

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2013



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, 2013

**PREPARED BY:
DISTRICT BUSINESS OFFICE**

INTRODUCTORY SECTION

This page intentionally left blank

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2013**

| I. INTRODUCTORY SECTION | <u>PAGE NUMBER</u> |
|--|---------------------------|
| Table of Contents | i - iv |
| Board of Education and Central Administration | v |
| Organizational Chart | vi |
| Transmittal Letter | vii – xv |
| Fiscal Year 2012 Certificate of Excellence | xvi |
| II. FINANCIAL SECTION | |
| Independent Auditor's Report | 1-3 |
| Required Supplementary Information Management's Discussion and Analysis | 4-19 |
| A. <u>Basic Financial Statements</u> | |
| Statement of Net Position | 20 |
| Statement of Activities | 21-22 |
| Balance Sheet – Governmental Funds | 23-24 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position | 25 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 26-27 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 28-29 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund | 30 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Food Service Fund | 31 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Service Fund | 32 |
| Statement of Fund Net Position – Proprietary Fund | 33 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund | 34 |
| Statement of Cash Flows – Proprietary Fund | 35 |

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2013**

| II. FINANCIAL SECTION (Continued) | <u>PAGE NUMBER</u> |
|--|---------------------------|
| <u>A. Basic Financial Statements (Continued)</u> | |
| Statement of Fiduciary Net Position | 36 |
| Statement of Changes in Fiduciary Net Position | 36 |
| Notes to Basic Financial Statements | 37-62 |
| <u>B. Required Supplementary Information</u> | |
| Schedule of Funding Progress for Postemployment Benefit Plans | 63 |
| <u>C. Supplementary Information</u> | |
| General Fund | |
| Schedule of Assets, Liabilities, and Fund Balance | 64 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual | 65-67 |
| Food Service Special Revenue Fund | |
| Schedule of Assets, Liabilities, and Fund Balance | 68 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual | 69 |
| Community Service Special Revenue Fund | |
| Schedule of Assets, Liabilities, and Fund Balance | 70 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual | 71 |
| Capital Projects Fund | |
| Schedule of Assets, Liabilities, and Fund Balance | 72 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual | 73 |
| Debt Service Fund | |
| Schedule of Assets, Liabilities, and Fund Balance | 74 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual | 75 |

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2013**

| III. STATISTICAL SECTION (unaudited) | <u>PAGE NUMBER</u> |
|---|---------------------------|
| Statistical Section Summary | 76 |
| A. <u>Financial Trends Information</u> | |
| Net Position by Component | 77-78 |
| Government-wide Expenses, Program Revenues, and Net (Expense)/Revenue | 79-80 |
| Government-wide General Revenues and Total Change in Net Position | 81-82 |
| Governmental Funds Revenues | 83-84 |
| Governmental Funds Expenditures and Debt Service Ratio | 85-86 |
| Other Financing Sources and Uses and Net Change in Fund Balances, Governmental Funds | 87-88 |
| General School System Revenues by Source – Government-wide | 89 |
| General School System Revenues by Source – Fund Level | 90 |
| General School System Expenses by Function – Government-wide | 91-92 |
| General School System Expenditures by Function – Fund Level | 93-94 |
| Statement of Revenues and Expenditures – General Fund | 95-96 |
| General Fund Compared to the Prior Year | 97 |
| Fund Balances of Governmental Funds | 98-99 |
| Unassigned General Fund Balance Compared to Annual Expenditures | 100 |
| Cash and Investment Balances by Fund | 101-102 |
| B. <u>Revenue Capacity Information</u> | |
| Schedule of Tax Capacity, Tax Rates, and Tax Levied for June 30, 2013 | 103 |
| Property Tax Levies and Collections | 104 |
| Assessed Value and Estimated Actual Value of Property | 105-106 |
| Net Tax Capacity and Adjusted Net Tax Capacity | 107 |
| School Tax Levies, Initial Tax Rates by Fund | 108 |

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2013**

| III. STATISTICAL SECTION (unaudited) (Continued) | <u>PAGE NUMBER</u> |
|--|---------------------------|
| <u>B. Revenue Capacity Information (Continued)</u> | |
| Direct and Overlapping Property Tax Rates | 109 |
| Net Tax Capacity by Category | 110 |
| Principal Property Taxpayers | 111 |
| <u>C. Debt Capacity Information</u> | |
| Outstanding Debt by Type | 112-113 |
| Ratios of Outstanding Debt | 114 |
| Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures | 115 |
| Direct and Overlapping Governmental Activities Debt | 116 |
| Legal Debt Margin Information | 117-118 |
| <u>D. Demographic and Economic Information</u> | |
| Demographic and Economic Statistics | 119 |
| Principal Employers | 120 |
| Property Value and Construction | 121 |
| <u>E. Operating Information</u> | |
| Financial Information | 122 |
| General Information | 123-124 |
| Average Daily Membership by Grade Level | 125-126 |
| Full-time and Part-time District Employees by Function | 127-128 |
| Operating Statistics | 129 |
| Teacher Base Salaries | 130 |
| School Building Information | 131-132 |
| Schedule of Insurance Coverage | 133 |

INDEPENDENT SCHOOL DISTRICT NO. 761
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013

BOARD OF EDUCATION

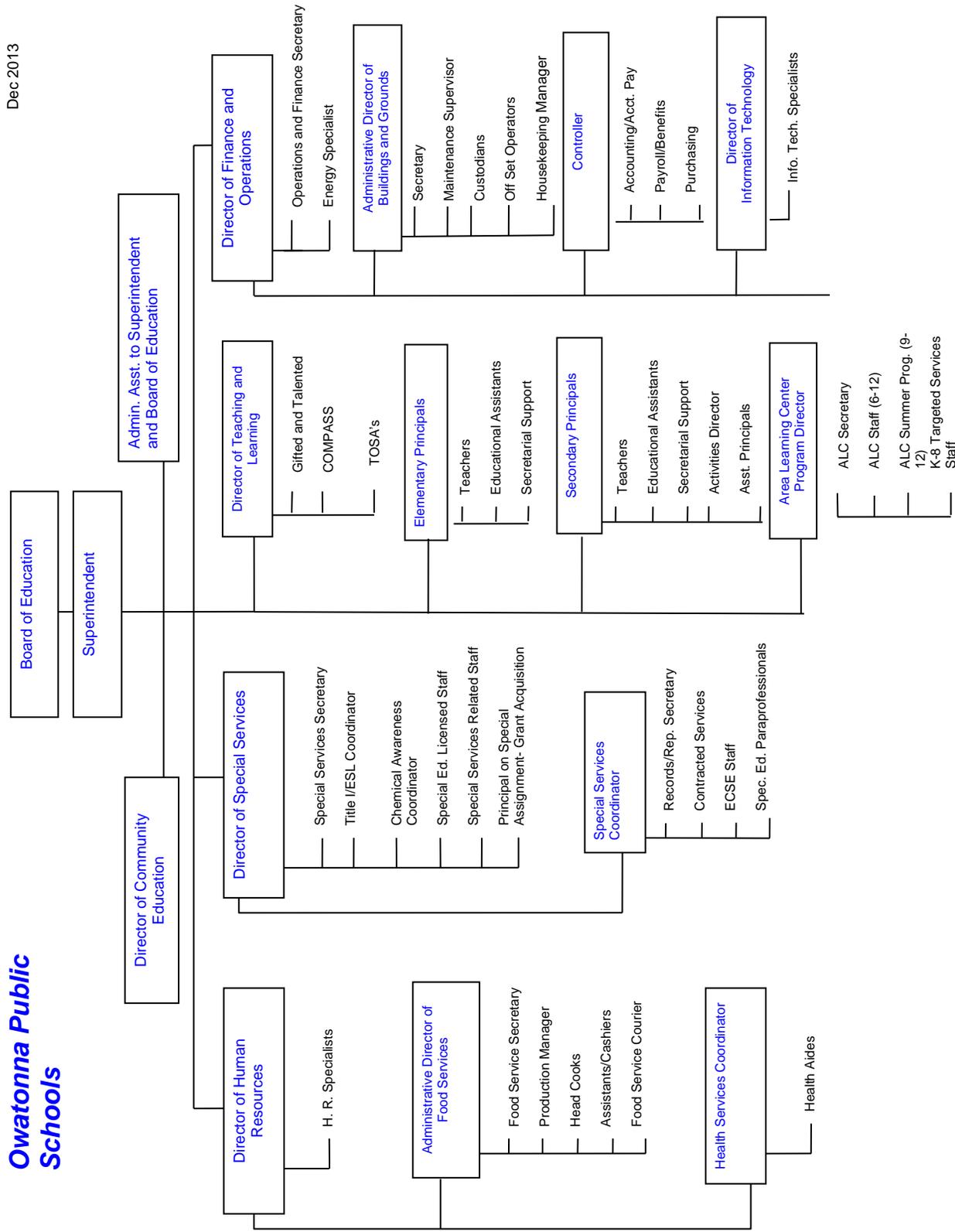
| NAME | TERM ON BOARD EXPIRES | BOARD POSITION |
|---------------|----------------------------------|-----------------------|
| Don McCann | 1/5/2015 | Chair |
| Bill Bernard | 1/5/2015 | Vice Chair |
| Dave Anderson | 1/7/2017 | Treasurer |
| Mark Sebring | 1/7/2017 | Clerk |
| Vilnis Giga | 1/5/2015 | Director |
| Eric Schuster | 1/7/2017 | Director |
| Ron VanNurden | 1/7/2017 | Director |

CENTRAL ADMINISTRATION

| NAME | TITLE |
|--------------------------|---|
| Peter Grant | Interim Superintendent |
| Mark Krug | Director of Special Services |
| Debbie McDermott-Johnson | Director of Community Education |
| Amy LaDue | Director of Teaching and Learning |
| Tom Sager | Director of Operations and Finance |
| Linda Skrien | Director of Human Resources/Student Affairs |
| Amanda Heilman | Controller |

Owatonna Public Schools

Dec 2013





December 17, 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, 2013. 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, 2012. 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 Position 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 2012 valuation year was \$24,599,279 or a 1.2 percent decrease over 2011.

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 40.68 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 2013, 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 \$5,302 per pupil unit) state has increased on average 1.1 percent per year. The District is anticipating expenditures to exceed revenues by approximately \$166,934 in FY14. This will bring the total general fund balance down to 9.18 percent. In November of 2013, the District passed an extension to the existing operating referendum to FY21, from an original expiration year of FY16. This will add an additional \$1.8 million in new revenue starting in FY 15.

On September 30, 2013, the State of Minnesota certified a positive unrestricted general fund balance of \$636.089 million. Of this amount, \$291.468 million was used to return the aid payment shift to a 90/10 payment schedule. 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 FY14 and beyond.

The FY14 District budget is dependent on \$34.7 million in state general education aid. Approximately 95 percent of this revenue is derived from the basic per pupil allotment of \$5,302. In FY14, the state changed its payment schedules to school districts from 86.4/13.6 percent to 90/10 percent.

Total enrollment for the 2012-13 school year was 4,764. This represents an increase of 14 students from the previous year. At this time, total enrollment for FY14 will be less than FY 13, 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 roughly to 55 percent.

The total enrollment for FY13 is slightly more than FY12, as the District realized about 25 students more 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 improving, though remains tenuous. The housing market is also improving, though slowly. Residential property values are declining; however, not at the rate they were during the past few years. 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.

STRATEGIC ROAD MAP and CONTINUOUS IMPROVEMENT

In the fall of 2008, the Board enlisted the services of Team Works to assist in the task of revising the District strategic plan. The development process was completed during the 2008-09 school year; leading to the adoption of our current strategic plan. This plan was modified fall of 2013 to better reflect our current District focus.

Mission Statement: The mission of the Owatonna Public Schools is to, “inspire all learners to excel”

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 |

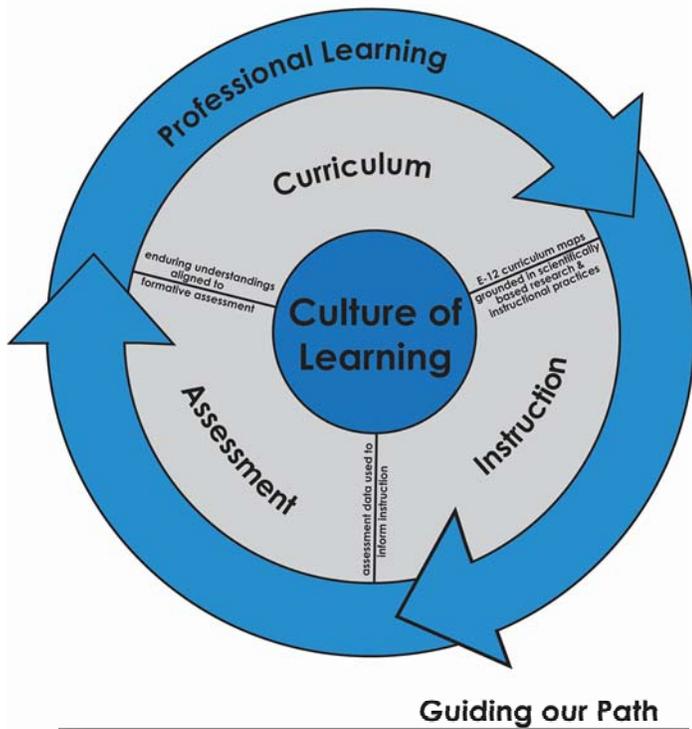
Vision 2014: The vision is a set of objectives that describe what we intend to achieve.

Resources needed for 21st Century learning
Engagement in innovation to meet student needs
Excellence: high expectations and success for all
E-12 curriculum alignment
Customized learning for individual students

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:

1. Move all students toward identified learning targets
2. Align curriculum and improve instruction around student needs
3. Create a culture that embraces continuous improvement
4. Educate and engage the community to recognize public education as an economic and cultural asset

Focus for Teaching and Learning



Teaching and Learning

This graphic represents the system we use to create a guaranteed and viable curriculum that ensures all students will learn at high levels. Last year we focused on grounding ourselves in Curriculum, Assessment and Instruction in order to establish a consistent foundation.

Our work has been aligned to allow us to answer DuFours' four critical questions of learning –

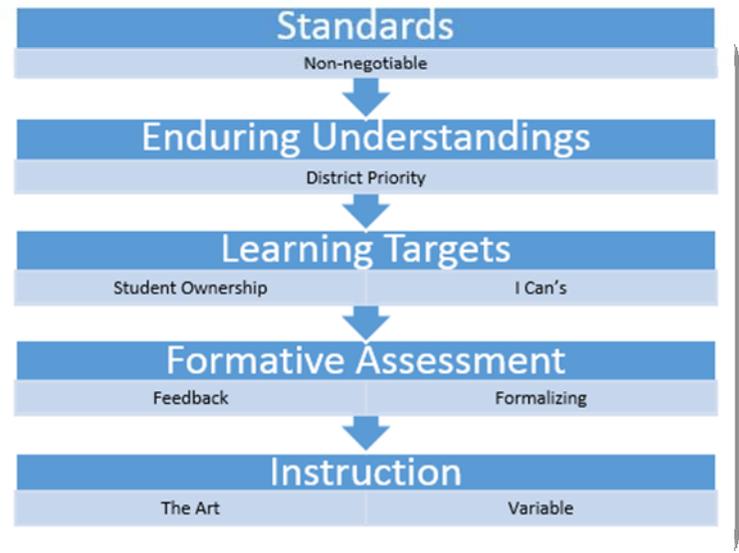
1. What do we want all students to learn – to know and be able to do?
2. How will we know when they have learned it?
3. How will we respond if they did not learn it?
4. How will we respond if they already know it?

Development Process

During the previous year this systematic approach to curriculum development was used by all curricular areas. A tremendous amount of resources, both time and energy, went into this effort.

Departments and work teams collaborated to develop enduring understandings and learning targets for all required courses and selected electives. This allowed us to begin to answer the question 1, identifying and agreeing to what all students must learn.

All teaching staff participated in professional learning on development and use of formative assessment which included providing students with actionable feedback. This is the foundation that supports us in answering question 2, how will we know if students have learned?



Elementary teachers also focused on literacy instruction, emphasizing how to use a balanced literacy or gradual release of responsibility approach. This supported us in beginning to answering question 3 and 4, how will we respond when students do not learn or when they already know it?

Teaching and Learning Beliefs

Curriculum must be based on agreed-upon enduring understandings and state standards, align grade levels and courses vertically and horizontally, be clearly understood and effectively implemented by all instructional staff.

Assessment must be purposeful, measure progress toward enduring understandings both during learning and after learning, guide instruction and be used to evaluate curriculum.

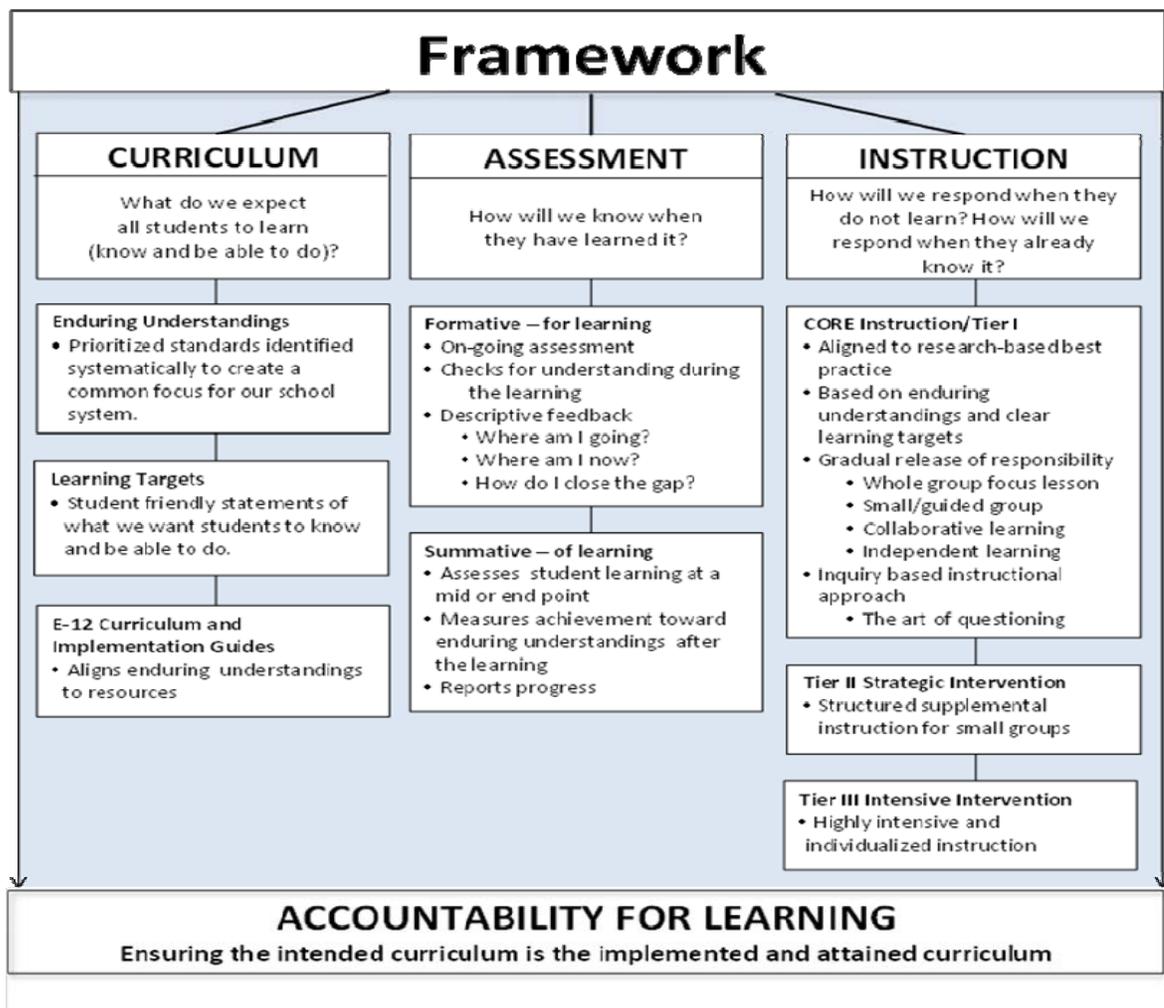
Instruction must be directly connected to enduring understandings, aligned to research based best practices, engage students in learning, be differentiated to reach all students, and be informed by formative assessments.

Professional Learning must be ongoing and job-embedded, be based on best practices, standards, and data trends in order to support teachers in ensuring the intended curriculum is the implemented curriculum.



A Systematic Approach to Teaching and Learning

This framework guides the implementation of our guaranteed and viable curriculum while providing direction for consistent application of our beliefs.





TECHNOLOGY

Owatonna Public School's success with technology over the years can largely be attributed to the district's 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

With students bringing in their own devices as early as first grade we needed to make wireless access for everyone even more available than it already was. We installed an additional four wireless access points in each of our elementary and middle school sites bringing of them up to fourteen access points per elementary and twenty access points at our middle school. We did not need to add any access points at our high school as we have more than adequate coverage at that site.

With the ongoing increased use of audio and video access and collaboration with our district, we've recently increased our Internet bandwidth speed to 300 MBs and our WAN (Wide Area Network) bandwidth to 300 MBs as well. This will allow faster and more consistent results with our staff and students when accessing such content.

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.

Technology Support Staff

Our support staff consists of (1) Technology Coordinator, (1) IT Specialist II District Wide and (5) IT Specialist I positions that take care of eleven sites which consists of 5,7000 users, 1,995 workstations, 212 Smartboards, 161 iPads, 86 documents cameras, plus many other additional peripherals.

IT support personnel pride themselves on meeting their goal of taking care of all technical issues the same day they are reported. If the issue is reported before noon, the support personnel will try to resolve the same day. If the issue I reported after noon, the support personnel will try to resolve the next business day.



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, 2013 is outstanding bonds on school district facilities in the amount of \$9,445,000. The balance consists of one outstanding general obligation refunding bond and one outstanding general obligation capital equipment note. These bonds have varying maturity dates with the latest maturity date being in fiscal year 2020. 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 2013. The balance on the vending machine and copier capital leases totaled \$338,697 on June 30, 2013.

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.

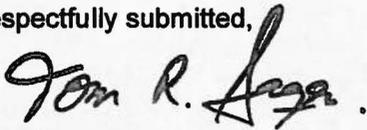
Other Information

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 2012. Therefore, the District has received the award for 20 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.

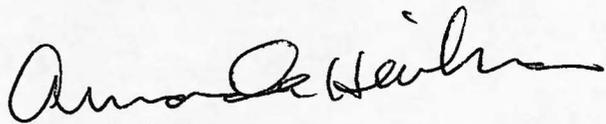
The preparation of this report could not have been accomplished without the efficient and dedicated services of the District's business office staff.

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

This page intentionally left blank

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, 2012*

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



A handwritten signature in black ink, reading "Ron McCulley".

Ron McCulley, CPPB, RSBO
President

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

John D. Musso, CAE, RSBA
Executive Director

This page intentionally left blank

FINANCIAL SECTION

This page intentionally left blank

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and cash flows, where applicable, and budgetary comparison for General Fund, Food Service Fund, and Community Service Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Independent School District No. 761's 2012 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and we expressed unmodified audit opinions on those audited financial statements in our report dated November 13, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress for Post Employment Benefit Plans, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 761's basic financial statements. The Introductory Section, Supplementary Information and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

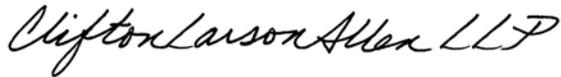
The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 as a whole.

Board of Education
Independent School District No. 761

The Introductory Section and 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independent School District No. 761's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Austin, Minnesota
November 6, 2013

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

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, 2013. 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 (2012-13) and the prior year (2011-12) is presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2012-13 fiscal year include the following:

- Net position increased by \$2,068,419 over the prior year.
- In the Statement of Activities, overall revenues were \$54,973,915, while overall expenses totaled \$52,905,496.
- The General Fund balance decreased by \$664,600, the Food Service Fund balance decreased by \$148,789 and the Community Service Fund balance increased by \$364,484.
- The Health Insurance Internal Service Fund balance increased by \$186 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 issued \$755,000 in General Obligation Capital Equipment Notes to fund a new phone system and technology infrastructure.
- The District refunded \$8,690,000 in General Obligation Bonds resulting in an interest savings of \$558,331.

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, 2013**

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**

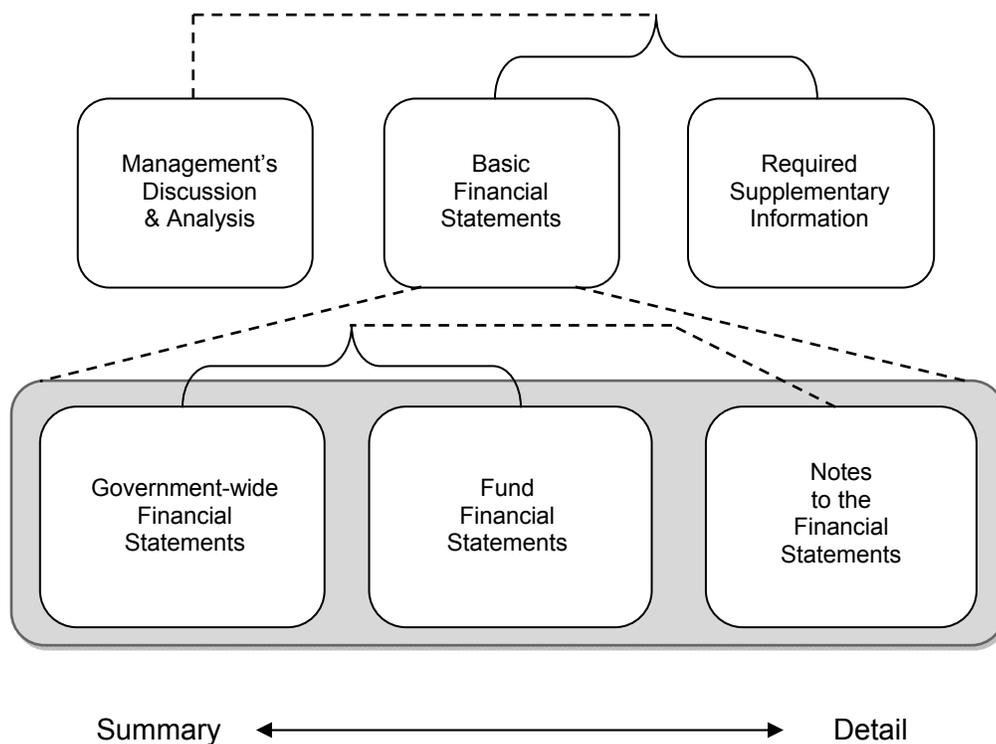


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and content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

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

| Figure A-2 Major Features of the Government-wide and Fund Financial Statements | | | | |
|---|--|--|---|---|
| | Government-wide Statements | Fund Financial Statements | | |
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire District (except fiduciary funds). | The activities of the District that are not proprietary or fiduciary, such as special education, building and maintenance, food service, and community education. | Activities the District operates similar to a private business; Internal Service Fund. | Instances in which the District administers resources on behalf of someone else, such as the District's museum. |
| Required financial statements | <ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities | <ul style="list-style-type: none"> • Balance Sheet • Statement of Revenue, Expenditures, and Changes in Fund Balances | <ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses, and Changes in Fund Net Position • Statement of Cash Flows | <ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position |
| 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, 2013**

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 Position 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 position and how it has changed. Net position – 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 position 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, 2013**

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 Position and a Statement of Changes in Fiduciary Net Position. 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 Position. The District's combined net position from Governmental activities was \$18,084,693 on June 30, 2013. (See Table A-1) This was an improvement of \$2,068,419 over the prior year.

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

| | Governmental Activities | | Percentage Change |
|----------------------------------|--------------------------------|----------------------|------------------------------|
| | 2013 | 2012 | |
| Current and Other Assets | \$ 18,658,092 | \$ 27,099,683 | -31.15% |
| Capital Assets | 26,507,644 | 26,451,012 | 0.21% |
| Total Assets | 45,165,736 | 53,550,695 | -15.66% |
| Current Liabilities | 14,533,885 | 23,213,029 | -37.39% |
| Long-Term Liabilities | 12,547,158 | 14,321,392 | -12.39% |
| Total Liabilities | 27,081,043 | 37,534,421 | -27.85% |
| Net Position | | | |
| Net Investment in Capital Assets | 17,576,923 | 15,763,708 | 11.50% |
| Restricted | 2,343,043 | 1,930,064 | 21.40% |
| Unrestricted | (1,835,273) | (1,677,498) | -9.41% |
| Total Net Position | \$ 18,084,693 | \$ 16,016,274 | 12.91% |

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

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

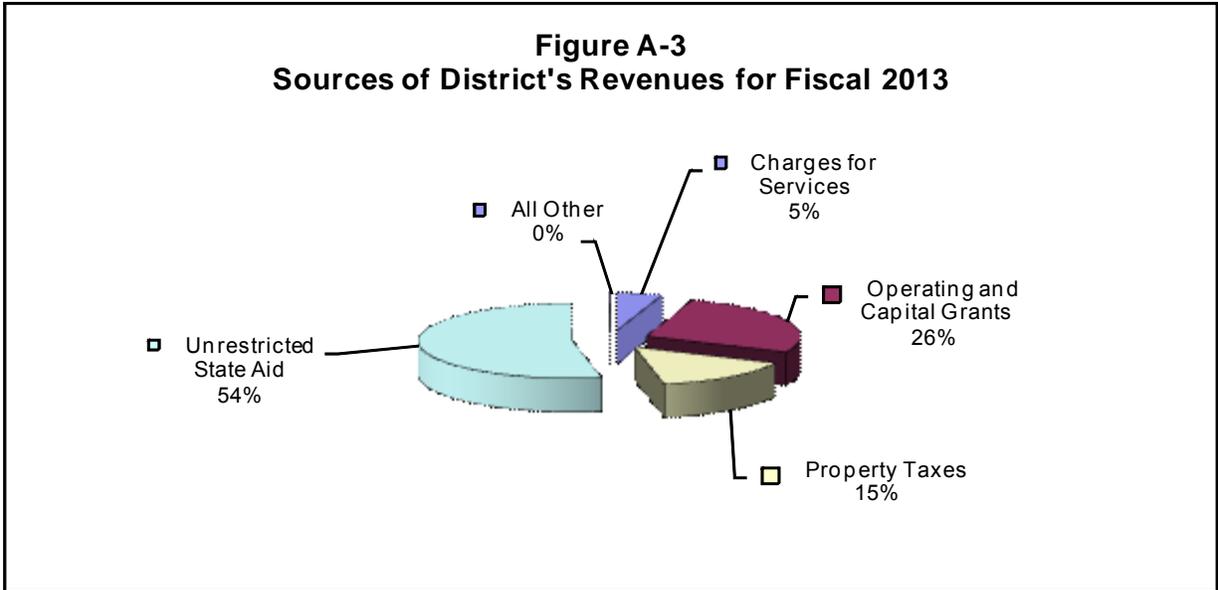
**Table A-2
Change in Net Position**

| | Governmental Activities for the fiscal year ended June 30, | | Total % Change |
|---|---|----------------------|---------------------------|
| | 2013 | 2012 | |
| Revenues | | | |
| Program Revenues | | | |
| Charges for Services | \$ 2,627,455 | \$ 2,932,090 | -10.39% |
| Operating Grants and Contributions | 14,313,633 | 13,683,114 | 4.61% |
| Capital Grants and Contributions | 651,823 | 602,199 | 8.24% |
| <u>General Revenues</u> | | | |
| Property Taxes | 8,210,436 | 7,776,732 | 5.58% |
| Unrestricted State Aid | 29,089,562 | 28,951,399 | 0.48% |
| Investment Earnings | 10,359 | 3,091 | 235.13% |
| Gain on Sale of Fixed Assets | 19,500 | - | N/A |
| Miscellaneous | 51,147 | 90,847 | -43.70% |
| Total Revenues | <u>54,973,915</u> | <u>54,039,472</u> | 1.73% |
| Expenses | | | |
| Administration | 1,855,310 | 2,042,444 | -9.16% |
| District Support Services | 2,066,752 | 2,381,115 | -13.20% |
| Regular Instruction | 22,253,825 | 22,586,215 | -1.47% |
| Vocational Education Instruction | 857,644 | 985,654 | -12.99% |
| Special Education Instruction | 9,229,338 | 8,918,235 | 3.49% |
| Instructional Support Services | 2,242,796 | 2,646,055 | -15.24% |
| Pupil Support Services | 3,619,996 | 3,590,963 | 0.81% |
| Sites and Buildings | 5,180,489 | 4,546,753 | 13.94% |
| Fiscal and Other Fixed Cost Programs | 137,108 | 117,021 | 17.17% |
| Food Service | 2,691,837 | 2,622,427 | 2.65% |
| Community Service | 2,466,413 | 2,403,407 | 2.62% |
| Interest and Fiscal Charges on Long-Term Liabilities | 303,988 | 484,230 | -37.22% |
| Total Expenses | <u>52,905,496</u> | <u>53,324,519</u> | -0.79% |
| Change in Net Position | 2,068,419 | 714,953 | |
| Beginning Net Position | <u>16,016,274</u> | <u>15,301,321</u> | |
| Ending Net Position | <u>\$ 18,084,693</u> | <u>\$ 16,016,274</u> | |

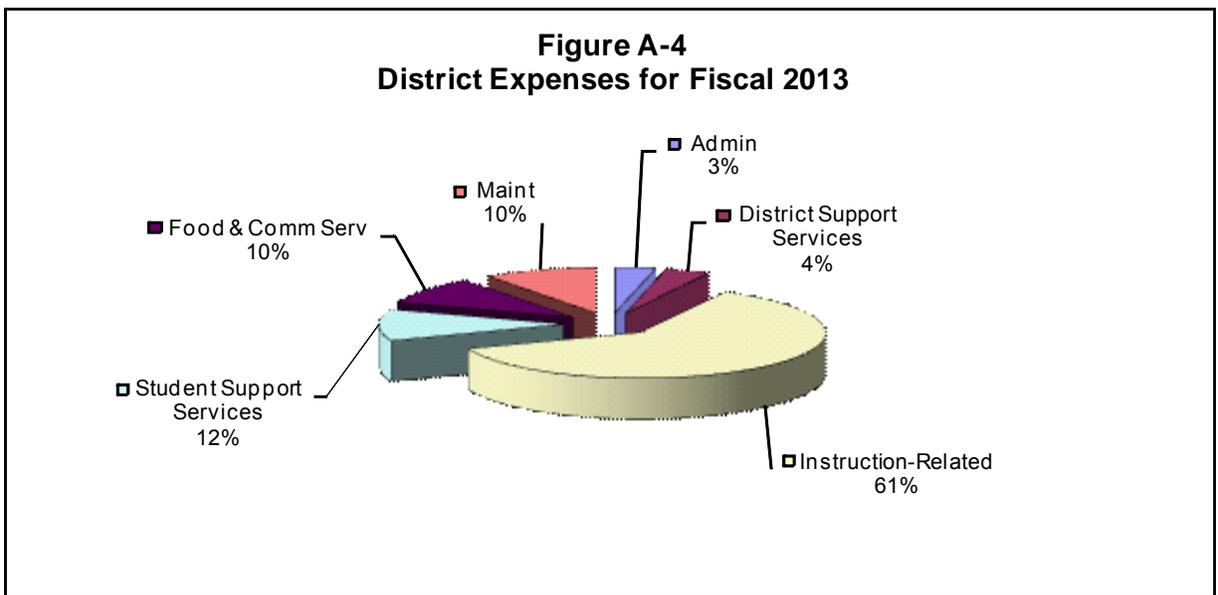
**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The District's total revenues were \$54,973,915 for the year ended June 30, 2013. This is an increase of \$934,443 from June 30, 2012. (See Table A-2 on the previous page.) Revenues for the year were a mix of increases and decreases. Most notable was the decrease in charges for services due mainly to a decrease in third party billing revenue. Interest earnings increased due to a slight growth in rates during FY 13. See Figure A-3 below for the related percentages of the District's revenues.



The total cost of all programs and services was \$52,905,496. The District's expenses are predominantly related to educating and caring for students and community members (83%) as shown in Figure A-4. Administrative activities of the District accounted for 3.5% of total costs.



**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

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

- The cost of all governmental activities this year was \$52.9 million.
- Of this cost, \$2.6 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 \$15.0 million.
- District property taxpayers financed \$8.2 million.
- State taxpayers financed \$29.1 million in the form of unrestricted state aid based on the statewide education aid formula.

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

| | <u>Total Cost of Services</u> | | Percentage Change | <u>Net Cost of Services</u> | | Percentage Change |
|---|-------------------------------|----------------------|----------------------|-----------------------------|----------------------|----------------------|
| | <u>2013</u> | <u>2012</u> | | <u>2013</u> | <u>2012</u> | |
| Administration | \$ 1,855,310 | \$ 2,042,444 | -9.16% | \$ 1,831,597 | \$ 1,092,605 | 67.64% |
| District Support Services | 2,066,752 | 2,381,115 | -13.20% | 1,845,499 | 2,150,510 | -14.18% |
| Regular Instruction | 22,253,825 | 22,586,215 | -1.47% | 16,270,067 | 17,194,895 | -5.38% |
| Vocational Education Instruction | 857,644 | 985,654 | -12.99% | 831,960 | 958,909 | -13.24% |
| Special Education Instruction | 9,229,338 | 8,918,235 | 3.49% | 3,662,341 | 3,620,395 | 1.16% |
| Instructional Support Services | 2,242,796 | 2,646,055 | -15.24% | 2,073,671 | 2,537,548 | -18.28% |
| Pupil Support Services | 3,619,996 | 3,590,963 | 0.81% | 3,475,877 | 3,432,921 | 1.25% |
| Sites and Buildings | 5,180,489 | 4,546,753 | 13.94% | 4,763,393 | 4,245,878 | 12.19% |
| Fiscal and Other Fixed Cost Programs | 137,108 | 117,021 | 17.17% | 137,108 | 117,021 | 17.17% |
| Food Service | 2,691,837 | 2,622,427 | 2.65% | 107,409 | 1,552 | 6820.68% |
| Community Service | 2,466,413 | 2,403,407 | 2.62% | 9,675 | 270,652 | -96.43% |
| Interest and Fiscal Charges on Long-Term Liabilities | 303,988 | 484,230 | -37.22% | 303,988 | 484,230 | -37.22% |
| Total | <u>\$ 52,905,496</u> | <u>\$ 53,324,519</u> | -0.79% | <u>\$ 35,312,585</u> | <u>\$ 36,107,116</u> | -2.20% |

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. In the Community Service Fund revenues exceeded expenditures, thereby increasing the fund balance in this fund. In the General Fund, Food Service, and Debt Service Fund, expenditures exceeded revenues, thereby decreasing the fund balance in these funds. In total, governmental funds increased by \$140,437 with an ending balance of \$6,860,471. The proprietary fund type had an increase of \$186 resulting in a balance of \$252,047.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

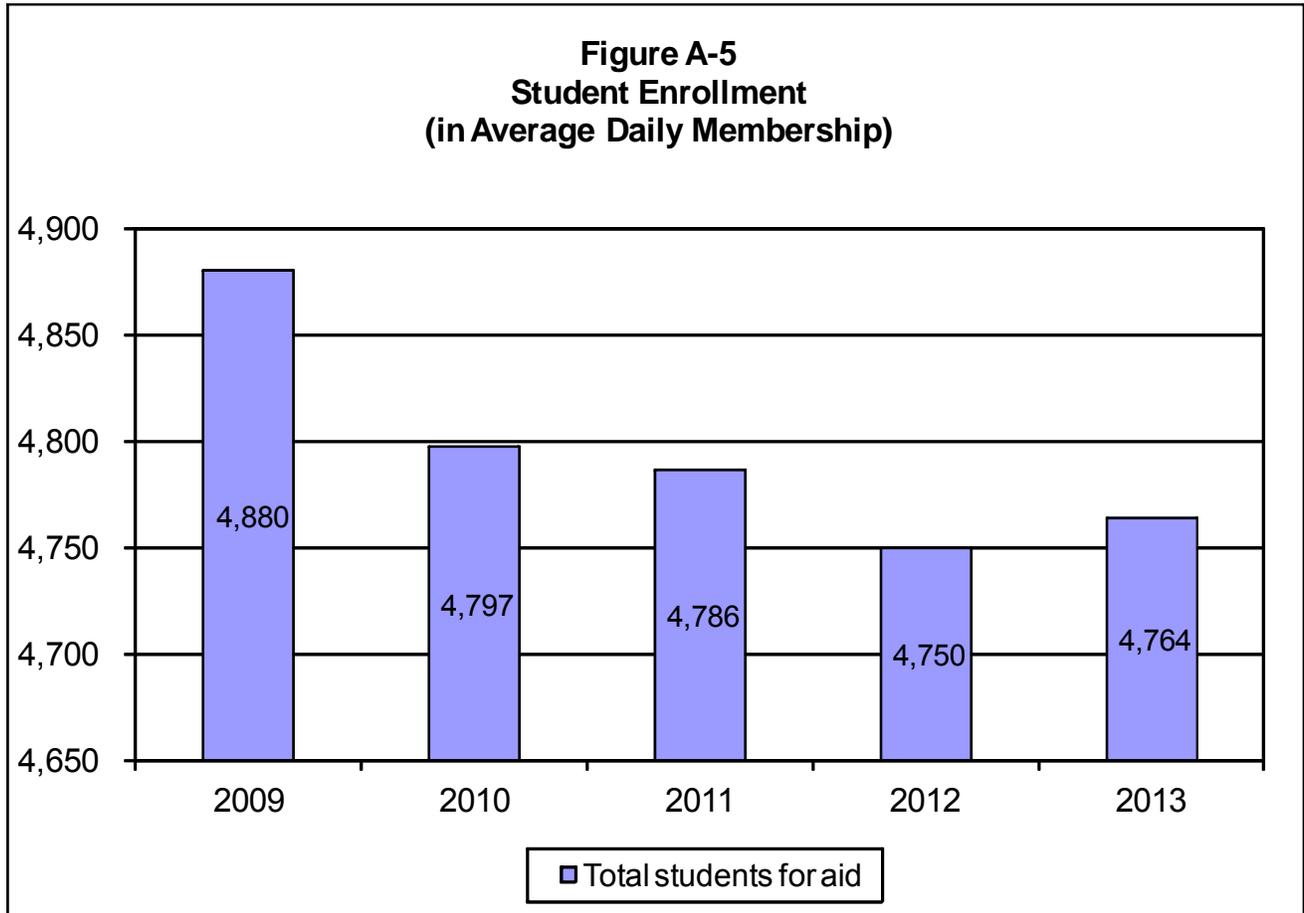
FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

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 116 pupil units since 2009. The 2012-13 year showed an increase in enrollment of 14 students from 2011-12. As seen in Figure A-5, there was an enrollment increase for the year of 0.3% from the prior year.



**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

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

**Table A-4
General Fund Revenue**

| <u>Fund</u> | <u>Year Ended</u> | | <u>Change</u> | |
|----------------------------|--------------------------|--------------------------|--------------------------------|----------------|
| | <u>June 30, 2013</u> | <u>June 30, 2012</u> | <u>Increase (Decrease)</u> | <u>Percent</u> |
| Local Sources | | | | |
| Property Taxes | \$ 5,250,419 | \$ 5,073,899 | \$ 176,520 | 3.5% |
| Earnings on Investments | 3,705 | 2,112 | 1,593 | 75.4% |
| Other | 1,076,768 | 1,255,640 | (178,872) | -14.2% |
| State Sources | 38,806,389 | 37,146,909 | 1,659,480 | 4.5% |
| Federal Sources | 1,748,422 | 2,819,076 | (1,070,654) | -38.0% |
| Total General Fund Revenue | <u>\$ 46,885,703</u> | <u>\$ 46,297,636</u> | <u>\$ 588,067</u> | 1.3% |

Total General Fund revenue increased \$588,067 or 1.3% from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including excess levy referenda, involves an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change on revenue. The increase in state aid is mainly due to an increase in compensatory aid as well as an increase in the basic formula allowance of \$50 per pupil. Earnings on investments increased due to higher interest rates during the year. Other revenue sources decreased primarily due to a medical assistance decrease.

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

**Table A-5
General Fund Expenditures**

| | <u>Year Ended</u> | | <u>Amount of Increase (Decrease)</u> | <u>Percent Increase (Decrease)</u> |
|------------------------|--------------------------|--------------------------|--|--|
| | <u>June 30, 2013</u> | <u>June 30, 2012</u> | | |
| Salaries | \$ 27,413,447 | \$ 27,457,086 | \$ (43,639) | -0.2% |
| Employee Benefits | 9,967,593 | 9,858,827 | 108,766 | 1.1% |
| Purchased Services | 6,769,150 | 7,185,315 | (416,165) | -5.8% |
| Supplies and Materials | 1,758,264 | 1,813,988 | (55,724) | -3.1% |
| Capital Expenditures | 1,424,053 | 1,218,831 | 205,222 | 16.8% |
| Other Expenditures | 489,432 | 381,569 | 107,863 | 28.3% |
| Total Expenditures | <u>\$ 47,821,939</u> | <u>\$ 47,915,616</u> | <u>\$ (93,677)</u> | -0.2% |

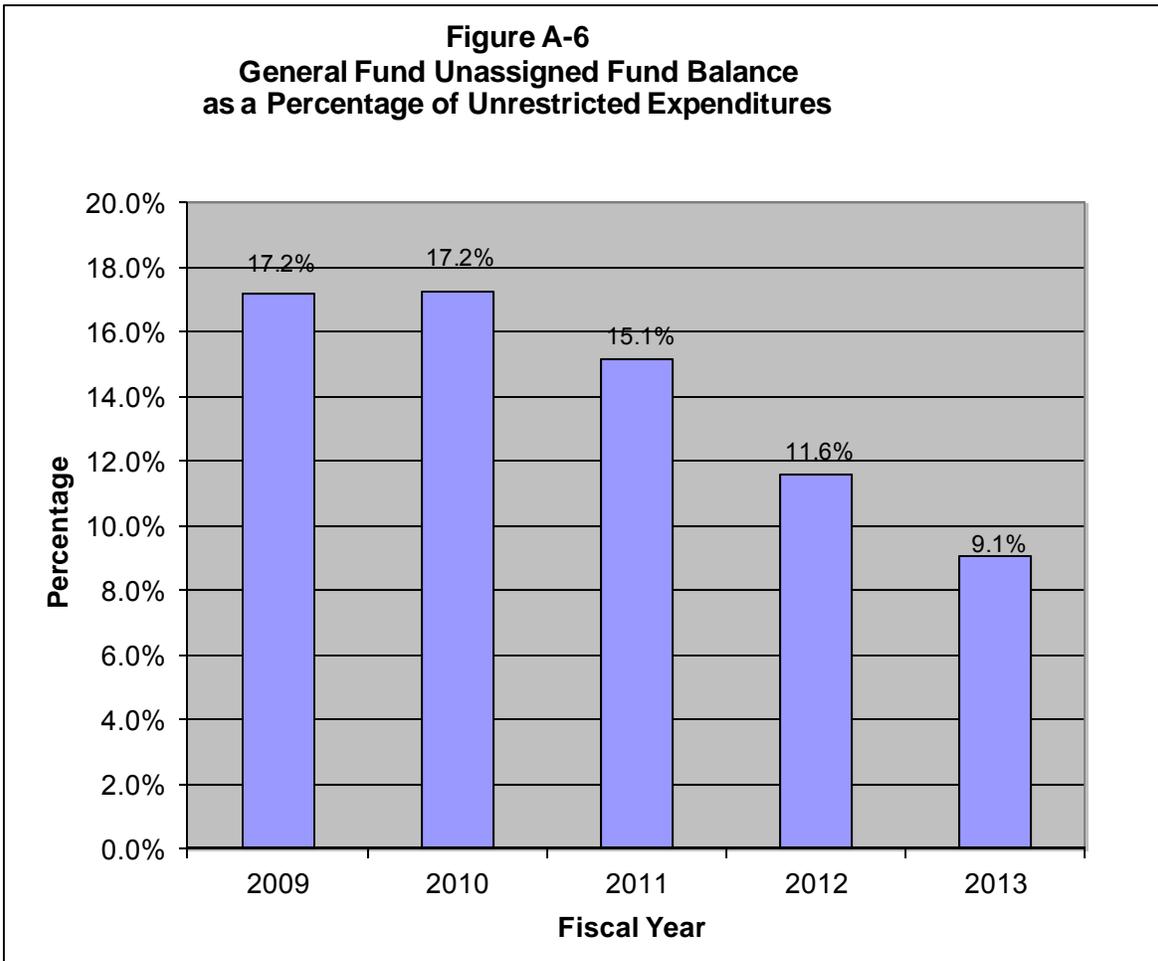
Total General Fund expenditures decreased \$93,677 or .2% over the previous year.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

In 2012-13, General Fund expenditures and other financing uses were more than revenue and other financing sources by \$664,600, thereby decreasing the total fund balance as of June 30, 2013. After deducting statutory restrictions, the unassigned fund balance decreased from \$4,529,938 at June 30, 2012 to \$3,748,466 at June 30, 2013.

The School Board has adopted a fund balance policy to maintain an 8 to 10% fund balance in the unassigned General Fund fund balance. 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, 2013**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

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

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---------------|---------------|---------------|---------------|---------------|
| Unassigned Fund Balance | \$ 6,787,611 | \$ 6,893,355 | \$ 6,235,656 | \$ 4,826,823 | \$ 3,748,466 |
| % Increase (Decrease) | 5.1% | 1.6% | -9.5% | -22.6% | -22.3% |
| Unrestricted Expenditures | \$ 39,459,065 | \$ 39,974,567 | \$ 41,198,245 | \$ 41,570,366 | \$ 41,371,972 |
| % Increase (Decrease) | 2.3% | 1.3% | 3.1% | 0.9% | -0.5% |
| Unassigned Fund Balance as a % of Unrestricted Expenditures | 17.2% | 17.2% | 15.1% | 11.6% | 9.1% |

The preceding table is the single best measure of overall financial health. The unassigned fund balance of \$3,748,466 at June 30, 2013 represents 9.1% of annual unrestricted expenditures. The \$3,748,466 represents about 5 weeks of average 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 revised final budget for the General Fund anticipated a net decrease in fund balance of \$1,950,263, the actual results for the year show a \$664,600 decrease.

- Actual revenues were \$177,740 more than expected. The largest impact came from State Sources, specifically special education and general education aid. The District was able to recode several federal special education personnel to state special education generating \$175,000 more in revenue. In addition, the District's enrollment came in higher than expected resulting in \$180,000 in additional revenue.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

- Overall, the actual expenditures were \$822,287 under budget. This was due mainly to the District's planned efforts to minimize expenditures prior to year end. In this planning, the District did not spend \$100,000 in supplies as originally budgeted, obtained a savings of \$260,000 through negotiated contract settlements, and rolled forward \$671,859 in compensatory aid.

FOOD SERVICE FUND

The Food Service Fund decreased by \$148,789. An anticipated decrease in the fund balance of \$167,747 was expected when the budget was prepared. Total revenues were under budget by \$34,418 due mainly to a reduction in meal sales. 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 \$348,688 from the prior year. The restricted for other purposes Community Service Fund balance increased by \$9,088 from the prior year. In total Community Service Fund balance increased by \$364,484.

CAPITAL PROJECT BUILDING CONSTRUCTION FUND

In May 2013, Owatonna Public Schools issued General Obligation Capital Equipment Notes \$755,000 to fund capital improvements the District's technology infrastructure. The proceeds and related expenditures are recorded in this fund. As of June 30, 2013, the restricted fund balance was \$610,155.

DEBT SERVICE FUND

In November 2012 the District issued \$8,690,000 in General Obligation Refunding Bonds. The Restricted for Other Purposes fund balance decreased to \$608,737 as of June 30, 2013 due to the regular payment of principal and interest.

The Owatonna Public Schools had maintained a favorable bond rating of Aa3. Currently, there are about 22 school districts (of 335) 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 \$186 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, 2013**

FIDUCIARY FUND

The museum trust fund is the District's fiduciary fund. The net position of the museum trust is \$4,784.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2013, the District had net capital assets of \$26,507,644 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 \$1,457,317.

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

| | <u>2013</u> | <u>2012</u> | <u>Percentage Change</u> |
|--------------------------------|-----------------------------|-----------------------------|------------------------------|
| Land | \$ 1,823,335 | \$ 1,823,335 | 0.0% |
| Construction in progress | 360,415 | 220,415 | 63.5% |
| Land Improvements | 2,467,691 | 2,256,233 | 9.4% |
| Buildings and Improvements | 38,934,731 | 38,830,701 | 0.3% |
| Equipment | 8,949,115 | 8,367,767 | 6.9% |
| Less: Accumulated Depreciation | <u>(26,027,643)</u> | <u>(25,047,439)</u> | <u>3.9%</u> |
| Total | <u><u>\$ 26,507,644</u></u> | <u><u>\$ 26,451,012</u></u> | <u><u>0.2%</u></u> |

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Liabilities

At year-end, the District had \$9,445,000 in general obligation bonds outstanding. The decrease from 2012 was due to making principal payments on current bonds. The District had outstanding \$1,430,000 in Certificates of Participation at June 30, 2013. The District also had \$3.3 million in severance payable at June 30, 2013, a decrease of 9.0% 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>2013</u> | <u>2012</u> | <u>Percentage Change</u> |
|--|----------------------|----------------------|------------------------------|
| General Obligation Bonds | \$ 9,445,000 | \$ 11,010,000 | -14.2% |
| Net Bond Premium and Discount | 103,013 | (5,573) | -1948.4% |
| Deferred Loss on Refunding | (31,751) | - | N/A |
| Certificates of Participation Payable | 1,430,000 | 1,655,000 | -13.6% |
| Capital Leases Payable | 338,697 | 167,339 | 102.4% |
| Other Post Employment Benefits Payable | 991,669 | 752,307 | 31.8% |
| Severance Benefits Payable | 3,306,195 | 3,633,430 | -9.0% |
| Compensated Absences Payable | 236,269 | 224,870 | 5.1% |
| Total | <u>\$ 15,819,092</u> | <u>\$ 17,437,373</u> | <u>-9.3%</u> |
| Long-Term Liabilities: | | | |
| Due Within One Year | \$ 3,271,934 | \$ 3,115,981 | |
| Due in More than One Year | 12,547,158 | 14,321,392 | |
| | <u>\$ 15,819,092</u> | <u>\$ 17,437,373</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, 2013**

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

(This page intentionally left blank)

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF NET POSITION
JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)**

| | <u>Governmental Activities</u> | |
|---|--------------------------------|----------------------|
| | <u>2013</u> | <u>2012</u> |
| ASSETS | | |
| Cash and Investments | \$ 6,428,515 | \$ 6,811,578 |
| Receivables | | |
| Property Taxes | 4,485,540 | 4,600,403 |
| Other Governments | 7,106,766 | 15,257,796 |
| Other | 216,060 | 167,317 |
| Prepaid Items | 128,832 | 113,400 |
| Inventories | 59,476 | 68,361 |
| Deferred Charges | 136,450 | 72,160 |
| Prefunded Pension | 96,453 | 8,668 |
| Capital Assets | | |
| Land and Construction in Progress | 2,183,750 | 2,043,750 |
| Other Capital Assets, Net of Depreciation | 24,323,894 | 24,407,262 |
| Total Assets | <u>45,165,736</u> | <u>53,550,695</u> |
| LIABILITIES | | |
| Aid Anticipation Certificates Payable | - | 8,076,394 |
| Salaries and Wages Payable | 4,676,158 | 4,784,002 |
| Accounts and Contracts Payable | 1,089,623 | 1,147,571 |
| Accrued Interest | 75,562 | 216,878 |
| Due to Other Governmental Units | 314,728 | 494,682 |
| Unearned Revenue: | | |
| Property Taxes | 5,062,509 | 5,333,815 |
| Local Sources | 43,371 | 43,706 |
| Long-Term Liabilities: | | |
| Portion Due Within One Year | 3,271,934 | 3,115,981 |
| Portion Due in More Than One Year | 12,547,158 | 14,321,392 |
| Total Liabilities | <u>27,081,043</u> | <u>37,534,421</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | 17,576,923 | 15,763,708 |
| Restricted for: | | |
| Operating Capital Purposes | 7,936 | 340,876 |
| State-Mandated Restrictions | 671,859 | 230,232 |
| Food Service | 405,270 | 554,059 |
| Community Service | 679,278 | 314,469 |
| Debt Service | 578,700 | 490,428 |
| Unrestricted | (1,835,273) | (1,677,498) |
| Total Net Position | <u>\$ 18,084,693</u> | <u>\$ 16,016,274</u> |

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS
 INDEPENDENT SCHOOL DISTRICT NO. 761
 STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2013
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)**

| 2013 | | | |
|---|---------------|-------------------------|---|
| Functions | Expenses | Charges for Services | Program Operating Grants and Contributions |
| Governmental Activities | | | |
| Administration | \$ 1,855,310 | \$ - | \$ - |
| District Support Services | 2,066,752 | - | - |
| Regular Instruction | 22,253,825 | 545,092 | 5,342,821 |
| Vocational Education Instruction | 857,644 | - | 25,684 |
| Special Education Instruction | 9,229,338 | 198,302 | 5,367,781 |
| Instructional Support Services | 2,242,796 | - | 168,270 |
| Pupil Support Services | 3,619,996 | - | 144,119 |
| Sites and Buildings | 5,180,489 | 44,563 | 63,290 |
| Fiscal and Other Fixed Cost Programs | 137,108 | - | - |
| Food Service | 2,691,837 | 1,213,603 | 1,370,825 |
| Community Service | 2,466,413 | 625,895 | 1,830,843 |
| Interest and Fiscal Charges on Long-Term Liabilities | 303,988 | - | - |
| Total District | \$ 52,905,496 | \$ 2,627,455 | \$ 14,313,633 |

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 Position

Net Position - Beginning

Net Position - Ending

See accompanying Notes to Basic Financial Statements.

| <u>2013</u> | | <u>2012</u> | |
|---|--|--|--|
| <u>Revenues</u> | <u>Net (Expense) Revenue and Changes in Net Position</u> | <u>Net (Expense) Revenue and Changes in Net Position</u> | |
| <u>Capital Grants and Contributions</u> | <u>Total Governmental Activities</u> | <u>Total Governmental Activities</u> | |
| \$ 23,713 | \$ (1,831,597) | \$ (1,092,605) | |
| 221,253 | (1,845,499) | (2,150,510) | |
| 95,845 | (16,270,067) | (17,194,895) | |
| - | (831,960) | (958,909) | |
| 914 | (3,662,341) | (3,620,395) | |
| 855 | (2,073,671) | (2,537,548) | |
| - | (3,475,877) | (3,432,921) | |
| 309,243 | (4,763,393) | (4,245,878) | |
| - | (137,108) | (117,021) | |
| - | (107,409) | (1,552) | |
| - | (9,675) | (270,652) | |
| - | (303,988) | (484,230) | |
| <u>\$ 651,823</u> | <u>(35,312,585)</u> | <u>(36,107,116)</u> | |

| | |
|----------------------|----------------------|
| 5,243,922 | 5,098,253 |
| 313,998 | 292,039 |
| 2,652,516 | 2,386,440 |
| 29,089,562 | 28,951,399 |
| 10,359 | 3,091 |
| 19,500 | - |
| 51,147 | 90,847 |
| <u>37,381,004</u> | <u>36,822,069</u> |
| 2,068,419 | 714,953 |
| <u>16,016,274</u> | <u>15,301,321</u> |
| <u>\$ 18,084,693</u> | <u>\$ 16,016,274</u> |

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)**

Major

| | <u>General</u> | <u>Food Service</u> | <u>Community Service</u> |
|---|----------------------|-------------------------|------------------------------|
| ASSETS | | | |
| Cash and Investments | \$ 2,843,730 | \$ 388,940 | \$ 722,011 |
| Receivables: | | | |
| Current Property Taxes | 2,884,127 | - | 174,128 |
| Delinquent Property Taxes | 119,431 | - | 7,437 |
| Due from Other Minnesota School Districts | 139,442 | - | - |
| Due from Minnesota Department of Education | 5,901,358 | 2,730 | 217,822 |
| Due from Federal through Minnesota Department of Education | 779,991 | 41,929 | 14,294 |
| Due from Other Governmental Units | 4,538 | - | - |
| Other Receivables | 203,916 | 12,144 | - |
| Prepaid Items | 120,254 | 1,870 | 6,708 |
| Inventory | 13,592 | 45,884 | - |
| Total Assets | <u>\$ 13,010,379</u> | <u>\$ 493,497</u> | <u>\$ 1,142,400</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Aid Anticipation Certificates Payable | \$ - | \$ - | \$ - |
| Salaries and Wages Payable | 4,625,755 | 25,206 | 25,197 |
| Accounts and Contracts Payable | 1,004,865 | 19,650 | 65,108 |
| Due to Other Governmental Units | 105,789 | - | 208,939 |
| Accrued Interest Payable | - | - | - |
| Deferred Revenue: | | | |
| Property Taxes Levied for Subsequent Year | 2,633,489 | - | 163,878 |
| Delinquent Property Taxes | 78,374 | - | 5,076 |
| Local Sources | - | 43,371 | - |
| Total Liabilities | <u>8,448,272</u> | <u>88,227</u> | <u>468,198</u> |
| Fund Balance | | | |
| Nonspendable: | | | |
| Prepaid Items | 120,254 | 1,870 | 6,708 |
| Inventory | 13,592 | 45,884 | - |
| Restricted: | | | |
| Learning and Development | - | - | - |
| Gifted and Talented | - | - | - |
| Basic Skills Programs | 671,859 | - | - |
| Operating Capital | 7,936 | - | - |
| Community Education Programs | - | - | 292,021 |
| Early Childhood and Family Education Programs | - | - | 84,728 |
| School Readiness | - | - | 191,619 |
| Adult Basic Education | - | - | 55,762 |
| Other Purposes | - | 357,516 | 43,364 |
| Unassigned | 3,748,466 | - | - |
| Total Fund Balance | <u>4,562,107</u> | <u>405,270</u> | <u>674,202</u> |
| Total Liabilities and Fund Balance | <u>\$ 13,010,379</u> | <u>\$ 493,497</u> | <u>\$ 1,142,400</u> |

See accompanying Notes to Basic Financial Statements.

| Funds | | Total Governmental Funds | |
|--|---------------------|--------------------------|----------------------|
| Capital Projects - Building Construction | Debt Service | 2013 | 2012 |
| \$ 610,155 | \$ 1,611,632 | \$ 6,176,468 | \$ 6,559,717 |
| - | 1,237,562 | 4,295,817 | 4,411,920 |
| - | 62,855 | 189,723 | 188,483 |
| - | - | 139,442 | 130,576 |
| - | 4,662 | 6,126,572 | 14,215,124 |
| - | - | 836,214 | 906,240 |
| - | - | 4,538 | 5,856 |
| - | - | 216,060 | 167,317 |
| - | - | 128,832 | 113,400 |
| - | - | 59,476 | 68,361 |
| <u>\$ 610,155</u> | <u>\$ 2,916,711</u> | <u>\$ 18,173,142</u> | <u>\$ 26,766,994</u> |
| \$ - | \$ - | \$ - | \$ 8,076,394 |
| - | - | 4,676,158 | 4,784,002 |
| - | - | 1,089,623 | 1,147,571 |
| - | - | 314,728 | 494,682 |
| - | - | - | 38,086 |
| - | 2,265,142 | 5,062,509 | 5,333,815 |
| - | 42,832 | 126,282 | 128,704 |
| - | - | 43,371 | 43,706 |
| - | 2,307,974 | 11,312,671 | 20,046,960 |
| - | - | 128,832 | 113,400 |
| - | - | 59,476 | 68,361 |
| - | - | - | 282 |
| - | - | - | 422 |
| - | - | 671,859 | 229,528 |
| - | - | 7,936 | 340,876 |
| - | - | 292,021 | 199,832 |
| - | - | 84,728 | 70,159 |
| - | - | 191,619 | - |
| - | - | 55,762 | 5,451 |
| 610,155 | 608,737 | 1,619,772 | 1,161,785 |
| - | - | 3,748,466 | 4,529,938 |
| <u>610,155</u> | <u>608,737</u> | <u>6,860,471</u> | <u>6,720,034</u> |
| <u>\$ 610,155</u> | <u>\$ 2,916,711</u> | <u>\$ 18,173,142</u> | <u>\$ 26,766,994</u> |

(This page intentionally left blank)

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)**

| | 2013 | 2012 |
|--|---------------------------------|---------------------------------|
| Total Fund Balance for Governmental Funds | \$ 6,860,471 | \$ 6,720,034 |
| Total net position reported for governmental activities in the statement of net position 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 | 360,415 | 220,415 |
| Land Improvements, Net of Accumulated Depreciation | 847,129 | 727,258 |
| Buildings and Improvements, Net of Accumulated Depreciation | 20,408,258 | 21,052,392 |
| Equipment, Net of Accumulated Depreciation | 3,068,507 | 2,627,612 |
| 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. | | |
| | 126,282 | 128,704 |
| Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. | | |
| | (75,562) | (178,792) |
| Deferred charges are reported as expenditures in the governmental funds. | | |
| | 136,450 | 72,160 |
| Contributions in excess of the pension liability recognized to date, are not current financial resources and therefore are not reported at the fund level. | | |
| | 96,453 | 8,668 |
| 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 position. Internal service fund net position at year-end is: | | |
| | 252,047 | 251,861 |
| 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 position. Balances at year-end are: | | |
| Bonds Payable | (9,445,000) | (11,010,000) |
| Unamortized Premiums | (106,894) | (11,386) |
| Unamortized Discounts | 3,881 | 16,959 |
| Unamortized Deferred Loss on Refunding | 31,751 | - |
| Certificates of Participation Payable | (1,430,000) | (1,655,000) |
| Obligations Under Capital Leases | (338,697) | (167,339) |
| Other Postemployment Benefits Payable | (991,669) | (752,307) |
| Severance Benefits Payable | (3,306,195) | (3,633,430) |
| Compensated Absences Payable | (236,269) | (224,870) |
| Total Net Position of Governmental Activities | <u>\$ 18,084,693</u> | <u>\$ 16,016,274</u> |

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)**

| | Major | | |
|---------------------------------------|---------------------|---------------------|--------------------------|
| | General | Food Service | Community Service |
| REVENUES | | | |
| Local Sources | | | |
| Property Taxes | \$ 5,250,419 | \$ - | \$ 313,673 |
| Earnings on Investments | 3,705 | 376 | 674 |
| Other | 1,076,768 | 1,213,603 | 898,918 |
| State Sources | 38,806,389 | 123,037 | 1,549,457 |
| Federal Sources | 1,748,422 | 1,247,788 | 34,956 |
| Total Revenues | <u>46,885,703</u> | <u>2,584,804</u> | <u>2,797,678</u> |
| EXPENDITURES | | | |
| Current | | | |
| Administration | 1,853,688 | - | - |
| District Support Services | 1,730,390 | - | - |
| Regular Instruction | 21,547,782 | - | - |
| Vocational Education Instruction | 833,950 | - | - |
| Special Education Instruction | 9,180,796 | - | - |
| Instructional Support Services | 2,292,712 | - | - |
| Pupil Support Services | 3,670,854 | - | - |
| Sites and Buildings | 4,902,410 | - | - |
| Fiscal and Other Fixed Cost Programs | 137,108 | - | - |
| Food Service | - | 2,587,328 | - |
| Community Service | - | - | 2,415,777 |
| Capital Outlay | 1,424,053 | 146,265 | 31,417 |
| Debt Service | | | |
| Principal | 225,000 | - | - |
| Interest and Fiscal Charges | 23,196 | - | - |
| Total Expenditures | <u>47,821,939</u> | <u>2,733,593</u> | <u>2,447,194</u> |
| Excess (Deficiency) of Revenues | | | |
| Over (Under) Expenditures | (936,236) | (148,789) | 350,484 |
| OTHER FINANCING SOURCES (USES) | | | |
| Capital Lease Proceeds | 266,136 | - | - |
| Judgments for School Districts | - | - | - |
| Sale of Equipment Proceeds | 19,500 | - | - |
| Bond Proceeds | - | - | - |
| Bond Premium | - | - | - |
| Payment to Refunded Bond Escrow Agent | - | - | - |
| Transfers In | - | - | 14,000 |
| Transfers Out | (14,000) | - | - |
| Total Other Financing Sources (Uses) | <u>271,636</u> | <u>-</u> | <u>14,000</u> |
| Net Change in Fund Balances | (664,600) | (148,789) | 364,484 |
| Fund Balances - Beginning | 5,226,707 | 554,059 | 309,718 |
| Fund Balances - Ending | <u>\$ 4,562,107</u> | <u>\$ 405,270</u> | <u>\$ 674,202</u> |

See accompanying Notes to Basic Financial Statements.

| Funds | | Total Governmental Funds | |
|---|---------------------|---------------------------------|---------------------|
| Capital Projects - Building Construction | Debt Service | 2013 | 2012 |
| \$ - | \$ 2,648,766 | \$ 8,212,858 | \$ 7,766,105 |
| - | 5,418 | 10,173 | 2,976 |
| - | - | 3,189,289 | 3,172,585 |
| - | 34,282 | 40,513,165 | 38,986,992 |
| - | - | 3,031,166 | 4,071,739 |
| - | 2,688,466 | 54,956,651 | 54,000,397 |
| - | - | 1,853,688 | 2,111,976 |
| - | - | 1,730,390 | 1,976,172 |
| - | - | 21,547,782 | 21,499,307 |
| - | - | 833,950 | 940,505 |
| - | - | 9,180,796 | 8,734,486 |
| - | - | 2,292,712 | 2,650,922 |
| - | - | 3,670,854 | 3,580,587 |
| - | - | 4,902,410 | 4,852,149 |
| - | - | 137,108 | 117,021 |
| - | - | 2,587,328 | 2,502,500 |
| - | - | 2,415,777 | 2,405,876 |
| 162,647 | - | 1,764,382 | 1,358,898 |
| - | 2,320,000 | 2,545,000 | 2,425,000 |
| - | 482,293 | 505,489 | 515,048 |
| <u>162,647</u> | <u>2,802,293</u> | <u>55,967,666</u> | <u>55,670,447</u> |
| (162,647) | (113,827) | (1,011,015) | (1,670,050) |
| - | - | 266,136 | - |
| - | - | - | 28,333 |
| - | - | 19,500 | - |
| 755,000 | 8,690,000 | 9,445,000 | - |
| 17,802 | 93,014 | 110,816 | - |
| - | (8,690,000) | (8,690,000) | - |
| - | - | 14,000 | 27,688 |
| - | - | (14,000) | (27,688) |
| <u>772,802</u> | <u>93,014</u> | <u>1,151,452</u> | <u>28,333</u> |
| 610,155 | (20,813) | 140,437 | (1,641,717) |
| - | 629,550 | 6,720,034 | 8,361,751 |
| <u>\$ 610,155</u> | <u>\$ 608,737</u> | <u>\$ 6,860,471</u> | <u>\$ 6,720,034</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, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)**

| | 2013 | 2012 |
|--|-------------------|-----------------------|
| Net Change in Fund Balance-Total Governmental Funds | \$ 140,437 | \$ (1,641,717) |

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 | 1,513,949 | 1,186,728 |
| Gain (Loss) on Disposal of Capital Assets | 19,500 | (15,609) |
| Proceeds from Sales of Capital Assets | (19,500) | - |
| Depreciation Expense | (1,457,317) | (1,411,693) |

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 position, 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 position.

| | | |
|---|-----------|---------|
| Other Financing Source - Capital Lease | (266,136) | - |
| Change in Accrued Interest Expense - Capital Leases | (2,105) | 140 |
| Principal Payments - Capital Leases | 94,778 | 117,872 |

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, 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:

| | | |
|---|-------------|-----------|
| Bond Proceeds | (9,445,000) | - |
| Payment to Refunded Bond Escrow Agent | 8,690,000 | - |
| Bond Premium | (110,816) | - |
| Bond Issuance Costs | 112,988 | - |
| Deferred Loss on Refunding | 39,689 | - |
| Repayment of Certificates of Participation Payable | 225,000 | 200,000 |
| Repayment of Bond Principal | 2,320,000 | 2,225,000 |
| Change in Accrued Interest Expense - General Obligation Bonds | 105,335 | 45,638 |
| Amortization of Bond Issuance Costs | (48,698) | (13,235) |
| Amortization of Bond Premium | 13,462 | - |
| Amortization of Bond Discount | (13,078) | (3,571) |
| Amortization of Deferred Loss on Refunding | (7,938) | - |
| Amortization of Certificates of Participation Premium | 1,846 | 1,846 |

See accompanying Notes to Basic Financial Statements.

**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
(CONTINUED)
YEAR ENDED JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)**

| | 2013 | 2012 |
|---|--------------|-------------|
| <p>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.</p> | \$ (2,422) | \$ 10,627 |
| <p>In the statement of activities, prefunded pensions are measured by amounts earned during the year. In the governmental funds, however, expenditures for this obligation are measured by the amount of financial resources used (essentially, the amounts actually paid).</p> | 87,785 | 90,401 |
| <p>In the statement of activities, certain operating expenses - severance benefits, other post employment 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).</p> | 76,474 | (77,589) |
| <p>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.</p> | 186 | 115 |
| Change in Net Position of Governmental Activities | \$ 2,068,419 | \$ 714,953 |

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, 2013**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Over (Under) Final Budget</u> |
|--|-------------------------|-----------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Local Sources | | | | |
| Property Taxes | \$ 7,221,521 | \$ 5,204,964 | \$ 5,250,419 | \$ 45,455 |
| Earnings on Investments | 3,300 | 6,000 | 3,705 | (2,295) |
| Other | 1,197,280 | 1,184,799 | 1,076,768 | (108,031) |
| State Sources | 35,750,949 | 38,118,012 | 38,806,389 | 688,377 |
| Federal Sources | 2,049,529 | 2,194,188 | 1,748,422 | (445,766) |
| Total Revenues | <u>46,222,579</u> | <u>46,707,963</u> | <u>46,885,703</u> | <u>177,740</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Administration | 1,800,108 | 1,845,951 | 1,853,688 | 7,737 |
| District Support Services | 1,818,442 | 1,755,031 | 1,730,390 | (24,641) |
| Regular Instruction | 22,311,053 | 22,332,555 | 21,547,782 | (784,773) |
| Vocational Education Instruction | 934,288 | 884,779 | 833,950 | (50,829) |
| Special Education Instruction | 8,861,892 | 9,319,995 | 9,180,796 | (139,199) |
| Instructional Support Services | 2,354,419 | 2,476,012 | 2,292,712 | (183,300) |
| Pupil Support Services | 3,667,336 | 3,692,503 | 3,670,854 | (21,649) |
| Sites and Buildings | 4,468,393 | 4,460,769 | 4,902,410 | 441,641 |
| Fiscal and Other Fixed Cost Programs | 86,130 | 136,800 | 137,108 | 308 |
| Capital Outlay | 1,504,177 | 1,514,831 | 1,424,053 | (90,778) |
| Debt Service | | | | |
| Principal | 225,000 | 225,000 | 225,000 | - |
| Interest and Fiscal Charges | - | - | 23,196 | 23,196 |
| Total Expenditures | <u>48,031,238</u> | <u>48,644,226</u> | <u>47,821,939</u> | <u>(822,287)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,808,659) | (1,936,263) | (936,236) | 1,000,027 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Capital Lease Proceeds | - | - | 266,136 | 266,136 |
| Sale of Equipment Proceeds | 12,000 | - | 19,500 | 19,500 |
| Transfers Out | (14,000) | (14,000) | (14,000) | - |
| Total Other Financing Sources (Uses) | <u>(2,000)</u> | <u>(14,000)</u> | <u>271,636</u> | <u>285,636</u> |
| Net Change in Fund Balances | <u>\$ (1,810,659)</u> | <u>\$ (1,950,263)</u> | <u>(664,600)</u> | <u>\$ 1,285,663</u> |
| FUND BALANCE | | | | |
| Beginning of Year | | | <u>5,226,707</u> | |
| End of Year | | | <u>\$ 4,562,107</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, 2013**

| | Budgeted Amounts | | Actual Amounts | Over (Under) Final Budget |
|------------------------------|---------------------|---------------------|-------------------|------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Local Sources | | | | |
| Earnings on Investments | \$ 155 | \$ 155 | \$ 376 | \$ 221 |
| Other - Primarily Meal Sales | 1,300,927 | 1,300,927 | 1,213,603 | (87,324) |
| State Sources | 135,938 | 135,938 | 123,037 | (12,901) |
| Federal Sources | 1,182,202 | 1,182,202 | 1,247,788 | 65,586 |
| Total Revenues | <u>2,619,222</u> | <u>2,619,222</u> | <u>2,584,804</u> | <u>(34,418)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Food Service | 2,672,532 | 2,643,061 | 2,587,328 | (55,733) |
| Capital Outlay | 78,908 | 143,908 | 146,265 | 2,357 |
| Total Expenditures | <u>2,751,440</u> | <u>2,786,969</u> | <u>2,733,593</u> | <u>(53,376)</u> |
| Net Change in Fund Balance | <u>\$ (132,218)</u> | <u>\$ (167,747)</u> | (148,789) | <u>\$ 18,958</u> |
| FUND BALANCE | | | | |
| Beginning of Year | | | <u>554,059</u> | |
| End of Year | | | <u>\$ 405,270</u> | |

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2013**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Over (Under) Final Budget</u> |
|--|-------------------------|------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Local Sources | | | | |
| Property Taxes | \$ 463,465 | \$ 316,930 | \$ 313,673 | \$ (3,257) |
| Earnings on Investments | 321 | 321 | 674 | 353 |
| Other - Primarily Tuition and Fees | 579,750 | 833,450 | 898,918 | 65,468 |
| State Sources | 1,408,246 | 1,550,246 | 1,549,457 | (789) |
| Federal Sources | 51,733 | 34,956 | 34,956 | - |
| Total Revenues | <u>2,503,515</u> | <u>2,735,903</u> | <u>2,797,678</u> | <u>61,775</u> |
| Community Service | 2,513,853 | 2,708,793 | 2,415,777 | (293,016) |
| Capital Outlay | 5,417 | 5,417 | 31,417 | 26,000 |
| Total Expenditures | <u>2,519,270</u> | <u>2,714,210</u> | <u>2,447,194</u> | <u>(267,016)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (15,755) | 21,693 | 350,484 | 328,791 |
| OTHER FINANCING SOURCES | | | | |
| Transfer in | 14,000 | 14,000 | 14,000 | - |
| Total Other Financing Sources | <u>14,000</u> | <u>14,000</u> | <u>14,000</u> | <u>-</u> |
| Net Change in Fund Balances | <u>\$ (1,755)</u> | <u>\$ 35,693</u> | 364,484 | <u>\$ 328,791</u> |
| FUND BALANCE | | | | |
| Beginning of Year | | | <u>309,718</u> | |
| End of Year | | | <u>\$ 674,202</u> | |

See accompanying Notes to Basic Financial Statements.

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)

| | Governmental Activities - | |
|----------------------|----------------------------------|-------------|
| | Internal Service Funds | |
| | 2013 | 2012 |
| ASSETS | | |
| Cash and Investments | \$ 252,047 | \$ 251,861 |
| Total Assets | \$ 252,047 | \$ 251,861 |
| NET POSITION | | |
| Unrestricted | \$ 252,047 | \$ 251,861 |
| Total Net Position | \$ 252,047 | \$ 251,861 |

See accompanying Notes to Basic Financial Statements.

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

| | Governmental Activities - Internal Service Funds | |
|--------------------------------|---|-------------|
| | 2013 | 2012 |
| NONOPERATING INCOME | | |
| Earnings on Investments | \$ 186 | \$ 115 |
| Change in Net Position | 186 | 115 |
| Total Net Position - Beginning | 251,861 | 251,746 |
| Total Net Position - Ending | \$ 252,047 | \$ 251,861 |

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, 2013
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)**

| | Governmental Activities - Internal Service Funds | |
|--|---|-------------------|
| | <u>2013</u> | <u>2012</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Due From Other Funds | \$ - | \$ 170,711 |
| Net Cash Provided by Noncapital Financing Activities | <u>-</u> | <u>170,711</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest Received | <u>186</u> | <u>115</u> |
| Net Cash Provided by Investing Activities | 186 | 115 |
| Cash and Cash Equivalents - Beginning | <u>251,861</u> | <u>81,035</u> |
| Cash and Cash Equivalents - Ending | <u>\$ 252,047</u> | <u>\$ 251,861</u> |
| Displayed on Statements of Net Position as: | | |
| Cash and Investments | <u>\$ 252,047</u> | <u>\$ 251,861</u> |

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013**

| | Private- Purpose Trust |
|----------------------------------|---------------------------------------|
| ASSETS | |
| Cash and Investments | \$ 4,946 |
| Total Assets | 4,946 |
| LIABILITIES | |
| Salaries and Wages Payable | 162 |
| Total Liabilities | 162 |
| NET POSITION | |
| Held in Trust for Other Purposes | 4,784 |
| Total Net Position | \$ 4,784 |

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2013**

| | Private- Purpose Trust |
|----------------------------------|---------------------------------------|
| ADDITIONS | |
| Contributions | \$ 1,575 |
| Interest Income | 4 |
| Total Additions | 1,579 |
| DEDUCTIONS | |
| Salaries | 1,835 |
| Benefits | 288 |
| Supplies | 79 |
| Total Deductions | 2,202 |
| Change in Net Position | (623) |
| Net Position - Beginning of Year | 5,407 |
| Net Position - End of Year | \$ 4,784 |

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

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 Position 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 Position at the fund financial statement level.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

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 position is 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, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

Description of Funds

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

Major Governmental Funds

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

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued)

Major Governmental Funds (Continued)

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

Community Service Special Revenue Fund - The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes, federal reimbursements, 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 projects.

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, 2013**

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 | Amended Budget |
|--|--------------------|------------|-------------------|
| General Fund | \$ 46,234,579 | \$ 473,384 | \$ 46,707,963 |
| Special Revenue Funds | | | |
| Food Service Fund | 2,619,222 | - | 2,619,222 |
| Community Service Fund | 2,517,515 | 232,388 | 2,749,903 |
| Debt Service Fund | 2,693,680 | 8,782,314 | 11,475,994 |
| <u>Expenditures and Other Financing Uses</u> | | | |
| General Fund | 48,045,238 | 612,988 | 48,658,226 |
| Special Revenue Funds | | | |
| Food Service Fund | 2,751,440 | 35,529 | 2,786,969 |
| Community Service Fund | 2,519,270 | 194,940 | 2,714,210 |
| Debt Service Fund | 2,713,853 | 8,777,440 | 11,491,293 |

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, certificates of deposit, deposits in the Minnesota School District Liquid Asset Fund (MSDLAF), deposits in the MN Trust Investment Shares Portfolio, and negotiable certificates of deposit. All certificates of deposit are recorded at fair value. MSDLAF and MN Trust Investment Shares Portfolio 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, 2013**

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 U.S. 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, 2013**

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 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. Certain other portions of the District's 2012 Pay 2013 levy, normally revenue for the 2013-14 fiscal year, are also advance recognized at June 30, 2013, 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, 2013, 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, 2013**

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, 2013, unpaid vacation pay totaling \$236,269 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, 2013 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 2013, expenditures for convertible sick leave benefits totaled \$429,134. At June 30, 2013, the long-term portion of the convertible sick leave liability is included as part of severance benefits payable in the Statement of Net Position, totaling \$3,306,195.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

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, 2013**

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 Position

Net position represents the difference between assets and liabilities in the government-wide, Proprietary Fund, and Fiduciary Fund financial statements. Net investment in capital assets 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 position is reported as restricted in the government-wide financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

S. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2012, from which the summarized information was derived. Certain comparative information has been reclassified to conform with the current year presentation.

NOTE 2 INTERFUND TRANSFERS

The District had the following interfund transfer at June 30, 2013:

| | |
|---------------|--------------|
| | Transfer In: |
| | Community |
| | Service |
| | Fund |
| Transfer Out: | |
| General Fund | \$ 14,000 |

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, 2013**

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 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, 2013 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 rated "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 at 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 agreements and securities lending agreements with 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, 2013**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

At June 30, 2013, the District had the following investments:

Investments Held with Broker –

| | Amortized Cost |
|---|-------------------|
| Minnesota School District Liquid Asset Fund Plus (MSDLAF+) | \$ 387,381 |
| Minnesota School District Liquid Asset Fund - MAX Series (MSDMAX) | 1,940,027 |
| MN Trust Investment Shares Portfolio | 507,691 |
| Total | \$ 2,835,099 |

The Minnesota School District Liquid Asset Funds and MN Trust Investment Shares Portfolio are external investment pools not registered with the Securities Exchange Commission (SEC) that follow the same regulatory rules of the SEC under rule 2a-7. The fair value of the position in the pool is the same as the value of the pool shares.

Investments Held with Broker –

| | Fair Value |
|------------------------------------|--------------|
| Negotiable Certificates of Deposit | \$ 1,247,527 |

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, 2013 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 - MAX Series (MSDMAX) | AAAm |
| MN Trust Investment Shares Portfolio | AAA |
| Negotiable Certificates of Deposit | NR |

Interest Rate Risk

The District has a formal investment policy that addresses permissible investments, portfolio diversification and instrument maturities. Investment maturities are scheduled to coincide with projected 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. All District investments mature within twelve months of the balance sheet date.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Concentration of Credit Risk

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

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

| Type | Amount |
|---|--------------|
| Bank of India Certificate of Deposit | \$ 249,061 |
| Bank of Baroda Certificate of Deposit | 249,066 |
| Cole Taylor Bank Certificate of Deposit | 249,800 |
| Onwest Bank FSB Certificate of Deposit | 249,800 |
| Plainscapital Bank Certificate of Deposit | 249,800 |
| | \$ 1,247,527 |

C. Balance Sheet Presentation

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

| | |
|---|--------------|
| Deposits | \$ 2,350,835 |
| Minnesota School District Liquid Asset Fund Plus (MSDLAF+) | 387,381 |
| Minnesota School District Liquid Asset Fund - MAX Series (MSDMAX) | 1,940,027 |
| MN Trust Investment Shares Portfolio | 507,691 |
| Negotiable Certificates of Deposit | 1,247,527 |
| Total Cash and Investments | \$ 6,433,461 |
| Reconciliation of Cash and Investments: | |
| Cash and Investments - Statement of Net Position | \$ 6,428,515 |
| Cash and Investments - Statement of Fiduciary Net Position | 4,946 |
| Total Cash and Investments | \$ 6,433,461 |

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|-------------|-----------|-------------------|
| Governmental Activities | | | | |
| Capital Assets, Not Being Depreciated | | | | |
| Land | \$ 1,823,335 | \$ - | \$ - | \$ 1,823,335 |
| Construction in Progress | 220,415 | 140,000 | - | 360,415 |
| Total Capital Assets, Not Being Depreciated | 2,043,750 | 140,000 | - | 2,183,750 |
| Capital Assets, Being Depreciated | | | | |
| Land Improvements | 2,256,233 | 211,458 | - | 2,467,691 |
| Buildings and Improvements | 38,830,701 | 104,030 | - | 38,934,731 |
| Equipment | 8,367,767 | 1,058,461 | (477,113) | 8,949,115 |
| Total Capital Assets, Being Depreciated | 49,454,701 | 1,373,949 | (477,113) | 50,351,537 |
| Accumulated Depreciation for | | | | |
| Land Improvements | (1,528,975) | (91,587) | - | (1,620,562) |
| Buildings and Improvements | (17,778,309) | (748,164) | - | (18,526,473) |
| Equipment | (5,740,155) | (617,566) | 477,113 | (5,880,608) |
| Total Accumulated Depreciation | (25,047,439) | (1,457,317) | 477,113 | (26,027,643) |
| Total Capital Assets, Being Depreciated, Net | 24,407,262 | (83,368) | - | 24,323,894 |
| Governmental Activities | | | | |
| Capital Assets, Net | \$ 26,451,012 | \$ 56,632 | \$ - | \$ 26,507,644 |

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

| | |
|---|---------------------|
| Governmental Activities | |
| Administration | \$ 10,889 |
| District Support Services | 149,652 |
| Regular Instruction | 1,130,533 |
| Vocational Education Instruction | 18,005 |
| Special Education Instruction | 9,789 |
| Instructional Support Services | 3,598 |
| Pupil Support Services | 50,106 |
| Sites and Buildings | 13,477 |
| Food Service | 49,800 |
| Community Service | 21,468 |
| Total Depreciation Expense, Governmental Activities | <u>\$ 1,457,317</u> |

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

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 | Interest Rate | Original Issue | Final Maturity | Principal Outstanding | |
|--|---------------|----------------|----------------|-----------------------|---------------|
| | | | | Due Within One Year | Total |
| 11/15/2012 | 1.00% | \$ 8,690,000 | 2/1/2017 | \$ 2,245,000 | \$ 8,690,000 |
| 5/2/2013 | 1.50% | 755,000 | 2/1/2020 | 105,000 | 755,000 |
| Total General Obligation Bonds | | | | 2,350,000 | 9,445,000 |
| Bond Premium | | | | 26,807 | 106,894 |
| Bond Discounts | | | | (1,194) | (3,881) |
| Deferred Loss on Refunding | | | | (7,938) | (31,751) |
| Certificates of Participation Payable | | | | 225,000 | 1,430,000 |
| Capital Lease Payable | | | | 102,057 | 338,697 |
| Other Post Employment Benefits Payable | | | | - | 991,669 |
| Severance Benefits Payable | | | | 400,000 | 3,306,195 |
| Compensated Absences Payable | | | | 177,202 | 236,269 |
| Total | | | | \$ 3,271,934 | \$ 15,819,092 |

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 |
| 2014 | \$ 2,350,000 | \$ 117,119 | \$ 225,000 | \$ 32,338 |
| 2015 | 2,230,000 | 74,200 | 230,000 | 27,838 |
| 2016 | 2,255,000 | 51,375 | 235,000 | 23,238 |
| 2017 | 2,280,000 | 28,300 | 240,000 | 18,538 |
| 2018 | 110,000 | 4,950 | 245,000 | 13,138 |
| 2019 - 2020 | 220,000 | 4,950 | 255,000 | 7,013 |
| | \$ 9,445,000 | \$ 280,894 | \$ 1,430,000 | \$ 122,103 |

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 5 GENERAL LONG-TERM DEBT (CONTINUED)

C. Description of Long-Term Debt

General Obligation Bonds

On November 15, 2012, the District issued \$8,690,000 of General Obligation Refunding Bonds, Series 2012B. The proceeds of this issue were used to refund the outstanding principal and interest of the District's General Obligation School Building Refunding Bonds, Series 2004 on February 1, 2013. The new issue was issued at a premium of \$93,014. The refunding resulted in an economic savings of \$552,378 for the District, with a present value of \$558,331. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to retire these bonds.

On May 2, 2013, the District issued \$755,000 of General Obligation Capital Equipment Notes, Series 2013A. The proceeds of this issue were used to acquire capital equipment. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to the retirement of these notes.

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 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 through October 2013.

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%.

During 2012, the District entered into a lease agreement for copy machines. The total lease for \$266,136 has principal and interest payments due monthly at a rate of 12.0%.

Total cost of assets held under capital leases is \$474,742. Related accumulated depreciation of assets under capital leases at June 30, 2013 is \$133,842.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 5 GENERAL LONG-TERM DEBT (CONTINUED)

C. Description of Long-Term Debt (Continued)

Capital Leases Payable (Continued)

Annual payments required under capital leases are as follows:

| <u>Year Ending June 30,</u> | |
|--|--------------------------|
| 2014 | \$ 132,478 |
| 2015 | 131,958 |
| 2016 | 112,017 |
| 2017 | <u>21,023</u> |
| Total Minimum Lease Payments | 397,476 |
| Less Amounts Representing Interest | <u>58,779</u> |
| Present Value of Net Minimum Lease Payments | <u><u>\$ 338,697</u></u> |

Compensated Absences Payable

Compensated absences payable consists of unused vacation as of June 30, 2013. In the past, vacation expense has been paid by the General Fund, the Food Service Fund, and the Community Service Fund.

Severance Benefits Payable

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

D. Changes in Long-Term Debt

| | <u>June 30, 2012</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30, 2013</u> |
|---|--------------------------|----------------------|----------------------|--------------------------|
| Bonds Payable | \$ 11,010,000 | \$ 9,445,000 | \$ 11,010,000 | \$ 9,445,000 |
| Bond Premium | 11,386 | 110,816 | 15,308 | 106,894 |
| Bond Discounts | (16,959) | - | (13,078) | (3,881) |
| Deferred Loss on Refunding | - | (39,689) | (7,938) | (31,751) |
| Certificates of Participation Payable | 1,655,000 | - | 225,000 | 1,430,000 |
| Capital Lease Payable | 167,339 | 266,136 | 94,778 | 338,697 |
| Other Post Employment Benefits Payable | 752,307 | 494,453 | 255,091 | 991,669 |
| Severance Benefits Payable | 3,633,430 | 101,899 | 429,134 | 3,306,195 |
| Compensated Absences Payable | 224,870 | 196,777 | 185,378 | 236,269 |
| | <u>\$ 17,437,373</u> | <u>\$ 10,575,392</u> | <u>\$ 12,193,673</u> | <u>\$ 15,819,092</u> |

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 6 SHORT-TERM LIABILITIES

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

| | June 30, 2012 | Additions | Retirements | June 30, 2013 |
|-----------------------------------|---------------------|-------------|---------------------|------------------|
| 2012 Tax Anticipation Certificate | \$ 3,875,000 | \$ - | \$ 3,875,000 | \$ - |
| Plus: Unamortized Premium | 9,599 | - | 9,599 | - |
| 2013 Aid Anticipation Certificate | 4,185,000 | - | 4,185,000 | - |
| Plus: Unamortized Premium | 6,795 | - | 6,795 | - |
| | <u>\$ 8,076,394</u> | <u>\$ -</u> | <u>\$ 8,076,394</u> | <u>\$ -</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 matured 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%. There was no borrowing or interest paid on line of credit for fiscal year 2013. There was no balance outstanding on the line at June 30, 2013.

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 Learning and Development

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

B. Restricted for Gifted and Talented

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

C. Restricted for Basic Skills Programs

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

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 7 RESTRICTED FUND BALANCES (CONTINUED)

Fund Equity (Continued)

D. 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.

E. Restricted for Community Education Programs

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

F. 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.

G. Restricted for School Readiness

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

H. Restricted for Adult Basic Education

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

I. 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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 8 PENSION PLANS (CONTINUED)

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

1. Plan Description (Continued)

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

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

2. Funding Policy

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. Coordinated and Basic Plan members are required to contribute 6.0% 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: 6.5% 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, 2013, 2012, and 2011 were \$1,381,617, \$1,294,773, and \$1,173,228, 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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 8 PENSION PLANS (CONTINUED)

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

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. GERP Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 6.25%, respectively, of their annual covered salary.

The District is required to contribute the following percentages of annual covered payroll in 2013: 11.78% for Basic Plan GERP members, 7.25% for Coordinated Plan members. The District's contributions for the years ending June 30, 2013, 2012, and 2011, were \$482,275, \$490,134, and \$471,985, 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 for eligible principal and directors. Currently, principals and directors are eligible after 5 years of service. There are 23 active participants in the plan as of July 1, 2012. 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 2013, the District contributed \$140,707 to the plan.

3. Annual Pension Cost and Net Pension Asset

The annual required contribution for the current year was determined as part of the July 1, 2012 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.

| | 2013 |
|--|-------------|
| Annual Required Contribution | \$ 52,947 |
| Interest on Net Pension Calculation | (390) |
| Adjustment to Annual Required Contribution | 365 |
| Annual Pension Cost (Expense) | 52,922 |
| Contributions Made | (140,707) |
| Increase in Net Pension Asset | (87,785) |
| Net Pension Asset - Beginning of Year | (8,668) |
| Net Pension Asset - End of Year | \$ (96,453) |

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 8 PENSION PLANS (CONTINUED)

C. Supplemental Pension Plan (Continued)

3. Annual Pension Cost and Net Pension Asset (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 2013 and the two preceding years were:

| Fiscal Year Ended | Annual Pension Cost | Percentage of Annual Pension Cost Contributed | Net Pension Obligation (Asset) |
|-------------------------|------------------------|--|---|
| 6/30/13 | \$ 52,922 | 265.9% | \$ (96,453) |
| 6/30/12 | 60,042 | 250.6% | (8,668) |
| 6/30/11 | 60,604 | 43.6% | 81,733 |

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, 2013 does not exceed thirty years.

4 Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$312,114. The annual payroll for active employees covered by the plan in the actuarial valuation was \$2,052,382 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 accrual for pension benefits.

NOTE 9 OTHER POST EMPLOYMENT 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 568 active participants and 97 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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 9 OTHER POST EMPLOYMENT BENEFIT PLAN (CONTINUED)

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 2013, the District contributed \$255,091 to the plan.

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an 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.

| | |
|--|------------|
| | 2013 |
| Annual Required Contribution | \$ 506,872 |
| Interest on Net OPEB Calculation | 33,854 |
| Adjustment to Annual Required Contribution | (46,273) |
| Annual OPEB Cost (Expense) | 494,453 |
| Contributions Made | (255,091) |
| Increase in Net OPEB Obligation | 239,362 |
| Net OPEB Obligation - Beginning of Year | 752,307 |
| Net OPEB Obligation - End of Year | \$ 991,669 |

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------------|---------------------|---|---------------------------|
| 6/30/13 | \$ 494,453 | 51.6% | \$ 991,669 |
| 6/30/12 | 478,032 | 57.1% | 752,307 |
| 6/30/11 | 481,488 | 57.1% | 547,354 |

D. Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$3,526,547. The annual payroll for active employees covered by the plan in the actuarial valuation was \$24,897,274 for a ratio of UAAL to covered payroll of 14.2%.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Funded Status and Funding Progress (Continued)

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 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, 2012 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 8.0% reduced by decrements to an ultimate rate of 5.0% after six years. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at June 30, 2013 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.

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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 10 FLEXIBLE BENEFIT PLAN (CONTINUED)

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, 2013, 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, equipment and buildings. Rent expense under annual operating leases for the year ending June 30, 2013 was \$419,033.

Minimum rental commitments on leases in effect at June 30, 2013 are as follows:

| <u>Year Ending June 30,</u> | |
|------------------------------|-------------------|
| 2014 | \$ 202,700 |
| 2015 | 202,700 |
| 2016 | 1,428 |
| 2017 | 1,428 |
| Total Minimum Lease Payments | <u>\$ 408,256</u> |

B. Federal and State Programs

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

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 13 JOINT POWERS AGREEMENT

Effective March 1999, the City of Owatonna, Steele County, and the District entered into a joint powers agreement to provide for the operation and maintenance of a joint ice arena. The ice arena is run and maintained by the County, with the City contributing up to \$55,000 annually in the form of public utilities. Under the terms of the agreement, the District made financial contributions to the construction of the ice arena totaling \$250,000 between March 1999 and 2002. In addition, the District agreed to maintain its present level of use of the ice arena during the term any bonds are outstanding related to the project. Total payments for the use of the ice arena were \$49,430 for the year ended June 30, 2013. The bonds matured in various increments through 2011.

REQUIRED SUPPLEMENTARY INFORMATION

(This page intentionally left blank)

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR POST EMPLOYMENT BENEFIT PLANS**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--|--|---|--------------------------|--------------------------|-----------------------------|---|
| <u>Pension</u> | | | | | | |
| 7/1/2012 | \$ - | \$ 312,114 | \$ 312,114 | 0.0% | \$ 2,052,382 | 15.2% |
| 7/1/2010 | - | 312,836 | 312,836 | 0.0% | 2,060,987 | 15.2% |
| 7/1/2008 | - | 270,980 | 270,980 | 0.0% | 1,981,766 | 13.7% |
| <u>Other Post Employment Benefits</u> | | | | | | |
| 7/1/2012 | \$ - | \$ 3,526,547 | \$ 3,526,547 | 0.0% | \$ 24,897,274 | 14.2% |
| 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% |

(This page intentionally left blank)

SUPPLEMENTARY INFORMATION

(This page intentionally left blank)

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
GENERAL FUND
SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCE
JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)**

| | <u>2013</u> | <u>2012</u> |
|---|----------------------|----------------------|
| ASSETS | | |
| Cash and Investments | \$ 2,843,730 | \$ 4,100,871 |
| Receivables | | |
| Current Property Taxes | 2,884,127 | 2,760,201 |
| Delinquent Property Taxes | 119,431 | 122,803 |
| Due from Other Minnesota School Districts | 139,442 | 130,576 |
| Due from Minnesota Department of Education | 5,901,358 | 13,591,077 |
| Due from Federal through the Minnesota Department of Education | 779,991 | 802,650 |
| Due from Other Governmental Units | 4,538 | 5,856 |
| Other Receivables | 203,916 | 152,724 |
| Prepaid Items | 120,254 | 111,230 |
| Inventory | 13,592 | 14,431 |
| Total Assets | <u>\$ 13,010,379</u> | <u>\$ 21,792,419</u> |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities | | |
| Aid Anticipation Certificates Payable | \$ - | \$ 8,076,394 |
| Salaries and Wages Payable | 4,625,755 | 4,749,131 |
| Accounts and Contracts Payable | 1,004,865 | 1,019,331 |
| Due to Other Governmental Units | 105,789 | 114,108 |
| Accrued Interest Payable | - | 38,086 |
| Deferred Revenue: | | |
| Property Taxes Levied for Subsequent Year | 2,633,489 | 2,483,791 |
| Delinquent Property Taxes | 78,374 | 84,871 |
| Total Liabilities | <u>8,448,272</u> | <u>16,565,712</u> |
| Fund Balance | | |
| Nonspendable: | | |
| Prepaid Items | 120,254 | 111,230 |
| Inventory | 13,592 | 14,431 |
| Restricted: | | |
| Learning and Development | - | 282 |
| Gifted and Talented | - | 422 |
| Basic Skills Programs | 671,859 | 229,528 |
| Operating Capital | 7,936 | 340,876 |
| Unassigned | 3,748,466 | 4,529,938 |
| Total Fund Balance | <u>4,562,107</u> | <u>5,226,707</u> |
| Total Liabilities and Fund Balance | <u>\$ 13,010,379</u> | <u>\$ 21,792,419</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, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)**

| | 2013 | | | Over (Under) Final Budget | 2012 |
|--|--------------------|-----------------|-------------------|------------------------------------|-------------------|
| | Original Budget | Final Budget | Actual Amounts | | Actual Amounts |
| REVENUES | | | | | |
| Local Sources | | | | | |
| Property Taxes | \$ 7,221,521 | \$ 5,204,964 | \$ 5,250,419 | \$ 45,455 | \$ 5,073,899 |
| Earnings on Investments | 3,300 | 6,000 | 3,705 | (2,295) | 2,112 |
| Other | 1,197,280 | 1,184,799 | 1,076,768 | (108,031) | 1,255,640 |
| State Sources | 35,750,949 | 38,118,012 | 38,806,389 | 688,377 | 37,146,909 |
| Federal Sources | 2,049,529 | 2,194,188 | 1,748,422 | (445,766) | 2,819,076 |
| Total Revenues | 46,222,579 | 46,707,963 | 46,885,703 | 177,740 | 46,297,636 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Administration | | | | | |
| Salaries | 1,223,552 | 1,225,553 | 1,285,880 | 60,327 | 1,414,432 |
| Employee Benefits | 425,350 | 465,992 | 405,849 | (60,143) | 458,312 |
| Purchased Services | 68,342 | 71,542 | 74,471 | 2,929 | 160,796 |
| Supplies and Materials | 53,719 | 53,719 | 60,190 | 6,471 | 47,836 |
| Capital Expenditures | 72,597 | 72,597 | 66,212 | (6,385) | 62,831 |
| Other Expenditures | 29,145 | 29,145 | 27,298 | (1,847) | 30,600 |
| Total Administration | 1,872,705 | 1,918,548 | 1,919,900 | 1,352 | 2,174,807 |
| District Support Services | | | | | |
| Salaries | 1,131,984 | 1,084,904 | 978,426 | (106,478) | 998,572 |
| Employee Benefits | 419,548 | 380,872 | 336,269 | (44,603) | 357,383 |
| Purchased Services | 196,098 | 218,443 | 357,428 | 138,985 | 554,509 |
| Supplies and Materials | 58,771 | 58,771 | 53,537 | (5,234) | 60,073 |
| Capital Expenditures | 978,065 | 818,065 | 593,020 | (225,045) | 800,248 |
| Other Expenditures | 12,041 | 12,041 | 4,730 | (7,311) | 5,635 |
| Total District Support Services | 2,796,507 | 2,573,096 | 2,323,410 | (249,686) | 2,776,420 |
| Elementary and Secondary | | | | | |
| Regular Instruction | | | | | |
| Salaries | 15,152,192 | 15,427,034 | 14,759,585 | (667,449) | 14,691,339 |
| Employee Benefits | 5,342,526 | 5,409,158 | 5,270,938 | (138,220) | 5,151,875 |
| Purchased Services | 888,162 | 771,514 | 835,727 | 64,213 | 906,188 |
| Supplies and Materials | 897,174 | 702,636 | 653,871 | (48,765) | 721,195 |
| Capital Expenditures | 194,333 | 207,040 | 140,809 | (66,231) | 191,121 |
| Other Expenditures | 30,999 | 22,213 | 27,661 | 5,448 | 28,710 |
| Total Elementary and Secondary Regular Instruction | 22,505,386 | 22,539,595 | 21,688,591 | (851,004) | 21,690,428 |

**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, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)**

| | 2013 | | | Over (Under) Final Budget | 2012 |
|---|--------------------|-----------------|-------------------|------------------------------------|-------------------|
| | Original Budget | Final Budget | Actual Amounts | | Actual Amounts |
| EXPENDITURES (Continued) | | | | | |
| Current (Continued) | | | | | |
| Vocational Education Instruction | | | | | |
| Salaries | \$ 621,330 | \$ 585,580 | \$ 549,917 | \$ (35,663) | \$ 647,386 |
| Employee Benefits | 241,728 | 227,722 | 212,973 | (14,749) | 222,953 |
| Purchased Services | 18,147 | 18,394 | 18,687 | 293 | 22,348 |
| Supplies and Materials | 52,085 | 52,085 | 51,588 | (497) | 47,003 |
| Capital Expenditures | 5,000 | 5,000 | 14,378 | 9,378 | 15,742 |
| Other Expenditures | 998 | 998 | 785 | (213) | 815 |
| Total Vocational Education Instruction | 939,288 | 889,779 | 848,328 | (41,451) | 956,247 |
| Special Education Instruction | | | | | |
| Salaries | 5,648,403 | 6,115,663 | 6,275,909 | 160,246 | 5,911,437 |
| Employee Benefits | 2,290,436 | 2,385,535 | 2,352,824 | (32,711) | 2,221,289 |
| Purchased Services | 654,494 | 593,232 | 423,591 | (169,641) | 476,920 |
| Supplies and Materials | 207,714 | 179,928 | 88,939 | (90,989) | 74,183 |
| Capital Expenditures | 54,216 | 52,163 | 9,919 | (42,244) | 56,112 |
| Other Expenditures | 60,845 | 45,637 | 39,533 | (6,104) | 50,657 |
| Total Special Education Instruction | 8,916,108 | 9,372,158 | 9,190,715 | (181,443) | 8,790,598 |
| Instructional Support Services | | | | | |
| Salaries | 1,533,324 | 1,513,400 | 1,418,255 | (95,145) | 1,678,735 |
| Employee Benefits | 478,671 | 499,751 | 467,644 | (32,107) | 532,348 |
| Purchased Services | 81,591 | 123,796 | 152,953 | 29,157 | 203,541 |
| Supplies and Materials | 253,475 | 253,475 | 232,594 | (20,881) | 227,255 |
| Capital Expenditures | 120,628 | 120,628 | 98,834 | (21,794) | 13,058 |
| Other Expenditures | 7,358 | 85,590 | 21,266 | (64,324) | 9,043 |
| Total Instructional Support Services | 2,475,047 | 2,596,640 | 2,391,546 | (205,094) | 2,663,980 |
| Pupil Support Services | | | | | |
| Salaries | 719,026 | 739,437 | 776,478 | 37,041 | 792,479 |
| Employee Benefits | 242,163 | 239,260 | 248,308 | 9,048 | 273,147 |
| Purchased Services | 2,686,183 | 2,693,868 | 2,632,305 | (61,563) | 2,496,481 |
| Supplies and Materials | 19,964 | 19,938 | 13,211 | (6,727) | 17,810 |
| Other Expenditures | - | - | 552 | 552 | 670 |
| Total Pupil Support Services | 3,667,336 | 3,692,503 | 3,670,854 | (21,649) | 3,580,587 |

**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, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)**

| | 2013 | | | 2012 | |
|---|-----------------------|-----------------------|---------------------|------------------------------------|--------------------|
| | Original Budget | Final Budget | Actual Amounts | Over (Under) Final Budget | Actual Amounts |
| EXPENDITURES (Continued) | | | | | |
| Current (Continued) | | | | | |
| Sites and Buildings | | | | | |
| Salaries | \$ 1,336,626 | \$ 1,331,359 | \$ 1,368,997 | \$ 37,638 | \$ 1,322,706 |
| Employee Benefits | 659,100 | 656,743 | 672,788 | 16,045 | 641,520 |
| Purchased Services | 1,853,082 | 1,853,082 | 2,136,880 | 283,798 | 2,268,885 |
| Supplies and Materials | 597,555 | 597,555 | 604,334 | 6,779 | 618,633 |
| Capital Expenditures | 79,338 | 239,338 | 500,881 | 261,543 | 79,719 |
| Debt Service | 225,000 | 225,000 | 225,000 | - | 200,000 |
| Other Expenditures | 22,030 | 22,030 | 119,411 | 97,381 | 405 |
| Total Sites and Buildings | <u>4,772,731</u> | <u>4,925,107</u> | <u>5,628,291</u> | <u>703,184</u> | <u>5,131,868</u> |
| Fiscal and Other Fixed Cost Programs | | | | | |
| Purchased Services | 86,130 | 136,800 | 137,108 | 308 | 95,647 |
| Debt Service | - | - | 23,196 | 23,196 | 33,660 |
| Other Expenditures | - | - | - | - | 21,374 |
| Total Fiscal and Other Fixed Costs Programs | <u>86,130</u> | <u>136,800</u> | <u>160,304</u> | <u>23,504</u> | <u>150,681</u> |
| Total Expenditures | <u>48,031,238</u> | <u>48,644,226</u> | <u>47,821,939</u> | <u>(822,287)</u> | <u>47,915,616</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,808,659) | (1,936,263) | (936,236) | 1,000,027 | (1,617,980) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Capital Lease Proceeds | - | - | 266,136 | 266,136 | - |
| Judgments for School Districts | - | - | - | - | 28,333 |
| Sale of Equipment Proceeds | 12,000 | - | 19,500 | 19,500 | - |
| Transfers Out | (14,000) | (14,000) | (14,000) | - | (27,688) |
| Total Other Financing Sources (Uses) | <u>(2,000)</u> | <u>(14,000)</u> | <u>271,636</u> | <u>285,636</u> | <u>645</u> |
| Net Change in Fund Balances | <u>\$ (1,810,659)</u> | <u>\$ (1,950,263)</u> | <u>(664,600)</u> | <u>\$ 1,285,663</u> | <u>(1,617,335)</u> |
| Fund Balance | | | | | |
| Beginning of Year | | | <u>5,226,707</u> | | |
| End of Year | | | <u>\$ 4,562,107</u> | | |
| | | | | <u>\$ 5,226,707</u> | |

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
FOOD SERVICE SPECIAL REVENUE FUND
SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCE
JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)**

| | <u>2013</u> | <u>2012</u> |
|--|-------------------|-------------------|
| ASSETS | | |
| Cash and Investments | \$ 388,940 | \$ 487,985 |
| Receivables | | |
| Due from Minnesota Department of Education | 2,730 | 3,222 |
| Due from Federal through Minnesota Department of Education | 41,929 | 59,231 |
| Other Receivables | 12,144 | 14,593 |
| Prepaid Items | 1,870 | 2,170 |
| Inventory | 45,884 | 53,930 |
| Total Assets | <u>\$ 493,497</u> | <u>\$ 621,131</u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities | | |
| Salaries and Wages Payable | \$ 25,206 | \$ 12,547 |
| Accounts and Contracts Payable | 19,650 | 10,819 |
| Deferred Revenue - Local Sources | 43,371 | 43,706 |
| Total Liabilities | <u>88,227</u> | <u>67,072</u> |
| Fund Balance | | |
| Nonspendable: | | |
| Prepaid Items | 1,870 | 2,170 |
| Inventory | 45,884 | 53,930 |
| Restricted: | | |
| Other Purposes | 357,516 | 497,959 |
| Total Fund Balance | <u>405,270</u> | <u>554,059</u> |
| Total Liabilities and Fund Balance | <u>\$ 493,497</u> | <u>\$ 621,131</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, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)**

| | 2013 | | | 2012 | |
|------------------------------|---------------------|---------------------|-------------------|------------------------------------|-------------------|
| | Original Budget | Final Budget | Actual Amounts | Over (Under) Final Budget | Actual Amounts |
| REVENUES | | | | | |
| Local Sources | | | | | |
| Earnings on Investments | \$ 155 | \$ 155 | \$ 376 | \$ 221 | \$ 192 |
| Other - Primarily Meal Sales | 1,300,927 | 1,300,927 | 1,213,603 | (87,324) | 1,281,616 |
| State Sources | 135,938 | 135,938 | 123,037 | (12,901) | 136,743 |
| Federal Sources | 1,182,202 | 1,182,202 | 1,247,788 | 65,586 | 1,202,516 |
| Total Revenues | <u>2,619,222</u> | <u>2,619,222</u> | <u>2,584,804</u> | <u>(34,418)</u> | <u>2,621,067</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Salaries | 897,768 | 893,744 | 846,451 | (47,293) | 879,433 |
| Employee Benefits | 317,290 | 325,669 | 270,733 | (54,936) | 304,844 |
| Purchased Services | 72,386 | 73,886 | 69,335 | (4,551) | 62,769 |
| Supplies and Materials | 1,384,088 | 1,348,762 | 1,400,195 | 51,433 | 1,255,040 |
| Other Expenditures | 1,000 | 1,000 | 614 | (386) | 414 |
| Capital Outlay | <u>78,908</u> | <u>143,908</u> | <u>146,265</u> | <u>2,357</u> | <u>52,603</u> |
| Total Expenditures | <u>2,751,440</u> | <u>2,786,969</u> | <u>2,733,593</u> | <u>(53,376)</u> | <u>2,555,103</u> |
| Net Change in Fund Balance | <u>\$ (132,218)</u> | <u>\$ (167,747)</u> | (148,789) | <u>\$ 18,958</u> | 65,964 |
| FUND BALANCE | | | | | |
| Beginning of Year | | | <u>554,059</u> | | <u>488,095</u> |
| End of Year | | | <u>\$ 405,270</u> | | <u>\$ 554,059</u> |

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
COMMUNITY SERVICE SPECIAL REVENUE FUND
SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCE
JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)**

| | <u>2013</u> | <u>2012</u> |
|--|---------------------|-------------------|
| ASSETS | | |
| Cash and Investments | \$ 722,011 | \$ 226,724 |
| Receivables | | |
| Current Property Taxes | 174,128 | 174,571 |
| Delinquent Property Taxes | 7,437 | 7,030 |
| Due from Minnesota Department of Education | 217,822 | 545,331 |
| Due from Federal Government through the Minnesota Department of Education | 14,294 | 44,359 |
| Prepaid Items | 6,708 | - |
| Total Assets | <u>\$ 1,142,400</u> | <u>\$ 998,015</u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities | | |
| Salaries and Wages Payable | \$ 25,197 | \$ 22,324 |
| Accounts and Contracts Payable | 65,108 | 117,421 |
| Due to Other Governmental Units | 208,939 | 380,574 |
| Property Taxes Levied for Subsequent Year | 163,878 | 163,227 |
| Deferred Revenue: | | |
| Delinquent Property Taxes | 5,076 | 4,751 |
| Total Liabilities | <u>468,198</u> | <u>688,297</u> |
| Fund Balance | | |
| Nonspendable: | | |
| Prepaid Items | 6,708 | - |
| Restricted: | | |
| Community Education Programs | 292,021 | 199,832 |
| Early Childhood and Family Education Programs | 84,728 | 70,159 |
| School Readiness | 191,619 | - |
| Adult Basic Education | 55,762 | 5,451 |
| Other Purposes | 43,364 | 34,276 |
| Total Fund Balance | <u>674,202</u> | <u>309,718</u> |
| Total Liabilities and Fund Balance | <u>\$ 1,142,400</u> | <u>\$ 998,015</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, 2013**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

| | 2013 | | | Over (Under) Final Budget | 2012 |
|--|--------------------|-----------------|-------------------|------------------------------------|-------------------|
| | Original Budget | Final Budget | Actual Amounts | | Actual Amounts |
| REVENUES | | | | | |
| Local Sources | | | | | |
| Property Taxes | \$ 463,465 | \$ 316,930 | \$ 313,673 | \$ (3,257) | \$ 293,288 |
| Earnings on Investments | 321 | 321 | 674 | 353 | 142 |
| Other - Primarily Tuition and Fees | 579,750 | 833,450 | 898,918 | 65,468 | 635,329 |
| State Sources | 1,408,246 | 1,550,246 | 1,549,457 | (789) | 1,491,873 |
| Federal Sources | 51,733 | 34,956 | 34,956 | - | 50,147 |
| Total Revenues | 2,503,515 | 2,735,903 | 2,797,678 | 61,775 | 2,470,779 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Salaries | 740,242 | 791,062 | 733,422 | (57,640) | 737,736 |
| Employee Benefits | 238,633 | 259,668 | 233,330 | (26,338) | 217,509 |
| Purchased Services | 1,446,868 | 1,547,345 | 1,356,492 | (190,853) | 1,290,973 |
| Supplies and Materials | 86,160 | 108,768 | 90,664 | (18,104) | 157,829 |
| Other Expenditures | 1,950 | 1,950 | 1,869 | (81) | 1,829 |
| Capital Outlay | 5,417 | 5,417 | 31,417 | 26,000 | 10,752 |
| Total Expenditures | 2,519,270 | 2,714,210 | 2,447,194 | (267,016) | 2,416,628 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (15,755) | 21,693 | 350,484 | 328,791 | 54,151 |
| OTHER FINANCING SOURCES | | | | | |
| Transfers In | 14,000 | 14,000 | 14,000 | - | 27,688 |
| Total Other Financing Sources | 14,000 | 14,000 | 14,000 | - | 27,688 |
| Net Change in Fund Balance | \$ (1,755) | \$ 35,693 | 364,484 | \$ 328,791 | 81,839 |
| FUND BALANCE | | | | | |
| Beginning of Year | | | 309,718 | | 227,879 |
| End of Year | | | \$ 674,202 | | \$ 309,718 |

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
CAPITAL PROJECTS - BUILDING CONSTRUCTION FUND
SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCE
JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)

| | 2013 | 2012 |
|---|-------------|-------------|
| ASSETS | | |
| Cash and Investments | \$ 610,155 | \$ - |
| Total Assets | \$ 610,155 | \$ - |
| LIABILITIES AND FUND BALANCE | | |
| Fund Balance | | |
| Restricted: | | |
| Other Purposes | \$ 610,155 | \$ - |
| Total Fund Balance | 610,155 | - |
| Total Fund Liabilities and Fund Balance | \$ 610,155 | \$ - |

**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, 2013**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

| | 2013 | | | 2012 | |
|--|---------------------------------|------------------------------|-------------------|------------------------------------|-------------------|
| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Over (Under) Final Budget | Actual Amounts |
| REVENUES | | | | | |
| Local Sources: | | | | | |
| Earnings on Investments | \$ - | \$ - | \$ - | \$ - | \$ 38 |
| Total Revenues | - | - | - | - | 38 |
| EXPENDITURES | | | | | |
| Purchased Services | - | - | 22,647 | 22,647 | 1,400 |
| Capital Outlay | - | - | 140,000 | 140,000 | 75,312 |
| Total Expenditures | - | - | 162,647 | 162,647 | 76,712 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | (162,647) | (162,647) | (76,674) |
| OTHER FINANCING SOURCES | | | | | |
| Sale of Bonds Proceeds | - | - | 755,000 | 755,000 | - |
| Bond Premium | - | - | 17,802 | 17,802 | - |
| Total Other Financing Sources | - | - | 772,802 | 772,802 | - |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | 610,155 | <u>\$ 610,155</u> | (76,674) |
| Fund Balance - Beginning | | | - | | 76,674 |
| Fund Balance - Ending | | | <u>\$ 610,155</u> | | <u>\$ -</u> |

The District did not legally adopt a budget for the Capital Projects – Building Construction Fund.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
DEBT SERVICE FUND
SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCE
JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)**

| | 2013 | 2012 |
|--|--------------|--------------|
| ASSETS | | |
| Cash and Investments | \$ 1,611,632 | \$ 1,744,137 |
| Receivables | | |
| Current Property Taxes | 1,237,562 | 1,477,148 |
| Delinquent Property Taxes | 62,855 | 58,650 |
| Due from Minnesota Department of Education | 4,662 | 75,494 |
| Total Assets | \$ 2,916,711 | \$ 3,355,429 |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities | | |
| Deferred Revenue: | | |
| Property Taxes Levied for Subsequent Year | \$ 2,265,142 | \$ 2,686,797 |
| Delinquent Property Taxes | 42,832 | 39,082 |
| Total Liabilities | 2,307,974 | 2,725,879 |
| Fund Balance | | |
| Restricted: | | |
| Other Purposes | 608,737 | 629,550 |
| Total Fund Balance | 608,737 | 629,550 |
| Total Liabilities and Fund Balance | \$ 2,916,711 | \$ 3,355,429 |

**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, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)**

| | 2013 | | | 2012 | |
|--|---------------------------------|------------------------------|-------------------|------------------------------------|-------------------|
| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Over (Under) Final Budget | Actual Amounts |
| REVENUES | | | | | |
| Local Sources | | | | | |
| Property Tax | \$ 2,657,829 | \$ 2,657,371 | \$ 2,648,766 | \$ (8,605) | \$ 2,398,918 |
| Earnings on Investments | 1,328 | 1,328 | 5,418 | 4,090 | 492 |
| State Sources | 34,523 | 34,281 | 34,282 | 1 | 211,467 |
| Total Revenues | <u>2,693,680</u> | <u>2,692,980</u> | <u>2,688,466</u> | <u>(4,514)</u> | <u>2,610,877</u> |
| EXPENDITURES | | | | | |
| Debt Service: | | | | | |
| Bond Principal | 2,320,000 | 2,320,000 | 2,320,000 | - | 2,225,000 |
| Bond Interest | 390,853 | 390,853 | 390,853 | - | 462,353 |
| Loan Interest | - | - | - | - | 16,472 |
| Paying Agent Fees and Other | 3,000 | 90,440 | 91,440 | 1,000 | 2,563 |
| Total Expenditures | <u>2,713,853</u> | <u>2,801,293</u> | <u>2,802,293</u> | <u>1,000</u> | <u>2,706,388</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (20,173) | (108,313) | (113,827) | (5,514) | (95,511) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Sale of Bonds Proceeds | - | 8,690,000 | 8,690,000 | - | - |
| Bond Premium | - | 93,014 | 93,014 | - | - |
| Payment to Refunded Bond Escrow Agent | - | (8,690,000) | (8,690,000) | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>93,014</u> | <u>93,014</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | <u>\$ (20,173)</u> | <u>\$ (15,299)</u> | <u>(20,813)</u> | <u>\$ (5,514)</u> | <u>(95,511)</u> |
| Fund Balance - Beginning | | | <u>629,550</u> | | <u>725,061</u> |
| Fund Balance - Ending | | | <u>\$ 608,737</u> | | <u>\$ 629,550</u> |

STATISTICAL SECTION

This page intentionally left blank

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

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

| <u>Contents</u> | <u>Page</u> |
|--|--------------------|
| Financial Trends Information These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time. | 77-102 |
| Revenue Capacity Information These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax. | 103-111 |
| Debt Capacity Information These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future. | 112-118 |
| Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place. | 119-121 |
| Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs. | 122-133 |

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

This page intentionally left blank

Financial Trends Information

This page intentionally left blank

This page intentionally left blank

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

| | 2013 | 2012 | 2011 |
|----------------------------------|----------------------|----------------------|----------------------|
| GOVERNMENTAL ACTIVITIES: | | | |
| Net Investment in Capital Assets | \$ 17,576,923 | \$ 15,763,708 | \$ 13,921,139 |
| Restricted | 2,343,043 | 1,930,064 | 1,779,406 |
| Unrestricted | (1,835,273) | (1,677,498) | (399,224) |
| Total Net Position | \$ 18,084,693 | \$ 16,016,274 | \$ 15,301,321 |

Source: Independent Auditor's Report

* The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 63 for the year ended June 30, 2013. This standard renames the residual of all other amounts presented in the statement of financial position from "net assets" to "net position."

| <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|-----------------------------|-----------------------------|----------------------------|----------------------------|----------------------------|--------------------------|------------------------------|
| \$ 11,702,040 | \$ 8,374,839 | \$ 6,661,006 | \$ 5,147,551 | \$ 3,696,488 | \$ 1,488,579 | \$ 189,281 |
| 1,974,164 | 2,331,612 | 1,744,977 | 1,723,634 | 1,700,442 | 1,446,620 | 1,095,064 |
| 56,380 | 183,475 | (807,023) | (1,449,444) | (2,024,487) | (2,260,176) | (2,525,260) |
| <u>\$ 13,732,584</u> | <u>\$ 10,889,926</u> | <u>\$ 7,598,960</u> | <u>\$ 5,421,741</u> | <u>\$ 3,372,443</u> | <u>\$ 675,023</u> | <u>\$ (1,240,915)</u> |

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)

| | 2013 | 2012 | 2011 |
|---|------------------------|------------------------|------------------------|
| EXPENSES: | | | |
| Governmental Activities: | | | |
| Administration | \$ 1,855,310 | \$ 2,042,444 | \$ 1,871,259 |
| District Support Services | 2,066,752 | 2,381,115 | 2,400,208 |
| Regular Instruction | 22,253,825 | 22,586,215 | 22,918,131 |
| Vocational Education Instruction | 857,644 | 985,654 | 947,088 |
| Special Education Instruction | 9,229,338 | 8,918,235 | 8,487,358 |
| Instructional Support Services | 2,242,796 | 2,646,055 | 2,602,566 |
| Pupil Support Services | 3,619,996 | 3,590,963 | 3,597,773 |
| Sites and Buildings | 5,180,489 | 4,546,753 | 4,610,789 |
| Fiscal and Other Fixed Cost Programs | 137,108 | 117,021 | 97,980 |
| Food Service | 2,691,837 | 2,622,427 | 2,517,812 |
| Community Service | 2,466,413 | 2,403,407 | 1,853,866 |
| Interest and Fiscal Charges on Long-Term Liabilities | 303,988 | 484,230 | 503,226 |
| Total Government-wide Expenses | 52,905,496 | 53,324,519 | 52,408,056 |
| PROGRAM REVENUES: | | | |
| Governmental Activities: | | | |
| Charges for Services: | | | |
| Administration | - | - | - |
| District Support Services | - | - | - |
| Regular Instruction | 545,092 | 642,220 | 497,422 |
| Special Education Instruction | 198,302 | 360,893 | 211,809 |
| Instructional Support Services | - | - | - |
| Pupil Support Services | - | - | - |
| Sites and Buildings | 44,563 | 38,154 | 28,686 |
| Food Service | 1,213,603 | 1,281,616 | 1,346,758 |
| Community Service | 625,895 | 609,207 | 613,790 |
| Operating Grants and Contributions | 14,313,633 | 13,683,114 | 13,411,316 |
| Capital Grants and Contributions | 651,823 | 602,199 | 748,976 |
| Total Government-wide Program Revenues | 17,592,911 | 17,217,403 | 16,858,757 |
| Net (Expense)/Revenue | | | |
| Total Government-wide Net Expense | \$ (35,312,585) | \$ (36,107,116) | \$ (35,549,299) |

Source: Independent Auditor's Report

| 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| \$ 1,802,903 | \$ 1,867,489 | \$ 2,017,978 | \$ 2,043,610 | \$ 1,897,371 | \$ 2,127,326 | \$ 1,876,294 |
| 2,424,401 | 1,876,749 | 2,235,492 | 1,954,163 | 1,689,963 | 1,615,688 | 1,207,184 |
| 23,186,502 | 23,038,470 | 22,530,340 | 21,733,532 | 20,265,718 | 17,319,293 | 18,486,001 |
| 962,345 | 1,104,251 | 1,151,186 | 1,180,673 | 1,133,464 | 1,028,113 | 1,020,122 |
| 8,459,955 | 7,624,288 | 7,071,990 | 6,673,018 | 6,162,871 | 5,872,564 | 5,105,151 |
| 2,710,329 | 2,631,900 | 2,618,775 | 3,006,111 | 2,346,645 | 2,018,849 | 1,814,111 |
| 3,390,886 | 3,282,534 | 3,263,988 | 2,846,914 | 3,183,385 | 3,209,390 | 3,170,864 |
| 4,829,529 | 4,591,971 | 4,386,242 | 4,278,259 | 4,145,207 | 5,308,341 | 3,486,255 |
| 97,686 | 97,836 | 211,020 | 238,805 | 436,758 | 336,888 | 440,367 |
| 2,534,855 | 2,549,840 | 2,533,141 | 2,383,782 | 1,695,085 | 2,091,530 | 2,087,082 |
| 1,862,951 | 1,709,072 | 1,716,448 | 1,677,294 | 1,562,122 | 1,289,064 | 1,250,170 |
| <u>596,940</u> | <u>679,085</u> | <u>748,219</u> | <u>811,003</u> | <u>1,514,332</u> | <u>2,156,027</u> | <u>1,571,476</u> |
| <u>52,859,282</u> | <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> |
| - | - | - | - | - | - | 69,375 |
| - | - | 3,483 | 358 | - | - | - |
| 567,537 | 570,321 | 541,507 | 389,021 | 450,017 | 372,645 | 367,586 |
| 730,155 | 623,828 | 74,198 | 65,280 | 87,779 | 156,979 | 146,738 |
| - | - | 142,171 | 197,492 | 166,887 | 176,639 | 109,892 |
| - | - | 103,018 | 103,018 | 143,018 | 103,018 | 88,407 |
| 25,456 | 35,775 | 25,854 | 28,841 | 31,101 | 90,919 | 78,514 |
| 1,338,938 | 1,426,068 | 1,373,330 | 1,315,917 | 1,283,275 | 1,242,395 | 1,258,301 |
| 610,292 | 561,795 | 545,477 | 518,614 | 488,373 | 447,207 | 463,817 |
| 15,508,360 | 12,669,616 | 8,105,522 | 7,429,462 | 6,948,704 | 8,373,998 | 6,629,663 |
| <u>564,322</u> | <u>928,090</u> | <u>833,062</u> | <u>772,308</u> | <u>994,018</u> | <u>1,619,932</u> | <u>1,189,147</u> |
| <u>19,345,060</u> | <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>\$ (33,514,222)</u> | <u>\$ (34,237,992)</u> | <u>\$ (38,737,197)</u> | <u>\$ (38,006,853)</u> | <u>\$ (35,439,749)</u> | <u>\$ (31,789,341)</u> | <u>\$ (31,113,637)</u> |

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

| | 2013 | 2012 | 2011 |
|---|---------------------|-------------------|---------------------|
| Net (Expense)/Revenue | | | |
| Total Government-wide Net Expense (1) | \$ (35,312,585) | \$ (36,107,116) | \$ (35,549,299) |
| General Revenues and Changes in Net Position | | | |
| Governmental Activities: | | | |
| Property Taxes Levied for: | | | |
| General Purposes | 5,243,922 | 5,098,253 | 7,077,607 |
| Community Service | 313,998 | 292,039 | 432,268 |
| Debt Service | 2,652,516 | 2,386,440 | 2,449,394 |
| State Aid Not Restricted to Specific Purposes | 29,089,562 | 28,951,399 | 26,927,364 |
| Earnings on Investments | 10,359 | 3,091 | 7,010 |
| Gain on Sale of Fixed Assets | 19,500 | - | 17,610 |
| Miscellaneous | 51,147 | 90,847 | 206,783 |
| Total General Revenues and Changes in Net Position | 37,381,004 | 36,822,069 | 37,118,036 |
| Change in Net Position | | | |
| Total Government-wide | \$ 2,068,419 | \$ 714,953 | \$ 1,568,737 |

(1) See previous page for these numbers.

* The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 63 for the year ended June 30, 2013. This standard renames the residual of all other amounts presented in the statement of financial position from "net assets" to "net position."

Source: Independent Auditor's Report

| <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ (33,514,222) | \$ (34,237,992) | \$ (38,737,197) | \$ (38,006,853) | \$ (35,439,749) | \$ (31,789,341) | \$ (31,113,637) |
| 5,231,020 | 4,674,624 | 4,598,114 | 4,025,066 | 2,362,335 | 3,614,873 | 4,686,188 |
| 287,300 | 251,077 | 283,708 | 264,375 | 131,357 | 305,481 | 350,815 |
| 3,135,148 | 3,152,927 | 2,788,744 | 2,867,578 | 3,182,380 | 3,159,012 | 3,118,513 |
| 26,001,620 | 29,257,214 | 32,841,048 | 32,451,762 | 32,357,569 | 26,536,386 | 27,848,340 |
| 29,226 | 189,148 | 402,802 | 447,370 | 103,528 | 89,527 | 118,758 |
| - | - | - | - | - | - | (15,321) |
| 25,976 | 3,968 | - | - | - | - | - |
| <u>34,710,290</u> | <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>\$ 1,196,068</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> |

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

| | 2013 | 2012 | 2011 | 2010 |
|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Federal Sources: | | | | |
| Federal Grants | \$ 1,783,378 ***** | \$ 2,869,223 | \$ 2,914,456 | \$ 5,730,099 ** |
| Food Service | <u>1,247,788</u> | <u>1,202,516</u> | <u>1,134,338</u> | <u>1,106,870</u> |
| Total Federal Sources | <u>3,031,166</u> | <u>4,071,739</u> | <u>4,048,794</u> | <u>6,836,969</u> |
| State Sources: | | | | |
| General Education Aid | 38,806,389 ***** | 37,146,909 | 35,747,140 | 33,580,948 ** |
| Food Service | 123,037 | 136,743 | 140,524 | 156,190 |
| Community Service | 1,549,457 | 1,491,873 | 742,064 | 862,432 |
| Debt Service Aid | <u>34,282</u> | <u>211,467</u> | <u>211,140</u> | <u>263,159</u> |
| Total State Sources | <u>40,513,165</u> | <u>38,986,992</u> | <u>36,840,868</u> | <u>34,862,729</u> |
| Local Sources: | | | | |
| Property Taxes | 8,212,858 | 7,766,105 **** | 10,004,765 *** | 8,636,276 |
| Food Service Sales | 1,213,603 | 1,281,616 | 1,346,758 | 1,338,938 |
| Other Revenues | <u>1,985,859</u> | <u>1,893,945</u> | <u>1,624,930</u> | <u>2,196,143</u> |
| Total Local Sources | <u>11,412,320</u> | <u>10,941,666</u> | <u>12,976,453</u> | <u>12,171,357</u> |
| Total Revenues | <u>\$ 54,956,651</u> | <u>\$ 54,000,397</u> | <u>\$ 53,866,115</u> | <u>\$ 53,871,055</u> |

* 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.

***** General Education increased due to an additional \$50 per pupil in the basic formula allowance, additional compensatory revenue, and an increased enrollment from FY 12.

***** Federal Grants decreased due to Education Jobs funding that was received in FY 12.

Source: Independent Auditor's Report

| <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| \$ 2,263,177 | \$ 2,172,536 | \$ 2,141,264 | \$ 1,653,585 | \$ 1,562,901 | \$ 1,507,580 |
| 957,097 | 894,210 | 835,793 | 738,098 | 705,743 | 594,125 |
| <u>3,220,274</u> | <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> |
| 38,054,283 | 37,174,860 | 36,131,373 | 35,846,257 | 32,306,054 | 31,977,144 |
| 145,574 | 155,216 | 134,165 | 125,730 | 118,996 | 103,131 |
| 864,186 | 808,696 | 780,790 | 837,874 | 352,280 | 401,408 |
| 279,141 | 274,695 | 319,470 | 386,691 | 425,264 | 495,770 |
| <u>39,343,184</u> | <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> |
| 8,062,364 | 7,632,068 | 7,132,050 | 5,669,146 | 7,075,937 | 8,119,324 |
| 1,426,068 | 1,373,329 | 1,315,918 | 1,283,276 | 1,242,398 | 1,258,301 |
| 2,270,263 | 2,125,573 | 2,050,079 | 2,359,037 | 2,440,009 | 1,786,922 |
| <u>11,758,695</u> | <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>\$ 54,322,153</u> | <u>\$ 52,611,183</u> | <u>\$ 50,840,902</u> | <u>\$ 48,899,694</u> | <u>\$ 46,229,582</u> | <u>\$ 46,243,705</u> |

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

| | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Administration | \$ 1,853,688 | \$ 2,111,976 | \$ 1,794,161 | \$ 1,738,247 |
| District Support Services | 1,730,390 | 1,976,172 | 2,216,781 | 1,843,598 |
| Regular Instruction | 21,547,782 | 21,499,307 | 21,632,973 | 21,686,361 |
| Vocational Education Instruction | 833,950 | 940,505 | 897,302 | 933,799 |
| Special Education Instruction | 9,180,796 | 8,734,486 | 8,500,187 | 8,311,029 |
| Instructional Support Services | 2,292,712 | 2,650,922 | 2,549,555 | 2,671,979 |
| Pupil Support Services | 3,670,854 | 3,580,587 | 3,507,532 | 3,438,413 |
| Sites and Buildings | 4,902,410 | 4,852,149 | 4,603,163 | 4,454,311 |
| Fiscal and Other Fixed Cost Programs | 137,108 | 117,021 | 97,980 | 97,686 |
| Food Service | 2,587,328 | 2,502,500 | 2,446,111 | 2,465,945 |
| Community Service | 2,415,777 | 2,405,876 | 1,796,287 | 1,814,794 |
| Capital Outlay (1) | 1,764,382 | 1,358,898 | 3,983,269 | 1,606,460 |
| Debt Service | | | | |
| Principal | 2,545,000 | 2,425,000 | 2,265,000 | 2,905,000 |
| Interest and Fiscal Charges | 505,489 | 515,048 | 532,685 | 620,671 |
| Total Expenditures | <u>\$ 55,967,666</u> | <u>\$ 55,670,447</u> | <u>\$ 56,822,986</u> | <u>\$ 54,588,293</u> |

| | | | | |
|---|--------------|--------------|--------------|--------------|
| Debt Service as a percentage of non-capital expenditures | 5.63% | 5.41% | 5.29% | 6.65% |
|---|--------------|--------------|--------------|--------------|

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

(1) Capital Outlay was not presented separately in fiscal year 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

| <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| \$ 1,841,561 | \$ 1,819,936 | \$ 1,892,973 | \$ 1,836,977 | \$ 1,922,430 | \$ 1,837,468 |
| 1,456,988 | 1,630,028 | 1,369,566 | 1,266,343 | 1,223,261 | 1,573,213 |
| 22,214,364 | 21,668,324 | 20,558,356 | 19,444,698 | 18,113,415 | 17,746,182 |
| 1,064,263 | 1,097,481 | 1,114,893 | 1,095,027 | 989,566 | 980,267 |
| 7,536,903 | 7,080,734 | 6,541,282 | 6,145,447 | 5,495,803 | 5,111,993 |
| 2,711,242 | 2,591,934 | 2,521,187 | 2,242,265 | 1,985,078 | 1,831,775 |
| 3,299,933 | 3,252,298 | 2,820,826 | 3,128,295 | 3,360,443 | 3,198,991 |
| 4,413,649 | 4,281,716 | 3,839,111 | 3,633,760 | 3,593,473 | 6,261,759 |
| 97,836 | 324,121 | 348,059 | 436,758 | 443,982 | 438,820 |
| 2,433,616 | 2,416,249 | 2,257,205 | 2,202,249 | 1,977,656 | 1,975,750 |
| 1,693,415 | 1,669,301 | 1,616,814 | 1,518,921 | 1,148,639 | 1,209,223 |
| 1,597,799 | 1,412,225 | 1,856,652 | 2,052,425 | 3,017,283 | - |
| 2,805,000 | 2,510,000 | 2,425,000 | 2,055,000 | 1,940,000 | 2,055,157 |
| 700,101 | 764,221 | 822,424 | 2,003,652 | 2,164,599 | 1,405,177 |
| <u>\$ 53,866,670</u> | <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> |

6.71%

6.41%

6.75%

8.63%

9.25%

(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>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|---|--------------------------|------------------------------|----------------------------|----------------------------|
| Total Revenues (1) | \$ 54,956,651 | \$ 54,000,397 | \$ 53,866,115 | \$ 53,871,055 |
| Total Expenditures (2) | 55,967,666 | 55,670,447 | 56,822,986 | 54,588,293 |
| Excess of Revenues Over (Under) Expenditures | (1,011,015) | (1,670,050) | (2,956,871) | (717,238) |
| Other Financing Sources (Uses) | | | | |
| Capital Lease Proceeds | 266,136 | - | 201,918 | 6,687 |
| Capital Loan Proceeds | - | - | - | - |
| Judgments for School Districts | - | 28,333 | 138,357 | 149,550 |
| Sale of Equipment Proceeds | 19,500 | - | 20,256 | 16,600 |
| Insurance Recovery Proceeds | - | - | - | - |
| Certificate of Participation Proceeds | - | - | 1,855,000 | - |
| Certificates of Participation Premium | - | - | 14,771 | - |
| Bond Proceeds | 9,445,000 | - | - | - |
| Bond Premium | 110,816 | - | - | - |
| Bond Discount | - | - | - | - |
| Payment to Refunded Bond Escrow Agent | (8,690,000) | - | - | - |
| Total Other Financing Sources (Uses) | <u>1,151,452</u> | <u>28,333</u> | <u>2,230,302</u> | <u>172,837</u> |
| Net Change in Fund Balances | <u>\$ 140,437</u> | <u>\$ (1,641,717)</u> | <u>\$ (726,569)</u> | <u>\$ (544,401)</u> |

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

(1) From Governmental Funds Revenues spreadsheet.

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

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

Source: Independent Auditor's Report

| <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|-------------------|-------------------|-------------------|------------------------|-------------------|----------------------|
| \$ 54,322,153 | \$ 52,611,183 | \$ 50,840,902 | \$ 48,899,694 | \$ 46,229,582 | \$ 46,243,705 |
| <u>53,866,670</u> | <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> |
| 455,483 | 92,615 | 856,554 | (162,123) | (1,146,046) | 617,930 |
| 277,292 | - | - | - | 1,403,000 | - |
| - | - | - | - | - | - |
| 1,789 | 733 | 358 | 42,167 | - | - |
| 5,114 | 34,615 | 14,629 | 8,200 | - | - |
| - | 2,750 | 461 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 665,000 | 21,274,104 |
| - | - | - | - | (3,492) | - |
| - | - | - | (20,675,000) | (650,000) | - |
| <u>284,195</u> | <u>38,098</u> | <u>15,448</u> | <u>(20,624,633)</u> | <u>1,414,508</u> | <u>21,274,104</u> |
| <u>\$ 739,678</u> | <u>\$ 130,713</u> | <u>\$ 872,002</u> | <u>\$ (20,786,756)</u> | <u>\$ 268,462</u> | <u>\$ 21,892,034</u> |
| | | | (3) | | (3) |

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

| Fiscal Year | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | General Revenues | Total |
|--------------------|-----------------------------|---|---|-------------------------|--------------------|
| 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% |
| 2013 | 2,627,455 5% | 14,313,633 26% | 651,823 1% | 37,381,004 68% | 54,973,915 100% |

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)**

| Fiscal Year | Local Property Tax Levies | Other Local Sources | State Sources | Federal Sources | Total Revenues |
|--------------------|----------------------------------|----------------------------|----------------------|------------------------|-----------------------|
| 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 | (1) 8,636,276 16% | 3,535,081 7% | 34,862,729 65% | 6,836,969 13% | 53,871,055 100% |
| 2011 | (2) 10,004,765 19% | 2,971,688 6% | 36,840,868 68% | 4,048,794 8% | 53,866,115 100% |
| 2012 | (3) 7,766,105 14% | 3,175,561 6% | 38,986,992 72% | 4,071,739 8% | 54,000,397 100% |
| 2013 | 8,212,858 14% | 3,199,462 6% | 40,513,165 74% | 3,031,166 6% | 54,956,651 100% |

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

- (1) Federal Grant increased in fiscal year 2010 due to ARRA funds but State General Education Aid decreased by this same amount.
- (2) 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.
- (3) 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)

| Fiscal Year | Administration | District Support Services | Regular Instruction | Vocational Education Instruction | Special Education Instruction | Instructional Support Services |
|--------------------|-----------------------|----------------------------------|----------------------------|---|--------------------------------------|---------------------------------------|
| 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% |
| 2013 | 1,855,310 4% | 2,066,752 4% | 22,253,825 42% | 857,644 2% | 9,229,338 17% | 2,242,796 4% |

Source: Independent Auditor's Report

| Pupil Support Services | Sites and Buildings | Fiscal and Other Fixed Cost Programs | Food Service | Community Service | Interest and Fiscal Charges on Long-term Liabilities | Total |
|-------------------------------|----------------------------|---|---------------------|--------------------------|---|--------------------|
| 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% |
| 3,619,996 7% | 5,180,489 10% | 137,108 0% | 2,691,837 5% | 2,466,413 4% | 303,988 1% | 52,905,496 100% |

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

| Fiscal Year | Administration | District Support Services | Regular Instruction | Vocational Education Instruction | Special Education Instruction | Instructional Support Services | Pupil Support Services |
|--------------------|-----------------------|----------------------------------|----------------------------|---|--------------------------------------|---------------------------------------|-------------------------------|
| 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% |
| 2013 | 1,853,688 4% | 1,730,390 3% | 21,547,782 39% | 833,950 1% | 9,180,796 16% | 2,292,712 4% | 3,670,854 7% |

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

Source: Independent Auditor's Report

| Sites and Buildings | Fiscal and Other Fixed Cost Programs | Food Service | Community Service | Capital Outlay and Building Construction | Debt Service | Total Expenditures |
|----------------------------|---|---------------------|--------------------------|---|---------------------|---------------------------|
| 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% |
| 4,902,410 9% | 137,108 0% | 2,587,328 5% | 2,415,777 4% | 1,764,382 3% | 3,050,489 5% | 55,967,666 100% |

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

| | 2013 | 2012 | 2011 | 2010 |
|--|----------------------|-----------------------|-----------------------|----------------------|
| <u>REVENUES:</u> | | | | |
| Local Property Tax Levies | \$ 5,250,419 | \$ 5,073,899 | \$ 7,090,035 | \$ 5,199,524 |
| Other Local Sources | 1,080,473 | 1,257,752 | 992,297 | 1,575,926 |
| State Sources | 38,806,389 | 37,146,909 | 35,747,140 | 33,580,948 |
| Federal Sources | 1,748,422 | 2,819,076 | 2,888,963 | 5,696,310 |
| Sales & Other Conversion of Assets * | - | - | - | - |
| TOTAL REVENUES | \$ 46,885,703 | \$ 46,297,636 | \$ 46,718,435 | \$ 46,052,708 |
| <u>EXPENDITURES:</u> | | | | |
| <i>Current</i> | | | | |
| Administration | \$ 1,853,688 | \$ 2,111,976 | \$ 1,794,161 | \$ 1,738,247 |
| District Support Services | 1,730,390 | 1,976,172 | 2,216,781 | 1,843,598 |
| Regular Instruction | 21,547,782 | 21,499,307 | 21,632,973 | 21,686,361 |
| Vocational Education Instruction | 833,950 | 940,505 | 897,302 | 933,799 |
| Special Education Instruction | 9,180,796 | 8,734,486 | 8,500,187 | 8,311,029 |
| Instructional Support Services | 2,292,712 | 2,650,922 | 2,549,555 | 2,671,979 |
| Pupil Support Services | 3,670,854 | 3,580,587 | 3,507,532 | 3,438,413 |
| Sites and Buildings | 4,902,410 | 4,852,149 | 4,603,163 | 4,454,311 |
| Fiscal and Other Fixed Cost Programs | 137,108 | 117,021 | 97,980 | 97,686 |
| Capital Outlay ** | 1,424,053 | 1,218,831 | 2,120,939 | 1,563,501 |
| Debt Service *** | 248,196 | 233,660 | - | - |
| TOTAL EXPENDITURES | \$ 47,821,939 | \$ 47,915,616 | \$ 47,920,573 | \$ 46,738,924 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | \$ (936,236) | \$ (1,617,980) | \$ (1,202,138) | \$ (686,216) |
| OTHER FINANCIAL SOURCES (USES) | | | | |
| Capital Lease Proceeds | 266,136 | - | 201,918 | - |
| Insurance Recovery Proceeds | - | - | - | - |
| Judgments for School Districts | - | 28,333 | 138,357 | 149,550 |
| Transfers Out | (14,000) | (27,688) | (18,654) | (15,219) |
| Sale of Equipment Proceeds | 19,500 | - | 20,256 | 16,600 |
| TOTAL OTHER FINANCING SOURCES (USES) | \$ 271,636 | \$ 645 | \$ 341,877 | \$ 150,931 |
| FUND BALANCE - BEGINNING OF YEAR | 5,226,707 | 6,844,042 | 7,704,303 | 8,239,588 |
| FUND BALANCE - END OF YEAR | \$ 4,562,107 | \$ 5,226,707 | \$ 6,844,042 | \$ 7,704,303 |

* 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

| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|-----------|-------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|
| \$ | 4,665,697 | \$ 4,574,604 | \$ 3,988,868 | \$ 2,379,543 | \$ 3,611,946 | \$ 4,659,230 |
| | 1,654,693 | 1,464,452 | 1,412,935 | 1,240,597 | 1,495,692 | 1,189,938 |
| | 38,054,283 | 37,174,860 | 36,131,373 | 35,846,257 | 32,306,054 | 31,977,145 |
| | 2,213,624 | 2,133,087 | 2,091,269 | 1,603,459 | 1,546,829 | 1,492,474 |
| | - | - | - | - | - | 52,362 |
| \$ | 46,588,297 | \$ 45,347,003 | \$ 43,624,445 | \$ 41,069,856 | \$ 38,960,521 | \$ 39,371,149 |
| \$ | 1,841,561 | \$ 1,819,936 | \$ 1,892,973 | \$ 1,836,977 | \$ 1,922,430 | \$ 1,837,468 |
| | 1,456,988 | 1,630,028 | 1,369,566 | 1,266,343 | 1,223,261 | 1,573,213 |
| | 22,214,364 | 21,668,324 | 20,558,356 | 19,444,698 | 18,113,415 | 17,746,182 |
| | 1,064,263 | 1,097,481 | 1,114,893 | 1,095,027 | 989,566 | 980,267 |
| | 7,536,903 | 7,080,734 | 6,541,282 | 6,145,447 | 5,495,803 | 5,111,993 |
| | 2,711,242 | 2,591,934 | 2,521,187 | 2,242,265 | 1,985,078 | 1,831,775 |
| | 3,299,933 | 3,252,298 | 2,820,826 | 3,128,295 | 3,360,443 | 3,198,991 |
| | 4,413,649 | 4,281,716 | 3,839,111 | 3,633,760 | 3,593,473 | 4,005,735 |
| | 97,836 | 324,121 | 348,059 | 436,758 | 443,982 | 438,820 |
| | 1,541,164 | 1,369,823 | 1,848,126 | 1,826,752 | 2,838,712 | - |
| | - | - | - | - | - | - |
| \$ | 46,177,903 | \$ 45,116,395 | \$ 42,854,379 | \$ 41,056,322 | \$ 39,966,163 | \$ 36,724,444 |
| \$ | 410,394 | \$ 230,608 | \$ 770,066 | \$ 13,534 | \$ (1,005,642) | \$ 2,646,705 |
| | 260,917 | - | - | - | 1,403,000 | - |
| | - | 2,750 | 461 | - | - | 860 |
| | 1,789 | 733 | 358 | 42,167 | - | - |
| | 5,114 | 34,615 | 14,629 | 8,000 | - | - |
| \$ | 267,820 | \$ 38,098 | \$ 15,448 | \$ 50,167 | \$ 1,403,000 | \$ 860 |
| | 7,561,374 | 7,292,668 | 6,507,154 | 6,443,453 | 6,046,095 | 3,398,530 |
| \$ | 8,239,588 | \$ 7,561,374 | \$ 7,292,668 | \$ 6,507,154 | \$ 6,443,453 | \$ 6,046,095 |

This page intentionally left blank

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

| | <u>2013</u> | <u>2012</u> | <u>Increase/ (Decrease)</u> | <u>% Inc/(Dec)</u> |
|---|----------------------|-----------------------|---------------------------------|------------------------|
| <u>REVENUES:</u> | | | | |
| Local Property Tax Levies | \$ 5,250,419 | \$ 5,073,899 | \$ 176,520 | 3.48% |
| Other Local Sources | 1,080,473 | 1,257,752 | (177,279) | -14.09% |
| State Sources | 38,806,389 | 37,146,909 | 1,659,480 | 4.47% |
| Federal Sources | 1,748,422 | 2,819,076 | (1,070,654) | -37.98% |
| Total Revenue | \$ 46,885,703 | \$ 46,297,636 | \$ 588,067 | 1.28% |
| <u>EXPENDITURES:</u> | | | | |
| <i>Current:</i> | | | | |
| Administration | \$ 1,853,688 | \$ 2,111,976 | \$ (258,288) | -12.23% |
| District Support Services | \$ 1,730,390 | 1,976,172 | (245,782) | -12.44% |
| Regular Instruction | \$ 21,547,782 | 21,499,307 | 48,475 | 0.23% |
| Vocational Education Instruction | \$ 833,950 | 940,505 | (106,555) | -11.33% |
| Special Education Instruction | \$ 9,180,796 | 8,734,486 | 446,310 | 5.11% |
| Instructional Support Services | \$ 2,292,712 | 2,650,922 | (358,210) | -13.51% |
| Pupil Support Services | \$ 3,670,854 | 3,580,587 | 90,267 | 2.52% |
| Sites and Buildings | \$ 4,902,410 | 4,852,149 | 50,261 | 1.04% |
| Fiscal and Other Fixed Cost Programs | \$ 137,108 | 117,021 | 20,087 | 17.17% |
| Capital Outlay | \$ 1,424,053 | 1,218,831 | 205,222 | 16.84% |
| Debt Service | \$ 248,196 | 233,660 | 14,536 | 6.22% |
| TOTAL EXPENDITURES | \$ 47,821,939 | \$ 47,915,616 | (93,677) | -0.20% |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | \$ (936,236) | \$ (1,617,980) | | |
| OTHER FINANCING SOURCES (USES) | | | | |
| Capital Lease Proceeds | 266,136 | - | | |
| Judgments for School Districts | - | 28,333 | | |
| Transfers Out | (14,000) | (27,688) | | |
| Sale of Equipment Proceeds | 19,500 | - | | |
| TOTAL OTHER FINANCING SOURCES (USES) | \$ 271,636 | \$ 645 | | |
| FUND BALANCES JULY 1: | | | | |
| Nonspendable | \$ 125,661 | \$ 178,919 | | |
| Restricted/Reserved | 274,223 | 429,467 | | |
| Unassigned | 4,826,823 | 6,235,656 | | |
| TOTAL | \$ 5,226,707 | \$ 6,844,042 | | |
| FUND BALANCES JUNE 30: | | | | |
| Nonspendable | \$ 133,846 | \$ 125,661 | | |
| Restricted/Reserved | 679,795 | 274,223 | | |
| Unassigned | 3,748,466 | 4,826,823 | | |
| TOTAL | \$ 4,562,107 | \$ 5,226,707 | | |

Source: Independent Auditor's Report

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

| | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| General Fund | | | | |
| Nonspendable | \$ 133,846 | \$ 125,661 | \$ 178,919 ** | \$ - |
| Restricted/Reserved | 679,795 | 274,223 | 429,467 ** | - |
| Unassigned | 3,748,466 | 4,826,823 | 6,235,656 ** | - |
| Reserved | - | - | - | 810,945 |
| Unreserved | - | - | - | 6,893,358 |
| Total General Fund | <u>\$ 4,562,107</u> | <u>\$ 5,226,707</u> | <u>\$ 6,844,042</u> | <u>\$ 7,704,303</u> |
| All Other Governmental Funds | | | | |
| Nonspendable | \$ 54,462 | \$ 56,100 | \$ 58,044 ** | \$ - |
| Restricted/Reserved | 2,243,902 | 1,437,227 | 1,459,665 ** | - |
| Unassigned: | | | | |
| Special Revenue Funds | - | - | - | - |
| Capital Projects Fund | - | - | - | - |
| Debt Service Fund | - | - | - | - |
| Reserved | - | - | - | 194,658 |
| Unreserved: | | | | |
| Special Revenue Funds | - | - | - | 376,210 |
| Capital Projects Fund | - | - | - | - |
| Debt Service Fund | - | - | - | 813,149 |
| Total All Other Governmental Funds | <u>\$ 2,298,364</u> | <u>\$ 1,493,327</u> | <u>\$ 1,517,709</u> | <u>\$ 1,384,017</u> |

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

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

Source: Independent Auditor's Report

| <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|----------------------------|----------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 1,451,977 | 1,106,183 | 841,136 | 991,064 | 867,027 | 1,205,843 |
| 6,787,611 | 6,455,191 | 6,451,532 | 5,516,090 | 5,576,426 | 4,840,252 |
| <u>\$ 8,239,588</u> | <u>\$ 7,561,374</u> | <u>\$ 7,292,668</u> | <u>\$ 6,507,154</u> | <u>\$ 6,443,453</u> | <u>\$ 6,046,095</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 206,816 | 203,973 | 164,931 | 146,702 | 20,983,052 * | 21,464,637 |
| 265,217 | 161,382 | 187,601 | 155,783 | 387,499 | 300,386 |
| - | - | - | - | - | 127,650 |
| 921,100 | 966,314 | 1,117,130 | 1,080,689 | 863,080 | 469,854 |
| <u>\$ 1,393,133</u> | <u>\$ 1,331,669</u> | <u>\$ 1,469,662</u> | <u>\$ 1,383,174</u> | <u>\$ 22,233,631</u> | <u>\$ 22,362,527</u> |

This page intentionally left blank

**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> |
|--------------------|------------------------------------|--|---|
| 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% |
| 2013 | 3,748,466 | 47,867,815 * | 7.83% |

* Total expenditures from the 2013-14 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

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

| | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| General Fund without Tax and Aid Anticipation Certificate | \$ 2,843,730 | \$ (3,975,523) | \$ - | \$ 2,935,311 |
| General Fund - Tax and Anticipation Certificate | - | 8,076,394 | - | - |
| Sub Total General Fund | \$ 2,843,730 | \$ 4,100,871 | \$ - | \$ 2,935,311 |
| Food Service | \$ 388,940 | \$ 487,985 | \$ - | \$ 325,431 |
| Community Service | 722,011 | 226,724 | - | 198,582 |
| Debt Service | 1,611,632 | 1,744,137 | 1,744,930 | 1,849,657 |
| Building Construction | 610,155 | - | 84,855 | - |
| Internal Service Fund | 252,047 | 251,861 | 81,035 | 251,539 |
| Trust Funds | 4,946 | 5,592 | 2,136 | 3,007 |
| Agency Funds | - | - | - | - |
| TOTAL | <u>\$ 6,433,461</u> | <u>\$ 6,817,170</u> | <u>\$ 1,912,956</u> | <u>\$ 5,563,527</u> |

Source: Independent Auditor's Report

| <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|----------------------------|----------------------------|
| \$ 8,886,808 | \$ 9,131,038 | \$ 9,317,079 | \$ 7,174,126 | \$ 3,424,445 | \$ 332,981 |
| - | - | - | - | - | 2,600,000 |
| \$ 8,886,808 | \$ 9,131,038 | \$ 9,317,079 | \$ 7,174,126 | \$ 3,424,445 | \$ 2,932,981 |
| \$ 83,591 | \$ 17,369 | \$ 58,469 | \$ 140,567 | \$ 378,150 | \$ 259,526 |
| 373,083 | 365,394 | 396,344 | 264,098 | 132,978 | 296,170 |
| 2,186,059 | 2,522,699 | 2,476,766 | 2,330,737 | 2,395,346 | 1,959,453 |
| - | - | - | - | - | 266,397 |
| 250,586 | 246,341 | 237,467 | 227,695 | 220,387 | 211,935 |
| 3,065 | 4,239 | 4,855 | 4,096 | 3,566 | 2,273 |
| - | - | - | - | 945 | (87,473) |
| <u>\$ 11,783,192</u> | <u>\$ 12,287,080</u> | <u>\$ 12,490,980</u> | <u>\$ 10,141,319</u> | <u>\$ 6,555,817</u> | <u>\$ 5,841,262</u> |

This page intentionally left blank

Revenue Capacity Information

This page intentionally left blank

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

| Fiscal Year | Total Tax Levy * | Current Tax Collections | % of Current Tax Collected | Delinquent Tax Collections | Total Tax Collections | % of Total Tax Collected |
|--------------------|-------------------------|--------------------------------|-----------------------------------|-----------------------------------|------------------------------|---------------------------------|
| 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% |
| 2013 | 7,875,069 | 7,822,548 | 99.33% | 86,992 | 7,909,540 | 100.44% |

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

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

| | |
|------------------|-----------|
| 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 |
| Fiscal Year 2013 | 60,965 ** |

** In fiscal year 2013 the homestead market value credit was eliminated by legislation causing a significant decrease in the portion of the above levies funded through tax credits.

Source: Steele County Auditor School Tax Report - 2012 Payable 2013, Steele and Waseca County Auditors Taxes Receivable Reports, and District Records

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

| Fiscal Year Ended June 30, | Residential Property | Non-Homestead Residential Property | Commercial/ Industrial Property | Agricultural Property | Utility and Railroad Property |
|---|---------------------------------|---|--|----------------------------------|--|
| 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 |
| 2012 | 10,370,631 | 2,219,362 | 5,809,551 | 5,053,617 | 233,512 |

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 2012 sales ratio was 96.4%. 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

| Commercial/ Residential Seasonal Property | Total Net Tax Capacity | Estimated Market Value | % Total Net Tax Capacity of Estimated Market Value | Total Direct Rate |
|--|---|---------------------------------------|---|----------------------------------|
| - | 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 |
| 26,532 | 23,713,205 | 2,242,110,800 | 1.06% | 19.573 |

**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> |
|------------------------------|---------------------------------|------------------------|--|
| 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 |
| 2012 | 23,713,205 | 96.4% | 24,599,279 |

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

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

Source: Minnesota Department of Education Levy Limitation and Certification Reports

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

| | <u>Year Collectible</u> | <u>General Fund</u> | <u>Community Service</u> | <u>Debt Service</u> | <u>Total All Funds</u> |
|-------------------------------|-----------------------------|-------------------------|------------------------------|-------------------------|--------------------------------|
| Levies | 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 |
| | 2013 | 5,313,028 | 318,705 | 2,265,142 | 7,896,875 |
| Initial Tax Rate * | 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% | 17.61% |
| | 2013 | 7.96% | 1.19% | 9.99% | 19.15% |

* 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 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 |
| Year Collectible 2013 | 60,965 ** |

** In fiscal year 2013 the homestead market value credit was eliminated by legislation causing a significant decrease in the portion of the above levies funded through tax credits.

Source: School Tax Report - 2012 Payable 2013 and District Records

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

| Fiscal Year | District Direct Rates | | | Overlapping Rates | |
|--------------------|------------------------------|-------------------------|--------------|--------------------------|-------------------------|
| | Referendum Purposes | General Purposes | Total | Steele County | City of Owatonna |
| 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 |
| 2013 | 0.178 | 19.395 | 19.573 | 63.780 | 59.756 |

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 2012</u> | <u>% of Total Property</u> |
|--|--|--------------------------------|
| Residential | \$ 10,199,011 | 42.43% |
| Agricultural | 5,053,617 | 21.02% |
| Commercial/Industrial | 5,809,551 | 24.17% |
| Utility and Railroad | 233,512 | 0.97% |
| Non-Homestead Residential | 2,219,362 | 9.23% |
| Commercial & Residential Seasonal/Recreational | 26,532 | 0.11% |
| Total Real Estate | \$ 23,541,585 | 97.93% |
| Personal Property | 497,775 | 2.07% |
| Total Real and Personal Property | \$ 24,039,360 | 100.00% |

* The taxes payable in 2012 are recorded as revenue for the 2012-13 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)**

| | 2013 * | | | 2004 | | |
|------------------------------------|--------------------------|----------|--|--------------------------|----------|--|
| | 2013 Net Tax Capacity | Rank (1) | % of Total Net Tax Capacity \$ 23,713,205 | 2004 Net Tax Capacity | Rank (2) | % of Total Net Tax Capacity \$ 18,249,929 |
| Cabela's Retail, Inc. | \$ 179,544 | 1 | 0.76% | N/A | 2 | N/A |
| Viracon, Inc. | 170,730 | 2 | 0.72% | N/A | 1 | N/A |
| Mills Properties, Inc. | 152,738 | 4 | 0.64% | N/A | 3 | N/A |
| Owatonna Clinic - Mayo | 154,648 | 3 | 0.65% | | 9 | |
| Federated Mutual Insurance Company | 137,596 | 5 | 0.58% | N/A | 10 | N/A |
| JAS Realty, L.L.C. | 107,820 | 8 | 0.45% | N/A | 4 | N/A |
| Wal-Mart Stores | 109,378 | 6 | 0.46% | N/A | 5 | N/A |
| Owatonna Hospitality, L.L.C. | 109,032 | 7 | 0.46% | | | |
| Lowe's Home Centers, Inc. | 105,236 | 9 | 0.44% | | | |
| Cybex International, Inc. | 100,202 | 10 | 0.42% | | | |
| Continental Beverage, Inc. | | | | N/A | 8 | N/A |
| J.R. Holdings, LLC | | | | N/A | 6 | N/A |
| Lakeside Foods | | | | N/A | 7 | 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 2004 was based on the market value of the company as of December 1, 2004, not the total taxes paid or net tax capacity.

Source: Steele County Auditor and 2004 CAFR Report

Debt Capacity Information

This page intentionally left blank

This page intentionally left blank

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

| Fiscal Year | Bonded Debt | Lease Purchase Obligations | Capital Loan | Aid & Tax Anticipation Certificates | Certificates of Participation | Total Primary Government | % of Personal Income |
|--------------------|--------------------|-----------------------------------|---------------------|--|--------------------------------------|---------------------------------|-----------------------------|
| 2004 | 50,800,000 | 429,843 | 400,000 | 2,600,000 | - | 54,229,843 | 5.06% |
| 2005 | 48,875,000 | 1,527,013 | 300,000 | - | - | 50,702,013 | 4.49% |
| 2006 | 26,145,000 | 1,154,419 | 200,000 | - | - | 27,499,419 | 2.29% |
| 2007 | 23,720,000 | 767,577 | 100,000 | - | - | 24,587,577 | 1.99% |
| 2008 | 21,210,000 | 365,938 | - | - | - | 21,575,938 | 1.59% |
| 2009 | 18,405,000 | 297,758 | - | - | - | 18,702,758 | 1.38% |
| 2010 | 15,500,000 | 172,332 | - | - | - | 15,672,332 | 1.12% |
| 2011 | 13,235,000 | 285,211 | - | - | 1,855,000 | 15,375,211 | 1.06% |
| 2012 | 11,010,000 | 167,339 | - | 8,076,394 | 1,655,000 | 20,908,733 | 1.34% |
| 2013 | 9,445,000 | 338,697 | - | - | 1,430,000 | 11,213,697 | N/A |

N/A - Personal income for 2013 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.

Note 4: The decrease in 2013 was due to aid and tax anticipation certificates being paid off.

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

**Per
Capita (1)**

2,034

1,810

982

878

770

668

535

525

714

383

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

| Fiscal Year | <u>General Bonded Debt Outstanding</u> | | | | Net Tax Capacity | Percent of Net Debt to Net Tax Capacity | Percent of Personal Income | Per Capita |
|-------------|--|---|-----------------|------------|------------------|---|----------------------------|------------|
| | General Obligation Bonds | Less: Debt Service Fund Balance (Deficit) | Net Bonded Debt | | | | | |
| 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% | 0.67% | 354 | |
| 2013 | 9,445,000 | 608,737 | 8,836,263 | 23,713,205 | 37.26% | N/A | 302 | |

N/A - Personal income for 2013 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> |
|--------------------|------------------|--------------------------|---------------------------|--|---|
| 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% |
| 2013 | 2,320,000 | 482,293 | 2,802,293 | 55,967,666 | 5.01% |

* 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 | \$ 21,280,000 | 108.05% | \$ 22,992,050 |
| Waseca County | 1,315,000 | 0.04% | 540 |
| City of Owatonna | 12,315,000 | 40.10% | <u>4,938,826</u> |
| Subtotal, Overlapping Debt | | | \$ 27,931,415 |
| District Direct Debt | | | <u>11,010,000</u> |
| Total Direct and Overlapping Debt | | | <u><u>\$ 38,941,415</u></u> |

(1) There were three taxing jurisdictions which overlap the District and had general obligation debt outstanding as of December 31, 2012.

(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.

This page intentionally left blank

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

| | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Assessed Value | \$ 2,242,110,800 | \$ 2,159,392,700 | \$ 2,244,092,283 | \$ 2,533,303,000 |
| Debt Limit Percentage | <u>15%</u> | <u>15%</u> | <u>15%</u> | <u>15%</u> |
| Debt Limit | 336,316,620 | 323,908,905 | 336,613,842 | 379,995,450 |
| Total Net Debt Applicable to Limit | <u>9,445,000</u> | <u>11,010,000</u> | <u>13,235,000</u> | <u>15,500,000</u> |
| Legal Debt Margin | <u>\$ 326,871,620</u> | <u>\$ 312,898,905</u> | <u>\$ 323,378,842</u> | <u>\$ 364,495,450</u> |
| Total Net Debt Applicable to the Limit as a % of Debt Limit | 2.81% | 3.40% | 3.93% | 4.08% |

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>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 2,532,571,400 | \$ 2,445,201,914 | \$ 2,290,212,228 | \$ 2,059,081,778 | \$ 1,821,650,400 | \$ 1,695,645,327 |
| <u>15%</u> | <u>15%</u> | <u>15%</u> | <u>15%</u> | <u>15%</u> | <u>15%</u> |
| 379,885,710 | 366,780,287 | 343,531,834 | 308,862,267 | 273,247,560 | 254,346,799 |
| <u>18,405,000</u> | <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>\$ 361,480,710</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> |
| 4.84% | 5.78% | 6.90% | 8.46% | 17.89% | 19.97% |

This page intentionally left blank

Demographic and Economic Information

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

| Fiscal Year | Steele County | | | ISD No. 761 | |
|--------------------|-----------------------|----------------------------|---------------------------------------|------------------------------|--------------------------------|
| | Population (1) | Personal Income (1) | Per Capita Personal Income (1) | Unemployment Rate (2) | District Population (3) |
| 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 |
| 2013 | N/A | N/A | N/A | 3.70% | 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)**

| Employer | 2013 | | | 2004 | | |
|------------------------------------|--------------------------------------|-------------|---|------------------------------------|-------------|---|
| | Number of Employees * | Rank | % of Total Employment 20,521 | Number of Employees | Rank | % of Total Employment 19,182 |
| Federated Mutual Ins. Co. | 1,375 | 1 | 6.70% | 1,521 | 1 | 7.93% |
| Viracon, Inc. | 1,200 | 2 | 5.85% | 1,434 | 2 | 7.48% |
| Truth Hardware Corporation | 735 | 3 | 3.58% | 803 | 3 | 4.19% |
| Owatonna Public Schools | 688 | 4 | 3.35% | | | |
| Bosch Automotive Service Solution: | 540 | 5 | 2.63% | 729 | 4 | 3.80% |
| Josten's Inc. | 416 | 6 | 2.03% | 440 | 5 | 2.29% |
| Wenger Corporation | 370 | 7 | 1.80% | 410 | 6 | 2.14% |
| Owatonna Hospital | 323 | 8 | 1.57% | | | |
| Cybex Corporation | 295 | 9 | 1.44% | 262 | 8 | 1.37% |
| Owatonna Clinic | 250 | 10 | 1.22% | | | |
| Lakeside Foods | | | | 205 | 10 | |
| Cabela's | | | | 329 | 7 | 1.72% |
| Walmart Supercenter | | | | 251 | 9 | 1.31% |
| Total | 4,817 | | 23.47% | 4,863 | | 24.28% |

* - The information is as of December 31, 2013.

Source: Owatonna Chamber of Commerce, 2004 CAFR Report, and Minnesota Department of Employment and Economic Development

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

| Calendar Year | Total Permits | Total Value |
|--------------------------|--------------------------|------------------------|
| 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 |
| 2013 (5) | 1,705 | 39,699,930 |

(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.

(4) - The increase in the number of permits is due to new dwellings and new commercial projects. The increase in total value is due to several large new commercial permits issued in 2013.

Source: City of Owatonna, Minnesota

Operating Information

This page intentionally left blank

**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, 2013 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>2013</u> | <u>2012</u> | <u>2011</u> |
|--|-------------|-------------|-------------|
| Geographical Area - Square Miles | 245 | 245 | 245 |
| District Population | 29,301 | 29,301 | 29,301 |
| Student Enrollment - by Average Daily Membership (ADM) | 4,764 | 4,755 | 4,786 |
| <u>Facilities</u> | | | |
| Senior High School (Grades 9-12) | 1 | 1 | 1 |
| Junior High School (Grades 7-8) | 1 | 1 | 1 |
| Intermediate School (Grade 6) | 1 | 1 | 1 |
| Elementary Schools (Grades K-5) | 4 | 4 | 4 |
| Community Education Building | 1 | 1 | 1 |
| Central Administration Building | 1 | 1 | 1 |
| District Receiving, Storage, and Area Learning Center Building | 1 | 1 | 1 |
| Storage Building | 1 | 1 | 1 |

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

| 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 245 | 245 | 245 | 245 | 245 | 245 | 245 |
| 29,301 | 28,005 | 28,005 | 28,005 | 28,005 | 28,005 | 26,660 |
| 4,797 | 4,880 | 4,865 | 4,953 | 4,931 | 4,819 | 4,869 |
| 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 | 1 | 0 |

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

| | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Early Childhood | 58.45 | 54.55 | 61.48 | 47.40 | 34.69 |
| Kindergarten | 332.28 | 323.37 | 291.42 | 348.62 | 338.95 |
| Grades 1-6 | 2,135.83 | 2,131.23 | 2,126.98 | 2,107.03 | 2,108.85 |
| Grades 7-12 | <u>2,237.59</u> | <u>2,245.84</u> | <u>2,305.87</u> | <u>2,293.57</u> | <u>2,397.16</u> |
| Total | <u><u>4,764.15</u></u> | <u><u>4,754.99</u></u> | <u><u>4,785.75</u></u> | <u><u>4,796.62</u></u> | <u><u>4,879.65</u></u> |

Note: Student enrollment numbers for 2012 and prior are from the final numbers issued in January after the fiscal year ended.

Source: Minnesota Department of Education

| <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|------------------------|------------------------|------------------------|------------------------|------------------------|
| 32.08 | 26.40 | 25.97 | 25.07 | 27.42 |
| 294.94 | 341.84 | 349.45 | 300.41 | 305.81 |
| 2,143.33 | 2,136.40 | 2,106.87 | 2,041.16 | 2,060.89 |
| <u>2,394.71</u> | <u>2,448.32</u> | <u>2,448.54</u> | <u>2,452.08</u> | <u>2,474.47</u> |
| <u>4,865.06</u> | <u>4,952.96</u> | <u>4,930.83</u> | <u>4,818.72</u> | <u>4,868.59</u> |

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

| Function | 2013 | 2012 | 2011 |
|---|-------------|-------------|-------------|
| Administrators | 10 | 9 | 9 |
| Adult Basic Education | 2 | 1 | 1 |
| Alternative High School | 0 | 0 | 0 |
| Central Office Personnel | 22 | 22 | 22 |
| Clerical and Media Educational Assistants | 7 | 7 | 7 |
| Custodial/Cleaning/Maintenance | 38 | 38 | 40 |
| Directors | 13 | 13 | 13 |
| Early Childhood Family Education Learning Readiness | 13 | 15 | 14 |
| Food Service | 34 | 33 | 33 |
| Health Services | 10 | 12 | 10 |
| Noon Supervisors | 22 | 10 | 10 |
| Offset | 1 | 1 | 1 |
| School Aged Child Care | 10 | 7 | 10 |
| Secretarial/Office Personnel | 22 | 28 | 25 |
| Special Education Educational Assistants | 80 | 73 | 71 |
| Student Supervision Educational Assistants | 9 | 13 | 16 |
| Teacher Educational Assistants | 38 | 47 | 34 |
| Teachers | 333 | 337 | 326 |
| Tutors | 0 | 9 | 8 |
| Total | 664 | 675 | 650 |

Source: District Records

| 2010 | 2009 | 2008 | 2007 | 2005 | 2006 | 2005 | 2004 |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 9 | 12 | 12 | 12 | 12 | 12 | 12 | 11 |
| 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16 | 24 | 23 | 20 | 20 | 20 | 20 | 25 |
| 8 | 8 | 8 | 10 | 10 | 10 | 10 | 10 |
| 42 | 45 | 42 | 43 | 44 | 44 | 44 | 46 |
| 13 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| 15 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| 36 | 36 | 33 | 38 | 38 | 38 | 38 | 38 |
| 9 | 10 | 10 | 10 | 10 | 10 | 10 | 11 |
| 17 | 10 | 7 | 17 | 18 | 18 | 18 | 18 |
| 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| 12 | 12 | 12 | 12 | 12 | 12 | 12 | 13 |
| 30 | 22 | 22 | 22 | 22 | 22 | 22 | 22 |
| 75 | 75 | 74 | 76 | 66 | 73 | 66 | 66 |
| 16 | 4 | 5 | 5 | 4 | 6 | 4 | 6 |
| 43 | 40 | 43 | 34 | 30 | 30 | 30 | 30 |
| 376 | 340 | 326 | 330 | 323 | 323 | 323 | 323 |
| 9 | 7 | 7 | 7 | 7 | 7 | 7 | 10 |
| 728 | 685 | 664 | 676 | 656 | 665 | 656 | 669 |

**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> |
|--------------------|-------------------|-----------------------------------|-----------------------|-----------------|----------------------|------------------------------|--|
| 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 | 4,755 | 51,421,163 | 10,814 | 2.38% | 337 | 14.1 | 38.60% |
| 2013 | 4,764 | 51,203,857 | 10,748 | -0.61% | 333 | 14.3 | 37.50% |

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

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

Source: District Records and Minnesota Department of Education

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

| Fiscal Year | Minimum Salary | Maximum Salary |
|------------------------|---------------------------|---------------------------|
| 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 |
| 2013 | 33,973 | 70,160 |

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>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Elementary (Grades K-5) | | | | | | | |
| Lincoln (1959) | | | | | | | |
| Square Feet | 59,884 | 59,884 | 59,884 | 59,884 | 59,884 | 59,884 | 59,884 |
| Enrollment | 529 | 528 | 532 | 546 | 548 | 535 | 560 |
| Acres | 40 | 40 | 40 | 40 | 40 | 40 | 40 |
| McKinley (1955) | | | | | | | |
| Square Feet | 54,437 | 54,437 | 54,437 | 54,437 | 54,437 | 54,437 | 54,437 |
| Enrollment | 493 | 503 | 501 | 502 | 507 | 487 | 499 |
| Acres | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Washington (1949) | | | | | | | |
| Square Feet | 54,779 | 54,779 | 54,779 | 54,779 | 54,779 | 54,779 | 54,779 |
| Enrollment | 540 | 536 | 420 | 548 | 541 | 526 | 545 |
| Acres | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Wilson (1968) | | | | | | | |
| Square Feet | 67,327 | 67,327 | 67,327 | 67,327 | 67,327 | 67,327 | 67,327 |
| Enrollment | 546 | 527 | 529 | 511 | 508 | 507 | 507 |
| Acres | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Intermediate (Grade 6) | | | | | | | |
| Willow Creek (1990) | | | | | | | |
| Square Feet | 55,433 | 55,433 | 55,433 | 55,433 | 55,433 | 55,433 | 55,433 |
| Enrollment | 364 | 375 | 384 | 356 | 337 | 378 | 359 |
| Acres | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| Junior High (Grades 7-8) | | | | | | | |
| Junior High (1968) | | | | | | | |
| Square Feet | 166,564 | 166,564 | 166,564 | 166,564 | 166,564 | 166,564 | 166,564 |
| Enrollment | 698 | 679 | 692 | 709 | 727 | 713 | 722 |
| Acres | 18 | 18 | 18 | 18 | 18 | 18 | 18 |
| High School (Grades 9-12) | | | | | | | |
| High School (1921) | | | | | | | |
| Square Feet | 353,710 | 353,710 | 353,710 | 353,710 | 353,710 | 353,710 | 353,710 |
| Enrollment | 1,465 | 1,480 | 1,494 | 1,529 | 1,561 | 1,563 | 1,611 |
| Acres | 19 | 19 | 19 | 19 | 19 | 19 | 19 |
| Area Learning Center | | | | | | | |
| Rose Street Center (1956) | | | | | | | |
| Square Feet | 12,930 | 12,930 | 12,930 | 12,930 | 12,930 | 12,930 | 12,930 |
| Enrollment | 80 | 95 | 103 | 58 | 65 | 67 | 71 |
| Acres | 0.88 | 0.88 | 0.88 | 0.88 | 0.88 | 0.88 | 0.88 |
| Community Center | | | | | | | |
| Roosevelt (1954) | | | | | | | |
| Square Feet | 15,694 | 15,694 | 15,694 | 15,694 | 15,694 | 15,694 | 15,694 |
| Enrollment (Early Childhood) | 152 | 167 | 150 | 49 | 35 | 32 | 26 |
| Acres | 8 | 8 | 8 | 8 | 8 | 8 | 8 |

Source: District Records and Minnesota Department of Education

| <u>2006</u> | <u>2005</u> | <u>2004</u> |
|-------------|-------------|-------------|
| 59,884 | 59,884 | 55,071 |
| 533 | 570 | 633 |
| 40 | 40 | 40 |
| 54,437 | 54,437 | 54,437 |
| 484 | 486 | 431 |
| 13 | 13 | 13 |
| 54,779 | 54,779 | 54,779 |
| 528 | 472 | 462 |
| 3 | 3 | 3 |
| 67,327 | 67,327 | 67,327 |
| 528 | 460 | 467 |
| 10 | 10 | 10 |
| 55,433 | 55,433 | 55,433 |
| 375 | 337 | 361 |
| 60 | 60 | 60 |
| 166,564 | 166,564 | 166,564 |
| 741 | 741 | 736 |
| 18 | 18 | 18 |
| 353,710 | 353,710 | 353,710 |
| 1,612 | 1,606 | 1,637 |
| 19 | 19 | 19 |
| 12,930 | 12,626 | 12,626 |
| 63 | 76 | 70 |
| 0.88 | 0.88 | 0.88 |
| 15,694 | 15,694 | 15,694 |
| 26 | 25 | 27 |
| 8 | 8 | 8 |

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Schedule of Insurance Coverage
Fiscal Year Ended June 30, 2013
(unaudited)**

| Coverage | Amount | Description |
|---------------------------|---------------|---|
| Property | \$ 98,435,784 | Blanket Real and Personal Property |
| | 350,000 | Musical Instruments and Uniforms |
| | 45,000 | Miscellaneous Property |
| General Liability | 2,000,000 | General Aggregate |
| | 2,000,000 | Products/Completed Operations Aggregate |
| | 1,000,000 | Each Occurrence |
| | 1,000,000 | Personal/Advertising Injury Limit |
| | 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