

**\$2,600,000\***  
**Cherokee Community School District, Iowa**  
**General Obligation School Bonds**  
**Series 2019**

(FAST Closing)

(The Issuer will designate the Bonds as Bank-Qualified as discussed more thoroughly herein)

(Book Entry Only)

(PARITY© Bidding Available)

DATE: Monday, March 18, 2019  
TIME: 1:30 PM central  
PLACE: Washington High School Conference Room  
600 W. Bluff St  
Cherokee, IA 51012  
Telephone: (712) 225-6767  
Fax: (712) 225-6769

Moody's Rating "A2"

\* Preliminary, subject to change

**PiperJaffray®**

3900 Ingersoll Ave., Suite 110  
Des Moines, IA 50312  
515/247-2340

**OFFICIAL BID FORM**

TO: Board of Directors of the Cherokee Community School District, Iowa (the "Issuer")

Re: \$2,600,000\* General Obligation School Bonds, Series 2019, dated the date of delivery, of the Issuer (the "Bonds")

For all or none of the above Bonds, we will pay you \$\_\_\_\_\_ for Bonds bearing interest rates and maturing in each of the stated years as follows:

<u>Coupon</u>	<u>Yield</u>	<u>Due</u>	<u>Coupon</u>	<u>Yield</u>	<u>Due</u>
_____	_____	May 1, 2020	_____	_____	May 1, 2030
_____	_____	May 1, 2021	_____	_____	May 1, 2031
_____	_____	May 1, 2022	_____	_____	May 1, 2032
_____	_____	May 1, 2023	_____	_____	May 1, 2033
_____	_____	May 1, 2024	_____	_____	May 1, 2034
_____	_____	May 1, 2025	_____	_____	May 1, 2035
_____	_____	May 1, 2026	_____	_____	May 1, 2036
_____	_____	May 1, 2027	_____	_____	May 1, 2037
_____	_____	May 1, 2028	_____	_____	May 1, 2038
_____	_____	May 1, 2029	_____	_____	May 1, 2039

\_\_\_\_\_ We hereby elect to have the following issued as term bonds:

<u>Principal Amount</u>	<u>Month and Year (Inclusive)</u>	<u>Maturity Month and Year</u>
\$ _____	_____ to _____	_____
\$ _____	_____ to _____	_____
\$ _____	_____ to _____	_____
\$ _____	_____ to _____	_____
\$ _____	_____ to _____	_____
\$ _____	_____ to _____	_____
\$ _____	_____ to _____	_____

Subject to mandatory redemption requirement in the amounts and at the times shown above

\_\_\_\_\_ We will not elect to have any bonds issued as term bonds

\_\_\_\_\_ We represent that we are a bidder with established industry reputation for underwriting new issuances of municipal bonds

\_\_\_\_\_ We will utilize bond insurance from the company \_\_\_\_\_ at a premium of \$ \_\_\_\_\_

This bid is for prompt acceptance and for delivery of said Bonds to us in compliance with the Official Terms of Offering, which is made a part of this proposal, by reference. Award will be made on a True Interest Cost Basis (TIC).

According to our computations (the correct computation being controlling in the award), we compute the following (to the dated date):

NET INTEREST COST:\$ \_\_\_\_\_ TRUE INTEREST RATE \_\_\_\_\_ %  
 (Computed from the dated date)

\_\_\_\_\_  
 Account Manager

\_\_\_\_\_  
 Signature of Account Manager

The foregoing offer is hereby accepted by and on behalf of the Board of Directors of the Cherokee Community School District, in the County of Cherokee, State of Iowa, this 18th day of March, 2019.

ATTEST: \_\_\_\_\_  
 District Secretary

\_\_\_\_\_  
 Board President

\* Preliminary, subject to change

## NOTICE OF SALE

Time and Place of Sale: Sealed bids or electronic bids for the sale of General Obligation School Bonds, Series 2019, of the Cherokee Community School District, in the County of Cherokee, State of Iowa (the "Issuer"), will be received at the Washington High School Conference Room of the District until 1:30 P.M. on March 18, 2019. The bids will be publicly opened at that time and evaluated by the Superintendent, Board Secretary and Financial Advisor and referred for action at the meeting of the Board of Directors.

Sale and Award: The sale and award of the bonds will be held at the Board meeting scheduled at 5:30 P.M. on the same date.

The Bonds. The bonds to be offered are the following:

GENERAL OBLIGATION SCHOOL BONDS, SERIES 2019, in the principal amount of not to exceed \$2,600,000 to be dated May 1, 2019 (the "Bonds").

\*The Issuer may increase or decrease each maturity, but the total amount to be issued will not exceed \$2,600,000.

Manner of Bidding: Open bids will not be received. No bid will be received after the time specified above for receiving bids. Bids will be received by any of the following methods:

- Sealed Bidding: Sealed bids or electronic proposals may be submitted and will be received at the Washington High School Conference Room, Cherokee Community School District, Cherokee, Iowa.
- Electronic Bidding: Electronic bids via PARITY® will be received at the Washington High School Conference Room, Cherokee Community School District, Cherokee, Iowa. The bids must be submitted through PARITY®.
- Electronic Facsimile Bidding: Electronic facsimile bids will be received at the Washington High School Conference Room, Cherokee Community School District, Cherokee, Iowa, (712) 225-6769. Electronic facsimile bids will be sealed and treated as sealed bids.

Official Statement: The Issuer has issued an Official Statement of information pertaining to the Bonds to be offered, including a statement of the Terms of Offering and an Official Bid Form, which is incorporated by reference as a part of this notice. The Official Statement may be obtained by request addressed to the Secretary of the Board of Directors, Cherokee Community School District, 600 West Bluff Street, Cherokee, Iowa 51012, (712) 225-6767; or Travis Squires, Piper Jaffray & Co., 3900 Ingersoll, Suite 110, Des Moines, Iowa 50312, (515) 247-2354.

Terms of Offering: All bids must be in conformity with and the sale must be in accordance with the Terms of Offering as set forth in the Official Statement.

Legal Opinion: Bonds will be sold subject to the opinion of Ahlers & Cooney, P.C., Attorneys of Des Moines, Iowa, as to the legality and their opinion will be furnished together with the printed bonds without cost to the purchaser and all bids will be so conditioned. Except to the extent necessary to issue their opinion as to the legality of the Bonds, the attorneys will not examine or review or express any opinion with respect to the accuracy or completeness of documents, materials or statements made or furnished in connection with the sale, issuance or marketing of the Bonds.

Rights Reserved: The right is reserved to reject any or all bids, and to waive any irregularities as deemed to be in the best interests of the public.

By order of the Board of Directors of the Cherokee Community School District in the County of Cherokee, State of Iowa.

Secretary of the Board of Directors of the Cherokee  
Community School District

## OFFICIAL TERMS OF OFFERING

This section sets forth the description of certain of the terms of the Bonds as well as the terms of offering with which all bidders and bid proposals are required to comply, as follows:

The Bonds to be offered are the following:

**GENERAL OBLIGATION SCHOOL BONDS, SERIES 2019**, in the principal amount of \$2,600,000\* dated the date of delivery in the denomination of \$5,000 or multiples thereof, and maturing as shown on the front page of the official statement.

**ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER DETERMINATION OF BEST BID.** The aggregate principal amount of the Bonds, and each scheduled maturity thereof, are subject to increase or reduction by the Issuer or its designee after the determination of the Successful Bidder. The Issuer may increase or decrease each maturity in increments of \$5,000. Interest rates specified by the Successful Bidder for each maturity will not change. Final adjustments shall be in the sole discretion of the Issuer.

The dollar amount bid by the Successful Bidder may be changed if the aggregate principal amount of the Bonds, as adjusted as described below, is adjusted, however the interest rates specified by the Successful Bidder for all maturities will not change. The Issuer's financial advisor will make every effort to ensure that the percentage net compensation to the Successful Bidder (the percentage resulting from dividing (i) the aggregate difference between the offering price of the Bonds to the public and the price to be paid to the Issuer (not including accrued interest), less any bond insurance premium and credit rating fee, if any, to be paid by the Successful Bidder, by (ii) the principal amount of the Bonds) does not increase or decrease from what it would have been if no adjustment was made to principal amounts shown in the maturity schedule.

**Optional Redemption:** The Bonds maturing after May 1, 2027, may be called for redemption by the Issuer and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot. The terms of redemption shall be par, plus accrued interest to date of call.

**Interest:** Interest on said Bonds will be payable on November 1, 2019 and semiannually on the 1st day of May and November thereafter. Interest shall be payable by check or draft of the Paying Agent mailed to the persons who were registered owners thereof as of the fifteenth day of the month immediately preceding the Interest Payment Date, to the addresses appearing on the registration books maintained by the Paying Agent or to such other address as is furnished to the Paying Agent in writing by a registered owner.

**Book Entry System:** The Bonds will be issued by means of a book entry system with no physical distribution of certificates made to the public. The Bonds will be issued in fully registered form and one certificate, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the Issuer to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The successful bidder, as a condition of delivery of the Bonds, will be required to deposit the certificates with DTC.

**Good Faith Deposit:** A Good Faith Deposit ("Deposit") in the form of a certified or cashier's check or a wire in the amount of \$26,000\* for the Bonds, payable to the order of the Issuer, is required for each bid to be considered. If a check is used, it must accompany each bid. If a wire is to be used, it must be received by the Issuer not later than two hours after the time stated for receipt of bids. The Financial Advisor or the Issuer will provide the apparent winning bidder (the "Purchaser") with wiring instructions, by facsimile and email, within 10 minutes of the stated time when bids are due. If the wire is not received at the time indicated above, the Issuer will abandon its plan to award to the Purchaser, and will contact the next highest bidder received and offer said bidder the opportunity to become the Purchaser, on the terms as outlined in said bidder's bid, so long as said bidder submits a good faith wire within two hours of the time offered. The Issuer will not award the Bonds to the Purchaser absent receipt of the Deposit prior to action awarding the Bonds. No interest on the Deposit will accrue to the Purchaser. The Deposit will be applied to the purchase price of the Bonds. In the event the Purchaser fails to honor its bid, the Deposit will be retained by the Issuer.

---

\* Preliminary, subject to change

**Form of Bids:** All bids shall be unconditional for the entire issue of Bonds for a price of not less than 98.8% of par, plus accrued interest, and shall specify the rate or rates of interest in conformity to the limitations set forth herein. Bids must be submitted on or in substantial compliance with the Official Bid Form provided by the Issuer or through the Internet Bid System. The Issuer shall not be responsible for any malfunction or mistake made by any person, or as a result of the use of the electronic bid, facsimile facilities or the means used to deliver or complete a bid. The use of such facilities or means is at the sole risk of the prospective bidder who shall be bound by the terms of the bid as received.

No bid will be received after the time specified herein. The time as maintained by the Internet Bid System shall constitute the official time with respect to all Bids submitted. A bid may be withdrawn before the bid deadline using the same method used to submit the bid. If more than one bid is received from a bidder, the last bid received shall be considered.

**Sealed Bidding:** Sealed bids may be submitted and will be received at the Washington High School Conference Room, Cherokee Community School District.

**Internet Bidding:** Internet bids must be submitted through Parity® ("the Internet Bid System"). Information about the Internet Bid System may be obtained by calling 212-849-5000.

Each bidder shall be solely responsible for making necessary arrangements to access the Internet Bid System for purpose of submitting its internet bid in a timely manner and in compliance with the requirements of the Official Terms of Offering. The Issuer is permitting bidders to use the services of the Internet Bid System solely as a communication mechanism to conduct the internet bidding and the Internet Bid System is not an agent of the Issuer. Provisions of the Official Terms of Offering shall control in the events of conflict with information provided by the Internet Bid System. The Issuer shall not be responsible for any malfunction or mistake made by any person, or as a result of the use of the Internet Bid System. The use of such facilities or means is at the sole risk of the prospective bidder who shall be bound by the terms of the bid as received.

**Electronic Facsimile Bidding:** Bids may be submitted via facsimile at the phone number listed on the front cover of this Preliminary Official Statement. Electronic facsimile bids will be sealed and treated as sealed bids. Transmissions received after the deadline shall be rejected. It is the responsibility of the bidder to ensure that the bid is legible, that the bid is received prior to the appointed time, and that the bid is sent to the telecopier number set forth above. The Financial Advisor will, in no instance correct, alter, or in any way change bids submitted through facsimile transmission. Neither the Issuer nor its agents will be responsible for bids submitted by facsimile transmission not received in accordance with the provisions of this Official Terms of Offering. Bidders electing to submit bids via facsimile transmission will bear full and complete responsibility for the transmission of such bid. Neither the Issuer nor its agents will assume liability for the inability of the bidder to reach the above name fax number prior to the time of sale specified above. Time of receipt shall be the time recorded by the facsimile operator.

**Rates of Interest:** The rates of interest specified in the bidder's proposal must conform to the limitations following:

All Bonds of each annual maturity must bear the same interest rate.

Rates of interest bid may be in multiples of 1/8th, 1/20th, or 1/100th of 1%.

**Delivery:** The Bonds will be delivered to the Purchaser via FAST delivery with the Paying Agent holding the Bonds on behalf of DTC, against full payment in immediately available cash or federal funds. The Bonds are expected to be delivered within sixty days after the sale. Should delivery be delayed beyond sixty days from date of sale for any reason except failure of performance by the Purchaser, the Purchaser may withdraw his bid and thereafter his interest in and liability for the Bonds will cease. (When the Bonds are ready for delivery, the Issuer may give the successful bidder five working days notice of the delivery date and the Issuer will expect payment in full on that date, otherwise reserving the right at its option to determine that the bidder has failed to comply with the offer of purchase.)

**Establishment of Issue Price:**

(a) The winning bidder shall assist the Issuer in establishing the issue price of the Bonds and shall execute and deliver to the Issuer at Closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the Issuer and Bond Counsel. All communications required of the Issuer under this Official Terms of Offering to establish the issue price of the Bonds may be communicated on behalf of the Issuer by the Issuer's municipal advisor identified herein and any notice or report to be provided to the Issuer may be provided to the Issuer's municipal advisor.

(b) The Issuer intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) the Issuer shall disseminate this Official Term of Offering to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Issuer may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Issuer anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Official Terms of Offering.

Any bid submitted pursuant to this Official Terms of Offering shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

(c) In the event that the competitive sale requirements are not satisfied, the Issuer shall so advise the winning bidder prior to the time of award of sale of the Bonds to the Underwriter. In such event, any bid submitted will not be subject to cancellation or withdrawal. Within twenty-four (24) hours of the notice of award of the sale of the Bonds, the Underwriter shall advise the Issuer and its municipal advisor if ten percent (10%) of any maturity of the Bonds has been sold to the public and the price at which such bonds were sold. The Issuer will treat such sale price as the “issue price” for such maturity. The Issuer will not require the Underwriter to comply with that portion of the Regulation commonly described as the “hold-the-offering-price” requirement for the remaining maturities, but the Underwriter may elect such option. If the Underwriter exercises such option, the Underwriter shall notify the municipal advisor and the Issuer will apply the initial offering price to the public provided in the Underwriter’s bid as the issue price for such maturities. If the Underwriter does not exercise that option, it shall thereafter promptly advise the Issuer and municipal advisor the prices at which a substantial amount (as defined in the Regulation) of such maturities are sold to the public; provided such determination shall be made and the Issuer and municipal advisor notified of such prices whether or not the closing date has occurred, until the 10% test has been satisfied as to each maturity of the Bonds or until all of the Bonds of a maturity have been sold.

(d) By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the Issuer promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

(e) If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds, the winning bidder agrees to promptly report to the Issuer the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that, the winning bidder’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Issuer or bond counsel.

(f) The Issuer acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Issuer further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer

that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.

(g) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(i)(A) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the winning bidder that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the winning bidder, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the winning bidder and as set forth in the related pricing wires, (B) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a underwriter who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the winning bidder or such underwriter that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the winning bidder or such underwriter, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the winning bidder or the underwriter and as set forth in the related pricing wires.

(h) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Official Terms of Offering. Further, for purposes of this Official Terms of Offering:

(i) “public” means any person other than an underwriter or a related party,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a underwriter of any of the Bonds is a “related party” to an underwriter if the underwriter and the underwriter are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date that the Bonds are awarded by the Issuer to the winning bidder.

Official Statement: The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts, and interest rates of the Bonds, and any other information required by law or deemed appropriate by the Issuer, shall constitute a “Final Official Statement” of the Issuer with respect to the Bonds, as that term is defined in Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”). By awarding the Bonds to any underwriter or underwriting syndicate submitting an Official Bid Form therefore, the Issuer agrees that, no more than seven (7) business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded one “.pdf” copy of the Official Statement and the addendum described in the preceding sentence to permit each “Participating Underwriter” (as that term is defined in the Rule) to comply with the provisions of such Rule. The Issuer shall treat the senior managing underwriter of the syndicate to which the Bonds are awarded as its designated agent for purposes of distributing copies of the Final Official Statement to each participating Underwriter. Any underwriter executing and delivering an Official Bid

Form with respect to the Bonds agrees thereby that if its bid is accepted by the Issuer, (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

CUSIP Numbers: It is anticipated that CUSIP numbers will be printed on the Bonds. In no event will the Issuer be responsible for or Bond Counsel review or express any opinion of the correctness of such numbers, and incorrect numbers on said Bonds shall not be cause for the purchaser to refuse to accept delivery of the Bonds. The fee will be paid for by the Issuer.

Responsibility of Bidder: It is the responsibility of the bidder to deliver its signed, completed bid prior to the time of sale as posted on the front cover of the official statement. Neither the Issuer nor its Financial Advisor will assume responsibility for the collection of or receipt of bids. Bids received after the appointed time of sale will not be opened.

Continuing Disclosure: In order to permit bidders for the Bonds and other participating underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of the Rule, the Issuer will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds, in the Bond Resolution and pursuant to a Continuing Disclosure Certificate, to provide annual reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the "Disclosure Covenants"). The information to be provided on annual basis, the events as to which notice is to be given, if material, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in Appendix C to this Official Statement.

Breach of the Disclosure Covenants will not constitute a default or an "Event of Default" under the Bonds or Resolution. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Bonds in the secondary market. Thus, a failure on the part of the Issuer to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Bonds and their market price.

For more information see the Continuing Disclosure section herein.

Bond Insurance: Application has not been made for municipal bond insurance. Should the Bonds qualify for the issuance of any policy of municipal bond insurance or commitment therefore at the option of the bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the Purchaser. Any increased costs of issuance on the Bonds resulting from such purchase of insurance shall be paid by the Purchaser, except that, if the Issuer has requested and received a rating on the Bonds from a municipal bond rating service, the Issuer will pay that rating fee. Any other rating service fees shall be the responsibility of the Purchaser.

Requested modifications to the Bond Resolution or other issuance documents shall be accommodated by the Issuer at its sole discretion. In no event will modifications be made regarding the investment of funds created under the Bond Resolution or other issuance documents without prior Issuer consent, in its sole discretion. Either the Purchaser or the insurer must agree, in the insurance commitment letter or separate agreement acceptable to the Issuer in its sole discretion, to pay any future continuing disclosure costs of the Issuer associated with any rating changes assigned to the municipal bond insurer after closing (for example, if there is a rating change on the municipal bond insurer that require a material event notice filing by the Issuer, the Purchaser or the municipal bond insurer must agree to pay the reasonable costs associated with such filing). Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the Purchaser shall not constitute cause for failure or refusal by the Purchaser to accept delivery of the Bonds.



**PRELIMINARY OFFICIAL STATEMENT DATED MARCH 5, 2019**

Rating: "A2"

**NEW ISSUE - DTC BOOK ENTRY ONLY**

*Assuming compliance with certain covenants, in the opinion of Ahlers & Cooney, P.C., Bond Counsel, under present law and assuming continued compliance with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed. Interest on the Bonds is not exempt from present Iowa income taxes. The Bonds will be designated as "qualified tax-exempt obligations". See "TAX EXEMPTION AND RELATED CONSIDERATIONS" herein for a more detailed discussion.*

**\$2,600,000\***  
**Cherokee Community School District, Iowa**  
**General Obligation School Bonds**  
**Series 2019**

Dated: Date of Delivery

The General Obligation School Bonds, Series 2019 described above (the "Bonds") are issuable as fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee of the Depository Trust Company, New York, NY ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form. Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased. So long as DTC or its nominee, Cede & Co., is the Bondholder, the principal of, premium, if any, and interest on the Bonds will be paid by Bankers Trust Company as Registrar and Paying Agent (the "Registrar"), or its successor, to DTC, or its nominee, Cede & Co. Disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants as more fully described herein. Neither the Issuer nor the Registrar will have any responsibility or obligation to such DTC Participants, indirect participants or the persons for whom they act as nominee with respect to the Bonds.

Interest on the Bonds is payable on May 1, and November 1 in each year, beginning November 1, 2019 to the registered owners thereof. Interest shall be payable by check or draft of the Paying Agent mailed to the persons who were registered owners thereof as of the fifteenth day of the month immediately preceding the Interest Payment Date, to the addresses appearing on the registration books maintained by the Paying Agent or to such other address as is furnished to the Paying Agent in writing by a registered owner.

The Bonds maturing after May 1, 2027 may be called for redemption by the Issuer and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot. The terms of redemption shall be par, plus accrued interest to date of call.

**MATURITY SCHEDULE**

<u>Bonds Due</u>	<u>Amount*</u>	<u>Rate *</u>	<u>Yield *</u>	<u>Cusip #'s **</u>	<u>Bonds Due</u>	<u>Amount*</u>	<u>Rate *</u>	<u>Yield *</u>	<u>Cusip #'s **</u>
May 1, 2020	\$70,000			164470 CU8	May 1, 2030	\$90,000			164470 DE3
May 1, 2021	70,000			164470 CV6	May 1, 2031	95,000			164470 DF0
May 1, 2022	75,000			164470 CW4	May 1, 2032	100,000			164470 DG8
May 1, 2023	75,000			164470 CX2	May 1, 2033	100,000			164470 DH6
May 1, 2024	75,000			164470 CY0	May 1, 2034	105,000			164470 DJ2
May 1, 2025	80,000			164470 CZ7	May 1, 2035	110,000			164470 DK6
May 1, 2026	80,000			164470 DA1	May 1, 2036	115,000			164470 DL7
May 1, 2027	85,000			164470 DB9	May 1, 2037	120,000			164470 DM5
May 1, 2028	85,000			164470 DC7	May 1, 2038	125,000			164470 DN3
May 1, 2029	90,000			164470 DD5	May 1, 2039	855,000			164470 DP8

\$ \_\_\_\_\_ %      Term bond due      Priced to yield      CUSIP # \_\_\_\_\_

The Bonds are being offered when, as and if issued by the Issuer and accepted by the Underwriter, subject to receipt of an opinion as to legality, validity and tax exemption by Ahlers & Cooney, P.C., Des Moines, Iowa, Bond Counsel. It is expected that the Bonds in the definitive form will be available for delivery through the facilities of DTC on or about May 1, 2019. The Underwriter intends to engage in secondary market trading of the Bonds subject to applicable securities laws. The Underwriter is not obligated, however, to repurchase any of the Bonds at the request of the holder thereof.

The Date of this Official Statement is \_\_\_\_\_, 2019

\* Preliminary, subject to change

\*\* CUSIP numbers shown above have been assigned by a separate organization not affiliated with the Issuer. The Issuer has not selected nor is responsible for selecting the CUSIP numbers assigned to the Bonds nor do they make any representation as to the correctness of such CUSIP numbers on the Bonds or as indicated above.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

No dealer, salesman or any other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by the Issuer or the Underwriter. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy any of the securities offered hereby in any state to any persons to whom it is unlawful to make such offer in such state. Except where otherwise indicated, this Official Statement speaks as of the date hereof. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer since the date hereof.

## **TABLE OF CONTENTS**

INTRODUCTORY STATEMENT
THE BONDS
BONDHOLDERS' RISKS
LITIGATION
ACCOUNTANT
UNDERWRITING
THE PROJECT
SOURCES & USES OF FUNDS
TAX MATTERS
FINANCIAL ADVISOR
CONTINUING DISCLOSURE
APPENDIX A - GENERAL INFORMATION ABOUT THE ISSUER
APPENDIX B - FORM OF LEGAL OPINION
APPENDIX C - FORM OF CONTINUING DISCLOSURE CERTIFICATE
APPENDIX D - AUDITED FINANCIAL STATEMENTS OF THE ISSUER
APPENDIX E - FORM ISSUE PRICE CERTIFICATES

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. The Issuer considers the Official Statement to be "near final" within the meaning of Rule 15c2-12 of the Securities Exchange Commission. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTIONS 3(a)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED. THE REGISTRATION OR QUALIFICATIONS OF THESE SECURITIES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THESE SECURITIES HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SECURITIES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

## **FORWARD-LOOKING STATEMENTS**

This Official Statement, including Appendix A, contains statements which should be considered "forward-looking statements," meaning they refer to possible future events or conditions. Such statements are generally identifiable by the words such as "plan," "expect," "estimate," "budget" or similar words. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT EXPECT OR INTEND TO UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS CONTAINED HEREIN IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

**OFFICIAL STATEMENT**  
**CHEROKEE COMMUNITY SCHOOL DISTRICT, IOWA**  
**\$2,600,000\* GENERAL OBLIGATION SCHOOL BONDS, SERIES 2019**

**INTRODUCTORY STATEMENT**

This Official Statement presents certain information relating to the Cherokee Community School District, Iowa (the “Issuer”), in connection with the sale of the Issuer’s General Obligation School Bonds, Series 2019 (the “Bonds”). The Bonds are being issued to provide funds to construct, build, furnish and equip a pre-K through 4<sup>th</sup> grade building as an addition to the Middle School building, including related remodeling and site improvements; and to make critical architectural/structural improvements at Cherokee Middle School building and Washington High School building, including locker rooms, and ii) to pay costs of issuance for the Bonds and ii) to pay costs of issuance for the Bonds. See “**SOURCES AND USES OF FUNDS**” herein.

This Preliminary Official Statement is deemed to be a final official statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission, except for the omission of certain pricing and other information which is to be made available through a final Official Statement.

This Introductory Statement is only a brief description of the Bonds and certain other matters. Such description is qualified by reference to the entire Official Statement and the documents summarized or described herein. This Official Statement should be reviewed in its entirety.

The Bonds are general obligations of the Issuer, payable from and secured by a continuing annual ad-valorem tax levied against the taxable real property valuation within the boundaries of the Issuer. See “**THE BONDS – Source of Security for the Bonds**” herein.

All statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

**THE BONDS**

**General**

The Bonds are dated as of the date of delivery and will bear interest at the rates to be set forth on the cover page herein, interest payable on May 1 and November 1 in each year, beginning on November 1, 2019, calculated on the basis of a year of 360 days and twelve 30-day months. Interest shall be payable by check or draft of the Paying Agent mailed to the persons who were registered owners thereof as of the fifteenth day of the month immediately preceding the Interest Payment Date, to the addresses appearing on the registration books maintained by the Paying Agent or to such other address as is furnished to the Paying Agent in writing by a registered owner.

**Authorization for the Issuance**

The Bonds are being issued pursuant to the Code of Iowa, 2019, as amended, Chapter 296. The voters of the District approved the issuance of the Bonds at an election held on September 11, 2018 at 77.11% approval.

**Book Entry Only System**

The following information concerning The Depository Trust Company (“DTC”), New York, New York and DTC’s book-entry system has been obtained from sources the Issuer believes to be reliable. However, the Issuer takes no responsibility as to the accuracy or completeness thereof and neither the Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters but should instead confirm the same with DTC or the Direct Participants, as the case may be. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

The Depository Trust Company (“DTC”), New York, NY will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities in the aggregate principal amount of such issue, and will be deposited with DTC.

---

\* Preliminary, subject to change

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S equity issues, corporate and municipal debt issues and money market instrument (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participations include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC").

DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered in the transaction. Transfers of ownership interest in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to taken certain steps to augment transmission to them notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit have agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial owners may wish to provide their names and addresses to the registrar and request that copies of the notices by provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participants in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered

in “street name,” and will be the responsibility of such Participant and not of DTC (nor its nominee), Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or successor securities depository). In that event Security certificates will be printed and delivered to DTC.

The Issuer cannot and does not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Bonds (i) payments of principal of or interest and premium, if any, on the Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in the Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current “Rules” applicable to DTC are on file with the Securities Exchange Commission, and the current “Procedures” of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the Issuer nor the Paying Agent will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (2) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Bonds; (3) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to owners of Bonds; (4) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (5) any consent given or other action taken by DTC as a Bondholder.

### **Transfer and Exchange**

In the event that the Book Entry System is discontinued, any Bond may, in accordance with its terms, be transferred by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the principal corporate office of the Registrar accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Registrar. Whenever any Bond or Bonds shall be surrendered for transfer, the Registrar shall execute and deliver a new Bond or Bonds of the same maturity, interest rate, and aggregate principal amount.

Bonds may be exchanged at the principal corporate office of the Registrar for a like aggregate principal amount of Bonds or other authorized denominations of the same maturity and interest rate; provided, however, that the Registrar is not required to transfer or exchange any Bonds which have been selected for prepayment and is not required to transfer or exchange any Bonds during the period beginning 15 days prior to the selection of Bonds for prepayment and ending the date notice of prepayment is mailed. The Registrar may require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. All Bonds surrendered pursuant to the provisions of this and the preceding paragraph shall be canceled by the Registrar and shall not be redelivered.

### **Prepayment**

Optional Prepayment: The Bonds maturing after May 1, 2027, may be called for redemption by the Issuer and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot. The terms of redemption shall be par, plus accrued interest to date of call.

Notice of Prepayment. Prior to the redemption of any Bonds under the provisions of the Resolution, the Registrar shall give written notice not less than thirty (30) days prior to the redemption date to each registered owner thereof. Written notice shall be effective upon the date of transmission to the owner of record of the Bond.

Mandatory Sinking Fund Redemption The Bonds maturing on \_\_\_\_\_ are subject to mandatory redemption (by lot, as selected by the Registrar) on \_\_\_\_ 1 and \_\_\_\_\_ in each of the years \_\_\_\_ through \_\_\_\_ at a redemption price of 100% of the principal amount thereof to be redeemed, plus accrued interest thereon to the redemption date in the following principal amounts:



but not limited to, the right to a proceeding in law or in equity by suit, action or mandamus to enforce and compel performance of the duties required by Iowa law and the Bond Resolution. There is no Bond trustee or similar person to monitor or enforce the provisions of the resolution for the Bonds. The owners of the Bonds should, therefore, be prepared to enforce such provisions themselves if the need to do so arises. In the event of a default in the payment of principal of or interest on the Bond, there is no provision for acceleration of maturity of the principal of the Bonds. Consequently, the remedies of the owners of the Bonds (consisting primarily of an action in the nature of mandamus requiring the District and certain other public officials to perform the terms of the resolution for the Bonds) may have to be enforced from year to year. Holders of the Bonds shall have and possess all the rights of action and remedies afforded by the common law, the Constitution and statutes of the State of Iowa and of the United States of America for the enforcement of payment of the Bond, including, but not limited to, the right to a proceeding in law or in equity by suit, action or mandamus to enforce and compel performance of the duties required by Iowa law and the Bond Resolution.

The practical realization of any rights upon any default will depend upon the exercise of various remedies specified in the Bond Resolution. The remedies available to the owners of the Bonds upon an event of default under the Bond Resolution, in certain respects, may require judicial action, which is often subject to discretion and delay. Under existing law, including specifically the federal bankruptcy code, certain of the remedies specified in the Bond Resolution may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in these documents. The legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principles of equity and public policy and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

No representation is made, and no assurance is given, that the enforcement of any remedies with respect to such assets will result in sufficient funds to pay all amounts due under the Bond Resolution or the Loan Agreement, including principal of and interest on the Bonds.

### **Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history of economic prospects connected with a particular issue, and secondary marketing practices in connection with a particular Bond or Bonds issue are suspended or terminated. Additionally, prices of bond or note issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price of the Bonds.

### **Pension**

Pursuant to GASB Statement No. 68, the School reported a liability of \$5,913,701 as of June 30, 2018 for its proportionate share of the net pension liability for Iowa Public Employee Retirement System (“IPERS”). The net pension liability is the amount by which the total actuarial liability exceeds the pension plan’s net assets or fiduciary net position (essentially the market value) available for paying benefits. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School’s proportion of the net pension liability was based on the School’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. As of June 30, 2017, the School’s collective proportion was 0.088777%, which was a decrease of 0.00123% from its proportion measured June 30, 2016. See School’s Audited Financial Statements for Fiscal Year Ending June 30, 2018, Appendix D, for additional information.

### **Project Completion; Risks of Construction**

A delay in completion of the Project may arise from any number of other causes, including but not limited to, adverse weather conditions, unavailability of subcontractors, and negligence on the part of subcontractors, labor disputes, or unanticipated costs of construction, equipping or renovation. Any of these events or occurrences, separately or in combination, could have a material adverse effect on the Issuer’s ability to complete the Project, or to complete it as planned and on schedule. The Issuer believes that the proceeds of the Bonds will be sufficient to complete the Project; however, the cost of construction of the Project may be affected by factors beyond the control of the Issuer, including strikes, material shortages, adverse weather conditions, subcontractor defaults, delays, and unknown contingencies.

### **Debt Payment History**

The Issuer knows of no instance in which it has intentionally defaulted in the payment of principal and interest on any of its debt.

### **Damage or Destruction to District’s Facilities**

Although the District will be required to obtain and maintain certain kinds of insurance as set forth in the Resolution, there can be no assurance that the District will not suffer uninsured losses in the event of damage to or destruction of the District’s facilities, including the Project, due to fire or other calamity or in the event of other unforeseen circumstances.

### **Redemption Prior to Maturity**

In considering whether the Bonds might be redeemed prior to maturity, Bondholders should consider the information included in this Official Statement under the heading "THE BONDS." Furthermore, the Bonds are subject to optional and mandatory redemption as set forth herein. See "THE BONDS" herein.

### **General Liability Claims**

In recent years, the number of general liability suits and the dollar amounts of damage awards have increased nationwide, resulting in substantial increases in insurance premiums. Litigation may also arise against the District from its business activities, such as its status as an employer. While the District maintains general liability insurance coverage, the District is unable to predict the availability or cost of such insurance in the future. In addition, it is possible that certain types of liability awards may not be covered by insurance as in effect at relevant times. Any negative impact resulting from such awards may impact the District's financial condition.

### **Risks as Employer**

The Issuer is a major employer, combining a complex mix of tenured and untenured full-time faculty, part-time faculty, technical and clerical support staff and other types of workers in a single operation. As with all large employers, the Issuer bears a wide variety of risks in connection with its employees. These risks include discrimination claims, personal tort actions, work-related injuries, exposure to hazardous materials, interpersonal torts (such as between employees or between employees and students) and other risks that may flow from the relationships between employer and employee or between students and employees. Certain of these risks are not covered by insurance, and certain of them cannot be anticipated or prevented in advance.

### **Cleanup Costs and Liens Under Environmental Statutes**

The District is not aware of any enforcement actions currently in process with respect to any releases of pollutants or contaminants at the site of Project. However, there can be no assurance that an enforcement action or actions will not be instituted under such statutes at a future date. In the event such enforcement actions were initiated, the District could be liable for the costs of removing or otherwise treating pollutants or contaminants located at the site of Project. In addition, under applicable environmental statutes, in the event an enforcement action were initiated, a lien superior to the Bondholders' lien could attach to the Project, which may adversely affect the Bondholders' rights.

### **Cybersecurity**

The Issuer relies on its information systems to provide security for processing, transmission and storage of confidential and other sensitive information. Security breaches, including electronic break-ins, computer viruses, attacks by hackers and similar breaches could create disruptions or shutdowns of the Issuer and the services it provides, or the unauthorized access to or disclosure of personally identifiable information and other confidential or sensitive information. Despite security measures, the Issuer may remain vulnerable to attacks by outside or internal hackers, or breaches caused by employee error, negligence or malfeasance. Any failure to maintain proper functionality and security of the Issuer's information systems could interrupt the Issuer's operations, damage its reputation, subject it to significant costs, liability claims or regulatory penalties, and could have a material adverse effect on the operations and financial condition of the Issuer. The Issuer has a \$\_\_\_\_\_ million cyber-insurance policy. The Issuer cannot predict whether this policy will be sufficient in the event of a cyberattack.

### **Limitation or Delay of Remedies**

There is no bond trustee or similar person to monitor or enforce the provisions of the resolution for the Bonds. The owners of the Bonds should, therefore, be prepared to enforce such provisions themselves if the need to do so arises. In the event of a default in the payment of principal of or interest on the Bonds, there is no provision for acceleration of maturity of the principal of the Bonds. Consequently, the remedies of the owners of the Bonds (consisting primarily of an action in the nature of mandamus requiring the Issuer and certain other public officials to perform the terms of the resolutions for the Bonds) may have to be enforced from year to year.

The remedies available to the owners of the Bonds upon an event of default under the Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically the Bankruptcy Code, the remedies provided in the Resolution may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds and the delivery of the Resolution will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.



## **Rating**

Moody's Investor Service (the "Rating Agency") has assigned a rating of "A2" to the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of the Rating Agency, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

Rating agencies are currently not regulated by any regulatory body. Future regulation of rating agencies could materially alter the methodology, rating levels, and types of ratings available, for example, and these changes, if ever, could materially affect the market value of the Bonds.

## **Forward-Looking Statements**

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward looking statements and the actual results. These differences could be material and could impact the availability of funds of the Issuer to pay debt service when due on the Bonds.

## **Pending Federal Tax Legislation**

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals are pending in Congress that could, if enacted, alter or amend one or more of the federal tax matters described herein in certain respects or would adversely affect the market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Bonds. In addition regulatory actions are from time to time announced or proposed, and litigation threatened or commenced, which if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

## **DTC-Beneficial Owners**

Beneficial Owners of the Bonds may experience some delay in the receipt of distributions of principal of and interest on the Bonds since such distributions will be forwarded by the Paying Agent to DTC and DTC will credit such distributions to the accounts of the Participants which will thereafter credit them to the accounts of the Beneficial Owner either directly or indirectly through indirect Participants. Neither the Issuer nor the Paying Agent will have any responsibility or obligation to assure that any such notice or payment is forwarded by DTC to any Participants or by any Participant to any Beneficial Owner.

In addition, since transactions in the Bonds can be effected only through DTC Participants, indirect participants and certain banks, the ability of a Beneficial Owner to pledge the Bonds to persons or entities that do not participate in the DTC system, or otherwise to take actions in respect of such Bonds, may be limited due to lack of a physical certificate. Beneficial Owners will be permitted to exercise the rights of registered Owners only indirectly through DTC and the Participants. See "**THE BONDS—Book-Entry Only System.**"

## **Other Factors**

An investment in the Bonds involves an element of risk. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the Appendices hereto) in order to make a judgment as to whether the Bonds are an appropriate investment.

## **Summary**

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should become thoroughly familiar with this entire Official Statement and the Appendices hereto.

## LITIGATION

The District encounters litigation occasionally, as a course of business, however, no litigation currently exists that is not believed to be covered by current insurance carriers and no litigation has been proposed that questions the validity of these bonds.

## ACCOUNTANT

The accrual-basis financial statements of the Issuer included as **APPENDIX D** to this Official Statement have been examined by Nolte, Cornman & Johnson, P.C., to the extent and for the periods indicated in their report thereon. Such financial statements have been included herein without permission of said CPA, and said CPA expresses no opinion with respect to the Bonds or the Official Statement.

## UNDERWRITING

The Bonds are being purchased, subject to certain conditions, by \_\_\_\_ (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase all, but not less than all, of the Bonds at an aggregate purchase price of \$\_\_\_\_\_ plus accrued interest to the Closing Date.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into unit investment trusts, certain of which may be sponsored or managed by the Underwriter) at prices lower than the initial public offering prices stated on the cover page. The initial public offering prices of the Bonds may be changed, from time to time, by the Underwriter.

The Underwriter intends to engage in secondary market trading of the Bonds subject to applicable securities laws. The Underwriter is not obligated, however, to repurchase any of the Bonds at the request of the holder thereof.

## THE PROJECT

The Bonds are being issued to provide funds i) to provide funds to construct, build, furnish and equip a pre-K through 4<sup>th</sup> grade building as an addition to the Middle School building, including related remodeling and site improvements; and to make critical architectural/structural improvements at Cherokee Middle School building and Washington High School building, including locker rooms, and ii) to pay costs of issuance for the Bonds.

## SOURCES AND USES OF FUNDS \*

Sources of Funds	Bond Proceeds	\$2,600,000
	Reoffering Premium	TBD
Total Sources of Funds		\$2,600,000
Uses of Funds	Deposit to Project fund	\$2,535,000
	Estimated Costs of Issuance	65,000
	Underwriter's Discount	TBD
Total Uses of Funds		\$2,600,000

\* Preliminary, subject to change

## TAX EXEMPTION AND RELATED CONSIDERATIONS

### Tax Exemption

Federal tax law contains a number of requirements and restrictions that apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of Bond proceeds and facilities financed with Bond proceeds, and certain other matters. The Issuer has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the Issuer's compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, the interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors as to collateral federal income tax consequences.

The interest on the Bonds is not exempt from present Iowa income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

#### Qualified Tax Exemption Obligations

The Bonds will be designated as "qualified tax-exempt obligations" under the exception provided in Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended (the "Code").

#### Discount and Premium Bonds

The initial public offering price of certain Bonds may be less than the amount payable on such Bonds at maturity ("Discount Bonds"). Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds may be greater than the amount of such Bonds at maturity ("Premium Bonds"). Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable premium on Premium Bonds for income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

#### Other Tax Advice

In addition to the income tax consequences described above, potential investors should consider the additional tax consequences of the acquisition, ownership, and disposition of the Bonds. For instance, state income tax law may differ substantially from state to state, and the foregoing is not intended to describe any aspect of the income tax laws of any state. Therefore, potential investors should consult their own tax advisors with respect to federal tax issues and with respect to the various state tax consequences of an investment in Bonds.

#### Audits

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. To the best of the Issuer's knowledge, no obligations of the Issuer are currently under examination by the Service. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the Issuer as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

#### Reporting and Withholding

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

#### Tax Legislation

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may be considered by the Iowa legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest or other income on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of

interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

Current and future legislative proposals, including some that carry retroactive effective dates, if enacted into law, court decisions, or clarification of the Code may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, on December 22, 2017, the Tax Cuts and Jobs Act (“TCJA”) was signed into law. For tax years beginning after December 31, 2017, the TCJA, among other things, significantly changes the income tax rates on individuals and corporations, modifies the current provisions relative to the federal alternative minimum tax on individuals, and eliminates the federal alternative minimum tax for corporations. The TCJA, or the introduction or enactment of any other legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the TCJA, as well as any pending or proposed tax legislation, as to which Bond Counsel expresses no opinion other than as set forth in its legal opinion.

#### The Opinion

The FORM OF LEGAL OPINION, in substantially the form set out in APPENDIX B to this Preliminary Official Statement, will be delivered at closing.

Bond Counsel’s opinion is not a guarantee of a result, or of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Issuer described in this section. No ruling has been sought from the Service with respect to the matters addressed in the opinion of Bond Counsel and Bond Counsel’s opinion is not binding on the Service, nor does the rendering of the opinion guarantee the outcome of any legal dispute that may arise out of the transaction. Bond Counsel assumes no obligation to update its opinion after the issue date to reflect any further action, fact or circumstance, or change in law or interpretation, or otherwise.

#### Enforcement

There is no bond trustee or similar person to monitor or enforce the terms of the resolution for issuance of the Bonds. In the event of a default in the payment of principal of or interest on the Bonds, there is no provision for acceleration of maturity of the principal of the Bonds. Consequently, the remedies of the owners of the Bonds (consisting primarily of an action in the nature of mandamus requiring the Issuer and certain other public officials to perform the terms of the resolution for the Bonds) may have to be enforced from year to year.

The owners of the Bonds cannot foreclose on property within the boundaries of the Issuer or sell such property in order to pay the debt service on the Bonds. In addition, the enforceability of the rights and remedies of owners of the Bonds may be subject to limitation as set forth in Bond Counsel's opinion. The opinion will state, in part, that the obligations of the Issuer with respect to the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, to the exercise of judicial discretion in appropriate cases and to the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

#### Bond Counsel Review

Bond Counsel has approved the language included in this "Tax Exemption and Related Considerations" Section, but has not otherwise participated in the preparation of this Preliminary Official Statement and will not pass upon its accuracy, completeness or sufficiency. Bond Counsel has not examined, nor attempted to examine or verify, any of the financial or statistical statements or data contained in this Preliminary Official Statement, and will express no opinion with respect thereto.

**ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS WITH RESPECT TO FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF OWNERSHIP OF THE BONDS (INCLUDING BUT NOT LIMITED TO THOSE LISTED ABOVE).**

#### **FINANCIAL ADVISOR**

The Issuer has retained Piper Jaffray & Co. as financial advisor (the “Financial Advisor”) in connection with the issuance of the Bonds. The Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of the Official Statement. The Financial Advisor is not a public accounting firm and has not been engaged by the Issuer to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

**CONTINUING DISCLOSURE**

The District will enter into a Continuing Disclosure Certificate (together, the "Undertaking") for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board ("MSRB") pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934. The information to be provided, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth in **APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE**.

A failure by the District to comply with the Undertaking will not constitute a default under the Resolution and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. Any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District to comply with its obligations under the Disclosure Certificate. Direct, indirect, consequential and punitive damages shall not be recoverable by any person for any default thereunder. If the District fails to comply with any provision of the Disclosure Certificate, the sole remedy available shall be an action to compel performance. A failure by the District to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

During the past five years, to the best of its knowledge, the District believes it has complied in all material respects with its previous Undertakings entered into under the Rule.

-----

I have reviewed the information contained within the Official Statement of the Cherokee Community School District, State of Iowa, and to the best of our knowledge, information and belief said Official Statement does not contain any material misstatements of fact nor omissions of any material fact which is necessary to make the statements and information herein, in light of the circumstances under which they were made, not misleading regarding the issuance of \$2,600,000\* General Obligation School Bonds, Series 2019.

CHEROKEE COMMUNITY SCHOOL DISTRICT, STATE OF IOWA

/s/ Joyce Lundsgaard  
Board Secretary

---

\* Preliminary, subject to change

**APPENDIX A - INFORMATION ABOUT THE ISSUER**  
**CHEROKEE COMMUNITY SCHOOL DISTRICT, IOWA**

**DISTRICT OFFICIALS**

<b>PRESIDENT</b>	Laura Dawson
<b>BOARD MEMBERS</b>	Logan Patterson Paul Fuhrman Laura Jones Chuck Wulfsen
<b>SUPERINTENDENT</b>	Kimberly Lingenfelter
<b>DISTRICT SECRETARY</b>	Joyce Lundsgaard
<b>DISTRICT TREASURER</b>	Joyce Lundsgaard
<b>DISTRICT ATTORNEY</b>	Steve Avery

**CONSULTANTS**

<b>BOND &amp; DISCLOSURE COUNSEL</b>	Ahlers & Cooney, P.C. Des Moines, Iowa
<b>FINANCIAL ADVISOR</b>	Piper Jaffray & Co. Des Moines, Iowa
<b>PAYING AGENT</b>	Bankers Trust Co. Des Moines, Iowa

**General Information**

The Cherokee Community School District is located in northwestern Iowa, in Cherokee County, approximately 55 miles east of Sioux City and 183 miles from the Des Moines Metropolitan area.

**District Facilities**

Presented below is a recap of the existing facilities of the District:

<u>Building</u>	<u>Construction Date</u>	<u>Grades Served</u>
Washington High School	1952	9-12
Little Sioux Success Center	NA	11-12
Middle School	2000	5-8
Roosevelt Elementary	1960	PK-4

Source: Cherokee CSD

**Enrollment**

Total enrollment in the District in the fall of the past five school years has been as follows:

	<u>Certified (Resident) (1)</u>	<u>Open Enroll In</u>	<u>Open Enroll Out</u>	<u>Total Served (2)</u>
October-18	1,014.1	113.0	33.7	1,093.4
October-17	973.5	100.0	25.6	1,047.9
October-16	942.5	103.0	20.5	1,025.0
October-15	941.6	91.0	19.2	1,013.4
October-14	956.2	77.0	16.9	1,016.3

Source: Department of Education

- 1 Used for Sales Tax distribution
- 2 Used for State Aid distribution

**Staff**

Presented below is a list of the District's 164 employees.

Administrators:	4	Media Specialists:	3
Teachers:	77	Nurses:	2
Teacher Aides:	35	Guidance:	3
Custodians:	8	Secretaries:	6
Food Service:	13	Transportation:	7
Other:	5	Maintenance:	1

Source: Cherokee CSD

**Other Post Employment Benefits (OPEB)**

Plan Description - The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by the District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	8
Active employees	128
Total	136

Total OPEB Liability - The District's total OPEB liability of \$763,834 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rates of inflation (effective June 30, 2017)	2.75% per annum
Rates of salary increase (effective June 30, 2017)	3.25% per annum, including inflation
Discount rate (effective June 30, 2017)	3.56% compounded annually, including inflation
Healthcare cost trend rate (effective June 30, 2017)	6.80% initial rate decreasing by varying amounts to an ultimate rate of 4.40%

Discount Rate - The discount rate used to measure the total OPEB liability was 3.56% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP 2000 annuitant generational mortality projected fully generational with Scale AA. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

#### Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year, as restated	\$726,648
Changes for the year:	
Service cost	64,360
Interest	22,878
Changes in assumptions	(35,035)
Benefit payments	(15,017)
	<hr/>
Net Changes	37,186
Total OPEB Liability end of year	<hr/> <u>\$763,834</u>

Changes of assumptions reflect a change in the discount rate from 2.92% in fiscal year 2017 to 3.56% at the June 30, 2017 measurement date used for the reporting date of June 30, 2018.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.56%) or 1% higher (4.56%) than the current discount rate.

	<u>1% decrease (2.56%)</u>	<u>Discount rate (3.56%)</u>	<u>1% increase (4.56%)</u>
Total OPEB Liability	\$819,129	\$763,834	\$711,761

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the District as what the District's total OPEB liability would be it were calculated using healthcare cost trend rates that are 1% lower (5.80%) or 1% higher (7.80%) than the current healthcare cost trend rates.

	<u>1% decrease (5.80%)</u>	<u>Healthcare Cost Trend Rate (6.80%)</u>	<u>1% increase (7.80%)</u>
Total OPEB Liability	\$684,596	\$763,834	\$857,042

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the District recognized OPEB expense of \$82,700. At June 30, 2018, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following resources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	30,497
Contributions between measurement date and reporting date	50,184	-
Total	\$ 50,184	30,497

\$50,184 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to measurement date will be recognized as a reduction of the total liability in the year ending June 30, 2019. The amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:



<u>Year ended June 30,</u>	<u>Amount</u>
2019	\$ (4,538)
2020	(4,538)
2021	(4,538)
2022	(4,538)
2023	(4,538)
Thereafter	<u>(7,807)</u>
Total	<u>\$ (30,497)</u>

Source: Cherokee CSD's 2018 Independent Audited Financial Statement

### Employee Pension Plan

**Plan Description.** Iowa Public Employees' Retirement System ("IPERS") membership is mandatory for employees of the Issuer. The Issuer's employees are provided with pensions through a cost-sharing multiple employer defined pension plan administered by IPERS. IPERS benefits are established under Iowa Code, Chapter 97B and the administrative rules thereunder. The Issuer's employee who completed seven years of covered service or has reached the age of 65 while in IPERS covered employment becomes vested. If the Issuer's employee retires before normal retirement age, the employees' monthly retirement benefit will be permanently reduced by an early-retirement reduction. IPERS provides pension benefits as well as disability benefits to Issuer employees and benefits to the employees' beneficiaries upon the death of the eligible employee. See "**APPENDIX D-AUDITED FINANCIAL STATEMENTS OF THE ISSUER-NOTES TO THE FINANCIAL STATEMENTS**" for additional information on IPERS. Additionally, copies of IPERS annual financial report may be obtained from [www.ipers.org](http://www.ipers.org). Moreover, IPERS maintains a website at [www.ipers.com](http://www.ipers.com). However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

**Contributions.** Although the actuarial contribution rates are calculated each year, the contribution rates were set by state law through June 30, 2012 and did not necessarily coincide with the actuarially calculated contribution rate. As a result, from June 30, 2002 through June 30, 2013, the rate allowed by statute was less than the actuarially required rate. Effective July 1, 2012, as a result of a 2010 law change, IPERS contribution rates for the Issuer and its employees are established by IPERS following the annual actuarial valuation (which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization method.) State statute, however, limits the amount rates can increase or decrease each year to one (1) percentage point. Therefore, any difference between the actuarial contribution rates and the contributions paid is due entirely to statutorily set contributions that may differ from the actual contribution rates. As a result, while the contribution rate in the fiscal year ended June 30, 2018 equaled the actuarially required rate, there is no guarantee, due to this statutory limitation on rate increases, that the contribution rate will meet or exceed the actuarially required rate in the future.

In fiscal year 2018, pursuant to the IPERS' required rate, the Issuer's employees contributed 5.95% of pay and the Issuer contributed 8.93% for a total rate of 14.88 percent. The Issuer's contributions to IPERS for the year ended June 30, 2018 were \$603,117 which amount is not less than its actuarially determined calculated annual actuarial valuation. The Issuer's share of the contribution, payable from the applicable funds of the Issuer, is provided by a statutorily authorized annual levy of taxes without limit or restriction as to rate or amount. The Issuer has always made its full required contributions to IPERS.

The following table sets forth the contributions made by the Issuer and its employees to IPERS for the period indicated. The Issuer cannot predict the levels of funding that will be required in the future.

**Table 1 – Issuer and Employees Contribution to IPERS.**

Fiscal Year	Issuer Contribution		Issuer Employees' Contribution	
	Amount Contributed	% of Covered Payroll	Amount Contributed	% of Covered Payroll
2014	529,968	8.93	353,115	5.95
2015	550,466	8.93	366,772	5.95
2016	576,813	8.93	384,327	5.95
2017	591,813	8.93	394,321	5.95
2018	603,117	8.93		5.95

SOURCE: Cherokee CSD

The Issuer cannot predict the levels of funding that will be required in the future as any IPERS unfunded pension benefit obligation could be reflected in future years in higher contribution rates. The investment of moneys, assumptions underlying the same and the administration of IPERS is not subject to the direction of the Issuer. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of IPERS ("UAALs"). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, adjustments, cost-of-living adjustments, valuation of current assets, investment

return and other matters. Such UAAL could be substantial in the future, requiring significantly increased contributions from the Issuer which could affect other budgetary matters.

The following table sets forth certain information about the funding status of IPERS that has been extracted from the comprehensive annual financial reports of IPERS for the fiscal years ended June 30, 2018 through, and including, 2014 (collectively, the “IPERS CAFRs (2014-2018)”), and the actuarial valuation reports provided to IPERS by Cavanaugh MacDonald Consulting, LLC (collectively, the “IPERS Actuarial Reports (2014-2018)”). Additional information regarding IPERS and its latest actuarial valuations can be obtained by contacting IPERS administrative staff.

Table 2 – Funding Status of IPERS

Valuation Date	Actuarial Value of Assets [a]	Market Value of Assets [b]	Actuarial Liability [c]	Unfunded Actuarial Liability (Actuarial Value) [c]-[a]	Funded Ratio (Actuarial Value) [a]/[c]	Unfunded Actuarial Liability (Market Value) [c]-[b]	Funded Ratio (Market Value) % [b]/[c]	Covered Payroll [d]	UAAL as a Percentage of Covered Payroll (Actuarial Value) [[c-a]/[d]]
2014	26,460,428,085	28,038,549,893	32,004,456,088	5,544,028,003	82.68	3,965,906,195	87.61	7,099,277,280	78.09
2015	27,915,379,103	28,429,834,829	33,370,318,731	5,454,939,628	83.65	4,940,483,902	85.19	7,326,348,141	74.46
2016	29,033,696,587	28,326,433,656	34,619,749,147	5,586,052,560	83.86	6,293,315,491	81.82	7,556,515,720	73.92
2017	30,472,423,914	30,779,116,326	37,440,382,029	6,967,958,115	81.39	6,661,265,703	82.21	7,863,160,443	88.62
2018	31,827,755,864	32,314,588,595	38,642,833,653	6,815,077,789	82.36	6,328,245,058	83.62	7,983,219,527	85.37

Source: IPERS CAFRs (2014-2018) and IPERS Actuarial Reports (2014-2018)

For a description of the assumptions used when calculating the funding status of IPERS for the fiscal year ended June 30, 2018, see IPERS CAFRs (2014-2018)

Table 3 – Recent returns of IPERS

According to IPERS, the market value investment return on program assets is as follows:

Fiscal Year Ended June 30	Investment Return %
2014	15.88
2015	3.96
2016	2.15
2017	11.70
2018	7.97

Net Pension Liabilities.

Effective for fiscal years beginning after June 15, 2014, GASB Statement 68 requires all reporting units in a multi-employer cost sharing pension plan to record a balance sheet liability for their proportionate share of the net pension liability of the plan. The Issuer was required to implement GASB 68 in their year end June 30, 2015 financial statements.

At June 30, 2018, the Issuer reported a liability of \$5,913,701 for its proportional share of the IPERS net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The discount rate used to measure the total pension liability was 7.5%. The Issuer’s proportion of the net pension liability was based on the Issuer’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. See “**APPENDIX D–AUDITED FINANCIAL STATEMENTS OF THE ISSUER–NOTES TO THE FINANCIAL STATEMENTS**” for additional information related to the Issuer’s deferred outflows and inflows of resources related to pensions, actuarial assumptions, discount rate and discount rate sensitivity.

Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at [www.ipers.org](http://www.ipers.org).

Bond Counsel, Disclosure Counsel, the Issuer, and the Financial Advisor undertake no responsibility for and make no representations as to the accuracy or completeness of the material available from IPERS as discussed above or included on the IPERS website, including, but not limited to, updates of such information on the Auditor of State’s website or links to other websites through the IPERS website.

**Investment of Public Funds**

The District invests its funds pursuant to Chapter 12B of the Code. Presented below is the District's investing activities as of January 31, 2019.

<u>Type of Investment</u>	<u>Amount Invested</u>
Local Bank Money Market	\$4,998,704
Local Bank Deposit Accounts	1,819,392
Local Bank Time CD's	9,958,174
ISJIT Money Market	185,327
ISJIT Time CD's	0

Source: Cherokee CSD

**Population**

Presented below are population figures for the periods indicated for the city of Cherokee:

<u>Year</u>	<u>Population</u>
2010	5,253
2000	5,369
1990	6,026
1980	7,004
1970	7,272

Source: U.S. Census Bureau

**Major Employers**

Presented below is a summary of the largest employers in the District:

<u>Employer</u>	<u>Business</u>	<u>Approximate Employees</u>
Hy-Vee Distribution Center	Distribution Center	336
Mental Health Institute	Mental Health Services	248
Cherokee Regional Medical Center	Healthcare	220
Cherokee CSD	Education	160
First Coop Association	Agricultural Supplies	140
Schoon Construction	Communications Construction	85
Christensen Brothers Construction	Bridge Construction	80
RJ Thomas Mfg Co.	Park Equipment	50
Grundman-Hicks Construction	Commercial and Industrial Construction	35

Source: Locationone.com

**Property Tax Assessment**

In compliance with section 441.21 of the Code of Iowa, as amended, the State Director of Revenue annually directs all county auditors to apply prescribed statutory percentages to the assessments of certain categories of real property. The final values, called Actual Valuation, are then adjusted by the County Auditor. Assessed or Taxable Valuation subject to tax levy is then determined by the application of State determined rollback percentages, principally to residential and commercial property.

Beginning in 1978, the State required a reduction in Actual Valuation to reduce the impact of inflation on its residents. The resulting value is defined as the Assessed or Taxable Valuation. The rollback percentages for residential, agricultural and commercial valuations are as follows:

<u>Fiscal Year</u>	<u>Residential Rollback</u>	<u>Ag. Land &amp; Buildings</u>	<u>Commercial</u>	<u>Multi-residential</u>
2018-19	55.6209	54.4480	90.0000	78.7500
2017-18	56.9391	47.4996	90.0000	82.5000
2016-17	55.6259	46.1068	90.0000	86.2500
2015-16	55.7335	44.7021	90.0000	
2014-15	54.4002	43.3997	95.0000	

Source: Iowa Department of Revenue

Property is assessed on a calendar year basis. The assessments finalized as of January 1 of each year are applied to the following fiscal year. For example, the assessments finalized on January 1, 2017 are used to calculate tax liability for the tax year starting July 1, 2018 through June 30, 2019. Presented below are the historic property valuations of the Issuer by class of property.

## Property Valuations

Actual Valuation					
Valuation as of January	2018	2017	2016	2015	2014
Fiscal Year	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>
Residential:	262,095,751	230,614,871	226,086,944	222,974,785	190,268,010
Agricultural Land:	139,171,461	139,042,190	164,285,635	164,272,342	154,318,966
Ag Buildings:	4,883,730	4,799,570	7,101,465	6,813,172	10,027,107
Commercial:	58,210,546	50,830,767	47,627,679	48,542,694	59,167,992
Industrial:	11,231,350	10,144,886	13,322,527	12,917,356	14,381,849
Multi-Residential	11,691,470	10,699,437	10,704,958	10,737,802	
Reserved					
Railroads:	1,676,877	2,020,396	2,142,930	2,151,646	2,040,578
Utilities:	23,308,909	3,256,743	3,311,858	3,603,073	3,916,836
Other:	0	0	0	0	0
<b>Total Valuation:</b>	<b>512,270,094</b>	<b>451,408,860</b>	<b>474,583,996</b>	<b>472,012,870</b>	<b>434,121,338</b>
Less Military:	788,952	833,400	870,440	899,487	927,852
<b>Net Valuation:</b>	<b>511,481,142</b>	<b>450,575,460</b>	<b>473,713,556</b>	<b>471,113,383</b>	<b>433,193,486</b>
TIF Valuation:	0	1,934,817	2,658,806	2,776,795	493,983
Utility Replacement:	12,914,941	12,067,352	11,688,320	11,396,573	10,691,136
Taxable Valuation					
Valuation as of January	2018	2017	2016	2015	2014
Fiscal Year	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>
Residential:	149,179,629	128,267,021	128,465,476	123,704,871	106,042,392
Agricultural Land:	78,120,268	75,705,696	77,999,939	75,706,660	68,950,805
Ag Buildings:	2,741,360	2,613,283	3,373,168	3,141,339	4,482,323
Commercial:	52,389,491	45,554,921	42,671,996	43,495,510	53,219,175
Industrial:	10,108,215	8,530,400	11,390,276	11,625,621	12,943,666
Multi-Residential	8,768,620	8,425,811	8,831,590	9,261,352	
Reserved					
Railroads:	1,509,189	1,818,357	1,928,637	1,936,482	1,836,520
Utilities:	23,308,909	3,256,743	3,311,858	3,603,073	3,916,836
Other:	0	0	0	0	0
<b>Total Valuation:</b>	<b>326,125,681</b>	<b>274,172,232</b>	<b>277,972,940</b>	<b>272,474,908</b>	<b>251,391,717</b>
Less Military:	788,952	833,400	870,440	899,487	927,852
<b>Net Valuation:</b>	<b>325,336,729</b>	<b>273,338,832</b>	<b>277,102,500</b>	<b>271,575,421</b>	<b>250,463,865</b>
TIF Valuation:	0	2,534,817	3,235,749	2,751,164	431,827
Utility Replacement:	5,546,877	5,482,583	5,443,168	5,872,809	5,882,594

Valuation	Actual	% Change in	Taxable	% Change in
<u>Year</u>	<u>Valuation</u>	<u>Actual</u>	<u>Valuation</u>	<u>Taxable</u>
	<u>w/Utilities</u>	<u>Valuation</u>	<u>w/Utilities</u>	<u>Valuation</u>
2018	524,396,083	12.88%	330,883,606	17.60%
2017	464,577,629	-4.81%	281,356,232	-1.55%
2016	488,060,682	0.57%	285,781,417	1.99%
2015	485,286,751	9.21%	280,199,394	9.12%
2014	444,378,605	0.22%	256,778,286	-0.30%
2013	443,405,941	13.56%	257,543,512	1.65%

Source: Iowa Department of Management

**Tax Rates**

Presented below are the taxes levied by the District for the fund groups as presented, for the period indicated:

<u>Fiscal Year</u>	<u>Operating Fund</u>	<u>Management Fund</u>	<u>Board PPEL</u>	<u>Voter PPEL</u>	<u>Play Ground</u>	<u>Debt Service</u>	<u>School House</u>	<u>Total Levy</u>
2019	10.23740	1.25528	0.33000	0.85000	0.00000	0.00000	0.00000	12.67268
2018	10.07323	1.50418	0.33000	0.85000	0.00000	0.00000	0.00000	12.75741
2017	10.69418	0.90107	0.33000	0.85000	0.00000	0.00000	0.00000	12.77525
2016	11.33554	0.78019	0.33000	0.85000	0.00000	0.00000	0.00000	13.29573
2015	11.42146	1.16679	0.33000	0.85000	0.00000	0.00000	0.00000	13.76825
2014	11.61350	1.58852	0.33000	0.85000	0.00000	0.00000	0.00000	14.38202

Source: Iowa Department of Management

**Historic Tax Rates**

Presented below are the tax rates by taxing entity for residents of the City of Cherokee:

<u>Fiscal Year</u>	<u>City</u>	<u>School</u>	<u>College</u>	<u>State</u>	<u>Assessor</u>	<u>Ag Extens</u>	<u>Hospital</u>	<u>County</u>	<u>Transit</u>	<u>Total Levy Rate</u>
2019	16.02368	12.67268	0.96256	0.00290	0.32423	0.26054	0.00000	8.23500	0.00000	38.48159
2018	16.14270	12.75741	0.79732	0.00310	0.39578	0.25443	0.00000	7.87500	0.00000	38.22574
2017	16.14828	12.77525	0.74787	0.00330	0.38320	0.26127	0.00000	7.98000	0.00000	38.29917
2016	16.00147	13.29573	0.77318	0.00330	0.45694	0.18340	0.00000	8.65000	0.00000	39.36402
2015	17.65438	13.76825	0.77964	0.00330	0.57908	0.19824	0.00000	8.40945	0.00000	41.39234
2014	16.84982	14.38202	0.76321	0.00330	0.67500	0.23838	0.00000	8.50208	0.00000	41.41381

Source: Iowa Department of Management

**Tax Collection History**

Presented below are the actual ad-valorem tax levies and collections for the periods indicated:

<u>Fiscal Year</u>	<u>Amount Levied</u>	<u>Amount Collected</u>	<u>Percentage Collected</u>
2019	3,537,071	In collection	In collection
2018	3,609,389	3,661,381	101.44%
2017	3,548,174	3,569,042	100.59%
2016	3,408,958	3,458,121	101.44%
2015	3,540,631	3,480,042	98.29%
2014	3,623,823	3,630,643	100.19%
2013	3,490,722	3,470,581	99.42%
2012	3,582,248	3,578,732	99.90%
2011	3,364,232	3,360,653	99.89%
2010	3,007,791	3,002,553	99.83%

Source: Cherokee CSD

## Largest Taxpayers

Set forth in the following table are the persons or entities which represent the FY2019 largest taxpayers within the Issuer and those taxpayers 1/1/2018 taxable valuations, as provided by the Auditors Offices of each of said counties. No independent investigation has been made of and no representation is made herein as to the financial condition of any of the taxpayers listed below or that such taxpayers will continue to maintain their status as major taxpayers in the District. The District's tax levy is uniformly applicable to all of the properties included in the table, and thus taxes expected to be received by the District from such taxpayers will be in proportion to the assessed valuations of the properties. The total tax bill for each of the properties is dependent upon the tax levies of the other taxing entities which overlap the properties.

<u>Taxpayer</u>	<u>2018 Taxable Valuation</u>	<u>Percent of Total</u>
Hy-Vee Food Stores Inc	6,775,846	2.048%
MidAmerican Energy	6,439,209	1.946%
Timmerman Farms, LP	4,646,800	1.404%
Farmers Cooperative Co	3,308,760	1.000%
R J Thomas Mfg Co Inc	3,162,150	0.956%
Interstate Power & Light Co	2,898,618	0.876%
VL Cherokee Holdings, LLC	2,832,080	0.856%
Sioux Valley Memorial Hospital	2,678,310	0.809%
Iowa Food Group, LLC	2,375,150	0.718%
Cherokee Investments, LLC	2,224,970	0.672%
	<b>Total</b>	<b>11.286%</b>

Source: County Auditor Office

### (1) Utility Property Tax Replacement

Beginning in 1999, the State replaced its previous property tax assessment procedure in valuing the property of entities involved primarily in the production, delivery, service and sale of electricity and natural gas with a replacement tax formula based upon the delivery of energy by these entities. Electric and natural gas utilities now pay replacement taxes to the State in lieu of property taxes. All replacement taxes are allocated among local taxing cities by the State Department of Revenue and Finance and the Department of Management. This allocation is made in accordance with a general allocation formula developed by the Department of Management on the basis of general property tax equivalents. Properties of these utilities are exempt from the levy of property tax by political subdivisions. Utility property will continue to be valued by a special method as provided in the statute and taxed at the rate of three cents per one thousand dollars for the general fund of the State.

The utility replacement tax statute states that the utility replacement tax collected by the State and allocated among local taxing cities (including the Issuer) shall be treated as property tax when received and shall be disposed of by the county treasurer as taxes on real estate. However, utility property is not subject to the levy of property tax by political subdivisions, only the utility replacement tax and statewide property tax. It is possible that the general obligation debt capacity of the Issuer could be adjudicated to be proportionately reduced in future years if utility property were determined to be other than "taxable property" for purposes of computing the Issuer's debt limit under Article XI of the Constitution of the State of Iowa. There can be no assurance that future legislation will not (i) operate to reduce the amount of debt the Issuer can issue or (ii) adversely affect the Issuer's ability to levy taxes in the future for the payment of the principal of and interest on its outstanding debt obligations, including the Bonds. Approximately 4.59% of the Issuer's tax base currently is utility property. Notwithstanding the foregoing, the Issuer has the obligation to levy taxes against all the taxable property in the Issuer sufficient to pay principal of and interest on the Bonds.

**DIRECT DEBT**

General Obligation School Bonds (Debt Service)

Presented below is the principal and interest on the District's outstanding general obligation bonds, including an estimate of the Bonds, presented by fiscal year and issue:

<u>Fiscal Year</u>	<u>12/20/18</u>	<u>5/1/19</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total P&amp;I</u>
2020	185,000	70,000	255,000	630,304	885,304
2021	345,000	70,000	415,000	475,773	890,773
2022	360,000	75,000	435,000	456,822	891,822
2023	380,000	75,000	455,000	436,910	891,910
2024	400,000	75,000	475,000	415,937	890,937
2025	420,000	80,000	500,000	393,912	893,912
2026	440,000	80,000	520,000	370,656	890,656
2027	460,000	85,000	545,000	346,344	891,344
2028	485,000	85,000	570,000	320,803	890,803
2029	500,000	90,000	590,000	303,635	893,635
2030	515,000	90,000	605,000	284,460	889,460
2031	530,000	95,000	625,000	263,359	888,359
2032	555,000	100,000	655,000	238,780	893,780
2033	575,000	100,000	675,000	212,963	887,963
2034	600,000	105,000	705,000	186,275	891,275
2035	625,000	110,000	735,000	158,338	893,338
2036	650,000	115,000	765,000	129,152	894,152
2037	675,000	120,000	795,000	98,719	893,719
2038	700,000	125,000	825,000	67,040	892,040
2039		855,000	855,000	34,089	889,089
Totals:	9,400,000	2,600,000	12,000,000	5,824,271	17,824,271

Source: Cherokee CSD

General Obligation School Capital Loan Notes (PPEL)

The Issuer does not have any outstanding General Obligation School Capital Loan Notes.

Anticipatory Warrants

The Issuer has not issued anticipatory warrants during the past five years.

**School Infrastructure Sales, Services & Use Tax Revenue Bonds**

The Issuer does not have any outstanding School Infrastructure Sales, Services & Use Tax Revenue Bonds.

Source: Cherokee CSD

## Debt Limit

The amount of general obligation debt a political subdivision of the State of Iowa can incur is controlled by the constitutional debt limit, which is an amount equal to 5% of the actual value of property within the corporate limits, taken from the last County Tax list. The District's debt limit, based upon said valuation, amounts to the following:

1/1/2017 Actual Valuation:	464,577,629
X	0.05
<hr/> Statutory Debt Limit:	23,228,881
 Total General Obligation Debt:	12,000,000
Total Lease Purchases:	
Total Loan Agreements:	
Capital Leases:	
<hr/> Total Debt Subject to Limit:	12,000,000
Percentage of Debt Limit Obligated:	51.66%

Source: Iowa Department of Management

## Overlapping & Underlying Debt

Presented below is a listing of the overlapping and underlying debt outstanding of Issuers within the Issuer.

<u>Taxing Authority</u>	<u>Outstanding Debt</u>	<u>2018 Taxable Valuation</u>	<u>Taxable Value Within Issuer</u>	<u>Percentage Applicable</u>	<u>Amount Applicable</u>
City of Cherokee	5,050,000	160,579,540	160,579,540	100.00%	5,050,000
City of Larrabee	0	6,381,495	6,381,495	100.00%	
Cherokee County	2,264,000	977,851,099	330,883,606	33.84%	766,089
Western Iowa Tech Community College	18,090,000	9,831,630,106	330,883,606	3.37%	608,819
Northwest Area Education Agency	0	15,140,426,857	330,883,606	2.19%	
				Total:	6,424,908

Source: Iowa Department of Management & Iowa State Auditor's Website

## Financial Summary

Actual Value of Property, 2018:	\$524,396,083
Taxable Value of Property, 2018:	330,883,606
 Direct General Obligation Debt:	\$12,000,000
Overlapping Debt:	6,424,908
<hr/> Direct & Overlapping General Obligation Debt:	\$18,424,908
 Population, 2010 US Census:	6,578
 Direct Debt per Capita:	\$1,824.26
Total Debt per Capita:	\$2,800.99
 Direct Debt to Taxable Valuation:	3.63%
Total Debt to Taxable Valuation:	5.57%
 Direct Debt to Actual Valuation:	2.29%
Total Debt to Actual Valuation:	3.51%
 Actual Valuation per Capita:	\$79,720
Taxable Valuation per Capita:	\$50,302

Source: Iowa Department of Management, U.S. Census Bureau



## APPENDIX B – FORM OF LEGAL OPINION

We hereby certify that we have examined a certified transcript of the proceedings of the Board of Directors of the Cherokee Community School District in the County of Cherokee, State of Iowa, and acts of administrative officers of the School District (the "Issuer"), relating to the issuance of General Obligation School Bonds, Series 2019, by said Issuer, dated May 1, 2019, in the denominations of \$5,000 or multiples thereof, in the aggregate amount of \$\_\_\_\_\_ (the "Bonds").

We have examined the law and certified proceedings and other papers as we deem necessary to render this opinion as bond counsel.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the Resolution authorizing issuance of the Bonds (the "Resolution") and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination and in reliance upon the certified proceedings and other certifications described above, we are of the opinion, under existing law, as follows:

1. The Issuer is duly created and validly existing as a body corporate and politic and political subdivision of the State of Iowa with the corporate power to adopt and perform the Resolution and issue the Bonds.
2. The Bonds are valid and binding general obligations of the Issuer.
3. All taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds. Taxes have been levied by the Resolution for the payment of the Bonds and the Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent the necessary funds are not provided from other sources.
4. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

AHLERS & COONEY, P.C.

## APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE

### CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Cherokee Community School District, State of Iowa (the "Issuer"), in connection with the issuance of \$\_\_\_\_\_ General Obligation School Bonds, Series 2019 (the "Bonds") dated May 1, 2019. The Bonds are being issued pursuant to a Resolution of the Issuer approved on \_\_\_\_\_, 2019 (the "Resolution"). The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate; Interpretation. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5). This Disclosure Certificate shall be governed by and construed in accordance with the Rule, and, to the extent not in conflict with the Rule, the laws of the State.

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" shall mean financial information or operating data of the type included in the final Official Statement, provided at least annually by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Business Day" shall mean a day other than a Saturday or a Sunday or a day on which banks in Iowa are authorized or required by law to close.

"Dissemination Agent" shall mean the Issuer or any Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" shall mean a (1) debt obligation; (2) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (3) guarantee of (1) or (2). The term "Financial Obligation" does not include municipal securities as to which a final Official Statement has been provided to the MSRB consistent with Rule 15c2-12.

"Holders" shall mean the registered holders of the Bonds, as recorded in the registration books of the Registrar.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"Municipal Securities Rulemaking Board" or "MSRB" shall mean the Municipal Securities Rulemaking Board, 1300 I Street NW, Suite 1000, Washington, DC 20005.

"National Repository" shall mean the MSRB's Electronic Municipal Market Access website, a/k/a "EMMA" ([emma.msrb.org](http://emma.msrb.org)).

"Official Statement" shall mean the Issuer's Official Statement for the Bonds, dated \_\_\_\_\_, 2019.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission (S.E.C.) under the Securities Exchange Act of 1934, and any guidance and procedures thereunder published by the S.E.C., as the same may be amended from time to time.

"State" shall mean the State of Iowa.

Section 3. Provision of Annual Financial Information.

- a. The Issuer shall, or shall cause the Dissemination Agent to, not later than the 15th day of April of each year following the close of the Issuer's fiscal year (currently June 30), commencing with information for the 2018/2019 fiscal year, provide to the National Repository an Annual Financial Information filing consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Financial Information filing must be submitted in such format as is required by the MSRB (currently in "searchable PDF" format). The Annual Financial Information filing may be submitted as a single document or as separate documents comprising a package. The Annual Financial Information filing may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Financial Information filing and later than the date required above for the filing of the Annual Financial Information if they are not

available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

- b. If the Issuer is unable to provide to the National Repository the Annual Financial Information by the date required in subsection (a), the Issuer shall send a notice to the Municipal Securities Rulemaking Board, if any, in substantially the form attached as Exhibit A.
- c. The Dissemination Agent shall:
  - i. each year file Annual Financial Information with the National Repository; and
  - ii. (if the Dissemination Agent is other than the Issuer), file a report with the Issuer certifying that the Annual Financial Information has been filed pursuant to this Disclosure Certificate, stating the date it was filed.

Section 4. Content of Annual Financial Information. The Issuer's Annual Financial Information filing shall contain or incorporate by reference the following:

- a. The last available audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under State law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with generally accepted accounting principles, noting the discrepancies therefrom and the effect thereof. If the Issuer's audited financial statements for the preceding years are not available by the time Annual Financial Information is required to be filed pursuant to Section 3(a), the Annual Financial Information filing shall contain unaudited financial statements of the type included in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Financial Information when they become available.
- b. A table, schedule or other information of the type contained in the final Official Statement under the caption "Property Valuations", "Tax Rates", "Historic Tax Rates", "Tax Collection History", "Direct Debt", "Debt Limit", and "Financial Summary".

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been filed with the National Repository. The Issuer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

- a. Pursuant to the provisions of this Section, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than 10 Business Days after the day of the occurrence of the event:
  - i. Principal and interest payment delinquencies;
  - ii. Non-payment related defaults, if material;
  - iii. Unscheduled draws on debt service reserves reflecting financial difficulties;
  - iv. Unscheduled draws on credit enhancements relating to the Bonds reflecting financial difficulties;
  - v. Substitution of credit or liquidity providers, or their failure to perform;
  - vi. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Series Bonds, or material events affecting the tax-exempt status of the Bonds;
  - vii. Modifications to rights of Holders of the Bonds, if material;
  - viii. Bond calls (excluding sinking fund mandatory redemptions), if material, and tender offers;
  - ix. Defeasances of the Bonds;
  - x. Release, substitution, or sale of property securing repayment of the Bonds, if material;
  - xi. Rating changes on the Bonds;
  - xii. Bankruptcy, insolvency, receivership or similar event of the Issuer;
  - xiii. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
  - xiv. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
  - xv. The incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and
  - xvi. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.
- b. Whenever the Issuer obtains the knowledge of the occurrence of a Listed Event, the Issuer shall determine if the occurrence is subject to notice only if material, and if so shall as soon as possible determine if such event would be material under applicable federal securities laws.

- c. If the Issuer determines that knowledge of the occurrence of a Listed Event is not subject to materiality, or determines such occurrence is subject to materiality and would be material under applicable federal securities laws, the Issuer shall promptly, but not later than 10 Business Days after the occurrence of the event, file a notice of such occurrence with the Municipal Securities Rulemaking Board through the filing with the National Repository.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate with respect to each Series of Bonds shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds of that Series or upon the Issuer's receipt of an opinion of nationally recognized bond counsel to the effect that, because of legislative action or final judicial action or administrative actions or proceedings, the failure of the Issuer to comply with the terms hereof will not cause Participating Underwriters to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended.

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- a. If the amendment or waiver relates to the provisions of Section 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;
- b. The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- c. The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Financial Information filing, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Financial Information filing for the year in which the change is made will present a comparison or other discussion in narrative form (and also, if feasible, in quantitative form) describing or illustrating the material differences between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Financial Information filing or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Financial Information filing or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Information filing or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. Direct, indirect, consequential and punitive damages shall not be recoverable by any person for any default hereunder and are hereby waived to the extent permitted by law. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Rescission Rights. The Issuer hereby reserves the right to rescind this Disclosure Certificate without the consent of the Holders in the event the Rule is repealed by the SEC or is ruled invalid by a federal court and the time to appeal from such decision has expired. In the event of a partial repeal or invalidation of the Rule, the Issuer hereby reserves the right to rescind those provisions of this Disclosure Certificate that were required by those parts of the Rule that are so repealed or invalidated.

Date: \_\_\_\_\_ day of \_\_\_\_\_, 2019.

CHEROKEE COMMUNITY SCHOOL  
DISTRICT, STATE OF IOWA

By: \_\_\_\_\_  
President

ATTEST:

By: \_\_\_\_\_  
Secretary of the Board of Directors

EXHIBIT A

NOTICE TO NATIONAL REPOSITORY OF  
FAILURE TO FILE ANNUAL FINANCIAL INFORMATION

Name of Issuer: Cherokee Community School District, Iowa.

Name of Bond Issue: \$ \_\_\_\_\_ General Obligation School Bonds, Series 2019

Dated Date of Issue: May 1, 2019

NOTICE IS HEREBY GIVEN that the Issuer has not provided Annual Financial Information with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate delivered by the Issuer in connection with the Bonds. The Issuer anticipates that the Annual Financial Information will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

CHEROKEE COMMUNITY SCHOOL  
DISTRICT, STATE OF IOWA

By: \_\_\_\_\_  
Its: \_\_\_\_\_

## APPENDIX D – AUDITED FINANCIAL STATEMENTS OF THE ISSUER

This Appendix contains the entire 2018 audited financial statement of the issuer. The Auditor of State of the State of Iowa (the "State Auditor") maintains a webpage that contains prior years' audits of city, county, school district and community college, including audits of the Issuer, which can be found at the following link <http://auditor.iowa.gov/reports/index.html>.

The remainder of this page was left blank intentionally.

CHEROKEE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2018



**Table of Contents**

		<u>Page</u>
Officials		3
Independent Auditor's Report		4-6
Management's Discussion and Analysis		7-15
<b><u>Basic Financial Statements:</u></b>	<b><u>Exhibit</u></b>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
Notes to Financial Statements		29-42
<b><u>Required Supplementary Information:</u></b>		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of the District's Proportionate Share of the Net Pension Liability		46
Schedule of District Contributions		47
Notes to Required Supplementary Information - Pension Liability		48
Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes		49
<b><u>Supplementary Information:</u></b>	<b><u>Schedule</u></b>	
Capital Projects Fund Accounts:		
Combining Balance Sheet	1	52
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	53
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	54
Internal Service Funds:		
Combining Schedule of Net Position	4	55
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position	5	56
Combining Schedule of Cash Flows	6	57
Private Purpose Trust Fund: Scholarship Accounts		
Combining Schedule of Fiduciary Net Position	7	58
Combining Schedule of Changes in Fiduciary Net Position	8	59
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	9	60
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 <u>Government Auditing Standards</u>		61-62
Schedule of Findings		63-65

# Cherokee Community School District

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

### Board of Education

#### (Before September 2017 Election)

Paul Fuhrman	President	2019
Laura Dawson	Vice President	2019
Logan Patterson	Board Member	2019
Jim Haselhoff	Board Member	2017
Calvin Carver	Board Member	2017

#### (After September 2017 Election)

Laura Dawson	President	2019
Logan Patterson	Vice President	2019
Laura Jones	Board Member	2021
Paul Fuhrman	Board Member	2019
Chuck Wulfsen	Board Member	2021

### School Officials

Kimberly Lingenfelter	Superintendent	2018
Joyce Lundsgaard	District Secretary/Treasurer and Business Manager	2018
Cornwall, Avery, Bjornstad and Scott	Attorney	2018

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
**117 West 3rd Street North, Newton, Iowa 50208-3040**  
**Telephone (641) 792-1910**

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of Cherokee Community School District:**

**Report on the Financial Statements**

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 Cherokee Community School District, Cherokee, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Cherokee Community School District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

## **Emphasis of a Matter**

As discussed in Note 12 to the financial statements, Cherokee Community School District adopted new accounting guidance related to Governmental Accounting Standard Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 7 through 15 and 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cherokee Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of the report, the financial statements for the five years ended June 30, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 6, 2019, on our consideration of Cherokee Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Cherokee Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 6, 2019  
Newton, Iowa

---

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

Cherokee 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, 2018. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2018 FINANCIAL HIGHLIGHTS

- The District implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities and business type activities were restated by \$326,393 and \$17,136, respectively, to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.
- General Fund revenues decreased from \$10,837,297 in fiscal year 2017 to \$10,790,629 in fiscal year 2018, while General Fund expenditures increased from \$10,709,706 in fiscal year 2017 to \$10,863,060 in fiscal year 2018. This resulted in a decrease in the District's General Fund balance from \$2,255,742 at June 30, 2017 to \$2,183,311 at June 30, 2018, a 3.21% decrease from the prior year.
- The decrease in General Fund revenues was primarily attributable to a decrease in local tax revenue received during fiscal year 2018. The increase in expenditures was due primarily to increases in expenditures in negotiated salaries and benefits paid to District employees.
- The District's total net position increased from a restated \$8,189,320 at July 1, 2017 to \$8,785,914, at June 30, 2018. Total revenues increased from \$13,288,728 in fiscal year 2017 to \$13,369,990 in fiscal year 2018, a .61% increase, while total expenses increased from \$12,638,275 in fiscal year 2017 to \$12,773,396 in fiscal year 2018, a 1.07% increase from to the prior year.

### 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 Position and a Statement of Activities. These provide information about the activities of Cherokee Community School District as a whole and present an overall view of the District's finances.

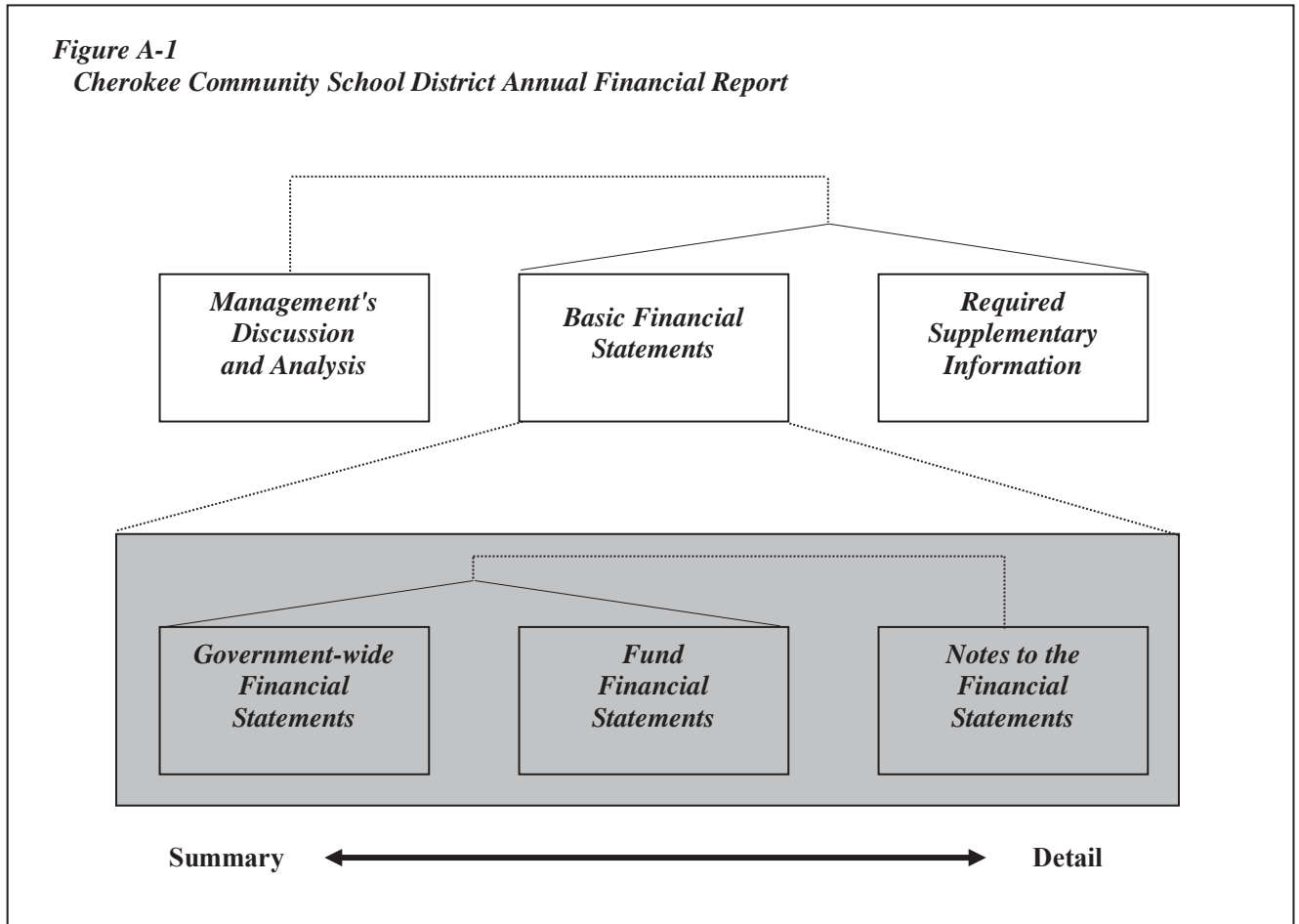
The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Cherokee Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Cherokee Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the non-major governmental funds.

*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.

<b>Figure A-2</b>				
<b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	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 service	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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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 deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
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 Position includes all of the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. 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 position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position 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.

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, Special Revenue Funds, and Capital Projects Fund.

The required financial statements for the 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 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.

The District's Internal Service Funds, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has two Internal Service Fund accounts accounting for self-funded insurance and employee flex benefits.

The required financial statements for the proprietary funds include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

- Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this 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 government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Figure A-3** below provides a summary of the District's net position at June 30, 2018 compared to June 30, 2017.

Figure A-3  
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2017		June 30, 2017		June 30, 2017		June 30, 2017-18
	2018	(Not restated)	2018	(Not restated)	2018	(Not restated)	2017-18
Current and other assets	\$ 10,167,500	9,584,180	175,248	136,183	10,342,748	9,720,363	6.40%
Capital assets	7,143,010	7,038,311	82,048	90,725	7,225,058	7,129,036	1.35%
Total assets	17,310,510	16,622,491	257,296	226,908	17,567,806	16,849,399	4.26%
Deferred outflows of resources	1,742,999	1,564,416	47,567	44,883	1,790,566	1,609,299	11.26%
Long-term liabilities	6,497,255	5,913,304	184,883	148,413	6,682,138	6,061,717	10.24%
Other liabilities	136,400	161,374	9,479	6,451	145,879	167,825	-13.08%
Total liabilities	6,633,655	6,074,678	194,362	154,864	6,828,017	6,229,542	9.61%
Deferred inflows of resources	3,738,587	3,694,160	5,854	2,147	3,744,441	3,696,307	1.30%
Net position:							
Net investment in capital assets	7,143,010	7,038,311	82,048	90,725	7,225,058	7,129,036	1.35%
Restricted	2,893,301	2,188,388	-	-	2,893,301	2,188,388	32.21%
Unrestricted	(1,355,044)	(808,630)	22,599	24,055	(1,332,445)	(784,575)	-69.83%
Total net position	\$ 8,681,267	8,418,069	104,647	114,780	8,785,914	8,532,849	2.97%

Prior to restatement, the District's total net position increased by 2.97%, or \$253,065, from the prior year. The largest portion of the District's net position is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$704,913, or 32.21% from the prior year. The increase in restricted net position is mainly attributable to the increase in fund balance for the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$547,870 or 69.83%. The decrease in unrestricted net position was primarily a result of the increase in the District's Total OPEB liability.

**Figure A-4** shows the changes in net position for the year ended June 30, 2018 compared to the year ended June 30, 2017.

Figure A-4  
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2017		2017		2017		2017-18
	2018	(Not restated)	2018	(Not restated)	2018	(Not restated)	
Revenues:							
Program revenues:							
Charges for service	\$ 1,190,559	1,198,829	262,329	257,990	1,452,888	1,456,819	-0.27%
Operating grants, contributions and restricted interest	970,684	884,668	304,006	304,042	1,274,690	1,188,710	7.23%
Capital grants, contributions and restricted interest	17,000	-	-	-	17,000	-	100.00%
General revenues:							
Property tax	3,663,910	3,572,231	-	-	3,663,910	3,572,231	2.57%
Income surtax	252,658	315,591	-	-	252,658	315,591	-19.94%
Statewide sales, services and use tax	877,772	902,051	-	-	877,772	902,051	-2.69%
Unrestricted state grants	5,669,808	5,715,211	-	-	5,669,808	5,715,211	-0.79%
Unrestricted investment earnings	30,644	5,781	1,374	290	32,018	6,071	427.39%
Other	121,329	125,350	7,917	6,694	129,246	132,044	-2.12%
Total revenues	12,794,364	12,719,712	575,626	569,016	13,369,990	13,288,728	0.61%
Program expenses:							
Instruction	7,907,603	7,741,762	-	-	7,907,603	7,741,762	2.14%
Support services	3,569,250	3,658,212	-	6,480	3,569,250	3,664,692	-2.60%
Non-instructional programs	-	-	563,286	530,910	563,286	530,910	6.10%
Other expenses	733,257	700,911	-	-	733,257	700,911	4.61%
Total expenses	12,210,110	12,100,885	563,286	537,390	12,773,396	12,638,275	1.07%
Excess of revenues over expenditures	584,254	618,827	12,340	31,626	596,594	650,453	-8.28%
Transfers	5,337	-	(5,337)	-	-	-	0.00%
Change in net position	589,591	618,827	7,003	31,626	596,594	650,453	-8.28%
Net position beginning of year, as restated	8,091,676	7,799,242	97,644	83,154	8,189,320	7,882,396	3.89%
Net position end of year	\$ 8,681,267	8,418,069	104,647	114,780	8,785,914	8,532,849	2.97%

In fiscal year 2018, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 81.79% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.39% of the revenue from business type activities.

The District's total revenues were approximately \$13.37 million of which approximately \$12.79 million was for governmental activities and approximately \$0.58 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced less than-one-percent increase revenues and a 1.07% increase in expenses. The increase in total revenues can be attributed to the increase in property tax revenue received by the District compared to the previous year. The increase in total expenses is primarily due to an increase in instruction expenses incurred compared to the previous year.

## Governmental Activities

Revenues for governmental activities were \$12,794,364 and expenses were \$12,210,110 for the year ended June 30, 2018.

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, 2018 compared to those expenses for the year ended June 30, 201.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2018	2017	Change 2017-18	2018	2017	Change 2017-18
Instruction	\$ 7,907,603	7,741,762	2.14%	6,167,388	6,070,835	1.59%
Support services	3,569,250	3,658,212	-2.43%	3,547,237	3,651,803	-2.86%
Other expenses	733,257	700,911	4.61%	317,242	294,750	7.63%
Totals	\$ 12,210,110	12,100,885	0.90%	10,031,867	10,017,388	0.14%

For the year ended June 30, 2018:

- The cost financed by users of the District’s programs was \$1,190,559.
- Federal and state governments along with local sources subsidized certain programs with grants and contributions totaling \$987,684.
- The net cost of governmental activities was financed with \$3,663,910 in property tax, \$252,658 in income surtax, \$877,772 in statewide sales, services and use tax, \$5,669,808 in unrestricted state grants, \$30,644 in unrestricted investment earnings and \$121,329 in other general revenues.

### Business Type Activities

Revenues of the District’s business type activities for the year ended June 30, 2018, were \$575,626 an increase of 1.16% from the prior year, and expenses were \$563,286 an increase of 4.82% from the prior year. 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, investment income and other general revenues.

### INDIVIDUAL FUND ANALYSIS

As previously noted, Cherokee 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 well. As the District completed the year, its governmental funds reported combined fund balances of \$4,868,977 above last year’s ending combined fund balances of \$4,229,189. The primary reason for the increase in combined fund balances was due to the increase in fund balances of the Capital Projects: Statewide Sales, Services and Use Tax account within the Capital projects Fund.

### Governmental Fund Highlights

- The District’s General Fund financial position is the result of many factors. Revenues decreased slightly from the prior year while the increase in total expenditures was primarily due to the increase in negotiated salaries and benefits paid to District employees. Due to expenditures exceeding revenues the General Fund balance decreased from \$2,255,742 at June 30, 2017 to \$2,183,311 at June 30, 2018.
- The Capital Projects Fund balance increased from \$1,351,700 at June 30, 2017 to \$1,841,067 at June 30, 2018. The increase in fund balance can be attributed in part local tax and sales tax revenues exceeding expenditures and capital outlay costs during the fiscal year.

- The Management Levy Fund increased from \$508,396 at June 30, 2017 to \$716,307 at June 30, 2018. The increase was primarily the result of an increase in local tax revenue received during the year.

### Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$97,644 restated at July 1, 2017 to \$104,647 at June 30, 2018, representing an increase of 7.17%. The primary reason for this increase in net position was due to an increase in charges for service revenue received compared to the previous year. Total revenues continued to exceed total expenses.

### BUDGETARY HIGHLIGHTS

The District's revenues were \$283,581 more than budgeted revenues, a variance of 2.16%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, 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 actual expenditures for the year.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2018, the District had invested \$7,225,058, 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) This represents a 1.35% increase from the prior year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$488,084.

The original cost of the District's capital assets was \$18,321,402. Governmental activities accounted for \$18,057,909 with the remainder of \$263,493 accounted for in the Proprietary, School Nutrition Fund.

The largest dollar value change in capital asset activity during the year occurred in the buildings and improvements category. The District's buildings and improvements net of depreciation totaled \$5,524,503 at June 30, 2017, compared to \$5,694,776 reported at June 30, 2018. The increase is due to facility improvements during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2018	2017	2018	2017	2018	2017	2016-17
Land	\$ 709,934	709,934	-	-	709,934	709,934	0.00%
Buildings and improvements	5,694,776	5,524,503	-	-	5,694,776	5,524,503	3.08%
Land improvements	265,905	303,596	-	-	265,905	303,596	-12.41%
Machinery and equipment	472,395	500,278	82,048	90,725	554,443	591,003	-6.19%
Total	\$ 7,143,010	7,038,311	82,048	90,725	7,225,058	7,129,036	1.35%

#### Long-Term Debt

The Cherokee Community School District did not have any outstanding debt as of June 30, 2018.

---

## **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:

- School finance is highly dependent upon school enrollment and adequate supplemental state aid. Although the district has seen increased enrollment the low SSA set by the state makes it difficult to address inflationary costs for the district.
- A general obligation bond to build a new elementary school was passed in September 2018. The revenue sources used to build the new elementary school will come from the sale of the Roosevelt property, SAVE dollars and local property taxes.
- The district will continue to have challenges with the repair and upkeep of an aging high school. Several priorities have been identified by the board of education and the district will need to budget remaining SAVE dollars to address these needs over the next five years.

## **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 Joyce Lundsgaard, District Secretary/Treasurer and Business Manager, Cherokee Community School District, 600 West Bluff St., Cherokee, Iowa, 51012.

# **Cherokee Community School District**

**BASIC FINANCIAL STATEMENTS**



CHEROKEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2018

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 6,013,661	146,671	6,160,332
Receivables:			
Property tax:			
Delinquent	25,193	-	25,193
Succeeding year	3,537,071	-	3,537,071
Income surtax	277,298	-	277,298
Accounts	21,983	-	21,983
Accrued interest	17	-	17
Due from other governments	292,277	9,180	301,457
Inventories	-	19,397	19,397
Capital assets not being depreciated:			
Land	709,934	-	709,934
Capital assets, net of accumulated depreciation			
Buildings and land improvements and machinery and equipment	6,433,076	82,048	6,515,124
<b>TOTAL ASSETS</b>	<b>17,310,510</b>	<b>257,296</b>	<b>17,567,806</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
OPEB related deferred outflows	48,061	2,123	50,184
Pension related deferred outflows	1,694,938	45,444	1,740,382
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,742,999</b>	<b>47,567</b>	<b>1,790,566</b>
<b>LIABILITIES</b>			
Accounts payable	124,621	667	125,288
Salaries and benefits payable	11,779	-	11,779
Unearned revenue	-	8,812	8,812
Long-term liabilities:			
Portion due within one year:			
Termination benefits payable	3,945	-	3,945
Portion due after one year:			
Termination benefits payable	658	-	658
Net pension liability	5,761,128	152,573	5,913,701
Total OPEB liability	731,524	32,310	763,834
<b>TOTAL LIABILITIES</b>	<b>6,633,655</b>	<b>194,362</b>	<b>6,828,017</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	3,537,071	-	3,537,071
OPEB related deferred inflows	29,207	1,290	30,497
Pension related deferred inflows	172,309	4,564	176,873
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>3,738,587</b>	<b>5,854</b>	<b>3,744,441</b>
<b>NET POSITION</b>			
Net investment in capital assets	7,143,010	82,048	7,225,058
Restricted for:			
Categorical funding	212,238	-	212,238
Management levy purposes	711,704	-	711,704
Student activities	128,292	-	128,292
School infrastructure	1,554,681	-	1,554,681
Physical plant and equipment	286,386	-	286,386
Unrestricted	(1,355,044)	22,599	(1,332,445)
<b>TOTAL NET POSITION</b>	<b>\$ 8,681,267</b>	<b>104,647</b>	<b>8,785,914</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CHEROKEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
			Interest	Interest		Activities	
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 4,787,736	667,135	117,246	-	(4,003,355)	-	(4,003,355)
Special	1,373,053	143,461	90,912	-	(1,138,680)	-	(1,138,680)
Other	1,746,814	379,963	341,498	-	(1,025,353)	-	(1,025,353)
	<u>7,907,603</u>	<u>1,190,559</u>	<u>549,656</u>	<u>-</u>	<u>(6,167,388)</u>	<u>-</u>	<u>(6,167,388)</u>
Support services:							
Student	204,387	-	-	-	(204,387)	-	(204,387)
Instructional staff	446,890	-	1,450	-	(445,440)	-	(445,440)
Administration	1,224,519	-	-	-	(1,224,519)	-	(1,224,519)
Operation and maintenance of plant	1,284,394	-	-	17,000	(1,267,394)	-	(1,267,394)
Transportation	409,060	-	3,563	-	(405,497)	-	(405,497)
	<u>3,569,250</u>	<u>-</u>	<u>5,013</u>	<u>17,000</u>	<u>(3,547,237)</u>	<u>-</u>	<u>(3,547,237)</u>
Other expenditures:							
AEA flowthrough	416,015	-	416,015	-	-	-	-
Depreciation(unallocated)*	317,242	-	-	-	(317,242)	-	(317,242)
	<u>733,257</u>	<u>-</u>	<u>416,015</u>	<u>-</u>	<u>(317,242)</u>	<u>-</u>	<u>(317,242)</u>
Total governmental activities	<u>12,210,110</u>	<u>1,190,559</u>	<u>970,684</u>	<u>17,000</u>	<u>(10,031,867)</u>	<u>-</u>	<u>(10,031,867)</u>
Business type activities:							
Non-instructional programs:							
Food service operations	563,286	262,329	304,006	-	-	3,049	3,049
Total	<u>\$ 12,773,396</u>	<u>1,452,888</u>	<u>1,274,690</u>	<u>17,000</u>	<u>(10,031,867)</u>	<u>3,049</u>	<u>(10,028,818)</u>
<b>General Revenues and Transfers:</b>							
Property tax levied for:							
General purposes					\$ 3,322,580	-	3,322,580
Capital outlay					341,330	-	341,330
Income surtax					252,658	-	252,658
Statewide sales, services and use tax					877,772	-	877,772
Unrestricted state grants					5,669,808	-	5,669,808
Unrestricted investment earnings					30,644	1,374	32,018
Other					121,329	7,917	129,246
Transfers					5,337	(5,337)	-
Total general revenues and transfers					<u>10,621,458</u>	<u>3,954</u>	<u>10,625,412</u>
Changes in net position					589,591	7,003	596,594
Net position beginning of year, as restated					<u>8,091,676</u>	<u>97,644</u>	<u>8,189,320</u>
Net position end of year					<u>\$ 8,681,267</u>	<u>104,647</u>	<u>8,785,914</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

CHEROKEE COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	General	Management Levy	Capital Projects	Nonmajor Student Activity	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 2,056,134	713,337	1,765,253	131,200	4,665,924
Receivables:					
Property tax:					
Delinquent	19,892	2,970	2,331	-	25,193
Succeeding year	2,855,071	349,999	332,001	-	3,537,071
Income surtax	277,298	-	-	-	277,298
Accounts	20,553	-	1,112	318	21,983
Due from other governments	217,906	-	74,371	-	292,277
<b>TOTAL ASSETS</b>	<b>\$ 5,446,854</b>	<b>1,066,306</b>	<b>2,175,068</b>	<b>131,518</b>	<b>8,819,746</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 119,395	-	2,000	3,226	124,621
Salaries and benefits payable	11,779	-	-	-	11,779
Total liabilities	131,174	-	2,000	3,226	136,400
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,855,071	349,999	332,001	-	3,537,071
Income surtax	277,298	-	-	-	277,298
Total deferred inflows of resources	3,132,369	349,999	332,001	-	3,814,369
Fund balances:					
Restricted for:					
Categorical funding	212,238	-	-	-	212,238
Management levy purposes	-	716,307	-	-	716,307
Student activities	-	-	-	128,292	128,292
School infrastructure	-	-	1,554,681	-	1,554,681
Physical plant and equipment	-	-	286,386	-	286,386
Unassigned	1,971,073	-	-	-	1,971,073
Total fund balances	2,183,311	716,307	1,841,067	128,292	4,868,977
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 5,446,854</b>	<b>1,066,306</b>	<b>2,175,068</b>	<b>131,518</b>	<b>8,819,746</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CHEROKEE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2018

<b>Total fund balances of governmental funds(page 20)</b>		\$ 4,868,977
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in the governmental funds.		7,143,010
Income surtax receivable is not available to pay current year expenditures and, therefore, is recognized as a deferred inflows of resources in the governmental funds.		277,298
The Internal Service Funds are used by management to charge the costs of the District's flex benefit and self-funded insurance plans. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.		1,347,754
Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources	\$ 1,742,999	
Deferred inflows of resources	<u>(201,516)</u>	1,541,483
Long-term liabilities, including termination benefits payable , total OPEB liability and the net pension liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(6,497,255)</u>
<b>Net position of governmental activities(page 18)</b>		<u><u>\$ 8,681,267</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHEROKEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018

	General	Management Levy	Capital Projects	Nonmajor: Student Activity	Total
REVENUES:					
Local sources:					
Local tax	\$ 3,186,254	431,587	341,330	-	3,959,171
Tuition	816,027	-	-	-	816,027
Other	213,166	20,989	58,841	343,086	636,082
State sources	6,224,244	4,588	881,371	-	7,110,203
Federal sources	315,484	-	-	-	315,484
Total revenues	<u>10,755,175</u>	<u>457,164</u>	<u>1,281,542</u>	<u>343,086</u>	<u>12,836,967</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	4,512,465	71,466	34,720	-	4,618,651
Special	1,433,717	-	-	-	1,433,717
Other	1,408,545	-	-	328,145	1,736,690
	<u>7,354,727</u>	<u>71,466</u>	<u>34,720</u>	<u>328,145</u>	<u>7,789,058</u>
Support services:					
Student	199,292	-	-	-	199,292
Instructional staff	507,102	-	-	-	507,102
Administration	1,218,849	11,412	-	-	1,230,261
Operation and maintenance of plant	857,813	144,660	-	-	1,002,473
Transportation	309,262	21,715	1,550	-	332,527
	<u>3,092,318</u>	<u>177,787</u>	<u>1,550</u>	<u>-</u>	<u>3,271,655</u>
Capital outlay	-	-	756,405	-	756,405
Other expenditures:					
AEA flowthrough	416,015	-	-	-	416,015
Total expenditures	<u>10,863,060</u>	<u>249,253</u>	<u>792,675</u>	<u>328,145</u>	<u>12,233,133</u>
Excess(Deficiency) of revenues over(under) expenditures	(107,885)	207,911	488,867	14,941	603,834
Other financing sources:					
Insurance proceeds	30,117	-	-	-	30,117
Transfer in	5,337	-	-	-	5,337
Sale of equipment	-	-	500	-	500
Total other financing sources	<u>35,454</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>35,954</u>
Change in fund balances	(72,431)	207,911	489,367	14,941	639,788
Fund balances beginning of year	<u>2,255,742</u>	<u>508,396</u>	<u>1,351,700</u>	<u>113,351</u>	<u>4,229,189</u>
Fund balances end of year	<u>\$ 2,183,311</u>	<u>716,307</u>	<u>1,841,067</u>	<u>128,292</u>	<u>4,868,977</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHEROKEE 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, 2018

<b>Change in fund balances - total governmental funds(page 22)</b>	\$	639,788
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. These costs are not reported in the Statement of Activities, but they 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 current year are as follows:		
Capital outlay	\$ 579,967	
Depreciation expense	<u>(475,268)</u>	104,699
Net change in internal service funds charged back against expenditures made for the self-funded insurance at an entity-wide basis.		83,427
Income surtax account receivable is not available to finance expenditures of the current year and is recognized as a deferred inflow of resources in the governmental funds.		(42,603)
The current year District share of the IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position.		587,014
District costs associated with the Total OPEB liability implicit subsidy after the measurement date, but before year end.		48,061
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.		
Termination benefits	\$ 9,535	
Pension expense	(775,510)	
Total OPEB liability and related expenses	<u>(64,820)</u>	<u>(830,795)</u>
<b>Change in net position of governmental activities(page 19)</b>	<b>\$</b>	<b><u>589,591</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

CHEROKEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018

	Business Type Activities: Enterprise Fund	Governmental Activities: Internal Service Funds
	School Nutrition	
<b>ASSETS</b>		
Current assets:		
Cash and pooled investments	\$ 146,671	1,347,737
Interest receivable	-	17
Due from other governments	9,180	-
Inventories	19,397	-
Total current assets	<u>175,248</u>	<u>1,347,754</u>
Non-current assets:		
Capital assets, net of accumulated depreciation	82,048	-
<b>TOTAL ASSETS</b>	<u>257,296</u>	<u>1,347,754</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
OPEB related deferred outflows	2,123	-
Pension related deferred outflows	45,444	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>47,567</u>	<u>-</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	667	-
Unearned revenue	8,812	-
Total current liabilities	<u>9,479</u>	<u>-</u>
Noncurrent liabilities:		
Total OPEB liability	32,310	-
Net pension liability	152,573	-
Total noncurrent liabilities	<u>184,883</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>194,362</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
OPEB related deferred inflows	1,290	-
Pension related deferred inflows	4,564	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>5,854</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	82,048	-
Unrestricted	22,599	1,347,754
<b>TOTAL NET POSITION</b>	<u>\$ 104,647</u>	<u>1,347,754</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHEROKEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018

	Business Type	
	Activities: Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Funds
OPERATING REVENUE:		
Local sources:		
Charges for service	\$ 262,329	-
Miscellaneous	7,917	329,946
<b>TOTAL OPERATING REVENUES</b>	<b>270,246</b>	<b>329,946</b>
OPERATING EXPENSES:		
Support services:		
Administration:		
Services	-	254,281
Non-instructional programs:		
Food service operations:		
Salaries	182,750	-
Benefits	102,280	-
Services	968	-
Supplies	264,472	-
Depreciation	12,816	-
Total non-instructional programs	563,286	-
<b>TOTAL OPERATING EXPENSES</b>	<b>563,286</b>	<b>254,281</b>
<b>OPERATING INCOME(LOSS)</b>	<b>(293,040)</b>	<b>75,665</b>
NON-OPERATING REVENUES:		
State sources	4,396	-
Federal sources	299,610	-
Interest income	1,374	7,762
<b>TOTAL NON-OPERATING REVENUES</b>	<b>305,380</b>	<b>7,762</b>
Excess of revenues over expenses	12,340	83,427
OTHER FINANCING SOURCES:		
Transfer out	(5,337)	-
Change in net position	7,003	83,427
Net position beginning of year, as restated	97,644	1,264,327
<b>Net position end of year</b>	<b>\$ 104,647</b>	<b>1,347,754</b>

SEE NOTES TO FINANCIAL STATEMENTS.



CHEROKEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018

	Business Type Activities: Enterprise Fund	Governmental Activities: Internal Service Funds
	School Nutrition	
Cash flows from operating activities:		
Cash received from operating activities	\$ 266,732	-
Cash received from miscellaneous	7,917	329,994
Cash payments to employees for services	(264,673)	(101,084)
Cash payments to suppliers for goods or services	(226,848)	(153,197)
Net cash provided by(used in) operating activities	<u>(216,872)</u>	<u>75,713</u>
Cash flows from non-capital financing activities:		
State grants received	4,396	-
Federal grants received	258,148	-
Transfers to the General Fund	(5,337)	-
Net cash provided by non-capital financing activities	<u>257,207</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	<u>(4,139)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investment	<u>1,374</u>	<u>7,762</u>
Net increase in cash and pooled investments	37,570	83,475
Cash and pooled investments beginning of year	<u>109,101</u>	<u>1,264,262</u>
Cash and pooled investments end of year	<u>\$ 146,671</u>	<u>1,347,737</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (293,040)	75,665
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	40,771	-
Depreciation	12,816	-
Increase in inventories	(2,831)	-
Decrease in interest receivable	-	48
Decrease in accounts receivable	2,027	-
Increase in accounts payable	652	-
Increase in unearned revenue	2,376	-
Increase in net pension liability	17,761	-
Increase in deferred outflows of resources	(2,684)	-
Increase in deferred inflows of resources	3,707	-
Increase in OPEB liability	1,573	-
Net cash provided by(used in) operating activities	<u>\$ (216,872)</u>	<u>75,713</u>

## NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2018, the District received Federal commodities valued at \$40,771.

SEE NOTES TO FINANCIAL STATEMENTS.

CHEROKEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2018

	<u>Private Purpose Trust</u>
	<u>Scholarship Fund</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 30,926
<b>LIABILITIES</b>	<u>-</u>
<b>NET POSITION</b>	
Held in trust for scholarships	<u>\$ 30,926</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHEROKEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2018

	<u>Private Purpose Trust</u>
	<u>Scholarship Fund</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 4,825
Interest	676
Total additions	<u>5,501</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>5,725</u>
Change in net position before other financing sources	(224)
Other financing sources:	
Unrealized gain on investments	<u>586</u>
Change in net position	362
Net position beginning of year	<u>30,564</u>
Net position end of year	<u>\$ 30,926</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHEROKEE COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018

**Note 1. Summary of Significant Accounting Policies**

Cherokee Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Cherokee and Larrabee, Iowa, and the predominantly agricultural territory in Cherokee County. 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 Government Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Cherokee 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. The Cherokee 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 do 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 Cherokee Counties Assessors' Conference Board.

**B. Basis of Presentation**

***Government-wide Financial Statements*** - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary 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 Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding principal balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints 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 segment is offset by program revenues. Direct expenses are those that 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 nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

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 that are 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Management Levy Fund is used to account for all resources used to pay the costs of insurance agreements, unemployment benefits and early retirement.

The District also reports the following nonmajor proprietary fund:

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is a nonmajor fund used to account for the food service operations of the District.

The Internal Service Fund is used to account for the flexible health benefits program offered by the District and the District's partially self-funded health insurance. The Internal Service Fund is charged back to the Governmental funds and shown combined in the Statement of Net Position and the Statement of Activities.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include 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 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.

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 position 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.

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 Funds 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity/Net Position**

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

**Cash and Pooled Investments** - The cash balance of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purpose 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 Taxes** - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy or lien date which is the date 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 reported as deferred inflow of resources 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 becomes 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, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2017.

**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, machinery and equipment, and intangibles acquired after July 1, 1980 are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire an asset with equivalent service potential. 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. Reportable 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.

Asset Class	Amount
Land	\$ -
Buildings and improvements	5,000
Land improvements	5,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives
Buildings and improvements	50 years
Land improvements	20-50 years
Intangibles	5-10 years
Machinery and equipment	5-15 years

**Deferred Outflows of Resources** - Deferred outflows of resources represent a consumption of net position that applies to a future year(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District's reporting period.

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

**Unearned Revenues** - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

**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 Position.

**Pensions** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

**Total OPEB Liability** - For purposes of measuring the total OPEB liability, deferred outflows and inflows of resources related to OPEB and OPEB expense, information has been determined based on the District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund while the portion attributable to the business type activities will be paid primarily by the Enterprise, School Nutrition Fund.

**Deferred Inflows of Resources** - Deferred inflows of resources represent an acquisition of net position that applies to future years(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 inflows of resources 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of succeeding year property tax receivable, and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and unrecognized items not yet charged to pension and OPEB expense.

**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 the preceding classifications.

## **E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### **Note 2. Cash, Deposits and Pooled Investments**

The District's deposits in banks at June 30, 2018 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, 2018, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$130,848 pursuant to Rule 2a-



7 under the Investment Company Act of 1940. There were no investments or restrictions on withdrawals of the ISJIT investments. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

At June 30, 2018, the District's investment in common stock and mutual funds that were donated to the District for scholarship awards to students consisted of the following:

Stock/Mutual Fund	Number of Shares	Fair Value
Sempra Energy	200	\$ 23,222
Franklin Income Fund Class A	745	1,511
		<u>\$ 24,733</u>

The district uses the fair value hierarchy established by generally accepted accounting principles, based on the valuation inputs used to measure the fair value of the asset. Level I inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The recurring fair value measurement for the common stock of \$24,733 is valued using the last reported sales price for each stock at the June 30, 2018 measurement date. (Level 1 inputs)

### **Note 3. Capital Assets**

Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 709,934	-	-	709,934
Total capital assets not being depreciated	<u>709,934</u>	<u>-</u>	<u>-</u>	<u>709,934</u>
Capital assets being depreciated:				
Buildings and improvements	11,242,052	435,284	-	11,677,336
Land improvements	1,823,751	14,540	-	1,838,291
Machinery and equipment	3,702,205	130,143	-	3,832,348
Total capital assets being depreciated	<u>16,768,008</u>	<u>579,967</u>	<u>-</u>	<u>17,347,975</u>
Less accumulated depreciation for:				
Buildings and improvements	5,717,549	265,011	-	5,982,560
Land improvements	1,520,155	52,231	-	1,572,386
Machinery and equipment	3,201,927	158,026	-	3,359,953
Total accumulated depreciation	<u>10,439,631</u>	<u>475,268</u>	<u>-</u>	<u>10,914,899</u>
Total capital assets being depreciated, net	<u>6,328,377</u>	<u>104,699</u>	<u>-</u>	<u>6,433,076</u>
Governmental activities capital assets, net	<u>\$ 7,038,311</u>	<u>104,699</u>	<u>-</u>	<u>7,143,010</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 259,354	4,139	-	263,493
Less accumulated depreciation	168,629	12,816	-	181,445
Business type activities capital assets, net	<u>\$ 90,725</u>	<u>(8,677)</u>	<u>-</u>	<u>82,048</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 8,604
Other	32,881

Support services:

Administration	31,894
Operation and maintenance of plant	7,272
Transportation	77,375

	<u>158,026</u>
Unallocated depreciation	<u>317,242</u>

Total governmental activities depreciation expense	<u>\$ 475,268</u>
--	-------------------

Business type activities:

Food service operations	<u>\$ 12,816</u>
-------------------------	------------------

**Note 4. Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

	Balance Beginning of Year, as restated	Additions	Deletions	Balance End of Year	Due Within One Year
<b><u>Governmental Activities:</u></b>					
Termination benefits	\$ 14,138	-	9,535	4,603	3,945
Net pension liability	5,529,648	231,480	-	5,761,128	-
Total OPEB liability	695,911	35,613	-	731,524	-
Total	<u>\$ 6,239,697</u>	<u>267,093</u>	<u>9,535</u>	<u>6,497,255</u>	<u>3,945</u>
<b><u>Business Type Activities:</u></b>					
Net pension liability	\$ 134,812	17,761	-	152,573	-
Total OPEB liability	30,737	1,573	-	32,310	-
Total	<u>\$ 165,549</u>	<u>19,334</u>	<u>-</u>	<u>184,883</u>	<u>-</u>

**Termination benefits**

In prior years, the District offered a voluntary early retirement plan to eligible employees which consisted of partial payments toward retiree's health insurance. At June 30, 2018, the District had obligations toward one employee under this plan.

A termination benefit liability has been recorded in the Statement of Net Position representing the District's obligation to fund non-current early retirement.

**Note 5. Other Postemployment Benefits (OPEB)**

Plan Description - The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by the District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	8
Active employees	<u>128</u>
Total	<u><u>136</u></u>

Total OPEB Liability - The District's total OPEB liability of \$763,834 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.75% per annum.
Rates of salary increase (effective June 30, 2017)	3.25% per annum, including inflation.
Discount rate (effective June 30, 2017)	3.56% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2017)	6.80% initial rate decreasing by varying amounts to an ultimate rate of 4.40%

Discount Rate - The discount rate used to measure the total OPEB liability was 3.56% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP 2000 annuitant generational mortality projected fully generational with Scale AA. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year, as restated	\$ 726,648
Changes for the year:	
Service cost	64,360
Interest	22,878
Changes in assumptions	(35,035)
Benefit payments	<u>(15,017)</u>
Net changes	<u>37,186</u>
Total OPEB liability end of year	<u><u>\$ 763,834</u></u>

Changes of assumptions reflect a change in the discount rate from 2.92% in fiscal year 2017 to 3.56% at the June 30, 2017 measurement date used for the reporting date of June 30, 2018.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.56%) or 1% higher (4.56%) than the current discount rate.

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	\$ 819,129	763,834	711,761

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates  
- The following presents the total OPEB liability of the District as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.80%) or 1% higher (7.80%) than the current healthcare cost trend rates.

	1% Decrease (5.80%)	Healthcare Cost Trend Rate (6.80%)	1% Increase (7.80%)
Total OPEB liability	\$ 684,596	763,834	857,042

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2018, the District recognized OPEB expense of \$82,700. At June 30, 2018, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	30,497
Contributions between measurement date and reporting date	50,184	-
Total	<u>\$ 50,184</u>	<u>30,497</u>

\$50,184 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to measurement date will be recognized as a reduction of the total liability in the year ending June 30, 2019. The amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,	Amount
2019	\$ (4,538)
2020	(4,538)
2021	(4,538)
2022	(4,538)
2023	(4,538)
Thereafter	<u>(7,807)</u>
Total	<u>\$ (30,497)</u>

#### **Note 6. Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary except for members with service before June 30, 2012 will use the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1%. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2019, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2018 were \$603,117.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the District reported a liability of \$5,913,701 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2017, the District's proportion was 0.088777%, which was a decrease of 0.00123% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$811,230. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 54,293	\$ 51,238
Changes of assumptions	1,027,529	-
Net difference between projected and actual earnings on IPERS' investments	-	61,766
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	55,443	63,869
District contributions subsequent to the measurement date	603,117	-
<b>Total</b>	<b>\$ 1,740,382</b>	<b>\$ 176,873</b>

\$603,117 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2019	141,078
2020	459,282
2021	271,301
2022	22,489
2023	66,242
	<u>\$ 960,392</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00%, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Asset Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
<b>Total</b>	<b>100%</b>	

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher(8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 9,743,407	5,913,701	2,696,012

**IPERS' Fiduciary Net Position** - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**Payables to IPERS** - At June 30, 2018, the District reported payables to the IPERS of \$898 for legally required District contributions and \$599 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

#### **Note 7. Risk Management**

Cherokee 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. There have been no significant reductions in insurance coverage from coverage in the prior year.

**Note 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 \$416,015 for the year ended June 30, 2018 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 9. Categorical Funding**

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2018.

Program	Amount
Limited english proficiency weighting	\$ 22,599
Home School Assistance Program	8,132
Gifted and talented	56,409
Teacher Leadership State Aid	24,624
Four-year-old preschool state aid	48,037
Teacher Salary Supplement	6,075
Professional development	27,649
Successful progression for early readers	18,713
Total	<u>\$ 212,238</u>

**Note 10. Reconciliation of Governmental Fund Balances to Net Position**

The following is reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Management Levy	Unassigned/ Restricted Balances
<b>Fund Balance (Exhibit C)</b>	\$ 716,307	1,971,073
Internal service funds	-	1,347,737
Income surtax	-	277,298
Accrued interest	-	17
Termination benefits payable	(4,603)	-
OPEB related deferred outflows	-	48,061
Pension related deferred outflows	-	1,694,938
Net pension liability	-	(5,761,128)
OPEB related deferred inflows	-	(29,207)
Pension related deferred inflows	-	(172,309)
Total OPEB liability	-	(731,524)
<b>Net position (Exhibit A)</b>	<u>\$ 711,704</u>	<u>(1,355,044)</u>



**Note 11. Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2018 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Larabee	Urban Renewal and Economic Development Projects	\$26,330

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2018, this reimbursement amounted to \$12,624.

**Note 12. Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities and business type activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2017, as previously reported	\$ 8,418,069	114,780
OPEB obligation measured under previous standards	369,518	13,601
Total OPEB liability at June 30, 2017	<u>(695,911)</u>	<u>(30,737)</u>
Net position July 1, 2017, as restated	<u>\$ 8,091,676</u>	<u>97,644</u>

**Note 13. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	School Nutrition	<u>\$ 5,337</u>

The transfer from the School Nutrition Fund to the General Fund was needed for the reimbursement of indirect costs incurred during fiscal year 2018.

**REQUIRED SUPPLEMENTARY INFORMATION**

CHEROKEE 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, 2018

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 5,411,280	271,620	5,682,900	5,254,135	5,254,135	428,765
Intermediate sources	-	-	-	6,000	6,000	(6,000)
State sources	7,110,203	4,396	7,114,599	7,298,877	7,298,877	(184,278)
Federal sources	315,484	299,610	615,094	570,000	570,000	45,094
Total revenues	<u>12,836,967</u>	<u>575,626</u>	<u>13,412,593</u>	<u>13,129,012</u>	<u>13,129,012</u>	<u>283,581</u>
Expenditures/expenses:						
Instruction	7,789,058	-	7,789,058	8,160,000	8,160,000	370,942
Support services	3,271,655	-	3,271,655	4,190,000	4,190,000	918,345
Non-instructional programs	-	563,286	563,286	594,000	594,000	30,714
Other expenditures	1,172,420	-	1,172,420	1,843,101	1,843,101	670,681
Total expenditures/expenses	<u>12,233,133</u>	<u>563,286</u>	<u>12,796,419</u>	<u>14,787,101</u>	<u>14,787,101</u>	<u>1,990,682</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	603,834	12,340	616,174	(1,658,089)	(1,658,089)	2,274,263
Other financing sources, net	35,954	(5,337)	30,617	-	-	30,617
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	639,788	7,003	646,791	(1,658,089)	(1,658,089)	2,304,880
Balances beginning of year, as restated	4,229,189	97,644	4,326,833	2,240,663	2,240,663	2,086,170
Balances end of year	<u>\$ 4,868,977</u>	<u>104,647</u>	<u>4,973,624</u>	<u>582,574</u>	<u>582,574</u>	<u>4,391,050</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHEROKEE COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2018

This budgetary comparison is presented as Required Supplementary Information in accordance with Government 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 function, 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.

CHEROKEE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 FOR THE LAST FOUR YEARS \*  
 REQUIRED SUPPLEMENTARY INFORMATION

	2018	2017	2016	2015
District's proportion of the net pension liability	0.088777%	0.090008%	0.089977%	0.090695%
District's proportionate share of the net pension liability	\$ 5,913,701	5,664,460	4,445,297	3,596,878
District's covered payroll	\$ 6,627,245	6,459,280	6,164,233	5,934,692
District's proportionate share of the net pension liability as a percentage of its covered payroll	89.23%	87.69%	72.11%	60.61%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHEROKEE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST TEN FISCAL YEARS  
 REQUIRED SUPPLEMENTARY INFORMATION

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	\$ 603,117	591,813	576,813	550,466	529,968	502,736	462,748	395,680	387,527	367,535
Contributions in relation to the statutorily required contribution	\$ (603,117)	(591,813)	(576,813)	(550,466)	(529,968)	(502,736)	(462,748)	(395,680)	(387,527)	(367,535)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 6,753,830	6,627,245	6,459,280	6,164,233	5,934,692	5,798,570	5,734,176	5,693,237	5,827,474	5,787,953
Contributions as a percentage of covered payroll	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHEROKEE COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2018

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

CHEROKEE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN THE DISTRICT'S  
 TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES  
 FOR THE CURRENT YEAR  
 REQUIRED SUPPLEMENTARY INFORMATION

	2018
Service cost	\$ 64,360
Interest cost	22,878
Changes in assumptions	(35,035)
Benefit payments	(15,017)
Net change in total OPEB liability	37,186
Total OPEB liability beginning of year, as restated	726,648
Total OPEB liability end of year	\$ 763,834
Covered-employee payroll	\$ 5,644,419
Total OPEB liability as a percentage of covered-employee payroll	13.53%

**Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2018	3.56%
Year ended June 30, 2017	2.92%



# **Cherokee Community School District**

**SUPPLEMENTARY INFORMATION**

CHEROKEE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUND ACCOUNTS  
 JUNE 30, 2018

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,482,310	282,943	1,765,253
Receivables:			
Property tax:			
Delinquent	-	2,331	2,331
Succeeding year	-	332,001	332,001
Accounts	-	1,112	1,112
Due from other governments	74,371	-	74,371
<b>TOTAL ASSETS</b>	<b>\$ 1,556,681</b>	<b>618,387</b>	<b>2,175,068</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 2,000	-	2,000
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	332,001	332,001
Fund balances:			
Restricted for:			
School infrastructure	1,554,681	-	1,554,681
Physical plant and equipment	-	286,386	286,386
Total fund balances	1,554,681	286,386	1,841,067
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,556,681</b>	<b>618,387</b>	<b>2,175,068</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHEROKEE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUND ACCOUNTS  
 YEAR ENDED JUNE 30, 2018

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ -	341,330	341,330
Other	8,146	50,695	58,841
State sources	877,772	3,599	881,371
Total revenues	<u>885,918</u>	<u>395,624</u>	<u>1,281,542</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular	34,720	-	34,720
Support services:			
Transportation	-	1,550	1,550
Capital outlay	429,125	327,280	756,405
Total expenditures	<u>463,845</u>	<u>328,830</u>	<u>792,675</u>
Excess of revenues over expenditures	422,073	66,794	488,867
Other financing sources:			
Sale of equipment	-	500	500
Change in fund balances	422,073	67,294	489,367
Fund balances beginning of year	<u>1,132,608</u>	<u>219,092</u>	<u>1,351,700</u>
Fund balances end of year	<u>\$ 1,554,681</u>	<u>286,386</u>	<u>1,841,067</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHEROKEE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2018

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Drama	\$ -	1,267	1,327	60	-
Speech	-	11,416	10,320	2,269	3,365
WHS vocal	-	-	2,040	2,040	-
WHS vocal fundraising	15,056	30,903	26,524	1,200	20,635
WHS band	-	1,151	7,705	6,554	-
Cross country	-	810	1,135	325	-
Cross country- fundraiser	3,011	9,914	9,350	-	3,575
WHS cheerleaders	1,557	2,167	2,184	650	2,190
Weightlifting	-	-	40	40	-
Boys basketball	-	50	3,176	3,126	-
Boys basketball fundraiser	3,507	3,598	4,955	250	2,400
Football	-	-	8,493	8,493	-
Football fundraiser	5,002	23,617	20,743	-	7,876
Baseball	-	300	3,509	3,209	-
Baseball fundraiser	7,117	5,740	7,952	-	4,905
Boys track	-	4,077	8,982	4,905	-
Boys tennis	-	520	710	190	-
Boys golf	-	560	2,424	1,864	-
Wrestling	-	1,380	3,086	1,706	-
Wrestling fundraiser	4,605	8,906	7,938	-	5,573
Girls basketball	-	-	3,910	3,910	-
Girls basketball fundraiser	5,000	4,906	4,982	-	4,924
Volleyball	-	560	5,143	4,583	-
Volleyball fundraiser	3,376	7,619	8,473	-	2,522
Girls softball	-	2,419	6,549	4,130	-
Softball fundraiser	2,260	930	2,812	-	378
Girls track	-	1,235	3,818	2,583	-
Girls tennis	-	1,084	1,441	357	-
Girls golf	-	720	2,804	2,084	-
Cherokeean	14,967	11,586	10,680	500	16,373
National honor society	357	300	1,035	378	-
Drug free lifestyles	431	-	-	-	431
Art club	246	85	109	-	222
Student council	4,136	8,964	10,068	-	3,032
Concessions	8,814	53,298	36,337	(15,216)	10,559
FCCLA	698	-	-	-	698
Spanish club	3,456	385	160	500	4,181
WHS FFA	500	19,670	12,244	250	8,176
Culinary arts	7,895	630	5,526	250	3,249
Special athletes	-	1,080	932	-	148
School to work	33	-	-	-	33
WHS work study	2,119	-	-	-	2,119
Class of 2016	275	-	-	(275)	-
Class of 2018	765	-	330	(435)	-
Class of 2019	525	-	-	250	775
Class of 2020	-	-	-	525	525
Class of 2021	-	-	-	250	250
Prom	3,208	8,057	8,268	500	3,497
Interest on investments	-	293	-	(293)	-
WHS athletics	-	27,448	36,057	8,609	-
WHS activities - ticket sales	-	63,633	4,259	(59,374)	-
Padlocks	-	-	432	432	-
Library Club	48	235	229	-	54
FTC	1,455	3,835	3,731	500	2,059
7th/8th student council	5,543	4,286	5,427	350	4,752
CMS athletics	-	42	7,161	7,119	-
CMS band	-	2,275	2,293	18	-
CMS vocal	-	-	384	384	-
CMS activity resale	416	903	1,273	-	46
CMS hoops festival	6,802	10,009	8,308	-	8,503
WHS quiz bowl	171	223	377	250	267
<b>TOTAL</b>	<b>\$ 113,351</b>	<b>343,086</b>	<b>328,145</b>	<b>-</b>	<b>128,292</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHEROKEE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF NET POSITION  
 INTERNAL SERVICE FUNDS  
 JUNE 30, 2018

	Governmental Activities:		
	Internal Service Funds		
	Self-funded Insurance	Flex Benefits	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,328,813	18,924	1,347,737
Interest receivable	17	-	17
<b>TOTAL ASSETS</b>	<b>1,328,830</b>	<b>18,924</b>	<b>1,347,754</b>
<b>LIABILITIES</b>	-	-	-
<b>NET POSITION</b>			
Unrestricted	\$ 1,328,830	18,924	1,347,754

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHEROKEE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET POSITION  
 INTERNAL SERVICE FUNDS  
 YEAR ENDED JUNE 30, 2018

	Governmental Activities: Internal Service Funds		
	Self-funded Insurance	Flex Benefits	Total
OPERATING REVENUE:			
Local sources:			
Miscellaneous	\$ 223,871	106,075	329,946
OPERATING EXPENSES:			
Support services:			
Administration:			
Services	153,197	101,084	254,281
OPERATING INCOME	70,674	4,991	75,665
NON-OPERATING REVENUE			
Interest income	7,762	-	7,762
Change in net position	78,436	4,991	83,427
Net position beginning of year	1,250,394	13,933	1,264,327
Net position end of year	\$ 1,328,830	18,924	1,347,754

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHEROKEE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 YEAR ENDED JUNE 30, 2018

	Governmental Activities: Internal Service Funds		
	Self-funded Insurance	Flex Benefits	Total
Cash flows from operating activities:			
Cash received from miscellaneous	\$ 223,919	106,075	329,994
Cash payments to employees for services	-	(101,084)	(101,084)
Cash payments to suppliers for goods or services	(153,197)	-	(153,197)
Net cash provided by operating activities	<u>70,722</u>	<u>4,991</u>	<u>75,713</u>
Cash flows from investing activities:			
Interest on investments	<u>7,762</u>	-	<u>7,762</u>
Net increase in cash and pooled investments	78,484	4,991	83,475
Cash and pooled investments beginning of year	<u>1,250,329</u>	<u>13,933</u>	<u>1,264,262</u>
Cash and pooled investments end of year	<u>\$ 1,328,813</u>	<u>18,924</u>	<u>1,347,737</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 70,674	4,991	75,665
Adjustments to reconcile operating income to net cash provided by operating activities:			
Decrease in interest receivable	48	-	48
Net cash provided by operating activities	<u>\$ 70,722</u>	<u>4,991</u>	<u>75,713</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



CHEROKEE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
 JUNE 30, 2018

	Private Purpose Trust - Scholarship			
	Interest	Local Business Scholarships	Vera Pratt Memorial	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 4	2,700	28,222	30,926
<b>LIABILITIES</b>	-	-	-	-
<b>NET POSITION</b>				
Held in trust for scholarships	\$ 4	2,700	28,222	30,926

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHEROKEE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
 YEAR ENDED JUNE 30, 2018

	Private Purpose Trust - Scholarship			
	Interest	Local Business Scholarships	Vera Pratt Memorial	Total
Additions:				
Local sources:				
Gifts and contributions	\$ -	4,825	-	4,825
Interest income	2	-	674	676
Total additions	2	4,825	674	5,501
Deductions:				
Instruction:				
Regular:				
Scholarships awarded	-	5,225	500	5,725
Change in net position before other financing sources	2	(400)	174	(224)
Other financing sources:				
Unrealized gain on investments	-	-	586	586
Change in net position	2	(400)	760	362
Net position beginning of year	2	3,100	27,462	30,564
Net position end of year	\$ 4	2,700	28,222	30,926

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Local sources:										
Local tax	\$ 3,959,171	3,849,492	3,781,905	3,764,494	3,934,988	4,528,862	4,524,221	4,208,118	3,831,302	3,708,534
Tuition	816,027	819,712	692,636	550,174	533,512	557,902	483,781	419,892	391,288	320,420
Other	636,082	564,075	532,739	444,507	371,746	469,053	403,762	645,693	314,833	355,107
State sources	7,110,203	7,165,252	7,065,030	7,142,428	6,725,234	5,556,128	5,357,603	5,488,494	5,117,522	5,813,944
Federal sources	315,484	282,851	289,406	318,868	314,667	251,889	397,097	516,832	846,885	306,317
Total	\$ 12,836,967	12,681,382	12,361,716	12,220,471	11,880,147	11,363,834	11,166,464	11,279,029	10,501,830	10,504,322
Expenditures:										
Instruction:										
Regular	\$ 4,618,651	4,901,142	4,597,736	4,409,724	4,198,705	4,120,162	4,028,840	4,024,489	4,089,062	4,106,620
Special	1,433,717	1,369,386	1,524,361	1,490,041	1,459,136	1,509,673	1,441,646	1,420,475	1,276,205	1,330,350
Other	1,736,690	1,560,609	1,393,709	1,438,722	1,300,700	1,275,064	1,234,797	1,349,984	1,364,636	1,269,163
Support services:										
Student	199,292	251,923	246,184	229,626	188,739	215,489	180,398	190,942	148,928	116,916
Instructional staff	507,102	148,528	281,167	258,861	261,221	250,374	223,896	224,051	211,953	174,892
Administration	1,230,261	1,471,317	1,352,250	1,433,298	1,285,862	1,272,154	1,310,862	1,183,250	1,113,835	1,096,043
Operation and maintenance of plant	1,002,473	984,345	877,988	874,431	820,808	752,086	738,022	730,548	747,469	787,118
Transportation	332,527	373,630	397,299	393,330	544,802	462,415	323,038	300,558	391,752	292,430
Capital outlay	756,405	433,940	509,283	574,028	260,597	244,425	272,899	445,751	81,107	193,563
Long-term debt:										
Principal	-	-	895,000	1,295,000	495,000	480,000	465,000	450,000	430,000	415,000
Interest and other charges	-	-	27,373	80,790	98,610	115,650	132,425	150,375	167,525	184,125
Other expenditures:										
AEA flow-through	416,015	406,161	414,267	415,070	389,347	369,342	367,805	413,858	411,845	366,161
Total	\$ 12,233,133	11,900,981	12,516,617	12,892,921	11,303,527	11,066,834	10,719,628	10,884,281	10,434,317	10,332,381

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

**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 Cherokee Community School District:**

We have audited 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, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Cherokee Community School District as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 6, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Cherokee Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cherokee Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Cherokee Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weakness or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

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 deficiency described in Part I of the accompanying Schedule of Findings as item I-A-18 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cherokee 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 which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which 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, 2018 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.

### **Cherokee Community School District's Responses to Findings**

Cherokee Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Cherokee Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Cherokee 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.

  
NOLTE, CORMAN & JOHNSON, P.C.

February 6, 2019  
Newton, Iowa

CHEROKEE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2018

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-18 Segregation of Duties -

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles transactions from its inception to completion. In order to maintain proper internal control duties should be segregated so the authorization, custody, and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the District's financial statements.

Condition - As part of our audit, we noted an individual(s) who perform one or more of the following functions of each area for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash, bank reconciliations.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Payroll - recordkeeping, preparation, posting and distribution.
- 5) Financial reporting - preparing, reconciling and approving.
- 6) Journal entries - writing, posting and approving.
- 7) Computer systems - performing all general accounting functions and controlling all data input and output.

Cause - The District has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect - Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, errors, or misappropriations on a timely basis by employees in the normal course of performing their assigned functions.

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

Response - The district will continue to review our procedures and implement controls where possible.

Conclusion - Response accepted

Part II: Other Findings Related to Required Statutory Reporting:

II-A-18 Certified Budget - District expenditures for the year ended June 30, 2018, did not exceed the certified amounts budgeted.

II-B-18 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion date April 25, 1979 were noted.

II-C-18 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-18 Business Transactions - Business transactions between the District and District officials and employees were noted, as follows:

Name, Title and Business Connection	Transaction Description	Amount
Paul Fuhrman, Board President	Track Starter	\$ 100

In accordance with Chapter 279.7A of the code of Iowa, the above transactions with a District board member, do not appear to be a conflict of interest.

II-E-18 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 the coverage is adequate for current operations.

II-F-18 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-18 Certified Enrollment - We noted variances in the basic enrollment data certified to the Iowa Department of Education. The District's fall 2017 count was overstated by 1.00 for a student funded but not enrolled.

Recommendation - The Iowa Department of Education and the Iowa Department of Management should be contacted to resolve this matter regarding these students.

Response - The district's auditor will contact the Iowa Department of Education and the Iowa Department of Management on our behalf to resolve the matter.

Conclusion - Response accepted.

II-H-18 Supplementary Weighting - No variances in the supplementary weighting data certified to the Iowa Department of Education were noted.

II-I-18 Deposits and Investments - No instances of non-compliance 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-J-18 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.

II-K-18 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-18 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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. 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, 2018, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning balance		\$	1,132,608
Revenues:			
Sales tax revenues	\$	877,772	
Other local revenue		<u>8,146</u>	<u>885,918</u>
			2,018,526
Expenditures/transfer out:			
School infrastructure construction		396,265	
Equipment		40,764	
Other		<u>26,816</u>	<u>463,845</u>
Ending balance		\$	<u><u>1,554,681</u></u>

For the year ended June 30, 2018 the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.



## APPENDIX E – FORM OF PRICE ISSUE CERTIFICATES

### EXHIBIT A CHEROKEE COMMUNITY SCHOOL DISTRICT, IOWA \$2,600,000 GENERAL OBLIGATION SCHOOL BONDS, SERIES 2019

#### ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER] ("Purchaser") hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds").

1. Sale of the General Rule Maturities. As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.
2. Initial Offering Price of the Hold-the-Offering-Price Maturities.
  - a. The Purchaser offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.
  - b. As set forth in the Terms of Offering, the Purchaser has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.
3. Defined Terms.
  - a. General Rule Maturities means those Maturities of the Bonds listed in Schedule A hereto as the "General Rule Maturities."
  - b. Hold-the-Offering-Price Maturities means those Maturities of the Bonds listed in Schedule A hereto as the "Hold-the-Offering-Price Maturities."
  - c. Holding Period means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (March 18, 2019), or (ii) the date on which the Purchaser has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.
  - d. Issuer means Cherokee Community School District.
  - e. Maturity means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.
  - f. Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
  - g. Sale Date means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is March 18, 2019.
  - h. Underwriter means (i) the Purchaser or any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain

of the representations set forth in the Tax Exemption Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Ahlers & Cooney, P.C., Bond Counsel in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: May 1, 2019

SCHEDULE A  
SALE PRICES OF THE GENERAL RULE MATURITIES AND  
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES  
(Attached)

SCHEDULE B  
PRICING WIRE OR EQUIVALENT COMMUNICATION

**EXHIBIT A**  
**CHEROKEE COMMUNITY SCHOOL DISTRICT, IOWA**  
**\$2,600,000 GENERAL OBLIGATION SCHOOL BONDS, SERIES 2019**

**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of [NAME OF UNDERWRITER] ("Purchaser"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Bonds").

1. Reasonably Expected Initial Offering Price.
  - a. As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by Purchaser are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by Purchaser in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by Purchaser to purchase the Bonds.
  - b. Purchaser was not given the opportunity to review other bids prior to submitting its bid.
  - c. The bid submitted by Purchaser constituted a firm offer to purchase the Bonds.
  
2. Defined Terms.
  - a. Maturity means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
  - b. Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
  - c. Sale Date means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is March 18, 2019.
  - d. Underwriter means (i) the Purchaser or any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Exemption Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Ahlers & Cooney, P.C., Bond Counsel in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER]

By: \_\_\_\_\_  
Name: \_\_\_\_\_

Dated: May 1, 2019

SCHEDULE A  
EXPECTED OFFERING PRICES  
(Attached)

SCHEDULE B  
COPY OF UNDERWRITER'S BID  
(Attached)