

**NORA SPRINGS-ROCK FALLS
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2011

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NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Nancy Lund	President	2011
Brad Shanks	Vice President	2011
Richard Arthur		2011
Lori Treloar		2011
Dave Luett		2011

All terms expire June 30 2011 due to reorganization with North Central Community School District.

School Officials

Steve Ward	Superintendent
Amy Pike	District Secretary
Gwen Mellmann	District Treasurer

BRUCE D. FRINK
Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report

To the Board of Education of
Nora Springs-Rock Falls Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Nora Springs-Rock Falls Community School District, Nora Springs, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Nora Springs-Rock Falls Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

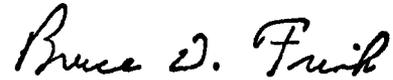
In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2012 on our consideration of Nora Springs-Rock Falls Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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Clarion, IA 50525

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nora Springs-Rock Falls Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



BRUCE D. FRINK
Certified Public Accountant

March 28, 2012

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Nora Springs-Rock Falls Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,109,519 in fiscal 2010 to \$4,380,209 in fiscal 2011, while General Fund expenditures increased from \$4,307,719 in fiscal 2010 to \$4,398,816 in fiscal 2011. The District's General Fund balance decreased from \$54,895 in fiscal 2010 to \$36,288 in fiscal year 2011.
- The amount of statewide sales, services and use tax collected increased from \$281,885 in fiscal 2010 to \$342,938 in fiscal 2011.
- Expenses increased two percent from FY2010 to FY2011. 2% or less allowable budget increases tend to be inadequate to maintain current educational programs.
- Revenues increased as a result of restoring prior year state aid cuts. Revenues were still less than FY2009 levels.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Nora Springs-Rock Falls Community School District as a whole and present in overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Nora Springs-Rock Falls Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the Student Activity Fund as well as a multiyear comparison of revenues and expenditures.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Nora Springs-Rock Falls Community School District Annual Financial Report

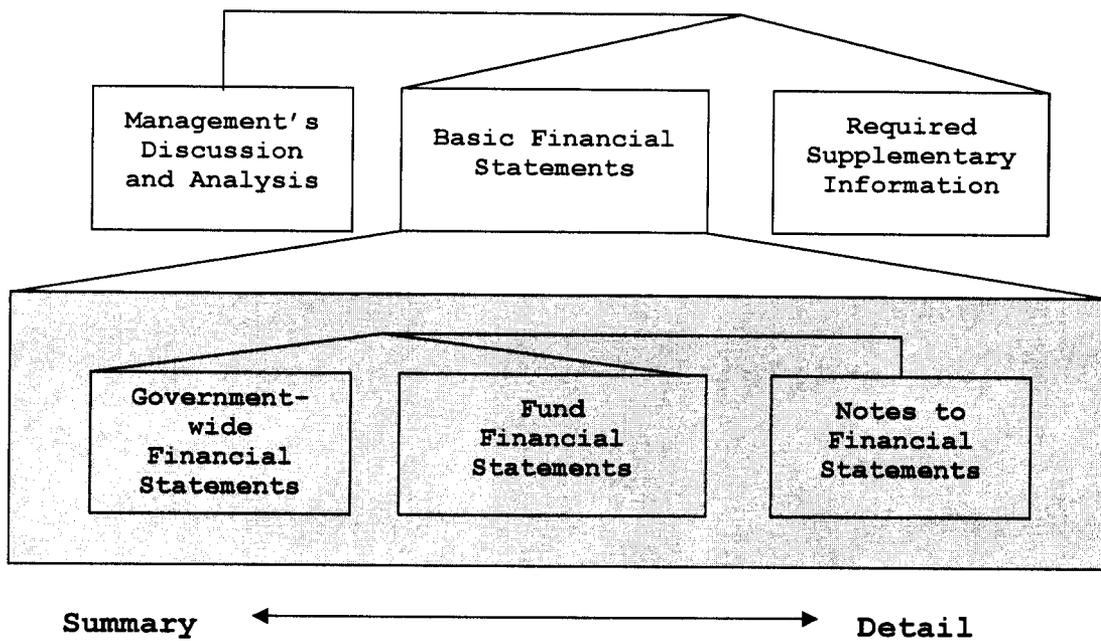


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund 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 and building maintenance	Activities the District operates similar to private businesses: food services and child care	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during 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 during the year or soon thereafter	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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

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. The District has elected to present all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *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 fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Capital Projects Funds and the Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *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 government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Child Care Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and statement cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trusts.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to the year ended June 30, 2010.

Figure A-3							
Condensed Statement of Net Assets							
(Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current assets	\$ 1,462	2,941	13	27	1,475	2,968	-50.30%
Capital assets	<u>2,404</u>	<u>2,533</u>	<u>4</u>	<u>5</u>	<u>2,408</u>	<u>2,538</u>	-5.12%
Total assets	<u>3,866</u>	<u>5,474</u>	<u>17</u>	<u>32</u>	<u>3,883</u>	<u>5,506</u>	-29.48%
Current liabilities	355	2,263	-	8	355	2,271	-84.37%
Non-current liabilities	<u>221</u>	<u>295</u>	<u>-</u>	<u>-</u>	<u>221</u>	<u>295</u>	-25.08%
Total liabilities	<u>576</u>	<u>2,558</u>	<u>-</u>	<u>8</u>	<u>576</u>	<u>2,566</u>	-77.55%
Net Assets							
Invested in capital assets, net of related debt	2,289	2,308	5	5	2,294	2,313	-0.82%
Restricted	977	614	-	-	977	614	59.12%
Unrestricted	<u>24</u>	<u>(6)</u>	<u>12</u>	<u>19</u>	<u>36</u>	<u>13</u>	176.92%
Total net assets	<u>\$ 3,290</u>	<u>2,916</u>	<u>17</u>	<u>24</u>	<u>3,307</u>	<u>2,940</u>	12.48%

Capital assets and unrestricted funds remained fairly stable, however, the restricted funds, increased dramatically. This was in large part due to cost containment measures on operating funds as the District approaches reorganization.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business Type Activities		Total School District		Total Change	
2011	2010	2011	2010	2011	2010		
Revenues:							
Program revenues:							
Charges for service and sales	\$ 406	266	115	115	521	381	36.75%
Operating grants, contributions and restricted interest	952	1,033	95	95	1,047	1,128	-7.18%
General revenues:							
Property tax	1,771	1,741	-	-	1,771	1,741	1.72%
Statewide sales, services and use tax	343	282	-	-	343	282	21.63%
Income surtax	129	-	-	-	129	-	100.00%
Unrestricted state grants	1,622	1,349	-	-	1,622	1,349	20.24%
Unrestricted investment earnings	3	7	-	-	3	7	-57.14%
Other	5	55	-	-	5	55	-90.91%
Total revenues	<u>5,231</u>	<u>4,733</u>	<u>210</u>	<u>210</u>	<u>5,441</u>	<u>4,943</u>	<u>10.07%</u>
Program expenses:							
Governmental activities:							
Instruction	3,078	2,944	-	-	3,078	2,944	4.55%
Support services	1,364	1,338	-	-	1,364	1,338	1.94%
Non-instructional programs	-	-	216	216	216	216	0.00%
Other expenses	415	507	-	-	415	507	-18.15%
Total expenses	<u>4,857</u>	<u>4,789</u>	<u>216</u>	<u>216</u>	<u>5,073</u>	<u>5,005</u>	<u>1.36%</u>
Change in net assets	<u>\$ 374</u>	<u>(56)</u>	<u>(6)</u>	<u>(6)</u>	<u>368</u>	<u>(62)</u>	<u>393.55%</u>

Property tax and unrestricted state grants account for 62% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 88% of the total expenses. These are the areas most directly related to classroom activities.

Governmental Activities

Revenues for governmental activities were \$5,230,662 and expenses were \$4,856,811 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 3,078	2,944	4.55%	1,837	1,850	-0.70%
Support services	1,364	1,338	1.94%	1,327	1,225	8.33%
Other expenses	<u>415</u>	<u>507</u>	<u>-18.15%</u>	<u>325</u>	<u>198</u>	<u>64.14%</u>
Totals	<u>\$ 4,857</u>	<u>4,789</u>	<u>1.42%</u>	<u>3,489</u>	<u>3,273</u>	<u>6.60%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$406,415.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$635,684.
- The net cost of governmental activities was financed with \$1,772,007 in property tax and \$1,621,547 in state foundation aid.
- The increase in state aid still did not return funding to 2009 levels.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Nora Springs-Rock Falls Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported combined fund balances of \$978,374; a 44 percent increase from last year's ending fund balance of \$678,487. A large increase in the Capital Project Sales Tax Fund accounted for virtually all of the increase.

Governmental Fund Highlights

Several factors contributed to the increase of the fund balance in the District's governmental funds.

- The District whole grade shared with North Central Community School District in an effort to maintain educational programs while also saving money. The two districts approved reorganization effective July 1, 2011.
- The General Fund balance decreased by over \$180,000. This was a great improvement from the past several years.
- The Capital Projects Sales Tax Fund was used for expenditures formerly paid for with property tax.

- Funding from the statewide sales, services and use tax accounted for over \$340,000 of additional funds during fiscal Year 2010. Expenses from this fund were primarily for remodeling projects.

Proprietary Fund Highlights

Revenues for the District's School Nutrition Fund were \$201,536 and expenses were \$208,663. The revenues include charges for services, contributions, and federal and state reimbursements. A Child Care program was started during Fiscal Year 2003.

School Nutrition Fund net assets decreased by \$7,127. The Child Care Fund ended the year with a positive balance.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

In contrast to most districts in the State of Iowa, and past district practice, the published budget was set at levels of expected spending and had virtually no allowance for discretionary spending or changes in circumstances. As a result, the District exceeded the published budget in the non-instructional programs function used in budgeting. The District did not exceed its unspent authority.

Budgeted revenues were slightly more than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District has invested more than \$2.4 million, net of accumulated depreciation, by the end of fiscal year 2011 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. Total depreciation expenses for the year exceeded \$175,000.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 38	380	-	-	38	380	-90.00%
Land improvements	-	-	-	-	-	-	0.00%
Buildings	2,041	2,117	-	-	2,041	2,117	-3.59%
Furniture and equipment	325	378	4	5	329	383	-14.10%
Totals	\$ 2,404	2,875	4	5	2,408	2,880	-16.39%

Long-Term Debt

The District had total outstanding revenue bonds on June 30, 2011, of \$115,000. The principal and interest on the bonds will be paid in full by June 1, 2012. The District makes principal and interest payments annually on these bonds using property tax dollars obtained through a debt service levy specifically for these bonds.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30, 2011	2010	June 30, 2010-2011
Revenue bonds	\$ 115	225	-48.89%
Net OPEB liability	24	16	100.00%
Early retirement	82	54	51.85%
	<u>\$ 221</u>	<u>295</u>	<u>-25.08%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The statewide sales, services and use tax will provide funds for property tax reduction and school infrastructure projects affecting the Physical Plant and Equipment Levy Fund, Capital Projects, and Debt Service Funds of the District. This will allow improvement of facilities and equipment without raising property taxes.
- To offset the impact of the trend toward declining enrollment, the State has provided a budget guarantee provision for districts. This budget guarantee provision is being phased out over a 10-year period. The District will have to continue to carefully monitor its spending in order to maintain adequate funding and programs.
- The District will continue to be required to comply with unfunded and under funded mandates from the federal and state governments such as the federal No Child Left Behind Act and the state Student Achievement and Teacher Quality Initiative. This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.
- Reorganization with the North Central Community School District should allow our students better educational opportunities in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors 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, contact Gwen Mellmann, Business Manager, Central Springs Community School District, PO Box 190, Manly, IA 50456.

Basic Financial Statements

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>	<u>Business type Activities</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 1,049,443	8,289	1,057,732
Receivables:			
Property tax:			
Current year	25,149	-	25,149
Income surtax - succeeding year	128,668	-	128,668
Due from other governments	258,299	-	258,299
Inventories	-	5,265	5,265
Capital assets, net of accumulated depreciation	<u>2,404,297</u>	<u>3,860</u>	<u>2,408,157</u>
Total assets	<u>3,865,856</u>	<u>17,414</u>	<u>3,883,270</u>
Liabilities:			
Accounts payable	252,171	-	252,171
Accrued salary and benefits	-	342	342
Accrued interest payable	283	-	283
Deferred revenue:			
Federal programs	102,346	-	102,346
Long term liabilities:			
Portion due within one year:			
Early retirement	81,556	-	81,556
Bonds payable	115,000	-	115,000
Portion due after one year:			
Net OPEB liability	<u>24,147</u>	<u>-</u>	<u>24,147</u>
Total liabilities	<u>575,503</u>	<u>342</u>	<u>575,845</u>
Net assets:			
Invested in capital assets, net of related debt	2,289,297	3,860	2,293,157
Restricted for:			
Categorical funding	35,025	-	35,025
Student activities	34,066	-	34,066
Management levy	17,980	-	17,980
School infrastructure	725,367	-	725,367
Physical plant and equipment levy	147,063	-	147,063
Debt service	17,610	-	17,610
Unrestricted	<u>23,945</u>	<u>13,212</u>	<u>37,157</u>
Total net assets	<u>\$ 3,290,353</u>	<u>17,072</u>	<u>3,307,425</u>

See notes to financial statements.

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:	\$ 3,077,631	406,415	760,329	(1,910,887)	-	(1,910,887)
Support services:						
Student services	119,998	-	-	(119,998)	-	(119,998)
Instructional staff services	94,415	-	-	(94,415)	-	(94,415)
Administration services	528,388	-	-	(528,388)	-	(528,388)
Operation and maintenance of plant services	349,883	-	7,520	(342,363)	-	(342,363)
Transportation services	271,024	-	-	(271,024)	-	(271,024)
	<u>1,363,708</u>	<u>-</u>	<u>7,520</u>	<u>(1,356,188)</u>	<u>-</u>	<u>(1,356,188)</u>
Other expenditures:						
Facilities acquisition and construction	96,312	-	3,805	(92,507)	-	(92,507)
Long-term debt interest	6,635	-	484	(6,151)	-	(6,151)
AEA flowthrough	179,418	-	179,418	-	-	-
Depreciation (unallocated)*	133,107	-	-	(133,107)	-	(133,107)
	<u>415,472</u>	<u>-</u>	<u>183,707</u>	<u>(231,765)</u>	<u>-</u>	<u>(231,765)</u>
Total governmental activities	<u>4,856,811</u>	<u>406,415</u>	<u>951,556</u>	<u>(3,498,840)</u>	<u>-</u>	<u>(3,498,840)</u>

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities
Business type activities:				
Non-instructional programs				
Nutrition services	208,663	89,633	-	(7,127)
Day care	32,329	29	-	(1,590)
Total	\$ 5,097,803	1,041,218	(3,498,840)	(3,507,557)
General Revenues:				
Property tax levied for:				
General purposes			\$ 1,416,269	-
Management fund			129,570	-
Debt service			116,528	-
Capital outlay			109,640	-
Income surtax			128,668	-
Statewide sale, services and use tax			342,938	-
Unrestricted state grants			1,621,547	-
Unrestricted investment earnings			2,899	-
Other			4,632	-
Total general revenues			3,872,691	-
Change in net assets			373,851	(8,717)
Net assets beginning of year			2,916,502	25,789
Net assets end of year			\$ 3,290,353	17,072
				3,307,425

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Total
				Statewide Sales Service and Use Tax	Physical Plant and Equipment Levy	Debt Service		
	\$ 135,142	34,066	17,064	700,074	146,306	16,791	1,049,443	
	22,657	-	916	-	757	819	25,149	
	128,668	-	-	-	-	-	128,668	
	233,006	-	-	25,293	-	-	258,299	
	<u>\$ 519,473</u>	<u>34,066</u>	<u>17,980</u>	<u>725,367</u>	<u>147,063</u>	<u>17,610</u>	<u>1,461,559</u>	

Assets

Cash and pooled investments
 Receivables:
 Property tax:
 Current year
 Income surtax - succeeding year
 Due from other governments

Total assets

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Student Activity	Management Levy	Capital Projects			Debt Service	Total
				Statewide Sales Use Tax	Physical Plant and Equipment Levy			
\$ 252,171	-	-	-	-	-	-	252,171	
128,668	-	-	-	-	-	-	128,668	
102,346	-	-	-	-	-	-	102,346	
483,185	-	-	-	-	-	-	483,185	
Liabilities and Fund Balances								
Liabilities:								
Accounts payable								
Deferred revenue:								
Succeeding year income surtax								
Federal programs								
Total liabilities								
Fund balances:								
Restricted for:								
Categorical funding	35,025	-	-	-	-	-	-	35,025
Student activities	-	34,066	-	-	-	-	-	34,066
Management levy	-	-	17,980	-	-	-	-	17,980
School infrastructure	-	-	-	725,367	-	-	-	725,367
Physical plant and equipment levy	-	-	-	-	147,063	-	-	147,063
Debt service	-	-	-	-	-	17,610	-	17,610
Unassigned	1,263	-	-	-	-	-	-	1,263
Total fund balances	36,288	34,066	17,980	725,367	147,063	17,610	978,374	
Total liabilities and fund balances	\$ 519,473	34,066	17,980	725,367	147,063	17,610	1,461,559	

See notes to financial statements.

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2011

Total fund balances of governmental funds (Exhibit C)	\$ 978,374
 Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Income surtax receivable at June 30, 2011 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	128,668
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,404,297
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(283)
Long-term liabilities, including bonds payable, early retirement payable and net other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(220,703)</u>
 Net assets of governmental activities (Exhibit A)	 <u><u>\$ 3,290,353</u></u>

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Debt Service	Total
				Statewide Sales Use Tax	Physical Plant and Equipment Levy				
Revenues:									
Local sources:									
Local tax	\$ 1,416,269	-	129,570	342,938	109,640	116,528	2,114,945		
Tuition	406,415	-	-	-	-	-	406,415		
Other	121,114	11,300	6,498	3,805	862	406	143,985		
State sources	2,137,186	-	87	-	73	78	2,137,424		
Federal sources	299,225	-	-	-	-	-	299,225		
Total revenues	4,380,209	11,300	136,155	346,743	110,575	117,012	5,101,994		
Expenditures:									
Instruction	3,019,169	12,581	9,727	-	-	-	3,041,477		
Support services:									
Student services	119,998	-	-	-	-	-	119,998		
Instructional staff services	109,689	-	-	-	30,652	-	140,341		
Administration services	473,062	-	55,326	-	-	-	528,388		
Operation and maintenance of plant services	273,878	-	48,694	-	27,311	-	349,883		
Transportation services	223,602	-	5,830	-	-	-	229,432		
	1,200,229	-	109,850	-	57,963	-	1,368,042		

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Debt Service	Total
				Statewide Sales	Physical Plant and Equipment	Use Tax	Levy		
Other expenditures:									
Facilities acquisition and construction	-	-	-	96,312	-	-	-	96,312	
Long-term debt:									
Principal	-	-	-	-	-	-	110,000	110,000	
Interest	-	-	-	-	-	-	6,418	6,418	
Services				-	-	-	440	440	
AEA flowthrough	179,418	-	-	-	-	-	-	179,418	
	<u>179,418</u>	<u>-</u>	<u>-</u>	<u>96,312</u>	<u>-</u>	<u>-</u>	<u>116,858</u>	<u>392,588</u>	
Total expenditures	4,398,816	12,581	119,577	96,312	57,963		116,858	4,802,107	
Net changes in fund balance	(18,607)	(1,281)	16,578	250,431	52,612		154	299,887	
Fund balances beginning of year	54,895	35,347	1,402	474,936	94,451		17,456	678,487	
Fund balances end of year	<u>\$ 36,288</u>	<u>34,066</u>	<u>17,980</u>	<u>725,367</u>	<u>147,063</u>		<u>17,610</u>	<u>978,374</u>	

See notes to financial statements.

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2011

Net change in fund balances - total governmental funds (Exhibit E)		\$ 299,887
 Amounts reported for governmental activities in the Statement of Activities are different because:		
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities. This represents the change from the prior fiscal year.		
		128,668
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	\$ 45,926	
Depreciation expense	<u>(174,699)</u>	(128,773)
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		110,000
Some expenses recorded in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Early retirement	(28,359)	
Other postemployment benefits	<u>(7,795)</u>	(36,154)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		<u>223</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 373,851</u>

See notes to financial statements.

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

Year ended June 30, 2011

	<u>School Nutrition</u>	<u>Child Care</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 4,806	3,483	8,289
Inventories	5,265	-	5,265
Capital assets, net of accumulated depreciation	<u>3,860</u>	<u>-</u>	<u>3,860</u>
Total assets	<u>13,931</u>	<u>3,483</u>	<u>17,414</u>
Net assets			
Liabilities and Fund Balances			
Liabilities:			
Accrued salaries and benefits	<u>-</u>	<u>342</u>	<u>342</u>
Fund balances:			
Invested in capital assets, net of related debt	3,860	-	3,860
Unrestricted	<u>10,071</u>	<u>3,141</u>	<u>13,212</u>
Total fund balances	<u>13,931</u>	<u>3,141</u>	<u>17,072</u>
Total net assets	<u>\$ 13,931</u>	<u>3,483</u>	<u>17,414</u>

See notes to financial statements.

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2011

	<u>School Nutrition</u>	<u>Child Care</u>	<u>Total</u>
Operating revenue:			
Local sources:			
Charges for services	\$ 111,903	30,710	142,613
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	74,631	-	74,631
Benefits	15,659	-	15,659
Services	1,324	-	1,324
Supplies	116,402	-	116,402
Depreciation	647	-	647
	<u>208,663</u>	<u>-</u>	<u>208,663</u>
Other enterprise operations:			
Salaries	-	28,457	28,457
Benefits	-	3,786	3,786
Supplies	-	86	86
	<u>-</u>	<u>32,329</u>	<u>32,329</u>
Total operating expenses	<u>208,663</u>	<u>32,329</u>	<u>240,992</u>
Operating (loss)	<u>(96,760)</u>	<u>(1,619)</u>	<u>(98,379)</u>
Non-operating revenues:			
Interest on investments	30	29	59
State sources	1,747	-	1,747
Federal sources	87,856	-	87,856
	<u>89,633</u>	<u>29</u>	<u>89,662</u>
Change in fund net assets	(7,127)	(1,590)	(8,717)
Net assets beginning of year	<u>21,058</u>	<u>4,731</u>	<u>25,789</u>
Net assets end of year	<u>\$ 13,931</u>	<u>3,141</u>	<u>17,072</u>

See notes to financial statements.

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	<u>School Nutrition</u>	<u>Child Care</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from sale of services	\$ 111,903	32,924	144,827
Cash payments to employees for services	(97,912)	(32,457)	(130,369)
Cash payments to suppliers for goods or services	<u>(110,200)</u>	<u>(86)</u>	<u>(110,286)</u>
Net cash (used by) operating activities	<u>(96,209)</u>	<u>381</u>	<u>(95,828)</u>
Cash flows from non-capital financing activities:			
State grants received	1,747	-	1,747
Federal grants received	<u>77,242</u>	<u>-</u>	<u>77,242</u>
Net cash provided by non-capital financing activities	<u>78,989</u>	<u>-</u>	<u>78,989</u>
Cash flows from investing activities:			
Interest on investments	<u>30</u>	<u>29</u>	<u>59</u>
Net increase in cash and cash equivalents	(17,190)	410	(16,780)
Cash and cash equivalents beginning of year	<u>21,996</u>	<u>3,073</u>	<u>25,069</u>
Cash and cash equivalents end of year	<u>\$ 4,806</u>	<u>3,483</u>	<u>8,289</u>
Reconciliation of operating (loss) to net cash (used by) operating activities:			
Operating income (loss)	\$ (96,760)	(1,619)	(98,379)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:			
Depreciation	647	-	647
Commodities used	10,614	-	10,614
(Increase) in receivables	-	2,214	2,214
(Increase) in inventory	(3,088)	-	(3,088)
(Decrease) in accrued salary and benefits	<u>(7,622)</u>	<u>(214)</u>	<u>(7,836)</u>
	<u>\$ (96,209)</u>	<u>381</u>	<u>(95,828)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received federal commodities valued at \$10,614.

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trusts <u>Scholarships</u>
Additions:	
Local sources:	
Miscellaneous	\$ 2,500
Total additions	<u>2,500</u>
Deductions:	
Support services:	
Scholarships	<u>2,500</u>
Total deductions	<u>2,500</u>
Change in net assets	-
Net assets beginning of year	<u>-</u>
Net assets end of year	<u>\$ -</u>

See notes to financial statements.

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Nora Springs-Rock Falls Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Nora Springs and Rock Falls, Iowa, and agricultural area in Cerro Gordo, Mitchell and Floyd Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. The District is involved in a two way sharing agreement with the North Central Community School District. Students in grades five through eight attend Nora Springs-Rock Falls Community School District. Students in grades nine through twelve attend North Central Community School District.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Nora Springs-Rock Falls Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Nora Springs-Rock Falls Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Floyd and Cerro Gordo Counties Assessor Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extra-curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund, Physical Plant and Equipment Levy, is utilized to account for the maintenance and equipping of the District's facilities.

The Capital Projects Fund, Statewide Sales Service and Use Tax, is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The District's major proprietary funds are the Enterprise, School Nutrition Fund and the Child Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Child Care Fund is used to operate a day care program.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used for scholarship payments.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fundequipment	10,000
Other furniture and equipment	10,000
Intangible assets	75,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years
Intangible assets	5-10 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied as well as unspent proceeds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2011.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures exceeded the amount budgeted in the non-instructional programs function. The District did not exceed its General Fund unspent authorized budget.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$127,249 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 38,075	-	-	38,075
Capital assets being depreciated:				
Improvements other than buildings	372,904	-	-	372,904
Buildings	3,767,126	-	-	3,767,126
Furniture and Equipment	1,944,020	45,926	-	1,989,946
Total capital assets being depreciated	6,084,050	45,926	-	6,129,976
Less accumulated depreciation for:				
Improvements other than buildings	372,904	-	-	372,904
Buildings	1,650,346	75,343	-	1,725,689
Furniture and Equipment	1,565,805	99,356	-	1,665,161
Total accumulated depreciation	3,589,055	174,699	-	3,763,754
Total capital assets being depreciated, net	2,494,995	(128,773)	-	2,366,222
Governmental activities, capital assets, net	\$ 2,533,070	(128,773)	-	2,404,297
Business type activities				
Furniture and Equipment	\$ 7,759	-	-	7,759
Less accumulated depreciation	3,252	647	-	3,899
Business type activities capital assets, net	\$ 4,507	(647)	-	3,860
Depreciation expense was charged to the following functions:				
Governmental activities:				
Student transportation				\$ 41,592
Unallocated				133,107
				<u>\$ 174,699</u>
Business type activities:				
Food service operations				\$ 647

(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	<u>Balance Beginning Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Net OPEB Liability	\$ 16,352	7,795	-	24,147	-
Early Retirement	53,197	81,556	53,197	81,556	81,556
General Obligation Bonds	<u>225,000</u>	<u>-</u>	<u>110,000</u>	<u>115,000</u>	<u>115,000</u>
Total	<u>\$294,549</u>	<u>89,351</u>	<u>163,197</u>	<u>220,703</u>	<u>196,556</u>

Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	2.95%	<u>\$115,000</u>	<u>3,393</u>	<u>118,393</u>

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$176,689, \$137,589, and \$154,045 respectively, equal to the required contributions for each year.

(6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$179,418 for year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(7) Early Retirement

The District offered a voluntary Early Retirement Program to its employees. Eligible employees had to be at least 55 years but not more than 63 years of age and must have completed at least 15 consecutive years of service to the District. Employees had to complete an application which was required to be approved by the Board of Education. The early retirement incentive for each eligible employee consists of two parts. One, 50% of the employee's salary for their last year of employment with the District, not to exceed \$25,000, and to be paid in 6 payments over a three year period. Two, the District will provide one-half (50%) of the current health insurance single plan premium for five years. The employee is responsible for the other half.

(8) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Sharing Program/Reorganization

In fiscal year 2011, the District has a two-way sharing agreement with the North Central Community School District to share grades 5-12. Grades 5-8 attend classes in Nora Springs while grades 9-12 attend classes in Manly.

In September, 2010 the voters of each district approved a reorganization effective July 1, 2011.

(10) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants is 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2011 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2010-11A	6/30/10	6/23/11	\$ -	-	-	-
2010-11B	1/26/11	1/25/12	-	-	-	-
Total			\$ -	-	-	-

During the year ended June 30, 2011, the District paid \$90 of interest on the ISCAP warrants.

(11) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 52 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Principal. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, 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 ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$16,352
Interest on net OPEB Obligation	409
Adjustment to annual required contribution	(4,847)
Annual OPEB Cost	11,914
Contributions made	(4,119)
Increase in net OPEB obligation	7,795
Net OPEB obligation beginning of year	16,352
Net OPEB obligation end of year	<u>\$24,147</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$4,119 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$19,332	15.4%	\$16,352
June 30, 2011	\$11,914	34.6%	\$24,147

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$160,977, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$160,977. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,668,000 and the ratio of the UAAL to covered payroll was 6.0%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - 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 the health care cost trend. Actuarially determined amounts 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 in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the 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 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.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects, Physical Plant and Equipment Levy</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ -	94,451
Change in fund type classification per implementation of GASB Statement No. 54	<u>94,451</u>	<u>(94,451)</u>
Balances July 1, 2010, as restated	\$ <u>94,451</u>	<u>-</u>

Required Supplementary Information

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Types		Proprietary Fund Type		Total Actual	Budgeted Amounts		Final to Actual Variance
	Actual		Actual			Original	Final	
Revenues:								
Local sources	\$ 2,665,345		142,672		2,808,017	2,626,359	2,626,359	181,658
State sources	2,137,424		1,747		2,139,171	2,382,356	2,382,356	(243,185)
Federal sources	299,225		87,856		387,081	289,500	289,500	97,581
Total revenues	<u>5,101,994</u>		<u>232,275</u>		<u>5,334,269</u>	<u>5,298,215</u>	<u>5,298,215</u>	<u>36,054</u>
Expenditures/Expenses:								
Instruction	3,041,477		-		3,041,477	3,316,000	3,316,000	274,523
Support services	1,368,042		-		1,368,042	1,807,200	1,807,200	439,158
Non-instructional programs	-		240,992		240,992	232,500	232,500	(8,492)
Other expenditures	392,588		-		392,588	448,632	448,632	56,044
Total expenditures/expenses	<u>4,802,107</u>		<u>240,992</u>		<u>5,043,099</u>	<u>5,804,332</u>	<u>5,804,332</u>	<u>761,233</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	299,887		(8,717)		291,170	(506,117)	(506,117)	797,287
Other financing sources (uses)	-		-		-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	299,887		(8,717)		291,170	(506,117)	(506,117)	797,287
Balance beginning of year	678,487		25,789		704,276	843,028	843,028	(138,752)
Balance end of year	<u>\$ 978,374</u>		<u>17,072</u>		<u>995,446</u>	<u>336,911</u>	<u>336,911</u>	<u>658,535</u>

See accompanying independent auditor's report.

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures exceeded the amounts budgeted in the non-instructional function. The District did not exceed the General Fund unspent authorized budget.

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$0	\$161	\$161	0.0%	\$2,514	6.4%
2011	Jul 1, 2009	\$0	\$161	\$161	0.0%	\$2,668	6.0%

See Note 11 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	\$ 1,981	-	-	1,981
Instrumental Fund Raising	1,105	467	542	1,030
Yearbook	1,111	2,040	2,614	537
Drama Jox	296	-	-	296
MS Student Council	13,248	5,856	5,252	13,852
Future Problem Solvers	1,885	-	90	1,795
Class Composite Picture	397	-	-	397
Athletics	1,833	1,725	532	3,026
Basketball	1,190	435	430	1,195
Track	680	45	28	697
Football	297	5	-	302
Wrestling	1,016	-	-	1,016
Volleyball	660	523	518	665
Concession	1,156	204	313	1,047
Students Jump for Heart	1,557	-	-	1,557
Class of 2011	3,804	-	2,262	1,542
Class of 2012	2,255	-	-	2,255
Class of 2013	876	-	-	876
Grand total	<u>35,347</u>	<u>11,300</u>	<u>12,581</u>	<u>34,066</u>

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 2,114,945	2,023,283	1,901,207	1,835,072	1,732,799	1,676,480	1,685,448	1,680,079
Tuition	406,415	266,409	277,940	200,093	306,411	337,957	345,797	346,221
Other	143,985	228,326	259,227	164,555	183,638	163,299	166,256	106,410
State sources	2,137,424	1,723,450	2,314,176	2,120,097	1,902,364	1,847,885	1,791,077	1,689,968
Federal sources	299,225	491,009	201,172	130,555	140,751	140,276	109,770	117,945
Total	<u>\$ 5,101,994</u>	<u>4,732,477</u>	<u>4,953,722</u>	<u>4,450,372</u>	<u>4,265,963</u>	<u>4,165,897</u>	<u>4,098,348</u>	<u>3,940,623</u>
Expenditures:								
Instruction	\$ 3,041,477	2,966,891	2,910,204	2,778,533	2,628,969	2,531,997	2,398,561	2,392,457
Support services:								
Student	119,998	132,457	89,031	101,350	100,058	112,166	117,974	100,672
Instructional staff	140,341	154,768	176,873	204,963	106,291	89,675	44,114	18,495
Administration	528,388	514,360	418,469	468,260	420,197	383,770	368,287	403,226
Operation and maintenance of plant	349,883	356,881	334,920	305,487	326,684	283,557	334,907	284,041
Transportation	229,432	280,903	249,995	291,976	308,809	195,891	149,247	136,586
Other expenditures:								
Facilities acquisition	96,312	225,189	71,889	367,714	227,821	95,714	121,346	186,859
Debt service:								
Principal	110,000	105,000	105,000	90,000	90,000	85,000	115,000	145,000
Interest and services	6,858	9,495	12,067	26,383	33,150	37,220	42,154	49,325
AEA flowthrough	179,418	178,288	152,508	142,423	129,491	125,135	124,135	125,753
Total	<u>\$ 4,802,107</u>	<u>4,924,232</u>	<u>4,520,956</u>	<u>4,777,089</u>	<u>4,371,470</u>	<u>3,940,125</u>	<u>3,815,725</u>	<u>3,842,414</u>

See accompanying independent auditor's report.

BRUCE D. FRINK
Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Nora Springs-Rock Falls Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Nora Springs-Rock Falls Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 28, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nora Springs-Rock Falls Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Nora Springs-Rock Falls Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Nora Springs-Rock Falls Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-11 and I-B-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no items which we consider to be significant deficiencies.

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Compliance and Other Matters

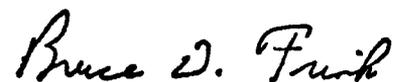
As part of obtaining reasonable assurance about whether Nora Springs-Rock Falls Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Nora Springs-Rock Falls Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Nora Springs-Rock Falls Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Nora Springs-Rock Falls Community School District and other parties to whom Nora Springs-Rock Falls Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Nora Springs-Rock Falls Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 28, 2012

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

I-B-11 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

II-A-11 Certified Budget - During the year ended June 30, 2011, expenditures exceeded the amount budgeted in the non-instructional programs function. The District did not exceed its General Fund unspent authorized budget.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

II-B-11 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted

II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-E-11 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

II-F-11 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-G-11 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Dave Luett Board Member	Repairs	\$200

In accordance with Chapter 279.7A of the Code of Iowa, the transactions do not appear to exceed the allowable limit of \$2,500.

Recommendation - The District should review these expenditures annually to ensure compliance with the Code of Iowa.

Response - We will review these on an annual basis and consult with our attorney when needed.

Conclusion - Response accepted.

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:
(continued)

II-H-11 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

II-I-11 Certified Enrollment - We noted that 1 student was omitted from the October, 2010 enrollment. The amount on Line 1 should be increased by 1.0 students.

Recommendation - We have contacted the Department of Management in order to allow the additional students. We recommend that procedures be reviewed in order to avoid this in future years.

Response - We will review our procedures as recommended.

Conclusion - Response accepted.

II-J-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-11 Statewide sales, services and use tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit.

Beginning balance		\$474,936
Revenues/transfers in:		
Sales tax revenues	\$ 342,938	
Other local revenues	<u>3,805</u>	<u>346,743</u>
		821,679
Expenditures/transfers out:		
School infrastructure construction		<u>96,312</u>
Ending balance		<u>\$725,367</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.