



\$45,000,000*
Ames Community School District, Iowa
General Obligation School Bonds
Series 2019

(FAST Closing)
(Book Entry Only)
(PARITY© Bidding Available)

DATE: Monday, May 6, 2019
TIME: 12:00 noon
PLACE: Office of the CFO
2005 24th St.
Ames, IA 50010
Telephone: (515)268-6600

Moody's Rating: "Aa3"

* Preliminary, subject to change

PiperJaffray®

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

OFFICIAL BID FORM

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

Re: \$45,000,000* General Obligation School Bonds, Series 2019, dated the date of delivery, of the Issuer (the "Bonds")

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

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

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

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

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

_____ We will not elect to have any bonds issued as term bonds

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

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

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

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

Account Manager

Signature of Account Manager

The foregoing offer is hereby accepted by and on behalf of the Board of Directors of the Ames Community School District, in the County of Story, State of Iowa, this 6th day of May, 2019.

ATTEST: _____
District Secretary

Board President

* _____
Preliminary, subject to change

NOTICE OF BOND SALE

Time and Place of Sale: Sealed bids or electronic bids for the sale of General Obligation School Bonds, Series 2019, of the Ames Community School District, in the County of Story, State of Iowa (the "Issuer"), will be received at the office of the Chief Financial Officer until 12:00 o'clock P.M. on May 6, 2019. The bids will be publicly opened at that time and evaluated by the Superintendent, Board Secretary and Financial Advisor and referred for action at the meeting of the Board of Directors.

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

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

GENERAL OBLIGATION SCHOOL BONDS, SERIES 2019, in the principal amount of not to exceed \$45,000,000* to be dated the date of delivery (the "Bonds").

*Subject to principal adjustment per the Terms of Offering.

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

- Sealed Bidding: Sealed bids or electronic proposals may be submitted and will be received at the office of the Chief Financial Officer, Ames Community School District, Ames, Iowa.
- Electronic Bidding: Electronic bids via PARITY® will be received at the office of the Chief Financial Officer, Ames Community School District, Ames, Iowa. The bids must be submitted through PARITY®.

Official Statement: The Issuer has issued an Official Statement of information pertaining to the Bonds to be offered, including a statement of the Terms of Offering and an Official Bid Form, which is incorporated by reference as a part of this notice. The Official Statement may be obtained by request addressed to the Secretary of the Board of Directors, Ames Community School District, 2005 - 24th Street, Ames, Iowa 50010; Telephone: 515-268-6600; or Timothy J. Oswald, Piper Jaffray & Co., 3900 Ingersoll, Suite 110, Des Moines, Iowa 50312; Telephone: 515-247-2358.

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

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

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

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

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

OFFICIAL TERMS OF OFFERING

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

The Bonds to be offered are the following:

GENERAL OBLIGATION SCHOOL BONDS, SERIES 2019, in the principal amount of \$45,000,000* dated the date of delivery in the denomination of \$5,000 or multiples thereof, and maturing as shown on the front page of the official statement.

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

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

Optional Redemption: The Bonds maturing after June 1, 2029, may be called for redemption by the Issuer and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot. The terms of redemption shall be par, plus accrued interest to date of call.

Interest: Interest on said Bonds will be payable on June 1, 2020 and semiannually on the 1st day of June and December thereafter. Interest shall be payable by check or draft of the Paying Agent mailed to the persons who were registered owners thereof as of the fifteenth day of the month immediately preceding the Interest Payment Date, to the addresses appearing on the registration books maintained by the Paying Agent or to such other address as is furnished to the Paying Agent in writing by a registered owner.

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

Good Faith Deposit: A Good Faith Deposit ("Deposit") in the form of a certified or cashier's check or a wire in the amount of \$450,000* for the Bonds, payable to the order of the Issuer, is required for each bid to be considered. If a check is used, it must accompany each bid. If a wire is to be used, it must be received by the Issuer not later than two hours after the time stated for receipt of bids. The Financial Advisor or the Issuer will provide the apparent winning bidder (the "Purchaser") with wiring instructions, by facsimile and email, within 10 minutes of the stated time when bids are due. If the wire is not received at the time indicated above, the Issuer will abandon its plan to award to the Purchaser, and will contact the next highest bidder received and offer said bidder the opportunity to become the Purchaser, on the terms as outlined in said bidder's bid, so long as said bidder submits a good faith wire within two hours of the time offered. The Issuer will not award the Bonds to the Purchaser absent receipt of the Deposit prior to action awarding the Bonds. No interest on the Deposit will accrue to the Purchaser. The Deposit will be applied to the purchase price of the Bonds. In the event the Purchaser fails to honor its bid, the Deposit will be retained by the Issuer.

* Preliminary, subject to change

Form of Bids: All bids shall be unconditional for the entire issue of Bonds for a price of not less than 100% of par, plus accrued interest, and shall specify the rate or rates of interest in conformity to the limitations set forth herein. Bids must be submitted on or in substantial compliance with the Official Bid Form provided by the Issuer or through the Internet Bid System. The Issuer shall not be responsible for any malfunction or mistake made by any person, or as a result of the use of the electronic bid, facsimile facilities or the means used to deliver or complete a bid. The use of such facilities or means is at the sole risk of the prospective bidder who shall be bound by the terms of the bid as received.

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

Sealed Bidding: Sealed bids may be submitted and will be received at the office of the CFO, Ames Community School District.

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

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

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

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

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

Rates for maturities 2030-2039 must be in level or ascending order.

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

Establishment of Price Issue:

(a) In order to provide the Issuer with information necessary for compliance with Section 148 of the Internal Revenue Code of 1986 (the "Code"), as amended, and the Treasury Regulations promulgated thereunder, the Purchaser will be required to assist the Issuer in establishing the issue price of the Bonds and shall complete, execute, and deliver to the Issuer prior to the closing date, a written certification acceptable to the Issuer, and Bond Counsel (the "Issue Price Certificate") in substantially the form attached hereto in Appendix E containing the following for each maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity): (i) the interest rate; (ii) the reasonably expected initial offering price to the "public" (as said term is defined in Treasury Regulation Section 1.148-1(f) (the "Regulation")) or the sale price; and (iii) pricing wires or equivalent communications supporting such offering or sale price. Any documentation to be received by the Issuer pursuant hereto may be received on behalf of the Issuer by the Financial Advisor.

(b) The Issuer intends that the sale of the Bonds pursuant to this Official Terms of Offering shall constitute a "competitive sale" as defined in the Regulations based on the following:

- (i) the Financial Advisor shall cause this Official Terms of Offering to be disseminated to potential bidders in a manner that is reasonably designed to reach potential bidders;
 - (ii) all bidders shall have an equal opportunity to submit a bid;
 - (iii) the Issuer reasonably expects that it will receive bids from at least three bidders that have established industry reputations for underwriting municipal bonds such as the Bonds; and
 - (iv) the Issuer anticipates awarding the sale of the Bonds to the bidder who provides a bid with the lowest true interest cost (TIC), as set forth in this Official Terms of Offering.
- (c) Any bid submitted pursuant to this Official Terms of Offering shall be considered a firm offer for the purchase of the Bonds,

as specified in the bid. The bidder shall constitute an “underwriter” as said term is defined in the Regulation. By submitting its bid, the bidder confirms that it shall require any agreement among underwriters, a selling group agreement, or other agreement to which it is a party relating to the initial sale of the Bonds, to include provisions requiring compliance with the provisions of the Code and the Regulation regarding the initial sale of the Bonds.

(d) If all of the requirements of a “competitive sale” are not satisfied, the Issuer shall advise the Purchaser of such fact prior to the time of award of the sale of the Bonds to the Purchaser. In such event, any bid submitted will not be subject to cancellation or withdrawal. Within twenty-four (24) hours of the notice of award of the sale of the Bonds, the Purchaser shall advise the Issuer and its Financial Advisor if a “substantial amount” (as defined in the Regulation) of any maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) has been sold to the public and the price at which such substantial amount was sold. The Issuer will treat such sale price as the “issue price” for such maturity, applied on a maturity-by-maturity basis. The Issuer will not require the Purchaser to comply with that portion of the Regulation commonly described as the “hold-the-offering-price” requirement for the remaining maturities, but the Purchaser may elect such option. If the Purchaser exercises such option, the Purchaser shall notify the Financial Advisor, and the Issuer will apply the initial offering price to the public provided in the Purchaser’s bid as the issue price for such maturities and shall agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

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

(e) The winning bidder shall promptly advise the Issuer when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(f) If the Purchaser does not exercise the “hold-the-offering-price” option, it shall thereafter promptly provide the Issuer and the Financial Advisor the prices at which a substantial amount of such maturities are sold to the public; provided such determination shall be made and the Issuer and Financial Advisor notified of such prices whether or not the closing date has occurred, until the 10% test has been satisfied as to each maturity of the Bonds or until all of the Bonds of a maturity have been sold.

(g) The Issuer acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Securities to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Securities to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The Issuer further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Securities.

(h) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Securities to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Securities of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Securities of that maturity or all Securities of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Securities to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Securities to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Securities of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Securities of that maturity or all Securities of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(i) Sales of any Securities to any person that is a related party to an underwriter shall not constitute sales to the public for

purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) “public” means any person other than an underwriter or a related party,
- (ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Securities to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Securities to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Securities to the public),
- (iii) a purchaser of any of the Securities is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) “sale date” means the date that the Securities are awarded by the Issuer to the winning bidder.

Official Statement: This preliminary Official Statement is deemed final for purposes of Rule 15c2-12 of the Securities and Exchange Commission (“the Rule”), and following the sale will be supplemented with information as permitted by the Rule. By awarding the Bonds to any underwriter or underwriting syndicate submitting an Official Bid Form therefore, the Issuer agrees that, no more than seven (7) business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded one “.pdf” copy of the Official Statement and the addendum described in the preceding sentence to permit each “Participating Underwriter” (as that term is defined in the Rule) to comply with the provisions of such Rule. The Issuer shall treat the senior managing underwriter of the syndicate to which the Bonds are awarded as its designated agent for purposes of distributing copies of the Final Official Statement to each participating Underwriter. Any underwriter executing and delivering an Official Bid Form with respect to the Bonds agrees thereby that if its bid is accepted by the Issuer, (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

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

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

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

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

For more information see the Continuing Disclosure section herein.

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

Requested modifications to the Bond Resolution or other issuance documents shall be accommodated by the Issuer at its sole discretion. In no event will modifications be made regarding the investment of funds created under the Bond Resolution or other

issuance documents without prior Issuer consent, in its sole discretion. Either the Purchaser or the insurer must agree, in the insurance commitment letter or separate agreement acceptable to the Issuer in its sole discretion, to pay any future continuing disclosure costs of the Issuer associated with any rating changes assigned to the municipal bond insurer after closing (for example, if there is a rating change on the municipal bond insurer that require a material event notice filing by the Issuer, the Purchaser or the municipal bond insurer must agree to pay the reasonable costs associated with such filing). Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the Purchaser shall not constitute cause for failure or refusal by the Purchaser to accept delivery of the Bonds.

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 16, 2019

NEW ISSUE - DTC BOOK ENTRY ONLY

Moody's Rating: "Aa3"

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.



\$45,000,000*

**Ames Community School District, Iowa
General Obligation School Bonds
Series 2019**

Dated: Date of Delivery

The General Obligation School Bonds, Series 2019 described above (the "Bonds") are issuable as fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee of the Depository Trust Company, New York, NY ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form. Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased. So long as DTC or its nominee, Cede & Co., is the Bondholder, the principal of, premium, if any, and interest on the Bonds will be paid by 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 June 1, 2020 to the registered owners thereof. Interest shall be payable by check or draft of the Paying Agent mailed to the persons who were registered owners thereof as of the fifteenth day of the month immediately preceding the Interest Payment Date, to the addresses appearing on the registration books maintained by the Paying Agent or to such other address as is furnished to the Paying Agent in writing by a registered owner.

The Bonds maturing after June 1, 2029 may be called for redemption by the Issuer and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot. The terms of redemption shall be par, plus accrued interest to date of call.

MATURITY SCHEDULE

<u>Bonds Due</u>	<u>Amount*</u>	<u>Rate *</u>	<u>Yield *</u>	<u>Cusip #'s **</u>	<u>Bonds Due</u>	<u>Amount*</u>	<u>Rate *</u>	<u>Yield *</u>	<u>Cusip #'s **</u>
June 1, 2020	\$1,510,000			030825 QH9	June 1, 2030	\$2,235,000			030825 QT3
June 1, 2021	1,570,000			030825 QJ5	June 1, 2031	2,325,000			030825 QU0
June 1, 2022	1,635,000			030825 QK2	June 1, 2032	2,420,000			030825 QV8
June 1, 2023	1,700,000			030825 QL0	June 1, 2033	2,515,000			030825 QW6
June 1, 2024	1,770,000			030825 QM8	June 1, 2034	2,615,000			030825 QX4
June 1, 2025	1,840,000			030825 QN6	June 1, 2035	2,720,000			030825 QY2
June 1, 2026	1,915,000			030825 QP1	June 1, 2036	2,830,000			030825 QZ9
June 1, 2027	1,990,000			030825 QQ9	June 1, 2037	2,945,000			030825 RA3
June 1, 2028	2,070,000			030825 QR7	June 1, 2038	3,060,000			030825 RB1
June 1, 2029	2,150,000			030825 QS5	June 1, 2039	3,185,000			030825 RC9

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

The Bonds are being offered when, as and if issued by the Issuer and accepted by the Underwriter, subject to receipt of an opinion as to legality, validity and tax exemption by Ahlers & Cooney, P.C., Des Moines, Iowa, Bond Counsel. It is expected that the Bonds in the definitive form will be available for delivery through the facilities of DTC on or about June 5, 2019. The Underwriter intends to engage in secondary market trading of the Bonds subject to applicable securities laws. The Underwriter is not obligated, however, to repurchase any of the Bonds at the request of the holder thereof.

The Date of this Official Statement is _____, 2019

* Preliminary, subject to change

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

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

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

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

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

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

FORWARD-LOOKING STATEMENTS

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

OFFICIAL STATEMENT
AMES COMMUNITY SCHOOL DISTRICT, IOWA
\$45,000,000* GENERAL OBLIGATION SCHOOL BONDS, SERIES 2019

INTRODUCTORY STATEMENT

This Official Statement presents certain information relating to the Ames Community School District, Iowa (the “Issuer”), in connection with the sale of the Issuer’s General Obligation School Bonds, Series 2019 (the “Bonds”). The Bonds are being issued to provide funds i) to build, furnish and equip a new high school building to replace the current high school and improve the site, including demolition, grading, and site improvements; and to build, furnish and equip an addition to the Meeker, Mitchell and Edwards elementary buildings, including related remodeling and 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 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 June 1, 2020, calculated on the basis of a year of 360 days and twelve 30-day months. Interest shall be payable by check or draft of the Paying Agent mailed to the persons who were registered owners thereof as of the fifteenth day of the month immediately preceding the Interest Payment Date, to the addresses appearing on the registration books maintained by the Paying Agent or to such other address as is furnished to the Paying Agent in writing by a registered owner.

Authorization for the Issuance

The Bonds are being issued pursuant to the Code of Iowa, 2019, as amended, Chapter 296.

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

* Preliminary, subject to change

100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

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

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

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

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

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

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

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

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

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

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

BONDHOLDERS' RISKS

Tax Levy Procedures

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

2013 Property Tax Legislation

During its 2013 session the Iowa Legislature enacted, and the Governor signed, Senate File 295 ("SF295"). Among other things, SF295 reduces the limit on the annual assessed value growth with respect to residential and agricultural property from 4% to 3%, reduces as a rollback the taxable value applicable to commercial, industrial and railroad property to 95% for the 2013 assessment year and 90% for the 2014 assessment year and all years thereafter, and provides a partial exemption on telecommunications property. SF295 also creates a new separate classification for multiresidential properties which were previously taxed as commercial properties, and assigns an incremental rollback percentage over several years for multiresidential properties such that the multiresidential rollback determination will match that for residential properties in the 2022 assessment year. As a result of SF295, local governments expect to experience reductions in property tax revenues over the next several fiscal years. SF295 includes state-funded replacement moneys for a portion of the expected reduction in property tax revenues to the local governments, but such replacement funding is limited in both amount and duration of availability. There can be no assurance the state-funded replacement moneys will be provided by the state, if at all, during the term the Bonds remain outstanding. The Issuer does not expect the state replacement funding to fully address the property tax reductions resulting from SF295 during the term the Bonds remain outstanding. While SF295 does not limit the legal obligation or the amount the Issuer may be required to levy for payments of debt service on the Bonds there can be no assurances that SF295 will not have a material adverse impact with respect to the Issuer's financial position.

Changes in Property Taxation

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

Matters Relating to Enforceability of Agreements

Holders of the Bonds shall have and possess all the rights of action and remedies afforded by the common law, the Constitution and statutes of the State of Iowa and of the United States of America for the enforcement of payment of the Bonds, including, but not limited to, the right to a proceeding in law or in equity by suit, action or mandamus to enforce and compel performance of the duties required by Iowa law and the Bond Resolution.

The practical realization of any rights upon any default will depend upon the exercise of various remedies specified in the Bond Resolution. The remedies available to the owners of the Bonds upon an event of default under the Bond Resolution, in certain respects, may require judicial action, which is often subject to discretion and delay. Under existing law, including specifically

the federal bankruptcy code, certain of the remedies specified in the Bond Resolution may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in these documents. The legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principles of equity and public policy and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

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

Secondary Market

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

Pension

Pursuant to GASB Statement No. 68, the School reported a liability of \$29,338,491 as of June 30, 2018 for its proportionate share of the net pension liability for Iowa Public Employee Retirement System ("IPERS"). The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. As of June 30, 2017, the School's collective proportion was .440434%, which was an increase of .005481% from its proportion measured June 30, 2016. See School's Audited Financial Statements for Fiscal Year Ending June 30, 2018, Appendix D, for additional information.

Project Completion; Risks of Construction

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

Damage or Destruction to District's Facilities

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

Redemption Prior to Maturity

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

General Liability Claims

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

Risks as Employer

The District is a major employer, combining a mix of full-time and part-time faculty, staff, technical and clerical support staff and other types of workers in a single operation. As with all employers, the District 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 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 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 District and certain other public officials to perform the terms of the resolutions for the Bonds) may have to be enforced from year to year.

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

Debt Payment History

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

Cleanup Costs and Liens Under Environmental Statutes

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

Cybersecurity

The Issuer relies on its information systems to provide security for processing, transmission and storage of confidential and other sensitive information. Security breaches, including electronic break-ins, computer viruses, attacks by hackers and similar breaches could create disruptions or shutdowns of the Issuer and the services it provides, or the unauthorized access to or disclosure of personally identifiable information and other confidential or sensitive information. Despite security measures, the Issuer may remain vulnerable to attacks by outside or internal hackers, or breaches caused by employee error, negligence or malfeasance. Any failure to maintain proper functionality and security of the Issuer's information systems could interrupt the Issuer's operations, damage its reputation, subject it to significant costs, liability claims or regulatory penalties, and could have a material adverse effect on the operations and financial condition of the Issuer.

Rating

Moody's Investor Service (the "Rating Agency") has assigned a rating of "Aa3" to the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of the Rating Agency, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

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

Forward-Looking Statements

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

Pending Federal Tax Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals are pending in Congress that could, if enacted, alter or amend one or more of the federal tax matters described herein in certain

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

DTC-Beneficial Owners

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

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

General Fund Balance

School districts in Iowa can only levy for cash reserves if a school district’s most recently audited total (committed plus uncommitted) General Fund balance falls below 20% of expenditures. The District’s balance was above this level at the end of fiscal years 2012 through 2014, so it could not levy for cash reserves in fiscal years 2014 through 2016. The District’s General Fund balance on June 30, 2015 was \$8.192M, which was 16.87% of expenditures. As of June 30, 2017 the District’s General Fund balance decreased to \$3.563M, or 6.79% of expenditures. As of June 30, 2018, the General Fund balance decreased further to \$1,913,526, or 3.58% of expenditures. This decrease in the General Fund balance resulted from the inability to levy for additional cash to cover costs related to mandated special education and English language learner programs during the fiscal years prior to 2017.

For fiscal year 2017, the Issuer was eligible to access the levy for cash reserves again, and levied \$1.125M. For fiscal year 2018, the Issuer levied a cash reserve of \$1.665M. For FY19, the District has levied \$6.937M, which is the maximum allowed under Iowa law. For fiscal year 2020, the District has levied \$4,726,000.

The District’s 5-year operating budget calls for the ending balance in the general fund for FY19 to increase to about 9% of expenditures, then grow to around 13% in FY20, and stabilize in the 12%-17% range thereafter. Significant assumptions are made in the 5-year budget plan that may not turn out to be accurate, and the impact on solvency could be material, whether positive or negative.

Other Factors

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

Summary

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

LITIGATION

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

ACCOUNTANT

The accrual-basis financial statements of the Issuer included as APPENDIX D to this Official Statement have been examined by Nolte, Cornman, Johnson, 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 "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase all, but not less than all, of the Bonds at an aggregate purchase price of \$_____ plus accrued interest to the Closing Date.

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

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

THE PROJECT

The Bonds are being issued to provide funds i) to build, furnish and equip a new high school building to replace the current high school and improve the site, including demolition, grading, and site improvements; and to build, furnish and equip an addition to the Meeker, Mitchell and Edwards elementary buildings, including related remodeling and site improvements, and ii) to pay costs of issuance for the Bonds.

SOURCES AND USES OF FUNDS *

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

* Preliminary, subject to change

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

CONTINUING DISCLOSURE

For the purpose of complying with Rule 15c2-12 of the Securities Exchange Commission, as amended and interpreted from time to time (the "Rule"), the Issuer will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds to provide reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the "Disclosure Covenants"). The information to be provided on an annual basis, and the events as to which notice is to be given, if material, is summarized below under the caption "APPENDIX C - Form of Continuing Disclosure Certificate" herein for more information. This covenant is being made by the Issuer to assist the Underwriter(s) in complying with the Rule.

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

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

For fiscal years 2014, 2015, 2016, 2017 and 2018 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. For its Series 2012 General Obligation School Bonds, the Issuer timely filed its annual operating table information for fiscal year 2017, but failed to link that filing to one CUSIP of that issue. On May 9, 2018 the Issuer linked the CUSIP to the fiscal year 2017 operating table data, and on May 10, 2018 the Issuer filed notice of the failure to link the CUSIP to the operating data by the filing deadline, and the failure to file timely notice of this failure to link.

I have reviewed the information contained within the Official Statement of the Ames Community School District, State of Iowa, and to the best of our knowledge, information and belief said Official Statement does not contain any material misstatements of fact nor omissions of any material fact which is necessary to make the statements and information herein, in light of the circumstances under which they were made, not misleading regarding the issuance of \$45,000,000* General Obligation School Bonds, Series 2019.

AMES COMMUNITY SCHOOL DISTRICT, STATE OF IOWA

/s/ Christine Stensland
Board Secretary

* Preliminary, subject to change

APPENDIX A - INFORMATION ABOUT THE ISSUER

**AMES COMMUNITY SCHOOL DISTRICT, IOWA
DISTRICT OFFICIALS**

PRESIDENT	Alisa Frandsen
BOARD MEMBERS	Luke Deardorff Dr. Monic Behnken Dr. Allen Bierbaum Jamet Colton Gina Perez Lewis Rosser
SUPERINTENDENT	Dr. Timothy Taylor
DISTRICT SECRETARY	Chris Stensland
DISTRICT TREASURER	Chris Stensland
DISTRICT ATTORNEY	Ahlers & Cooney P.C. Des Moines, Iowa

CONSULTANTS

BOND COUNSEL	Ahlers & Cooney P.C. Des Moines, Iowa
FINANCIAL ADVISOR	Piper Jaffray & Co. Des Moines, Iowa
PAYING AGENT	Bankers Trust Co. Des Moines, Iowa

General Information

The Ames Community School District (36.5 square miles) is located in central Iowa in Story County. The District encompasses substantially all of the City of Ames (current population: 58,965), as well as a small portion of land immediately adjacent to the City of Ames. Ames currently is the ninth largest city in the State of Iowa. The City of Ames is home to Iowa State University of Science and Technology, a land-grant college founded in 1864, which currently employs over 12,500 people. In addition, the city has major private employers including Sauer-Danfoss, 3M, Mary Greeley Medical Center, Iowa Department of Transportation and McFarland Clinic. The City of Ames operates a local airport with commercial and private capabilities. Rail services are provided by the Chicago & Northwestern Railroads. Ames is located at the junction of Interstate 35 and U.S. Highway 30 (both 4-lane, interstate highways) approximately 20 minutes north of the I-80, I-35 junction in Altoona, IA.

District Facilities

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

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

<u>Building (1)</u>	<u>Construction Date</u>	<u>Grades Served</u>
High School	1959, 60, 62, 64, 65, 70, 77, 84, 86, 89, 96, 2006	9-12
Edwards Elementary	2015	K-6
Fellows Elementary	2016	K-6
Meeker Elementary	1951, 55, 57, 73, 75, 2015	K-6
Mitchell Elementary	1970, 2015	K-6
Northwood Elementary	1970, 2009	PK
Sawyer Elementary	1962, 68, 2016	K-6
Ames Middle School	2005	6-8
District Offices	2016	Admin
Facilities Building	2017	Maintenance & Transportation

Source: Ames CSD

Enrollment

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

	<u>Certified (Resident) (1)</u>	<u>Open Enroll In</u>	<u>Open Enroll Out</u>	<u>Total Served (2)</u>
October-18	4,387.4	432.3	175.3	4,644.4
October-17	4,299.8	485.5	197.5	4,587.8
October-16	4,188.0	406.2	184.5	4,409.7
October-15	4,181.2	375.7	211.5	4,345.4
October-14	4,171.4	358.2	217.3	4,312.3

Source: Department of Education

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

Staff

Presented below is a list of the District's 621.21 employees.

Administrators:	24.0	Media Specialists:	5.0
Teachers:	342.21	Nurses:	6.0
Teacher Aids:	151.0	Guidance:	14.0
Custodians:	25.0	Secretaries:	32.0
Food Service:	0.0	Transportation:	0.0
Other:	7.0	Maintenance:	9.0
Technology	6.0		

Source: Ames CSD

Other Postemployment Benefits (OPEB)

The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Individuals who are employed by Ames Community School District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability. The District’s total OPEB liability of \$6,597,416 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Further information, including information concerning actuarial assumptions, discount rates, and deferred inflows and outflows is available in the District’s 2018 Independent Audited Financial Statements, Note 9.

Source: District’s 2018 Independent Audited Financial Statement

Employee Pension Plan

Plan Description. The Issuer participates in the Iowa Public Employees’ Retirement System (“IPERS”). A summary description of the iPERS plan follows. For more detail, see “APPENDIX D – AUDITED FINANCIAL STATEMENTS OF THE ISSUER”

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. Moreover, IPERS maintains a website at www.ipers.com. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

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

In fiscal year 2018, pursuant to the IPERS’ required rate, the Issuer’s employees contributed 5.95% of pay and the Issuer contributed 8.93% for a total rate of 14.88 percent. The Issuer’s contributions to IPERS for the year ended June 30, 2018 were \$2,967,290. The Issuer’s share of the contribution, payable from the applicable funds of the Issuer, is provided by a statutorily authorized annual levy of taxes without limit or restriction as to rate or amount. The Issuer has always made its full required contributions to IPERS.

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

Table 1 – Issuer and Employees Contribution to IPERS.

Fiscal Year	Issuer Contribution		Issuer Employees’ Contribution	
	Amount Contributed	% of Covered Payroll	Amount Contributed	% of Covered Payroll
2014	2,586,255	8.93	1,723,206	5.95
2015	2,680,976	8.93	1,786,317	5.95
2016	2,787,394	8.93	1,856,972	5.95
2017	2,943,598	8.93	1,956,139	5.95
2018	2,967,290	8.93		5.95

SOURCE: The Issuer

The Issuer cannot predict the levels of funding that will be required in the future as any IPERS unfunded pension benefit obligation could be reflected in future years in higher contribution rates. The investment of moneys, assumptions underlying the same and the administration of IPERS is not subject to the direction of the Issuer. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial

liabilities of IPERS (“UAALs”). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, adjustments, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAAL could be substantial in the future, requiring significantly increased contributions from the Issuer which could affect other budgetary matters.

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

Table 2 – Funding Status of IPERS

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

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

For a description of the assumptions used when calculating the funding status of IPERS for the fiscal year ended June 30, 2017, see IPERS CAFRs (2013-2017)

Table 3 – Recent returns of IPERS

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

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

Net Pension Liabilities.

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

At June 30, 2018, the Issuer reported a liability of \$29,338,491 for its proportional share of the IPERS net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The discount rate used to measure the total pension liability was 7.5%. The Issuer’s proportion of the net pension liability was based on the Issuer’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. See “**APPENDIX D–AUDITED FINANCIAL STATEMENTS OF THE ISSUER–NOTES TO THE FINANCIAL STATEMENTS**” for additional information related to the Issuer’s deferred outflows and inflows of resources related to pensions, actuarial assumptions, discount rate and discount rate sensitivity.

Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

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

Investment of Public Funds

The District invests its funds pursuant to Chapter 12B of the Code. Presented below is the District's investing activities as of February 28, 2019.

<u>Type of Investment</u>	<u>Amount Invested</u>
Local Bank Money Market	\$0
Local Bank Deposit Accounts	6,720,322.99
Local Bank Time CD's	0
ISJIT Diversified Fund	13,672,429.68
ISJIT Fixed Income Investments	61,279.73
TELF – Money Market	1,668,759.87
TELF – Plus	16,579,461.40

Source: Ames CSD

Population

Presented below are population figures as officially reported by the U.S. Census for the periods indicated for the city of Ames:

<u>Year</u>	<u>The Issuer</u>	<u>Ames</u>
2010	56,434	58,965
2000	50,300	50,731
1990	44,008	47,198
1980	46,183	45,775
1970		39,505

Source: U.S. Census Bureau

Major Employers

The City of Ames has a diverse industrial base. Among the products manufactured by companies located in Ames are precision electronic instruments, hydrotransmission equipment, water treatment and analysis equipment, farm implements, abrasives and feed and grain products. A number of governmental units and other public institutions also contribute significantly to the Ames economy. The major employers in Ames are listed below:

<u>Employer</u>	<u>Business</u>	<u>Approximate Employees</u>
Iowa State University	Education	13,875
Mary Greeley Medical Center	Health care	1400
Iowa Department of Transportation	Headquarters of Transportation	1200
Donnelly Market	Direct mail advertising	750
Ames Community School District	Education	680
City of Ames	Government	500
McFarland Clinic	Medical clinic	520
Sauer-Danfoss Corporation	Hydro-transmission research and assembly	625
Ames Laboratory	Research	443
3M Company	Abrasives Manufacturing and general distribution	430
Hy-Vee Food Stores	Grocery store	300
Hach Corporation	Water analysis equipment	250
National Animal Disease Center	Animal Disease Center	250
National Veterinary Services Lab	Veterinary laboratory	230
Todd & Sargent	Grain Elevator Building	250
Story County	County government	242
Wal-Mart	Discount retail	230
Ball Corporation	PET bottles	180
Barilla	Pasta, noodles	150

SOURCE: Ames Chamber of Commerce

Property Tax Assessment

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

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

<u>Fiscal Year</u>	<u>Residential Rollback</u>	<u>Ag. Land & Buildings</u>	<u>Commercial</u>	<u>Multi-residential</u>
2019-20	56.9180	56.1324	90.000	75.0000
2018-19	55.6209	54.4480	90.0000	78.7500
2017-18	56.9391	47.4996	90.0000	82.5000
2016-17	55.6259	46.1068	90.0000	86.2500
2015-16	55.7335	44.7021	90.0000	

Source: Iowa Department of Revenue

Property is assessed on a calendar year basis. The assessments finalized as of January 1 of each year are applied to the following fiscal year. For example, the assessments finalized on January 1, 2017 are used to calculate tax liability for the tax year starting July 1, 2018 through June 30, 2019. Presented below is the actual and taxable valuation of the District for the period indicated:

<u>Valuation Year</u>	<u>Actual Valuation w/Utilities</u>	<u>% Change in Actual Valuation</u>	<u>Taxable Valuation w/Utilities</u>
2018	4,406,362,260	4.23%	2,869,347,574
2017	4,227,560,965	10.25%	2,714,303,465
2016	3,834,354,819	3.10%	2,525,796,825
2015	3,719,041,311	6.66%	2,419,695,210
2014	3,486,851,187	4.31%	2,268,984,601
2013	3,342,894,475	1.83%	2,203,855,718
2012	3,282,928,855	1.31%	2,182,138,227
2011	3,240,495,251	0.68%	2,106,559,692
2010	3,218,681,831	0.20%	2,049,144,652
2009	3,212,243,348	2.69%	2,018,966,170

Presented below are the historic property valuations of the Issuer by class of property.

Property Valuations

Actual Valuation					
Valuation as of January	2018	2017	2016	2015	2014
Fiscal Year	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>
Residential:	3,120,856,974	3,029,575,596	2,687,815,590	2,623,625,600	2,480,600,100
Agricultural Land:	13,892,800	13,932,200	16,049,900	16,102,000	17,397,900
Ag Buildings:	107,200	107,200	158,200	158,200	210,100
Commercial:	803,082,100	775,584,267	773,485,934	761,239,015	825,214,200
Industrial:	150,980,648	147,041,700	146,508,400	145,797,800	129,508,600
Multi-Residential:	215,562,100	175,630,700	134,054,000	124,764,500	0
Personal RE:	0	0	0	0	0
Railroads:	9,865,250	9,196,700	9,244,100	7,621,200	6,627,300
Utilities:	6,815,734	6,443,520	6,237,892	6,465,395	6,977,976
Other:	0	0	609,200	441,500	0
Total Valuation:	4,321,162,806	4,157,511,883	3,774,163,216	3,686,215,210	3,466,536,176
Less Military:	1,914,968	2,007,568	2,045,534	2,077,944	2,228,882
Net Valuation:	4,319,247,838	4,155,504,315	3,772,117,682	3,684,137,266	3,464,307,294
TIF Valuation:	45,584,078	34,554,637	30,501,176	10,883,485	2,030,500
Utility Replacement:	41,530,344	37,502,013	31,735,961	24,020,560	20,513,393
Taxable Valuation					
Valuation as of January	2018	2017	2016	2015	2014
Fiscal Year	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>
Residential:	1,776,273,052	1,684,954,145	1,530,293,871	1,459,415,270	1,382,525,219
Agricultural Land:	7,798,360	7,585,809	7,623,624	7,424,116	7,777,226
Ag Buildings:	60,173	58,369	75,138	72,942	93,919
Commercial:	718,270,400	694,598,087	693,116,054	684,026,765	742,692,780
Industrial:	135,840,768	132,337,530	131,857,560	131,218,020	116,557,740
Multi-Residential:	161,671,575	138,309,242	110,594,668	107,609,444	0
Personal RE:	0	0	0	0	0
Railroads:	8,878,725	8,277,030	8,319,690	6,859,080	5,964,570
Utilities:	6,815,734	6,443,520	6,237,892	6,465,395	6,977,976
Other:	0	0	609,200	441,500	0
Total Valuation:	2,815,608,787	2,672,563,732	2,488,727,697	2,403,532,532	2,262,589,430
Less Military:	1,914,968	2,007,568	2,045,534	2,077,944	2,228,882
Net Valuation:	2,813,693,819	2,670,556,164	2,486,682,163	2,401,454,588	2,260,360,548
TIF Valuation:	45,584,078	34,554,637	30,501,176	10,883,485	1,827,450
Utility Replacement:	10,069,677	9,192,664	8,613,486	7,357,137	6,796,603

Source: Iowa Department of Management

Tax Rates

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

Fiscal Year	Operating	Management	BPPEL	VPPEL	Play Ground	Debt Service	Total Levy
2019	10.40713	0.02239	0.33000	1.34000	0.00000	2.24227	14.34179
2018	8.55980	0.24045	0.33000	1.34000	0.00000	3.87104	14.34129
2017	8.42063	0.20757	0.33000	1.34000	0.00000	4.04281	14.34101
2016	8.29793	0.18525	0.33000	1.34000	0.00000	4.04958	14.20276
2015	8.16599	0.46160	0.33000	1.34000	0.00000	4.05000	14.34759

Source: Iowa Department of Management

Historic Tax Rates

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

Fiscal Year	City	School	College	State	Assessor	Ag Extension	Hospital	County	Total Levy Rate
2019	10.06857	14.34179	0.69468	0.00290	0.29989	0.08154	0.85000	5.06487	31.40424
2018	10.37589	14.34129	0.67458	0.00310	0.31814	0.08331	0.75000	5.08816	31.63447
2017	10.37327	14.34101	0.72334	0.00330	0.39544	0.08268	0.63884	5.09972	31.65760
2016	10.62937	14.20276	0.67574	0.00330	0.52709	0.08447	0.58000	5.68249	32.38522
2015	10.85538	14.34759	0.65724	0.00330	0.52402	0.08157	0.58000	5.38990	32.43900

Source: Iowa Department of Management

Tax Collection History

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

<u>Fiscal Year</u>	<u>Amount Levied</u>	<u>Amount Collected</u>	<u>Percentage Collected</u>
2019	38,574,375	In collection	NA
2018	35,960,509	35,849,515	99.69%
2017	34,609,064	34,400,337	99.40%
2016	32,210,777	32,226,633	100.05%
2015	31,606,036	31,499,857	99.66%
2014	31,307,384	31,173,480	99.57%

Source: Ames CSD

Largest Taxpayers

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

<u>Taxpayer</u>	<u>2018 Taxable Valuation</u>	<u>Percent of Total</u>
Iowa State University Research Park	\$56,009,077	2.06%
Barilla America Inc	37,649,430	1.39%
Campus Investors IS LLC	36,949,414	1.36%
Clinic Building Company Inc	26,618,130	0.98%
FPA6 University West LLC	22,357,004	0.82%
GPT Ames Owner LLC	21,346,650	0.79%
ACA Stadium View Student Housing DST	20,490,477	0.75%
Dayton Park LLC	19,791,340	0.73%
Wal-Mart Stores, Inc Store 4256-00	18,810,000	0.69%
CB at Ames LLC	18,148,502	0.67%
Total:		10.25%

Source: Story County Auditor Office

Direct Debt

On April 3, 2012, voters in the District authorized \$55,000,000 of School Bonds to be used to fund elementary building repairs. Bonds were issued on 7/2/12, 6/4/13, 11/19/13 and 1/2/14 pursuant to this authorization.

The District levied additional taxes to retire bonds early as shown below:

- For fiscal year 2015, \$1,100,000 was levied to retire the all or portions of the 2031-2033 maturities on the bond dated 11/19/13 (to the 6/1/19 call date)
- For fiscal year 2016, \$1,470,000 was levied to retire the all or portions of the 2031-2026 maturities on the bond dated 11/19/13 (to the 6/1/19 call date)
- For fiscal year 2017, \$1,750,000 was levied to retire the all or portions of the 2026-2020 maturities on the bond dated 11/19/13 (to the 6/1/19 call date)
- For fiscal year 2017, \$5,580,000 was levied to retire the all or portions of the 2033-2025 maturities on the bond dated 1/2/14 (to the 6/1/19 call date)
- For fiscal year 2018, \$2,570,000 was levied to retire the all or portions of the 2025-2020 maturities on the bond dated 1/2/14 (to the 6/1/19 call date)
- For fiscal year 2018, \$4,765,000 was levied to retire the all or portions of the 2033-2029 maturities on the bond dated 6/4/13 (to the 6/1/21 call date)
- For fiscal year 2019, \$3,195,000 was levied to retire the all or portions of the 2029-2026 maturities on the bond dated 6/4/13 (to the 6/1/21 call date)
- For fiscal year 2020, \$2,265,000 was levied to retire the all or portions of the 2026-2023 maturities on the bond dated 6/4/13 (to the 6/1/21 call date)
- For fiscal year 2020, \$1,530,000 was levied to retire the all or portions of the 2032-2021 maturities on the bond dated 7/2/12 (to a 6/1/20 call date)

As of year-end 2019, the bonds dated 11/19/2013 and 1/2/2014 have been called.

As of year-end 2020, the bonds dated 7/2/2012 are scheduled to be called.

As of year-end 2020, with respect to the bond dated 6/4/13, the only remaining payment outstanding on this bond is the payment due during Fiscal Year 2021, principal and interest, and since this bond is callable on 6/1/2021, the District does not currently intend to escrow or retire the payment prior to its stated maturity (principal or interest).

On April 3, 2018, voters in the District authorized \$110,000,000 of School Bonds to be used to fund construction of a new high school and elementary additions at three elementary buildings. Bonds have been issued pursuant to this authority on 6/28/18 and this issue.

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

Fiscal Year	Series A		Pre-levy called	Pre-levy called	6/28/18	6/5/19	Surplus Levy	Total Principal	Total Interest	Total P&I
	7/2/12	6/4/13	6/1/21	6/1/20						
2020	110,000	755,000			195,000	1,510,000	3,795,000	6,365,000	2,386,113	8,751,113
2021	115,000	785,000		-115,000	250,000	1,570,000		2,605,000	2,271,863	4,876,863
2022	120,000	815,000		-120,000	250,000	1,635,000		2,700,000	1,855,200	4,555,200
2023	120,000	840,000	-325,000	-120,000	250,000	1,700,000		2,465,000	1,757,850	4,222,850
2024	120,000	865,000	-865,000	-120,000	250,000	1,770,000		2,020,000	1,666,900	3,686,900
2025	120,000	890,000	-890,000	-120,000	250,000	1,840,000		2,090,000	1,588,600	3,678,600
2026	125,000	185,000	-185,000	-125,000	250,000	1,915,000		2,165,000	1,507,500	3,672,500
2027	125,000			-125,000	250,000	1,990,000		2,240,000	1,422,775	3,662,775
2028	125,000			-125,000	250,000	2,070,000		2,320,000	1,335,050	3,655,050
2029	140,000			-140,000	250,000	2,150,000		2,400,000	1,244,125	3,644,125
2030	140,000			-140,000	250,000	2,235,000		2,485,000	1,150,000	3,635,000
2031	140,000			-140,000	250,000	2,325,000		2,575,000	1,052,475	3,627,475
2032	140,000			-140,000	250,000	2,420,000		2,670,000	951,350	3,621,350
2033					250,000	2,515,000		2,765,000	846,425	3,611,425
2034					250,000	2,615,000		2,865,000	737,388	3,602,388
2035					250,000	2,720,000		2,970,000	624,350	3,594,350
2036					250,000	2,830,000		3,080,000	507,050	3,587,050
2037					250,000	2,945,000		3,195,000	385,100	3,580,100
2038					250,000	3,060,000		3,310,000	258,550	3,568,550
2039						3,185,000		3,185,000	127,400	3,312,400
Totals:	1,640,000	13,095,000	2,265,000	1,530,000	4,695,000	45,000,000	3,795,000	56,470,000	23,676,063	80,146,063

Source: Ames CSD

School Infrastructure Sales, Services & Use Tax Revenue Bonds

Presented below is the principal and interest on the outstanding School Infrastructure Sales, Services & Use Tax Revenue Bonds.

<u>Fiscal Year</u>	<u>7/1/15</u>	<u>10/11/16</u>	<u>Total</u>	<u>Interest</u>	<u>Total P&I</u>
2019		1,007,000	1,007,000	316,519	1,323,519
2020	845,000	181,000	1,026,000	297,789	1,323,789
2021	860,000	186,000	1,046,000	277,522	1,323,522
2022	875,000	191,000	1,066,000	256,862	1,322,862
2023	895,000	193,000	1,088,000	235,810	1,323,810
2024	915,000	196,000	1,111,000	212,082	1,323,082
2025	935,000	203,000	1,138,000	185,562	1,323,562
2026	955,000	212,000	1,167,000	156,074	1,323,074
2027	980,000	217,000	1,197,000	125,868	1,322,868
2028	1,005,000	226,000	1,231,000	92,432	1,323,432
2029	1,035,000	230,000	1,265,000	58,078	1,323,078
2030	700,000		700,000	11,375	711,375
Totals:	10,000,000	3,042,000	13,042,000	2,225,971	15,267,971

Source: Ames CSD

Debt Limit

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

1/1/2017 Actual Valuation:	4,227,560,965
X	0.05
<u>Statutory Debt Limit:</u>	<u>211,378,048</u>
 Net Total General Obligation Debt:	 56,470,000
 <u>Total Debt Subject to Limit:</u>	 <u>56,470,000</u>
Percentage of Debt Limit Obligated:	26.72%

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 as stated below:

Net Total General Obligation Debt:	56,470,000
Total Sales Tax Revenue Debt	13,042,000
<u>Sales Tax Bond Reserve Fund</u>	<u>-1,000,000</u>
 Total Debt Subject to Limit:	 68,512,000
Percentage of Debt Limit Obligated:	32.41%

Source: Iowa Department of Management

Overlapping & Underlying Debt

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

<u>Taxing Authority</u>	<u>Outstanding Debt</u>	<u>2018 Taxable Valuation</u>	<u>Taxable Value Within Issuer</u>	<u>Percentage Applicable</u>	<u>Amount Applicable</u>
City of Ames	65,480,000	3,128,481,219	2,869,347,574	91.72%	60,056,259
Story County	815,000	5,166,725,247	2,869,347,574	55.54%	452,611
Des Moines Area Community College	74,205,000	50,504,852,930	2,869,347,574	5.68%	4,215,831
				Total	64,724,702

Source: Iowa Department of Management

FINANCIAL SUMMARY

Actual Value of Property, 2018:	\$4,406,362,260
Taxable Value of Property, 2018:	2,869,347,574
Direct General Obligation Debt:	\$56,470,000
Overlapping Debt:	64,724,702
Direct & Overlapping General Obligation Debt:	\$121,194,702
Population, 2010 US Census:	56,434
Direct Debt per Capita:	\$1,000.64
Total Debt per Capita:	\$2,147.55
Direct Debt to Taxable Valuation:	1.97%
Total Debt to Taxable Valuation:	4.22%
Direct Debt to Actual Valuation:	1.28%
Total Debt to Actual Valuation:	2.75%
Actual Valuation per Capita:	\$78,080
Taxable Valuation per Capita:	\$50,844

Source: Iowa Department of Management

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 Ames Community School District in the County of Story, State of Iowa, and acts of administrative officers of the School District (the "Issuer"), relating to the issuance of General Obligation School Bonds, Series 2019, by said Issuer, dated 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 Ames Community School District, State of Iowa (the "Issuer"), in connection with the issuance of \$ _____ General Obligation School Bonds, Series 2019 (the "Bonds"), dated the date of delivery. The Bonds are being issued pursuant to a Resolution of the Issuer approved on May 20, 2019 (the "Resolution"). The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate; Interpretation. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5). This Disclosure Certificate shall be governed by, 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 _____, 2019.

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

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

"State" shall mean the State of Iowa.

Section 3. Provision of Annual Financial Information.

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

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

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

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

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

AMES 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: Ames Community School District, Iowa.

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

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__.

AMES COMMUNITY SCHOOL DISTRICT,
STATE OF IOWA

By: _____
Its: _____

APPENDIX D – AUDITED FINANCIAL STATEMENTS OF THE ISSUER

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

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AMES COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2018

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Ames Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2017 Election)		
Luke Deardorff	President	2019
Alisa Frandsen	Vice-President	2019
Mike Espeset	Board Member	2017
Tim Rasmussen	Board Member	2017
Rodney Briggs	Board Member	2019
Bill Talbot	Board Member	2017
Lewis Rosser	Board Member	2019
(After September 2017 Election)		
Alisa Frandsen	President	2019
Luke Deardorff	Vice-President	2019
Monic Behnken	Board Member	2021
Jamet Colton	Board Member	2021
Gina Perez	Board Member	2021
Lewis Rosser	Board Member	2019
Rodney Briggs	Board Member	2019
Allen Bierbaum	(Resigned (5/2/2018) Board Member (Appointed 6/5/2018)	2019
School Officials		
Dr. Tim Taylor	Superintendent	2018
Chris Stensland	District Secretary/Treasurer and Chief Financial Officer	2018
Ahlers & Cooney, P.C.	Attorney	2018

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of Ames Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ames Community School District, Ames, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ames Community School District as of

June 30, 2018, and the respective changes in financial position and, where applicable, its 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 17 to the financial statements, Ames Community School District adopted new accounting guidance related to the Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions, the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 7 through 16 and 48 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ames Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2017 (which are not presented herein) and 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, including the Schedule of Expenditures of Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information, including the Schedule of Expenditures of Federal Awards, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 7, 2019 on our consideration of Ames Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Ames Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 7, 2019
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Ames Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- The District implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities and business type activities were restated by \$4,884,610 and \$1,517, respectively, to retroactively report the increase and decrease in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred inflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not required to be provided by the actuary.
- The District's total net position increased from \$92,900,814, restated as of July 1, 2017 to \$99,495,446 at June 30, 2018. Total revenues increased 3.32% from \$70,949,818 in fiscal year 2017 to \$73,306,253 in fiscal year 2018, while total expenses increased 7.69% from \$61,946,507 in fiscal year 2017 to \$66,711,621 in fiscal year 2018.
- The fiscal year 2018 General Fund expenditures exceeded revenues by \$1,519,778 resulting in a decrease in fund balance from \$4,852,146 at June 30, 2017 to \$3,332,368 at June 30, 2018. Revenues totaled \$51,858,345 during fiscal year 2018, compared to \$49,551,110 during fiscal year 2017, and expenditures were \$53,378,123 during fiscal year 2018 compared to \$52,505,848 during fiscal year 2017.
- The increase in General Fund revenues is primarily due to an increase in local tax revenues received. The increase in expenditures occurred in the support services functional area.

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Ames Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Ames 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. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

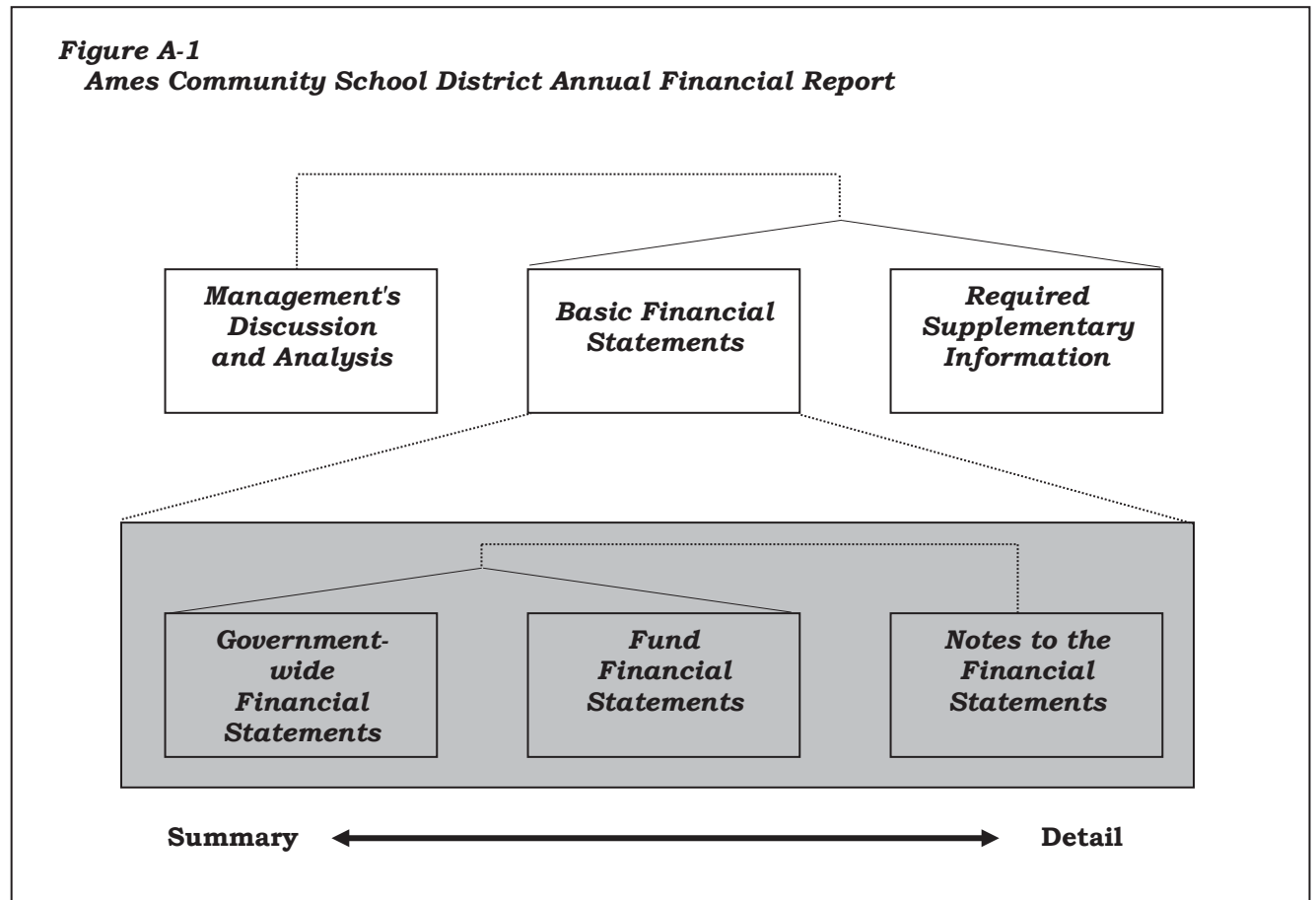


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District's Internal Service Fund (another type of proprietary fund) is the same as its governmental activities, but provides more detail and additional information such as cash flows. This fund accounts for the self-funded insurance program of the District.

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

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

- Agency Funds - These are funds through which the District administers and accounts for certain outside groups.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2017		2017		2017		2017-18
	2018	(Not Restated)	2018	(Not Restated)	2018	(Not Restated)	
Current and other assets	\$ 80,386,972	72,668,269	691,049	528,785	81,078,021	73,197,054	10.77%
Capital assets	123,919,313	126,705,052	115,014	105,867	124,034,327	126,810,919	-2.19%
Total assets	204,306,285	199,373,321	806,063	634,652	205,112,348	200,007,973	2.55%
Deferred outflows of resources	8,709,104	7,683,415	575	6,044	8,709,679	7,689,459	13.27%
Long-term liabilities	65,907,179	63,712,149	2,934	16,095	65,910,113	63,728,244	3.42%
Other liabilities	8,826,528	9,606,309	209,117	78,724	9,035,645	9,685,033	-6.71%
Total liabilities	74,733,707	73,318,458	212,051	94,819	74,945,758	73,413,277	2.09%
Deferred inflows of resources	39,380,755	36,499,923	68	325	39,380,823	36,500,248	7.89%
Net position:							
Net investment in capital assets	99,094,949	92,325,052	115,014	105,867	99,209,963	92,430,919	7.33%
Restricted	20,011,868	17,281,162	-	-	20,011,868	17,281,162	15.80%
Unrestricted	(20,205,890)	(12,367,859)	479,505	439,685	(19,726,385)	(11,928,174)	-65.38%
Total net position	\$ 98,900,927	97,238,355	594,519	545,552	99,495,446	97,783,907	1.75%

Prior to restatement, the District's total net position increased by 1.75%, or \$1,711,539, from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$2,730,706, or 15.80% from the prior year. The increase was due primarily to the increase in amounts restricted for use by the Capital Projects: Statewide

Sales, Services and Use Fund and the Capital Projects: Physical Plant and Equipment Levy Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$7,798,211, or 65.38%. This reduction in unrestricted net position was a result of the decrease in unassigned fund balance of the General Fund and an increase in the District's total OPEB liability.

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

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2017		2017		2017		2017-18
	2018	(Not Restated)	2018	(Not Restated)	2018	(Not Restated)	
Revenues:							
Program revenues:							
Charges for service	\$ 5,732,866	5,129,909	801,412	717,151	6,534,278	5,847,060	11.75%
Operating grants, contributions and restricted interest	4,746,451	4,661,221	845,863	822,660	5,592,314	5,483,881	1.98%
Capital grants, contributions and restricted interest	27,702	141,225	-	-	27,702	141,225	-80.38%
General revenues:							
Property tax	35,913,177	34,461,043	-	-	35,913,177	34,461,043	4.21%
Income surtax	2,011,411	2,058,913	-	-	2,011,411	2,058,913	-2.31%
Statewide sales, services and use tax	3,900,294	4,002,753	-	-	3,900,294	4,002,753	-2.56%
Unrestricted state grants	18,392,604	18,240,957	-	-	18,392,604	18,240,957	0.83%
Unrestricted investment earnings	408,192	142,587	1,864	1,166	410,056	143,753	185.25%
Other	524,417	568,580	-	1,653	524,417	570,233	-8.03%
Total revenues	<u>71,657,114</u>	<u>69,407,188</u>	<u>1,649,139</u>	<u>1,542,630</u>	<u>73,306,253</u>	<u>70,949,818</u>	<u>3.32%</u>
Program expenses:							
Instruction	37,958,864	33,013,166	-	-	37,958,864	33,013,166	14.98%
Support services	20,546,248	20,496,161	-	60,843	20,546,248	20,557,004	-0.05%
Non-instructional programs	4,803	5,672	1,527,969	1,584,978	1,532,772	1,590,650	-3.64%
Other expenses	6,673,737	6,785,687	-	-	6,673,737	6,785,687	-1.65%
Total expenses	<u>65,183,652</u>	<u>60,300,686</u>	<u>1,527,969</u>	<u>1,645,821</u>	<u>66,711,621</u>	<u>61,946,507</u>	<u>7.69%</u>
Excess(Deficiency) of revenues over(under) expenses	6,473,462	9,106,502	121,170	(103,191)	6,594,632	9,003,311	-26.75%
Transfers	73,720	(33,426)	(73,720)	33,426	-	-	0.00%
Change in net position	6,547,182	9,073,076	47,450	(69,765)	6,594,632	9,003,311	-26.75%
Net position beginning of year, as restated	<u>92,353,745</u>	<u>88,165,279</u>	<u>547,069</u>	<u>615,317</u>	<u>92,900,814</u>	<u>88,780,596</u>	<u>4.64%</u>
Net position end of year	<u>\$ 98,900,927</u>	<u>97,238,355</u>	<u>594,519</u>	<u>545,552</u>	<u>99,495,446</u>	<u>97,783,907</u>	<u>1.75%</u>

In fiscal year 2018, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 84.04% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest accounted for 99.89% of the revenue from business type activities. The District's total revenues were approximately \$73.31 million, of which approximately \$71.66 million was for governmental activities and approximately \$1.65 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.32% increase in revenues and a 7.69% increase in expenses. The increase in expenses is due to an increase in instruction expenses compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$71,657,114 and expenses were \$65,183,652 for the year ended June 30, 2018.

Figure A-5 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, 2018 compared to those expenses for the year ended June 30, 2017.

	Total Cost of Services			Net Cost of Service		
	2018	2017 (Not Restated)	Change 2017-18	2018	2017 (Not Restated)	Change 2017-18
Instruction	\$ 37,958,864	33,013,166	14.98%	29,424,728	25,080,539	17.32%
Support services	20,546,248	20,496,161	0.24%	20,287,074	20,143,362	0.71%
Non-instructional programs	4,803	5,672	-15.32%	-	5,672	-100.00%
Other expenses	6,673,737	6,785,687	-1.65%	4,964,831	5,138,758	-3.38%
Totals	\$ 65,183,652	60,300,686	8.10%	54,676,633	50,368,331	8.55%

For the year ended June 30, 2018:

- The cost financed by users of the District’s programs was \$5,732,866.
- Federal and state governments along with local sources subsidized certain programs with grants and contributions totaling \$4,774,153.
- The net cost of governmental activities was financed with \$37,924,588 in local tax, \$3,900,294 in statewide sales, services and use tax, \$18,392,604 in unrestricted state grants, \$408,192 in unrestricted investment earnings and \$524,417 in other general revenues.

Business Type Activities

Revenues of the District’s business type activities during the year ended June 30, 2018 were \$1,649,139 and expenses totaled \$1,527,969. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Ames 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 \$26,755,060, above last year’s ending combined fund balances of \$20,935,403. The increase in the combined fund balances is primarily due to the increase in fund balance of the Capital Projects Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in local tax revenues contributed to an increase in revenues. However, the increase in revenues was more than offset by the increase in expenditures which resulted in a decrease in fund balance from \$4,852,146 at June 30, 2017 to \$3,332,368 at June 30, 2018.
- The Capital Projects Fund balance increased from \$8,374,822 at June 30, 2017 to \$15,773,670 at June 30, 2018 primarily due to the issuance of \$4,995,000 general obligation bonds, which will be used to finance building improvement projects. These bond proceeds will be spent as costs are incurred on the projects.
- The Debt Service Fund balance increased from \$2,057,085 at June 30, 2017 to \$2,460,483 at June 30, 2018 due to an increase in local tax revenue received as compared to the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$547,069 restated July 1, 2017 to \$594,519 at June 30, 2018, representing a 8.67% increase.

BUDGETARY HIGHLIGHTS

Over the course of the year, Ames Community School District amended its budget one time to reflect additional expenditures associated with increased staffing levels, and school infrastructure improvement projects.

The District's revenues were \$524,736 more than budgeted revenues, a variance of 0.72%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had invested approximately \$124.03 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.19% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$4,388,575.

The original cost of the District's capital assets was \$167,249,892. Governmental activities account for \$166,061,109 with the remainder of \$1,188,783 accounted for in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$435,576 at June 30, 2018, compared to \$6,087,457 at June 30, 2017. This decrease resulted primarily from the completion of a new maintenance building and stadium improvement projects.

Figure A-6							
Capital Assets, Net of Depreciation							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2018	2017	2018	2017	2018	2017	2017-18
Land	\$ 3,551,684	3,572,464	-	-	3,551,684	3,572,464	-0.58%
Construction in progress	435,576	6,087,457	-	-	435,576	6,087,457	-92.84%
Buildings	113,006,086	109,105,430	-	-	113,006,086	109,105,430	3.58%
Land improvements	2,635,839	3,003,247	-	-	2,635,839	3,003,247	-12.23%
Machinery and equipment	4,290,128	4,936,454	115,014	105,867	4,405,142	5,042,321	-12.64%
Total	\$ 123,919,313	126,705,052	115,014	105,867	124,034,327	126,810,919	-2.19%

Long-Term Debt

At June 30, 2018, the District had \$29,552,000 in total long-term debt outstanding. This represents a decrease of 14.04% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding General Obligation Bonds payable of \$16,510,000 at June 30, 2018.

The District had outstanding Revenue Bonds of \$13,042,000 at June 30, 2018 payable from the Capital Projects: Statewide, Sales, Services and Use Tax Fund.

Figure A-7			
Outstanding Long-Term Obligations			
	Total		Total
	District		Change
	June 30,		June 30,
	2018	2017	2017-18
General obligation bonds	\$ 16,510,000	20,350,000	-18.87%
Revenue bonds	13,042,000	14,030,000	-7.04%
Total	\$ 29,552,000	34,380,000	-14.04%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District's cash reserves have decreased to a level that will need to be replenished. The Comprehensive Financial Projection Model has been prepared so that the District levies \$6.9 million in cash reserve levy in FY19 and \$7.9 million in FY20.
- The District's enrollment was up 112 for head count and 180 for students served (because of Open Enrollment In). The District has continued to see additional enrollments after count day.
- The District continues to experience significant valuation growth. The growth is 6.7% for FY19.
- Story County continues to have one of the lowest unemployment rates in the State of Iowa.

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 Chris Stensland, District Secretary/Treasurer and Chief Financial Officer, Ames Community School District, 2005 24th Street, Ames, Iowa, 50010.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 37,031,751	668,629	37,700,380
Receivables:			
Property tax:			
Delinquent	37,528	-	37,528
Succeeding year	38,574,375	-	38,574,375
Income surtax	1,962,466	-	1,962,466
Accounts	8,757	51,017	59,774
Internal balances	73,720	(73,720)	-
Due from other governments	2,671,029	10,837	2,681,866
Inventories	24,516	34,286	58,802
Prepaid items	2,830	-	2,830
Capital assets not being depreciated:			
Land and construction in progress	3,987,260	-	3,987,260
Capital assets, net of accumulated depreciation:			
Buildings and land improvements and machinery and equipment	119,932,053	115,014	120,047,067
Total assets	204,306,285	806,063	205,112,348
Deferred Outflows of Resources			
Pension related deferred outflows	8,709,104	575	8,709,679
Liabilities			
Accounts payable	1,206,570	148,436	1,355,006
Salaries and benefits payable	6,753,142	-	6,753,142
Incurred but not reported claims	792,132	-	792,132
Accrued interest payable	74,684	-	74,684
Unearned revenues	-	60,681	60,681
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	1,845,000	-	1,845,000
Revenue bonds	1,007,000	-	1,007,000
Compensated absences	422,206	-	422,206
Portion due after one year:			
General obligation bonds	14,665,000	-	14,665,000
Revenue bonds	12,035,000	-	12,035,000
Net pension liability	29,335,557	2,934	29,338,491
Total OPEB liability	6,597,416	-	6,597,416
Total liabilities	74,733,707	212,051	74,945,758
Deferred Inflows of Resources			
Pension related deferred inflows	680,168	68	680,236
OPEB related deferred inflows	126,212	-	126,212
Unavailable property tax revenue	38,574,375	-	38,574,375
Total deferred inflows of resources	39,380,755	68	39,380,823
Net Position			
Net investment in capital assets	99,094,949	115,014	99,209,963
Restricted for:			
Categorical funding	1,391,496	-	1,391,496
Debt service	2,385,799	-	2,385,799
Management levy purposes	4,944,810	-	4,944,810
Student activities	243,729	-	243,729
School infrastructure	5,798,962	-	5,798,962
Physical plant and equipment	5,247,072	-	5,247,072
Unrestricted	(20,205,890)	479,505	(19,726,385)
Total net position	\$ 98,900,927	594,519	99,495,446

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		
					Governmental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 23,302,926	3,141,262	171,914	-	(19,989,750)	-	(19,989,750)
Special	7,878,684	1,626,439	1,360,426	-	(4,891,819)	-	(4,891,819)
Other	6,777,254	763,898	1,470,197	-	(4,543,159)	-	(4,543,159)
	<u>37,958,864</u>	<u>5,531,599</u>	<u>3,002,537</u>	<u>-</u>	<u>(29,424,728)</u>	<u>-</u>	<u>(29,424,728)</u>
Support services:							
Student	2,270,688	-	-	-	(2,270,688)	-	(2,270,688)
Instructional staff	4,615,875	-	-	-	(4,615,875)	-	(4,615,875)
Administration	6,447,633	-	-	-	(6,447,633)	-	(6,447,633)
Operation and maintenance of plant	4,210,940	-	-	27,702	(4,183,238)	-	(4,183,238)
Transportation	3,001,112	201,267	30,205	-	(2,769,640)	-	(2,769,640)
	<u>20,546,248</u>	<u>201,267</u>	<u>30,205</u>	<u>27,702</u>	<u>(20,287,074)</u>	<u>-</u>	<u>(20,287,074)</u>
Non-instructional programs:							
Community service operations	4,803	-	4,803	-	-	-	-
	<u>4,803</u>	<u>-</u>	<u>4,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Long-term debt interest							
	1,278,003	-	-	-	(1,278,003)	-	(1,278,003)
	<u>1,278,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,278,003)</u>	<u>-</u>	<u>(1,278,003)</u>
Other expenditures:							
AEA flowthrough	1,708,906	-	1,708,906	-	-	-	-
Depreciation (unallocated)*	3,686,828	-	-	-	(3,686,828)	-	(3,686,828)
	<u>5,395,734</u>	<u>-</u>	<u>1,708,906</u>	<u>-</u>	<u>(3,686,828)</u>	<u>-</u>	<u>(3,686,828)</u>
Total governmental activities	<u>65,183,652</u>	<u>5,732,866</u>	<u>4,746,451</u>	<u>27,702</u>	<u>(54,676,633)</u>	<u>-</u>	<u>(54,676,633)</u>
Business type activities:							
Non-instructional programs:							
Food service operations	1,527,969	801,412	845,863	-	-	119,306	119,306
Total business type activities	<u>1,527,969</u>	<u>801,412</u>	<u>845,863</u>	<u>-</u>	<u>-</u>	<u>119,306</u>	<u>119,306</u>
Total Primary Government	<u>\$ 66,711,621</u>	<u>6,534,278</u>	<u>5,592,314</u>	<u>27,702</u>	<u>(54,676,633)</u>	<u>119,306</u>	<u>(54,557,327)</u>
General Revenues and Transfers:							
Property tax levied for:							
General purposes				\$ 21,950,043	-		21,950,043
Debt service				9,754,655	-		9,754,655
Capital outlay				4,208,479	-		4,208,479
Income surtax				2,011,411	-		2,011,411
Statewide sales, services and use tax				3,900,294	-		3,900,294
Unrestricted state grants				18,392,604	-		18,392,604
Unrestricted investment earnings				408,192	1,864		410,056
Other				524,417	-		524,417
Transfers				73,720	(73,720)		-
Total general revenues and transfers				<u>61,223,815</u>	<u>(71,856)</u>		<u>61,151,959</u>
Change in net position				6,547,182	47,450		6,594,632
Net position beginning of year, as restated				<u>92,353,745</u>	<u>547,069</u>		<u>92,900,814</u>
Net position end of year				<u>\$ 98,900,927</u>	<u>594,519</u>		<u>99,495,446</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 8,140,850	15,950,599	2,447,638	5,215,763	31,754,850
Receivables:					
Property tax					
Delinquent	22,399	4,370	10,130	629	37,528
Succeeding year	27,895,287	4,532,887	6,086,201	60,000	38,574,375
Income surtax	1,962,466	-	-	-	1,962,466
Accounts	8,757	-	-	-	8,757
Due from other funds	73,720	-	-	-	73,720
Due from other governments	2,336,266	331,879	2,715	169	2,671,029
Inventories	24,516	-	-	-	24,516
Prepaid items	2,830	-	-	-	2,830
Total assets	\$ 40,467,091	20,819,735	8,546,684	5,276,561	75,110,071
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 524,652	513,178	-	27,198	1,065,028
Salaries and benefits payable	6,752,318	-	-	824	6,753,142
Total liabilities	7,276,970	513,178	-	28,022	7,818,170
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	27,895,287	4,532,887	6,086,201	60,000	38,574,375
Income surtax	1,962,466	-	-	-	1,962,466
Total deferred inflows of resources	29,857,753	4,532,887	6,086,201	60,000	40,536,841
Fund balances:					
Nonspendable	27,346	-	-	-	27,346
Restricted for:					
Categorical funding	1,391,496	-	-	-	1,391,496
Debt service	-	-	2,460,483	-	2,460,483
Management levy purposes	-	-	-	4,944,810	4,944,810
Student activities	-	-	-	243,729	243,729
School infrastructure	-	10,526,598	-	-	10,526,598
Physical plant and equipment	-	5,247,072	-	-	5,247,072
Unassigned	1,913,526	-	-	-	1,913,526
Total fund balances	3,332,368	15,773,670	2,460,483	5,188,539	26,755,060
Total liabilities, deferred inflows of resources and fund balances	\$ 40,467,091	20,819,735	8,546,684	5,276,561	75,110,071

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 20)		\$ 26,755,060
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		123,919,313
Accounts receivable income surtax, is not available to finance current year expenditures and, therefore, is recognized as a deferred inflows of resources in the governmental funds.		1,962,466
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		4,343,227
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.		(74,684)
Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 8,709,104	
Deferred inflows of resources	<u>(806,380)</u>	7,902,724
Long-term liabilities, including bonds payable, compensated absences payable, total OPEB liability, and net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(65,907,179)</u>
Net position of governmental activities (page 18)		<u><u>\$ 98,900,927</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 23,342,033	4,208,479	9,754,655	599,608	37,904,775
Tuition	4,578,611	-	-	-	4,578,611
Other	1,279,259	163,481	75,993	623,281	2,142,014
State sources	20,572,083	4,054,735	357,993	22,168	25,006,979
Federal sources	2,004,922	-	-	-	2,004,922
Total revenues	51,776,908	8,426,695	10,188,641	1,245,057	71,637,301
Expenditures:					
Current:					
Instruction:					
Regular	21,375,691	-	-	539,766	21,915,457
Special	7,609,650	-	-	-	7,609,650
Other	5,764,674	-	-	590,983	6,355,657
	34,750,015	-	-	1,130,749	35,880,764
Support services:					
Student	2,123,926	-	-	-	2,123,926
Instructional staff	2,968,873	829,852	-	-	3,798,725
Administration	6,011,969	153,057	1,781	25,703	6,192,510
Operation and maintenance of plant	3,402,223	124,751	-	539,203	4,066,177
Transportation	2,407,408	440,587	-	12,213	2,860,208
	16,914,399	1,548,247	1,781	577,119	19,041,546
Non-instructional programs:					
Community service operations	4,803	-	-	-	4,803
Capital outlay	-	3,283,912	-	-	3,283,912
Long-term debt:					
Principal	-	-	9,823,000	-	9,823,000
Interest and fiscal charges	-	-	1,281,858	-	1,281,858
	-	-	11,104,858	-	11,104,858
Other expenditures:					
AEA flowthrough	1,708,906	-	-	-	1,708,906
Total expenditures	53,378,123	4,832,159	11,106,639	1,707,868	71,024,789
Excess(Deficiency) of revenues over(under) expenditures	(1,601,215)	3,594,536	(917,998)	(462,811)	612,512
Other financing sources (uses):					
Transfer in	73,720	-	1,321,396	-	1,395,116
Transfer out	-	(1,321,396)	-	-	(1,321,396)
General obligation bond issuance	-	4,995,000	-	-	4,995,000
Premium on general obligation bond issuance	-	141,963	-	-	141,963
Discount on general obligation bond issuance	-	(33,466)	-	-	(33,466)
Sale of real property	-	22,211	-	-	22,211
Compensation for loss of fixed assets	115	-	-	-	115
Sale of equipment	7,602	-	-	-	7,602
Total other financing sources (uses)	81,437	3,804,312	1,321,396	-	5,207,145
Change in fund balances	(1,519,778)	7,398,848	403,398	(462,811)	5,819,657
Fund balances beginning of year	4,852,146	8,374,822	2,057,085	5,651,350	20,935,403
Fund balances end of year	\$ 3,332,368	15,773,670	2,460,483	5,188,539	26,755,060

SEE NOTES TO FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2018

Change in fund balances - total governmental funds (page 22) \$ 5,819,657

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. Those costs are not reported in the Statement of Activities but they are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures, depreciation expense and loss on disposal in the current year are as follows:

Capital outlay	\$ 1,643,037	
Depreciation expense	(4,369,150)	
Loss on disposal	<u>(38,846)</u>	(2,764,959)

Although the sale of real property is revenue in the governmental funds, the disposal of real property reduces capital assets, net of accumulated depreciation in the Statement of Net Position. (20,780)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. 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. Current year issuances and repayments are, as follows:

Issued	\$ (4,995,000)	
Repaid	<u>9,823,000</u>	4,828,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,855

Income surtax account receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 19,813

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. 2,967,290

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:

Compensated absences	\$ 36,089	
Pension expense	(4,059,541)	
Total OPEB liability and related expenses	<u>(323,535)</u>	(4,346,987)

The Internal Service Fund is used by Management to charge the costs of the District's self-fund insurance. The change in net position of the Internal Service Fund is reported in the governmental activities. 41,293

Change in net position of governmental activities (page 19) \$ 6,547,182

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	School Nutrition	
Assets		
Current assets:		
Cash and pooled investments	\$ 668,629	5,276,901
Accounts receivable	51,017	-
Due from other governments	10,837	-
Inventories	34,286	-
Total current assets	<u>764,769</u>	<u>5,276,901</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	115,014	-
Total assets	<u>879,783</u>	<u>5,276,901</u>
Deferred Outflows of Resources		
Pension related deferred outflows	<u>575</u>	<u>-</u>
Liabilities		
Current liabilities:		
Due to other funds	73,720	-
Accounts payable	148,436	141,542
Incurred but not reported claims	-	792,132
Unearned revenues	60,681	-
Total current liabilities	<u>282,837</u>	<u>933,674</u>
Noncurrent liabilities:		
Net pension liability	2,934	-
Total liabilities	<u>285,771</u>	<u>933,674</u>
Deferred Inflows of Resources		
Pension related deferred inflows	<u>68</u>	<u>-</u>
Net Position		
Net investment in capital assets	115,014	-
Unrestricted	479,505	4,343,227
Total net position	<u>\$ 594,519</u>	<u>4,343,227</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	School Nutrition	
Operating revenues:		
Local sources:		
Charges for service	\$ 801,412	-
Miscellaneous	-	6,171,010
Total operating revenues	<u>801,412</u>	<u>6,171,010</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Services	816,019	-
Supplies	692,525	-
Depreciation	19,425	-
Other enterprise operations:		
Benefits	-	6,129,717
Total operating expenses	<u>1,527,969</u>	<u>6,129,717</u>
Operating income(loss)	<u>(726,557)</u>	<u>41,293</u>
Non-operating revenues:		
State sources	11,991	-
Federal sources	833,872	-
Interest income	1,864	-
Total non-operating revenues	<u>847,727</u>	<u>-</u>
Changes in net position before other financing uses	121,170	41,293
Other financing uses:		
Transfers out	<u>(73,720)</u>	<u>-</u>
Change in net position	47,450	41,293
Net position beginning of year, as restated	<u>547,069</u>	<u>4,301,934</u>
Net position end of year	<u>\$ 594,519</u>	<u>4,343,227</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities - Enterprise Fund School Nutrition	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 787,462	-
Cash received from miscellaneous	-	6,171,010
Cash payments to employees for services	-	(6,221,635)
Cash payments to suppliers for goods or services	(1,261,884)	-
Net cash used in operating activities	<u>(474,422)</u>	<u>(50,625)</u>
Cash flows from non-capital financing activities:		
Repayments to General Fund	(10)	-
State grants received	11,991	-
Federal grants received	723,186	-
Net cash provided by non-capital financing activities	<u>735,167</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Purchase of assets	(28,572)	-
Cash flows from investing activities:		
Interest on investments	1,864	-
Net increase(decrease) in cash and cash equivalents	234,037	(50,625)
Cash and cash equivalents at beginning of year	434,592	5,327,526
Cash and cash equivalents at end of year	<u>\$ 668,629</u>	<u>5,276,901</u>
Reconciliation of operating income(loss) to net cash used in operating activities:		
Operating income(loss)	\$ (726,557)	41,293
Adjustments to reconcile operating income(loss) to net cash used in operating activities:		
Commodities consumed	111,535	-
Depreciation	19,425	-
Decrease in inventories	11,832	-
Increase in accounts receivable	(12,910)	-
Increase in due from other governments	(1,708)	-
Increase(Decrease) in accounts payable	129,725	(41,410)
Decrease in incurred but not reported claims	-	(50,508)
Decrease in net pension liability	(11,644)	-
Decrease in deferred outflows of resources	5,469	-
Decrease in deferred inflows of resources	(257)	-
Increase in unearned revenue	668	-
Net cash used in operating activities	<u>\$ (474,422)</u>	<u>(50,625)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2018, the District received \$111,535 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 7,002
Due from other groups	244,617
Total assets	<u>\$ 251,619</u>
Liabilities	
Excess of warrants issued over bank balance	196,430
Due to other groups	55,189
Total liabilities	<u>\$ 251,619</u>

SEE NOTES TO FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1. Summary of Significant Accounting Policies

The Ames Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served primarily includes the City of Ames, Iowa. 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, Ames 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 meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Story County Assessors' Conference Board.

B. Basis of Presentation

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

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

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

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or 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 are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District reports the following nonmajor proprietary funds:

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

Additional proprietary funds reported by the District are as follows:

The Internal Service, Health Insurance Fund is used to account for the self-funded health insurance operations of the District.

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

Agency Funds are used to account for assets held by the District as an agent for individuals and private organizations. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this

purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity/Net Position

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

Cash, Pooled Investments and Cash Equivalents - 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 and The Education Liquidation Fund which are valued at amortized cost and non-negotiable certificates of deposit which are stated at amortized cost.

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

Property Tax Receivable - Property tax in the 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 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, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2017.

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

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

Prepaid Items - Represents items already paid for insurance.

Capital Assets - Capital assets, which include property, machinery and equipment, and intangibles acquired after July 1, 1980 are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ -
Buildings	5,000
Land improvements	5,000
Intangible assets	125,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangible assets	5-12 years
Machinery and equipment	5-12 years

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

Salaries and Benefits Payable - Payroll and related 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 student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2018. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future year(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

The District’s deposits in banks at June 30, 2018 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2018, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) Direct Government Obligations Portfolio which are valued at an amortized cost of \$11,994,210 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standard and Poor’s Financial Services.

At June 30, 2018, the District had investments in the Education Liquidity Fund which are valued at an amortized cost of \$14,732,870 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Education Liquidity Fund are registered and not subject to rating.

Note 3. Due from and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise, School Nutrition	<u>\$ 73,720</u>

The Enterprise, School Nutrition Fund is repaying the General Fund for indirect costs incurred during the year, but were not repaid by year end.

Note 4. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 1,321,396
General	Enterprise, School Nutrition	<u>73,720</u>
Total		<u>\$ 1,395,116</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on revenue bonds.

The transfer from the Enterprise, School Nutrition Fund to the General Fund is for indirect costs incurred.

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,572,464	-	20,780	3,551,684
Construction in progress	6,087,457	312,166	5,964,047	435,576
Total capital assets not being depreciated	<u>9,659,921</u>	<u>312,166</u>	<u>5,984,827</u>	<u>3,987,260</u>
Capital assets being depreciated:				
Buildings	135,782,331	7,220,076	483,000	142,519,407
Land improvements	8,424,802	-	-	8,424,802
Machinery and equipment	11,101,312	74,842	46,514	11,129,640
Total capital assets being depreciated	<u>155,308,445</u>	<u>7,294,918</u>	<u>529,514</u>	<u>162,073,849</u>
Less accumulated depreciation for:				
Buildings	26,676,901	3,319,420	483,000	29,513,321
Land improvements	5,421,555	367,408	-	5,788,963
Machinery and equipment	6,164,858	682,322	7,668	6,839,512
Total accumulated depreciation	<u>38,263,314</u>	<u>4,369,150</u>	<u>490,668</u>	<u>42,141,796</u>
Total capital assets being depreciated, net	<u>117,045,131</u>	<u>2,925,768</u>	<u>38,846</u>	<u>119,932,053</u>
Governmental activities capital assets, net	<u>\$ 126,705,052</u>	<u>3,237,934</u>	<u>6,023,673</u>	<u>123,919,313</u>
Business type activities:				
Machinery and equipment	\$ 1,160,211	28,572	-	1,188,783
Less accumulated depreciation	1,054,344	19,425	-	1,073,769
Business type activities capital assets, net	<u>\$ 105,867</u>	<u>9,147</u>	<u>-</u>	<u>115,014</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 42,377
Support services:	
Instructional staff	498,600
Operation and maintenance of plant	59,490
Transportation	81,855
	<u>682,322</u>
Unallocated depreciation	<u>3,686,828</u>
Total governmental activities depreciation expense	<u>\$ 4,369,150</u>
Business type activities:	
Food service operations	<u>\$ 19,425</u>

Note 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2018 are summarized as follows:

	Balance Beginning of Year, as restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 20,350,000	4,995,000	8,835,000	16,510,000	1,845,000
Revenue Bonds	14,030,000	-	988,000	13,042,000	1,007,000
Compensated Absences	458,295	422,206	458,295	422,206	422,206
Net Pension Liability	27,358,371	1,977,186	-	29,335,557	-
Total OPEB Liability	6,400,093	197,323	-	6,597,416	-
Total	\$ 68,596,759	7,591,715	10,281,295	65,907,179	3,274,206
Business type activities:					
Net Pension Liability	\$ 14,578	-	11,644	2,934	-

General Obligation Bonds

Details of the District's June 30, 2018 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of July 2, 2012			Bond issue of June 4, 2013			Bond issue of November 19, 2013		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2019	2.000%	\$ 110,000	40,000	4.00%	\$ 725,000	445,463	3.00%	\$ 240,000	158,094
2020	2.000	110,000	37,800	4.00	755,000	416,462	-	-	-
2021	2.000	115,000	35,600	4.00	785,000	386,263	-	-	-
2022	2.000	120,000	33,300	3.00	815,000	354,862	-	-	-
2023	2.000	120,000	30,900	3.00	840,000	330,413	-	-	-
2024-2028	2.250-2.375	615,000	115,006	3.00	4,585,000	1,258,912	-	-	-
2029-2033	2.375-2.625	560,000	36,400	3.00-3.25	550,000	167,663	-	-	-
Total		\$ 1,750,000	329,006		\$ 9,055,000	3,360,038		\$ 240,000	158,094

Year Ending June 30,	Bond issue of January 2, 2014			Bond issue of June 28, 2018			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2019	2.000%	\$ 470,000	252,656	3.000%	\$ 300,000	148,786	1,845,000	1,044,999	2,889,999
2020	-	-	-	3.000	195,000	151,850	1,060,000	606,112	1,666,112
2021	-	-	-	3.000	250,000	146,000	1,150,000	567,863	1,717,863
2022	-	-	-	3.000	250,000	138,500	1,185,000	526,662	1,711,662
2023	-	-	-	3.000	250,000	131,000	1,210,000	492,313	1,702,313
2024-2028	-	-	-	3.000-3.250	1,250,000	540,625	6,450,000	1,914,543	8,364,543
2029-2033				3.250-3.375	1,250,000	339,375	2,360,000	543,438	2,903,438
2034-2038				3.375-3.500	1,250,000	130,438	1,250,000	130,438	1,380,438
		\$ 470,000	252,656		\$ 4,995,000	1,726,574	16,510,000	5,826,368	22,336,368

Revenue Bonds

Details of the District’s June 30, 2018 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of July 2, 2015			Bond issue of October 11, 2016			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2019	2.00%	\$ -	259,937	1.86%	\$ 1,007,000	56,581	1,007,000	316,518	1,323,518
2020	2.00	845,000	259,938	1.86	181,000	37,851	1,026,000	297,789	1,323,789
2021	2.00	860,000	243,038	1.86	186,000	34,484	1,046,000	277,522	1,323,522
2022	2.00	875,000	225,838	1.86	191,000	31,025	1,066,000	256,863	1,322,863
2023	2.00	895,000	208,338	1.86	193,000	27,472	1,088,000	235,810	1,323,810
2024-2028	2.25-3.00	4,790,000	690,436	1.86	1,054,000	81,580	5,844,000	772,016	6,616,016
2029-2030	3.00-3.25	1,735,000	65,175	1.86	230,000	4,278	1,965,000	69,453	2,034,453
Total		\$ 10,000,000	1,952,700		\$ 3,042,000	273,271	13,042,000	2,225,971	15,267,971

The District has pledged future statewide sales, service and use tax revenues to repay the revenue bond issuances shown above. The bonds were issued for the purpose of financing a portion of the costs of various improvements to district buildings. The bonds are payable solely from the proceeds of the statewide sales, services and use tax 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 nearly 34% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$15,267,971. For the current year \$988,000 in principal and \$334,895 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$3,900,294.

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

- a) \$1,000,000 of the proceeds from the July 2, 2015 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, service and use tax shall be placed in a revenue account.
- c) Sufficient monthly deposits amounting to one twelfth of the next principal payment and one sixth of the next interest payment shall be made to the Sinking Fund for the purpose of making the bond principal and interest payments when due.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project fund to be used for any lawful purpose.

Note 7. Bond Defeasement

During the fiscal years ended June 30, 2015, June 30, 2016 and June 30, 2017, the District approved an additional debt service levy tax to advance refund \$1,100,000, \$1,470,000 and \$1,750,000 in principal of the November 19, 2013 general obligation bond issuance when the bonds become callable on June 1, 2019. During the fiscal years ended June 30, 2017 and June 30, 2018, the District approved additional debt service levy tax to advance refund \$5,580,000 and \$2,570,000 in principal of the January 2, 2014 general obligation bond issuance when the bonds become callable on June 1, 2019. During fiscal year ending June 30, 2018, the District approved an additional debt service levy tax to advance refund, \$4,765,000 in principal of the June 4, 2013 general obligation bond issuance when the bonds become

callable on June 1, 2021. The District levied excess debt service rates in fiscal year 2015 through 2018.

As of June 30, 2018, the additional amount of the Debt Service tax levy collected totaled \$17,235,000 which has been placed in irrevocable escrow accounts and has been invested in U.S. Government obligations which have been certified to be sufficient to pay as follows:

- \$385,000 in principal of the June 1, 2033 bond payment, \$370,000 in principal of the June 1, 2032 bond payment, \$355,000 in principal of the June 1, 2031 bond payment, \$340,000 in principal of the June 1, 2030 bond payment, \$330,000 in principal of the June 1, 2029 bond payment, \$320,000 in principal of the June 1, 2028 bond payment, \$305,000 in principal of the June 1, 2027 bond payment, \$300,000 of the June 1, 2026 bond payment, \$290,000 in principal of the June 1, 2025 bond payment, \$280,000 in principal of the June 2024 bond payment, \$275,000 in principal of the June 1, 2023 bond payment, \$265,000 in principal of the June 1, 2022 bond payment, \$255,000 in principal of the June 1, 2021 bond payment, \$250,000 in principal of the June 1, 2020 bond payment and corresponding interest of the November 19, 2013 bond when the bond becomes callable on June 1, 2019,
- \$845,000 in principal of the June 1, 2033 bond payment, \$670,000 in principal of the June 1, 2032 bond payment, \$645,000 in principal of the June 1, 2031 bond payment, \$625,000 in principal of the June 1, 2030 bond payment, \$605,000 in principal of the June 1, 2029 bond payment, \$585,000 in principal of the June 1, 2028 bond payment, \$570,000 in principal of the June 1, 2027 bond payment, \$555,000 in principal of the June 1, 2026 bond payment, \$540,000 in principal of the June 1, 2025 bond payment, \$525,000 in the principal of the June 1, 2024 bond payment, \$510,000 in the principal of the June 1, 2023, \$500,000 in the principal of the June 1, 2022 bond payment, \$490,000 in the principal of the June 1, 2021 bond payment, \$485,000 in the principal of the June 1, 2020 bond payment and corresponding interest of the January 2, 2014 bond when the bond becomes callable on June 1, 2019
- \$1,130,000 in principal of the June 1, 2033 bond payment, \$1,095,000 in principal of the June 1, 2032 bond payment, \$1,060,000 in principal of the June 1, 2031 bond payment, \$1,030,000 in principal of the June 1, 2030 bond payment, \$450,000 in principal of the June 1, 2029 bond payment and corresponding interest of the June 4, 2013 bond when the bond becomes callable on June 1, 2021.

As a result, \$4,320,000 of the November 19, 2013 bonds, \$8,150,000 of the January 2, 2014 bonds and \$4,765,000 of the June 4, 2013 bonds are considered defeased in substance and the liability for those bonds has been removed from the appropriate financial statements and schedules.

The District remains contingently liable in the remote possibility the escrow account is insufficient to repay the refunding bonds at the call date. At June 30, 2018 \$17,235,000 of such bonds are outstanding.

The fiscal year 2019 additional debt service levy amount to be collected is anticipated to be \$3,195,000 and will be used to call in outstanding principal of June 4, 2013 bonds from June 1, 2026 to June 1, 2029 when the bond becomes callable June 1, 2021.

Note 8. Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

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

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

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

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

In fiscal year 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2018 were \$2,967,290.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the District reported a liability of \$29,338,491 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an

actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2017, the District's proportion was 0.440434%, which was an increase of 0.005481% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$4,053,109. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 269,355	\$ 254,196
Changes of assumptions	5,097,677	-
Net difference between projected and actual earnings on IPERS' investments	-	306,430
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	375,357	119,610
District contributions subsequent to the measurement date	2,967,290	-
Total	<u>\$ 8,709,679</u>	<u>\$ 680,236</u>

\$2,967,290 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2019	\$ 720,867
2020	2,336,534
2021	1,424,673
2022	216,554
2023	363,525
Total	<u>\$ 5,062,153</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, 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.

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
District's proportionate share of the net pension liability	\$ 44,338,064	\$ 29,338,491	\$ 13,375,200

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.

Payables to IPERS - At June 30, 2018, the District reported payables IPERS of \$402,920 for legally required District contributions and \$268,463 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

Note 9. Other Postemployment Benefits (OPEB)

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

are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

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

Inactive employees or beneficiaries currently receiving benefit payments	54
Active employees	<u>584</u>
Total	<u><u>638</u></u>

Total OPEB Liability - The District's total OPEB liability of \$6,597,416 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the June 30, 2018 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, 2018)	3.00% per annum.
Rates of salary increase (effective June 30, 2018)	3.00% per annum, including inflation.
Discount rate (effective June 30, 2018)	3.58% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	7.00% initial rate decreasing by 0.5% per year to an ultimate rate of 4.50%

Discount Rate - The discount rate used to measure the total OPEB liability was 3.87% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP-2014 generational table scaled using MP-17, applied on a gender specific basis. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year, as restated	\$ 6,400,093
Changes for the year:	
Service cost	516,233
Interest	259,148
Changes in assumptions	(137,845)
Benefit payments	<u>(440,213)</u>
Net changes	<u>197,323</u>
Total OPEB liability end of year	<u><u>\$ 6,597,416</u></u>

Changes of assumptions reflect a change in the discount rate from 3.58% in fiscal year 2017 to 3.87% in fiscal year 2018.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.87%) or 1% higher (4.87%) than the current discount rate.

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ 6,149,110	6,597,416	7,088,246

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 (6.00%) or 1% higher (8.00%) than the current healthcare cost trend rates.

	1% Decrease (6.00%)	Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
Total OPEB liability	\$ 6,052,802	6,597,416	7,420,308

OPEB Expense and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2018, the District recognized OPEB expense of \$763,748. At June 30, 2018, the District reported deferred inflows of resources related to OPEB from the following resources:

	Deferred Inflows of Resources
Changes in assumptions	\$ 126,212

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

Year Ended June 30,	Amount
2019	\$ (11,633)
2020	(11,633)
2021	(11,633)
2022	(11,633)
2023	(11,633)
Thereafter	(68,047)
Total	<u>\$ (126,212)</u>

Note 10. Risk Management

The District has a self-funded health and dental insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess \$130,000 in insured claims for any one covered individual. Settled aggregate stop-loss claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$4,348,341 at

April 30, 2018, the last date for which information is available. The incurred but not recorded and unpaid claims liability of \$792,132 reported in the plan at April 30, 2018, is based on the requirements of GASB Statement Number 10, is included as a liability on the Statement of Net Position.

In addition, the District is exposed to various risks to 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11. 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 \$1,708,906 for the year ended June 30, 2018 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 12. Construction Commitment

The District has entered into contracts for a variety of school infrastructure projects including tennis courts upgrades and a new high school. As of June 30, 2018, costs of \$435,576 had been incurred against the contracts. The balance remaining on these contracts at June 30, 2018 will be paid as work on the projects progress. The total cost of each project will be capitalized upon completion.

Note 13. Operating Lease

The District entered into an operating lease with Richo USA for the use of copiers in June of 2017. Terms of the lease include a minimum monthly payment of \$5,114 for 36 months.

Note 14. 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, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

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

Program	Amount
Home School Assistance Program	\$ 130,556
Teacher Leadership State Aid	171,983
Four-year-old Preschool State Aid	331,698
Teacher Salary Supplement	237,435
Market Factor	30,437
Textbook Aid for Nonpublic Students	5,937
Successful Progression for Early Readers	30,232
Professional Development for Model Core Curriculum	225,634
Professional Development	201,552
Market Factor Incentives	26,032
Total	<u>\$ 1,391,496</u>

Note 15. Detailed Reconciliation of Governmental Fund Balances to Net Position

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

	Invested in Capital Assets	School Infrastructure	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	10,526,598	2,460,483	1,913,526
Capital assets, net of accumulated depreciation	123,919,313	-	-	-
General obligation bond capitalized indebtedness	(11,782,364)	-	-	-
Revenue bond capitalized indebtedness	(13,042,000)	-	-	-
Unspent general obligation bond proceeds	-	(4,727,636)	-	-
Accrued interest payable	-	-	(74,684)	-
Internal service fund	-	-	-	4,343,227
Nonspendable balances	-	-	-	27,346
Net pension liability - IPERS	-	-	-	(29,335,557)
Pension related deferred outflows of resources	-	-	-	8,709,104
Pension related deferred inflows of resources	-	-	-	(680,168)
Income surtax	-	-	-	1,962,466
Compensated absences	-	-	-	(422,206)
OPEB related deferred inflows of resources	-	-	-	(126,212)
Total OPEB liability	-	-	-	(6,597,416)
Net position (Exhibit A)	\$ 99,094,949	5,798,962	2,385,799	(20,205,890)

Note 16. 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 the are otherwise entitle and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

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

Entity	Tax Abatement Program	Amount of Tax Abated
City of Ames	Urban Renewal	\$ 226,131

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2018, this reimbursement amounted to \$141,791.

Note 17. Accounting Change/Restatement

Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred

outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities and business type activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2017, as previously reported	\$ 97,238,355	545,552
OPEB obligation measured under previous standards	1,515,483	1,517
Total OPEB liability at June 30, 2017	<u>(6,400,093)</u>	<u>-</u>
Net position July 1, 2017, as restated	<u>\$ 92,353,745</u>	<u>547,069</u>

AMES COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

AMES COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF
 REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2018

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 44,625,400	803,276	45,428,676	44,666,332	44,666,332	762,344
State sources	25,006,979	11,991	25,018,970	25,489,372	25,489,372	(470,402)
Federal sources	2,004,922	833,872	2,838,794	2,606,000	2,606,000	232,794
Total revenues	<u>71,637,301</u>	<u>1,649,139</u>	<u>73,286,440</u>	<u>72,761,704</u>	<u>72,761,704</u>	<u>524,736</u>
Expenditures/Expenses:						
Instruction	35,880,764	-	35,880,764	35,621,082	37,621,082	1,740,318
Support services	19,041,546	-	19,041,546	18,269,798	20,769,768	1,728,222
Non-instructional programs	4,803	1,527,969	1,532,772	1,631,485	1,631,485	98,713
Other expenditures	16,097,676	-	16,097,676	16,193,399	21,193,840	5,096,164
Total expenditures	<u>71,024,789</u>	<u>1,527,969</u>	<u>72,552,758</u>	<u>71,715,764</u>	<u>81,216,175</u>	<u>8,663,417</u>
Excess (Deficiency) of revenues over (under) expenditures/expenses	612,512	121,170	733,682	1,045,940	(8,454,471)	9,188,153
Other financing sources(uses), net	<u>5,207,145</u>	<u>(73,720)</u>	<u>5,133,425</u>	-	-	<u>5,133,425</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	5,819,657	47,450	5,867,107	1,045,940	(8,454,471)	14,321,578
Balances beginning of year, as restated	<u>20,935,403</u>	<u>547,069</u>	<u>21,482,472</u>	<u>24,856,834</u>	<u>24,856,834</u>	<u>3,374,362</u>
Balances end of year	<u>\$ 26,755,060</u>	<u>594,519</u>	<u>27,349,579</u>	<u>25,902,774</u>	<u>16,402,363</u>	<u>17,695,940</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$9,500,411.

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

	2018	2017	2016	2015
District's proportion of the net pension liability	0.440434%	0.434953%	0.438290%	0.442594%
District's proportionate share of the net pension liability	\$ 29,338,491	27,372,949	21,653,655	17,552,847
District's covered payroll	\$ 32,876,286	31,209,612	30,022,125	28,961,422
District's proportionate share of the net pension liability as a percentage of its covered payroll	89.24%	87.71%	72.13%	60.61%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

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

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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	\$ 2,967,290	2,943,598	2,787,394	2,680,976	2,586,255	2,480,614	2,309,963	1,963,715	1,945,836	1,794,217
Contributions in relation to the statutorily required contribution	<u>(2,967,290)</u>	<u>(2,943,598)</u>	<u>(2,787,394)</u>	<u>(2,680,976)</u>	<u>(2,586,255)</u>	<u>(2,480,614)</u>	<u>(2,309,963)</u>	<u>(1,963,715)</u>	<u>(1,945,836)</u>	<u>(1,794,217)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	\$ 33,228,348	32,876,286	31,209,612	30,022,125	28,961,422	28,611,465	28,624,077	28,254,892	29,260,692	28,255,386
Contributions as a percentage of covered payroll	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Changes of benefit terms:

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

Changes of assumptions:

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

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth 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 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

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

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

	2018
Service cost	\$ 516,233
Interest cost	259,148
Changes in assumptions	(137,845)
Benefit payments	(440,213)
Net change in total OPEB liability	197,323
Total OPEB liability beginning of year, as restated	6,400,093
Total OPEB liability end of year	\$ 6,597,416
Covered-employee payroll	\$ 18,834,176
Total OPEB liability as a percentage of covered-employee payroll	35.03%

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 assumption:

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

Year ended June 30, 2018	3.87%
Year ended June 30, 2017	3.58%

AMES COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

AMES COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 4,946,001	269,762	5,215,763
Receivables:			
Property tax:			
Delinquent	629	-	629
Succeeding year	60,000	-	60,000
Due from other governments	169	-	169
Total assets	\$ 5,006,799	269,762	5,276,561
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,165	26,033	27,198
Salaries and benefits payable	824	-	824
Total liabilities	1,989	26,033	28,022
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	60,000	-	60,000
Fund balances:			
Restricted for:			
Management levy purposes	4,944,810	-	4,944,810
Student activities	-	243,729	243,729
Total fund balances	4,944,810	243,729	5,188,539
Total liabilities, deferred inflows of resources and fund balances	\$ 5,006,799	269,762	5,276,561

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2018

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 599,608	-	599,608
Other	125,330	497,951	623,281
State sources	22,168	-	22,168
Total revenues	747,106	497,951	1,245,057
Expenditures:			
Current:			
Instruction:			
Regular	539,766	-	539,766
Other	-	590,983	590,983
Support services:			
Administration	25,703	-	25,703
Operation and maintenance of plant	539,203	-	539,203
Transportation	-	12,213	12,213
Total expenditures	1,104,672	603,196	1,707,868
Change in fund balances	(357,566)	(105,245)	(462,811)
Fund balances beginning or year	5,302,376	348,974	5,651,350
Fund balances end of year	\$ 4,944,810	243,729	5,188,539

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Building Construction	Total
Assets				
Cash and pooled investments	\$ 5,470,320	5,538,899	4,941,380	15,950,599
Receivables:				
Property tax:				
Delinquent	-	4,370	-	4,370
Succeeding year	-	4,532,887	-	4,532,887
Due from other governments	330,462	1,417	-	331,879
Total assets	\$ 5,800,782	10,077,573	4,941,380	20,819,735
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,820	297,614	213,744	513,178
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	4,532,887	-	4,532,887
Fund balances:				
Restricted for:				
School infrastructure	5,798,962	-	4,727,636	10,526,598
Physical plant and equipment	-	5,247,072	-	5,247,072
Total fund balances	5,798,962	5,247,072	4,727,636	15,773,670
Total liabilities, deferred inflows of resources and fund balances	\$ 5,800,782	10,077,573	4,941,380	20,819,735

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Building Construction	
Revenues:				
Local sources:				
Local tax	\$ -	4,208,479	-	4,208,479
Other	41,798	121,683	-	163,481
State sources	3,900,294	154,441	-	4,054,735
Total revenues	<u>3,942,092</u>	<u>4,484,603</u>	<u>-</u>	<u>8,426,695</u>
Expenditures:				
Current:				
Support services:				
Instructional staff	-	829,852	-	829,852
Administration	2,575	150,482	-	153,057
Operation and maintenance of plant	-	105,090	19,661	124,751
Transportation	-	440,587	-	440,587
Capital outlay	381,582	2,546,130	356,200	3,283,912
Total expenditures	<u>384,157</u>	<u>4,072,141</u>	<u>375,861</u>	<u>4,832,159</u>
Excess(Deficiency) of revenues over(under) expenditures	3,557,935	412,462	(375,861)	3,594,536
Other financing sources (uses):				
Transfers out	(1,321,396)	-	-	(1,321,396)
Sale of real property	-	22,211	-	22,211
General obligation bond issuance	-	-	4,995,000	4,995,000
Premium on general obligation bond issuance	-	-	141,963	141,963
Discount on general obligation bond issuance	-	-	(33,466)	(33,466)
Total other financing sources (uses)	<u>(1,321,396)</u>	<u>22,211</u>	<u>5,103,497</u>	<u>3,804,312</u>
Change in fund balances	2,236,539	434,673	4,727,636	7,398,848
Fund balances beginning of year	<u>3,562,423</u>	<u>4,812,399</u>	<u>-</u>	<u>8,374,822</u>
Fund balances end of year	<u>\$ 5,798,962</u>	<u>5,247,072</u>	<u>4,727,636</u>	<u>15,773,670</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

Building Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Edwards	\$ 1,059	9,582	4,622	6,019
Fellows	851	-	-	851
Meeker	1,996	-	-	1,996
Mitchell	3,635	174	980	2,829
Northwood	2,519	-	-	2,519
Sawyer	3,239	-	-	3,239
Middle School	132,210	44,979	67,410	109,779
High School	203,465	443,216	530,184	116,497
Total	\$ 348,974	497,951	603,196	243,729

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2018

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>VOCATIONAL CONSORTIUM</u>				
Assets				
Cash and pooled investments	\$ -	284,372	284,372	-
Due from other groups	224,140	244,617	224,140	244,617
	<u>\$ 224,140</u>	<u>528,989</u>	<u>508,512</u>	<u>244,617</u>
Liabilities				
Excess of warrants issued over bank balance	\$ 173,197	196,430	173,197	196,430
Due to other groups	50,943	332,559	335,315	48,187
	<u>\$ 224,140</u>	<u>528,989</u>	<u>508,512</u>	<u>244,617</u>
<u>HS/MS/ELEMENTARY AGENCY</u>				
Assets				
Cash and pooled investments	\$ 7,432	1,185	1,615	7,002
Liabilities				
Due to other groups	\$ 7,432	1,185	1,615	7,002
<u>TOTALS - ALL AGENCY FUNDS</u>				
Assets				
Cash and pooled investments	\$ 7,432	285,557	285,987	7,002
Due from other groups	224,140	244,617	224,140	244,617
	<u>\$ 231,572</u>	<u>530,174</u>	<u>510,127</u>	<u>251,619</u>
Liabilities				
Excess of warrants issued over bank balance	\$ 173,197	196,430	173,197	196,430
Due to other groups	58,375	333,744	336,930	55,189
	<u>\$ 231,572</u>	<u>530,174</u>	<u>510,127</u>	<u>251,619</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Local sources:										
Local tax	\$ 37,904,775	36,415,594	34,196,620	33,796,439	33,809,904	37,147,319	36,527,289	35,872,989	32,415,975	31,983,458
Tuition	4,578,611	3,777,621	3,777,159	3,102,473	2,981,980	2,979,748	2,566,422	2,653,778	2,967,606	3,082,361
Other	2,142,014	2,228,285	2,202,428	1,961,866	2,034,203	1,905,145	1,901,014	2,463,605	2,435,051	2,696,854
State sources	25,006,979	25,008,983	25,068,121	23,676,092	22,247,999	17,971,510	18,672,053	17,135,046	14,702,239	17,541,260
Federal sources	2,004,922	1,872,343	1,782,393	1,965,649	1,851,006	1,700,607	2,804,019	2,845,923	4,651,164	2,044,097
Total	\$ 71,637,301	69,302,826	67,026,721	64,502,519	62,925,092	61,704,329	62,470,797	60,971,341	57,172,035	57,348,030
Expenditures:										
Instruction:										
Regular	\$ 21,915,457	22,421,293	21,636,877	22,183,357	22,637,294	21,337,066	20,927,564	19,534,272	20,314,315	21,849,730
Special	7,609,650	7,139,019	7,057,803	7,180,111	6,860,466	6,992,967	7,542,752	7,987,500	7,982,672	9,528,999
Other	6,355,657	6,180,252	5,785,825	6,332,114	5,975,740	5,765,157	5,405,159	6,015,765	5,799,877	2,360,789
Support services:										
Student	2,123,926	1,856,633	1,675,702	1,257,996	1,298,581	1,228,088	1,093,585	1,067,736	1,105,029	994,130
Instructional staff	3,798,725	5,377,811	2,797,343	865,147	777,641	769,764	1,453,978	843,662	881,864	777,760
Administration	6,192,510	6,197,396	5,626,482	5,529,955	5,136,104	4,823,162	5,051,246	4,981,486	5,249,525	5,266,640
Operation and maintenance of plant	4,066,177	4,199,936	3,939,312	4,071,646	4,114,047	3,493,246	3,510,248	3,697,746	3,673,665	3,827,315
Transportation	2,860,208	2,636,457	2,542,367	1,921,633	1,626,176	1,539,157	1,782,067	1,678,751	1,589,557	1,571,046
Non-instructional programs	4,803	5,672	6,299	6,237	6,038	5,202	4,120	-	-	-
Capital outlay	3,283,912	10,917,378	32,440,421	30,048,770	19,534,673	5,450,113	3,940,891	2,712,080	2,972,443	5,254,515
Long-term debt:										
Principal	9,823,000	9,760,000	8,000,000	7,190,000	8,907,676	8,368,718	4,492,222	3,660,537	3,498,702	4,699,283
Interest and fiscal charges	1,281,858	1,318,597	1,453,913	1,735,162	821,142	423,053	398,593	798,757	960,066	1,013,940
Other expenditures:										
AEA flow-through	1,708,906	1,646,929	1,637,610	1,640,668	1,573,165	1,518,949	1,516,483	1,681,357	1,627,177	1,483,016
Total	\$ 71,024,789	79,657,373	94,599,954	89,962,796	79,268,743	61,714,642	57,118,908	54,659,649	55,654,892	58,627,163

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

GRANTOR/PROGRAM	CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 18	118,593
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 18	688,768 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 18	15,100
			<u>822,461</u>
CHILD AND ADULT CARE FOOD PROGRAM	10.558	FY 18	<u>11,411</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 18	<u>625,470</u>
TITLE I STATE AGENCY PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN AND YOUTH	84.013	FY 18	<u>19,531</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 18	<u>45,335 **</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES			
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	FY 18	<u>40,000</u>
SUPPORTING EFFECTIVE INSTRUCTION STATE GRANTS	84.367	FY 18	<u>107,616</u>
HEARTLAND AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 18	<u>196,474 **</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 18	<u>6,845</u>
TOTAL			<u><u>\$ 1,905,333</u></u>

* Includes \$111,535 of non-cash awards.

** Total for Special Education - Grants to States is \$241,809.

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Ames Community School District under programs of the federal government for the year ended June 30, 2018. 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 Ames Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of Ames 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, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or 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 - Ames Community School District elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of Ames Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ames Community School District as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 7, 2019.

Internal Control Over Financial Reporting

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

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

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 that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-18 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ames Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Ames Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 7, 2019
Newton, Iowa

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

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

To the Board of Education of Ames Community School District:

Report on Compliance for Each Major Federal Program

We have audited Ames 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, 2018. Ames 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

Our responsibility is to express an opinion on compliance for each of Ames Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government 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 we 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 Ames Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Ames 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, 2018.

Report on Internal Control Over Compliance

The management of Ames 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 our audit of compliance, we considered Ames 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 that are 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ames 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 a 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of 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.



NOLTE, CORNMAN & JOHNSON, P.C.

January 7, 2019
Newton, Iowa

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) Major program was as follows:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Ames Community School District qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-18 Negative Lunch Account Balances

Criteria - Management is responsible for implementing and maintain an internal control system, including policies and procedures, related to the collection of revenue for meals served by the School Nutrition Program.

Condition - It was noted during the audit the School Nutrition Fund appears to be carrying numerous negative student and adult lunch account balances on its books as of June 30, 2018.

Cause - The District policies and procedures do not appear to currently ensure adequate collection of revenues earned for meals served which enables patrons to accumulate significant negative balances.

Effect - Potentially ineffective or unenforced policies and procedures over lunch account balances could result in the District forgoing or not collecting revenue it is entitled to for meals served. It was noted that several of the negative account balances appear to be excessive in amount, there were 102 accounts with negative balances over \$100.00 at June 30, 2018.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances aimed at discouraging accounts from becoming negative. The District should try various collection techniques to collect the balances owed.

Response - The District uses its student information system to account for student lunch accounts. Each family is given the opportunity to complete an application for free or reduced meals. Parents can apply funds to their student's accounts through Rev Trak on line payments or by check/cash at their student's building. The District emails (mailed letters when no email address) parents weekly when their lunch balance reaches a positive \$25 and below to remind them to put funds on the account.

In 2017 the School Board changed its policy to provide a reimbursable meal to each student regardless of fund on the account. Students must have adequate funds to purchase ala carte or pay at the point of sale. The School Board's policy aligns with the new state law that prohibits denying a student a meal. Under the new state law, families will be provided with the opportunity to complete a free and reduced application twice a year. Federal law requires that families who do not qualify for free meals must pay either the full or reduced price. Since state law requires a meal be provided and federal law requires charging for the meal, account balances are very likely to increase.

The District sends unpaid accounts to collections when amount owed by a family reaches \$100.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-18 Certified Budget - Expenditures for the year ended June 30, 2018 did not exceed the amended certified budget amounts.

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

IV-C-18 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-18 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Luke Deardorff, Board Member VP of First National Bank	Bank depository	Indeterminable

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

IV-E-18 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

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

IV-G-18 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-H-18 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-18 Deposits and Investments - We noted 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.

IV-J-18 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

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

IV-L-18 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax 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, 2018, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 3,562,423
Revenues:		
Other local revenues	\$ 41,798	
Sales tax revenues	<u>3,900,294</u>	<u>3,942,092</u>
		7,504,515
Expenditures/transfers out:		
School infrastructure construction	339,983	
Equipment	10,462	
Other	33,712	
Transfers to other funds:		
Debt service fund	<u>1,321,396</u>	<u>1,705,553</u>
Ending balance		<u><u>\$ 5,798,962</u></u>

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

APPENDIX E – FORM OF ISSUE PRICE CERTIFICATES

**[FORM OF ISSUE PRICE CERTIFICATE TO BE USED IF
COMPETITIVE SALE REQUIREMENTS ARE MET]**

**AMES COMMUNITY SCHOOL DISTRICT
\$ _____ GENERAL OBLIGATION SCHOOL BONDS, SERIES 2019
ISSUE PRICE CERTIFICATE**

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

1. Reasonably Expected Initial Offering Price.
 - a. As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by Purchaser are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by Purchaser in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by Purchaser to purchase the Bonds.
 - b. Purchaser was not given the opportunity to review other bids prior to submitting its bid.
 - c. The bid submitted by Purchaser constituted a firm offer to purchase the Bonds.
2. Defined Terms.
 - a. Maturity means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
 - b. Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
 - c. Sale Date means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is May 6, 2019.
 - d. Underwriter means (i) the Purchaser or any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

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

[UNDERWRITER]

By: _____
Name: _____

Dated: [ISSUE DATE]

SCHEDULE A
EXPECTED OFFERING PRICES
(Attached)

SCHEDULE B
COPY OF UNDERWRITER'S BID
(Attached)

**[FORM OF ISSUE PRICE CERTIFICATE TO BE USED IF
COMPETITIVE SALE REQUIREMENTS ARE NOT MET]
AMES COMMUNITY SCHOOL DISTRICT
\$ _____ GENERAL OBLIGATION SCHOOL BONDS, SERIES 2019**

ISSUE PRICE CERTIFICATE

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

1. Sale of the General Rule Maturities. As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.
2. Initial Offering Price of the Hold-the-Offering-Price Maturities.
 - a. [Purchaser][The Underwriting Group] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.
 - b. As set forth in the Official Terms of Offering and bid award, [Purchaser][the members of the Underwriting Group] [has][have] agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it][they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.
3. Defined Terms.
 - a. General Rule Maturities means those Maturities of the Bonds listed in Schedule A hereto as the "General Rule Maturities."
 - b. Hold-the-Offering-Price Maturities means those Maturities of the Bonds listed in Schedule A hereto as the "Hold-the-Offering-Price Maturities."
 - c. Holding Period means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (May 6, 2019), or (ii) the date on which [Purchaser][the Underwriters] [has][have] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.
 - d. Issuer means Ames Community School District.
 - e. Maturity means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.
 - f. Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
 - g. Sale Date means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is May 6, 2019.
 - h. Underwriter means (i) the Purchaser or any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

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

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

[UNDERWRITER][REPRESENTATIVE]

By: _____

Name: _____

Dated: [ISSUE DATE]

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

SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION