

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2016



independent school district #761

*"Learning Excellence, Life Readiness, High Expectations for All.  
A Family, Staff, and Community Commitment."*

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, 2016**

**PREPARED BY:  
DISTRICT BUSINESS OFFICE**

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# INTRODUCTORY SECTION

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INDEPENDENT SCHOOL DISTRICT NO. 761  
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**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2016**

**BOARD OF EDUCATION**

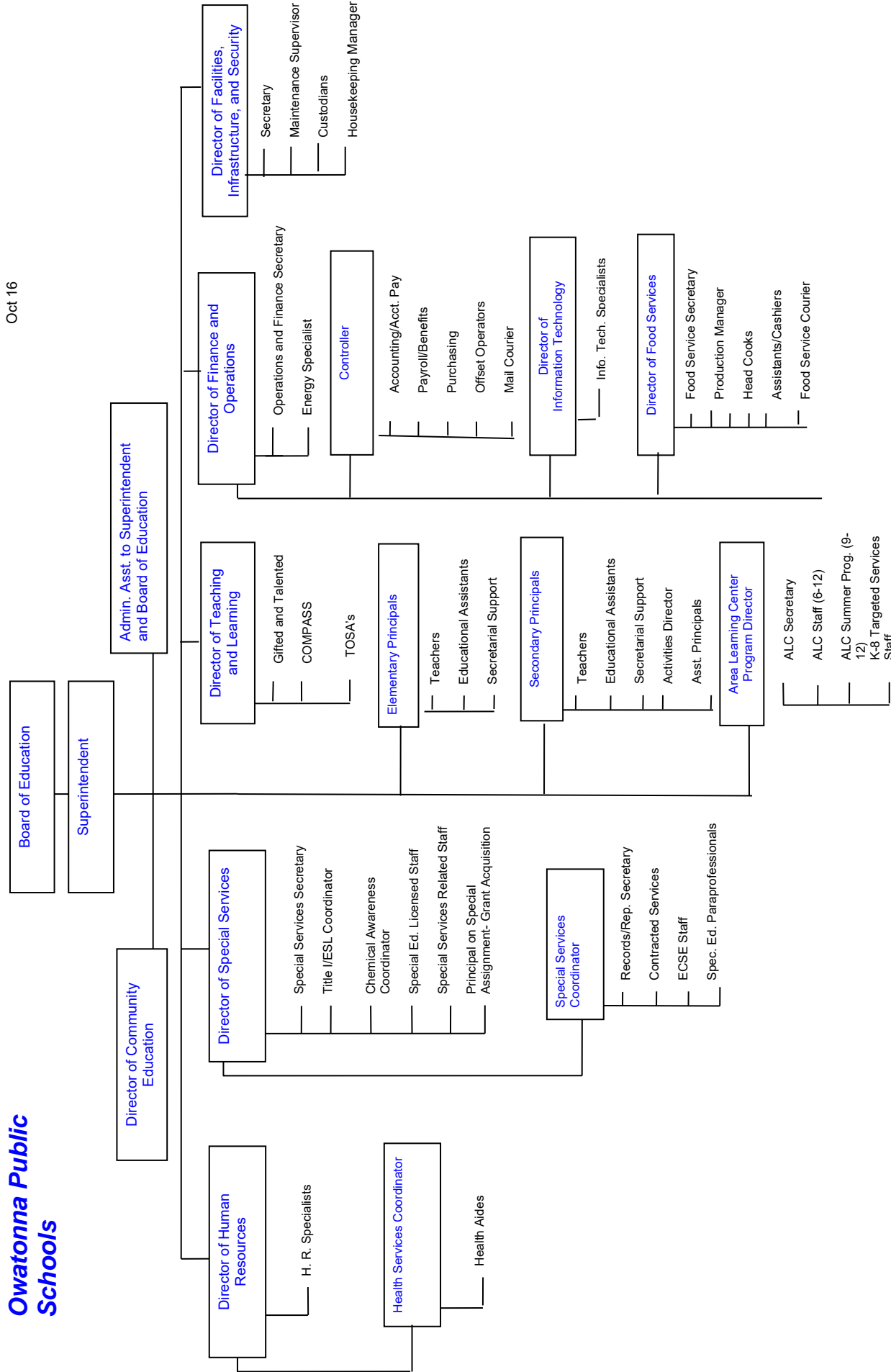
<b>NAME</b>	<b>TERM ON BOARD EXPIRES</b>	<b>BOARD POSITION</b>
Mark Sebring	1/7/2019	Chair
Lori Weisenburger	1/7/2019	Vice Chair
Bob Wottreng	1/9/2017	Treasurer
Ron Van Nurden	1/9/2017	Clerk
Jolayne Mohs	1/7/2019	Director
Eric Schuster	1/9/2017	Director
Tim Blazek	1/9/2017	Director

**CENTRAL ADMINISTRATION**

<b>NAME</b>	<b>TITLE</b>
Peter Grant	Superintendent
Wendy Cirksena	Director of Special Services
Debbie McDermott-Johnson	Director of Community Education
Amy LaDue	Director of Teaching and Learning
Tom Sager	Director of Finance and Operations
Chris Picha	Director of Human Resources/Student Affairs
Amanda Heilman	Controller

# Owatonna Public Schools

Oct 16





**December 19, 2016**

**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, 2016. 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, 2015. 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 2015 valuation year was \$28,323,992 or a 1.2 percent increase over 2014.

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 41.97 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.

For fiscal year 2016, the State of Minnesota did increase the general education aid for school districts by 2.0% percent. With this change, the state increased the basic formula amount to \$5,948. The consumer price index during the past five years has been running at 1.4 percent, and the basic formula allotment (currently at \$5,948 per pupil unit) has increased on average 3.0 percent per year. The District is anticipating revenues to exceed expenditures by \$30,259 in FY17. This will bring the total general fund balance to 14.27% percent.

The FY17 District budget is dependent on \$39.5 million in state general education aid. Approximately 95 percent of this revenue is derived from the basic per pupil allotment of \$6,067.

Total enrollment for the 2015-16 school year was 4,862. This represents an increase of 0 students from the previous year. At this time, total enrollment for FY17 will be slightly more than FY 16. In the past several years the kindergarten migration rate has dropped as low as 54%. However, for 2017 the migration rate is forecasted to be 62%.

As is the case almost everywhere, the economy in Minnesota and Steele County in particular is improving. The housing market is also improving, though slowly. Residential property values are increasing. 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 2.9 percent. Signs of a recovery are beginning to take root, but most business owners, local leaders, and residents remain cautiously optimistic.

## **Owatonna Public Schools Strategic plan to support Teaching and learning**

During the spring and summer of 2014, the Owatonna Public Schools Board of Education worked collaboratively with staff and administrators to develop a District Strategic Roadmap.

The Strategic Roadmap aligns and gives direction for all work across the district. It helps answer questions such as:

- What do the Owatonna Public Schools need to provide to ensure classrooms focus on all students learning at high levels without excuse?
- What are the career readiness benchmarks that students must meet to provide a pathway to graduate with options and choices for their future?
- What life skills do all students need to have to be successful upon graduation from Owatonna High School and beyond?

The District Strategic Roadmap below shows how we will deliver on our mission through a clear focus on student learning and development.

### **MISSION – what our schools ensure**

Learning Excellence,

Life Readiness, and

High Expectations for All

*A Family, Staff, and Community Commitment*

### **DISTRICT CORE VALUES – what drives our behaviors and interactions**

Integrity: I will do the right thing in the right way at the right time.

Respect: I will listen to, and value others for their diverse strengths, cultures, and viewpoints, treating others as I would like to be treated.

Collaboration: I will work together with others to achieve shared goals.

Persistence: I will embrace challenge and change to see things through to completion.

Equity: I will do my part to meet the needs of every student and help to address barriers to student engagement, learning, and development.

### **VISION 2020 – how we want all to see our district**

Owatonna Public Schools will be -

A place of academic learning and life skill development with:

- Highly engaged students, parents and staff.
- Students, parents, and staff knowing the strengths, progress and needs in the student's journey of learning.
- Students owning their learning and ready for their next step.

A culture of partnership and shared purpose where:

- Parents, staff and the community collectively guarantee student learning, engagement and development.
- All employees know their role, add value, and work together to continuously improve.

A recognized community asset with:

- Well-designed programs and facilities that function efficiently and effectively.
- Students and staff helping Owatonna to be a desirable place to work and live.

### **KEY STRATEGIES – how we focus our time and resources**

A. Development of Life Skills and Career Readiness in ALL Students

B. Consistent Application of a Viable Curriculum and Common Assessments

C. Consistent Application of the Professional Learning Community Process Focused on Ensuring Student Learning

D. Aligning Our Programs and Facilities with Our Vision 2020

The three-year operational plan outlines the initiatives that will be implemented to achieve the District strategic plan. The four key strategies coupled with student achievement data and evidence from action plans will guide goal setting at the District and site level.

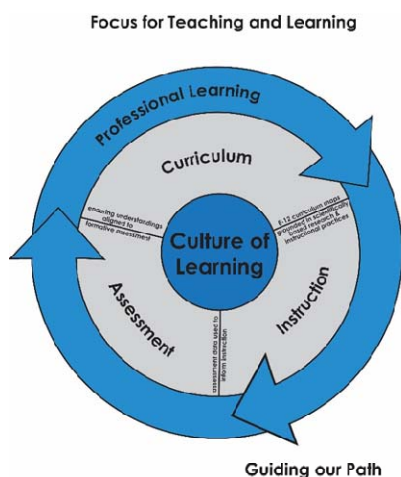
<b>THREE-YEAR OPERATIONAL PLAN</b> Updated August 2015				
	<b>A: Development of Life Skills and Career Readiness in ALL Students</b>	<b>B: Consistent Application of a Viable Curriculum and Common Assessments</b>	<b>C: Consistent Application of the PLC Process Focused on Ensuring Student Learning</b>	<b>D: Aligning Our Programs and Facilities with Our Vision 2020</b>
<b>Learning Work Initiatives</b>	<ul style="list-style-type: none"> <li>Individual Career Readiness Plans 3-12</li> </ul>	<ul style="list-style-type: none"> <li>Common unit assessments in elective courses</li> <li>Standards Based Grading</li> </ul>	<ul style="list-style-type: none"> <li>Alignment of all programs</li> <li>Intervention and acceleration plan E-12</li> <li>Integration of PBIS into MTSS</li> </ul>	<ul style="list-style-type: none"> <li>Program assessment and determination</li> <li>Align resources to priorities</li> </ul>
<b>Implementation Work Initiatives</b>	<ul style="list-style-type: none"> <li>Define Life Skills including (21<sup>st</sup> Century Skills)</li> <li>Define Career Readiness</li> <li>Develop comprehensive Life Skills and Career Readiness Plan for all K-12 students</li> </ul>	<ul style="list-style-type: none"> <li>Complete EU/LTs and maps in for all elective courses</li> <li>Implement Social/Science common assessments K-6</li> <li>Develop common formative assessments E-6 reading/math</li> <li>Create/complete common unit assessments in required courses 7-12</li> <li>Create/complete common assessments in elective courses 7-12</li> <li>Determine core instructional practices all teachers will use and provide staff development for teachers in these practices – GRR, Literacy</li> <li>Align all curriculum and assessments(s) to college and career readiness expectations and standards</li> <li>Evaluate current assessment plan and revise to provide balanced data/assessment plan</li> </ul>	<ul style="list-style-type: none"> <li>Continue Implementation of PLC process with fidelity</li> <li>Complete program review of current MTSS</li> <li>Define and align multi-tiered systems of support to include all programming</li> <li>Develop math extension resources and provide professional development for grades 3 – 8</li> </ul>	<ul style="list-style-type: none"> <li>Bond Referendum Campaign</li> <li>Create process to evaluate the effectiveness of each program</li> <li>Determine which programs need to be evaluated</li> <li>Determine which programs support our District goals and which need to leave the system</li> <li>Provide students and parents information about programs</li> </ul>
<b>Standard Work</b>	<ul style="list-style-type: none"> <li>7 Habits of Highly Effective People/Leadership Foundation</li> <li>College Career Readiness Individual Plan - grade 9</li> </ul>	<ul style="list-style-type: none"> <li>EU/LTs and maps in required courses</li> <li>Common unit assessments E-6 reading/math</li> <li>Common unit assessments in required courses</li> <li>Balanced Literacy K-6</li> </ul>	<ul style="list-style-type: none"> <li>Provide ongoing support for intervention teachers</li> <li>All instructional staff engaged in PLC process</li> <li>Teacher Development Evaluation (TDE) process</li> </ul>	



## Improving Instruction, Curriculum, & Student Achievement

The end in mind for curriculum and instruction is to develop a collaborative culture where all staff have the tools and resources to address the four critical questions of learning, as introduced by the DuFour model.

The teaching and learning framework was created based on research and best practice to guide the improvement process in our District. Development and implementation of a guaranteed and viable curriculum, common assessments and professional learning will allow all staff to make our framework for a systematic approach to teaching and learning actionable. Professional learning communities (PLCs) focused on student learning and growth have been implemented throughout our District E-12. This has required extensive work on systems and structures that support collaboration as well as to hold ourselves collectively accountable for results.



## 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. The greatest contributor to student success is the quality of instruction students receive each school day. To support this quality core instruction, professional learning will continue to focus on the implementation of high-impact instructional strategies and creating a culture of learning. 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?

### Teaching and Learning Framework

**Curriculum** must be based on state standards and enduring understandings which includes the alignment of grade levels and courses vertically and horizontally, be clearly understood and effectively implemented by all instructional staff.

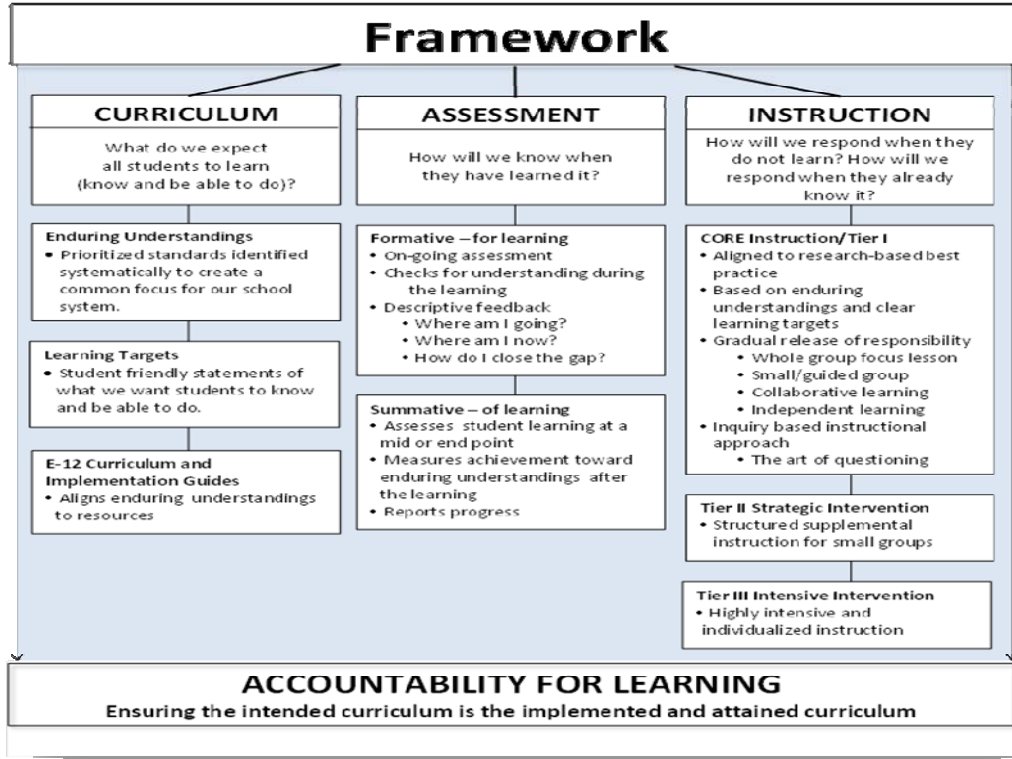
**Assessment** must be purposeful, measure progress toward enduring understandings both during learning and after learning, guide instruction and be used to evaluate curriculum.

**Instruction** must directly connect to enduring understandings, align 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.



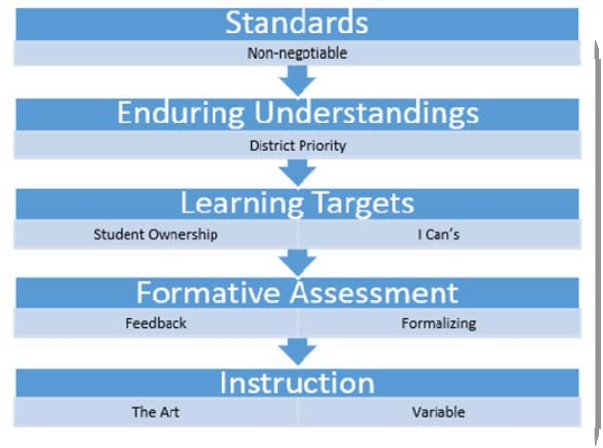
### Development Process

This systematic approach to curriculum development has been used by all curricular areas. District resources have been prioritized to support this effort.

Departments and grade level teams worked together to implement enduring understandings and learning targets for all required courses and selected electives. This aligned our work when answering the first question, what all students must know and be able to do.

Development and use of common assessments allowed teachers to begin answering question 2, how will we know if all students have learned?

Elementary teachers continued to focus on literacy instruction, emphasizing how to use a balanced literacy or gradual release of responsibility structure. 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?





## **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 and with the ongoing increased use of audio and video access and collaboration with our district, we've increased our Internet bandwidth speed to 1GB for both uploads and downloads. 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.

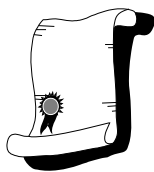
When introducing new software applications, the District will typically utilize the expertise of the software vendor to assist with the training program within the District. This then moves to a "train the trainer" model in order to create a sustainability system throughout the District.

The Information Technology & Teaching and Learning 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) Director of Information Technology, (1) IT Specialist II District Wide and (5) IT Specialist I positions that take care of eleven sites which consists of 5,700 users, 2,050 workstations, 220 Smartboards, 185 iPads, 98 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 eligible 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 qualifying students who need additional instructional support 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, 2016 is outstanding bonds on school district facilities in the amount of \$77,795,000. The balance consists of one outstanding general obligation refunding bond, two general obligation school building bonds, and one outstanding general obligation capital equipment note. These bonds have varying maturity dates with the latest maturity date being in fiscal year 2036. 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 bond issues in December 2015 and February 2016 will be used to address deferred maintenance, security, and elementary crowding. 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 four years through the use of operating capital revenue.

The District has six capital leases relating to copiers, portable classrooms, and a food service vending machine capital lease in 2016. The balance on the portable classrooms, vending machine, and copier capital leases totaled \$479,248 on June 30, 2016.

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.

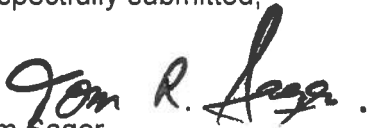
**Other Information**

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 2015. Therefore, the District has received the award for 23 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.

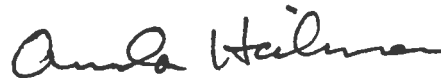
The preparation of this report could not have been accomplished without the efficient and dedicated services of the District's business office staff.

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 Finance and Operations



Amanda Heilman  
Controller



ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

The Certificate of Excellence in Financial Reporting Award  
is presented to

## Owatonna Public Schools ISD 761

for its Comprehensive Annual Financial Report (CAFR)  
for the Fiscal Year Ended June 30, 2015.

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



*Brenda Burkett*

Brenda R. Burkett, CPA, CSBA, SFO  
President

*John D. Musso*

John D. Musso, CAE, RSBA  
Executive Director

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# FINANCIAL SECTION



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## INDEPENDENT AUDITORS' REPORT

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

### **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, 2016, 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, 2016, 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 2015 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 10, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 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, the Schedule of Funding Progress for Postemployment Benefit Plans, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions, 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*

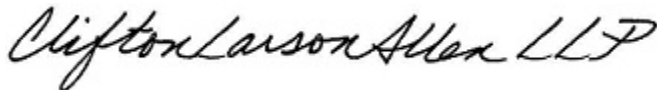
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 761's basic financial statements. The Introductory Section, Supplementary Information and Statistical Section are presented for purposes of additional 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.

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 October 31, 2016 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  
October 31, 2016

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

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, 2016. 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 (2015-16) and the prior year (2014-15) is presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2015-16 fiscal year include the following:

- Net position increased by \$443,766 over the prior year. In FY 15, the District adopted Governmental Accounting Standards (GASB Statements 68 and 71). These statements required the District to restate beginning net position related to the recognition of the District's proportionate shares of the Public Employee's Retirement Association's and the Teacher's Retirement Association's net pension liabilities.
- In the Statement of Activities, overall revenues were \$63,831,353, while overall expenses totaled \$63,387,587.
- The General Fund balance increased by \$1,015,443, the Food Service Fund balance increased by \$108,718 and the Community Service Fund balance increased by \$71,164.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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



**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

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

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**

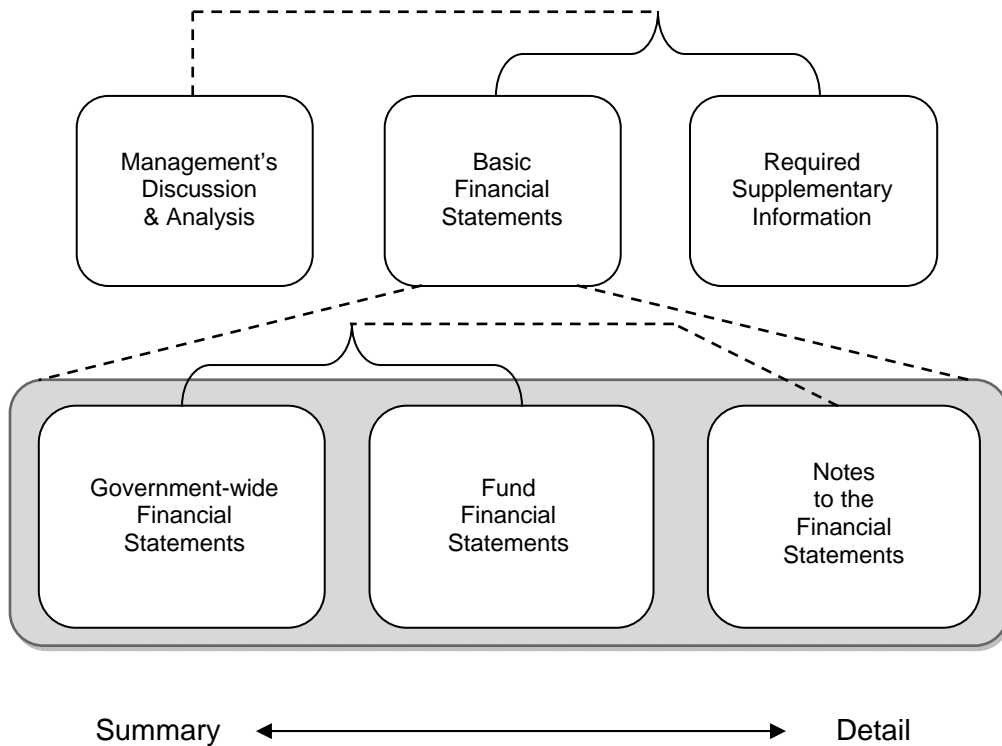


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and content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

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

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

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as special education, building and maintenance, food service, and community education.	Activities the District operates similar to a private business; Internal Service Fund.	Instances in which the District administers resources on behalf of someone else, such as the District's museum.
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenue, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses, and Changes in Fund Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources both financial and capital, short-term and long-term.	Generally assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long term liabilities are included.	All assets, deferred outflows of resources, liabilities and deferred inflows of resources both financial and capital, and short-term and long-term.	All assets and deferred outflows of resources, liabilities, and deferred inflows of resources 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  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

**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, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 deferred outflows of resources and liabilities and deferred inflows of resources – 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  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

**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 \$(7,036,421) on June 30, 2016. (See Table A-1). This was an increase of \$443,766 over the prior year.

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

	Governmental Activities		Percentage Change
	2016	2015	
Current and Other Assets	\$ 104,980,478	\$ 22,434,090	367.95%
Capital Assets	27,003,246	26,473,112	2.00%
Total Assets	131,983,724	48,907,202	169.87%
Deferred Outflows of Resources	7,407,800	4,842,498	52.97%
Current Liabilities	11,902,667	8,927,853	33.32%
Long-Term Liabilities	117,946,272	34,850,825	238.43%
Total Liabilities	129,848,939	43,778,678	196.60%
Deferred Inflows of Resources	16,579,006	17,451,209	-5.00%
Net Position:			
Net Investment in Capital Assets	21,078,576	20,932,061	0.70%
Restricted	2,249,861	2,687,436	-16.28%
Unrestricted	(30,364,858)	(31,099,684)	2.36%
Total Net Position	\$ (7,036,421)	\$ (7,480,187)	-5.93%

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

**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.

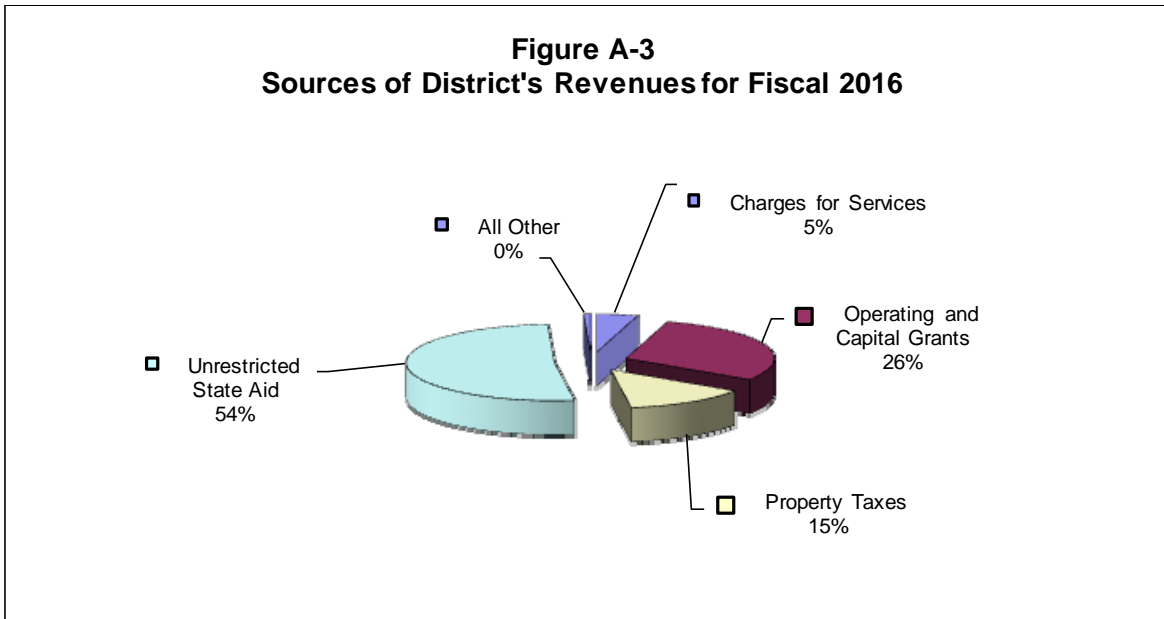
**Table A-2  
Change in Net Position**

	Governmental Activities for the Fiscal Year Ended June 30,		Total % Change
	2016	2015	
Revenues:			
Program Revenues:			
Charges for Services	\$ 2,864,303	\$ 2,891,928	-0.96%
Operating Grants and Contributions	18,249,598	16,208,948	12.59%
Capital Grants and Contributions	816,942	1,344,754	-39.25%
General Revenues:			
Property Taxes	8,591,535	8,683,617	-1.06%
Unrestricted State Aid	32,843,509	31,890,460	2.99%
Investment Earnings	171,188	13,374	1180.01%
Miscellaneous	294,278	530,243	-44.50%
Total Revenues	<u>63,831,353</u>	<u>61,563,324</u>	3.68%
Expenses:			
Administration	2,214,892	1,962,158	12.88%
District Support Services	2,490,625	2,651,016	-6.05%
Regular Instruction	25,985,184	24,983,484	4.01%
Vocational Education Instruction	1,024,380	963,470	6.32%
Special Education Instruction	11,877,751	9,794,757	21.27%
Instructional Support Services	2,711,883	2,232,335	21.48%
Pupil Support Services	3,980,170	3,868,506	2.89%
Sites and Buildings	6,152,761	5,315,351	15.75%
Fiscal and Other Fixed Cost Programs	164,374	161,149	2.00%
Food Service	2,875,779	2,867,876	0.28%
Community Service	3,002,921	2,728,023	10.08%
Interest and Fiscal Charges on Long-Term Liabilities	906,867	54,965	1549.90%
Total Expenses	<u>63,387,587</u>	<u>57,583,090</u>	10.08%
Change in Net Position	443,766	3,980,234	
Net Position - Beginning of Year	<u>(7,480,187)</u>	<u>(11,460,421)</u>	
Net Position - End of Year	<u>\$ (7,036,421)</u>	<u>\$ (7,480,187)</u>	

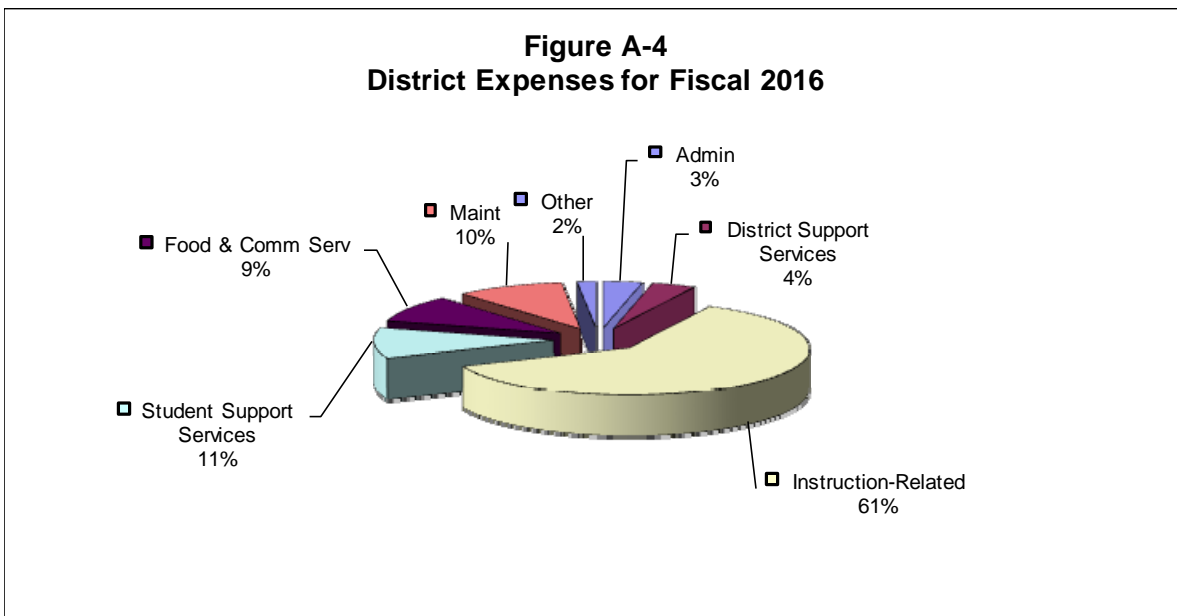
**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

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

The District's total revenues were \$63,831,353 for the year ended June 30, 2016. This is an increase of \$2,268,029 from June 30, 2015. (See Table A-2 on the previous page.) Revenues for the year were a mix of increases and decreases. Most notable was the increase in investment earnings due mainly to the successful passage of a bond referendum in November 2015. See Figure A-3 below for the related percentages of the District's revenues.



The total cost of all programs and services was \$63,387,587. The District's expenses are predominantly related to educating and caring for students and community members (81%) as shown in Figure A-4. Administrative activities of the District accounted for 7% of total costs.



**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

**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 \$63.4 million.
- Of this cost, \$2.9 million was paid by the users of the District's programs.
- Federal and state governments, along with local donations, subsidized certain programs with grants and contributions of \$19.1 million.
- District property taxpayers financed \$8.6 million.
- State taxpayers financed \$32.8 million in the form of unrestricted state aid based on the statewide education aid formula.

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

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2016	2015		2016	2015	
Administration	\$ 2,214,892	\$ 1,962,158	12.88%	\$ 2,079,272	\$ 1,820,935	14.19%
District Support Services	2,490,625	2,651,016	-6.05%	2,200,102	2,360,026	-6.78%
Regular Instruction	25,985,184	24,983,484	4.01%	18,419,111	18,376,455	0.23%
Vocational Education Instruction	1,024,380	963,470	6.32%	960,296	860,002	11.66%
Special Education Instruction	11,877,751	9,794,757	21.27%	4,954,731	3,736,801	32.59%
Instructional Support Services	2,711,883	2,232,335	21.48%	1,974,807	1,503,520	31.35%
Pupil Support Services	3,980,170	3,868,506	2.89%	3,829,204	3,719,108	2.96%
Sites and Buildings	6,152,761	5,315,351	15.75%	5,740,364	4,368,419	31.41%
Fiscal and Other Fixed Cost Programs	164,374	161,149	2.00%	164,374	161,149	2.00%
Food Service	2,875,779	2,867,876	0.28%	(65,953)	(22,574)	192.16%
Community Service	3,002,921	2,728,023	10.08%	293,569	198,654	47.78%
Interest and Fiscal Charges on Long-Term Liabilities	906,867	54,965	1549.90%	906,867	54,965	1549.90%
Total	\$ 63,387,587	\$ 57,583,090	10.08%	\$ 41,456,744	\$ 37,137,460	11.63%

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds. In the General Fund, Food Service, Community Service, and Capital Project-Building Construction funds revenues exceeded expenditures, thereby increasing the fund balance in these funds. In total, governmental funds increased by \$77,581,247 with an ending balance of \$86,066,577. The proprietary fund type had an increase of \$830 resulting in a balance of \$204,533.

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

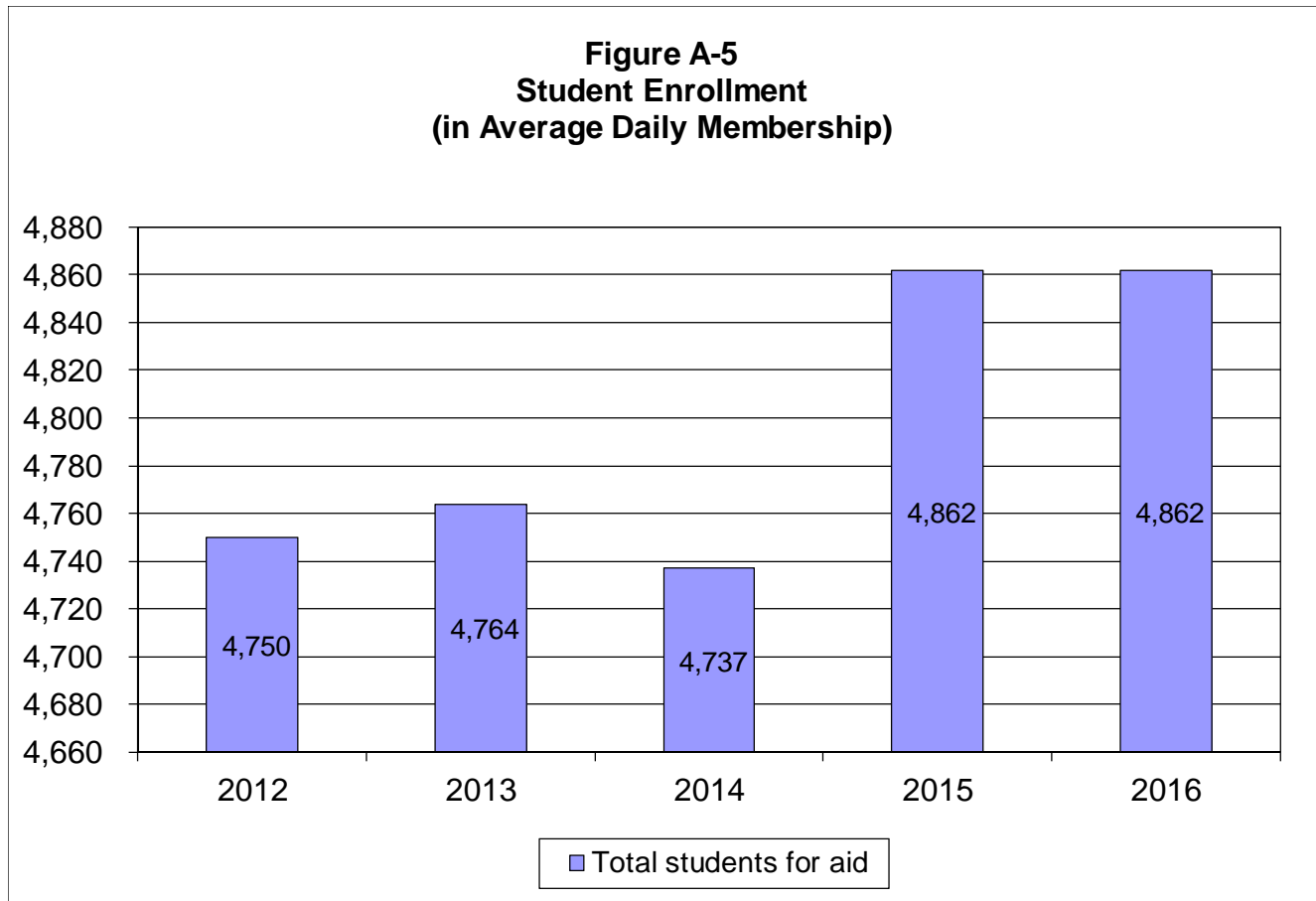
**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)**

**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. In 2015-16, the District saw no change in student enrollment from 2014-15. The District has seen an overall increase in enrollment of 112 pupil units since 2012.





**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

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

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

**Table A-4  
General Fund Revenue**

Fund	Year Ended		Change	
	June 30, 2016	June 30, 2015	Increase (Decrease)	Percent
Local Sources:				
Property Taxes	\$ 6,048,854	\$ 6,126,535	\$ (77,681)	-1.3%
Earnings on Investments	28,098	8,863	19,235	217.0%
Other	1,262,176	1,547,309	(285,133)	-18.4%
State Sources	46,377,303	43,665,805	2,711,498	6.2%
Federal Sources	1,726,973	1,696,897	30,076	1.8%
Total General Fund Revenue	<u>\$ 55,443,404</u>	<u>\$ 53,045,409</u>	<u>\$ 2,397,995</u>	4.5%

Total General Fund revenue increased \$2,397,995 or 4.5% 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 sources is due mainly to an increase of \$117 per pupil unit.

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

**Table A-5  
General Fund Expenditures**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2016	June 30, 2015		
Salaries	\$ 30,739,405	\$ 29,384,205	\$ 1,355,200	4.6%
Employee Benefits	11,947,462	10,964,452	983,010	9.0%
Purchased Services	8,098,564	7,404,582	693,982	9.4%
Supplies and Materials	2,079,659	2,074,374	5,285	0.3%
Capital Expenditures	1,168,002	2,689,390	(1,521,388)	-56.6%
Other Expenditures	546,418	524,917	21,501	4.1%
Total Expenditures	<u>\$ 54,579,510</u>	<u>\$ 53,041,920</u>	<u>\$ 1,537,590</u>	2.9%

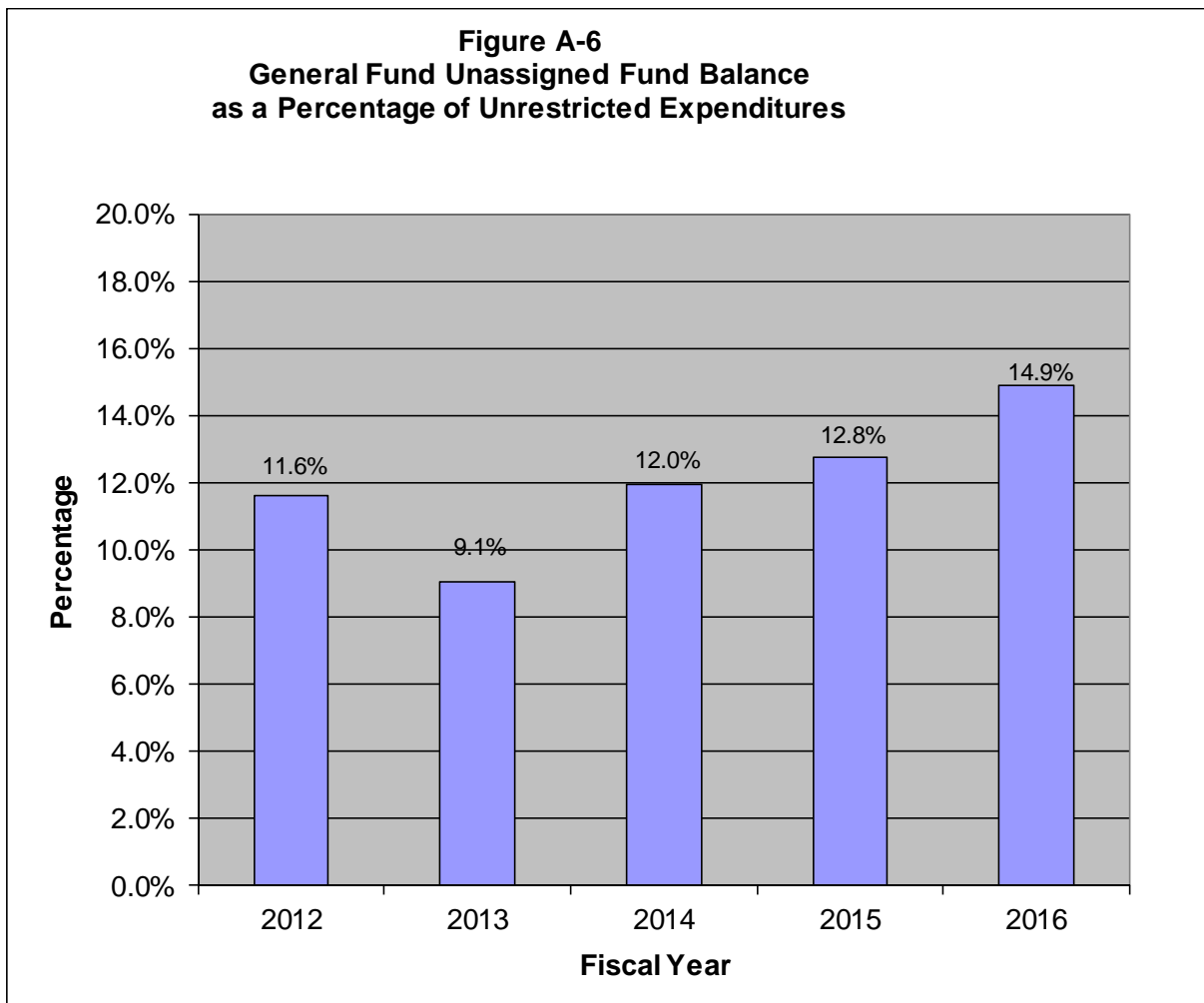
Total General Fund expenditures increased \$1,537,590 or 2.9% from the previous year. This is mainly due to salary increases.

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

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

In 2015-16, General Fund revenues and other financing sources were more than expenditures and other financing uses by \$1,015,443, thereby increasing the total fund balance as of June 30, 2016. After deducting statutory restrictions, the unassigned fund balance increased from \$5,679,818 at June 30, 2015 to \$6,815,855 at June 30, 2016.

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



**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

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

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

	2012	2013	2014	2015	2016
Unassigned Fund Balance	\$ 4,826,823	\$ 3,748,466	\$ 4,736,284	\$ 5,679,818	\$ 6,815,855
% Increase (Decrease)	-22.6%	-22.3%	26.4%	19.9%	20.0%
Unrestricted Expenditures	\$ 41,570,366	\$ 41,371,972	\$ 39,570,548	\$ 44,497,233	\$ 45,693,414
% Increase (Decrease)	0.9%	-0.5%	-4.4%	12.5%	2.7%
Unassigned Fund Balance as a % of Unrestricted Expenditures	11.6%	9.1%	12.0%	12.8%	14.9%

The preceding table is the single best measure of overall financial health. The unassigned fund balance of \$6,815,855 at June 30, 2016 represents 14.9% of annual unrestricted expenditures. The \$6,815,855 represents about eight weeks of average expenditures. The District closely monitors its fund balances.

**General Fund Budgetary Highlights**

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

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

While the District's revised final budget for the General Fund anticipated a net increase in fund balance of \$50,067, the actual results for the year show a \$1,015,443 increase.

- Actual revenues were \$1,758,672 more than expected. The largest impact came from State Sources, specifically special education and general education aid.

Overall, the actual expenditures were \$963,845 over budget. This was due mainly to an increase in special education staffing due to the high needs of our student population.

**FOOD SERVICE FUND**

The Food Service Fund increased by \$108,718. An anticipated decrease in the fund balance of \$19,675 was expected when the budget was prepared. Total revenues were over budget by \$144,390 due mainly to an increase in federal revenue from an increase in federal reimbursement rates.

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

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

**COMMUNITY SERVICE FUND**

The restricted balances for Community Education, Early Childhood and Family Education, School Readiness, Adult Basic Education, and Other Purposes increased fund balance by \$71,164 from the prior year.

**CAPITAL PROJECTS – BUILDING CONSTRUCTION FUND**

The capital projects fund is where the District's revenue and expenditures for the November 2015 bond referendum are being tracked. This money is being used for deferred maintenance, security upgrades, and alleviating elementary crowding. The restricted for capital projects fund balance was \$76,406,523 as of June 30, 2016.

**DEBT SERVICE FUND**

The restricted for debt service fund balance decreased by \$20,601 as of June 30, 2016 due to the regular payment of principal and interest.

**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.

**FIDUCIARY FUND**

The museum trust fund is the District's fiduciary fund. The net position of the museum trust is \$4,271.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of fiscal year 2016, the District had net capital assets of \$27,003,246 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 \$1,600,702.

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

	2016	2015	Percentage Change
Land	\$ 1,823,335	\$ 1,823,335	0.0%
Construction in Progress	1,570,486	34,900	4400.0%
Land Improvements	2,750,596	2,750,596	0.0%
Buildings and Improvements	40,314,070	40,268,980	0.1%
Equipment	9,850,415	9,729,154	1.2%
Less: Accumulated Depreciation	(29,305,656)	(28,133,853)	4.2%
Total	<u>\$ 27,003,246</u>	<u>\$ 26,473,112</u>	2.0%

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

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

**Long-Term Liabilities (Continued)**

At year-end, the District had \$77,795,000 in general obligation bonds outstanding. The increase from 2015 was due to the passage of a bond referendum in November 2015. The District had \$740,000 in outstanding Certificates of Participation at June 30, 2016. The District also had \$3.4 million in severance payable at June 30, 2016, a decrease of 0.1% 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**

	2016	2015	Percentage Change
General Obligation Bonds	\$ 77,795,000	\$ 4,865,000	1499.1%
Bond Premium	3,623,994	53,280	6701.8%
Certificates of Participation Payable	740,000	975,000	-24.1%
Capital Leases Payable	479,248	519,116	-7.7%
Net Pension Liability	34,632,579	26,566,435	30.4%
Other Postemployment Benefits Payable	1,872,885	1,516,889	23.5%
Severance Benefits Payable	3,453,375	3,455,507	-0.1%
Compensated Absences Payable	241,253	219,200	10.1%
Total	<u>\$ 122,838,334</u>	<u>\$ 38,170,427</u>	221.8%
Long-Term Liabilities:			
Due Within One Year	\$ 4,892,062	\$ 3,319,602	
Due in More than One Year	117,946,272	34,850,825	
	<u>\$ 122,838,334</u>	<u>\$ 38,170,427</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.

In November 2015 the District passed a bond referendum in the amount of \$77.9 million. The proceeds of this bond will be used for deferred maintenance, security upgrades, and elementary crowding.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**

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**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
STATEMENT OF NET POSITION  
JUNE 30, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	Governmental Activities	
	2016	2015
<b>ASSETS</b>		
Cash and Investments	\$ 90,759,498	\$ 10,222,626
Receivables:		
Property Taxes	6,284,264	4,684,602
Other Governments	7,335,688	7,095,148
Other	307,786	129,928
Prepaid Items	184,133	179,050
Inventories	61,357	50,322
Prefunded Pension	47,752	72,414
Capital Assets:		
Land and Construction in Progress	3,393,821	1,858,235
Other Capital Assets, Net of Depreciation	23,609,425	24,614,877
Total Assets	131,983,724	48,907,202
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Loss on Bond Refunding	1,728	4,321
Pension Related	7,406,072	4,838,177
Total Deferred Outflows of Resources	7,407,800	4,842,498
<b>LIABILITIES</b>		
Salaries and Wages Payable	4,834,527	4,470,585
Accounts and Contracts Payable	924,643	492,979
Accrued Interest	872,898	33,128
Due to Other Governmental Units	334,739	558,220
Unearned Revenue	43,798	53,339
Long-Term Liabilities:		
Portion Due Within One Year	4,892,062	3,319,602
Portion Due in More Than One Year	117,946,272	34,850,825
Total Liabilities	129,848,939	43,778,678
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes Levied for Subsequent Year	12,444,555	8,011,484
Pension Related	4,134,451	9,439,725
Total Deferred Inflows of Resources	16,579,006	17,451,209
<b>NET POSITION</b>		
Net Investment in Capital Assets	21,078,576	20,932,061
Restricted for:		
Operating Capital Purposes	104,103	139,244
State-Mandated Restrictions	848,508	949,311
Food Service	404,010	343,217
Community Service	715,290	664,346
Debt Service	-	518,904
Capital Projects - Building Construction	130,198	-
Principal's and Director's Pension	47,752	72,414
Unrestricted	(30,364,858)	(31,099,684)
Total Net Position	\$ (7,036,421)	\$ (7,480,187)

See accompanying Notes to Basic Financial Statements.



**OWATONNA PUBLIC SCHOOLS  
 INDEPENDENT SCHOOL DISTRICT NO. 761  
 STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2016  
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)**

Functions	2016		
	Expenses	Charges for Services	Program Operating Grants and Contributions
Governmental Activities:			
Administration	\$ 2,214,892	\$ -	\$ 113,345
District Support Services	2,490,625	-	-
Regular Instruction	25,985,184	445,947	6,939,981
Vocational Education Instruction	1,024,380	-	64,084
Special Education Instruction	11,877,751	334,202	6,587,856
Instructional Support Services	2,711,883	-	736,176
Pupil Support Services	3,980,170	-	150,966
Sites and Buildings	6,152,761	33,080	57,180
Fiscal and Other Fixed Cost Programs	164,374	-	-
Food Service	2,875,779	1,233,859	1,707,873
Community Service	3,002,921	817,215	1,892,137
Interest and Fiscal Charges on Long-Term Liabilities	906,867	-	-
Total District	<u>\$ 63,387,587</u>	<u>\$ 2,864,303</u>	<u>\$ 18,249,598</u>

**GENERAL REVENUES**

Property Taxes Levied for:  
 General Purposes  
 Community Service  
 Debt Service  
 State Aid Not Restricted to Specific Purposes  
 Earnings on Investments  
 Miscellaneous  
 Total General Revenues

**CHANGE IN NET POSITION**

Net Position - Beginning of year

**NET POSITION - END OF YEAR**

2016		2015	
Revenues	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position	
Capital	Total	Total	
Grants and Contributions	Governmental Activities	Governmental Activities	
\$ 22,275	\$ (2,079,272)	\$ (1,820,935)	
290,523	(2,200,102)	(2,360,026)	
180,145	(18,419,111)	(18,376,455)	
-	(960,296)	(860,002)	
962	(4,954,731)	(3,736,801)	
900	(1,974,807)	(1,503,520)	
-	(3,829,204)	(3,719,108)	
322,137	(5,740,364)	(4,368,419)	
-	(164,374)	(161,149)	
-	65,953	22,574	
-	(293,569)	(198,654)	
-	(906,867)	(54,965)	
<u>\$ 816,942</u>	<u>(41,456,744)</u>	<u>(37,137,460)</u>	

6,031,626	6,107,724
311,480	315,344
2,248,429	2,260,549
32,843,509	31,890,460
171,188	13,374
294,278	530,243
<u>41,900,510</u>	<u>41,117,694</u>
443,766	3,980,234
<u>(7,480,187)</u>	<u>(11,460,421)</u>
<u>\$ (7,036,421)</u>	<u>\$ (7,480,187)</u>

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	Major		
	General	Food Service	Community Service
<b>ASSETS</b>			
Cash and Investments	\$ 8,852,532	\$ 413,642	\$ 935,341
Receivables:			
Current Property Taxes	3,076,431	-	150,867
Delinquent Property Taxes	67,437	-	1,453
Due from Other Minnesota School Districts	117,417	48	-
Due from Minnesota Department of Education	5,926,170	5,819	189,371
Due from Federal through Minnesota Department of Education	969,846	48,331	71,490
Due from Other Governmental Units	3,378	-	-
Other Receivables	145,454	16,002	395
Prepaid Items	160,753	1,938	21,442
Inventory	15,370	45,987	-
Total Assets	\$ 19,334,788	\$ 531,767	\$ 1,370,359
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Salaries and Wages Payable	\$ 4,781,531	\$ 15,535	\$ 37,461
Accounts and Contracts Payable	519,721	20,499	28,037
Due to Other Governmental Units	80,218	-	254,521
Unearned Revenue	-	43,798	-
Total Liabilities	5,381,470	79,832	320,019
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes Levied for Subsequent Year	5,941,292	-	313,608
Unavailable Revenue - Delinquent Property Taxes	67,437	-	1,453
Total Deferred Inflows of Resources	6,008,729	-	315,061
<b>FUND BALANCE</b>			
Nonspendable:			
Prepaid Items	160,753	1,938	21,442
Inventory	15,370	45,987	-
Restricted:			
Staff Development	92,111	-	-
Teacher Development and Evaluation	57,778	-	-
Basic Skills Programs	698,619	-	-
Operating Capital	104,103	-	-
Community Education Programs	-	-	367,590
Early Childhood and Family Education Programs	-	-	149,888
School Readiness	-	-	97,501
Adult Basic Education	-	-	68,159
Other Purposes:			
Food Service	-	404,010	-
Community Service	-	-	30,699
Capital Projects	-	-	-
Debt Service	-	-	-
Unassigned	6,815,855	-	-
Total Fund Balance	7,944,589	451,935	735,279
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 19,334,788	\$ 531,767	\$ 1,370,359

See accompanying Notes to Basic Financial Statements.

Funds			
Capital Projects - Building Construction	Debt Service	Total Governmental Funds	
		2016	2015
\$ 76,616,974	\$ 3,736,476	\$ 90,554,965	\$ 10,018,923
-	2,977,612	6,204,910	4,547,615
-	10,464	79,354	136,987
-	-	117,465	98,422
-	3,818	6,125,178	5,958,951
-	-	1,089,667	1,032,490
-	-	3,378	5,285
145,935	-	307,786	129,928
-	-	184,133	179,050
-	-	61,357	50,322
<u>\$ 76,762,909</u>	<u>\$ 6,728,370</u>	<u>\$ 104,728,193</u>	<u>\$ 22,157,973</u>
\$ -	\$ -	\$ 4,834,527	\$ 4,470,585
356,386	-	924,643	492,979
-	-	334,739	558,220
-	-	43,798	53,339
<u>356,386</u>	<u>-</u>	<u>6,137,707</u>	<u>5,575,123</u>
-	6,189,655	12,444,555	8,011,484
-	10,464	79,354	86,036
<u>-</u>	<u>6,200,119</u>	<u>12,523,909</u>	<u>8,097,520</u>
-	-	184,133	179,050
-	-	61,357	50,322
-	-	92,111	280,791
-	-	57,778	69,934
-	-	698,619	598,586
-	-	104,103	139,244
-	-	367,590	360,009
-	-	149,888	126,574
-	-	97,501	20,529
-	-	68,159	97,846
-	-	404,010	304,031
-	-	30,699	29,744
76,406,523	-	76,406,523	-
-	528,251	528,251	548,852
-	-	6,815,855	5,679,818
<u>76,406,523</u>	<u>528,251</u>	<u>86,066,577</u>	<u>8,485,330</u>
<u>\$ 76,762,909</u>	<u>\$ 6,728,370</u>	<u>\$ 104,728,193</u>	<u>\$ 22,157,973</u>

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**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	2016	2015
<b>Total Fund Balance for Governmental Funds</b>	<b>\$ 86,066,577</b>	<b>\$ 8,485,330</b>
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	1,570,486	34,900
Land Improvements, Net of Accumulated Depreciation	821,774	929,199
Buildings and Improvements, Net of Accumulated Depreciation	19,428,152	20,200,456
Equipment, Net of Accumulated Depreciation	3,359,499	3,485,222
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 unavailable revenue in the funds.		
	79,354	86,036
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(872,898)	(33,128)
Contributions in excess of the pension liability recognized to date, are not current financial resources and therefore are not reported at the fund level.		
	47,752	72,414
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:		
	204,533	203,703
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:		
Net Pension Liability	(34,632,579)	(26,566,435)
Deferred Outflows of Resources - Pensions	7,406,072	4,838,177
Deferred Inflows of Resources - Pensions	(4,134,451)	(9,439,725)
Bonds Payable	(77,795,000)	(4,865,000)
Unamortized Premiums	(3,623,994)	(53,280)
Unamortized Deferred Loss on Refunding	1,728	4,321
Certificates of Participation Payable	(740,000)	(975,000)
Capital Leases Payable	(479,248)	(519,116)
Other Postemployment Benefits Payable	(1,872,885)	(1,516,889)
Severance Benefits Payable	(3,453,375)	(3,455,507)
Compensated Absences Payable	(241,253)	(219,200)
<b>Total Net Position of Governmental Activities</b>	<b>\$ (7,036,421)</b>	<b>\$ (7,480,187)</b>

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)**

	Major		
	General	Food Service	Community Service
<b>REVENUES</b>			
Local Sources:			
Property Taxes	\$ 6,048,854	\$ -	\$ 310,258
Earnings on Investments	28,098	1,405	4,121
Other	1,262,176	1,233,859	837,369
State Sources	46,377,303	175,629	1,787,768
Federal Sources	1,726,973	1,532,244	96,136
Total Revenues	55,443,404	2,943,137	3,035,652
<b>EXPENDITURES</b>			
Current:			
Administration	2,161,376	-	-
District Support Services	1,953,769	-	-
Regular Instruction	24,484,071	-	-
Vocational Education Instruction	990,356	-	-
Special Education Instruction	11,656,999	-	-
Instructional Support Services	2,662,586	-	-
Pupil Support Services	3,915,037	-	-
Sites and Buildings	4,946,245	-	-
Fiscal and Other Fixed Cost Programs	164,374	-	-
Food Service	-	2,819,989	-
Community Service	-	-	2,952,143
Capital Outlay	1,168,002	14,430	19,527
Debt Service:			
Principal	376,428	-	2,121
Interest and Fiscal Charges	100,267	-	1,488
Total Expenditures	54,579,510	2,834,419	2,975,279
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	863,894	108,718	60,373
<b>OTHER FINANCING SOURCES (USES)</b>			
Capital Lease Proceeds	103,681	-	-
Judgments for School Districts	999	-	-
Proceeds from Sale of Equipment	57,660	-	-
Insurance Recovery Proceeds	-	-	-
Bond Proceeds	-	-	-
Bond Premium	-	-	-
Transfers In	-	-	10,791
Transfers Out	(10,791)	-	-
Total Other Financing Sources (Uses)	151,549	-	10,791
<b>NET CHANGE IN FUND BALANCES</b>	1,015,443	108,718	71,164
Fund Balances - Beginning of Year	6,929,146	343,217	664,115
<b>FUND BALANCE - END OF YEAR</b>	\$ 7,944,589	\$ 451,935	\$ 735,279

See accompanying Notes to Basic Financial Statements.

Funds		Total Governmental Funds	
Capital Projects - Building Construction	Debt Service	2016	2015
\$ -	\$ 2,239,105	\$ 8,598,217	\$ 8,724,362
130,197	6,537	170,358	13,085
-	-	3,333,404	3,627,691
-	38,174	48,378,874	45,532,010
-	-	3,355,353	3,206,887
<u>130,197</u>	<u>2,283,816</u>	<u>63,836,206</u>	<u>61,104,035</u>
-	-	2,161,376	1,994,336
-	-	1,953,769	2,007,416
-	-	24,484,071	23,404,977
-	-	990,356	986,583
-	-	11,656,999	9,909,196
-	-	2,662,586	2,231,225
-	-	3,915,037	3,833,825
-	-	4,946,245	5,371,578
-	-	164,374	161,149
-	-	2,819,989	2,815,798
-	-	2,952,143	2,728,387
2,566,056	-	3,768,015	2,976,204
-	2,255,000	2,633,549	2,460,000
-	51,870	153,625	90,496
<u>2,566,056</u>	<u>2,306,870</u>	<u>65,262,134</u>	<u>60,971,170</u>
(2,435,859)	(23,054)	(1,425,928)	132,865
-	-	103,681	559,889
-	-	999	-
-	-	57,660	60,750
-	-	-	499,745
75,185,000	-	75,185,000	-
3,659,835	-	3,659,835	-
-	2,453	13,244	1,603
(2,453)	-	(13,244)	(1,603)
<u>78,842,382</u>	<u>2,453</u>	<u>79,007,175</u>	<u>1,120,384</u>
76,406,523	(20,601)	77,581,247	1,253,249
-	548,852	8,485,330	7,232,081
<u>\$ 76,406,523</u>	<u>\$ 528,251</u>	<u>\$ 86,066,577</u>	<u>\$ 8,485,330</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, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)**

	2016	2015
<b>Net Change in Fund Balance-Total Governmental Funds</b>	\$ 77,581,247	\$ 1,253,249

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 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlays	2,195,249	1,892,273
Gain (Loss) on Disposal of Capital Assets	(6,753)	(188,958)
Proceeds from Sales of Capital Assets	(57,660)	(60,750)
Depreciation Expense	(1,600,702)	(1,647,667)

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	(103,681)	(559,889)
Change in Accrued Interest Expense - Capital Leases	(315)	(111)
Principal Payments - Capital Leases	143,549	277,415

Pension expenditures in the governmental funds are measured by current year employee contributions. Pension expenses on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources.

	(192,975)	1,117,279
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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 discounts and premiums when debt is first issued, whereas these amounts are 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	(75,185,000)	-
Bond Premium	(3,659,835)	-
Repayment of Certificates of Participation Payable	235,000	230,000
Repayment of Bond Principal	2,255,000	2,230,000
Change in Accrued Interest Expense - General Obligation Bonds	(839,455)	11,428
Amortization of Bond Premium	87,275	24,961
Amortization of Deferred Loss on Refunding	(2,593)	(2,593)
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, 2016  
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)**

	2016	2015
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 unavailable in the funds.	\$ (6,682)	\$ (40,745)
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).	(24,662)	30,204
In the Statement of Activities, certain operating expenses - severance benefits, other postemployment health benefits, and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(375,917)	(587,997)
Internal service funds are used by the District to charge the costs of employee health benefits to individual funds. The net revenue of the internal service funds is reported with governmental activities.	830	289
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 443,766</b>	<b>\$ 3,980,234</b>

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 5,983,788	\$ 5,983,788	\$ 6,048,854	\$ 65,066
Earnings on Investments	15,000	15,000	28,098	13,098
Other	1,113,891	1,113,891	1,262,176	148,285
State Sources	44,010,326	44,645,482	46,377,303	1,731,821
Federal Sources	1,839,476	1,926,571	1,726,973	(199,598)
Total Revenues	52,962,481	53,684,732	55,443,404	1,758,672
<b>EXPENDITURES</b>				
Current:				
Administration	1,993,821	1,995,071	2,161,376	166,305
District Support Services	1,809,666	1,833,568	1,953,769	120,201
Regular Instruction	24,262,131	24,470,847	24,484,071	13,224
Vocational Education Instruction	1,083,535	1,083,535	990,356	(93,179)
Special Education Instruction	10,659,726	10,642,443	11,656,999	1,014,556
Instructional Support Services	2,439,483	2,730,704	2,662,586	(68,118)
Pupil Support Services	4,018,696	4,103,896	3,915,037	(188,859)
Sites and Buildings	4,953,554	5,083,554	4,946,245	(137,309)
Fiscal and Other Fixed Cost Programs	197,280	197,280	164,374	(32,906)
Capital Outlay	966,966	1,030,966	1,168,002	137,036
Debt Service:				
Principal	407,558	407,558	376,428	(31,130)
Interest and Fiscal Charges	36,243	36,243	100,267	64,024
Total Expenditures	52,828,659	53,615,665	54,579,510	963,845
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	133,822	69,067	863,894	794,827
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital Lease Proceeds	-	-	103,681	103,681
Judgments for School Districts	-	-	999	999
Proceeds from Sale of Equipment	-	-	57,660	57,660
Transfers Out	(19,000)	(19,000)	(10,791)	8,209
Total Other Financing Sources (Uses)	(19,000)	(19,000)	151,549	170,549
<b>NET CHANGE IN FUND BALANCES</b>	\$ 114,822	\$ 50,067	1,015,443	\$ 965,376
Fund Balance - Beginning of Year			6,929,146	
<b>FUND BALANCE - END OF YEAR</b>			\$ 7,944,589	

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, 2016**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Earnings on Investments	\$ 150	\$ 150	\$ 1,405	\$ 1,255
Other - Primarily Meal Sales	1,207,206	1,214,706	1,233,859	19,153
State Sources	159,900	159,900	175,629	15,729
Federal Sources	1,383,991	1,423,991	1,532,244	108,253
Total Revenues	<u>2,751,247</u>	<u>2,798,747</u>	<u>2,943,137</u>	<u>144,390</u>
<b>EXPENDITURES</b>				
Current:				
Food Service	2,736,417	2,785,422	2,819,989	34,567
Capital Outlay:	33,000	33,000	14,430	(18,570)
Total Expenditures	<u>2,769,417</u>	<u>2,818,422</u>	<u>2,834,419</u>	<u>15,997</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (18,170)</u>	<u>\$ (19,675)</u>	108,718	<u>\$ 128,393</u>
Fund Balance - Beginning of Year			<u>343,217</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 451,935</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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 312,385	\$ 312,385	\$ 310,258	\$ (2,127)
Earnings on Investments	700	700	4,121	3,421
Other - Primarily Tuition and Fees	753,350	753,350	837,369	84,019
State Sources	1,799,906	1,864,975	1,787,768	(77,207)
Federal Sources	66,763	91,081	96,136	5,055
Total Revenues	<u>2,933,104</u>	<u>3,022,491</u>	<u>3,035,652</u>	<u>13,161</u>
<b>EXPENDITURES</b>				
Current:				
Community Service	2,946,646	3,020,130	2,955,752	(64,378)
Capital Outlay	15,400	15,400	19,527	4,127
Total Expenditures	<u>2,962,046</u>	<u>3,035,530</u>	<u>2,975,279</u>	<u>(60,251)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(28,942)	(13,039)	60,373	73,412
<b>OTHER FINANCING SOURCES</b>				
Transfer in	<u>19,000</u>	<u>19,000</u>	<u>10,791</u>	<u>(8,209)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (9,942)</u>	<u>\$ 5,961</u>	71,164	<u>\$ 65,203</u>
Fund Balance - Beginning of Year			<u>664,115</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 735,279</u>	

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS  
 INDEPENDENT SCHOOL DISTRICT NO. 761  
 STATEMENT OF NET POSITION  
 PROPRIETARY FUND  
 JUNE 30, 2016  
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	Governmental Activities - Internal Service Funds	
	2016	2015
<b>ASSETS</b>		
Cash and Investments	\$ 204,533	\$ 203,703
Total Assets	\$ 204,533	\$ 203,703
<b>NET POSITION</b>		
Unrestricted	\$ 204,533	\$ 203,703
Total Net Position	\$ 204,533	\$ 203,703

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, 2016**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)**

	Governmental Activities - Internal Service Funds	
	2016	2015
<b>NONOPERATING INCOME</b>		
Earnings on Investments	\$ 830	\$ 289
<b>CHANGE IN NET POSITION</b>	830	289
Net Position - Beginning of Year	203,703	203,414
<b>NET POSITION - END OF YEAR</b>	\$ 204,533	\$ 203,703

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, 2016  
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)**

	Governmental Activities - Internal Service Funds	
	2016	2015
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	\$ 830	\$ 289
Net Cash Provided by Investing Activities	830	289
 Cash and Cash Equivalents - Beginning of Year	 203,703	 203,414
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	 \$ 204,533	 \$ 203,703

*See accompanying Notes to Basic Financial Statements.*



**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2016**

	<u>Private- Purpose Trust</u>
<b>ASSETS</b>	
Cash and Investments	\$ 4,396
Total Assets	<u>4,396</u>
<b>LIABILITIES</b>	
Salaries and Wages Payable	125
Total Liabilities	<u>125</u>
<b>NET POSITION</b>	
Held in Trust for Other Purposes	<u><u>\$ 4,271</u></u>

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2016**

	<u>Private- Purpose Trust</u>
<b>ADDITIONS</b>	
Contributions	\$ 910
Interest Income	19
Total Additions	<u>929</u>
<b>DEDUCTIONS</b>	
Salaries	914
Benefits	140
Supplies	212
Total Deductions	<u>1,266</u>
<b>CHANGE IN NET POSITION</b>	(337)
Net Position - Beginning of Year	<u>4,608</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 4,271</u></u>

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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 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 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, 2016**

**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 purposes 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, 2016**

**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.

**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.

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.

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

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

**Description of Funds (Continued)**

*Major Governmental Funds (Continued)*

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 Fund – The Capital Projects Fund accounts for financial resources related to debt issued for the school building 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 Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the 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 Board action. Revisions to budgeted amounts must be approved by the Board.

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**E. Budgeting (Continued)**

Total fund expenditures in excess of the budget require approval of the 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	\$ 52,962,481	\$ 722,251	\$ 53,684,732
Special Revenue Funds:			
Food Service Fund	2,751,247	47,500	2,798,747
Community Service Fund	2,952,104	89,387	3,041,491
Capital Project - Building Construction Fund	-	78,112,585	78,112,585
Debt Service Fund	2,289,643	9,907	2,299,550
 <u>Expenditures and Other Financing Uses</u>			
General Fund	52,847,659	787,006	53,634,665
Special Revenue Funds:			
Food Service Fund	2,769,417	49,005	2,818,422
Community Service Fund	2,962,046	73,484	3,035,530
Capital Project - Building Construction Fund	-	7,785,431	7,785,431
Debt Service Fund	2,309,375	-	2,309,375

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 MN Trust Term Series, negotiable certificates of deposit, federal agency bonds, and state and local government bonds. 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, 2016**

**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 a deferred inflow of resources (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."

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. The tax shift also includes certain other levies that are recognized early based on statutory requirements.

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**J. Property Taxes (Continued)**

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 a deferred inflow of resources 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, 2016, 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 five 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.

**L. Deferred Outflows of Resources**

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses) until that time. The District has two items that qualify for reporting as this element – loss on bond refunding and pension related deferred outflows of resources. The loss on bond refunding is being amortized over the life of the bonds. The pension related deferred outflows of resources will be recognized as expense in subsequent years.



**OWATONNA PUBLIC SCHOOLS  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**M. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are 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 are reported as an expense in the period they are incurred.

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

**N. Pensions**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**O. 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, 2016, unpaid vacation pay totaling \$241,253 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.

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
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JUNE 30, 2016**

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

**O. Accrued Employee Benefits (Continued)**

**Severance Benefits Payable (Continued)**

The District has recorded a liability for accrued convertible sick leave based on the sick leave accumulated at June 30, 2016 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 2016, expenditures for convertible sick leave benefits totaled \$315,051. At June 30, 2016, 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 \$3,453,375.

**Other Postemployment 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.

**P. 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.

**Q. Deferred Inflows of Resources**

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items which occur related to revenue recognition. The first occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year end) under the modified accrual basis of accounting. The third type of deferred outflow is pension related as discussed in Note 8.

**R. Unearned Revenues**

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

**OWATONNA PUBLIC SCHOOLS  
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JUNE 30, 2016**

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

**S. Fund Balance**

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance relate 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 8% and no more than 10% of the General Fund annual expenditure budget.

**T. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources 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.

**U. 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 District's financial statements for the year ended June 30, 2015, from which the summarized information was derived. Certain comparative information has been reclassified to conform with the current year presentation.

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 2 STEWARDSHIP AND ACCOUNTABILITY**

**A. Excess of Expenditures Over Budget**

Expenditures exceeded budgeted amounts in the following funds:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$ 53,615,665	\$ 54,579,510	\$ 963,845
Special Revenue Fund:			
Food Service Fund	2,818,422	2,834,419	15,997

These additional expenditures were paid for with available fund balance.

**B. Interfund Transfers**

The District had the following interfund transfers at June 30, 2016:

	<u>Transfer In:</u>		
	<u>Community Service Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Transfer Out:			
General Fund	\$ 10,791	\$ -	\$ 10,791
Capital Projects - Building Construction Fund	-	2,453	2,453
Total	<u>\$ 10,791</u>	<u>\$ 2,453</u>	<u>\$ 13,244</u>

The purpose of the interfund transfer from the General Fund to the Community Service Fund was to fund the Kid's First Program that is run by the Community Service Fund. The purpose of the interfund transfer from the Capital Projects Fund to the Debt Service Fund was to record bond proceeds intended for the Debt Service Fund.

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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, 2016 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, 2016**

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

**B. Investments (Continued)**

At June 30, 2016, the District had the following investments:

	Amortized Cost
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	\$ 389,780
Minnesota School District Liquid Asset Fund - MAX Series (MSDMAX)	3,831,869
MN Trust Term Series	4,050,000
MN Trust Investment Shares Portfolio	2,188,302
Total	\$ 10,459,951

The MSDLAF+, MSDMAX, and MN Trust Investment Shares Portfolio are external investment pools and their investments are valued at amortized cost, which approximates fair value in accordance with Rule 2a-7 of the Investment Company Act of 1940. The amortized cost method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of investments.

The MN Trust Term Series had an interest rate of .50% and matured in July 2016. Redemption prior to the maturity date of the MN Trust Term Series may result in a penalty.

	Fair Value
Negotiable Certificates of Deposit	\$ 4,233,976
Federal Home Loan Bank	502,620
Federal Home Loan Mortgage Corporation	1,003,280
Federal National Mortgage Association	2,017,600
Federal Farm Credit Bank	2,730,343
Macon-Christian-Dewitt Counties Community College	1,549,207
Total Other Investments	\$ 12,037,026

These investments are held by PMA Financial Network as temporary investments of the District's cash.

***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, 2016 all investments and collateral were listed in the name of the District.

**OWATONNA PUBLIC SCHOOLS  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**B. Investments (Continued)**

***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 Term Series	NR
MN Trust Investment Shares Portfolio	AAA
Negotiable Certificates of Deposit	NR
Federal Home Loan Bank	AA+
Federal Home Loan Mortgage Corporation	AA+
Federal National Mortgage Association	AA+
Federal Farm Credit Bank	AA+
Macon-Christian-Dewitt Counties Community College Bonds	AA

***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. Information about the sensitivity of the fair values of the District's investments to market interest rate risk fluctuations is provided by the distribution of the District's investments by maturity. As of June 30, 2016, the District's investments have the following maturities:

Type	Fair Value	12 Months or Less	13 - 24 Months
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	\$ 389,780	\$ 389,780	\$ -
Minnesota School District Liquid Asset Fund - MAX Series (MSDMAX)	3,831,869	3,831,869	-
MN Trust Term Series	4,050,000	4,050,000	-
MN Trust Investment Shares Portfolio	2,188,302	2,188,302	-
Negotiable Certificates of Deposit	4,233,976	1,990,242	2,243,734
Government Securities	6,253,843	1,003,280	5,250,563
State and Local Government Bonds	1,549,207	738,153	811,054
	\$ 22,496,977	\$ 14,191,626	\$ 8,305,351

**OWATONNA PUBLIC SCHOOLS  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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	Percentage
Minnesota School District Liquid Asset Fund - MAX Series (MSDMAX)	\$ 3,831,869	17.03%
MN Trust Term Series	4,050,000	18.00%
MN Trust Investment Shares Portfolio	2,188,302	9.73%
Federal National Mortgage Association	2,017,600	8.97%
Federal Farm Credit Bank	2,730,343	12.14%
Macon-Christian-Dewitt Counties Community College	1,549,207	6.89%
	<u>\$ 16,367,321</u>	

**C. Balance Sheet Presentation**

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

Deposits	\$ 68,266,917
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	389,780
Minnesota School District Liquid Asset Fund - MAX Series (MSDMAX)	3,831,869
MN Trust Term Series	4,050,000
MN Trust Investment Shares Portfolio	2,188,302
Negotiable Certificates of Deposit	4,233,976
Government Securities	6,253,843
State and Local Government	1,549,207
Total Cash and Investments	<u>\$ 90,763,894</u>
Reconciliation of Cash and Investments:	
Cash and Investments - Statement of Net Position	\$ 90,759,498
Cash and Investments - Statement of Fiduciary Net Position	4,396
Total Cash and Investments	<u>\$ 90,763,894</u>

**D. Fair Value Measurements**

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.



**OWATONNA PUBLIC SCHOOLS  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**D. Fair Value Measurements (Continued)**

The District follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

*Level 2* – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

*Level 3* – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

Assets measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
Negotiable Certificates of Deposit	\$ -	\$ 4,233,976	\$ -	\$ 4,233,976
Federal Home Loan Bank	-	502,620	-	502,620
Federal Home Loan Mortgage Corporation	-	1,003,280	-	1,003,280
Federal National Mortgage Association	-	2,017,600	-	2,017,600
Federal Farm Credit Bank	-	2,730,343	-	2,730,343
Macon-Christian-Dewitt Counties Community College Bonds	-	1,549,207	-	1,549,207
	<u>\$ -</u>	<u>\$ 12,037,026</u>	<u>\$ -</u>	
Investments measured at Net Asset Value (NAV)				4,221,649
				<u>\$ 16,258,675</u>

The MSDLAF+ and MSDMAX are external investment pools (Pool) that are managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of \$1.00. The Pool elects to measure its investments at amortized cost in accordance with accounting statements issued by the Government Accounting Standards Board.

**OWATONNA PUBLIC SCHOOLS  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**D. Fair Value Measurements (Continued)**

The District reports its investments in the Pool at the NAV per share, the fair value established by the Pool.

The District's investments in the Pools are included in four share classes, as follows:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	\$ 389,780	\$ -
Minnesota School District Liquid Asset Fund - MAX Series (MSDMAX)	3,831,869	-

MSDLAF+ has no redemption requirements. MSDMAX may not be redeemed for at least 14 days, and a 24-hour hold is placed on redemption requests. Redemptions prior to 14 days may be subject to penalty.

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,823,335	\$ -	\$ -	\$ 1,823,335
Construction in Progress	34,900	1,570,486	(34,900)	1,570,486
Total Capital Assets, Not Being Depreciated	<u>1,858,235</u>	<u>1,570,486</u>	<u>(34,900)</u>	<u>3,393,821</u>
Capital Assets, Being Depreciated:				
Land Improvements	2,750,596	-	-	2,750,596
Buildings and Improvements	40,268,980	45,090	-	40,314,070
Equipment	9,729,154	614,573	(493,312)	9,850,415
Total Capital Assets, Being Depreciated	<u>52,748,730</u>	<u>659,663</u>	<u>(493,312)</u>	<u>52,915,081</u>
Accumulated Depreciation for:				
Land Improvements	(1,821,397)	(107,425)	-	(1,928,822)
Buildings and Improvements	(20,068,524)	(817,394)	-	(20,885,918)
Equipment	(6,243,932)	(675,883)	428,899	(6,490,916)
Total Accumulated Depreciation	<u>(28,133,853)</u>	<u>(1,600,702)</u>	<u>428,899</u>	<u>(29,305,656)</u>
Total Capital Assets, Being Depreciated, Net	<u>24,614,877</u>	<u>(941,039)</u>	<u>(64,413)</u>	<u>23,609,425</u>
Governmental Activities Capital Assets, Net	<u>\$ 26,473,112</u>	<u>\$ 629,447</u>	<u>\$ (99,313)</u>	<u>\$ 27,003,246</u>

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

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

<b>Governmental Activities</b>		
Administration		\$ 12,661
District Support Services		185,181
Regular Instruction		1,233,286
Vocational Education Instruction		14,389
Special Education Instruction		8,461
Instructional Support Services		7,249
Pupil Support Services		55,391
Sites and Buildings		17,760
Food Service		43,323
Community Service		23,001
Total Depreciation Expense, Governmental Activities		<u>\$ 1,600,702</u>

**NOTE 5 GENERAL LONG-TERM DEBT**

**A. Components of General Long-Term Debt**

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

Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
				Due Within One Year	Total
11/15/2012	1.00%	\$ 8,690,000	2/1/2017	\$ 2,170,000	\$ 2,170,000
5/2/2013	1.50%	755,000	2/1/2020	110,000	440,000
12/29/2015	2.00 - 3.25%	9,800,000	2/1/2036	-	9,800,000
2/23/2016	2.00 - 5.00%	65,385,000	2/1/2036	1,355,000	65,385,000
Total General Obligation Bonds				3,635,000	77,795,000
Bond Premium				201,209	3,623,994
Certificates of Participation Payable				240,000	740,000
Capital Leases Payable				134,914	479,248
Severance Benefits Payable				500,000	3,453,375
Compensated Absences Payable				180,939	241,253
Total				<u>\$ 4,892,062</u>	<u>\$ 86,332,870</u>

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**B. Minimum Debt Payments**

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

Year Ending June 30,	General Obligation Bonds Payable		Certificates of Participation Payable	
	Principal	Interest	Principal	Interest
2017	\$ 3,635,000	\$ 2,228,992	\$ 240,000	\$ 18,538
2018	3,590,000	2,275,850	245,000	13,138
2019	3,660,000	2,204,600	255,000	7,013
2020	3,730,000	2,131,950	-	-
2021	3,060,000	2,023,700	-	-
2022 - 2026	16,775,000	8,649,300	-	-
2027 - 2031	20,070,000	5,350,600	-	-
2032 - 2036	23,275,000	2,152,500	-	-
	<u>\$ 77,795,000</u>	<u>\$ 27,017,492</u>	<u>\$ 740,000</u>	<u>\$ 38,689</u>

**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. 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. Capital facilities revenues under Minnesota Statute Section 124.2455 are dedicated to the retirement of these bonds. In the event the capital facilities revenues are not sufficient, the District will levy property taxes for the deficiency.

On December 29, 2015, the District issued \$9,800,000 of General Obligation School Building Bonds, Series 2015A. The proceeds of this issue are being used to fund the betterment of school sites and facilities. The new issue was issued at a premium of \$130,146. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to retire these bonds.

On February 23, 2016, the District issued \$65,385,000 of General Obligation School Building Bonds, Series 2016A. The proceeds of this issue are being used to fund the betterment of school sites and facilities. The new issue was issued at a premium of \$3,529,689. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to retire these bonds.

**OWATONNA PUBLIC SCHOOLS  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

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

**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 had principal and interest payments due monthly through October 2013. The District continues to lease the vending machine at the same terms.

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%.

The District entered into a copier lease in November 2014 for \$23,919. The total lease has principal and interest payments due monthly at a rate of 6.731%.

The District entered into two leases for portable classrooms in August 2014. The leases of \$354,682 have principal and interest payments due monthly at a rate of 3.013%.

In June 2015, the District entered into a lease agreement for copy machines. The total lease of \$181,288 has principal and interest payments due monthly at a rate of 12.0%.

The District entered into an additional copier lease in February 2016 for \$103,681. The total lease has principal and interest payments due monthly at a rate of 12.0%.

Total cost of assets held under capital leases is \$911,752. Related accumulated depreciation of assets under capital leases at June 30, 2016 is \$304,191.

Annual payments required under capital leases are as follows:

<u>Year Ending June 30,</u>	
2017	\$ 167,105
2018	167,105
2019	167,105
2020	30,029
2021	18,450
Total Minimum Lease Payments	<u>549,794</u>
Less: Amounts Representing Interest	70,546
Present Value of Net Minimum Lease Payments	<u><u>\$ 479,248</u></u>

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

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

**Compensated Absences Payable**

Compensated absences payable consists of unused vacation as of June 30, 2016. 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 Liabilities**

	June 30, 2015	Additions	Retirements	June 30, 2016
Bonds Payable	\$ 4,865,000	\$ 75,185,000	\$ 2,255,000	\$ 77,795,000
Bond Premium	53,280	3,659,835	89,121	3,623,994
Certificates of Participation Payable	975,000	-	235,000	740,000
Capital Leases Payable	519,116	103,681	143,549	479,248
Severance Benefits Payable	3,455,507	312,919	315,051	3,453,375
Compensated Absences Payable	219,200	229,376	207,323	241,253
Total	<u>\$ 10,087,103</u>	<u>\$ 79,490,811</u>	<u>\$ 3,245,044</u>	<u>\$ 86,332,870</u>

**NOTE 6 SHORT-TERM LIABILITIES**

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 the line of credit for fiscal year 2016. There was no balance outstanding on the line at June 30, 2016. The line of credit expired on July 1, 2016, and was not renewed.

**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:

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

**Fund Equity (Continued)**

**A. Restricted for Staff Development**

Restricted for staff development represents general education aid resources to be expended for staff development programs.

**B. Restricted for Teacher Development and Evaluation**

Restricted for teacher development and evaluation represents resources available for teacher development and evaluation uses.

**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 of their age.

**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.

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**NOTE 8 DEFINED BENEFIT PENSION PLANS**

**A. Plan Description**

The District participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and Teachers Retirement Fund (TRA). PERA and TRA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*. PERA and TRA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (GERF)

PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. All full-time and certain part-time employees of the District other than teachers are covered by the General Employees Retirement Fund (GERF). 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Teachers Retirement Fund (TRA)

TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with *Minnesota Statutes*, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials.

Teachers employed in Minnesota's public elementary and secondary schools, charter schools, and certain educational institutions maintained by the state (except those teachers employed by the cities of Duluth and St. Paul, and by the University of Minnesota system) are required to be TRA members. State university, community college, and technical college teachers first employed by the Minnesota State College and Universities (MnSCU) may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by MnSCU.

**B. Benefits Provided**

PERA and TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

PERA: Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

TRA: Postretirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0%. After the TRA funded ratio exceeds 90% for two consecutive years, the annual postretirement benefit will increase to 2.5%.



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**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**B. Benefits Provided (Continued)**

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

1. GERF Benefits

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. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

2. TRA Benefits

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

Two methods are used to compute benefits for TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989, receive the greater of the Tier I or Tier II benefits as described.

*Tier 1 Benefits*

Tier 1	Step Rate Formula	Percentage
Basic	First 10 Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First 10 Years of Service are Up to July 1, 2006	1.2% per Year
	First 10 Years, if Service Years are July 1, 2006 or After	1.4% per Year
	All Other Years of Service If Service Years are Up to July 1, 2006	1.7% per Year
	All Other Years of Service If Service Years are July 1, 2006 or After	1.9% per Year

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**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**B. Benefits Provided (Continued)**

2. TRA Benefits (Continued)

*Tier 1 Benefits*

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3.0% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

*Tier II Benefits*

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

Members first employed after June 30, 1989, receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree - no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

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**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**C. Contributions**

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in calendar years 2015 and 2016. In calendar years 2015 and 2016, the District was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members. The District's contributions to the GERF for the plan's fiscal year ended June 30, 2016, were \$602,846. The District's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

	Ending June 30, 2015		Ending June 30, 2016	
	Employee	Employer	Employee	Employer
Basic	11.0%	11.5%	11.0%	11.5%
Coordinated	7.5%	7.5%	7.5%	7.5%

The District's contributions to TRA for the plan's fiscal year ended June 30, 2016, were \$1,777,494. The District's contributions were equal to the required contributions for each year as set by state statute.

**D. Pension Costs**

1. GERF Pension Costs

At June 30, 2016, the District reported a liability of \$6,659,537 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the District's proportion was 0.1285%. The District's proportionate share at June 30, 2014 was 0.1254%.

For the year ended June 30, 2016, the District recognized pension expense of \$760,128 for its proportionate share of GERF's pension expense.

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**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

At June 30, 2016, the District reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 61,759	\$ 335,754
Changes in Actuarial Assumptions	414,733	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	592,822
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	125,795	-
District Contributions Subsequent to the Measurement Date	602,846	-
Total	<u>\$ 1,205,133</u>	<u>\$ 928,576</u>

Of the resources related to pensions resulting from District contributions to GERP subsequent to the measurement date, \$602,846 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

<u>Year Ended June 30.</u>	Pension Expenses Amount
2017	\$ (81,883)
2018	(81,883)
2019	(320,129)
2020	157,606

**2. TRA Pension Costs**

At June 30, 2016, the District reported a liability of \$27,973,042 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.4522% at the end of the measurement period and 0.4487% for the beginning of the period.

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**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

2. TRA Pension Costs (Continued)

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the District as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the District were as follows:

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	\$ 27,973,042
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	3,431,386

A change in benefit provisions that affected the measurement of the total pension liability since the prior measurement date was an increase of the contribution rates for both the member and employer.

For the year ended June 30, 2016, the District recognized pension expense of \$1,797,326. It also recognized \$606,625 as pension expense for the support provided by direct aid.

At June 30, 2016, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 1,433,334	\$ -
Changes in Actuarial Assumptions	2,150,383	-
Net Difference Between Projected and Actual Investment Earnings	-	2,139,438
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	839,728	1,066,437
District Contributions Subsequent to the Measurement Date	1,777,494	-
Total	<u>\$ 6,200,939</u>	<u>\$ 3,205,875</u>

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**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

2. TRA Pension Costs (Continued)

Of the resources related to pensions resulting from District contributions to TRA subsequent to the measurement date, \$1,777,494 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Pension Expenses Amount</u>
2017	\$ (183,500)
2018	(183,500)
2019	(183,500)
2020	1,432,093
2021	335,977

**E. Merger of Duluth Teacher's Retirement Fund Association (DTRFA)**

Legislation enacted in 2014 merged the Duluth Teachers Retirement Fund Association (DTRFA) with TRA effective June 30, 2015. The beginning balances of total pension liability and fiduciary net position were adjusted to reflect the merger of DTRFA.

	<u>6/30/14 CAFR</u>	<u>Restated</u>
Total Pension Liability (A)	\$ 24,901,612,000	\$ 25,299,564,000
Plan Fiduciary Net Position (B)	20,293,684,000	20,519,756,000
Net Pension Liability (A - B)	<u>\$ 4,607,928,000</u>	<u>\$ 4,779,808,000</u>

**F. Actuarial Assumptions**

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

<u>Assumptions</u>	<u>GERF</u>	<u>TRA</u>
Inflation	2.75% per Year	3.00%
Active Member Payroll Growth	3.50% per Year	3.5 - 12% Based on Years of Service
Investment Rate of Return	7.90%	8.00%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments.

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**NOTE 8 PENSION PLANS (CONTINUED)**

**F. Actuarial Assumptions (Continued)**

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The actuarial assumptions used in the June 30, 2015, valuation were based on the results of the actuarial experience study for the period of July 1, 2004, to June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB 67 valuation.

The following changes in actuarial assumptions for GERS occurred in 2015: the discount rate was changed from 8.0% through June 30, 2017 and 8.5% thereafter to 8.0% for all years, the inflation assumption was changed from 3.0% to 2.75%, the payroll growth assumption was changed from 3.75% to 3.5%, assumed increases in member salaries were decreased by .25% at all ages and the assumed postretirement benefit increase rate was changed from 1.0% per year through 2026 and 2.5% thereafter to 1.0% per year through 2034 and 2.5% per year thereafter.

There was a change in actuarial assumptions that affected the measurement of the total liability for TRA since the prior measurement date. Postretirement benefit adjustments are now assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria are met. This is estimated to occur July 1, 2034.

The long-term expected rate of return on pension plan investments is 7.9% for GERS and 8.00% for TRA. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45%	5.50%
International Equity	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%
Totals	<u>100%</u>	

**OWATONNA PUBLIC SCHOOLS  
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**NOTE 8 PENSION PLANS (CONTINUED)**

**G. Discount Rate**

The discount rate used to measure the total pension liability was 7.9% for GERF and 8.00% for TRA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**H. Pension Liability Sensitivity**

The following presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
<u>GERF Discount Rate</u>	6.90%	7.90%	8.90%
District's Proportionate Share of the GERF Net Pension Liability	\$ 10,471,159	\$ 6,659,537	\$ 3,511,723
<u>TRA Discount Rate</u>	7.00%	8.00%	9.00%
District's Proportionate Share of the TRA Net Pension Liability	\$ 42,578,591	\$ 27,973,042	\$ 15,784,290

**I. Pension Plan Fiduciary Net Position**

Detailed information about GERF's fiduciary's net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org); by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-652-9026.



**OWATONNA PUBLIC SCHOOLS  
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**NOTE 8 PENSION PLANS (CONTINUED)**

**J. Supplemental Pension Plan**

**1. Plan Description**

The District operates a single-employer defined benefit supplemental pension benefit for eligible principals and directors. Currently, principals and directors are eligible after five years of service. There are 22 active participants in the plan as of July 1, 2014. The pension payment is equal to a percentage of the final annual salary, paid in a lump sum at the time of termination. 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 2016, the District contributed \$32,754 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, 2014 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.

	2016
Annual Required Contribution	\$ 56,326
Interest on Net Pension Calculation	(3,259)
Adjustment to Annual Required Contribution	4,349
Annual Pension Cost (Expense)	57,416
Contributions Made	(32,754)
Decrease in Net Pension Asset	24,662
Net Pension Asset - Beginning of Year	(72,414)
Net Pension Asset - End of Year	\$ (47,752)

The District's annual pension cost, the percentage of the annual pension cost contributed to the plan, and the net pension asset for 2016 and the two preceding years were:

Fiscal Year Ended	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Asset
6/30/16	\$ 57,416	57.0%	\$ (47,752)
6/30/15	56,889	153.1%	(72,414)
6/30/14	54,243	0.0%	(42,210)

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**NOTE 8 PENSION PLANS (CONTINUED)**

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

**3. Annual Pension Cost and Net Pension Asset (Continued)**

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, 2016 does not exceed 30 years.

**4. Funded Status and Funding Progress**

As of July 1, 2014, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$362,903. The annual payroll for active employees covered by the plan in the actuarial valuation was \$2,157,751 for a ratio of UAAL to covered payroll of 16.8%.

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 POSTEMPLOYMENT BENEFIT PLAN**

**A. Plan Description**

The District operates a single-employer retiree benefit plan (the Plan) that provides health, dental and life insurance to eligible employees and their spouses through the District's insurance plans. There are 566 active participants and 100 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing the District's employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

**B. Funding Policy**

Contribution requirements are also negotiated between the District and the union representatives. The District contributes up to 100% of the cost of current year premiums for eligible retired plan members and their spouses. For fiscal year 2016, the District contributed \$229,911 to the plan.

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

**C. Annual OPEB Cost and Net OPEB Obligation**

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), 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 30 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.

	2016
Annual Required Contribution	\$ 608,744
Interest on Net OPEB Calculation	68,260
Adjustment to Annual Required Contribution	(91,097)
Annual OPEB Cost (Expense)	585,907
Contributions Made	(229,911)
Increase in Net OPEB Obligation	355,996
Net OPEB Obligation - Beginning of Year	1,516,889
Net OPEB Obligation - End of Year	\$ 1,872,885

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/16	\$ 585,907	39.2%	\$ 1,872,885
6/30/15	587,811	44.6%	1,516,889
6/30/14	490,041	59.2%	1,191,534

**D. Funded Status and Funding Progress**

As of July 1, 2014, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$4,056,706. The annual payroll for active employees covered by the plan in the actuarial valuation was \$26,496,738 for a ratio of UAAL to covered payroll of 15.3%.

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

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**E. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used 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, 2014 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 7.5% reduced by decrements to an ultimate rate of 5.0% after 10 years. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at June 30, 2016 does not exceed 30 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.

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

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

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

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 11 PROPRIETARY FUND**

The District elected to discontinue self-insuring its employee health insurance program as of June 30, 2003. The District continued to pay claims it incurred before June 30, 2003. As of June 30, 2016, 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 RISK MANAGEMENT**

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

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

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

**NOTE 13 COMMITMENTS AND CONTINGENCIES**

**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, 2016**

**NOTE 14 JOINT POWERS AGREEMENT**

**A. Ice Arena**

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 \$60,060 for the year ended June 30, 2016. The bonds matured in various increments through 2011.

**B. Cannon Valley Special Education Cooperative**

Independent School District No. 761 is a member of the Cannon Valley Special Education Cooperative. The Cannon Valley Special Education Cooperative was established for the primary objective to provide specialized services for special education students, as defined by state law, and to provide other programs and services as approved by the Joint Powers Governing Board. The Cooperative was established by three separate member districts.

Each member district shares in the cost of the programming based on its allocable participation, which is paid to the education district in the form of membership fees, reimbursements, and other charges for services. In addition, each member district is assessed a charge related to the cost of the building which houses the cooperative. Independent School District No. 88's allocable assessment related to the building cost is approximately \$78,000 annually and is anticipated to extend through August 2028. The education district is able to recover the cost of its programs through the previously mentioned revenue sources.

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**REQUIRED SUPPLEMENTARY INFORMATION**



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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<b><u>Pension</u></b>						
7/1/2014	\$ -	\$ 362,903	\$ 362,903	0.0%	\$ 2,157,751	16.8%
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%
<b><u>Other Postemployment Benefits</u></b>						
7/1/2014	\$ -	\$ 4,056,706	\$ 4,056,706	0.0%	\$ 26,496,738	15.3%
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%

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
LAST TWO FISCAL YEARS**

<b>Fiscal Year</b>	<u>2016</u>	<u>2015</u>
Measurement Date	June 30, 2015	June 30, 2014
<b>PERA</b>		
District's Proportion of the Net Pension Liability	0.1285%	0.1254%
District's Proportionate Share of the Net Pension Liability	\$ 6,659,537	\$ 5,890,664
District's Covered-Employee Payroll	7,459,313	6,595,242
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	89.28%	89.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.20%	78.70%
<b>TRA</b>		
District's Proportion of the Net Pension Liability	0.4522%	0.4487%
District's Proportionate Share of the Net Pension Liability	\$ 27,973,042	\$ 20,675,773
State's Proportionate Share of the Net Pension Liability with District	<u>3,431,386</u>	<u>1,454,618</u>
Total	\$ 31,404,428	\$ 22,130,391
District's Covered-Employee Payroll	22,797,535	20,480,518
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	122.70%	100.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.80%	81.50%

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
LAST THREE FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>PERA</b>			
Statutorily Required Contribution	\$ 602,846	\$ 551,347	\$ 477,404
Contributions in Relation to the Statutorily Required Contribution	<u>(602,846)</u>	<u>(551,347)</u>	<u>(477,404)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's Covered-Employee Payroll	 \$ 8,040,393	 \$ 7,459,313	 \$ 6,595,242
Contributions as a Percentage of Covered Employee Payroll	7.50%	7.39%	7.24%
 <b>TRA</b>			
Statutorily Required Contribution	\$ 1,777,494	\$ 1,750,113	\$ 1,433,636
Contributions in Relation to the Statutorily Required Contribution	<u>(1,777,494)</u>	<u>(1,750,113)</u>	<u>(1,433,636)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's Covered-Employee Payroll	 \$ 23,699,284	 \$ 22,797,535	 \$ 20,480,518
Contributions as a Percentage of Covered Employee Payroll	7.50%	7.68%	7.00%

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**SUPPLEMENTARY INFORMATION**

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**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
GENERAL FUND  
BALANCE SHEET  
JUNE 30, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	2016	2015
<b>ASSETS</b>		
Cash and Investments	\$ 8,852,532	\$ 7,298,115
Receivables:		
Current Property Taxes	3,076,431	3,148,762
Delinquent Property Taxes	67,437	118,236
Due from Other Minnesota School Districts	117,417	98,422
Due from Minnesota Department of Education	5,926,170	5,751,426
Due from Federal through the Minnesota Department of Education	969,846	788,331
Due from Other Governmental Units	3,378	5,285
Other Receivables	145,454	112,752
Prepaid Items	160,753	148,087
Inventory	15,370	12,686
	\$ 19,334,788	\$ 17,482,102
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Salaries and Wages Payable	\$ 4,781,531	\$ 4,433,207
Accounts and Contracts Payable	519,721	457,557
Due to Other Governmental Units	80,218	166,007
Total Liabilities	5,381,470	5,056,771
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes Levied for Subsequent Year	5,941,292	5,411,520
Unavailable Revenue - Delinquent Property Taxes	67,437	84,665
Total Deferred Inflows of Resources	6,008,729	5,496,185
 <b>FUND BALANCE</b>		
Nonspendable:		
Prepaid Items	160,753	148,087
Inventory	15,370	12,686
Restricted:		
Staff Development	92,111	280,791
Teacher Development and Evaluation	57,778	69,934
Basic Skills Programs	698,619	598,586
Operating Capital	104,103	139,244
Unassigned	6,815,855	5,679,818
Total Fund Balance	7,944,589	6,929,146
 Total Liabilities, Deferred Inflows of Resources, and Fund Balance	 \$ 19,334,788	 \$ 17,482,102



**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, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)**

	2016			Over (Under) Final Budget	2015
	Original Budget	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>					
Local Sources:					
Property Taxes	\$ 5,983,788	\$ 5,983,788	\$ 6,048,854	\$ 65,066	\$ 6,126,535
Earnings on Investments	15,000	15,000	28,098	13,098	8,863
Other	1,113,891	1,113,891	1,262,176	148,285	1,547,309
State Sources	44,010,326	44,645,482	46,377,303	1,731,821	43,665,805
Federal Sources	1,839,476	1,926,571	1,726,973	(199,598)	1,696,897
Total Revenues	<u>52,962,481</u>	<u>53,684,732</u>	<u>55,443,404</u>	<u>1,758,672</u>	<u>53,045,409</u>
<b>EXPENDITURES</b>					
Current:					
Administration:					
Salaries	1,342,351	1,342,351	1,515,201	172,850	1,338,862
Employee Benefits	489,752	489,752	478,395	(11,357)	483,489
Purchased Services	68,892	67,692	75,789	8,097	72,167
Supplies and Materials	61,596	64,046	60,897	(3,149)	73,004
Capital Expenditures	3,030	4,030	8,202	4,172	12,901
Debt Service	57,216	57,216	38,973	(18,243)	57,213
Other Expenditures	31,230	31,230	31,094	(136)	26,814
Total Administration	<u>2,054,067</u>	<u>2,056,317</u>	<u>2,208,551</u>	<u>152,234</u>	<u>2,064,450</u>
District Support Services:					
Salaries	1,016,288	1,018,088	966,383	(51,705)	939,094
Employee Benefits	326,378	326,378	345,522	19,144	323,157
Purchased Services	371,870	389,919	502,174	112,255	628,484
Supplies and Materials	82,830	86,883	135,539	48,656	108,439
Capital Expenditures	605,888	635,888	611,307	(24,581)	676,002
Debt Service	63,579	63,579	49,652	(13,927)	61,225
Other Expenditures	12,300	12,300	4,151	(8,149)	8,242
Total District Support Services	<u>2,479,133</u>	<u>2,533,035</u>	<u>2,614,728</u>	<u>81,693</u>	<u>2,744,643</u>
Elementary and Secondary:					
Regular Instruction					
Salaries	16,502,946	16,384,806	16,113,756	(271,050)	16,032,584
Employee Benefits	5,926,101	5,966,852	6,042,166	75,314	5,739,102
Purchased Services	1,082,933	1,332,246	1,589,160	256,914	856,373
Supplies and Materials	748,436	785,228	732,593	(52,635)	764,411
Capital Expenditures	158,351	181,351	177,464	(3,887)	696,034
Debt Service	82,650	82,650	80,686	(1,964)	82,649
Other Expenditures	1,715	1,715	6,396	4,681	12,507
Total Elementary and Secondary Regular Instruction	<u>24,503,132</u>	<u>24,734,848</u>	<u>24,742,221</u>	<u>7,373</u>	<u>24,183,660</u>

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED JUNE 30, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)**

	2016			Over (Under) Final Budget	2015
	Original Budget	Final Budget	Actual Amounts		Actual Amounts
<b>EXPENDITURES (CONTINUED)</b>					
Current (Continued):					
Vocational Education Instruction:					
Salaries	\$ 732,405	\$ 732,405	\$ 659,261	\$ (73,144)	\$ 662,679
Employee Benefits	285,273	285,273	267,449	(17,824)	244,241
Purchased Services	17,632	17,632	19,357	1,725	21,307
Supplies and Materials	47,027	47,027	43,584	(3,443)	57,539
Capital Expenditures	10,000	10,000	5,191	(4,809)	6,831
Other Expenditures	1,198	1,198	705	(493)	817
Total Vocational Education Instruction	1,093,535	1,093,535	995,547	(97,988)	993,414
Special Education Instruction:					
Salaries	6,953,950	6,931,667	7,285,400	353,733	6,622,937
Employee Benefits	2,773,390	2,778,390	3,244,763	466,373	2,755,726
Purchased Services	735,744	735,744	1,006,434	270,690	449,956
Supplies and Materials	160,226	160,226	115,543	(44,683)	75,653
Capital Expenditures	42,478	52,478	30,876	(21,602)	4,962
Debt Service	2,766	2,766	1,885	(881)	2,767
Other Expenditures	36,416	36,416	4,859	(31,557)	4,924
Total Special Education Instruction	10,704,970	10,697,687	11,689,760	992,073	9,916,925
Instructional Support Services:					
Salaries	1,489,262	1,589,150	1,603,624	14,474	1,371,533
Employee Benefits	497,361	581,194	530,979	(50,215)	442,787
Purchased Services	172,855	280,855	269,729	(11,126)	162,570
Supplies and Materials	259,834	259,334	243,100	(16,234)	237,516
Capital Expenditures	15,281	15,281	19,446	4,165	18,266
Debt Service	2,590	2,590	1,765	(825)	2,590
Other Expenditures	20,171	20,171	15,154	(5,017)	16,819
Total Instructional Support Services	2,457,354	2,748,575	2,683,797	(64,778)	2,252,081
Pupil Support Services:					
Salaries	855,120	855,120	900,202	45,082	805,607
Employee Benefits	300,609	300,609	295,083	(5,526)	267,799
Purchased Services	2,842,170	2,927,370	2,704,626	(222,744)	2,745,785
Supplies and Materials	19,297	19,297	14,976	(4,321)	14,344
Other Expenditures	1,500	1,500	150	(1,350)	290
Total Pupil Support Services	4,018,696	4,103,896	3,915,037	(188,859)	3,833,825

**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, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)**

	2016			Over (Under) Final Budget	2015
	Original Budget	Final Budget	Actual Amounts		Actual Amounts
<b>EXPENDITURES (CONTINUED)</b>					
Current (Continued):					
Sites and Buildings:					
Salaries	\$ 1,626,961	\$ 1,626,961	\$ 1,695,578	\$ 68,617	\$ 1,610,909
Employee Benefits	697,503	697,503	743,105	45,602	708,151
Purchased Services	1,962,529	2,092,529	1,766,921	(325,608)	2,306,791
Supplies and Materials	635,805	635,805	733,427	97,622	743,468
Capital Expenditures	131,938	131,938	315,516	183,578	1,274,394
Debt Service	235,000	235,000	235,000	-	230,000
Other Expenditures	30,756	30,756	7,214	(23,542)	2,259
Total Sites and Buildings	<u>5,320,492</u>	<u>5,450,492</u>	<u>5,496,761</u>	<u>46,269</u>	<u>6,875,972</u>
Fiscal and Other Fixed Cost Programs:					
Employee Benefits	17,280	17,280	-	(17,280)	-
Purchased Services	180,000	180,000	164,374	(15,626)	161,149
Debt Service	-	-	68,734	68,734	15,801
Total Fiscal and Other Fixed Costs Programs	<u>197,280</u>	<u>197,280</u>	<u>233,108</u>	<u>35,828</u>	<u>176,950</u>
Total Expenditures	<u>52,828,659</u>	<u>53,615,665</u>	<u>54,579,510</u>	<u>963,845</u>	<u>53,041,920</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	133,822	69,067	863,894	794,827	3,489
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital Lease Proceeds	-	-	103,681	103,681	559,889
Judgments for School Districts	-	-	999	999	-
Proceeds from Sale of Equipment	-	-	57,660	57,660	60,750
Insurance Recovery Proceeds	-	-	-	-	499,745
Transfers Out	(19,000)	(19,000)	(10,791)	8,209	(1,603)
Total Other Financing Sources (Uses)	<u>(19,000)</u>	<u>(19,000)</u>	<u>151,549</u>	<u>170,549</u>	<u>1,118,781</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 114,822</u>	<u>\$ 50,067</u>	1,015,443	<u>\$ 965,376</u>	1,122,270
Fund Balance - Beginning of Year			<u>6,929,146</u>		<u>5,806,876</u>
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 7,944,589</u>		<u>\$ 6,929,146</u>

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
FOOD SERVICE SPECIAL REVENUE FUND  
BALANCE SHEET  
JUNE 30, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	2016	2015
<b>ASSETS</b>		
Cash and Investments	\$ 413,642	\$ 149,567
Receivables:		
Due from Other Minnesota School Districts	48	-
Due from Minnesota Department of Education	5,819	33,004
Due from Federal through Minnesota Department of Education	48,331	174,284
Other Receivables	16,002	17,176
Prepaid Items	1,938	1,550
Inventory	45,987	37,636
	\$ 531,767	\$ 413,217
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Salaries and Wages Payable	\$ 15,535	\$ 10,408
Accounts and Contracts Payable	20,499	6,253
Unearned Revenue	43,798	53,339
Total Liabilities	79,832	70,000
 <b>FUND BALANCE</b>		
Nonspendable:		
Prepaid Items	1,938	1,550
Inventory	45,987	37,636
Restricted:		
Food Service	404,010	304,031
Total Fund Balance	451,935	343,217
 Total Liabilities and Fund Balance	\$ 531,767	\$ 413,217

**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, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)**

	2016			Over (Under)	2015
	Original Budget	Final Budget	Actual Amounts	Final Budget	Actual Amounts
<b>REVENUES</b>					
Local Sources:					
Earnings on Investments	\$ 150	\$ 150	\$ 1,405	\$ 1,255	\$ 454
Other - Primarily Meal Sales	1,207,206	1,214,706	1,233,859	19,153	1,263,543
State Sources:	159,900	159,900	175,629	15,729	186,792
Federal Sources	1,383,991	1,423,991	1,532,244	108,253	1,440,115
Total Revenues	<u>2,751,247</u>	<u>2,798,747</u>	<u>2,943,137</u>	<u>144,390</u>	<u>2,890,904</u>
<b>EXPENDITURES</b>					
Current:					
Salaries	984,312	984,312	969,215	(15,097)	932,124
Employee Benefits	317,882	316,414	287,774	(28,640)	295,961
Purchased Services	82,935	81,348	78,228	(3,120)	71,346
Supplies and Materials	1,350,288	1,402,348	1,484,238	81,890	1,515,653
Other Expenditures	1,000	1,000	534	(466)	714
Capital Outlay	33,000	33,000	14,430	(18,570)	55,064
Total Expenditures	<u>2,769,417</u>	<u>2,818,422</u>	<u>2,834,419</u>	<u>15,997</u>	<u>2,870,862</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (18,170)</u>	<u>\$ (19,675)</u>	108,718	<u>\$ 128,393</u>	20,042
Fund Balance - Beginning of Year			<u>343,217</u>		<u>323,175</u>
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 451,935</u>		<u>\$ 343,217</u>

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
COMMUNITY SERVICE SPECIAL REVENUE FUND  
BALANCE SHEET  
JUNE 30, 2016**

**(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	2016	2015
<b>ASSETS</b>		
Cash and Investments	\$ 935,341	\$ 985,567
Receivables:		
Current Property Taxes	150,867	170,217
Delinquent Property Taxes	1,453	2,296
Due from Minnesota Department of Education	189,371	171,695
Due from Federal Government through the Minnesota Department of Education	71,490	69,875
Other Receivables	395	-
Prepaid Items	21,442	29,413
Total Assets	\$ 1,370,359	\$ 1,429,063
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Salaries and Wages Payable	\$ 37,461	\$ 26,970
Accounts and Contracts Payable	28,037	29,169
Due to Other Governmental Units	254,521	392,213
Total Liabilities	320,019	448,352
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes Levied for Subsequent Year	313,608	316,365
Unavailable Revenue - Delinquent Property Taxes	1,453	231
Total Deferred Inflows of Resources	315,061	316,596
<b>FUND BALANCE</b>		
Nonspendable:		
Prepaid Items	21,442	29,413
Restricted:		
Community Education Programs	367,590	360,009
Early Childhood and Family Education Programs	149,888	126,574
School Readiness	97,501	20,529
Adult Basic Education	68,159	97,846
Other Purposes	30,699	29,744
Total Fund Balance	735,279	664,115
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,370,359	\$ 1,429,063

**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, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)**

	2016			Over (Under) Final Budget	2015
	Original Budget	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>					
Local Sources:					
Property Taxes	\$ 312,385	\$ 312,385	\$ 310,258	\$ (2,127)	\$ 317,828
Earnings on Investments	700	700	4,121	3,421	1,542
Other - Primarily Tuition and Fees	753,350	753,350	837,369	84,019	816,839
State Sources	1,799,906	1,864,975	1,787,768	(77,207)	1,651,148
Federal Sources	66,763	91,081	96,136	5,055	69,875
Total Revenues	<u>2,933,104</u>	<u>3,022,491</u>	<u>3,035,652</u>	<u>13,161</u>	<u>2,857,232</u>
<b>EXPENDITURES</b>					
Current:					
Salaries	955,311	987,847	944,864	(42,983)	800,530
Employee Benefits	253,936	259,944	271,046	11,102	225,517
Purchased Services	1,669,864	1,666,286	1,621,618	(44,668)	1,592,255
Supplies and Materials	57,841	96,359	110,341	13,982	106,105
Other Expenditures	4,400	4,400	4,274	(126)	3,980
Debt Service	5,294	5,294	3,609	(1,685)	5,299
Capital Outlay	15,400	15,400	19,527	4,127	20,007
Total Expenditures	<u>2,962,046</u>	<u>3,035,530</u>	<u>2,975,279</u>	<u>(60,251)</u>	<u>2,753,693</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(28,942)	(13,039)	60,373	73,412	103,539
<b>OTHER FINANCING SOURCES</b>					
Transfers In	19,000	19,000	10,791	(8,209)	1,603
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (9,942)</u>	<u>\$ 5,961</u>	71,164	<u>\$ 65,203</u>	105,142
Fund Balance - Beginning of Year			<u>664,115</u>		<u>558,973</u>
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 735,279</u>		<u>\$ 664,115</u>

**OWATONNA PUBLIC SCHOOLS  
 INDEPENDENT SCHOOL DISTRICT NO. 761  
 CAPITAL PROJECTS – BUILDING CONSTRUCTION FUND  
 BALANCE SHEET  
 JUNE 30, 2016  
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	2016	2015
<b>ASSETS</b>		
Cash and Investments	\$ 76,616,974	\$ -
Accounts and Interest Receivable	145,935	-
	\$ 76,762,909	\$ -
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Accounts and Contracts Payable	\$ 356,386	\$ -
Total Liabilities	356,386	-
<b>FUND BALANCE</b>		
Restricted:		
Capital Projects	76,406,523	-
Total Fund Balance	76,406,523	-
Total Liabilities and Fund Balance	\$ 76,762,909	\$ -



**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, 2016**

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)**

	2016			Over	2015
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	(Under) Final Budget	Actual Amounts
<b>REVENUES</b>					
Local Sources:					
Earnings on Investments	\$ -	\$ -	\$ 130,197	\$ 130,197	\$ -
Total Revenues	-	-	130,197	130,197	-
<b>EXPENDITURES</b>					
Purchased Services	-	257,585	2,563,915	2,306,330	-
Supplies and Materials	-	-	2,141	2,141	-
Capital Outlay	-	7,527,846	-	(7,527,846)	-
Total Expenditures	-	7,785,431	2,566,056	(5,219,375)	-
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	-	(7,785,431)	(2,435,859)	5,349,572	-
<b>OTHER FINANCING SOURCES</b>					
Proceeds from Sale of Bonds	-	78,112,585	75,185,000	(2,927,585)	-
Bond Premium	-	-	3,659,835	3,659,835	-
Transfer Out	-	-	(2,453)	(2,453)	-
Total Other Financing Sources	-	78,112,585	78,842,382	729,797	-
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 70,327,154</u>	76,406,523	<u>\$ 6,079,369</u>	-
Fund Balance - Beginning of Year			-		-
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 76,406,523</u>		<u>\$ -</u>

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
DEBT SERVICE FUND  
BALANCE SHEET  
JUNE 30, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	2016	2015
<b>ASSETS</b>		
Cash and Investments	\$ 3,736,476	\$ 1,585,674
Receivables:		
Current Property Taxes	2,977,612	1,228,636
Delinquent Property Taxes	10,464	16,455
Due from Minnesota Department of Education	3,818	2,826
 Total Assets	 \$ 6,728,370	 \$ 2,833,591
 <b>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes Levied for Subsequent Year	\$ 6,189,655	\$ 2,283,599
Unavailable Revenue - Delinquent Property Taxes	10,464	1,140
Total Deferred Inflows of Resources	6,200,119	2,284,739
 <b>FUND BALANCE</b>		
Restricted:		
Debt Service	528,251	548,852
 Total Deferred Inflows of Resources and Fund Balance	 \$ 6,728,370	 \$ 2,833,591

**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, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)**

	2016			Over (Under) Final Budget	2015
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts		Actual Amounts
<b>REVENUES</b>					
Local Sources:					
Property Tax	\$ 2,260,049	\$ 2,260,049	\$ 2,239,105	\$ (20,944)	\$ 2,279,999
Earnings on Investments	1,328	1,328	6,537	5,209	2,226
State Sources	28,266	38,173	38,174	1	28,265
Total Revenues	<u>2,289,643</u>	<u>2,299,550</u>	<u>2,283,816</u>	<u>(15,734)</u>	<u>2,310,490</u>
<b>EXPENDITURES</b>					
Debt Service:					
Bond Principal	2,255,000	2,255,000	2,255,000	-	2,230,000
Bond Interest	51,375	51,375	51,375	-	74,200
Paying Agent Fees and Other	3,000	3,000	495	(2,505)	495
Total Expenditures	<u>2,309,375</u>	<u>2,309,375</u>	<u>2,306,870</u>	<u>(2,505)</u>	<u>2,304,695</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(19,732)	(9,825)	(23,054)	(13,229)	5,795
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	-	2,453	2,453	-
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (19,732)</u>	<u>\$ (9,825)</u>	(20,601)	<u>\$ (10,776)</u>	5,795
Fund Balance - Beginning of Year			<u>548,852</u>		<u>543,057</u>
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 528,251</u>		<u>\$ 548,852</u>

# STATISTICAL SECTION

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

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

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends Information</b> These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	<b>88-113</b>
<b>Revenue Capacity Information</b> These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	<b>114-122</b>
<b>Debt Capacity Information</b> These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	<b>123-128</b>
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	<b>129-131</b>
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	<b>132-143</b>

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

# Financial Trends Information

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

	2016	2015 **	2014
<b>GOVERNMENTAL ACTIVITIES:</b>			
Net Investment in Capital Assets	\$ 21,078,576	\$ 20,932,061	\$ 19,161,911
Restricted	2,249,861	2,687,436	2,237,866
Unrestricted	(30,364,858)	(31,099,684)	(574,936)
<b>Total Net Position</b>	<b>\$ (7,036,421)</b>	<b>\$ (7,480,187)</b>	<b>\$ 20,824,841</b>

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."

\*\* The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statements 68 and 71 for the year ended June 30, 2015. Accordingly, this change in principle resulted in the restatement of beginning net position related to the recognition of the District's proportionate share of the Public Employees' Retirement Association and Teacher's Retirement Association net pension liabilities.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 17,576,923	\$ 15,763,708	\$ 13,921,139	\$ 11,702,040	\$ 8,374,839	\$ 6,661,006	\$ 5,147,551
2,343,043	1,930,064	1,779,406	1,974,164	2,331,612	1,744,977	1,723,634
(1,835,273)	(1,677,498)	(399,224)	56,380	183,475	(807,023)	(1,449,444)
<b><u>\$ 18,084,693</u></b>	<b><u>\$ 16,016,274</u></b>	<b><u>\$ 15,301,321</u></b>	<b><u>\$ 13,732,584</u></b>	<b><u>\$ 10,889,926</u></b>	<b><u>\$ 7,598,960</u></b>	<b><u>\$ 5,421,741</u></b>



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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>EXPENSES:</b>			
Governmental Activities:			
Administration	\$ 2,214,892	\$ 1,962,158	\$ 1,895,700
District Support Services	2,490,625	2,651,016	2,112,832
Regular Instruction	25,985,184	24,983,484	22,903,003
Vocational Education Instruction	1,024,380	963,470	879,531
Special Education Instruction	11,877,751	9,794,757	9,070,850
Instructional Support Services	2,711,883	2,232,335	2,071,416
Pupil Support Services	3,980,170	3,868,506	3,721,881
Sites and Buildings	6,152,761	5,315,351	4,906,176
Fiscal and Other Fixed Cost Programs	164,374	161,149	125,231
Food Service	2,875,779	2,867,876	2,584,227
Community Service	3,002,921	2,728,023	2,912,620
Interest and Fiscal Charges on Long-Term Liabilities	906,867	54,965	224,363
<b>Total Government-wide Expenses</b>	<b>63,387,587</b>	<b>57,583,090</b>	<b>53,407,830</b>
<b>PROGRAM REVENUES:</b>			
Governmental Activities:			
Charges for Services:			
District Support Services	-	-	-
Regular Instruction	445,947	538,156	536,263
Special Education Instruction	334,202	269,575	210,772
Instructional Support Services	-	-	-
Pupil Support Services	-	-	-
Sites and Buildings	33,080	48,014	41,199
Food Service	1,233,859	1,263,543	1,178,313
Community Service	817,215	772,640	738,720
Operating Grants and Contributions	18,249,598	16,208,948	15,283,318
Capital Grants and Contributions	816,942	1,344,754	814,588
<b>Total Government-wide Program Revenues</b>	<b>21,930,843</b>	<b>20,445,630</b>	<b>18,803,173</b>
<b>Net (Expense)/Revenue</b>			
<b>Total Government-wide Net Expense</b>	<b>\$ (41,456,744)</b>	<b>\$ (37,137,460)</b>	<b>\$ (34,604,657)</b>

Source: Independent Auditor's Report

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 1,855,310	\$ 2,042,444	\$ 1,871,259	\$ 1,802,903	\$ 1,867,489	\$ 2,017,978	\$ 2,043,610
2,066,752	2,381,115	2,400,208	2,424,401	1,876,749	2,235,492	1,954,163
22,253,825	22,586,215	22,918,131	23,186,502	23,038,470	22,530,340	21,733,532
857,644	985,654	947,088	962,345	1,104,251	1,151,186	1,180,673
9,229,338	8,918,235	8,487,358	8,459,955	7,624,288	7,071,990	6,673,018
2,242,796	2,646,055	2,602,566	2,710,329	2,631,900	2,618,775	3,006,111
3,619,996	3,590,963	3,597,773	3,390,886	3,282,534	3,263,988	2,846,914
5,180,489	4,546,753	4,610,789	4,829,529	4,591,971	4,386,242	4,278,259
137,108	117,021	97,980	97,686	97,836	211,020	238,805
2,691,837	2,622,427	2,517,812	2,534,855	2,549,840	2,533,141	2,383,782
2,466,413	2,403,407	1,853,866	1,862,951	1,709,072	1,716,448	1,677,294
<u>303,988</u>	<u>484,230</u>	<u>503,226</u>	<u>596,940</u>	<u>679,085</u>	<u>748,219</u>	<u>811,003</u>
52,905,496	53,324,519	52,408,056	52,859,282	51,053,485	50,484,819	48,827,164
-	-	-	-	-	3,483	358
545,092	642,220	497,422	567,537	570,321	541,507	389,021
198,302	360,893	211,809	730,155	623,828	74,198	65,280
-	-	-	-	-	142,171	197,492
-	-	-	-	-	103,018	103,018
44,563	38,154	28,686	25,456	35,775	25,854	28,841
1,213,603	1,281,616	1,346,758	1,338,938	1,426,068	1,373,330	1,315,917
625,895	609,207	613,790	610,292	561,795	545,477	518,614
14,313,633	13,683,114	13,411,316	15,508,360	12,669,616	8,105,522	7,429,462
651,823	602,199	748,976	564,322	928,090	833,062	772,308
17,592,911	17,217,403	16,858,757	19,345,060	16,815,493	11,747,622	10,820,311
<u>\$ (35,312,585)</u>	<u>\$ (36,107,116)</u>	<u>\$ (35,549,299)</u>	<u>\$ (33,514,222)</u>	<u>\$ (34,237,992)</u>	<u>\$ (38,737,197)</u>	<u>\$ (38,006,853)</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)

	2016	2015	2014
<b>Net (Expense)/Revenue</b>			
Total Government-wide Net Expense (1)	\$ (41,456,744)	\$ (37,137,460)	\$ (34,604,657)
<b>General Revenues and Changes in Net Position</b>			
Governmental Activities:			
Property Taxes Levied for:			
General Purposes	6,031,626	6,107,724	3,179,245
Community Service	311,480	315,344	159,876
Debt Service	2,248,429	2,260,549	2,236,767
State Aid Not Restricted to Specific Purposes	32,843,509	31,890,460	31,572,695
Earnings on Investments	171,188	13,374	3,874
Gain on Sale of Fixed Assets	-	-	32,886
Miscellaneous	294,278	530,243	159,462
<b>Total General Revenues</b>	<b>41,900,510</b>	<b>41,117,694</b>	<b>37,344,805</b>
<b>Change in Net Position</b>			
<b>Total Government-wide</b>	<b>\$ 443,766</b>	<b>\$ 3,980,234</b>	<b>\$ 2,740,148</b>

(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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ (35,312,585)	\$ (36,107,116)	\$ (35,549,299)	\$ (33,514,222)	\$ (34,237,992)	\$ (38,737,197)	\$ (38,006,853)
5,243,922	5,098,253	7,077,607	5,231,020	4,674,624	4,598,114	4,025,066
313,998	292,039	432,268	287,300	251,077	283,708	264,375
2,652,516	2,386,440	2,449,394	3,135,148	3,152,927	2,788,744	2,867,578
29,089,562	28,951,399	26,927,364	26,001,620	29,257,214	32,841,048	32,451,762
10,359	3,091	7,010	29,226	189,148	402,802	447,370
19,500	-	17,610	-	-	-	-
51,147	90,847	206,783	25,976	3,968	-	-
<u>37,381,004</u>	<u>36,822,069</u>	<u>37,118,036</u>	<u>34,710,290</u>	<u>37,528,958</u>	<u>40,914,416</u>	<u>40,056,151</u>
<u>\$ 2,068,419</u>	<u>\$ 714,953</u>	<u>\$ 1,568,737</u>	<u>\$ 1,196,068</u>	<u>\$ 3,290,966</u>	<u>\$ 2,177,219</u>	<u>\$ 2,049,298</u>

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

	<u>2016</u>		<u>2015</u>		<u>2014</u>		<u>2013</u>
Federal Sources:							
Federal Grants	\$ 1,823,109		\$ 1,766,772		\$ 1,713,004		\$ 1,783,378 *****
Food Service	<u>1,532,244</u>		<u>1,440,115</u>		<u>1,230,098</u>		<u>1,247,788</u>
Total Federal Sources	<u>3,355,353</u>		<u>3,206,887</u>		<u>2,943,102</u>		<u>3,031,166</u>
State Sources:							
General Education Aid	46,377,303 *****		43,665,805		42,325,660 *****		38,806,389 *****
Food Service	175,629		186,792		121,883		123,037
Community Service	1,787,768		1,651,148		1,768,739		1,549,457
Debt Service Aid	<u>38,174</u>		<u>28,265</u>		<u>28,376</u>		<u>34,282</u>
Total State Sources	<u>48,378,874</u>		<u>45,532,010</u>		<u>44,244,658</u>		<u>40,513,165</u>
Local Sources:							
Property Taxes	8,598,217		8,724,362		5,575,389 *****		8,212,858
Food Service Sales	1,233,859		1,263,543		1,278,313		1,213,603
Other Revenues	<u>2,269,903</u>		<u>2,377,233</u>		<u>1,907,890</u>		<u>1,985,859</u>
Total Local Sources	<u>12,101,979</u>		<u>12,365,138</u>		<u>8,761,592</u>		<u>11,412,320</u>
<b>Total Revenues</b>	<b><u>\$ 63,836,206</u></b>		<b><u>\$ 61,104,035</u></b>		<b><u>\$ 55,949,352</u></b>		<b><u>\$ 54,956,651</u></b>

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

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

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

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

\*\*\*\*\* 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.

\*\*\*\*\* General Education increased in fiscal year 2014 due to an additional 1.5% increase in the basic formula allowance, additional compensatory revenue, and the payback of the tax shift.

\*\*\*\*\* Property Taxes decrease in fiscal year 2014 due to property tax shift payback which resulted in an increase in general education aid.

\*\*\*\*\* General Education increased due to an additional \$117 per pupil in the basic formula allowance.

Source: Independent Auditor's Report

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 2,869,223	\$ 2,914,456	\$ 5,730,099 **	\$ 2,263,177	\$ 2,172,536	\$ 2,141,264
<u>1,202,516</u>	<u>1,134,338</u>	<u>1,106,870</u>	<u>957,097</u>	<u>894,210</u>	<u>835,793</u>
<u>4,071,739</u>	<u>4,048,794</u>	<u>6,836,969</u>	<u>3,220,274</u>	<u>3,066,746</u>	<u>2,977,057</u>
37,146,909	35,747,140	33,580,948 **	38,054,283	37,174,860	36,131,373
136,743	140,524	156,190	145,574	155,216	134,165
1,491,873	742,064	862,432	864,186	808,696	780,790
<u>211,467</u>	<u>211,140</u>	<u>263,159</u>	<u>279,141</u>	<u>274,695</u>	<u>319,470</u>
<u>38,986,992</u>	<u>36,840,868</u>	<u>34,862,729</u>	<u>39,343,184</u>	<u>38,413,467</u>	<u>37,365,798</u>
7,766,105 ****	10,004,765 ***	8,636,276	8,062,364	7,632,068	7,132,050
1,281,616	1,346,758	1,338,938	1,426,068	1,373,329	1,315,918
<u>1,893,945</u>	<u>1,624,930</u>	<u>2,196,143</u>	<u>2,270,263</u>	<u>2,125,573</u>	<u>2,050,079</u>
<u>10,941,666</u>	<u>12,976,453</u>	<u>12,171,357</u>	<u>11,758,695</u>	<u>11,130,970</u>	<u>10,498,047</u>
<b><u>\$ 54,000,397</u></b>	<b><u>\$ 53,866,115</u></b>	<b><u>\$ 53,871,055</u></b>	<b><u>\$ 54,322,153</u></b>	<b><u>\$ 52,611,183</u></b>	<b><u>\$ 50,840,902</u></b>

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Administration	\$ 2,161,376	\$ 1,994,336	\$ 1,858,308	\$ 1,853,688
District Support Services	1,953,769	2,007,416	1,534,178	1,730,390
Regular Instruction	24,484,071	23,404,977	21,594,864	21,547,782
Vocational Education Instruction	990,356	986,583	851,994	833,950
Special Education Instruction	11,656,999	9,909,196	8,945,039	9,180,796
Instructional Support Services	2,662,586	2,231,225	2,041,098	2,292,712
Pupil Support Services	3,915,037	3,833,825	3,638,496	3,670,854
Sites and Buildings	4,946,245	5,371,578	5,225,798	4,902,410
Fiscal and Other Fixed Cost Programs	164,374	161,149	125,231	137,108
Food Service	2,819,989	2,815,798	2,518,030	2,587,328
Community Service	2,952,143	2,728,387	2,871,959	2,415,777
Capital Outlay	3,768,015	2,976,204	1,878,653	1,764,382
Debt Service				
Principal	2,633,549	2,460,000	2,575,000	2,545,000
Interest and Fiscal Charges	153,625	90,496	117,119	505,489
<b>Total Expenditures</b>	<b><u>\$ 65,262,134</u></b>	<b><u>\$ 60,971,170</u></b>	<b><u>\$ 55,775,767</u></b>	<b><u>\$ 55,967,666</u></b>

<b>Debt Service as a percentage of non-capital expenditures</b>	<b>4.53%</b>	<b>4.40%</b>	<b>4.99%</b>	<b>5.63%</b>
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\* Includes general, food service, community service, capital projects - building construction, and debt service funds.

Source: Independent Auditor's Report

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$	2,111,976	\$ 1,794,161	\$ 1,738,247	\$ 1,841,561	\$ 1,819,936	\$ 1,892,973
	1,976,172	2,216,781	1,843,598	1,456,988	1,630,028	1,369,566
	21,499,307	21,632,973	21,686,361	22,214,364	21,668,324	20,558,356
	940,505	897,302	933,799	1,064,263	1,097,481	1,114,893
	8,734,486	8,500,187	8,311,029	7,536,903	7,080,734	6,541,282
	2,650,922	2,549,555	2,671,979	2,711,242	2,591,934	2,521,187
	3,580,587	3,507,532	3,438,413	3,299,933	3,252,298	2,820,826
	4,852,149	4,603,163	4,454,311	4,413,649	4,281,716	3,839,111
	117,021	97,980	97,686	97,836	324,121	348,059
	2,502,500	2,446,111	2,465,945	2,433,616	2,416,249	2,257,205
	2,405,876	1,796,287	1,814,794	1,693,415	1,669,301	1,616,814
	1,358,898	3,983,269	1,606,460	1,597,799	1,412,225	1,856,652
	2,425,000	2,265,000	2,905,000	2,805,000	2,510,000	2,425,000
	515,048	532,685	620,671	700,101	764,221	822,424
	<u><b>\$ 55,670,447</b></u>	<u><b>\$ 56,822,986</b></u>	<u><b>\$ 54,588,293</b></u>	<u><b>\$ 53,866,670</b></u>	<u><b>\$ 52,518,568</b></u>	<u><b>\$ 49,984,348</b></u>

5.41%

5.29%

6.65%

6.71%

6.41%

6.75%



**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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Total Revenues (1)</b>	<b>\$ 63,836,206</b>	<b>\$ 61,104,035</b>	<b>\$ 55,949,352</b>	<b>\$ 54,956,651</b>
<b>Total Expenditures (2)</b>	<b>65,262,134</b>	<b>60,971,170</b>	<b>55,775,767</b>	<b>55,967,666</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,425,928)</b>	<b>132,865</b>	<b>173,585</b>	<b>(1,011,015)</b>
<b>Other Financing Sources (Uses)</b>				
Capital Lease Proceeds	103,681	559,889	-	266,136
Judgments for School Districts	999	-	4,800	-
Proceeds from Sale of Equipment	57,660	60,750	32,886	19,500
Insurance Recovery Proceeds (3)	-	499,745	160,339	-
Certificate of Participation Proceeds	-	-	-	-
Certificates of Participation Premium	-	-	-	-
Bond Proceeds	75,185,000 (4)	-	-	9,445,000
Bond Premium	3,659,835	-	-	110,816
Payment to Refunded Bond Escrow Agent	-	-	-	(8,690,000)
<b>Total Other Financing Sources (Uses)</b>	<b>79,007,175</b>	<b>1,120,384</b>	<b>198,025</b>	<b>1,151,452</b>
<b>Net Change in Fund Balances</b>	<b>\$ 77,581,247</b>	<b>\$ 1,253,249</b>	<b>\$ 371,610</b>	<b>\$ 140,437</b>

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

(1) From Governmental Funds Revenues spreadsheet.

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

(3) Insurance recovery proceeds due to a fire in the High School Auditorium.

(4) Bond proceeds from a bond referendum passed in November 2015.

Source: Independent Auditor's Report

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>\$ 54,000,397</b>	<b>\$ 53,866,115</b>	<b>\$ 53,871,055</b>	<b>\$ 54,322,153</b>	<b>\$ 52,611,183</b>	<b>\$ 50,840,902</b>
<b>55,670,447</b>	<b>56,822,986</b>	<b>54,588,293</b>	<b>53,866,670</b>	<b>52,518,568</b>	<b>49,984,348</b>
<b>(1,670,050)</b>	<b>(2,956,871)</b>	<b>(717,238)</b>	<b>455,483</b>	<b>92,615</b>	<b>856,554</b>
-	201,918	6,687	277,292	-	-
28,333	138,357	149,550	1,789	733	358
-	20,256	16,600	5,114	34,615	14,629
-	-	-	-	2,750	461
-	1,855,000	-	-	-	-
-	14,771	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>28,333</b>	<b>2,230,302</b>	<b>172,837</b>	<b>284,195</b>	<b>38,098</b>	<b>15,448</b>
<b>\$ (1,641,717)</b>	<b>\$ (726,569)</b>	<b>\$ (544,401)</b>	<b>\$ 739,678</b>	<b>\$ 130,713</b>	<b>\$ 872,002</b>

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

<b>Fiscal Year</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>General Revenues</b>	<b>Total</b>
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%
2014	2,705,267 5%	15,283,318 27%	814,588 1%	37,344,805 67%	56,147,978 100%
2015	2,891,928 5%	16,208,948 26%	1,344,754 2%	41,117,694 67%	61,563,324 100%
2016	2,864,303 4%	18,249,598 29%	816,942 1%	41,900,510 66%	63,831,353 100%

Source: Independent Auditor's Report

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

<b>Fiscal Year</b>	<b>Local Property Tax Levies</b>	<b>Other Local Sources</b>	<b>State Sources</b>	<b>Federal Sources</b>	<b>Total Revenues</b>
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 15%	3,199,462 6%	40,513,165 74%	3,031,166 6%	54,956,651 100%
2014 (4)	5,575,389 10%	3,186,203 6%	44,244,658 79%	2,943,102 5%	55,949,352 100%
2015 (5)	8,724,362 14%	3,640,776 6%	45,532,010 75%	3,206,887 5%	61,104,035 100%
2016 (6)	8,598,217 13%	3,503,762 6%	48,378,874 76%	3,355,353 5%	63,836,206 100%

\* 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.

(4) Property Taxes decreased in fiscal year 2014. During Fiscal Year 2014 there was a tax shift payback which resulted in a reduction of property taxes and an offsetting increase to State Aids of \$2,305,142.

(5) Property Taxes increased in fiscal year 2015. During Fiscal Year 2014 there was a tax shift payback which resulted in a reduction of property taxes and an offsetting increase to State Aids.

(6) State Aid increased by \$117 per pupil in fiscal year 2016.

Source: Independent Auditor's Report

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

<b>Fiscal Year</b>	<b>Administration</b>	<b>District Support Services</b>	<b>Regular Instruction</b>	<b>Vocational Education Instruction</b>	<b>Special Education Instruction</b>	<b>Instructional Support Services</b>
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%
2014	1,895,700 4%	2,112,832 4%	22,903,003 43%	879,531 2%	9,070,850 17%	2,071,416 4%
2015	1,962,158 3%	2,651,016 5%	24,983,484 43%	963,470 2%	9,794,757 17%	2,232,335 4%
2016	2,214,892 3%	2,490,625 4%	25,985,184 41%	1,024,380 2%	11,877,751 19%	2,711,883 4%

Source: Independent Auditor's Report

<b>Pupil Support Services</b>	<b>Sites and Buildings</b>	<b>Fiscal and Other Fixed Cost Programs</b>	<b>Food Service</b>	<b>Community Service</b>	<b>Interest and Fiscal Charges on Long-term Liabilities</b>	<b>Total</b>
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%
3,721,881 7%	4,906,176 9%	125,231 0%	2,584,227 5%	2,912,620 5%	224,363 0%	53,407,830 100%
3,868,506 7%	5,315,351 9%	161,149 0%	2,867,876 5%	2,728,023 5%	54,965 0%	57,583,090 100%
3,980,170 6%	6,152,761 10%	164,374 0%	2,875,779 5%	3,002,921 5%	906,867 1%	63,387,587 100%

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

<b>Fiscal Year</b>	<b>Administration</b>	<b>District Support Services</b>	<b>Regular Instruction</b>	<b>Vocational Education Instruction</b>	<b>Special Education Instruction</b>	<b>Instructional Support Services</b>	<b>Pupil Support Services</b>
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 3%	1,730,390 3%	21,547,782 39%	833,950 1%	9,180,796 16%	2,292,712 4%	3,670,854 7%
2014	1,858,308 3%	1,534,178 3%	21,594,864 39%	851,994 2%	8,945,039 16%	2,041,098 4%	3,638,496 7%
2015	1,994,336 3%	2,007,416 3%	23,404,977 38%	986,583 2%	9,909,196 17%	2,231,225 4%	3,833,825 6%
2016	2,161,376 3%	1,953,769 3%	24,484,071 38%	990,356 2%	11,656,999 18%	2,662,586 4%	3,915,037 6%

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

Source: Independent Auditor's Report

<b>Sites and Buildings</b>	<b>Fiscal and Other Fixed Cost Programs</b>	<b>Food Service</b>	<b>Community Service</b>	<b>Capital Outlay and Building Construction</b>	<b>Debt Service</b>	<b>Total Expenditures</b>
3,839,111 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%
5,225,798 9%	125,231 0%	2,518,030 5%	2,871,959 4%	1,878,653 3%	2,692,119 5%	55,775,767 100%
5,371,578 9%	161,149 0%	2,815,798 5%	2,728,387 4%	2,976,204 5%	2,550,496 4%	60,971,170 100%
4,946,245 8%	164,374 0%	2,819,989 4%	2,952,143 4%	3,768,015 6%	2,787,174 4%	65,262,134 100%



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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b><u>REVENUES:</u></b>				
Local Property Tax Levies	\$ 6,048,854	\$ 6,126,535	\$ 3,154,143 **	\$ 5,250,419
Other Local Sources	1,290,274	1,556,172	1,158,558	1,080,473
State Sources	46,377,303	43,665,805	42,325,660	38,806,389
Federal Sources	1,726,973	1,696,897	1,643,853	1,748,422
<b>TOTAL REVENUES</b>	<b><u>\$ 55,443,404</u></b>	<b><u>\$ 53,045,409</u></b>	<b><u>\$ 48,282,214</u></b>	<b><u>\$ 46,885,703</u></b>
<b><u>EXPENDITURES:</u></b>				
<i>Current</i>				
Administration	\$ 2,161,376	\$ 1,994,336	\$ 1,858,308	\$ 1,853,688
District Support Services	1,953,769	2,007,416	1,534,178	1,730,390
Regular Instruction	24,484,071	23,404,977	21,594,864	21,547,782
Vocational Education Instruction	990,356	986,583	851,994	833,950
Special Education Instruction	11,656,999	9,909,196	8,945,039	9,180,796
Instructional Support Services	2,662,586	2,231,225	2,041,098	2,292,712
Pupil Support Services	3,915,037	3,833,825	3,638,496	3,670,854
Sites and Buildings	4,946,245	5,371,578	5,225,798	4,902,410
Fiscal and Other Fixed Cost Programs	164,374	161,149	125,231	137,108
Capital Outlay	1,168,002	2,895,834	1,067,970	1,424,053
Debt Service *	476,695	245,801	225,000	248,196
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 54,579,510</u></b>	<b><u>\$ 53,041,920</u></b>	<b><u>\$ 47,107,976</u></b>	<b><u>\$ 47,821,939</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b><u>\$ 863,894</u></b>	<b><u>\$ 3,489</u></b>	<b><u>\$ 1,174,238</u></b>	<b><u>\$ (936,236)</u></b>
<b>OTHER FINANCIAL SOURCES (USES)</b>				
Capital Lease Proceeds	103,681	559,889	-	266,136
Insurance Recovery Proceeds	-	499,745	160,339	-
Judgments for School Districts	999	-	4,800	-
Transfers Out	(10,791)	(1,603)	(127,494)	(14,000)
Proceeds from Sale of Equipment	57,660	60,750	32,886	19,500
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>\$ 151,549</u></b>	<b><u>\$ 1,118,781</u></b>	<b><u>\$ 70,531</u></b>	<b><u>\$ 271,636</u></b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b><u>6,929,146</u></b>	<b><u>5,806,876</u></b>	<b><u>4,562,107</u></b>	<b><u>5,226,707</u></b>
<b>FUND BALANCE - END OF YEAR</b>	<b><u>\$ 7,944,589</u></b>	<b><u>\$ 6,929,146</u></b>	<b><u>\$ 5,806,876</u></b>	<b><u>\$ 4,562,107</u></b>

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

\*\* In FY 14 there was a property tax shift payback which led to a decrease in property taxes and an increase in state aid.

Source: Independent Auditor's Report

2012	2011	2010	2009	2008	2007
\$ 5,073,899	\$ 7,090,035	\$ 5,199,524	\$ 4,665,697	\$ 4,574,604	\$ 3,988,868
1,257,752	992,297	1,575,926	1,654,693	1,464,452	1,412,935
37,146,909	35,747,140	33,580,948	38,054,283	37,174,860	36,131,373
2,819,076	2,888,963	5,696,310	2,213,624	2,133,087	2,091,269
<b>\$ 46,297,636</b>	<b>\$ 46,718,435</b>	<b>\$ 46,052,708</b>	<b>\$ 46,588,297</b>	<b>\$ 45,347,003</b>	<b>\$ 43,624,445</b>
\$ 2,111,976	\$ 1,794,161	\$ 1,738,247	\$ 1,841,561	\$ 1,819,936	\$ 1,892,973
1,976,172	2,216,781	1,843,598	1,456,988	1,630,028	1,369,566
21,499,307	21,632,973	21,686,361	22,214,364	21,668,324	20,558,356
940,505	897,302	933,799	1,064,263	1,097,481	1,114,893
8,734,486	8,500,187	8,311,029	7,536,903	7,080,734	6,541,282
2,650,922	2,549,555	2,671,979	2,711,242	2,591,934	2,521,187
3,580,587	3,507,532	3,438,413	3,299,933	3,252,298	2,820,826
4,852,149	4,603,163	4,454,311	4,413,649	4,281,716	3,839,111
117,021	97,980	97,686	97,836	324,121	348,059
1,218,831	2,120,939	1,563,501	1,541,164	1,369,823	1,848,126
233,660	-	-	-	-	-
<b>\$ 47,915,616</b>	<b>\$ 47,920,573</b>	<b>\$ 46,738,924</b>	<b>\$ 46,177,903</b>	<b>\$ 45,116,395</b>	<b>\$ 42,854,379</b>
\$ (1,617,980)	\$ (1,202,138)	\$ (686,216)	\$ 410,394	\$ 230,608	\$ 770,066
-	201,918	-	260,917	-	-
-	-	-	-	2,750	461
28,333	138,357	149,550	1,789	733	358
(27,688)	(18,654)	(15,219)	-	-	-
-	20,256	16,600	5,114	34,615	14,629
<b>\$ 645</b>	<b>\$ 341,877</b>	<b>\$ 150,931</b>	<b>\$ 267,820</b>	<b>\$ 38,098</b>	<b>\$ 15,448</b>
<b>6,844,042</b>	<b>7,704,303</b>	<b>8,239,588</b>	<b>7,561,374</b>	<b>7,292,668</b>	<b>6,507,154</b>
<b>\$ 5,226,707</b>	<b>\$ 6,844,042</b>	<b>\$ 7,704,303</b>	<b>\$ 8,239,588</b>	<b>\$ 7,561,374</b>	<b>\$ 7,292,668</b>

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

	<b>2016</b>	<b>2015</b>	<b>Increase/ (Decrease)</b>	<b>% Inc/(Dec)</b>
<b><u>REVENUES:</u></b>				
Local Property Tax Levies	\$ 6,048,854	\$ 6,126,535	\$ (77,681)	-2.46%
Other Local Sources	1,290,274	1,556,172	(265,898)	-22.95%
State Sources	46,377,303	43,665,805	2,711,498	6.41%
Federal Sources	1,726,973	1,696,897	30,076	1.83%
<b>Total Revenue</b>	<b>\$ 55,443,404</b>	<b>\$ 53,045,409</b>	<b>\$ 2,397,995</b>	<b>5.21%</b>
<b><u>EXPENDITURES:</u></b>				
<i>Current:</i>				
Administration	\$ 2,161,376	\$ 1,994,336	\$ 167,040	8.99%
District Support Services	1,953,769	2,007,416	(53,647)	-3.50%
Regular Instruction	24,484,071	23,404,977	1,079,094	5.00%
Vocational Education Instruction	990,356	986,583	3,773	0.44%
Special Education Instruction	11,656,999	9,909,196	1,747,803	19.54%
Instructional Support Services	2,662,586	2,231,225	431,361	21.13%
Pupil Support Services	3,915,037	3,833,825	81,212	2.23%
Sites and Buildings	4,946,245	5,371,578	(425,333)	-8.14%
Fiscal and Other Fixed Cost Programs	164,374	161,149	3,225	2.58%
Capital Outlay	1,168,002	2,895,834	(1,727,832)	-161.79%
Debt Service	476,695	245,801	230,894	102.62%
<b>TOTAL EXPENDITURES</b>	<b>\$ 54,579,510</b>	<b>\$ 53,041,920</b>	<b>1,537,590</b>	<b>3.29%</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 863,894</b>	<b>\$ 3,489</b>		
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital Lease Proceeds	103,681	559,889		
Insurance Recovery Proceeds	-	499,745		
Judgments for School Districts	999	-		
Transfers Out	(10,791)	(1,603)		
Proceeds from Sale of Equipment	57,660	60,750		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ 151,549</b>	<b>\$ 1,118,781</b>		
<b>FUND BALANCES JULY 1:</b>				
Nonspendable	\$ 160,773	\$ 238,720		
Restricted	1,088,555	831,872		
Unassigned	5,679,818	4,736,284		
<b>TOTAL</b>	<b>\$ 6,929,146</b>	<b>\$ 5,806,876</b>		
<b>FUND BALANCES JUNE 30:</b>				
Nonspendable	\$ 176,123	\$ 160,773		
Restricted	952,611	1,088,555		
Unassigned	6,815,855	5,679,818		
<b>TOTAL</b>	<b>\$ 7,944,589</b>	<b>\$ 6,929,146</b>		

Source: Independent Auditor's Report

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>General Fund</b>				
Nonspendable	\$ 176,123	\$ 160,773	\$ 238,720	\$ 133,846
Restricted/Reserved	952,611	1,088,555	831,872	679,795
Unassigned	6,815,855	5,679,818	4,736,284	3,748,466
Reserved	-	-	-	-
Unreserved	-	-	-	-
<b>Total General Fund</b>	<b><u>\$ 7,944,589</u></b>	<b><u>\$ 6,929,146</u></b>	<b><u>\$ 5,806,876</u></b>	<b><u>\$ 4,562,107</u></b>
<b>All Other Governmental Funds</b>				
Nonspendable	\$ 69,367	\$ 68,599	\$ 81,396	\$ 54,462
Restricted/Reserved	78,052,621	1,487,585	1,343,809	2,243,902
Reserved	-	-	-	-
Unreserved:				
Special Revenue Funds	-	-	-	-
Capital Projects Fund	-	-	-	-
Debt Service Fund	-	-	-	-
<b>Total All Other Governmental Funds</b>	<b><u>\$ 78,121,988</u></b>	<b><u>\$ 1,556,184</u></b>	<b><u>\$ 1,425,205</u></b>	<b><u>\$ 2,298,364</u></b>

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

Source: Independent Auditor's Report

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 125,661	\$ 178,919 *	\$ -	\$ -	\$ -	\$ -
274,223	429,467 *	-	-	-	-
4,826,823	6,235,656 *	-	-	-	-
-	-	810,945	1,451,977	1,106,183	841,136
-	-	6,893,358	6,787,611	6,455,191	6,451,532
<b><u>\$ 5,226,707</u></b>	<b><u>\$ 6,844,042</u></b>	<b><u>\$ 7,704,303</u></b>	<b><u>\$ 8,239,588</u></b>	<b><u>\$ 7,561,374</u></b>	<b><u>\$ 7,292,668</u></b>
\$ 56,100	\$ 58,044 *	\$ -	\$ -	\$ -	\$ -
1,437,227	1,459,665 *	-	-	-	-
-	-	194,658	206,816	203,973	164,931
-	-	376,210	265,217	161,382	187,601
-	-	-	-	-	-
-	-	813,149	921,100	966,314	1,117,130
<b><u>\$ 1,493,327</u></b>	<b><u>\$ 1,517,709</u></b>	<b><u>\$ 1,384,017</u></b>	<b><u>\$ 1,393,133</u></b>	<b><u>\$ 1,331,669</u></b>	<b><u>\$ 1,469,662</u></b>

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

<u>Fiscal Year</u>	<u>Unassigned Fund Balance</u>	<u>Following Year Expenditures</u>	<u>Balance As Percent of Expenditures</u>
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%
2014	4,736,284	53,043,523	8.93%
2015	5,679,818	53,634,665	10.59%
2016	6,815,855	55,889,630 *	12.20%

\* Total expenditures from the 2016-17 Final Budget.

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

Source: Independent Auditor's Report

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
General Fund without Tax and Aid Anticipation Certificate	\$ 8,852,532	\$ 7,298,115	\$ 8,153,714	\$ 2,843,730
General Fund - Tax and Anticipation Certificate	-	-	-	-
<b>Sub Total General Fund</b>	<b>\$ 8,852,532</b>	<b>\$ 7,298,115</b>	<b>\$ 8,153,714</b>	<b>\$ 2,843,730</b>
Food Service	\$ 413,642	\$ 149,567	\$ 386,136	\$ 388,940
Community Service	935,341	985,567	788,210	722,011
Debt Service	3,736,476	1,585,674	1,574,645	1,611,632
Building Construction	76,616,974	-	-	610,155
Internal Service Fund	204,533	203,703	203,414	252,047
Trust Funds	4,396	4,608	5,370	4,946
<b>TOTAL</b>	<b><u>\$ 90,763,894</u></b>	<b><u>\$ 10,227,234</u></b>	<b><u>\$ 11,111,489</u></b>	<b><u>\$ 6,433,461</u></b>

Source: Independent Auditor's Report

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ (3,975,523)	\$ -	\$ 2,935,311	\$ 8,886,808	\$ 9,131,038	\$ 9,317,079
<u>8,076,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>\$ 4,100,871</b>	<b>\$ -</b>	<b>\$ 2,935,311</b>	<b>\$ 8,886,808</b>	<b>\$ 9,131,038</b>	<b>\$ 9,317,079</b>
\$ 487,985	\$ -	\$ 325,431	\$ 83,591	\$ 17,369	\$ 58,469
226,724	-	198,582	373,083	365,394	396,344
1,744,137	1,744,930	1,849,657	2,186,059	2,522,699	2,476,766
-	84,855	-	-	-	-
251,861	81,035	251,539	250,586	246,341	237,467
<u>5,592</u>	<u>2,136</u>	<u>3,007</u>	<u>3,065</u>	<u>4,239</u>	<u>4,855</u>
<b><u>\$ 6,817,170</u></b>	<b><u>\$ 1,912,956</u></b>	<b><u>\$ 5,563,527</u></b>	<b><u>\$ 11,783,192</u></b>	<b><u>\$ 12,287,080</u></b>	<b><u>\$ 12,490,980</u></b>

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# Revenue Capacity Information

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
Schedule of Tax Capacity, Tax Rates, and Tax Levied for June 30, 2016  
(unaudited)**

	<b>Levy Collectible in Calendar Year 2016</b>
<b>TAX CAPACITY</b>	
Real Agriculture	\$ 6,560,595
Real Nonagricultural	20,586,924
Personal Property	558,904
Tax Increment	(600,423)
<b>Total Tax Capacity Rate Determination Valuation</b>	<b>\$ 27,106,000</b>
<b>TAX CAPACITY RATE *</b>	
General Fund	7.681%
Community Service Fund	1.157%
Debt Service Fund	22.835%
<b>Total Tax Capacity Rate</b>	<b>31.673%</b>
<b>REFERENDUM MARKET VALUE</b>	<b>\$ 1,965,330,200</b>
<b>REFERENDUM MARKET VALUE TAX RATE **</b>	<b>0.22220%</b>
<b>COUNTY AUDITOR ADJUSTED CERTIFIED LEVY</b>	
General Fund - Referendum	\$ 4,366,745
General Fund - Other	2,081,736
Community Service Fund	313,461
Debt Service Fund - Voter Approved	6,067,025
Debt Service Fund - Other	122,430
<b>Total</b>	<b>\$ 12,951,397</b>
<b>COUNTY AUDITOR COMPUTED LEVY ***</b>	
General Fund - Referendum	\$ 4,366,934
General Fund - Other	2,082,056
Community Service Fund	313,608
Debt Service Fund - Voter Approved	6,067,136
Debt Service Fund - Other	122,519
<b>Total</b>	<b>\$ 12,952,253</b>

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

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

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

Source: School Tax Report - 2015 Payable 2016

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

<b>Fiscal Year</b>	<b>Total Tax Levy *</b>	<b>Current Tax Collections</b>	<b>% of Current Tax Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>% of Total Tax Collected</b>
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%
2014	8,609,018	8,567,279	99.52%	95,615	8,662,894	100.63%
2015	8,492,653	8,464,266	99.67%	74,585	8,538,851	100.54%
2016	13,007,985	12,980,880	99.79%	52,249	13,033,129	100.19%

\* 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 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 **
Fiscal Year 2014	58,955
Fiscal Year 2015	69,612
Fiscal Year 2016	76,119

\*\* 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 - 2015 Payable 2016, 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)**

<b>Fiscal Year Ended June 30,</b>	<b>Residential Property</b>	<b>Non-Homestead Residential Property</b>	<b>Commercial/ Industrial Property</b>	<b>Agricultural Property</b>	<b>Utility and Railroad Property</b>
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
2013	10,428,229	2,372,789	5,859,690	6,263,479	248,402
2014	10,529,656	2,432,004	6,333,299	7,183,577	256,357
2015	10,769,322	2,497,950	6,942,463	6,561,764	278,968

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 2015 sales ratio was 95.6%. The taxable value of property, upon which taxes are levied, extended and collected, is a percentage of the Estimated Market Value. Taxable value is referred to as Net Tax Capacity. Net Tax Capacity equals Estimated Market Value multiplied by a given percentage called a class rate for the particular classification of property.

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

<b>Commercial/ Residential Seasonal Property</b>	<b>Total Net Tax Capacity</b>	<b>Estimated Market Value</b>	<b>% Total Net Tax Capacity of Estimated Market Value</b>	<b>Total Direct Rate</b>
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
28,183	25,200,772	2,418,746,000	1.04%	18.374
30,304	26,765,197	2,609,490,040	1.03%	17.066
31,425	27,081,892	2,607,372,625	1.04%	8.921



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

<b>Year of Valuation</b>	<b>Net Tax Capacity (1)</b>	<b>Sales Ratio</b>	<b>Adjusted Net Tax Capacity (2)</b>
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
2013	25,200,772	96.0%	26,262,877
2014	26,765,197	95.6%	28,008,846
2015	27,081,892	95.6%	28,323,992

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

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

Source: Minnesota Department of Education Levy Limitation and Certification Reports

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

	<u>Year Collectible</u>	<u>General Fund</u>	<u>Community Service</u>	<u>Debt Service</u>	<u>Total All Funds</u>
<b>Levies</b>	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
	2014	5,933,249	319,294	2,375,157	8,627,700
	2015	5,910,694	316,365	2,171,510	8,398,569
	2016	6,448,990	313,608	6,189,655	12,952,253
<b>Initial Tax Rate *</b>	2007	18.44%	1.23%	12.17%	31.84%
	2008	17.65%	1.02%	12.80%	31.47%
	2009	18.42%	1.14%	12.42%	31.98%
	2010	19.16%	1.15%	12.57%	32.88%
	2011	19.73%	1.19%	9.99%	30.91%
	2012	21.92%	1.19%	9.99%	33.10%
	2013	22.41%	1.19%	9.99%	33.59%
	2014	23.54%	1.27%	9.42%	34.23%
	2015	22.08%	1.18%	8.11%	31.37%
	2016	23.81%	1.16%	22.86%	47.83%

\* 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 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 **
Year Collectible 2014	58,955
Year Collectible 2015	69,612
Year Collectible 2016	76,119

\*\* 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 - 2015 Payable 2016 and District Records

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

<b>Fiscal Year</b>	<b>District Direct Rates</b>			<b>Overlapping Rates</b>	
	<b>Referendum Purposes</b>	<b>General Purposes</b>	<b>Total</b>	<b>Steele County</b>	<b>City of Owatonna</b>
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
2014	0.220	18.154	18.374	60.440	59.018
2015	0.210	16.856	17.066	59.187	58.102
2016	0.222	8.699	8.921	61.769	60.653

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 2015</u>	<u>% of Total Property</u>
Residential	\$ 10,769,322	38.96%
Agricultural	6,561,764	23.74%
Commercial/Industrial	6,942,463	25.12%
Utility and Railroad	278,968	1.01%
Non-Homestead Residential	2,497,950	9.04%
Commercial & Residential Seasonal/Recreational	31,425	0.11%
<b>Total Real Estate</b>	<b>\$ 27,081,892</b>	<b>97.98%</b>
Personal Property	558,904	2.02%
<b>Total Real and Personal Property</b>	<b>\$ 27,640,796</b>	<b>100.00%</b>

\* The taxes payable in 2015 are recorded as revenue for the 2015-16 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)**

	2016 *			2007		
	2016 Net Tax Capacity	Rank (1)	% of Total Net Tax Capacity \$ 27,081,892	2007 Net Tax Capacity	Rank	% of Total Net Tax Capacity \$25,027,997
Viracon, Inc.	\$ 375,506	1	1.39%	\$ 212,430	2	0.85%
Federated Mutual Ins Co.	201,230	2	0.74%	190,048	3	0.76%
Crystal Valley Cooperative	182,788	3	0.67%			
Cabelas Retail Inc.	171,682	4	0.63%	213,942	1	0.85%
Owatonna Clinic - Mayo	157,330	5	0.58%	114,261	10	0.46%
Mills Properties Inc	157,246	6	0.58%	171,574	4	0.69%
Daikan Applied Americas Inc	151,128	7	0.56%			
JAS Realty, L.L.C.	120,224	8	0.44%	137,936	5	0.55%
Cybex International, Inc.	119,286	9	0.44%			
Wal-Mart	117,434	10	0.43%	133,904	6	0.54%
Lowe's Home Centers, Inc				128,946	8	0.52%
J.R. Holdings, LLC				130,766	7	0.52%
Lakeside Foods, Inc.				119,304	9	0.48%

\* As of December 31, 2015

N/A - Information was not available.

(1) The ranking for 2016 is based on the total taxes paid by the taxpayer. Therefore, the related net tax capacity and percentage may not agree to the ranking.

Source: Steele County Auditor and 2007 CAFR Report

# Debt Capacity Information

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

<b>Fiscal Year</b>	<b>Bonded Debt</b>	<b>Lease Purchase Obligations</b>	<b>Capital Loan</b>	<b>Aid &amp; Tax Anticipation Certificates</b>	<b>Certificates of Participation</b>	<b>Total Primary Government</b>	<b>% of Personal Income</b>	<b>Per Capita (1)</b>
2007	23,720,000	767,577	100,000	-	-	24,587,577	1.99%	878
2008	21,210,000	365,938	-	-	-	21,575,938	1.59%	770
2009	18,405,000	297,758	-	-	-	18,702,758	1.38%	668
2010	15,500,000	172,332	-	-	-	15,672,332	1.12%	535
2011	13,235,000	285,211	-	-	1,855,000	15,375,211	1.06%	525
2012	11,010,000	167,339	-	8,076,394	1,655,000	20,908,733	1.34%	714
2013	9,445,000	338,697	-	-	1,430,000	11,213,697	0.73%	383
2014	7,095,000	236,642	-	-	1,205,000	8,536,642	0.55%	291
2015	4,865,000	519,116	-	-	975,000	6,359,116	0.41%	217
2016	77,795,000	479,248	-	-	740,000	79,014,248	N/A	2,697

N/A - Personal income for 2016 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 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.

Note 5: The increase in 2016 is due to bond referendum passed in fiscal year 2016.

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

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

<u>General Bonded Debt Outstanding</u>							
<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less:</u>		<u>Net Tax Capacity</u>	<u>Percent of Net Debt to Net Tax Capacity</u>	<u>Percent of Personal Income</u>	<u>Per Capita</u>
		<u>Debt Service Fund Balance (Deficit)</u>	<u>Net Bonded Debt</u>				
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%	0.58%	302
2014	7,095,000	543,057	6,551,943	25,200,772	26.00%	0.42%	224
2015	4,865,000	548,852	4,316,148	26,765,197	16.13%	0.27%	147
2016	77,795,000	528,251	77,266,749	27,081,892	285.31%	N/A	2,637

N/A - Personal income for 2016 is not available, so the calculation cannot be completed.

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>
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%
2014	2,350,000	117,119	2,467,119	55,775,767	4.42%
2015	2,230,000	74,695	2,304,695	60,971,170	3.78%
2016	2,255,000	51,870	2,306,870	65,262,134	3.53%

\* 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)**

<b>Governmental Unit (1)</b>	<b>General Obligation Debt</b>	<b>Estimated Applicable Percentage (2)</b>	<b>Estimated Share of Direct and Overlapping Debt</b>
Steele County	\$ 11,990,000	97.93%	\$ 11,742,172
Waseca County	3,740,000	0.05%	1,841
City of Owatonna	17,882,928	36.91%	<u>6,600,783</u>
Subtotal, Overlapping Debt			\$ 18,344,796
District Direct Debt			<u>4,865,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 23,209,796</u></u>

(1) There were three taxing jurisdictions which overlap the District and had general obligation debt outstanding as of December 31, 2015.

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

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assessed Value	\$ 2,607,372,625	\$ 2,609,490,040	\$ 2,418,746,000	\$ 2,242,110,800
Debt Limit Percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt Limit	391,105,894	391,423,506	362,811,900	336,316,620
Total Net Debt Applicable to Limit	<u>77,795,000</u>	<u>4,865,000</u>	<u>7,095,000</u>	<u>9,445,000</u>
Legal Debt Margin	<u>\$ 313,310,894</u>	<u>\$ 386,558,506</u>	<u>\$ 355,716,900</u>	<u>\$ 326,871,620</u>
Total Net Debt Applicable to the Limit as a % of Debt Limit	19.89%	1.24%	1.96%	2.81%

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.

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

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 2,159,392,700	\$ 2,244,092,283	\$ 2,533,303,000	\$ 2,532,571,400	\$ 2,445,201,914	\$ 2,290,212,228
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
323,908,905	336,613,842	379,995,450	379,885,710	366,780,287	343,531,834
<u>11,010,000</u>	<u>13,235,000</u>	<u>15,500,000</u>	<u>18,405,000</u>	<u>21,210,000</u>	<u>23,720,000</u>
<u>\$ 312,898,905</u>	<u>\$ 323,378,842</u>	<u>\$ 364,495,450</u>	<u>\$ 361,480,710</u>	<u>\$ 345,570,287</u>	<u>\$ 319,811,834</u>
3.40%	3.93%	4.08%	4.84%	5.78%	6.90%

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# 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)
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	36,322	1,559,882,000	42,946	4.70%	29,301
2013	36,465	1,527,446,000	41,888	3.70%	29,301
2014	36,573	1,548,216,000	42,332	2.70%	29,301
2015	36,755	1,569,887,000	42,712	2.40%	29,301
2016	N/A	N/A	N/A	2.90%	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)**

<b>Employer</b>	<b>2016</b>			<b>2007</b>		
	<b>Number of Employees *</b>	<b>Rank</b>	<b>% of Total Employment 20,534</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>% of Total Employment 19,320</b>
Federated Mutual Ins. Co.	1,375	1	6.70%	1,521	1	7.87%
Viracon, Inc.	1,200	2	5.84%	1,434	2	7.42%
Amesbury Truth	735	3	3.58%	803	3	4.16%
Owatonna Public Schools	688	4	3.35%	757	4	3.92%
Bosch Automotive Service Solutions	540	5	2.63%			
Josten's Inc.	416	6	2.03%	440	6	2.28%
Wenger Corporation	370	7	1.80%	410	7	2.12%
Owatonna Hospital	323	8	1.57%			
Cybex Corporation	295	9	1.44%	262	9	1.36%
Owatonna Clinic	250	10	1.22%			0.00%
SPX Corporation				729	5	3.77%
Cabela's				329	8	1.70%
Walmart Supercenter				251	10	1.30%
<b>Total</b>	<b>6,192</b>		<b>30.15%</b>	<b>6,936</b>		<b>35.90%</b>

\* - Employee data is as of September 2015. 2016 data was not available.

Source: Owatonna Chamber of Commerce, 2007 CAFR Report, and Minnesota Department of Employment and Economic Development



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

<b>Calendar Year</b>	<b>Total Permits</b>	<b>Total Value</b>
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
2014	1,698	42,033,158
2015 (6)	1,716	31,170,127
2016 * (7)	1,347	41,290,671

(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.

(5) - 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.

(6) - The decrease in total value is due to several large commercial permits that were issued in 2014.

(7) - The increase in total value is due to several large commercial permits that were issued in 2016.

\*- Most recent data available from September 30, 2016.

Source: City of Owatonna, Minnesota

# Operating Information

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

**Financial Consultants**

PMA Securities, Inc has acted as Financial Consultants to the District. Requests for information concerning the District should be addressed to PMA Securities, Inc., 5301 Kyler Ave NE, Albertville, Minnesota 55301.

**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, 2016 was "Aa3". An investor should communicate with the rating agency for an explanation of the significance of the rating.

Source: District Records

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**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>2016</u>	<u>2015</u>	<u>2014</u>
Geographical Area - Square Miles	245	245	245
District Population	29,301	29,301	29,301
Student Enrollment - by Average Daily Membership (ADM)	4,862	4,862	4,748
<b><u>Facilities</u></b>			
Senior High School (Grades 9-12)	1	1	1
Junior High School (Grades 7-8)	1	1	1
Intermediate School (Grade 6)	1	1	1
Elementary Schools (Grades K-5)	4	4	4
Community Education Building	1	1	1
Central Administration Building	1	1	1
District Receiving, Storage, and Area Learning Center Building	1	1	1
Storage Building	1	1	1

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

<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
245	245	245	245	245	245	245
29,301	29,301	29,301	29,301	28,005	28,005	28,005
4,788	4,755	4,786	4,797	4,880	4,865	4,953
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	1

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Early Childhood</b>	68.17	52.25	55.93	58.44	54.55
<b>Kindergarten</b>	329.27	379.75	324.87	330.63	323.37
<b>Grades 1-6</b>	2,276.94	2,215.75	2,125.15	2,135.42	2,131.23
<b>Grades 7-12</b>	<u>2,187.20</u>	<u>2,213.98</u>	<u>2,242.28</u>	<u>2,263.64</u>	<u>2,245.84</u>
<b>Total</b>	<u><u>4,861.58</u></u>	<u><u>4,861.73</u></u>	<u><u>4,748.23</u></u>	<u><u>4,788.13</u></u>	<u><u>4,754.99</u></u>

Note: Student enrollment numbers for 2015 and prior are from the final numbers issued in January after the fiscal year ended.

Source: Minnesota Department of Education

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
61.48	47.40	34.69	32.08	26.40
291.42	348.62	338.95	294.94	341.84
2,126.98	2,107.03	2,108.85	2,143.33	2,136.40
<u>2,305.87</u>	<u>2,293.57</u>	<u>2,397.16</u>	<u>2,394.71</u>	<u>2,448.32</u>
<u><b>4,785.75</b></u>	<u><b>4,796.62</b></u>	<u><b>4,879.65</b></u>	<u><b>4,865.06</b></u>	<u><b>4,952.96</b></u>



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

<b>Function</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Administrators	12	12	11
Adult Basic Education	2	2	2
Central Office Personnel	22	23	23
Clerical and Media Educational Assistants	7	7	7
Custodial/Cleaning/Maintenance	42	42	40
Directors	13	10	10
Early Childhood Family Education Learning Readiness	5	10	10
Food Service	39	39	37
Health Services	10	10	10
Noon Supervisors	22	24	22
Offset	2	2	1
School Aged Child Care	11	11	11
Secretarial/Office Personnel	22	22	22
Special Education Educational Assistants	98	90	81
Student Supervision Educational Assistants	7	7	7
Teacher Educational Assistants	67	63	52
Teachers	342	341	333
Tutors	0	0	0
<b>Total</b>	<b>723</b>	<b>715</b>	<b>679</b>

Source: District Records

<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
10	9	9	9	12	12	12
2	1	1	1	2	2	2
22	22	22	16	24	23	20
7	7	7	8	8	8	10
38	38	40	42	45	42	43
13	13	13	13	11	11	11
13	15	14	15	25	25	25
34	33	33	36	36	33	38
10	12	10	9	10	10	10
22	10	10	17	10	7	17
1	1	1	1	2	2	2
10	7	10	12	12	12	12
22	28	25	30	22	22	22
80	73	71	75	75	74	76
9	13	16	16	4	5	5
38	47	34	43	40	43	34
333	337	326	376	340	326	330
0	9	8	9	7	7	7
<b>664</b>	<b>675</b>	<b>650</b>	<b>728</b>	<b>685</b>	<b>664</b>	<b>676</b>

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

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures (1)</u>	<u>Cost per Pupil</u>	<u>% Change</u>	<u># of Teachers</u>	<u>Pupil - Teacher Ratio</u>	<u>% of Students Receiving Free or Reduced Price Lunch (2)</u>
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	4,788	51,203,857	10,694	-1.11%	333	14.4	37.50%
2014	4,748	51,253,720	10,794	0.94%	333	14.3	41.30%
2015	4,862	55,690,271	11,455	6.12%	341	14.3	43.40%
2016	4,862	58,706,945	12,076	5.42%	342	14.2	36.30%

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

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

Source: District Records and Minnesota Department of Education

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

<b>Fiscal Year</b>	<b>Minimum Salary</b>	<b>Maximum Salary</b>
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
2014	34,313	70,861
2015	35,399	72,679
2016	36,390	74,715

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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Elementary (Grades K-5)</b>							
Lincoln (1959)							
Square Feet	59,884	59,884	59,884	59,884	59,884	59,884	59,884
Enrollment	515	515	529	529	528	532	546
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	586	586	493	493	503	501	502
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	464	464	540	540	536	420	548
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	590	590	546	546	527	529	511
Acres	10	10	10	10	10	10	10
<b>Intermediate (Grade 6)</b>							
Willow Creek (1990)							
Square Feet	55,433	55,433	55,433	55,433	55,433	55,433	55,433
Enrollment	410	410	364	364	375	384	356
Acres	60	60	60	60	60	60	60
<b>Junior High (Grades 7-8)</b>							
Junior High (1968)							
Square Feet	166,564	166,564	166,564	166,564	166,564	166,564	166,564
Enrollment	667	667	698	698	679	692	709
Acres	18	18	18	18	18	18	18
<b>High School (Grades 9-12)</b>							
High School (1921)							
Square Feet	353,710	353,710	353,710	353,710	353,710	353,710	353,710
Enrollment	1,463	1,463	1,465	1,465	1,480	1,494	1,529
Acres	19	19	19	19	19	19	19
<b>Area Learning Center</b>							
Rose Street Center (1956)							
Square Feet	12,930	12,930	12,930	12,930	12,930	12,930	12,930
Enrollment	82	82	80	80	95	103	58
Acres	0.88	0.88	0.88	0.88	0.88	0.88	0.88
<b>Community Center</b>							
Roosevelt (1954)							
Square Feet	15,694	15,694	15,694	15,694	15,694	15,694	15,694
Enrollment (Early Childhood)	167	167	152	152	167	150	49
Acres	8	8	8	8	8	8	8

Source: District Records and Minnesota Department of Education

<u>2009</u>	<u>2008</u>	<u>2007</u>
59,884	59,884	59,884
548	535	560
40	40	40
54,437	54,437	54,437
507	487	499
13	13	13
54,779	54,779	54,779
541	526	545
3	3	3
67,327	67,327	67,327
508	507	507
10	10	10
55,433	55,433	55,433
337	378	359
60	60	60
166,564	166,564	166,564
727	713	722
18	18	18
353,710	353,710	353,710
1,561	1,563	1,611
19	19	19
12,930	12,930	12,930
65	67	71
0.88	0.88	0.88
15,694	15,694	15,694
35	32	26
8	8	8

**OWATONNA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 761  
Schedule of Insurance Coverage  
Fiscal Year Ended June 30, 2016  
(unaudited)**

<b>Coverage</b>	<b>Amount</b>	<b>Description</b>
Property	\$ 98,512,566	Blanket Real and Personal Property
	400,000	Musical Instruments and Uniforms
	45,000	Miscellaneous Property
General Liability	2,000,000	General Aggregate
	2,000,000	Products/Completed Operations Aggregate
	1,000,000	Each Occurrence
	1,000,000	Personal/Advertising Injury Limit
	100,000	Damage to Premises Rented to You Limit
	5,000	Medical Expense Limit
Professional Liability	1,500,000	Aggregate
	1,500,000	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