

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2017



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, 2017

**PREPARED BY:
DISTRICT BUSINESS OFFICE**

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INTRODUCTORY SECTION

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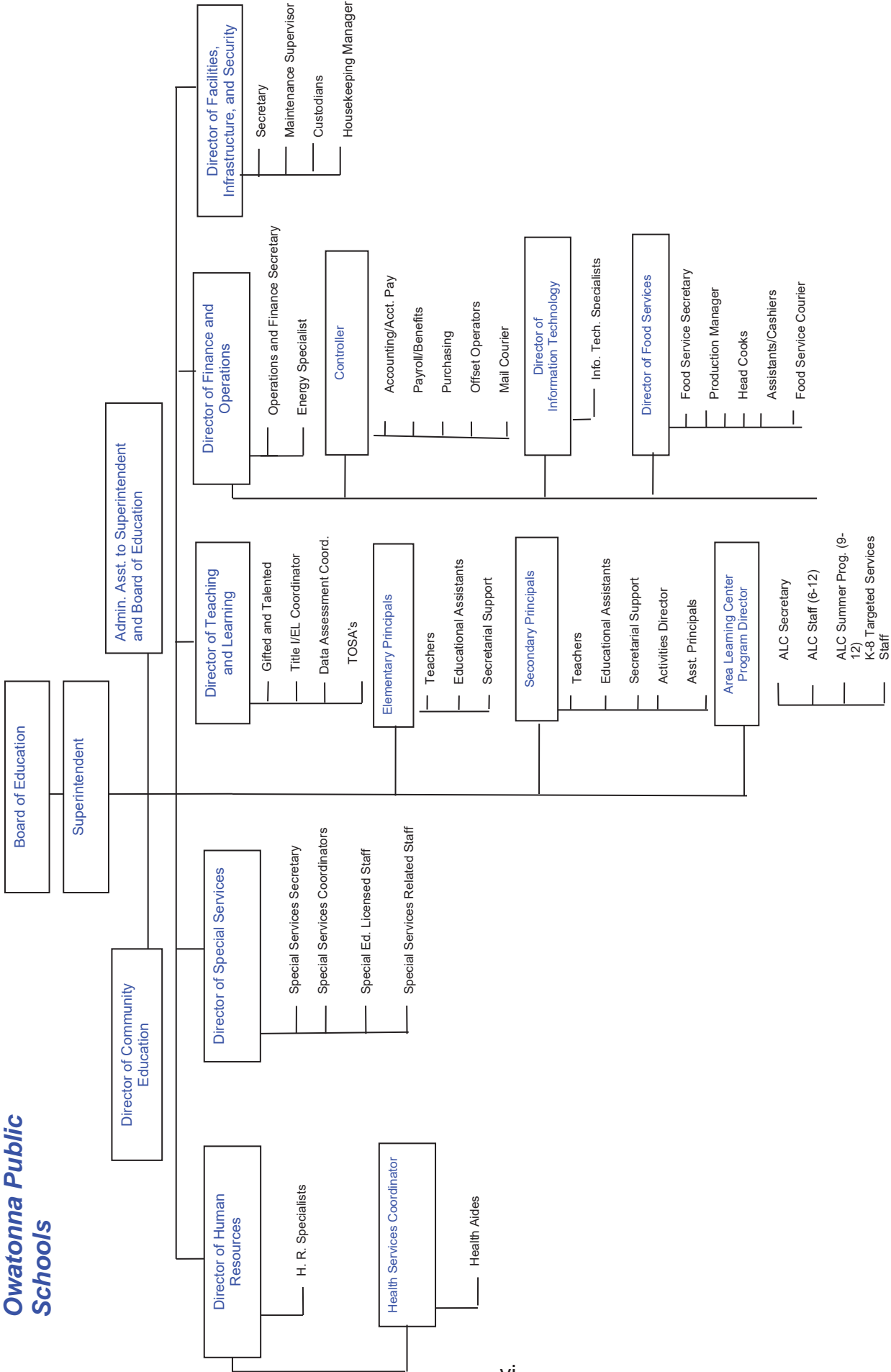
BOARD OF EDUCATION

NAME	TERM ON BOARD EXPIRES	BOARD POSITION
Mark Sebring	1/7/2019	Chair
Lori Weisenburger	1/7/2019	Vice Chair
Jolayne Mohs	1/7/2019	Treasurer
Eric Schuster	1/4/2021	Clerk
Tim Jensen	1/4/2021	Director
Christina Ingvaldson	1/4/2021	Director
Nikki Gieseke	1/4/2021	Director

CENTRAL ADMINISTRATION

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

Owatonna Public Schools





December 19, 2017

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, 2017. 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, 2016. 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 2016 valuation year was \$29,468,675 or a 4.0 percent increase over 2015.

District facilities currently include four elementary schools, a middle school, a senior high school, a community education building, a combination early childhood center and area learning center, a district administration center, a storage facility, and a combined printing and storage facility. The average age of these buildings is 42.32 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 2017, 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 \$6,067. The consumer price index during the past five years has been running at 1.3 percent, and the basic formula allotment (currently at \$6,067 per pupil unit) has increased on average 2.0 percent per year. The District is anticipating expenditures to exceed revenues by \$472,785 in FY18. This will bring the total general fund balance to 13.6% percent.

The FY18 District budget is dependent on \$40.9 million in state general education aid. Approximately 95 percent of this revenue is derived from the basic per pupil allotment of \$6,188.

Total enrollment for the 2016-17 school year was 4,894. This represents an increase of 32 students from the previous year. At this time, total enrollment for FY18 will be slightly more than FY 17. In the past several years the kindergarten migration rate has dropped as low as 54%. However, for 2018 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 3.3 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

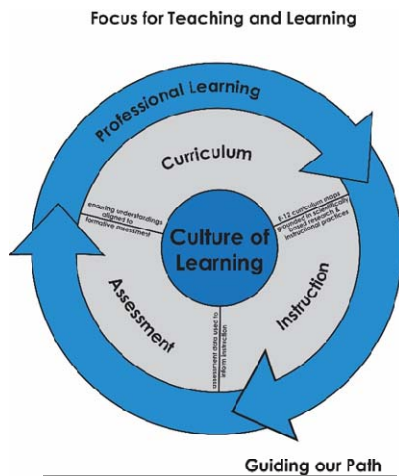
The three-year operational plan outlines the initiatives that will be implemented to achieve the District strategic plan. The four key strategies coupled with student achievement data and evidence from action plans will guide goal setting at the District and site level.

THREE-YEAR OPERATIONAL PLAN Updated August 2015				
	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 PLC Process Focused on Ensuring Student Learning	D: Aligning Our Programs and Facilities with Our Vision 2020
Learning Work Initiatives	<ul style="list-style-type: none"> Individual Career Readiness Plans 3-8 PBIS -Compare/align PBIS with 7-Habits Student Life Skill /7 Habits success criteria aligned to report card; aligned to social goals 	<ul style="list-style-type: none"> Standards Based Grading 6-12 	<ul style="list-style-type: none"> Alignment of all programs Monitor/track critical EUs to guide instruction and monitor progress (E-12) Define and build a shared understanding for equity Development of an MTSS plan - grades 6-12 Integration of behavior into MTSS 	<ul style="list-style-type: none"> Communication/ PR plan Develop middle school program model 9-12 Program
Implementation Work Initiatives	<ul style="list-style-type: none"> Define Life Skills E-12 Define and develop comprehensive Career Readiness Plan for all K-12 students Student Life Skill /7 Habits success criteria (by level – know and be able to do) 	<ul style="list-style-type: none"> Development and effective use of common formative and unit assessments E-12 in core/required courses -Use of assessment and feedback to guide instruction Complete common assessments in required and elective courses 7-12 Determine core instructional practices all teachers will use and provide staff development for teachers in these practices <ul style="list-style-type: none"> Literacy Focus lessons (modeling/think aloud) Independent reading WTW/Phonics K-2 GRR Clarity/Purpose statements 	<ul style="list-style-type: none"> Connect the PLC process to instructional response through MTSS Define and align multi-tiered systems of supports (reading and math) – grades K-6 Identification and implementation of reading intervention with fidelity 	<ul style="list-style-type: none"> Develop protocol for program review Develop protocol to propose development and/or implementation of new programs Align resources to priorities Provide students and parents information about programs
Standard Work	<ul style="list-style-type: none"> 7 Habits of Highly Effective People/Leadership Foundation College Career Readiness Individual Plan – grades 9-12 	<ul style="list-style-type: none"> E-12 EU/LTs and maps in required and elective courses E-12 Common assessments in required courses Balanced Literacy K-6 Standards based grading K-5 	<ul style="list-style-type: none"> All instructional staff engaged in PLC process Teacher Development Evaluation (TDE) process 	

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. Last year the emphasis was on development of common assessment in order to establish a consistent foundation.

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

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

Teaching and Learning Framework

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

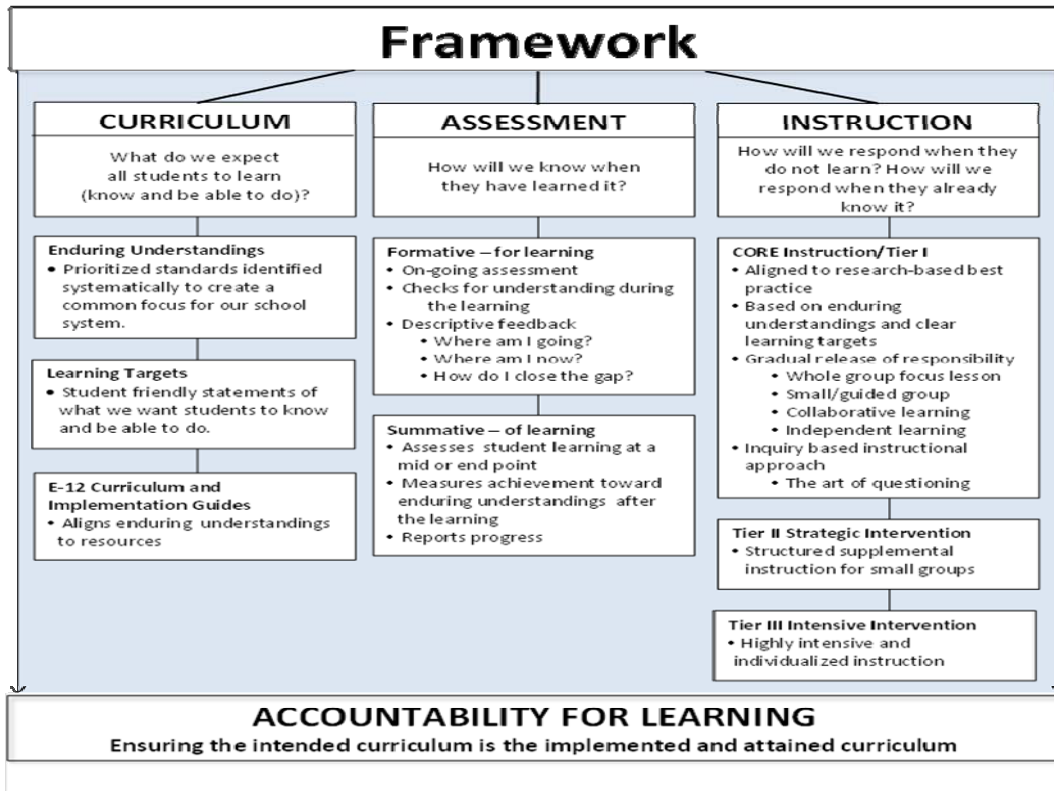
Assessment must be purposeful, measure progress toward enduring understandings both during learning and after learning, guide instruction and be used to evaluate curriculum.

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

Professional Learning must be ongoing and job-embedded, be based on best practices, standards, and data trends 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.



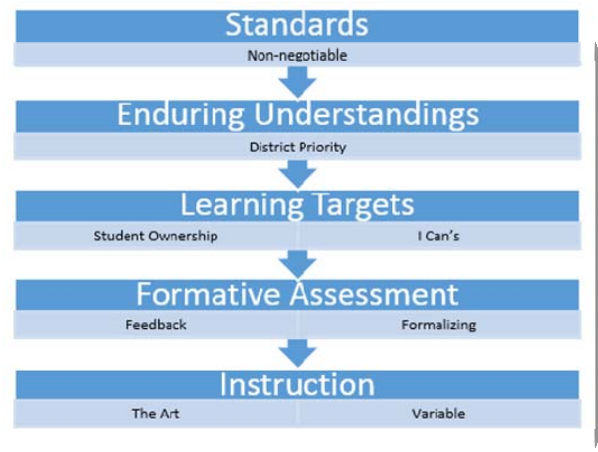
Development Process

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 answer 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 2GB 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.

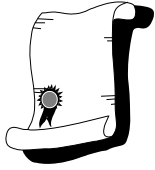
When introducing new software applications, the District will typically utilize the expertise of the software vendor to assist with the training program within the District. This then moves to a "train the trainer" model in order to create a sustainability system throughout the District.

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, (2) IT Specialist II District Wide and (5) IT Specialist I positions that take care of eleven sites which consists of 5,700 users, 2,300 workstations, 220 Smartboards, 250 iPads, 100 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, 2017 is outstanding bonds on school district facilities in the amount of \$74,160,000. The balance consists of 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. 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 three 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 2017. The balance on the portable classrooms, vending machine, and copier capital leases totaled \$344,334 on June 30, 2017.

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 2016. The District has received the award for 24 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.

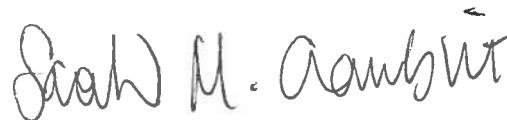
The preparation of this report could not have been accomplished without the efficient and dedicated services of the District's business office staff.

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,



Amanda Heilman
Director of Finance and Operations



Sarah Cramblit
Controller



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

Owatonna Public Schools ISD 761

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.**

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



A handwritten signature in black ink, appearing to read 'Anthony N. Dragona', written over a horizontal line.

Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink, appearing to read 'John D. Musso', written over a horizontal line.

John D. Musso, CAE
Executive Director

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FINANCIAL SECTION

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 (the District), as of and for the year ended June 30, 2017, 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 the District as of June 30, 2017, 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.

Emphasis of Matters

During fiscal year ended June 30, 2017, the District restated the beginning Fund Balance of the Community Service Fund due to a prior period misstatement of unearned revenues and the related accounts receivable. See the detail of the prior period adjustment and restatement in Note 14. Our auditors' opinion was not modified with respect to the restatement.

During fiscal year ended June 30, 2017, the District adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. As a result of the implementation of this standard, the District reported a restatement for the change in accounting principle (see Note 14). Our auditors' opinion was not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the District's 2016 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 October 31, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 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, the Schedule of the District's Contributions, and Schedule of Changes in the District's Total Pension Liability and Related Ratios – Supplemental Pension Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section, 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 November 24, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Independent School District No. 761's 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 the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 24, 2017

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REQUIRED SUPPLEMENTARY INFORMATION

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

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, 2017. 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 (2016-17) and the prior year (2015-16) is presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2016-17 fiscal year include the following:

- Net position decreased by \$12,034,408 from the prior year, which includes a restatement to beginning net position for the implementation of GASB Statement No. 73 and for a correction to Community Service Fund prior period unearned revenues and accounts receivable, as well as activity related to the change in the District's net pension liability.
- In the Statement of Activities, overall revenues were \$72,161,625, while overall expenses totaled \$83,580,105.
- The General Fund balance increased by \$581,490, the Food Service Fund balance increased by \$166,881, and the Community Service Fund balance increased by \$318,973.

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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

- Proprietary funds statements provide short-term and long-term financial information about the activities the District operates similar to a business.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1
Organization of Owatonna Public Schools Annual Financial Report**

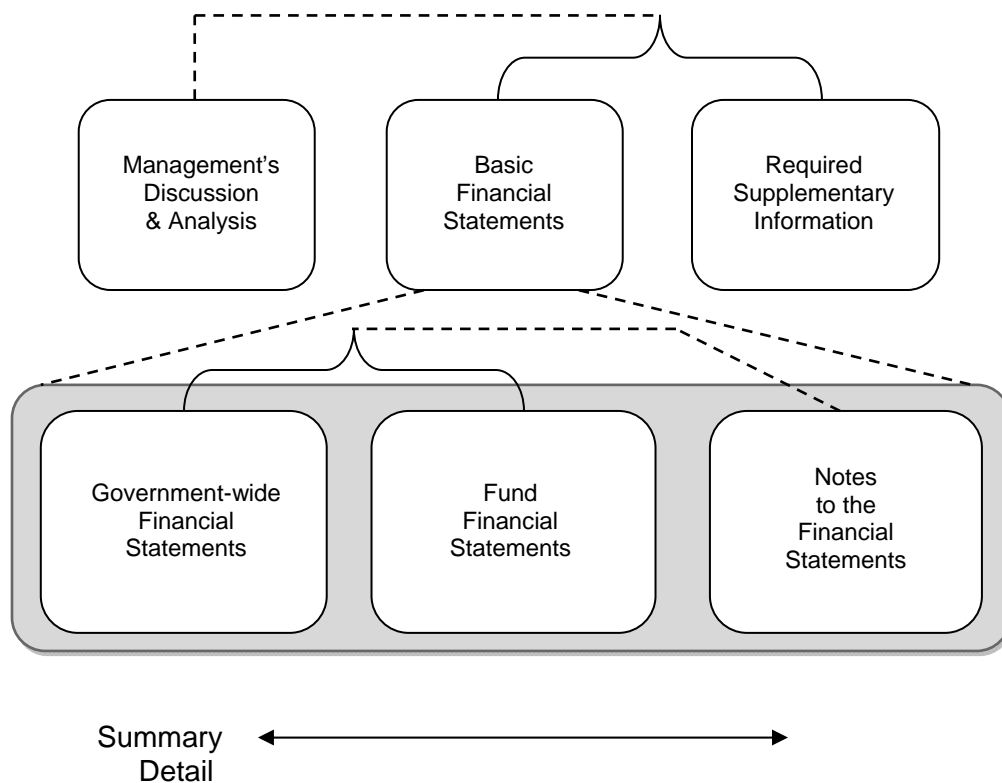


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and content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

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as special education, building and maintenance, food service, and community education.	Activities the District operates similar to a private business; Internal Service Fund.	Instances in which the District administers resources on behalf of someone else, such as the District's museum.
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenue, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses, and Changes in Fund Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets, 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 NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

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 NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

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 \$(19,070,829) on June 30, 2017 (see Table A-1). This was a decrease of \$12,034,408 from the prior year.

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

	Governmental Activities as of June 30,		Percentage Change
	2017	2016	
Current and Other Assets	\$ 87,529,482	\$ 104,980,478	(16.62)%
Capital Assets	50,630,633	27,003,246	87.50
Total Assets	138,160,115	131,983,724	4.68
Deferred Outflows of Resources	73,831,322	7,407,800	896.67
Current Liabilities	18,583,414	11,902,667	56.13
Long-Term Liabilities	198,178,353	117,946,272	68.02
Total Liabilities	216,761,767	129,848,939	66.93
Deferred Inflows of Resources	14,300,499	16,579,006	(13.74)
Net Position:			
Net Investment in Capital Assets	22,440,420	21,078,576	6.46
Restricted	3,237,576	2,249,861	43.90
Unrestricted	(44,748,825)	(30,364,858)	47.37
Total Net Position	<u>\$ (19,070,829)</u>	<u>\$ (7,036,421)</u>	171.03

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

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**

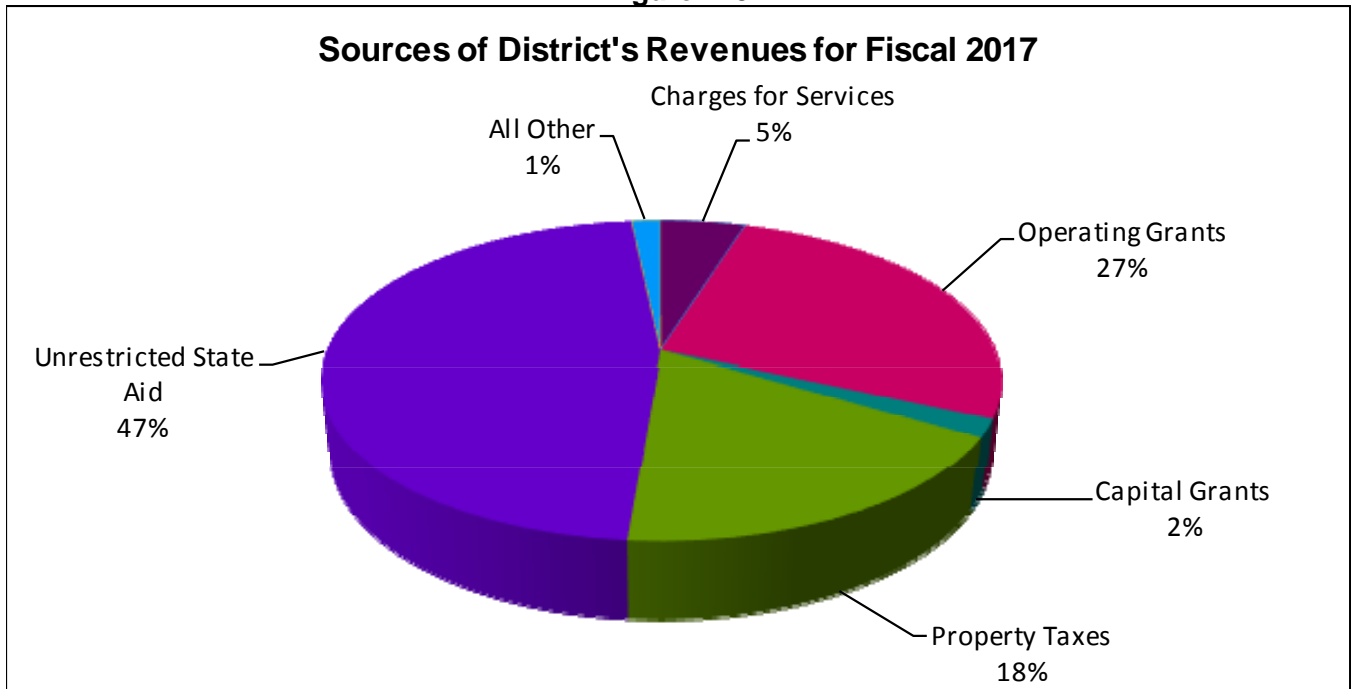
	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2017	2016	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 3,490,687	\$ 2,864,303	21.87 %
Operating Grants and Contributions	19,306,364	18,249,598	5.79
Capital Grants and Contributions	1,293,398	816,942	58.32
<u>General Revenues</u>			
Property Taxes	12,925,018	8,591,535	50.44
Unrestricted State Aid	33,961,847	32,843,509	3.41
Investment Earnings	651,836	171,188	280.77
Other	532,475	294,278	80.94
Total Revenues	<u>72,161,625</u>	<u>63,831,353</u>	13.05
Expenses			
Administration	2,963,994	2,214,892	33.82
District Support Services	2,797,265	2,490,625	12.31
Regular Instruction	36,455,830	25,985,184	40.29
Vocational Education Instruction	1,473,429	1,024,380	43.84
Special Education Instruction	15,709,996	11,877,751	32.26
Instructional Support Services	3,412,259	2,711,883	25.83
Pupil Support Services	5,195,714	3,980,170	30.54
Sites and Buildings	6,888,572	6,152,761	11.96
Fiscal and Other Fixed Cost Programs	131,805	164,374	(19.81)
Food Service	2,935,602	2,875,779	2.08
Community Service	3,401,735	3,002,921	13.28
Interest and Fiscal Charges on Long-Term Liabilities	<u>2,213,904</u>	<u>906,867</u>	144.13
Total Expenses	<u>83,580,105</u>	<u>63,387,587</u>	31.86
Change in Net Position	(11,418,480)	443,766	
Beginning Net Position	(7,036,421)	(7,480,187)	
Prior Period Adjustment	(615,928)	-	
Beginning Net Position, as Restated	<u>(7,652,349)</u>	<u>(7,480,187)</u>	
Ending Net Position	<u>\$ (19,070,829)</u>	<u>\$ (7,036,421)</u>	

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The District's total revenues were \$72,161,625 for the year ended June 30, 2017. This is an increase of \$8,330,272 from June 30, 2016 (see Table A-2 on the previous page). Revenues for the year were a mix of increases and decreases. This included an increase of \$1,598,986 in unrestricted state aid and investment earnings due mainly to the increase in the basic formula allowance and interest earned on bond proceeds. This also included an increase in property tax revenues in the amount of \$4,333,483 due to the addition of debt service for our school building bonds passed in November 2015. Operating grants and contributions increased \$1,056,766 primarily due to an increase in federal grant revenue. See Figure A-3 below for the related percentages of the District's revenues.

Figure A-3

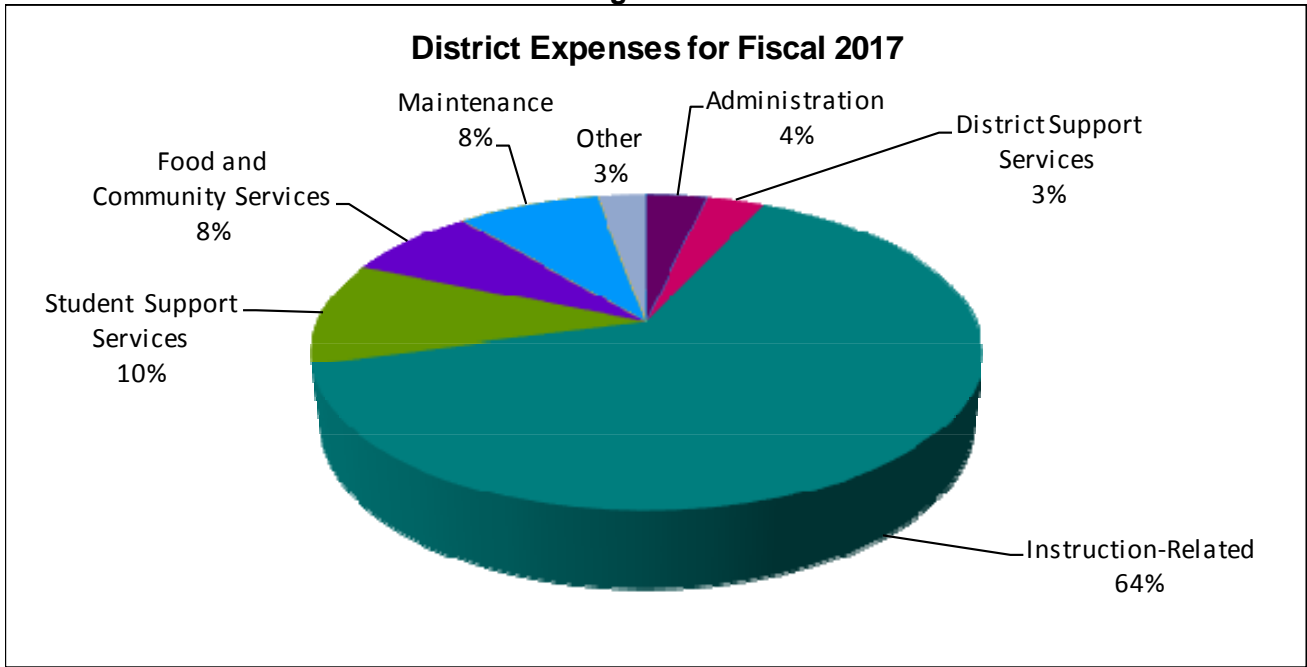


**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The total cost of all programs and services was \$83,580,105. The District's expenses are predominantly related to educating and caring for students and community members (82%) as shown in Figure A-4. Administrative activities of the District accounted for 7% of total costs.

Figure A-4



**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

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 \$83.6 million.
- Of this cost, \$3.5 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 \$20.6 million.
- District property taxpayers financed \$12.9 million.
- State taxpayers financed \$34.0 million in the form of unrestricted state aid based on the statewide education aid formula.

**Table A-3
Program Expenses and Net Cost of Services**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2017	2016		2017	2016	
Administration	\$ 2,963,994	\$ 2,214,892	33.82 %	\$ 2,880,527	\$ 2,079,272	38.54 %
District Support Services	2,797,265	2,490,625	12.31	2,660,175	2,200,102	20.91
Regular Instruction	36,455,830	25,985,184	40.29	28,727,518	18,419,111	55.97
Vocational Education Instruction	1,473,429	1,024,380	43.84	1,361,566	960,296	41.79
Special Education Instruction	15,709,996	11,877,751	32.26	7,648,590	4,954,731	54.37
Instructional Support Services	3,412,259	2,711,883	25.83	2,696,154	1,974,807	36.53
Pupil Support Services	5,195,714	3,980,170	30.54	5,046,100	3,829,204	31.78
Sites and Buildings	6,888,572	6,152,761	11.96	5,826,460	5,740,364	1.50
Fiscal and Other Fixed Cost Programs	131,805	164,374	(19.81)	131,805	164,374	(19.81)
Food Service	2,935,602	2,875,779	2.08	(5,486)	(65,953)	(91.68)
Community Service	3,401,735	3,002,921	13.28	302,344	293,569	2.99
Interest and Fiscal Charges on Long-Term Liabilities	2,213,904	906,867	144.13	2,213,904	906,867	144.13
Total	<u>\$ 83,580,105</u>	<u>\$ 63,387,587</u>	31.86	<u>\$ 59,489,656</u>	<u>\$ 41,456,744</u>	43.50

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 Debt Service funds revenues exceeded expenditures, thereby increasing the fund balance in these funds. In total, governmental funds decreased by \$24,090,042 with an ending balance of \$61,820,919. The proprietary fund type had an increase of \$1,183 resulting in a balance of \$205,716.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

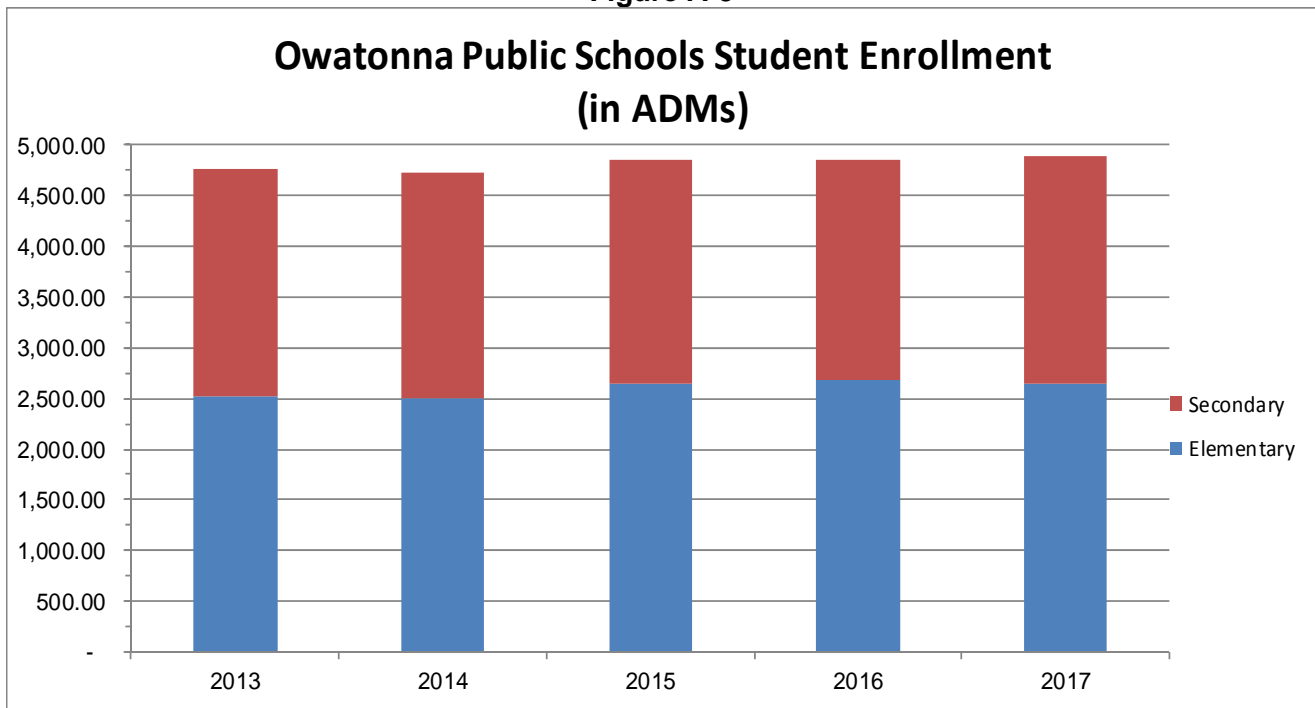
GENERAL FUND

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 2016-17, the District saw an increase of .66% in student enrollment from 2015-16. The District has seen an overall increase in enrollment of 130 pupil units since 2013.

Figure A-5



**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

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

**Table A-4
General Fund Revenues**

	Year Ended		Change	
	June 30, 2017	June 30, 2016	Increase (Decrease)	Percent Change
Local Sources:				
Property Taxes	\$ 6,498,033	\$ 6,048,854	\$ 449,179	7.4 %
Earnings on Investments	47,587	28,098	19,489	69.4
Other	1,733,740	1,262,176	471,564	37.4
State Sources	47,090,815	46,377,303	713,512	1.5
Federal Sources	1,935,377	1,726,973	208,404	12.1
Total General Fund Revenue	<u>\$ 57,305,552</u>	<u>\$ 55,443,404</u>	<u>\$ 1,862,148</u>	3.4

Total General Fund revenue increased \$1,862,148 or 3.4% from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including excess levy referenda, involves an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year-to-year without any net change on revenue. The increase in state sources is due mainly to an increase of \$119 per pupil unit. The increase in other local sources is due mainly to an increase of approximately \$470,000 in Medical Assistance revenue.

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

**Table A-5
General Fund Expenditures**

	Year Ended		Change	
	June 30, 2017	June 30, 2016	Increase (Decrease)	Percent Change
Salaries	\$ 32,523,046	\$ 30,739,405	\$ 1,783,641	5.8 %
Employee Benefits	11,957,923	11,947,462	10,461	0.1
Purchased Services	9,080,910	8,098,564	982,346	12.1
Supplies and Materials	1,934,679	2,079,659	(144,980)	(7.0)
Capital Expenditures	749,579	1,168,002	(418,423)	(35.8)
Debt Service	481,891	476,695	5,196	1.1
Other Expenditures	233,493	69,723	163,770	234.9
Total General Fund Expenditures	<u>\$ 56,961,521</u>	<u>\$ 54,579,510</u>	<u>\$ 2,382,011</u>	4.4

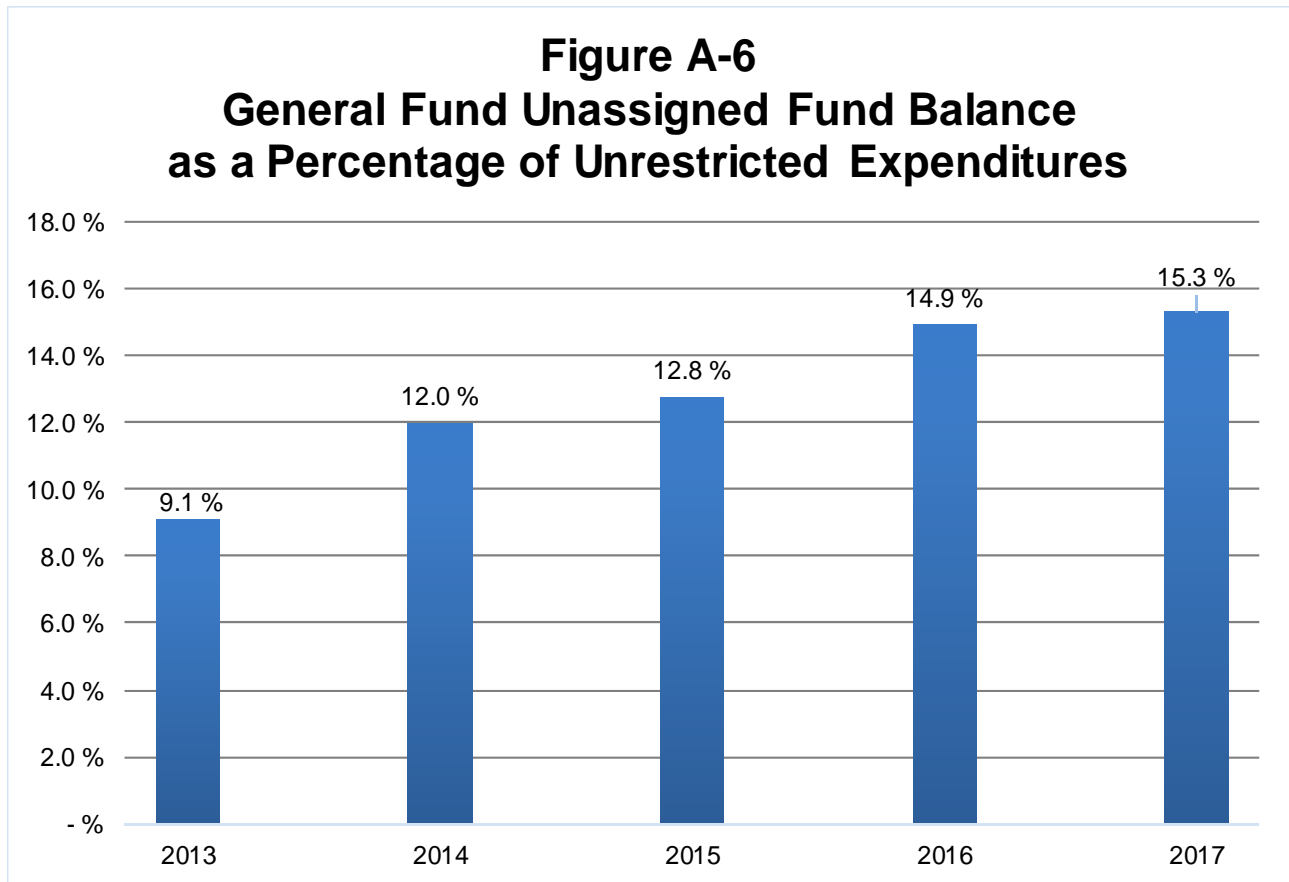
Total General Fund expenditures increased \$2,382,011 or 4.4% from the previous year. This is mainly due to salary increases and an increase in the contracted services for Special Education.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

In 2016-17, General Fund revenues and other financing sources were more than expenditures and other financing uses by \$581,490, thereby increasing the total fund balance as of June 30, 2017. After deducting statutory restrictions, the unassigned fund balance increased from \$6,815,855 at June 30, 2016 to \$7,280,793 at June 30, 2017.

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 NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

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

	2013	2014	2015	2016	2017
Unassigned Fund Balance	\$ 3,748,466	\$ 4,736,584	\$ 5,679,818	\$ 6,815,855	\$ 7,280,793
% Increase (Decrease)	(22.3)%	26.4 %	19.9 %	20.0 %	6.8 %
Unrestricted Expenditures	\$ 41,371,972	\$ 39,570,548	\$ 44,497,233	\$ 45,693,414	\$ 47,631,781
% Increase (Decrease)	(0.5)%	(4.4)%	12.5 %	2.7 %	4.2 %
Unassigned Fund Balance as a % of Unrestricted Expenditures	9.1 %	12.0 %	12.8 %	14.9 %	15.3 %

The preceding table is the single best measure of overall financial health. The unassigned fund balance of \$7,280,793 at June 30, 2017 represents 15.3% of annual unrestricted expenditures. The \$7,280,793 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 \$30,259, the actual results for the year show a \$581,490 increase.

- Actual revenues were \$1,415,663 more than expected. The largest impact came from State Sources, specifically general education aid formula increases and an increase in Medical Assistance collected.

Overall, the actual expenditures were \$1,071,891 over budget. This was due mainly to an increase in purchased services and transportation in the Special Education program.

FOOD SERVICE FUND

The Food Service Fund increased by \$166,881. An anticipated decrease in the fund balance of \$45,543 was expected when the budget was prepared. Total revenues were over budget by \$161,306 due mainly to a surplus in federal revenue due to more meals served to free and reduced price classified students than anticipated. The actual increase to the Food Service fund balance is attributed to cost savings in food purchases in addition to mandated meal price increases, and less repair and maintenance costs.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

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 \$163,357 from the prior year, including a restatement of beginning fund balance related to prior period unearned revenues and the related accounts receivable (see Note 14 for details). This increase is primarily related to an increase in participation and tuition and fees and state aid received related to the Adult Basic Education and School Readiness programs.

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 decreased by \$25,471,618 from the prior year to a balance of \$50,934,905 as of June 30, 2017. This is solely due to progress on planned construction projects.

DEBT SERVICE FUND

The restricted for debt service fund balance increased by \$314,232 as of June 30, 2017 due to revenues exceeding the regular payment of principal and interest. The increase in property tax and state aid revenue was required relative to payments on the fiscal year 2016 bonds issued in the prior year. The increase in property taxes was approved by voters in November 2015. The collection of increased property taxes will be used toward increased bond principal and interest payments beginning in fiscal year 2018.

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 \$3,003.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2017, the District had net capital assets of \$50,630,633 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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

Total depreciation expense for the year was \$1,546,918.

**Table A-7
Capital Assets**

	2017	2016	Percentage Change
Land	\$ 1,823,335	\$ 1,823,335	-
Construction in Progress	26,223,099	1,570,486	1569.7
Land Improvements	2,976,460	2,750,596	8.2
Buildings and Improvements	40,324,324	40,314,070	0.0
Equipment	9,923,362	9,850,415	0.7
Less: Accumulated Depreciation	(30,639,947)	(29,305,656)	4.6
Total Capital Assets	<u>\$ 50,630,633</u>	<u>\$ 27,003,246</u>	87.5

Long-Term Liabilities

At year-end, the District had \$74,160,000 in general obligation bonds outstanding. The decrease from 2016 was due to regular principal payments made during fiscal year 2017. The District had \$500,000 in outstanding Certificates of Participation at June 30, 2017. The District had \$3.6 million in severance payable at June 30, 2017, an increase of 3.5% over the previous year. More detailed information about the District's long-term liabilities is presented in Note 5 of the financial statements.

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

	2017	2016	Percentage Change
General Obligation Bonds	\$ 74,160,000	\$ 77,795,000	(4.7)%
Net Bond Premium and Discount	3,413,484	3,623,994	(5.8)
Capital Leases Payable	344,334	479,248	(28.2)
Certificates of Participation Payable	500,000	740,000	(32.4)
Net Pension Liability	117,954,024	34,632,579	240.6
Other Postemployment Benefits Payable	2,346,103	1,872,885	25.3
Severance Benefits Payable	3,573,321	3,453,375	3.5
Supplemental Pension Payable	437,116	-	N/A
Compensated Absences Payable	249,824	241,253	3.6
Total Long-Term Liabilities	<u>\$ 202,978,206</u>	<u>\$ 122,838,334</u>	65.2
Long-Term Liabilities:			
Due Within One Year	\$ 4,799,853	\$ 4,892,062	
Due in More Than One Year	198,178,353	117,946,272	
Total	<u>\$ 202,978,206</u>	<u>\$ 122,838,334</u>	

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

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.

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, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)**

	Governmental Activities	
	2017	2016
ASSETS		
Cash and Investments	\$ 73,465,127	\$ 90,759,498
Receivables:		
Property Taxes	6,332,880	6,284,264
Other Governments	6,610,651	7,335,688
Other	885,074	307,786
Prepaid Items	178,583	184,133
Inventories	57,167	61,357
Prefunded Pension	-	47,752
Capital Assets:		
Land and Construction in Progress	28,046,434	3,393,821
Other Capital Assets, Net of Depreciation	22,584,199	23,609,425
Total Assets	138,160,115	131,983,724
DEFERRED OUTFLOWS OF RESOURCES		
Losses on Debt Refunding	-	1,728
Deferred Outflows - Pensions	73,831,322	7,406,072
Total Deferred Outflows	73,831,322	7,407,800
LIABILITIES		
Salaries and Benefits Payable	5,017,265	4,834,527
Accounts and Contracts Payable	7,062,130	924,643
Accrued Interest	955,511	872,898
Due to Other Governmental Units	517,242	334,739
Unearned Revenue	231,413	43,798
Long-Term Liabilities:		
Net Pension Liability	117,954,024	34,632,579
Other Postemployment Benefits Payable	2,346,103	1,872,885
Bonds, Capital Leases, and Other Due Within One Year	4,799,853	4,892,062
Bonds, Capital Leases, and Other Due in More Than One Year	77,878,226	81,440,808
Total Liabilities	216,761,767	129,848,939
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Year	12,569,621	12,444,555
Deferred Inflows - Pensions	1,730,878	4,134,451
Total Deferred Inflows of Resources	14,300,499	16,579,006
NET POSITION		
Net Investment in Capital Assets	22,440,420	21,078,576
Restricted for:		
General Fund Operating Capital Purposes	87,509	104,103
General Fund State-Mandated Reserves	990,057	848,508
Food Service	568,745	404,010
Community Service	883,965	715,290
Capital Projects - Building Construction	707,300	130,198
Principal's and Director's Pension	-	47,752
Unrestricted	(44,748,825)	(30,364,858)
Total Net Position	\$ (19,070,829)	\$ (7,036,421)

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

Functions	2017				2016	2016
	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position	Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Governmental Activities
Governmental Activities						
Administration	\$ 2,963,994	\$ -	\$ 61,782	\$ 21,685	\$ (2,880,527)	\$ (2,079,272)
District Support Services	2,797,265	-	10,137	126,953	(2,660,175)	(2,200,102)
Regular Instruction	36,455,830	472,185	7,142,696	113,431	(28,727,518)	(18,419,111)
Vocational Education Instruction	1,473,429	-	111,863	-	(1,361,566)	(960,296)
Special Education Instruction	15,709,996	814,087	7,240,283	7,036	(7,648,590)	(4,954,731)
Instructional Support Services	3,412,259	-	715,283	822	(2,696,154)	(1,974,807)
Pupil Support Services	5,195,714	-	149,614	-	(5,046,100)	(3,829,204)
Sites and Buildings	6,888,572	21,191	17,451	1,023,470	(5,826,460)	(5,740,364)
Fiscal and Other Fixed Cost Programs	131,805	-	-	-	(131,805)	(164,374)
Food Service	2,935,602	1,193,555	1,747,533	-	5,486	65,953
Community Service	3,401,735	989,669	2,109,722	-	(302,344)	(293,569)
Interest and Fiscal Charges on Long-Term Liabilities	2,213,904	-	-	-	(2,213,904)	(906,867)
Total School District	\$ 83,580,105	\$ 3,490,687	\$ 19,306,364	\$ 1,293,398	(59,489,656)	(41,456,744)
General Revenues						
Property Taxes Levied for:						
General Purposes					6,494,953	6,031,626
Community Service					309,761	311,480
Debt Service					6,120,304	2,248,429
State Aid Not Restricted to Specific Purposes					33,961,847	32,843,509
Earnings on Investments					651,836	171,188
Miscellaneous					532,475	294,278
Total General Revenues					48,071,176	41,900,510
Change in Net Position					(11,418,480)	443,766
Net Position - Beginning					(7,036,421)	(7,480,187)
Prior Period Restatement - See Note 14					(615,928)	-
Net Position - Beginning, as Restated					<u>(7,652,349)</u>	<u>(7,480,187)</u>
Net Position - Ending					\$ (19,070,829)	\$ (7,036,421)

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)**

	Major Funds					Total Governmental Funds	
	General	Food Service	Community Service	Capital Projects	Debt Service	2017	2016
ASSETS							
Cash and Investments	\$ 10,526,571	\$ 597,379	\$ 1,184,745	\$ 56,967,145	\$ 3,983,571	\$ 73,259,411	\$ 90,554,965
Receivables:							
Current Property Taxes	3,165,465	-	148,940	-	2,913,299	6,227,704	6,204,910
Delinquent Property Taxes	64,357	-	3,288	-	37,531	105,176	79,354
Accounts and Interest Receivable	349,063	13,437	53,908	468,666	-	885,074	307,786
Due from Other Minnesota School Districts	92,737	-	-	-	-	92,737	117,465
Due from Minnesota Department of Education	5,087,373	1,876	199,713	-	7,007	5,295,969	6,125,178
Due from Federal through Minnesota Department of Education	1,117,268	28,701	72,782	-	-	1,218,751	1,089,667
Due from Other Governmental Units	3,194	-	-	-	-	3,194	3,378
Inventory	8,870	48,297	-	-	-	57,167	61,357
Prepays	158,850	1,774	17,959	-	-	178,583	184,133
Total Assets	\$ 20,573,748	\$ 691,464	\$ 1,681,335	\$ 57,435,811	\$ 6,941,408	\$ 87,323,766	\$ 104,728,193
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
Liabilities:							
Salaries and Compensated Absences Payable	\$ 2,403,942	\$ 9,891	26,884	\$ -	\$ -	\$ 2,440,717	\$ 2,373,854
Payroll Deductions and Employer Contributions Payable	2,576,548	-	-	-	-	2,576,548	2,460,673
Accounts and Contracts Payable	517,771	12,585	30,868	6,500,906	-	7,062,130	924,643
Due to Other Governmental Units	269,947	104	247,191	-	-	517,242	334,739
Unearned Revenue	16,758	50,068	164,587	-	-	231,413	43,798
Total Liabilities	5,784,966	72,648	469,530	6,500,906	-	12,828,050	6,137,707
Deferred Inflows of Resources:							
Unavailable Revenue - Property Taxes Levied for Subsequent Year	6,198,346	-	309,881	-	6,061,394	12,569,621	12,444,555
Unavailable Revenue - Delinquent Property Taxes	64,357	-	3,288	-	37,531	105,176	79,354
Total Deferred Inflows of Resources	6,262,703	-	313,169	-	6,098,925	12,674,797	12,523,909
Fund Balance:							
Nonspendable:							
Inventory	8,870	48,297	-	-	-	57,167	61,357
Prepays	158,850	1,774	17,959	-	-	178,583	184,133
Restricted for:							
Staff Development	10,910	-	-	-	-	10,910	92,111
Operating Capital	87,509	-	-	-	-	87,509	104,103
Community Education	-	-	215,739	-	-	215,739	367,590
Early Childhood and Family Education	-	-	143,847	-	-	143,847	149,888
Teacher Development and Evaluation	47,472	-	-	-	-	47,472	57,778
Basic Skills Programs	656,795	-	-	-	-	656,795	698,619
School Readiness	-	-	293,925	-	-	293,925	97,501
Adult Basic Education	-	-	184,674	-	-	184,674	68,159
Long-Term Facilities Maintenance	124,944	-	-	-	-	124,944	-
Medical Assistance	149,936	-	-	-	-	149,936	-
Restricted for Other Purposes	-	568,745	42,492	50,934,905	842,483	52,388,625	77,369,483
Unassigned	7,280,793	-	-	-	-	7,280,793	6,815,855
Total Fund Balance	8,526,079	618,816	898,636	50,934,905	842,483	61,820,919	86,066,577
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 20,573,748	\$ 691,464	\$ 1,681,335	\$ 57,435,811	\$ 6,941,408	\$ 87,323,766	\$ 104,728,193

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)**

	<u>2017</u>	<u>2016</u>
Total Fund Balance for Governmental Funds	\$ 61,820,919	\$ 86,066,577
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	26,223,099	1,570,486
Land Improvements, Net of Accumulated Depreciation	934,566	821,774
Buildings and Improvements, Net of Accumulated Depreciation	18,621,710	19,428,152
Equipment, Net of Accumulated Depreciation	3,027,923	3,359,499
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 unearned revenue in the funds.	105,176	79,354
When a bond defeasance occurs the difference between the amount paid to the refunded bond escrow and the principal of the defeased debt is expensed in the governmental funds. These expenditures are capitalized on the statement of net position as deferred charges.	-	1,728
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditures when due.	(955,511)	(872,898)
The District's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:		
Net Pension Liability	(117,954,024)	(34,632,579)
Deferred Inflows of Resources - Pensions	(1,730,878)	(4,134,451)
Deferred Outflows of Resources - Pensions	73,831,322	7,406,072
The District's liability for other postemployment benefits is a long-term liability and therefore only recorded on the statement of net position.	(2,346,103)	(1,872,885)
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
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of net position. Balances at year-end are:		
Bonds Payable	(74,160,000)	(77,795,000)
Unamortized Premiums	(3,413,484)	(3,623,994)
Certificates of Participation Payable	(500,000)	(740,000)
Capital Improvement Loans Payable	-	-
Obligations Under Capital Leases	(344,334)	(479,248)
Severance Benefits Payable	(3,573,321)	(3,453,375)
Supplemental Pension Payable	(437,116)	-
Compensated Absences Payable	(249,824)	(241,253)
Internal service funds are used by management to charge the costs of health and dental insurance services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. Internal service fund net position at year-end is:	205,716	204,533
Total Net Position of Governmental Activities	<u>\$ (19,070,829)</u>	<u>\$ (7,036,421)</u>

See accompanying Basic Notes to 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, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

	Major Funds					Total Governmental Funds	
	General	Food Service	Community Service	Capital Projects	Debt Service	2017	2016
REVENUES							
Local Sources:							
Property Taxes	\$ 6,498,033	\$ -	\$ 307,926	\$ -	\$ 6,093,237	\$ 12,899,196	\$ 8,598,217
Earnings and Investments	47,587	2,887	7,664	577,102	15,413	650,653	170,358
Other	1,733,740	1,198,152	1,052,843	-	-	3,984,735	3,333,404
State Sources	47,090,815	171,047	1,921,960	-	70,069	49,253,891	48,378,874
Federal Sources	1,935,377	1,567,270	101,678	-	-	3,604,325	3,355,353
Total Revenues	<u>57,305,552</u>	<u>2,939,356</u>	<u>3,392,071</u>	<u>577,102</u>	<u>6,178,719</u>	<u>70,392,800</u>	<u>63,836,206</u>
EXPENDITURES							
Current:							
Administration	2,307,867	-	-	-	-	2,307,867	2,161,376
District Support Services	2,184,030	-	-	-	-	2,184,030	1,953,769
Elementary and Secondary Regular Instruction	25,337,708	-	-	-	-	25,337,708	24,484,071
Vocational Education Instruction	1,028,694	-	-	-	-	1,028,694	990,356
Special Education Instruction	11,891,557	-	-	-	-	11,891,557	11,656,999
Instructional Support Services	2,717,301	-	-	-	-	2,717,301	2,662,586
Pupil Support Services	4,710,045	-	-	-	-	4,710,045	3,915,037
Sites and Buildings	5,421,044	-	-	-	-	5,421,044	4,946,245
Fiscal and Other Fixed Cost Programs	131,805	-	-	-	-	131,805	164,374
Food Service	-	2,772,475	-	-	-	2,772,475	2,819,989
Community Service	-	-	3,053,274	-	-	3,053,274	2,952,143
Capital Outlay	749,579	-	16,215	26,048,720	-	26,814,514	3,768,015
Debt Service:							
Principal	372,248	-	2,666	-	3,635,000	4,009,914	2,633,549
Interest and Fiscal Charges	109,643	-	943	-	2,229,487	2,340,073	153,625
Total Expenditures	<u>56,961,521</u>	<u>2,772,475</u>	<u>3,073,098</u>	<u>26,048,720</u>	<u>5,864,487</u>	<u>94,720,301</u>	<u>65,262,134</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	344,031	166,881	318,973	(25,471,618)	314,232	(24,327,501)	(1,425,928)
OTHER FINANCING SOURCES (USES)							
Sale of Equipment	42,327	-	-	-	-	42,327	57,660
Insurance Recovery	195,132	-	-	-	-	195,132	-
Judgments for the School District	-	-	-	-	-	-	999
Sale of Bonds	-	-	-	-	-	-	75,185,000
Bond Premium	-	-	-	-	-	-	3,659,835
Capital Lease Issuance	-	-	-	-	-	-	103,681
Transfers In	-	-	-	-	-	-	13,244
Transfers Out	-	-	-	-	-	-	(13,244)
Total Other Financing Sources (Uses)	<u>237,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>237,459</u>	<u>79,007,175</u>
NET CHANGE IN FUND BALANCE	581,490	166,881	318,973	(25,471,618)	314,232	(24,090,042)	77,581,247
FUND BALANCE							
Beginning of Year	7,944,589	451,935	735,279	76,406,523	528,251	86,066,577	8,485,330
Prior Period Restatement - See Note 14	-	-	(155,616)	-	-	(155,616)	-
Fund Balance - Beginning, as Restated	<u>7,944,589</u>	<u>451,935</u>	<u>579,663</u>	<u>76,406,523</u>	<u>528,251</u>	<u>85,910,961</u>	<u>8,485,330</u>
End of Year	<u>\$ 8,526,079</u>	<u>\$ 618,816</u>	<u>\$ 898,636</u>	<u>\$ 50,934,905</u>	<u>\$ 842,483</u>	<u>\$ 61,820,919</u>	<u>\$ 86,066,577</u>

See accompanying Basic Notes to 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
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

	<u>2017</u>	<u>2016</u>
	\$ (24,090,042)	\$ 77,581,247
Net Change in Fund Balance - Total Governmental Funds		
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. The amount by which capital outlays exceeded depreciation in the current period is:		
Capital Outlays	25,217,900	2,195,249
Gain (Loss) on Disposal of Capital Assets	(1,268)	(6,753)
Proceeds from the Sales of Capital Assets	(42,327)	(57,660)
Depreciation Expense	(1,546,918)	(1,600,702)
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 unearned in the governmental funds.	25,822	(6,682)
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 Sources - Capital Lease	-	(103,681)
Change in Accrued Interest - Capital Leases	589	(315)
Principal Payments - Capital Leases	134,914	143,549
Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.	(14,625,346)	(192,975)
To record the change in the OPEB Liability	(473,218)	(355,996)
In the statement of activities, certain operating expenses - severance benefits, supplemental pensions, and compensated absences and the related deferred outflows and inflows - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amounts actually paid).	(20,349)	(44,583)
The governmental funds report bond issuance 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 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. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
General Obligation and Certificates of Participation Bond Issuance	-	(75,185,000)
Bond Premium or Discount	-	(3,659,835)
Repayment of Bond Principal	3,635,000	2,255,000
Repayment of Certificates of Participation Payable	240,000	235,000
Change in Accrued Interest - General Obligation Bonds	(83,202)	(839,455)
Amortization of Bond Premium	208,664	87,275
Amortization of Deferred Outflow - Loss on Refunding	(1,728)	(2,593)
Amortization of Certificates of Participation Premium	1,846	1,846
Internal service funds are used by the District to charge the costs of employee health and dental benefits to individual funds. The net revenue of the internal service funds is reported with governmental activities.		
Total	<u>1,183</u>	<u>830</u>
	<u>\$ (11,418,480)</u>	<u>\$ 443,766</u>

See accompanying Basic Notes to Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Property Taxes	\$ 6,509,397	\$ 6,509,397	\$ 6,498,033	\$ (11,364)
Earnings and Investments	15,000	15,000	47,587	32,587
Other	1,073,504	1,095,129	1,733,740	638,611
State Sources	45,083,678	46,224,557	47,090,815	866,258
Federal Sources	1,962,159	2,045,806	1,935,377	(110,429)
Total Revenues	<u>54,643,738</u>	<u>55,889,889</u>	<u>57,305,552</u>	<u>1,415,663</u>
EXPENDITURES				
Current:				
Administration	2,228,903	2,242,719	2,307,867	65,148
District Support Services	2,062,918	2,179,638	2,184,030	4,392
Elementary and Secondary Regular Instruction	24,925,266	25,193,870	25,337,708	143,838
Vocational Education Instruction	1,030,804	1,096,814	1,028,694	(68,120)
Special Education Instruction	11,250,808	11,607,679	11,891,557	283,878
Instructional Support Services	2,523,516	2,542,416	2,717,301	174,885
Pupil Support Services	4,339,695	4,225,418	4,710,045	484,627
Sites and Buildings	5,315,246	5,185,492	5,421,044	235,552
Fiscal and Other Fixed Cost Programs	186,000	170,000	131,805	(38,195)
Capital Outlay	856,874	1,023,871	749,579	(274,292)
Debt Service:				
Principal	369,009	369,009	372,248	3,239
Interest and Fiscal Charges	52,704	52,704	109,643	56,939
Total Expenditures	<u>55,141,743</u>	<u>55,889,630</u>	<u>56,961,521</u>	<u>1,071,891</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(498,005)	259	344,031	343,772
OTHER FINANCING SOURCES				
Sale of Equipment	30,000	30,000	42,327	12,327
Insurance Recovery	-	-	195,132	195,132
Total Other Financing Sources	<u>30,000</u>	<u>30,000</u>	<u>237,459</u>	<u>207,459</u>
NET CHANGE IN FUND BALANCE	<u>\$ (468,005)</u>	<u>\$ 30,259</u>	581,490	<u>\$ 551,231</u>
FUND BALANCE				
Beginning of Year			<u>7,944,589</u>	
End of Year			<u>\$ 8,526,079</u>	

See accompanying Basic Notes to Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Earnings and Investments	\$ 150	\$ 150	\$ 2,887	\$ 2,737
Other - Primarily Meal Sales	1,163,196	1,163,196	1,198,152	34,956
State Sources	169,400	169,400	171,047	1,647
Federal Sources	1,445,304	1,445,304	1,567,270	121,966
Total Revenues	<u>2,778,050</u>	<u>2,778,050</u>	<u>2,939,356</u>	<u>161,306</u>
EXPENDITURES				
Current:				
Food Service	2,809,956	2,806,593	2,772,475	(34,118)
Capital Outlay	17,000	17,000	-	(17,000)
Total Expenditures	<u>2,826,956</u>	<u>2,823,593</u>	<u>2,772,475</u>	<u>(51,118)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (48,906)</u></u>	<u><u>\$ (45,543)</u></u>	166,881	<u><u>\$ 212,424</u></u>
FUND BALANCE				
Beginning of Year			451,935	
End of Year			<u><u>\$ 618,816</u></u>	

See accompanying Basic Notes to Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Property Taxes	\$ 308,563	\$ 308,563	\$ 307,926	\$ (637)
Earnings and Investments	700	700	7,664	6,964
Other - Primarily Tuition and Fees	753,350	753,350	1,052,843	299,493
State Sources	1,995,990	2,028,620	1,921,960	(106,660)
Federal Sources	68,193	72,782	101,678	28,896
Total Revenues	<u>3,126,796</u>	<u>3,164,015</u>	<u>3,392,071</u>	<u>228,056</u>
EXPENDITURES				
Current:				
Community Service	3,029,029	3,152,827	3,053,274	(99,553)
Capital Outlay	15,400	15,400	16,215	815
Debt Service:				
Principal	2,448	2,448	2,666	218
Interest and Fiscal Charges	1,162	1,162	943	(219)
Total Expenditures	<u>3,048,039</u>	<u>3,171,837</u>	<u>3,073,098</u>	<u>(98,739)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	78,757	(7,822)	318,973	326,795
OTHER FINANCING SOURCES				
Transfers In	<u>19,000</u>	<u>19,000</u>	<u>-</u>	<u>(19,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 97,757</u>	<u>\$ 11,178</u>	318,973	<u>\$ 307,795</u>
FUND BALANCE				
Beginning of Year			735,279	
Prior Period Restatement - See Note 14			<u>(155,616)</u>	
Fund Balance - Beginning, as Restated			<u>579,663</u>	
End of Year			<u>\$ 898,636</u>	

See accompanying Basic Notes to Financial Statements.

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)

	Governmental Activities - Internal Service Funds	
	2017	2016
ASSETS		
Cash and Investments	\$ 205,716	\$ 204,533
NET POSITION		
Unrestricted	\$ 205,716	\$ 204,533

See accompanying Basic Notes to 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, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

	Governmental Activities - Internal Service Funds	
	2017	2016
NONOPERATING INCOME		
Earnings on Investments	\$ 1,183	\$ 830
CHANGE IN NET POSITION	1,183	830
Net Position - Beginning	204,533	203,703
NET POSITION - ENDING	\$ 205,716	\$ 204,533

See accompanying Basic Notes to Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

	Governmental Activities - Internal Service Funds	
	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	\$ 1,183	\$ 830
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,183	830
Cash and Cash Equivalents - Beginning	204,533	203,703
CASH AND CASH EQUIVALENTS - ENDING	\$ 205,716	\$ 204,533

See accompanying Basic Notes to Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017**

	<u>Museum Private-Purpose Trust</u>
ASSETS	
Cash and Investments	\$ 3,306
LIABILITIES	
Salaries and Compensated Absences Payable	<u> 303</u>
NET POSITION	
Restricted for Museum	<u><u> 3,003</u></u>

See accompanying Basic Notes to Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2017**

	Museum Private-Purpose Trust
ADDITIONS	
Gifts and Contributions	\$ 1,223
Earnings on Investments	23
Total Additions	1,246
DEDUCTIONS	
Salaries and Benefits	2,090
Supplies and Materials	424
Total Deductions	2,514
CHANGE IN NET POSITION	(1,268)
Net Position - Beginning of Year	4,271
NET POSITION - END OF YEAR	\$ 3,003

See accompanying Basic Notes to Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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.

GAAP requires 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, 2017**

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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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.

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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued)

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.

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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

Budgeted amounts include mid-year budget amendments that changed revenue and expenditure budgets as follows:

	Original Budget	Amendments	Amended Budget
Revenues			
General Fund	\$ 54,673,738	\$ 1,246,151	\$ 55,919,889
Special Revenue Funds:			
Food Service Fund	2,778,050	-	2,778,050
Community Service Fund	3,145,796	37,219	3,183,015
Capital Projects Fund	388,500	-	388,500
Debt Service Fund	6,195,783	31,897	6,227,680
 Expenditures			
General Fund	\$ 55,141,743	\$ 747,887	\$ 55,889,630
Special Revenue Funds:			
Food Service Fund	2,826,956	(3,363)	2,823,593
Community Service Fund	3,048,039	123,798	3,171,837
Capital Projects Fund	31,955,797	-	31,955,797
Debt Service Fund	5,866,992	-	5,866,992

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 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, 2017**

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."

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes (Continued)

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy, which is frozen at \$339,315 for the District. The tax shift also includes certain other levies that are recognized early based on statutory requirements.

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, 2017, 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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 one item that qualifies for reporting as this element – pension related deferred outflows of resources. The pension related deferred outflows of resources will be recognized as expense in subsequent years.

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, noncertified 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, 2017, unpaid vacation pay totaling \$249,824 is recorded in the financial statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Accrued Employee Benefits (Continued)

Sick Pay

Substantially all District employees are entitled to sick leave at various rates. For certain employees, unused sick leave enters into the calculation of severance pay upon termination.

Severance Benefits Payable

Severance benefits consist of convertible sick leave.

The District maintains various severance plans for its employee groups. Each employee group contract contains benefit formulas based on years of service and/or minimum age requirements. No employee can receive severance payments exceeding one year's salary.

The District has recorded a liability for accrued convertible sick leave based on the sick leave accumulated at June 30, 2017 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 2017, expenditures for convertible sick leave benefits totaled \$172,702. At June 30, 2017, 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 \$3,573,321.

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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and prepaid student and community courses in the Community Service Fund. The District also reported unearned revenues in the General Fund related to advance reimbursements for swim block and prepaid driver's education classes.

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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016, from which the summarized information was derived. Certain comparative information has been reclassified to conform with the current year presentation.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds:

	Budget	Expenditures	Excess
General Fund	\$ 55,889,630	\$ 56,961,521	\$ 1,071,891

These additional expenditures were paid for with available fund balance.

B. Interfund Transfers

The District did not have any interfund transfers at June 30, 2017.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017 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, are 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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

- 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.

At June 30, 2017, the District had the following investments:

Investments Measured at Fair Value	Fair Value
Negotiable Certificates of Deposit with Maturities at Purchase of Greater Than One Year	\$ 3,473,807
Federal Home Loan Bank	498,165
Federal National Mortgage Association	2,994,720
Federal Farm Credit Bank	2,657,641
Macon-Christian-Dewitt Counties Community College	792,884
Total Investments Measured at Fair Value	\$ 10,417,217
Investments Measured at Amortized Cost	
MN Trust Investment Shares	\$ 782,038
MN Trust Term Series Money Market	5,500,000
Total Investments Measured at Amortized Cost	\$ 6,282,038
Total District Investments	\$ 16,699,255

The MN Trust Investment Shares Portfolio and Mn Trust Term Series Money Market are external investment pools and their investments are valued at amortized cost. 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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The District had investments in two different series of the MN Trust Term Series. One had an interest rate of .95% and matured in July 2017. The other had an interest rate of 1.02% and matured in August 2017. Redemption prior to the maturity date of the MN Trust Term Series may result in a penalty.

The remaining 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, 2017, all investments and collateral were listed in the name of the District.

Credit Risk and Interest Rate 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.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District's investment policies do not limit the maturities of investments; however, when purchasing investments the District considers such things as interest rates and cash flow needs.

The credit ratings and maturities for the District's investments are as follows:

Type	Total	Maturity Duration in Years		No Maturities	Rating
		Less Than 1	1 to 2		
MN Trust Investment Series	\$ 782,038	\$ -	\$ -	\$ 782,038	AAAm
MN Trust Term Series	5,500,000	5,500,000	-	-	Not Rated
Certificates of Deposit	3,473,807	2,730,015	743,792	-	Not Rated
Federal Home Loan Bank	498,165	-	498,165	-	AA+
Federal National Mortgage Association	2,994,720	-	2,994,720	-	AA+
Federal Farm Credit Bank	2,657,641	2,657,641	-	-	AA+
Macon-Christian-Dewitt Counties Community College	792,884	792,884	-	-	A
Total	<u>\$ 16,699,255</u>	<u>\$ 11,680,540</u>	<u>\$ 4,236,677</u>	<u>\$ 782,038</u>	

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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:

<u>Concentration of Credit Risk</u>	
Federal National Mortgage Association	17.93%
Federal Farm Credit Bank	15.91%

C. Balance Sheet Presentation

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

Cash and Investments - Statement of Net Position	\$ 73,465,127
Cash and Investments - Statement of Fiduciary Net Position	<u>3,306</u>
Total Cash and Investments	<u><u>\$ 73,468,433</u></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.

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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

D. Fair Value Measurement (Continued)

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:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Negotiable Certificates of Deposit with Maturities at Purchase of Greater Than One Year	\$ -	\$ 3,473,807	\$ -	\$ 3,473,807
Federal Home Loan Bank	498,165	-	-	498,165
Federal National Mortgage Association	2,994,720	-	-	2,994,720
Federal Farm Credit Bank	2,657,641	-	-	2,657,641
Macon-Christian-Dewitt Counties Community College	-	792,884	-	792,884
Total Investments Measured at Fair Value	<u>\$ 6,150,526</u>	<u>\$ 4,266,691</u>	<u>\$ -</u>	<u>10,417,217</u>
Investments Measured at Amortized Cost				6,282,038
Total District Investments				<u>\$ 16,699,255</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 1,823,335	\$ -	\$ -	\$ 1,823,335
Construction in Progress	1,570,486	24,892,386	(239,773)	26,223,099
Total Capital Assets, Not Being Depreciated	<u>3,393,821</u>	<u>24,892,386</u>	<u>(239,773)</u>	<u>28,046,434</u>
Capital Assets, Being Depreciated				
Land Improvements	2,750,596	225,864	-	2,976,460
Buildings and Improvements	40,314,070	10,254	-	40,324,324
Equipment	9,850,415	329,169	(256,222)	9,923,362
Total Capital Assets, Being Depreciated	<u>52,915,081</u>	<u>565,287</u>	<u>(256,222)</u>	<u>53,224,146</u>
Accumulated Depreciation for:				
Land Improvements	(1,928,822)	(113,072)	-	(2,041,894)
Buildings and Improvements	(20,885,918)	(816,696)	-	(21,702,614)
Equipment	(6,490,916)	(617,150)	212,627	(6,895,439)
Total Accumulated Depreciation	<u>(29,305,656)</u>	<u>(1,546,918)</u>	<u>212,627</u>	<u>(30,639,947)</u>
Total Capital Assets, Being Depreciated, Net	<u>23,609,425</u>	<u>(981,631)</u>	<u>(43,595)</u>	<u>22,584,199</u>
Governmental Activities Capital Assets, Net	<u>\$ 27,003,246</u>	<u>\$ 23,910,755</u>	<u>\$ (283,368)</u>	<u>\$ 50,630,633</u>

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

Governmental Activities	
Administration	\$ 13,354
District Support Services	174,831
Regular Instruction	1,182,164
Vocational Education Instruction	13,334
Special Education Instruction	7,042
Instructional Support Services	9,325
Pupil Support Services	58,182
Sites and Buildings	20,119
Food Service	39,205
Community Service	29,362
Total Depreciation Expense, Governmental Activities	<u>\$ 1,546,918</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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	Net Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
				Due Within One Year	Total
2013A G.O. Capital Equipment Notes	1.50%	755,000	2/1/2020	\$ 110,000	\$ 330,000
2015A G.O. School Building Bonds	2.00% - 3.25%	9,800,000	2/1/2036	-	9,800,000
2016A G.O. School Building Bonds	2.00% - 5.00%	65,385,000	2/1/2036	3,480,000	64,030,000
Total General Obligation Bonds				3,590,000	74,160,000
Bond Premiums				-	3,413,484
Certificates of Participation Payable				245,000	500,000
Capital Lease Payable				144,761	344,334
Severance Benefits Payable				500,000	3,573,321
Supplemental Pension Payable				132,724	437,116
Compensated Absences Payable				187,368	249,824
Total				<u>\$ 4,799,853</u>	<u>\$ 82,678,079</u>

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
2018	\$ 3,590,000	\$ 2,275,850	\$ 245,000	\$ 13,138
2019	3,660,000	2,204,600	255,000	7,012
2020	3,730,000	2,131,950	-	-
2021	3,060,000	2,023,700	-	-
2022	3,150,000	1,933,900	-	-
2023-2027	17,405,000	8,019,250	-	-
2028-2032	20,675,000	4,748,500	-	-
2033-2036	18,890,000	1,450,750	-	-
Total	<u>\$ 74,160,000</u>	<u>\$ 24,788,500</u>	<u>\$ 500,000</u>	<u>\$ 20,150</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 GENERAL LONG-TERM DEBT (CONTINUED)

C. Description of Long-Term Debt

General Obligation Bonds

On November 15, 2012, the District issued \$8,690,000 of General Obligation Refunding Bonds, Series 2012B. The proceeds of this issue were used to refund the outstanding principal and interest of the District's General Obligation School Building Refunding Bonds, Series 2004 on February 1, 2013. The new issue was issued at a premium of \$93,014. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to retire these bonds. These bonds were paid off in fiscal year 2017.

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.

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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 GENERAL LONG-TERM DEBT (CONTINUED)

C. Description of Long-Term Debt (Continued)

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, 2017 is \$381,738.

Annual payments required under capital leases are as follows:

<u>Year Ending June 30,</u>	Capital Leases Payable	
	Principal	Interest
2018	\$ 144,761	\$ 22,344
2019	155,640	11,465
2020	26,286	3,743
2021	17,647	803
Total	\$ 344,334	\$ 38,355

Compensated Absences Payable

Compensated absences payable consists of unused vacation as of June 30, 2017. In the past, vacation expense has been paid by the General Fund, the Food Service Fund, and the Community Service Fund.

Severance Benefits Payable and Supplemental Pension Payable

Severance benefits payable and supplemental pension payable consist of severance payments and accumulated sick leave. See Note 7 for more detail on the supplemental pension plan. In the past, severance benefits and supplemental pension payments have been liquidated by the General Fund, the Food Service Fund, and the Community Service Fund.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 GENERAL LONG-TERM DEBT (CONTINUED)

D. Changes in Long-Term Liabilities

	June 30, 2016	Additions	Retirements	June 30, 2017
Bonds Payable	\$ 77,795,000	\$ -	\$ 3,635,000	\$ 74,160,000
Bond Premiums	3,623,994	-	210,510	3,413,484
Certificates of Participation Payable	740,000	-	240,000	500,000
Capital Leases Payable	479,248	-	134,914	344,334
Severance Benefits Payable	3,453,375	292,648	172,702	3,573,321
Supplemental Pension Payable	412,560	57,310	32,754	437,116
Compensated Absences Payable	241,253	295,948	287,377	249,824
Total	<u>\$ 86,745,430</u>	<u>\$ 645,906</u>	<u>\$ 4,393,126</u>	<u>\$ 82,678,079</u>

NOTE 6 RESTRICTED FUND BALANCES

Fund Equity

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. The following is a summary of the restricted fund balances for the governmental funds:

A. Restricted for 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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)

Fund Equity (Continued)

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 Long-Term Facilities Maintenance

Represents unspent State aid to finance facilities plans approved by its board and the commissioner.

J. Restricted for Medical Assistance

Represents resources to be used for Medical Assistance expenditures.

K. Restricted for Other Purposes

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

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 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's and TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes. PERA's 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 (General Employees Plan (accounted for in the General Employees Fund))

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 School other than teachers are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security. 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.

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NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

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%.

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. General Employees Plan 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 Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the 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.

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NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

Tier 1 Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years if Service Years Are Up to July 1, 2006	1.2% per Year
	First Ten 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

With these provisions:

- (1) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (2) 3.0% per year early retirement reduction factor for all years under normal retirement age.
- (3) 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.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
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NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

Tier II Benefits (Continued)

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.

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. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2017. In fiscal year 2017, the School was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the plan's fiscal year ended June 30, 2017 were \$629,194. 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:

	2017	
	Employee	Employer
Basic	11.0%	11.5%
Coordinate	7.5%	7.5%

The District's contributions to TRA for the plan's fiscal year ended June 30, 2017 were \$1,874,219. The District's contributions were equal to the required contributions for each year as set by state statute.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employees Fund Pension Costs

At June 30, 2017, the District reported a liability of \$10,522,877 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$6 million to the fund in 2017. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the District totaled \$137,440. The net pension liability was measured as of June 30, 2016, 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, 2015 through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. As of the June 30, 2016 measurement date, the District's proportion was .1296%, which was an increase of .0011% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$1,390,784 for its proportionate share of the General Employees Fund's pension expense. In addition, the District recognized an additional \$40,981 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$6 million to the General Employees Fund.

At June 30, 2017, the District reported its proportionate share of the General Employees Fund'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	\$ 31,144	\$ 854,828
Changes in Actuarial Assumptions	2,269,531	-
Net Difference Between Projected and Actual		
Earnings on Plan Investments	1,174,807	-
Changes in Proportion and Differences Between		
District Contributions and Proportionate Share		
of Contributions	129,522	-
District Contributions Subsequent to the		
Measurement Date	629,194	-
Total	<u>\$ 4,234,198</u>	<u>\$ 854,828</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

Of the resources related to pensions resulting from District contributions to the General Employees Fund subsequent to the measurement date, \$629,194 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to General Employees Fund pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2018	\$ 789,486
2019	549,200
2020	1,031,385
2021	380,105

2. TRA Pension Costs

At June 30, 2017, the District reported a liability of \$107,431,147 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2016, 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 0.4504% at the end of the measurement period and 0.4522% for the beginning of the period.

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	\$ 107,431,147
State's Proportionate Share of the Net Pension Liability Associated with the District	10,783,101

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

For the year ended June 30, 2017, the District recognized pension expense of \$15,720,571. It also recognized \$1,505,708 as pension expense for the support provided by direct aid.

At June 30, 2017, 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	\$ 1,052,332	\$ 2,995
Changes in Actuarial Assumptions	61,261,333	-
Net Difference Between Projected and Actual		
Earnings on Plan Investments	4,647,542	-
Changes in Proportion and Differences Between		
District Contributions and Proportionate Share		
of Contributions	628,974	873,055
District Contributions Subsequent to the		
Measurement Date	1,874,219	-
Total	<u>\$ 69,464,400</u>	<u>\$ 876,050</u>

Of the resources related to pensions resulting from District contributions to TRA subsequent to the measurement date, \$1,874,219 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ending June 30.	Pension Expense Amount
2018	\$ 13,172,699
2019	13,172,699
2020	14,782,083
2021	13,690,387
2022	11,896,263

The School recognized total pension expenses of \$18,658,044 for all of the pension plans in which it participates. This includes \$1,505,708 in TRA and \$40,981 in GERF direct aid recognized as pension expense.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.50% per Year	2.75%
Active Member Payroll Growth	3.25% per Year	3.50% per Year
Investment Rate of Return	7.50%	8.00%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP 2014 tables, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.0% per year for all future years for the General Employees Plan. Cost of living benefit increases for retirees are assumed to be 2.0% per year for all future years for the TRA.

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan and TRA was completed in 2015.

The following changes in actuarial assumptions for General Employees Fund occurred in 2016:

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0 % per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date for TRA. Postretirement benefit adjustments are now assumed to be 2.0% annually. The prior year valuation assumed a 2.5% increase commencing July 1, 2034.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.50% for General Employees Fund 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	45.00 %	5.50%
International Equity	15.00	6.00%
Bonds	18.00	1.45%
Alternative Assets	20.00	6.40%
Cash	2.00	0.50%
Totals	100.00 %	

G. Discount Rate

The discount rate used to measure the total General Employees Plan pension liability in 2016 was 7.50%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. 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.

The discount rate used to measure the TRA pension liability was 4.66%. This is a decrease from the discount rate at the prior measurement date of 8.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2017 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2052 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return was applied to periods before 2052 and the Municipal Bond Index Rate of 3.01% was applied to periods on and after 2052, resulting in a SEIR of 4.66%. Based on Fiduciary Net Position at prior year measurement date, the discount rate of 8.00% was used and it was not necessary to calculate the SEIR.

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 PENSION PLANS (CONTINUED)

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>	6.50%	7.50%	8.50%
District's Proportionate Share of the GERF Net Pension Liability	\$ 14,945,604	\$ 10,522,877	\$ 6,879,754
<u>TRA Discount Rate</u>	3.66%	4.66%	5.66%
District's Proportionate Share of the TRA Net Pension Liability	\$ 138,398,169	\$ 107,431,147	\$ 82,209,517

I. Pension Plan Fiduciary Net Position

Detailed information about the General Employees Fund fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

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, by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota, 55103-4000; or by calling (651) 296-2409 or 1-800-657-3669.

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 25 active participants in the plan as of July 1, 2016. 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.

**OWATONNA PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 PENSION PLANS (CONTINUED)

J. Supplemental Pension Plan (Continued)

2. Funding Policy

Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. The General Fund is used for funding all pension benefits. The employer makes all contributions.

3. Total Pension Liability

The District recognizes its total pension liability, rather than a net pension liability. In order for the District to recognize a net pension liability, assets must be accumulated in a trust that meets the following criteria:

- Contributions from the employer and nonemployer contributing entities, and the earnings thereon, must be irrevocable.
- Pension plan assets must be dedicated to providing pensions to Plan members in accordance with benefit terms.
- Pension plan assets must be legally protected from the creditors of employer, nonemployer contributing entities, the Plan administrator, and the Plan members.

No assets are accumulated in a trust that meets all of the above criteria. Accordingly, the District's total pension liability is not reduced by any assets accumulated in a trust that meets the criteria, and the District must report its total pension liability.

The District's total pension liability was determined by an actuarial valuation as of July 1, 2016 (the measurement date). At June 30, 2017, the District reported a total pension liability of \$437,116. Changes in the District's total pension liability were as follows:

Total Pension Liability - June 30, 2016	\$	412,560
Changes for the Year:		
Service Cost		44,526
Interest		12,784
Changes in Benefit Terms		-
Differences between Expected and Actual Experience		-
Changes of Assumptions of Other Inputs		-
Benefit Payments		(32,754)
Other Changes		-
Net Changes		24,556
Total Pension Liability - June 30, 2017	\$	437,116

**OWATONNA PUBLIC SCHOOLS
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JUNE 30, 2017**

NOTE 7 PENSION PLANS (CONTINUED)

J. Supplemental Pension Plan (Continued)

4. Pension Costs

For the year ended June 30, 2017, the District recognized pension expense of (\$108,168). At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions or Other Inputs	-	-
Benefit Payments Subsequent to the Measurement Date	132,724	-
Pension Administrative Expenses Incurred Subsequent to the Measurement Date	-	-
Total	\$ 132,724	\$ -

The District's benefit payments and amounts incurred by the District for pension administrative expenses subsequent to the measurement date of \$132,724 reported as deferred outflows of resources will be recognized as a reduction of the total pension liability in the year ending June 30, 2018.

5. Actuarial Methods and Assumptions

The actuarial total pension liability was determined as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date:	July 1, 2016
Measurement Date:	July 1, 2016
Actuarial Cost Method:	Entry Age Normal (Level Percent of Salary)
Discount Rate:	2.9%
Inflation:	2.5%
Salary Increases:	3.0%
Retirement Age:	55
Mortality:	RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale

6. Discount Rate

The discount rate used to measure the total pension liability was 2.90%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 PENSION PLANS (CONTINUED)

J. Supplemental Pension Plan (Continued)

7. Total Pension Liability Sensitivity

The following presents the District's total pension liability, calculated using the discount rate of 2.90%, as well as what the District's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.90%) or one percentage point higher (3.90%) than the current rate:

	1% Decrease (1.90%)	Current Discount Rate (2.90%)	1% Increase (3.90%)
Total Pension Liability	\$ 468,281	\$ 437,116	\$ 407,145

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates a single-employer retiree benefit plan (the Plan) that provides health, dental, and life insurance to eligible employees and their spouses through the District's insurance plans. There are 599 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 2017, the District contributed \$290,252 to the plan.

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	\$ 801,434
Interest on Net OPEB Obligation	56,187
Adjustment to Annual Required Contribution	(94,151)
Annual OPEB Cost (Expense)	763,470
Contributions Made	(290,252)
Increase in Net OPEB Obligation	473,218
Net OPEB Obligation - Beginning of Year	1,872,885
Net OPEB Obligation - End of Year	\$ 2,346,103

**OWATONNA PUBLIC SCHOOLS
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JUNE 30, 2017**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

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

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 763,470	38.0%	\$ 2,346,103
6/30/2016	585,907	39.2%	1,872,885
6/30/2015	587,811	44.6%	1,191,534

D. Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$5,477,889. The annual payroll for active employees covered by the plan in the actuarial valuation was \$29,527,055 for a ratio of UAAL to covered payroll of 18.6%.

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

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Actuarial Methods and Assumptions (Continued)

In the July 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.0% 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 6.75% reduced by decrements to an ultimate rate of 5.0% after 7 years. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at June 30, 2017 does not exceed 30 years.

NOTE 9 FLEXIBLE BENEFIT PLAN

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

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

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

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

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

NOTE 10 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, 2017, 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.

**OWATONNA PUBLIC SCHOOLS
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NOTE 11 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 12 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.

NOTE 13 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 \$56,018 for the year ended June 30, 2017. The bonds matured in various increments through 2011.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 13 JOINT POWERS AGREEMENT (CONTINUED)

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. 761's allocable assessment related to the building cost is approximately \$213,102 annually and is anticipated to extend through July 2021. The education district is able to recover the cost of its programs through the previously mentioned revenue sources.

NOTE 14 CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2017, the District adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.*

The District also restated its beginning Community Service Fund fund balance as a result of the District recording revenues for summer student and community education courses in the Community Service Fund when received instead of when the revenue was earned.

As a result, the District's net position as of June 30, 2016 has been restated to reflect the recognition of the total pension liability of the District's Supplemental Pension Benefit Plan and to restate the beginning Community Service Fund unearned revenues and related accounts receivable:

<u>Description</u>	<u>Governmental Activities</u>
Net Position, June 30, 2016, as Previously Reported	\$ (7,036,421)
Cumulative Affect of Application of GASB 73, Revaluation of Net Pension Liability	(460,312)
Cumulative Affect of Restatement of Beginning Balance of Community Service Fund Unearned Revenues and Related Receivables	(155,616)
Net Position, June 30, 2016 as Restated	\$ (7,652,349)

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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 (UAAL) (b-a)	Fund Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2016	\$ -	\$ 5,477,889	\$ 5,477,889	0.00%	\$ 29,527,055	18.6%
7/1/2014	-	4,056,706	4,056,706	0.00%	26,496,738	15.3%
7/1/2012	-	3,526,547	3,526,547	0.00%	24,897,274	14.2%

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

	<u>Measurement Date 6/30/16</u>	<u>Measurement Date 6/30/2015</u>	<u>Measurement Date 6/30/2014</u>
TRA			
District's Proportion of the Net Pension Liability	0.4504%	0.4522%	0.4487%
District's Proportionate Share of the Net Pension Liability	\$ 107,431,147	\$ 27,973,042	\$ 20,675,773
State's Proportionate Share of the Net Pension Liability Associated with District	<u>10,783,101</u>	<u>3,431,386</u>	<u>1,454,618</u>
Total	<u>\$ 118,214,248</u>	<u>\$ 31,404,428</u>	<u>\$ 22,130,391</u>
District's Covered Payroll	\$ 23,699,920	\$ 23,334,840	\$ 20,480,514
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	453.30%	119.88%	100.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44.88%	76.80%	81.50%
	<u>Measurement Date 6/30/16</u>	<u>Measurement Date 6/30/2015</u>	<u>Measurement Date 6/30/2014</u>
GERF			
District's Proportion of the Net Pension Liability	0.1296%	0.1285%	0.1254%
District's Proportionate Share of the Net Pension Liability	\$ 10,522,877	\$ 6,659,537	\$ 5,890,664
State's Proportionate Share of the Net Pension Liability Associated with District	<u>137,440</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 10,660,317</u>	<u>\$ 6,659,537</u>	<u>\$ 5,890,664</u>
District's Covered Payroll	8,037,947	7,475,892	6,584,883
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	130.91%	89.08%	89.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.90%	78.20%	78.70%

* The District implemented GASB Statement No. 68 in fiscal 2015, and the above table will be expanded to 10 years as information is available.

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

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
TRA				
Statutorily Required Contribution	\$ 1,874,219	\$ 1,777,494	\$ 1,750,113	\$ 1,433,636
Contributions in Relation to the Statutorily Required Contribution	(1,874,219)	(1,777,494)	(1,750,113)	(1,433,636)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 24,989,587	\$ 23,699,920	\$ 23,334,840	\$ 20,480,514
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.00%
GERF				
Statutorily Required Contribution	\$ 629,194	\$ 602,846	\$ 551,347	\$ 477,404
Contributions in Relation to the Statutorily Required Contribution	(629,194)	(602,846)	(551,347)	(477,404)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 8,389,253	\$ 8,037,947	\$ 7,475,892	\$ 6,584,883
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.38%	7.25%

* The District implemented GASB Statement No. 68 in fiscal 2015, and the above table will be expanded to 10 years as information is available.

**OWATONNA PUBLIC SCHOOLS
 INDEPENDENT SCHOOL DISTRICT NO. 761
 SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL PENSION LIABILITY
 AND RELATED RATIOS
 SUPPLEMENTAL PENSION PLAN
 LAST TEN FISCAL YEARS**

	Measurement Date July 1, 2016
Service Cost	\$ 44,526
Interest	12,784
Changes in Benefit Terms	-
Differences between Expected and Actual Experience	-
Changes of Assumptions of Other Inputs	-
Benefit Payments	(32,754)
Other Changes	-
Net Changes	24,556
Total Pension Liability - Beginning	412,560
Total Pension Liability - Ending	\$ 437,116
 Covered Employee Payroll	 \$ 2,637,723
 Total Pension Liability as a Percentage of Covered Employee Payroll	 16.57%

*Ten Years of Data Will be Presented as it Becomes Available

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SUPPLEMENTARY INFORMATION

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
GENERAL FUND
BALANCE SHEET
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)**

	2017	2016
ASSETS		
Cash and Investments	\$ 10,526,571	\$ 8,852,532
Receivables:		
Current Taxes	3,165,465	3,076,431
Delinquent Taxes	64,357	67,437
Accounts and Interest Receivable	349,063	145,454
Due from Other Minnesota School Districts	92,737	117,417
Due from Minnesota Department of Education	5,087,373	5,926,170
Due from Federal Through the Minnesota Department of Education	1,117,268	969,846
Due from Other Governmental Units	3,194	3,378
Inventory	8,870	15,370
Prepays	158,850	160,753
	\$ 20,573,748	\$ 19,334,788
Total Assets		
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 2,403,942	\$ 2,320,858
Payroll Deductions and Employer Contributions Payable	2,576,548	2,460,673
Accounts and Contracts Payable	517,771	519,721
Due to Other Minnesota School Districts	60,434	26,723
Due to Other Governmental Units	209,513	53,495
Unearned Revenue	16,758	-
Total Liabilities	5,784,966	5,381,470
Deferred Inflows of Resources:		
Unavailable Revenue - Property Taxes Levied for Subsequent Year	6,198,346	5,941,292
Unavailable Revenue - Delinquent Taxes	64,357	67,437
Total Deferred Inflows of Resources	6,262,703	6,008,729
Fund Balance:		
Nonspendable:		
Inventory	8,870	15,370
Prepays	158,850	160,753
Restricted for:		
Staff Development	10,910	92,111
Operating Capital	87,509	104,103
Teacher Development and Evaluation	47,472	57,778
Basic Skills Programs	656,795	698,619
Long-Term Facilities Maintenance	124,944	-
Medical Assistance	149,936	-
Unassigned	7,280,793	6,815,855
Total Fund Balance	8,526,079	7,944,589
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 20,573,748	\$ 19,334,788

**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, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

	2017			2016
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	\$ 6,509,397	\$ 6,498,033	\$ (11,364)	\$ 6,048,854
Earnings and Investments	15,000	47,587	32,587	28,098
Other	1,095,129	1,733,740	638,611	1,262,176
State Sources	46,224,557	47,090,815	866,258	46,377,303
Federal Sources	2,045,806	1,935,377	(110,429)	1,726,973
Total Revenues	<u>55,889,889</u>	<u>57,305,552</u>	<u>1,415,663</u>	<u>55,443,404</u>
EXPENDITURES				
Current:				
Administration:				
Salaries	1,535,512	1,572,184	36,672	1,515,201
Employee Benefits	544,253	554,727	10,474	478,395
Purchased Services	67,069	97,082	30,013	75,789
Supplies and Materials	63,486	56,650	(6,836)	60,897
Other Expenditures	32,399	27,224	(5,175)	31,094
Total Administration	<u>2,242,719</u>	<u>2,307,867</u>	<u>65,148</u>	<u>2,161,376</u>
District Support Services:				
Salaries	1,176,353	1,177,316	963	966,383
Employee Benefits	420,367	409,780	(10,587)	345,522
Purchased Services	424,586	431,669	7,083	502,174
Supplies and Materials	146,032	160,018	13,986	135,539
Other Expenditures	12,300	5,247	(7,053)	4,151
Total District Support Services	<u>2,179,638</u>	<u>2,184,030</u>	<u>4,392</u>	<u>1,953,769</u>
Elementary and Secondary Regular				
Instruction:				
Salaries	16,995,550	16,980,009	(15,541)	16,113,756
Employee Benefits	6,106,309	6,092,796	(13,513)	6,042,166
Purchased Services	1,368,805	1,403,192	34,387	1,589,160
Supplies and Materials	720,367	681,785	(38,582)	732,593
Other Expenditures	2,839	179,926	177,087	6,396
Total Elementary and Secondary Regular Instruction	<u>25,193,870</u>	<u>25,337,708</u>	<u>143,838</u>	<u>24,484,071</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, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

	2017			2016
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Vocational Education Instruction:				
Salaries	\$ 733,210	\$ 690,646	\$ (42,564)	\$ 659,261
Employee Benefits	292,995	276,040	(16,955)	267,449
Purchased Services	19,132	24,333	5,201	19,357
Supplies and Materials	49,979	37,105	(12,874)	43,584
Other Expenditures	1,498	570	(928)	705
Total Vocational Education Instruction	<u>1,096,814</u>	<u>1,028,694</u>	<u>(68,120)</u>	<u>990,356</u>
Special Education Instruction:				
Salaries	7,524,544	7,638,798	114,254	7,285,400
Employee Benefits	3,024,480	3,024,941	461	3,244,763
Purchased Services	854,451	1,101,944	247,493	1,006,434
Supplies and Materials	166,288	121,260	(45,028)	115,543
Other Expenditures	37,916	4,614	(33,302)	4,859
Total Special Education Instruction	<u>11,607,679</u>	<u>11,891,557</u>	<u>283,878</u>	<u>11,656,999</u>
Instructional Support Services:				
Salaries	1,609,197	1,712,090	102,893	1,603,624
Employee Benefits	532,053	534,518	2,465	530,979
Purchased Services	180,077	256,192	76,115	269,729
Supplies and Materials	207,289	204,868	(2,421)	243,100
Other Expenditures	13,800	9,633	(4,167)	15,154
Total Instructional Support Services	<u>2,542,416</u>	<u>2,717,301</u>	<u>174,885</u>	<u>2,662,586</u>
Pupil Support Services:				
Salaries	962,498	977,430	14,932	900,202
Employee Benefits	318,928	321,843	2,915	295,083
Purchased Services	2,923,616	3,393,076	469,460	2,704,626
Supplies and Materials	20,376	17,546	(2,830)	14,976
Other Expenditures	-	150	150	150
Total Pupil Support Services	<u>4,225,418</u>	<u>4,710,045</u>	<u>484,627</u>	<u>3,915,037</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, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

	2017			2016
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Sites and Buildings:				
Salaries	\$ 1,746,888	\$ 1,774,573	\$ 27,685	\$ 1,695,578
Employee Benefits	746,580	743,278	(3,302)	743,105
Purchased Services	2,022,884	2,241,617	218,733	1,766,921
Supplies and Materials	638,374	655,447	17,073	733,427
Other Expenditures	30,766	6,129	(24,637)	7,214
Total Sites and Buildings	<u>5,185,492</u>	<u>5,421,044</u>	<u>235,552</u>	<u>4,946,245</u>
Fiscal and Other Fixed Costs:				
Purchased Services	170,000	131,805	(38,195)	164,374
Capital Outlay:				
Administration	2,030	7,145	5,115	8,202
District Support Services	708,604	521,868	(186,736)	611,307
Regular Instruction	161,374	90,185	(71,189)	177,464
Vocational Education Instruction	6,572	9,169	2,597	5,191
Special Education Instruction	48,525	18,594	(29,931)	30,876
Instructional Support Services	8,766	11,313	2,547	19,446
Pupil Support Services	-	1,756	1,756	-
Sites and Buildings	88,000	89,549	1,549	315,516
Total Capital Outlay	<u>1,023,871</u>	<u>749,579</u>	<u>(274,292)</u>	<u>1,168,002</u>
Debt Service:				
Principal	369,009	372,248	3,239	376,428
Interest and Fiscal Charges	52,704	109,643	56,939	100,267
Total Debt Service	<u>421,713</u>	<u>481,891</u>	<u>60,178</u>	<u>476,695</u>
Total Expenditures	<u>55,889,630</u>	<u>56,961,521</u>	<u>1,071,891</u>	<u>54,579,510</u>
EXCESS OF REVENUES OVER EXPENDITURES	259	344,031	343,772	863,894
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	30,000	42,327	12,327	57,660
Insurance Recovery	-	195,132	195,132	-
Judgments for the School District	-	-	-	999
Capital Lease Issuance	-	-	-	103,681
Transfers Out	-	-	-	(10,791)
Total Other Financing Sources (Uses)	<u>30,000</u>	<u>237,459</u>	<u>207,459</u>	<u>151,549</u>
NET CHANGE IN FUND BALANCE	<u>\$ 30,259</u>	581,490	<u>\$ 551,231</u>	1,015,443
FUND BALANCE				
Beginning of Year		<u>7,944,589</u>		<u>6,929,146</u>
End of Year		<u>\$ 8,526,079</u>		<u>\$ 7,944,589</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
FOOD SERVICE SPECIAL REVENUE FUND
BALANCE SHEET
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)**

	2017	2016
ASSETS		
Cash and Investments	\$ 597,379	\$ 413,642
Receivables:		
Accounts and Interest Receivable	13,437	16,002
Due from Other Minnesota School Districts	-	48
Due from Minnesota Department of Education	1,876	5,819
Due from Federal Through the Minnesota Department of Education	28,701	48,331
Inventory	48,297	45,987
Prepays	1,774	1,938
	<u>\$ 691,464</u>	<u>\$ 531,767</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 9,891	\$ 15,535
Accounts and Contracts Payable	12,585	20,499
Due to Other Governmental Units	104	-
Unearned Revenue	50,068	43,798
Total Liabilities	<u>72,648</u>	<u>79,832</u>
Fund Balance:		
Nonspendable:		
Inventory	48,297	45,987
Prepays	1,774	1,938
Restricted for:		
Food Service	568,745	404,010
Total Fund Balance	<u>618,816</u>	<u>451,935</u>
Total Liabilities and Fund Balance	<u>\$ 691,464</u>	<u>\$ 531,767</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
FOOD SERVICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

	2017			2016
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Earnings and Investments	\$ 150	\$ 2,887	\$ 2,737	\$ 1,405
Other - Primarily Meal Sales	1,163,196	1,198,152	34,956	1,233,859
State Sources	169,400	171,047	1,647	175,629
Federal Sources	1,445,304	1,567,270	121,966	1,532,244
Total Revenues	<u>2,778,050</u>	<u>2,939,356</u>	<u>161,306</u>	<u>2,943,137</u>
EXPENDITURES				
Current:				
Salaries	1,005,884	966,879	(39,005)	969,215
Employee Benefits	317,584	330,035	12,451	287,774
Purchased Services	77,198	61,401	(15,797)	78,228
Supplies and Materials	1,404,927	1,413,348	8,421	1,484,238
Other Expenditures	1,000	812	(188)	534
Capital Outlay	17,000	-	(17,000)	14,430
Total Expenditures	<u>2,823,593</u>	<u>2,772,475</u>	<u>(51,118)</u>	<u>2,834,419</u>
NET CHANGE IN FUND BALANCE	<u>\$ (45,543)</u>	166,881	<u>\$ 212,424</u>	108,718
FUND BALANCE				
Beginning of Year		<u>451,935</u>		<u>343,217</u>
End of Year		<u>\$ 618,816</u>		<u>\$ 451,935</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
COMMUNITY SERVICE SPECIAL REVENUE FUND
BALANCE SHEET
JUNE 30, 2017**

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)

	2017	2016
ASSETS		
Cash and Investments	\$ 1,184,745	\$ 935,341
Receivables:		
Current Taxes	148,940	150,867
Delinquent Taxes	3,288	1,453
Accounts and Interest Receivable	53,908	395
Due from Minnesota Department of Education	199,713	189,371
Due from Federal Through the Minnesota Department of Education	72,782	71,490
Prepays	17,959	21,442
Total Assets	\$ 1,681,335	\$ 1,370,359
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 26,884	\$ 37,461
Accounts and Contracts Payable	30,868	28,037
Due to Other Minnesota School Districts	245,782	254,476
Due to Other Governmental Units	1,409	45
Unearned Revenue	164,587	-
Total Liabilities	469,530	320,019
Deferred Inflows of Resources:		
Property Taxes Levied for Subsequent Year	309,881	313,608
Unavailable Revenue - Delinquent Taxes	3,288	1,453
Total Deferred Inflows of Resources	313,169	315,061
Fund Balance:		
Nonspendable:		
Prepays	17,959	21,442
Restricted for:		
Community Education	215,739	367,590
Early Childhood and Family Education	143,847	149,888
School Readiness	293,925	97,501
Adult Basic Education	184,674	68,159
Other Community Service Programs	42,492	30,699
Total Fund Balance	898,636	735,279
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,681,335	\$ 1,370,359

**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, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

	2017			2016
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	\$ 308,563	\$ 307,926	\$ (637)	\$ 310,258
Earnings and Investments	700	7,664	6,964	4,121
Other - Primarily Tuition and Fees	753,350	1,052,843	299,493	837,369
State Sources	2,028,620	1,921,960	(106,660)	1,787,768
Federal Sources	72,782	101,678	28,896	96,136
Total Revenues	<u>3,164,015</u>	<u>3,392,071</u>	<u>228,056</u>	<u>3,035,652</u>
EXPENDITURES				
Current:				
Salaries	1,017,906	973,488	(44,418)	944,864
Employee Benefits	298,658	281,689	(16,969)	271,046
Purchased Services	1,729,003	1,672,005	(56,998)	1,621,618
Supplies and Materials	104,860	124,084	19,224	110,341
Other Expenditures	2,400	2,008	(392)	4,274
Capital Outlay	15,400	16,215	815	19,527
Debt Service:				
Principal	2,448	2,666	218	2,121
Interest and Fiscal Charges	1,162	943	(219)	1,488
Total Expenditures	<u>3,171,837</u>	<u>3,073,098</u>	<u>(98,739)</u>	<u>2,975,279</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(7,822)	318,973	326,795	60,373
OTHER FINANCING SOURCES				
Transfers In	19,000	-	(19,000)	10,791
NET CHANGE IN FUND BALANCE	<u>\$ 11,178</u>	318,973	<u>\$ 307,795</u>	71,164
FUND BALANCE				
Beginning of Year		735,279		664,115
Prior Period Restatement - See Note 14		(155,616)		-
Fund Balance - Beginning, as Restated		<u>579,663</u>		<u>664,115</u>
End of Year		<u>\$ 898,636</u>		<u>\$ 735,279</u>

**OWATONNA PUBLIC SCHOOLS
 INDEPENDENT SCHOOL DISTRICT NO. 761
 CAPITAL PROJECTS – BUILDING CONSTRUCTION FUND
 BALANCE SHEET
 JUNE 30, 2017
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)**

	2017	2016
ASSETS		
Cash and Investments	\$ 56,967,145	\$ 76,616,974
Receivables:		
Accounts and Interest Receivable	468,666	145,935
Total Assets	\$ 57,435,811	\$ 76,762,909
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts and Contracts Payable	\$ 6,500,906	\$ 356,386
Fund Balance:		
Restricted for:		
Restricted for Other Purposes	50,934,905	76,406,523
Total Liabilities and Fund Balance	\$ 57,435,811	\$ 76,762,909

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
CAPITAL PROJECTS – BUILDING CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

	2017			2016
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Earnings and Investments	\$ 388,500	\$ 577,102	\$ 188,602	\$ 130,197
EXPENDITURES				
Current:				
Purchased Services	259,207	3,163,263	2,904,056	2,563,915
Supplies and Materials	-	8,873	8,873	2,141
Capital Outlay	31,696,590	22,876,584	(8,820,006)	-
Total Expenditures	<u>31,955,797</u>	<u>26,048,720</u>	<u>(5,907,077)</u>	<u>2,566,056</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(31,567,297)	(25,471,618)	6,095,679	(2,435,859)
OTHER FINANCING SOURCES (USES)				
Sale of Bonds	-	-	-	75,185,000
Bond Premium	-	-	-	3,659,835
Transfers Out	-	-	-	(2,453)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,842,382</u>
NET CHANGE IN FUND BALANCE	<u>\$ (31,567,297)</u>	(25,471,618)	<u>\$ 6,095,679</u>	76,406,523
FUND BALANCE				
Beginning of Year		<u>76,406,523</u>		<u>-</u>
End of Year		<u>\$ 50,934,905</u>		<u>\$ 76,406,523</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
DEBT SERVICE FUND
BALANCE SHEET
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION JUNE 30, 2016)**

	Totals	
	2017	2016
ASSETS		
Cash and Investments	\$ 3,983,571	\$ 3,736,476
Receivables:		
Current Taxes	2,913,299	2,977,612
Delinquent Taxes	37,531	10,464
Due from Minnesota Department of Education	7,007	3,818
Total Assets	\$ 6,941,408	\$ 6,728,370
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Deferred Inflows of Resources:		
Property Taxes Levied for Subsequent Year	\$ 6,061,394	\$ 6,189,655
Unavailable Revenue - Delinquent Taxes	37,531	10,464
Total Deferred Inflows of Resources	6,098,925	6,200,119
 Fund Balance:		
Restricted for:		
Restricted for Debt Service	842,483	528,251
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 6,941,408	\$ 6,728,370

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

	2017		Over (Under) Final Budget	2016
	Final Budgeted Amounts	Actual Regular Debt Service		Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	\$ 6,156,282	\$ 6,093,237	\$ (63,045)	\$ 2,239,105
Earnings and Investments	1,328	15,413	14,085	6,537
State Sources	70,070	70,069	(1)	38,174
Total Revenues	<u>6,227,680</u>	<u>6,178,719</u>	<u>(48,961)</u>	<u>2,283,816</u>
EXPENDITURES				
Debt Service:				
Principal	3,635,000	3,635,000	-	2,255,000
Bond Interest	2,228,992	2,228,992	-	51,375
Paying Agent Fees and Other	3,000	495	(2,505)	495
Total Expenditures	<u>5,866,992</u>	<u>5,864,487</u>	<u>(2,505)</u>	<u>2,306,870</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	360,688	314,232	(46,456)	(23,054)
OTHER FINANCING SOURCES				
Transfers In	-	-	-	2,453
NET CHANGE IN FUND BALANCE	<u>\$ 360,688</u>	314,232	<u>\$ (46,456)</u>	(20,601)
FUND BALANCE				
Beginning of Year		528,251		548,852
End of Year		<u>\$ 842,483</u>		<u>\$ 528,251</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.

<u>Contents</u>	<u>Page</u>
Financial Trends Information These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	91-116
Revenue Capacity Information These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	117-125
Debt Capacity Information These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	126-131
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	132-134
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	135-146

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

Financial Trends Information

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

	2017 ***	2016	2015 **
GOVERNMENTAL ACTIVITIES:			
Net Investment in Capital Assets	\$ 22,440,420	\$ 21,078,576	\$ 20,932,061
Restricted	3,237,576	2,249,861	2,687,436
Unrestricted	<u>(44,748,825)</u>	<u>(30,364,858)</u>	<u>(31,099,684)</u>
Total Net Position	<u>\$ (19,070,829)</u>	<u>\$ (7,036,421)</u>	<u>\$ (7,480,187)</u>

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.

*** The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 73 for the year ended June 30, 2017. Accordingly, this change in principle resulted in the restatement of beginning net position related to the recognition of the total pension liability of the District's Supplemental Pension Benefit Plan.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 19,161,911	\$ 17,576,923	\$ 15,763,708	\$ 13,921,139	\$ 11,702,040	\$ 8,374,839	\$ 6,661,006
2,237,866	2,343,043	1,930,064	1,779,406	1,974,164	2,331,612	1,744,977
(574,936)	(1,835,273)	(1,677,498)	(399,224)	56,380	183,475	(807,023)
<u>\$ 20,824,841</u>	<u>\$ 18,084,693</u>	<u>\$ 16,016,274</u>	<u>\$ 15,301,321</u>	<u>\$ 13,732,584</u>	<u>\$ 10,889,926</u>	<u>\$ 7,598,960</u>

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

	2017	2016	2015
EXPENSES:			
Governmental Activities:			
Administration	\$ 2,963,994	\$ 2,214,892	\$ 1,962,158
District Support Services	2,797,265	2,490,625	2,651,016
Regular Instruction	36,455,830	25,985,184	24,983,484
Vocational Education Instruction	1,473,429	1,024,380	963,470
Special Education Instruction	15,709,996	11,877,751	9,794,757
Instructional Support Services	3,412,259	2,711,883	2,232,335
Pupil Support Services	5,195,714	3,980,170	3,868,506
Sites and Buildings	6,888,572	6,152,761	5,315,351
Fiscal and Other Fixed Cost Programs	131,805	164,374	161,149
Food Service	2,935,602	2,875,779	2,867,876
Community Service	3,401,735	3,002,921	2,728,023
Interest and Fiscal Charges on Long-Term Liabilities	2,213,904	906,867	54,965
Total Government-wide Expenses	83,580,105	63,387,587	57,583,090
PROGRAM REVENUES:			
Governmental Activities:			
Charges for Services:			
District Support Services	-	-	-
Regular Instruction	472,185	445,947	538,156
Special Education Instruction	814,087	334,202	269,575
Instructional Support Services	-	-	-
Pupil Support Services	-	-	-
Sites and Buildings	21,191	33,080	48,014
Food Service	1,193,555	1,233,859	1,263,543
Community Service	989,669	817,215	772,640
Operating Grants and Contributions	19,306,364	18,249,598	16,208,948
Capital Grants and Contributions	1,293,398	816,942	1,344,754
Total Government-wide Program Revenues	24,090,449	21,930,843	20,445,630
Net (Expense)/Revenue			
Total Government-wide Net Expense	\$ (59,489,656)	\$ (41,456,744)	\$ (37,137,460)

Source: Independent Auditor's Report

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 1,895,700	\$ 1,855,310	\$ 2,042,444	\$ 1,871,259	\$ 1,802,903	\$ 1,867,489	\$ 2,017,978
2,112,832	2,066,752	2,381,115	2,400,208	2,424,401	1,876,749	2,235,492
22,903,003	22,253,825	22,586,215	22,918,131	23,186,502	23,038,470	22,530,340
879,531	857,644	985,654	947,088	962,345	1,104,251	1,151,186
9,070,850	9,229,338	8,918,235	8,487,358	8,459,955	7,624,288	7,071,990
2,071,416	2,242,796	2,646,055	2,602,566	2,710,329	2,631,900	2,618,775
3,721,881	3,619,996	3,590,963	3,597,773	3,390,886	3,282,534	3,263,988
4,906,176	5,180,489	4,546,753	4,610,789	4,829,529	4,591,971	4,386,242
125,231	137,108	117,021	97,980	97,686	97,836	211,020
2,584,227	2,691,837	2,622,427	2,517,812	2,534,855	2,549,840	2,533,141
2,912,620	2,466,413	2,403,407	1,853,866	1,862,951	1,709,072	1,716,448
<u>224,363</u>	<u>303,988</u>	<u>484,230</u>	<u>503,226</u>	<u>596,940</u>	<u>679,085</u>	<u>748,219</u>
53,407,830	52,905,496	53,324,519	52,408,056	52,859,282	51,053,485	50,484,819
-	-	-	-	-	-	3,483
536,263	545,092	642,220	497,422	567,537	570,321	541,507
210,772	198,302	360,893	211,809	730,155	623,828	74,198
-	-	-	-	-	-	142,171
-	-	-	-	-	-	103,018
41,199	44,563	38,154	28,686	25,456	35,775	25,854
1,178,313	1,213,603	1,281,616	1,346,758	1,338,938	1,426,068	1,373,330
738,720	625,895	609,207	613,790	610,292	561,795	545,477
15,283,318	14,313,633	13,683,114	13,411,316	15,508,360	12,669,616	8,105,522
814,588	651,823	602,199	748,976	564,322	928,090	833,062
<u>18,803,173</u>	<u>17,592,911</u>	<u>17,217,403</u>	<u>16,858,757</u>	<u>19,345,060</u>	<u>16,815,493</u>	<u>11,747,622</u>
<u>\$ (34,604,657)</u>	<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>

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)

	2017	2016	2015
Net (Expense)/Revenue			
Total Government-wide Net Expense (1)	\$ (59,489,656)	\$ (41,456,744)	\$ (37,137,460)
General Revenues and Changes in Net Position			
Governmental Activities:			
Property Taxes Levied for:			
General Purposes	6,494,953	6,031,626	6,107,724
Community Service	309,761	311,480	315,344
Debt Service	6,120,304	2,248,429	2,260,549
State Aid Not Restricted to Specific Purposes	33,961,847	32,843,509	31,890,460
Earnings on Investments	651,836	171,188	13,374
Gain on Sale of Fixed Assets	-	-	-
Miscellaneous	532,475	294,278	530,243
Total General Revenues	48,071,176	41,900,510	41,117,694
Change in Net Position			
Total Government-wide	\$ (11,418,480)	\$ 443,766	\$ 3,980,234

(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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ (34,604,657)	\$ (35,312,585)	\$ (36,107,116)	\$ (35,549,299)	\$ (33,514,222)	\$ (34,237,992)	\$ (38,737,197)
3,179,245	5,243,922	5,098,253	7,077,607	5,231,020	4,674,624	4,598,114
159,876	313,998	292,039	432,268	287,300	251,077	283,708
2,236,767	2,652,516	2,386,440	2,449,394	3,135,148	3,152,927	2,788,744
31,572,695	29,089,562	28,951,399	26,927,364	26,001,620	29,257,214	32,841,048
3,874	10,359	3,091	7,010	29,226	189,148	402,802
32,886	19,500	-	17,610	-	-	-
159,462	51,147	90,847	206,783	25,976	3,968	-
<u>37,344,805</u>	<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>\$ 2,740,148</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>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Federal Sources:				
Federal Grants	\$ 2,037,055	\$ 1,823,109	\$ 1,766,772	\$ 1,713,004
Food Service	1,567,270	1,532,244	1,440,115	1,230,098
Total Federal Sources	<u>3,604,325</u>	<u>3,355,353</u>	<u>3,206,887</u>	<u>2,943,102</u>
State Sources:				
General Education Aid	47,090,815	46,377,303 (8)	43,665,805	42,325,660 (6)
Food Service	171,047	175,629	186,792	121,883
Community Service	1,921,960	1,787,768	1,651,148	1,768,739
Debt Service Aid	70,069	38,174	28,265	28,376
Total State Sources	<u>49,253,891</u>	<u>48,378,874</u>	<u>45,532,010</u>	<u>44,244,658</u>
Local Sources:				
Property Taxes	12,899,196 (9)	8,598,217	8,724,362	5,575,389 (7)
Food Service Sales	1,198,152	1,233,859	1,263,543	1,278,313
Other Revenues	3,437,236	2,269,903	2,377,233	1,907,890
Total Local Sources	<u>17,534,584</u>	<u>12,101,979</u>	<u>12,365,138</u>	<u>8,761,592</u>
Total Revenues	<u>\$ 70,392,800</u>	<u>\$ 63,836,206</u>	<u>\$ 61,104,035</u>	<u>\$ 55,949,352</u>

* Includes general, food service, community service, capital projects, 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) 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.
- (5) Federal Grants decreased due to Education Jobs funding that was received in FY 12.
- (6) 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.
- (7) Property Taxes decreased in fiscal year 2014 due to property tax shift payback which resulted in an increase in general education aid.
- (8) General Education increased due to an additional \$117 per pupil in the basic formula allowance.
- (9) Property Taxes increased in fiscal year 2017 due to taxes levied for scheduled payments on the 2015A and 2016A GO School Building Bonds.

Source: Independent Auditor's Report

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 1,783,378 (5)	\$ 2,869,223	\$ 2,914,456	\$ 5,730,099 (1)	\$ 2,263,177	\$ 2,172,536
<u>1,247,788</u>	<u>1,202,516</u>	<u>1,134,338</u>	<u>1,106,870</u>	<u>957,097</u>	<u>894,210</u>
<u>3,031,166</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>
38,806,389 (4)	37,146,909	35,747,140	33,580,948 (1)	38,054,283	37,174,860
123,037	136,743	140,524	156,190	145,574	155,216
1,549,457	1,491,873	742,064	862,432	864,186	808,696
<u>34,282</u>	<u>211,467</u>	<u>211,140</u>	<u>263,159</u>	<u>279,141</u>	<u>274,695</u>
<u>40,513,165</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>
8,212,858	7,766,105 (3)	10,004,765 (2)	8,636,276	8,062,364	7,632,068
1,213,603	1,281,616	1,346,758	1,338,938	1,426,068	1,373,329
<u>1,985,859</u>	<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>11,412,320</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>\$ 54,956,651</u>	<u>\$ 54,000,397</u>	<u>\$ 53,866,115</u>	<u>\$ 53,871,055</u>	<u>\$ 54,322,153</u>	<u>\$ 52,611,183</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Administration	\$ 2,307,867	\$ 2,161,376	\$ 1,994,336	\$ 1,858,308
District Support Services	2,184,030	1,953,769	2,007,416	1,534,178
Regular Instruction	25,337,708	24,484,071	23,404,977	21,594,864
Vocational Education Instruction	1,028,694	990,356	986,583	851,994
Special Education Instruction	11,891,557	11,656,999	9,909,196	8,945,039
Instructional Support Services	2,717,301	2,662,586	2,231,225	2,041,098
Pupil Support Services	4,710,045	3,915,037	3,833,825	3,638,496
Sites and Buildings	5,421,044	4,946,245	5,371,578	5,225,798
Fiscal and Other Fixed Cost Programs	131,805	164,374	161,149	125,231
Food Service	2,772,475	2,819,989	2,815,798	2,518,030
Community Service	3,053,274	2,952,143	2,728,387	2,871,959
Capital Outlay	26,814,514	3,768,015	2,976,204	1,878,653
Debt Service				
Principal	4,009,914	2,633,549	2,460,000	2,575,000
Interest and Fiscal Charges	2,340,073	153,625	90,496	117,119
Total Expenditures	<u>\$ 94,720,301</u>	<u>\$ 65,262,134</u>	<u>\$ 60,971,170</u>	<u>\$ 55,775,767</u>
Debt Service as a percentage of non-capital expenditures	9.35%	4.53%	4.40%	4.99%

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

Source: Independent Auditor's Report

2013	2012	2011	2010	2009	2008
\$ 1,853,688	\$ 2,111,976	\$ 1,794,161	\$ 1,738,247	\$ 1,841,561	\$ 1,819,936
1,730,390	1,976,172	2,216,781	1,843,598	1,456,988	1,630,028
21,547,782	21,499,307	21,632,973	21,686,361	22,214,364	21,668,324
833,950	940,505	897,302	933,799	1,064,263	1,097,481
9,180,796	8,734,486	8,500,187	8,311,029	7,536,903	7,080,734
2,292,712	2,650,922	2,549,555	2,671,979	2,711,242	2,591,934
3,670,854	3,580,587	3,507,532	3,438,413	3,299,933	3,252,298
4,902,410	4,852,149	4,603,163	4,454,311	4,413,649	4,281,716
137,108	117,021	97,980	97,686	97,836	324,121
2,587,328	2,502,500	2,446,111	2,465,945	2,433,616	2,416,249
2,415,777	2,405,876	1,796,287	1,814,794	1,693,415	1,669,301
1,764,382	1,358,898	3,983,269	1,606,460	1,597,799	1,412,225
2,545,000	2,425,000	2,265,000	2,905,000	2,805,000	2,510,000
505,489	515,048	532,685	620,671	700,101	764,221
\$ 55,967,666	\$ 55,670,447	\$ 56,822,986	\$ 54,588,293	\$ 53,866,670	\$ 52,518,568

5.63%

5.41%

5.29%

6.65%

6.71%

6.41%

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Revenues (1)	\$ 70,392,800	\$ 63,836,206	\$ 61,104,035	\$ 55,949,352
Total Expenditures (2)	94,720,301	65,262,134	60,971,170	55,775,767
Excess of Revenues Over (Under) Expenditures	(24,327,501)	(1,425,928)	132,865	173,585
Other Financing Sources (Uses)				
Capital Lease Issuance	-	103,681	559,889	-
Judgments for School Districts	-	999	-	4,800
Sale of Equipment	42,327	57,660	60,750	32,886
Insurance Recovery	195,132 (5)	-	499,745 (3)	160,339 (3)
Sale of Certificates of Participation	-	-	-	-
Certificates of Participation Premium	-	-	-	-
Sale of Bonds	-	75,185,000 (4)	-	-
Bond Premium	-	3,659,835	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Total Other Financing Sources (Uses)	237,459	79,007,175	1,120,384	198,025
Net Change in Fund Balances	\$ (24,090,042)	\$ 77,581,247	\$ 1,253,249	\$ 371,610

* 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 due to a fire in the High School Auditorium.

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

(5) Insurance recovery due to water damage to the gymnasium floor at the high school.

Source: Independent Auditor's Report

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 54,956,651	\$ 54,000,397	\$ 53,866,115	\$ 53,871,055	\$ 54,322,153	\$ 52,611,183
55,967,666	55,670,447	56,822,986	54,588,293	53,866,670	52,518,568
(1,011,015)	(1,670,050)	(2,956,871)	(717,238)	455,483	92,615
266,136	-	201,918	6,687	277,292	-
-	28,333	138,357	149,550	1,789	733
19,500	-	20,256	16,600	5,114	34,615
-	-	-	-	-	2,750
-	-	1,855,000	-	-	-
-	-	14,771	-	-	-
9,445,000	-	-	-	-	-
110,816	-	-	-	-	-
(8,690,000)	-	-	-	-	-
<u>1,151,452</u>	<u>28,333</u>	<u>2,230,302</u>	<u>172,837</u>	<u>284,195</u>	<u>38,098</u>
\$ 140,437	\$ (1,641,717)	\$ (726,569)	\$ (544,401)	\$ 739,678	\$ 130,713

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

Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Revenues	Total
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 25%	816,942 1%	41,900,510 58%	63,831,353 88%
2017	3,490,687 5%	19,306,364 27%	1,293,398 2%	48,071,176 67%	72,161,625 100%

Source: Independent Auditor's Report

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

Fiscal Year	Local Property Tax Levies	Other Local Sources	State Sources	Federal Sources	Total Revenues
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 12%	3,503,762 6%	48,378,874 69%	3,355,353 5%	63,836,206 91%
2017 (7)	12,899,196 18%	4,635,388 8%	49,253,891 70%	3,604,325 5%	70,392,800 100%

* 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.

(7) Property Taxes increased in fiscal year 2017 due to taxes levied for scheduled payments on the 2015A and 2016A GO School Building Bonds.

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)

Fiscal Year	Administration	District Support Services	Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services
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%
2017	2,963,994 5%	2,797,265 4%	36,455,830 58%	1,473,429 2%	15,709,996 25%	3,412,259 5%

Source: Independent Auditor's Report

Pupil Support Services	Sites and Buildings	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Interest and Fiscal Charges on Long-term Liabilities	Total
3,263,988 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%
5,195,714 8%	6,888,572 11%	131,805 0%	2,935,602 5%	3,401,735 5%	2,213,904 3%	83,580,105 132%

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

Fiscal Year	Administration	District Support Services	Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services	Pupil Support Services
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%
2017	2,307,867 2%	2,184,030 2%	25,337,708 27%	1,028,694 1%	11,891,557 13%	2,717,301 3%	4,710,045 5%

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

Source: Independent Auditor's Report

Sites and Buildings	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Capital Outlay and Building Construction	Debt Service	Total Expenditures
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%
5,421,044 6%	131,805 0%	2,772,475 3%	3,053,274 2%	26,814,514 28%	6,349,987 7%	94,720,301 100%

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

	2017	2016	2015	2014
REVENUES:				
Local Property Tax Levies	\$ 6,498,033	\$ 6,048,854	\$ 6,126,535	\$ 3,154,143 (2)
Other Local Sources	1,781,327	1,290,274	1,556,172	1,158,558
State Sources	47,090,815	46,377,303	43,665,805	42,325,660
Federal Sources	1,935,377	1,726,973	1,696,897	1,643,853
TOTAL REVENUES	\$ 57,305,552	\$ 55,443,404	\$ 53,045,409	\$ 48,282,214
EXPENDITURES:				
<i>Current</i>				
Administration	\$ 2,307,867	\$ 2,161,376	\$ 1,994,336	\$ 1,858,308
District Support Services	2,184,030	1,953,769	2,007,416	1,534,178
Regular Instruction	25,337,708	24,484,071	23,404,977	21,594,864
Vocational Education Instruction	1,028,694	990,356	986,583	851,994
Special Education Instruction	11,891,557	11,656,999	9,909,196	8,945,039
Instructional Support Services	2,717,301	2,662,586	2,231,225	2,041,098
Pupil Support Services	4,710,045	3,915,037	3,833,825	3,638,496
Sites and Buildings	5,421,044	4,946,245	5,371,578	5,225,798
Fiscal and Other Fixed Cost Programs	131,805	164,374	161,149	125,231
Capital Outlay	749,579	1,168,002	2,895,834	1,067,970
Debt Service (1)	481,891	476,695	245,801	225,000
TOTAL EXPENDITURES	\$ 56,961,521	\$ 54,579,510	\$ 53,041,920	\$ 47,107,976
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 344,031	\$ 863,894	\$ 3,489	\$ 1,174,238
OTHER FINANCIAL SOURCES (USES)				
Capital Lease Issuance	-	103,681	559,889	-
Insurance Recovery	195,132	-	499,745	160,339
Judgments for School Districts	-	999	-	4,800
Transfers Out	-	(10,791)	(1,603)	(127,494)
Sale of Equipment	42,327	57,660	60,750	32,886
TOTAL OTHER FINANCING SOURCES (USES)	\$ 237,459	\$ 151,549	\$ 1,118,781	\$ 70,531
FUND BALANCE - BEGINNING OF YEAR	7,944,589	6,929,146	5,806,876	4,562,107
FUND BALANCE - END OF YEAR	\$ 8,526,079	\$ 7,944,589	\$ 6,929,146	\$ 5,806,876

(1) Debt Service payments are for Certificates of Participation Series 2010A and capital leases. Fiscal Year 2012 was the first year principal and interest payments were due.

(2) 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

2013	2012	2011	2010	2009	2008
\$ 5,250,419	\$ 5,073,899	\$ 7,090,035	\$ 5,199,524	\$ 4,665,697	\$ 4,574,604
1,080,473	1,257,752	992,297	1,575,926	1,654,693	1,464,452
38,806,389	37,146,909	35,747,140	33,580,948	38,054,283	37,174,860
1,748,422	2,819,076	2,888,963	5,696,310	2,213,624	2,133,087
\$ 46,885,703	\$ 46,297,636	\$ 46,718,435	\$ 46,052,708	\$ 46,588,297	\$ 45,347,003
\$ 1,853,688	\$ 2,111,976	\$ 1,794,161	\$ 1,738,247	\$ 1,841,561	\$ 1,819,936
1,730,390	1,976,172	2,216,781	1,843,598	1,456,988	1,630,028
21,547,782	21,499,307	21,632,973	21,686,361	22,214,364	21,668,324
833,950	940,505	897,302	933,799	1,064,263	1,097,481
9,180,796	8,734,486	8,500,187	8,311,029	7,536,903	7,080,734
2,292,712	2,650,922	2,549,555	2,671,979	2,711,242	2,591,934
3,670,854	3,580,587	3,507,532	3,438,413	3,299,933	3,252,298
4,902,410	4,852,149	4,603,163	4,454,311	4,413,649	4,281,716
137,108	117,021	97,980	97,686	97,836	324,121
1,424,053	1,218,831	2,120,939	1,563,501	1,541,164	1,369,823
248,196	233,660	-	-	-	-
\$ 47,821,939	\$ 47,915,616	\$ 47,920,573	\$ 46,738,924	\$ 46,177,903	\$ 45,116,395
\$ (936,236)	\$ (1,617,980)	\$ (1,202,138)	\$ (686,216)	\$ 410,394	\$ 230,608
266,136	-	201,918	-	260,917	-
-	-	-	-	-	2,750
-	28,333	138,357	149,550	1,789	733
(14,000)	(27,688)	(18,654)	(15,219)	-	-
19,500	-	20,256	16,600	5,114	34,615
\$ 271,636	\$ 645	\$ 341,877	\$ 150,931	\$ 267,820	\$ 38,098
5,226,707	6,844,042	7,704,303	8,239,588	7,561,374	7,292,668
\$ 4,562,107	\$ 5,226,707	\$ 6,844,042	\$ 7,704,303	\$ 8,239,588	\$ 7,561,374

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

	2017	2016	Increase/ (Decrease)	% Inc/(Dec)
<u>REVENUES:</u>				
Local Property Tax Levies	\$ 6,498,033	\$ 6,048,854	\$ 449,179	14.24%
Other Local Sources	1,781,327	1,290,274	491,053	42.38%
State Sources	47,090,815	46,377,303	713,512	1.69%
Federal Sources	1,935,377	1,726,973	208,404	12.68%
Total Revenue	\$ 57,305,552	\$ 55,443,404	\$ 1,862,148	4.04%
<u>EXPENDITURES:</u>				
<i>Current:</i>				
Administration	\$ 2,307,867	\$ 2,161,376	\$ 146,491	7.88%
District Support Services	2,184,030	1,953,769	230,261	15.01%
Regular Instruction	25,337,708	24,484,071	853,637	3.95%
Vocational Education Instruction	1,028,694	990,356	38,338	4.50%
Special Education Instruction	11,891,557	11,656,999	234,558	2.62%
Instructional Support Services	2,717,301	2,662,586	54,715	2.68%
Pupil Support Services	4,710,045	3,915,037	795,008	21.85%
Sites and Buildings	5,421,044	4,946,245	474,799	9.09%
Fiscal and Other Fixed Cost Programs	131,805	164,374	(32,569)	-26.01%
Capital Outlay	749,579	1,168,002	(418,423)	-39.18%
Debt Service	481,891	476,695	5,196	2.31%
TOTAL EXPENDITURES	\$ 56,961,521	\$ 54,579,510	2,382,011	5.10%
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	\$ 344,031	\$ 863,894		
OTHER FINANCING SOURCES (USES)				
Capital Lease Issuance	-	103,681		
Insurance Recovery	195,132	-		
Judgments for School Districts	-	999		
Transfers Out	-	(10,791)		
Sale of Equipment	42,327	57,660		
TOTAL OTHER FINANCING SOURCES (USES)	\$ 237,459	\$ 151,549		
FUND BALANCES JULY 1:				
Nonspendable	\$ 176,123	\$ 160,773		
Restricted	952,611	1,088,555		
Unassigned	6,815,855	5,679,818		
TOTAL	\$ 7,944,589	\$ 6,929,146		
FUND BALANCES JUNE 30:				
Nonspendable	\$ 167,720	\$ 176,123		
Restricted	1,077,566	952,611		
Unassigned	7,280,793	6,815,855		
TOTAL	\$ 8,526,079	\$ 7,944,589		

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Fund				
Nonspendable	\$ 167,720	\$ 176,123	\$ 160,773	\$ 238,720
Restricted/Reserved	1,077,566	952,611	1,088,555	831,872
Unassigned	7,280,793	6,815,855	5,679,818	4,736,284
Reserved	-	-	-	-
Unreserved	-	-	-	-
Total General Fund	<u>\$ 8,526,079</u>	<u>\$ 7,944,589</u>	<u>\$ 6,929,146</u>	<u>\$ 5,806,876</u>
All Other Governmental Funds				
Nonspendable	\$ 68,030	\$ 69,367	\$ 68,599	\$ 81,396
Restricted/Reserved	53,226,810	78,052,621	1,487,585	1,343,809
Reserved	-	-	-	-
Unreserved:				
Special Revenue Funds	-	-	-	-
Capital Projects Fund	-	-	-	-
Debt Service Fund	-	-	-	-
Total All Other Governmental Funds	<u>\$ 53,294,840</u>	<u>\$ 78,121,988</u>	<u>\$ 1,556,184</u>	<u>\$ 1,425,205</u>

* 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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 133,846	\$ 125,661	\$ 178,919	* \$ -	\$ -	\$ -
679,795	274,223	429,467	* -	-	-
3,748,466	4,826,823	6,235,656	* -	-	-
-	-	-	810,945	1,451,977	1,106,183
-	-	-	6,893,358	6,787,611	6,455,191
<u>\$ 4,562,107</u>	<u>\$ 5,226,707</u>	<u>\$ 6,844,042</u>	<u>\$ 7,704,303</u>	<u>\$ 8,239,588</u>	<u>\$ 7,561,374</u>
\$ 54,462	\$ 56,100	\$ 58,044	* \$ -	\$ -	\$ -
2,243,902	1,437,227	1,459,665	* -	-	-
-	-	-	194,658	206,816	203,973
-	-	-	376,210	265,217	161,382
-	-	-	-	-	-
-	-	-	813,149	921,100	966,314
<u>\$ 2,298,364</u>	<u>\$ 1,493,327</u>	<u>\$ 1,517,709</u>	<u>\$ 1,384,017</u>	<u>\$ 1,393,133</u>	<u>\$ 1,331,669</u>

**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>
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	(2) 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%
2017	7,280,793	59,215,474 (1)	12.30%

(1) Total expenditures from the 2017-18 Final Budget.

(2) 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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Fund without Tax and Aid Anticipation Certificate	\$ 10,526,571	\$ 8,852,532	\$ 7,298,115	\$ 8,153,714
General Fund - Tax and Anticipation Certificate	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub Total General Fund	\$ 10,526,571	\$ 8,852,532	\$ 7,298,115	\$ 8,153,714
Food Service	\$ 593,379	\$ 413,642	\$ 149,567	\$ 386,136
Community Service	1,184,745	935,341	985,567	788,210
Debt Service	3,983,571	3,736,476	1,585,674	1,574,645
Building Construction	56,967,145	76,616,974	-	-
Internal Service Fund	205,716	204,533	203,703	203,414
Trust Funds	<u>3,306</u>	<u>4,396</u>	<u>4,608</u>	<u>5,370</u>
TOTAL	<u>\$ 73,464,433</u>	<u>\$ 90,763,894</u>	<u>\$ 10,227,234</u>	<u>\$ 11,111,489</u>

Source: Independent Auditor's Report

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 2,843,730	\$ (3,975,523)	\$ -	\$ 2,935,311	\$ 8,886,808	\$ 9,131,038
-	8,076,394	-	-	-	-
\$ 2,843,730	\$ 4,100,871	\$ -	\$ 2,935,311	\$ 8,886,808	\$ 9,131,038
\$ 388,940	\$ 487,985	\$ -	\$ 325,431	\$ 83,591	\$ 17,369
722,011	226,724	-	198,582	373,083	365,394
1,611,632	1,744,137	1,744,930	1,849,657	2,186,059	2,522,699
610,155	-	84,855	-	-	-
252,047	251,861	81,035	251,539	250,586	246,341
4,946	5,592	2,136	3,007	3,065	4,239
<u>\$ 6,433,461</u>	<u>\$ 6,817,170</u>	<u>\$ 1,912,956</u>	<u>\$ 5,563,527</u>	<u>\$ 11,783,192</u>	<u>\$ 12,287,080</u>

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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, 2017
(unaudited)**

	Levy Collectible in Calendar Year 2017
TAX CAPACITY	
Real Agriculture	\$ 6,621,307
Real Nonagricultural	21,341,690
Personal Property	587,922
Tax Increment	(511,589)
Total Tax Capacity Rate Determination Valuation	\$ 28,039,330
 TAX CAPACITY RATE (1)	
General Fund	8.165%
Community Service Fund	1.106%
Debt Service Fund	21.618%
Total Tax Capacity Rate	30.889%
 REFERENDUM MARKET VALUE	
	\$ 2,033,093,200
 REFERENDUM MARKET VALUE TAX RATE (2)	
	0.21392%
 COUNTY AUDITOR ADJUSTED CERTIFIED LEVY	
General Fund - Referendum	\$ 4,348,968
General Fund - Other	2,288,992
Community Service Fund	309,881
Debt Service Fund - Voter Approved	5,940,871
Debt Service Fund - Other	120,523
Total	\$ 13,009,235
 COUNTY AUDITOR COMPUTED LEVY (3)	
General Fund - Referendum	\$ 4,349,193
General Fund - Other	2,289,411
Community Service Fund	310,115
Debt Service Fund - Voter Approved	5,940,973
Debt Service Fund - Other	120,569
Total	\$ 13,010,261

(1) Applicable tax capacity rate is determined by dividing the computed levy by the total tax capacity rate determination valuation.

(2) Applicable referendum market value tax rate is determined by dividing the computed levy by the referendum market value.

(3) The computed levy is net of abatements, fiscal disparities, and other adjustments.

Source: School Tax Report - 2016 Payable 2017

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections	% of Current Tax Collected	Delinquent Tax Collections	Total Tax Collections	% of Total Tax Collected
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%
2017	13,044,241	12,998,295	99.65%	45,946	13,044,241	100.00%

(1) 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 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 (2)
Fiscal Year 2014	58,955
Fiscal Year 2015	69,612
Fiscal Year 2016	76,119
Fiscal Year 2017	98,939

(2) 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 - 2016 Payable 2017, Steele and Waseca County Auditors Taxes Receivable Reports, and District Records

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

Fiscal Year Ended June 30,	Residential Property	Non-Homestead Residential Property	Commercial/ Industrial Property	Agricultural Property	Utility and Railroad Property
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
2016	11,443,726	2,541,320	7,114,667	6,622,414	327,605

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 2016 sales ratio was 95.3%. The taxable value of property, upon which taxes are levied, extended and collected, is a percentage of the Estimated Market Value. Taxable value is referred to as Net Tax Capacity. Net Tax Capacity equals Estimated Market Value multiplied by a given percentage called a class rate for the particular classification of property.

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

Commercial/ Residential Seasonal Property	Total Net Tax Capacity	Estimated Market Value	% Total Net Tax Capacity of Estimated Market Value	Total Direct Rate
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%	17.066
34,441	28,084,173	2,672,989,555	1.05%	7.862

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

<u>Year of Valuation</u>	<u>Net Tax Capacity (1)</u>	<u>Sales Ratio</u>	<u>Adjusted Net Tax Capacity (2)</u>
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
2016	28,084,173	95.3%	29,468,675

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

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

Source: Minnesota Department of Education Levy Limitation and Certification Reports

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

	<u>Year Collectible</u>	<u>General Fund</u>	<u>Community Service</u>	<u>Debt Service</u>	<u>Total All Funds</u>
Levies	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
	2017	6,638,604	310,115	6,061,542	13,010,261
Initial Tax Rate (1)	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%
	2017	23.64%	1.10%	21.58%	46.33%

(1) 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 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 (2)
Year Collectible 2014	58,955
Year Collectible 2015	69,612
Year Collectible 2016	76,119
Year Collectible 2017	98,939

(2) 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.

Note 2: In Fiscal Year 2016, the tax rate for the debt service fund increased due to the passage of a bond referendum and the issuance of two school building bonds.

Source: School Tax Report - 2016 Payable 2017 and District Records

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

Fiscal Year	District Direct Rates			Overlapping Rates	
	Referendum Purposes	General Purposes	Total	Steele County	City of Owatonna
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
2017	0.214	7.648	7.862	60.974	59.890

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 2016</u>	<u>% of Total Property</u>
Residential	\$ 11,443,726	39.91%
Agricultural	6,622,414	23.10%
Commercial/Industrial	7,114,667	24.81%
Utility and Railroad	327,605	1.14%
Non-Homestead Residential	2,541,320	8.86%
Commercial & Residential Seasonal/Recreational	34,441	0.12%
Total Real Estate	\$ 28,084,173	97.95%
Personal Property	587,922	2.05%
Total Real and Personal Property	\$ 28,672,095	100.00%

* The taxes payable in 2016 are recorded as revenue for the 2016-17 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)**

	2017 *			2008		
	2017 Net Tax Capacity	Rank (1)	% of Total Net Tax Capacity \$ 28,084,173	2008 Net Tax Capacity	Rank	% of Total Net Tax Capacity \$26,419,168
Viracon, Inc.	\$ 375,692	1	1.34%	\$ 212,470	2	0.80%
Federated Mutual Ins Co. (2)	202,124	2	0.72%	144,344	4	0.55%
Crystal Valley Cooperative	180,004	3	0.64%			
Owatonna Clinic - Mayo	159,346	4	0.57%			
Daikan Applied Americas Inc	155,456	5	0.55%			
Cabelas Retail Inc.	151,250	6	0.54%	212,742	1	0.81%
MFF Mortgage Borrower 24 LLC	151,216	7	0.54%			
Cybox International, Inc.	129,298	8	0.46%			
JAS Realty, L.L.C.	122,938	9	0.44%	139,284	5	0.53%
Armstrong, Charles	118,160	10	0.42%			
Mills Properties Inc				175,199	3	0.66%
Wal-Mart				133,888	6	0.51%
Owatonna Hospitality, L.L.C.				130,766	7	0.49%
Lowe's Home Centers, Inc				129,186	8	0.49%
Lakeside Foods, Inc.				120,664	9	0.46%
Federated Mutual Ins Co. (2)				119,184	10	0.45%

* As of December 31, 2016

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.

(2) Based on the information from the Steele County Auditor, there are two taxpayer's names with Federated Mu Insurance Company, but there are multiple locations, so we kept the companies listed separately.

Source: Steele County Auditor and 2008 CAFR Report

Debt Capacity Information

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

Fiscal Year	Bonded Debt	Lease Purchase Obligations	Capital Loan	Aid & Tax Anticipation Certificates	Certificates of Participation	Total Primary Government	% of Personal Income	Per Capita (1)
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	4.94%	2,697
2017	74,160,000	344,334	-	-	500,000	75,004,334	N/A	2,560

N/A - Personal income for 2017 is not available, so the calculation cannot be completed.

(1) The ratio was calculated by using the Independent School District No. 761 population.

Note 1: Information of the District's current outstanding debt can be found in the Notes to Basic Financial Statements.

Note 2: The decrease in 2008 was due to one lease purchase obligation and the capital loan being paid off in 2008.

Note 3: 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)**

Fiscal Year	General Bonded Debt Outstanding						
	General Obligation Bonds	Less: Debt Service Fund Balance (Deficit)	Net Bonded Debt	Net Tax Capacity	Percent of Net Debt to Net Tax Capacity	Percent of Personal Income	Per Capita
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%	4.83%	2,637
2017	74,160,000	842,483	73,317,517	28,084,173	261.06%	N/A	2,502

N/A - Personal income for 2017 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)**

Fiscal Year	Principal	Interest and Fees	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to Gen. Gov't Expenditures
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%
2017	3,635,000	2,229,487	5,864,487	94,720,301	6.19%

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

Source: Independent Auditor's Report

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

Governmental Unit (1)	General Obligation Debt	Estimated Applicable Percentage (2)	Estimated Share of Direct and Overlapping Debt
Steele County	\$ 9,855,000	97.90%	\$ 9,647,773
Waseca County	3,330,000	0.04%	1,442
City of Owatonna	18,034,928	37.36%	<u>6,738,261</u>
Subtotal, Overlapping Debt			\$ 16,387,477
District Direct Debt			<u>77,795,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 94,182,477</u></u>

(1) There were three taxing jurisdictions which overlap the District and had general obligation debt outstanding as of December 31, 2016.

(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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assessed Value	\$ 2,672,989,555	\$ 2,607,372,625	\$ 2,609,490,040	\$ 2,418,746,000
Debt Limit Percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt Limit	400,948,433	391,105,894	391,423,506	362,811,900
Total Net Debt Applicable to Limit	<u>74,160,000</u>	<u>77,795,000</u>	<u>4,865,000</u>	<u>7,095,000</u>
Legal Debt Margin	<u>\$ 326,788,433</u>	<u>\$ 313,310,894</u>	<u>\$ 386,558,506</u>	<u>\$ 355,716,900</u>
Total Net Debt Applicable to the Limit as a % of Debt Limit	18.50%	19.89%	1.24%	1.96%

Note 1: 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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 2,242,110,800	\$ 2,159,392,700	\$ 2,244,092,283	\$ 2,533,303,000	\$ 2,532,571,400	\$ 2,445,201,914
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
336,316,620	323,908,905	336,613,842	379,995,450	379,885,710	366,780,287
<u>9,445,000</u>	<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>\$ 326,871,620</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>
2.81%	3.40%	3.93%	4.08%	4.84%	5.78%

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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)
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	36,805	1,599,923,000	43,470	2.90%	29,301
2017	N/A	N/A	N/A	2.10%	29,301

N/A - Information is not available.

Note: The District includes parts of Steele County and Waseca County. Since the District is mostly in Steele County, we have decided to include information for Steele County only.

Source: (1) Bureau of Economic Analysis
(2) Minnesota Department of Employment and Economic Development
(3) Minnesota State Demographer

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Principal Employers
Current Year and Nine Years Ago
(unaudited)**

Employer	2017			2008		
	Number of Employees *	Rank	% of Total Employment 21,562	Number of Employees	Rank	% of Total Employment 19,544
Viracon, Inc.	1,420	1	6.59%	1,700	1	8.70%
Federated Mutual Ins. Co.	1,375	2	6.38%	1,500	2	7.67%
Amesbury Truth	735	3	3.41%	901	3	4.61%
Owatonna Public Schools	688	4	3.19%	750	5	3.84%
Bosch Automotive Service Solutions	540	5	2.50%			
Josten's Inc.	464	6	2.15%	376	7	1.92%
Wenger Corporation	370	7	1.72%	460	6	2.35%
Daikin	341	8	1.58%			
Steele County	335	9	1.55%			
Owatonna Hospital	323	10	1.50%			
SPX Corporation				800	4	4.09%
Cybex Corporation				358	9	1.83%
Owatonna Clinic				350	8	1.79%
Cabela's				353	10	1.81%
Total	6,591		23.98%	5,848		29.92%

* - Employee data is as of September 2016. 2017 data was not available.

Source: Owatonna Chamber of Commerce, 2008 CAFR Report, and Minnesota Department of Employment and Economic Development

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

Calendar Year	Total Permits	Total Value
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
2017 * (8)	2,414	47,955,321

(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.

(8) - The increase in both total permits and total value is substantially due to new apartment buildings and residential dwellings and alterations.

* - Most recent data available from November 30, 2017.

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, 2017 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>2017</u>	<u>2016</u>	<u>2015</u>
Geographical Area - Square Miles	245	245	245
District Population	29,301	29,301	29,301
Student Enrollment - by Average Daily Membership (ADM)	4,894	4,862	4,862
<u>Facilities</u>			
Senior High School (Grades 9-12)	1	1	1
Junior High School (Grades 7-8)	1	1	1
Intermediate School (Grade 6)	1	1	1
Elementary Schools (Grades K-5)	4	4	4
Community Education Building	1	1	1
Central Administration Building	1	1	1
District Receiving, Storage, and Area Learning Center Building	1	1	1
Storage Building	1	1	1

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

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
245	245	245	245	245	245	245
29,301	29,301	29,301	29,301	29,301	28,005	28,005
4,748	4,788	4,755	4,786	4,797	4,880	4,865
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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Early Childhood	73.82	68.17	52.25	55.93	58.44
Kindergarten	352.80	329.27	379.75	324.87	330.63
Grades 1-6	2,227.30	2,276.94	2,215.75	2,125.15	2,135.42
Grades 7-12	2,239.80	2,187.19	2,213.98	2,242.28	2,263.64
Total	<u><u>4,893.72</u></u>	<u><u>4,861.57</u></u>	<u><u>4,861.73</u></u>	<u><u>4,748.23</u></u>	<u><u>4,788.13</u></u>

Note: Student enrollment numbers for 2016 and prior are from the final numbers issued in January after the fiscal year ended.

Source: Minnesota Department of Education

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
54.55	61.48	47.40	34.69	32.08
323.37	291.42	348.62	338.95	294.94
2,131.23	2,126.98	2,107.03	2,108.85	2,143.33
<u>2,245.84</u>	<u>2,305.87</u>	<u>2,293.57</u>	<u>2,397.16</u>	<u>2,394.71</u>
<u>4,754.99</u>	<u>4,785.75</u>	<u>4,796.62</u>	<u>4,879.65</u>	<u>4,865.06</u>

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

Function	2017	2016	2015
Administrators	12	12	12
Adult Basic Education	3	2	2
Central Office Personnel	26	22	23
Clerical and Media Educational Assistants	7	7	7
Custodial/Cleaning/Maintenance	43	42	42
Directors	15	13	10
Early Childhood Family Education Learning Readiness	11	5	10
Food Service	34	39	39
Health Services	11	10	10
Noon Supervisors	6	22	24
Offset	1	2	2
School Aged Child Care	15	11	11
Secretarial/Office Personnel	32	22	22
Special Education Educational Assistants	96	98	90
Student Supervision Educational Assistants	4	7	7
Teacher Educational Assistants	72	67	63
Teachers	361	342	341
Tutors	0	0	0
Total	749	723	715

Source: District Records

2014	2013	2012	2011	2010	2009	2008
11	10	9	9	9	12	12
2	2	1	1	1	2	2
23	22	22	22	16	24	23
7	7	7	7	8	8	8
40	38	38	40	42	45	42
10	13	13	13	13	11	11
10	13	15	14	15	25	25
37	34	33	33	36	36	33
10	10	12	10	9	10	10
22	22	10	10	17	10	7
1	1	1	1	1	2	2
11	10	7	10	12	12	12
22	22	28	25	30	22	22
81	80	73	71	75	75	74
7	9	13	16	16	4	5
52	38	47	34	43	40	43
333	333	337	326	376	340	326
0	0	9	8	9	7	7
679	664	675	650	728	685	664

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

Fiscal Year	Enrollment	Operating Expenditures (1)	Cost per Pupil	% Change	# of Teachers	Pupil - Teacher Ratio	% of Students Receiving Free or Reduced Price Lunch (2)
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%
2017	4,894	61,555,800	12,579	4.16%	361	13.6	41.90%

(1) Operating expenditures are calculated by taking the total districtwide expenditures less capital outlay and debt service expenditures.

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

Source: District Records and Minnesota Department of Education

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

Fiscal Year	Minimum Salary	Maximum Salary
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
2017	37,409	76,807

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Elementary (Grades K-5)							
Lincoln (1959)							
Square Feet	59,884	59,884	59,884	59,884	59,884	59,884	59,884
Enrollment	515	515	515	529	529	528	532
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	586	493	493	503	501
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	464	540	540	536	420
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	590	546	546	527	529
Acres	10	10	10	10	10	10	10
Intermediate (Grade 6)							
Willow Creek (1990)							
Square Feet	55,433	55,433	55,433	55,433	55,433	55,433	55,433
Enrollment	410	410	410	364	364	375	384
Acres	60	60	60	60	60	60	60
Junior High (Grades 7-8)							
Junior High (1968)							
Square Feet	166,564	166,564	166,564	166,564	166,564	166,564	166,564
Enrollment	667	667	667	698	698	679	692
Acres	18	18	18	18	18	18	18
High School (Grades 9-12)							
High School (1921)							
Square Feet	353,710	353,710	353,710	353,710	353,710	353,710	353,710
Enrollment	1,463	1,463	1,463	1,465	1,465	1,480	1,494
Acres	19	19	19	19	19	19	19
Area Learning Center							
Rose Street Center (1956)							
Square Feet	12,930	12,930	12,930	12,930	12,930	12,930	12,930
Enrollment	82	82	82	80	80	95	103
Acres	0.88	0.88	0.88	0.88	0.88	0.88	0.88
Community Center							
Roosevelt (1954)							
Square Feet	15,694	15,694	15,694	15,694	15,694	15,694	15,694
Enrollment (Early Childhood)	167	167	167	152	152	167	150
Acres	8	8	8	8	8	8	8

Source: District Records and Minnesota Department of Education

<u>2010</u>	<u>2009</u>	<u>2008</u>
59,884	59,884	59,884
546	548	535
40	40	40
54,437	54,437	54,437
502	507	487
13	13	13
54,779	54,779	54,779
548	541	526
3	3	3
67,327	67,327	67,327
511	508	507
10	10	10
55,433	55,433	55,433
356	337	378
60	60	60
166,564	166,564	166,564
709	727	713
18	18	18
353,710	353,710	353,710
1,529	1,561	1,563
19	19	19
12,930	12,930	12,930
58	65	67
0.88	0.88	0.88
15,694	15,694	15,694
49	35	32
8	8	8

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
Schedule of Insurance Coverage
Fiscal Year Ended June 30, 2017
(unaudited)**

Coverage	Amount	Description
Property	\$ 99,286,341	Blanket Real and Personal Property
	400,000	Musical Instruments and Uniforms
	45,000	Auditorium Curtains
	379,800	Smart Boards
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	Various limits based on type of equipment	
	250,000	Pollutant Clean-Up and Removal
	25,000	Computer Equipment - media or data
Builder's Risk	22,000,000	Owatonna Middle School
	10,800,000	McKinley Elementary School
	7,054,135	Lincoln Elementary School
	8,285,771	Washington Elementary School

Source: Tincher Peterson Sincock