



independent school district #761

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

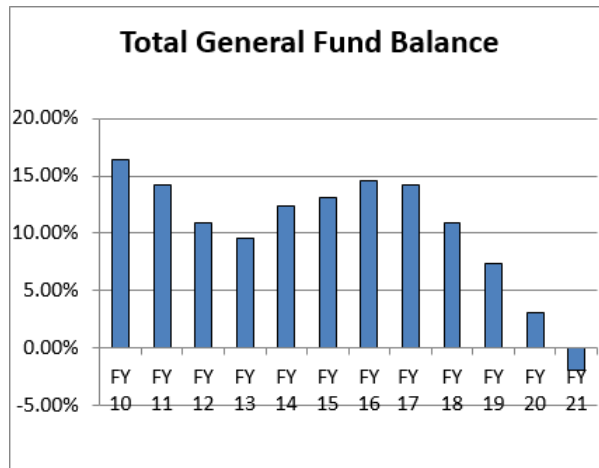
2017-18 PRELIMINARY BUDGET

**PRESENTED TO THE
BOARD OF EDUCATION**

JUNE 26, 2017

Revenue and Expenditure Long Range Forecast

	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
(in millions)												
Base Revenue					\$44.453	\$48.466	\$49.791	\$49.990	\$51.638	\$53.013	\$53.808	\$54.615
Operating Revenue					\$3.900	\$5.700	\$5.814	\$5.930	\$6.049	\$6.170	\$6.293	\$6.419
Total Revenue	\$46.219	\$47.079	\$46.325	\$47.158	\$48.353	\$54.166	\$55.605	\$55.920	\$57.687	\$59.182	\$60.101	\$61.034
Total Expenditures	\$46.754	\$47.939	\$47.943	\$47.822	\$47.108	\$53.044	\$54.590	\$55.890	\$59.213	\$61.133	\$62.662	\$64.228
Fund Balance Change	-\$0.535	-\$0.860	-\$1.618	-\$0.664	\$1.245	\$1.122	\$1.015	\$0.030	-\$1.526	-\$1.951	-\$2.561	-\$3.194
Fund Balance	\$7.703	\$6.843	\$5.225	\$4.561	\$5.806	\$6.928	\$7.943	\$7.973	\$6.447	\$4.496	\$1.936	-\$1.259
Percent	16.48%	14.27%	10.90%	9.54%	12.32%	13.06%	14.55%	14.27%	10.89%	7.35%	3.09%	-1.96%



Overview and Assumptions

1. The above values represent updates made in the 2017 legislative session.
2. A total of \$1.1 MM in new revenue reserved for long term facility maintenance is added in FY 17, 18, and 19.
3. Corresponding expense was also added in FY 17, 18, and 19 to off-set the additional LTFM revenue.
4. Growth of 2.50 percent applied to all expenditures for FY 18 and beyond.
5. Growth of 1.5 percent applied to all revenue for FY 18 and beyond. This does account for increasing enrollment.
6. Operating levy amount planned to increase by 2.0 percent per year.
7. The average expense of 1.0 teaching FTE is approximately \$87,470.

The budget includes revenues from seven different funds that are required by law to maintain separate accounting systems. Those funds include the General, Food Service, Community Service, Building Construction, Debt Service, Trust, and Internal Service Funds. Detailed information on the General, Food Service, Community Service, Building Construction, and Debt Service Funds are included below. The 2016-17 numbers are based on the final budget.

Revenues

The table below describes a breakdown of anticipated revenues by category for the General Fund.

**OWATONNA PUBLIC SCHOOLS, ISD #761
GENERAL FUND REVENUE (Funds 1, 10, and 11)
2017-18 PRELIMINARY BUDGET**

GENERAL FUND REVENUE (Funds 1, 10, and 11)	2016-17 Final Budget	2017-18 Preliminary Budget	Difference
Tax Levy	\$ 6,366,397	\$ 6,369,569	\$ 3,172
Delinquent Taxes	50,000	50,000	-
County Apportionment	82,000	82,000	-
Miscellaneous County Tax Revenue	11,000	11,000	-
Revenue from Other MN ISD's for Special Ed.	95,000	96,425	1,425
Tuition from Patrons	55,825	56,662	837
Fees from Patrons	229,089	237,796	8,707
Admissions/Student Activity Revenue	141,667	146,790	5,123
Medical Assistance Reimbursement	250,000	500,000	250,000
Interest Earnings	15,000	15,225	225
Rent	18,270	18,544	274
Gifts and Bequests	98,402	98,932	530
Miscellaneous Revenue	206,876	150,350	(56,526)
Endowment	134,812	133,936	(876)
General Education Aid	39,414,265	40,149,070	734,805
Literacy Aid	250,879	254,641	3,762
Abatement Aid	876	876	-
Disparity Reduction Aid	8,245	8,245	-
Homestead/Ag Market Value Credit	15,345	15,345	-
State Aids and Grants	685,135	951,986	266,851
Special Education	5,700,000	5,785,500	85,500
Miscellaneous Revenue from MDE	15,000	15,225	225
Federal Aids and Grants	2,045,806	2,538,477	492,671
Sale of Equipment	30,000	-	(30,000)
TOTAL GENERAL FUND REVENUES	<u>\$ 55,919,889</u>	<u>\$ 57,686,594</u>	<u>\$ 1,766,705</u>

It should be noted we have projected an increase in revenue for 2017-18. The increase in general education aid of \$734,805 is due mainly to the addition of \$121ppu. General education aid includes basic per pupil allotment along with all other aid categories, such as compensatory, staff development, English Learner aid, and operating capital.

Our Food Service Fund is shown in the following table. The largest portion of the fund is derived from the sale of meal tickets to students. Another portion comes to us through special assistance. This line item includes government subsidies, which is the largest portion of the revenue. **As part of the budget, the District is proposing an increase in lunch meal prices by .05 cents for 2017-18.** The primary reason for the increase in revenue is an anticipated increase in the meal sales to pupils.

**OWATONNA PUBLIC SCHOOLS, ISD #761
FOOD SERVICE FUND REVENUE (Fund 2)
2017-18 PRELIMINARY BUDGET**

FOOD SERVICE FUND REVENUE (Fund 2)	2016-17 Final Budget	2017-18 Preliminary Budget	Difference
Interest Earnings	\$ 150	\$ 150	\$ -
Miscellaneous Revenue	5,000	5,000	-
State Aids and Grants	169,400	171,617	2,217
School Lunch Program	96,713	131,255	34,542
Special Assistance	811,378	790,300	(21,078)
Commodity Distribution	172,825	180,299	7,474
Special Milk Program	160	100	(60)
School Breakfast Program	332,228	362,939	30,711
Summer School	32,000	33,000	1,000
Sales to Pupils	1,126,402	1,206,168	79,766
Sales to Adults	23,794	20,225	(3,569)
Special Function Food Sales	8,000	12,000	4,000
TOTAL FOOD SERVICE FUND REVENUES	<u>\$ 2,778,050</u>	<u>\$ 2,913,053</u>	<u>\$ 135,003</u>

While it is legally possible to transfer general education funds into the Food Service Fund as a means of balancing the fund, it is not legal to transfer any fund balance from the Food Service Fund into the General Fund.

For our Community Education programs, the table below shows the categories we receive funding.

**OWATONNA PUBLIC SCHOOLS, ISD #761
COMMUNITY SERVICE FUND REVENUE (Fund 4)
2017-18 PRELIMINARY BUDGET**

COMMUNITY SERVICE FUND REVENUE (Fund 4)	2016-17 Final Budget	2017-18 Preliminary Budget	Difference
Tax Levy	\$ 305,163	\$ 303,394	\$ (1,769)
Delinquent Taxes	3,000	3,000	-
Miscellaneous County Tax Revenue	400	400	-
Tuition from Patrons	326,000	309,500	(16,500)
Fees from Patrons	392,000	425,000	33,000
Interest Earnings	700	700	-
Gifts and Bequests	24,200	21,550	(2,650)
Miscellaneous Revenue	11,150	13,750	2,600
Abatement Aid	50	50	-
Disparity Reduction Aid	1,242	1,242	-
Homestead/Ag Market Value Credit	2,311	2,311	-
State Aids and Grants	1,951,205	1,976,518	25,313
Non-Public Aid	73,812	61,680	(12,132)
Federal Aids and Grants	72,782	67,125	(5,657)
Permanent Fund Transfer	19,000	19,000	-
TOTAL COMMUNITY SERVICE FUND REVENUES	\$ 3,183,015	\$ 3,205,220	\$ 22,205

Projected revenues for the coming year are anticipated to increase for the Community Education programs. The increase comes in the area of state aids and fees from patrons due to additional ABE funding and a planned increase in participation in our programming for 2017-18. The District is a member of a consortium that includes Albert Lea, Faribault, Winona, Caledonia Adult Pathways, and Austin for ABE. We continue to act as fiscal host.

The Building Construction Fund is being used for building projects at the District. The District passed a bond referendum in the Fall of 2015 for \$77.855 million that will be used to address deferred maintenance, security upgrades, and capacity.

**OWATONNA PUBLIC SCHOOLS, ISD #761
BUILDING CONSTRUCTION FUND
2017-18 PRELIMINARY BUDGET**

BUILDING CONSTRUCTION FUND (Fund 6)	2016-17 Final Budget	2017-18 Preliminary Budget	Difference
Tax Levy	\$ -	\$ -	\$ -
Delinquent Taxes	-	-	-
Miscellaneous County Tax Revenue	-	-	-
Interest Earnings	388,500	425,000	36,500
Disparity Reduction Aid	-	-	-
Homestead/Ag Market Value Credit	-	-	-
Other Property Tax Credit	-	-	-
Sale of Bonds	-	-	-
TOTAL BUILDING CONSTRUCTION REVENUES	<u>\$ 388,500</u>	<u>\$ 425,000</u>	<u>\$ 36,500</u>

Below are the revenue sources for the Debt Service Fund.

**OWATONNA PUBLIC SCHOOLS, ISD #761
DEBT SERVICE FUND REVENUE (Fund 7)
2017-18 PRELIMINARY BUDGET**

DEBT SERVICE FUND REVENUE (Fund 7)	2016-17 Final Budget	2017-18 Preliminary Budget	Difference
Tax Levy	\$ 6,121,282	\$ 5,961,324	\$ (159,958)
Delinquent Taxes	30,000	30,000	-
Miscellaneous County Tax Revenue	5,000	5,000	-
Interest Earnings	1,328	1,348	20
Disparity Reduction Aid	24,491	24,491	-
Homestead/Ag Market Value Credit	45,579	45,579	-
Other Property Tax Credit	-	-	-
TOTAL DEBT SERVICE FUND REVENUES	<u>\$ 6,227,680</u>	<u>\$ 6,067,742</u>	<u>\$ (159,938)</u>

Debt service revenue can only be used for costs associated with the payout of bonds sold for the construction and/or repair of district facilities. Most of the revenue is the direct result of a voter approved bond levy. Currently, we are paying down on three separate bond issues. If no other bonds are approved in the future, the final payment of the existing bonds would be in 2036.

Total revenue for the operating funds is shown in the table below. The increase of approximately \$1,923,913 represents an overall increase of approximately 3.1% from FY 17.

<u>Fund Name</u>	<u>2016-17 Final Budget</u>	<u>2017-18 Preliminary Budget</u>	<u>Difference</u>
Total Operating Funds Revenue:			
General Fund (Funds 1, 10, and 11)	\$ 55,919,889	\$ 57,686,594	\$ 1,766,705
Food Service Fund (Fund 2)	2,778,050	2,913,053	135,003
Community Service Fund (Fund 4)	3,183,015	3,205,220	22,205
Total Operating Funds Revenue	<u>\$ 61,880,954</u>	<u>\$ 63,804,867</u>	<u>\$ 1,923,913</u>

When building construction and debt service revenue is added to the operating funds, total revenue is shown in the table below.

Total Non-Operating Funds Revenue:			
Building Construction Fund (Fund 6)	\$ 388,500	425,000	36,500
Debt Service Fund (Fund 7)	6,227,680	6,067,742	(159,938)
Total Non-Operating Funds Revenue	<u>\$ 6,616,180</u>	<u>\$ 6,492,742</u>	<u>\$ (123,438)</u>
TOTAL REVENUE	<u><u>\$ 68,497,134</u></u>	<u><u>\$ 70,297,609</u></u>	<u><u>\$ 1,800,475</u></u>

Expenditures

All instructional programs and service expenditures are paid from the General Fund. Category allocations are shown in the table on the next page. The category of “Administrative and District Support Services” includes areas such as the board of education, superintendent’s office, business office, human resources, and information technology services. The category of “Instructional” includes all costs associated with regular, vocational, and special education instruction. The category of “Instructional and Pupil Support” includes costs associated with assisting instructional staff and services provided to students that are not considered instructional. Examples of instructional and pupil support services include social workers, counselors, and transportation. The category of “Operations, Maintenance, and Fixed” includes costs associated with the maintenance and operations of our buildings and property insurance.

**OWATONNA PUBLIC SCHOOLS, ISD #761
GENERAL FUND EXPENDITURES (Funds 1, 10, and 11)
2017-18 PRELIMINARY BUDGET**

GENERAL FUND EXPENDITURES (Funds 1, 10, and 11)	2016-17 Final Budget	2017-18 Preliminary Budget	Difference
<u>Administrative and District Support Services</u>			
Salaries	\$ 2,630,523	\$ 2,563,109	\$ (67,414)
Benefits	964,620	934,033	(30,587)
Purchased Services	491,655	525,529	33,874
Supplies and Materials	204,518	171,244	(33,274)
Capital Expenditures	804,372	674,839	(129,533)
Other Expenditures	44,699	44,799	100
Total Administrative and District Support Services	\$ 5,140,387	\$ 4,913,553	\$ (226,834)
<u>Instructional</u>			
Salaries	\$ 25,263,304	\$ 27,217,452	\$ 1,954,148
Benefits	9,423,784	10,423,157	999,373
Purchased Services	2,248,919	1,740,010	(508,909)
Supplies and Materials	922,750	801,889	(120,861)
Capital Expenditures	290,572	250,706	(39,866)
Other Expenditures	48,178	13,138	(35,040)
Total Instructional	\$ 38,197,507	\$ 40,446,352	\$ 2,248,845
<u>Instructional and Pupil Support</u>			
Salaries	\$ 2,521,695	\$ 2,795,129	\$ 273,434
Benefits	850,981	944,226	93,245
Purchased Services	3,103,693	3,132,770	29,077
Supplies and Materials	227,665	232,123	4,458
Capital Expenditures	10,530	10,882	352
Other Expenditures	13,800	12,301	(1,499)
Total Instructional and Pupil Support	\$ 6,728,364	\$ 7,127,431	\$ 399,067
<u>Operations, Maintenance, and Fixed</u>			
Salaries	\$ 1,726,888	\$ 1,930,383	\$ 203,495
Benefits	746,580	887,866	141,286
Purchased Services	2,334,226	2,806,043	471,817
Supplies and Materials	638,374	645,720	7,346
Capital Expenditures	346,538	408,538	62,000
Other Expenditures	30,766	47,127	16,361
Total Operations, Maintenance, and Fixed	\$ 5,823,372	\$ 6,725,677	\$ 902,305
TOTAL GENERAL FUND EXPENDITURES	\$ 55,889,630	\$ 59,213,013	\$ 3,323,383

Overall, the district is planning to increase its general fund expenditures in FY 18 as a result of changes in employee contracts, staffing assignments, and ongoing deferred maintenance needs.

The table below shows the proposed expenditure allocations in the Food Service Fund.

**OWATONNA PUBLIC SCHOOLS, ISD #761
FOOD SERVICE FUND EXPENDITURES (Fund 2)
2017-18 PRELIMINARY BUDGET**

FOOD SERVICE FUND EXPENDITURES (Fund 2)	2016-17 Final Budget	2017-18 Preliminary Budget	Difference
Salaries	\$ 1,005,884	\$ 1,052,344	\$ 46,460
Benefits	317,584	353,062	35,478
Purchased Services	77,198	74,550	(2,648)
Supplies and Materials	1,404,927	1,466,329	61,402
Capital Expenditures	17,000	22,500	5,500
Other Expenditures	1,000	1,200	200
TOTAL FOOD SERVICE EXPENDITURES	<u>\$ 2,823,593</u>	<u>\$ 2,969,985</u>	<u>\$ 146,392</u>

The increase in salaries and benefits is due to changes in the employee's contracts. Supplies and materials are increasing due to higher prices for commodities.

The table below shows the changes in expenditures of the Community Service Fund.

**OWATONNA PUBLIC SCHOOLS, ISD #761
COMMUNITY SERVICE FUND EXPENDITURES (Fund 4)
2017-18 PRELIMINARY BUDGET**

COMMUNITY SERVICE FUND EXPENDITURES (Fund 4)	2016-17 Final Budget	2017-18 Preliminary Budget	Difference
Salaries	\$ 1,017,906	\$ 1,144,347	\$ 126,441
Benefits	298,658	347,077	48,419
Purchased Services	1,729,003	1,667,694	(61,309)
Supplies and Materials	104,860	66,106	(38,754)
Capital Expenditures	19,010	27,031	8,021
Other Expenditures	2,400	4,525	2,125
TOTAL COMMUNITY SERVICE EXPENDITURES	<u>\$ 3,171,837</u>	<u>\$ 3,256,780</u>	<u>\$ 84,943</u>

The community service expenditures are remaining relatively the same in comparison to FY 17. Community Education is adjusted from year to year based on the revenue received and the fund balances per program.

The Building Construction Fund, as shown below, is the fund used to pay all expenditures relating to the building projects associated with the passage of the bond referendum.

**OWATONNA PUBLIC SCHOOLS, ISD #761
BUILDING CONSTRUCTION FUND EXPENDITURES (Fund 6)
2017-18 PRELIMINARY BUDGET**

BUILDING CONSTRUCTION FUND (Fund 6)	2016-17 Final Budget	2017-18 Preliminary Budget	Difference
Building Construction	\$ 31,955,797	\$ 29,082,074	\$ (2,873,723)
TOTAL BUILDING CONSTRUCTION EXPENDITURES	<u>\$ 31,955,797</u>	<u>\$ 29,082,074</u>	<u>\$ (2,873,723)</u>

The Debt Service Fund, as shown below, is calculated based upon the outstanding principal and interest payments due during the year. The District only has one bond remaining to be paid. Bond principal and bond interest will fluctuate from year to year because as bond principal increases this translates to a decrease in bond interest due.

**OWATONNA PUBLIC SCHOOLS, ISD #761
DEBT SERVICE FUND EXPENDITURES (Fund 7)
2017-18 PRELIMINARY BUDGET**

DEBT SERVICE FUND EXPENDITURES (Fund 7)	2016-17 Final Budget	2017-18 Preliminary Budget	Difference
Bond Principal	\$ 3,635,000	\$ 3,590,000	\$ (45,000)
Bond Interest	2,228,992	2,275,850	46,858
Other Debt Service Expenditures	3,000	3,000	-
TOTAL DEBT SERVICE EXPENDITURES	<u>\$ 5,866,992</u>	<u>\$ 5,868,850</u>	<u>\$ 1,858</u>

Total expenditures for all operating funds are shown in the table below. The increase of \$3,554,718 represents an overall increase of approximately 5.8% from FY 17.

Fund Name	2016-17 Final Budget	2017-18 Preliminary Budget	Difference
Total Operating Funds Expenditures:			
General Fund (Funds 1, 10, and 11)	\$ 55,889,630	\$ 59,213,013	\$ 3,323,383
Food Service Fund (Fund 2)	2,823,593	2,969,985	146,392
Community Service Fund (Fund 4)	3,171,837	3,256,780	84,943
Total Operating Funds Expenditures	<u>\$ 61,885,060</u>	<u>\$ 65,439,778</u>	<u>\$ 3,554,718</u>

When building construction and debt service expenditures are added to the operating funds, total expenditures are as shown in the table below.

<u>Total Non-Operating Funds Expenditures:</u>			
Building Construction Fund (Fund 6)	\$ 31,955,797	\$ 29,082,074	\$ (2,873,723)
Debt Service Fund (Fund 7)	5,866,992	5,868,850	1,858
Total Non-Operating Funds Expenditures	<u>\$ 37,822,789</u>	<u>\$ 34,950,924</u>	<u>\$ (2,871,865)</u>
TOTAL EXPENDITURES	<u>\$ 99,707,849</u>	<u>\$ 100,390,702</u>	<u>\$ 682,853</u>

The budget proposed for Board passage for 2017-18 is shown in the summary on **page 11**. Total operating revenue for FY 18 is projected to be \$63,804,867. Total operating expenditures for FY 18 are projected to be \$65,439,778. The net difference is an operating deficit of \$1,634,911 for FY 18.

However, when considering only the General Fund (the largest fund and the fund from which our instructional programs and services are derived), the total revenue is projected to be \$57,686,594 and total expenditures are projected to be \$59,213,013. The net difference is a deficit of \$1,526,419 for FY 18.

The chart below shows the difference between revenues and expenditures for the operating funds, which includes the general fund, food service fund, and community service fund.

<u>Category</u>	<u>2016-17 Final Budget</u>	<u>2017-18 Preliminary Budget</u>	<u>Difference</u>
<u>Includes General Fund, Food Service Fund, and Community Service Fund:</u>			
Total Operating Revenues	\$ 61,880,954	\$ 63,804,867	\$ 1,923,913
Total Operating Expenditures	61,885,060	65,439,778	3,554,718
Total Revenues less Expenditures	<u>\$ (4,106)</u>	<u>\$ (1,634,911)</u>	<u>\$ (1,630,805)</u>

The chart below shows the difference between revenues and expenditures for the general fund only.

<u>Category</u>	<u>2016-17 Final Budget</u>	<u>2017-18 Preliminary Budget</u>	<u>Difference</u>
<u>Includes General Fund Only:</u>			
Total Revenues	\$ 55,919,889	\$ 57,686,594	\$ 1,766,705
Total Expenditures	55,889,630	59,213,013	3,323,383
Total Revenues less Expenditures	<u>\$ 30,259</u>	<u>\$ (1,526,419)</u>	<u>\$ (1,556,678)</u>

Below is the table that contains the proposed budget for the 2017-18 school year. This is the budget the Board is being asked to approve for fiscal year 2018. Included in this proposal is a .05 cent increase to lunch meal prices in the Food Service budget for the 2017-18 school year. Approval of this budget approves the food service price increase.

JUNE 30, 2017 PROJECTED ENDING FUND BALANCES

Fund	6/30/2016 Balance	2016-17 Revenues	2016-17 Expenditures	6/30/2017 Balance
General - Unassigned	6,815,855	47,023,792	46,538,193	7,301,454
General - Restricted	952,611	8,896,097	9,351,437	497,271
General - Nonspendable	176,123	-	-	176,123
Food Service	451,935	2,778,050	2,823,593	406,392
Community Service	735,279	3,183,015	3,171,837	746,457
Building Construction	76,406,523	388,500	31,955,797	44,839,226
Debt Service	528,251	6,227,680	5,866,992	888,939
Trust	4,271	1,502	1,527	4,246
Internal Service	204,533	188	-	204,721
Total	86,275,381	68,498,824	99,709,376	55,064,829

JUNE 30, 2018 PROJECTED ENDING FUND BALANCES

Fund	6/30/2017 Balance	2017-18 Revenues	2017-18 Expenditures	6/30/2018 Balance
General - Unassigned	7,301,454	48,241,809	49,895,077	5,648,186
General - Restricted	497,271	9,444,785	9,317,936	624,120
General - Nonspendable	176,123	-	-	176,123
Food Service	406,392	2,913,053	2,969,985	349,460
Community Service	746,457	3,205,220	3,256,780	694,897
Building Construction	44,839,226	425,000	29,082,074	16,182,152
Debt Service	888,939	6,067,742	5,868,850	1,087,831
Trust	4,246	1,502	1,502	4,246
Internal Service	204,721	191	-	204,912
Total	55,064,829	70,299,302	100,392,204	24,971,927

JUNE 30, 2018 FUND BALANCE COMPARISON PROJECTION

Fund	6/30/2017 Balance	6/30/2018 Balance	Difference
General - Unassigned	7,301,454	5,648,186	(1,653,268)
General - Restricted	497,271	624,120	126,849
General - Nonspendable	176,123	176,123	-
Food Service	406,392	349,460	(56,932)
Community Service	746,457	694,897	(51,560)
Building Construction	44,839,226	16,182,152	(28,657,074)
Debt Service	888,939	1,087,831	198,892
Trust	4,246	4,246	-
Internal Service	204,721	204,912	191
Total	55,064,829	24,971,927	(30,092,902)

2017-18 REVENUE/EXPENDITURE COMPARISON

Fund	Revenues			Expenditures		
	6/30/2017 Final	6/30/2018 Preliminary	Difference	6/30/2017 Final	6/30/2018 Preliminary	Difference
General - Unassigned	47,023,792	48,241,809	1,218,017	46,538,193	49,895,077	3,356,884
General - Restricted	8,896,097	9,444,785	548,688	9,351,437	9,317,936	(33,501)
General - Nonspendable	-	-	-	-	-	-
Food Service	2,778,050	2,913,053	135,003	2,823,593	2,969,985	146,392
Community Service	3,183,015	3,205,220	22,205	3,171,837	3,256,780	84,943
Building Construction	388,500	425,000	36,500	31,955,797	29,082,074	(2,873,723)
Debt Service	6,227,680	6,067,742	(159,938)	5,866,992	5,868,850	1,858
Trust	1,502	1,502	-	1,527	1,502	(25)
Internal Service	188	191	3	-	-	-
Total	68,498,824	70,299,302	1,800,478	99,709,376	100,392,204	682,828

The FY '18 auditing process will validate the actual financial performance of the District and those results could change the listed ending fund balances for FY '17. As always, any such adjustments will be used in the FY '18 final budget, which the board typically approves in December. Included in the preliminary budget is a permanent transfer from the General Fund to the Community Service fund of \$14,000 for Kids First Program and \$5,000 for central enrollment. By approving the preliminary budget the board is also approving the permanent transfer of \$19,000.

CAPITAL BUDGET OVERVIEW

The Owatonna School District annually receives in excess of \$1,500,000 in state funding intended to support capital purchases and projects. These funds are typically used for the acquisition and maintenance of technology, school books, school building furniture, ongoing facility repair and upkeep.

OWATONNA PUBLIC SCHOOLS			
OPERATING CAPITAL EXPENDITURES (FIN 302)			
FISCAL YEAR 2017-18			
Projected Beginning Balance			\$ 85,364
Revenue			
Operating Capital - Aid		907,692	
Operating Capital - Levy		306,142	
Lease Levy		51,000	
Advanced Recognition - Lease Levy		307,754	
Total Revenue			1,572,588
Expenditures			
Fixed			
Taxes/Assessments		27,817	
Four Seasons Lease		58,000	
Gymnastic's Lease		5,000	
Portable Lease		76,495	
CVSEC		215,659	
COP - Roof Project		258,538	
Copiers			
- District wide		39,865	
- Lincoln		3,403	
- McKinley		3,403	
- Washington		3,403	
- Wilson		3,403	
- Oms		10,174	
- OHS		19,249	
- ALC		1,896	
- Special Services		1,885	
Postage Machine		1,428	
District Van		4,680	
Total Fixed Expense		734,298	
Operating Capital Allocation			
OHS	\$ 15.00	1,735.20	26,028
OMS	\$ 15.00	1,303.20	19,548
All Elementary Specialists			3,600
K-5			28,605
ALC	\$ 15.00	156.00	2,340
Total Building Operating Capital Allocations			80,121
Program Operating Capital Allocations			
Athletics			36,000
Curriculum			155,000
District Administration			10,000
Finance System			10,000
Operations & Maintenance/ Safety			100,000
Special Services			3,000
Infinite Campus			-
Technology - LCM			455,000
Technology - Instructional Software			33,000
Total Program Operating Capital Allocations			802,000
Total Expenditures			1,616,419
Addition (Reduction) To Fund Balance			(43,831)
Projected Ending Balance			\$ 41,533

SUPPLEMENTAL INFORMATION

ACTIVITIES PROGRAM

The Owatonna School District has an extensive array of activities designed to complement and enhance the learning experience for our senior high students. The tradition of excellence in arts and activities is one of the benchmarks against which our school district is measured.

The actual expenditures for 2014-15 and 2015-16 and the budgeted expenditures for 2016-17 and 2017-18 are shown in the table below.

OHS Activities Expenditure Budget

	<u>2014-15</u> <u>Actual</u>	<u>2015-16</u> <u>Actual</u>	<u>2016-17</u> <u>Budget</u>	<u>2017-18</u> <u>Budget</u>
Adaptive Athletics	13,927	12,524	12,175	11,594
<u>Boys Athletics</u>				
Baseball	27,642	29,595	24,947	29,673
Basketball *	42,891	43,685	41,985	53,070
Cross Country	13,736	13,816	12,390	13,840
Football *	69,428	69,900	91,206	84,413
Soccer	26,028	34,120	27,754	32,878
Golf	15,318	16,716	11,064	9,936
Hockey *	40,802	34,702	28,957	35,306
Swimming *	23,113	21,083	22,452	24,181
Tennis	12,027	8,964	5,390	5,747
Track	21,242	22,704	17,159	20,278
Wrestling *	42,221	39,633	28,062	37,312
LaCrosse *	17,189	25,902	19,131	25,692
Total Boys Athletics	<u>351,637</u>	<u>360,820</u>	<u>330,497</u>	<u>372,326</u>
<u>Girls Athletics</u>				
Basketball *	34,721	37,081	40,692	42,432
Cross Country	11,612	14,822	12,315	14,307
Soccer	27,729	25,681	28,062	29,394
Golf	13,209	12,171	11,114	9,909
Hockey *	42,339	24,653	32,950	34,115
Swimming *	23,987	23,470	22,307	23,584
Tennis	13,326	19,255	16,758	17,733
Track	23,556	25,746	22,805	24,019
Softball	23,506	24,008	23,393	25,001
Gymnastics *	17,921	18,813	17,492	19,750
Volleyball *	30,820	32,672	37,371	31,773
Cheerleading	16,557	15,902	17,859	17,662
LaCrosse *	19,833	14,897	19,218	23,169
Dance *	-	-	-	37,291
Total Girls Athletics	<u>299,116</u>	<u>289,171</u>	<u>302,336</u>	<u>350,139</u>
<u>Activities</u>				
Publishing	4,843	4,980	3,821	6,390
Culinary	1,312	1,349	1,386	1,428
Link Crew	1,932	2,056	2,037	2,097
Magnet (Newspaper)	13,033	13,351	18,893	19,148
Yearbook	6,033	6,588	6,514	6,702
Robotics	1,939	1,993	2,056	2,116
Speech	12,216	11,998	11,673	12,845
Drama *	29,458	32,915	27,985	32,558
Other	24,575	25,076	26,334	27,259
Total Activities	<u>95,341</u>	<u>100,306</u>	<u>100,699</u>	<u>110,543</u>
<u>Other</u>				
Auditorium Management	4,921	6,275	426	3,821
Weight Room	2,600	2,751	4,500	5,400
Athletic Training	26,704	39,044	27,650	41,875
Operating Capital	10,838	9,381	10,000	31,000
Activities Admin., Office Support, Etc.	224,606	244,407	218,112	271,034
Total Other	<u>269,669</u>	<u>301,858</u>	<u>260,688</u>	<u>353,130</u>
TOTAL ACTIVITIES BUDGET	<u><u>1,029,690</u></u>	<u><u>1,064,679</u></u>	<u><u>1,006,395</u></u>	<u><u>1,197,732</u></u>

* Revenue generating activities

SPECIAL EDUCATION

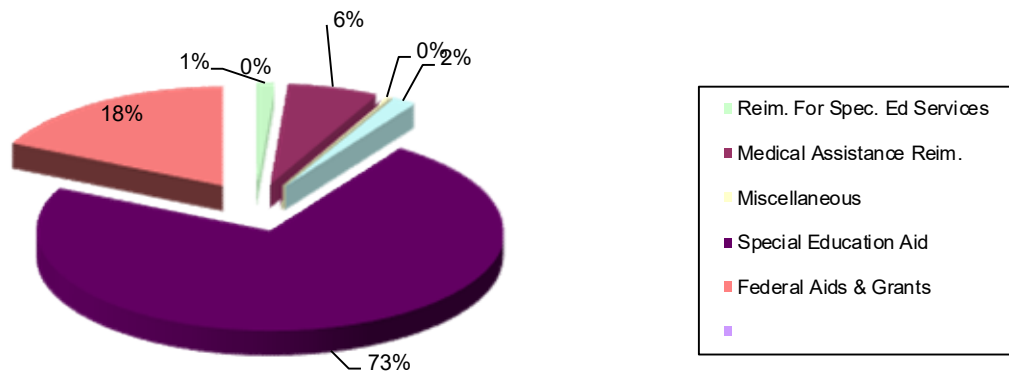
The special education budget includes those revenues and expenditures directly related to special education programs, like speech, visually impaired, emotional/behavioral disorder, and autism. The special education budget generates revenues from a variety of federal, state, and local sources. The table below illustrates the sources of revenue for the special education programs.

Special Education Revenues by Source

Source	Description	2014-15 Actual	2015-16 Actual	2016-17 Budget	2017-18 Budget	Change %	Change Amount
022	Reim. For Spec. Ed Services	\$ 87,477	\$ 102,194	\$ 95,000	\$ 96,425	1.5%	\$ 1,425
071	Medical Assistance Reim.	182,098	232,008	250,000	500,000	100.0%	250,000
099	Miscellaneous	4,600	4,600	15,000	15,225	1.5%	225
211	Other General Ed. Aid	88,958	89,481	97,450	135,667	39.2%	38,217
360	Special Education Aid	4,872,334	5,689,790	5,700,000	5,785,500	1.5%	85,500
400	Federal Aids & Grants	882,655	874,664	1,067,325	1,425,495	33.6%	358,170
Special Education Totals		\$ 6,118,122	\$ 6,992,737	\$ 7,224,775	\$ 7,958,312	10.15%	\$ 733,537

The funding categories are shown in the following graph.

2017-18 Special Education Revenue



From this graph, it is evident that the largest portion of revenue received for our special education program comes from the state reimbursement formula.

Below is a breakout of the expenditures across various disability categories. It can be readily seen that the single largest expenditure for special education services is in the area of Special Education General. Included within this category are the students who have multiple disabilities or those supplies that can be used for all disabilities. Other programs with large expenditure budgets are the Emotional/Behavioral Disorders, Early Childhood Special Ed, and Specific Learning Disability program.

Special Education Expenditures by Program

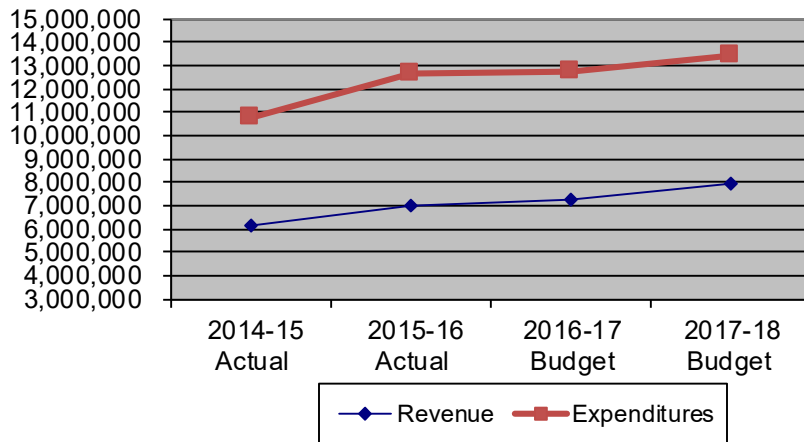
Program	Description	2014-15 Actual	2015-16 Actual	2016-17 Budget	2017-18 Budget	Change %	Change Amount
030	Instructional Administration	\$ 26,811	\$ 153,533	\$ 25,567	\$ 26,327	3.0%	\$ 760
211	Secondary Ed. - General	20,669	17,556	-	-	#DIV/0!	-
400	General Special Ed.	179,791	235,146	233,877	302,558	29.4%	68,681
401	Speech/Lang. Impaired	673,788	801,474	786,240	945,284	20.2%	159,044
402	Mild-Mod. Mentally Imp.	934,481	1,016,501	979,789	934,332	-4.6%	(45,457)
403	Mod.-Severe Mentally Imp.	642,864	644,024	757,616	634,077	-16.3%	(123,539)
404	Physically Impaired	394,175	443,218	491,336	500,658	1.9%	9,322
405	Deaf - Hard of Hearing	97,547	112,091	101,317	106,692	5.3%	5,375
406	Visually Impaired	127,755	145,036	154,469	137,355	-11.1%	(17,114)
407	Specific Learning Disability	1,561,617	1,632,116	1,835,327	1,739,603	-5.2%	(95,724)
408	Emot/Behavioral Disorder	1,387,930	2,134,915	1,760,146	1,366,046	-22.4%	(394,100)
409	Deaf - Blind	15,999	17,601	16,600	10,000	-39.8%	(6,600)
410	Other Health Impaired	167,125	143,639	199,535	191,447	-4.1%	(8,088)
411	Autism	803,440	885,131	789,061	920,886	16.7%	131,825
412	Early Childhood Spec. Ed.	754,345	1,075,235	1,348,029	1,362,325	1.1%	14,296
414	Traumatic Brain Inj	-	823	1,000	-	-100.0%	(1,000)
416	Multiple Handicap	43,923	56,896	66,416	62,820	-5.4%	(3,596)
420	Special Education General	1,572,567	1,745,900	1,485,649	2,332,398	57.0%	846,749
422	Special Ed Students w/o Disabilities	559,556	599,998	651,682	806,947	23.8%	155,265
640	Staff Development	-	-	-	-	#DIV/0!	-
720	Health Services	-	-	-	-	#DIV/0!	-
740	Social Work Services	-	-	-	-	#DIV/0!	-
760	Pupil Transportation	735,441	798,356	1,020,000	1,045,500	2.5%	25,500
850	Capital Facilities	43,350	25,513	-	-	#DIV/0!	-
Special Education Totals		\$10,743,174	\$12,684,702	\$12,703,656	\$13,425,255	5.7%	\$721,599

Overall, the special education budget is expected to increase by 5.7%. Part of the increase is due to changes in employee contracts and the addition of Level 3 programming for FY 18. Since special education teachers are often licensed in multiple areas, this will lead to changes within program codes to account for the needs of the students for the school year.

Below is a table and graph showing the increases and decreases in revenues and expenditures. The 'gap' between revenues and expenditures represents the amount of additional funding that must be 'transferred' from the unassigned general fund into the special education area in order to continue to provide the level of programs and services currently in place.

	2014-15 Actual	2015-16 Actual	2016-17 Budget	2017-18 Budget
Revenues	6,118,122	6,992,737	7,224,775	7,958,312
Expenditures	10,743,174	12,684,702	12,703,656	13,425,255

Special Education Revenue Expenditure Comparison



The special education revenue and expenditure comparison table shows the total revenues and expenditures for special education. The 'gap' is the "cross subsidy" and what is picked up by other general fund revenues for the items that are not reimbursed by the State. Even though the legislature stated after the 2007 legislature that special education would be fully funded, it is not. The State continues to prorate the amount districts receive for reimbursement.

ENROLLMENT

The Owatonna School District is one of the five (5) largest employers in Owatonna. We employ approximately 650 people and maintain a total budget in excess of \$59,000,000. Our student enrollment in our PreK-12 programs is approximately 4976. This includes students attending our Alternative Learning Center and Actions program. In addition to our K-12 student population, we serve over 15,000 early childhood and adult learners through our community education program.

Our student population is largely comprised of Caucasian (74%), Hispanic (14%), Black (8%), Asian (1%), and American Indian (<1%) students. Statewide averages in these categories are 68%, 9%, 11%, 7%, and 2% respectively. Approximately 42% of the students who attend our public schools are eligible for our free and reduced lunch program.

The Owatonna Public School children receive their education in one (1) of four (4) elementary schools: Lincoln, McKinley, Washington, Wilson, one (1) middle school: Owatonna Middle School, and one (1) of two (2) high schools: Owatonna Senior High School, and the Alternative Learning Center. Special programs are also offered in Roosevelt Community Center. The District Office is located on the site of the old Jefferson Elementary School Building.

Enrollment Trends

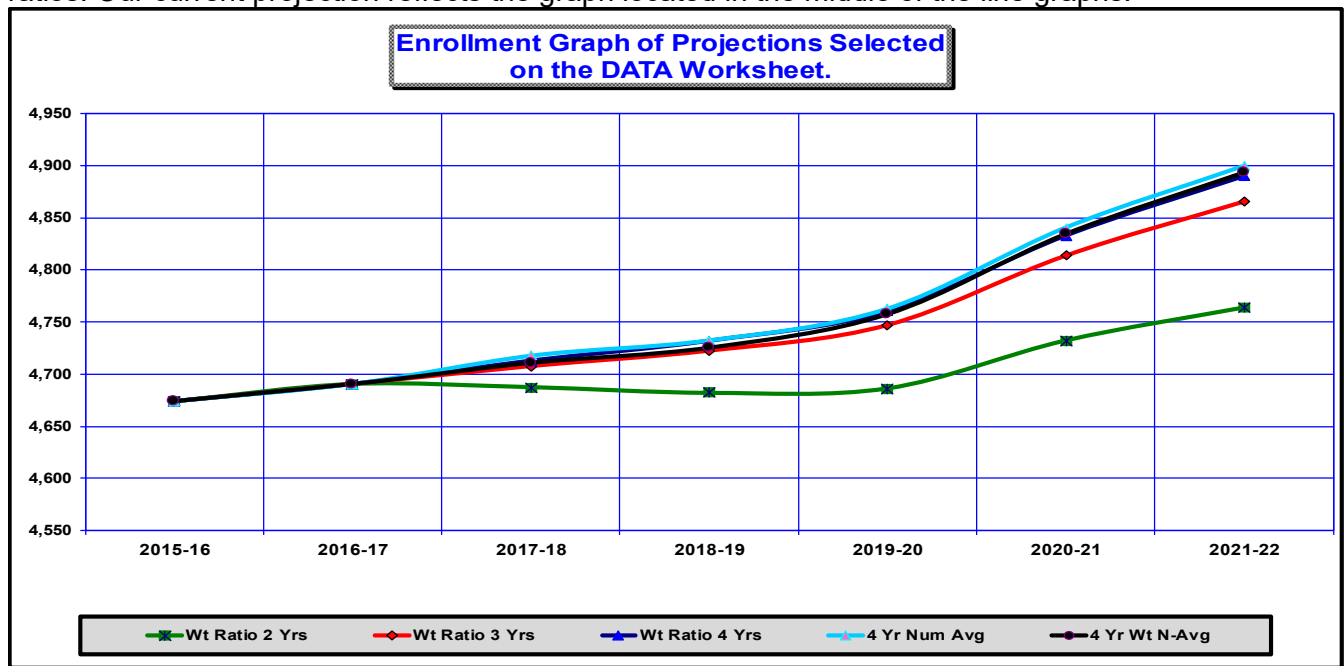
Enrollment across the District has averaged 4,904 over the past four years. The table below shows the enrollment by grade over this period of time.

	2/10/2014			2/9/2015			2/8/2016			2/6/2017	
	Average Enrollment	13-14 ADM Final	%	Average Enrollment	14-15 ADM Final	%	Average Enrollment	15-16 ADM Final	%	Average Enrollment	16-17 Est ADM Final
Pre-K	132	53.47	0.4051	128	52.25	0.4082	138	68.17	0.4940	194	87.39
HK	15	28.89	1.9260	15	44.98	2.9987	15	33.74	2.2493	15	36.14
K	321	276.66	0.8619	368	331.44	0.9007	316	292.58	0.9259	335	303.35
1	369	357.62	0.9692	388	381.99	0.9845	395	386.85	0.9794	342	334.77
2	369	359.04	0.9730	371	363.94	0.9810	396	390.05	0.9850	389	381.76
3	325	317.66	0.9774	364	354.20	0.9731	379	367.57	0.9698	398	386.99
4	393	385.00	0.9796	333	325.90	0.9787	365	356.71	0.9773	381	372.69
5	353	343.47	0.9730	399	394.39	0.9884	339	333.25	0.9830	372	365.55
6	332	324.26	0.9767	361	359.36	0.9955	414	401.71	0.9703	349	341.72
7	356	342.95	0.9633	326	324.17	0.9944	352	344.94	0.9799	399	391.40
8	368	357.28	0.9709	354	338.98	0.9576	316	309.31	0.9788	346	335.92
9	374	361.41	0.9663	410	408.57	0.9965	389	382.05	0.9821	351	345.13
10	372	367.71	0.9885	370	364.06	0.9839	399	396.10	0.9927	392	387.78
11	365	356.73	0.9773	355	351.42	0.9899	349	347.13	0.9946	376	372.15
12	390	374.62	0.9606	359	347.55	0.9681	337	332.22	0.9858	345	336.53
PreK-12 TOTAL	4834	4606.77	0.9530	4901	4743.20		4899	4742.38		4984	4779.26
ALC	64	134.83	2.1067	76	118.53	1.56	72	119.20	1.66	78	133.93
PreK-12 ALC TOTAL	4898	4741.6	0.9681	4977	4861.73	0.98	4971	4861.58	0.98	5062	4913.19 ¹

For planning purposes, the enrollment projections (shown in the table below) show an increase from FY17 into FY22.

		Est. 2016-17	Est. 2017-18	Est. 2018-19	Est. 2019-20	Est. 2020-21	Est. 2021-22
Grade	K	336.0	323.0	336.0	343.0	351.0	357.0
	1	337.0	363.1	358.5	371.5	378.5	386.5
	2	385.0	339.0	363.3	359.1	372.1	379.1
	3	385.0	383.1	337.3	362.0	357.4	370.4
	4	374.0	389.4	385.4	339.6	364.3	359.8
	5	366.0	381.5	393.9	389.9	344.1	368.8
	6	343.0	377.1	393.5	405.9	401.9	356.1
	7	388.0	332.6	367.4	383.7	396.1	392.1
	8	331.0	376.5	321.9	356.7	373.1	385.5
	9	348.0	372.8	418.4	363.9	398.7	415.0
	10	383.0	344.2	368.2	413.8	359.3	394.1
	11	376.0	365.4	328.6	352.6	398.1	343.6
	12	338.0	363.3	352.8	316.0	340.0	385.5
Total K-12		4690.0	4711.0	4725.2	4757.7	4834.6	4893.5
Change		17.0	21.0	14.2	32.5	76.9	58.9
ALC		118.0	118.0	118.0	118.0	118.0	118.0
Total K-12		4808.0	4829.0	4843.2	4875.7	4952.6	5011.5
Pre-K		58.2	69.5	72.3	73.8	75.6	76.8
Total Pre-K - 12		4866.2	4898.5	4915.5	4949.5	5028.2	5088.3

The enrollment graph is a forecasting tool. This graph indicates the different projections available to use for enrollment. These projections are based on our current and past enrollment with different weighted ratios. Our current projection reflects the graph located in the middle of the line graphs.



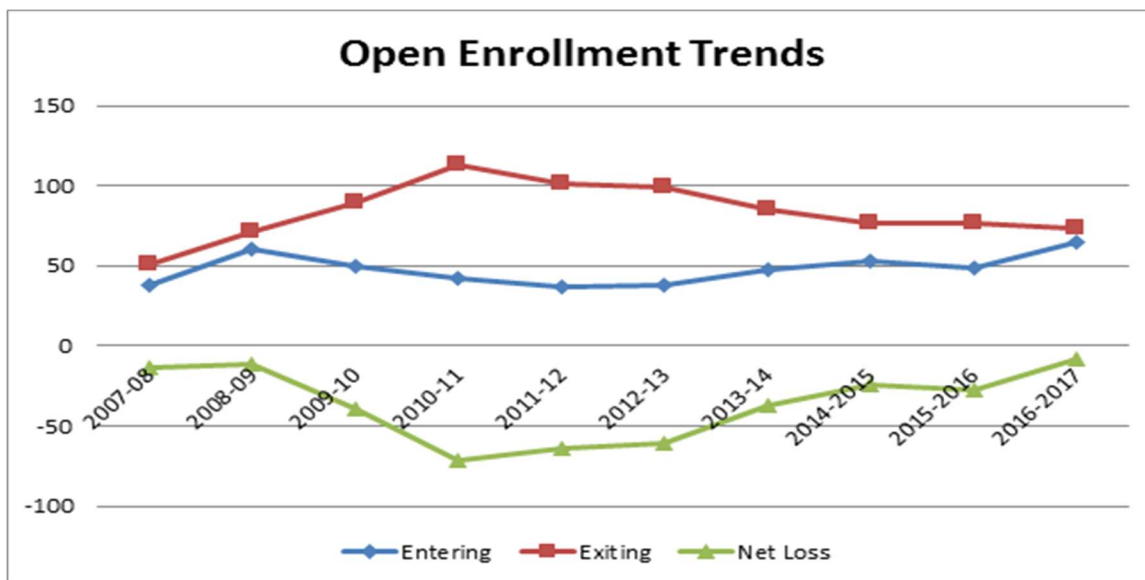
In the fall of 2005, the District School Board examined existing attendance boundaries for its four (4) elementary schools and established class size ‘targets’ for each grade level. Those targets are shown below. Overall, enrollment is forecasted to increase by roughly 1% per year for the next several years. This is equivalent to about 40 students per year. Starting all-day Kindergarten in FY 15 helped stabilize this upward trend. Fiscal challenges have required a downward trend in staffing levels. As a result, our ability to stay within the established class size targets may become increasingly difficult. In addition, space limitations in each school may also provide challenges in meeting established class size targets. The variances shown in the right-hand column represent the 2016-17 school enrollments by grade.

**School Board Average Class
Size Targets as of February 6, 2017**

Grade	Total Average Class Size	Actual Average Class Size	Variance
K	19.00	20.88	1.88
1	20.00	21.01	1.01
2	23.00	22.27	-0.73
3	23.00	24.31	1.31
4	28.00	28.21	0.21
5	28.00	27.58	-0.42

Our schools are governed by state laws and regulations. One law that impacts our enrollment trends is “Open Enrollment.” As shown in the table below, in 2016-17, Owatonna had a net loss of students enrolling under the provisions of this law.

	Attending Owatonna	Attending Other Districts	Net Gain/ (Loss)
Albert Lea	2		2
Austin	1		1
Blooming Prairie	7	3	4
Brooklyn Center		1	(1)
Faribault	6	5	1
Fergus Falls		7	(7)
Houston		6	(6)
Hutchinson		1	(1)
Lakeville		2	(2)
Lyle	2		2
Medford	18	40	(22)
Minneapolis	2		2
NRHEG	7	1	6
Northfield	2	1	1
Rochester		1	(1)
St. Louis Park	1		1
Tri-City	1		1
Triton	8		8
Waseca	7	3	4
WEM	1	1	
Windom		1	(1)
Total	65	73	(8)



The table below shows students who chose to open enroll in our District by grade.

Attending Owatonna															
	EC	K	Gr 1	Gr 2	Gr 3	Gr 4	Gr 5	Gr 6	Gr 7	Gr 8	Gr 9	Gr 10	Gr 11	Gr 12	Total
Albert Lea		2													2
Austin														1	1
Blooming Prairie		1	1					2			1	1		1	7
Faribault		1					1	1			1	1		1	6
Lyle							1		1						2
Medford	1	1	1			2	1		3	2	2	3	2		18
Minneapolis													2		2
Northfield		1												1	2
NRHEG		2	1	1		1					2				7
St. Louis Park												1			1
Tri-City												1			1
Triton		6		1		1									8
Waseca		3			1				1		1	1			7
WEM								1							1
TOTAL	1	17	3	2	1	4	3	4	5	2	7	8	5	3	65

From the table below, showing students opting out of our District, the largest loss of students is in Kindergarten.

Attending Other Districts															
	EC	K	Gr 1	Gr 2	Gr 3	Gr 4	Gr 5	Gr 6	Gr 7	Gr 8	Gr 9	Gr 10	Gr 11	Gr 12	Total
Blooming Prairie							1		1				1		3
Brooklyn Center												1			1
Faribault		1	1			1	1			1					5
Fergus Falls		1		2						1	2		1		7
Houston		1						1		1		1	1	1	6
Hutchinson												1			1
Lakeville					1		1								2
Medford		15	3	2	2	1	3	1	3	1	2	1	5	1	40
Northfield		1													1
NRHEG				1											1
Rochester												1			1
Waseca		1				1				1					3
WEM														1	1
Windom									1						1
TOTAL		20	4	5	3	3	6	2	5	5	4	5	8	3	73

The numbers above represent students open enrolling into the Owatonna Public Schools and those open enrolling into districts other than Owatonna. For FY 17, the district experienced a net loss of 8 students. This compares to an average net loss of students to open enrollment of 44 students/year from FY 10 through FY 16, with a range of 26 students to 71 students.

This “recapturing” of open enrolled students is related to the start of all-day kindergarten programming in FY 15. It has previously reported that the net loss of total revenue due to losing open enrolled students is roughly \$2,700 per student, when considering the loss of revenue and the expense related to educating each student. For example, in FY 12 the district’s net loss due to open enrollment was estimated to be \$120,000 for students in grades 1 through 12 for that one year. In FY 14, however, the net loss of students was about half of what it was just two years prior, thus, reducing the net loss of revenue by approximately \$60,000. The district anticipates this open enrollment trend to continue, whereby reducing the amount to lost net revenue over time.

FINANCE TERMS

Fund

The Minnesota Department of Education breaks school district financial reporting into several funds. Each fund is a fiscal and accounting entity with a self-balancing set of accounts. Transfers between funds are allowed only as specified by statute. In general, revenues may be transferred from the General Fund to any operating fund only to eliminate a deficit; such a transfer requires board action.

List of ISD 761 Funds:

Operating Funds

General Fund

Accounts for all revenues and expenditure of the district not accounted for elsewhere. Special Services is accounted for separately, but is part of the General Fund.

Food Service Fund

Records the financial activities of the district's food service program.

Community Service Fund

Records the financial activities of Community Service program.

Non-Operating Funds

Building Construction Fund

Records all operations of the district's building construction programs that are funded by the sale of bonds, capital loans, or the Alternative Bonding Program.

Debt Service Fund

Records revenues and expenditures for the district's outstanding bond indebtedness, whether for building construction or operating capital.

Fiduciary Funds

Trust Fund

Records the activities for trust agreements where the board has accepted the responsibility to serve as trustee. ISD 761 uses this fund for the OHS Museum.

Internal Service Fund

Accounts for the financing of goods or services provided by one department to another within the district. ISD 761 has one internal service fund that is currently inactive except for interest earned on the balance.

This balance is a carryover of funds remaining from self-insured health plan activities and are being held in the event the district decides to self-insure in the future.

PROGRAM

The program dimension of district accounting is used to designate the programmatic areas in which financial activity takes place. The ten categories of the program series are as follows:

1. Administration
This budget category includes all costs associated with District management. It includes all budgets associated with the school board, superintendent, special services and ALC. It also includes costs related to head principals and head secretaries.
2. District Support Services
This budget category includes all costs associated with district support services including district level administrative support, business office support, human resource office support, information technology departments, legal, communications, offset, and elections.
3. Elementary and Secondary Regular Instruction
This budget category includes all costs associated with classroom activities including teachers and teacher aides and instructional supplies. It also includes all costs associated with the extracurricular program.
4. Vocational Education Instruction
Vocational teachers and expenses.
5. Special Education Instruction
This budget category includes all costs associated with the special education programs and services including teachers, and program assistants.
6. Community Education and Services
All expenses related to Community Education
7. Instructional Support Services
This budget category includes curriculum, educational media, staff development, and assistant principals.
8. Pupil Support Services
This budget category includes all costs associated with the provision of special services that enhance student attendance and performance in school. Pupil Support Services includes counseling, health services, social workers, assistant secretaries, and transportation.
9. Sites and Buildings
This budget category includes all costs associated with the maintenance and upkeep of our various buildings and grounds. Personnel, utilities, and supplies are included within these costs.
10. Fiscal and Other Fixed Costs Programs
This budget category includes costs associated with retirement of long-term obligations, severance pay and benefits, technology, property insurance, and special projects involving purchases exceeding \$500.