

CORNING COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

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CORNING COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September, 2007 Election)		
Nancy Turner	President	2007
Lori Harvey	Board Member	2007
Anna Leonard	Board Member	2008
Gary Goldsmith	Board Member	2009
Ralph Morales	Board Member	2009
Board of Education (After September, 2007 Election)		
Gary Goldsmith	President	2009
Anna Leonard	Board Member	2008
Ralph Morales	Board Member	2009
Shelly Barton	Board Member	2011
Lori Harvey	Board Member	2011
School Officials		
Mike Wells	Superintendent	2008
Jodi Lyddon	District Secretary/Treasurer	2008
Rick Engel	Attorney	Indefinite



Independent Auditor's Report

To the Board of Education
Corning Community School District
Corning, Iowa

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Corning Community School District, Corning, Iowa, as of and for the year ended June 30, 2008, 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 that 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, business type activities, each major fund, and the aggregate remaining fund information of the Corning Community School District as of June 30, 2008, 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 Governmental Auditing Standards, we have also issued our report dated October 20, 2008, on our consideration of the Corning 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 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 and budgetary comparison information on pages 5 through 13 and 46 through 48 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corning 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 three years ended June 30, 2007, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 and 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.

Van Maanen & Associates, P.C.

Van Maanen & Associates, P.C.
Certified Public Accountants

October 20, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Corning 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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- General Fund revenues increased from \$4,801,401 in fiscal 2007 to \$5,225,657 in fiscal 2008, while General Fund expenditures increased from \$4,728,588 2007 to \$5,191,079 in fiscal 2008. This resulted in an increase in the District's General Fund balance from \$1,824,871 in fiscal 2007 to \$1,975,635 in fiscal 2008, an 8 percent increase from the prior year.
- The increase in General Fund revenues was attributable to reimbursement from insurance for flood damage and donations. The increase in expenditures was due primarily to the increase in the negotiated salary and benefits, transportation expenses, and maintenance expenses.
- Overall, the District increased in net assets in the governmental activities of \$517,000, and increased in the business-type activities of \$15,000, respectively.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

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

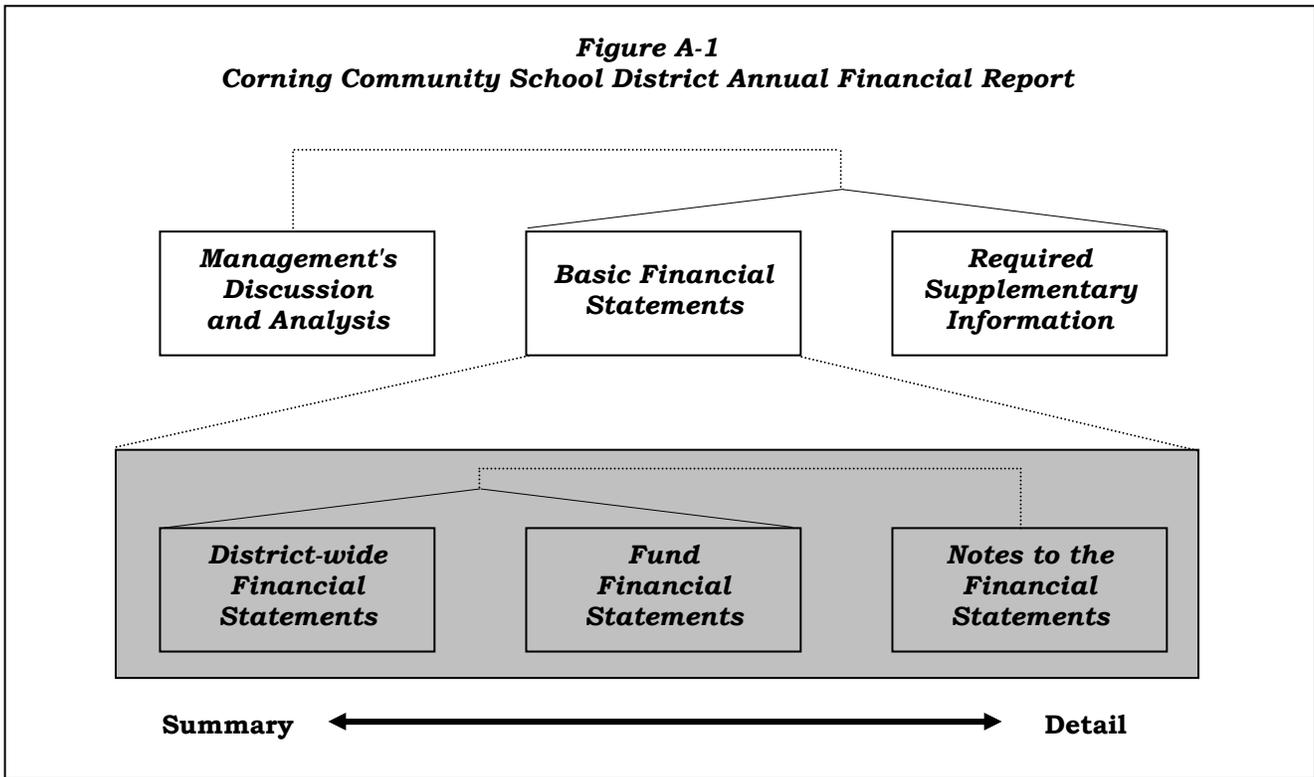


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents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

Figure A-2 Major Features of the District-Wide and Fund Financial Statements				
	District-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	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 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, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during 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

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net 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 District-wide 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 position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-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.

- 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:

- *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. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
 - The District's governmental funds include the General Fund, Special Revenue Funds, and Debt Service Fund.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
 - The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employees’ purchases for the Hearts and Flowers fund and for the CMEA (Education Association) fund.

The District is responsible for ensuring that 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 District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets - Figure A-3 below provides a summary of the District’s net assets for the year ended June 30, 2008.

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,
	2008	2007	2008	2007	2008	2007	2007-2008
Current and other assets	\$ 5,579	5,691	36	16	5,615	5,707	-1.6%
Capital assets	3,233	3,335	37	42	3,270	3,377	-3.2%
Total assets	8,812	9,026	73	58	8,885	9,084	-2.2%
Long-term liabilities	690	1,009	-	-	690	1,009	-31.6%
Other liabilities	2,602	3,011	-	-	2,602	3,011	-13.6%
Total liabilities	3,292	4,020	-	-	3,292	4,020	-18.1%
Net assets:							
Invested in capital assets, net of related debt	3,214	3,132	37	42	3,251	3,174	2.4%
Restricted	507	320	36	-	543	320	69.7%
Unrestricted	1,798	1,550	-	16	1,798	1,566	14.8%
Total net assets	\$ 5,519	5,002	73	58	5,592	5,060	10.5%

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2008.

**Figure A-4
Changes in Net Assets
(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District	
	Year ended June 30,		Year ended June 30,		Year ended June 30,	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for service	\$ 839	572	93	84	932	656
Operating grants, contributions and restricted interest	776	700	164	130	940	830
General revenues:						
Property tax	2,119	2,096	-	-	2,119	2,096
Local option sales and service tax	287	307	-	-	287	307
Unrestricted state grants	2,021	1,992	-	-	2,021	1,992
Unrestricted investment earnings	108	127	-	-	108	127
Other	74	58	-	-	74	58
Total revenues	<u>6,224</u>	<u>5,852</u>	<u>257</u>	<u>214</u>	<u>6,481</u>	<u>6,066</u>
Program expenses:						
Governmental activities:						
Instruction	3,611	3,731	-	-	3,611	3,731
Support services	1,855	1,606	-	-	1,855	1,606
Non-instructional programs	7	7	242	242	249	249
Other expenses	348	322	-	-	348	322
Total expenses	<u>5,821</u>	<u>5,666</u>	<u>242</u>	<u>242</u>	<u>6,063</u>	<u>5,908</u>
Contributed capital	-	-	-	2	-	2
Extraordinary item	114	-	-	-	114	-
Change in net assets	<u>\$ 517</u>	<u>186</u>	<u>15</u>	<u>(26)</u>	<u>532</u>	<u>160</u>

Property tax and unrestricted state grants account for 64 percent of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90 percent of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,224,000 and expenses were \$5,821,000.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)**

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,611	2,179
Support services	1,855	1,855
Non-instructional programs	7	7
Other expenses	348	166
Totals	<u>\$ 5,821</u>	<u>4,207</u>

- The cost financed by users of the District's programs was \$838,544.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$775,529.
- The net cost of governmental activities was financed with \$2,119,003 in property tax, 287,434 in local option sales and service tax, \$2,020,961 in state foundation aid, \$108,279 in interest income, and \$8,035 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$256,460 and expenses were \$241,508. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

As previously noted, the Corning Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The strong financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,875,798, above last year's ending fund balances of \$2,558,354. The primary reason for the increase in combined fund balances in fiscal 2008 was due to the reimbursements/aide received from flood and ice storm damage.

Governmental Fund Highlights

- The General Fund balance increased from \$1,824,871 to \$1,975,635. The District's growing General Fund financial position is the product of many factors. Reimbursements during the year for flood and ice storm damage resulted in an increase in revenues. The District increased General Fund expenditures due to the increase in staff, salary and benefits, transportation costs, and maintenance costs.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$1,579 in fiscal 2007 to \$54,520 in fiscal 2008.
- The Capital Projects Fund balance decreased from \$411,868 in fiscal 2007 to \$401,349 in fiscal 2008.
- The Management Fund balance increased from \$227,825 in fiscal year 2007 to \$384,535 in fiscal 2008.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$57,796 in fiscal 2007 to \$72,748 in fiscal 2008, representing an increase of approximately 26 percent.

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, except its private-purpose trust and agency 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. The District's budget is prepared on the modified accrual basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 46-48.

Legal Budgetary Highlights

The District's total actual receipts were \$323,149 more than the total budgeted receipts, a variance of 5%.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2008, the District had invested \$3,269,881, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year exceeded \$204,849.

The original cost of the District's capital assets were \$6,420,104. Governmental funds account for \$6,305,479 with the remainder of \$114,625 in the Proprietary, School Nutrition Fund.

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,
	2008	2007	2008	2007	2008	2007	2007-2008
Land	\$ 205	205	-	-	205	205	0.0%
Buildings	2,237	2,295	-	-	2,237	2,295	-2.5%
Improvements other than buildings	468	497	-	-	468	497	-5.8%
Furniture and equipment	323	338	37	42	360	380	-5.3%
Totals	\$ 3,233	3,335	37	42	3,270	3,377	-3.2%

Long-Term Debt

At June 30, 2008, the District had \$420,000, in general obligation bonds and \$270,000 for an early-retirement plan. This represents a decrease of approximately 31.6 percent from last year. More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

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

	Total District		Total Change
	June 30,		June 30,
	2008	2007	2007-2008
General obligation bonds	\$ 420	615	-31.7%
Early retirement	270	394	-31.5%
Totals	\$ 690	1,009	-31.6%

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:

- Historically, the District has entered into annual contracts with its collective bargaining unit. Settlements in excess of new money or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Corresponding cost reductions will be made to offset the cost of negotiated settlements and other cost increases.
- The national recession that has adversely impacted the State of Iowa's budget has translated into reduced levels of state aid funding for education.
- Increased health insurance cost has and will continue to impact the District.

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 Jodi Lyddon, District Secretary/Treasurer and Business Manager, Corning Community School District, PO Box 229, Corning, Iowa, 50841.

Basic Financial Statements

CORNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,144,384	32,986	3,177,370
Receivables:			
Property tax:			
Delinquent	33,948	-	33,948
Succeeding year	2,126,549	-	2,126,549
Accounts	9,834	110	9,944
Due from other governments	236,071	-	236,071
Inventories	-	2,461	2,461
Prepaid expense	27,775	-	27,775
Capital assets, net of accumulated depreciation	3,232,690	37,191	3,269,881
Total assets	8,811,251	72,748	8,883,999
Liabilities			
Accounts payable	33,292	-	33,292
Salaries and benefits payable	415,864	-	415,864
Accrued interest payable	3,658	-	3,658
Unearned revenue:			
Succeeding year property tax	2,126,549	-	2,126,549
Other	22,442	-	22,442
Long-term liabilities:			
Portion due within one year:			
Bonds payable	205,000	-	205,000
Early retirement	104,616	-	104,616
Portion due after one year:			
Bonds payable	215,000	-	215,000
Early retirement	165,809	-	165,809
Total liabilities	3,292,230	-	3,292,230
Net assets			
Invested in capital assets, net of related debt	3,214,039	37,191	3,251,230
Restricted for:			
Management levy	384,535	-	384,535
Physical plant and equipment levy	54,520	-	54,520
Other special revenue purposes	58,762	-	58,762
State grants	9,184	-	9,184
Unrestricted	1,797,981	35,557	1,833,538
Total net assets	\$ 5,519,021	72,748	5,591,769

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year ended June 30, 2008

Functions/Programs	Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,247,902	623,057	376,242	-
Special instruction	790,702	45,925	207,819	-
Other instruction	572,841	169,562	9,641	-
	<u>3,611,445</u>	<u>838,544</u>	<u>593,702</u>	<u>-</u>
Support Service:				
Student services	31,841	-	-	-
Instructional staff services	271,460	-	-	-
Administration services	632,623	-	-	-
Operating and maintenance of plant services	457,369	-	-	-
Transportation services	461,860	-	-	-
	<u>1,855,153</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-instructional programs	<u>6,567</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	135,576	-	-	-
Long-term debt interest	30,267	-	-	-
AEA flowthrough	181,827	-	181,827	-
	<u>347,670</u>	<u>-</u>	<u>181,827</u>	<u>-</u>
Total governmental activities	5,820,835	838,544	775,529	-
Business type activities:				
Non-instructional programs:				
Nutrition services	241,508	92,418	163,994	-
	<u>241,508</u>	<u>92,418</u>	<u>163,994</u>	<u>-</u>
Total primary government	<u>\$ 6,062,343</u>	<u>930,962</u>	<u>939,523</u>	<u>-</u>

Exhibit B

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business type Activities	Total
(1,248,603)	-	(1,248,603)
(536,958)	-	(536,958)
(393,638)	-	(393,638)
(2,179,199)	-	(2,179,199)
(31,841)	-	(31,841)
(271,460)	-	(271,460)
(632,623)	-	(632,623)
(457,369)	-	(457,369)
(461,860)	-	(461,860)
(1,855,153)	-	(1,855,153)
(6,567)	-	(6,567)
(135,576)	-	(135,576)
(30,267)	-	(30,267)
-	-	-
(165,843)	-	(165,843)
(4,206,762)	-	(4,206,762)
-	14,904	14,904
-	14,904	14,904
(4,206,762)	14,904	(4,191,858)

Exhibit B

CORNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year ended June 30, 2008

	Program Revenues			
Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Totals continued from previous pages	\$ 6,062,343	930,962	939,523	-

General Revenues:

Property tax levied for:

General purposes

Capital outlay

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Gifts to Corning Community School District

Gain on sale of assets

Total general revenues

Extraordinary Item

Flood recovery assistance

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business type Activities	Total
(4,206,762)	14,904	(4,191,858)
1,987,691	-	1,987,691
131,312	-	131,312
287,434	-	287,434
2,020,961	-	2,020,961
108,279	48	108,327
8,035	-	8,035
65,339	-	65,339
250	-	250
4,609,301	48	4,609,349
113,686	-	113,686
516,225	14,952	531,177
5,002,796	57,796	5,060,592
<u>\$ 5,519,021</u>	<u>72,748</u>	<u>5,591,769</u>

CORNING COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General	Management	Debt Service
Assets and Other Debits			
Cash and pooled investments	\$ 2,222,703	454,889	997
Receivables:			
Property tax:			
Current year delinquent	25,887	5,755	-
Succeeding year	1,579,455	389,607	-
Accounts	7,710	732	-
Due from other governments	187,361	-	-
Prepaid expense	-	27,775	-
Total assets and other debits	\$ 4,023,116	878,758	997
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 29,720	-	-
Salaries and benefits payable	415,864	-	-
Early retirement payable	-	104,616	-
Deferred revenue:			
Succeeding year property tax	1,579,455	389,607	-
Other	22,442	-	-
Total liabilities	2,047,481	494,223	-
Fund balances:			
Reserved for:			
Debt service	-	-	997
Other	9,184	-	-
Unreserved:			
Designated for special purposes by the Board	300,000	-	-
Undesignated	1,666,451	384,535	-
Total fund balances	1,975,635	384,535	997
Total liabilities and fund balances	\$ 4,023,116	878,758	997

See notes to financial statements.

Exhibit C

Capital Projects	PPEL	Non-major Special Revenue	Total
352,675	52,213	60,907	3,144,384
-	2,306	-	33,948
-	157,487	-	2,126,549
4	1	1,387	9,834
48,670	-	40	236,071
-	-	-	27,775
401,349	212,007	62,334	5,578,561
-	-	3,572	33,292
-	-	-	415,864
-	-	-	104,616
-	157,487	-	2,126,549
-	-	-	22,442
-	157,487	3,572	2,702,763
-	-	-	997
-	-	-	9,184
-	-	-	300,000
401,349	54,520	58,762	2,565,617
401,349	54,520	58,762	2,875,798
401,349	212,007	62,334	5,578,561

CORNING COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET
 GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
 June 30, 2008

Total fund balances of governmental funds (Exhibit C)	\$ 2,875,798
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,232,690
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.	(3,658)
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(585,809)</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 5,519,021</u></u>

See notes to financial statements.

Corning Community School District

CORNING COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year ended June 30, 2008

	General	Management	Debt Service
Revenues:			
Local sources:			
Local tax	\$ 1,660,787	326,904	-
Tuition	285,683	-	-
Other	481,595	22,667	30
State sources	2,581,940	245	-
Federal sources	215,652	-	-
Total revenues	<u>5,225,657</u>	<u>349,816</u>	<u>30</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	2,124,785	112,641	-
Special instruction	780,247	-	-
Other instruction	315,649	-	-
	<u>3,220,681</u>	<u>112,641</u>	<u>-</u>
Support services:			
Student services	31,373	-	-
Instructional staff services	255,243	-	-
Administration services	592,103	29,831	-
Operation and maintenance of plant services	429,625	21,990	-
Transportation services	480,227	19,827	-
	<u>1,788,571</u>	<u>71,648</u>	<u>-</u>
Non-instructional programs	-	6,567	-
Other expenditures:			
Facilities acquisition	-	-	-
Long-term debt:			
Principal	-	-	195,000
Interest and fiscal charges	-	-	31,990
AEA flowthrough	181,827	-	-
	<u>181,827</u>	<u>-</u>	<u>226,990</u>
Total expenditures	<u>5,191,079</u>	<u>190,856</u>	<u>226,990</u>

Exhibit E

Capital Projects	PPEL	Non-major Special Revenue	Total
287,434	131,312	-	2,406,437
-	-	-	285,683
15,916	2,247	210,614	733,069
-	98	-	2,582,283
-	-	-	215,652
303,350	133,657	210,614	6,223,124
-	-	-	2,237,426
-	-	-	780,247
-	-	243,096	558,745
-	-	243,096	3,576,418
-	-	-	31,373
-	-	-	255,243
-	-	-	621,934
-	-	-	451,615
-	-	-	500,054
-	-	-	1,860,219
-	-	-	6,567
86,879	80,716	-	167,595
-	-	-	195,000
-	-	-	31,990
-	-	-	181,827
86,879	80,716	-	576,412
86,879	80,716	243,096	6,019,616

Exhibit E

CORNING COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year ended June 30, 2008

	General	Management	Debt Service
Excess (deficiency) of revenues over (under) expenditures	34,578	158,960	(226,960)
Other financing sources (uses):			
Sale of equipment	250	-	-
Flood recovery assistance	113,686	-	-
Operating transfers in	2,250	-	226,990
Operating transfers out	-	(2,250)	-
Total other financing sources (uses)	116,186	(2,250)	226,990
Net change in fund balances	150,764	156,710	30
Fund balances beginning of year, as restated	1,824,871	227,825	967
Fund balances end of year	\$ 1,975,635	384,535	997

See notes to financial statements.

Exhibit E

Capital Projects	PPEL	Non-major Special Revenue	Total
216,471	52,941	(32,482)	203,508
-	-		250
-	-	-	113,686
-	-		229,240
(226,990)	-	-	(229,240)
(226,990)	-	-	113,936
(10,519)	52,941	(32,482)	317,444
411,868	1,579	91,244	2,558,354
401,349	54,520	58,762	2,875,798

CORNING 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, 2008

Net change in fund balances - total governmental funds (Exhibit E) \$ 317,444

***Amounts reported for governmental activities in the
 Statement of Activities are different because:***

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	\$ 95,851	
Depreciation expense	<u>(198,409)</u>	(102,558)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	195,000
---	---------

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.	1,723
--	-------

Some expenses reported 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	<u>104,616</u>

Change in net assets of governmental activities (Exhibit B)	<u>\$ 516,225</u>
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See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2008

	School Nutrition
Assets	
Cash and cash equivalents	\$ 32,986
Accounts receivable	110
Inventories	2,461
Capital assets, net of accumulated depreciation	37,191
Total assets	72,748
 Net Assets	
Invested in capital assets, net of related debt	37,191
Unrestricted	35,557
 Total net assets	\$ 72,748

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 Year ended June 30, 2008

	School Nutrition
Operating revenues:	
Local sources	
Charges for service	\$ 92,418
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	82,291
Benefits	21,208
Purchased services	344
Supplies	130,101
Depreciation	6,440
Other	1,124
Total operating expenses	241,508
Operating loss	(149,090)
Non-operating revenues:	
State sources	3,275
Federal sources	160,719
Local sources	48
Total non-operating revenues	164,042
Net income	14,952
Net assets beginning of year	57,796
Net assets end of year	\$ 72,748

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2008

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 92,308
Cash payments to employees for services	(103,499)
Cash payments to suppliers for goods or services	(115,511)
Net cash used by operating activities	(126,702)
Cash flows from non-capital financing activities:	
State grants received	3,275
Federal grants received	144,600
Net cash provided by non-capital financing activities	147,875
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(1,600)
Cash flows from investing activities:	
Interest on investments	48
Net increase in cash and cash equivalents	19,621
Cash and cash equivalents at beginning of year	13,365
Cash and cash equivalents at end of year	\$ 32,986
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (149,090)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	16,119
Depreciation	6,440
(Increase) in accounts receivable	(110)
(Increase) in inventories	(61)
Net cash used by operating activities	\$ (126,702)
Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Assets:	
Current assets:	
Cash and investments	\$ 32,986
Cash and cash equivalents at year end	\$ 32,986

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received federal commodities valued at \$16,119.

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2008

	Private Purpose Trust
	Scholarship
Assets	
Cash and pooled investments	\$ 71,122
Accrued interest receivable	159
	71,281
Total assets	71,281
Liabilities	
Accounts payable	-
	-
Total liabilities	-
Net assets	
Reserved for scholarships	\$ 71,281

See notes to financial statements.

Exhibit K

CORNING COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year ended June 30, 2008

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest income	\$ 20,818
Total additions	20,818
Deductions:	
Support services:	
Scholarships awarded	25,662
Change in net assets	(4,844)
Net assets beginning of year, as restated	76,125
Net assets end of year	\$ 71,281

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(1) **Summary of Significant Accounting Policies**

Corning 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 various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Corning, Iowa, and the predominate agricultural territory in Adams and Taylor counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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, Corning 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. Corning Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – 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 Adams County Assessor's Conference Board.

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 interfund 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 that are attributed 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 that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 that are 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. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues and expenditures or expenses, as appropriate. The District has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund accounts for all sources used to finance District operation and maintenance, except those required to be accounted for in another fund.

Management Fund: The Management Fund is used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in a separate fund.

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

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

PPEL Fund: The PPEL Fund is used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in a separate fund.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise fund of the District is considered non-major:

School Nutrition Fund: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

Fiduciary Fund Types: Fiduciary funds account for assets held by the District in a trustee or agency capacity for the benefit of others and cannot be used to support District activities. The District has the following fiduciary fund type:

Private Purpose Trust Fund: This fund accounts for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

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.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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 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.

The proprietary fund 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 is charges to customers for sales and services. Operating expenses for enterprise funds include 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.

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 the governmental funds are 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. Delinquent 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.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

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, 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 repairs 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.

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

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

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as the succeeding year's property tax receivable.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Unearned revenue on the Statement of Net Assets consists of the succeeding year's property tax receivable that will not be recognized as revenue until the year for which it is levied and unearned grant proceeds.

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, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

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 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, 2008, expenditures did not exceed the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2008 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, 2008, the District had investments as follows:

Okey Vernon National Bank Certificates of Deposit	\$	22,000
First Federal Savings and Loan Certificate of Deposit		10,000
State Bank of Brooks Certificate of Deposit		10,000
Iowa Schools Joint Investment Trust:		
Diversified portfolio		2,688,304
		<u>\$ 2,730,304</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

The District's investment in Wisconsin Energy common stock, Verizon Communications common stock, Idearc, Inc. common stock and Fairpoint Communications common stock relates to a gift of the stocks as a scholarship investment. Terms of the gift require the school to hold the stock permanently and the dividends received are to be used for the Effie Akin Award. The fair market values of these investments at June 30, 2008 were \$16,266, \$4,319, \$14, and \$14 respectively.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 226,990
General	Management	2,250
		<u>\$ 229,240</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(4) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance beginning of year	Increases	Decreases	Balance end of year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 204,689	-	-	204,689
Total capital assets not being depreciated	<u>204,689</u>	<u>-</u>	<u>-</u>	<u>204,689</u>
Capital assets being depreciated:				
Buildings	4,010,823	15,627	-	4,026,450
Improvements other than buildings	962,014	6,000	-	968,014
Furniture and equipment	1,813,168	74,224	781,066	1,106,326
Total capital assets being depreciated	<u>6,786,005</u>	<u>95,851</u>	<u>781,066</u>	<u>6,100,790</u>
Less accumulated depreciation for:				
Buildings	1,715,612	74,181	-	1,789,793
Improvements other than buildings	465,239	34,677	-	499,916
Furniture and equipment	1,474,595	89,551	781,066	783,080
Total accumulated depreciation	<u>3,655,446</u>	<u>198,409</u>	<u>781,066</u>	<u>3,072,789</u>
Total capital assets being depreciated, net	<u>3,130,559</u>	<u>(102,558)</u>	<u>-</u>	<u>3,028,001</u>
Governmental activities capital assets, net	<u>\$ 3,335,248</u>	<u>(102,558)</u>	<u>-</u>	<u>3,232,690</u>
Business type activities:				
Furniture and equipment	\$ 113,025	1,600	-	114,625
Less accumulated depreciation	<u>70,994</u>	<u>6,440</u>	<u>-</u>	<u>77,434</u>
Business type activities capital assets, net	<u>\$ 42,031</u>	<u>(4,840)</u>	<u>-</u>	<u>37,191</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 115,092
Special	10,455
Other	14,096
Support services:	
Student	468
Instructional staff	16,217
Administration	10,689
Operation and maintenance	5,754
Transportation	<u>25,638</u>
Total depreciation expense - governmental activities	<u>\$ 198,409</u>
Business type activities:	
Food service operations	<u>\$ 6,440</u>

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 615,000	-	195,000	420,000	205,000
Early retirement	393,758	-	123,333	270,425	104,616
	<u>\$ 1,008,758</u>	<u>-</u>	<u>318,333</u>	<u>690,425</u>	<u>309,616</u>

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Bond Issue of February 28, 2000				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2009	5.20%	\$ 205,000	21,947	226,947
2010	5.25%	215,000	11,288	226,288
Total		<u>\$ 420,000</u>	<u>33,235</u>	<u>453,235</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 25% of the District's base salary calculated by using the current year regular salary schedule. Early retirement benefits paid during the year ended June 30, 2008, totaled \$123,333.

(6) 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, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Plan members were required to contribute 3.70% of their annual salary and the District was required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007 and 2006. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006, were \$182,144, \$168,069, and \$158,336, respectively, equal to the required contributions for each year.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(7) Risk Management

Corning Community School 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.

(8) 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 \$181,827 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Restatements

The total beginning net assets of governmental activities and PPEL fund beginning fund balance were decreased by \$3,505 due to a reallocation of federal grant monies. The Private Purpose Trust fund beginning net assets were increased by \$300 due to a prior reconciliation error.

Required Supplementary Information

CORNING COMMUNITY SCHOOL DISTRICT

CORNING COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN BALANCES - BUDGET AND ACTUAL
 ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual
Revenues:		
Local sources	\$ 3,425,189	92,466
State sources	2,582,283	3,275
Federal sources	215,652	160,719
Total revenues	<u>6,223,124</u>	<u>256,460</u>
Expenditures:		
Instruction	3,576,418	-
Support services	1,860,219	-
Non-instructional programs	6,567	241,508
Other expenditures	576,412	-
Total expenditures	<u>6,019,616</u>	<u>241,508</u>
Excess (deficiency) of revenues over (under) expenditures	203,508	14,952
Other financing sources	<u>113,936</u>	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	317,444	14,952
Balances beginning of year, as restated	<u>2,558,354</u>	<u>57,796</u>
Balances end of year	<u><u>\$ 2,875,798</u></u>	<u><u>72,748</u></u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts Original and Final	Variance Favorable (Unfavorable)
3,517,655	3,208,485	309,170
2,585,558	2,530,950	54,608
376,371	417,000	(40,629)
<u>6,479,584</u>	<u>6,156,435</u>	<u>323,149</u>
3,576,418	4,785,790	1,209,372
1,860,219	2,604,295	744,076
248,075	388,868	140,793
576,412	1,085,249	508,837
<u>6,261,124</u>	<u>8,864,202</u>	<u>2,603,078</u>
218,460	(2,707,767)	
<u>113,936</u>	<u>76,000</u>	
332,396	(2,631,767)	
<u>2,616,150</u>	<u>2,634,581</u>	
<u><u>2,948,546</u></u>	<u><u>2,814</u></u>	

CORNING COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards 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 District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures did not exceed the amounts budgeted.

Other Supplementary Information

CORNING COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
High School Drama/Musical	\$ 3,911	3,412	2,333	-	4,990
Instrumental Band K-12	10	-	10	-	-
Athletics-General	5,282	52,895	71,490	13,313	-
Cross Country	-	-	-	-	-
Tennis	-	304	304	-	-
Golf	-	318	287	-	31
Boys Basketball	-	5,331	3,557	-	1,774
Baseball	-	1,034	1,299	265	-
Boys Track	-	-	54	54	-
Wrestling	-	168	103	-	65
John Harris Tourney	2,000	9,172	5,948	(1,716)	3,508
Girls Basketball	-	3,067	1,837	-	1,230
Volleyball	-	2,075	1,772	-	303
Softball	-	222	1,180	958	-
Girls Track	-	1,910	1,696	-	214
Art	377	-	377	-	-
K-6 Book Fair	7,693	3,117	4,874	-	5,936
Cheerleaders	-	2,695	2,885	190	-
FFA	4,631	15,704	16,320	(2)	4,013
FHA	140	4,190	4,330	-	-
Industrial Arts	1,359	-	1,359	-	-
Greenhouse	-	-	45	45	-
Math Club	31	-	31	-	-
Peer Helping	118	-	118	-	-
K-6 Special Needs	587	100	331	-	356
Foreign Language Club	17	-	-	-	17
TAG	31	-	31	-	-
Concessions	6,756	24,777	16,820	(14,713)	-
Senior Class	1,620	-	504	1,748	2,864
Junior Class	216	3,130	4,499	1,153	-
Sophomore Class	20	-	34	14	-
Freshman Class	-	-	128	128	-
Junior High Student Council	1,533	2,091	1,846	-	1,778
Student Senate	1,135	2,017	1,952	-	1,200
Junior High Teacher's Lounge	213	-	-	-	213
Touch	379	-	-	-	379
Y-Teens	2,044	3,521	2,101	(311)	3,153
Yearbook	8,027	8,440	9,398	1,441	8,510
Interest on investments	634	1,051	300	(1,379)	6
School Pictures	727	572	-	(1,299)	-
High School Pop Fund	827	1,370	1,433	(172)	592
Wells Tech	145	-	145	-	-
K-6 Student Council	295	-	-	-	295
High School Communitiers	4,699	1,000	-	-	5,699
Morris DC Trip	18,568	36,981	53,982	403	1,970
Corning Cruisers	75	-	-	(75)	-
Library	974	272	1,246	-	-
FBLA	-	9,619	9,619	-	-
FCA	58	-	-	-	58
High School Horticulture	5,545	871	817	(45)	5,554
K-6 Box Top	2,423	3,053	5,062	(223)	191
K-6 Character Counts	-	-	223	223	-
3rd Grade Landscape	2,330	-	-	-	2,330
Alumni Newsletter	3,728	5,738	8,529	-	937
Adult Ed-Guidance	7	-	7	-	-
Special Projects	1,481	-	1,134	-	347

CORNING COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
K-6 Teacher's Lounge	135	89	220	-	4
Vocal Music	456	-	456	-	-
Friends	7	308	70	-	245
Total	<u>\$ 91,244</u>	<u>210,614</u>	<u>243,096</u>	<u>-</u>	<u>58,762</u>

See accompanying independent auditor's report.

CORNING COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST SEVEN YEARS

	Modified Accrual Basis						
	2008	2007	2006	2005	2004	2003	2002
Revenues:							
Local sources:							
Local tax	\$ 2,406,437	2,402,720	2,438,779	2,096,295	1,965,807	1,818,126	1,665,347
Tuition	285,683	296,029	253,543	260,314	231,150	196,299	179,302
Other	733,069	459,644	419,668	264,776	182,383	205,293	191,802
State sources	2,582,283	2,440,835	2,429,982	2,532,028	2,573,835	2,507,573	2,476,944
Federal sources	215,652	253,374	327,928	209,707	322,577	313,096	168,733
Total	<u>\$ 6,223,124</u>	<u>5,852,602</u>	<u>5,869,900</u>	<u>5,363,120</u>	<u>5,275,752</u>	<u>5,040,387</u>	<u>4,682,128</u>
Expenditures:							
Instruction:							
Regular instruction	\$ 2,237,426	2,173,171	2,070,237	1,606,933	1,733,517	1,900,787	1,898,104
Special instruction	780,247	726,264	814,089	639,566	811,822	861,851	731,738
Other instruction	558,745	558,792	360,117	743,048	487,984	332,406	275,107
Support services:							
Student services	31,373	35,368	69,169	141,540	234,329	128,292	148,916
Instructional staff services	255,243	224,743	178,175	114,545	31,178	67,828	72,930
Administration services	621,934	613,744	541,244	513,085	477,168	500,588	454,355
Operation and maintenance of plant services	451,615	379,297	434,030	343,602	331,511	328,200	323,207
Transportation services	500,054	274,681	327,577	263,725	228,499	255,123	266,080
Community service operations	-	-	-	-	-	-	5,375
Food service operations	6,567	8,121	-	6,947	12,393	12,393	11,931
Non-instructional programs	-	-	267	-	-	-	-
Other expenditures:							
Facilities acquisition	167,595	212,590	263,452	230,877	100,177	150,873	149,296
Long-term debt:							
Principal	195,000	185,000	175,000	165,000	155,000	150,000	145,000
Interest and other charges	31,990	41,701	50,890	59,553	67,690	75,085	81,685
AEA flowthrough	181,827	178,772	173,627	175,232	179,413	185,506	185,958
Total	<u>\$ 6,019,616</u>	<u>5,612,244</u>	<u>5,457,874</u>	<u>5,003,653</u>	<u>4,850,681</u>	<u>4,948,932</u>	<u>4,749,682</u>

See notes to financial statements.

**Van Maanen
& ASSOCIATES, P.C.**

Certified Public Accountants

705 Main St.
Pella, IA 50219
641-628-3737

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
Corning Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Corning Community School District, Corning, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated October 20, 2008. 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 Corning 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 Corning Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Corning 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Corning Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Corning Community School District's financial statements that is more than inconsequential will not be prevented or detected by Corning Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Corning Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Corning 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.

We noted certain matters that we reported to management of Corning Community School District in a separate letter dated December 17, 2008.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Corning Community School District and other parties to whom Corning Community School District may report, including federal awarding agencies and pass-through entities. This report 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 Corning 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.

Van Maanen & Associates, P.C.

Van Maanen & Associates, P.C.
Certified Public Accountants

October 20, 2008

CORNING COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year ended June 30, 2008

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

SIGNIFICANT DEFICIENCIES

II-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were done by the same person.

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

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

Part III: Findings for Federal Awards

Not applicable since less than \$500,000 in federal awards.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-08 Certified Budget – Expenditures for the year ended June 30, 2008 did not exceed the amounts budgeted.

IV-B-08 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-08 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.

IV-D-08 Business Transactions - No business transactions were noted between the District and District officials or employees.

CORNING COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year ended June 30, 2008

- IV-E-08 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 ensure that coverage is adequate for current operations.
- IV-F-08 Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.
- IV-G-08 Certified Enrollment - No variances were noted in the basic enrollment data certified to the Department of Education.
- IV-H-08 Deposits and Investments - No instances of noncompliance were noted with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy.

It was noted that the District has investments in Wisconsin Energy, Verizon Communications, Idearc, Inc. and Fairpoint Communications common stock not in compliance with the District's investment policy. However, it was also noted that the terms of the gifts in 1983 and 1996 require that the stock be permanently held by the District and that only the dividends are available for disbursement for the Effie Akin Award. Therefore, the investments are maintained in compliance with the terms of the gifts.

- IV-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

December 17, 2008

To the Board of Directors
Corning Community School District

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Corning Community School District for the year ended June 30, 2008, and have issued our report thereon dated October 20, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated June 18, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Corning Community School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Corning Community School District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our discussion about planning matters on August 7, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Corning Community School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future

events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Responsibilities

We have requested certain representations from management that are included in the management representation letter dated October 20, 2008.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Findings which were noted include a comment regarding segregation of duties.

This information is intended solely for the use of the Board of Directors and management of Corning Community School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Van Maanen & Associates, P.C.