

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2012



**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, 2012**

**PREPARED BY:  
DISTRICT BUSINESS OFFICE**

# INTRODUCTORY SECTION

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**INDEPENDENT SCHOOL DISTRICT NO. 761**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2012**

**BOARD OF EDUCATION**

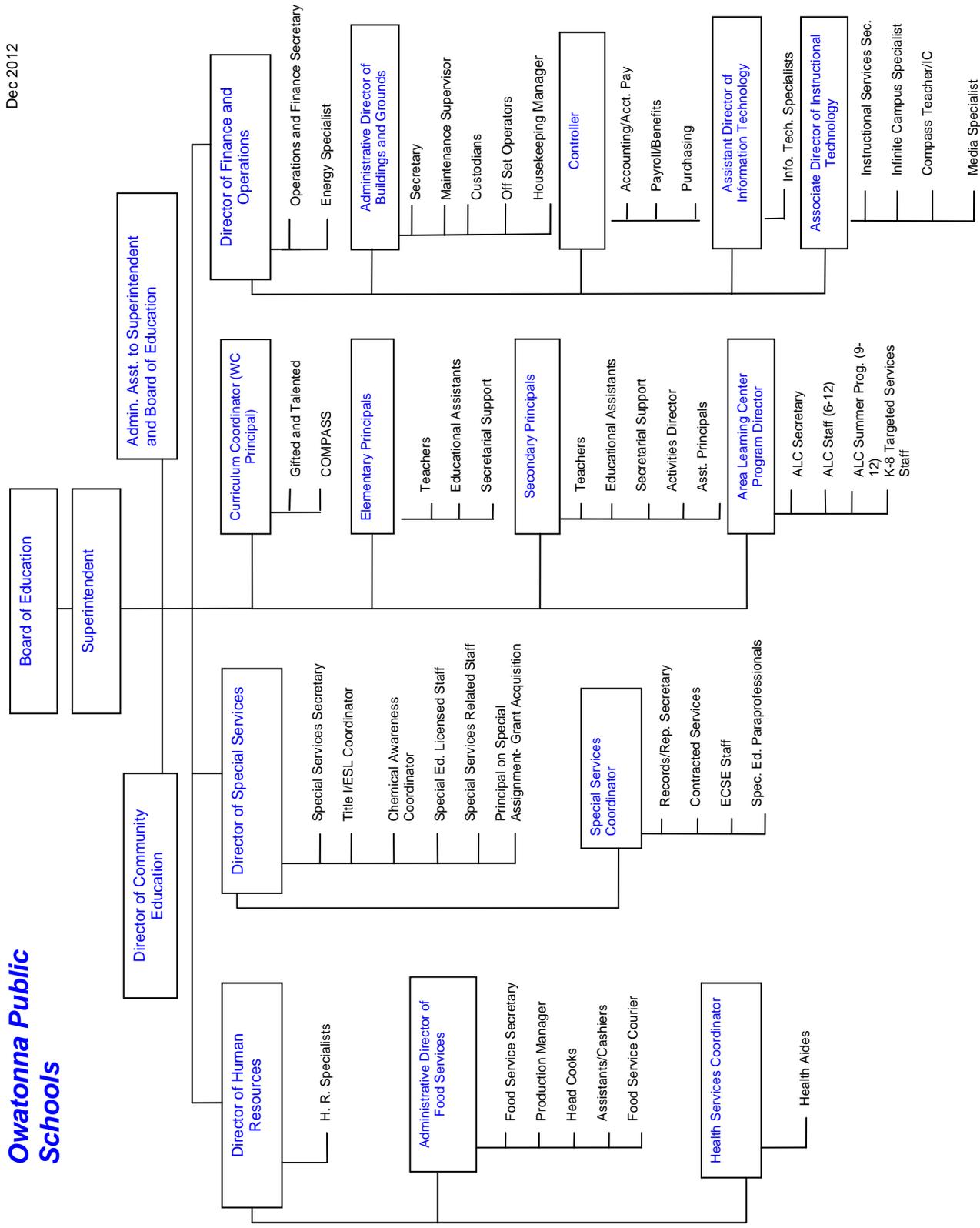
<b>NAME</b>	<b>TERM ON BOARD EXPIRES</b>	<b>BOARD POSITION</b>
Don McCann	1/5/2015	Chair
Bill Bernard	1/5/2015	Vice Chair
Kenyen Wall	1/7/2013	Treasurer
Vicki Jensen	1/7/2013	Clerk
Vilnis Giga	1/5/2015	Director
Jose Herrera	1/7/2013	Director
David Anderson	1/7/2013	Director

**CENTRAL ADMINISTRATION**

<b>NAME</b>	<b>TITLE</b>
Tom Tapper, Ph.D. *Retired effective June 30, 2012 and replaced by Peter Grant on 7/1/2012.	Superintendent
Mark Krug	Director of Special Services
Debbie McDermott-Johnson	Director of Community Education
Teri Preisler	Associate Director of Instructional Technology
Tom Sager	Director of Operations and Finance
Linda Skrien	Director of Human Resources/Student Affairs
Amanda Heilman	Controller

# Owatonna Public Schools

Dec 2012





**January 10, 2013**

**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, 2012. 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, 2011. 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 2011 valuation year was \$24,893,987 or a 8.5 percent decrease over 2010.

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 40.16 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 \$5,224 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 \$1.95 million in FY13. This will bring the total general fund balance down to 6.72 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 November of 2012, the State of Minnesota forecasted a \$1.330 billion surplus for the FY 12-13 biennium. This surplus will be automatically reallocated towards paying back school tax shifts and will increase the state aid payment percentage from 64.3 to 82.5 percent. 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 FY13 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 FY13 District budget is dependent on \$33.7 million in state general education aid. Approximately 95 percent of the revenue is derived from the basic per pupil allotment of \$5,224. 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 64.3/35.7 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 Owatonna Public Schools borrowed \$8 million in FY 12. Additionally, 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.

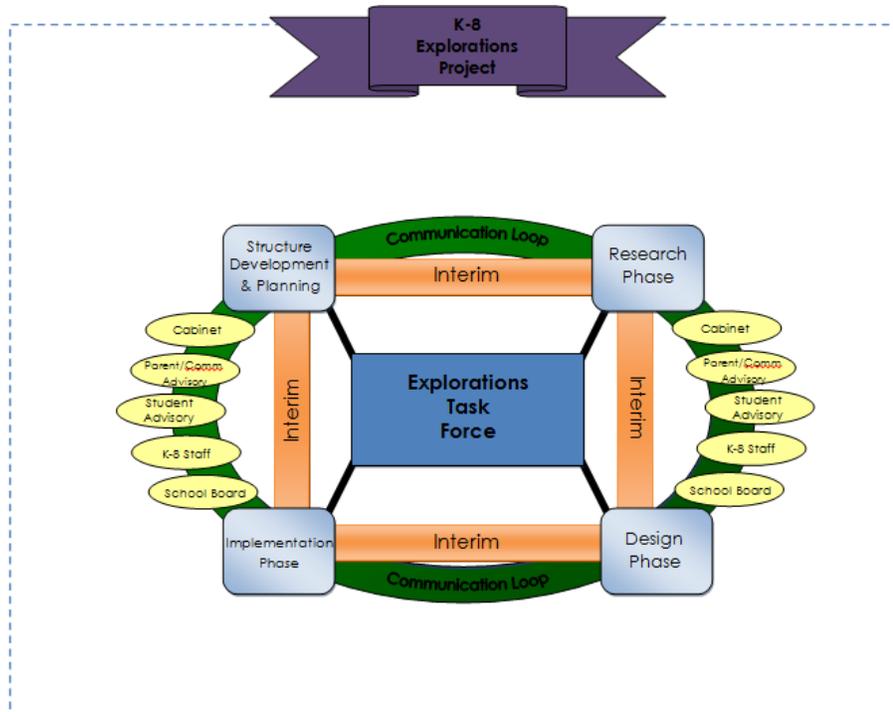
Total enrollment for the 2011-12 school year was 4,750. This represents a decrease of 36 students from the previous year. At this time, total enrollment for FY13 will be more than FY 12, and is forecasted to remain overall flat during the next four years. In calendar year 2011, the local hospital saw 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 44 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 under state average of roughly 5 percent, which is a relative improvement from the past three years. Signs of a recovery are beginning to take root, but most business owners, local leaders, and residents remain cautiously optimistic.

## **Major Initiatives**

The Owatonna Public School District moved forward and extended the implementation phase of the K – 8 Explorations initiative; inclusive of Leadership and 7 Habits of Highly Effective People, Inquiry based instructional methods, and Learn by Design: STEM/E-STEM learning environments. The K – 8 Explorations was a two and a half year initiative that began with structure development and planning in January, 2010 followed by the research phase in the fall of 2010. The graphic below shows each phase, communication loops, involved stakeholder groups, and finally the implementation phase that stretched from spring of 2011 through the entire 2011-2012 school year.



Training in Steven Covey's 7 Habits of Highly Effective People was conducted for all K – 8 staff in June, 2011 with follow up Leader in Me implementation sessions conducted at the start of the 2011-2012 school year. The Leader in Me foundation was implemented in all K – 8 schools along with the Alternative Learning Center for grades 9 – 12. This implementation included specific lessons to introduce each Habit but that was just the beginning. The 7 Habits permeates instruction, building processes, goal setting, and the physical environment for each site.

The decision was made to extend the training and implementation of the 7 Habits to the Early Childhood programming and Owatonna High School for the 2012-2013 school year. Training of staff at each of these learning environments took place in June, 2012.

From the K – 8 Explorations, a second learning foundation was combined with Leadership in order to fully engage our students and further move to a learner-centered instructional focus. This second foundation is inquiry-based instructional methods. Inquiry promotes questioning, critical thinking and problem solving skills. Teachers received training in inquiry-based instructional methods in January, 2012 with focused grade level/department follow up sessions later in the spring.

The final purpose of the K – 8 Explorations initiative was to provide educational choice within our District. After numerous staff and parent surveys, the decision was made to implement a Learn by Design: STEM choice at the K – 5 level with McKinley Elementary serving as the location. The decision for grades 6 – 8 was E-STEM (Environmental STEM) in a school-within-a-school structure. Staffing, student enrollments, resource allocation, and training began in January, 2012. Enrollment within each of these settings reached capacity with McKinley not only maintaining current students within the school boundary but adding students from across the District. E-STEM at Willow Creek's 6<sup>th</sup> grade school reached an enrollment that included 50% of incoming students and Grade 7 E-STEM reach capacity for an entire team. E-STEM at grade 8 will be implemented the following year.

Owatonna High School implemented a hybrid structure within three courses in grades 11 and 12. The hybrid structure incorporates direct in class instruction partnered with online instruction/learning using a digital management system. Students are able to access instruction at any time and any place with internet connections. Survey results from students regarding this structure were positive with flexibility and time management preparation for post-secondary education as the most common responses. Feedback from teachers within these courses was also positive and this format continued into the next school year.

In response to the Minnesota Read Well by Third Grade Statute 120B.12 and as a part of the ongoing work within the Department of Teaching and Learning, a local literacy plan was developed and continues to be implemented. This Literacy Plan includes the overall literacy framework, culturally relevant pedagogy, assessments, response to intervention process, professional development plans, and family/community partnerships.

The 2012 Minnesota Comprehensive Assessment results showed improvements in reading and an increase of 2.3% of students in grades 3 – 10 meeting proficiency. The 75.8% proficiency level was reflective of the state proficiency percentage of 76%. The district was encouraged by these results and continues to work to align core instruction and resources as well as interventions in reading. MCAII/III 2012 math results showed an overall improvement of 1% for all grades combined. The 60% proficiency level was below the state average of 65.4%. The following data is a compilation of grade level and building results in the areas of reading and math.

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

Measures	Intervene (1.0 – 1.9)	Concern (2.0 – 2.9)	Baseline (3.0 – 3.9)	Progress (4.0-4.9)	Vision (5.0)
MCA-II Reading Scores	< 65 % of all students meet/exceed expected proficiency	65-71% of all students meet/exceed expected proficiency	72-78% of all students meet/exceed expected proficiency  2010-11: 74% 2011-12: 76%	79-85% of all students meet/exceed expected proficiency	> 85% of all students meet/exceed expected proficiency
All Accountability Math Scores	< 65 % of all students meet/exceed expected proficiency  2010-11: 59% 2011-12: 60%	65-71% of all students meet/exceed expected proficiency	72-78% of all students meet/exceed expected proficiency	79-85% of all students meet/exceed expected proficiency	> 85% of all students meet/exceed expected proficiency

No Child Left Behind (NCLB) requires that states administer assessments to students in all districts. In Minnesota, this test is the Minnesota Comprehensive Assessment II and III (MCAII/MCAIII). Based on the results of these assessments, the Minnesota Department of Education determines if districts and individual schools meet Adequate Yearly Progress (AYP) targets for reading and math. As a result of Minnesota being granted a waiver for No Child Left Behind, a Multiple Measurement Rating was used as the accountability measure for each school beginning with the 2010-2011 school year. This Multiple Measurement Rating (MMR) includes four categories; percentage of students at proficiency, percentage of students demonstrating academic growth in reading and math, decreasing the achievement gap between student subgroups, and a new formula for calculating graduation rate.

The Owatonna School District and individual schools met adequate yearly progress targets in 12 of the 16 eligible subgroup categories. The MMR is a rating at the school level only and the overall MMR is calculated based upon all four categories mentioned above. Owatonna Public Schools have 7 eligible school sites measured for MMR and results showed an increase in MMR percentages in 5 of the 7 schools from an initial and 2012 comparison.



## **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.

We are piloting over 30 iPads at Wilson Elementary and Washington Elementary and another 17 at McKinley Elementary.

We intend to replace our end of life phone system this year with a state of the art Voice of IP System.

### **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**

The Strategic Roadmap for the Owatonna Public School District was revised and updated during the fall of 2008. This roadmap is inclusive of our mission, core values, vision, strategic directions, and vision card metrics. It serves as a guide for decision-making and benchmarking for continuous improvement.

**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 21<sup>st</sup> 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 this Strategic Roadmap and with Major Initiatives within the District is essential for improvements and implementation. A structure of job-embedded professional development was re-defined during the 2011-2012 school year to support growth and development of educators along with establishing strong partnerships with several community resources including; Minnesota State University in Mankato, Hamline University and The Science Museum.

Owatonna Public Schools defined job embedded professional development as teacher learning that is grounded in day to day teaching practice and designed to enhance teachers' content-specific instructional practices with the intent of improving student learning. It is integrated into the workday, consisting of teachers assessing and finding solutions for authentic and immediate problems of practice as part of continuous improvement. The following are some of the ways in which professional development around literacy occurred in the 2011-2012 school year.

- **A Reading Professional Development Blog** was created and posted on the district website. This offers a differentiated opportunity for professional learning that encourages reflection of literacy instruction based on research and best practice.  
<http://owatonnareading.blogspot.com/>
- **Professional Learning Communities** uses a team oriented approach to improving literacy instruction, meet at least bi-monthly to reflect on student progress, review data, and align instruction to learning targets. These opportunities are job-embedded, built into the regular school schedule.
- **Job-embedded Professional Development** is utilized during district wide staff development days and six district late starts. This Professional Development has been focused on creating Enduring Understandings, learning targets, formative assessments, and learning new innovative ways to incorporate research and best practice into literacy instruction.

- **District-level and building-level Instructional Coaches** are focused on increasing teacher and administrator capacities to positively impact literacy development and proficiency for all students. The role of these teachers is to share best practices for literacy and ensure that quality core instruction and interventions for all students are happening daily in the classrooms.

Professional development for integration of technology within teaching and learning occurred through consultants from other districts, TIES conference attendance, and in-district train the trainer models. This area of professional development was analyzed during the budget process and expanded for the next fiscal year of FY13. Systems for data analysis were also examined during the spring/summer of FY12 and a recommendation was made to increase efficiency and access for educators in data-driven decision making processes. This recommendation is being implemented in FY13.



## **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.

### **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, 2012 is outstanding bonds on school district facilities in the amount of \$11,010,000. The balance consists of one outstanding general obligation refunding bond 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 2012. The balance on the vending machine and copier capital leases totaled \$167,339 on June 30, 2012.

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.

#### **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 CliftonLarsonAllen 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 2011. Therefore, the District has received the award for 19 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.

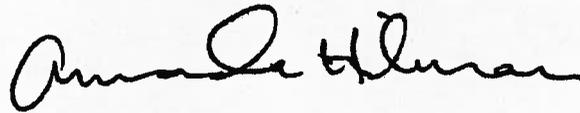
The preparation of this report could not have been accomplished without the efficient and dedicated services of the District's business office staff.

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  
Controller

# Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award  
is presented to*

## Owatonna Public Schools ISD # 761

*For Its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2011*

The CAFR has been reviewed and met or exceeded  
ASBO International's Certificate of Excellence standards



A handwritten signature in black ink, reading "Brian L. Mee".

Brian L. Mee, SFO, RSBA  
President

A handwritten signature in black ink, reading "John D. Musso".

John D. Musso, CAE, RSBA  
Executive Director

# FINANCIAL SECTION

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CliftonLarsonAllen

CliftonLarsonAllen LLP  
www.cliftonlarsonallen.com

## 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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Independent School District No. 761's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the Independent School District No. 761's 2011 financial statements and, in our report dated November 13, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

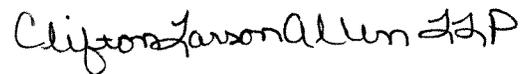
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2012 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress for postemployment benefit plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, the supplementary information and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

  
**CliftonLarsonAllen LLP**

Austin, Minnesota  
November 13, 2012

**REQUIRED SUPPLEMENTARY INFORMATION**

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

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, 2012. 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 (2011-12) and the prior year (2010-11) is presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2011-12 fiscal year include the following:

- Net assets increased by \$714,953 over the prior year.
- In the Statement of Activities, overall revenues were \$54,039,472, while overall expenses totaled \$53,324,519.
- The General Fund balance decreased by \$1,617,335, the Food Service Fund balance increased by \$65,964, and the Community Service Fund balance increased by \$81,839.
- The Health Insurance Internal Service Fund balance increased by \$115 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 \$8,060,000 of Aid and Tax Anticipation Certificate proceeds for cash flow purposes in 2011-12.
- The Debt Service Fund balance decreased by \$95,511. 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, 2012**

**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**

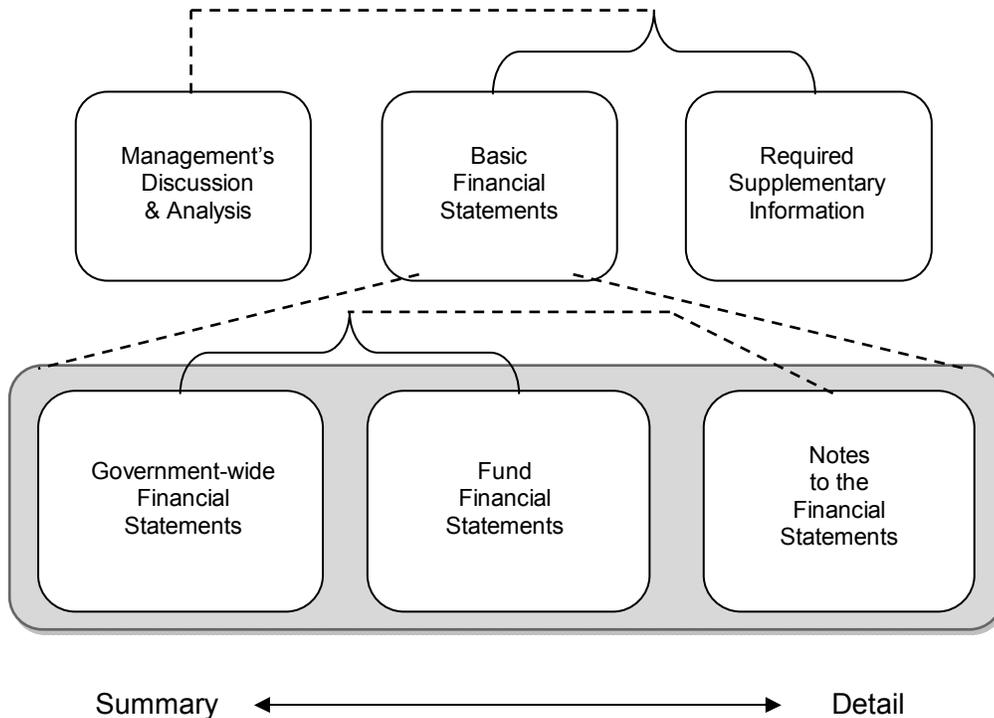


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and content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

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	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"> <li>• Statement of Net Assets</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenue, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fund Net Assets</li> <li>• Statement of Revenues, Expenses, and Changes in Fund Net Assets</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Assets</li> <li>• Statement of Changes in Fiduciary Net Assets</li> </ul>
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, 2012**

**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, 2012**

**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 \$16,016,274 on June 30, 2012. (See Table A-1) This was an improvement of \$714,953 over the prior year.

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

	<b>Governmental Activities</b>		<b>Percentage Change</b>
	<b>2012</b>	<b>2011</b>	
Current and Other Assets	\$ 27,091,015	\$ 19,309,512	40.30%
Capital and Non-Current Assets	26,451,012	26,691,586	-0.90%
<b>Total Assets</b>	<b>53,542,027</b>	<b>46,001,098</b>	<b>16.39%</b>
Current Liabilities	23,213,029	13,887,852	67.15%
Long-Term Liabilities	14,312,724	16,811,925	-14.87%
<b>Total Liabilities</b>	<b>37,525,753</b>	<b>30,699,777</b>	<b>22.23%</b>
Net Assets			
Invested in Capital Assets, Net of Related Debt	15,763,708	13,921,139	13.24%
Restricted	1,930,064	1,779,406	8.47%
Unrestricted	(1,677,498)	(399,224)	-320.19%
<b>Total Net Assets</b>	<b>\$ 16,016,274</b>	<b>\$ 15,301,321</b>	<b>4.67%</b>

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**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.

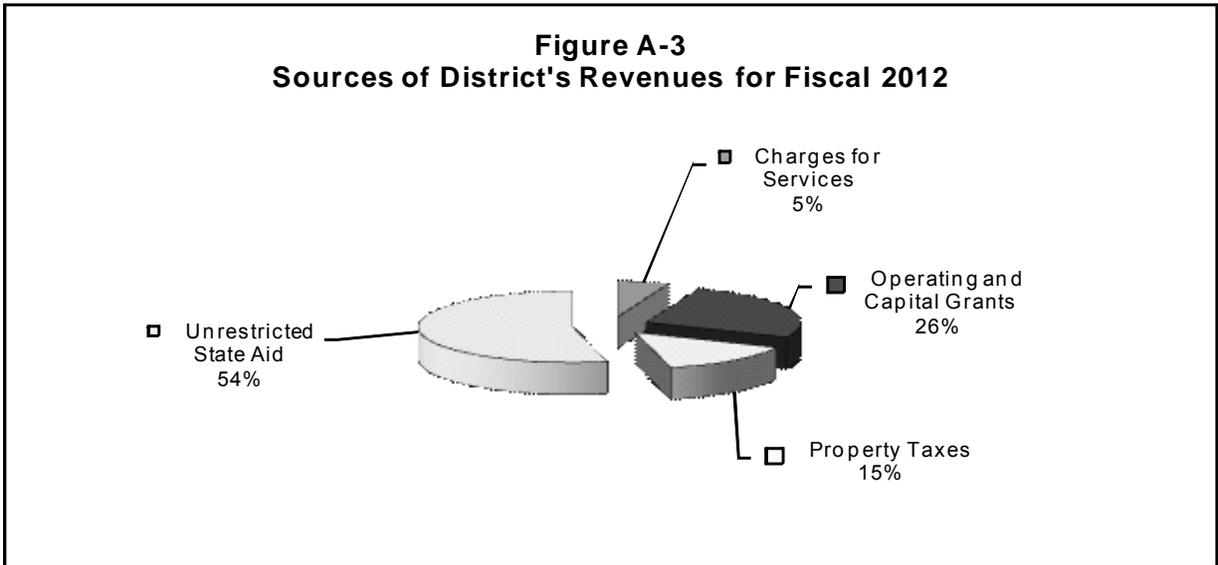
**Table A-2  
Change in Net Assets**

	<b>Governmental Activities for the fiscal year ended June 30,</b>		<b>Total % Change</b>
	<b>2012</b>	<b>2011</b>	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 2,932,090	\$ 2,698,465	8.66%
Operating Grants and Contributions	13,683,114	13,411,316	2.03%
Capital Grants and Contributions	602,199	748,976	-19.60%
<u>General Revenues</u>			
Property Taxes	7,776,732	9,959,269	-21.91%
Unrestricted State Aid	28,951,399	26,927,364	7.52%
Investment Earnings	3,091	7,010	-55.91%
Gain on Sale of Fixed Assets	-	17,610	-100.00%
Miscellaneous	90,847	206,783	-56.07%
Total Revenues	<u>54,039,472</u>	<u>53,976,793</u>	0.12%
<b>Expenses</b>			
Administration	2,042,444	1,871,259	9.15%
District Support Services	2,381,115	2,400,208	-0.80%
Regular Instruction	22,586,215	22,918,131	-1.45%
Vocational Education Instruction	985,654	947,088	4.07%
Special Education Instruction	8,918,235	8,487,358	5.08%
Instructional Support Services	2,646,055	2,602,566	1.67%
Pupil Support Services	3,590,963	3,597,773	-0.19%
Sites and Buildings	4,546,753	4,610,789	-1.39%
Fiscal and Other Fixed Cost Programs	117,021	97,980	19.43%
Food Service	2,622,427	2,517,812	4.15%
Community Service	2,403,407	1,853,866	29.64%
Interest and Fiscal Charges on Long-Term Liabilities	484,230	503,226	-3.77%
Total Expenses	<u>53,324,519</u>	<u>52,408,056</u>	1.75%
<b>Change in Net Assets</b>	714,953	1,568,737	
Beginning Net Assets	<u>15,301,321</u>	<u>13,732,584</u>	
Ending Net Assets	<u>\$ 16,016,274</u>	<u>\$ 15,301,321</u>	

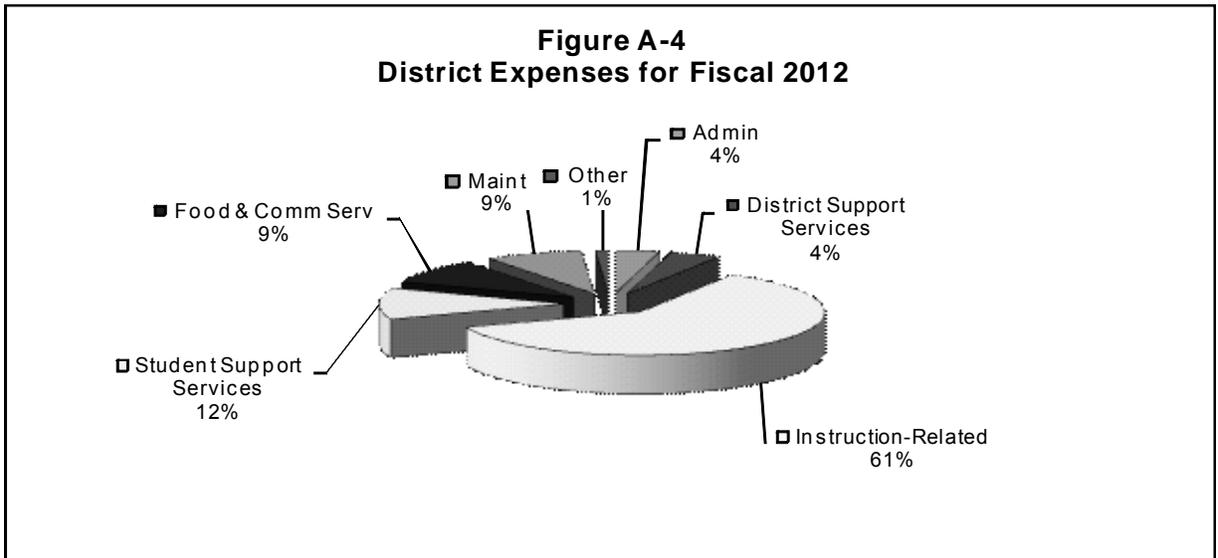
**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

The District's total revenues were \$54,039,472 for the year ended June 30, 2012. This is an increase of \$62,679 from June 30, 2012. (See Table A-2 on the previous page.) Revenues for the year were a mix of increases and decreases. In 2011 the state mandated tax shift moved \$2,228,968 from unrestricted state aid to property taxes. In 2012 the state mandated tax shift moved \$65,643 from property taxes to state aid. This change in the tax shift represents a majority of the increase and decrease in unrestricted state aid and taxes, respectively for 2012. The decreases in capital grants and miscellaneous were offset by increases in operating grants and charges for services. See Figure A-3 below for the related percentages of the District's revenues.



The total cost of all programs and services was \$53,324,519. 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 4% of total costs.



**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**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 \$53.3 million.
- Of this cost, \$2.9 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 \$14.3 million.
- District property taxpayers financed \$7.8 million.
- State taxpayers financed \$29.0 million in the form of unrestricted state aid based on the statewide education aid formula.

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

	<b>Total Cost of Services</b>		<b>Percentage Change</b>	<b>Net Cost of Services</b>		<b>Percentage Change</b>
	<b>2012</b>	<b>2011</b>		<b>2012</b>	<b>2011</b>	
Administration	\$ 2,042,444	\$ 1,871,259	9.15%	\$ 1,092,605	\$ 1,843,409	-40.73%
District Support Services	2,381,115	2,400,208	-0.80%	2,150,510	2,214,221	-2.88%
Regular Instruction	22,586,215	22,918,131	-1.45%	17,194,895	17,381,282	-1.07%
Vocational Education Instruction	985,654	947,088	4.07%	958,909	921,070	4.11%
Special Education Instruction	8,918,235	8,487,358	5.08%	3,620,395	2,179,946	66.08%
Instructional Support Services	2,646,055	2,602,566	1.67%	2,537,548	2,467,722	2.83%
Pupil Support Services	3,590,963	3,597,773	-0.19%	3,432,921	3,434,235	-0.04%
Sites and Buildings	4,546,753	4,610,789	-1.39%	4,245,878	4,260,210	-0.34%
Fiscal and Other Fixed Cost Programs	117,021	97,980	19.43%	117,021	97,980	19.43%
Food Service	2,622,427	2,517,812	4.15%	1,552	(103,808)	-101.50%
Community Service	2,403,407	1,853,866	29.64%	270,652	349,806	-22.63%
Interest and Fiscal Charges on Long-Term Liabilities	484,230	503,226	-3.77%	484,230	503,226	-3.77%
<b>Total</b>	<b>\$ 53,324,519</b>	<b>\$ 52,408,056</b>	<b>1.75%</b>	<b>\$ 36,107,116</b>	<b>\$ 35,549,299</b>	<b>1.57%</b>

**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, and Community Service Fund revenues exceeded expenditures, thereby increasing the fund balances in these funds. In the General Fund, Capital Projects – Building Construction Fund, and Debt Service Fund, expenditures exceeded revenues, thereby decreasing the fund balance in these funds. In total, governmental funds decreased by \$1,641,717 with an ending balance of \$6,720,034. The proprietary fund type had an increase of \$115 resulting in a balance of \$251,861.

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

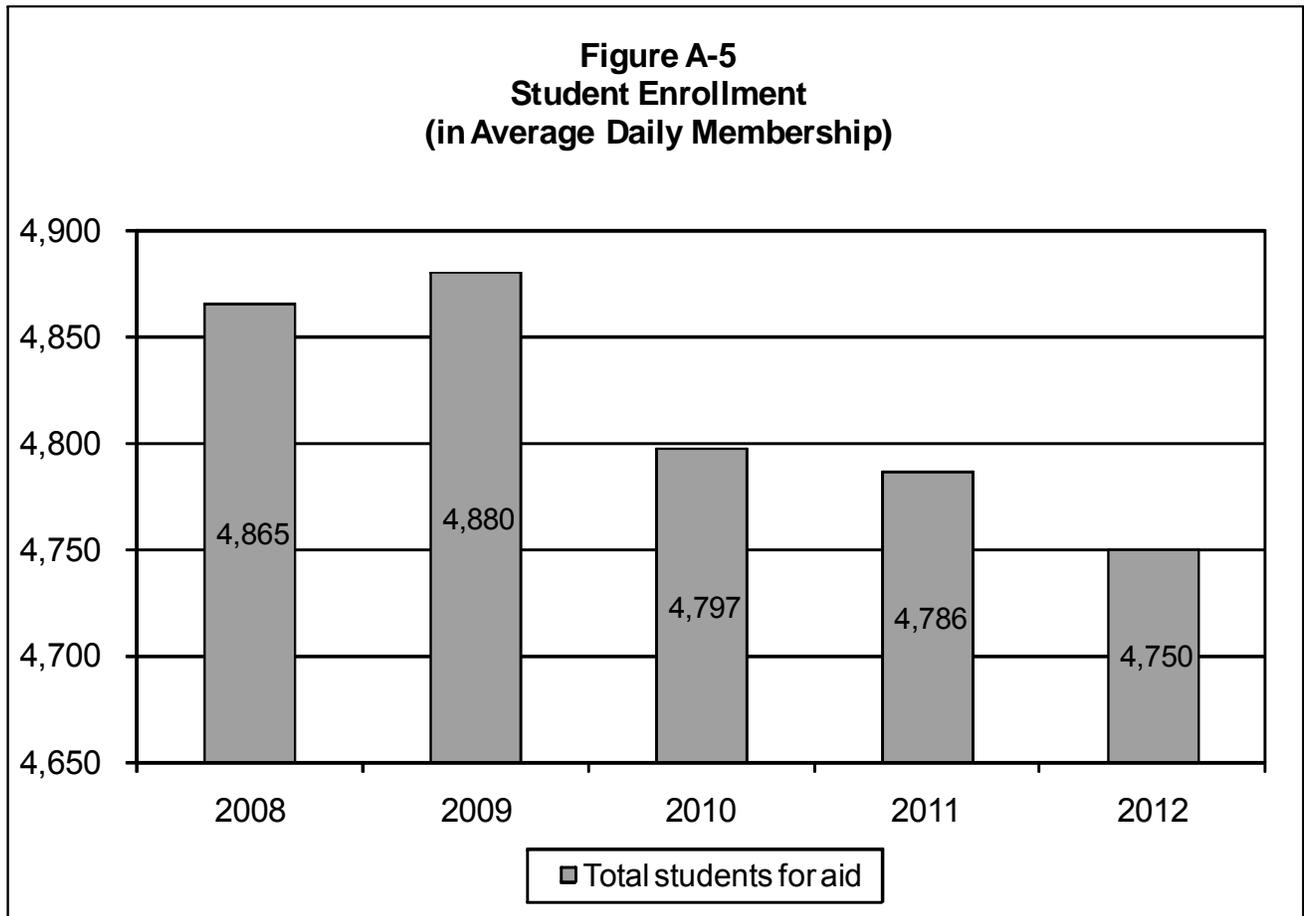
**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)**

**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 115 pupil units since 2008. The 2011-12 year showed a decrease in enrollment of 36 students from 2010-11. As seen in Figure A-5, there was an enrollment decrease for the year of 0.8% from the prior year.



**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**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, 2012	June 30, 2011	Increase (Decrease)	Percent
Local Sources				
Property Taxes	\$ 5,073,899	\$ 7,090,035	\$ (2,016,136)	-28.4%
Earnings on Investments	2,112	2,858	(746)	-26.1%
Other	1,255,640	989,439	266,201	26.9%
State Sources	37,146,909	35,747,140	1,399,769	3.9%
Federal Sources	2,819,076	2,888,963	(69,887)	-2.4%
Total General Fund Revenue	<u>\$ 46,297,636</u>	<u>\$ 46,718,435</u>	<u>\$ (420,799)</u>	-0.9%

Total General Fund revenue decreased \$420,799 or 0.9% 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 decrease in property taxes and increase in state sources is mostly due to the 2011 \$2.1 million state mandated tax shift going away in 2012. Earnings on investments decreased due to lower interest rates during the year. Other revenue sources increased primarily due to a medical assistance increase and rebates received through the implementation of our energy education program in 2011-12.

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

**Table A-5  
General Fund Expenditures**

Fund	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2012	June 30, 2011		
Salaries	\$ 27,457,086	\$ 26,988,978	\$ 468,108	1.7%
Employee Benefits	9,858,827	9,472,886	385,941	4.1%
Purchased Services	7,257,252	7,304,720	(47,468)	-0.6%
Supplies and Materials	1,813,988	1,964,384	(150,396)	-7.7%
Capital Expenditures	1,218,831	2,120,939	(902,108)	-42.5%
Other Expenditures	309,632	68,666	240,966	350.9%
Total Expenditures	<u>\$ 47,915,616</u>	<u>\$ 47,920,573</u>	<u>\$ (4,957)</u>	0.0%

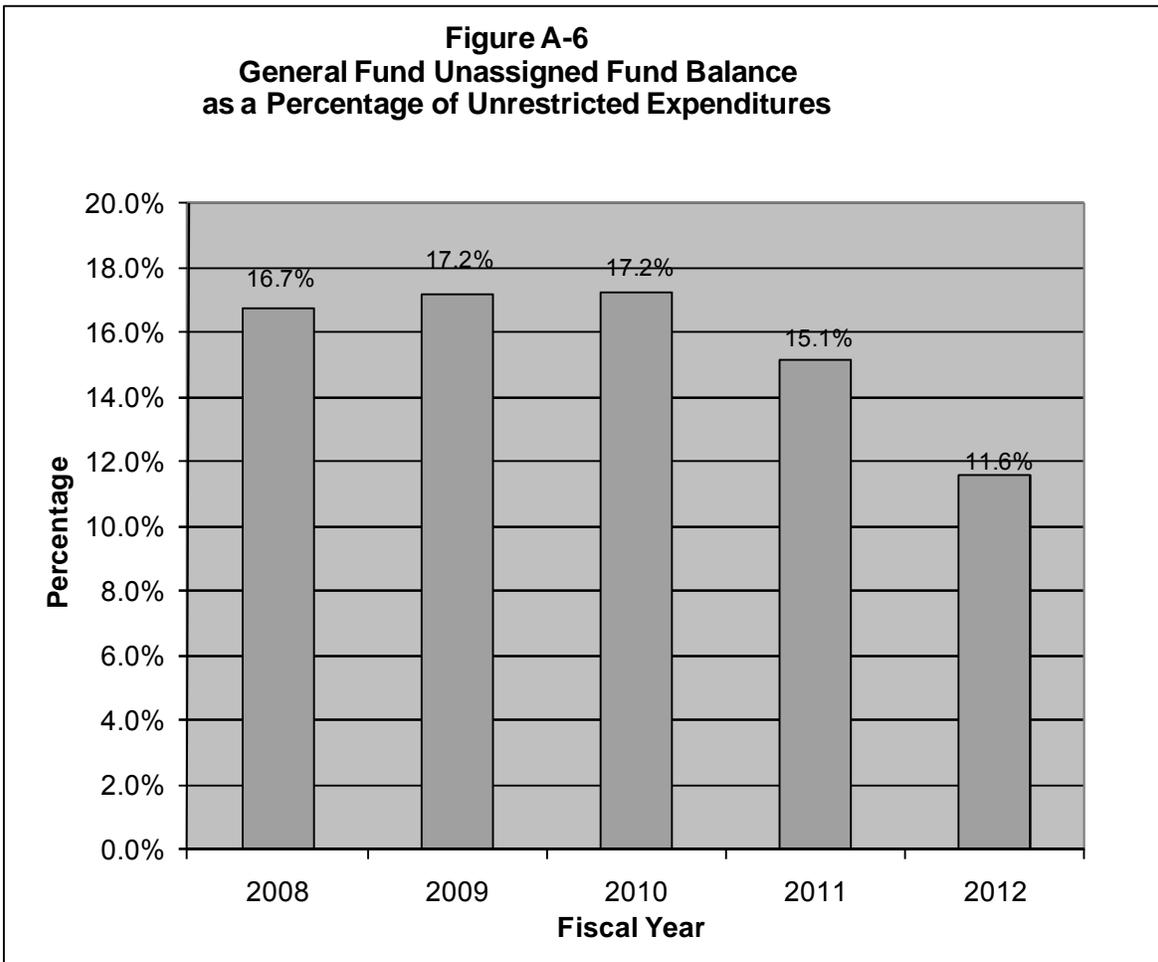
Total General Fund expenditures decreased \$4,957 or 0.0% over the previous year. This decrease was due to many factors. The most notable reason for the decrease was due to the completion of several large construction projects in 2011. This decrease was mostly offset by an increase in salaries and benefits due to contract settlements completed in 2011-12.

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)**

In 2011-12, General Fund expenditures and other financing uses were more than revenue and other financing sources by \$1,617,335, thereby decreasing the total fund balance as of June 30, 2012. After deducting statutory restrictions, the unassigned fund balance decreased from \$6,235,656 at June 30, 2011 to \$4,826,823 at June 30, 2012.

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, 2012**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)**

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

	2008	2009	2010	2011	2012
Unassigned Fund Balance	\$ 6,455,191	\$ 6,787,611	\$ 6,893,355	\$ 6,235,656	\$ 4,826,823
% Increase (Decrease)	0.1%	5.1%	1.6%	-9.5%	-22.6%
Unrestricted Expenditures	\$ 38,557,542	\$ 39,459,065	\$ 39,974,567	\$ 41,198,245	\$ 41,570,366
% Increase (Decrease)	4.9%	2.3%	1.3%	3.1%	0.9%
Unassigned Fund Balance as a % of Unrestricted Expenditures	16.7%	17.2%	17.2%	15.1%	11.6%

The preceding table is the single best measure of overall financial health. The unassigned fund balance of \$4,826,823 at June 30, 2012 represents 11.6% of annual unrestricted expenditures. The \$4,826,823 represents about 1.4 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 \$1,738,385, the actual results for the year show a \$1,617,335 decrease.

- Actual revenues were \$38,934 less than expected. The largest impact came from Federal Sources, specifically Title Funds where \$250,000 less was received than the amount budgeted. Other Local sources helped to offset this decrease with an increase in medical assistance and rebates received through the implementation of our energy education program. Other areas of revenue, such as property tax, were under budget.

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)**

- Overall, the actual expenditures were \$173,339 under budget. Elementary and Secondary Instruction was under budget in the areas of salaries, supplies and materials, and capital expenditures. Special Education Instruction was under budget in the areas of purchased services and supplies and materials relating to a reduction in need for additional services and supplies. Pupil Support Services was under budget in the areas of employee benefits, purchased services, and supplies and materials. These amounts under budget were offset by the following areas being over budget: Administration, District Support Services, Vocational Instruction, Instructional Support Services and Sites and Buildings.

**FOOD SERVICE FUND**

The Food Service Fund increased by \$65,964. An anticipated decrease in the fund balance of \$67,282 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 \$75,799 from the prior year. The restricted for other purposes Community Service Fund balance increased by \$6,040 from the prior year. In total Community Service Fund balance increased by \$81,839.

**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, 2012, the Restricted for Project Funded by Certificates of Participation fund balance was \$0 as all projects were completed and this fund was closed out.

**DEBT SERVICE FUND**

There were no new bonds issued during the year. The Restricted for Other Purposes fund balance decreased to \$629,550 as of June 30, 2012 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 \$115 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, 2012**

**FIDUCIARY FUND**

The museum trust fund is the District's fiduciary fund. The net assets of the museum trust are \$5,407.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of fiscal year 2012, the District had net capital assets of \$26,451,012 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 \$1,411,693.

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

	<u>2012</u>	<u>2011</u>	<u>Percentage Change</u>
Land	\$ 1,823,335	\$ 1,823,335	0.0%
Construction in progress	220,415	266,407	-17.3%
Land Improvements	2,256,233	2,207,702	2.2%
Buildings and Improvements	38,830,701	38,388,458	1.2%
Equipment	8,367,767	7,884,240	6.1%
Less: Accumulated Depreciation	<u>(25,047,439)</u>	<u>(23,878,556)</u>	<u>4.9%</u>
<b>Total</b>	<u><u>\$ 26,451,012</u></u>	<u><u>\$ 26,691,586</u></u>	<u><u>-0.9%</u></u>

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

**Long-Term Liabilities**

At year-end, the District had \$11,010,000 in general obligation bonds outstanding. The decrease from 2011 was due to making principal payments on current bonds. The District had outstanding \$1,655,000 in Certificates of Participation at June 30, 2012. The District also had \$3.6 million in severance payable at June 30, 2012, a decrease of 1.8% 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>2012</u>	<u>2011</u>	<u>Percentage Change</u>
General Obligation Bonds	\$ 11,010,000	\$ 13,235,000	-16.8%
Net Bond Premium and Discount	(5,573)	(7,298)	-23.6%
Certificates of Participation Payable	1,655,000	1,855,000	-10.8%
Obligations Under Capital Leases	167,339	285,211	-41.3%
Pension Payable	(8,668)	81,733	-110.6%
Other Post Employment Benefits Payable	752,307	547,354	37.4%
Severance Benefits Payable	3,633,430	3,700,702	-1.8%
Compensated Absences Payable	224,870	284,962	-21.1%
<b>Total</b>	<u>\$ 17,428,705</u>	<u>\$ 19,982,664</u>	<u>-12.8%</u>
Long-Term Liabilities:			
Due Within One Year	\$ 3,115,981	\$ 3,170,739	
Due in More than One Year	14,312,724	16,811,925	
	<u>\$ 17,428,705</u>	<u>\$ 19,982,664</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, 2012**

**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, 2012  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2011)**

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and Investments	\$ 6,811,578	\$ 1,809,987
Cash and Investments Held by Trustee	-	100,833
Receivables		
Property Taxes	4,600,403	4,716,221
Other Governments	15,257,796	12,058,214
Other	167,317	301,899
Prepaid Items	113,400	177,307
Inventories	68,361	59,656
Bond Issuance Costs, Net	72,160	85,395
Capital Assets		
Land and Construction in Progress	2,043,750	2,089,742
Other Capital Assets, Net of Depreciation	24,407,262	24,601,844
Total Assets	<u>53,542,027</u>	<u>46,001,098</u>
<b>LIABILITIES</b>		
Aid Anticipation Certificates Payable	8,076,394	-
Salaries and Wages Payable	4,784,002	4,024,625
Accounts and Contracts Payable	1,147,571	818,247
Accrued Interest	216,878	224,570
Due to Other Governmental Units	494,682	245,486
Unearned Revenue:		
Property Taxes	5,333,815	5,316,588
Local Sources	43,706	87,597
Long-Term Liabilities:		
Portion Due Within One Year	3,115,981	3,170,739
Portion Due in More Than One Year	14,312,724	16,811,925
Total Liabilities	<u>37,525,753</u>	<u>30,699,777</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	15,763,708	13,921,139
Restricted for:		
Operating Capital Purposes	340,876	328,884
State-Mandated Restrictions	230,232	175,769
Food Service	554,059	488,095
Community Service	314,469	233,879
Debt Service	490,428	552,779
Unrestricted	<u>(1,677,498)</u>	<u>(399,224)</u>
Total Net Assets	<u>\$ 16,016,274</u>	<u>\$ 15,301,321</u>

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2011)**

Functions	2012		
	Expenses	Program	
		Charges for Services	Operating Grants and Contributions
<b>Governmental Activities</b>			
Administration	\$ 2,042,444	\$ -	\$ 923,677
District Support Services	2,381,115	-	-
Regular Instruction	22,586,215	642,220	4,634,545
Vocational Education Instruction	985,654	-	26,745
Special Education Instruction	8,918,235	360,893	4,935,826
Instructional Support Services	2,646,055	-	108,507
Pupil Support Services	3,590,963	-	158,042
Sites and Buildings	4,546,753	38,154	32,965
Fiscal and Other Fixed Cost Programs	117,021	-	-
Food Service	2,622,427	1,281,616	1,339,259
Community Service	2,403,407	609,207	1,523,548
Interest and Fiscal Charges on Long-Term Liabilities	484,230	-	-
Total School District	\$ 53,324,519	\$ 2,932,090	\$ 13,683,114

**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 Capital Assets  
Miscellaneous  
    Total General Revenues  
Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

See accompanying Notes to Basic Financial Statements.

	<u>2012</u>	<u>2011</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>
\$ 26,162	\$ (1,092,605)	\$ (1,843,409)
230,605	(2,150,510)	(2,214,221)
114,555	(17,194,895)	(17,381,282)
-	(958,909)	(921,070)
1,121	(3,620,395)	(2,179,946)
-	(2,537,548)	(2,467,722)
-	(3,432,921)	(3,434,235)
229,756	(4,245,878)	(4,260,210)
-	(117,021)	(97,980)
-	(1,552)	103,808
-	(270,652)	(349,806)
-	(484,230)	(503,226)
<u>\$ 602,199</u>	<u>(36,107,116)</u>	<u>(35,549,299)</u>

5,098,253	7,077,607
292,039	432,268
2,386,440	2,449,394
28,951,399	26,927,364
3,091	7,010
-	17,610
90,847	206,783
<u>36,822,069</u>	<u>37,118,036</u>
714,953	1,568,737
<u>15,301,321</u>	<u>13,732,584</u>
<u>\$ 16,016,274</u>	<u>\$ 15,301,321</u>

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2012  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2011)**

Major

	General	Food Service	Community Service
<b>ASSETS</b>			
Cash and Investments	\$ 4,100,871	\$ 487,985	\$ 226,724
Cash and Investments Held by Trustee	-	-	-
Receivables:			
Current Property Taxes	2,760,201	-	174,571
Delinquent Property Taxes	122,803	-	7,030
Due from Other Minnesota School Districts	130,576	-	-
Due from Minnesota Department of Education	13,591,077	3,222	545,331
Due from Federal through Minnesota Department of Education	802,650	59,231	44,359
Due from Other Governmental Units	5,856	-	-
Other Receivables	152,724	14,593	-
Due from Other Funds	-	-	-
Prepaid Items	111,230	2,170	-
Inventory	14,431	53,930	-
Total Assets	<u>\$ 21,792,419</u>	<u>\$ 621,131</u>	<u>\$ 998,015</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Aid Anticipation Certificates Payable	\$ 8,076,394	\$ -	\$ -
Salaries and Wages Payable	4,749,131	12,547	22,324
Accounts and Contracts Payable	1,019,331	10,819	117,421
Due to Other Governmental Units	114,108	-	380,574
Due to Other Funds	-	-	-
Accrued Interest Payable	38,086	-	-
Deferred Revenue:			
Property Taxes Levied for Subsequent Year	2,483,791	-	163,227
Delinquent Property Taxes	84,871	-	4,751
Local Sources	-	43,706	-
Total Liabilities	<u>16,565,712</u>	<u>67,072</u>	<u>688,297</u>
Fund Balance			
Nonspendable:			
Prepaid Items	111,230	2,170	-
Inventory	14,431	53,930	-
Restricted:			
Deferred Maintenance	(53,382)	-	-
Learning and Development	282	-	-
Gifted and Talented	422	-	-
Basic Skills Programs	229,528	-	-
Health and Safety	(196,777)	-	-
Operating Capital	340,876	-	-
Safe Schools	(46,726)	-	-
Community Education Programs	-	-	199,832
Early Childhood and Family Education Programs	-	-	70,159
Adult Basic Education	-	-	5,451
Project Funded by Certificates of Participation	-	-	-
Other Purposes	-	497,959	34,276
Unassigned	4,826,823	-	-
Total Fund Balance	<u>5,226,707</u>	<u>554,059</u>	<u>309,718</u>
Total Liabilities and Fund Balance	<u>\$ 21,792,419</u>	<u>\$ 621,131</u>	<u>\$ 998,015</u>

See accompanying Notes to Basic Financial Statements.

Funds		Total Governmental Funds	
Capital Projects - Building Construction	Debt Service	2012	2011
\$ -	\$ 1,744,137	\$ 6,559,717	\$ 1,728,952
-	-	-	100,833
-	1,477,148	4,411,920	4,551,389
-	58,650	188,483	164,832
-	-	130,576	125,614
-	75,494	14,215,124	11,408,119
-	-	906,240	518,072
-	-	5,856	6,409
-	-	167,317	301,899
-	-	-	593,367
-	-	113,400	177,307
-	-	68,361	59,656
<u>\$ -</u>	<u>\$ 3,355,429</u>	<u>\$ 26,766,994</u>	<u>\$ 19,736,449</u>
\$ -	\$ -	\$ 8,076,394	\$ -
-	-	4,784,002	4,024,625
-	-	1,147,571	818,247
-	-	494,682	245,486
-	-	-	764,078
-	-	38,086	-
-	2,686,797	5,333,815	5,316,588
-	39,082	128,704	118,077
-	-	43,706	87,597
-	2,725,879	20,046,960	11,374,698
-	-	113,400	177,307
-	-	68,361	59,656
-	-	(53,382)	(13,902)
-	-	282	282
-	-	422	422
-	-	229,528	125,790
-	-	(196,777)	(61,284)
-	-	340,876	328,884
-	-	(46,726)	49,275
-	-	199,832	145,638
-	-	70,159	54,005
-	-	5,451	-
-	-	-	76,674
-	629,550	1,161,785	1,183,348
-	-	4,826,823	6,235,656
-	629,550	6,720,034	8,361,751
<u>\$ -</u>	<u>\$ 3,355,429</u>	<u>\$ 26,766,994</u>	<u>\$ 19,736,449</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, 2012  
(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2011)**

	<b>2012</b>	<b>2011</b>
<b>Total Fund Balance for Governmental Funds</b>	\$ 6,720,034	\$ 8,361,751
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	220,415	266,407
Land Improvements, Net of Accumulated Depreciation	727,258	763,813
Buildings and Improvements, Net of Accumulated Depreciation	21,052,392	21,341,030
Equipment, Net of Accumulated Depreciation	2,627,612	2,497,001
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.		
	128,704	118,077
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(178,792)	(224,570)
Bond issuance costs are reported as expenditures in the governmental funds.		
	72,160	85,395
Internal service funds are used by management to charge the costs of health 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:		
	251,861	251,746
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	(11,010,000)	(13,235,000)
Unamortized Premiums	(11,386)	(13,232)
Unamortized Discounts	16,959	20,530
Certificates of Participation Payable	(1,655,000)	(1,855,000)
Obligations Under Capital Leases	(167,339)	(285,211)
Other Postemployment Benefits Payable	(752,307)	(547,354)
Severance Benefits Payable	(3,633,430)	(3,700,702)
Compensated Absences Payable	(224,870)	(284,962)
Pension Payable	8,668	(81,733)
<b>Total Net Assets of Governmental Activities</b>	<b>\$ 16,016,274</b>	<b>\$ 15,301,321</b>

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, 2012  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2011)**

	<b>Major</b>		
	<b>General</b>	<b>Food Service</b>	<b>Community Service</b>
<b>REVENUES</b>			
Local Sources			
Property Taxes	\$ 5,073,899	\$ -	\$ 293,288
Earnings on Investments	2,112	192	142
Other	1,255,640	1,281,616	635,329
State Sources	37,146,909	136,743	1,491,873
Federal Sources	2,819,076	1,202,516	50,147
Total Revenues	<u>46,297,636</u>	<u>2,621,067</u>	<u>2,470,779</u>
<b>EXPENDITURES</b>			
Current			
Administration	2,111,976	-	-
District Support Services	1,976,172	-	-
Regular Instruction	21,499,307	-	-
Vocational Education Instruction	940,505	-	-
Special Education Instruction	8,734,486	-	-
Instructional Support Services	2,650,922	-	-
Pupil Support Services	3,580,587	-	-
Sites and Buildings	4,852,149	-	-
Fiscal and Other Fixed Cost Programs	117,021	-	-
Food Service	-	2,502,500	-
Community Service	-	-	2,405,876
Capital Outlay	1,218,831	52,603	10,752
Debt Service			
Principal	200,000	-	-
Interest and Fiscal Charges	33,660	-	-
Total Expenditures	<u>47,915,616</u>	<u>2,555,103</u>	<u>2,416,628</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(1,617,980)	65,964	54,151
<b>OTHER FINANCING SOURCES (USES)</b>			
Capital Lease Proceeds	-	-	-
Judgments for School Districts	28,333	-	-
Sale of Equipment Proceeds	-	-	-
Certificate of Participation Proceeds	-	-	-
Certificates of Participation Premium	-	-	-
Transfers In	-	-	27,688
Transfers Out	(27,688)	-	-
Total Other Financing Sources (Uses)	<u>645</u>	<u>-</u>	<u>27,688</u>
Net Change in Fund Balances	(1,617,335)	65,964	81,839
Fund Balances - Beginning	6,844,042	488,095	227,879
Fund Balances - Ending	<u>\$ 5,226,707</u>	<u>\$ 554,059</u>	<u>\$ 309,718</u>

See accompanying Notes to Basic Financial Statements.

<b>Funds</b>		<b>Total Governmental Funds</b>	
<b>Capital Projects - Building Construction</b>	<b>Debt Service</b>	<b>2012</b>	<b>2011</b>
\$ -	\$ 2,398,918	\$ 7,766,105	\$ 10,004,765
38	492	2,976	6,803
-	-	3,172,585	2,964,885
-	211,467	38,986,992	36,840,868
-	-	4,071,739	4,048,794
<u>38</u>	<u>2,610,877</u>	<u>54,000,397</u>	<u>53,866,115</u>
-	-	2,111,976	1,794,161
-	-	1,976,172	2,216,781
-	-	21,499,307	21,632,973
-	-	940,505	897,302
-	-	8,734,486	8,500,187
-	-	2,650,922	2,549,555
-	-	3,580,587	3,507,532
-	-	4,852,149	4,603,163
-	-	117,021	97,980
-	-	2,502,500	2,446,111
-	-	2,405,876	1,796,287
76,712	-	1,358,898	3,983,269
-	2,225,000	2,425,000	2,265,000
-	481,388	515,048	532,685
<u>76,712</u>	<u>2,706,388</u>	<u>55,670,447</u>	<u>56,822,986</u>
(76,674)	(95,511)	(1,670,050)	(2,956,871)
-	-	-	201,918
-	-	28,333	138,357
-	-	-	20,256
-	-	-	1,855,000
-	-	-	14,771
-	-	27,688	18,654
-	-	(27,688)	(18,654)
-	-	28,333	2,230,302
(76,674)	(95,511)	(1,641,717)	(726,569)
76,674	725,061	8,361,751	9,088,320
<u>\$ -</u>	<u>\$ 629,550</u>	<u>\$ 6,720,034</u>	<u>\$ 8,361,751</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, 2012  
(WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2011)**

	<b>2012</b>	<b>2011</b>
<b>Net Change in Fund Balance-Total Governmental Funds</b>	<b>\$ (1,641,717)</b>	<b>\$ (726,569)</b>
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	1,186,728	3,473,748
Gain (Loss) on Disposal of Capital Assets	(15,609)	17,610
Proceeds from Sales of Capital Assets	-	(20,256)
Depreciation Expense	(1,411,693)	(1,239,381)
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)
Change in Accrued Interest Expense - Capital Leases	140	(728)
Principal Payments - Capital Leases	117,872	89,039
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 Certificates of Participation Payable	200,000	-
Repayment of Bond Principal	2,225,000	2,265,000
Change in Accrued Interest Expense - General Obligation Bonds	45,638	(3,041)
Amortization of Bond Issuance Costs	(13,235)	(13,427)
Amortization of Certificates of Participation Premium	1,846	1,539
Amortization of Bond Discount	(3,571)	(3,897)
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.	10,627	(45,496)
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).	12,812	(202,935)
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.	115	207
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 714,953</b>	<b>\$ 1,568,737</b>

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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources				
Property Taxes	\$ 5,098,604	\$ 7,205,078	\$ 5,073,899	\$ (2,131,179)
Earnings on Investments	5,006	3,000	2,112	(888)
Other	1,159,328	1,059,333	1,255,640	196,307
State Sources	36,172,221	34,956,019	37,146,909	2,190,890
Federal Sources	3,271,018	3,113,140	2,819,076	(294,064)
Total Revenues	<u>45,706,177</u>	<u>46,336,570</u>	<u>46,297,636</u>	<u>(38,934)</u>
<b>EXPENDITURES</b>				
Current:				
Administration	1,709,371	1,744,296	2,111,976	367,680
District Support Services	1,691,292	1,807,405	1,976,172	168,767
Regular Instruction	22,038,358	22,162,913	21,499,307	(663,606)
Vocational Education Instruction	884,253	891,910	940,505	48,595
Special Education Instruction	8,422,082	9,027,257	8,734,486	(292,771)
Instructional Support Services	2,401,455	2,307,302	2,650,922	343,620
Pupil Support Services	3,636,932	3,619,972	3,580,587	(39,385)
Sites and Buildings	4,415,003	4,584,922	4,852,149	267,227
Fiscal and Other Fixed Cost Programs	122,154	130,122	117,021	(13,101)
Capital Outlay	1,509,735	1,562,856	1,218,831	(344,025)
Debt Service				
Principal	200,000	200,000	200,000	-
Interest and Fiscal Charges	-	50,000	33,660	(16,340)
Total Expenditures	<u>47,030,635</u>	<u>48,088,955</u>	<u>47,915,616</u>	<u>(173,339)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,324,458)	(1,752,385)	(1,617,980)	134,405
<b>OTHER FINANCING SOURCES (USES)</b>				
Judgments for School Districts	30,000	30,000	28,333	(1,667)
Sale of Equipment Proceeds	12,000	12,000	-	(12,000)
Transfers Out	(28,000)	(28,000)	(27,688)	312
Total Other Financing Sources (Uses)	<u>14,000</u>	<u>14,000</u>	<u>645</u>	<u>(13,355)</u>
Net Change in Fund Balances	<u>\$ (1,310,458)</u>	<u>\$ (1,738,385)</u>	(1,617,335)	<u>\$ 121,050</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>6,844,042</u>	
End of Year			<u>\$ 5,226,707</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  
FOOD SERVICE FUND  
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources				
Earnings on Investments	\$ 155	\$ 155	\$ 192	\$ 37
Other - Primarily Meal Sales	1,378,877	1,378,374	1,281,616	(96,758)
State Sources	143,340	143,340	136,743	(6,597)
Federal Sources	997,095	1,117,595	1,202,516	84,921
Total Revenues	2,519,467	2,639,464	2,621,067	(18,397)
<b>EXPENDITURES</b>				
Current				
Food Service	2,563,180	2,654,039	2,502,500	(151,539)
Capital Outlay	42,407	52,707	52,603	(104)
Total Expenditures	2,605,587	2,706,746	2,555,103	(151,643)
Net Change in Fund Balance	\$ (86,120)	\$ (67,282)	65,964	\$ 133,246
<b>FUND BALANCE</b>				
Beginning of Year			488,095	
End of Year			\$ 554,059	

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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources				
Property Taxes	\$ 310,231	\$ 460,231	\$ 293,288	\$ (166,943)
Earnings on Investments	321	321	142	(179)
Other - Primarily Tuition and Fees	618,290	618,290	635,329	17,039
State Sources	814,967	1,313,854	1,491,873	178,019
Federal Sources	<u>24,557</u>	<u>50,147</u>	<u>50,147</u>	<u>-</u>
Total Revenues	<u>1,768,366</u>	<u>2,442,843</u>	<u>2,470,779</u>	<u>27,936</u>
Community Service	1,807,433	2,512,068	2,405,876	(106,192)
Capital Outlay	<u>6,179</u>	<u>7,979</u>	<u>10,752</u>	<u>2,773</u>
Total Expenditures	<u>1,813,612</u>	<u>2,520,047</u>	<u>2,416,628</u>	<u>(103,419)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(45,246)	(77,204)	54,151	131,355
<b>OTHER FINANCING SOURCES</b>				
Transfer in	<u>45,968</u>	<u>45,968</u>	<u>27,688</u>	<u>(18,280)</u>
Total Other Financing Sources	<u>45,968</u>	<u>45,968</u>	<u>27,688</u>	<u>(18,280)</u>
Net Change in Fund Balances	<u>\$ 722</u>	<u>\$ (31,236)</u>	81,839	<u>\$ 113,075</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>227,879</u>	
End of Year			<u>\$ 309,718</u>	

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. 761**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**JUNE 30, 2012**  
**(WITH COMPARATIVE DATA AS OF JUNE 30, 2011)**

	<b>Governmental Activities -</b>	
	<b>Internal Service Funds</b>	
	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
Cash and Investments	\$ 251,861	\$ 81,035
Due from Other Funds	-	170,711
Total Assets	\$ 251,861	\$ 251,746
<b>NET ASSETS</b>		
Unrestricted	\$ 251,861	\$ 251,746
Total Net Assets	\$ 251,861	\$ 251,746

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, 2012**  
**(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2011)**

	<b>Governmental Activities - Internal Service Funds</b>	
	<b>2012</b>	<b>2011</b>
<b>NONOPERATING INCOME</b>		
Earnings on Investments	\$ 115	\$ 207
Change in Net Assets	115	207
Total Net Assets - Beginning	251,746	251,539
Total Net Assets - Ending	\$ 251,861	\$ 251,746

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, 2012**  
**(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2011)**

	<b>Governmental Activities - Internal Service Funds</b>	
	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Due From Other Funds	\$ 170,711	\$ (170,711)
Net Cash Provided (Used) by Operating Activities	<u>170,711</u>	<u>(170,711)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	<u>115</u>	<u>207</u>
Net Cash Provided by Investing Activities	115	207
Cash and Cash Equivalents - Beginning	<u>81,035</u>	<u>251,539</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 251,861</u></u>	<u><u>\$ 81,035</u></u>
Displayed on Statements of Fund Net Assets as:		
Cash and Investments	<u><u>\$ 251,861</u></u>	<u><u>\$ 81,035</u></u>

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2012**

	<b>Private- Purpose Trust</b>
<b>ASSETS</b>	
Cash and Investments	\$ 5,592
Total Assets	5,592
<b>LIABILITIES</b>	
Salaries and Wages Payable	185
Total Liabilities	185
<b>NET ASSETS</b>	
Restricted for School Museum	5,407
Total Net Assets	\$ 5,407

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED JUNE 30, 2012**

	<b>Private- Purpose Trust</b>
<b>ADDITIONS</b>	
Contributions	\$ 5,722
Interest Income	1
Total Additions	5,723
<b>DEDUCTIONS</b>	
Salaries	1,988
Benefits	310
Supplies	154
Total Deductions	2,452
Change in Net Assets	3,271
Net Assets - Beginning of Year	2,136
Net Assets - End of Year	\$ 5,407

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**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 District'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 District. 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, 2012**

**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, 2012**

**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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict or contradict guidance of the Governmental Accounting Standards Board. Governments also have the same option of following subsequent private-sector guidance for the proprietary funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

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:

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus and Basis of Accounting (Continued)**

**Description of Funds (Continued)**

*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, and health and safety projects.

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, 2012**

**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	\$ 45,748,177	\$ 630,393
Special Revenue Funds		
Food Service Fund	2,519,467	119,997
Community Service Fund	1,814,334	674,477
Capital Project Building Construction Fund	-	300
Debt Service Fund	2,596,619	30,012
<u>Expenditures</u>		
General Fund	47,058,635	1,058,320
Special Revenue Funds		
Food Service Fund	2,605,587	101,159
Community Service Fund	1,813,612	706,435
Capital Project Building Construction Fund	-	76,974
Debt Service Fund	2,697,353	(7,000)

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, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Accounts Receivable**

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

**H. Inventories**

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

**I. Prepaid Items**

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

**J. Property Taxes**

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

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

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Property Taxes (Continued)**

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy, which is frozen at \$339,315 for the District. Starting in fiscal year 2011, the tax shift was expanded to include all other General and Community Service Fund levies. State aids are then reduced by this expanded shift amount, making this portion of the tax shift revenue neutral to school districts. For 2012 this resulted in a decrease in the District's General Fund (and corresponding increase in state aid totaling \$69,184) and an increase in the District's Community Service Fund (and corresponding decrease in state aid totaling \$3,541). Certain other portions of the District's 2011 pay 2012 levy, normally revenue for the 2012-13 fiscal year, are also advance recognized at June 30, 2012, 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, 2012, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

**K. Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$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, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Long-Term Obligations**

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

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

**M. Accrued Employee Benefits**

**Vacation Pay**

All full-time, non-certified employees earn annual vacation pay at various rates based on length of service. All outstanding unpaid vacation pay is payable upon termination of employment. At June 30, 2012, unpaid vacation pay totaling \$224,870 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, 2012 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 2012, expenditures for convertible sick leave benefits totaled \$379,756. At June 30, 2012, 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 \$3,633,430.

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. 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.

**N. Statement of Cash Flows**

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

**O. Deferred Revenues**

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

**P. Fund Balance**

In the fund financial statements, governmental funds report 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.

**Q. Risk Management**

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

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Q. Risk Management (Continued)**

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.

**R. Net Assets**

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

**S. Comparative Data**

Comparative data for the prior year has been presented only for certain sections of the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations. Certain comparative information has been reclassified to conform with the current year presentation.

**NOTE 2 STEWARDSHIP AND ACCOUNTABILITY**

**A. Interfund Transfers**

The District had the following interfund transfer at June 30, 2012:

	Transfer In:
	Community
	Service
	Fund
Transfer Out:	
General Fund	\$ 27,688

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

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**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, 2012 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota statutes.

**B. Investments**

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

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

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

At June 30, 2012, the District had the following investments:

**Investments Held with Broker –**

	Amortized Cost
Minnesota School District Liquid Asset Fund (MSDLAF+)	\$ 565,159
Minnesota School District Liquid Asset Fund Plus - MAX Series (MSDMAX)	1,519,162
Total	\$ 2,084,321

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

***Custodial Credit Risk***

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2012 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

***Interest Rate Risk***

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

***Concentration of Credit Risk***

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

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

***Concentration of Credit Risk (Continued)***

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

Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	\$ 565,159
Minnesota School District Liquid Asset Fund Plus - MAX Series (MSDMAX)	1,519,162
Total	<u>\$ 2,084,321</u>

**C. Balance Sheet Presentation**

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

Deposits	\$ 4,732,849
Investments	2,084,321
Total Cash and Investments	<u>\$ 6,817,170</u>

Reconciliation of Cash and Investments:

Cash and Investments - Statement of Net Assets	\$ 6,811,578
Cash and Investments - Statement of Fiduciary Net Assets	5,592
Total Cash and Investments	<u>\$ 6,817,170</u>

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 1,823,335	\$ -	\$ -	\$ 1,823,335
Construction in Progress	266,407	91,599	(137,591)	220,415
Total Capital Assets, Not Being Depreciated	2,089,742	91,599	(137,591)	2,043,750
Capital Assets, Being Depreciated				
Land Improvements	2,207,702	48,531	-	2,256,233
Buildings and Improvements	38,388,458	442,243	-	38,830,701
Equipment	7,884,240	741,946	(258,419)	8,367,767
Total Capital Assets, Being Depreciated	48,480,400	1,232,720	(258,419)	49,454,701
Accumulated Depreciation for				
Land Improvements	(1,443,889)	(85,086)	-	(1,528,975)
Buildings and Improvements	(17,047,428)	(730,881)	-	(17,778,309)
Equipment	(5,387,239)	(595,726)	242,810	(5,740,155)
Total Accumulated Depreciation	(23,878,556)	(1,411,693)	242,810	(25,047,439)
Total Capital Assets, Being Depreciated, Net	24,601,844	(178,973)	(15,609)	24,407,262
Governmental Activities Capital Assets, Net	<u>\$ 26,691,586</u>	<u>\$ (87,374)</u>	<u>\$ (153,200)</u>	<u>\$ 26,451,012</u>

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

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

<b>Governmental Activities</b>		
Administration		\$ 9,855
District Support Services		131,477
Regular Instruction		1,058,679
Vocational Education Instruction		17,759
Special Education Instruction		8,042
Instructional Support Services		2,837
Pupil Support Services		39,216
Sites and Buildings		77,093
Food Service		45,987
Community Service		20,748
		<u>1,411,693</u>
Total Depreciation Expense, Governmental Activities		<u>\$ 1,411,693</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	\$ 350,000	\$ 350,000
1/15/2004	2.0% - 3.7%	21,305,000	2/1/2017	1,970,000	10,660,000
Total General Obligation Bonds				2,320,000	11,010,000
Bond Premium - Net				1,846	11,386
Bond Discounts - Net				(3,571)	(16,959)
Certificates of Participation Payable				225,000	1,655,000
Capital Lease Payable				54,053	167,339
Pension Payable				-	(8,668)
Other Postemployment Benefits Payable				-	752,307
Severance Benefits Payable				350,000	3,633,430
Compensated Absences Payable				168,653	224,870
Total				\$ 3,115,981	\$ 17,428,705

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**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
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	2,300,000	85,100	240,000	18,538
2018 - 2019	-	-	500,000	20,151
	<u>\$ 11,010,000</u>	<u>\$ 1,191,148</u>	<u>\$ 1,655,000</u>	<u>\$ 158,941</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, and 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.

**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.

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 5 GENERAL LONG-TERM DEBT (CONTINUED)**

**C. Description of Long-Term Debt (Continued)**

**Capital Leases Payable (Continued)**

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, 2012 is \$331,616.

Annual payments required under capital leases are as follows:

<u>Year Ending June 30,</u>	
2013	\$ 64,452
2014	47,856
2015	47,856
2016	<u>27,914</u>
Total Minimum Lease Payments	188,078
Less Amounts Representing Interest	<u>20,739</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 167,339</u></u>

**Compensated Absences Payable**

Compensated absences payable consists of unused vacation as of June 30, 2012. 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, 2012**

**NOTE 5 GENERAL LONG-TERM DEBT (CONTINUED)**

**D. Changes in Long-Term Debt**

	June 30, 2011	Additions	Retirements	June 30, 2012
Bonds Payable	\$ 13,235,000	\$ -	\$ 2,225,000	\$ 11,010,000
Bond Premium	13,232	-	1,846	11,386
Bond Discounts	(20,530)	-	(3,571)	(16,959)
Certificates of Participation Payable	1,855,000	-	200,000	1,655,000
Capital Lease Payable	285,211	-	117,872	167,339
Pension Payable	81,733	60,042	150,443	(8,668)
Other Postemployment Benefits Payable	547,354	478,032	273,079	752,307
Severance Benefits Payable	3,700,702	312,484	379,756	3,633,430
Compensated Absences Payable	284,962	181,299	241,391	224,870
	<u>\$ 19,982,664</u>	<u>\$ 1,031,857</u>	<u>\$ 3,585,816</u>	<u>\$ 17,428,705</u>

**NOTE 6 SHORT-TERM LIABILITIES**

The following is a summary of the changes in short-term debt:

	June 30, 2011	Additions	Retirements	June 30, 2012
Line of Credit	\$ -	\$ 1,500,000	\$ 1,500,000	\$ -
2012 Tax Anticipation Certificate	-	3,875,000	-	3,875,000
Plus: Unamortized Premium	-	18,060	8,461	9,599
2012 Aid Anticipation Certificate	-	4,185,000	-	4,185,000
Plus: Unamortized Premium	-	19,565	12,770	6,795
	<u>\$ -</u>	<u>\$ 9,597,625</u>	<u>\$ 1,521,231</u>	<u>\$ 8,076,394</u>

For the purpose of providing funds to meet current operating expenses of the District, General Aid Anticipation Certificates of Indebtedness were issued in the aggregate principal amount of \$4,185,000. The District issued General Tax Anticipation Certificates of Indebtedness in the aggregate principal amount of \$3,875,000. The Certificates were issued on January 10, 2012 bearing interest at an annual rate of 1.0%, and mature on September 29, 2012 and January 11, 2013, respectively. The District budgeted certain aid receipts for payments of the principal on the certificates in the General Fund.

Additionally, for the purposes of providing funds to meet current operating expenses of the District, a line of credit was established with PMA Financial Network. This revolving line of credit was issued in the amount of \$1,500,000 with an interest rate of 2.201%. Interest paid on line of credit borrowing was \$5,527 for fiscal year 2012. There was no balance outstanding on the line at June 30, 2012.

**OWATONNA PUBLIC SCHOOLS  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 7 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.

**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. This restricted account is allowed to go into deficit.

**H. Restricted for Community Education Programs**

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

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 7 RESTRICTED FUND BALANCES (CONTINUED)**

**Fund Equity (Continued)**

**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 Adult Basic Education**

This fund balance restriction represents accumulated resources available to provide services for adult basic education.

**K. Restricted for Projects Funded by 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.

**NOTE 8 PENSION PLANS**

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

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

**1. Plan Description**

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

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

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

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 8 PENSION PLANS (CONTINUED)**

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

**2. Funding Policy**

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

The District is required to contribute the following percentages of annual covered payroll: 6.0% for Coordinated Plan members and 10.0% 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, 2012, 2011, and 2010 were \$1,294,773, \$1,173,228, and \$1,141,856, respectively, equal to the required contributions for each year as set by state statute.

**B. Public Employees' Retirement Association (PERA)**

**1. Plan Description**

All full-time and certain part-time employees of the District (other than teachers) are covered by a defined benefit plan administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the 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 6.25%, respectively, of their annual covered salary in 2012.

**OWATONNA PUBLIC SCHOOLS  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 8 PENSION PLANS (CONTINUED)**

**B. Public Employees' Retirement Association (PERA) (Continued)**

**2. Funding Policy (Continued)**

The District is required to contribute the following percentages of annual covered payroll in 2012: 11.78% for Basic Plan GERS members, 7.25% for Coordinated Plan members. The District's contributions for the years ending June 30, 2012, 2011, and 2010, were \$490,134, \$471,985, and \$451,270, 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.

**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 2012, the District contributed \$150,443 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.

	2012
Annual Required Contribution	\$ 61,343
Interest on Net Pension Calculation	3,678
Adjustment to Annual Required Contribution	(4,979)
Annual Pension Cost (Expense)	60,042
Contributions Made	(150,443)
Decrease in Net Pension Obligation (Asset)	(90,401)
Net Pension Obligation (Asset) - Beginning of Year	81,733
Net Pension Obligation (Asset) - End of Year	\$ (8,668)

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 8 PENSION PLANS (CONTINUED)**

**C. Supplemental Pension Plan (Continued)**

**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 (asset) for 2012 and the two preceding years were:

Fiscal Year Ended	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation (Asset)
6/30/12	\$ 60,042	250.6%	\$ (8,668)
6/30/11	\$ 60,604	43.6%	\$ 81,733
6/30/10	\$ 60,446	59.6%	\$ 47,570

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, 2012 does not exceed thirty years.

**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.

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 9 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 2012, the District contributed \$273,079 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 unfunded 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.

	2012
Annual Required Contribution	\$ 486,795
Interest on Net OPEB Calculation	24,631
Adjustment to Annual Required Contribution	(33,394)
Annual OPEB Cost (Expense)	478,032
Contributions Made	(273,079)
Increase in Net OPEB Obligation	204,953
Net OPEB Obligation - Beginning of Year	547,354
Net OPEB Obligation - End of Year	\$ 752,307

The District’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/12	\$ 478,032	57.1%	\$ 752,307
6/30/11	\$ 481,488	57.1%	\$ 547,354
6/30/10	\$ 488,501	66.9%	\$ 340,760

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**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.

**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, 2012 does not exceed thirty years.

**NOTE 10 FLEXIBLE BENEFIT PLAN**

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

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 10 FLEXIBLE BENEFIT PLAN (CONTINUED)**

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

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

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

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

**NOTE 11 PROPRIETARY FUND**

The District elected to discontinue self-insuring their employee health insurance program as of June 30, 2003. The District continued to pay claims they incurred before June 30, 2003. As of June 30, 2012, 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 12 COMMITMENTS AND CONTINGENCIES**

**A. Lease Commitments**

The District has entered into various operating leases for vehicles, office equipment and buildings. Rent expense under annual operating leases for the year ending June 30, 2012 was \$406,344.

Minimum rental commitments on leases in effect at June 30, 2012 are as follows:

<u>Year Ending June 30,</u>	
2013	\$ 203,030
2014	201,272
2015	201,272
Total Minimum Lease Payments	<u>\$ 605,574</u>

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**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. Litigation**

A lawsuit has been filed against the District. The District intends to vigorously defend itself against the litigation. The District is currently unable to estimate a liability, if any, would result from this matter.

**NOTE 13 JOINT POWERS AGREEMENT**

Effective March 1999, the City of Owatonna, Steele County, and the District entered into a joint powers agreement to provide for the operation and maintenance of a joint ice arena. The ice arena is run and maintained by the County, with the City contributing up to \$55,000 annually in the form of public utilities. Under the terms of the agreement, the District made financial contributions to the construction of the ice arena totaling \$250,000 between March 1999 and 2002. In addition, the District agreed to maintain its present level of use of the ice arena during the term any bonds are outstanding related to the project. Total payments for the use of the ice arena were \$48,070 for the year ended June 30, 2012. The bonds matured in various increments through 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, 2012**

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)
<b><u>Pension</u></b>						
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%
<b><u>Other Post Employment Benefits</u></b>						
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, 2012  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2011)**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and Investments	\$ 4,100,871	\$ -
Receivables		
Current Property Taxes	2,760,201	2,857,623
Delinquent Property Taxes	122,803	107,272
Due from Other Minnesota School Districts	130,576	125,596
Due from Minnesota Department of Education	13,591,077	11,068,217
Due from Federal through the Minnesota Department of Education	802,650	463,064
Due from Other Governmental Units	5,856	6,409
Other Receivables	152,724	280,654
Prepaid Items	111,230	166,303
Inventory	14,431	12,616
Total Assets	<u>\$ 21,792,419</u>	<u>\$ 15,087,754</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities		
Aid Anticipation Certificates Payable	\$ 8,076,394	\$ -
Salaries and Wages Payable	4,749,131	3,981,727
Accounts and Contracts Payable	1,019,331	732,078
Due to Other Governmental Units	114,108	105,980
Due to Other Funds	-	764,078
Accrued Interest Payable	38,086	-
Deferred Revenue:		
Property Taxes Levied for Subsequent Year	2,483,791	2,557,265
Delinquent Property Taxes	84,871	60,517
Local Sources	-	42,067
Total Liabilities	<u>16,565,712</u>	<u>8,243,712</u>
Fund Balance		
Nonspendable:		
Prepaid Items	111,230	166,303
Inventory	14,431	12,616
Restricted:		
Deferred Maintenance	(53,382)	(13,902)
Learning and Development	282	282
Gifted and Talented	422	422
Basic Skills Programs	229,528	125,790
Health and Safety	(196,777)	(61,284)
Operating Capital	340,876	328,884
Safe Schools	(46,726)	49,275
Unassigned	4,826,823	6,235,656
Total Fund Balance	<u>5,226,707</u>	<u>6,844,042</u>
Total Liabilities and Fund Balance	<u>\$ 21,792,419</u>	<u>\$ 15,087,754</u>

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2012  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2011)**

	2012			Over (Under) Final Budget	2011
	Original Budget	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>					
Local Sources					
Property Taxes	\$ 5,098,604	\$ 7,205,078	\$ 5,073,899	\$ (2,131,179)	\$ 7,090,035
Earnings on Investments	5,006	3,000	2,112	(888)	2,858
Other	1,159,328	1,059,333	1,255,640	196,307	989,439
State Sources	36,172,221	34,956,019	37,146,909	2,190,890	35,747,140
Federal Sources	3,271,018	3,113,140	2,819,076	(294,064)	2,888,963
Total Revenues	<u>45,706,177</u>	<u>46,336,570</u>	<u>46,297,636</u>	<u>(38,934)</u>	<u>46,718,435</u>
<b>EXPENDITURES</b>					
Current					
Administration					
Salaries	1,168,210	1,168,110	1,414,432	246,322	1,206,700
Employee Benefits	384,162	415,898	458,312	42,414	414,609
Purchased Services	75,245	78,534	160,796	82,262	105,275
Supplies and Materials	52,969	52,969	47,836	(5,133)	45,358
Capital Expenditures	63,723	63,723	62,831	(892)	67,899
Other Expenditures	28,785	28,785	30,600	1,815	22,219
Total Administration	<u>1,773,094</u>	<u>1,808,019</u>	<u>2,174,807</u>	<u>366,788</u>	<u>1,862,060</u>
District Support Services					
Salaries	982,851	982,851	998,572	15,721	969,110
Employee Benefits	362,485	362,485	357,383	(5,102)	326,205
Purchased Services	339,531	455,255	626,446	171,191	918,299
Supplies and Materials	67,331	67,331	60,073	(7,258)	63,937
Capital Expenditures	1,076,345	1,076,345	800,248	(276,097)	642,113
Other Expenditures	(60,906)	(60,517)	(66,302)	(5,785)	(60,770)
Total District Support Services	<u>2,767,637</u>	<u>2,883,750</u>	<u>2,776,420</u>	<u>(107,330)</u>	<u>2,858,894</u>
Elementary and Secondary Regular Instruction					
Salaries	15,189,212	15,281,633	14,691,339	(590,294)	14,871,612
Employee Benefits	5,160,801	5,151,058	5,151,875	817	5,065,250
Purchased Services	840,253	859,354	906,188	46,834	920,032
Supplies and Materials	824,378	845,281	721,195	(124,086)	748,678
Capital Expenditures	213,419	241,635	191,121	(50,514)	644,533
Other Expenditures	23,714	25,587	28,710	3,123	27,401
Total Elementary and Secondary Regular Instruction	<u>22,251,777</u>	<u>22,404,548</u>	<u>21,690,428</u>	<u>(714,120)</u>	<u>22,277,506</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, 2012  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2011)**

	2012			Over (Under)	2011
	Original Budget	Final Budget	Actual Amounts	Final Budget	Actual Amounts
<b>EXPENDITURES (Continued)</b>					
Current (Continued)					
Vocational Education Instruction					
Salaries	\$ 587,346	\$ 587,346	\$ 647,386	\$ 60,040	\$ 612,575
Employee Benefits	219,276	219,276	222,953	3,677	209,590
Purchased Services	24,661	24,661	22,348	(2,313)	30,353
Supplies and Materials	51,876	59,533	47,003	(12,530)	44,444
Capital Expenditures	5,000	5,000	15,742	10,742	11,169
Other Expenditures	1,094	1,094	815	(279)	340
Total Vocational Education Instruction	889,253	896,910	956,247	59,337	908,471
Special Education Instruction					
Salaries	5,366,392	5,827,200	5,911,437	84,237	5,577,250
Employee Benefits	2,012,715	2,152,937	2,221,289	68,352	2,023,084
Purchased Services	717,635	720,135	476,920	(243,215)	731,133
Supplies and Materials	273,165	274,810	74,183	(200,627)	118,533
Capital Expenditures	31,215	56,120	56,112	(8)	19,847
Other Expenditures	52,175	52,175	50,657	(1,518)	50,187
Total Special Education Instruction	8,453,297	9,083,377	8,790,598	(292,779)	8,520,034
Instructional Support Services					
Salaries	1,392,926	1,364,657	1,678,735	314,078	1,648,962
Employee Benefits	504,531	494,312	532,348	38,036	508,136
Purchased Services	180,825	192,040	203,541	11,501	104,818
Supplies and Materials	251,756	248,578	227,255	(21,323)	280,464
Capital Expenditures	22,680	22,680	13,058	(9,622)	36,192
Other Expenditures	71,417	7,715	9,043	1,328	7,175
Total Instructional Support Services	2,424,135	2,329,982	2,663,980	333,998	2,585,747
Pupil Support Services					
Salaries	783,841	771,810	792,479	20,669	783,275
Employee Benefits	299,987	295,058	273,147	(21,911)	293,944
Purchased Services	2,532,841	2,532,841	2,496,481	(36,360)	2,412,732
Supplies and Materials	20,263	20,263	17,810	(2,453)	17,174
Capital Expenditures	-	-	-	-	2,450
Other Expenditures	-	-	670	670	407
Total Pupil Support Services	3,636,932	3,619,972	3,580,587	(39,385)	3,509,982

**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, 2012  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2011)**

	2012			Over (Under) Final Budget	2011
	Original Budget	Final Budget	Actual Amounts		Actual Amounts
<b>EXPENDITURES (Continued)</b>					
Current (Continued)					
Sites and Buildings					
Salaries	\$ 1,301,093	\$ 1,301,093	\$ 1,322,706	\$ 21,613	\$ 1,319,494
Employee Benefits	655,838	655,838	641,520	(14,318)	632,068
Purchased Services	1,845,142	2,015,061	2,268,885	253,824	2,005,471
Supplies and Materials	597,079	597,079	618,633	21,554	645,796
Capital Expenditures	97,353	97,353	79,719	(17,634)	696,736
Debt Service	200,000	200,000	200,000	-	-
Other Expenditures	15,851	15,851	405	(15,446)	334
Total Sites and Buildings	<u>4,712,356</u>	<u>4,882,275</u>	<u>5,131,868</u>	<u>249,593</u>	<u>5,299,899</u>
Fiscal and Other Fixed Cost Programs					
Employee Benefits	13,780	13,780	-	(13,780)	-
Purchased Services	87,000	94,968	95,647	679	76,607
Debt Service	-	50,000	33,660	(16,340)	-
Other Expenditures	21,374	21,374	21,374	-	21,373
Total Fiscal and Other Fixed Costs Programs	<u>122,154</u>	<u>180,122</u>	<u>150,681</u>	<u>(29,441)</u>	<u>97,980</u>
Total Expenditures	<u>47,030,635</u>	<u>48,088,955</u>	<u>47,915,616</u>	<u>(173,339)</u>	<u>47,920,573</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,324,458)	(1,752,385)	(1,617,980)	134,405	(1,202,138)
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital Lease Proceeds	-	-	-	-	201,918
Judgments for School Districts	30,000	30,000	28,333	(1,667)	138,357
Sale of Equipment Proceeds	12,000	12,000	-	(12,000)	20,256
Transfers Out	(28,000)	(28,000)	(27,688)	312	(18,654)
Total Other Financing Sources (Uses)	<u>14,000</u>	<u>14,000</u>	<u>645</u>	<u>(13,355)</u>	<u>341,877</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Net Change in Fund Balances	<u>\$ (1,310,458)</u>	<u>\$ (1,738,385)</u>	(1,617,335)	<u>\$ 121,050</u>	(860,261)
Fund Balance					
Beginning of Year				<u>6,844,042</u>	<u>7,704,303</u>
End of Year				<u>\$ 5,226,707</u>	<u>\$ 6,844,042</u>

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
FOOD SERVICE SPECIAL REVENUE FUND  
SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCE  
JUNE 30, 2012  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2011)**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and Investments	\$ 487,985	\$ -
Receivables		
Due from Other Funds	-	499,283
Due from Other Minnesota School Districts	-	18
Due from Minnesota Department of Education	3,222	44
Due from Federal through Minnesota Department of Education	59,231	27,848
Other Receivables	14,593	20,753
Prepaid Items	2,170	11,004
Inventory	53,930	47,040
Total Assets	<u>\$ 621,131</u>	<u>\$ 605,990</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Salaries and Wages Payable	\$ 12,547	\$ 21,778
Accounts and Contracts Payable	10,819	50,579
Due to Other Governmental Unit	-	8
Deferred Revenue - Local Sources	43,706	45,530
Total Liabilities	<u>67,072</u>	<u>117,895</u>
 Fund Balance		
Nonspendable:		
Prepaid Items	2,170	11,004
Inventory	53,930	47,040
Restricted:		
Other Purposes	497,959	430,051
Total Fund Balance	<u>554,059</u>	<u>488,095</u>
 Total Liabilities and Fund Balance	<u>\$ 621,131</u>	<u>\$ 605,990</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, 2012  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2011)**

	2012			Over (Under)	2011
	Original Budget	Final Budget	Actual Amounts	Final Budget	Actual Amounts
<b>REVENUES</b>					
Local Sources					
Earnings on Investments	\$ 155	\$ 155	\$ 192	\$ 37	\$ 329
Other - Primarily Meal Sales	1,378,877	1,378,374	1,281,616	(96,758)	1,346,758
State Sources	143,340	143,340	136,743	(6,597)	140,524
Federal Sources	997,095	1,117,595	1,202,516	84,921	1,134,338
Total Revenues	2,519,467	2,639,464	2,621,067	(18,397)	2,621,949
<b>EXPENDITURES</b>					
Current					
Salaries	844,548	859,995	879,433	19,438	847,284
Employee Benefits	320,235	320,235	304,844	(15,391)	317,422
Purchased Services	91,734	89,734	62,769	(26,965)	56,882
Supplies and Materials	1,306,107	1,383,519	1,255,040	(128,479)	1,224,316
Other Expenditures	556	556	414	(142)	207
Capital Outlay	42,407	52,707	52,603	(104)	57,234
Total Expenditures	2,605,587	2,706,746	2,555,103	(151,643)	2,503,345
Net Change in Fund Balance	\$ (86,120)	\$ (67,282)	65,964	\$ 133,246	118,604
<b>FUND BALANCE</b>					
Beginning of Year			488,095		369,491
End of Year			\$ 554,059		\$ 488,095

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
COMMUNITY SERVICE SPECIAL REVENUE FUND  
SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCE  
JUNE 30, 2012  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2011)**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and Investments	\$ 226,724	\$ -
Receivables		
Current Property Taxes	174,571	180,523
Delinquent Property Taxes	7,030	6,000
Due from Other Funds	-	94,084
Due from Minnesota Department of Education	545,331	276,516
Due from Federal Government through the Minnesota Department of Education	44,359	27,160
Other Receivables	-	492
Total Assets	<u>\$ 998,015</u>	<u>\$ 584,775</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Salaries and Wages Payable	\$ 22,324	\$ 21,120
Accounts and Contracts Payable	117,421	27,409
Due to Other School Districts	380,529	132,037
Due to Other Governmental Units	45	7,461
Property Taxes Levied for Subsequent Year	163,227	162,869
Deferred Revenue:		
Delinquent Property Taxes	4,751	6,000
Total Liabilities	<u>688,297</u>	<u>356,896</u>
 Fund Balance		
Restricted:		
Community Education Programs	199,832	145,638
Early Childhood and Family Education Programs	70,159	54,005
Adult Basic Education	5,451	-
Other Purposes	34,276	28,236
Total Fund Balance	<u>309,718</u>	<u>227,879</u>
 Total Liabilities and Fund Balance	<u>\$ 998,015</u>	<u>\$ 584,775</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, 2012  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2011)**

	2012			2011	
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
<b>REVENUES</b>					
Local Sources					
Property Taxes	\$ 310,231	\$ 460,231	\$ 293,288	\$ (166,943)	\$ 433,713
Earnings on Investments	321	321	142	(179)	282
Other - Primarily Tuition and Fees	618,290	618,290	635,329	17,039	628,688
State Sources	814,967	1,313,854	1,491,873	178,019	742,064
Federal Sources	24,557	50,147	50,147	-	25,493
Total Revenues	1,768,366	2,442,843	2,470,779	27,936	1,830,240
<b>EXPENDITURES</b>					
Current:					
Salaries	731,000	778,191	737,736	(40,455)	747,818
Employee Benefits	235,349	267,977	217,509	(50,468)	234,349
Purchased Services	750,807	1,350,020	1,290,973	(59,047)	739,722
Supplies and Materials	88,177	113,680	157,829	44,149	72,580
Other Expenditures	2,100	2,200	1,829	(371)	1,818
Capital Outlay	6,179	7,979	10,752	2,773	26,105
Total Expenditures	1,813,612	2,520,047	2,416,628	(103,419)	1,822,392
Excess (Deficiency) of Revenues Over (Under) Expenditures	(45,246)	(77,204)	54,151	131,355	7,848
<b>OTHER FINANCING SOURCES</b>					
Transfers In	45,968	45,968	27,688	(18,280)	18,654
Total Other Financing Sources	45,968	45,968	27,688	(18,280)	18,654
Net Change in Fund Balance	\$ 722	\$ (31,236)	81,839	\$ 113,075	26,502
<b>FUND BALANCE</b>					
Beginning of Year			227,879		201,377
End of Year			\$ 309,718		\$ 227,879

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
CAPITAL PROJECTS BUILDING CONSTRUCTION FUND  
SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCE  
JUNE 30, 2012  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2011)**

	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
Cash and Investments Held by Trustee	\$ -	\$ 84,855
Total Assets	\$ -	\$ 84,855
 <b>LIABILITIES AND FUND BALANCE</b>		
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, 2012  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2011)**

	2012			Over (Under)	2011
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Final Budget	Actual Amounts
<b>REVENUES</b>					
Local Sources:					
Earnings on Investments	\$ -	\$ 300	\$ 38	\$ (262)	\$ 665
Total Revenues	-	300	38	(262)	665
<b>EXPENDITURES</b>					
Purchased Services	-	1,400	1,400	-	-
Bond Sale Costs	-	-	-	-	48,988
Capital Outlay	-	75,574	75,312	(262)	1,730,003
Total Expenditures	-	76,974	76,712	(262)	1,778,991
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(76,674)	(76,674)	-	(1,778,326)
<b>OTHER FINANCING SOURCES</b>					
Certificates of Participation Proceeds	-	-	-	-	1,855,000
Total Other Financing Sources	-	-	-	-	1,855,000
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (76,674)</u>	<u>(76,674)</u>	<u>\$ -</u>	<u>76,674</u>
Fund Balance - Beginning			<u>76,674</u>		<u>-</u>
Fund Balance - Ending			<u>\$ -</u>		<u>\$ 76,674</u>

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
DEBT SERVICE FUND  
SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCE  
JUNE 30, 2012  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2011)**

	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
Cash and Investments	\$ 1,744,137	\$ 1,728,952
Cash and Investments Held by Trustee	-	15,978
Receivables		
Current Property Taxes	1,477,148	1,513,243
Delinquent Property Taxes	58,650	51,560
Due from Minnesota Department of Education	75,494	63,342
Total Assets	\$ 3,355,429	\$ 3,373,075
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Deferred Revenue:		
Property Taxes Levied for Subsequent Year	\$ 2,686,797	\$ 2,596,454
Delinquent Property Taxes	39,082	51,560
Total Liabilities	2,725,879	2,648,014
 Fund Balance		
Restricted		
Other Purposes	629,550	725,061
Total Fund Balance	629,550	725,061
 Total Liabilities and Fund Balance	 \$ 3,355,429	 \$ 3,373,075

**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, 2012  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2011)**

	2012			2011	
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Over (Under) Final Budget	Actual Amounts
<b>REVENUES</b>					
Local Sources					
Property Tax	\$ 2,380,752	\$ 2,410,288	\$ 2,398,918	\$ (11,370)	\$ 2,481,017
Earnings on Investments	1,328	1,328	492	(836)	2,669
State Sources	214,539	215,015	211,467	(3,548)	211,140
Total Revenues	<u>2,596,619</u>	<u>2,626,631</u>	<u>2,610,877</u>	<u>(15,754)</u>	<u>2,694,826</u>
<b>EXPENDITURES</b>					
Debt Service:					
Bond Principal	2,225,000	2,225,000	2,225,000	-	2,265,000
Bond Interest	462,353	462,353	462,353	-	529,921
Loan Interest	-	-	16,472	16,472	-
Paying Agent Fees and Other	10,000	3,000	2,563	(437)	2,764
Total Expenditures	<u>2,697,353</u>	<u>2,690,353</u>	<u>2,706,388</u>	<u>16,035</u>	<u>2,797,685</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(100,734)	(63,722)	(95,511)	(31,789)	(102,859)
<b>OTHER FINANCING SOURCES</b>					
Certificate of Participation Premium	-	-	-	-	14,771
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,771</u>
Net Change in Fund Balances	<u>\$ (100,734)</u>	<u>\$ (63,722)</u>	<u>(95,511)</u>	<u>\$ (31,789)</u>	<u>(88,088)</u>
Fund Balance - Beginning			725,061		813,149
Fund Balance - Ending			<u>\$ 629,550</u>		<u>\$ 725,061</u>

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# 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.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends Information</b> These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	<b>75-100</b>
<b>Revenue Capacity Information</b> These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	<b>101-109</b>
<b>Debt Capacity Information</b> 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.	<b>110-116</b>
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	<b>117-119</b>
<b>Operating Information</b> 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.	<b>120-131</b>

Sources: Unless otherwise noted, the information in these schedules is derived from the Independent Auditor's Report for the relevant year.

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# Financial Trends Information

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

	2012	2011	2010
<b>GOVERNMENTAL ACTIVITIES:</b>			
Invested in Capital Assets, Net of Related Debt	\$ 15,763,708	\$ 13,921,139	\$ 11,702,040
Restricted	1,930,064	1,779,406	1,974,164
Unrestricted	(1,677,498)	(399,224)	56,380
<b>Total Net Assets</b>	<b>\$ 16,016,274</b>	<b>\$ 15,301,321</b>	<b>\$ 13,732,584</b>

Source: Independent Auditor's Report

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 8,374,839	\$ 6,661,006	\$ 5,147,551	\$ 3,696,488	\$ 1,488,579	\$ 189,281	\$ (1,087,049)
2,331,612	1,744,977	1,723,634	1,700,442	1,446,620	1,095,064	1,094,593
183,475	(807,023)	(1,449,444)	(2,024,487)	(2,260,176)	(2,525,260)	(6,242,115)
<b><u>\$ 10,889,926</u></b>	<b><u>\$ 7,598,960</u></b>	<b><u>\$ 5,421,741</u></b>	<b><u>\$ 3,372,443</u></b>	<b><u>\$ 675,023</u></b>	<b><u>\$ (1,240,915)</u></b>	<b><u>\$ (6,234,571)</u></b>

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>EXPENSES:</b>			
Governmental Activities:			
Administration	\$ 2,042,444	\$ 1,871,259	\$ 1,802,903
District Support Services	2,381,115	2,400,208	2,424,401
Regular Instruction	22,586,215	22,918,131	23,186,502
Vocational Education Instruction	985,654	947,088	962,345
Special Education Instruction	8,918,235	8,487,358	8,459,955
Instructional Support Services	2,646,055	2,602,566	2,710,329
Pupil Support Services	3,590,963	3,597,773	3,390,886
Sites and Buildings	4,546,753	4,610,789	4,829,529
Fiscal and Other Fixed Cost Programs	117,021	97,980	97,686
Food Service	2,622,427	2,517,812	2,534,855
Community Service	2,403,407	1,853,866	1,862,951
Interest and Fiscal Charges on Long-Term Liabilities	484,230	503,226	596,940
<b>Total Government-wide Expenses</b>	<u>53,324,519</u>	<u>52,408,056</u>	<u>52,859,282</u>
<b>PROGRAM REVENUES:</b>			
Governmental Activities:			
Charges for Services:			
Administration	-	-	-
District Support Services	-	-	-
Regular Instruction	642,220	497,422	567,537
Special Education Instruction	360,893	211,809	730,155
Instructional Support Services	-	-	-
Pupil Support Services	-	-	-
Sites and Buildings	38,154	28,686	25,456
Food Service	1,281,616	1,346,758	1,338,938
Community Service	609,207	613,790	610,292
Operating Grants and Contributions	13,683,114	13,411,316	15,508,360
Capital Grants and Contributions	602,199	748,976	564,322
<b>Total Government-wide Program Revenues</b>	<u>17,217,403</u>	<u>16,858,757</u>	<u>19,345,060</u>
<b>Net (Expense)/Revenue</b>			
<b>Total Government-wide Net Expense</b>	<u>\$ (36,107,116)</u>	<u>\$ (35,549,299)</u>	<u>\$ (33,514,222)</u>

Source: Independent Auditor's Report

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$	1,867,489	\$ 2,017,978	\$ 2,043,610	\$ 1,897,371	\$ 2,127,326	\$ 1,876,294	\$ 1,723,357
	1,876,749	2,235,492	1,954,163	1,689,963	1,615,688	1,207,184	1,437,051
	23,038,470	22,530,340	21,733,532	20,265,718	17,319,293	18,486,001	18,322,170
	1,104,251	1,151,186	1,180,673	1,133,464	1,028,113	1,020,122	1,018,723
	7,624,288	7,071,990	6,673,018	6,162,871	5,872,564	5,105,151	5,129,326
	2,631,900	2,618,775	3,006,111	2,346,645	2,018,849	1,814,111	1,572,806
	3,282,534	3,263,988	2,846,914	3,183,385	3,209,390	3,170,864	3,025,749
	4,591,971	4,386,242	4,278,259	4,145,207	5,308,341	3,486,255	3,884,502
	97,836	211,020	238,805	436,758	336,888	440,367	192,872
	2,549,840	2,533,141	2,383,782	1,695,085	2,091,530	2,087,082	2,011,140
	1,709,072	1,716,448	1,677,294	1,562,122	1,289,064	1,250,170	1,199,894
	679,085	748,219	811,003	1,514,332	2,156,027	1,571,476	1,537,674
	<u>51,053,485</u>	<u>50,484,819</u>	<u>48,827,164</u>	<u>46,032,921</u>	<u>44,373,073</u>	<u>41,515,077</u>	<u>41,055,264</u>
	-	-	-	-	-	69,375	-
	-	3,483	358	-	-	-	-
	570,321	541,507	389,021	450,017	372,645	367,586	425,189
	623,828	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
	35,775	25,854	28,841	31,101	90,919	78,514	84,360
	1,426,068	1,373,330	1,315,917	1,283,275	1,242,395	1,258,301	1,230,218
	561,795	545,477	518,614	488,373	447,207	463,817	408,928
	12,669,616	8,105,522	7,429,462	6,948,704	8,373,998	6,629,663	6,270,069
	928,090	833,062	772,308	994,018	1,619,932	1,189,147	1,330,291
	<u>16,815,493</u>	<u>11,747,622</u>	<u>10,820,311</u>	<u>10,593,172</u>	<u>12,583,732</u>	<u>10,401,440</u>	<u>10,063,032</u>
	<u><u>\$ (34,237,992)</u></u>	<u><u>\$ (38,737,197)</u></u>	<u><u>\$ (38,006,853)</u></u>	<u><u>\$ (35,439,749)</u></u>	<u><u>\$ (31,789,341)</u></u>	<u><u>\$ (31,113,637)</u></u>	<u><u>\$ (30,992,232)</u></u>

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

	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Net (Expense)/Revenue</b>			
Total Government-wide Net Expense (1)	\$ (36,107,116)	\$ (35,549,299)	\$ (33,514,222)
<b>General Revenues and Changes in Net Assets</b>			
Governmental Activities:			
Property Taxes Levied for:			
General Purposes	5,098,253	7,077,607	5,231,020
Community Service	292,039	432,268	287,300
Debt Service	2,386,440	2,449,394	3,135,148
State Aid Not Restricted to Specific Purposes	28,951,399	26,927,364	26,001,620
Earnings on Investments	3,091	7,010	29,226
Gain on Sale of Fixed Assets	-	17,610	-
Miscellaneous	90,847	206,783	25,976
<b>Total General Revenues and Changes in Net Assets</b>	<b>36,822,069</b>	<b>37,118,036</b>	<b>34,710,290</b>
<b>Change in Net Assets</b>			
<b>Total Government-wide</b>	<b>\$ 714,953</b>	<b>\$ 1,568,737</b>	<b>\$ 1,196,068</b>

(1) See previous page for these numbers.

Source: Independent Auditor's Report

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ (34,237,992)	\$ (38,737,197)	\$ (38,006,853)	\$ (35,439,749)	\$ (31,789,341)	\$ (31,113,637)	\$ (30,992,232)
4,674,624	4,598,114	4,025,066	2,362,335	3,614,873	4,686,188	682,522
251,077	283,708	264,375	131,357	305,481	350,815	142,681
3,152,927	2,788,744	2,867,578	3,182,380	3,159,012	3,118,513	2,969,825
29,257,214	32,841,048	32,451,762	32,357,569	26,536,386	27,848,340	28,721,766
189,148	402,802	447,370	103,528	89,527	118,758	52,818
-	-	-	-	-	(15,321)	-
3,968	-	-	-	-	-	60,256
<u>37,528,958</u>	<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>\$ 3,290,966</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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Federal Sources:				
Federal Grants	\$ 2,869,223	\$ 2,914,456	\$ 5,730,099 **	\$ 2,263,177
Food Service	<u>1,202,516</u>	<u>1,134,338</u>	<u>1,106,870</u>	<u>957,097</u>
Total Federal Sources	<u>4,071,739</u>	<u>4,048,794</u>	<u>6,836,969</u>	<u>3,220,274</u>
State Sources:				
General Education Aid	37,146,909	35,747,140	33,580,948 **	38,054,283
Food Service	136,743	140,524	156,190	145,574
Community Service	1,491,873	742,064	862,432	864,186
Debt Service Aid	<u>211,467</u>	<u>211,140</u>	<u>263,159</u>	<u>279,141</u>
Total State Sources	<u>38,986,992</u>	<u>36,840,868</u>	<u>34,862,729</u>	<u>39,343,184</u>
Local Sources:				
Property Taxes	7,766,105 ****	10,004,765 ***	8,636,276	8,062,364
Food Service Sales	1,281,616	1,346,758	1,338,938	1,426,068
Other Revenues	<u>1,893,945</u>	<u>1,624,930</u>	<u>2,196,143</u>	<u>2,270,263</u>
Total Local Sources	<u>10,941,666</u>	<u>12,976,453</u>	<u>12,171,357</u>	<u>11,758,695</u>
<b>Total Revenues</b>	<b><u>\$ 54,000,397</u></b>	<b><u>\$ 53,866,115</u></b>	<b><u>\$ 53,871,055</u></b>	<b><u>\$ 54,322,153</u></b>

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

\*\* 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.

\*\*\*\* Property Taxes decreased in fiscal year 2012. The tax shift in the General Fund resulted in an increase in state aid of \$69,184 and a corresponding decrease to property taxes. The tax shift in the Community Service Fund resulted in an increase to property taxes of \$3,541 and a corresponding decrease to state aids.

Source: Independent Auditor's Report

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 2,172,536	\$ 2,141,264	\$ 1,653,585	\$ 1,562,901	\$ 1,507,580	\$ 1,180,895
894,210	835,793	738,098	705,743	594,125	580,856
<u>3,066,746</u>	<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>
37,174,860	36,131,373	35,846,257	32,306,054	31,977,144	32,931,060
155,216	134,165	125,730	118,996	103,131	152,232
808,696	780,790	837,874	352,280	401,408	449,128
274,695	319,470	386,691	425,264	495,770	605,873
<u>38,413,467</u>	<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>
7,632,068	7,132,050	5,669,146	7,075,937	8,119,324	3,857,926
1,373,329	1,315,918	1,283,276	1,242,398	1,258,301	1,227,885
2,125,573	2,050,079	2,359,037	2,440,009	1,786,922	1,690,149
<u>11,130,970</u>	<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>
<b><u>\$ 52,611,183</u></b>	<b><u>\$ 50,840,902</u></b>	<b><u>\$ 48,899,694</u></b>	<b><u>\$ 46,229,582</u></b>	<b><u>\$ 46,243,705</u></b>	<b><u>\$ 42,676,004</u></b>

**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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Administration	\$ 2,111,976	\$ 1,794,161	\$ 1,738,247	\$ 1,841,561
District Support Services	1,976,172	2,216,781	1,843,598	1,456,988
Regular Instruction	21,499,307	21,632,973	21,686,361	22,214,364
Vocational Education Instruction	940,505	897,302	933,799	1,064,263
Special Education Instruction	8,734,486	8,500,187	8,311,029	7,536,903
Instructional Support Services	2,650,922	2,549,555	2,671,979	2,711,242
Pupil Support Services	3,580,587	3,507,532	3,438,413	3,299,933
Sites and Buildings	4,852,149	4,603,163	4,454,311	4,413,649
Fiscal and Other Fixed Cost Programs	117,021	97,980	97,686	97,836
Food Service	2,502,500	2,446,111	2,465,945	2,433,616
Community Service	2,405,876	1,796,287	1,814,794	1,693,415
Capital Outlay (1)	1,358,898	3,983,269	1,606,460	1,597,799
Debt Service				
Principal	2,425,000	2,265,000	2,905,000	2,805,000
Interest and Fiscal Charges	515,048	532,685	620,671	700,101
<b>Total Expenditures</b>	<b><u>\$ 55,670,447</u></b>	<b><u>\$ 56,822,986</u></b>	<b><u>\$ 54,588,293</u></b>	<b><u>\$ 53,866,670</u></b>

**Debt Service as a percentage of  
non-capital expenditures**

**5.41%**

**5.29%**

**6.65%**

**6.71%**

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

(1) Capital Outlay was not presented separately in fiscal years 2003 to 2004. Therefore, debt service as a percentage of non-capital expenditures cannot be calculated as capital expenditures are included in total expenditures.

Source: Independent Auditor's Report

<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
\$ 1,819,936	\$ 1,892,973	\$ 1,836,977	\$ 1,922,430	\$ 1,837,468	\$ 1,680,805
1,630,028	1,369,566	1,266,343	1,223,261	1,573,213	1,705,664
21,668,324	20,558,356	19,444,698	18,113,415	17,746,182	17,058,387
1,097,481	1,114,893	1,095,027	989,566	980,267	996,868
7,080,734	6,541,282	6,145,447	5,495,803	5,111,993	5,094,530
2,591,934	2,521,187	2,242,265	1,985,078	1,831,775	1,733,538
3,252,298	2,820,826	3,128,295	3,360,443	3,198,991	3,029,392
4,281,716	3,839,111	3,633,760	3,593,473	6,261,759	4,206,431
324,121	348,059	436,758	443,982	438,820	192,872
2,416,249	2,257,205	2,202,249	1,977,656	1,975,750	1,943,378
1,669,301	1,616,814	1,518,921	1,148,639	1,209,223	1,163,454
1,412,225	1,856,652	2,052,425	3,017,283	-	-
2,510,000	2,425,000	2,055,000	1,940,000	2,055,157	1,750,000
764,221	822,424	2,003,652	2,164,599	1,405,177	1,590,920
<b><u>\$ 52,518,568</u></b>	<b><u>\$ 49,984,348</u></b>	<b><u>\$ 49,061,817</u></b>	<b><u>\$ 47,375,628</u></b>	<b><u>\$ 45,625,775</u></b>	<b><u>\$ 42,146,239</u></b>

**6.41%**

**6.75%**

**8.63%**

**9.25%**

**(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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Total Revenues (1)</b>	<b>\$ 54,000,397</b>	<b>\$ 53,866,115</b>	<b>\$ 53,871,055</b>	<b>\$ 54,322,153</b>
<b>Total Expenditures (2)</b>	<b>55,670,447</b>	<b>56,822,986</b>	<b>54,588,293</b>	<b>53,866,670</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,670,050)</b>	<b>(2,956,871)</b>	<b>(717,238)</b>	<b>455,483</b>
<b>Other Financing Sources (Uses)</b>				
Capital Lease Proceeds	-	201,918	6,687	277,292
Capital Loan Proceeds	-	-	-	-
Judgments for School Districts	28,333	138,357	149,550	1,789
Sale of Equipment Proceeds	-	20,256	16,600	5,114
Insurance Recovery Proceeds	-	-	-	-
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>28,333</u>	<u>2,230,302</u>	<u>172,837</u>	<u>284,195</u>
<b>Net Change in Fund Balances</b>	<b><u>\$ (1,641,717)</u></b>	<b><u>\$ (726,569)</u></b>	<b><u>\$ (544,401)</u></b>	<b><u>\$ 739,678</u></b>

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

(1) From Governmental Funds Revenues spreadsheet.

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

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

Source: Independent Auditor's Report

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 52,611,183	\$ 50,840,902	\$ 48,899,694	\$ 46,229,582	\$ 46,243,705	\$ 42,676,004
<u>52,518,568</u>	<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>
92,615	856,554	(162,123)	(1,146,046)	617,930	529,765
-	-	-	1,403,000	-	500,000
-	-	-	-	-	500,000
733	358	42,167	-	-	-
34,615	14,629	8,200	-	-	-
2,750	461	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	665,000	21,274,104	1,640,000
-	-	-	(3,492)	-	-
-	-	(20,675,000)	(650,000)	-	-
<u>38,098</u>	<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>\$ 130,713</u>	<u>\$ 872,002</u>	<u>\$ (20,786,756)</u>	<u>\$ 268,462</u>	<u>\$ 21,892,034</u>	<u>\$ 3,169,765</u>
		(3)		(3)	

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

<b>Fiscal Year</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>General Revenues</b>	<b>Total</b>
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%
2012	2,932,090 5%	13,683,114 25%	602,199 1%	36,822,069 69%	54,039,472 100%

Source: Independent Auditor's Report

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

<b>Fiscal Year</b>		<b>Local Property Tax Levies</b>	<b>Other Local Sources</b>	<b>State Sources</b>	<b>Federal Sources</b>	<b>Total Revenues</b>
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%
2012	(4)	7,766,105 14%	3,175,561 6%	38,986,992 72%	4,071,739 8%	54,000,397 100%

\* 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.
- (4) Property Taxes decreased in fiscal year 2012. The tax shift in the General Fund resulted in an increase in state aid of \$69,184 and a corresponding decrease to property taxes. The tax shift in the Community Service Fund resulted in an increase to property taxes of \$3,541 and a corresponding decrease to state aids.

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

<b>Fiscal Year</b>	<b>Administration</b>	<b>District Support Services</b>	<b>Regular Instruction</b>	<b>Vocational Education Instruction</b>	<b>Special Education Instruction</b>	<b>Instructional Support Services</b>
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%
2012	2,042,444 4%	2,381,115 4%	22,586,215 41%	985,654 2%	8,918,235 17%	2,646,055 5%

Source: Independent Auditor's Report

<b>Pupil Support Services</b>	<b>Sites and Buildings</b>	<b>Fiscal and Other Fixed Cost Programs</b>	<b>Food Service</b>	<b>Community Service</b>	<b>Interest and Fiscal Charges on Long-term Liabilities</b>	<b>Total</b>
\$ 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%
3,590,963 7%	4,546,753 9%	117,021 0%	2,622,427 5%	2,403,407 5%	484,230 1%	53,324,519 100%

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

<b>Fiscal Year</b>	<b>Administration</b>	<b>District Support Services</b>	<b>Regular Instruction</b>	<b>Vocational Education Instruction</b>	<b>Special Education Instruction</b>	<b>Instructional Support Services</b>	<b>Pupil Support Services</b>
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%
2012	2,111,976 4%	1,976,172 4%	21,499,307 39%	940,505 2%	8,734,486 16%	2,650,922 5%	3,580,587 6%

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

Source: Independent Auditor's Report

<b>Sites and Buildings</b>	<b>Fiscal and Other Fixed Cost Programs</b>	<b>Food Service</b>	<b>Community Service</b>	<b>Capital Outlay and Building Construction</b>	<b>Debt Service</b>	<b>Total Expenditures</b>
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%
4,852,149 9%	117,021 0%	2,502,500 4%	2,405,876 4%	1,358,898 2%	2,940,048 5%	55,670,447 100%

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b><u>REVENUES:</u></b>				
Local Property Tax Levies	\$ 5,073,899	\$ 7,090,035	\$ 5,199,524	\$ 4,665,697
Other Local Sources	1,257,752	992,297	1,575,926	1,654,693
State Sources	37,146,909	35,747,140	33,580,948	38,054,283
Federal Sources	2,819,076	2,888,963	5,696,310	2,213,624
Sales & Other Conversion of Assets *	-	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ 46,297,636</b>	<b>\$ 46,718,435</b>	<b>\$ 46,052,708</b>	<b>\$ 46,588,297</b>
<b><u>EXPENDITURES:</u></b>				
<i>Current</i>				
Administration	\$ 2,111,976	\$ 1,794,161	\$ 1,738,247	\$ 1,841,561
District Support Services	1,976,172	2,216,781	1,843,598	1,456,988
Regular Instruction	21,499,307	21,632,973	21,686,361	22,214,364
Vocational Education Instruction	940,505	897,302	933,799	1,064,263
Special Education Instruction	8,734,486	8,500,187	8,311,029	7,536,903
Instructional Support Services	2,650,922	2,549,555	2,671,979	2,711,242
Pupil Support Services	3,580,587	3,507,532	3,438,413	3,299,933
Sites and Buildings	4,852,149	4,603,163	4,454,311	4,413,649
Fiscal and Other Fixed Cost Programs	117,021	97,980	97,686	97,836
Capital Outlay **	1,218,831	2,120,939	1,563,501	1,541,164
Debt Service ***	233,660	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 47,915,616</b>	<b>\$ 47,920,573</b>	<b>\$ 46,738,924</b>	<b>\$ 46,177,903</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ (1,617,980)</b>	<b>\$ (1,202,138)</b>	<b>\$ (686,216)</b>	<b>\$ 410,394</b>
<b>OTHER FINANCIAL SOURCES (USES)</b>				
Capital Lease Proceeds	-	201,918	-	260,917
Insurance Recovery Proceeds	-	-	-	-
Judgments for School Districts	28,333	138,357	149,550	1,789
Transfers Out	(27,688)	(18,654)	(15,219)	-
Sale of Equipment Proceeds	-	20,256	16,600	5,114
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ 645</b>	<b>\$ 341,877</b>	<b>\$ 150,931</b>	<b>\$ 267,820</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>6,844,042</b>	<b>7,704,303</b>	<b>8,239,588</b>	<b>7,561,374</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 5,226,707</b>	<b>\$ 6,844,042</b>	<b>\$ 7,704,303</b>	<b>\$ 8,239,588</b>

\* 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.

\*\*\* Debt Service payments are for Certificates of Participation Series 2010A. Fiscal Year 2012 was the first year principal and interest payments were due.

Source: Independent Auditor's Report

<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
\$ 4,574,604	\$ 3,988,868	\$ 2,379,543	\$ 3,611,946	\$ 4,659,230	\$ 749,328
1,464,452	1,412,935	1,240,597	1,495,692	1,189,938	1,079,047
37,174,860	36,131,373	35,846,257	32,306,054	31,977,145	32,931,060
2,133,087	2,091,269	1,603,459	1,546,829	1,492,474	1,163,817
-	-	-	-	52,362	158,441
<b>\$ 45,347,003</b>	<b>\$ 43,624,445</b>	<b>\$ 41,069,856</b>	<b>\$ 38,960,521</b>	<b>\$ 39,371,149</b>	<b>\$ 36,081,693</b>
\$ 1,819,936	\$ 1,892,973	\$ 1,836,977	\$ 1,922,430	\$ 1,837,468	\$ 1,680,805
1,630,028	1,369,566	1,266,343	1,223,261	1,573,213	1,705,664
21,668,324	20,558,356	19,444,698	18,113,415	17,746,182	17,058,387
1,097,481	1,114,893	1,095,027	989,566	980,267	996,868
7,080,734	6,541,282	6,145,447	5,495,803	5,111,993	5,094,530
2,591,934	2,521,187	2,242,265	1,985,078	1,831,775	1,733,538
3,252,298	2,820,826	3,128,295	3,360,443	3,198,991	3,029,392
4,281,716	3,839,111	3,633,760	3,593,473	4,005,735	3,356,275
324,121	348,059	436,758	443,982	438,820	192,872
1,369,823	1,848,126	1,826,752	2,838,712	-	-
-	-	-	-	-	-
<b>\$ 45,116,395</b>	<b>\$ 42,854,379</b>	<b>\$ 41,056,322</b>	<b>\$ 39,966,163</b>	<b>\$ 36,724,444</b>	<b>\$ 34,848,331</b>
\$ 230,608	\$ 770,066	\$ 13,534	\$ (1,005,642)	\$ 2,646,705	\$ 1,233,362
-	-	-	1,403,000	-	-
2,750	461	-	-	860	-
733	358	42,167	-	-	-
34,615	14,629	8,000	-	-	-
<b>\$ 38,098</b>	<b>\$ 15,448</b>	<b>\$ 50,167</b>	<b>\$ 1,403,000</b>	<b>\$ 860</b>	<b>\$ -</b>
<b>7,292,668</b>	<b>6,507,154</b>	<b>6,443,453</b>	<b>6,046,095</b>	<b>3,398,530</b>	<b>2,165,168</b>
<b>\$ 7,561,374</b>	<b>\$ 7,292,668</b>	<b>\$ 6,507,154</b>	<b>\$ 6,443,453</b>	<b>\$ 6,046,095</b>	<b>\$ 3,398,530</b>

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

	2012	2011	Increase/ (Decrease)	% Inc/(Dec)
<b><u>REVENUES:</u></b>				
Local Property Tax Levies	\$ 5,073,899	\$ 7,090,035	\$ (2,016,136)	-28.44%
Other Local Sources	1,257,752	992,297	265,455	26.75%
State Sources	37,146,909	35,747,140	1,399,769	3.92%
Federal Sources	2,819,076	2,888,963	(69,887)	-2.42%
<b>Total Revenue</b>	<b>\$ 46,297,636</b>	<b>\$ 46,718,435</b>	<b>\$ 244,928</b>	<b>0.53%</b>
<b><u>EXPENDITURES:</u></b>				
<i>Current:</i>				
Administration	\$ 2,111,976	\$ 1,794,161	\$ 317,815	17.71%
District Support Services	1,976,172	2,216,781	(240,609)	-10.85%
Regular Instruction	21,499,307	21,632,973	(133,666)	-0.62%
Vocational Education Instruction	940,505	897,302	43,203	4.81%
Special Education Instruction	8,734,486	8,500,187	234,299	2.76%
Instructional Support Services	2,650,922	2,549,555	101,367	3.98%
Pupil Support Services	3,580,587	3,507,532	73,055	2.08%
Sites and Buildings	4,852,149	4,603,163	248,986	5.41%
Fiscal and Other Fixed Cost Programs	117,021	97,980	19,041	19.43%
Capital Outlay	1,218,831	2,120,939	(902,108)	-42.53%
Debt Service	233,660	-	233,660	0.00%
<b>TOTAL EXPENDITURES</b>	<b>\$ 47,915,616</b>	<b>\$ 47,920,573</b>	<b>\$ 1,176,692</b>	<b>2.52%</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (1,617,980)</b>	<b>\$ (1,202,138)</b>		
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital Lease Proceeds	-	201,918		
Judgments for School Districts	28,333	138,357		
Transfers Out	(27,688)	(18,654)		
Sale of Equipment Proceeds	-	20,256		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ 645</b>	<b>\$ 341,877</b>		
<b>FUND BALANCES JULY 1: *</b>				
Nonspendable	\$ 178,919	\$ -		
Restricted/Reserved	429,467	-		
Unassigned	6,235,656	-		
Reserved	-	810,945		
Unreserved- Undesignated	-	6,893,358		
<b>TOTAL</b>	<b>\$ 6,844,042</b>	<b>\$ 7,704,303</b>		
<b>FUND BALANCES JUNE 30:</b>				
Nonspendable	\$ 125,661	\$ 178,919		
Restricted/Reserved	274,223	429,467		
Unassigned	4,826,823	6,235,656		
<b>TOTAL</b>	<b>\$ 5,226,707</b>	<b>\$ 6,844,042</b>		

\* 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: Independent Auditor's Report

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>General Fund</b>				
Nonspendable	\$ 125,661	\$ 178,919 **	\$ -	\$ -
Restricted/Reserved	274,223	429,467 **	-	-
Unassigned	4,826,823	6,235,656 **	-	-
Reserved	-	-	810,945	1,451,977
Unreserved	-	-	6,893,358	6,787,611
<b>Total General Fund</b>	<b><u>\$ 5,226,707</u></b>	<b><u>\$ 6,844,042</u></b>	<b><u>\$ 7,704,303</u></b>	<b><u>\$ 8,239,588</u></b>
<b>All Other Governmental Funds</b>				
Nonspendable	\$ 56,100	\$ 58,044 **	\$ -	\$ -
Restricted/Reserved	1,437,227	1,459,665 **	-	-
Unassigned:				
Special Revenue Funds	-	-	-	-
Capital Projects Fund	-	-	-	-
Debt Service Fund	-	-	-	-
Reserved	-	-	194,658	206,816
Unreserved:				
Special Revenue Funds	-	-	376,210	265,217
Capital Projects Fund	-	-	-	-
Debt Service Fund	-	-	813,149	921,100
<b>Total All Other Governmental Funds</b>	<b><u>\$ 1,493,327</u></b>	<b><u>\$ 1,517,709</u></b>	<b><u>\$ 1,384,017</u></b>	<b><u>\$ 1,393,133</u></b>

\* 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: Independent Auditor's Report

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
1,106,183	841,136	991,064	867,027	1,205,843	1,553,831
6,455,191	6,451,532	5,516,090	5,576,426	4,840,252	1,844,699
<b><u>\$ 7,561,374</u></b>	<b><u>\$ 7,292,668</u></b>	<b><u>\$ 6,507,154</u></b>	<b><u>\$ 6,443,453</u></b>	<b><u>\$ 6,046,095</u></b>	<b><u>\$ 3,398,530</u></b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
203,973	164,931	146,702 *	20,983,052	21,464,637 *	171,415
161,382	187,601	155,783	387,499	300,386	342,334
-	-	-	-	127,650	2,363,136
966,314	1,117,130	1,080,689	863,080	469,854	241,173
<b><u>\$ 1,331,669</u></b>	<b><u>\$ 1,469,662</u></b>	<b><u>\$ 1,383,174</u></b>	<b><u>\$ 22,233,631</u></b>	<b><u>\$ 22,362,527</u></b>	<b><u>\$ 3,118,058</u></b>

**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>
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%
2012	4,826,823	48,658,357 *	9.92%

\* Total expenditures from the 2012-13 Final 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: Independent Auditor's Report

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Fund without Tax and Aid Anticipation Certificate	\$ (3,975,523)	\$ -	\$ 2,935,311	\$ 8,886,808
General Fund - Tax and Anticipation Certificate	<u>8,076,394</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Sub Total General Fund</b>	<b>\$ 4,100,871</b>	<b>\$ -</b>	<b>\$ 2,935,311</b>	<b>\$ 8,886,808</b>
Food Service	\$ 487,985	\$ -	\$ 325,431	\$ 83,591
Community Service	226,724	-	198,582	373,083
Debt Service	1,744,137	1,744,930	1,849,657	2,186,059
Building Construction	-	84,855	-	-
Internal Service Fund	251,861	81,035	251,539	250,586
Trust Funds	5,592	2,136	3,007	3,065
Agency Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL</b>	<b><u>\$ 6,817,170</u></b>	<b><u>\$ 1,912,956</u></b>	<b><u>\$ 5,563,527</u></b>	<b><u>\$ 11,783,192</u></b>

Source: Independent Auditor's Report

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 9,131,038	\$ 9,317,079	\$ 7,174,126	\$ 3,424,445	\$ 332,981	\$ (447,631)
-	-	-	-	2,600,000	2,300,000
<b>\$ 9,131,038</b>	<b>\$ 9,317,079</b>	<b>\$ 7,174,126</b>	<b>\$ 3,424,445</b>	<b>\$ 2,932,981</b>	<b>\$ 1,852,369</b>
\$ 17,369	\$ 58,469	\$ 140,567	\$ 378,150	\$ 259,526	\$ 217,860
365,394	396,344	264,098	132,978	296,170	334,631
2,522,699	2,476,766	2,330,737	2,395,346	1,959,453	1,707,515
-	-	-	-	266,397	2,410,734
246,341	237,467	227,695	220,387	211,935	367,002
4,239	4,855	4,096	3,566	2,273	1,944
-	-	-	945	(87,473)	169,976
<b><u>\$ 12,287,080</u></b>	<b><u>\$ 12,490,980</u></b>	<b><u>\$ 10,141,319</u></b>	<b><u>\$ 6,555,817</u></b>	<b><u>\$ 5,841,262</u></b>	<b><u>\$ 7,062,031</u></b>

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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, 2012  
(unaudited)**

	<b>Levy Collectible in Calendar Year 2012</b>
<b>TAX CAPACITY</b>	
Real Agriculture	\$ 4,277,821
Real Nonagricultural	18,603,438
Personal Property	454,078
Tax Increment	(258,347)
<b>Total Tax Capacity Rate Determination Valuation</b>	<b>\$ 23,076,990</b>
<b>TAX CAPACITY RATE *</b>	
General Fund	7.242%
Community Service Fund	1.376%
Debt Service Fund	11.643%
<b>Total Tax Capacity Rate</b>	<b>20.261%</b>
<b>REFERENDUM MARKET VALUE</b>	<b>\$ 1,863,514,600</b>
<b>REFERENDUM MARKET VALUE TAX RATE **</b>	<b>0.18178%</b>
<b>COUNTY AUDITOR ADJUSTED CERTIFIED LEVY</b>	
General Fund - Referendum	\$ 3,387,354
General Fund - Other	1,671,210
Community Service Fund	317,514
Debt Service Fund - Voter Approved	2,329,344
Debt Service Fund - Other	357,309
<b>Total</b>	<b>\$ 8,062,731</b>
<b>COUNTY AUDITOR COMPUTED LEVY ***</b>	
General Fund - Referendum	\$ 3,387,497
General Fund - Other	1,671,236
Community Service Fund	317,539
Debt Service Fund - Voter Approved	2,329,404
Debt Service Fund - Other	357,393
<b>Total</b>	<b>\$ 8,063,069</b>

\* 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 - 2011 Payable 2012

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

<b>Fiscal Year</b>	<b>Total Tax Levy *</b>	<b>Current Tax Collections</b>	<b>% of Current Tax Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>% of Total Tax Collected</b>
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%
2012	8,046,320	7,989,621	99.30%	80,723	8,070,344	100.30%

\* 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 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
Fiscal Year 2012	376,433

Source: Steele County Auditor School Tax Report - 2011 Payable 2012, 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)**

<b>Fiscal Year Ended June 30,</b>	<b>Residential Property</b>	<b>Non-Homestead Residential Property</b>	<b>Commercial/ Industrial Property</b>	<b>Agricultural Property</b>	<b>Utility and Railroad Property</b>
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
2011	11,024,730	2,179,811	5,357,801	4,277,735	208,903

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 2011 sales ratio was 92.7%. 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

<b>Commercial/ Residential Seasonal Property</b>	<b>Total Net Tax Capacity</b>	<b>Estimated Market Value</b>	<b>% Total Net Tax Capacity of Estimated Market Value</b>	<b>Total Direct Rate</b>
-	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
28,010	23,076,990	2,159,392,700	1.07%	20.181

**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>
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
2011	23,076,990	92.7%	24,893,987

(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>
<b>Levies</b>	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
	2012	5,058,733	317,539	2,686,797	8,063,069
<b>Initial Tax Rate *</b>	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%	1.15%	12.57%	19.66%
	2011	6.12%	1.19%	9.99%	17.30%
	2012	6.43%	1.19%	9.99%	17.62%

\* 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 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
Year Collectible 2012	376,433

Source: School Tax Report - 2011 Payable 2012 and District Records

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

<b>Fiscal Year</b>	<b>District Direct Rates</b>			<b>Overlapping Rates</b>	
	<b>Referendum Purposes</b>	<b>General Purposes</b>	<b>Total</b>	<b>Steele County</b>	<b>City of Owatonna</b>
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
2012	0.182	19.999	20.181	64.343	58.051

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 2011</u>	<u>% of Total Property</u>
Residential	\$ 10,854,871	46.47%
Agricultural	4,277,735	18.31%
Commercial/Industrial	5,357,801	22.93%
Utility and Railroad	208,903	0.89%
Non-Homestead Residential	2,179,811	9.33%
Commercial & Residential Seasonal/Recreational	27,987	0.12%
<b>Total Real Estate</b>	<b>\$ 22,907,108</b>	<b>98.06%</b>
Personal Property	454,077	1.94%
<b>Total Real and Personal Property</b>	<b>\$ 23,361,185</b>	<b>100.00%</b>

\* The taxes payable in 2011 are recorded as revenue for the 2011-12 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 Nine Years Ago  
(unaudited)**

	2012 *			2003		
	<u>2012 Net Tax Capacity</u>	<u>Rank (1)</u>	<u>% of Total Net Tax Capacity \$ 25,983,282</u>	<u>2003 Net Tax Capacity</u>	<u>Rank (2)</u>	<u>% of Total Net Tax Capacity \$18,249,929</u>
Cabela's Retail, Inc.	\$ 179,544	1	0.69%	N/A	2	N/A
Viracon, Inc.	170,730	2	0.66%	N/A	1	N/A
Mills Properties, Inc.	152,738	3	0.59%	N/A	8	N/A
Owatonna Clinic - Mayo Health Systems	154,648	4	0.60%			
Federated Mutual Insurance Company	137,596	5	0.53%	N/A	9	N/A
JAS Realty, L.L.C.	107,820	8	0.41%	N/A	3	N/A
Wal-Mart Stores	109,378	6	0.42%	N/A	4	N/A
Owatonna Hospitality, L.L.C.	109,032	7	0.42%			
Lowe's Home Centers, Inc.	105,236	9	0.41%			
Cybox International, Inc.	100,202	10	0.39%			
Continental Beverage, Inc.				N/A	7	N/A
So. MN Municipal Power Agency				N/A	10	N/A
J.R. Holdings, LLC				N/A	5	N/A
Owatonna Canning Company				N/A	6	N/A

\* As of December 31, 2012

N/A - Information was not available.

(1) The ranking for 2012 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 2003 was based on the market value of the company as of December 1, 2003, not the total taxes paid or net tax capacity.

Source: Steele County Auditor and 2003 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 &amp; Tax Anticipation Certificates</u>	<u>Certificates of Participation</u>	<u>Total Primary Government</u>
2003	31,380,000	500,000	500,000	2,300,000	-	34,680,000
2004	50,800,000	429,843	400,000	2,600,000	-	54,229,843
2005	48,875,000	1,527,013	300,000	-	-	50,702,013
2006	26,145,000	1,154,419	200,000	-	-	27,499,419
2007	23,720,000	767,577	100,000	-	-	24,587,577
2008	21,210,000	365,938	-	-	-	21,575,938
2009	18,405,000	297,758	-	-	-	18,702,758
2010	15,500,000	172,332	-	-	-	15,672,332
2011	13,235,000	285,211	-	-	1,855,000	15,375,211
2012	11,010,000	167,339	-	8,076,394	1,655,000	20,908,733

N/A - Personal income for 2012 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.

Note3: The increase in 2012 was due to aid and tax anticipation certificates being issued.

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

<b>% of Personal Income</b>	<b>Per Capita (1)</b>
3.49%	1,301
5.06%	2,034
4.49%	1,810
2.29%	982
1.99%	878
1.59%	770
1.38%	668
1.12%	535
1.06%	525
N/A	714

**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>				
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%	1.05%	501
2011	13,235,000	725,061	12,509,939	25,983,282	48.15%	0.87%	427
2012	11,010,000	629,550	10,380,450	23,076,990	44.98%	N/A	354

N/A - Personal income for 2012 is not available, so the calculation cannot be completed.

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

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

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

<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>
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%
2012	2,225,000	481,388	2,706,388	55,670,447	4.86%

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

Source: Independent Auditor's Report

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

<u>Governmental Unit (1)</u>	<u>General Obligation Debt</u>	<u>Estimated Applicable Percentage (2)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Steele County	\$ 23,130,000	111.18%	\$ 25,716,374
Waseca County	2,710,000	0.04%	1,145
City of Owatonna	17,140,000	41.27%	<u>7,073,398</u>
Subtotal, Overlapping Debt			\$ 32,790,918
District Direct Debt			<u>13,235,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 46,025,918</u></u>

(1) There were three taxing jurisdictions which overlap the District and had general obligation debt outstanding as of December 31, 2011.

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

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

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assessed Value	\$ 2,159,392,700	\$ 2,244,092,283	\$ 2,533,303,000	\$ 2,532,571,400
Debt Limit Percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt Limit	323,908,905	336,613,842	379,995,450	379,885,710
Total Net Debt Applicable to Limit	<u>11,010,000</u>	<u>13,235,000</u>	<u>15,500,000</u>	<u>18,405,000</u>
Legal Debt Margin	<u>\$ 312,898,905</u>	<u>\$ 323,378,842</u>	<u>\$ 364,495,450</u>	<u>\$ 361,480,710</u>
Total Net Debt Applicable to the Limit as a % of Debt Limit	3.40%	3.93%	4.08%	4.84%

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>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 2,445,201,914	\$ 2,290,212,228	\$ 2,059,081,778	\$ 1,821,650,400	\$ 1,695,645,327	\$ 1,577,242,700
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
366,780,287	343,531,834	308,862,267	273,247,560	254,346,799	236,586,405
<u>21,210,000</u>	<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>\$ 345,570,287</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>
5.78%	6.90%	8.46%	17.89%	19.97%	13.26%

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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)**

<b>Fiscal Year</b>	<b>Steele County</b>				<b>ISD No. 761</b>
	<b>Population (1)</b>	<b>Personal Income (1)</b>	<b>Per Capita Personal Income (1)</b>	<b>Unemployment Rate (2)</b>	<b>District Population (3)</b>
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	36,529	1,395,623,000	38,206	7.80%	29,301
2011	36,534	1,445,080,000	39,554	5.10%	29,301
2012	N/A	N/A	N/A	4.70%	29,301

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 Nine Years Ago  
(unaudited)**

<u>Employer</u>	<u>2012</u>			<u>2003</u>		
	<u>Number of Employees *</u>	<u>Rank</u>	<u>% of Total Employment 21,236</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>% of Total Employment 19,339</u>
Federated Mutual Ins. Co.	1,470	1	6.92%	1,521	2	7.86%
Viracon, Inc.	1,105	2	5.20%	1,650	1	8.53%
Truth Hardware Corporation	735	3	3.46%	803	3	4.15%
Owatonna Public Schools	675	4	3.18%			
SPX Corporation	540	5	2.54%	720	4	3.72%
Wenger Corporation	450	6	2.12%	500	5	2.59%
Josten's Inc.	416	7	1.96%	440	6	2.28%
Owatonna Hospital	323	8	1.52%			
Cybex Corporation	295	9	1.39%	260	9	1.34%
Owatonna Clinic	250	10	1.18%			
CurvLite				265	8	
Cabela's				329	7	1.70%
Walmart Supercenter				251	10	1.30%
<b>Total</b>	<u>6,259</u>		<u>29.47%</u>	<u>6,739</u>		<u>33.48%</u>

\* - The information is as of December 31, 2012.

Source: Owatonna Chamber of Commerce, 2003 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)**

<b>Calendar Year</b>	<b>Total Permits</b>	<b>Total Value</b>
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
2012 (4)	1,697	29,383,382

- (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.
- (4) - The decrease in the number of permits is due to new dwellings. The decrease in total value is due to several large new commercial permits issued in 2011.

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, 2012 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>2012</u>	<u>2011</u>	<u>2010</u>
Geographical Area - Square Miles	245	245	245
District Population	29,301	29,301	29,301
Student Enrollment - by Average Daily Membership (ADM)	4,750	4,786	4,797
<b><u>Facilities</u></b>			
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

<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
245	245	245	245	245	245	245
28,005	28,005	28,005	28,005	28,005	26,660	26,660
4,880	4,865	4,953	4,931	4,819	4,869	5,027
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	1
1	1	1	1	1	1	1
1	1	1	1	1	1	1
1	1	1	1	1	0	0

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Early Childhood</b>	53.69	61.48	47.40	34.69	32.08
<b>Kindergarten</b>	322.60	291.42	348.62	338.95	294.94
<b>Grades 1-6</b>	2,127.28	2,126.98	2,107.03	2,108.85	2,143.33
<b>Grades 7-12</b>	<u>2,246.08</u>	<u>2,305.87</u>	<u>2,293.57</u>	<u>2,397.16</u>	<u>2,394.71</u>
<b>Total</b>	<u><u>4,749.65</u></u>	<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>

Note: Student enrollment numbers for 2011 and prior are from the final numbers issued in January after the fiscal year ended.

Source: Minnesota Department of Education

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
26.40	25.97	25.07	27.42	26.31
341.84	349.45	300.41	305.81	298.08
2,136.40	2,106.87	2,041.16	2,060.89	2,122.20
<u>2,448.32</u>	<u>2,448.54</u>	<u>2,452.08</u>	<u>2,474.47</u>	<u>2,580.34</u>
<u><b>4,952.96</b></u>	<u><b>4,930.83</b></u>	<u><b>4,818.72</b></u>	<u><b>4,868.59</b></u>	<u><b>5,026.93</b></u>

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

<b>Function</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Administrators	9	9	9
Adult Basic Education	1	1	1
Alternative High School	0	0	0
Central Office Personnel	22	22	16
Clerical and Media Educational Assistants	7	7	8
Custodial/Cleaning/Maintenance	38	40	42
Directors	13	13	13
Early Childhood Family Education Learning Readiness	15	14	15
Food Service	33	33	36
Health Services	12	10	9
Noon Supervisors	10	10	17
Offset	1	1	1
School Aged Child Care	7	10	12
Secretarial/Office Personnel	28	25	30
Special Education Educational Assistants	73	71	75
Student Supervision Educational Assistants	13	16	16
Teacher Educational Assistants	47	34	43
Teachers	337	326	376
Tutors	9	8	9
<b>Total</b>	<b>675</b>	<b>650</b>	<b>728</b>

Source: District Records

<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
12	12	12	12	12	12	11	18
2	2	2	2	2	2	2	2
0	0	0	0	0	0	0	0
24	23	20	20	20	20	25	25
8	8	10	10	10	10	10	10
45	42	43	44	44	44	46	46
11	11	11	11	11	11	11	5
25	25	25	25	25	25	25	25
36	33	38	38	38	38	38	38
10	10	10	10	10	10	11	11
10	7	17	18	18	18	18	20
2	2	2	2	2	2	2	2
12	12	12	12	12	12	13	14
22	22	22	22	22	22	22	32
75	74	76	66	73	66	66	64
4	5	5	4	6	4	6	6
40	43	34	30	30	30	30	25
340	326	330	323	323	323	323	318
7	7	7	7	7	7	10	10
<b>685</b>	<b>664</b>	<b>676</b>	<b>656</b>	<b>665</b>	<b>656</b>	<b>669</b>	<b>671</b>

**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>
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%
2012	4,750	51,421,163	10,826	2.50%	337	14.1	38.60%

(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)**

<b>Fiscal Year</b>	<b>Minimum Salary</b>	<b>Maximum Salary</b>
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
2012	33,636	69,465

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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Elementary (Grades K-5)</b>								
Lincoln (1959)								
Square Feet	59,884	59,884	59,884	59,884	59,884	59,884	59,884	59,884
Enrollment	528	532	546	548	535	560	533	570
Acres	40	40	40	40	40	40	40	40
McKinley (1955)								
Square Feet	54,437	54,437	54,437	54,437	54,437	54,437	54,437	54,437
Enrollment	503	501	502	507	487	499	484	486
Acres	13	13	13	13	13	13	13	13
Washington (1949)								
Square Feet	54,779	54,779	54,779	54,779	54,779	54,779	54,779	54,779
Enrollment	536	420	548	541	526	545	528	472
Acres	3	3	3	3	3	3	3	3
Wilson (1968)								
Square Feet	67,327	67,327	67,327	67,327	67,327	67,327	67,327	67,327
Enrollment	527	529	511	508	507	507	528	460
Acres	10	10	10	10	10	10	10	10
<b>Intermediate (Grade 6)</b>								
Willow Creek (1990)								
Square Feet	55,433	55,433	55,433	55,433	55,433	55,433	55,433	55,433
Enrollment	375	384	356	337	378	359	375	337
Acres	60	60	60	60	60	60	60	60
<b>Junior High (Grades 7-8)</b>								
Junior High (1968)								
Square Feet	166,564	166,564	166,564	166,564	166,564	166,564	166,564	166,564
Enrollment	679	692	709	727	713	722	741	741
Acres	18	18	18	18	18	18	18	18
<b>High School (Grades 9-12)</b>								
High School (1921)								
Square Feet	353,710	353,710	353,710	353,710	353,710	353,710	353,710	353,710
Enrollment	1,480	1,494	1,529	1,561	1,563	1,611	1,612	1,606
Acres	19	19	19	19	19	19	19	19
<b>Area Learning Center</b>								
Rose Street Center (1956)								
Square Feet	12,930	12,930	12,930	12,930	12,930	12,930	12,930	12,626
Enrollment	95	103	58	65	67	71	63	76
Acres	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88
<b>Community Center</b>								
Roosevelt (1954)								
Square Feet	15,694	15,694	15,694	15,694	15,694	15,694	15,694	15,694
Enrollment (Early Childhood)	167	150	49	35	32	26	26	25
Acres	8	8	8	8	8	8	8	8

Source: District Records and Minnesota Department of Education

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

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
Schedule of Insurance Coverage  
Fiscal Year Ended June 30, 2012  
(unaudited)**

<b>Coverage</b>	<b>Amount</b>	<b>Description</b>
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
	300,000	Damage to Premises Rented to You Limit
	15,000	Medical Expense Limit
Professional Liability	2,000,000	Aggregate
	2,000,000	Each Occurrence
Automobile Liability	1,000,000	Combined Single Limit
	1,000,000	Uninsured/Underinsured Motorists
		Deductible: \$250-\$500 Collision
		\$100-\$250 Comprehensive
Worker's Compensation Employer's Liability	500,000	Each Accident
	500,000	By Disease, Policy Limits
	500,000	By Disease, Each Employee
Umbrella Excess Liability	1,000,000	Each Occurrence and Aggregate
Boiler and Machinery	15,000,000	Comprehensive

Source: Tinchler Peterson Sincok