal Years
(unaudited)**

Calendar Year	Total Permits	Total Value
2001	2,101	39,279,111
2002	2,294	47,527,254
2003	2,317	63,190,282
2004	2,389	76,212,411
2005	2,151	56,952,755
2006	2,123	66,868,490
2007 (1)	1,864	54,963,880
2008 (2)	1,800	78,052,658
2009	1,708	27,536,343
2010	2,193	29,978,492

(1) - The decrease is due to a downturn of the economy.

(2) - The decrease in the number of permits is due to new dwellings. The increase in total value is due to new commercial projects. One of the permits was for the new hospital.

Source: City of Owatonna, Minnesota

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Operating Information

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Financial Information
(unaudited)**

Financial Consultants

Ehlers & Associates, Inc., Roseville, Minnesota, and Northland Securities, Inc., Minneapolis, MN have acted as Financial Consultants to the District. Requests for information concerning the District should be addressed to Ehlers & Associates, Inc., 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105 or Northland Securities, Inc., 45 S 7th St., Suite 2500, Minneapolis, MN 55402.

Rating

The District participates in the Minnesota Credit Enhancement Program for School Districts (Minnesota Statutes, Section 126C.55), which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation.

The District's bond rating, from Moody's Investors Service, as of June 30, 2010 was "Aa2". An investor should communicate with the rating agency for an explanation of the significance of the rating.

Source: District Records

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
General Information
Last Ten Fiscal Years
(unaudited)**

Year Established: 1865

Accreditation: North Central Association of Colleges and Schools

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Geographical Area - Square Miles	245	245	245
District Population	28,005	28,005	28,005
Student Enrollment - by Average Daily Membership (ADM)	4,852	4,880	4,865
<u>Facilities</u>			
Senior High School (Grades 9-12)	1	1	1
Junior High School (Grades 7-8)	1	1	1
Intermediate School (Grade 6)	1	1	1
Elementary Schools (Grades K-5)	4	4	4
Community Education Building	1	1	1
Central Administration Building	1	1	1
District Receiving, Storage, and Area Learning Center Building	1	1	1
Storage Building	1	1	1

Source: Minnesota Department of Education, Minnesota State Demographer, and District Records

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
245	245	245	245	245	245	245
28,005	28,005	28,005	26,660	26,660	26,660	26,660
4,953	4,931	4,819	4,869	5,027	5,034	5,128
1	1	1	1	1	1	1
1	1	1	1	1	1	1
1	1	1	1	1	1	1
4	4	4	4	4	4	4
1	1	1	1	1	0	0
1	1	1	1	1	1	1
1	1	1	1	1	1	1
1	1	1	0	0	0	0

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Average Daily Membership by Grade Level
Last Ten Fiscal Years
(unaudited)**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Early Childhood	48.78	34.69	32.08	26.40	25.97
Kindergarten	352.71	338.95	294.94	341.84	349.45
Grades 1-6	2,117.37	2,108.85	2,143.33	2,136.40	2,106.87
Grades 7-12	<u>2,332.93</u>	<u>2,397.16</u>	<u>2,394.71</u>	<u>2,448.32</u>	<u>2,448.54</u>
Total	<u><u>4,851.79</u></u>	<u><u>4,879.65</u></u>	<u><u>4,865.06</u></u>	<u><u>4,952.96</u></u>	<u><u>4,930.83</u></u>

Note: Student enrollment numbers for 2009 and prior are from the final numbers issued in January after the fiscal year ended. The 2010 student enrollment numbers are from December 17, 2010.

Source: Minnesota Department of Education

2005	2004	2003	2002	2001
25.07	27.42	26.31	28.64	27.55
300.41	305.81	298.08	306.34	306.24
2,041.16	2,060.89	2,122.20	2,154.97	2,214.54
<u>2,452.08</u>	<u>2,474.47</u>	<u>2,580.34</u>	<u>2,544.29</u>	<u>2,579.21</u>
<u>4,818.72</u>	<u>4,868.59</u>	<u>5,026.93</u>	<u>5,034.24</u>	<u>5,127.54</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Full-time and Part-time District Employees by Function
Last Ten Fiscal Years
(unaudited)**

Function	2010	2009	2008
Administrators	9	12	12
Adult Basic Education	1	2	2
Alternative High School	0	0	0
Central Office Personnel	16	24	23
Clerical and Media Educational Assistants	8	8	8
Custodial/Cleaning/Maintenance	42	45	42
Directors	13	11	11
Early Childhood Family Education Learning Readiness	15	25	25
Food Service	36	36	33
Health Services	9	10	10
Noon Supervisors	17	10	7
Offset	1	2	2
School Aged Child Care	12	12	12
Secretarial/Office Personnel	30	22	22
Special Education Educational Assistants	75	75	74
Student Supervision Educational Assistants	16	4	5
Teacher Educational Assistants	43	40	43
Teachers	376	340	326
Tutors	9	7	7
Total	728	685	664

Source: District Records

2007	2006	2005	2004	2003	2002	2001
12	12	12	11	18	16	16
2	2	2	2	2	2	2
0	0	0	0	0	0	0
20	20	20	25	25	17	14
10	10	10	10	10	10	9
43	44	44	46	46	46	46
11	11	11	11	5	5	5
25	25	25	25	25	30	23
38	38	38	38	38	38	41
10	10	10	11	11	10	9
17	18	18	18	20	20	21
2	2	2	2	2	2	2
12	12	12	13	14	14	13
22	22	22	22	32	32	34
76	73	66	66	64	69	70
5	6	4	6	6	8	7
34	30	30	30	25	41	34
330	323	323	323	318	327	325
7	7	7	10	10	10	14
676	665	656	669	671	697	685

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Operating Statistics
Last Ten Fiscal Years
(unaudited)**

Fiscal Year	Enrollment	Operating Expenditures (1)	Cost per Pupil	% Change	# of Teachers	Pupil - Teacher Ratio	% of Students Receiving Free or Reduced Price Lunch (2)
2001	5,128	35,789,488	6,980	4.82%	325	15.8	17.77%
2002	5,034	37,947,779	7,538	8.00%	327	15.4	20.50%
2003	5,027	37,436,919	7,447	-1.20%	318	15.8	21.44%
2004	4,869	38,484,580	7,905	6.14%	323	15.1	22.58%
2005	4,819	41,535,349	8,620	9.04%	323	14.9	26.76%
2006	4,931	43,523,908	8,827	2.41%	323	15.3	28.36%
2007	4,953	45,324,087	9,151	3.67%	330	15.0	28.85%
2008	4,865	47,813,075	9,828	7.40%	326	14.9	29.71%
2009	4,880	49,058,788	10,054	2.30%	340	14.4	31.19%
2010	4,852	49,529,178	10,208	1.54%	376	12.9	35.35%

N/A - The percent change is not able to be calculated. See (2).

(1) Operating expenditures are calculated by taking the total districtwide expenditures less debt service fund, capital projects - building construction fund, and reserved operating capital expenditures.

(2) The percentage is based on the number of students enrolled in the free or reduced lunch program and number of students enrolled as of October 1 of each fiscal year.

Source: District Records and Minnesota Department of Education

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Teacher Base Salaries
Last Ten Fiscal Years
(unaudited)**

Fiscal Year	Minimum Salary	Maximum Salary
2001	\$ 28,131	\$ 56,593
2002	28,131	56,593
2003	28,862	58,121
2004	29,295	58,993
2005	30,027	60,468
2006	30,853	62,131
2007	31,778	63,995
2008	32,414	65,775
2009	33,386	67,748
2010	33,386	68,948

Note: Amounts do not include fringe benefits, such as health insurance, pension, etc.

Source: Owatonna Education Association Contract

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
School Building Information
Last Ten Fiscal Years
(unaudited)**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Elementary (Grades K-5)								
Lincoln (1959)								
Square Feet	59,884	59,884	59,884	59,884	59,884	59,884	55,071	55,071
Enrollment	546	548	535	560	533	570	633	613
Acres	40	40	40	40	40	40	40	40
McKinley (1955)								
Square Feet	54,437	54,437	54,437	54,437	54,437	54,437	54,437	54,437
Enrollment	502	507	487	499	484	486	431	445
Acres	13	13	13	13	13	13	13	13
Washington (1949)								
Square Feet	54,779	54,779	54,779	54,779	54,779	54,779	54,779	54,779
Enrollment	548	541	526	545	528	472	462	461
Acres	3	3	3	3	3	3	3	3
Wilson (1968)								
Square Feet	67,327	67,327	67,327	67,327	67,327	67,327	67,327	67,327
Enrollment	511	508	507	507	528	460	467	460
Acres	10	10	10	10	10	10	10	10
Intermediate (Grade 6)								
Willow Creek (1990)								
Square Feet	55,433	55,433	55,433	55,433	55,433	55,433	55,433	55,433
Enrollment	356	337	378	359	375	337	361	368
Acres	60	60	60	60	60	60	60	60
Junior High (Grades 7-8)								
Junior High (1968)								
Square Feet	166,564	166,564	166,564	166,564	166,564	166,564	166,564	166,564
Enrollment	709	727	713	722	741	741	736	756
Acres	18	18	18	18	18	18	18	18
High School (Grades 9-12)								
High School (1921)								
Square Feet	353,710	353,710	353,710	353,710	353,710	353,710	353,710	353,710
Enrollment	1,529	1,561	1,563	1,611	1,612	1,606	1,637	1,677
Acres	19	19	19	19	19	19	19	19
Area Learning Center								
Rose Street Center (1956)								
Square Feet	12,930	12,930	12,930	12,930	12,930	12,626	12,626	12,626
Enrollment	58	65	67	71	63	76	70	77
Acres	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88
Community Center								
Roosevelt (1954)								
Square Feet	15,694	15,694	15,694	15,694	15,694	15,694	15,694	15,694
Enrollment (Early Childhood)	49	35	32	26	26	25	27	26
Acres	8	8	8	8	8	8	8	8

Source: District Records and Minnesota Department of Education

<u>2002</u>	<u>2001</u>
55,071	55,071
607	483
40	40
54,437	54,437
466	569
13	13
54,779	54,779
481	491
3	3
67,327	67,327
466	541
10	10
55,433	55,433
376	361
60	60
166,564	166,564
751	758
18	18
353,710	353,710
1,638	1,670
19	19
12,626	12,626
121	119
0.88	0.88
15,694	15,694
28	26
8	8

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Schedule of Insurance Coverage
Fiscal Year Ended June 30, 2010
(unaudited)**

Coverage	Amount	Description
Property	\$ 97,999,384	Blanket Real and Personal Property
	350,000	Musical Instruments and Uniforms
	45,000	Miscellaneous Property
General Liability	2,000,000	General Aggregate
	2,000,000	Products/Completed Operations Aggregate
	1,000,000	Each Occurrence
	1,000,000	Personal/Advertising Injury Limit
	300,000	Damage to Premises Rented to You Limit
	15,000	Medical Expense Limit
Professional Liability	2,000,000	Aggregate
	2,000,000	Each Occurrence
Automobile Liability	1,000,000	Combined Single Limit
	1,000,000	Uninsured/Underinsured Motorists
		Deductible: \$250-\$500 Collision
		\$100-\$250 Comprehensive
Worker's Compensation		
Employer's Liability	500,000	Each Accident
	500,000	By Disease, Policy Limits
	500,000	By Disease, Each Employee
Umbrella Excess Liability	1,000,000	Each Occurrence and Aggregate
Boiler and Machinery	15,000,000	Comprehensive

Source: Tincher Peterson Sincock