



**\$12,900,000\***  
**Central Lee Community School District, Iowa**  
**General Obligation School Bonds,**  
**Series 2020**

(FAST Closing)  
(Not Bank Qualified)  
(Book Entry Only)  
(PARITY© Bidding Available)

DATE: Monday, March 30, 2020  
TIME: 1:00 pm  
PLACE: Office of the Superintendent  
2642 Highway 218  
Donnellson, IA 52625  
Telephone: (319)835-9510  
Fax: (319)835-3910

Standard & Poor's Rating: "A+"

\* Preliminary, subject to change

**PIPER | SANDLER**

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

**OFFICIAL BID FORM**

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

Re: \$12,900,000\* General Obligation School Bonds, Series 2020, 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, 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
_____	_____	May 1, 2030	_____	_____	May 1, 2040

\_\_\_\_\_ 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 _____	_____
\$ _____	_____ 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 company \_\_\_\_\_ with 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 Central Lee Community School District, in the County of Lee, State of Iowa, this 30th day of March, 2020.

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

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

\* Preliminary, subject to change

**NOTICE OF SALE**  
**Central Lee Community School District**  
**Not to Exceed \$12,900,000 General Obligation School Bonds, Series 2020**

Bids will be received on behalf of the Central Lee Community School District, in Lee County, State of Iowa, until 1:00 o'clock p.m. on March 30, 2020, for the purchase of not to exceed \$12,900,000 General Obligation School Bonds, Series 2020 (the "Series 2020 Bonds") of the School District.

Any of the methods set forth below may be used, but no open bids will be accepted:

- (1) Sealed Bidding: Sealed bids will be received at the Office of the Superintendent, 2642 Highway 218, Donnellson, IA 52625, attn: Board Secretary.
- (2) Electronic Internet Bidding: Electronic internet bids will be received at the Office of the Superintendent, 2642 Highway 218, Donnellson, IA 52625, and must be submitted through PARITY®.
- (3) Electronic Facsimile Bidding: Electronic facsimile bids will be received at the Office of the Superintendent, 2642 Highway 218, Donnellson, IA 52625, and will be sealed and treated as sealed bids. Electronic facsimile bids should be faxed to (319) 835-3910.

After the deadline for receipt of bids has passed, sealed bids will be opened and announced, and electronic internet and facsimile bids will be accessed and announced. All bids will be presented to the Board of Directors of the School District for consideration at its meeting to be held at 5:00 o'clock p.m. on March 30, 2020 at the Office of the Superintendent, located at 2642 Highway 218, Donnellson, Iowa.

Official Statement: The School District has issued an Official Statement of information pertaining to the Series 2020 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, Central Lee Community School District, Office of the Superintendent, 2642 Highway 218, Donnellson, IA 52625; Telephone: (319) 835-9510, or Matthew Gillaspie, Piper Sandler & Co., 3900 Ingersoll, Suite 110, Des Moines, Iowa 50312; Telephone: (515) 247-2353.

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

The School District reserves the right, after bids are opened and prior to award, to increase or decrease the principal amount of the Series 2020 Bonds offered for sale and/or to increase or decrease the principal amount of each maturity.

The bidders must specify a price of not less than 98.70% of par, plus accrued interest.

The Series 2020 Bonds will be sold subject to the legal opinion of Dorsey & Whitney LLP, Attorneys, Des Moines, Iowa.

The School District reserves the right to reject any or all bids and to waive irregularities in any bid.

Bidders should be aware that the Official Statement for the Series 2020 Bonds, including the Terms of Offering, in contain additional bidding terms and information relative to the Series 2020 Bonds, including without limitation requirements regarding the establishment of issue price for the Series 2020 Bonds. Bidders should prepare their bids on the assumption that the Series 2020 Bonds will be subject to the "hold-the-offering-price" rule, if the requirements for a competitive sale have not been met. Any bid submitted pursuant to the Official Statement or this Notice of Sale shall be considered a firm offer for the purchase of the Series 2020 Bonds, and bids submitted will not be subject to cancellation or withdrawal. In the event of a variance between statements in this Notice of Sale (except with respect to the time and place of the sale of the Series 2020 Bonds and the principal amount offered for sale) and said Official Statement, the provisions of the latter shall control.

By order of the Board of Directors of the Central Lee Community School District.

Board Secretary, Board of Directors

## 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 2020**, in the principal amount of \$12,900,000\* 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 total par amount will not exceed \$12,900,000.

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, 2020 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 \$129,000\* 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.

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\* Preliminary, subject to change

Confidential information sent via secured portal: All confidential information exchanged between the Issuer and the Purchaser (including but not limited to closing details and good faith wire details) must be sent via a secure portal. As a condition to closing, the winning bidder will cooperate with the Issuer, its legal counsel and its financial advisor to ensure that all confidential information is sent via a secure portal.

Form of Bids: All bids shall be unconditional for the entire issue of Bonds for a price of not less than 98.70% 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 office of the Superintendent, Central Lee Community School District 2642 Highway 218, Donnellson, IA 52625.

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: In order to establish the issue price of the Bonds for federal income tax purposes, the Issuer requires bidders to agree to the following, and by submitting a bid, each bidder agrees to the following.

If a bid is submitted by a potential underwriter, the bidder confirms that (i) the underwriters have offered or reasonably expect to offer the Bonds to the public on or before the date of the award at the offering price (the "initial offering price") for each maturity as set forth in the bid and (ii) the bidder, if it is the winning bidder, shall require any agreement among underwriters, selling group agreement, retail distribution agreement or other agreement relating to the initial sale of the Bonds to the public to which it is a party to include provisions requiring compliance by all parties to such agreements with the provisions contained

herein. For purposes hereof, Bonds with a separate CUSIP number constitute a separate “maturity,” and the public does not include underwriters of the Bonds (including members of a selling group or retail distribution group) or persons related to underwriters of the Bonds.

If, however, a bid is submitted for the bidder’s own account in a capacity other than as an underwriter of the Bonds, and the bidder has no current intention to sell, reoffer, or otherwise dispose of the Bonds, the bidder shall notify the Issuer to that effect at the time it submits its bid and shall provide a certificate to that effect in place of the certificate otherwise required below.

If the winning bidder intends to act as an underwriter, the Issuer shall advise the winning bidder at or prior to the time of award whether (i) the competitive sale rule or (ii) the “hold-the-offering price” rule applies.

If the Issuer advises the Purchaser that the requirements for a competitive sale have been satisfied and that the competitive sale rule applies, the Purchaser will be required to deliver to the Issuer at or prior to closing a certification, substantially in the form attached hereto as EXHIBIT A-1, as to the reasonably expected initial offering price as of the award date.

If the Issuer advises the Purchaser that the requirements for a competitive sale have not been satisfied and that the hold-the-offering price rule applies, the Purchaser shall (1) upon the request of the Issuer confirm that the underwriters did not offer or sell any maturity of the Bonds to any person at a price higher than the initial offering price of that maturity during the period starting on the award date and ending on the earlier of (a) the close of the fifth business day after the sale date or (b) the date on which the underwriters have sold at least 10% of that maturity to the public at or below the initial offering price; and (2) at or prior to closing, deliver to the Issuer a certification substantially in the form attached hereto as EXHIBIT A-2, together with a copy of the pricing wire.

Any action to be taken or documentation to be received by the Issuer pursuant hereto may be taken or received on behalf of the Issuer by the Financial Advisor.

**Bidders should prepare their bids on the assumption that the Bonds will be subject to the “hold-the-offering-price” rule. Any bid submitted pursuant to the Notice of Bond Sale, Terms of Offering and Official Bid Form shall be considered a firm offer for the purchase of the Bonds, and bids submitted will not be subject to cancellation or withdrawal.**

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.

**EXHIBIT A-1**  
**ISSUE PRICE CERTIFICATE –COMPETITIVE SALE WITH AT LEAST THREE BIDS FROM ESTABLISHED**  
**UNDERWRITERS**  
**\$(PRINCIPAL AMOUNT)**  
**[BOND CAPTION]**  
**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the obligations named above (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 [SHORT NAME OF UNDERWRITER] 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 [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. Defined Terms. For purposes of this Issue Price Certificate:

(a) Issuer means [DESCRIBE ISSUER].

(b) Maturity means Bonds with the same credit and payment terms. Any Bonds with different maturity dates, or with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) Member of the Distribution Group means (i) 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).

(d) Public means any person (i.e., an individual, trust, estate, partnership, association, company, or corporation) other than a Member of the Distribution Group or a related party to a Member of the Distribution Group. A person is a “related party” to a Member of the Distribution Group if the Member of the Distribution Group and that person are subject, directly or indirectly, to (i) at least 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), (ii) 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 (iii) 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).

(e) Sale Date means the first day on which there is a binding contract in writing for the sale of the respective Maturity. The Sale Date of each Maturity was [DATE].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]’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[ and BORROWER (the “Borrower”)] with respect to certain of the representations set forth in the [Tax Certificate][Tax Exemption Agreement] and with respect to compliance with the federal income tax rules affecting the Bonds, and by [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][-GC][-TC], and other federal income tax advice that it may give to the Issuer[ and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER]

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

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

Dated: [ISSUE DATE]



SCHEDULE A  
EXPECTED OFFERING PRICES  
(Attached)

SCHEDULE B  
COPY OF UNDERWRITER'S BID  
(Attached)

**EXHIBIT A-2**  
**ISSUE PRICE CERTIFICATE –COMPETITIVE SALE WITH FEWER THAN THREE BIDS FROM**  
**ESTABLISHED UNDERWRITERS--HTOP**

**[\$[PRINCIPAL AMOUNT]**  
**[BOND CAPTION]**  
**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] ([“[SHORT NAME OF UNDERWRITER]”][the “Representative”]), on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the “Underwriting Group”), hereby certifies as set forth below with respect to the sale of the obligations named above (the “Bonds”).

1. Initial Offering Price of the Bonds. [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Bonds to the Public for purchase at the specified initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire for the Bonds is attached to this certificate as Schedule B.

2. First Price at which Sold to the Public. On the Sale Date, at least 10% of each Maturity [listed in Schedule C] was first sold to the Public at the respective Initial Offering Price [or price specified [therein][in Schedule C], if different].

3. Hold the Offering Price Rule. [SHORT NAME OF UNDERWRITER][Each member of the Underwriting Group] has agreed in writing that, (i) for each Maturity less than 10% of which was first sold to the Public at a single price as of the Sale Date, 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 agreement among underwriters, selling group agreement, or retail distribution agreement contains the agreement of each underwriter, dealer, or broker-dealer who is a party to such agreement to comply with the Hold-the-Offering-Price Rule. Based on the [Representative][SHORT NAME OF UNDERWRITER]’s own knowledge and, in the case of sales by other Members of the Distribution Group, representations obtained from the other Members of the Distribution Group, no Member of the Distribution Group has offered or sold any such Maturity at a price that is higher than the respective Initial Offering Price during the respective Holding Period.

4. Defined Terms. For purposes of this Issue Price Certificate:

(a) Holding Period means 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 ([DATE]), or (ii) the date on which Members of the Distribution Group have sold at least 10% of such Maturity to the Public at one or more prices, none of which is higher than the Initial Offering Price for such Maturity.

(b) Issuer means [DESCRIBE ISSUER].

(c) Maturity means Bonds with the same credit and payment terms. Any Bonds with different maturity dates, or with the same maturity date but different stated interest rates, are treated as separate Maturities.

(d) Member of the Distribution Group means (i) 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).

(e) Public means any person (i.e., an individual, trust, estate, partnership, association, company, or corporation) other than a Member of the Distribution Group or a related party to a Member of the Distribution Group. A person is a “related party” to a Member of the Distribution Group if the Member of the Distribution Group and that person are subject, directly or indirectly, to (i) at least 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), (ii) 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 (iii) 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).

(f) Sale Date means the first day on which there is a binding contract in writing for the sale of the respective Maturity. The Sale Date of each Maturity was [DATE].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [NAME

OF UNDEWRITING FIRM][the Representative'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[ and BORROWER (the "Borrower")] with respect to certain of the representations set forth in the [Tax Certificate][Tax Exemption Agreement] and with respect to compliance with the federal income tax rules affecting the Bonds, and by [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][-GC][-TC], and other federal income tax advice that it may give to the Issuer[ and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER][REPRESENTATIVE]

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

Dated: [ISSUE DATE]

**SCHEDULE A**  
**Initial Offering Prices of the Bonds**  
**(Attached)**

**SCHEDULE B**  
**PRICING WIRE**  
**(Attached)**

**SCHEDULE C**  
**SALES OF AT LEAST 10% OF MATURITY TO THE PUBLIC ON THE SALE DATE**  
**AT THE INITIAL OFFERING PRICE**  
*(Attached)*

**PRELIMINARY OFFICIAL STATEMENT DATED MARCH 16, 2020**

**NEW ISSUE - DTC BOOK ENTRY ONLY**

**S&P Rating: "A+"**

*In the opinion of Dorsey & Whitney LLP, Bond Counsel, according to present laws, rulings and decisions and assuming compliance with certain covenants, the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not treated as a preference item in calculating the federal alternative minimum tax imposed under the Internal Revenue Code of 1986 (the "Code"). Interest on the Bonds is not exempt from present Iowa income taxes. See "TAX EXEMPTION AND RELATED TAX MATTERS" herein.*



**\$12,900,000\***

**Central Lee Community School District, Iowa  
General Obligation School Bonds  
Series 2020**

Dated: Date of Delivery

The General Obligation School Bonds, Series 2020 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 UMB Bank, n.a. as Registrar and Paying Agent (the "Paying Agent" or "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 Central Lee Community School District (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, 2020 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, 2021	\$455,000			153850 BE1	May 1, 2031	\$645,000			153850 BQ4
May 1, 2022	470,000			153850 BF8	May 1, 2032	665,000			153850 BR2
May 1, 2023	490,000			153850 BG6	May 1, 2033	690,000			153850 BS0
May 1, 2024	505,000			153850 BH4	May 1, 2034	715,000			153850 BT8
May 1, 2025	525,000			153850 BJ0	May 1, 2035	740,000			153850 BU5
May 1, 2026	540,000			153850 BK7	May 1, 2036	765,000			153850 BV3
May 1, 2027	560,000			153850 BL5	May 1, 2037	790,000			153850 BW1
May 1, 2028	580,000			153850 BM3	May 1, 2038	820,000			153850 BX9
May 1, 2029	600,000			153850 BN1	May 1, 2039	850,000			153850 BY7
May 1, 2030	620,000			153850 BP6	May 1, 2040	875,000			153850 BZ4

\$ \_\_\_\_\_ % 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 Dorsey & Whitney LLP, 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, 2020\*. 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. Dorsey & Whitney LLP is also serving as Disclosure Counsel to the Issuer in connection with the issuance of the Bonds.

The Date of this Official Statement is \_\_\_\_\_, 2020

\* 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.

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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**  
**CENTRAL LEE COMMUNITY SCHOOL DISTRICT, IOWA**  
**\$12,900,000\* GENERAL OBLIGATION SCHOOL BONDS, SERIES 2020**

**INTRODUCTORY STATEMENT**

This Official Statement presents certain information relating to the Central Lee Community School District, Iowa (the “Issuer” or the “District”), in connection with the sale of the Issuer’s General Obligation School Bonds, Series 2020 (the “Bonds”). The Bonds are being issued to provide funds for the purposes of (i) furnishing, equipping, constructing, improving, repairing and renovating school buildings and improving the sites therefor at the school district’s existing school buildings, including: (a) the expansion of the high school building to include a competition/performance gymnasium addition with new locker rooms; (b) an addition of a new commons area in the high school building to resolve space and functional needs; (c) new office space and entryway areas in the K-8 and high school buildings to improve security; (d) renovations of the K-8 building for a new early childhood center; and (e) parking and site improvements for the school district campus to improve access and safety; and (ii) paying 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 property valuation 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, 2020, 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 Chapter 296, Code of Iowa, 2019, as amended and a resolution adopted by the Issuer on March 30, 2020\* (the “Resolution” or “Bond Resolution”).

**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.

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\* 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 take 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 be 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 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 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.

Any notice of redemption may contain a statement that the redemption is conditioned upon the receipt by the Paying Agent of funds on or before the date fixed for redemption sufficient to pay the redemption price of the Bonds so called for redemption, and that if funds are not available, such redemption shall be cancelled by written notice to the owners of the Bonds called for redemption in the same manner as the original redemption notice was sent such notice of cancellation to be made at least three days prior to the date fixed for redemption.

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:

_____ Term Bond
<u>Mandatory Sinking Fund Date</u> <u>Principal Amount</u>
\$

(maturity)

Selection of Bonds for Redemption Bonds subject to redemption (other than mandatory sinking fund redemption) will be selected in such order of maturity as the Issuer may direct. If less than all of the Bonds of a single maturity are to be redeemed, the Issuer will notify DTC of the particular amount of such maturity to be redeemed prior to maturity. DTC will determine by lot the amount of each Participant's interest in such maturity to be redeemed and each Participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All prepayments shall be at a price of par plus accrued interest.

**Source of Security for the Bonds**

These Bonds are general obligations of the Issuer. The Bonds are payable from general ad valorem property taxes, without limitation of amount, levied against all taxable property of that portion of the District.

**BONDHOLDERS' RISKS**

**Tax Levy Procedures**

The Bonds are general obligations of the Issuer, payable from and secured by a continuing ad-valorem tax levied against all of the property valuation within the Issuer. As part of the budgetary process of the Issuer each fiscal year the Issuer will have an obligation to request a debt service levy to be applied against all of the property within the Issuer. A failure on the part of the Issuer to make a timely levy request or a levy request by the Issuer that is inaccurate or is insufficient to make full payments of the debt service on the Bonds for a particular fiscal year may cause Bondholders to experience delay in the receipt of distributions of principal of and/or interest on the Bonds.

**Changes in Property Taxation**

From time to time the Iowa General Assembly has altered the method of property taxation and could do so again. Any alteration in property taxation structure could affect property tax revenues available to pay the Bonds. Historically, the Iowa General Assembly has applied changes in property taxation structure on a prospective basis; however, there is no assurance that future changes in property taxation structure by the Iowa General Assembly will not be retroactive. It is impossible to predict the outcome of future property tax changes by the Iowa General Assembly or their potential impact on the Bonds and the security for the Bonds.

**Matters Relating to Enforceability of Agreements**

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 Bonds, 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, 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.

EACH PROSPECTIVE PURCHASER IS RESPONSIBLE FOR ASSESSING THE MERITS AND RISKS OF AN INVESTMENT IN THE BONDS AND MUST BE ABLE TO BEAR THE ECONOMIC RISK OF SUCH INVESTMENT. THE SECONDARY MARKET FOR THE BONDS, IF ANY, COULD BE LIMITED.

## Pension and OPEB Information

The Issuer contributes to the Iowa Public Employees' Retirement System ("IPERS"), which is a state-wide multiple-employer cost-sharing defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. All full-time employees of the Issuer are required to participate in IPERS. IPERS plan members are required to contribute a percentage of their annual salary, in addition to the Issuer being required to make annual contributions to IPERS. Contribution amounts are set by State statute. The IPERS Comprehensive Annual Financial Report for its fiscal year ended June 30, 2019 (the "IPERS CAFR") indicates that as of June 30, 2019, the date of the most recent actuarial valuation for IPERS, the funded ratio of IPERS was 83.73%, and the unfunded actuarial liability was \$6.477 billion. The IPERS CAFR identifies the IPERS Net Pension Liability at June 30, 2019, at approximately \$5.791 billion, while its net pension liability at June 30, 2018 was approximately \$6.328 billion. The IPERS CAFR is available on the IPERS website, or by contacting IPERS at 7401 Register Drive, Des Moines, IA 50321. See "**APPENDIX D – AUDITED FINANCIAL STATEMENTS OF THE ISSUER**" for additional information on IPERS.

In fiscal year 2018, the Issuer's IPERS contribution totaled approximately \$1,124,695. The Issuer is current in its obligations to IPERS.

Pursuant to Governmental Accounting Standards Board Statement No. 68, IPERS has allocated the net pension liability among its members, with the Issuer's identified portion at June 30, 2018 at approximately \$10,869,100. While the Issuer's contributions to IPERS are controlled by state law, there can be no assurance the Issuer will not be required by changes in State law to increase its contribution requirement in the future, which may have the effect of negatively impacting the finances of the Issuer. See "**APPENDIX D – AUDITED FINANCIAL STATEMENTS OF THE ISSUER**" hereto for additional information on pension and liabilities of the Issuer.

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

The Issuer operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 196 active and 8 retired members in the plan. Retired participants must be age 55 or older at retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability. The contribution requirements of plan members are established and may be amended by the Issuer. The Issuer's OPEB liability as of June 30, 2018 was \$1,375,001. See "**APPENDIX D – AUDITED FINANCIAL STATEMENTS OF THE ISSUER**" for additional information on pension and OPEB obligations.

## Rating

S&P Global Ratings, a Standard and Poor's Financial Services LLC business (the "Rating Agency") has assigned a rating of "A+" 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.

## **Bankruptcy and Insolvency**

The rights and remedies provided in the Resolution may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws or equitable principles that may affect the enforcement of creditor's rights, to the exercise of judicial discretion in appropriate cases and to limitations in legal remedies against exercise of judicial discretion in appropriate cases and to limitations on legal remedies against municipal corporations in the State of Iowa. The various opinions of counsel to be delivered with respect to the Bonds, and the Resolution, including the opinion of Bond Counsel, will be similarly qualified. If the Issuer were to file a petition under chapter nine of the federal bankruptcy code, the owners of the Bonds could be prohibited from taking any steps to enforce their rights under the Resolution. In the event the Issuer fails to comply with its covenants under the Resolution or fails to make payments on the Bonds, there can be no assurance of the availability of remedies adequate to protect the interests of the holders of the Bonds.

Under sections 76.16 and 76.16A of the Act, a city, county, or other political subdivision may become a debtor under chapter nine of the federal bankruptcy code, if it is rendered insolvent, as defined in 11 U.S.C. §101(32)(c), as a result of a debt involuntarily incurred. As used therein, "debt" means an obligation to pay money, other than pursuant to a valid and binding collective bargaining agreement or previously authorized bond issue, as to which the governing body of the city, county, or other political subdivision has made a specific finding set forth in a duly adopted resolution of each of the following: (1) that all or a portion of such obligation will not be paid from available insurance proceeds and must be paid from an increase in general tax levy; (2) that such increase in the general tax levy will result in a severe, adverse impact on the ability of the city, county, or political subdivision to exercise the powers granted to it under applicable law, including without limitation providing necessary services and promoting economic development; (3) that as a result of such obligation, the city, county, or other political subdivision is unable to pay its debts as they become due; and (4) that the debt is not an obligation to pay money to a city, county, entity organized pursuant to chapter 28E of the Code of Iowa, or other political subdivision.

## **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.

## **Proposed 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. See "**TAX EXEMPTION AND RELATED TAX MATTERS**"

## **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 – AUDITED FINANCIAL STATEMENTS OF THE ISSUER** to this Official Statement have been examined by Hunt & Associates, 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 \$\_\_\_\_\_ (reflecting the par amount of the Bonds with original issue premium of \$\_\_\_\_\_ and an underwriter's discount of \$\_\_\_\_\_) plus any 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 for the purposes of (i) furnishing, equipping, constructing, improving, repairing and renovating school buildings and improving the sites therefor at the school district's existing school buildings, including: (a) the expansion of the high school building to include a competition/performance gymnasium addition with new locker rooms; (b) an addition of a new commons area in the high school building to resolve space and functional needs; (c) new office space and entryway areas in the K-8 and high school buildings to improve security; (d) renovations of the K-8 building for a new early childhood center; and (e) parking and site improvements for the school district campus to improve access and safety; and (ii) paying costs of issuance for the Bonds.



## SOURCES AND USES OF FUNDS \*

Sources of Funds	Bond Proceeds	\$12,900,000
	Reoffering Premium	
Total Sources of Funds		\$
Uses of Funds	Deposit to Project fund	\$
	Costs of Issuance	
	Underwriter's Discount	
Total Uses of Funds		\$

\* Preliminary, subject to change

## TAX EXEMPTION AND RELATED TAX MATTERS

The opinion of Bond Counsel will state that under present laws and rulings, the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not treated as a preference item in calculating the federal alternative minimum tax imposed under the Code.

The opinion set forth in the preceding sentence will be subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. In the resolution authorizing the issuance of the Bonds, the Issuer will covenant to comply with all such requirements.

There may be certain other federal tax consequences to the ownership of the Bonds by 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 and 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 express no opinion with respect to other federal tax consequences to owners of the Bonds. Prospective purchasers of the Bonds should consult with their tax advisors as to such matters.

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or 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. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is 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.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Interest on the Bonds is not exempt from present Iowa income taxes.

## FINANCIAL ADVISOR

The Issuer has retained Piper Sandler 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.

## LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds and with regard to the tax-exempt status of the interest thereon (see “**TAX EXEMPTION AND RELATED TAX MATTERS**” herein) are subject to the approving legal opinion of Dorsey & Whitney LLP, Des Moines, Iowa, Bond Counsel, a form of which is attached hereto as **APPENDIX B**. Signed copies of the opinion, dated and premised on law in effect as of the date of original delivery of the Bonds, will be delivered to the Underwriter at the time of such original delivery. The Bonds are offered subject to prior sale and to the approval of the legality of the bonds by Bond Counsel. Dorsey & Whitney LLP is also serving as Disclosure Counsel to the Issuer in connection with issuance of the Bonds.

The legal opinion to be delivered will express the professional judgment of Bond Counsel, and by rendering a legal opinion, Bond Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment or of the transaction or the future performance of the parties to the transaction.

## RATING

The Bonds are rated “A+” by the Rating Agency. The rating reflects only the views of the Rating Agency, and an explanation of the significance of that rating may be obtained only from the Rating Agency and its published materials. The rating described above is not a recommendation to buy, sell or hold the Bonds. There can be no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the Rating Agency, circumstances so warrant. Therefore, after the date hereof, investors should not assume that the rating is still in effect. A downward revision or withdrawal of the rating is likely to have an adverse effect on the market price and marketability of the Bonds. The Issuer has not assumed any responsibility either to notify the owners of the Bonds of any proposed change in or withdrawal of any rating subsequent to the date of this Official Statement, except in connection with the reporting of events as provided in the Continuing Disclosure Certificate, or to contest any revision or withdrawal.

## CONTINUING DISCLOSURE

For the purpose of complying with Rule 15c2-12 of the Securities Exchange Commission, as amended and interpreted from time to time (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 to provide 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 an annual basis, and the events as to which notice is to be given, if material, is summarized below under the caption “**APPENDIX C - Form of Continuing Disclosure Certificate**” herein for more information. These covenant are being made by the Issuer to assist the Underwriter(s) in complying with the Rule.

Breach of the Disclosure Covenants will not constitute a default or an “Event of Default” under the Bonds or Resolution, respectively. The Issuer will covenant in a Continuing Disclosure Certificate for the benefit of the Owners and Beneficial Owners of the Bonds to provide annually certain financial information and operating data relating to the Issuer (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. The Annual Report is to be filed by the Issuer no later than twelve months after the close of each fiscal year, commencing with the fiscal year ending April 15, 2020, with the Municipal Securities Rulemaking Board, at its internet repository named “Electronic Municipal Market Access” (“EMMA”). The notices of events, if any, are also to be filed with EMMA. See “**APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE.**” The specific nature of the information to be contained in the Annual Report or the notices of events, and the manner in which such materials are to be filed, are summarized in “**APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE.**” These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the “Rule”).

During the past five years, the Issuer has not been subject to continuing disclosure undertakings.

## MISCELLANEOUS

Brief descriptions or summaries of the Issuer, the Bonds, the Resolution and other documents, agreements and statutes are included in this Official Statement. The summaries or references herein to the Bonds, the Resolution and other documents, agreements and statutes referred to herein, and the description of the Bonds included herein, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entirety by reference to such documents, and the description herein of the Bonds is qualified in its entirety by reference to the form thereof and the information with respect thereto included in the aforesaid documents. Copies of such documents may be obtained from the Issuer.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or Owners of any of the Bonds.

The attached APPENDICES A, B, C, and D are integral parts of this Official Statement and must be read together with all of the foregoing statements.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bonds nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Bonds.

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I have reviewed the information contained within the Official Statement of the Central Lee 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 \$12,900,000\* General Obligation School Bonds, Series 2020.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT, STATE OF IOWA

/s/ Sandy Meierotto  
Board Secretary

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\* Preliminary, subject to change

**APPENDIX A - INFORMATION ABOUT THE ISSUER**

**CENTRAL LEE COMMUNITY SCHOOL DISTRICT, IOWA  
DISTRICT OFFICIALS**

<b>PRESIDENT</b>	Mark Hulsebus
<b>BOARD MEMBERS</b>	Kim Hasek Bill Young Brock Westfall Tony Sciumbato
<b>SUPERINTENDENT</b>	Andy Crozier
<b>DISTRICT SECRETARY</b>	Sandy Meierotto
<b>DISTRICT TREASURER</b>	Leslie Edens
<b>DISTRICT ATTORNEY</b>	Ahlers & Cooney, P.C.

**CONSULTANTS**

<b>BOND COUNSEL</b>	Dorsey & Whitney LLP Des Moines, Iowa
<b>DISCLOSURE COUNSEL</b>	Dorsey & Whitney LLP Des Moines, Iowa
<b>FINANCIAL ADVISOR</b>	Piper Sandler Des Moines, Iowa
<b>PAYING AGENT</b>	UMB Bank, n.a. West Des Moines, Iowa

**General Information**

Central Lee Community School District is located in Lee County in south east part of Iowa, approximately 75 miles from Davenport. The District includes the Cities of Donnellson, Franklin and Montrose and the unincorporated town of Argyle.

**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>
High School	1961	9-12
Elementary	1986	PK-8

Source: the Issuer

**Enrollment**

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

<u>Count Date</u>	<u>Fiscal Year effective</u>	<u>Certified (Resident)<sup>1</sup></u>	<u>Open Enroll In</u>	<u>Open Enroll Out</u>	<u>Total Served<sup>2</sup></u>
October-19	2020-21	760.0	373.2	21.8	1111.4
October-18	2019-20	764.0	374.2	30.6	1107.6
October-17	2018-19	766.7	373.2	28.6	1111.3
October-16	2017-18	787.4	349.2	29.3	1107.3
October-15	2016-17	786.1	323.0	41.0	1068.1

Source: Department of Education

<sup>1</sup> Used for Sales Tax distribution

<sup>2</sup> Used for State Aid distribution

**Staff**

Presented below is a list of the District's 169 employees.

Administrators:	8	Media Specialists:	3
Teachers:	78	Nurses:	1
Teacher Aids:	30	Guidance:	2
Custodians:	6	Secretaries:	7
Food Service:	10	Transportation:	17
Other:	7	Maintenance:	0

Source: the Issuer

**Other Post-Employment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses.

Individuals who are employed by the Issuer 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/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	
Active employees	
<b>Total</b>	

Total OPEB Liability – The District’s total OPEB liability was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date, to be \$\_\_\_\_\_.

Actuarial Assumptions – the total OPEB liability in the June 30, 2019 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 6/30/19)	2.50%
Rates of salary increase (effective 6/30/19) including inflation	3.50%
Discount rate (effective 6/30/19) including inflation	3.50%
Healthcare cost trend rate (effective 6/30/19)	7.00% initial rate decreasing by 0.5% annually to an ultimate rate of 4.5%

Discount Rate – The discount rate used to measure the total OPEB liability was 3.5%, 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 SOA RPH-2017 total dataset mortality table fully generational using Scale MP-2017. 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, 2019 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Changes in the Total OPEB Liability:

Total OPEB obligation – beginning of year	
Changes for the year	
	Service Cost
	Interest
	Difference between expected & actual experiences
	Change in assumption
	Benefit Payments
	_____
Net Changes	
Net OPEB obligation – end of year	

Changes of assumptions reflect a change in the discount rate from \_\_\_\_ in fiscal year 2018 to \_\_\_\_ in fiscal year 2019.

Source: the Issuer’s 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. 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, 2017 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.

The Issuer’s contributions to IPERS is not less than that which is required by law. 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
2015	\$564,027	8.93	\$375,807	5.95
2016	586,810	8.93	354,335	5.95
2017	665,384	8.93	443,341	5.95
2018	665,384	8.93	415,854	5.95
2019	624,130	9.44	450,550	6.29

SOURCE: The Issuer

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, 2019 through, and including, 2015 (collectively, the “IPERS CAFRs (2015-2019)”), and the actuarial valuation reports provided to IPERS by Cavanaugh MacDonald Consulting, LLC (collectively, the “IPERS Actuarial Reports (2015-2019)”). 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]]
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	6,968,134,950	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	79.27
2019	33,324,327,606	34,010,680,731	39,801,338,797	6,477,011,191	83.73	5,790,658,066	85.45	8,151,043,468	71.04

Source: IPERS Actuarial Reports

For a description of the assumptions used when calculating the funding status of IPERS for the fiscal year noted herein, see IPERS CAFRs

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 %
2015	3.96
2016	2.15
2017	11.70
2018	7.97
2019	8.35

Net Pension Liabilities.

At June 30, 2019, the Issuer reported a liability of \$\_\_\_ for its proportional share of the IPERS net pension liability. The net pension liability was measured as of June 30, 2018 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%. 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, the Underwriter 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 Issuer invests its funds pursuant to Chapter 12B of the Code. Presented below is the District’s investing activities as of January 31, 2020.

<u>Type of Investment</u>	<u>Amount Invested</u>
Local Bank Money Market	\$73,473.40
Local Bank Deposit Accounts	4,242,295.41
Local Bank Time CD’s	0
ISJIT Money Market	0
ISJIT Time CD’s	0
Cafeteria Plan	310,294.04

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Source: the Issuer

**Population**

Presented below are population figures for the periods indicated for the cities of Argyle, Donnellson, Franklin and Montrose.

<u>Year</u>	<u>Argyle</u>	<u>Donnellson</u>	<u>Franklin</u>	<u>Montrose</u>
2010	Unincorporated	912	143	898
2000		963	136	957
1990		940	152	957
1980		972	142	1038
1970		798	111	735

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Source: U.S. Census Bureau



## Major Employers

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

<u>Employer</u>	<u>Product/Service</u>	<u>Approximate Employees</u>
Iowa State Penitentiary	Correction	501
Pinnacle Foods	Canned meat products	580
Iowa Fertilizer Company	Fertilizer Manufacturer	220
Fort Madison Community School District	Education	389
E.I. DuPont	Protective finishes	90
Siemens Wind Power	Wind Electric Generating Equipment	450
Fort Madison Community Hospital	Healthcare	348
Cyprus-Climax Co.	Ammonium molybdate products	120
Silgan Container Corp.	Seamless aluminum cans	100
Scotts Company	Packaging of chemicals	240
Burrows Paper Company	Waxpaper products	105
Merschman Seed & Fertilizer	Liquid fertilizer	44
Huffman Welding & Machine	Contract tooling and fabrication	60
Hall Towing Inc.	Barge loading and barge repair	30
Millwright Services	Industrial piping	40
Gregory Manufacturing	Material handling	100
Burlington Northern Santa Fe	Railroad	270
Independent Can	Metal containers	19
Cryotech Deicing Technology	Acetate-based deicers	72
Bagcroft Papercon	Innovative food service packaging	70
Form Fabricators	Shape molded and fabricated foam products	40
Donnellson Health Center	Healthcare	90
Montrose Health Center	Healthcare	80
Parkridge Workshop	Contract packaging	70

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>
2020-21	55.0743	81.4832	90.0000	71.2500
2019-20	56.9180	56.1324	90.0000	75.0000
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	82.5000
2015-16	55.7335	44.7021	90.0000	86.2500
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, 2019 are used to calculate tax liability for the tax year starting July 1, 2020 through June 30, 2021. Presented below are the historic property valuations of the Issuer by class of property.

## Property Valuations

Actual Valuation						
Valuation as of January	2019	2018	2017	2016	2015	2014
Fiscal Year	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>
Residential:	229,386,079	213,156,080	209,136,040	195,151,990	190,341,030	184,477,680
Agricultural Land:	102,783,860	130,942,150	130,947,660	141,298,640	141,365,580	137,726,230
Ag Buildings:	3,700,750	4,742,040	4,723,700	5,537,760	5,125,590	6,878,050
Commercial:	19,003,010	18,889,940	18,785,770	16,984,042	16,823,866	23,007,210
Industrial:	28,480,220	28,120,320	27,081,180	18,174,243	22,055,207	25,245,273
Multi-Residential	5,736,850	5,742,500	6,288,580	6,447,848	6,427,204	0
Reserved	0	0	0	0	0	0
Railroads:	19,835,770	18,061,387	15,030,807	16,426,328	14,834,839	12,883,908
Utilities:	71,656,791	57,909,586	5,109,060	4,967,289	5,141,617	5,931,875
Other:	0	0	0	0	0	0
<b>Total Valuation:</b>	<b>480,583,330</b>	<b>477,564,003</b>	<b>417,102,797</b>	<b>404,988,140</b>	<b>402,114,933</b>	<b>396,150,226</b>
Less Military:	559,304	574,120	601,900	616,238	632,909	653,756
<b>Net Valuation:</b>	<b>480,024,026</b>	<b>476,989,883</b>	<b>416,500,897</b>	<b>404,371,902</b>	<b>401,482,024</b>	<b>395,496,470</b>
TIF Valuation:	0	0	0	8,717,887	4,745,233	4,258,947
Utility Replacement:	47,368,511	43,619,648	34,321,850	30,078,665	27,393,342	24,352,849
Taxable Valuation						
Valuation as of January	2019	2018	2017	2016	2015	2014
Fiscal Year	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>
Residential:	126,332,720	121,324,191	116,323,380	111,117,742	105,878,928	102,815,917
Agricultural Land:	83,751,595	73,500,963	71,298,379	67,116,179	65,179,126	61,566,507
Ag Buildings:	3,015,488	2,661,822	2,571,980	2,630,355	2,363,238	3,074,618
Commercial:	17,102,708	17,000,945	16,907,192	15,285,637	15,141,479	20,706,489
Industrial:	25,632,198	25,308,288	24,373,062	15,485,030	19,375,163	22,294,851
Multi-Residential	4,087,511	4,306,885	4,952,261	5,319,484	5,543,466	0
Reserved	0	0	0	0	0	0
Railroads:	17,852,193	16,255,248	13,527,726	14,783,696	13,351,356	11,595,518
Utilities:	71,656,791	57,909,586	5,109,060	4,967,289	5,141,617	5,931,875
Other:	0	0	0	0	0	0
<b>Total Valuation:</b>	<b>349,431,204</b>	<b>318,267,928</b>	<b>255,063,040</b>	<b>236,705,412</b>	<b>231,974,373</b>	<b>227,985,775</b>
Less Military:	559,304	574,120	601,900	616,238	632,909	653,756
<b>Net Valuation:</b>	<b>348,871,900</b>	<b>317,693,808</b>	<b>254,461,140</b>	<b>236,089,174</b>	<b>231,341,464</b>	<b>227,332,019</b>
TIF Valuation:	0	0	0	8,717,887	4,745,233	4,258,947
Utility Replacement:	7,804,135	7,359,427	7,725,680	7,825,003	8,024,583	7,795,081

	Actual Valuation	% Change in Actual	Taxable Valuation	% Change in Taxable
2019	527,392,537	1.30%	356,676,035	9.73%
2018	520,609,531	15.48%	325,053,235	23.98%
2017	450,822,747	1.73%	262,186,820	3.78%
2016	443,168,454	2.20%	252,632,064	3.49%
2015	433,620,599	2.24%	244,111,280	1.97%

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:

Fiscal Year	Operating	Management	B PPEL	V PPEL	Playground	Debt	Schoolhouse	Total Levy
2020	9.95200	1.63050	0.33000	0.00000	0.00000	0.00000	0.00000	11.91250
2019	11.29155	0.57211	0.33000	0.00000	0.00000	0.00000	0.00000	12.19366
2018	10.39660	1.22994	0.33000	0.00000	0.00000	0.00000	0.00000	11.95654
2017	11.03687	0.58488	0.00000	0.00000	0.00000	0.00000	0.00000	11.62175
2016	10.36865	1.27591	0.00000	0.00000	0.00000	0.00000	0.00000	11.64456
2015	10.41131	1.63046	0.00000	0.00000	0.00000	0.00000	0.00000	12.04177

Source: Iowa Department of Management

## Historic Tax Rates

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

<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</u>
2020	10.59057	11.91250	1.15723	0.00280	0.40162	0.19242	0.00000	7.78848	0.00000	32.04562
2019	10.61546	12.19366	1.15723	0.00290	0.38920	0.20361	0.00000	8.14941	0.00000	32.71147
2018	11.81945	11.95654	1.15723	0.00310	0.38770	0.20409	0.00000	8.26129	0.00000	33.78940
2017	11.35587	11.62175	1.15788	0.00330	0.39817	0.20410	0.00000	8.26130	0.00000	33.00237
2016	12.43026	11.64456	1.12916	0.00330	0.39843	0.20331	0.00000	8.42096	0.00000	34.22998
2015	12.77202	12.04177	1.03893	0.00330	0.40605	0.21193	0.00000	8.42095	0.00000	34.89495

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>
2020	3,872,197	In collection	NA
2019	3,197,017		
2018	2,919,463	2,950,841	101.07%
2017	2,783,965	2,786,085	100.08%
2016	2,742,796	2,747,042	100.15%
2015	2,671,222	2,672,988	100.07%

Source: the Issuer

## Largest Taxpayers

Set forth in the following table are the persons or entities which represent the 2019 largest taxpayers within the Issuer, 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>2019 Taxable Valuation</u>	<u>Percent of Total</u>
Dakota Access LLC	\$66,296,851	18.587%
Burlington Northern Santa Fe	17,852,191	5.005%
Siemens Wind Power Inc.	12,229,452	3.429%
ConAgra Foods Packaged Foods LLC	5,963,373	1.672%
Interstate Power & Light Co. - Trans Electric	5,604,848	1.571%
Climax Molybdenum Company	4,862,338	1.363%
Hendricks River Logistics LLC	2,741,589	0.769%
Iowa Telecom	2,429,201	0.681%
Sinclair Transportation Company	1,549,361	0.434%
Charleston Land Co.	1,290,310	0.362%
	<b>Total</b>	<b>33.87%</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 Issuer’s authority to levy taxes to pay principal and interest on the Bonds could be adjudicated to be proportionately reduced in future years if the utility replacement tax were to be other than “taxable property” for purposes of computing the Issuer’s levy limit under Iowa Code Section 298.18, as amended from time to time. 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.

**Direct Debt**

General Obligation School Bonds (Debt Service)

The District does not have any outstanding general obligation bonds. Presented below is the principal and interest on the District’s the proposed general obligation bonds, presented by fiscal year and issue:

<u>Fiscal Year</u>	<u>5/1/20</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total P&amp;I</u>
2020		0	0	0
2021	455,000	455,000	451,500	906,500
2022	470,000	470,000	435,575	905,575
2023	490,000	490,000	419,125	909,125
2024	505,000	505,000	401,975	906,975
2025	525,000	525,000	384,300	909,300
2026	540,000	540,000	365,925	905,925
2027	560,000	560,000	347,025	907,025
2028	580,000	580,000	327,425	907,425
2029	600,000	600,000	307,125	907,125
2030	620,000	620,000	286,125	906,125
2031	645,000	645,000	264,425	909,425
2032	665,000	665,000	241,850	906,850
2033	690,000	690,000	218,575	908,575
2034	715,000	715,000	194,425	909,425
2035	740,000	740,000	169,400	909,400
2036	765,000	765,000	143,500	908,500
2037	790,000	790,000	116,725	906,725
2038	820,000	820,000	89,075	909,075
2039	850,000	850,000	60,375	910,375
2040	875,000	875,000	30,625	905,625
<b>Totals:</b>	<b>12,900,000</b>	<b>12,900,000</b>	<b>5,255,075</b>	<b>18,155,075</b>

Source: the Issuer

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: the Issuer

## 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:

1/1/2018 Actual Valuation(1):	520,609,531
X	0.05
<hr/> Statutory Debt Limit:	<hr/> 26,030,477
Total General Obligation Bond Debt:	12,900,000
Total General Obligation Note Debt:	0
Total Lease Purchases:	
Total Loan Agreements:	
Capital Leases:	
<hr/> Total Debt Subject to Limit:	<hr/> 12,900,000
Percentage of Debt Limit Obligated:	49.56%

\* Preliminary, subject to change

Source: Iowa Department of Management

(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.

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.

## Overlapping & Underlying Debt

Presented below is a listing of the overlapping and underlying debt outstanding of governmental 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 Donnellson	2,968,000	24,000,636	24,000,636	100.00%	2,968,000
City of Fort Madison	6,686,755	305,667,294	24,729,147	8.09%	540,973
City of Franklin	0	2,787,775	2,787,775	100.00%	0
City of Montrose	0	19,342,986	19,342,986	100.00%	0
Lee County	4,725,000	1,521,708,184	325,053,235	21.36%	1,009,311
Southeastern Community College	17,630,000	4,571,804,439	325,053,235	7.11%	1,253,485
Great Prairie AEA	0	10,867,405,451	325,053,235	2.99%	
				Total:	5,771,769

Source: Iowa Department of Management

## FINANCIAL SUMMARY

Actual Value of Property, 2018:	520,609,531
Taxable Value of Property, 2018:	325,053,235
Direct General Obligation Debt:	12,900,000
Overlapping Debt:	5,771,769
<hr/>	<hr/>
Direct & Overlapping General Obligation Debt:	18,671,769
Population, 2010 US Census:	5,363
Direct Debt per Capita:	\$2,405.37
Total Debt per Capita:	\$3,481.59
Direct Debt to Taxable Valuation:	3.97%
Total Debt to Taxable Valuation:	5.74%
Direct Debt to Actual Valuation:	2.48%
Total Debt to Actual Valuation:	3.59%
Actual Valuation per Capita:	\$97,074
Taxable Valuation per Capita:	\$60,610

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Source: Iowa Department of Management

**APPENDIX B – FORM OF BOND COUNSEL OPINION**

[Closing Date]\*

Central Lee Community School District  
Donnellson, Iowa

[Underwriter]  
[City], [State]

We hereby certify that we have examined a certified copy of proceedings (the "Proceedings") of the Board of Directors of Central Lee Community School District (the "Issuer"), in Lee County, State of Iowa, passed preliminary to the issue by the Issuer of its \$\_\_\_\_\_ General Obligation School Bonds, Series 2020 (the "Bonds"), dated the date of delivery. The Bonds bear interest at the rates and are payable on the dates and in the amounts as set forth therein.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The Proceedings show lawful authority for such issue under the laws of the State of Iowa.
2. The Bonds are valid and binding general obligations of the Issuer.
3. All taxable property within the corporate boundaries of the Issuer is subject to the levy of taxes to pay the principal of and interest on the Bonds without constitutional or statutory limitation as to rate.
4. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not treated as a preference item in calculating the federal alternative minimum tax imposed under the Internal Revenue Code of 1986 (the "Code"). The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.
5. Interest on the Bonds is not exempt from State of Iowa income taxes.

We express no opinion regarding other state or federal tax consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion may be relied upon by the addressees hereof and their successors and/or assigns, and any permitted assignee of the Bonds, but only with respect to the opinions expressly set forth herein and as of the dated date hereof.

DORSEY & WHITNEY LLP

\*This form of bond counsel opinion is subject to change pending the results of the sale of the Bonds contemplated herein.

## APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE

### CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Central Lee Community School District (the “Issuer”) on May 1, 2020 (the “Dated Date”), in connection with the issuance of the Issuer’s \$\_\_\_\_\_ General Obligation School Bonds, Series 2020 (the “Bonds”). The Bonds are being issued pursuant to a resolution of the Issuer approved on March 30, 2020 (the “Resolution”). The Issuer covenants and agrees as follows:

**Section 1. Purpose of the Disclosure Certificate.** 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 Underwriter in complying with S.E.C. Rule 15c2-12.

**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 Report” shall mean any Annual Report provided 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.

“Dissemination Agent” shall mean the Dissemination Agent, if any, designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access system available at <http://emma.msrb.org>.

“Financial Obligation” shall mean a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or, (iii) guarantee of either (i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB pursuant to the Rule.

“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.

“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 under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of Iowa.

**Section 3. Provision of Annual Reports.**

(a) Not later than April 15 (the “Submission Deadline”) of each year following the end of the 2019-2020 fiscal year, the Issuer shall, or shall cause the Dissemination Agent (if any) to, file on EMMA an electronic copy of its Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate in a format and accompanied by such identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and 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 Report and later than the Submission Deadline 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), and the Submission Deadline beginning with the subsequent fiscal year will become one year following the end of the changed fiscal year.

(b) If the Issuer has designated a Dissemination Agent, then not later than fifteen (15) business days prior to the Submission Deadline, the Issuer shall provide the Annual Report to the Dissemination Agent.

(c) If the Issuer is unable to provide an Annual Report by the Submission Deadline, in a timely manner thereafter, the Issuer shall, or shall cause the Dissemination Agent (if any) to, file a notice on EMMA stating that there has been a failure to provide an Annual Report



on or before the Submission Deadline.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

- (a) The 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 audited 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 are not available by the Submission Deadline, the Annual Report shall contain unaudited financial information (which may include any annual filing information required by State law) accompanied by a notice that the audited financial statements are not yet available, and the audited financial statements shall be filed on EMMA when they become available.
- (b) Tables, schedules or other information contained in the official statement for the Bonds under the following captions:
  - (1) Other Post-Employment Benefits;
  - (2) Employee Pension Plan – Table 1 and second paragraph under Net Pension Liabilities;
  - (3) Investment of Public Funds (as of Fiscal Year end);
  - (4) Population;
  - (5) Property Valuations;
  - (6) Tax Rates;
  - (7) Historic Tax Rates;
  - (8) Tax Collection History;
  - (9) Largest Taxpayers;
  - (10) DIRECT DEBT (including tables General Obligation School Bonds (Debt Service); General Obligation School Capital Loan Notes (PPEL); Anticipatory Warrants; School Infrastructure Sales, Services & Use Tax Revenue Bonds);
  - (11) Debt Limit; and
  - (12) 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 are available on EMMA or are filed with the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available on EMMA. 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 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:
  - (1) Principal and interest payment delinquencies.
  - (2) Non-payment related defaults, if material.
  - (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
  - (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
  - (5) Substitution of credit or liquidity providers, or their failure to perform.
  - (6) 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 status of the security, or other material events affecting the tax status of the security.
  - (7) Modifications to rights of security holders, if material.
  - (8) Bond calls, if material, and tender offers.
  - (9) Defeasances.
  - (10) Release, substitution, or sale of property securing repayment of the securities, if material.
  - (11) Rating changes.
  - (12) Bankruptcy, insolvency, receivership or similar event of the obligated person.  
Note to paragraph (12): For the purposes of the event identified in subparagraph (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.
  - (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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.

- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) If a Listed Event described in Section 5(a) paragraph (2), (7), (8) (but only with respect to bond calls under (8)), (10), (13), (14), or (15) has occurred and the Issuer has determined that such Listed Event is material under applicable federal securities laws, the Issuer shall, in a timely manner but not later than ten business days after the occurrence of such Listed Event, promptly file, or cause to be filed, a notice of such occurrence on EMMA, with such notice in a format and accompanied by such identifying information as prescribed by the MSRB.

(c) If a Listed Event described in Section 5(a) paragraph (1), (3), (4), (5), (6), (8) (but only with respect to tender offers under (8)), (9), (11), (12), or (16) above has occurred the Issuer shall, in a timely manner but not later than ten business days after the occurrence of such Listed Event, promptly file, or cause to be filed, a notice of such occurrence on EMMA, with such notice in a format and accompanied by such identifying information as prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in Section 5(a) paragraphs (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds 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 a Participating Underwriter 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 Annual Report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Piper Sandler & Co.

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) (i) the amendment or waiver is 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; (ii) 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 (iii) the amendment or waiver either (1) is approved by the Holders in the same manner as provided in the Resolution for amendments to the Resolution with the consent of the Holders, or (2) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners; or
- (b) the amendment or waiver is necessary to comply with modifications to or interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission.

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 Report, 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 audited 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 Report 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 audited 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 Report 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 Report 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 Report 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 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, if any, 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 Underwriter, Holders, and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: Dated Date

CENTRAL LEE COMMUNITY SCHOOL DISTRICT

By \_\_\_\_\_  
President, Board of Directors

Attest:

\_\_\_\_\_  
Board Secretary

## APPENDIX D – AUDITED FINANCIAL STATEMENTS OF THE ISSUER

This Appendix contains the entire 2019 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>.

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CENTRAL LEE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2019

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**Central Lee Community School District**

**Officials**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Term Expires</u></b>
<b>Board of Education</b>		
Mark Hulsebus	President	2019
Brenda Mansheim	Vice President	2019
Bill Young	Board Member	2019
Brock Westfall	Board Member	2021
Anthony Sciumbato	Board Member	2021
<b>School Officials</b>		
Andy Crozier	Superintendent	2019
Sandra Meierotto	Board Secretary/ School Business Official	2019
Leslie Edens	Board Treasurer	2019
Gruhn Law Firm	Attorney	2019

**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 Central Lee 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 Central Lee Community School District, Donnellson, Iowa as of and for the year ended June 30, 2019, 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.

The financial statements of the Central Lee County School District Foundation have not been audited, and we were not engaged to audit the Central Lee County School District Foundation financial statements as part of our audit of the Central Lee Community School District's basic financial statements. The Central Lee County School District Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Central Lee County School District Foundation's financial statements and because we did not apply any auditing procedures to the Central Lee County School District Foundation's financial statements, we do not express an opinion on the discretely presented component unit.

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.



**Summary of Opinions**

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business type Activities	Unmodified
Aggregate Discretely Presented Component Units	Qualified
General Fund	Unmodified
Management Levy Fund	Unmodified
School Nutrition Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

**Basis for Qualified Opinion on the Aggregate Discretely Presented Component Unit**

The financial statements of the Central Lee County School District Foundation have not been audited, and we were not engaged to audit the Central Lee County School District Foundation as part of our audit of the District’s basic financial statements. The Central Lee County School District Foundation’s financial activities are included in the District’s basic financial statements as a discretely presented component unit.

**Qualified Opinion**

In our opinion, except for the possible effects of the matter discussed in the “Basis for Qualified Opinion on the Aggregate Discretely Presented Component Unit” paragraph, the financial statements referred to above present fairly in all material respects, the financial position of the aggregate discretely presented component units of the Central Lee Community School District as of June 30, 2019, and the changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

**Unmodified 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 Central Lee Community School District as of June 30, 2019, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

**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, the Schedule of Changes in the District’s Total OPEB Liability, Related Ratios and Notes and the combining statements for the discretely presented component unit on pages 7 through 15 and 44 through 51 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 Central Lee Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, 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 January 27, 2020, on our consideration of Central Lee 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 Central Lee Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 27, 2020  
Newton, Iowa

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Central Lee 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, 2019. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2019 FINANCIAL HIGHLIGHTS

- The District's total net position increased from \$4,978,599 June 30, 2018 to \$5,742,103 at June 30, 2019. Total revenues increased from \$13,075,552 in fiscal year 2018 to \$13,323,141 in fiscal year 2019, a 1.89% increase, while total expenses decreased from \$13,149,511 in fiscal year 2018 to \$12,559,637 in fiscal year 2019, a 4.49% decrease compared to the prior year. The increase in revenues was primarily caused by an increase in operating grants, contributions and restricted interest, while the majority of the decrease in expenses occurred in the instruction function.
- General Fund revenues increased from \$11,081,052 in fiscal year 2018 to \$11,485,748 in fiscal year 2019, while General Fund expenditures increased from \$10,789,441 in fiscal year 2018 to \$10,795,458 in fiscal year 2019. As a result, the District's General Fund balance increased from \$2,244,034 at June 30, 2018 to \$2,934,324 at June 30, 2019, representing an increase of 30.76%.
- The increase in General Fund revenues was mainly attributable to an increase in local tax revenues received in fiscal year 2019 compared to the prior year. The increase in expenditures was due in part to an increase in operation and maintenance of plant support services expenditures compared to the prior year.
- The District's solvency ratio (unassigned fund balance/general fund revenues-AEA flowthrough) increased from 17.82% for fiscal year 2018 to 23.11% for fiscal year 2019. The State School Budget Review Committee recommends a solvency ratio between 5% - 10%.

### 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 Central Lee Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental and business type activities services were financed in the short term as well as what remains for future spending. Fund financial statements report Central Lee 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 Central Lee 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 and the financial statements for the discretely presented component unit.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

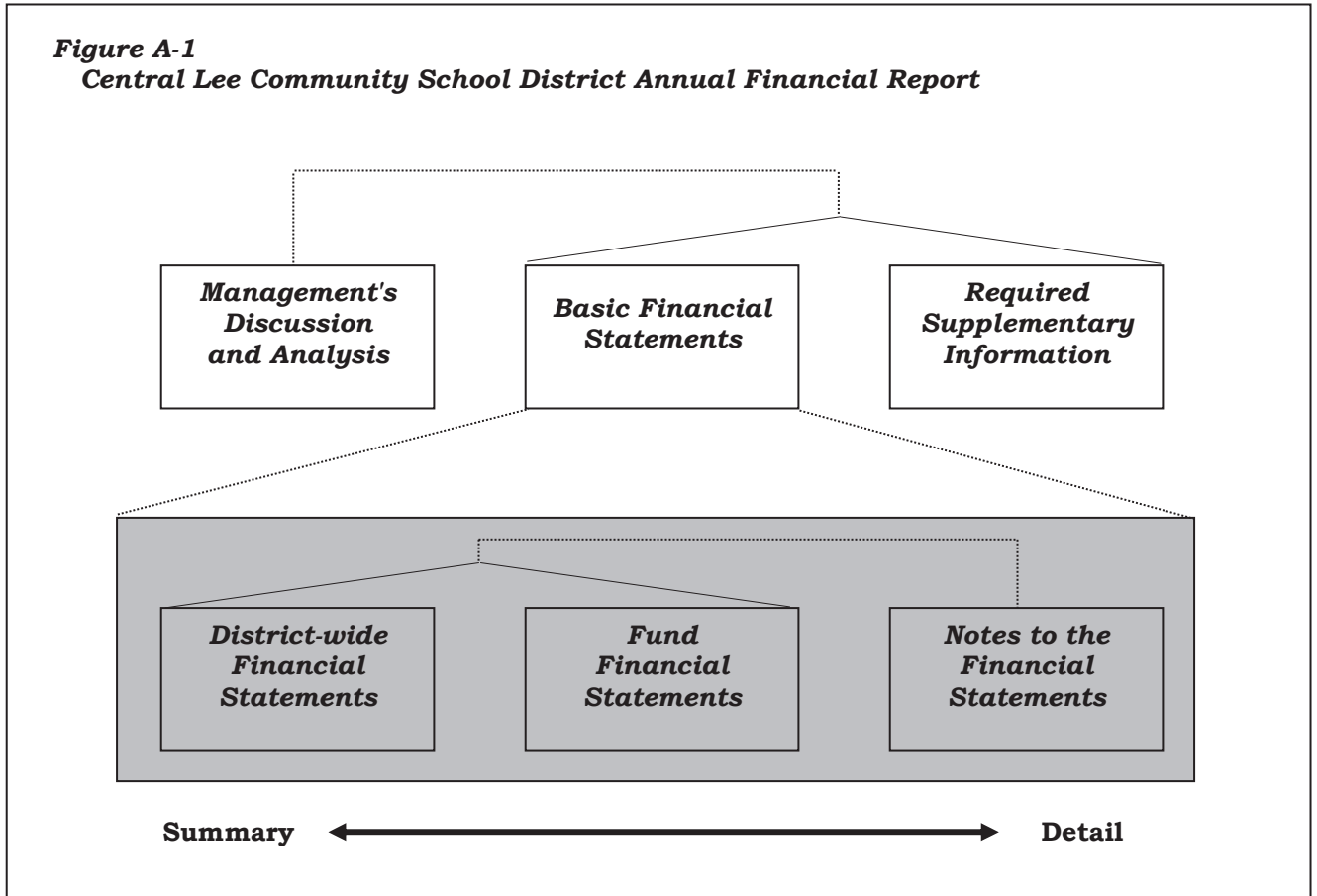


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<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 is 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 three 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.
- *Component Unit*: This includes the activities of the Central Lee County School District Foundation. The foundation provides scholarships to District students and support to extra-curricular school organizations.

### **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, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a 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 Fund.
  - 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 District-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, 2019 compared to June 30, 2018.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2019	2018	2019	2018	2019	2018	2018-19
Current and other assets	\$ 10,010,344	8,360,782	171,062	118,550	10,181,406	8,479,332	20.07%
Capital assets	5,753,810	5,986,373	69,165	69,611	5,822,975	6,055,984	-3.85%
Total assets	15,764,154	14,347,155	240,227	188,161	16,004,381	14,535,316	10.11%
Deferred outflows of resources	1,592,851	1,830,736	37,227	38,544	1,630,078	1,869,280	-12.80%
Long-term liabilities	6,388,412	6,691,855	126,918	125,942	6,515,330	6,817,797	-4.44%
Other liabilities	1,190,617	1,276,492	14,202	8,715	1,204,819	1,285,207	-6.25%
Total liabilities	7,579,029	7,968,347	141,120	134,657	7,720,149	8,103,004	-4.72%
Deferred inflows of resources	4,165,917	3,320,576	6,290	2,417	4,172,207	3,322,993	25.56%
Net position:							
Net investment in capital assets	5,753,810	5,986,373	69,165	69,611	5,822,975	6,055,984	-3.85%
Restricted	1,900,652	1,591,262	-	-	1,900,652	1,591,262	19.44%
Unrestricted	(2,042,403)	(2,688,667)	60,879	20,020	(1,981,524)	(2,668,647)	25.75%
Total net position	\$ 5,612,059	4,888,968	130,044	89,631	5,742,103	4,978,599	15.34%

The District's total net position increased \$763,504, or 15.34%, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$309,390, or 19.44%, from the prior year. The increase was primarily a result of an increase in the amount restricted for school infrastructure compared to the prior year.

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 increased \$687,123, or 25.75%. This increase in unrestricted net position was primarily a result of the increase in the District's unassigned General Fund balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2019 compared to the year ended June 30, 2018.

Figure A-4							
Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2019	2018	2019	2018	2019	2018	2018-19
Revenues:							
Program revenues:							
Charges for service	\$ 3,068,252	3,168,450	202,727	198,144	3,270,979	3,366,594	-2.84%
Operating grants, contributions and restricted interest	898,376	617,669	285,770	256,711	1,184,146	874,380	35.43%
General revenues:							
Property tax	3,199,743	2,955,142	-	-	3,199,743	2,955,142	8.28%
Income surtax	382,649	380,438	-	-	382,649	380,438	0.58%
Statewide sales, services and use tax	787,502	733,317	-	-	787,502	733,317	7.39%
Unrestricted state grants	4,423,290	4,641,716	-	-	4,423,290	4,641,716	-4.71%
Unrestricted investment earnings	11,681	10,226	336	213	12,017	10,439	15.12%
Other	62,602	113,178	213	348	62,815	113,526	-44.67%
Total revenues	12,834,095	12,620,136	489,046	455,416	13,323,141	13,075,552	1.89%
Program expenses:							
Instruction	8,078,428	8,795,826	-	-	8,078,428	8,795,826	-8.16%
Support services	3,403,359	3,123,044	-	-	3,403,359	3,123,044	8.98%
Non-instructional programs	-	7,883	448,633	417,751	448,633	425,634	5.40%
Other expenses	629,217	805,007	-	-	629,217	805,007	-21.84%
Total expenses	12,111,004	12,731,760	448,633	417,751	12,559,637	13,149,511	-4.49%
Excess(Deficiency) of revenues over(under) expenses	723,091	(111,624)	40,413	37,665	763,504	(73,959)	1132.33%
Transfers	-	(34,503)	-	34,503	-	-	0.00%
Change in net position	723,091	(146,127)	40,413	72,168	763,504	(73,959)	1132.33%
Net position beginning of year	4,888,968	5,035,095	89,631	17,463	4,978,599	5,052,558	-1.46%
Net position end of year	\$ 5,612,059	4,888,968	130,044	89,631	5,742,103	4,978,599	15.34%

In fiscal year 2019, property tax, income surtax, statewide sales, service and use tax and unrestricted state grants accounted for 68.51% of the governmental activities revenues while charges for service and operating grants and contributions accounted for 99.89% of the business type activities revenues.

The District's total revenues were approximately \$13.32 million, of which approximately \$12.83 million was for governmental activities and approximately \$0.49 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 1.89% in revenues and a decrease of 4.49% in expenses. The increase in revenues is primarily due to an increase in operating grants, contributions and restricted interest and property tax revenues received, while the decrease in expenses is primarily due to a decrease in instruction costs incurred compared to the prior year.



## Governmental Activities

Revenues for governmental activities were \$12,834,095 and expenses were \$12,111,004 for the year ended June 30, 2019.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2019 compared to those expenses for the year ended June 30, 2018.

	Total Costs of Services			Net Cost of Services		
	2019	2018	Change 2018-19	2019	2018	Change 2018-19
Instruction	\$ 8,078,428	8,795,826	-8.16%	\$ 4,602,422	5,370,097	-14.30%
Support services	3,403,359	3,123,044	8.98%	3,241,226	3,092,644	4.80%
Non-instructional programs	-	7,883	-100.00%	-	7,883	-100.00%
Other expenses	629,217	805,007	-21.84%	300,728	475,017	-36.69%
Totals	<u>\$ 12,111,004</u>	<u>12,731,760</u>	<u>-4.88%</u>	<u>\$ 8,144,376</u>	<u>8,945,641</u>	<u>-8.96%</u>

For the year ended June 30, 2019:

- The cost financed by users of the District's programs was \$3,068,252.
- Federal and state governments as well contributions from local sources subsidized certain programs with grants and contributions totaling \$898,376.
- The net cost of governmental activities was financed with \$3,199,743 in property tax, \$382,649 in income surtax, \$787,502 in statewide sales, services and use tax, \$4,423,290 in unrestricted state grants, \$11,681 in investment interest earnings and \$62,602 in other general revenues.

## Business Type Activities

Revenues of the District's business type activities were \$489,046 and expenses totaled \$448,633 for the year ended June 30, 2019. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursement, investment income, and other general revenues.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Central Lee 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 \$4,580,438, above last year's ending fund balances of a \$3,506,705. The primary reason for the increase in combined fund balances is the increase in fund balance for the General Fund.

## Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The General Fund balance increased from \$2,244,034 at June 30, 2018 to \$2,934,324 at June 30, 2019. This increase is primarily due to an increase in local tax revenue received compared to the prior year.
- The District's Management Levy Fund balance increased from \$726,530 at June 30, 2018 to \$731,799 at June 30, 2019. Although local tax revenues decreased significantly, total revenues still outpaced expenditures resulting in the increase in fund balance.

## Proprietary Fund Highlights

School Nutrition Fund net position increased from \$89,631 at June 30, 2018 to \$130,044 at June 30, 2019, representing an increase of 45.09%. This increase is primarily due to an increase in federal reimbursements received compared to the prior year.

## BUDGETARY HIGHLIGHTS

Over the course of the year Central Lee community School District amended its budget one time to reflect additional expenditures associated with error on the initial budget.

The District's revenues were \$689,143 less than budgeted revenues, a variance of approximately 4.92%. The most significant dollar variance resulted from the District receiving less from local sources than originally anticipated.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2019, the District had invested \$5,822,975, 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 amount represents a net decrease of 3.85% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$496,062.

The original cost of the District's capital assets was \$15,904,542. Governmental funds account for \$15,601,928 with the remainder of \$302,614 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements, net of accumulated depreciation totaled \$558,926 at June 30, 2018, compared to \$509,109 at June 30, 2019. The primary reason for this decrease is due to depreciation during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2019	2018	2019	2018	2019	2018	2018-19
Land	\$ 203,592	203,592	-	-	203,592	203,592	0.00%
Buildings	4,141,141	4,382,003	-	-	4,141,141	4,382,003	-5.50%
Land improvements	509,109	558,926	-	-	509,109	558,926	-8.91%
Machinery and equipment	899,968	841,852	69,165	69,611	969,133	911,463	6.33%
Total	\$ 5,753,810	5,986,373	69,165	69,611	5,822,975	6,055,984	-3.85%

**Long-Term Debt**

At June 30, 2019, the District had \$292,888 in total long-term debt outstanding. This was a 25.36% decrease from the prior year. (See Figure A-7) Additional information about the District’s long-term debt is presented in Note 4 to the financial statements.

- At June 30, 2019, the District had computer lease indebtedness of \$292,888 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Figure A-7			
Outstanding Long-Term Obligations			
	Total		Total
	District		Change
	June 30,		June 30,
	2019	2018	2018-19
Computer lease	\$ 292,888	392,418	-25.36%

**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:

- Challenging economic times combined with rising costs for goods and services has forced the District to explore all opportunities to reduce expenditures and/or increase revenues.
- The District also continues to make fiscal adjustments in order to match enrollment and uncertain allowable growth.
- With the implementation of GASB Statement No. 68, the District booked the liability on financial statements associated with the District’s share of its IPERS liability. This had a negative impact on the District’s financial statements.

**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 Sandra Meierotto, Board Secretary/School Business Official, Central Lee Community School District, 2642 Highway 218, Donnellson, Iowa, 52625.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Central Lee County School District Foundation
<b>ASSETS</b>				
Cash and pooled investments	\$ 4,097,232	154,995	4,252,227	942,469
Receivables:				
Property tax:				
Delinquent	31,068	-	31,068	-
Succeeding year	3,872,197	-	3,872,197	-
Income surtax	372,446	-	372,446	-
Accounts	7,495	-	7,495	-
Prepaid expenses	101,220	-	101,220	-
Due from other governments	1,528,686	1,200	1,529,886	-
Inventories	-	14,867	14,867	-
Capital assets not being depreciated:				
Land	203,592	-	203,592	-
Capital assets, net of accumulated depreciation:				
Buildings and land improvements and machinery and equipment	5,550,218	69,165	5,619,383	-
<b>TOTAL ASSETS</b>	15,764,154	240,227	16,004,381	942,469
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related deferred outflows	1,585,920	37,182	1,623,102	-
OPEB related deferred outflows	6,931	45	6,976	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	1,592,851	37,227	1,630,078	-
<b>LIABILITIES</b>				
Accounts payable	57,204	-	57,204	-
Salaries and benefits payable	1,128,059	5,528	1,133,587	-
Accrued interest payable	5,354	-	5,354	-
Unearned revenue	-	8,674	8,674	-
Long-term liabilities:				
Portion due within one year:				
Computer lease payable	95,866	-	95,866	-
Portion due after one year:				
Computer lease payable	197,022	-	197,022	-
Net pension liability	5,759,940	124,756	5,884,696	-
Total OPEB liability	335,584	2,162	337,746	-
<b>TOTAL LIABILITIES</b>	7,579,029	141,120	7,720,149	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable property tax revenues	3,872,197	-	3,872,197	-
Pension related deferred inflows	289,012	6,260	295,272	-
OPEB related deferred inflows	4,708	30	4,738	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	4,165,917	6,290	4,172,207	-
<b>NET POSITION</b>				
Net investment in capital assets	5,753,810	69,165	5,822,975	-
Restricted for:				
Categorical funding	355,758	-	355,758	-
Management levy purposes	731,799	-	731,799	-
Student activities	185,721	-	185,721	-
School infrastructure	539,807	-	539,807	-
Physical plant and equipment levy	87,567	-	87,567	-
Unrestricted	(2,042,403)	60,879	(1,981,524)	921,048
<b>TOTAL NET POSITION</b>	\$ 5,612,059	130,044	5,742,103	942,469

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Central Lee County School District Foundation
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Primary Government		Total	
				Govern- mental Activities	Business Type Activities		
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 5,127,571	2,343,221	53,791	(2,730,559)	-	(2,730,559)	-
Special	1,414,644	454,840	66,627	(893,177)	-	(893,177)	-
Other	1,536,213	270,191	287,336	(978,686)	-	(978,686)	-
	<u>8,078,428</u>	<u>3,068,252</u>	<u>407,754</u>	<u>(4,602,422)</u>	<u>-</u>	<u>(4,602,422)</u>	<u>-</u>
Support services:							
Student	216,147	-	23,959	(192,188)	-	(192,188)	-
Instructional staff	110,755	-	-	(110,755)	-	(110,755)	-
Administration	1,414,215	-	-	(1,414,215)	-	(1,414,215)	-
Operation and maintenance of plant	976,763	-	-	(976,763)	-	(976,763)	-
Transportation	685,479	-	138,174	(547,305)	-	(547,305)	-
	<u>3,403,359</u>	<u>-</u>	<u>162,133</u>	<u>(3,241,226)</u>	<u>-</u>	<u>(3,241,226)</u>	<u>-</u>
Non-instructional programs:							
Food service operations	-	-	-	-	-	-	-
Long-term debt interest	5,354	-	-	(5,354)	-	(5,354)	-
Other expenditures:							
AEA flowthrough	328,489	-	328,489	-	-	-	-
Depreciation(unallocated)**	295,374	-	-	(295,374)	-	(295,374)	-
	<u>623,863</u>	<u>-</u>	<u>328,489</u>	<u>(295,374)</u>	<u>-</u>	<u>(295,374)</u>	<u>-</u>
Total governmental activities	<u>12,111,004</u>	<u>3,068,252</u>	<u>898,376</u>	<u>(8,144,376)</u>	<u>-</u>	<u>(8,144,376)</u>	<u>-</u>
Business type activities:							
Non-instructional programs:							
Food service operations	448,633	202,727	285,770	-	39,864	39,864	-
Total primary government	<u>\$ 12,559,637</u>	<u>3,270,979</u>	<u>1,184,146</u>	<u>(8,144,376)</u>	<u>39,864</u>	<u>(8,104,512)</u>	<u>-</u>
Total component unit	<u>\$ 56,720</u>	<u>-</u>	<u>64,281</u>				<u>7,561</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes			\$ 3,113,147	-	3,113,147	-	-
Capital outlay			86,596	-	86,596	-	-
Income surtax			382,649	-	382,649	-	-
Statewide sales, services and use tax			787,502	-	787,502	-	-
Unrestricted state grants			4,423,290	-	4,423,290	-	-
Unrestricted investment earnings			11,681	336	12,017		3,504
Unrealized gain on investments			-	-	-		10,356
Other			62,602	213	62,815		-
Total general revenues			<u>8,867,467</u>	<u>549</u>	<u>8,868,016</u>		<u>13,860</u>
Change in net position			723,091	40,413	763,504		21,421
Net position beginning of year			4,888,968	89,631	4,978,599		921,048
Net position end of year			<u>\$ 5,612,059</u>	<u>130,044</u>	<u>5,742,103</u>		<u>942,469</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	Management			Total
	General	Levy	Nonmajor	
<b>Assets</b>				
Cash and pooled investments	\$ 2,617,041	730,341	749,850	4,097,232
Receivables:				
Property tax:				
Delinquent	28,769	1,458	841	31,068
Succeeding year	3,234,930	529,999	107,268	3,872,197
Income surtax	372,446	-	-	372,446
Accounts	7,495	-	-	7,495
Prepaid expenses	-	-	101,220	101,220
Due from other governments	1,466,282	-	62,404	1,528,686
<b>Total assets</b>	<b>\$ 7,726,963</b>	<b>1,261,798</b>	<b>1,021,583</b>	<b>10,010,344</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 57,204	-	-	57,204
Salaries and benefits payable	1,128,059	-	-	1,128,059
Total liabilities	1,185,263	-	-	1,185,263
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	3,234,930	529,999	107,268	3,872,197
Income surtax	372,446	-	-	372,446
Total deferred inflows of resources	3,607,376	529,999	107,268	4,244,643
Fund balances:				
Nonspendable	-	-	101,220	101,220
Restricted for:				
Categorical funding	355,758	-	-	355,758
Management levy purposes	-	731,799	-	731,799
Student activities	-	-	185,721	185,721
School infrastructure	-	-	539,807	539,807
Physical plant and equipment levy	-	-	87,567	87,567
Unassigned	2,578,566	-	-	2,578,566
Total fund balances	2,934,324	731,799	914,315	4,580,438
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 7,726,963</b>	<b>1,261,798</b>	<b>1,021,583</b>	<b>10,010,344</b>

SEE NOTES TO FINANCIAL STATEMENTS.



CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2019

<b>Total fund balances of governmental funds(page 20)</b>	\$	4,580,438
 <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 reported as assets in the governmental funds.		5,753,810
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(5,354)
Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal year and, therefore, is recognized as deferred inflows of resources in the governmental funds.		372,446
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	\$ 1,592,851	
Deferred inflows of resources	<u>(293,720)</u>	1,299,131
Long-term liabilities, including net pension liability, computer lease payable and total OPEB liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(6,388,412)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>5,612,059</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2019

	Management			Total
	General	Levy	Nonmajor	
Revenues:				
Local sources:				
Local tax	\$ 3,352,268	150,127	86,596	3,588,991
Tuition	2,758,518	-	-	2,758,518
Other	77,997	-	329,820	407,817
State sources	5,052,387	2,361	788,864	5,843,612
Federal sources	241,756	-	-	241,756
Total revenues	<u>11,482,926</u>	<u>152,488</u>	<u>1,205,280</u>	<u>12,840,694</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,008,156	4,898	-	5,013,054
Special	1,399,832	-	-	1,399,832
Other	1,194,163	-	281,207	1,475,370
	<u>7,602,151</u>	<u>4,898</u>	<u>281,207</u>	<u>7,888,256</u>
Support services:				
Student	210,684	-	-	210,684
Instructional staff	120,686	-	-	120,686
Administration	1,168,456	-	225,374	1,393,830
Operation and maintenance of plant	828,122	142,321	2,000	972,443
Transportation	536,870	-	139,755	676,625
	<u>2,864,818</u>	<u>142,321</u>	<u>367,129</u>	<u>3,374,268</u>
Capital outlay	-	-	171,182	171,182
Long-term debt:				
Principal	-	-	99,530	99,530
Interest	-	-	1,690	1,690
	<u>-</u>	<u>-</u>	<u>101,220</u>	<u>101,220</u>
Other expenditures:				
AEA flowthrough	328,489	-	-	328,489
Total expenditures	<u>10,795,458</u>	<u>147,219</u>	<u>920,738</u>	<u>11,863,415</u>
Excess of revenues over expenditures	687,468	5,269	284,542	977,279
Other financing sources(uses):				
Transfer in	-	-	101,220	101,220
Transfer out	-	-	(101,220)	(101,220)
Sale of equipment	2,822	-	93,632	96,454
Total other financing sources(uses)	<u>2,822</u>	<u>-</u>	<u>93,632</u>	<u>96,454</u>
Change in fund balances	690,290	5,269	378,174	1,073,733
Fund balances beginning of year	<u>2,244,034</u>	<u>726,530</u>	<u>536,141</u>	<u>3,506,705</u>
Fund balances end of year	<u>\$ 2,934,324</u>	<u>731,799</u>	<u>914,315</u>	<u>4,580,438</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE 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, 2019

**Change in fund balances - total governmental funds(page 22)** \$ 1,073,733

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. These costs are not reported in the Statement of Activities, but they are allocated over the estimated useful lives of capital assets as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Capital outlay	\$ 257,050	
Depreciation expense	<u>(489,613)</u>	(232,563)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 99,530

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (3,664)

Income surtax account receivable is not available to finance expenditures of the current year and is recognized as deferred inflows of resources in the governmental funds. (6,599)

The current year District IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 659,076

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, as follows:

Pension expense	(859,610)	
Total OPEB liability and related expenses	<u>(6,812)</u>	<u>(866,422)</u>

**Change in net position of governmental activities(page 19)** \$ 723,091

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2019

	Enterprise, School Nutrition
<b>ASSETS</b>	
Current Assets:	
Cash and pooled investments	\$ 154,995
Due from other governments	1,200
Inventories	14,867
Total current assets	171,062
Noncurrent assets:	
Capital assets, net of accumulated depreciation	69,165
<b>TOTAL ASSETS</b>	<b>240,227</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows	37,182
OPEB related deferred outflows	45
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>37,227</b>
 <b>LIABILITIES</b>	
Current liabilities:	
Salaries and benefits payable	5,528
Unearned revenue	8,674
Total current liabilities	14,202
Noncurrent liabilities:	
Net pension liability	124,756
Total OPEB liability	2,162
Total noncurrent liabilities	126,918
<b>TOTAL LIABILITIES</b>	<b>141,120</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred inflows	6,260
OPEB related deferred inflows	30
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>6,290</b>
 <b>NET POSITION</b>	
Net investment in capital assets	69,165
Unrestricted	60,879
<b>TOTAL NET POSITION</b>	<b>\$ 130,044</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2019

	Enterprise, School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 202,727
Miscellaneous	213
Total operating revenues	202,940
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	182,965
Benefits	45,361
Services	8,827
Supplies	201,864
Other	645
Depreciation	6,449
Total operating expenses	446,111
Operating loss	(243,171)
Non-operating revenues (expenses):	
State sources	3,773
Federal sources	281,997
Interest income	336
Loss on disposal of assets	(2,522)
Total non-operating revenues (expenses)	283,584
Change in net position	40,413
Net position beginning of year	89,631
Net position end of year	\$ 130,044

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2019

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 202,686
Cash received from miscellaneous operating activities	213
Cash payments to employees for services	(216,632)
Cash payments to suppliers for goods or services	(167,604)
Net cash used in operating activities	(181,337)
Cash flows from non-capital financing activities:	
State grants received	2,573
Federal grants received	240,179
Net cash provided by non-capital financing activities	242,752
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(8,525)
Cash flows from investing activities:	
Interest on investments	336
Net increase in cash and pooled investments	53,226
Cash and pooled investments beginning of year	101,769
Cash and pooled investments end of year	\$ 154,995
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (243,171)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	41,818
Depreciation	6,449
Decrease in inventories	1,914
Increase in salaries and benefits payable	5,528
Increase in net pension liability	883
Decrease in deferred outflows of resources	1,317
Increase in deferred inflows of resources	3,873
Decrease in unearned revenue	(41)
Increase in total OPEB liability	93
Net cash used in operating activities	\$ (181,337)

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2019, the District received \$41,818 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2019

	<u>Private Purpose Trust</u>
<b>Assets</b>	
Cash and pooled investments	<u>\$ 4,226</u>
<b>Liabilities</b>	<u>-</u>
<b>Net Position</b>	
Held in trust for scholarships	<u>\$ 4,226</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2019

	<u>Private Purpose Trust</u>
Additions:	
Local sources:	
Gifts and contributions	<u>\$ 2,737</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>400</u>
Change in net position	2,337
Net position beginning of year	<u>1,889</u>
Net position end of year	<u>\$ 4,226</u>

SEE NOTES TO FINANCIAL STATEMENTS.



CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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

Central Lee Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as career and technical and recreational courses. The geographic area served includes the city of Donnellson, Iowa, and the predominate agricultural territory in Lee 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 Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Central Lee 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.

These financial statements present Central Lee Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit - The Central Lee County School District Foundation was created to financially support the Central Lee Community School system and provide post high school scholarship support to graduates of the school. The Foundation is a separate legal entity with its own accounting records and board of trustees. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The foundation is accounted for as a component unit in these financial statements with the year ending June 30, 2019.

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 Lee County 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 the following categories:

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

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*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 are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest 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 and proprietary funds. 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 Projects 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 Management Levy Fund is utilized to account for the property tax and other revenues used to pay expenses for unemployment benefits, early retirement and insurance agreements relating to such liabilities.

The District reports the following nonmajor proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund is 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 the 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 Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for 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 a 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 become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2017 assessed property valuations; is for the tax accrual period July 1, 2018 through June 30, 2019 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2018.

Prepaid Expense - Representing pre-payment of principal and interest associated with the District’s computer lease which are fiscal year 2020 obligations.

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 a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. 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	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	5-20 years
Machinery and equipment	5-20 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which 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 expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Funds.

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 from the General Fund.

Total OPEB Liability - For purposes of measuring the total OPEB liability, deferred outflows/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 applicable to a future year(s) which 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 property tax receivables 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 receivable that will not be recognized as revenue until the year for which it is levied 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:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be intact or are not expected to be converted to cash.

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.

### **(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2019 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 ensure 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 registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2019, the District had no such investments.

### (3) Capital Assets

Capital assets activity for the year ended June 30, 2019 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 203,592	-	-	203,592
Capital assets being depreciated:				
Buildings	9,771,885	4,695	-	9,776,580
Land improvements	1,877,991	-	-	1,877,991
Machinery and equipment	3,581,379	252,355	89,969	3,743,765
Total capital assets being depreciated	15,231,255	257,050	89,969	15,398,336
Less accumulated depreciation for:				
Buildings	5,389,882	245,557	-	5,635,439
Land improvements	1,319,065	49,817	-	1,368,882
Machinery and equipment	2,739,527	194,239	89,969	2,843,797
Total accumulated depreciation	9,448,474	489,613	89,969	9,848,118
Total capital assets being depreciated, net	5,782,781	(232,563)	-	5,550,218
Governmental activities capital assets, net	\$ 5,986,373	(232,563)	-	5,753,810
<b>Business type activities:</b>				
Machinery and equipment	\$ 311,975	8,525	17,886	302,614
Less accumulated depreciation	242,364	6,449	15,364	233,449
Business type activities capital assets, net	\$ 69,611	2,076	2,522	69,165

Depreciation/amortization expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular		\$ 46,087
Other		2,326
Support services:		
Student		713
Instructional staff		740
Administration		1,302
Operation and maintenance of plant		19,433
Transportation		123,638
		194,239
Unallocated depreciation		295,374
Total depreciation expense - governmental activities		\$ 489,613
Business type activities:		
Food service operations		\$ 6,449

**(4) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2019 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
Computer lease	\$ 392,418	-	99,530	292,888	95,866
Net pension liability	5,978,262	-	218,322	5,759,940	-
Total OPEB liability	321,175	14,409		335,584	-
Total	\$ 6,691,855	14,409	317,852	6,388,412	95,866
<b>Business type activities:</b>					
Net pension liability	\$ 123,873	883	-	124,756	-
Total OPEB liability	2,069	93	-	2,162	-
Total	\$ 125,942	976	-	126,918	-

Computer Lease

Details of the District’s June 30, 2019 computer lease indebtedness, which is paid from the Capital Projects: Statewide Sales, Services and Use Tax Fund, is as follows:

Year Ending June 30,	Computer Lease dated April 20, 2018			
	Interest Rates	Principal	Interest	Total
2020	1.83%	\$ 95,866	5,354	101,220
2021	1.83%	97,619	3,601	101,220
2022	1.83%	99,403	1,817	101,220
Total		\$ 292,888	10,772	303,660

**(5) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 101,220

The transfer from the Capital Projects, Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was to make the principal and interest payments on the District’s computer lease indebtedness.

**(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, any time 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 members with service before June 30, 2012 will use the highest three-year average salary as of that date 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% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% 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 percentage point. 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 6.29% of covered payroll and the District contributed 9.44% of covered payroll for a total rate of 15.73%.

The District's contributions to IPERS for the year ended June 30, 2019 were \$676,183.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the District reported a liability of \$5,884,696 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the District's proportion was 0.092991%, which was an increase of 0.001385% from its proportion measured as of June 30, 2017.



For the year ended June 30, 2019, the District recognized pension and OPEB expense of \$882,840. At June 30, 2019, 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	\$ 32,265	133,004
Changes of assumptions	839,488	-
Net difference between projected and actual earnings on IPERS' investments	-	161,693
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	75,166	575
District contributions subsequent to the measurement date	676,183	-
Total	\$ 1,623,102	295,272

\$676,183 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, 2020. 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
2020	\$ 443,042
2021	229,875
2022	(29,174)
2023	9,351
2024	(1,447)
Total	\$ 651,647

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2018 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, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100%</u>	

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	\$ 9,987,511	5,884,696	2,443,043

IPERS' Fiduciary Net Position - Detailed information about 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, 2019, the District reported payables to IPERS of \$81,487 for legally required District contributions and \$54,296 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

#### (7) 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 Central Lee Community School 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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Active employees	<u>97</u>
Total	<u><u>102</u></u>

Total OPEB Liability - The District's total OPEB liability of \$337,746 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the June 30, 2019 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, 2019)	2.60% per annum.
Rates of salary increase (effective June 30, 2019)	3.25-16.25% variable based upon years of service, including inflation.
Discount rate (effective June 30, 2019)	3.50% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2019)	6.75% initial rate decreasing by 0.25% annually to an ultimate rate of 4.00%

Discount Rate - The discount rate used to measure the total OPEB liability was 3.50% 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 for pre-retirement members are from the RP-2000 Employee Mortality Table, projected generationally using Scale AA, applied on a gender specific basis. Mortality rates for post-retirement members are from the RP-2000 Healthy Annuitant Mortality Table, projected generationally using Scale AA, applied on a gender specific basis. 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, 2019 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	\$ 323,244
Changes for the year:	
Service cost	14,331
Interest	12,675
Changes in assumptions	7,844
Benefit payments	<u>(20,348)</u>
Net changes	<u>14,502</u>
Total OPEB liability end of year	<u><u>\$ 337,746</u></u>

Changes of assumptions reflect a change in the discount rate from 3.87% in fiscal year 2018 to 3.50% in fiscal year 2019.

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 (2.50%) or 1% higher (4.50%) than the current discount rate.

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 359,787	337,746	316,854

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 (5.75%) or 1% higher (7.75%) than the current healthcare cost trend rates.

	1% Decrease (5.75%)	Healthcare Cost Trend Rate (6.75%)	1% Increase (7.75%)
Total OPEB liability	\$ 302,311	337,746	379,243

OPEB Expense and Deferred Inflows/Outflows of Resources Related to OPEB - For the year ended June 30, 2019, the District recognized OPEB expense of \$27,203. At June 30, 2019, the District reported deferred inflows/outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 6,976	\$ 4,738

The amounts reported as deferred inflows/outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,	Amount
2020	\$ 197
2021	197
2022	197
2023	197
2024	197
Thereafter	1,253
Total	\$ 2,238

**(8) Risk Management**

Central Lee 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.

**(9) 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 \$328,489 for the year ended June 30, 2019 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) 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.

During fiscal year 2019, the District was not impacted by any tax abatements which meet the disclosure requirements of Governmental Accounting Standards Board Statement No. 77.

**(11) 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 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, 2019.

<u>Program</u>	<u>Amount</u>
Teacher development academies	\$ 3,818
Four-year-old preschool state aid	7,000
Teacher leadership state aid	68,607
Teacher salary supplement	155,648
Successful progression for early readers	46,600
Professional development for model core curriculum	31,367
Professional development	42,718
Total	<u>\$ 355,758</u>

**(12) Reconciliation of Governmental Fund Balances to Net Position**

Reconciliation of certain governmental fund balances to net position is as follows:

	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ 2,578,566
Computer lease, not capitalized	(292,888)
Accrued interest payable	(5,354)
Income surtax	372,446
Pension related deferred outflows	1,585,920
Pension related deferred inflows	(289,012)
Net pension liability	(5,759,940)
Total OPEB liability	(335,584)
OPEB related deferred outflows	6,931
OPEB related deferred inflows	(4,708)
Nonspendable fund balance	101,220
Net position (Exhibit A)	<u>\$ (2,042,403)</u>

**(13) Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL LEE 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, 2019

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 6,755,326	203,276	6,958,602	7,211,895	7,211,895	(253,293)
State sources	5,843,612	3,773	5,847,385	6,049,988	6,049,988	(202,603)
Federal sources	241,756	281,997	523,753	757,000	757,000	(233,247)
Total revenues	12,840,694	489,046	13,329,740	14,018,883	14,018,883	(689,143)
Expenditures/Expenses:						
Instruction	7,888,256	-	7,888,256	8,656,000	8,656,000	767,744
Support services	3,374,268	-	3,374,268	3,569,600	3,569,600	195,332
Non-instructional programs	-	448,633	448,633	460,000	460,000	11,367
Other expenditures	600,891	-	600,891	693,373	1,390,182	789,291
Total expenditures/expenses	11,863,415	448,633	12,312,048	13,378,973	14,075,782	1,763,734
Excess (Deficiency) of revenues over (under) expenditures/expenses	977,279	40,413	1,017,692	639,910	(56,899)	1,074,591
Other financing sources, net	96,454	-	96,454	(28,000)	(28,000)	124,454
Excess (Deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing sources	1,073,733	40,413	1,114,146	611,910	(84,899)	1,199,045
Balances beginning of year	3,506,705	89,631	3,596,336	3,625,597	3,625,597	(29,261)
Balances end of year	\$ 4,580,438	130,044	4,710,482	4,237,507	3,540,698	1,169,784

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2019

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$696,809.

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

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.092991%	0.091606%	0.091625%	0.092194%	0.091076%
District's proportionate share of the net pension liability	\$ 5,884,696	6,102,135	5,766,270	4,554,808	3,611,976
District's covered payroll	\$ 7,162,957	7,451,109	6,571,221	6,316,092	5,959,608
District's proportionate share of the net pension liability as a percentage of its covered payroll	82.15%	81.90%	87.75%	72.11%	60.61%
IPERS' net position as a percentage of the total pension liability	83.62%	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.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FOR THE LAST TEN YEARS  
REQUIRED SUPPLEMENTARY INFORMATION

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily required contribution	\$ 676,183	665,384	665,384	586,810	564,027	532,193	496,973	467,115	375,793	383,672
Contributions in relation to the statutorily required contribution	(676,183)	(665,384)	(665,384)	(586,810)	(564,027)	(532,193)	(496,973)	(467,115)	(375,793)	(383,672)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 7,162,957	6,989,143	7,451,109	6,571,221	6,316,092	5,959,608	5,732,099	5,788,290	5,407,094	5,769,504
Contributions as a percentage of covered payroll	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2019

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 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

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 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.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN THE DISTRICT'S  
TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES  
FOR THE LAST TWO YEARS  
REQUIRED SUPPLEMENTARY INFORMATION

	2019	2018
Service cost	\$ 14,331	15,477
Interest cost	12,675	11,632
Changes in assumptions	7,844	(6,080)
Benefit payments	(20,348)	(14,318)
Net change in total OPEB liability	14,502	6,711
Total OPEB liability beginning of year	323,244	316,533
Total OPEB liability end of year	\$ 337,746	323,244
Covered-employee payroll	\$ 5,226,085	5,380,997
Total OPEB liability as a percentage of covered-employee payroll	6.46%	6.01%

**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, 2019	3.50%
Year ended June 30, 2018	3.87%
Year ended June 30, 2017	3.58%

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION - CASH BASIS  
 COMPONENT UNIT (UNAUDITED)  
 JUNE 30, 2019

	Central Lee County School District Foundation
<b>ASSETS</b>	
Cash and pooled investments	\$ 942,469
<b>LIABILITIES</b>	-
<b>NET POSITION</b>	
Unrestricted	\$ 942,469

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CASH BASIS  
COMPONENT UNIT (UNAUDITED)  
YEAR ENDED JUNE 30, 2019

	Central Lee County School District Foundation
Revenues:	
Contributions, gifts, grants and similar amounts	\$ 64,281
Investment income	3,504
Total revenues	67,785
Expenses:	
Grants and similar amounts paid:	
Grants	35,663
Other:	
Accounting	320
Advertising	5,375
Office expenses	138
Music Boosters	1,305
Conferences, conventions and meetings	1,600
Information technology	10,755
Other	1,564
Total expenses	56,720
Change in net position before other financing sources	11,065
Other financing sources:	
Unrealized gain on investments	10,356
Change in net position	21,421
Net position beginning of year	921,048
Net position end of year	\$ 942,469

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT



SUPPLEMENTARY INFORMATION

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2019

	Special Revenue		
	Student Activity	Capital Projects	Total Nonmajor
<b>Assets</b>			
Cash and cash equivalents	\$ 185,721	564,129	749,850
Receivables:			
Property tax:			
Delinquent	-	841	841
Succeeding year	-	107,268	107,268
Prepaid expenses	-	101,220	101,220
Due from other governments	-	62,404	62,404
<b>Total assets</b>	\$ 185,721	835,862	1,021,583
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax		107,268	107,268
Fund balances:			
Nonspendable	-	101,220	101,220
Restricted for:			
School infrastructure	-	539,807	539,807
Physical plant and equipment levy	-	87,567	87,567
Student activities	185,721	-	185,721
Total fund balances	185,721	728,594	914,315
<b>Total liabilities, deferred inflows of resources and fund balances</b>	\$ 185,721	835,862	1,021,583

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2019

	Special Revenue			Total Nonmajor
	Student Activity	Debt Service	Capital Projects	
Revenues:				
Local sources:				
Local tax	\$ -	-	86,596	86,596
Other	271,563	-	58,257	329,820
State sources	-	-	788,864	788,864
Total revenues	271,563	-	933,717	1,205,280
Expenditures:				
Current:				
Instruction:				
Other	281,207	-	-	281,207
Support services:				
Administration	-	-	225,374	225,374
Operation and maintenance of plant	2,000	-	-	2,000
Transportation	-	-	139,755	139,755
Capital outlay	-	-	171,182	171,182
Long-term debt:				
Principal	-	99,530	-	99,530
Interest	-	1,690	-	1,690
Total expenditures	283,207	101,220	536,311	920,738
Excess(Deficiency) of revenues over(under) expenditures	(11,644)	(101,220)	397,406	284,542
Other financing sources(uses):				
Transfer in	-	101,220	-	101,220
Transfer out	-	-	(101,220)	(101,220)
Sale of equipment	-	-	93,632	93,632
Total other financing sources(uses)	-	101,220	(7,588)	93,632
Change in fund balances	(11,644)	-	389,818	378,174
Fund balances beginning of year	197,365	-	338,776	536,141
Fund balances end of year	\$ 185,721	-	728,594	914,315

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUND ACCOUNTS  
 JUNE 30, 2019

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 477,403	86,726	564,129
Receivables:			
Property tax:			
Delinquent	-	841	841
Succeeding year	-	107,268	107,268
Prepaid expenses	101,220	-	101,220
Due from other governments	62,404	-	62,404
<b>Total assets</b>	<b>\$ 641,027</b>	<b>194,835</b>	<b>835,862</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	107,268	107,268
Fund balances:			
Nonspendable	101,220	-	101,220
Restricted for:			
School infrastructure	539,807	-	539,807
Physical plant and equipment	-	87,567	87,567
Total fund balances	641,027	87,567	728,594
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 641,027</b>	<b>194,835</b>	<b>835,862</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUND ACCOUNTS  
 YEAR ENDED JUNE 30, 2019

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	86,596	86,596
Other	58,257	-	58,257
State sources	787,502	1,362	788,864
Total revenues	<u>845,759</u>	<u>87,958</u>	<u>933,717</u>
Expenditures:			
Current:			
Support services:			
Administration	225,374	-	225,374
Transportation	54,373	85,382	139,755
Capital outlay	171,182	-	171,182
Total expenditures	<u>450,929</u>	<u>85,382</u>	<u>536,311</u>
Excess of revenues over expenditures	394,830	2,576	397,406
Other financing sources(uses):			
Transfer out	(101,220)	-	(101,220)
Sale of equipment	93,632	-	93,632
Total other financing sources(uses)	<u>(7,588)</u>	<u>-</u>	<u>(7,588)</u>
Change in fund balances	387,242	2,576	389,818
Fund balances beginning of year	<u>253,785</u>	<u>84,991</u>	<u>338,776</u>
Fund balances end of year	<u>\$ 641,027</u>	<u>87,567</u>	<u>728,594</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2019

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<b><u>High School:</u></b>				
All School Play	\$ 3,102	2,420	3,546	1,976
Drama Club	2,793	1,188	1,401	2,580
Quiz Bowl	380	500	147	733
Yearbook	113	4,735	4,798	50
Milk Machine	5,276	-	5,276	-
Art Club	941	1,269	1,332	878
Pep Club	99	-	-	99
AFS Club	8,286	1,822	4,707	5,401
Student Council	7,609	4,352	5,366	6,595
Spanish Club	1,651	3,560	3,127	2,084
Science Club	7	-	-	7
Computer Club	134	400	400	134
FFA	28,500	52,441	42,052	38,889
FCCLA Group	2,591	9,613	9,425	2,779
National Honor Society	630	479	637	472
Class of 2019	1,668	360	866	1,162
Class of 2020	-	10,373	9,793	580
Post Prom Activities	174	28	28	174
SAEP-Entrepreneurship	50,634	16,842	15,264	52,212
Athletics	375	2,836	3,065	146
Concessions	5,541	30,041	24,678	10,904
Golf	257	2,050	2,160	147
Cross Country	462	1,050	1,476	36
Boys Soccer	227	5,978	5,866	339
Girls Soccer	-	8,562	7,136	1,426
Boys Basketball	4,272	6,504	4,008	6,768
Football	5,133	16,364	21,332	165
Baseball	254	7,924	6,274	1,904
Boys Track	170	4,072	3,918	324

Account	Balance End of Year	Revenues	Expendi- tures	Balance End of Year
Girls Basketball	8,240	8,749	11,931	5,058
Volleyball	6,352	8,661	12,132	2,881
Softball	936	5,302	3,180	3,058
Girls Track	321	2,247	1,883	685
Cheerleaders	2,738	7,932	8,972	1,698
Dance Team	1,636	9,550	10,755	431
HS Student Activities	8,977	8,261	15,798	1,440
S.A.D.D	239	-	-	239
Robotics	1,089	1,041	2,080	50
<b><u>Middle School:</u></b>				
MS Student Council	5,870	5,117	7,748	3,239
MS Activity	1,367	1,983	1,888	1,462
Athletic Resale	30	-	-	30
MS Football	313	575	838	50
MS Soccer	1,513	716	220	2,009
MS Volleyball	2,478	1,290	576	3,192
MS Girls Basketball	645	982	1,098	529
MS Boys Basketball	1,906	892	664	2,134
MS Girls Track	188	156	294	50
MS Boys Track	268	76	294	50
MS Softball	863	794	390	1,267
MS Baseball	1,457	636	950	1,143
Academic Booster Club	462	4,237	4,649	50
<b><u>Elementary School:</u></b>				
Special Olympics	70	1,194	1,254	10
Special Needs Field Trips	6,704	1,640	-	8,344
Art Club K8	7,490	1,189	1,932	6,747
Elementary Student Activities	3,934	1,890	4,913	911
Interest Account	-	690	690	-
Total	\$ 197,365	271,563	283,207	185,721

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues:										
Local sources:										
Local tax	\$ 3,588,991	3,244,523	2,917,090	2,963,909	3,065,297	3,044,297	3,872,114	3,782,861	3,655,466	3,601,261
Tuition	2,758,518	2,909,210	2,765,171	2,349,697	2,033,874	2,058,027	1,911,175	1,658,995	1,209,348	1,213,743
Other	407,817	407,770	380,968	455,971	363,330	400,008	457,942	408,614	416,322	390,494
State sources	5,843,612	5,720,586	5,698,718	5,615,233	5,376,238	5,451,530	4,437,556	4,596,338	4,647,013	4,207,309
Federal sources	241,756	246,990	231,449	227,128	222,508	249,733	269,297	247,103	589,418	762,335
Total	\$ 12,840,694	12,529,079	11,993,396	11,611,938	11,061,247	11,203,595	10,948,084	10,693,911	10,517,567	10,175,142
Expenditures:										
Current:										
Instruction:										
Regular	\$ 5,013,054	5,233,206	5,253,892	4,745,008	4,791,843	4,635,685	4,416,534	4,442,218	4,272,288	4,070,484
Special	1,399,832	1,462,179	1,561,130	1,465,537	1,323,198	1,235,818	1,243,333	1,286,346	1,171,499	1,160,356
Other	1,475,370	1,351,864	1,311,199	1,272,516	1,258,156	1,075,042	1,036,840	1,016,335	1,036,750	1,138,440
Support services:										
Student	210,684	213,131	213,003	256,599	235,529	286,126	258,150	279,703	254,559	265,913
Instructional staff	120,686	206,036	187,178	176,548	184,523	180,188	182,921	167,681	141,463	234,609
Administration	1,393,830	1,163,972	1,132,133	1,113,227	1,016,199	999,677	968,741	924,802	896,827	805,339
Operation and maintenance of plant	972,443	926,122	761,549	845,571	785,228	808,298	743,572	687,173	716,388	692,453
Transportation	676,625	549,851	617,297	833,415	667,916	641,227	653,465	642,964	599,749	457,566
Non-instructional programs	-	7,883	-	-	20,386	17,075	1,274	4,398	-	-
Capital outlay	171,182	1,251,521	217,733	435,670	660,342	309,930	242,811	607,686	492,895	1,216,428
Long-term debt:										
Principal	99,530	105,451	128,476	124,851	258,130	362,214	382,767	643,543	338,660	109,696
Interest and fiscal charges	1,690	2,531	6,275	9,900	8,045	24,878	38,492	73,584	61,211	66,490
Other expenditures:										
AEA flow-through	328,489	329,990	320,812	331,866	324,074	323,122	308,843	311,259	351,004	347,801
Total	\$ 11,863,415	12,803,737	11,710,677	11,610,708	11,533,569	10,899,280	10,477,743	11,087,692	10,333,293	10,565,575

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 Central Lee 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 Central Lee Community School District as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 27, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Central Lee Community School District's internal control over financial reporting to determine the auditing 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 Central Lee Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Central Lee Community School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, significant deficiencies or material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items I-A-19 and I-B-19 that we consider to be material weaknesses.

**Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2019 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.

**Central Lee Community School District's Responses to Findings**

Central Lee Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Central Lee 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 of 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 Central Lee 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, CORNMAN & JOHNSON, P.C.

January 27, 2020  
Newton, Iowa

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2019

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-19 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 a transaction 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 - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over one or more of the following areas for the District:

- 1) Receipts - collecting, recording, depositing, posting and reconciling.
- 2) Disbursements - purchase order processing, check preparation, signing checks, mailing and recording, voucher preparation and reconciling disbursements to the check register.
- 3) Capital assets - recording and reconciling.
- 4) Payroll - recordkeeping, preparation, posting and distribution.
- 5) Computer systems - performing all general accounting functions and controlling all data input and output.
- 6) Journal entries - writing, approval and posting.

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 misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-19 Bank Account Not Included in General Ledger

Criteria - An effective internal control system provides for internal controls related to financial reporting which includes ensuring that all bank accounts under the District's federal identification number are included in the District's uniform financial accounting system.

Condition - During our audit we noted a bank account in the District's name at an approved financial institution, of which central office personnel were aware of, which did not appear to be included in the District's uniform financial accounting system. The account appears to be used to collect contributions for insurance premiums and other benefits from employees and the District. The contributions stay in this account until payment is made for premiums to the appropriate vendors.

Cause - The District has not implemented policies and procedures to ensure that all bank accounts using the District's federal identification number are included in the District's uniform financial accounting system and included as part of its bank to book reconciliation procedures.

Effect - Lack of policies and procedures resulted in the District's financial statements not including this District bank account and potentially its corresponding revenues or expenses. The situation provides an environment where errors or misappropriation would not be detected by employees in the course of performing their assigned functions.

Recommendation - The District should include all bank accounts in the District's name or using their federal identification number in the uniform financial accounting system and record revenues when they are collected and expenses when they are paid in order to provide the District and users of its financial statements the most accurate and complete picture of the financial position of the District at any point in time.

Response - The District has implemented procedures to include the Central Lee Cafeteria Plan as part of the monthly reconciliation on the uniform financial accounting system.

Conclusion - Response accepted.

**Part II: Other Findings Related to Required Statutory Reporting:**

- II-A-19 Certified Budget - District disbursements for the year ended June 30, 2019 did not exceed the amended budgeted amounts.
- II-B-19 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-19 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-19 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kim Ensminger, Middle School Principal Pampered Chef Representative	Services	\$ 779
Amy Cook, Athletic Coach Owner, C6 Printing and Designs	Supplies	\$ 1,612
Heather Fuger, Elementary Principal Owner, DJ Service	Services	\$ 100

In accordance with an Attorney General’s opinion dated July 2, 1990, the above transactions with employees of the District do not appear to present conflicts of interest.

- II-E-19 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-19 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-19 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.
- II-H-19 Supplementary Weighting - We noted no variances regarding the supplementary weighting certified to the Iowa Department of Education.
- II-I-19 Deposits and Investments - We noted no instances of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy.
- II-J-19 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-19 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-19 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 revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2019, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	253,785
Revenues:			
Sales tax revenues	\$	787,502	
Other local revenues		58,257	
Other		93,632	
		<u>93,632</u>	<u>939,391</u>
			1,193,176
Expenditures/transfers out:			
School infrastructure construction		139,431	
Equipment		124,970	
Other		186,528	
Transfers to other funds:			
Debt service fund		101,220	
		<u>101,220</u>	<u>552,149</u>
Ending balance		\$	<u><u>641,027</u></u>

For the year ended June 30, 2019, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.