

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2011



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, 2011

**PREPARED BY:
DISTRICT BUSINESS OFFICE**

INTRODUCTORY SECTION

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2011**

I. INTRODUCTORY SECTION	<u>PAGE NUMBER</u>
Table of Contents	i - iv
Board of Education and Central Administration	v
Organizational Chart	vi
Transmittal Letter	vii – xv
Fiscal Year 2010 Certificate of Excellence	xvi
II. FINANCIAL SECTION	
Independent Auditor's Report	1-2
Required Supplementary Information Management's Discussion and Analysis	3-18
A. <u>Basic Financial Statements</u>	
Statement of Net Assets	19
Statement of Activities	20-21
Balance Sheet – Governmental Funds	22-23
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	24
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	25-26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	27
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	28
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Food Service Fund	29
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Service Fund	30
Statement of Fund Net Assets – Proprietary Fund	31
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund	32
Statement of Cash Flows – Proprietary Fund	33

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2011**

II. FINANCIAL SECTION (Continued)	<u>PAGE NUMBER</u>
<u>A. Basic Financial Statements (Continued)</u>	
Statement of Fiduciary Net Assets	34
Statement of Changes in Fiduciary Net Assets	34
Notes to Basic Financial Statements	35-61
<u>B. Required Supplementary Information</u>	
Schedule of Funding Progress for Postemployment Benefit Plans	62
<u>C. Supplementary Information</u>	
General Fund	
Schedule of Assets, Liabilities, and Fund Balance	63
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	64-66
Food Service Special Revenue Fund	
Schedule of Assets, Liabilities, and Fund Balance	67
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	68
Community Service Special Revenue Fund	
Schedule of Assets, Liabilities, and Fund Balance	69
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	70
Capital Projects Fund	
Schedule of Assets, Liabilities, and Fund Balance	71
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	72
Debt Service Fund	
Schedule of Assets, Liabilities, and Fund Balance	73
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	74

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2011**

III. STATISTICAL SECTION (unaudited)	<u>PAGE NUMBER</u>
Statistical Section Summary	75
A. <u>Financial Trends Information</u>	
Net Assets by Component	76-77
Government-wide Expenses, Program Revenues, and Net (Expense)/Revenue	78-79
Government-wide General Revenues and Total Change in Net Assets	80-81
Governmental Funds Revenues	82-83
Governmental Funds Expenditures and Debt Service Ratio	84-85
Other Financing Sources and Uses and Net Change in Fund Balances, Governmental Funds	86-87
General School System Revenues by Source – Government-wide	88
General School System Revenues by Source – Fund Level	89
General School System Expenses by Function – Government-wide	90-91
General School System Expenditures by Function – Fund Level	92-93
Statement of Revenues and Expenditures – General Fund	94-95
General Fund Compared to the Prior Year	96
Fund Balances of Governmental Funds	97-98
Unassigned General Fund Balance Compared to Annual Expenditures	99
Cash and Investment Balances by Fund	100-101
B. <u>Revenue Capacity Information</u>	
Schedule of Tax Capacity, Tax Rates, and Tax Levied for June 30, 2011	102
Property Tax Levies and Collections	103
Assessed Value and Estimated Actual Value of Property	104-105
Net Tax Capacity and Adjusted Net Tax Capacity	106
School Tax Levies, Initial Tax Rates by Fund	107

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2011**

III. STATISTICAL SECTION (unaudited) (Continued)	<u>PAGE NUMBER</u>
<u>B. Revenue Capacity Information (Continued)</u>	
Direct and Overlapping Property Tax Rates	108
Net Tax Capacity by Category	109
Principal Property Taxpayers	110
<u>C. Debt Capacity Information</u>	
Outstanding Debt by Type	111-112
Ratios of Outstanding Debt	113
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures	114
Direct and Overlapping Governmental Activities Debt	115
Legal Debt Margin Information	116-117
<u>D. Demographic and Economic Information</u>	
Demographic and Economic Statistics	118
Principal Employers	119
Property Value and Construction	120
<u>E. Operating Information</u>	
Financial Information	121
General Information	122-123
Average Daily Membership by Grade Level	124-125
Full-time and Part-time District Employees by Function	126-127
Operating Statistics	128
Teacher Base Salaries	129
School Building Information	130-131
Schedule of Insurance Coverage	132

INDEPENDENT SCHOOL DISTRICT NO. 761
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2011

BOARD OF EDUCATION

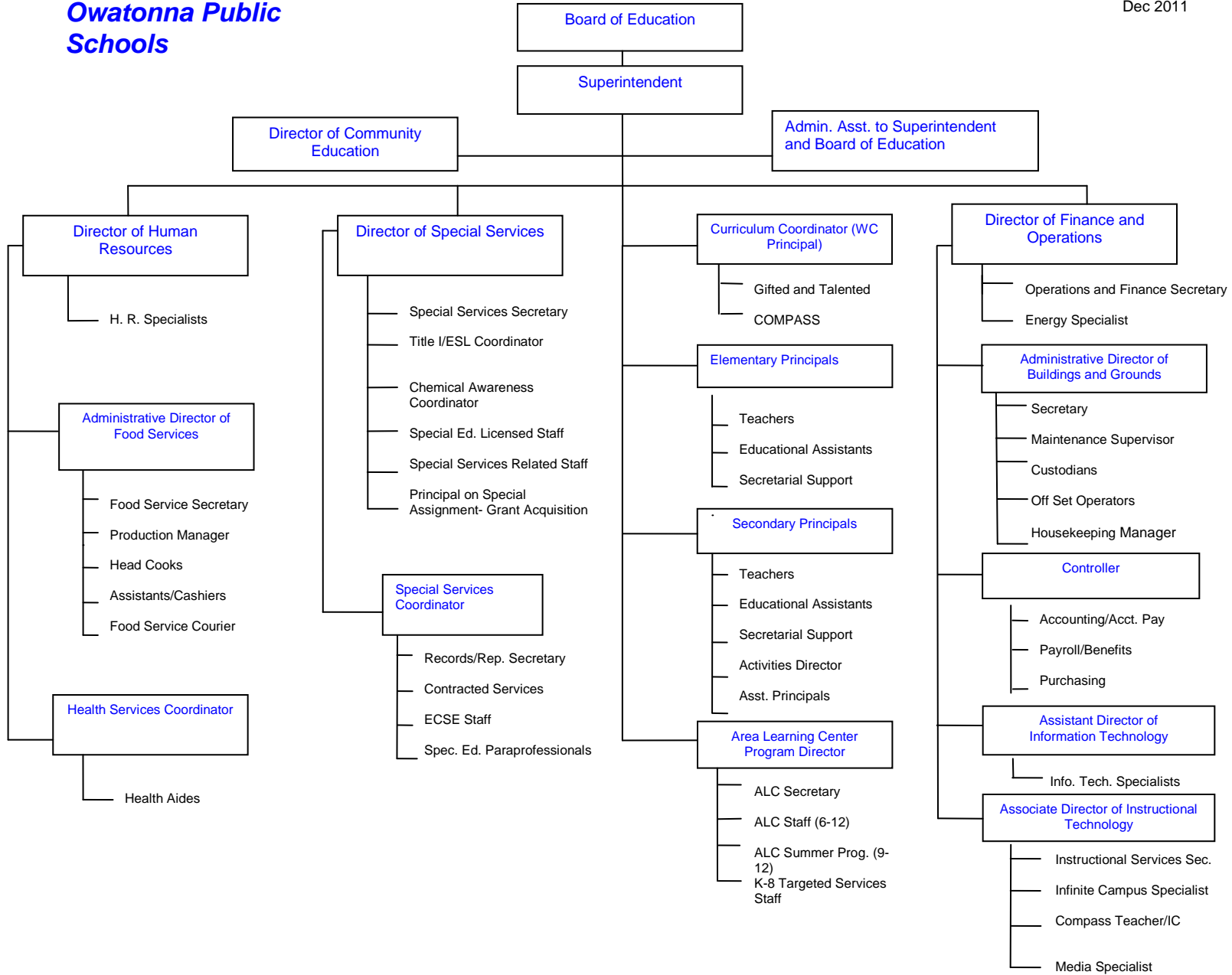
NAME	TERM ON BOARD EXPIRES	BOARD POSITION
Corey Mensink	1/5/2015	Chair
Don McCann	1/5/2015	Vice Chair
Bill Bernard	1/7/2013	Treasurer
Carol Winter	1/7/2013	Clerk
Vilnis Giga	1/5/2015	Director
Teri Wallace	1/7/2013	Director
Vicki Jensen	1/7/2013	Director

CENTRAL ADMINISTRATION

NAME	TITLE
Tom Tapper, Ph.D.	Superintendent
Mark Krug	Director of Special Services
Debbie McDermott-Johnson	Director of Community Education
Teri Preisler	Associate Director of Instructional Services
Tom Sager	Director of Operations and Finance
Linda Skrien	Director of Human Resources/Student Affairs
Amanda Heilman, CPA	Controller

Owatonna Public Schools

Dec 2011



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January 26, 2012

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, 2011. 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, 2010. 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 2010 valuation year was \$27,208,570 or a 6 percent decrease over 2009.

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 40.53 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 make it difficult 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 2012, the State of Minnesota did increase the general education aid for school districts by \$50 per pupil unit. This is approximately a 1 percent increase on the general education aid formula allowance. The consumer price index during the past five years has been running at 2.4 percent, and the basic formula allotment (currently at \$5,174 per pupil unit) state has increased on average 1.4 percent per year. As a result, the District is anticipating expenditures to exceed revenues by approximately \$1.7 million in FY12. This will bring the total general fund balance down to 10.7 percent. In November of 2010, the District passed an extension to the existing operating referendum to FY16, from an original expiration year of FY13.

In the spring of 2011, the State of Minnesota is forecasted a \$5 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 very modest increases in all revenues for FY12 and beyond. With anticipated expenditures increasing by at least the rate of inflation,

the District is now looking at a consistent and purposeful spend down of its fund balance through FY16, coupled with implementing several cost containment measures, through 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, but possibly sooner.

The FY12 District budget is dependent on \$30.6 million in state general education aid. Approximately 95 percent of the revenue is derived from the basic per pupil allotment of \$5,174. In FY11, the state changed its payment schedules to school districts from 73/27 percent to 70/30 percent. In FY12, this rate further decreased to 60/40 percent. 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. Because of these delayed payment schedules, districts such as the Owatonna Public Schools are making plans to borrow money during the next nine months. Consequently, the District may 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 2010-11 school year was 4,786. This represents a decrease of 11 students from the previous year. At this time, total enrollment for FY12 will be less than FY 11, but is forecasted to increase approximately .10 percent per year (5 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. However, in the past two years, that migration rate has dropped to 55 percent.

The total enrollment for FY12 is slightly less than FY11, as the District realized about 40 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 experiencing 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 signs of recovery by bringing many people back to work. The local unemployment rate is near state average of roughly 7 percent, which is a relative improvement from the past 18 months. Signs of a recovery are beginning to take root, but most business owners, local leaders, and residents remain cautiously optimistic.

Major Initiatives

One primary initiative that continued in FY11 was the development and planning for the K-8 Explorations and Leadership Development initiative. Phase I of this initiative was deployed in all K-8 schools during the 2011-12 school year, and involved the training and implementation of Steven Covey's Seven Habits of Highly Successful People. These are skills and tools now being used by staff and students alike, and thus far have demonstrated positive outcomes.

During the latter part of FY11 the school district continued to plan and prepare for another bond and operating levy referendum initiative for November 2011. Like the initiative in November of 2010, this involved the 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. It also included the construction of a 48,000 square foot addition onto the Willow Creek School. Under this plan, Willow Creek would become a school for both 5th and 6th graders, whereby freeing up space in the other elementary schools for other programming such as STEM labs, flexible learning space, all day kindergarten, and/or future growth needs. The referendum in November 2011 failed by 11 votes.

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. This work continued and concluded during FY11.

Owatonna Public Schools received student test results for the 2010-2011 Minnesota Comprehensive Assessments late in the fall of 2011. The district has 32 eligible groups and has met the requirements for Adequate Yearly Progress under No Child Left Behind in 24 of those groups. In mathematics, 59 percent of students within the district demonstrated proficiency on state assessment tests, while the Minnesota state average was 57 percent. In reading, 74 percent of students within the district demonstrated proficiency on state assessment tests, while the Minnesota state average was 75 percent. Incremental improvements have occurred in reading and math results were at a higher level than the state of Minnesota, yet the District did not meet Adequate Yearly Progress as defined by NCLB. As a district with Title I schools, we will continue to implement a corrective action plan in 2011-12. 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. Title I and compensatory funds will be used this year to support school improvement activities as was done in the 2010-2011. 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. The District will continue with the Response to Intervention process in reading, which has shown incremental improvements within reading achievement along with clearly defining the Professional Learning Community process and creation of formative assessments.



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 continues to be the implementation of Smart Boards throughout the district. We now have Smart Boards in all of the Elementary and Junior High classrooms as well as a third of our High School. These installations include 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 1,838 units to 2,010. 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. This then moves to a "train the trainer" model in order to create a sustainability system throughout the District.

Instruction Services and Information Technology departments are responsible for providing training and support for hardware and software applications utilized in the District. With the purchase of Smart Boards within the District, training in how to utilize this tool and more importantly, how to create engaging lessons has been a priority. Smart Board training at the basic and intermediate level occurred with teachers and again, internal trainers have been identified for ongoing support. The next level of training needed is in the integration of the Smart Board with Web 2.0 tools.

Technology Support Staff

We recently hired 2 additional IT support staff in order to maintain our current world class level of IT support. This was necessary due to the increased amount of technology infused in the district over the last several years. 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. Throughout this process, the creation of systemic data analysis processes has been a necessity. These processes are beginning to be developed and implemented with the 2010-2011 student achievement data results.

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

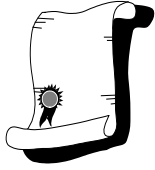
Strategic Directions: The strategic directions provide the focus upon which our resources (financial as well as human) will be directed. They are statements of what we intend to do in carrying out our strategic plan. To that end, we will:

- 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.

The alignment of staff development with the District's Strategic Roadmap is essential along with being responsive to student achievement results. This is being accomplished through the COMPASS – Continuous Opportunities for Modeling Professionalism and Academic Strategies in Schools process, which is a team of master teachers who provide training and support throughout the District. This COMPASS process evolved into more of a coaching system with the implementation of a new reading resource at the K – 6 grade levels.

Data analysis and innovations in technology have led the District to implement Professional Learning Communities at all levels and in all content areas. These PLC's provide a means for reviewing student results and implementing new strategies after studying best practices research. Once teachers implement the strategies, student results are again reviewed; thus creating a cycle of continuous improvement.

The most recent student achievement results in math show a need to align current instruction with Minnesota Math Academic standards as well as the continued commitment to decreasing the achievement gap across subgroups. Both of these areas will be impacted by professional development focused on engaging students and building upon background knowledge.



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 educate students in the setting that is the least restrictive to meeting their identified specialized needs. The students receive educational and related services in the appropriate setting, whether it be the classroom or the Learning Center. 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 60/40 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 maintain and monitor the timing of incoming revenue and outgoing expense. The District is currently planning to borrow \$8.1 million during the first nine months of calendar 2012 through the use of tax and aid anticipation certificates.

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 preliminary budget is adopted in June, and this budget is revised twice during the fiscal year.

Debt Administration

The primary component of long-term debt on June 30, 2011 is outstanding bonds on school district facilities in the amount of \$13,235,000. 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 also acquired \$1.855 million in certificates of participation debt to finance roof repair and maintenance throughout the District. This debt will be retired over the next six years through the use of operating capital revenue.

The District has three capital leases relating to copiers and a food service vending machine capital lease in 2011. The balance on the vending machine and copier capital leases totaled \$285,211 on June 30, 2011.

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 LarsonAllen 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.

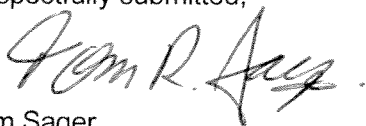
Other Information

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 2010. Therefore, the District has received the award for 18 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



Amanda Heilman, 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, 2010

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

President

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, 2011, 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. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the Independent School District No. 761's 2010 financial statements and, in our report dated November 12, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, 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 respective 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, 2011 and the respective changes in financial position and cash flows, where applicable, and 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 the notes to the financial statements, Independent School District No. 761 adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of and for the year ended June 30, 2011. This statement results in the District reporting nonspendable, restricted and unassigned fund balances in its governmental fund types.

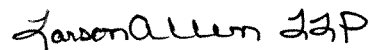
Board of Education
Independent School District No. 761

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2011, on our consideration of Independent School District No. 761's internal control over financial reporting and on 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 plans as listed in the table of contents are not required parts of the basic financial statements but are supplementary information required by the 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 opinions on the financial statements that collectively comprise Independent School District No. 761's basic financial statements. The schedules included in the supplementary information section on pages 63 through 74 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules 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.

The introductory and statistical sections listed in the table of contents are not necessary for a fair presentation of the basic financial statements, but are presented as additional analytical data. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.


LarsonAllen LLP

Austin, Minnesota
November 14, 2011

REQUIRED SUPPLEMENTARY INFORMATION

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

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, 2011. 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 (2010-11) and the prior year (2009-10) is presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2010-11 fiscal year include the following:

- Net assets increased by \$1,568,737 over the prior year.
- In the Statement of Activities, overall revenues were \$53,976,793, while overall expenses totaled \$52,408,056.
- The General Fund balance decreased by \$860,261, the Food Service Fund balance increased by \$118,604, and the Community Service Fund balance increased by \$26,502.
- The Health Insurance Internal Service Fund balance increased by \$207 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 District received \$1,855,000 of Certificates of Participation proceeds for capital projects in 2010-11. These were recorded in the Capital Projects Building Construction Fund. The fund balance is \$76,674 at June 30, 2011.
- The Debt Service Fund balance decreased by \$88,088. 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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

- 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.
- 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**

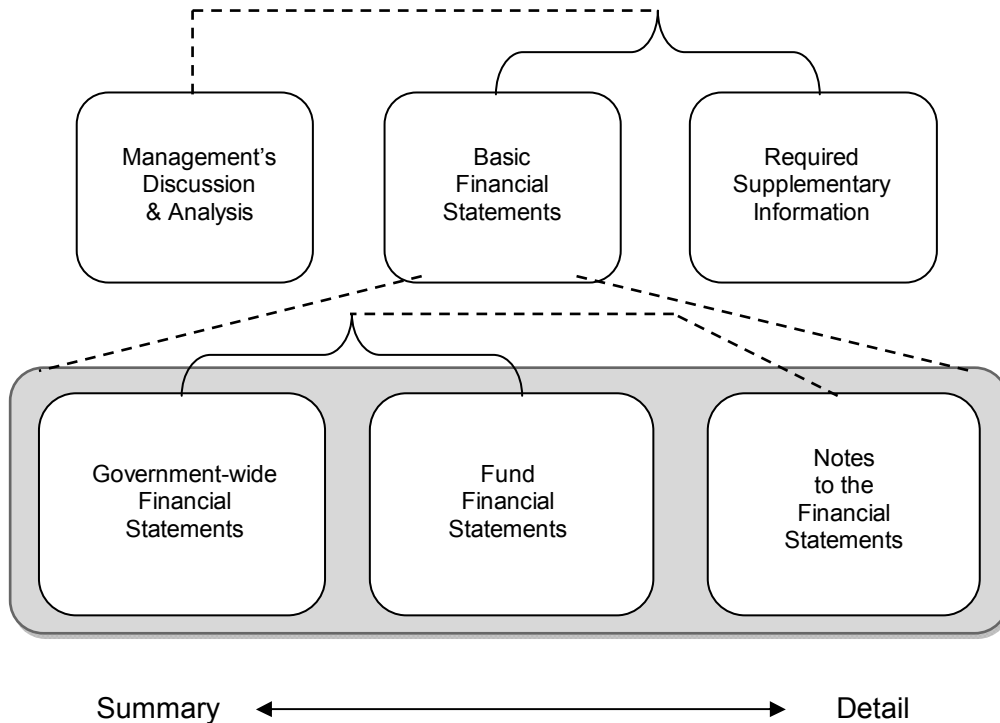


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and content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

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	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, 2011**

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, 2011**

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 \$15,301,321 on June 30, 2011. (See Table A-1) This was an improvement of \$1,568,737 over the prior year.

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

	Governmental Activities		Percentage Change
	2011	2010	
Current and Other Assets	\$ 19,383,823	\$ 22,521,402	-13.93%
Capital and Non-Current Assets	26,691,586	24,459,865	9.12%
Total Assets	46,075,409	46,981,267	-1.93%
Current Liabilities	13,962,163	16,133,255	-13.46%
Long-Term Liabilities	16,811,925	17,115,428	-1.77%
Total Liabilities	30,774,088	33,248,683	-7.44%
Net Assets			
Invested in Capital Assets, Net of Related Debt	13,921,139	11,702,040	18.96%
Restricted	1,779,406	1,974,164	-9.87%
Unrestricted	(399,224)	56,380	-808.10%
Total Net Assets	\$ 15,301,321	\$ 13,732,584	11.42%

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

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.

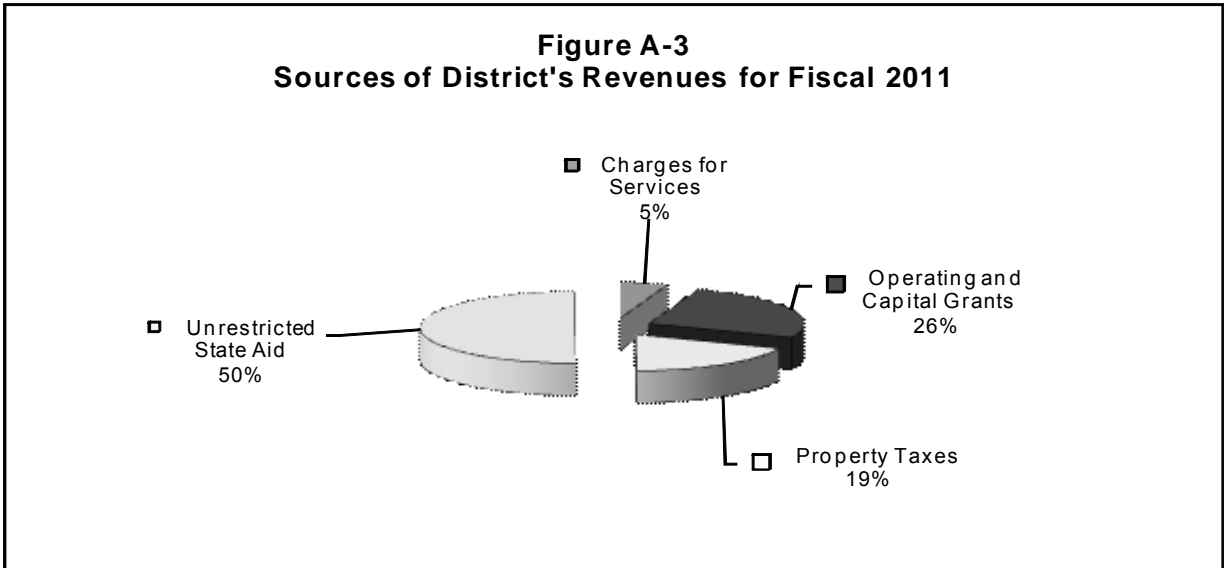
**Table A-2
Change in Net Assets**

	Governmental Activities for the fiscal year ended June 30,		Total % Change
	2011	2010	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 2,698,465	\$ 3,272,378	-17.54%
Operating Grants and Contributions	13,411,316	15,508,360	-13.52%
Capital Grants and Contributions	748,976	564,322	32.72%
<u>General Revenues</u>			
Property Taxes	9,959,269	8,653,468	15.09%
Unrestricted State Aid	26,927,364	26,001,620	3.56%
Investment Earnings	7,010	29,226	-76.01%
Miscellaneous	224,393	25,976	763.85%
Total Revenues	<u>53,976,793</u>	<u>54,055,350</u>	-0.15%
Expenses			
Administration	1,871,259	1,802,903	3.79%
District Support Services	2,400,208	2,424,401	-1.00%
Regular Instruction	22,918,131	23,186,502	-1.16%
Vocational Education Instruction	947,088	962,345	-1.59%
Special Education Instruction	8,487,358	8,459,955	0.32%
Instructional Support Services	2,602,566	2,710,329	-3.98%
Pupil Support Services	3,597,773	3,390,886	6.10%
Sites and Buildings	4,610,789	4,829,529	-4.53%
Fiscal and Other Fixed Cost Programs	97,980	97,686	0.30%
Food Service	2,517,812	2,534,855	-0.67%
Community Service	1,853,866	1,862,951	-0.49%
Interest and Fiscal Charges on Long-Term Liabilities	503,226	596,940	-15.70%
Total Expenses	<u>52,408,056</u>	<u>52,859,282</u>	-0.85%
Change in Net Assets	1,568,737	1,196,068	
Beginning Net Assets	<u>13,732,584</u>	<u>12,536,516</u>	
Ending Net Assets	<u>\$ 15,301,321</u>	<u>\$ 13,732,584</u>	

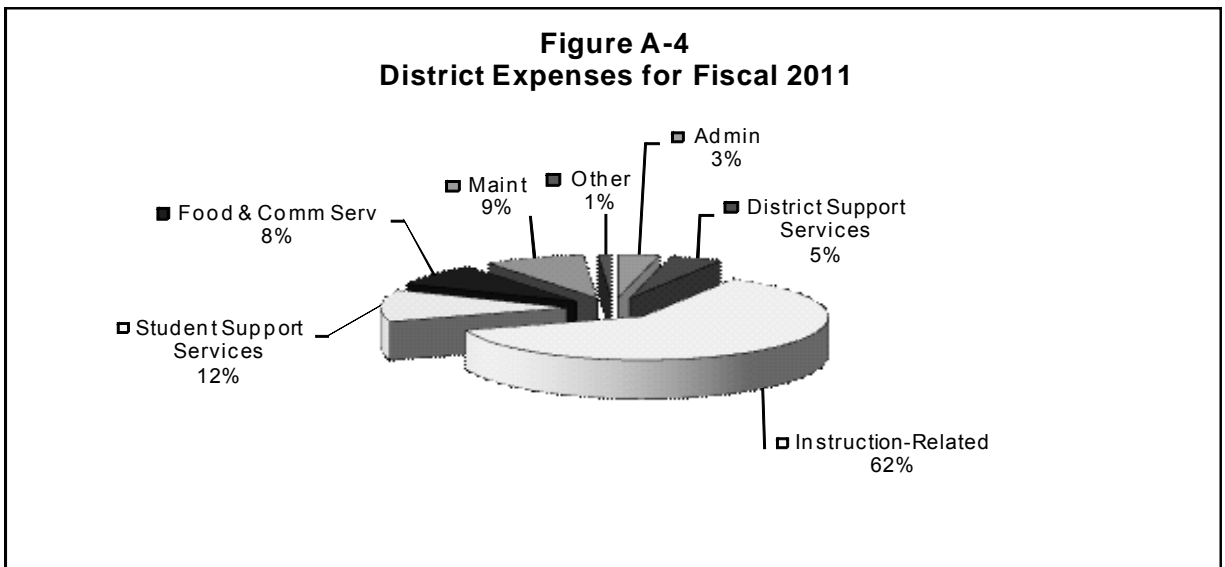
**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The District's total revenues were \$53,976,793 for the year ended June 30, 2011. This is a decrease of \$78,557 from June 30, 2010. (See Table A-2 on the previous page.) Revenues for the year were a mix of increases and decreases. Most notable was the state-mandated tax shift of \$2,228,968 from Unrestricted State Aid to Property Taxes. This was more than offset by the decrease of Operating Grants and Contributions and an increase in Unrestricted State Aid in the amount of \$2,908,710. This represents the amount of Federal Stabilization Funds received in 2009-10 that State Aid was reduced by. See Figure A-3 below for the related percentages of the District's revenues.



The total cost of all programs and services was \$52,408,056. The District's expenses are predominantly related to educating and caring for students and community members (82%) as shown in Figure A-4. Administrative activities of the District accounted for 3% of total costs.



**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

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 \$52.4 million.
- Of this cost, \$2.7 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 \$14.2 million.
- District property taxpayers financed \$10.0 million.
- State taxpayers financed \$27.0 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
	2011	2010		2011	2010	
Administration	\$ 1,871,259	\$ 1,802,903	3.79%	\$ 1,843,409	\$ 1,681,338	9.64%
District Support Services	2,400,208	2,424,401	-1.00%	2,214,221	2,241,694	-1.23%
Regular Instruction	22,918,131	23,186,502	-1.16%	17,381,282	14,971,701	16.09%
Vocational Education Instruction	947,088	962,345	-1.59%	921,070	928,438	-0.79%
Special Education Instruction	8,487,358	8,459,955	0.32%	2,179,946	2,231,843	-2.33%
Instructional Support Services	2,602,566	2,710,329	-3.98%	2,467,722	2,554,492	-3.40%
Pupil Support Services	3,597,773	3,390,886	6.10%	3,434,235	3,271,475	4.98%
Sites and Buildings	4,610,789	4,829,529	-4.53%	4,260,210	4,626,024	-7.91%
Fiscal and Other Fixed Cost Programs	97,980	97,686	0.30%	97,980	97,686	0.30%
Food Service	2,517,812	2,534,855	-0.67%	(103,808)	(67,143)	54.61%
Community Service	1,853,866	1,862,951	-0.49%	349,806	379,734	-7.88%
Interest and Fiscal Charges on Long-Term Liabilities	503,226	596,940	-15.70%	503,226	596,940	-15.70%
Total	\$ 52,408,056	\$ 52,859,282	-0.85%	\$ 35,549,299	\$ 33,514,222	6.07%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. In the Food Service Fund, Community Service Fund, and Capital Projects Building Construction Fund revenues exceeded expenditures, thereby increasing the fund balances in these funds. In the General Fund and Debt Service Fund expenditures exceeded revenues, thereby decreasing the fund balance in these funds. In total, governmental funds decreased by \$726,569 with an ending balance of \$8,361,751. The proprietary fund type had an increase of \$207 resulting in a balance of \$251,746.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

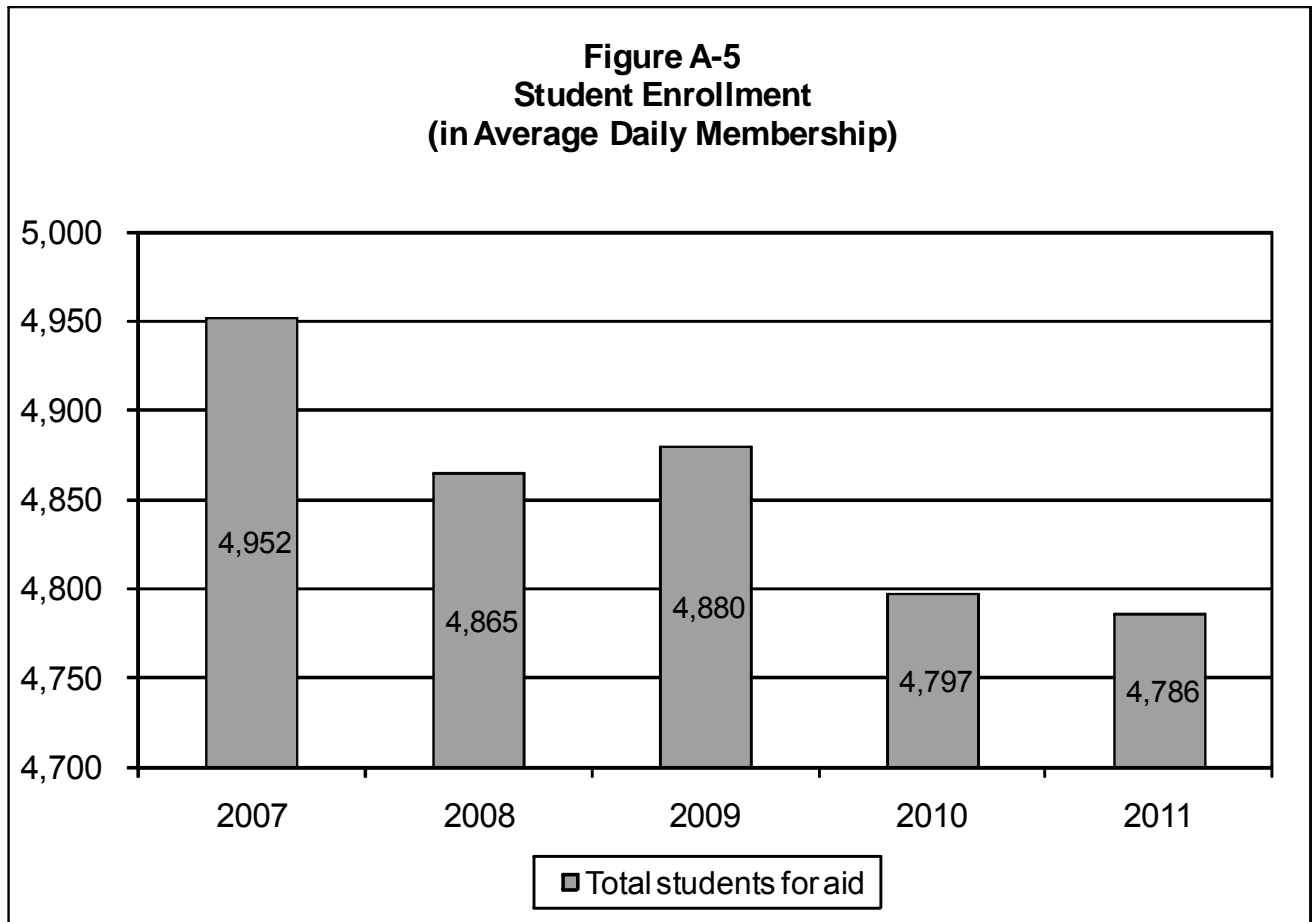
FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

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 166 pupil units since 2007. The 2010-11 year showed a decrease in enrollment of 11 students from 2009-10. As seen in Figure A-5, there was an enrollment decrease for the year of 0.2% from the prior year.



**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

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, 2011	June 30, 2010	Increase (Decrease)	Percent
Local Sources				
Property Taxes	\$ 7,090,035	\$ 5,199,524	\$ 1,890,511	36.4%
Earnings on Investments	2,858	19,582	(16,724)	-85.4%
Other	989,439	1,556,344	(566,905)	-36.4%
State Sources	35,747,140	33,580,948	2,166,192	6.5%
Federal Sources	2,888,963	5,696,310	(2,807,347)	-49.3%
Total General Fund Revenue	<u>\$ 46,718,435</u>	<u>\$ 46,052,708</u>	<u>\$ 665,727</u>	1.4%

Total General Fund revenue increased \$665,727 or 1.4% 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 \$2.2 million tax shift mentioned previously. This revenue neutral shift reduced state sources by an equal amount. State revenue sources were replenished in 2010-11 by the prior year \$2.9 million reduction for Federal Stabilization aid. Additionally, state aid special education revenue increased significantly from 2009-10. Prior year federal revenue sources included one-time Federal Stabilization aid of \$2.9 million. Earnings on investments decreased due to fewer available dollars to invest during the year. Other revenue sources decreased primarily due to a medical assistance rate adjustment in 2009-10.

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, 2011	June 30, 2010		
Salaries	\$ 26,988,978	\$ 26,880,381	\$ 108,597	0.4%
Employee Benefits	9,472,886	9,315,905	156,981	1.7%
Purchased Services	7,304,720	6,696,247	608,473	9.1%
Supplies and Materials	1,964,384	2,212,780	(248,396)	-11.2%
Capital Expenditures	2,120,939	1,563,501	557,438	35.7%
Other Expenditures	68,666	70,110	(1,444)	-2.1%
Total Expenditures	<u>\$ 47,920,573</u>	<u>\$ 46,738,924</u>	<u>\$ 1,181,649</u>	2.5%

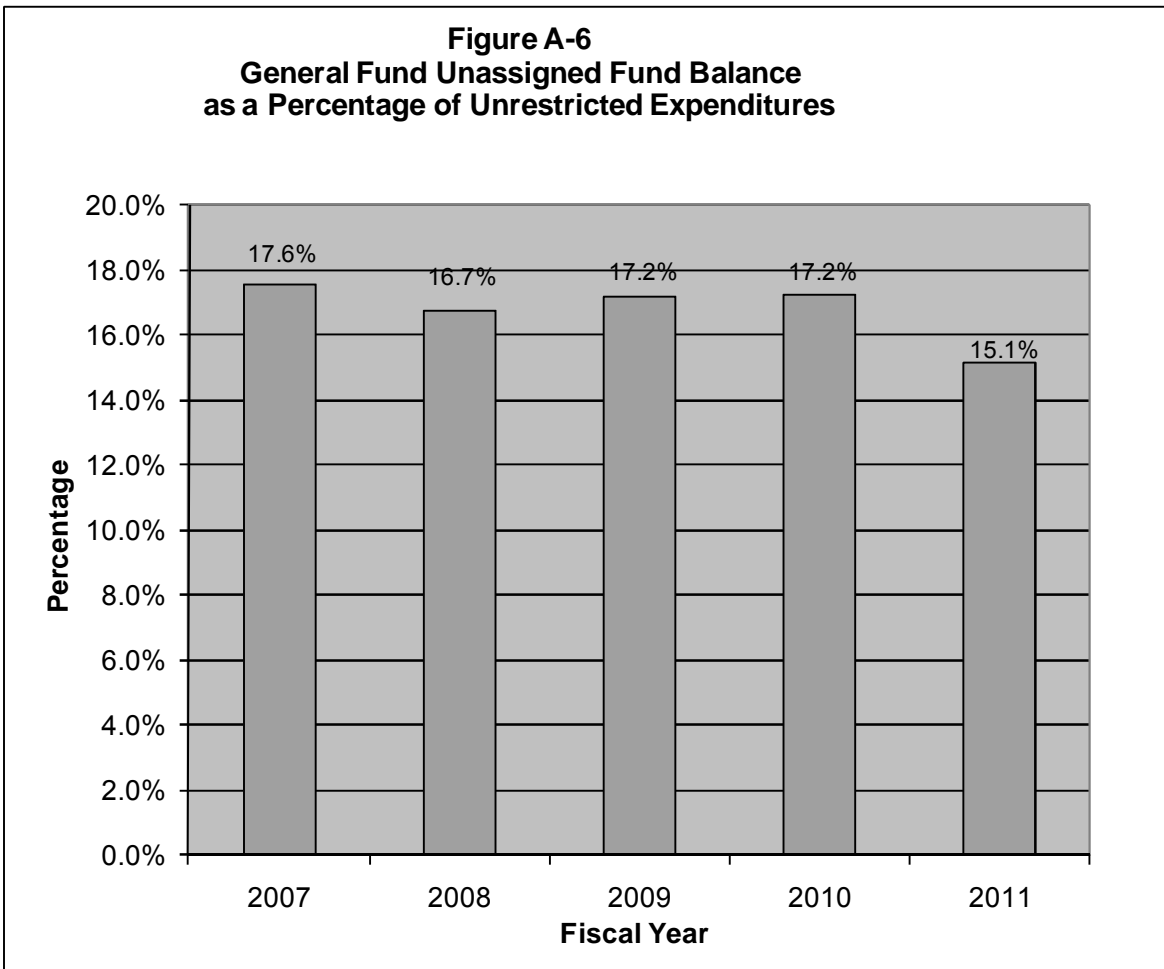
Total General Fund expenditures increased \$1,181,649 or 2.5% over the previous year. This increase was due to many factors. The most notable reason was the use of Federal ARRA dollars and several large construction projects.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

In 2010-11, General Fund expenditures were more than revenue and other financing sources by \$860,261, thereby decreasing the total fund balance as of June 30, 2011. After deducting statutory restrictions, the unassigned fund balance decreased from \$6,773,060 at June 30, 2010 to \$6,235,656 at June 30, 2011.

The School Board has adopted a fund balance policy to maintain an 8 to 10% fund balance in the unassigned General Fund. Figure A-6 shows the General Fund unassigned fund balance as a percentage of unrestricted expenditures.



**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

**Table A-6
General Fund Unassigned Fund Balance
as a Percentage of Unrestricted Expenditures**

	2007	2008	2009	2010	2011
Unassigned Fund Balance	\$ 6,451,532	\$ 6,455,191	\$ 6,787,611	\$ 6,893,355	\$ 6,235,656
% Increase (Decrease)	17.0%	0.1%	5.1%	1.6%	-9.5%
Unrestricted Expenditures	\$ 36,748,416	\$ 38,557,542	\$ 39,459,065	\$ 39,974,567	\$ 41,198,245
% Increase (Decrease)	3.3%	4.9%	2.3%	1.3%	3.1%
Unassigned Fund Balance as a % of Unrestricted Expenditures	17.6%	16.7%	17.2%	17.2%	15.1%

The preceding table is the single best measure of overall financial health. The unassigned fund balance of \$6,235,656 at June 30, 2011 represents 15.1% of annual unrestricted expenditures. The \$6,235,656 represents about 1.8 months of average monthly expenditures. The District closely monitors its fund balances. Please note that 2011 was the first year of GASB 54 implementation requiring different classifications of fund balance. The 2011 general fund unassigned balance reflects what is available to the district to allocate as they wish. Prior years fund balances include the non- spendable classification.

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 \$1,298,706, the actual results for the year show an \$860,261 decrease.

- Actual revenues and other financing sources were \$441,980 more than expected. The largest impact came from State Sources, specifically State Special Ed State Aid where \$777,000 was received over the amount budgeted. \$201,918 of this variance relates to unbudgeted capital lease proceeds. Other areas of revenue, such as property tax, were under budget.
- Overall, the actual expenditures were \$12,881 over budget. Specifically, District Support Services was over budget in the areas of purchased services and capital expenditures relating to additional all-district training and consulting fees. Sites and Buildings were also over budget in these same areas related to large repair projects, such as tennis courts and boilers. These overages were offset by the following areas being under budget: Elementary and Secondary Instruction, Vocational Instruction, Special Education, Instructional Support Services and Pupil Support Services.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

FOOD SERVICE FUND

The Food Service Fund increased by \$118,604. An anticipated decrease in the fund balance of \$39,649 was expected when the budget was prepared. Total revenues exceeded budgeted amounts due to more free and reduced lunches being served. 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. Repairs and maintenance expenses were also less than anticipated.

COMMUNITY SERVICE FUND

The restricted balances for Community Education, Early Childhood and Family Education, School Readiness, and Adult Basic Education increased by \$4,986 from the prior year. The restricted for other purposes Community Service Fund balance increased by \$21,516 from the prior year. In total Community Service Fund balance increased by \$26,502.

CAPITAL PROJECT BUILDING CONSTRUCTION FUND

In September 2010, Owatonna Public Schools issued Certificates of Participation in the amount of \$1,855,000 to fund capital improvements to various District buildings. The proceeds and related expenditures are recorded in this fund. As of June 30, 2011, the Restricted for Project Funded by Certificates of Participation fund balance was \$76,674.

DEBT SERVICE FUND

There were no new bonds issued during the year and the School Refunding Bonds, Series 2004 were retired. The Restricted for Other Purposes fund balance decreased to \$725,061 as of June 30, 2011 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 \$207 due to earnings received on the invested balance.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

FIDUCIARY FUND

The museum trust fund is the District's fiduciary fund. The net assets of the museum trust are \$2,136.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2011, the District had net capital assets of \$26,691,586 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.) More detailed information about capital assets can be found in Note 4 of the financial statements. Total depreciation expense for the year was \$1,239,381.

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

	<u>2011</u>	<u>2010</u>	<u>Percentage Change</u>
Land	\$ 1,823,335	\$ 1,823,335	0.0%
Construction in progress	266,407	-	N/A
Land Improvements	2,207,702	2,195,727	0.5%
Buildings and Improvements	38,388,458	36,127,515	6.3%
Equipment	7,884,240	7,111,862	10.9%
Less: Accumulated Depreciation	<u>(23,878,556)</u>	<u>(22,798,574)</u>	<u>4.7%</u>
Total	<u><u>\$ 26,691,586</u></u>	<u><u>\$ 24,459,865</u></u>	<u><u>9.1%</u></u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Liabilities

At year-end, the District had \$13,235,000 in general obligation bonds outstanding. The decrease from 2010 was due to making principal payments on current bonds. The District issued and had outstanding \$1,855,000 in Certificates of Participation at June 30, 2011. The District also had \$3.7 million in severance payable at June 30, 2011, a decrease of 2.5% over the previous year. More detailed information about the District's long-term liabilities is presented in Note 5 of the financial statements.

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

	<u>2011</u>	<u>2010</u>	<u>Percentage Change</u>
General Obligation Bonds	\$ 13,235,000	\$ 15,500,000	-14.6%
Net Bond Premium and Discount	(7,298)	(24,427)	-70.1%
Certificates of Participation Payable	1,855,000	-	N/A
Obligations Under Capital Leases	285,211	172,332	65.5%
Pension Payable	81,733	47,570	71.8%
Other Post Employment Benefits Payable	547,354	340,760	60.6%
Severance Benefits Payable	3,700,702	3,794,355	-2.5%
Compensated Absences Payable	284,962	229,131	24.4%
Total	<u>\$ 19,982,664</u>	<u>\$ 20,059,721</u>	<u>-0.4%</u>
Long-Term Liabilities:			
Due Within One Year	\$ 3,170,739	\$ 2,944,293	
Due in More than One Year	16,811,925	17,115,428	
	<u>\$ 19,982,664</u>	<u>\$ 20,059,721</u>	

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, 2011**

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

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF NET ASSETS
JUNE 30, 2011
(WITH COMPARATIVE DATA AS OF JUNE 30, 2010)**

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and Investments	\$ 1,809,987	\$ 5,560,520
Cash and Investments Held by Trustee	100,833	-
Receivables		
Property Taxes	4,716,221	4,891,233
Other Governments	12,132,525	11,560,938
Other	301,899	307,365
Prepaid Items	177,307	116,143
Inventories	59,656	35,394
Bond Issuance Costs, Net	85,395	49,809
Capital Assets		
Land and Construction in Progress	2,089,742	1,823,335
Other Capital Assets, Net of Depreciation	24,601,844	22,636,530
Total Assets	<u>46,075,409</u>	<u>46,981,267</u>
LIABILITIES		
Salaries and Wages Payable	4,024,625	4,047,319
Accounts and Contracts Payable	818,247	1,208,324
Accrued Interest	224,570	220,801
Due to Other Governmental Units	245,486	215,830
Property Tax Shift Adjustment	74,311	-
Unearned Revenue		
Property Taxes	5,316,588	7,454,882
Local Sources	87,597	41,806
Long-Term Liabilities		
Portion Due Within One Year	3,170,739	2,944,293
Portion Due in More Than One Year	16,811,925	17,115,428
Total Liabilities	<u>30,774,088</u>	<u>33,248,683</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	13,921,139	11,702,040
Restricted for:		
Operating Capital Purposes	328,884	520,132
State-Mandated Restrictions	175,769	290,816
Food Service	488,095	369,491
Community Service	233,879	201,377
Debt Service	552,779	592,348
Unrestricted	<u>(399,224)</u>	<u>56,380</u>
Total Net Assets	<u>\$ 15,301,321</u>	<u>\$ 13,732,584</u>

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2010)**

Functions	2011		
	Expenses	Program	
		Charges for Services	Operating Grants and Contributions
Governmental Activities			
Administration	\$ 1,871,259	\$ -	\$ -
District Support Services	2,400,208	-	-
Regular Instruction	22,918,131	497,422	4,792,131
Vocational Education Instruction	947,088	-	26,018
Special Education Instruction	8,487,358	211,809	6,094,403
Instructional Support Services	2,602,566	-	134,844
Pupil Support Services	3,597,773	-	162,458
Sites and Buildings	4,610,789	28,686	36,330
Fiscal and Other Fixed Cost Programs	97,980	-	-
Food Service	2,517,812	1,346,758	1,274,862
Community Service	1,853,866	613,790	890,270
Interest and Fiscal Charges on Long-Term Liabilities	503,226	-	-
Total School District	\$ 52,408,056	\$ 2,698,465	\$ 13,411,316

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

Net Assets - Ending

See accompanying Notes to Basic Financial Statements.

	<u>2011</u>	<u>2010</u>
<u>Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>	<u>Total Governmental Activities</u>
\$ 27,850	\$ (1,843,409)	\$ (1,681,338)
185,987	(2,214,221)	(2,241,694)
247,296	(17,381,282)	(14,971,701)
-	(921,070)	(928,438)
1,200	(2,179,946)	(2,231,843)
-	(2,467,722)	(2,554,492)
1,080	(3,434,235)	(3,271,475)
285,563	(4,260,210)	(4,626,024)
-	(97,980)	(97,686)
-	103,808	67,143
-	(349,806)	(379,734)
-	(503,226)	(596,940)
<u>\$ 748,976</u>	<u>(35,549,299)</u>	<u>(33,514,222)</u>

7,077,607	5,190,491
432,268	290,936
2,449,394	3,172,041
26,927,364	26,001,620
7,010	29,226
17,610	16,600
206,783	9,376
<u>37,118,036</u>	<u>34,710,290</u>
1,568,737	1,196,068
<u>13,732,584</u>	<u>12,536,516</u>
<u>\$ 15,301,321</u>	<u>\$ 13,732,584</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2011
(WITH COMPARATIVE DATA AS OF JUNE 30, 2010)**

Major

	General	Food Service	Community Service
ASSETS			
Cash and Investments	\$ -	\$ -	\$ -
Cash and Investments Held by Trustee	-	-	-
Receivables			
Current Property Taxes	2,857,623	-	180,523
Delinquent Property Taxes	107,272	-	6,000
Due from Other Minnesota School Districts	125,596	18	-
Due from Minnesota Department of Education	11,142,528	44	276,516
Due from Federal through Minnesota Department of Education	463,064	27,848	27,160
Due from Other Governmental Units	6,409	-	-
Other Receivables	280,654	20,753	492
Due from Other Funds	-	499,283	94,084
Prepaid Items	166,303	11,004	-
Inventory	12,616	47,040	-
Total Assets	<u>\$ 15,162,065</u>	<u>\$ 605,990</u>	<u>\$ 584,775</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Salaries and Wages Payable	\$ 3,981,727	\$ 21,778	\$ 21,120
Accounts and Contracts Payable	732,078	50,579	27,409
Due to Other Governmental Units	105,980	8	139,498
Due to Other Funds	764,078	-	-
Property Tax Shift Adjustment	74,311	-	-
Deferred Revenue:			
Property Taxes Levied for Subsequent Year	2,557,265	-	162,869
Delinquent Property Taxes	60,517	-	6,000
Local Sources	42,067	45,530	-
Total Liabilities	<u>8,318,023</u>	<u>117,895</u>	<u>356,896</u>
Fund Balance			
Nonspendable:			
Prepaid Items	166,303	11,004	-
Inventory	12,616	47,040	-
Restricted:			
Deferred Maintenance	(13,902)	-	-
Learning and Development	282	-	-
Gifted and Talented	422	-	-
Basic Skills Programs	125,790	-	-
Health and Safety	(61,284)	-	-
Operating Capital	328,884	-	-
Safe Schools	49,275	-	-
Community Education Programs	-	-	145,638
Early Childhood and Family Education Programs	-	-	54,005
School Readiness	-	-	-
Project Funded by Certificates of Participation	-	-	-
Other Purposes	-	430,051	28,236
Unassigned	6,235,656	-	-
Total Fund Balance	<u>6,844,042</u>	<u>488,095</u>	<u>227,879</u>
Total Liabilities and Fund Balance	<u>\$ 15,162,065</u>	<u>\$ 605,990</u>	<u>\$ 584,775</u>

See accompanying Notes to Basic Financial Statements.

Funds		Total Governmental Funds	
Capital Projects - Building Construction	Debt Service	2011	2010
\$ -	\$ 1,728,952	\$ 1,728,952	\$ 5,308,981
84,855	15,978	100,833	-
-	1,513,243	4,551,389	4,652,093
-	51,560	164,832	239,140
-	-	125,614	103,645
-	63,342	11,482,430	9,291,411
-	-	518,072	2,159,530
-	-	6,409	6,352
-	-	301,899	307,365
-	-	593,367	-
-	-	177,307	116,143
-	-	59,656	35,394
<u>\$ 84,855</u>	<u>\$ 3,373,075</u>	<u>\$ 19,810,760</u>	<u>\$ 22,220,054</u>
\$ -	\$ -	\$ 4,024,625	\$ 4,047,319
8,181	-	818,247	1,208,324
-	-	245,486	215,830
-	-	764,078	-
-	-	74,311	-
-	2,596,454	5,316,588	7,454,882
-	51,560	118,077	163,573
-	-	87,597	41,806
<u>8,181</u>	<u>2,648,014</u>	<u>11,449,009</u>	<u>13,131,734</u>
-	-	177,307	116,143
-	-	59,656	35,394
-	-	(13,902)	1,445
-	-	282	-
-	-	422	-
-	-	125,790	136,857
-	-	(61,284)	36,190
-	-	328,884	520,132
-	-	49,275	116,324
-	-	145,638	147,509
-	-	54,005	47,317
-	-	-	(168)
76,674	-	76,674	-
-	725,061	1,183,348	1,158,117
-	-	6,235,656	6,773,060
<u>76,674</u>	<u>725,061</u>	<u>8,361,751</u>	<u>9,088,320</u>
<u>\$ 84,855</u>	<u>\$ 3,373,075</u>	<u>\$ 19,810,760</u>	<u>\$ 22,220,054</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011
(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2010)**

	2011	2010
Total Fund Balance for Governmental Funds	\$ 8,361,751	\$ 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	1,823,335
Construction in Progress	266,407	-
Land Improvements, Net of Accumulated Depreciation	763,813	835,411
Buildings and Improvements, Net of Accumulated Depreciation	21,341,030	19,743,951
Equipment, Net of Accumulated Depreciation	2,497,001	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.		
	118,077	163,573
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(224,570)	(220,801)
Bond issuance costs are reported as expenditures in the governmental funds.		
	85,395	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:		
	251,746	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	(13,235,000)	(15,500,000)
Unamortized Premiums	(13,232)	-
Unamortized Discounts	20,530	24,427
Certificates of Participation Payable	(1,855,000)	-
Obligations Under Capital Leases	(285,211)	(172,332)
Other Postemployment Benefits Payable	(547,354)	(340,760)
Severance Benefits Payable	(3,700,702)	(3,794,355)
Compensated Absences Payable	(284,962)	(229,131)
Pension Payable	(81,733)	(47,570)
Total Net Assets of Governmental Activities	\$ 15,301,321	\$ 13,732,584

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, 2011
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2010)**

	Major		
	General	Food Service	Community Service
REVENUES			
Local Sources			
Property Taxes	\$ 7,090,035	\$ -	\$ 433,713
Earnings on Investments	2,858	329	282
Other	989,439	1,346,758	628,688
State Sources	35,747,140	140,524	742,064
Federal Sources	2,888,963	1,134,338	25,493
Total Revenues	46,718,435	2,621,949	1,830,240
EXPENDITURES			
Current			
Administration	1,794,161	-	-
District Support Services	2,216,781	-	-
Regular Instruction	21,632,973	-	-
Vocational Education Instruction	897,302	-	-
Special Education Instruction	8,500,187	-	-
Instructional Support Services	2,549,555	-	-
Pupil Support Services	3,507,532	-	-
Sites and Buildings	4,603,163	-	-
Fiscal and Other Fixed Cost Programs	97,980	-	-
Food Service	-	2,446,111	-
Community Service	-	-	1,796,287
Capital Outlay	2,120,939	57,234	26,105
Debt Service			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	47,920,573	2,503,345	1,822,392
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(1,202,138)	118,604	7,848
OTHER FINANCING SOURCES (USES)			
Capital Lease Proceeds	201,918	-	-
Judgments for School Districts	138,357	-	-
Sale of Equipment Proceeds	20,256	-	-
Certificate of Participation Proceeds	-	-	-
Certificates of Participation Premium	-	-	-
Transfers In	-	-	18,654
Transfers Out	(18,654)	-	-
Total Other Financing Sources (Uses)	341,877	-	18,654
Net Change in Fund Balances	(860,261)	118,604	26,502
Fund Balances - Beginning	7,704,303	369,491	201,377
Fund Balances - Ending	\$ 6,844,042	\$ 488,095	\$ 227,879

See accompanying Notes to Basic Financial Statements.

Funds		Total Governmental	
Capital		Funds	
Projects -	Debt		
Building	Service	2011	2010
Construction			
\$ -	\$ 2,481,017	\$ 10,004,765	\$ 8,636,276
665	2,669	6,803	28,273
-	-	2,964,885	3,506,808
-	211,140	36,840,868	34,862,729
-	-	4,048,794	6,836,969
<u>665</u>	<u>2,694,826</u>	<u>53,866,115</u>	<u>53,871,055</u>
-	-	1,794,161	1,738,247
-	-	2,216,781	1,843,598
-	-	21,632,973	21,686,361
-	-	897,302	933,799
-	-	8,500,187	8,311,029
-	-	2,549,555	2,671,979
-	-	3,507,532	3,438,413
-	-	4,603,163	4,454,311
-	-	97,980	97,686
-	-	2,446,111	2,465,945
-	-	1,796,287	1,814,794
1,778,991	-	3,983,269	1,606,460
-	2,265,000	2,265,000	2,905,000
-	532,685	532,685	620,671
<u>1,778,991</u>	<u>2,797,685</u>	<u>56,822,986</u>	<u>54,588,293</u>
(1,778,326)	(102,859)	(2,956,871)	(717,238)
-	-	201,918	6,687
-	-	138,357	149,550
-	-	20,256	16,600
1,855,000	-	1,855,000	-
-	14,771	14,771	-
-	-	18,654	15,219
-	-	(18,654)	(15,219)
<u>1,855,000</u>	<u>14,771</u>	<u>2,230,302</u>	<u>172,837</u>
76,674	(88,088)	(726,569)	(544,401)
-	813,149	9,088,320	9,632,721
<u>\$ 76,674</u>	<u>\$ 725,061</u>	<u>\$ 8,361,751</u>	<u>\$ 9,088,320</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, 2011
(WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2010)**

	2011	2010
Net Change in Fund Balance-Total Governmental Funds	\$ (726,569)	\$ (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	3,473,748	174,209
Gain on Disposal of Capital Assets	17,610	16,600
Proceeds from Sales of Capital Assets	(20,256)	(16,600)
Depreciation Expense	(1,239,381)	(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	(201,918)	(6,687)
Change in Accrued Interest Expense - Capital Leases	(728)	484
Principal Payments - Capital Leases	89,039	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:		
Certificates of Participation Proceeds	(1,855,000)	-
Certificates of Participation Premium	(14,771)	-
Certificates of Participation Issuance Costs	49,013	-
Repayment of Bond Principal	2,265,000	2,905,000
Change in Accrued Interest Expense - General Obligation Bonds	(3,041)	36,564
Amortization of Bond Issuance Costs	(13,427)	(9,188)
Amortization of Certificates of Participation Premium	1,539	-
Amortization of Bond Discount	(3,897)	(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.	(45,496)	17,192
In the statement of activities, certain operating expenses - severance benefits, pension, other postemployment health 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).	(202,935)	(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.	207	953
Change in Net Assets of Governmental Activities	\$ 1,568,737	\$ 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, 2011**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources				
Property Taxes	\$ 7,502,374	\$ 7,502,374	\$ 7,090,035	\$ (412,339)
Earnings on Investments	28,603	28,603	2,858	(25,745)
Other	1,251,202	1,178,951	989,439	(189,512)
State Sources	34,978,115	34,778,115	35,747,140	969,025
Federal Sources	3,069,251	2,967,556	2,888,963	(78,593)
Total Revenues	46,829,545	46,455,599	46,718,435	262,836
EXPENDITURES				
Current:				
Administration	1,736,158	1,756,790	1,794,161	37,371
District Support Services	1,754,308	1,811,208	2,216,781	405,573
Regular Instruction	22,296,974	22,518,278	21,632,973	(885,305)
Vocational Education Instruction	1,038,635	1,038,665	897,302	(141,363)
Special Education Instruction	8,883,201	8,673,238	8,500,187	(173,051)
Instructional Support Services	2,617,134	2,604,231	2,549,555	(54,676)
Pupil Support Services	3,611,363	3,611,363	3,507,532	(103,831)
Sites and Buildings	4,717,456	4,517,856	4,603,163	85,307
Fiscal and Other Fixed Cost Programs	120,527	120,527	97,980	(22,547)
Capital Outlay	1,187,692	1,255,536	2,120,939	865,403
Total Expenditures	47,963,448	47,907,692	47,920,573	12,881
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,133,903)	(1,452,093)	(1,202,138)	249,955
OTHER FINANCING SOURCES (USES)				
Capital Lease Proceeds	-	-	201,918	201,918
Judgments for School Districts	157,000	164,787	138,357	(26,430)
Sale of Equipment Proceeds	16,600	16,600	20,256	3,656
Transfers Out	(28,000)	(28,000)	(18,654)	9,346
Total Other Financing Sources (Uses)	145,600	153,387	341,877	188,490
Net Change in Fund Balances	\$ (988,303)	\$ (1,298,706)	(860,261)	\$ 438,445
FUND BALANCE				
Beginning of Year			7,704,303	
End of Year			\$ 6,844,042	

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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources				
Earnings on Investments	\$ 888	\$ 888	\$ 329	\$ (559)
Other - Primarily Meal Sales	1,444,085	1,444,085	1,346,758	(97,327)
State Sources	154,754	155,239	140,524	(14,715)
Federal Sources	980,998	992,598	1,134,338	141,740
Total Revenues	<u>2,580,725</u>	<u>2,592,810</u>	<u>2,621,949</u>	<u>29,139</u>
EXPENDITURES				
Current				
Food Service	2,630,839	2,580,052	2,446,111	(133,941)
Capital Outlay	52,407	52,407	57,234	4,827
Total Expenditures	<u>2,683,246</u>	<u>2,632,459</u>	<u>2,503,345</u>	<u>(129,114)</u>
Net Change in Fund Balance	<u>\$ (102,521)</u>	<u>\$ (39,649)</u>	118,604	<u>\$ 158,253</u>
FUND BALANCE				
Beginning of Year			<u>369,491</u>	
End of Year			<u>\$ 488,095</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources				
Property Taxes	\$ 284,847	\$ 284,847	\$ 433,713	\$ 148,866
Earnings on Investments	1,835	1,835	282	(1,553)
Other - Primarily Tuition and Fees	582,500	582,500	628,688	46,188
State Sources	854,961	863,895	742,064	(121,831)
Federal Sources	<u>26,481</u>	<u>27,160</u>	<u>25,493</u>	<u>(1,667)</u>
Total Revenues	<u>1,750,624</u>	<u>1,760,237</u>	<u>1,830,240</u>	<u>70,003</u>
Community Service	1,831,435	1,847,357	1,796,287	(51,070)
Capital Outlay	<u>8,179</u>	<u>8,179</u>	<u>26,105</u>	<u>17,926</u>
Total Expenditures	<u>1,839,614</u>	<u>1,855,536</u>	<u>1,822,392</u>	<u>(33,144)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(88,990)	(95,299)	7,848	103,147
OTHER FINANCING SOURCES				
Transfer in	<u>28,000</u>	<u>28,000</u>	<u>18,654</u>	<u>(9,346)</u>
Total Other Financing Sources	<u>28,000</u>	<u>28,000</u>	<u>18,654</u>	<u>(9,346)</u>
Net Change in Fund Balances	<u>\$ (60,990)</u>	<u>\$ (67,299)</u>	26,502	<u>\$ 93,801</u>
FUND BALANCE				
Beginning of Year			<u>201,377</u>	
End of Year			<u>\$ 227,879</u>	

See accompanying Notes to Basic Financial Statements.

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011
(WITH COMPARATIVE DATA AS OF JUNE 30, 2010)

	Governmental Activities -	
	Internal Service Funds	
	2011	2010
ASSETS		
Current Assets		
Cash and Investments	\$ 81,035	\$ 251,539
Due from Other Funds	170,711	-
Total Assets	\$ 251,746	\$ 251,539
NET ASSETS		
Unrestricted	\$ 251,746	\$ 251,539
Total Net Assets	\$ 251,746	\$ 251,539

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, 2011
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2010)

	Governmental Activities - Internal Service Funds	
	2011	2010
NONOPERATING INCOME		
Earnings on Investments	\$ 207	\$ 953
Change in Net Assets	207	953
Total Net Assets - Beginning	251,539	250,586
Total Net Assets - Ending	\$ 251,746	\$ 251,539

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, 2011
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2010)**

	Governmental Activities - Internal Service Funds	
	2011	2010
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Due From Other Funds	\$ (170,711)	\$ -
Net Cash Used by Noncapital Financing Activities	(170,711)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	207	953
Net Cash Provided by Investing Activities	207	953
Cash and Cash Equivalents - Beginning	251,539	250,586
Cash and Cash Equivalents - Ending	\$ 81,035	\$ 251,539
Displayed on Statements of Fund Net Assets as:		
Cash and Investments	\$ 81,035	\$ 251,539

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011**

	Private- Purpose Trust
ASSETS	
Cash and Temporary Investments	\$ 2,136
Total Assets	\$ 2,136
NET ASSETS	
Restricted for School Museum	\$ 2,136
Total Net Assets	\$ 2,136

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2011**

	Private- Purpose Trust
ADDITIONS	
Contributions	\$ 425
Interest Income	2
Total Additions	427
DEDUCTIONS	
Salaries	808
Benefits	120
Total Deductions	928
Change in Net Assets	(501)
Net Assets - Beginning of Year	2,637
Net Assets - End of Year	\$ 2,136

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

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.

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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

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.

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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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.

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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued)

Food Service Special Revenue Fund - The Food Service Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Fund are generated from user fees, federal reimbursements and state aids.

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. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes and state credits.

Capital Projects Building Construction Fund - The Capital Projects Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

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.

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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

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:

<u>Revenues and Other Financing Sources</u>	Original Budget	Amendments
General Fund	\$ 47,003,145	\$ (366,159)
Special Revenue Funds		
Food Service Fund	2,580,725	12,085
Community Service Fund	1,778,624	9,613
Capital Project Building Construction Fund	-	1,811,562
Debt Service Fund	2,665,535	-
<u>Expenditures</u>		
General Fund	47,991,448	(55,756)
Special Revenue Funds		
Food Service Fund	2,683,246	(50,787)
Community Service Fund	1,839,614	15,922
Capital Project Building Construction Fund	-	1,811,562
Debt Service Fund	2,798,015	-

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.

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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Cash and Investments Held by Trustee

Cash and investments held by trustee consist of interest and non-interest bearing money market accounts and a mutual fund held by an escrow agent. The premium on the certificate of participation issued are held in the debt service fund. The remaining proceeds are held in the capital projects fund (see Note 5).

H. 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.

I. 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.

J. 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.

K. 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, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. 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. Starting in fiscal year 2011, the shift was expanded to include all other general and community service fund levies. State aids are then reduced in fiscal year 2011 by this expanded shift amount, making this portion of the tax shift revenue neutral to school districts. This resulted in a significant increase in advance recognition of tax revenue in the District's General Fund (and corresponding state aid holdback totaling \$2,078,197) and an increase in the District's Community Service Fund (and corresponding state aid holdback totaling \$150,770). Since advanced collections of Pay 2011 levy amounts at June 30, 2011 were not sufficient to cover the amount required to be advance recognized as revenue, state statute requires that fiscal 2012 general education aid in the amount of \$3,399 be advance recognized. Certain other portions of the District's 2010 Pay 2011 levy, normally revenue for the 2011-12 fiscal year, are also advance recognized at June 30, 2011, as required by state statute to match revenue with the same fiscal year as the related expenditures.

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, 2011, 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.

L. 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 \$1,000 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 and construction in progress.

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, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. 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.

N. 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, 2011, unpaid vacation pay totaling \$284,962 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, 2011 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.

During fiscal year 2011, expenditures for convertible sick leave benefits totaled \$273,453. At June 30, 2011, 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 \$3,700,702.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Accrued Employee Benefits (Continued)

Other Post Employment Benefits Payable

Under the terms of certain collective bargaining employment contracts, the District provides health care coverage until age 65 if certain age and minimum years of service requirements are met. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB 45.

O. 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.

P. 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 cash received to buy out an operating lease in the General Fund and for prepaid lunches in the Food Service Fund.

Q. Fund Balance

At June 30, 2011, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. June 30, 2010 partial comparative fund balance data has been reclassified to be presented in accordance with GASBS No. 54.

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance related to prepaid items and inventories. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The Board of Education passed a resolution authorizing the Superintendent, Director of Finance and Operations, and Controller to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

The District has a minimum fund balance policy, which identifies a minimum unassigned general fund balance of no less than eight percent and no more than ten percent of the general fund annual expenditure budget.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. 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.

S. 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 \$1,779,406 of restricted net assets, all of which is restricted by enabling legislation.

T. 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.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds:

	Budget	Expenditures
General Fund	\$ 47,907,692	\$ 47,920,573

These additional expenditures were paid for with available fund balance.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY (CONTINUED)

B. Interfund Receivables and Payables

The District had the following interfund receivables and payables at June 30, 2011:

	Due from Other Funds	Due to Other Funds
General Fund	\$ -	\$ 764,078
Food Service Fund	499,283	-
Community Service Fund	94,084	-
Internal Service Fund	170,711	-
	\$ 764,078	\$ 764,078

The purpose of the interfund balance is to eliminate negative cash in the General Fund. The balance is expected to be repaid within one year.

C. Interfund Transfers

The District had the following interfund transfer at June 30, 2011:

	Transfer In:
Transfer Out:	Community
General Fund	Service
	Fund
	\$ 18,654

The purpose of this interfund transfer was to fund the Kid's First Program that is run by the Community Service Fund.

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, 2011 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota statutes.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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.

At June 30, 2011, the District had the following investments:

Investments Held with Broker –

	Amortized Cost
Minnesota School District Liquid Asset Fund (MSDLAF+)	\$ 213,287
Minnesota School District Liquid Asset Fund Plus - MAX Series (MSDMAX)	298,464
Total	\$ 511,751

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.

Investments Held by Trustee –

	Amortized Cost
First American Govt. Oblig. Fund Cl. D	\$ 16,472

The First American Treasury Obligations Fund Class D is an external investment pool and its investments are valued at amortized cost, which approximates fair value in accordance with Rule 2a7 of the Investment Company Act of 1940.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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, 2011 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 & Poor's:

	Credit Quality Rating
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	AAAm
Minnesota School District Liquid Asset Fund Plus - MAX Series (MSDMAX)	AAAm
First American Govt. Oblig. Fund Cl. D	NR

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.

The following investments individually comprise more than 5% of the District's total investments:

Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	\$ 213,287
Minnesota School District Liquid Asset Fund Plus - MAX Series (MSDMAX)	298,464
Total	\$ 511,751

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Balance Sheet Presentation

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

Deposits	\$ 1,384,733
Investments	528,223
Total Cash and Investments	<u>\$ 1,912,956</u>

Reconciliation of Cash and Investments:

Cash and Investments - Statement of Net Assets	\$ 1,809,987
Cash and Investments - Held by Trustee - Statement of Net Assets	100,833
Cash and Investments - Statement of Fiduciary Net Assets	2,136
Total Cash and Investments	<u>\$ 1,912,956</u>

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 1,823,335	\$ -	\$ -	\$ 1,823,335
Construction in Progress	-	266,407	-	266,407
Total Capital Assets, Not Being Depreciated	1,823,335	266,407	-	2,089,742
Capital Assets, Being Depreciated				
Land Improvements	2,195,727	11,975	-	2,207,702
Buildings and Improvements	36,127,515	2,260,943	-	38,388,458
Equipment	7,111,862	934,423	(162,045)	7,884,240
Total Capital Assets, Being Depreciated	45,435,104	3,207,341	(162,045)	48,480,400
Accumulated Depreciation for				
Land Improvements	(1,360,316)	(83,573)	-	(1,443,889)
Buildings and Improvements	(16,383,564)	(663,864)	-	(17,047,428)
Equipment	(5,054,694)	(491,944)	159,399	(5,387,239)
Total Accumulated Depreciation	(22,798,574)	(1,239,381)	159,399	(23,878,556)
Total Capital Assets, Being Depreciated, Net	22,636,530	1,967,960	(2,646)	24,601,844
Governmental Activities Capital Assets, Net	<u>\$ 24,459,865</u>	<u>\$ 2,234,367</u>	<u>\$ (2,646)</u>	<u>\$ 26,691,586</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 4 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities

Administration	\$ 8,527
District Support Services	103,169
Regular Instruction	930,149
Vocational Education Instruction	18,037
Special Education Instruction	4,502
Instructional Support Services	2,157
Pupil Support Services	33,644
Sites and Buildings	72,510
Food Service	46,459
Community Service	20,227
	<u>20,227</u>
Total Depreciation Expense, Governmental Activities	<u><u>\$ 1,239,381</u></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	\$ 325,000	\$ 675,000
1/15/2004	2.0% - 3.7%	21,305,000	2/1/2017	1,900,000	12,560,000
				<u>2,225,000</u>	<u>13,235,000</u>
				1,846	13,232
				(3,897)	(20,530)
				200,000	1,855,000
				117,872	285,211
				-	81,733
				-	547,354
				416,196	3,700,702
				213,722	284,962
				<u>\$ 3,170,739</u>	<u>\$ 19,982,664</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5 GENERAL LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments

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

Year Ending June 30	General Obligation Bonds Payable		Certificates of Participation Payable	
	Principal	Interest	Principal	Interest
2012	\$ 2,225,000	\$ 462,353	\$ 200,000	\$ 57,853
2013	2,320,000	390,853	225,000	36,838
2014	2,045,000	310,965	225,000	32,338
2015	2,130,000	239,390	230,000	27,838
2016	2,215,000	164,840	235,000	23,238
2017 - 2019	2,300,000	85,100	740,000	38,689
	<u>\$ 13,235,000</u>	<u>\$ 1,653,501</u>	<u>\$ 1,855,000</u>	<u>\$ 216,794</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.

Certificates of Participation Payable

On September 1, 2010, the District issued \$1,855,000 of Certificates of Participation, Series 2010A. The proceeds of this issue were used to finance capital improvements to various District buildings. Future operating capital tax levies are dedicated to the retirement of these certificates. As of June 30, 2011 the District had not yet completed all capital improvements, but has drawn \$1,770,810 of the total amount available.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5 GENERAL LONG-TERM DEBT (CONTINUED)

C. Description of Long-Term Debt (Continued)

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 12.0%.

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.

During 2011, the District entered into a lease agreement for four copy machines. The total lease for \$201,918 has principal and interest payments due monthly at a rate of 7.0%.

Total cost of assets held under capital leases is \$485,899. Related accumulated depreciation of assets under capital leases at June 30, 2011 is \$220,237.

Annual payments required under capital leases are as follows:

<u>Year Ending June 30,</u>	
2012	\$ 137,245
2013	64,452
2014	47,856
2015	47,856
2016	<u>27,914</u>
Total Minimum Lease Payments	325,323
Less Amounts Representing Interest	<u>40,112</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 285,211</u></u>

Compensated Absences Payable

Compensated absences payable consists of unused vacation as of June 30, 2011. 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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5 GENERAL LONG-TERM DEBT (CONTINUED)

D. Changes in Long-Term Debt

	June 30, 2010	Additions	Retirements	June 30, 2011
Bonds Payable	\$ 15,500,000	\$ -	\$ 2,265,000	\$ 13,235,000
Bond Premium	-	14,771	1,539	13,232
Bond Discounts	(24,427)	-	(3,897)	(20,530)
Certificates of Participation Payable	-	1,855,000	-	1,855,000
Capital Lease Payable	172,332	201,918	89,039	285,211
Pension Payable	47,570	63,484	29,321	81,733
Other Postemployment Benefits Payable	340,760	502,129	295,535	547,354
Severance Benefits Payable	3,794,355	179,800	273,453	3,700,702
Compensated Absences Payable	229,131	213,413	157,582	284,962
	<u>\$ 20,059,721</u>	<u>\$ 3,030,515</u>	<u>\$ 3,107,572</u>	<u>\$ 19,982,664</u>

NOTE 6 RESTRICTED FUND BALANCES

Fund Equity

Certain portions of fund balance are restricted 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 restricted fund balances for the governmental funds:

A. Restricted for Deferred Maintenance

Restricted 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 restriction is allowable.

B. Restricted for Learning and Development

Restricted for learning and development represents amounts restricted primarily for reducing the pupil-to-staff ratio.

C. Restricted for Gifted and Talented

The fund balance restriction represents accumulated resources available to provide gifted and talented programming.

D. Restricted for Basic Skills Programs

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

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)

Fund Equity (Continued)

E. Restricted for Health and Safety

Restricted 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 restriction generates specific future levy authority.

F. Restricted 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 restriction of fund balance in the General Fund.

G. Restricted for Safe Schools

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

H. Restricted for Community Education Programs

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

I. Restricted for Early Childhood and Family Education Programs

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

J. Restricted for School Readiness

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

K. Restricted for Certificates of Participation

The fund balance restriction represents the remaining funds from issuance of certificates of participation.

L. Restricted for Other Purposes

Represents amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

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.

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, 2011, 2010, and 2009 were \$1,173,228, \$1,141,856, and \$1,172,528, respectively, equal to the required contributions for each year as set by state statute.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 7 PENSION PLANS (CONTINUED)

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 General Employees' Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. GERF 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 GERF. 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. GERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 6.0%, respectively, of their annual covered salary. Employee contribution rates for the Coordinated Plan increased to 6.25% effective January 1, 2011.

The District is required to contribute the following percentages of annual covered payroll in 2011: 11.78% for Basic Plan GERF members, 7.00% for Coordinated Plan members. Employer contribution rates for the Coordinated Plan increased to 7.25% effective January 1, 2011. The District's contributions for the years ending June 30, 2011, 2010, and 2009, were \$471,985, \$451,270, and \$425,022, 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 23 active participants in the plan as of July 1, 2010. 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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 7 PENSION PLANS (CONTINUED)

C. Supplemental Pension Plan (Continued)

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 2011, the District contributed \$26,441 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, 2010 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.

	2011
Annual Required Contribution	\$ 61,343
Interest on Net Pension Calculation	2,141
Adjustment to Annual Required Contribution	(2,880)
Annual Pension Cost (Expense)	60,604
Contributions Made	(26,441)
Increase in Net Pension Obligation	34,163
Net Pension Obligation - Beginning of Year	47,570
Net Pension Obligation - End of Year	\$ 81,733

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

The District's annual pension cost, the percentage of the annual pension cost contributed to the plan, and the net pension obligation for 2011 and the two preceding years were:

Fiscal Year Ended	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
06/30/11	\$ 60,604	43.6%	\$ 81,733
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, 2011 does not exceed thirty years.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 7 PENSION PLANS (CONTINUED)

C. Supplemental Pension Plan (Continued)

4. Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the District unfunded actuarial accrued liability (UAAL) was \$312,836. The annual payroll for active employees covered by the plan in the actuarial valuation was \$2,060,987 for a ratio of UAAL to covered payroll of 15.2%.

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 pension benefits.

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 574 active participants and 98 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 up to 100% of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2011, the District contributed \$274,894 to the plan.

C. Annual OPEB Cost and Net OPEB Obligation

The District's 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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

	2011
Annual Required Contribution	\$ 486,795
Interest on Net OPEB Calculation	15,334
Adjustment to Annual Required Contribution	(20,641)
Annual OPEB Cost (Expense)	481,488
Contributions Made	(274,894)
Increase in Net OPEB Obligation	206,594
Net OPEB Obligation - Beginning of Year	340,760
Net OPEB Obligation - End of Year	\$ 547,354

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/11	\$ 481,488	57.1%	\$ 547,354
06/30/10	\$ 488,501	66.9%	\$ 340,760
06/30/09	\$ 491,197	63.5%	\$ 179,108

D. Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$3,498,294. The annual payroll for active employees covered by the plan in the actuarial valuation was \$24,479,751 for a ratio of UAAL to covered payroll of 14.3%.

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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

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, 2010 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 8.5% reduced by decrements to an ultimate rate of 5.0% after seven years. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at June 30, 2011 does not exceed thirty 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.

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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 10 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, 2011, 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.

NOTE 11 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, 2011 was \$457,056.

Minimum rental commitments on leases in effect at June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	
2012	\$ 204,788
2013	204,202
2014	201,272
2015	<u>201,272</u>
Total Minimum Lease Payments	<u><u>\$ 811,534</u></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.

C. Construction Commitments

As of June 30, 2011 the District had entered into various construction contracts for the construction and betterment of school facilities. Total remaining commitments under these contracts were \$104,152.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 12 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 \$45,106 for the year ended June 30, 2011. The bonds matured in various increments through 2011.

NOTE 13 SUBSEQUENT EVENT

On July 1, 2011, the District was approved for a line of credit of \$1,500,000 from Associated Bank. The interest rate applied on any borrowings was 2.201%. The line of credit matured on August 15, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLANS
JUNE 30, 2011**

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>						
7/1/2010	\$ -	\$ 312,836	\$ 312,836	0.0%	\$ 2,060,987	15.2%
7/1/2008	\$ -	\$ 270,980	\$ 270,980	0.0%	\$ 1,981,766	13.7%
<u>Other Post Employment Benefits</u>						
7/1/2010	\$ -	\$ 3,498,294	\$ 3,498,294	0.0%	\$ 24,479,751	14.3%
7/1/2008	\$ -	\$ 3,750,691	\$ 3,750,691	0.0%	\$ 24,835,198	15.1%

SUPPLEMENTARY INFORMATION

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
GENERAL FUND
SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCE
JUNE 30, 2011
(WITH COMPARATIVE DATA AS OF JUNE 30, 2010)**

	2011	2010
ASSETS		
Cash and Investments	\$ -	\$ 2,935,311
Receivables		
Current Property Taxes	2,857,623	2,920,170
Delinquent Property Taxes	107,272	148,512
Due from Other Minnesota School Districts	125,596	103,645
Due from Minnesota Department of Education	11,142,528	8,973,827
Due from Federal through the Minnesota Department of Education	463,064	2,069,516
Due from Other Governmental Units	6,409	6,352
Other Receivables	280,654	294,098
Prepaid Items	166,303	115,873
Inventory	12,616	4,422
Total Assets	\$ 15,162,065	\$ 17,571,726
 LIABILITIES AND FUND BALANCES		
Liabilities		
Salaries and Wages Payable	\$ 3,981,727	\$ 4,012,822
Accounts and Contracts Payable	732,078	1,161,864
Due to Other Governmental Units	105,980	133,186
Due to Other Funds	764,078	-
Property Tax Shift Adjustment	74,311	-
Deferred Revenue:		
Property Taxes Levied for Subsequent Year	2,557,265	4,486,606
Delinquent Property Taxes	60,517	72,945
Local Sources	42,067	-
Total Liabilities	8,318,023	9,867,423
Fund Balance		
Nonspendable:		
Prepaid Items	166,303	115,873
Inventory	12,616	4,422
Restricted:		
Deferred Maintenance	(13,902)	1,445
Learning and Development	282	-
Gifted and Talented	422	-
Basic Skills Programs	125,790	136,857
Health and Safety	(61,284)	36,190
Operating Capital	328,884	520,132
Safe Schools	49,275	116,324
Unassigned	6,235,656	6,773,060
Total Fund Balance	6,844,042	7,704,303
Total Liabilities and Fund Balance	\$ 15,162,065	\$ 17,571,726

**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, 2011
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2010)**

	2011			Over (Under) Final Budget	2010
	Original Budget	Final Budget	Actual Amounts		Actual Amounts
REVENUES					
Local Sources					
Property Taxes	\$ 7,502,374	\$ 7,502,374	\$ 7,090,035	\$ (412,339)	\$ 5,199,524
Earnings on Investments	28,603	28,603	2,858	(25,745)	19,582
Other	1,251,202	1,178,951	989,439	(189,512)	1,556,344
State Sources	34,978,115	34,778,115	35,747,140	969,025	33,580,948
Federal Sources	3,069,251	2,967,556	2,888,963	(78,593)	5,696,310
Total Revenues	<u>46,829,545</u>	<u>46,455,599</u>	<u>46,718,435</u>	<u>262,836</u>	<u>46,052,708</u>
EXPENDITURES					
Current					
Administration					
Salaries	1,179,403	1,179,403	1,206,700	27,297	1,208,348
Employee Benefits	398,410	398,410	414,609	16,199	390,526
Purchased Services	75,956	96,588	105,275	8,687	66,766
Supplies and Materials	53,795	53,795	45,358	(8,437)	51,657
Capital Expenditures	59,572	66,422	67,899	1,477	69,943
Other Expenditures	28,594	28,594	22,219	(6,375)	20,950
Total Administration	<u>1,795,730</u>	<u>1,823,212</u>	<u>1,862,060</u>	<u>38,848</u>	<u>1,808,190</u>
District Support Services					
Salaries	936,314	936,314	969,110	32,796	952,056
Employee Benefits	348,848	348,848	326,205	(22,643)	376,028
Purchased Services	466,766	518,666	918,299	399,633	470,460
Supplies and Materials	65,504	70,504	63,937	(6,567)	98,697
Capital Expenditures	450,046	450,046	642,113	192,067	492,248
Other Expenditures	(63,124)	(63,124)	(60,770)	2,354	(53,643)
Total District Support Services	<u>2,204,354</u>	<u>2,261,254</u>	<u>2,858,894</u>	<u>597,640</u>	<u>2,335,846</u>
Elementary and Secondary Regular Instruction					
Salaries	15,094,943	15,225,522	14,871,612	(353,910)	14,804,767
Employee Benefits	5,134,504	5,142,397	5,065,250	(77,147)	4,949,968
Purchased Services	886,564	906,388	920,032	13,644	929,097
Supplies and Materials	1,158,363	1,221,371	748,678	(472,693)	981,269
Capital Expenditures	357,253	406,667	644,533	237,866	558,800
Other Expenditures	22,600	22,600	27,401	4,801	21,260
Total Elementary and Secondary Regular Instruction	<u>22,654,227</u>	<u>22,924,945</u>	<u>22,277,506</u>	<u>(647,439)</u>	<u>22,245,161</u>

**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, 2011
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2010)**

	2011			2010	
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
EXPENDITURES (Continued)					
Current (Continued)					
Vocational Education Instruction					
Salaries	\$ 704,423	\$ 704,423	\$ 612,575	\$ (91,848)	\$ 644,505
Employee Benefits	248,964	248,964	209,590	(39,374)	214,343
Purchased Services	26,162	26,162	30,353	4,191	22,005
Supplies and Materials	57,986	58,016	44,444	(13,572)	52,192
Capital Expenditures	5,000	5,000	11,169	6,169	11,756
Other Expenditures	1,100	1,100	340	(760)	754
Total Vocational Education Instruction	1,043,635	1,043,665	908,471	(135,194)	945,555
Special Education Instruction					
Salaries	5,539,526	5,478,305	5,577,250	98,945	5,489,577
Employee Benefits	2,041,694	2,030,695	2,023,084	(7,611)	1,980,972
Purchased Services	885,328	823,839	731,133	(92,706)	666,567
Supplies and Materials	355,360	285,254	118,533	(166,721)	122,160
Capital Expenditures	21,135	28,715	19,847	(8,868)	52,673
Other Expenditures	61,293	55,145	50,187	(4,958)	51,753
Total Special Education Instruction	8,904,336	8,701,953	8,520,034	(181,919)	8,363,702
Instructional Support Services					
Salaries	1,645,230	1,645,230	1,648,962	3,732	1,633,590
Employee Benefits	535,588	535,588	508,136	(27,452)	501,443
Purchased Services	143,672	101,904	104,818	2,914	258,562
Supplies and Materials	279,389	313,925	280,464	(33,461)	271,767
Capital Expenditures	34,186	39,186	36,192	(2,994)	28,417
Other Expenditures	13,255	7,584	7,175	(409)	6,617
Total Instructional Support Services	2,651,320	2,643,417	2,585,747	(57,670)	2,700,396
Pupil Support Services					
Salaries	808,862	808,862	783,275	(25,587)	798,219
Employee Benefits	297,579	297,579	293,944	(3,635)	296,939
Purchased Services	2,482,844	2,482,844	2,412,732	(70,112)	2,323,916
Supplies and Materials	22,078	22,078	17,174	(4,904)	18,503
Capital Expenditures	-	-	2,450	2,450	606
Other Expenditures	-	-	407	407	836
Total Pupil Support Services	3,611,363	3,611,363	3,509,982	(101,381)	3,439,019

**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, 2011
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2010)**

	2011			Over (Under)	2010
	Original Budget	Final Budget	Actual Amounts	Final Budget	Actual Amounts
EXPENDITURES (Continued)					
Current (Continued)					
Sites and Buildings					
Salaries	\$ 1,394,102	\$ 1,394,102	\$ 1,319,494	\$ (74,608)	\$ 1,349,319
Employee Benefits	647,236	647,236	632,068	(15,168)	605,686
Purchased Services	1,951,146	1,888,546	2,005,471	116,925	1,882,562
Supplies and Materials	709,150	572,150	645,796	73,646	616,535
Capital Expenditures	260,500	259,500	696,736	437,236	349,058
Other Expenditures	15,822	15,822	334	(15,488)	209
Total Sites and Buildings	<u>4,977,956</u>	<u>4,777,356</u>	<u>5,299,899</u>	<u>522,543</u>	<u>4,803,369</u>
Fiscal and Other Fixed Cost Programs					
Employee Benefits	12,153	12,153	-	(12,153)	-
Purchased Services	87,000	87,000	76,607	(10,393)	76,312
Other Expenditures	21,374	21,374	21,373	(1)	21,374
Total Fiscal and Other Fixed Costs Programs	<u>120,527</u>	<u>120,527</u>	<u>97,980</u>	<u>(22,547)</u>	<u>97,686</u>
Total Expenditures	<u>47,963,448</u>	<u>47,907,692</u>	<u>47,920,573</u>	<u>12,881</u>	<u>46,738,924</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures					
	(1,133,903)	(1,452,093)	(1,202,138)	249,955	(686,216)
OTHER FINANCING SOURCES (USES)					
Capital Lease Proceeds	-	-	201,918	201,918	-
Judgments for School Districts	157,000	164,787	138,357	(26,430)	149,550
Sale of Equipment Proceeds	16,600	16,600	20,256	3,656	16,600
Transfers Out	(28,000)	(28,000)	(18,654)	9,346	(15,219)
Total Other Financing Sources (Uses)	<u>145,600</u>	<u>153,387</u>	<u>341,877</u>	<u>188,490</u>	<u>150,931</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Net Change in Fund Balances					
	<u>\$ (988,303)</u>	<u>\$ (1,298,706)</u>	(860,261)	<u>\$ 438,445</u>	(535,285)
Fund Balance					
Beginning of Year			<u>7,704,303</u>		<u>8,239,588</u>
End of Year			<u>\$ 6,844,042</u>		<u>\$ 7,704,303</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
FOOD SERVICE SPECIAL REVENUE FUND
SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCE
JUNE 30, 2011
(WITH COMPARATIVE DATA AS OF JUNE 30, 2010)**

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and Investments	\$ -	\$ 325,431
Receivables		
Due from Other Funds	499,283	-
Due from Other Minnesota School Districts	18	-
Due from Minnesota Department of Education	44	7,482
Due from Federal through Minnesota Department of Education	27,848	56,225
Other Receivables	20,753	12,659
Prepaid Items	11,004	150
Inventory	47,040	30,972
Total Assets	<u>\$ 605,990</u>	<u>\$ 432,919</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Salaries and Wages Payable	\$ 21,778	\$ 12,187
Accounts and Contracts Payable	50,579	8,300
Due to Other Governmental Unit	8	1,135
Deferred Revenue - Local Sources	45,530	41,806
Total Liabilities	<u>117,895</u>	<u>63,428</u>
 Fund Balance		
Nonspendable:		
Prepaid Items	11,004	150
Inventory	47,040	30,972
Restricted:		
Other Purposes	430,051	338,369
Total Fund Balance	<u>488,095</u>	<u>369,491</u>
Total Liabilities and Fund Balance	<u>\$ 605,990</u>	<u>\$ 432,919</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, 2011
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2010)**

	2011			Over (Under)	2010
	Original Budget	Final Budget	Actual Amounts	Final Budget	Actual Amounts
REVENUES					
Local Sources					
Earnings on Investments	\$ 888	\$ 888	\$ 329	\$ (559)	\$ 898
Other - Primarily Meal Sales	1,444,085	1,444,085	1,346,758	(97,327)	1,338,938
State Sources	154,754	155,239	140,524	(14,715)	156,190
Federal Sources	980,998	992,598	1,134,338	141,740	1,106,870
Total Revenues	2,580,725	2,592,810	2,621,949	29,139	2,602,896
EXPENDITURES					
Current					
Salaries	843,538	843,538	847,284	3,746	830,700
Employee Benefits	314,105	314,105	317,422	3,317	301,568
Purchased Services	81,223	75,501	56,882	(18,619)	56,959
Supplies and Materials	1,391,497	1,346,432	1,224,316	(122,116)	1,276,595
Other Expenditures	476	476	207	(269)	123
Capital Outlay	52,407	52,407	57,234	4,827	16,773
Total Expenditures	2,683,246	2,632,459	2,503,345	(129,114)	2,482,718
Excess (Deficiency) of Revenues Over (Under) Expenditures	(102,521)	(39,649)	118,604	158,253	120,178
OTHER FINANCING SOURCES					
Capital Lease Proceeds	-	-	-	-	6,687
Total Other Financing Sources	-	-	-	-	6,687
Net Change in Fund Balance	\$ (102,521)	\$ (39,649)	118,604	\$ 158,253	126,865
FUND BALANCE					
Beginning of Year			369,491		242,626
End of Year			\$ 488,095		\$ 369,491

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
COMMUNITY SERVICE SPECIAL REVENUE FUND
SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCE
JUNE 30, 2011
(WITH COMPARATIVE DATA AS OF JUNE 30, 2010)**

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and Investments	\$ -	\$ 198,582
Receivables		
Current Property Taxes	180,523	180,484
Delinquent Property Taxes	6,000	7,445
Due from Other Funds	94,084	-
Due from Minnesota Department of Education	276,516	239,077
Due from Federal Government through the Minnesota Department of Education	27,160	33,789
Other Receivables	492	608
Prepaid Items	-	120
Total Assets	<u>\$ 584,775</u>	<u>\$ 660,105</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Salaries and Wages Payable	\$ 21,120	\$ 22,310
Accounts and Contracts Payable	27,409	38,160
Due to Other School Districts	132,037	81,469
Due to Other Governmental Units	7,461	40
Property Taxes Levied for Subsequent Year	162,869	309,304
Deferred Revenue:		
Delinquent Property Taxes	6,000	7,445
Total Liabilities	<u>356,896</u>	<u>458,728</u>
Fund Balance		
Nonspendable:		
Prepaid Items	-	120
Restricted:		
Community Education Programs	145,638	147,509
Early Childhood and Family Education Programs	54,005	47,317
School Readiness	-	(168)
Other Purposes	28,236	6,599
Total Fund Balance	<u>227,879</u>	<u>201,377</u>
Total Liabilities and Fund Balance	<u>\$ 584,775</u>	<u>\$ 660,105</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, 2011
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2010)**

	2011			2010	
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES					
Local Sources					
Property Taxes	\$ 284,847	\$ 284,847	\$ 433,713	\$ 148,866	\$ 288,494
Earnings on Investments	1,835	1,835	282	(1,553)	1,490
Other - Primarily Tuition and Fees	582,500	582,500	628,688	46,188	611,526
State Sources	854,961	863,895	742,064	(121,831)	862,432
Federal Sources	26,481	27,160	25,493	(1,667)	33,789
Total Revenues	1,750,624	1,760,237	1,830,240	70,003	1,797,731
EXPENDITURES					
Current:					
Salaries	813,730	813,730	747,818	(65,912)	774,791
Employee Benefits	261,238	261,238	234,349	(26,889)	260,371
Purchased Services	687,873	702,977	739,722	36,745	700,712
Supplies and Materials	66,669	67,487	72,580	5,093	77,042
Other Expenditures	1,925	1,925	1,818	(107)	1,878
Capital Outlay	8,179	8,179	26,105	17,926	26,186
Total Expenditures	1,839,614	1,855,536	1,822,392	(33,144)	1,840,980
Excess (Deficiency) of Revenues Over (Under) Expenditures	(88,990)	(95,299)	7,848	103,147	(43,249)
OTHER FINANCING SOURCES					
Transfers In	28,000	28,000	18,654	(9,346)	15,219
Total other financing sources	28,000	28,000	18,654	(9,346)	15,219
Net Change in Fund Balance	\$ (60,990)	\$ (67,299)	26,502	\$ 93,801	(28,030)
FUND BALANCE					
Beginning of Year			201,377		229,407
End of Year			\$ 227,879		\$ 201,377

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
CAPITAL PROJECTS BUILDING CONSTRUCTION FUND
SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCE
JUNE 30, 2011

	2011
ASSETS	
Cash and Investments Held by Trustee	\$ 84,855
Total Assets	\$ 84,855
 LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts and Contracts Payable	\$ 8,181
Total Liabilities	8,181
 Fund Balance	
Restricted:	
Project Funded by Certificate of Participation	76,674
Total Fund Balance	76,674
Total Fund Liabilities and Fund Balance	\$ 84,855

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
CAPITAL PROJECTS BUILDING CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011**

	2011			Over (Under) Final Budget
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	
REVENUES				
Local Sources:				
Earnings on Investments	\$ -	\$ -	\$ 665	\$ 665
Total Revenues	-	-	665	665
EXPENDITURES				
Bond Sale Costs	-	-	48,988	48,988
Capital Outlay	-	1,811,562	1,730,003	(81,559)
Total Expenditures	-	1,811,562	1,778,991	(32,571)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,811,562)	(1,778,326)	33,236
OTHER FINANCING SOURCES				
Certificates of Participation Proceeds	-	1,811,562	1,855,000	43,438
Total Other Financing Sources	-	1,811,562	1,855,000	43,438
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	76,674	<u>\$ 76,674</u>
Fund Balance - Beginning			-	
Fund Balance - Ending			<u>\$ 76,674</u>	

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
DEBT SERVICE FUND
SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCE
JUNE 30, 2011
(WITH COMPARATIVE DATA AS OF JUNE 30, 2010)**

	2011	2010
ASSETS		
Cash and Investments	\$ 1,728,952	\$ 1,849,657
Cash and Investments Held by Trustee	15,978	-
Receivables		
Current Property Taxes	1,513,243	1,551,439
Delinquent Property Taxes	51,560	83,183
Due from Minnesota Department of Education	63,342	71,025
Total Assets	\$ 3,373,075	\$ 3,555,304
 LIABILITIES AND FUND BALANCE		
Liabilities		
Deferred Revenue:		
Property Taxes Levied for Subsequent Year	\$ 2,596,454	\$ 2,658,972
Delinquent Property Taxes	51,560	83,183
Total Liabilities	2,648,014	2,742,155
 Fund Balance		
Restricted		
Other Purposes	725,061	813,149
Total Fund Balance	725,061	813,149
 Total Liabilities and Fund Balance	 \$ 3,373,075	 \$ 3,555,304

**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, 2011
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2010)**

	2011			2010	
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES					
Local Sources					
Property Tax	\$ 2,391,846	\$ 2,391,846	\$ 2,481,017	\$ 89,171	\$ 3,148,258
Earnings on Investments	7,589	7,589	2,669	(4,920)	6,303
State Sources	266,100	266,100	211,140	(54,960)	263,159
Total Revenues	<u>2,665,535</u>	<u>2,665,535</u>	<u>2,694,826</u>	<u>29,291</u>	<u>3,417,720</u>
EXPENDITURES					
Debt Service:					
Bond Principal	2,265,000	2,265,000	2,265,000	-	2,905,000
Bond Interest	529,921	529,921	529,921	-	617,676
Paying Agent Fees and Other	3,094	3,094	2,764	(330)	2,994
Total Expenditures	<u>2,798,015</u>	<u>2,798,015</u>	<u>2,797,685</u>	<u>(330)</u>	<u>3,525,670</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(132,480)	(132,480)	(102,859)	29,621	(107,950)
OTHER FINANCING SOURCES					
Certificate of Participation Premium	-	-	14,771	14,771	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>14,771</u>	<u>14,771</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ (132,480)</u>	<u>\$ (132,480)</u>	<u>(88,088)</u>	<u>\$ 44,392</u>	<u>(107,950)</u>
Fund Balance - Beginning			<u>813,149</u>		<u>921,099</u>
Fund Balance - Ending			<u>\$ 725,061</u>		<u>\$ 813,149</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.	76-101
Revenue Capacity Information These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	102-110
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.	111-117
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.	118-120
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.	121-132

Sources: Unless otherwise noted, the information in these schedules is derived from the audited financial statements 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 Nine Fiscal Years (1)
(accrual basis of accounting)
(unaudited)**

	2011	2010	2009
GOVERNMENTAL ACTIVITIES:			
Invested in Capital Assets, Net of Related Debt	\$ 13,921,139	\$ 11,702,040	\$ 8,374,839
Restricted	1,779,406	1,974,164	2,331,612
Unrestricted	(399,224)	56,380	183,475
Total Net Assets	\$ 15,301,321	\$ 13,732,584	\$ 10,889,926

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

Source: Audited Financial Statements

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 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)
<u>\$ 7,598,960</u>	<u>\$ 5,421,741</u>	<u>\$ 3,372,443</u>	<u>\$ 675,023</u>	<u>\$ (1,240,915)</u>	<u>\$ (6,234,571)</u>

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
EXPENSES:			
Governmental Activities:			
Administration	\$ 1,871,259	\$ 1,802,903	\$ 1,867,489
District Support Services	2,400,208	2,424,401	1,876,749
Regular Instruction	22,918,131	23,186,502	23,038,470
Vocational Education Instruction	947,088	962,345	1,104,251
Special Education Instruction	8,487,358	8,459,955	7,624,288
Instructional Support Services	2,602,566	2,710,329	2,631,900
Pupil Support Services	3,597,773	3,390,886	3,282,534
Sites and Buildings	4,610,789	4,829,529	4,591,971
Fiscal and Other Fixed Cost Programs	97,980	97,686	97,836
Food Service	2,517,812	2,534,855	2,549,840
Community Service	1,853,866	1,862,951	1,709,072
Interest and Fiscal Charges on Long-Term Liabilities	503,226	596,940	679,085
Total Government-wide Expenses	<u>52,408,056</u>	<u>52,859,282</u>	<u>51,053,485</u>
PROGRAM REVENUES:			
Governmental Activities:			
Charges for Services:			
Administration	-	-	-
District Support Services	-	-	-
Regular Instruction	497,422	567,537	570,321
Special Education Instruction	211,809	730,155	623,828
Instructional Support Services	-	-	-
Pupil Support Services	-	-	-
Sites and Buildings	28,686	25,456	35,775
Food Service	1,346,758	1,338,938	1,426,068
Community Service	613,790	610,292	561,795
Operating Grants and Contributions	13,411,316	15,508,360	12,669,616
Capital Grants and Contributions	748,976	564,322	928,090
Total Government-wide Program Revenues	<u>16,858,757</u>	<u>19,345,060</u>	<u>16,815,493</u>
Net (Expense)/Revenue			
Total Government-wide Net Expense	<u>\$ (35,549,299)</u>	<u>\$ (33,514,222)</u>	<u>\$ (34,237,992)</u>

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

Source: Audited Financial Statements

	<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
	<u>748,219</u>	<u>811,003</u>	<u>1,514,332</u>	<u>2,156,027</u>	<u>1,571,476</u>	<u>1,537,674</u>
	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
	<u>833,062</u>	<u>772,308</u>	<u>994,018</u>	<u>1,619,932</u>	<u>1,189,147</u>	<u>1,330,291</u>
	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 Nine Fiscal Years (1)
(accrual basis of accounting)
(unaudited)**

	2011	2010	2009
Net (Expense)/Revenue			
Total Government-wide Net Expense (2)	\$ (35,549,299)	\$ (33,514,222)	\$ (34,237,992)
 General Revenues and Changes in Net Assets			
Governmental Activities:			
Property Taxes Levied for:			
General Purposes	7,077,607	5,231,020	4,674,624
Community Service	432,268	287,300	251,077
Debt Service	2,449,394	3,135,148	3,152,927
State Aid Not Restricted to Specific Purposes	26,927,364	26,001,620	29,257,214
Earnings on Investments	7,010	29,226	189,148
Gain on Sale of Fixed Assets	17,610	-	-
Miscellaneous	206,783	25,976	3,968
Total General Revenues and Changes in Net Assets	37,118,036	34,710,290	37,528,958
 Change in Net Assets			
Total Government-wide	\$ 1,568,737	\$ 1,196,068	\$ 3,290,966

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

(2) See previous page for these numbers.

Source: Audited Financial Statements

<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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Federal Sources:				
Federal Grants	\$ 2,914,456	\$ 5,730,099 ***	\$ 2,263,177	\$ 2,172,536
Food Service	1,134,338	1,106,870	957,097	894,210
Total Federal Sources	<u>4,048,794</u>	<u>6,836,969</u>	<u>3,220,274</u>	<u>3,066,746</u>
State Sources:				
General Education Aid	35,747,140	33,580,948 ***	38,054,283	37,174,860
Food Service	140,524	156,190	145,574	155,216
Community Service	742,064	862,432	864,186	808,696
Debt Service Aid	211,140	263,159	279,141	274,695
Total State Sources	<u>36,840,868</u>	<u>34,862,729</u>	<u>39,343,184</u>	<u>38,413,467</u>
Local Sources:				
Property Taxes	10,004,765 ****	8,636,276	8,062,364	7,632,068
Food Service Sales	1,346,758	1,338,938	1,426,068	1,373,329
Other Revenues	1,624,930	2,196,143	2,270,263	2,125,573
Total Local Sources	<u>12,976,453</u>	<u>12,171,357</u>	<u>11,758,695</u>	<u>11,130,970</u>
Total Revenues	<u>\$ 53,866,115</u>	<u>\$ 53,871,055</u>	<u>\$ 54,322,153</u>	<u>\$ 52,611,183</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.

**** Property Taxes increased in fiscal year 2011 due to property tax shift at 48.6%. This resulted in advance recognition of tax revenue in the District's General Fund and Community Service Fund and a corresponding state aid holdback totaling \$2,078,197 and \$150,770, respectively.

Source: Audited Financial Statements

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 2,141,264	\$ 1,653,585	\$ 1,562,901	\$ 1,507,580	\$ 1,180,895	\$ 1,197,852
835,793	738,098	705,743	594,125	580,856	519,105
<u>2,977,057</u>	<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>
36,131,373	35,846,257	32,306,054	31,977,144	32,931,060 **	26,970,988
134,165	125,730	118,996	103,131	152,232	110,471
780,790	837,874	352,280	401,408	449,128	706,380
319,470	386,691	425,264	495,770	605,873	102,762
<u>37,365,798</u>	<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>
7,132,050	5,669,146	7,075,937	8,119,324	3,857,926 **	8,609,784
1,315,918	1,283,276	1,242,398	1,258,301	1,227,885	1,205,714
2,050,079	2,359,037	2,440,009	1,786,922	1,690,149	1,732,529
<u>10,498,047</u>	<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>\$ 50,840,902</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>

**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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Administration	\$ 1,794,161	\$ 1,738,247	\$ 1,841,561	\$ 1,819,936
District Support Services	2,216,781	1,843,598	1,456,988	1,630,028
Regular Instruction	21,632,973	21,686,361	22,214,364	21,668,324
Vocational Education Instruction	897,302	933,799	1,064,263	1,097,481
Special Education Instruction	8,500,187	8,311,029	7,536,903	7,080,734
Instructional Support Services	2,549,555	2,671,979	2,711,242	2,591,934
Pupil Support Services	3,507,532	3,438,413	3,299,933	3,252,298
Sites and Buildings	4,603,163	4,454,311	4,413,649	4,281,716
Fiscal and Other Fixed Cost Programs	97,980	97,686	97,836	324,121
Food Service	2,446,111	2,465,945	2,433,616	2,416,249
Community Service	1,796,287	1,814,794	1,693,415	1,669,301
Capital Outlay (1) (2)	3,983,269	1,606,460	1,597,799	1,412,225
Debt Service				
Principal	2,265,000	2,905,000	2,805,000	2,510,000
Interest and Fiscal Charges	532,685	620,671	700,101	764,221
Total Expenditures	<u>\$ 56,822,986</u>	<u>\$ 54,588,293</u>	<u>\$ 53,866,670</u>	<u>\$ 52,518,568</u>

Debt Service as a percentage of non-capital expenditures	5.29%	6.65%	6.71%	6.41%
---------------------------------------------------------------------	--------------	--------------	--------------	--------------

* 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: Audited Financial Statements

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 1,892,973	\$ 1,836,977	\$ 1,922,430	\$ 1,837,468	\$ 1,680,805	\$ 1,680,741
1,369,566	1,266,343	1,223,261	1,573,213	1,705,664	1,556,160
20,558,356	19,444,698	18,113,415	17,746,182	17,058,387	16,638,731
1,114,893	1,095,027	989,566	980,267	996,868	1,041,997
6,541,282	6,145,447	5,495,803	5,111,993	5,094,530	4,878,653
2,521,187	2,242,265	1,985,078	1,831,775	1,733,538	2,173,668
2,820,826	3,128,295	3,360,443	3,198,991	3,029,392	3,483,197
3,839,111	3,633,760	3,593,473	6,261,759	4,206,431	3,904,769
348,059	436,758	443,982	438,820	192,872	140,334
2,257,205	2,202,249	1,977,656	1,975,750	1,943,378	2,317,299
1,616,814	1,518,921	1,148,639	1,209,223	1,163,454	1,443,380
1,856,652	2,052,425	3,017,283	-	-	316,182
2,425,000	2,055,000	1,940,000	2,055,157	1,750,000	1,710,000
822,424	2,003,652	2,164,599	1,405,177	1,590,920	1,743,731
<u><u>\$ 49,984,348</u></u>	<u><u>\$ 49,061,817</u></u>	<u><u>\$ 47,375,628</u></u>	<u><u>\$ 45,625,775</u></u>	<u><u>\$ 42,146,239</u></u>	<u><u>\$ 43,028,842</u></u>

6.75%

8.63%

9.25%

(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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Total Revenues (1)	\$ 53,866,115	\$ 53,871,055	\$ 54,322,153	\$ 52,611,183
Total Expenditures (2)	56,822,986	54,588,293	53,866,670	52,518,568
Excess of Revenues Over (Under) Expenditures	(2,956,871)	(717,238)	455,483	92,615
Other Financing Sources (Uses)				
Capital Lease Proceeds	201,918	6,687	277,292	-
Capital Loan Proceeds	-	-	-	-
Judgments for School Districts	138,357	149,550	1,789	733
Sale of Equipment Proceeds	20,256	16,600	5,114	34,615
Insurance Recovery Proceeds	-	-	-	2,750
Certificate of Participation Proceeds	1,855,000	-	-	-
Certificates of Participation Premium	14,771	-	-	-
Sale of Bonds Proceeds	-	-	-	-
Bond Discount	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Total Other Financing Sources (Uses)	<u>2,230,302</u>	<u>172,837</u>	<u>284,195</u>	<u>38,098</u>
Net Change in Fund Balances	<u>\$ (726,569)</u>	<u>\$ (544,401)</u>	<u>\$ 739,678</u>	<u>\$ 130,713</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: Audited Financial Statements

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 50,840,902	\$ 48,899,694	\$ 46,229,582	\$ 46,243,705	\$ 42,676,004	\$ 41,155,585
<u>49,984,348</u>	<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>
856,554	(162,123)	(1,146,046)	617,930	529,765	(1,873,257)
-	-	1,403,000	-	500,000	-
-	-	-	-	500,000	-
358	42,167	-	-	-	-
14,629	8,200	-	-	-	-
461	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	665,000	21,274,104	1,640,000	5,228,800
-	-	(3,492)	-	-	-
-	(20,675,000)	(650,000)	-	-	(5,188,800)
<u>15,448</u>	<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>\$ 872,002</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>
	(3)		(3)		

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

Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Revenues	Total
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%
2011	2,698,465 5%	13,411,316 25%	748,976 1%	37,118,036 69%	53,976,793 100%

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

Source: Audited Financial Statements

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
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%
2011	(3)	10,004,765 19%	2,971,688 6%	36,840,868 68%	4,048,794 8%	53,866,115 100%

* 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.

(3) Property Taxes increased in fiscal year 2011 due to property tax shift at 48.6%. This resulted in advance recognition of tax revenue in the District's General Fund and Community Service Fund and a corresponding state aid holdback totaling \$2,078,197 and \$150,770, respectively.

Source: Audited Financial Statements

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

Fiscal Year	Administration	District Support Services	Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services
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%
2011	1,871,259 4%	2,400,208 5%	22,918,131 44%	947,088 2%	8,487,358 16%	2,602,566 5%

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

Source: Audited Financial Statements

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%
3,597,773 7%	4,610,789 9%	97,980 0%	2,517,812 5%	1,853,866 4%	503,226 1%	52,408,056 100%

**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	Pupil Support Services
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%	3,483,197 8%
2003	1,680,805 4%	1,705,664 4%	17,058,387 41%	996,868 2%	5,094,530 12%	1,733,538 4%	3,029,392 7%
2004	1,726,446 4%	1,259,452 3%	17,512,605 38%	980,269 2%	5,103,956 11%	1,816,411 4%	3,198,985 7%
2005	1,922,430 4%	1,223,261 3%	18,113,415 38%	989,566 2%	5,495,803 12%	1,985,078 4%	3,360,443 7%
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%	3,128,295 6%
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%	2,820,826 6%
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%	3,252,298 6%
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%	3,299,933 6%
2010	1,738,247 3%	1,843,598 3%	21,686,361 40%	933,799 2%	8,311,029 15%	2,671,979 5%	3,438,413 6%
2011	1,794,161 3%	2,216,781 4%	21,632,973 38%	897,302 2%	8,500,187 15%	2,549,555 4%	3,507,532 6%

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

Source: Audited Financial Statements

Sites and Buildings	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Capital Outlay and Building Construction	Debt Service	Total Expenditures
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%
3,356,275 8%	192,872 0%	1,943,378 5%	1,163,454 3%	850,156 2%	3,340,920 8%	42,146,239 100%
3,400,845 7%	438,820 1%	1,882,332 4%	1,167,000 3%	3,678,320 8%	3,460,334 8%	45,625,775 100%
3,593,473 8%	443,982 1%	1,977,656 4%	1,148,639 2%	3,017,283 6%	4,104,599 9%	47,375,628 100%
3,633,760 7%	436,758 1%	2,202,249 4%	1,518,921 3%	2,052,425 4%	4,058,652 8%	49,061,817 100%
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%
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%
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%
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%
4,603,163 8%	97,980 0%	2,446,111 4%	1,796,287 3%	3,983,269 7%	2,797,685 5%	56,822,986 100%

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>REVENUES:</u>				
Local Property Tax Levies	\$ 7,090,035	\$ 5,199,524	\$ 4,665,697	\$ 4,574,604
Other Local Sources	992,297	1,575,926	1,654,693	1,464,452
State Sources	35,747,140	33,580,948	38,054,283	37,174,860
Federal Sources	2,888,963	5,696,310	2,213,624	2,133,087
Sales & Other Conversion of Assets *	-	-	-	-
TOTAL REVENUES	\$ 46,718,435	\$ 46,052,708	\$ 46,588,297	\$ 45,347,003
<u>EXPENDITURES:</u>				
<i>Current</i>				
Administration	\$ 1,794,161	\$ 1,738,247	\$ 1,841,561	\$ 1,819,936
District Support Services	2,216,781	1,843,598	1,456,988	1,630,028
Regular Instruction	21,632,973	21,686,361	22,214,364	21,668,324
Vocational Education Instruction	897,302	933,799	1,064,263	1,097,481
Special Education Instruction	8,500,187	8,311,029	7,536,903	7,080,734
Instructional Support Services	2,549,555	2,671,979	2,711,242	2,591,934
Pupil Support Services	3,507,532	3,438,413	3,299,933	3,252,298
Sites and Buildings	4,603,163	4,454,311	4,413,649	4,281,716
Fiscal and Other Fixed Cost Programs	97,980	97,686	97,836	324,121
Capital Outlay **	2,120,939	1,563,501	1,541,164	1,369,823
TOTAL EXPENDITURES	\$ 47,920,573	\$ 46,738,924	\$ 46,177,903	\$ 45,116,395
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (1,202,138)	\$ (686,216)	\$ 410,394	\$ 230,608
OTHER FINANCIAL SOURCES (USES)				
Capital Lease Proceeds	201,918	-	260,917	-
Insurance Recovery Proceeds	-	-	-	2,750
Judgments for School Districts	138,357	149,550	1,789	733
Transfers Out	(18,654)	(15,219)		
Sale of Equipment Proceeds	20,256	16,600	5,114	34,615
TOTAL OTHER FINANCING SOURCES (USES)	\$ 341,877	\$ 150,931	\$ 267,820	\$ 38,098
FUND BALANCE - BEGINNING OF YEAR	7,704,303	8,239,588	7,561,374	7,292,668
FUND BALANCE - END OF YEAR	\$ 6,844,042	\$ 7,704,303	\$ 8,239,588	\$ 7,561,374

* Sales and Other Conversions of Assets were not shown separately in the Revenues area on the Audited Financial Statements 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.

2007	2006	2005	2004	2003	2002
\$ 3,988,868	\$ 2,379,543	\$ 3,611,946	\$ 4,659,230	\$ 749,328	\$ 5,194,672
1,412,935	1,240,597	1,495,692	1,189,938	1,079,047	1,044,167
36,131,373	35,846,257	32,306,054	31,977,145	32,931,060	26,970,988
2,091,269	1,603,459	1,546,829	1,492,474	1,163,817	1,161,850
-	-	-	52,362	158,441	176,153
\$ 43,624,445	\$ 41,069,856	\$ 38,960,521	\$ 39,371,149	\$ 36,081,693	\$ 34,547,830
\$ 1,892,973	\$ 1,836,977	\$ 1,922,430	\$ 1,837,468	\$ 1,680,805	\$ 1,680,741
1,369,566	1,266,343	1,223,261	1,573,213	1,705,664	1,556,160
20,558,356	19,444,698	18,113,415	17,746,182	17,058,387	16,638,731
1,114,893	1,095,027	989,566	980,267	996,868	1,041,997
6,541,282	6,145,447	5,495,803	5,111,993	5,094,530	4,878,653
2,521,187	2,242,265	1,985,078	1,831,775	1,733,538	2,173,668
2,820,826	3,128,295	3,360,443	3,198,991	3,029,392	3,483,197
3,839,111	3,633,760	3,593,473	4,005,735	3,356,275	3,904,769
348,059	436,758	443,982	438,820	192,872	140,334
1,848,126	1,826,752	2,838,712	-	-	-
\$ 42,854,379	\$ 41,056,322	\$ 39,966,163	\$ 36,724,444	\$ 34,848,331	\$ 35,498,250
\$ 770,066	\$ 13,534	\$ (1,005,642)	\$ 2,646,705	\$ 1,233,362	\$ (950,420)
-	-	1,403,000	-	-	-
461	-	-	860	-	-
358	42,167	-	-	-	-
14,629	8,000	-	-	-	-
\$ 15,448	\$ 50,167	\$ 1,403,000	\$ 860	\$ -	\$ -
6,507,154	6,443,453	6,046,095	3,398,530	2,165,168	3,115,588
\$ 7,292,668	\$ 6,507,154	\$ 6,443,453	\$ 6,046,095	\$ 3,398,530	\$ 2,165,168

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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>2011</u>	<u>2010</u>	<u>Increase/ (Decrease)</u>	<u>% Inc/(Dec)</u>
<u>REVENUES:</u>				
Local Property Tax Levies	\$ 7,090,035	\$ 5,199,524	\$ 1,890,511	36.36%
Other Local Sources	992,297	1,575,926	(583,629)	-37.03%
State Sources	35,747,140	33,580,948	2,166,192	6.45%
Federal Sources	2,888,963	5,696,310	(2,807,347)	-49.28%
Total Revenue	\$ 46,718,435	\$ 46,052,708	\$ 665,727	1.45%
<u>EXPENDITURES:</u>				
<i>Current:</i>				
Administration	\$ 1,794,161	\$ 1,738,247	\$ 55,914	3.22%
District Support Services	2,216,781	1,843,598	373,183	20.24%
Regular Instruction	21,632,973	21,686,361	(53,388)	-0.25%
Vocational Education Instruction	897,302	933,799	(36,497)	-3.91%
Special Education Instruction	8,500,187	8,311,029	189,158	2.28%
Instructional Support Services	2,549,555	2,671,979	(122,424)	-4.58%
Pupil Support Services	3,507,532	3,438,413	69,119	2.01%
Sites and Buildings	4,603,163	4,454,311	148,852	3.34%
Fiscal and Other Fixed Cost Programs	97,980	97,686	294	0.30%
Capital Outlay	2,120,939	1,563,501	557,438	35.65%
TOTAL EXPENDITURES	\$ 47,920,573	\$ 46,738,924	\$ 1,181,649	2.53%
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	\$ (1,202,138)	\$ (686,216)		
OTHER FINANCING SOURCES (USES)				
Capital Lease Proceeds	201,918	-		
Judgments for School Districts	138,357	149,550		
Transfers Out	(18,654)	(15,219)		
Sale of Equipment Proceeds	20,256	16,600		
TOTAL OTHER FINANCING SOURCES (USES)	\$ 341,877	\$ 150,931		
FUND BALANCES JULY 1:				
Nonspendable	\$ -	\$ -		
Restricted/Reserved	-	-		
Unassigned	-	-		
Reserved	810,945	1,451,977		
Unreserved- Undesignated	6,893,358	6,787,611		
TOTAL	\$ 7,704,303	\$ 8,239,588		
FUND BALANCES JUNE 30: *				
Nonspendable	\$ 178,919	\$ -		
Restricted/Reserved	429,467	-		
Unassigned	6,235,656	-		
Reserved	-	810,945		
Unreserved- Undesignated	-	6,893,358		
TOTAL	\$ 6,844,042	\$ 7,704,303		

* The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54 were adopted as of June 30, 2011. This standard replaces the previous reserved and unreserved fund balance categories with the following five fund balance classifications: nonspendable, restricted/reserved, committed, assigned and unassigned fund balance.

Source: Audited Financial Statements

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund				
Nonspendable	\$ 178,919 **	\$ -	\$ -	\$ -
Restricted/Reserved	429,467 **	-	-	-
Unassigned	6,235,656 **	-	-	-
Reserved	-	810,945	1,451,977	1,106,183
Unreserved	-	6,893,358	6,787,611	6,455,191
Total General Fund	<u>\$ 6,844,042</u>	<u>\$ 7,704,303</u>	<u>\$ 8,239,588</u>	<u>\$ 7,561,374</u>
All Other Governmental Funds				
Nonspendable	\$ 58,044 **	\$ -	\$ -	\$ -
Restricted/Reserved	1,459,665 **	-	-	-
Unassigned:				
Special Revenue Funds	-	-	-	-
Capital Projects Fund	-	-	-	-
Debt Service Fund	-	-	-	-
Reserved	-	194,658	206,816	203,973
Unreserved:				
Special Revenue Funds	-	376,210	265,217	161,382
Capital Projects Fund	-	-	-	-
Debt Service Fund	-	813,149	921,100	966,314
Total All Other Governmental Funds	<u>\$ 1,517,709</u>	<u>\$ 1,384,017</u>	<u>\$ 1,393,133</u>	<u>\$ 1,331,669</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.

** The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54 were adopted as of June 30, 2011. This standard replaces the previous reserved and unreserved fund balance categories with the following five fund balance classifications: nonspendable, restricted/reserved, committed, assigned and unassigned fund balance.

Source: Audited Financial Statements

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
841,136	991,064	867,027	1,205,843	1,553,831	901,338
6,451,532	5,516,090	5,576,426	4,840,252	1,844,699	1,263,830
<u>\$ 7,292,668</u>	<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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
164,931	146,702 *	20,983,052	21,464,637 *	171,415	274,857
187,601	155,783	387,499	300,386	342,334	346,251
-	-	-	127,650	2,363,136	568,575
1,117,130	1,080,689	863,080	469,854	241,173	(8,028)
<u>\$ 1,469,662</u>	<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>

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

<u>Fiscal Year</u>	<u>Unassigned Fund Balance</u>	<u>Following Year Expenditures</u>	<u>Balance As Percent of Expenditures</u>
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	6,773,060	49,139,161	13.78%
2011	** 6,235,656	47,058,637 *	13.25%

* Total expenditures from the 2011-12 Preliminary Budget.

** The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54 were adopted as of June 30, 2011. This standard replaces the previous unreserved/undesignated fund balance categories with unassigned fund balance.

Source: Audited Financial Statements and 2011-12 Preliminary Budget

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund without Tax Anticipation Certificate	\$ -	\$ 2,935,311	\$ 8,886,808	\$ 9,131,038
General Fund - Tax Anticipation Certificate	-	-	-	-
Sub Total General Fund	\$ -	\$ 2,935,311	\$ 8,886,808	\$ 9,131,038
Food Service	\$ -	\$ 325,431	\$ 83,591	\$ 17,369
Community Service	-	198,582	373,083	365,394
Debt Service	1,744,930	1,849,657	2,186,059	2,522,699
Building Construction	84,855	-	-	-
Internal Service Fund	81,035	251,539	250,586	246,341
Trust Funds	2,136	3,007	3,065	4,239
Agency Funds	-	-	-	-
TOTAL	<u>\$ 1,912,956</u>	<u>\$ 5,563,527</u>	<u>\$ 11,783,192</u>	<u>\$ 12,287,080</u>

Source: Audited Financial Statements

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 9,317,079	\$ 7,174,126	\$ 3,424,445	\$ 332,981	\$ (447,631)	\$ (568,435)
-	-	-	2,600,000	2,300,000	-
\$ 9,317,079	\$ 7,174,126	\$ 3,424,445	\$ 2,932,981	\$ 1,852,369	\$ (568,435)
\$ 58,469	\$ 140,567	\$ 378,150	\$ 259,526	\$ 217,860	\$ 240,646
396,344	264,098	132,978	296,170	334,631	424,249
2,476,766	2,330,737	2,395,346	1,959,453	1,707,515	1,466,640
-	-	-	266,397	2,410,734	654,125
237,467	227,695	220,387	211,935	367,002	868,600
4,855	4,096	3,566	2,273	1,944	3,515
-	-	945	(87,473)	169,976	184,527
\$ 12,490,980	\$ 10,141,319	\$ 6,555,817	\$ 5,841,262	\$ 7,062,031	\$ 3,273,867

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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, 2011
(unaudited)

	Levy Collectible in Calendar Year 2011
TAX CAPACITY	
Real Agriculture	\$ 4,256,377
Real Nonagricultural	21,539,882
Personal Property	470,737
Tax Increment	(283,714)
Total Tax Capacity Rate Determination Valuation	\$ 25,983,282
TAX CAPACITY RATE *	
General Fund	6.121%
Community Service Fund	1.194%
Debt Service Fund	9.993%
Total Tax Capacity Rate	17.308%
REFERENDUM MARKET VALUE	\$ 1,943,695,975
REFERENDUM MARKET VALUE TAX RATE **	0.18189%
COUNTY AUDITOR ADJUSTED CERTIFIED LEVY	
General Fund - Referendum	\$ 3,535,166
General Fund - Other	1,590,188
Community Service Fund	310,227
Debt Service Fund - Voter Approved	2,262,555
Debt Service Fund - Other	333,536
Total	\$ 8,031,672
COUNTY AUDITOR COMPUTED LEVY ***	
General Fund - Referendum	\$ 3,535,389
General Fund - Other	1,590,437
Community Service Fund	310,240
Debt Service Fund - Voter Approved	2,262,695
Debt Service Fund - Other	333,759
Total	\$ 8,032,520

* 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 - 2010 Payable 2011

**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
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%
2011	8,243,950	8,193,619	99.39%	80,692	8,274,311	100.37%

* 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 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
Fiscal Year 2011	331,035

Source: Steele County Auditor School Tax Report - 2009 Payable 2010, Steele and Waseca County Auditors Taxes Receivable Reports, and District Records

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

Fiscal Year Ended June 30,	Residential Property	Non-Homestead Residential Property	Commercial/ Industrial Property	Agricultural Property	Utility and Railroad Property
2001	7,195,460	641,990	5,714,134	2,205,266	269,500
2002	7,862,790	672,977	5,974,637	2,325,758	273,911
2003	11,131,439	658,292	4,180,505	2,107,032	172,661
2004	12,177,361	632,739	4,553,103	2,267,965	151,612
2005	14,535,289	687,714	4,443,633	2,437,027	168,636
2006	16,306,517	1,391,115	4,512,191	2,643,193	166,416
2007	16,560,216	1,572,338	5,061,421	3,056,604	159,897
2008	16,202,800	1,802,096	5,929,658	3,446,966	191,097
2009	14,842,349	2,092,863	6,290,172	3,823,350	213,935
2010	13,335,868	2,248,391	5,901,557	4,255,863	208,249

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 2010 sales ratio was 95.5%. 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

Commerial/ Residential Seasonal Property	Total Net Tax Capacity	Estimated Market Value	% Total Net Tax Capacity of Estimated Market Value	Total Direct Rate
-	16,026,350	1,452,417,485	1.10%	53.756
-	17,110,073	1,577,242,700	1.08%	27.501
-	18,249,929	1,695,645,327	1.08%	25.446
-	19,782,780	1,821,650,400	1.09%	25.071
-	22,272,299	2,059,081,778	1.08%	24.661
8,565	25,027,997	2,290,212,228	1.09%	20.425
8,692	26,419,168	2,445,201,914	1.08%	19.057
11,512	27,584,129	2,532,571,400	1.09%	19.291
11,682	27,274,351	2,533,303,000	1.08%	16.986
33,354	25,983,282	2,244,092,283	1.16%	17.478

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

<u>Year of Valuation</u>	<u>Net Tax Capacity (1)</u>	<u>Sales Ratio</u>	<u>Adjusted Net Tax Capacity (2)</u>
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
2010	25,983,282	95.5%	27,208,570

(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.

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)**

	<u>Year Collectible</u>	<u>General Fund</u>	<u>Community Service</u>	<u>Debt Service</u>	<u>Total All Funds</u>
Levies	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
	2011	5,125,826	310,240	2,596,454	8,032,520
Initial Tax Rate *	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%
	2011	6.12%	1.19%	9.99%	17.31%

* 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 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
Year Collectible 2011	331,035

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 - 2010 Payable 2011 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
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
2011	0.182	17.296	17.478	56.751	50.197

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)**

<u>Real Estate Type</u>	<u>Net Tax Capacity Value * Taxes Payable 2010</u>	<u>% of Total Property</u>
Residential	\$ 13,179,141	50.12%
Agricultural	4,255,863	16.18%
Commercial/Industrial	5,901,557	22.44%
Utility and Railroad	208,249	0.79%
Non-Homestead Residential	2,248,391	8.55%
Commercial & Residential Seasonal/Recreational	33,354	0.13%
Total Real Estate	\$ 25,826,555	98.21%
Personal Property	470,734	1.79%
Total Real and Personal Property	\$ 26,297,289	100.00%

* The taxes payable in 2010 are recorded as revenue for the 2010-11 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)**

	2011 *			2001		
	<u>2011 Net Tax Capacity</u>	<u>Rank (1)</u>	<u>% of Total Net Tax Capacity \$ 25,983,282</u>	<u>2001 Net Tax Capacity</u>	<u>Rank (2)</u>	<u>% of Total Net Tax Capacity \$ 16,026,350</u>
Cabela's Retail, Inc.	\$ 195,404	1	0.75%	N/A	2	N/A
Viracon, Inc.	192,850	2	0.74%	N/A	1	N/A
Mills Properties, Inc.	166,440	3	0.64%			
Owatonna Clinic - Mayo Health Systems	156,300	4	0.60%			
Federated Mutual Insurance Company	147,670	5	0.57%	N/A	8	N/A
JAS Realty, L.L.C.	121,690	6	0.47%	N/A	4	N/A
Wal-Mart Stores	119,896	7	0.46%			
Owatonna Hospitality, L.L.C.	119,464	8	0.46%			
Lowe's Home Centers, Inc.	115,588	9	0.44%			
Cybex International, Inc.	112,902	10	0.43%			
Continental Beverage, Inc.				N/A	6	N/A
Third Horizon Group, Ltd.				N/A	5	N/A
Northern Natural Gas Company				N/A	3	N/A
Chiquita Processed Foods				N/A	7	N/A
SPX Corporation - OTC Industrial				N/A	9	N/A
SPX Corporation - OTC Division				N/A	10	N/A

* As of December 31, 2011

N/A - Information was not available.

(1) The ranking for 2011 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 2001 was based on the market value of the company as of December 1, 2000, not the total taxes paid or net tax capacity.

Source: Steele County Auditor and 2001 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)**

<u>Fiscal Year</u>	<u>Bonded Debt</u>	<u>Lease Purchase Obligations</u>	<u>Capital Loan</u>	<u>Aid & Tax Anticipation Certificates</u>	<u>Certificates of Participation</u>
2002	31,490,000	-	-	-	-
2003	31,380,000	500,000	500,000	2,300,000	-
2004	50,800,000	429,843	400,000	2,600,000	-
2005	48,875,000	1,527,013	300,000	-	-
2006	26,145,000	1,154,419	200,000	-	-
2007	23,720,000	767,577	100,000	-	-
2008	21,210,000	365,938	-	-	-
2009	18,405,000	297,758	-	-	-
2010	15,500,000	172,332	-	-	-
2011	13,235,000	285,211	-	-	1,855,000

N/A - Personal income for 2010 and 2011 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: Audited Financial Statements, Bureau of Economic Analysis

<u>Total Primary Government</u>	<u>% of Personal Income</u>	<u>Per Capita (1)</u>
31,490,000	3.23%	1,181
34,680,000	3.49%	1,301
54,229,843	5.06%	2,034
50,702,013	4.49%	1,810
27,499,419	2.29%	982
24,587,577	1.99%	878
21,575,938	1.59%	770
18,702,758	1.38%	668
15,672,332	N/A	560
15,375,211	N/A	549

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

<u>Fiscal Year</u>	<u>General Bonded Debt Outstanding</u>			<u>Net Tax Capacity</u>	<u>Percent of Net Debt to Net Tax Capacity</u>	<u>Percent of Personal Income</u>	<u>Per Capita</u>
	<u>General Obligation Bonds</u>	<u>Less: Debt Service Fund Balance (Deficit)</u>	<u>Net Bonded Debt</u>				
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%	1.29%	624
2010	15,500,000	813,147	14,686,853	27,274,351	53.85%	N/A	524
2011	13,235,000	725,061	12,509,939	25,983,282	48.15%	N/A	447

N/A - Personal income for 2010 and 2011 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: Audited Financial Statements, 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)**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest and Fees</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to Gen. Gov't Expenditures</u>
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%
2011	2,265,000	532,685	2,797,685	56,822,986	4.92%

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

Source: Audited Financial Statements

**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	\$ 22,830,000	77.89%	\$ 17,781,437
Waseca County	3,180,000	0.05%	1,541
City of Owatonna	17,000,000	100.00%	<u>17,000,000</u>
Subtotal, Overlapping Debt			\$ 34,782,978
District Direct Debt			<u>15,500,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 50,282,978</u></u>

(1) There were three taxing jurisdictions which overlap the District and had general obligation debt outstanding as of December 31, 2010.

(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: Audited Financial Statements, Steele and Waseca County Auditors, City of Owatonna Finance Department.

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Assessed Value	\$ 2,244,092,283	\$ 2,533,303,000	\$ 2,532,571,400	\$ 2,445,201,914
Debt Limit Percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt Limit	336,613,842	379,995,450	379,885,710	366,780,287
Total Net Debt Applicable to Limit	<u>13,235,000</u>	<u>15,500,000</u>	<u>18,405,000</u>	<u>21,210,000</u>
Legal Debt Margin	<u>\$ 323,378,842</u>	<u>\$ 364,495,450</u>	<u>\$ 361,480,710</u>	<u>\$ 345,570,287</u>
Total Net Debt Applicable to the Limit as a % of Debt Limit	3.93%	4.08%	4.84%	5.78%

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: Audited Financial Statements and Minnesota Department of Education Levy Limitation and Certification Reports

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 2,290,212,228	\$ 2,059,081,778	\$ 1,821,650,400	\$ 1,695,645,327	\$ 1,577,242,700	\$ 1,452,417,485
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
343,531,834	308,862,267	273,247,560	254,346,799	236,586,405	217,862,623
<u>23,720,000</u>	<u>26,145,000</u>	<u>48,875,000</u>	<u>50,800,000</u>	<u>31,380,000</u>	<u>31,490,000</u>
<u>\$ 319,811,834</u>	<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>
6.90%	8.46%	17.89%	19.97%	13.26%	14.45%

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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)
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	36,775	1,356,807,000	36,895	9.40%	28,005
2010	N/A	N/A	N/A	7.80%	28,005
2011	N/A	N/A	N/A	5.10%	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	2011			2001		
	Number of Employees *	Rank	% of Total Employment 20,698	Number of Employees	Rank	% of Total Employment 19,751
Federated Mutual Ins. Co.	1,470	1	7.10%	1,507	2	7.63%
Viracon, Inc.	1,105	2	5.34%	1,650	1	8.35%
Truth Hardware Corporation	735	3	3.55%			
Owatonna Public Schools	650	4	3.14%			
SPX Corporation	540	5	2.61%	930	4	4.71%
Wenger Corporation	450	6	2.17%	500	5	2.53%
Josten's Inc.	416	7	2.01%	405	6	2.05%
Owatonna Hospital	323	8	1.56%			
Cybex Corporation	295	9	1.43%	260	8	1.32%
Owatonna Clinic	250	10	1.21%			0.00%
Mustang Manufacturing				200	10	
Cabela's				353	7	1.79%
Spx Corp. Truth Division				1,350	3	6.84%
Chiquitas Processed Foods				240	9	1.22%
Total	6,234		30.12%	7,395		36.43%

* - The information is as of December 31, 2011.

Source: Owatonna Chamber of Commerce, 2001 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
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
2011 (3)	1,945	55,237,955

(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.

(3) - 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 a new nursing facility.

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, 2011 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>2011</u>	<u>2010</u>	<u>2009</u>
Geographical Area - Square Miles	245	245	245
District Population	28,005	28,005	28,005
Student Enrollment - by Average Daily Membership (ADM)	4,786	4,797	4,880
<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

2008	2007	2006	2005	2004	2003	2002
245	245	245	245	245	245	245
28,005	28,005	28,005	28,005	26,660	26,660	26,660
4,865	4,953	4,931	4,819	4,869	5,027	5,034
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	1	0
1	1	1	1	1	1	1
1	1	1	1	1	1	1
1	1	1	1	0	0	0

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Early Childhood	61.48	47.40	34.69	32.08	26.40
Kindergarten	291.42	348.62	338.95	294.94	341.84
Grades 1-6	2,126.98	2,107.03	2,108.85	2,143.33	2,136.40
Grades 7-12	<u>2,305.87</u>	<u>2,293.57</u>	<u>2,397.16</u>	<u>2,394.71</u>	<u>2,448.32</u>
Total	<u><u>4,785.75</u></u>	<u><u>4,796.62</u></u>	<u><u>4,879.65</u></u>	<u><u>4,865.06</u></u>	<u><u>4,952.96</u></u>

Note: Student enrollment numbers for 2010 and prior are from the final numbers issued in January after the fiscal year ended. The 2011 student enrollment numbers are from September 19, 2011.

Source: Minnesota Department of Education

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
25.97	25.07	27.42	26.31	28.64
349.45	300.41	305.81	298.08	306.34
2,106.87	2,041.16	2,060.89	2,122.20	2,154.97
<u>2,448.54</u>	<u>2,452.08</u>	<u>2,474.47</u>	<u>2,580.34</u>	<u>2,544.29</u>
<u>4,930.83</u>	<u>4,818.72</u>	<u>4,868.59</u>	<u>5,026.93</u>	<u>5,034.24</u>

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

Function	2011	2010	2009
Administrators	9	9	12
Adult Basic Education	1	1	2
Alternative High School	0	0	0
Central Office Personnel	22	16	24
Clerical and Media Educational Assistants	7	8	8
Custodial/Cleaning/Maintenance	40	42	45
Directors	13	13	11
Early Childhood Family Education Learning Readiness	14	15	25
Food Service	33	36	36
Health Services	10	9	10
Noon Supervisors	10	17	10
Offset	1	1	2
School Aged Child Care	10	12	12
Secretarial/Office Personnel	25	30	22
Special Education Educational Assistants	71	75	75
Student Supervision Educational Assistants	16	16	4
Teacher Educational Assistants	34	43	40
Teachers	326	376	340
Tutors	8	9	7
Total	650	728	685

Source: District Records

2008	2007	2005	2006	2005	2004	2003	2002
12	12	12	12	12	11	18	16
2	2	2	2	2	2	2	2
0	0	0	0	0	0	0	0
23	20	20	20	20	25	25	17
8	10	10	10	10	10	10	10
42	43	44	44	44	46	46	46
11	11	11	11	11	11	5	5
25	25	25	25	25	25	25	30
33	38	38	38	38	38	38	38
10	10	10	10	10	11	11	10
7	17	18	18	18	18	20	20
2	2	2	2	2	2	2	2
12	12	12	12	12	13	14	14
22	22	22	22	22	22	32	32
74	76	66	73	66	66	64	69
5	5	4	6	4	6	6	8
43	34	30	30	30	30	25	41
326	330	323	323	323	323	318	327
7	7	7	7	7	10	10	10
664	676	656	665	656	669	671	697

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

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures (1)</u>	<u>Cost per Pupil</u>	<u>% Change</u>	<u># of Teachers</u>	<u>Pupil - Teacher Ratio</u>	<u>% of Students Receiving Free or Reduced Price Lunch (2)</u>
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	4,797	49,529,178	10,326	2.71%	376	12.8	35.35%
2011	4,786	50,549,647	10,563	2.29%	326	14.7	34.30%

(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
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
2011	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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Elementary (Grades K-5)							
Lincoln (1959)							
Square Feet	59,884	59,884	59,884	59,884	59,884	59,884	59,884
Enrollment	532	546	548	535	560	533	570
Acres	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
Enrollment	501	502	507	487	499	484	486
Acres	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
Enrollment	420	548	541	526	545	528	472
Acres	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
Enrollment	529	511	508	507	507	528	460
Acres	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
Enrollment	384	356	337	378	359	375	337
Acres	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
Enrollment	692	709	727	713	722	741	741
Acres	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
Enrollment	1,494	1,529	1,561	1,563	1,611	1,612	1,606
Acres	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	12,930	12,626
Enrollment	103	58	65	67	71	63	76
Acres	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
Enrollment (Early Childhood)	150	49	35	32	26	26	25
Acres	8	8	8	8	8	8	8

Source: District Records and Minnesota Department of Education

<u>2004</u>	<u>2003</u>	<u>2002</u>
55,071	55,071	55,071
633	613	607
40	40	40
54,437	54,437	54,437
431	445	466
13	13	13
54,779	54,779	54,779
462	461	481
3	3	3
67,327	67,327	67,327
467	460	466
10	10	10
55,433	55,433	55,433
361	368	376
60	60	60
166,564	166,564	166,564
736	756	751
18	18	18
353,710	353,710	353,710
1,637	1,677	1,638
19	19	19
12,626	12,626	12,626
70	77	121
0.88	0.88	0.88
15,694	15,694	15,694
27	26	28
8	8	8

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Schedule of Insurance Coverage
Fiscal Year Ended June 30, 2011
(unaudited)**

Coverage	Amount	Description
Property	\$ 98,435,784	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
	100,000	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: Tinch Peterson Sincok