

*In the opinion of Bond Counsel under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, interest on the Bonds i) is not exempt from Iowa State income tax; and ii) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Bonds will NOT be designated as "qualified tax-exempt obligations." See "TAX MATTERS" herein.*

**\$12,375,000**

## Jesup Community School District, Iowa General Obligation School Bonds Series 2022

Dated: Date of Delivery

The Jesup Community School District (the "Issuer") is issuing its General Obligation School Bonds, Series 2022 (the "Bonds") are 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 "Registrar"), or its successor, to DTC, or its nominee, Cede & Co. Disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants as more fully described herein. Neither the Issuer nor the Registrar will have any responsibility or obligation to such DTC Participants, Indirect Participants or the persons for whom they act as nominee with respect to the Bonds.

Interest on the Bonds is payable on June 1, and December 1 in each year, beginning December 1, 2022 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 June 1, 2028 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.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP.



### 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>
June 1, 2023	\$435,000	5.000%	2.15%	477070 BG0	June 1, 2033	\$620,000	3.375%	3.50%	477070 BS4
June 1, 2024	420,000	5.000	2.40	477070 BH8	June 1, 2034	640,000	3.50	3.60	477070 BT2
June 1, 2025	440,000	5.000	2.60	477070 BJ4	June 1, 2035	660,000	3.75	3.65	477070 BU9
June 1, 2026	465,000	5.000	2.70	477070 BK1	June 1, 2036	685,000	4.00	3.67	477070 BV7
June 1, 2027	490,000	5.000	2.75	477070 BL9	June 1, 2037	715,000	4.00	3.75	477070 BW5
June 1, 2028	510,000	5.000	2.85	477070 BM7	June 1, 2038	740,000	4.00	3.90	477070 BX3
June 1, 2029	535,000	4.000	3.00	477070 BN5	June 1, 2039	770,000	4.00	4.00	477070 BY1
June 1, 2030	560,000	4.000	3.05	477070 BP0	June 1, 2040	805,000	4.00	4.05	477070 BZ8
June 1, 2031	580,000	3.000	3.20	477070 BQ8	June 1, 2041	835,000	4.00	4.10	477070 CA2
June 1, 2032	600,000	3.250	3.40	477070 BR6	June 1, 2042	870,000	4.00	4.12	477070 CB0

The Bonds are being offered when, as and if issued by the Issuer and accepted by the Underwriter, subject to receipt of an opinion as to legality, validity and tax exemption by Ahlers & Cooney, P.C., Des Moines, Iowa, Bond Counsel. It is expected that the Bonds in the definitive form will be available for delivery through the facilities of DTC on or about June 28, 2022. 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 Baker Group

The Date of this Official Statement is June 2, 2022

\* 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.

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 and 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 SECTION 3(a)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED. THE REGISTRATION OR QUALIFICATION 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 TO DIFFER. THE ISSUER 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.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "Appendix E – SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

**OFFICIAL STATEMENT**  
**JESUP COMMUNITY SCHOOL DISTRICT, IOWA**  
**\$12,375,000 GENERAL OBLIGATION SCHOOL BONDS, SERIES 2022**

**INTRODUCTORY STATEMENT**

This Official Statement presents certain information relating to the Jesup Community School District, Iowa (the “Issuer”), in connection with the sale of the Issuer’s General Obligation School Bonds, Series 2022 (the “Bonds”). The Bonds, when combined with anticipated 2022 and/or 2023 School Infrastructure Sales, Services & Use Tax Revenue Bond proceeds, are being issued to provide funds to i) build, furnish and equip additions to the existing K-12 facility, including an auditorium, secure entryway, class rooms and career and technical education learning spaces, and to remodel, repair, and improve the existing K-12 facilities, including related site improvements and ii) to pay costs of issuance for the Bonds. See “**SOURCES AND USES OF FUNDS**” herein.

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

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

The Bonds are general obligations of the Issuer, payable from and secured by a continuing annual ad-valorem tax levied against all taxable, real property located within the territory 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 June 1 and December 1 in each year, beginning on December 1, 2022, calculated on the basis of a year of 360 days and twelve 30-day months. Interest shall be payable by check or draft of the Paying Agent mailed to the persons who were registered owners thereof as of the fifteenth day of the month immediately preceding the Interest Payment Date, to the addresses appearing on the registration books maintained by the Paying Agent or to such other address as is furnished to the Paying Agent in writing by a registered owner.

**Authorization for the Issuance**

The Bonds are being issued pursuant to the Code of Iowa, 2021, as amended, Chapter 296, and the Bond Resolution, expected to be adopted by the Issuer on June 13, 2022. Voters in the Issuer authorized the issuance of not to exceed \$13,900,000 General Obligation School Bonds at the special election held on March 1, 2022.

**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.

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 Participants 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).

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 of 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 has 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 Participant in such issue to be redeemed.

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

Redemption proceeds, distributions and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC,



and disbursement of such payments to Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

### **Transfer and Exchange**

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

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

### **Prepayment**

Optional Prepayment: The Bonds maturing after June 1, 2028, 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.

Selection of Bonds for Redemption Bonds subject to 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.

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.

### **Source of Security for the Bonds**

The Bonds are general obligations of the Issuer. Per Iowa Code section 76.2, prior to issuing general obligation debt the governing authority of an Iowa political subdivision shall, by resolution, provide for the assessment of an annual levy upon all the taxable property in the political subdivision sufficient to pay the interest and principal of the bonds within a period named not exceeding twenty years. A certified copy of this resolution must be filed with the county auditor or the auditors of the counties in which the political subdivision is located; and the filing shall make it a duty of the auditors to enter annually this levy for collection from the taxable property within the boundaries of the political subdivision until funds are realized to pay the bonds in full. Upon issuance of the Bonds, the Issuer will levy taxes for the years and in amounts sufficient to provide 100% of annual principal and interest due on the Bonds. If, however, the amount credited to the debt service fund for payment of the Bonds is insufficient to pay principal and interest, whether from transfers or from original levies, the Issuer must use funds in its treasury and is required to levy ad valorem taxes upon all taxable property in the Issuer without limit as to rate or amount sufficient to pay the debt service deficiency.

Nothing in the Bond Resolution prohibits or limits the ability of the Issuer to use legally available moneys other than the proceeds of the general ad valorem property taxes levied, as described in the preceding paragraph, to pay all or any portion of the principal of or interest on the Bonds. If and to the extent such other legally available moneys are used to pay the principal of or interest on the Bonds, the Issuer may, but shall not be required to, (a) reduce the amount of taxes levied for such purpose, as described in the preceding paragraph; or (b) use proceeds of taxes levied, as described in the preceding paragraph, to reimburse the fund or account from which such other legally available moneys are withdrawn for the amount withdrawn from such fund or account to pay the principal of or interest on Bonds.

The Bond Resolution does not restrict the Issuer's ability to issue or incur additional general obligation debt, although issuance of additional general obligation debt is subject to the same constitutional and statutory limitations that apply to the issuance of the Bonds. For a further description of the Issuer's outstanding general obligation debt upon issuance of the Bonds and the annual debt service on the Bonds, see "Direct Debt" included in "APPENDIX A" to this Official Statement. For a description of certain constitutional and statutory limits on the issuance of general obligation debt, see "Debt Limit" included in "APPENDIX A" to this Official Statement.

## **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 taxable property located in the territory of 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 taxable property located in the territory of 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. Consequently, the remedies of the owners of the Bonds (consisting primarily of an action in the nature of mandamus requiring the Issuer and certain other public officials to perform the terms of the Bond Resolution) may have to be enforced from year to year.

### **Changes in Property Taxation**

The Bonds are general obligations of the Issuer secured by an unlimited ad valorem property tax as described in the "**THE BONDS - Source of Security for the Bonds**" herein. Prior State Public Health Emergency Declarations relative to the 2020 COVID-19 pandemic temporarily suspended the provisions that required the imposition of penalty and interest for delay in property tax payments and directed that no such penalty or interest could be imposed for the duration of the declarations and any future extension of the suspension. It is impossible to predict whether any future declarations or any amendments to or extensions thereof would have a material effect on the Issuer's ability to collect property taxes necessary for the payment of principal and interest on the Bonds.

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, the security for the Bonds, or the Issuer's financial position. As noted in "Source of Security for the Bonds," per Iowa Code section 76.2 the Issuer has by resolution provided for the assessment of an annual levy upon all the taxable property within the territory of the Issuer sufficient to pay the interest and principal of the bonds within a period named not exceeding twenty years.

### **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.

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

The 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.

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.

### **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.

### **Potential Impact of the Coronavirus**

In recent years, a strain of coronavirus commonly known as COVID-19 has spread globally, negatively affecting global, state, and local economies and possibly sparking a recession. Federal, State, and local officials have taken steps to curb the spread of the virus, including providing both discretionary and mandatory guidelines and orders regarding public gatherings, and imposing mandatory closings of some businesses. The State of Iowa may suffer material adverse consequences from the continued spread of COVID-19, which could affect the amount of State revenues appropriated to municipalities, including the Issuer. The spread of the virus could reduce sales tax and other revenue collections, property valuations and other revenue sources dependent on local business activity, which may be slower.

Thus far, for its 2021-22 school year, the Issuer has held in-person classes on a full-time basis. The Issuer did not experience material reductions in revenue or material increases in expenses in fiscal year 2021 or thus far in fiscal year 2022 due to material COVID-19-related financial impacts and currently expects that any material COVID-19-related financial impacts will be covered by state and federal funding.

The Issuer cannot predict whether continued spread of the disease will materially impact its financial condition, including the collection of Tax Revenues beyond fiscal year 2022. The spread of the virus could negatively affect the Issuer's financial condition, including, among others, lower property values, decreasing student enrollment, a delay in property tax collections, and other unpredicted unforeseen consequences, which may affect the Issuer's ability to pay principal of and interest on the Bonds. See **"THE BONDS – Source of Security for the Bonds"** herein.

This information is based on current information available to the Issuer that may be incomplete and unknown. This information was derived using certain assumptions and method and projections. Some of this information is forward-looking and subject to change.

**Pension**

The Issuer reported a liability of \$6,066,487 as of June 30, 2021 for its proportionate share of the net pension liability for Iowa Public Employee Retirement System ("IPERS"). The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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. As of June 30, 2020, the Issuer's collective proportion was .086965%, which was a decrease of 0.003773% from its proportion measured June 30, 2019. See Issuer's Audited Financial Statements, Appendix D, for additional information.

**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 Code of Iowa, as amended, 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.

**Tax Matters and Loss of Tax Exemption**

As discussed under the heading "TAX MATTERS" herein, the interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Bonds, as a result of acts or omissions of the Issuer in violation of its covenants in the Resolution. Should such an event of taxability occur, the Bonds would not be subject to a special prepayment and would remain outstanding until maturity or until prepaid under the prepayment provisions contained in the Bonds, and there is no provision for an adjustment of the interest rate on the Bonds.

It is possible that legislation will be proposed or introduced that could result in changes in the way that tax exemption is calculated, or whether interest on certain securities are exempt from taxation at all. Prospective purchasers should consult with their own tax advisors regarding any pending or proposed federal income tax legislation. The likelihood of any pending or proposed federal income tax legislation being enacted or whether the proposed terms will be altered or removed during the legislative process cannot be reliably predicted.

It is also possible that actions of the Issuer after the closing of the Bonds will alter the tax status of the Bonds, and, in the extreme, remove the tax-exempt status from the Bonds. In that instance, the Bonds are not subject to mandatory prepayment, and the interest rate on the Bonds does not increase or otherwise reset. A determination of taxability on the Bonds, after closing of the Bonds, could materially adversely affect the value and marketability of the Bonds.

**Debt Payment History**

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

**Damage or Destruction to Issuer's Facilities**

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

**Redemption Prior to Maturity**

In considering whether the Bonds might be redeemed prior to maturity, Bondholders should consider the information included in this Official Statement under the heading "THE BONDS."

### **General Liability Claims**

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

### **Risks as Employer**

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

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

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

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

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

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

### **Environmental and Climate-Related**

Due to recent increases in the frequency and intensity of extreme weather events and natural disasters, the Issuer and its residents and businesses may experience operational disruptions and increased costs for mitigation and recovery. The increased costs of risk-mitigation and recovery efforts cannot be determined with certainty due to the multiple factors associated with these costs, including but not limited to, the future frequency and intensity of these events, future legal and regulatory requirements, the costs of labor and materials used in mitigation and recovery, insurance rates and available coverages, and the level of state and federal assistance available.

### **Cybersecurity**

The Issuer relies on its information systems to provide security for processing, transmission and storage of confidential and other sensitive information. Security breaches, including electronic break-ins, computer viruses, attacks by hackers and similar breaches could create disruptions or shutdowns of the Issuer and the services it provides, or the unauthorized access to or disclosure of personally identifiable information and other confidential or sensitive information. Despite security measures, the Issuer may remain vulnerable to attacks by outside or internal hackers, or breaches caused by employee error, negligence or malfeasance. Any failure to maintain proper functionality and security of the Issuer's information systems could interrupt the Issuer's operations, damage its reputation, subject it to significant costs, liability claims or regulatory penalties, and could have a material adverse effect on the operations and financial condition of the Issuer. The Issuer has a \$2 million cyber-insurance policy. The Issuer cannot predict whether this policy will be sufficient in the event of a cyberattack.

### **Rating Loss**

S&P Global Ratings, a business unit of Standard and Poor's Financial Services LLC ("S&P") assigned the Bonds the municipal bond rating of "AA" (stable outlook) with the understanding that upon delivery of the Bonds, a policy insuring the payment of

principal of and interest on the Bonds will be issued by AGM. S&P 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 S&P, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

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

### **Forward-Looking Statements**

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

### **Proposed Federal and State Tax Legislation**

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals 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. In the past few years, proposals have been made in the Iowa Senate and Iowa House of Representative which would create a voucher system funded by public money which may divert moneys available by public schools to private schools. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Bonds. In addition, regulatory actions are from time to time announced or proposed, and litigation threatened or commenced, which if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

### **DTC-Beneficial Owners**

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

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

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

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

### **Financial Condition of the Issuer from time to time**

No representation is made as to the future financial condition of the Issuer. Certain risks discussed herein could adversely affect the financial condition and/or operations of the Issuer in the future. However, the Bonds are secured by an unlimited ad valorem property tax as described more fully in the “**THE BONDS – Source of Security for the Bonds**” herein.

**Continuing Disclosure**

A failure by the Issuer to comply with the continuing disclosure obligations (see "Continuing Disclosure" herein) will not constitute an event of default on the Bonds. Any such failure must be disclosed in accordance with Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, and may adversely affect the transferability and liquidity of the Bonds and their market price.

**Suitability of Investment**

The interest rate borne by the Bonds is intended to compensate the investor for assuming the risk of investing in the Bonds. Each prospective investor should carefully examine this Official Statement and its own financial condition to make a judgement as to its ability to bear the economic risk of such and investment, and whether or not the Bonds are an appropriate investment for such investor.

**Factors Beyond Issuer's Control**

Economic and other factors beyond the Issuer's control, such as economic recession, deflation of property values, or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the corporate boundaries of the Issuer. The State of Iowa, including the Issuer, is susceptible to tornados, flooding and extreme weather wherein winds and flooding have from time to time caused significant damage, which may have an adverse impact on the Issuer's financial position.

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

**ACCOUNTANT**

The accrual-basis financial statements of the Issuer included as APPENDIX D to this Official Statement have been examined by Kay L. Chapman, CPA PC, 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 Baker Group, Oklahoma City, OK (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 \$12,400,281.54 plus accrued interest to the Closing Date.

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

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

**THE PROJECT**

The Bonds, when combined with anticipated 2022 and/or 2023 School Infrastructure Sales, Services & Use Tax Revenue Bond proceeds, are being issued to provide funds to i) build, furnish and equip additions to the existing K-12 facility, including an auditorium, secure entryway, class rooms and career and technical education learning spaces, and to remodel, repair and improve the existing K-12 facilities, including related site and ii) to pay costs of issuance for the Bonds.

## SOURCES AND USES OF FUNDS

Sources of Funds	Bond Proceeds	\$12,375,000.00
	Reoffering Premium	236,880.65
Total Sources of Funds		\$12,611,880.65
Uses of Funds	Deposit to Project fund	\$12,290,481.54
	Costs of Issuance	109,800.00
	Underwriter's Discount	211,599.11
Total Uses of Funds		\$12,611,880.65

## TAX MATTERS

### Tax Exemption

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

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

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

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

### Not Qualified Tax Exemption Obligations

The Issuer will NOT designate the Bonds as "qualified tax-exempt obligations" under the exception provided in Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

### Discount and Premium Bonds

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

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

### Other Tax Advice

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



consequences of an investment in Bonds.

#### Audits

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

#### Reporting and Withholding

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

#### Tax Legislation

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

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

#### The Opinion

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

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

#### Enforcement

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

The owners of the Bonds cannot foreclose on property within the boundaries of the Issuer or sell such property in order to pay the debt service on the Bonds. In addition, the enforceability of the rights and remedies of owners of the Bonds may be subject to limitation as set forth in Bond Counsel’s opinion. The opinion will state, in part, that the obligations of the Issuer with respect

to the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, to the exercise of judicial discretion in appropriate cases and to the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

#### Bond Counsel Review

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

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

#### **FINANCIAL ADVISOR**

The Issuer has retained Piper Sandler & Co. as financial advisor (the "Financial Advisor") in connection with the issuance of the Bonds. The Financial Advisor has relied upon governmental officials, and other sources who have access to relevant data to provide accurate information and the Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy, completion or fairness of the Official Statement. The Financial Advisor is not a public accounting firm and has not been engaged by the Issuer to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

#### **CONTINUING DISCLOSURE**

The Issuer will covenant in a Continuing Disclosure Certificate (the "Undertaking") 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 April 15 after the close of each fiscal year, commencing with the fiscal year ending June 30, 2022, 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").

A failure by the Issuer to comply with the Undertaking will not constitute a default under the Resolution and Beneficial Owners of the Bonds are limited to the remedies described in the Undertaking. Any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under the Continuing Disclosure Certificate. Direct, indirect, consequential and punitive damages shall not be recoverable by any person for any default thereunder.

If the Issuer fails to comply with any provision of the Continuing Disclosure Certificate, the sole remedy available shall be an action to compel performance. A failure by the Issuer to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The Issuer provides the following information in accordance with the reporting requirement of paragraph (f)(3) of the Rule.

For the five-year period beginning May 9, 2017 through May 9, 2022, inclusive, when the audited financial statements were not available by the filing deadline the Issuer has filed a notice that the audit will be filed when available, along with unaudited financial statements certified to the Iowa Department of Education which contain financial information as found in the audit but which may not be in a format similar to the audit. The audits for those years were subsequently filed, but certain audits were filed at a time that may not have been immediately after the audits were available.

For the five-year period beginning May 9, 2017 through May 9, 2022, inclusive, the Issuer believes it has complied in all material respects with regard to its prior Disclosure Covenants, except: The Issuer's October 8, 2015 and October 12, 2021 notices of Rating Change were filed untimely. The Issuer filed Notices of Failure to Provide Event Filing Information on October 8, 2015

and October 12, 2021

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### *Current Financial Strength Ratings*

On March 18, 2022, Moody's announced it had upgraded AGM's insurance financial strength rating to "A1" (stable outlook) from "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

On October 20, 2021, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2021, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

### *Capitalization of AGM*

At March 31, 2022:

- The policyholders' surplus of AGM was approximately \$2,909 million.
- The contingency reserve of AGM was approximately \$893 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,116 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred

ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

#### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- i. the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (filed by AGL with the SEC on February 25, 2022); and
- ii. the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 (filed by AGL with the SEC on May 6, 2022).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

#### *Miscellaneous Matters*

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

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The Board of Directors of the Issuer has authorized the execution and delivery of this Official Statement for use in connection with the initial sale of the Bonds. I have reviewed the information contained within the Official Statement prepared on behalf of the Jesup Community School District, State of Iowa, by Piper Sandler & Co., Des Moines, Iowa and said Official Statement does not contain any material misstatements of fact nor omissions of any material fact regarding the issue of \$12,375,000 General Obligation School Bonds, Series 2022 of the Issuer to be issued upon the date of delivery.

JESUP COMMUNITY SCHOOL DISTRICT, STATE OF IOWA

/s/ Sheila Tharp  
Board Secretary

## **APPENDIX A - INFORMATION ABOUT THE ISSUER**

### **JESUP COMMUNITY SCHOOL DISTRICT, IOWA DISTRICT OFFICIALS**

<b>PRESIDENT</b>	James Masteller
<b>BOARD MEMBERS</b>	Nate Clayberg Dana Miller Andrea Covington Nick Donlea Christopher Jung Katie Bell
<b>INTERIM SUPERINTENDENT</b>	Mary Jo Hainstock <sup>1</sup>
<b>DISTRICT SECRETARY</b>	Sheila Tharp
<b>DISTRICT TREASURER</b>	Sheila Tharp
<b>DISTRICT ATTORNEY</b>	Ahlers & Cooney, P.C. Des Moines, Iowa

### **CONSULTANTS**

<b>BOND COUNSEL</b>	Ahlers & Cooney, P.C. Des Moines, Iowa
<b>DISCLOSURE COUNSEL</b>	Ahlers & Cooney, P.C. Des Moines, Iowa
<b>FINANCIAL ADVISOR</b>	Piper Sandler & Co. Des Moines, Iowa
<b>PAYING AGENT</b>	UMB Bank, n.a. West Des Moines, Iowa

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<sup>1</sup> The Board has hired a new Superintendent who will start July 1, 2022.

## General Information

The Jesup Community School District is located in northeast Iowa, immediately east of Waterloo. Included within the District's 136 square miles is the City of Jesup and the unincorporated portions of Black Hawk and Buchanan Counties. Transportation facilities are provided by U.S. Highway 20, U.S. Interstate 380, Iowa Highway 939 and an excellent network of paved and improved county roads. Rail transportation is provided by the Chicago, Central and Pacific Railroad. Although the District is predominately agriculturally oriented, residents commute the short distance into Waterloo/Cedar Falls or Independence for employment. Continuing educational opportunities are provided by Hawkeye Community College, Waterloo and the University of Northern Iowa, Cedar Falls.

## District Facilities (1)

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	1968	9-12
Middle School	1951, 1955, 2005	5-8
Elementary	2004	PK-4

## Enrollment (1)

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) (4)</u>	<u>Open Enroll In</u>	<u>Open Enroll Out</u>	<u>Total Served (5)</u>
October-21	2022-23	913.3	105.1	34.6	983.8
October-20	2021-22	897.8	96.3	26.2	967.9
October-19	2020-21	883.8	110.0	22.9	970.9
October-18	2019-20	919.2	99.0	17.6	1000.6
October-17	2018-19	908.0	77.0	18.6	966.4

## Staff (1)

Presented below is a list of the District's 176 employees.

Administrators:	5	Media Specialists:	1
Teachers:	71	Nurses:	1
Teacher Aides:	47	Guidance:	3
Custodians:	3	Secretaries:	5
Food Service:	8	Transportation:	7
Other:	6	Maintenance:	3
Coaches	16		

## Population (2)

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

<u>Year</u>	<u>Jesup</u>
2020	2,508
2010	2,520
2000	2,212
1990	2,121
1980	2,343
1970	1,662
1960	1,488
1950	1,158

- 
- (1) Source: the Issuer
  - (2) Source: U.S. Census Bureau
  - (3) Source: Iowa Department of Education
  - (4) Used for Sales Tax distribution
  - (5) Used for State Aid distribution

## Other Post-Employment Benefits (OPEB) (1)

Plan Description - The District operates a single-employer 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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
<u>Active employees</u>	<u>93</u>
Total	98

Total OPEB Liability – The District's total OPEB liability of \$211,392 was measured as of June 30, 2021, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – the total OPEB liability in the June 30, 2021 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 6/30/21)	2.75%
Rates of salary increase (effective 6/30/21) including inflation	0%
Discount rate (effective 6/30/21) including inflation	3.15%
Healthcare cost trend rate (effective 6/30/21)	6.00%

Discount Rate – The discount rate used to measure the total OPEB liability was 3.15%, 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-2019 total dataset mortality table fully generational using Scale MP-2019. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

Changes in the Total OPEB Liability:

Total OPEB obligation – beginning of year	\$199,206
Changes for the year	
Service Cost	18,655
Interest	6,723
Difference between expected & actual experiences	-
Change in assumption	-
Recognition of deferred inflows/outflows	(4,154)
Benefit Payments	(9,038)
Net Changes	\$12,186
Net OPEB obligation – end of year	211,392

Changes of assumptions reflect no change in the discount rate from 3.15% in fiscal year 2020.

(1) Source: the Issuer

## Employee Pension Plan (1)

**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
2017	\$599,900	8.93	\$399,709.71	5.95
2018	609,132	8.93	405,876.50	5.95
2019	656,260	9.44	437,274.59	6.29
2020	646,752	9.44	430,939.61	6.29
2021	672,404	9.44	448,031.83	6.29

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.

Table 2 – Recent returns of IPERS (2)

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

Fiscal Year Ended June 30	Investment Return %
2017	11.70
2018	7.97
2019	8.35
2020	3.39
2021	29.63

(1) SOURCE: The Issuer

(2) Source: IPERS Actuarial Reports



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 (collectively, the “IPERS CAFRs”), and the actuarial valuation reports provided to IPERS by Cavanaugh MacDonald Consulting, LLC (collectively, the “IPERS Actuarial Reports”). Additional information regarding IPERS and its latest actuarial valuations can be obtained by contacting IPERS administrative staff.

Table 3 – Funding Status of IPERS (1)

Valuation Date	Actuarial Value of Assets [a]	Market Value of Assets [b]	Actuarial Accrued Liability [c]	Unfunded Actuarial Accrued Liability (Actuarial Value) [c]-[a]	Funded Ratio (Actuarial Value) [a]/[c]	Unfunded Actuarial Accrued 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]]
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
2020	34,485,656,745	34,047,692,112	41,072,427,540	6,586,770,795	83.96	7,024,735,428	82.90	8,391,856,350	78.49
2021	37,584,987,296	42,889,875,682	42,544,648,750	4,959,661,454	88.34	-345,226,932	100.81	8,648,783,536	57.35

Net Pension Liabilities (2)

At June 30, 2021, the Issuer reported a liability of \$6,066,487 for its proportional share of the IPERS net pension liability. The net pension liability was measured as of June 30, 2020 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, the Financial Advisor and its counsel, 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.

(1) 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

(2) Source: the Issuer

### Investment of Public Funds (1)

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

<u>Type of Investment</u>	<u>Amount Invested</u>
Local Bank Money Market	\$0
Local Bank Deposit Accounts	4,820,073.84
Local Bank Time CD's	0
ISJIT Money Market	0
ISJIT Time CD's	0
UMB Bank	1,012,057.79

### Major Employers (2)

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

<u>Employer</u>	<u>Business</u>	<u>Approximate Employees</u>
Prinsco	Plastic Products	100-249
Jesup Chamber of Commerce	Chamber	50-99
Winding Creek Meadows	Assisted Living facility	20-49
Hawkeye Metal Spinning	Metal spinning	20-49
Hawkeye Tool & Die	Tool & die maker	20-49
Jacobsen Fabrication	Metal good manufacturer	20-49
Heartland Technology Data	Data processing equipment maintenance	20-49
B&B Farm Store	Lawn & garden store	20-49
Casey's	Convenience store	10-19
Spahn & Rose Lumber	Lumber supplies	10-19
Eci Co-op	Farm Supplies	10-19
Blue Diamond Farming Co.	Farming services	10-19
Kite Construction	Concrete contractor	10-19
Jesup Ambulance	Ambulance service	10-19
Farmers Mutual Phone	Cell phone provider	10-19
Jesup Community Schools	Education	176

Due to its close proximity, some district residents find employment in the Waterloo-Cedar Falls area.

### Property Tax Assessment (3)

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 are as follows:

<u>Fiscal Year</u>	<u>Residential Rollback</u>	<u>Ag. Land &amp; Buildings</u>	<u>Commercial</u>	<u>Multi-residential</u>	<u>Utilities</u>
2022-23	54.1302	89.0412	90.0000	63.7500	100.0000
2021-22	56.4094	84.0305	90.0000	67.5000	98.5489
2020-21	55.0743	81.4832	90.0000	71.2500	100.0000
2019-20	55.6209	54.4480	90.0000	75.0000	100.0000
2018-19	56.9391	47.4996	90.0000	78.7500	100.0000

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, 2020 are used to calculate tax liability for the tax year starting July 1, 2021 through June 30, 2022. Presented below are the historic property valuations of the Issuer by class of property.

- (1) Source: the Issuer
- (2) Source: Iowa Workforce Development.com
- (3) Source: Iowa Department of Revenue

## Property Valuations (1)

Actual Valuation					
Valuation as of January	2021	2020	2019	2018	2017
<u>Fiscal Year</u>	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>
Residential:	326,697,790	299,748,916	295,071,320	284,117,980	279,314,540
Agricultural Land:	122,609,260	117,718,000	117,723,640	169,934,380	170,110,100
Ag Buildings:	8,493,590	7,757,970	7,590,490	11,013,420	10,530,770
Commercial:	20,712,713	20,555,566	19,942,344	19,361,333	19,007,853
Industrial:	6,474,480	6,474,480	6,474,480	6,398,100	6,398,100
Multiresidential:	2,732,067	2,656,679	2,589,867	2,589,867	2,589,227
Personal RE:	0	0	0	0	0
Railroads:	2,633,266	2,423,187	2,335,260	2,319,512	2,794,678
Utilities:	3,465,733	3,423,469	3,604,949	3,913,360	3,838,115
Other:	0	0	0	0	0
Total Valuation:	493,818,899	460,758,267	455,332,350	499,647,952	494,583,383
Less Military:	385,216	398,180	409,292	427,812	437,072
Net Valuation:	493,433,683	460,360,087	454,923,058	499,220,140	494,146,311
TIF Valuation:	0	177,184	0	0	0
Utility Replacement:	33,143,463	32,314,037	24,120,459	23,278,498	22,898,797
Taxable Valuation					
Valuation as of January	2021	2020	2019	2018	2017
<u>Fiscal Year</u>	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>
Residential:	176,842,133	169,009,381	162,508,465	161,714,310	155,357,172
Agricultural Land:	109,172,745	98,919,024	95,924,984	95,388,236	92,621,553
Ag Buildings:	7,562,793	6,519,062	6,184,979	6,182,094	5,733,790
Commercial:	18,641,443	18,500,012	17,948,113	17,425,202	17,107,070
Industrial:	5,827,032	5,827,032	5,827,032	5,758,290	5,758,290
Multiresidential:	1,741,697	1,793,267	1,845,281	1,942,407	2,039,020
Personal RE:	0	0	0	0	0
Railroads:	2,369,939	2,180,869	2,101,734	2,087,560	2,515,210
Utilities:	3,442,780	3,373,793	3,604,949	3,913,360	3,838,115
Other:	0	0	0	0	0
Total Valuation:	325,600,562	306,122,440	295,945,537	294,411,459	284,970,220
Less Military:	385,216	398,180	409,292	427,812	437,072
Net Valuation:	325,215,346	305,724,260	295,536,245	293,983,647	284,533,148
TIF Valuation:	0	177,184	0	0	0
Utility Replacement:	10,197,934	9,859,970	6,096,376	6,379,574	6,430,222
Valuation	Actual	% Change in	Taxable	% Change in	
<u>Year</u>	<u>Valuation</u>	<u>Actual</u>	<u>Valuation</u>	<u>Taxable</u>	
	<u>w/ Utilities</u>	<u>Valuation</u>	<u>w/ Utilities</u>	<u>Valuation</u>	
2021	526,577,146	6.84%	335,413,280	6.22%	
2020	492,851,308	2.88%	315,761,414	4.68%	
2019	479,043,517	-8.32%	301,632,621	0.42%	
2018	522,498,638	1.05%	300,363,221	3.23%	
2017	517,045,108	-1.32%	290,963,370	2.83%	

(1) Source: Iowa Department of Management

## Tax Rates (1)

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

<u>Fiscal Year</u>	<u>Operating Fund</u>	<u>Management Fund</u>	<u>Board PPEL</u>	<u>Voter PPEL</u>	<u>Play Ground</u>	<u>Debt Service</u>	<u>School House</u>	<u>Total Levy</u>
2022	10.00718	3.16873	0.33000	0.00000	0.00000	1.03217	0.00000	14.53808
2021	11.86711	1.06089	0.33000	0.00000	0.00000	1.40295	0.00000	14.66095
2020	11.89194	0.66586	0.33000	0.00000	0.00000	1.89113	0.00000	14.77893
2019	12.90341	0.39524	0.33000	0.00000	0.00000	1.14205	0.00000	14.77070
2018	12.09400	0.40642	0.33000	0.00000	0.00000	1.18783	0.00000	14.01825
2017	11.78524	0.42154	0.33000	0.00000	0.00000	1.20618	0.00000	13.74296

## Historic Tax Rates (1)

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

<u>Fiscal Year</u>	<u>City</u>	<u>School</u>	<u>College</u>	<u>State</u>	<u>Assessor</u>	<u>Ag Extens</u>	<u>Hospital</u>	<u>County</u>	<u>Transit</u>	<u>Total Levy Rate</u>
2022	14.44371	14.53808	1.17640	0.00260	0.35005	0.21772	1.06150	6.32369	0.00000	38.11375
2021	14.61569	14.66095	1.15802	0.00270	0.36546	0.22280	1.06150	6.41317	0.00000	38.50029
2020	14.42513	14.77893	1.11803	0.00280	0.36785	0.22774	1.06150	5.93343	0.00000	37.91541
2019	14.45844	14.77070	1.01703	0.00290	0.37047	0.21749	1.06150	4.91117	0.00000	36.80970
2018	14.82969	14.01825	0.97071	0.00310	0.36016	0.21533	1.06150	5.14631	0.00000	36.60505
2017	14.83146	13.74296	0.95088	0.00330	0.35759	0.21069	1.06150	5.45375	0.00000	36.61213

## Tax Collection History (2)

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>
2022	\$4,588,491	In Collection	NA
2021	4,422,220	\$4,463,864	100.94%
2020	4,439,048	4,403,863	99.21%
2019	4,297,733	4,301,495	100.09%
2018	3,966,596	3,965,861	99.98%
2017	3,749,205	3,746,684	99.93%

(1) Source: Iowa Department of Management

(2) Source: the Issuer

## Largest Taxpayers (1) (2)

Set forth in the following table are the persons or entities which represent the 2020 largest taxpayers within the Issuer. 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>2020 Taxable Valuation</u>	<u>Percent of Total</u>
Mid America Energy Corporate Tax	\$4,976,088	1.58%
Mid American Energy - Elec	3,375,793	1.07%
Waterloo Cabinet Properties LLC	2,849,400	0.90%
Northern Natural Gas Co	2,539,883	0.80%
Jesup Farmers Cooperative	1,815,435	0.57%
Jesup Retirement Living Inc.	1,489,507	0.47%
Prinsco Inc 3rd Floor	1,309,662	0.41%
J & D Investors LLC	1,270,107	0.40%
Chicago Centl Pacific Railboom	1,138,584	0.36%
Corkery, Donald E. & Joanne L.	1,138,317	0.36%
Total		6.94%

(1) Source: Black Hawk and Buchanan County Auditors

(2) 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) (1)

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

<u>Fiscal Year</u>	<u>3/1/12</u>	<u>PREPAY 3/1/12</u>	<u>6/28/22</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total P&amp;I</u>
2022	320,000			320,000	5,920	325,920
2023	330,000	-330,000	435,000	435,000	465,807	900,807
2024			420,000	420,000	481,825	901,825
2025			440,000	440,000	460,825	900,825
2026			465,000	465,000	438,825	903,825
2027			490,000	490,000	415,575	905,575
2028			510,000	510,000	391,075	901,075
2029			535,000	535,000	365,575	900,575
2030			560,000	560,000	344,175	904,175
2031			580,000	580,000	321,775	901,775
2032			600,000	600,000	304,375	904,375
2033			620,000	620,000	284,875	904,875
2034			640,000	640,000	263,950	903,950
2035			660,000	660,000	241,550	901,550
2036			685,000	685,000	216,800	901,800
2037			715,000	715,000	189,400	904,400
2038			740,000	740,000	160,800	900,800
2039			770,000	770,000	131,200	901,200
2040			805,000	805,000	100,400	905,400
2041			835,000	835,000	68,200	903,200
2042			870,000	870,000	34,800	904,800
Totals:	650,000	-330,000	12,375,000	12,695,000	5,687,727	18,382,727

### General Obligation School Capital Loan Notes (PPEL) (1)

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

### Anticipatory Warrants (1)

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

### School Infrastructure Sales, Services & Use Tax Revenue Bonds (1)

Presented below is the principal and interest on the Issuer's any outstanding School Infrastructure Sales, Services & Use Tax Revenue Bonds, presented by fiscal year and issue.

<u>Fiscal Year</u>	<u>3/1/13</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total P&amp;I</u>
2022	490,000	490,000	111,985	601,985
2023	500,000	500,000	102,185	602,185
2024	510,000	510,000	90,935	600,935
2025	525,000	525,000	78,950	603,950
2026	535,000	535,000	65,563	600,563
2027	550,000	550,000	50,850	600,850
2028	565,000	565,000	34,350	599,350
2029	580,000	580,000	17,400	597,400
Totals:	4,255,000	4,255,000	552,218	4,807,218

(1) Source: the Issuer

### Debt Limit (1) (2) (3)

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:

	<u>FY23</u>	<u>FY22</u>
Actual Valuation:	526,577,146	492,851,308
X	0.05	0.05
Statutory Debt Limit:	26,328,857	24,642,565
Total General Obligation Debt:	12,375,000	12,695,000
Total Lease Purchases:	0	0
Total Loan Agreements:		
Capital Leases:		
Total Debt Subject to Limit:	12,375,000	12,695,000
Percentage of Debt Limit Obligated:	47.00%	51.52%

It has not been determined whether the District's Sales Tax Revenue Bonds do or do not count against the constitutional debt limit. If the Bonds do count against the constitutional debt limit, the amount of debt subject to the debt limit would increase \$4,255,000 to be \$16,950,000, or 68.78% of the statutory debt limit.

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- (1) Direct debt source: the Issuer
  - (2) Valuation data source: Iowa Department of Management
  - (3) 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 (1) (3)

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

<u>Taxing Authority</u>	<u>Outstanding Debt</u>	<u>2020 Taxable Valuation</u>	<u>Taxable Value Within Issuer</u>	<u>Percentage Applicable</u>	<u>Amount Applicable</u>
City of Jesup	\$1,275,000	103,527,077	\$103,527,077	100.00%	\$1,275,000
Black Hawk County	22,350,000	6,317,617,390	93,179,536	1.47%	329,644
Buchanan County	7,433,000	1,194,736,410	222,581,878	18.63%	1,384,783
Hawkeye Community College	32,060,000	11,142,665,612	315,761,414	2.83%	908,518
Central Rivers Area Education Agency	\$4,980,452	25,871,430,351	315,761,414	1.22%	60,787

Total Overlapping & Underlying Debt: \$3,958,731

## FINANCIAL SUMMARY (1) (2) (3) (4)

Actual Value of Property, 2021:	\$526,577,146
Taxable Value of Property, 2021:	335,413,280
Direct General Obligation Debt:	12,695,000
Overlapping Debt:	3,958,731
Direct & Overlapping General Obligation Debt:	16,653,731
Population, 2020 US Census:	5,124
Direct Debt per Capita:	2,478
Total Debt per Capita:	3,250
Direct Debt to Taxable Valuation:	3.785%
Total Debt to Taxable Valuation:	4.965%
Direct Debt to Actual Valuation:	2.411%
Total Debt to Actual Valuation:	3.163%
Actual Valuation per Capita:	\$102,767
Taxable Valuation per Capita:	\$65,459

- (1) Valuation source: Iowa Department of Management
- (2) Direct debt source: the Issuer
- (3) Overlapping debt outstanding source: Treasurer, State of Iowa; where available, EMMA.MSRB.ORG
- (4) Population source: U.S. Census Bureau



## APPENDIX B – FORM OF LEGAL OPINION

### DRAFT

We hereby certify that we have examined a certified transcript of the proceedings of the Board of Directors of the Jesup Community School District in the Counties of Black Hawk and Buchanan, State of Iowa, and acts of administrative officers of the School District (the "Issuer"), relating to the issuance of General Obligation School Bonds, Series 2022, by said Issuer, dated the date of delivery, in the denominations of \$5,000 or multiples thereof, in the aggregate amount of \$\_\_\_\_\_ (the "Bonds").

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

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

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

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

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

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

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

AHLERS & COONEY, P.C.

**APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE**  
**DRAFT**

**CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Jesup Community School District, State of Iowa (the "Issuer"), in connection with the issuance of \$\_\_\_\_\_ General Obligation School Bonds, Series 2022 (the "Bonds") dated the date of delivery. The Bonds are being issued pursuant to a Resolution of the Issuer approved on June 13, 2022 (the "Resolution"). The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate; Interpretation. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5). This Disclosure Certificate shall be governed by, construed, and interpreted in accordance with the Rule, and, to the extent not in conflict with the Rule, the laws of the State. Nothing herein shall be interpreted to require more than required by the Rule.

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

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

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

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

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

"Financial Obligation" shall mean a (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 (i) or (ii). The term "Financial Obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with S.E.C. Rule 15c2-12.

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

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

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

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

"Official Statement" shall mean the Issuer's Official Statement for the Bonds, dated \_\_\_\_\_, 2022.

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

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

"State" shall mean the State of Iowa.

Section 3. Provision of Annual Financial Information.

- a. The Issuer shall, or shall cause the Dissemination Agent to, not later than April 15 after the end of the Issuer's fiscal year (presently June 30th), commencing with information for the 2021/2022 fiscal year, provide to the National Repository an Annual Financial Information filing consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Financial Information filing must be submitted in such format as is required by the MSRB (currently in "searchable PDF" format). The Annual Financial Information filing may be submitted as a single document or as separate documents comprising a package. The Annual Financial Information filing may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Financial Information filing.

and later than the date required above for the filing of the Annual Financial Information if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

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

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

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

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

Section 5. Reporting of Significant Events.

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

securities laws.

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

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

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

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

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

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

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

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

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

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

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

Date: Date of Delivery

JESUP COMMUNITY SCHOOL DISTRICT,  
STATE OF IOWA

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

ATTEST:

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

EXHIBIT A

NOTICE TO NATIONAL REPOSITORY OF FAILURE  
TO FILE ANNUAL FINANCIAL INFORMATION

Name of Issuer: Jesup Community School District, Iowa.

Name of Bond Issue: \$ \_\_\_\_\_ General Obligation School Bonds, Series 2022

Dated Date of Issue: Date of Delivery

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

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

JESUP COMMUNITY SCHOOL DISTRICT,  
STATE OF IOWA

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

## **APPENDIX D – AUDITED FINANCIAL STATEMENTS OF THE ISSUER**

This Appendix contains the entire 2021 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 <https://www.auditor.iowa.gov/reports/audit-reports>

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JESUP COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2021



# JESUP COMMUNITY SCHOOL DISTRICT

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JESUP COMMUNITY SCHOOL DISTRICT

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JESUP COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2021

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Lisa Riensche	Board President	2021
Nate Clayberg	Board Vice President	2023
Amy Bucknell	Board Member	2021
Dustin Thorson	Board Member	2021
Andrea Covington	Board Member	2023
Nick Donlea	Board Member	2023
James Masteller	Board Member	2023

**School Officials**

Nathan Marting	Superintendent	2021
Sheila Tharp	District Secretary	2021
Ahlers & Cooney	Attorney	2021

# Kay L. Chapman, CPA PC

116 Harrison Street  
Muscatine, Iowa 52761  
563-264-1385  
kchapman@cpakay.com

## Independent Auditor's Report

To the Board of Education of  
Jesup Community School District:

### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Jesup Community School District, Jesup, Iowa, as of and for the year ended June 30, 2021, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Opinions

In my 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 Jesup Community School District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### Emphasis of a Matter

As discussed in Note 14 to the financial statements, Jesup Community School District adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. My opinions are not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 5 through 13 and 49 through 54 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. I 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 my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jesup Community School District's basic financial statements.

I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the six years ended June 30, 2017 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), 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 my 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, I have also issued my report dated March 24, 2022, on my consideration of Jesup Community School District's internal control over financial reporting and on my 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 my 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 Jesup Community School District's internal control over financial reporting and compliance.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
March 24, 2022



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Jesup 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, 2021. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2021 FINANCIAL HIGHLIGHTS**

- The District implemented Governmental Accounting Standards Board Statement (GASBS) No. 84, Fiduciary Activities, during fiscal year 2021. Implementation of GASB Statement No. 84 did not result in any restatement to previously issued financial statements or beginning balances.
- General Fund revenues increased from \$10,865,943 in fiscal year 2020 to \$11,059,802 in fiscal year 2021, and General Fund expenditures increased from \$10,050,513 in fiscal year 2020 to \$10,889,589 in fiscal year 2021. The District's General Fund balance increased from \$2,562,647 in fiscal year 2020 to \$2,730,788 in fiscal year 2021, a 7% increase.
- The increase in General Fund revenues was attributable to increases in federal coronavirus emergency relief revenue sources in fiscal 2021.
- The increase in General Fund expenditures was due primarily to the increases in instruction, technology equipment, and custodial supplies.
- The District's solvency ratio increased from 19.12% in fiscal 2020 to 21.29% in fiscal 2021. District's solvency ratio indicates the District's ability to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

### **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 Jesup 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 Jesup Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about

activities for which Jesup Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the nonmajor governmental funds and nonmajor enterprise funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

## **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 two categories:

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

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting



for student activity funds, or to show 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 Funds.

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has four Enterprise Funds - the School Nutrition Fund, Student Construction Fund, Community Rec Programs Fund and Coffee Shop 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 fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of 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 the assets reported in the fiduciary fund are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

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

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Figure A-1 below provides a summary of the District's net position at June 30, 2021 compared to June 30, 2020.

Figure A-1

## Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2021	2020	2021	2020	2021	2020	2020- 2021
Current and other assets	\$11,752,793	\$11,301,693	\$394,232	\$251,536	\$12,147,025	\$11,553,229	5.14%
Capital assets	<u>12,148,534</u>	<u>12,558,182</u>	<u>60,784</u>	<u>55,503</u>	<u>12,209,318</u>	<u>12,613,685</u>	-3.21%
Total assets	<u>23,901,327</u>	<u>23,859,875</u>	<u>455,016</u>	<u>307,039</u>	<u>24,356,343</u>	<u>24,166,914</u>	0.78%
Deferred outflows of resources	<u>1,257,630</u>	<u>1,197,796</u>	<u>112,768</u>	<u>102,222</u>	<u>1,370,398</u>	<u>1,300,018</u>	5.41%
Long-term liabilities	11,053,758	11,174,203	284,121	259,635	11,337,879	11,433,838	-0.84%
Other liabilities	<u>1,108,646</u>	<u>1,084,179</u>	<u>51,631</u>	<u>16,928</u>	<u>1,160,277</u>	<u>1,101,107</u>	5.37%
Total liabilities	<u>12,162,404</u>	<u>12,258,382</u>	<u>335,752</u>	<u>276,563</u>	<u>12,498,156</u>	<u>12,534,945</u>	-0.29%
Deferred inflows of resources	<u>4,741,129</u>	<u>5,062,786</u>	<u>184,223</u>	<u>197,379</u>	<u>4,925,352</u>	<u>5,260,165</u>	-6.37%
Net position							
Net investment in							
capital assets	7,088,534	6,613,182	60,784	55,503	7,149,318	6,668,685	7.21%
Restricted	3,794,234	3,801,423	-	-	3,794,234	3,801,423	-0.19%
Unrestricted	<u>(2,627,344)</u>	<u>(2,678,102)</u>	<u>(12,975)</u>	<u>(120,184)</u>	<u>(2,640,319)</u>	<u>(2,798,286)</u>	5.65%
Total net position	<u>\$ 8,255,424</u>	<u>\$ 7,736,503</u>	<u>\$ 47,809</u>	<u>\$(64,681)</u>	<u>\$ 8,303,233</u>	<u>\$ 7,671,822</u>	8.23%

The District's total net position increased by 8%, or \$631,411, over 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 decreased \$7,189, or less than 1% from the prior year. The District's restricted net position decreased due to changes outside the control of the District in program revenues, expense, and related debt.

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 \$157,967, or approximately 6%. This increase in unrestricted net position was a result of strategic planning during the certified budget process.

Figure A-2 shows the changes in net position for the year ended June 30, 2021 compared to the year ended June 30, 2020.

Figure A-2

## Change in Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	2021	2020	2021	2020	2021	2020	2020-2021
Revenues							
Program revenues							
Charges for service	\$ 1,199,720	\$ 1,287,275	\$ 365,110	\$ 425,084	\$ 1,564,830	\$ 1,712,359	-8.62%
Operating grants	1,885,297	1,608,008	525,320	234,398	2,410,617	1,842,406	30.84%
General revenues							
Property tax	4,496,294	4,436,636	-	-	4,496,294	4,436,636	1.34%
Statewide sales, services and use tax	883,461	952,187	-	-	883,461	952,187	-7.22%
Unrestricted state grants	4,451,573	4,545,082	-	-	4,451,573	4,545,082	-2.06%
Contributions and donations	39,284	5,511	-	-	39,284	5,511	612.83%
Unrestricted investment earnings	3,083	63,997	113	3,336	3,196	67,333	-95.25%
Other	17,905	21,802	-	-	17,905	21,802	-17.87%
Total revenues	<u>12,976,617</u>	<u>12,920,498</u>	<u>890,543</u>	<u>662,818</u>	<u>13,867,160</u>	<u>13,583,316</u>	2.09%
Program expenses							
Governmental activities							
Instruction	8,022,584	7,603,598	57,756	39,598	8,080,340	7,643,196	5.72%
Support services	3,084,864	2,979,032	-	-	3,084,864	2,979,032	3.55%
Non-instructional programs	6,069	4,557	720,297	649,077	726,366	653,634	11.13%
Other expenses	<u>1,351,218</u>	<u>1,231,843</u>	<u>-</u>	<u>-</u>	<u>1,351,218</u>	<u>1,231,843</u>	9.69%
Total expenses	<u>12,464,735</u>	<u>11,819,030</u>	<u>778,053</u>	<u>688,675</u>	<u>13,242,788</u>	<u>12,507,705</u>	5.88%
Change in net assets before transfers	511,882	1,101,468	112,490	(25,857)	624,372	1,075,611	-41.95%
Sale of general fixed assets	6,547	-	-	-	6,547	-	100.00%
Transfers	<u>492</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>492</u>	<u>-</u>	100.00%
Change in net position	518,921	1,101,468	112,490	(25,857)	631,411	1,075,611	-41.30%
Net position beginning of year	<u>7,736,503</u>	<u>6,635,035</u>	<u>(64,681)</u>	<u>(38,824)</u>	<u>7,671,822</u>	<u>6,596,211</u>	16.31%
Net position end of year	<u>\$ 8,255,424</u>	<u>\$ 7,736,503</u>	<u>\$ 47,809</u>	<u>\$ (64,681)</u>	<u>\$ 8,303,233</u>	<u>\$ 7,671,822</u>	8.23%

In fiscal year 2021, property tax and unrestricted state grants accounted for approximately 69% of governmental activities revenue while charges for service and sales and operating grants accounted for almost 100% of business type activities revenue. The District's total revenues were \$13,867,160, of which \$12,976,617 was for governmental activities and \$890,543 was for business type activities.

As shown in Figure A-2, the District as a whole experienced an increase in revenues of approximately 2% and an increase of 6% in expenses. Operating grants and contributions and donations increased \$601,984 to help fund expenditures. The increase of 6% in expenses was a result of the District's return to learn after the COVID-19 shutdown in which emergency relief funds were used for technology and custodial equipment and supplies.

## Governmental Activities

Revenues for governmental activities were \$12,976,617 and expenses were \$12,464,735 for the year ended June 30, 2021.

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, 2021 compared to those expenses for the year ended June 30, 2020.

Figure A-3

Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2021	2020	2020-2021	2021	2020	2020-2021
Instruction	\$ 8,022,584	\$ 7,603,598	5.51%	\$ 5,425,876	\$ 5,184,967	4.65%
Support services	3,084,864	2,979,032	3.55%	3,032,854	2,939,527	3.17%
Non-instructional programs	6,069	4,557	33.18%	6,069	4,557	33.18%
Other expenses	<u>1,351,218</u>	<u>1,231,843</u>	9.69%	<u>914,919</u>	<u>794,696</u>	15.13%
Total expenses	<u>\$12,464,735</u>	<u>\$ 11,819,030</u>	5.46%	<u>\$ 9,379,718</u>	<u>\$ 8,923,747</u>	5.11%

For the year ended June 30, 2021:

- The cost financed by users of the District's programs was \$1,199,720.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,885,297.
- The net cost of governmental activities was financed with \$5,379,755 of property and other taxes and \$4,451,573 of unrestricted state grants.

## Business Type Activities

Revenues for business type activities during the year ended June 30, 2021 were \$890,543 representing an increase of 34% over the prior year, while expenses totaled \$778,053, an increase of 13% over the prior year. The District's business type activities include the School Nutrition Fund and Daycare Fund. Revenues for these activities were comprised of charges for service, federal and state reimbursements and investment income. As a result of the COVID-19 pandemic, revenues for the School Nutrition Fund increased significantly as the USDA Child Nutrition Program reimbursed the District for all student meals at a higher rate than traditionally received in past years which were funded by parents. Also in regards to the COVID-19 pandemic, FY2020 presented an unusual decrease in School Nutrition Fund expenditures due to the school closure. The re-opening of the District in FY2021 came with increased food and supply costs.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Jesup 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 \$6,118,585 compared to \$5,863,865 at the end of fiscal

2021. The primary reason for the increase in combined fund balances in fiscal 2021 is construction projects being completed and paid in full.

### **Governmental Fund Highlights**

- The District's improving General Fund financial position is the result of many factors. Growth during the year in tax and federal grants resulted in an increase in revenues. Also, tracking expenditures to stay in line with the line-item budget, resulted in improved financial position.
- The General Fund balance increased from \$2,562,647 in 2020 to \$2,730,788 in 2021 due to an increase in cash reserve levied on property taxes and the Instructional support levy.
- The Management Fund balance increased from \$157,491 in 2020 to \$265,044 in 2021 due to the result of strategic planning during the certified budget process.
- The Capital Project – Statewide Sales, Services and Use Tax Fund balance decreased from \$2,767,756 at June 30, 2020 to \$2,749,378 at June 30, 2021 due, in part, to facility projects and improvements.

### **Proprietary Fund Highlights**

- Enterprise Fund net position increased from \$(64,681) at June 30, 2020 to \$47,809 at June 30, 2021, an increase of over 100%. This increase is due primarily to increased federal funds recorded in the School Nutrition Fund.

### **BUDGETARY HIGHLIGHTS**

The District did not amend its budget during the year ended June 30, 2021.

The District's total revenues were \$214,991 more than budgeted revenues, a variance of 1%. The most significant variance resulted from the District receiving more in federal revenue sources than originally anticipated.

Total expenditures were \$46,494 less than budgeted. This is 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. District management is able to track spending by checking on a monthly basis to keep expenditures under control.

In spite of the District's budgetary practice, expenditures in the support services and non-instructional programs functions exceeded the amounts budgeted due to technology expenses for server replacements, implementation of 1:1 devices for High School and Middle School students, online software/learning programs, equipment reimbursable through coronavirus emergency relief funds as well as due to the pension expense, commodities used and depreciation expense recorded at year-end without sufficient time to amend the certified budget.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2021, the District had invested \$12,209,318 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-4) This represents a net decrease of approximately 3% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$871,429.

The original cost of the District's capital assets was \$25,734,144. Governmental funds account for \$25,598,295, with the remainder of \$135,849 accounted for in the Enterprise Funds.

The largest percentage change in capital asset activity during the year occurred in the furniture and equipment category, which increased by \$169,291 due to purchase of a bus, computers and other equipment.

Figure A-4

Capital Assets, Net of Depreciation							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2021	2020	2021	2020	2021	2020	2020-2021
Land	\$ 37,000	\$ 37,000	\$ -	\$ -	\$ 37,000	\$ 37,000	0.00%
Buildings and improvements	10,612,612	11,112,066	-	-	10,612,612	11,112,066	-4.49%
Improvements, other than buildings	806,594	880,798	-	-	806,594	880,798	-8.42%
Furniture and equipment	<u>692,328</u>	<u>528,318</u>	<u>60,784</u>	<u>55,503</u>	<u>753,112</u>	<u>583,821</u>	29.00%
Totals	<u>\$ 12,148,534</u>	<u>\$ 12,558,182</u>	<u>\$ 60,784</u>	<u>\$ 55,503</u>	<u>\$ 12,209,318</u>	<u>\$ 12,613,685</u>	-3.21%

### Long-term Debt

At June 30, 2021, the District had \$11,337,879 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 1% from last year (see Figure A-5). Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit approximately \$15.1 million.

Figure A-5

Outstanding Long-term Obligations			
	Total District		Total Change
	June 30,		June 30,
	<u>2021</u>	<u>2020</u>	<u>2020-2021</u>
Governmental activities			
General obligation bonds	\$ 320,000	\$ 730,000	-56.16%
Revenue bonds	4,740,000	5,215,000	-9.11%
Net pension liability	5,782,366	5,029,998	14.96%
Total OPEB liability	<u>211,392</u>	<u>199,205</u>	6.12%
	11,053,758	11,174,203	-1.08%
Business type activities			
Net pension liability	<u>284,121</u>	<u>259,635</u>	9.43%
Totals	<u>\$ 11,337,879</u>	<u>\$ 11,433,838</u>	-0.84%

### **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 which could significantly affect its financial health in the future:

- State and Federal budget cutbacks could affect the funding of aid and grants received from those governmental sources which would adversely affect the District's spending and budgets.
- The District negotiated a new agreement with the Jesup Community Education Association (JEA) for fiscal 2021. Settlements in excess of "new money" or allowable growth in state funding for Certified as well as Classified staff will have an adverse effect on the District's General budget and related fund balance.

### **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 Sheila Tharp, District Secretary/Treasurer and Business Manager, Jesup Community School District, 531 Prospect Street, P.O. Box 287, Jesup, Iowa 50648.

## Basic Financial Statements



JESUP COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2021

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 6,471,967	\$370,939	\$ 6,842,906
Receivables			
Property tax			
Delinquent	42,260	-	42,260
Succeeding year	4,588,491	-	4,588,491
Accounts receivable	324,429	972	325,401
Internal balances	143	(143)	-
Due from other governments	325,503	21,236	346,739
Inventories	-	1,228	1,228
Non-depreciable capital assets	37,000	-	37,000
Capital assets, net of accumulated depreciation	12,111,534	60,784	12,172,318
Total assets	<u>23,901,327</u>	<u>455,016</u>	<u>24,356,343</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	<u>1,257,630</u>	<u>112,768</u>	<u>1,370,398</u>
<b>Liabilities</b>			
Accounts payable	126,811	4,283	131,094
Salaries and benefits payable	918,905	19,157	938,062
Unearned revenue	-	28,191	28,191
Accrued interest payable	62,930	-	62,930
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	320,000	-	320,000
Revenue bonds payable	485,000	-	485,000
Total OPEB liability	9,038	-	9,038
Portion due after one year			
Revenue bonds payable	4,255,000	-	4,255,000
Net pension liability	5,782,366	284,121	6,066,487
Total OPEB liability	202,354	-	202,354
Total liabilities	<u>12,162,404</u>	<u>335,752</u>	<u>12,498,156</u>

See notes to financial statements.

JESUP COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2021

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	\$ 4,588,491	\$ -	\$ 4,588,491
Pension related deferred inflows	152,638	184,223	336,861
Total deferred inflows of resources	<u>4,741,129</u>	<u>184,223</u>	<u>4,925,352</u>
<b>Net Position</b>			
Net investment in capital assets	7,088,534	60,784	7,149,318
Restricted for			
Categorical funding	469,366	-	469,366
Management levy	265,044	-	265,044
Physical plant and equipment	142,291	-	142,291
Student activities	109,971	-	109,971
School infrastructure	2,753,232	-	2,753,232
Debt service	54,330	-	54,330
Unrestricted	(2,627,344)	(12,975)	(2,640,319)
Total net position	<u>\$ 8,255,424</u>	<u>\$ 47,809</u>	<u>\$ 8,303,233</u>

See notes to financial statements.

JESUP COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2021

Exhibit B

	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government	Total
<b>Functions/Programs</b>						
<b>Primary Government</b>						
Governmental activities						
Instruction						
Regular instruction	\$ 5,451,460	\$ 864,156	\$ 1,374,530	\$ -	\$ (3,212,774)	\$ (3,212,774)
Special instruction	1,229,929	103,930	46,991	-	(1,079,008)	(1,079,008)
Other instruction	1,341,195	180,448	26,653	-	(1,134,094)	(1,134,094)
	8,022,584	1,148,534	1,448,174	-	(5,425,876)	(5,425,876)
Support services						
Student	200,804	17,276	-	-	(183,528)	(183,528)
Instructional staff	326,592	-	-	-	(326,592)	(326,592)
Administration	1,125,510	-	-	-	(1,125,510)	(1,125,510)
Operation and maintenance of plant	997,340	1,092	-	-	(996,248)	(996,248)
Transportation	434,618	32,818	824	-	(400,976)	(400,976)
	3,084,864	51,186	824	-	(3,032,854)	(3,032,854)
	6,069	-	-	-	(6,069)	(6,069)
Non-instructional programs						
Other expenses						
Facilities acquisition	199,071	-	-	-	(199,071)	(199,071)
Long-term debt interest	139,241	-	-	-	(139,241)	(139,241)
AEA flowthrough	436,299	-	436,299	-	-	-
Depreciation (unallocated) *	576,607	-	-	-	(576,607)	(576,607)
	1,351,218	-	436,299	-	(914,919)	(914,919)
Total governmental activities	12,464,735	1,199,720	1,885,297	-	(9,379,718)	(9,379,718)

\* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

JESUP COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2021

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Operating Grants, Contributions and Restricted Interest			Primary Government		
	Charges for Services	Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b><u>Functions/Programs (continued)</u></b>						
<b>Primary Government (continued)</b>						
Business type activities						
Instruction						
Student construction	\$ 3,835	\$ -	\$ -	\$ -	\$ (3,835)	\$ (3,835)
Community rec program	53,921	-	-	-	(53,921)	(53,921)
Non-instructional programs						
Food service operations	499,714	59,582	525,320	-	85,188	85,188
Student construction	-	5,731	-	-	5,731	5,731
Community rec program	220,583	299,797	-	-	79,214	79,214
Total business type activities	778,053	365,110	525,320	-	112,377	112,377
Total	\$13,242,788	\$ 1,564,830	\$2,410,617	(9,379,718)	112,377	(9,267,341)
<b><u>General Revenues</u></b>						
Property tax levied for						
General purposes				3,964,638	-	3,964,638
Debt service				430,451	-	430,451
Capital outlay				101,205	-	101,205
Statewide sales, services and use tax				883,461	-	883,461
Unrestricted state grants				4,451,573	-	4,451,573
Contributions and donations				39,284	-	39,284
Unrestricted investment earnings				3,083	113	3,196
Miscellaneous				17,905	-	17,905
Special item - Gain on disposal of capital assets				6,547	-	6,547
Transfers				492	-	492
Total general revenues				9,898,639	113	9,898,752
Change in net position				518,921	112,490	631,411
Net position beginning of year				7,736,503	(64,681)	7,671,822
Net position end of year				\$ 8,255,424	\$ 47,809	\$ 8,303,233

See notes to financial statements.

JESUP COMMUNITY SCHOOL DISTRICT  
Balance Sheet  
Governmental Funds  
June 30, 2021

Exhibit C

	General	Special Revenue Management Levy	Capital Projects Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$3,120,101	\$ 262,220	\$2,717,680	\$ 371,965	\$ 6,471,966
Receivables					
Property tax					
Delinquent	34,207	3,058	-	4,995	42,260
Succeeding year	3,158,370	1,000,001	-	430,120	4,588,491
Accounts receivable	319,256	-	3,323	1,850	324,429
Due from other governments	251,638	-	73,865	-	325,503
Due from other funds	143	-	-	-	143
Total assets	<u>\$6,883,715</u>	<u>\$1,265,279</u>	<u>\$2,794,868</u>	<u>\$ 808,930</u>	<u>\$11,752,792</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 75,652	\$ 234	\$ 45,490	\$ 5,435	\$ 126,811
Salaries and benefits payable	918,905	-	-	-	918,905
Total liabilities	<u>994,557</u>	<u>234</u>	<u>45,490</u>	<u>5,435</u>	<u>1,045,716</u>
<b>Deferred inflows of resources</b>					
Unavailable revenue					
Succeeding year property tax	<u>3,158,370</u>	<u>1,000,001</u>	<u>-</u>	<u>430,120</u>	<u>4,588,491</u>
<b>Fund balances</b>					
Restricted for					
Categorical funding	469,366	-	-	-	469,366
School infrastructure	-	-	2,749,378	3,853	2,753,231
Debt service	-	-	-	117,260	117,260
Student activities	-	-	-	109,971	109,971
Management levy purposes	-	265,044	-	-	265,044
Physical plant and equipment	-	-	-	142,291	142,291
Unassigned	<u>2,261,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,261,422</u>
Total fund balances	<u>2,730,788</u>	<u>265,044</u>	<u>2,749,378</u>	<u>373,375</u>	<u>6,118,585</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$6,883,715</u>	<u>\$1,265,279</u>	<u>\$2,794,868</u>	<u>\$ 808,930</u>	<u>\$11,752,792</u>

See notes to financial statements.

JESUP COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position  
June 30, 2021

Exhibit D

<b>Total fund balances of governmental funds</b>	<b>\$ 6,118,585</b>
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**Amounts reported for governmental activities in the Statement of Net Position are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	12,148,534
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Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(62,929)
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Pension 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	\$1,257,630	
Deferred inflows of resources	<u>(152,638)</u>	1,104,992

Long-term liabilities, including bonds payable, other postemployment benefits payable and net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(11,053,758)</u>
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<b>Net position of governmental activities</b>	<b><u>\$ 8,255,424</u></b>
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JESUP COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2021

Exhibit E

		Special Revenue Management	Capital Projects Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total
Revenues	General	Levy			
Local sources					
Local tax	\$3,616,203	\$ 322,815	\$ -	\$ 527,758	\$4,466,776
Tuition	899,352	-	-	-	899,352
Other	151,325	464	1,233	174,800	327,822
State sources	5,900,987	2,386	883,461	3,898	6,790,732
Federal sources	491,935	-	-	-	491,935
Total revenues	<u>11,059,802</u>	<u>325,665</u>	<u>884,694</u>	<u>706,456</u>	<u>12,976,617</u>
Expenditures					
Current					
Instruction					
Regular	5,099,799	88,862	-	-	5,188,661
Special	1,200,248	-	-	-	1,200,248
Other	1,110,416	-	-	188,706	1,299,122
	<u>7,410,463</u>	<u>88,862</u>	<u>-</u>	<u>188,706</u>	<u>7,688,031</u>
Support services					
Student	165,866	2,697	-	-	168,563
Instructional staff	560,394	674	85,853	-	646,921
Administration	1,096,441	6,744	-	-	1,103,185
Operation and maintenance of plant	880,667	109,020	14,634	-	1,004,321
Transportation	339,459	4,046	-	91,318	434,823
	<u>3,042,827</u>	<u>123,181</u>	<u>100,487</u>	<u>91,318</u>	<u>3,357,813</u>
Non-instructional programs	-	6,069	-	-	6,069
Other expenditures					
Facilities acquisition	-	-	209,260	1,581	210,841
Long-term debt					
Principal	-	-	-	885,000	885,000
Interest and fiscal charges	-	-	1,000	143,882	144,882
AEA flowthrough	436,299	-	-	-	436,299
	<u>436,299</u>	<u>-</u>	<u>210,260</u>	<u>1,030,463</u>	<u>1,677,022</u>
Total expenditures	<u>10,889,589</u>	<u>218,112</u>	<u>310,747</u>	<u>1,310,487</u>	<u>12,728,935</u>

See notes to financial statements.

JESUP COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2021

Exhibit E

	General	Special Revenue Management Levy	Capital Projects Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total
Excess (deficiency) of revenues over (under) expenditures	\$ 170,213	\$ 107,553	\$ 573,947	\$ (604,031)	\$ 247,682
Other financing sources (uses)					
Proceeds from disposal of real property	6,546	-	-	-	6,546
Transfers in	492	-	9,110	601,435	611,037
Transfers (out)	(9,110)	-	(601,435)	-	(610,545)
Total other financing sources (uses)	(2,072)	-	(592,325)	601,435	7,038
Change in fund balances	168,141	107,553	(18,378)	(2,596)	254,720
Fund balance, beginning of year	2,562,647	157,491	2,767,756	375,971	5,863,865
Fund balance, end of year	<u>\$2,730,788</u>	<u>\$ 265,044</u>	<u>\$2,749,378</u>	<u>\$ 373,375</u>	<u>\$6,118,585</u>

See notes to financial statements.



JESUP COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2021

Exhibit F

**Change in fund balances - total governmental funds** \$254,720

**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 the capital assets as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense for the current year are as follows:

Expenditures for capital assets	\$451,251	
Depreciation expense	<u>(860,899)</u>	(409,648)

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.	885,000
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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	(877,009)	
Other postemployment benefits	<u>(12,187)</u>	(889,196)

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	5,641
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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.	<u>672,404</u>
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**Change in net position of governmental activities** \$518,921

JESUP COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
Proprietary Funds  
June 30, 2021

Exhibit G

	Nonmajor Enterprise Funds
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 370,939
Accounts receivable	972
Due from other governments	21,236
Inventories	<u>1,228</u>
Total current assets	394,375
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>60,784</u>
Total assets	<u>455,159</u>
 <b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	<u>112,768</u>
 <b>Liabilities</b>	
Current liabilities	
Accounts payable	4,283
Salaries and benefits payable	19,157
Unearned revenue	28,191
Due to other fund	<u>143</u>
Total current liabilities	51,774
Noncurrent liabilities	
Net pension liability	<u>284,121</u>
Total liabilities	<u>335,895</u>
 <b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	<u>184,223</u>
 <b>Net Position</b>	
Net investment in capital assets	60,784
Unrestricted	<u>(12,975)</u>
Total net position	<u><u>\$ 47,809</u></u>

See notes to financial statements.

JESUP COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2021

Exhibit H

	Nonmajor Enterprise Funds
Operating revenue	
Local sources	
Charges for service	<u>\$ 365,110</u>
Operating expenses	
Instruction	
Regular	
Purchased services	18,953
Supplies	29,727
Depreciation	2,330
Miscellaneous	<u>6,746</u>
	<u>57,756</u>
Non-instructional programs	
Food service operations	
Salaries	148,933
Benefits	58,585
Purchased services	105
Supplies	283,891
Depreciation	<u>8,200</u>
	<u>499,714</u>
Community Rec Programs	
Salaries	177,066
Benefits	32,865
Supplies	<u>10,652</u>
	<u>220,583</u>
Total non-instructional programs	<u>720,297</u>
Total operating expenses	<u>778,053</u>
Operating (loss)	<u>(412,943)</u>
Non-operating revenues	
Interest income	113
State sources	3,981
Federal sources	<u>521,339</u>
Total non-operating revenues	<u>525,433</u>
Change in net position	112,490
Net position beginning of year	<u>(64,681)</u>
Net position end of year	<u><u>\$ 47,809</u></u>

JESUP COMMUNITY SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2021

Exhibit I

	Nonmajor Enterprise Funds
Cash flows from operating activities	
Cash received from sale of services	\$ 369,087
Cash payments to employees for services	(379,125)
Cash payments to suppliers for goods and services	(307,181)
Net cash (used in) operating activities	<u>(317,219)</u>
Cash flows from non-capital financing activities	
State grants received	3,981
Federal grants received	489,258
Net cash provided by non-capital financing activities	<u>493,239</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(15,811)</u>
Cash flows from investing activities	
Interest on investments	<u>113</u>
Net increase in cash and cash equivalents	160,322
Cash and cash equivalents, beginning of year	210,617
Cash and cash equivalents, end of year	<u>\$ 370,939</u>
<b>Reconciliation of operating (loss) to net cash</b>	
<b>(used in) operating activities</b>	
Operating (loss)	\$ (412,943)
Adjustments to reconcile operating (loss) to	
net cash (used in) operating activities	
Depreciation	10,530
Commodities used	37,613
Change in assets and liabilities:	
Accounts receivable	3,566
Due from other funds	6,550
Inventories	2,385
Deferred outflows of resources	(10,546)
Net pension liability	24,486
Deferred inflows of resources	14,624
Accounts payable	2,896
Due to other funds	(407)
Unearned revenue	411
Accrued salaries and benefits	3,616
Net cash provided by (used in) operating activities	<u>\$ (317,219)</u>

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

During the year ended June 30, 2021, the District received \$37,613 of federal commodities.

See notes to financial statements.

JESUP COMMUNITY SCHOOL DISTRICT  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2021

Exhibit J

	Private Purpose Trust
	<u>Scholarships</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 3,905
<b>Net position</b>	
Reserved for scholarships	<u>\$ 3,905</u>

See notes to financial statements.

JESUP COMMUNITY SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Year Ended June 30, 2021

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	\$ -
Deductions	
Scholarships awarded	<u>19,782</u>
(Deficiency) of additions (under) deductions	(19,782)
Transfers (out)	<u>(492)</u>
Change in net position	(20,274)
Net position beginning of year	<u>24,179</u>
Net position end of year	<u><u>\$ 3,905</u></u>

See notes to financial statements.

JESUP COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2021

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

Jesup Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Jesup, Iowa, and portions of the predominate agricultural territories in Buchanan and Black Hawk Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

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

**Jointly Governed Organizations**

The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's 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 in 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 are 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds and proprietary funds are aggregated and reported as nonmajor governmental funds and nonmajor proprietary funds.

The District reports the following major governmental funds:

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

The Management Levy Fund is utilized to account for the property tax and other revenues used for tort liability insurance premiums, unemployment compensation insurance claims and early retirement incentive payments.

The Capital Projects - Statewide Sales, Services and Use Tax Fund is used to account for the collection of the 1% statewide sales, services and use tax to be expended for school infrastructure purposes.

The District reports no major proprietary funds; however, it reports the following nonmajor enterprise funds. The District's Enterprise Funds are the School Nutrition Fund, Student Construction Fund, Community Rec Programs Fund and Coffee Shop Fund. These funds are used to account for the food service operations, student construction program, community recreation programs and coffee shop operations of the District, respectively.



The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund consists 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, judgments and early retirement 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 then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The

principal operating revenues of the District's Enterprise Funds are 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.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/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 the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at amortized cost.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

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, 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 the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as 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, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2020.

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

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

Capital Assets - Capital assets, which include property, furniture and equipment are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net 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.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	\$10,000
Improvements other than buildings	\$10,000
Intangibles	\$50,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 2,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements to buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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 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 are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches.

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

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

Total OPEB Liability - For purposes of measuring the total OPEB liability 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.

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 in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied, and unrecognized items not yet charged to pension expense.

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

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

Unassigned - All amounts not included in the preceding classification.



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

Net position restricted through enabling legislation includes \$142,291 for physical plant and equipment, \$109,971 for student activities, \$2,753,232 for school infrastructure and \$265,044 for management levy purposes.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2021, expenditures in the support services and non-instructional programs functions exceeded the amounts budgeted.

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 2. Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2021 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 high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72

### Note 3. Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2021 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Governmental	Nonmajor Enterprise	
General	School Nutrition	\$ 61
	Community Rec	82
Totals		<u>\$ 143</u>

The School Nutrition Fund and the Community Rec Programs Fund owe General Fund for indirect costs. These balances will be paid during the year ending June 30, 2022.

### Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Nonmajor Governmental	Major Capital Projects	
Debt Service	Statewide Sales, Services and Use Tax	\$ 601,435
Major Capital Projects	Major Governmental	
Statewide Sales, Services and Use Tax	General	9,110
Major Governmental	Fiduciary	
General	Private Purpose Trust	492
		<u>\$ 611,037</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfer from the Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for principal and interest payments on debt. The transfer from the Private Purpose Trust Fund to the General Fund were to reclassify expenditures to the appropriate fund. The transfer from the General Fund to the Statewide Sales, Services and Use Tax Fund was for ESSER funds expended.

### Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2021 was as follows:

<u>Governmental activities</u>	<u>Balance,</u> <u>Beginning</u> <u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance,</u> <u>End of</u> <u>Year</u>
Capital assets not being depreciated:				
Land	\$ 37,000	\$ -	\$ -	\$ 37,000

Capital assets being depreciated:				
Buildings and improvements	18,092,182	9,110	-	18,101,292
Improvements other than buildings	1,853,276	-	-	1,853,276
Furniture and equipment	5,164,586	442,141	-	5,606,727
Total capital assets being depreciated	<u>25,110,044</u>	<u>451,251</u>	-	<u>25,561,295</u>

Less accumulated depreciation for:				
Buildings and improvements	6,980,116	508,564	-	7,488,680
Improvements other than buildings	972,478	74,204	-	1,046,682
Furniture and equipment	4,636,268	278,131	-	4,914,399
Total accumulated depreciation	<u>12,588,862</u>	<u>860,899</u>	-	<u>13,449,761</u>

Total capital assets being depreciated, net	<u>12,521,182</u>	<u>(409,648)</u>	-	<u>12,111,534</u>
Governmental activities capital assets, net	<u>\$ 12,558,182</u>	<u>\$(409,648)</u>	<u>\$ -</u>	<u>\$ 12,148,534</u>

Business type activities

Furniture and equipment	\$ 120,038	\$ 15,811	\$ -	\$ 135,849
Less accumulated depreciation	<u>64,535</u>	<u>10,530</u>	-	<u>75,065</u>
Business type activities capital assets, net	<u>\$ 55,503</u>	<u>\$ 5,281</u>	<u>\$ -</u>	<u>\$ 60,784</u>

Depreciation expense was charged to the following functions:

**Governmental activities**

Instruction	
Regular	\$ 147,925
Special	3,108
Other	25,088
Support services	
Support services	28,668
Operation and maintenance of plant	12,203
Transportation	<u>67,300</u>
	284,292
Unallocated	<u>576,607</u>
Total governmental activities depreciation expense	<u>\$ 860,899</u>

**Business type activities**

Food services	\$ 8,200
Community rec programs	857
Student construction	<u>1,473</u>
Total business type activities depreciation expense	<u>\$ 10,530</u>

## Note 6. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2021 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities					
General obligation bonds	\$ 730,000	\$ -	\$ 410,000	\$ 320,000	\$ 320,000
Revenue bonds	5,215,000	-	475,000	4,740,000	485,000
Net pension liability	5,029,998	752,368	-	5,782,366	-
Total OPEB liability	199,205	12,187	-	211,392	9,038
Totals	<u>\$ 11,174,203</u>	<u>\$ 764,555</u>	<u>\$ 885,000</u>	<u>\$ 11,053,758</u>	<u>\$ 814,038</u>

### Business type activities

Net pension liability	<u>\$ 259,635</u>	<u>\$ 24,486</u>	<u>\$ -</u>	<u>\$ 284,121</u>	<u>\$ -</u>
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Interest costs incurred and charged to expense on all long-term debt was \$139,241 for the year ended June 30, 2021. During the year ended June 30, 2021, the District made principal payments on total long-term debt of \$885,000.

### General Obligation Bonds

Details of the District's June 30, 2021 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond Issue of March 1, 2012		
		Principal	Interest	Total
2022	1.85%	\$ 320,000	\$ 12,520	\$ 332,520

### Revenue Bonds

Details of the District's June 30, 2021 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond Issue of May 1, 2013		
		Principal	Interest	Total
2022	2.00%	\$ 485,000	\$ 116,835	\$ 601,835
2023	2.00%	490,000	107,085	597,085
2024	2.25%	500,000	96,560	596,560
2025	2.35%	510,000	84,942	594,942
2026	2.55%	525,000	72,256	597,256
2027-2030	2.75-3%	<u>2,230,000</u>	<u>135,382</u>	<u>2,365,382</u>
Totals		<u>\$ 4,740,000</u>	<u>\$ 613,060</u>	<u>\$ 5,353,060</u>



The District has pledged future statewide sales, services and use tax revenues to repay the \$7,805,000 bonds issued May 2013. The bonds were issued for the purpose of financing a portion of the costs of various projects. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 65% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$5,353,060 at June 30, 2021. For the current year, \$475,000 of principal and \$126,435 of interest was paid on the bonds. Total statewide sales, services and use tax revenues were \$883,461 for the year ended June 30, 2021.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$616,485 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all the revenue bond provisions during the year ended June 30, 2021.

## **Note 7. 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 the 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 informational 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 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 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 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 2021, 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, 2021 totaled \$672,404.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the District reported a liability

of \$6,066,487 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 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, 2020, the District's proportion was 0.086965%, which was a decrease of 0.003773 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$204,606. At June 30, 2021, 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	\$ 6,702	\$ 143,791
Changes of assumptions	311,391	-
Net difference between projected and actual earnings on IPERS' investments	341,033	-
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	38,868	193,070
District contributions subsequent to the measurement date	<u>672,404</u>	<u>-</u>
Total	<u>\$ 1,370,398</u>	<u>\$ 336,861</u>

\$672,404 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, 2022. 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 Ending June 30,	Amount
2022	\$ 66,151
2023	88,661
2024	74,440
2025	154,156
2026	<u>(22,275)</u>
Total	<u>\$ 361,133</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2020 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, 2020 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 2020 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 geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	<u>100.0%</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 employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, 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	\$10,115,355	\$6,066,487	\$2,671,573

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, 2021, the District reported no payables to IPERS for legally required District contributions or for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

#### **Note 8. Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees, and their spouses. The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark.

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

Retired participants must be age 55 or older at retirement. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Active employees	<u>93</u>
Total	<u>98</u>

Total OPEB Liability - The District's total OPEB liability of \$211,392 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the June 30, 2021 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, 2021)	2.75% per annum.
Rates of salary increase (effective June 30, 2021)	0% OPEB directly determined by service years, not salary.
Discount rate (effective June 30, 2021)	3.15% per annum.
Healthcare cost trend rate (effective June 30, 2021)	6.0% per annum.

Discount Rate - The discount rate used to measure the total OPEB liability was 3.15% 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-2019 total dataset mortality table fully generational using Scale MP-2019. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year	<u>\$ 199,206</u>
Changes for the year:	
Service cost	18,655
Interest	6,723
Differences between expected and actual experiences	-
Changes in assumptions	-
Recognition of deferred inflows/outflows	(4,154)
Benefit payments	<u>(9,038)</u>
Net changes	<u>12,186</u>
Total OPEB liability end of year	<u><u>\$ 211,392</u></u>

Changes in assumptions reflect no change in the discount rate from 3.15% in fiscal year 2020.

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 (2.15%) or 1% higher (4.15%) than the current discount rate.

	1% Decrease (2.15%)	Discount Rate (3.15%)	1% Increase (4.15%)
Total OPEB liability	\$236,414	\$211,392	\$189,472

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 (5.0%) or 1% higher (7.0%) than the current healthcare cost trend rates.

	1% Decrease (5.0%)	Healthcare Cost Trend Rate (6.0%)	1% Increase (7.0%)
Total OPEB liability	\$179,120	\$211,392	\$251,124

OPEB Expense and Deferred Outflows of Resources Related to OPEB - For the year ended June 30, 2020, the District recognized OPEB expense of \$12,186. At June 30, 2021, the District reported no deferred inflows or outflows of resources related to OPEB.

## **Note 9. Risk Management**

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

## **Note 10. 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 \$436,299 for the year ended June 30, 2021 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## **Note 11. Contingencies**

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2020, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

## **Note 12. Categorical Funding**

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

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2021.

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 3,977
At-risk	2,800
Gifted and talented	42,957
Returning dropout and dropout prevention program	14,215
Teacher leadership grant	124,838
Flexibility account from excess professional development program	184,614
Beginning teacher mentoring and induction program	5,844
Early literacy	38,621
Educator quality, professional development	51,500
	<u>\$ 469,366</u>

## **Note 13. Tax Abatements**

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

### Tax Abatements of Other Entities

There was no property tax revenue of the District reduced by agreements entered into by other entities for the year ended June 30, 2021.

## **Note 14. Accounting Change/Restatement**

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities, was implemented during fiscal year 2021. The new requirements change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments which report fiduciary activity. Implementation of GASB Statement



No. 84 did not result in any restatement to previously issued financial statements or beginning balances.

#### **Note 15. COVID-19**

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of Jesup Community School District, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of Jesup Community School District. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to Jesup Community School District.

#### **Note 16. Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement will require reporting of certain potentially significant lease liabilities that are not currently reported.

#### **Note 17. Deficit Balances**

The District had the following negative net position balances at June 30, 2021:

Unrestricted net position, governmental activities	\$2,627,344
Unrestricted net position, business type activities	\$ 12,975
Unrestricted net position, total enterprise funds	\$ 12,975
Unrestricted net position, School Nutrition Fund	\$ 13,141
Unrestricted net position, Community Rec Fund	\$ 7,084

#### **Note 18. Subsequent Events**

The District has evaluated subsequent events through March 24, 2022 which is the date that the financial statement were available to be issued. In December 2021 the Superintendent resigned, effective immediately. An interim Superintendent was hired in December 2021.

## Required Supplementary Information

JESUP COMMUNITY SCHOOL DISTRICT  
 Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual  
 All Governmental Funds and Enterprise Funds  
 Required Supplementary Information  
 For the Year Ended June 30, 2021

	Governmental Funds Actual	Enterprise Funds Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$ 5,693,950	\$ 365,223	\$ 6,059,173	\$6,323,852	\$ 6,323,852	\$ (264,679)
State sources	6,790,732	3,981	6,794,713	6,927,941	6,927,941	(133,228)
Federal sources	491,935	521,339	1,013,274	400,376	400,376	612,898
Total revenues	<u>12,976,617</u>	<u>890,543</u>	<u>13,867,160</u>	<u>13,652,169</u>	<u>13,652,169</u>	<u>214,991</u>
Expenditures/Expenses						
Instruction	7,688,031	57,756	7,745,787	7,888,434	7,888,434	142,647
Support services	3,357,813	-	3,357,813	3,186,202	3,186,202	(171,611)
Non-instructional programs	6,069	720,297	726,366	693,485	693,485	(32,881)
Other expenditures	1,677,022	-	1,677,022	1,785,361	1,785,361	108,339
Total expenditures/expenses	<u>12,728,935</u>	<u>778,053</u>	<u>13,506,988</u>	<u>13,553,482</u>	<u>13,553,482</u>	<u>46,494</u>
Excess of revenues over expenditures/expenses	247,682	112,490	360,172	98,687	98,687	261,485
Net other financing sources	<u>7,038</u>	<u>-</u>	<u>7,038</u>	<u>-</u>	<u>-</u>	<u>7,038</u>
Change in fund balance	254,720	112,490	367,210	98,687	98,687	268,523
Balance, beginning of year	5,863,865	(64,681)	5,799,184	5,297,597	5,297,597	501,587
Balance, end of year	<u>\$ 6,118,585</u>	<u>\$ 47,809</u>	<u>\$ 6,166,394</u>	<u>\$5,396,284</u>	<u>\$ 5,396,284</u>	<u>\$ 770,110</u>

See accompanying Independent Auditor's Report.

JESUP COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2021

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses 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. The District did not amend its certified budget during the year ended June 30, 2021.

During the year ended June 30, 2021 expenditures in the support services and non-instructional programs functions exceeded the amounts budgeted.

JESUP COMMUNITY SCHOOL DISTRICT  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Iowa Public Employees' Retirement System  
For the Last Seven Years\*  
Required Supplementary Information

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.086965%	0.090738%	0.090728%	0.090809%	0.0870690	0.089444	0.087944
District's proportionate share of the net pension liability	\$ 6,066,487	\$5,289,633	\$5,739,699	\$5,994,905	\$5,479,529	\$4,443,688	\$ 3,559,157
District's covered payroll	\$ 6,851,188	\$6,951,908	\$6,821.185	\$6,717,800	\$6,717,800	\$6,237,723	\$ 6,162,008
District's proportionate share of the net pension liability as a percentage of its covered payroll	88.55%	76.09%	84.15%	89.24%	81.57%	71.24%	57.76%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	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.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

JESUP COMMUNITY SCHOOL DISTRICT  
Schedule of District Contributions  
Iowa Public Employees' Retirement System  
For the Last Ten Years  
Required Supplementary Information

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 672,404	\$ 646,752	\$ 656,260	\$ 609,132	\$ 599,900	\$ 557,028	\$ 550,267	\$ 524,786	\$ 492,157	\$ 438,545
Contributions in relation to the statutorily required contribution	<u>(672,404)</u>	<u>(646,752)</u>	<u>(656,260)</u>	<u>(609,132)</u>	<u>(599,900)</u>	<u>(557,028)</u>	<u>(550,267)</u>	<u>(524,786)</u>	<u>(492,157)</u>	<u>(438,545)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$7,124,972	\$6,851,188	\$6,951,908	\$6,821,185	\$6,717,800	\$6,237,723	\$6,162,008	\$5,876,663	\$5,676,551	\$5,434,263
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%

See accompanying Independent Auditor's Report.

JESUP COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Pension Liability  
For the Year Ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

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 assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

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

Jesup Community School District  
Schedule of Changes in the District's  
Total OPEB Liability, Related Ratios and Notes  
For the Last Four Years  
Required Supplementary Information

	2021	2020	2019	2018
Service cost	\$ 18,655	\$ 18,655	\$ 24,887	\$ 24,892
Interest cost	6,723	6,380	9,960	9,486
Difference between expected and actual experiences	-	12,360	-	-
Changes in assumptions	-	(85,272)	-	-
Recognition of deferred inflows/outflows	(4,154)	(5,070)	(11,303)	(11,198)
Benefit payments	(9,038)	(8,402)	(10,995)	(9,138)
Net change in total OPEB liability	12,186	(61,349)	12,549	14,042
Total OPEB liability beginning of year	199,205	260,554	248,005	233,963
Total OPEB liability end of year	<u>\$ 211,391</u>	<u>\$ 199,205</u>	<u>\$ 260,554</u>	<u>\$ 248,005</u>
Covered-employee payroll	\$ 6,500,961	\$ 6,344,597	\$ 6,354,646	\$ 6,240,825
Total OPEB liability as a percentage of covered-employee payroll	3.25%	3.14%	4.10%	3.97%

**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, 2021	3.15%
Year ended June 30, 2020	3.15%
Year ended June 30, 2019	3.72%
Year ended June 30, 2018	3.72%
Year ended June 30, 2017	2.50%

**Note:** GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See accompanying Independent Auditor's Report.



## Supplementary Information

JESUP COMMUNITY SCHOOL DISTRICT  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2021

Schedule 1

	Special Revenue Student Activity	Physical Plant and Equipment Levy	Capital Projects Track Fund	Debt Service	Total
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$113,556	\$141,340	\$3,853	\$113,216	\$371,965
Receivables					
Property tax					
Delinquent	-	951	-	4,044	4,995
Succeeding year	-	104,201	-	325,919	430,120
Accounts receivable	1,850	-	-	-	1,850
Total assets	<u>\$115,406</u>	<u>\$246,492</u>	<u>\$3,853</u>	<u>\$443,179</u>	<u>\$808,930</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities					
Accounts payable	\$ 5,435	\$ -	\$ -	\$ -	\$ 5,435
Deferred inflows of resources					
Unavailable revenue					
Succeeding year property tax	-	104,201	-	325,919	430,120
Fund balances					
Restricted for					
Student activities	109,971	-	-	-	109,971
Physical plant and equipment	-	142,291	-	-	142,291
School infrastructure	-	-	3,853	-	3,853
Debt service	-	-	-	117,260	117,260
Total fund balances	<u>109,971</u>	<u>142,291</u>	<u>3,853</u>	<u>117,260</u>	<u>373,375</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$115,406</u>	<u>\$246,492</u>	<u>\$3,853</u>	<u>\$443,179</u>	<u>\$808,930</u>

See accompanying Independent Auditor's Report.

JESUP COMMUNITY SCHOOL DISTRICT  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2021

Schedule 2

	Special Revenue	<u>Capital Projects</u>			
	Student	Physical Plant and Equipment	Track Fund	Debt Service	Total
	<u>Activity</u>	<u>Levy</u>	<u>Fund</u>	<u>Service</u>	<u>Total</u>
Revenues					
Local sources					
Local taxes	\$ -	\$100,463	\$ -	\$ 427,295	\$ 527,758
Other	174,650	45	-	105	174,800
State sources	-	742	-	3,156	3,898
Total revenues	<u>174,650</u>	<u>101,250</u>	<u>-</u>	<u>430,556</u>	<u>706,456</u>
Expenditures					
Current					
Instruction					
Other	<u>188,706</u>	-	-	-	<u>188,706</u>
Support services					
Transportation	-	<u>91,318</u>	-	-	<u>91,318</u>
Other expenditures					
Facilities acquisition	-	1,581	-	-	1,581
Long-term debt					
Principal	-	-	-	885,000	885,000
Interest and fiscal charges	-	-	-	<u>143,882</u>	<u>143,882</u>
Total other expenditures	-	<u>1,581</u>	-	<u>1,028,882</u>	<u>1,030,463</u>
Total expenditures	<u>188,706</u>	<u>92,899</u>	<u>-</u>	<u>1,028,882</u>	<u>1,310,487</u>
Excess (deficiency) of revenues over (under) expenditures	(14,056)	8,351	-	(598,326)	(604,031)
Other financing sources					
Transfers in	-	-	-	<u>601,435</u>	<u>601,435</u>
Change in fund balances	(14,056)	8,351	-	3,109	(2,596)
Fund balances, beginning of year	<u>124,027</u>	<u>133,940</u>	<u>3,853</u>	<u>114,151</u>	<u>375,971</u>
Fund balances, end of year	<u>\$109,971</u>	<u>\$142,291</u>	<u>\$3,853</u>	<u>\$ 117,260</u>	<u>\$ 373,375</u>

See accompanying Independent Auditor's Report.

JESUP COMMUNITY SCHOOL DISTRICT  
Combining Statement of Net Position  
Nonmajor Enterprise Funds  
June 30, 2021

Schedule 3

	<u>School Nutrition</u>	<u>Student Construction</u>	<u>Community Rec Programs</u>	<u>Coffee Shop</u>	<u>Total</u>
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$182,229	\$ 5,241	\$181,460	\$2,009	\$370,939
Accounts receivable	-	-	972	-	972
Due from other governments	21,236	-	-	-	21,236
Inventories	1,228	-	-	-	1,228
Total current assets	204,693	5,241	182,432	2,009	394,375
Noncurrent assets					
Capital assets, net of accumulated depreciation	35,997	8,837	15,507	443	60,784
Total assets	240,690	14,078	197,939	2,452	455,159
<b>Deferred Outflows of Resources</b>					
Pension related deferred outflows	59,208	-	53,560	-	112,768
<b>Liabilities</b>					
Current liabilities					
Accounts payable	100	-	4,183	-	4,283
Salaries and benefits payable	2,328	-	16,829	-	19,157
Unearned revenues	28,191	-	-	-	28,191
Due to other fund	61	-	82	-	143
Total current liabilities	30,680	-	21,094	-	51,774
Noncurrent liabilities					
Net pension liability	144,925	-	139,196	-	284,121
Total liabilities	175,605	-	160,290	-	335,895
<b>Deferred Inflows of Resources</b>					
Pension related deferred inflows	101,437	-	82,786	-	184,223
<b>Net Position</b>					
Net investment in capital assets	35,997	8,837	15,507	443	60,784
Unrestricted	(13,141)	5,241	(7,084)	2,009	(12,975)
Total net position	\$ 22,856	\$ 14,078	\$ 8,423	\$2,452	\$ 47,809

See accompanying Independent Auditor's Report.

JESUP COMMUNITY SCHOOL DISTRICT  
Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2021

Schedule 4

	<u>School Nutrition</u>	<u>Student Construction</u>	<u>Community Rec Programs</u>	<u>Coffee Shop</u>	<u>Total</u>
Operating revenue					
Local sources					
Charges for service	\$ 59,582	\$ 5,731	\$299,797	\$ -	\$365,110
Operating expenses					
Instruction					
Regular					
Purchased services	-	-	18,953	-	18,953
Supplies	-	2,362	27,365	-	29,727
Depreciation	-	1,473	857	-	2,330
Miscellaneous	-	-	6,746	-	6,746
	<u>-</u>	<u>3,835</u>	<u>53,921</u>	<u>-</u>	<u>57,756</u>
Non-instructional programs					
Salaries	148,933	-	177,066	-	325,999
Benefits	58,585	-	32,865	-	91,450
Purchased services	105	-	-	-	105
Supplies	283,891	-	10,652	-	294,543
Depreciation	8,200	-	-	-	8,200
	<u>499,714</u>	<u>-</u>	<u>220,583</u>	<u>-</u>	<u>720,297</u>
Total operating expenses	499,714	3,835	274,504	-	778,053
Operating income (loss)	<u>(440,132)</u>	<u>1,896</u>	<u>25,293</u>	<u>-</u>	<u>(412,943)</u>
Non-operating revenue					
Interest income	38	-	75	-	113
State sources	3,981	-	-	-	3,981
Federal sources	521,339	-	-	-	521,339
Total non-operating revenue	<u>525,358</u>	<u>-</u>	<u>75</u>	<u>-</u>	<u>525,433</u>
Change in net position	85,226	1,896	25,368	-	112,490
Net position, beginning of year	(62,370)	12,182	(16,945)	2,452	(64,681)
Net position, end of year	<u>\$ 22,856</u>	<u>\$ 14,078</u>	<u>\$ 8,423</u>	<u>\$2,452</u>	<u>\$ 47,809</u>

See accompanying Independent Auditor's Report.

JESUP COMMUNITY SCHOOL DISTRICT  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2021

Schedule 5

	School Nutrition	Student Construction	Community Rec Programs	Coffee Shop	Total
Cash flows from operating activities					
Cash received from sale of services	\$ 59,993	\$ 5,731	\$ 303,363	\$ -	\$ 369,087
Cash payments to employees for services	(185,281)	-	(193,844)	-	(379,125)
Cash payments to suppliers for goods and services	(243,918)	(2,362)	(60,901)	-	(307,181)
Net cash provided by (used in) operating activities	(369,206)	3,369	48,618	-	(317,219)
Cash flows from non-capital financing activities					
State grants received	3,981	-	-	-	3,981
Federal grants received	489,258	-	-	-	489,258
Net cash provided by non-capital financing activities	493,239	-	-	-	493,239
Cash flows from capital and related financing activities					
Acquisition of capital assets	-	(10,310)	(5,501)	-	(15,811)
Cash flows from investing activities					
Interest on investments	38	-	75	-	113
Net increase (decrease) in cash and cash equivalents	124,071	(6,941)	43,192	-	160,322
Cash and cash equivalents, beginning of year	58,158	12,182	138,268	2,009	210,617
Cash and cash equivalents, end of year	\$ 182,229	\$ 5,241	\$ 181,460	\$2,009	\$ 370,939
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>					
Operating income (loss )	\$(440,132)	\$ 1,896	\$ 25,293	\$ -	\$(412,943)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	8,200	1,473	857	-	10,530
Commodities used	37,613	-	-	-	37,613
Change in assets and liabilities:					
Accounts receivable	-	-	3,566	-	3,566
Due from other fund	550	-	6,000	-	6,550
Inventories	2,385	-	-	-	2,385
Deferred outflows of resources	(8,581)	-	(1,965)	-	(10,546)
Net pension liability	19,925	-	4,561	-	24,486
Deferred inflows of resources	11,900	-	2,724	-	14,624
Accounts payable	81	-	2,815	-	2,896
Due to other funds	61	-	(468)	-	(407)
Unearned revenue	411	-	-	-	411
Accrued salaries and benefits	(1,619)	-	5,235	-	3,616
Net cash provided by (used in) operating activities	\$(369,206)	\$ 3,369	\$ 48,618	\$ -	\$(317,219)

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

During the year ended June 30, 2021, the District received \$37,613 of federal commodities.

See accompanying Independent Auditor's Report.

JESUP COMMUNITY SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund, Student Activity Account  
For the Year Ended June 30, 2021

Schedule 6

<u>Account</u>	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Balance, End of Year
Other committed	\$ 1,333	\$ -	\$ -	\$ 1,333
Fine Arts	-	3,918	2,722	1,196
Fine Arts Uniforms	1,070	491	807	754
Yearbook	22,692	4,791	7,910	19,573
High School Fine Arts Trip	12,738	7,516	5,270	14,984
Interest Account	-	73	-	73
Class of 2019	557	-	557	-
FFA	10,331	20,531	23,386	7,476
FCCLA	6,017	2,517	1,977	6,557
National Honor Society	353	-	524	(171)
Language Club	911	-	-	911
Student Council	1,211	2,707	2,224	1,694
Class of 2020	-	-	-	-
Class of 2016	-	-	-	-
Class of 2023	1,307	797	-	2,104
Class of 2024	-	5,544	3,266	2,278
Class of 2022	2,887	730	2,721	896
Middle School	13,095	8,145	7,489	13,751
J-Stars	591	1	591	1
Elementary PTO	8,377	1,359	1,996	7,740
Elementary	8,265	475	4,032	4,708
Class of 2021	3,070	-	1,475	1,595
Activity Tickets	755	7,885	111,416	(102,776)
Athletics	19,155	95,308	3,288	111,175
HS Homeroom	2,508	3,191	6,546	(847)
High School	6,719	7,995	509	14,205
ESports	85	676	-	761
Totals	<u>\$ 124,027</u>	<u>\$ 174,650</u>	<u>\$ 188,706</u>	<u>\$ 109,971</u>

See accompanying Independent Auditor's Report.



JESUP COMMUNITY SCHOOL DISTRICT  
Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds  
For the Last Ten Years

Schedule 7

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
	Modified Accrual Basis									
<b>Revenues</b>										
Local sources										
Local tax	\$ 4,466,776	\$ 4,406,224	\$ 4,310,902	\$ 3,969,007	\$ 3,749,471	\$ 3,689,452	\$ 3,303,258	\$ 3,976,445	\$ 3,614,190	\$ 3,534,234
Tuition	899,352	1,019,746	980,060	787,749	670,298	592,517	536,012	446,976	414,336	559,975
Other	327,822	358,837	404,289	417,694	366,205	446,993	439,848	576,406	420,063	564,635
State sources	6,790,732	6,969,300	6,671,166	6,384,489	6,354,363	5,981,538	6,051,259	5,116,850	5,115,779	4,847,475
Federal sources	491,935	166,391	178,323	194,609	228,054	213,906	200,811	222,734	195,264	192,338
Total revenues	<u>\$12,976,617</u>	<u>\$12,920,498</u>	<u>\$12,544,740</u>	<u>\$11,753,548</u>	<u>\$11,368,391</u>	<u>\$10,924,406</u>	<u>\$10,531,188</u>	<u>\$10,339,411</u>	<u>\$ 9,759,632</u>	<u>\$ 9,698,657</u>
<b>Expenditures</b>										
Current										
Instruction										
Regular	\$ 5,188,661	\$ 4,744,332	\$ 4,791,514	\$ 4,723,280	\$ 4,716,894	\$ 4,188,620	\$ 4,146,403	\$ 4,113,595	\$ 3,959,650	\$ 3,735,848
Special	1,200,248	1,252,520	1,180,349	1,064,858	1,437,705	1,092,845	1,068,757	1,097,611	1,047,560	1,047,038
Other	1,299,122	1,232,961	1,264,335	1,279,121	736,968	1,322,513	1,171,365	1,208,354	1,095,515	1,073,254
Support services										
Student	168,563	198,057	192,306	186,050	163,533	169,264	158,046	158,236	157,336	133,932
Instructional staff	646,921	342,955	369,724	333,999	377,156	346,928	325,335	324,249	270,831	227,848
Administration	1,103,185	1,104,438	1,029,862	1,014,655	1,004,018	996,558	977,708	941,472	872,904	824,026
Operation and maintenance										
of plant	1,004,321	874,384	899,576	768,057	800,054	832,808	760,407	729,219	608,587	619,613
Transportation	434,823	436,629	474,164	358,981	389,357	467,111	496,072	415,646	394,032	444,801
Non-instructional programs	6,069	4,557	6,777	6,744	-	13,589	-	-	-	291
Other expenditures										
Facilities acquisition	210,841	107,486	51,129	17,215	478,857	1,454,371	971,196	4,276,581	1,333,384	499,812
Long-term debt										
Principal	885,000	1,010,000	765,000	760,000	740,000	735,000	620,000	295,000	3,205,000	230,000
Interest and other charges	144,882	163,380	176,995	189,343	201,543	212,502	221,923	163,505	342,181	199,743
AEA flowthrough	436,299	437,147	419,247	406,967	395,142	394,484	392,308	380,982	362,390	366,905
Total expenditures	<u>\$12,728,935</u>	<u>\$11,908,846</u>	<u>\$11,620,978</u>	<u>\$11,109,270</u>	<u>\$11,441,227</u>	<u>\$12,226,593</u>	<u>\$11,309,520</u>	<u>\$14,104,450</u>	<u>\$13,649,370</u>	<u>\$ 9,403,111</u>

See accompanying Independent Auditor's Report.



Jesup Community School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Schedule 8

<b><u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u></b>	<b><u>Federal Assistance Listing Number</u></b>	<b><u>Pass-through Entity Identifying Number</u></b>	<b><u>Expenditures</u></b>
Indirect			
U.S. Department of Agriculture			
Iowa Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	FY21	\$ 37,613 *
COVID-19 - National School Lunch Program	10.555	FY21	44,333
			81,946
COVID-19 - Summer Food Service Program for Children	10.559	FY21	439,392
Total Child Nutrition Cluster			521,338
U.S. Department of Education			
Iowa Department of Education			
Title I Grants to Local Education Agencies	84.010	FY21	105,445
Title I carryover	84.010	FY20	3,369
Total Title I Grants to Local Education Agencies			108,814
Supporting Effective Instruction State Grants (Title IIA)	84.367	FY21	32,913
Student Support and Academic Enrichment Program (Title IV-A)	84.424	FY21	8,857
Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act (CARES) Cluster			
COVID-19 Governor's Emergency Education Relief (GEER) Fund	84.425C	FY21	34,800
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Funds	84.425D	FY21	75,051
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Funds	84.425D	FY21	179,838
			254,889
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER III - Learning Loss)	84.425U	FY21	6,894
Total Education Stabilization Fund Under CARES Cluster			296,583
			447,167
Central Rivers Area Education Agency			
Special Education Grants to States	84.027	FY21	42,585
English Language Acquisition State Grants	84.365	FY21	4,406
Career and Technical Education - Basic Grants to States	84.048	FY21	12,398
			59,389
Total U.S. Department of Education			506,556
Total federal expenditures			\$ 1,027,894

\* includes \$37,613 of non-cash awards

See accompanying Independent Auditor's Report.

Jesup Community School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Schedule 8

**Basis of Presentation** - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Jesup Community School District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Jesup Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of Jesup Community School District.

**Summary of Significant Accounting Policies** - Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate** - Jesup Community School District uses a federally negotiated indirect cost rate as allowed under the Uniform Guidance.

**Subrecipients** - There were no awards passed through to subrecipients by Jesup Community School District.

# Kay L. Chapman, CPA PC

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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  
Jesup Community School District:

I 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 Jesup Community School District as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated March 24, 2022.

## Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Jesup Community School District's internal control over financial reporting as a basis for designing audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jesup Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Jesup Community School District's internal control.

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

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

the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 2021-001 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jesup Community School District's financial statements are free of material misstatement, I 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my 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.

#### Jesup Community School District's Responses to the Findings

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

#### Purpose of this Report

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

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Jesup Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
March 24, 2022

# Kay L. Chapman, CPA PC

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kchapman@cpakay.com

## Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Education of  
Jesup Community School District:

### Report on Compliance for Each Major Federal Program

I have audited Jesup Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021. Jesup Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

### Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

### Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Jesup Community School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jesup Community School District's compliance with those requirements and performing such other procedures I consider necessary in the circumstances.



I believe my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Jesup Community School District's compliance.

#### Opinion on Each Major Federal Program

In my opinion, Jesup Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

#### Report on Internal Control over Compliance

The management of Jesup Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Jesup Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Jesup Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. I identified a deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2021-002 I consider to be a material weakness.

Jesup Community School District's response to internal control over compliance finding identified in my audit is described in the accompanying Schedule of findings and Questioned Costs. Jesup Community School District's response was not subjected to the

auditing procedures applied in the audit of the compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
March 24, 2022

JESUP COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

**I. Summary of Independent Auditor's Results**

**Financial Statements**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?
- Noncompliance material to financial statements noted?

<u>  X  </u>	Yes	<u>      </u>	No
<u>      </u>	Yes	<u>  X  </u>	None reported
<u>      </u>	Yes	<u>  X  </u>	No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

<u>  X  </u>	Yes	<u>      </u>	No
<u>      </u>	Yes	<u>  X  </u>	None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?

<u>  X  </u>	Yes	<u>      </u>	No
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**Identification of major program(s):**

FAL Number    Name of Federal Program or Cluster

Child Nutrition Cluster

10.555	National School Lunch Program - Commodities - Noncash
10.555	COVID-19 National School Lunch Program
10.559	COVID-19 Summer Food Service Program for Children

Dollar threshold used to distinguish between type A and type B programs:    \$750,000

Auditee qualified as low-risk auditee?           Yes      X   No



JESUP COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

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

**INTERNAL CONTROL DEFICIENCY**

**MATERIAL WEAKNESS**

**2021-001 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 - I noted that the same individual performed the following duties: recording and processing of cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information.

Cause - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2020-001.

Recommendation - I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional controls through review of financial transactions, reconciliations and reports. These independent reviews should be documented by the signature or initials of the reviewer and the date of the review.

JESUP COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

Views of Responsible Officials and Planned Corrective Actions - We will review our procedures and implement changes to improve internal control, as we deem necessary.

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**Part III: Findings and Questioned Costs for Federal Awards**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY**

**FAL Number 10.555: National School Lunch Program**

**FAL Number 10.555: COVID-19 National School Lunch Program**

**FAL Number 10.559: COVID-19 Summer Food Service Program for Children**

**Pass-through Entity Identifying Number: N/A**

**Federal Award Year: 2021**

**Prior Year Finding Number: N/A**

**U.S. Department of Agriculture**

**Passed through the Iowa Department of Education**

**MATERIAL WEAKNESS**

2021-002 Segregation of Duties

The District did not properly segregated custody, record-keeping and reconciling functions for revenues and expenditures, including those related to federal programs. See 2021-001.

**Part IV. Other Findings Related to Required Statutory Reporting**

1. Certified Budget - Expenditures for the year ended June 30, 2021 exceeded the amounts budgeted in the support services and non-instructional programs functions.

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

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

Conclusion - Response accepted.

JESUP COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

2. Questionable Expenditures - No expenditures were noted that I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. 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.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Restricted Donor Activity - No transactions were noted between the District, District officials or District employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
6. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
7. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board. However, it was noted that the Board did not comply with Chapter 21.5 of the Code of Iowa regarding closed session procedures. It was noted that closed sessions were not always recorded, nor were minutes kept for all closed sessions. Also the minutes and recordings of the closed sessions were not sealed as required by Chapter 21.5 of the Code of Iowa.

Recommendation - The District needs to ensure that all closed sessions are recorded and have detailed minutes and that such are sealed in compliance with Chapter 21.5 of the Code of Iowa.

Response - These were inadvertent oversights this year and will be corrected in the future. We will ensure that the minutes comply with all applicable chapters of the Code of Iowa.

Conclusion - Response accepted.

8. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education was noted.
9. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

JESUP COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

10. Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
11. Certified Annual Reports - The Certified Annual Report was certified timely to the Iowa Department of Education.
12. Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
13. 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, 2021, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 2,767,756
Revenues		
Statewide sales and services tax revenue	\$ 883,461	
Interest	1,233	
Transfer from other fund	<u>9,110</u>	893,804
Expenditures/transfers out		
School infrastructure		
Equipment and vehicles	\$ 67,623	
Other improvements	243,124	
Transfers to other fund		
Debt service fund	<u>601,435</u>	<u>912,182</u>
Ending balance		<u>\$ 2,749,378</u>

For the year ended June 30, 2021, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

JESUP COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
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14. Deficit Net Position - The District had negative net positions June 30, 2021 as follows:

Unrestricted net position, governmental activities	\$2,627,344
Unrestricted net position, business type activities	\$ 12,975
Unrestricted net position, total enterprise funds	\$ 12,975
Unrestricted net position, School Nutrition Fund	\$ 13,141
Unrestricted net position, Community Rec Fund	\$ 7,084

Recommendation - The District should continue to monitor these activities and funds and investigate alternatives to eliminate these deficits in order to return the activities and funds to a sound financial condition.

Response - These deficits were a result of adopting GASB Statement No. 68 during the year ended June 30, 2016. We will review the situation and implement changes, as needed.

Conclusion - Response accepted.

JESUP COMMUNITY SCHOOL DISTRICT  
Audit Staff  
June 30, 2021

This audit was performed by

Kay Chapman, CPA  
Terri Slater, staff accountant

**APPENDIX E – SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100