

Official Statement

Assuming compliance with certain covenants, in the opinion of Ahlers & Cooney, P.C., Bond Counsel, under present law and assuming continued compliance with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Notes is excludable from gross income for federal income tax purposes. Interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. Interest on the Notes is not exempt from present Iowa income taxes. The Notes will be designated as "qualified tax-exempt obligations". See "TAX MATTERS" herein for a more detailed discussion.



\$1,500,000*
CITY OF MOUNT VERNON
Linn County, Iowa
General Obligation Capital Loan Notes, Series 2022

Dated Date of Delivery **Book-Entry** **Bank Qualified** **Due Serially June 1, 2024 - 2035**

The \$1,500,000* General Obligation Capital Loan Notes, Series 2022 (the "Notes") are being issued by the City of Mount Vernon, Linn County, Iowa (the "City"). Interest is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2023. Interest is calculated based on a 360-day year of twelve 30-day months. The Notes will be issued using a book-entry system. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Notes. The ownership of one fully registered Note for each maturity will be registered in the name of Cede & Co., as nominee for DTC and no physical delivery of Notes will be made to purchasers. The Notes will mature on June 1 in the following years and amounts.

AMOUNTS*, MATURITIES, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS

Principal Amount*	Due June 1	Interest Rate	Price or Yield	CUSIP Number(1)	Principal Amount*	Due June 1	Interest Rate	Price or Yield	CUSIP Number(1)
\$100,000	2024	%	%		\$125,000	2030	%	%	
105,000	2025	%	%		130,000	2031	%	%	
110,000	2026	%	%		135,000	2032	%	%	
115,000	2027	%	%		140,000	2033	%	%	
115,000	2028	%	%		150,000	2034	%	%	
120,000	2029	%	%		155,000	2035	%	%	

Any consecutive maturities may be aggregated into term notes at the option of the bidder, in which case the mandatory redemption provisions shall be on the same schedule as above.

OPTIONAL REDEMPTION

Notes due June 1, 2024 - 2030, inclusive, are not subject to optional redemption. Notes due June 1, 2031 - 2035, inclusive, are callable in whole or in part on any date on or after June 1, 2030, at a price of par and accrued interest. If less than all the Notes are called, they shall be redeemed in such principal amounts and from such maturities as determined by the City and within any maturity by lot. See "OPTIONAL REDEMPTION" herein.

PURPOSE, LEGALITY AND SECURITY

The proceeds of the Notes are expected to be used to: (i) opening, widening, extending, grading, and draining of the right-of-way of streets, highways, avenues, alleys and public grounds, and market places, and the removal and replacement of dead or diseased trees thereon; the construction, reconstruction, and repairing of any street improvements, bridges, grade crossing separations and approaches; the acquisition, installation, and repair of sidewalks, culverts, retaining walls, storm sewers, sanitary sewers, water service lines, street lighting, and traffic control devices; and the acquisition of any real estate needed for any of the foregoing purposes including various street and water main repair projects and the rehabilitation, improvement and equipping of the existing Davis Park including replacement of restrooms and concession stand, lighting, backstops and dugouts and (ii) aiding in the planning, undertaking, and carrying out of urban renewal projects under the authority of Chapter 403 including the acquisition of property for and the remodeling and expansion of the existing church structure into a community building to serve as, inter alia, a police building, temporary shelter and emergency services building as authorized in Amendment #7 to the Mount Vernon Urban Renewal Plan and (iii) pay the costs of issuing the Notes.

In the opinion of Bond Counsel, Ahlers & Cooney, P.C., Des Moines, Iowa, the Notes will constitute valid and legally binding obligations of the City payable both as to principal and interest from ad valorem taxes levied against all taxable, real property within the corporate limits of the City without limitation as to rate or amount, all except as limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws relating to the enforcement of creditors' rights generally and except that enforcement by equitable and similar remedies, such as mandamus, is subject to the exercise of judicial discretion.

The City intends to designate the Notes as "qualified tax-exempt obligations" pursuant to the small issuer exception provided by Section 265(b)(3) of the Internal Revenue Code of 1986.

This Official Statement is dated September 8, 2022 and has been prepared under the authority of the City. An electronic copy of this Official Statement is available from the www.speerfinancial.com web site under "Official Statement Sales Calendar". Additional copies may be obtained from Chris Nosbisch, City Administrator, City of Mount Vernon, 213 First Street N.W., Mount Vernon, Iowa, 52314, or from the Registered Municipal Advisors to the City.



*Subject to principal adjustment in accordance with the Official Terms of Offering.

(1) CUSIP numbers appearing in this Official Statement have been provided by the CUSIP Service Bureau, which is managed on behalf of the American Bankers Association by S&P Capital IQ, a part of McGraw Hill Financial Inc. The City is not responsible for the selection of CUSIP numbers and makes no representation as to their correctness on the Notes or as set forth on the cover of this Official Statement.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the City from time to time (collectively, the “Official Statement”), may be treated as an Official Statement with respect to the Notes described herein that is deemed near final as of the date hereof (or the date of any such supplement or correction) by the City.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Notes, together with any other information required by law or deemed appropriate by the City, shall constitute a “Final Official Statement” of the City with respect to the Notes, as that term is defined in Rule 15c2-12. Any such addendum or addenda shall, on and after the date thereof, be fully incorporated herein and made a part hereof by reference. Alternatively, such final terms of the Notes and other information may be included in a separate document entitled “Final Official Statement” rather than through supplementing the Official Statement by an addendum or addenda.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations with respect to the Notes other than as contained in the Official Statement or the Final Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. Certain information contained in the Official Statement and the Final Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness. **THE INFORMATION AND EXPRESSIONS OF OPINION IN THE OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT OR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE RESPECTIVE DATES THEREOF.**

References herein to laws, rules, regulations, ordinances, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Official Statement or the Final Official Statement, they will be furnished on request. This Official Statement does not constitute an offer to sell, or solicitation of an offer to buy, any securities to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful.

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OFFICIAL TERMS OF OFFERING

 Exhibit A – Example Issue Price Certificate

NOTE ISSUE SUMMARY

This Note Issue Summary is expressly qualified by the entire Official Statement, including the Official Terms of Offering and the Official Bid Form, which are provided for the convenience of potential investors and should be reviewed in their entirety by potential investors.

Issuer:	City of Mount Vernon, Linn County, Iowa.
Issue:	\$1,500,000* General Obligation Capital Loan Notes, Series 2022.
Dated Date:	Date of delivery (expected to be on or about October 18, 2022).
Interest Due:	Each June 1 and December 1, commencing June 1, 2023.
Principal Due:	Serially each June 1, commencing June 1, 2024 through 2035, as detailed on the cover page of this Official Statement.
Optional Redemption:	Notes maturing on or after June 1, 2031, are callable at the option of the City on any date on or after June 1, 2030, at a price of par plus accrued interest. See “OPTIONAL REDEMPTION” herein.
Authorization:	The Notes are being issued pursuant to authority established in Code of Iowa, 2021 as amended, Chapters 384 and 403 (the “Act”), and all laws amendatory thereof and supplementary thereto, and in conformity with a resolution (the “Resolution” or the “Note Resolution”) of the City duly passed and approved.
Security:	The Notes are valid and legally binding obligations of the City payable both as to principal and interest from ad valorem taxes levied against all taxable real property within the corporate limits of the City without limitation as to rate or amount, all except as limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws relating to the enforcement of creditors’ rights generally and except that enforcement by equitable and similar remedies, such as mandamus, is subject to the exercise of judicial discretion.
Investment Rating:	The Notes have been rated “AA-/Stable” by S&P Global Ratings, New York, New York. See “INVESTMENT RATING” herein.
Purpose:	The proceeds of the Notes will be used to: : (i) opening, widening, extending, grading, and draining of the right-of-way of streets, highways, avenues, alleys and public grounds, and market places, and the removal and replacement of dead or diseased trees thereon; the construction, reconstruction, and repairing of any street improvements, bridges, grade crossing separations and approaches; the acquisition, installation, and repair of sidewalks, culverts, retaining walls, storm sewers, sanitary sewers, water service lines, street lighting, and traffic control devices; and the acquisition of any real estate needed for any of the foregoing purposes including various street and water main repair projects and the rehabilitation, improvement and equipping of the existing Davis Park including replacement of restrooms and concession stand, lighting, backstops and dugouts and (ii) aiding in the planning, undertaking, and carrying out of urban renewal projects under the authority of Chapter 403 including the acquisition of property for and the remodeling and expansion of the existing church structure into a community building to serve as, inter alia, a police building, temporary shelter and emergency services building as authorized in Amendment #7 to the Mount Vernon Urban Renewal Plan and (iii) pay the costs of issuing the Notes.
Tax Matters:	Ahlers & Cooney, P.C., Des Moines, Iowa, will provide an opinion as to the tax exemption of the Notes as discussed under “TAX MATTERS” in this Official Statement. Interest on the Notes is not exempt from present State of Iowa income taxes. See APPENDIX C for a draft form of legal opinion for the Notes.
Bank Qualified:	The City intends to designate the Notes as “qualified tax-exempt obligations”.
Registrar/Paying Agent:	UMB Bank, n.a., West Des Moines, Iowa (the “Registrar”).
Delivery:	The Notes are expected to be delivered on or about October 18, 2022.
Book-Entry Form:	The Notes will be registered in the name of Cede & Co. as nominee for The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository of the Notes. See APPENDIX B herein.
Denomination:	\$5,000 or integral multiples thereof.
Municipal Advisor:	Speer Financial, Inc., Waterloo, Iowa and Chicago, Illinois.

*Subject to change.

CITY OF MOUNT VERNON
Linn County, Iowa

Thomas Wieseler
Mayor

Council Members

Craig Engel

Deb Herrmann

Scott Rose

Paul Tuerler

Stephanie West

Officials

Chris Nosbisch
City Administrator

Sue Ripke
Assistant City Administrator/City Clerk

Holly Corkery, Esq.
City Attorney

SECURITY AND SOURCE OF PAYMENT

Pursuant to the Resolution and the Act, the Notes and the interest thereon are general obligations of the City, and all taxable, real property within the corporate boundaries of the City is subject to the levy of taxes to pay the principal of and interest on the Notes without constitutional or statutory limitation as to rate or amount. For a description of certain constitutional limits on the issuance of general obligation debt by the City, see “Debt Limitation” herein.

Section 76.2 of the Code of Iowa provides that when an Iowa political subdivision issues general obligation bonds, the governing authority of such political subdivision shall, by resolution adopted before issuing the bonds, provide for the assessment of an annual levy upon all the taxable real property in the political subdivision sufficient to pay the interest and principal of the bonds. A certified copy of this resolution shall be filed with the County Auditor in which the City is located, giving rise to a duty of the County Auditor to annually enter this levy for collection from the taxable real property within the boundaries of the City, until funds are realized to pay the Notes in full.

For the purpose of providing for the levy and collection of a direct annual tax sufficient to pay the principal of and interest on the Notes as the same become due, the Resolution provides for the levy of a tax sufficient for that purpose on all the taxable real property in the City in each of the years while the Notes are outstanding. The City shall file a certified copy of the Resolution with the County Auditor, pursuant to which the County Auditor is instructed to enter for collection and assess the tax authorized. When annually entering such taxes for collection, the County Auditor shall include the same as a part of the tax levy for Debt Service Fund purposes of the City and when collected, the proceeds of the taxes shall be deposited into the Debt Service Fund of the City and set aside therein as a special account to be used solely and only for the payment of the principal of and interest on the Notes and for no other purpose whatsoever.

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

NOTEHOLDERS' RISKS

An investment in the Notes is subject to certain risks. No person should purchase the Notes unless such person understands the risks described below and is willing to bear those risks. There may be other risks not listed below which may adversely affect the value of the Notes. In order to identify risk factors, make an informed investment decision, and if the Notes are an appropriate investment, potential investors should be thoroughly familiar with this entire Official Statement (including the Appendices hereto).

Potential Impact of The Coronavirus

Beginning in early 2020, a strain of coronavirus commonly known as COVID-19 began to spread globally, negatively affecting global, state, and local economies and possibly sparking a recession. The State of Iowa may suffer material adverse consequences from the continued spread of COVID-19, which could affect the amount of State revenues appropriated to municipalities, including the City. The spread of the virus could reduce sales tax and other revenue collections, property valuations and other revenue sources dependent on local business activity.

The City did not experience material reductions in revenue or material increases in expenses in fiscal years 2020, 2021 and 2022 due to material COVID-19-related financial impacts and currently expects that any material COVID-19-related financial impacts are expected to be covered by federal funding. In fiscal year 2022, the City received over \$333,500 in CARES Act funds, to be used for capital projects. The City anticipates receipt of \$333,500 in Recovery Act funds, payable in fiscal years 2023. The City plans to apply such to police station renovations.

The City cannot predict whether continued spread of the disease will materially impact its financial condition, in fiscal year 2023 or beyond. The spread of the virus could negatively affect the City's financial condition, including, among others, lower property values, a delay in property tax collections, and other unpredicted unforeseen consequences, which may affect the City's ability to pay principal of and interest on the Notes. The Notes are general obligations of the District. See "**SECURITY AND SOURCE OF PAYMENT**" herein.

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

Secondary Market

There can be no guarantee that there will be a secondary market for the Notes or, if a secondary market exists, that such Notes 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, secondary marketing practices in connection with a particular bond or note 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 Notes.

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

Ratings Loss

S&P Global Ratings (“S&P”) has assigned a rating of “AA-/Stable” to the Notes. 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 S&P’s, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Notes.

Various factors, including additional 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 Notes.

Redemption Prior to Maturity

In considering whether to make an investment in the Notes, it should be noted the Notes are subject to optional redemption, as outlined herein, without Noteholder discretion or consent. See “**OPTIONAL REDEMPTION**” herein.

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 City to pay debt service when due on the Notes.

Tax Matters, Bank Qualification and Loss of Tax Exemption

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

The City intends to designate the Notes 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”). The City has further covenanted to comply with certain other requirements, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code. Actions, or inactions, by the City in violation of its covenants could affect the designation, which could also affect the pricing and marketability of the Notes.

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

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

DTC-Beneficial Owners

Beneficial Owners of the Notes may experience some delay in the receipt of distributions of principal of and interest on the Notes 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 City 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 Notes can be effected only through DTC Participants, Indirect Participants and certain banks, the ability of a Beneficial Owner to pledge the Notes to persons or entities that do not participate in the DTC system, or otherwise to take actions in respect of such Notes, 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 **APPENDIX B – Describing Book-Entry Only Issuance.**

Pension and OPEB Benefits

The City participates in the Iowa Public Employee's Retirement System (IPERS). Summary descriptions of the IPERS Plan follows, for more detailed information see **APPENDIX A – Note 4.**

In fiscal year 2021, pursuant to the IPERS' required rate, the City's Regular employees (members) contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.41% of covered payroll and the City contributed 9.61% for a total rate of 16.02%. The City's contributions to IPERS for the year ended June 30, 2021 were \$172,242. The City's share of the contributions, payable from the applicable funds of the City, is provided by a statutorily authorized annual levy of taxes without limit or restriction as to rate or amount. The City has always made its full required contributions to IPERS.

At June 30, 2021, the City reported a liability of \$1,032,797 for its proportionate share of the IPERS net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The discount rate used to measure the total pension liability was 7%. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. While the City's contributions to IPERS are controlled by state law, there can be no assurance the City will not be required by changes in State law to increase its contribution requirement in the future, which may have the effect of negatively impacting the finances of the City. See "**APPENDIX A – AUDITED FINANCIAL STATEMENTS**" for additional information on pension and liabilities of the City.

The City administers a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

See **APPENDIX A – Notes (4) and (5)** herein for further discussion of the City's employee retirement benefit obligations.

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

Continuing Disclosure

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

The City will covenant in a Continuing Disclosure Certificate for the benefit of the Owners and Beneficial Owners of the Notes to provide annually certain financial information and operating data relating to the City (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. The Annual Report is to be filed by the City no later than two hundred seventy (270) days after the close of each fiscal year, commencing with the fiscal year ending June 30, 2022, with the Municipal Securities Rulemaking Board, at its internet repository named “Electronic Municipal Market Access” (“EMMA”). The notices of events, if any, are also to be filed with EMMA. See “**APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE.**” The specific nature of the information to be contained in the Annual Report or the notices of events, and the manner in which such materials are to be filed, are summarized in “**APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE.**” These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the “Rule”).

Cybersecurity

The City, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the City will be completely successful to guard against and prevent cyber threats and attacks. Failure to properly maintain functionality, control, security, and integrity of the City’s information systems could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant. Along with significant liability claims or regulatory penalties, any security breach could have a material adverse impact on the City’s operations and financial condition. The City cannot predict whether its cyber liability policy will be sufficient in the event of a cyberattack. However, the Notes are secured by an unlimited ad valorem property tax as described herein. See “**SECURITY AND SOURCE OF PAYMENT**” herein.

Suitability of Investment

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

Bankruptcy and Insolvency

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

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

Matters Relating to Enforceability of Agreements

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

Holders of the Notes 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 Notes, 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 Resolution.

The practical realization of any rights upon any default will depend upon the exercise of various remedies specified in the Resolution. The remedies available to the owners of the Notes upon an event of default under the 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 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 Notes 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 Resolution, including principal of and interest on the Notes.

Legislation

From time to time, there are proposals pending in Congress and in the Iowa General Assembly that could, if enacted, alter or amend one or more of the matters described herein in certain respects or would adversely affect the market value of the Notes, or otherwise prevent holders of the Notes from realizing the full benefit of the tax exemption of interest on the Notes. Further such proposals may impact the marketability or market value of the Notes 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 Notes. 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 Notes. 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 Notes would be impacted thereby.

During the 2019 legislative session, the Iowa General Assembly passed Senate File 634 which was later signed into law by the Governor. This bill modifies the process for hearing and approval of the total maximum property tax dollars under certain levies in the City budget, including levies for the General Fund, the Emergency Fund, Trust and Agency Funds for pensions, insurance, transit, civic centers, certain bridges, sanitary disposal, and emergency management. The bill also includes a provision that requires the affirmative vote of 2/3 of the City Council when the maximum property tax dollars under these levies exceed an amount determined under a prescribed formula. The bill does not change the process for hearing and approval of the Debt Service Levy pledged for repayment of the Notes.

Tax Levy Procedures

The Notes are general obligations of the City, payable from and secured by a continuing ad valorem tax levied against all of the taxable real property within the corporate limits of the City. See **“PROPERTY ASSESSMENT AND TAX INFORMATION”** herein for more details. As part of the budgetary process each fiscal year, the City will have an obligation to request a debt service levy to be applied against all of the taxable real property within the corporate limits of the City. A failure on the part of the City to make a timely levy request or a levy request by the City that is inaccurate or is insufficient to make full payments of the debt service of the Notes for a particular fiscal year may cause Noteholders to experience delay in the receipt of distributions of principal of and/or interest on the Notes. In the event of a default in the payment of principal of or interest on the Notes, there is no provision for acceleration of maturity of the principal of the Notes. Consequently, the remedies of the owners of the Notes (consisting primarily of an action in the nature of mandamus requiring the City and certain other public officials to perform the terms of the Note Resolution) may have to be enforced from year to year.

Loss of Tax Base

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

Federal Funds Orders and State Funds Legislation

Various federal executive orders, and Iowa Code Chapter 27A (collectively “ICE Enforcement Initiatives”), impose requirements intended to ensure compliance with the federal immigration detention processes. The ICE Enforcement Initiatives impose various penalties for non-compliance, including the loss of state and/or federal funding under certain circumstances. The loss of state and/or federal funds in any significant amount could negatively impact the City’s overall financial position and may affect its rating and could slow down completion of certain of the Projects. However, the Notes are secured by an unlimited ad valorem property tax and are not secured by state or federal funds. See **“SECURITY AND SOURCE OF PAYMENT”** herein.

Other Factors

An investment in the Notes involves an element of risk. The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Notes. 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.

THE CITY

The City is located in east central Iowa in Linn County (the “County”). The City was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa (the “State”). The City is approximately 3.50 square miles with a 2020 Census population of 4,527.

City Organization and Services

The City operates under the Mayor-Council form of government. Policy is established by a Mayor and five Council members. The Council members are elected on a non-partisan basis for four-year terms, which are staggered. The City Administrator, City Clerk and City Attorney are appointed by the City Council. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer, storm water, and solid waste utilities for its citizens.

Approximately 18 people, not including police officers, are employed by the City on a full-time basis. In addition, there are part-time and seasonal employees. The City currently employs 8 full-time police officers and 5 reserve officers. The City is served by a volunteer fire department with approximately 31 volunteers operating out of a centrally located fire station.

Various City employees are members of one of two collective bargaining units. The Chauffeurs, Teamster and Helpers Local Union 238 represents members for both bargaining units and the contracts expire on June 30, 2024.

Recreation programs and planning for the City’s seven parks, complete renovated outdoor swimming pool, dog park and skate park is overseen by a Parks and Recreation Commission which is appointed by the Mayor and Council. The City employs a full-time Parks and Recreation Director and a full-time Marketing and Tourism Director. A Historic Preservation Commission, appointed by the Mayor and Council, is active in seeking grants and recommending local structures to be included in the National Historic Register. The Tree Committee is comprised of a mix of City employees and citizens to oversee the care and planting of trees in the community. The City employs a full time Main Street Director and the City is designated a “Main Street USA” city. The City contracts with Linn County to provide access to full-time building inspection for permits.

Community Life

The City has several City parks throughout the community. Other recreational and leisure opportunities are located throughout the Cedar Rapids and Iowa City area. Cultural facilities in the area include numerous museums and theaters, along with the Cedar Rapids Symphony Orchestra. The University of Iowa Hawkeyes in Iowa City, less than 25 miles from the City, offers spectator sports opportunities in the Big Ten college conference. Riverboat and casino gambling are offered in such cities as Dubuque, Clinton, Waterloo, Riverside and the Quad Cities, all within a 75 mile radius of the City.

Education

The Mount Vernon Community School District (the “District”) provides public education for City and area residents. The District has a certified enrollment of 1,120 students in grades PK-12 as of October 2021. Washington Elementary School has grades PK-4, Mount Vernon Middle School has grades 5-8, and Mount Vernon High School has grades 9-12. A wide variety of activities in fine arts, academics, and athletics allow students to develop their skills and talents.

Post-secondary educational opportunities are provided to City residents in nearby Mount Vernon, Iowa City, Cedar Rapids, and include: Cornell College, Mount Mercy University, Coe College, Kirkwood Community College, and University of Iowa.

Transportation

The City is located at the intersection of the east-west U.S. Highway 30 and north-south State Highway 1. U.S. Interstate 80 is 19 miles south of the City, and U.S. Interstate 380 is 15 miles west. Commercial rail transportation is provided by the Union Pacific Railroad. Commercial air transportation is available at the Eastern Iowa Airport in Cedar Rapids.

SOCIOECONOMIC INFORMATION

The following demographic information is for the City. Additional comparisons are made with the County and the State.

Population

The following table reflects population trends for the City, the County and the State.

Population Comparison(1)

Year	The City	Percent Change	The County	Percent Change	The State	Percent Change
1970	3,018	n/a	163,213	n/a	2,824,376	n/a
1980	3,325	10.17%	169,775	4.02%	2,913,808	3.17%
1990	3,657	9.98%	168,767	(0.59%)	2,776,755	(4.70%)
2000	3,390	(7.30%)	191,701	13.59%	2,926,324	5.39%
2010	4,506	32.92%	211,226	10.19%	3,046,355	4.10%
2020	4,527	0.47%	230,299	9.03%	3,190,369	4.73%

Note: (1) Source: U.S. Bureau of the Census.

Employment

Following are lists of large employers located in the surrounding area.

Major Area Employers(1)

Location	Name	Product/Service	Approximate Employment
Iowa City	University of Iowa	Higher Education	22,830
Iowa City	University of Iowa Hospitals & Clinics	Healthcare	11,550
Cedar Rapids/Coralville	Collins Aerospace	Electronic Equipment Design	9,800
Cedar Rapids	Unity Point Health	Healthcare	2,980
Cedar Rapids	Cedar Rapids Community School District	Education	2,880
Cedar Rapids	Transamerica	Insurance/Financial	2,600
Cedar Rapids/Iowa City	Hy-Vee Food Stores	Grocer	2,355
Cedar Rapids	Nordstrom Direct	Logistics/Distribution	2,150
Cedar Rapids	Mercy Medical Center	Healthcare	2,140
Amana	Whirlpool Corporation	Manufacturing	2,100
Cedar Rapids/Iowa City	Pearson Education Measurement	Education Publishing	1,765
Iowa City	Iowa City Community School District	Education	1,700
Iowa City	Veterans Affairs Health Care System	Healthcare	1,560
Cedar Rapids	City of Cedar Rapids	Government	1,310
Iowa City	ACT, Inc.	Education	1,245

Note: (1) Source: Area Chamber of Commerce, selected telephone surveys and the 2022 Iowa Manufacturers Database.

The following tables show employment by industry and by occupation for the City, the County and the State as reported by the U.S. Census Bureau 2016 - 2020 American Community Survey 5-year estimated values.

Employment By Industry(1)

Classification	The City		The County		The State	
	Number	Percent	Number	Percent	Number	Percent
Agriculture, forestry, fishing and hunting, and mining.....	0	0.0%	1,229	1.0%	60,443	3.8%
Construction.....	64	3.2%	7,569	6.3%	105,449	6.5%
Manufacturing.....	363	18.0%	19,719	16.5%	236,327	14.7%
Wholesale trade.....	30	1.5%	2,916	2.5%	45,624	2.8%
Retail trade.....	146	7.2%	13,910	11.6%	185,930	11.5%
Transportation and warehousing, and utilities.....	74	3.7%	6,973	5.8%	80,042	5.0%
Information.....	59	2.9%	2,542	2.1%	25,116	1.6%
Finance and insurance, and real estate and rental and leasing.....	110	5.5%	9,934	8.3%	124,973	7.7%
Professional, scientific, and management, and administrative and waste management services.....	196	9.7%	12,137	10.1%	119,391	7.4%
Educational services, and health care and social assistance.....	657	32.6%	27,046	22.6%	391,707	24.3%
Arts, entertainment, and recreation, and accommodation and food services.....	216	10.7%	9,118	7.6%	116,108	7.2%
Other services, except public administration.....	37	1.8%	3,870	3.2%	70,677	4.4%
Public administration.....	62	3.1%	2,830	2.4%	49,737	3.1%
Total.....	2,014	100.0%	119,793	100.0%	1,611,524	100.0%

Note: (1) Source: U. S. Bureau of the Census, American Community Survey 5-Year Estimates from 2016 - 2020.

Employment By Occupation(1)

Classification	The City		The County		The State	
	Number	Percent	Number	Percent	Number	Percent
Management, business, science, and arts occupations.....	825	41.0%	47,451	39.6%	598,690	37.1%
Service occupations.....	462	22.9%	17,802	14.9%	255,711	15.9%
Sales and office occupations.....	478	23.7%	26,946	22.5%	328,437	20.4%
Natural resources, construction, and maintenance occupations.....	98	4.9%	9,817	8.2%	154,293	9.6%
Production, transportation, and material moving occupations.....	151	7.5%	17,777	14.8%	274,393	17.0%
Total.....	2,014	100.0%	119,793	100.0%	1,611,524	100.0%

Note: (1) Source: U. S. Bureau of the Census, American Community Survey 5-Year Estimates from 2016 - 2020.

The annual average unemployment rates for the City are not available. Following shows the annual average unemployment rates for the County, the State and the United States.

Annual Average Unemployment Rates(1)(2)

Calendar Year	The County	The State	United States
2013.....	5.0%	4.7%	7.4%
2014.....	4.4%	4.2%	6.2%
2015.....	3.8%	3.7%	5.3%
2016.....	3.6%	3.6%	4.9%
2017.....	3.3%	3.1%	4.4%
2018.....	2.8%	2.5%	3.9%
2019.....	2.8%	2.6%	3.7%
2020(3).....	6.2%	5.1%	8.1%
2021(3).....	5.0%	4.2%	5.4%
2022(4).....	3.2%	2.7%	3.8%

- Notes: (1) Source: Iowa Workforce Development and U.S. Bureau of Labor Statistics.
 (2) Not seasonally adjusted.
 (3) The increase in unemployment rates may be attributable to the COVID-19 pandemic. See "NOTEHOLDERS RISKS – Potential Impact of The Coronavirus" herein.
 (4) Preliminary rates for the month of July 2022.

Housing

The U.S. Census Bureau 5-year estimated values reported that the median value of the City's owner-occupied homes was \$198,900. This compares to \$161,600 for the County and \$153,900 for the State. The following table represents the five year average market value of specified owner-occupied units for the City, the County and the State at the time of the 2016 - 2020 American Community Survey.

Home Values(1)

Value	The City		The County		The State	
	Number	Percent	Number	Percent	Number	Percent
Less than \$50,000.....	66	7.3%	4,062	6.0%	76,339	8.4%
\$50,000 to \$99,999.....	69	7.7%	7,181	10.6%	177,648	19.6%
\$100,000 to \$149,999.....	81	9.0%	19,056	28.1%	184,881	20.4%
\$150,000 to \$199,999.....	242	26.9%	13,018	19.2%	155,560	17.1%
\$200,000 to \$299,999.....	296	32.9%	14,908	22.0%	175,416	19.3%
\$300,000 to \$499,999.....	130	14.4%	7,255	10.7%	105,115	11.6%
\$500,000 to \$999,999.....	17	1.9%	2,005	2.9%	26,956	3.0%
\$1,000,000 or more.....	0	0.0%	358	0.5%	5,052	0.6%
Total.....	901	100.0%	67,843	100.0%	906,967	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2016 - 2020.

Mortgage Status(1)

Mortgage Status	The City		The County		The State	
	Number	Percent	Number	Percent	Number	Percent
Housing units with a mortgage.....	705	78.2%	45,300	66.8%	547,418	60.4%
Housing units without a mortgage.....	196	21.8%	22,543	33.2%	359,549	39.6%
Total.....	901	100.0%	67,843	100.0%	906,967	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2016 - 2020.

Income and Benefits

The U.S. Census Bureau 5-year estimated values reported that the City had a median family income of \$93,420. This compares to \$87,195 for the County and \$79,186 for the State. The following table represents the distribution of family incomes for the City, the County and the State at the time of the 2016 - 2020 American Community Survey.

Family Income(1)

Income	The City		The County		The State	
	Number	Percent	Number	Percent	Number	Percent
Less than \$10,000.....	5	0.6%	1,239	2.2%	22,207	2.8%
\$10,000 to \$14,999.....	0	0.0%	949	1.7%	14,370	1.8%
\$15,000 to \$24,999.....	0	0.0%	2,297	4.0%	38,824	4.8%
\$25,000 to \$34,999.....	51	6.0%	2,972	5.2%	52,575	6.6%
\$35,000 to \$49,999.....	76	8.9%	6,046	10.6%	90,256	11.3%
\$50,000 to \$74,999.....	112	13.1%	10,538	18.5%	157,719	19.7%
\$75,000 to \$99,999.....	255	29.9%	9,443	16.5%	138,130	17.2%
\$100,000 to \$149,999.....	159	18.6%	12,179	21.3%	168,301	21.0%
\$150,000 to \$199,999.....	136	15.9%	5,995	10.5%	62,349	7.8%
\$200,000 or more.....	60	7.0%	5,429	9.5%	56,007	7.0%
Total.....	854	100.0%	57,087	100.0%	800,738	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2016 to 2020.

The U.S. Census Bureau 5-year estimated values reported that the City had a median household income of \$72,164. This compares to \$67,301 for the County and \$61,836 for the State. The following table represents the distribution of household incomes for the City, the County and the State at the time of the 2016 - 2020 American Community Survey.

Household Income(1)

Income	The City		The County		The State	
	Number	Percent	Number	Percent	Number	Percent
Less than \$10,000	22	1.7%	3,547	3.9%	64,607	5.1%
\$10,000 to \$14,999	54	4.3%	2,883	3.1%	51,206	4.0%
\$15,000 to \$24,999	102	8.0%	6,738	7.4%	110,143	8.6%
\$25,000 to \$34,999	86	6.8%	7,672	8.4%	118,343	9.3%
\$35,000 to \$49,999	160	12.6%	12,309	13.5%	167,084	13.1%
\$50,000 to \$74,999	219	17.3%	17,068	18.7%	243,639	19.1%
\$75,000 to \$99,999	255	20.1%	13,698	15.0%	182,007	14.3%
\$100,000 to \$149,999	174	13.7%	14,768	16.2%	202,695	15.9%
\$150,000 to \$199,999	136	10.7%	6,719	7.3%	70,804	5.6%
\$200,000 or more	60	4.7%	5,902	6.5%	63,413	5.0%
Total	1,268	100.0%	91,304	100.0%	1,273,941	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2016 - 2020.

Agriculture

Shown below is information on the agricultural value of the County and the statewide average.

Average Value Per Acre(1)

	2017	2018	2019	2020	2021
Average Value Per Acre:					
The County	\$8,748	\$8,720	\$8,974	\$8,961	\$11,560
State of Iowa	7,326	7,264	7,432	7,559	9,751

Note: (1) Source: Iowa State University Extension and Outreach.

Local Option Sales Tax

The City approved a 1% local option sales and service tax (“Local Option Tax”) at a special referendum. The Local Option Tax for the City became effective July 1, 2009. The Local Option Tax was reapproved on May 3, 2011 to be effective July 1, 2014 until June 30, 2034. The City’s Local Option Tax referendum question stated that proceeds of such tax would be designated for: 55% for streets and city owned walkways, 25% for community center, 10% for urban renewal projects and streetscaping and 10% for parks and recreational trails.

Once approved, a Local Option Tax can only be repealed through a public referendum at which a majority voting approve the repeal or tax rate change, or, in certain circumstances, upon adoption of a motion by the governing body of the incorporated city requesting the repeal. If a Local Option Tax is not imposed county-wide, then the question of repeal is voted upon only by voters in such areas of a county where the tax has been imposed. A Local Option Tax may not be repealed within one year of the effective date.

The State of Iowa Department of Revenue (the “Department”) administers collection and disbursement of all local option sales and services taxes in conjunction with administration of the State-wide sales, services and use tax presently assessed at 6%. The Department is required by statute to remit at least 95% of the estimated tax receipts to a county board of supervisors (for taxes imposed in unincorporated areas) and to each incorporated city. Such remittances are on a monthly basis. Once a year the Department reconciles its monthly estimated payments and makes an adjustment payment or debit at the November 10 payment date. Remittance of collections within a county are based upon the following statutory formula for county-wide collections:

- 75 percent: Based on a pro rata share of population (the most recent certified federal census) of those incorporated or unincorporated areas in a county which have approved a Local Option Tax.
- 25 percent: Based on a pro rata share of total property tax dollars levied during the three year period beginning July 1, 1982, through June 30, 1985, for those incorporated or unincorporated areas of a county which have approved a Local Option Tax.

Local Option Taxes are based on the same sales currently taxed by the state-wide 6% sales and services tax, with the present statutory exceptions of (i) certain sales of motor fuel or special fuel as defined in Chapter 452A, (ii) the sale of natural gas or electric energy in a city or county where the gross receipts are subject to a franchise fee or user fee during the period the franchise or user fee is imposed, (iii) the sales price from a pay television service consisting of a direct-to-home satellite service, or (iv) the sale of equipment by the State Department of Transportation.

The following table shows the trend of City Local Option tax receipts.

Local Option Tax Receipts(1)

Fiscal Year Ending June 30	Local Option Sales Tax Receipts(2)	Percent Change +(-)
2014.....	\$569,637	n/a
2015.....	587,251	3.09%
2016.....	596,588	1.59%
2017.....	592,972	(0.61%)
2018.....	593,246	0.05%
2019.....	632,395	6.60%
2020.....	686,961	8.63%
2021.....	817,876	19.06%
2022.....	713,448(3)	(12.77%)
2023.....	659,199(3)	(7.60%)

- Notes: (1) Source: Iowa Department of Revenue.
 (2) Includes a reconciliation payment in November attributable to the previous fiscal year.
 (3) Collections received or expected to be received, not including any allowance for the reconciliation payment.

Retail Sales

The Department of Revenue of the State of Iowa provides retail sales figures based on sales tax reports for years ending June 30. The Department of Revenue figures provide recent data to confirm trends in retail sales activity in the City. The following amounts exclude the City's Local Option Tax.

Retail Taxable Sales(1)

Fiscal Year Ending June 30	Taxable Sales	Annual Percent Change + (-)
2012.....	\$33,099,722	n/a
2013.....	33,911,588	2.45%
2014.....	34,310,012	1.17%
2015.....	33,328,236	(2.86%)
2016.....	33,819,664	1.47%
2017.....	34,460,173	1.89%
2018.....	33,712,139	(2.17%)
2019.....	35,448,907	5.15%
2020.....	35,400,618	(0.14%)
2021.....	41,652,688	17.66%

Growth from 2012 to 2021 25.84%

- Note: (1) Source: the Iowa Department of Revenue.

THE PROJECT

Note proceeds will be used to: (i) opening, widening, extending, grading, and draining of the right-of-way of streets, highways, avenues, alleys and public grounds, and market places, and the removal and replacement of dead or diseased trees thereon; the construction, reconstruction, and repairing of any street improvements, bridges, grade crossing separations and approaches; the acquisition, installation, and repair of sidewalks, culverts, retaining walls, storm sewers, sanitary sewers, water service lines, street lighting, and traffic control devices; and the acquisition of any real estate needed for any of the foregoing purposes including various street and water main repair projects and the rehabilitation, improvement and equipping of the existing Davis Park including replacement of restrooms and concession stand, lighting, backstops and dugouts and (ii) aiding in the planning, undertaking, and carrying out of urban renewal projects under the authority of Chapter 403 including the acquisition of property for and the remodeling and expansion of the existing church structure into a community building to serve as, inter alia, a police building, temporary shelter and emergency services building as authorized in Amendment #7 to the Mount Vernon Urban Renewal Plan and (iii) pay the costs of issuing the Notes.

DEFAULT RECORD

The City has no record of default and has met its debt repayment obligations promptly.

SHORT-TERM BORROWING

The City has not issued tax anticipation warrants or revenue anticipation notes during the last five years to meet its short-term current year cash flow requirements.

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DEBT INFORMATION

After issuance of the Notes, the City will have outstanding \$10,181,000* principal amount of general obligation debt. In addition, the City has outstanding approximately \$1,539,000 principal amount of sewer revenue debt issued through the State Revolving Fund program that does not count against the City's debt capacity.

Debt Limitation

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 taxable property within the corporate limits, taken from the last County Tax list. According to and based upon the January 1, 2021 property valuations, for taxes payable in September 2022 and March 2023, the City's debt limit, based upon said valuation, amounts to the following:

2021 100% Actual Valuation of Property	\$327,951,130
Constitutional Debt Limit	\$ 16,397,557
Outstanding Bonds/Notes Applicable to Debt Limit:	
Total G.O. Debt Subject to Debt Limit.....	\$ 10,181,000*
Other Legal Indebtedness (TIF Rebates)	89,650
Total Applicable Debt	<u>\$ 10,270,650*</u>
Remaining Debt Capacity.....	\$ 6,126,907*

The City does not expect to issue any additional general obligation debt in calendar year 2022.

Summary of Outstanding General Obligation Bonded Debt(1) (Principal Only)

Series 2013A	\$ 560,000
Series 2014.....	1,440,000
Series 2015.....	121,000
Series 2018.....	4,610,000
Series 2019.....	1,605,000
Series 2020.....	345,000
The Notes(2)	<u>1,500,000</u>
Total(2)	\$10,181,000

- Notes: (1) Source: the City.
 (2) Subject to change.

*Subject to change.

General Obligation Debt(1)
 (Principal Only)

Year Ending June 30	Series	Series	Series	Series	Series	Series	Total	The	Total General	Cumulative Retirement(2)	
	2013A	2014	2015	2018	2019	2020	Outstanding GO Debt	Notes(2)	Obligation Debt(2)	Amount	Percent
2023	\$ 90,000	\$ 190,000	\$ 39,000	\$ 440,000	\$ 215,000	\$ 80,000	\$1,054,000	\$ 0	\$ 1,054,000	\$ 1,054,000	10.35%
2024	90,000	195,000	40,000	455,000	225,000	85,000	1,090,000	100,000	1,190,000	2,244,000	22.04%
2025	90,000	200,000	42,000	465,000	220,000	90,000	1,107,000	105,000	1,212,000	3,456,000	33.95%
2026	95,000	205,000	0	485,000	230,000	90,000	1,105,000	110,000	1,215,000	4,671,000	45.88%
2027	95,000	210,000	0	500,000	240,000	0	1,045,000	115,000	1,160,000	5,831,000	57.27%
2028	100,000	215,000	0	520,000	245,000	0	1,080,000	115,000	1,195,000	7,026,000	69.01%
2029	0	225,000	0	540,000	230,000	0	995,000	120,000	1,115,000	8,141,000	79.96%
2030	0	0	0	570,000	0	0	570,000	125,000	695,000	8,836,000	86.79%
2031	0	0	0	585,000	0	0	585,000	130,000	715,000	9,551,000	93.81%
2032	0	0	0	25,000	0	0	25,000	135,000	160,000	9,711,000	95.38%
2033	0	0	0	25,000	0	0	25,000	140,000	165,000	9,876,000	97.00%
2034	0	0	0	0	0	0	0	150,000	150,000	10,026,000	98.48%
2035	0	0	0	0	0	0	0	155,000	155,000	10,181,000	100.00%
Total	\$560,000	\$1,440,000	\$159,000	\$4,765,000	\$1,605,000	\$345,000	\$8,681,000	\$1,500,000	\$10,181,000		

Notes: (1) Source: the City. For term bonds, mandatory redemption amounts are shown.
 (2) Subject to change.

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Statement of Bonded Indebtedness(1)(2)

City Actual Value, January 1, 2021 \$327,951,130
 City Taxable Value, January 1, 2021 \$185,017,897

	Total	Applicable		Ratio to City Actual Value	Ratio to City Taxable Value	Per Capita (2020 Pop. 4,527)
		Percent	Amount			
Direct Bonded Debt(3).....	\$10,181,000	100.00%	\$10,181,000	3.10%	5.50%	\$2,248.95
Less: Direct Debt paid from other sources(3)	(4,740,000)	100.00%	(4,740,000)	(1.45%)	(2.56%)	(1,047.05)
Total Net Direct Debt(3).....	\$ 5,441,000		\$ 5,441,000	1.65%	2.94%	\$1,201.90
Overlapping Debt:						
Mount Vernon School District	\$14,165,000	48.38%	\$ 6,853,027	2.09%	3.70%	\$1,513.81
Kirkwood Community College(4)	79,070,986	0.61%	482,333	0.15%	0.26%	106.55
Linn County	60,562,056	1.38%	835,756	0.25%	0.45%	184.62
Total Applicable Overlapping Bonded Debt			\$ 8,171,116	2.49%	4.41%	\$1,804.98
Total Direct and Overlapping Bonded Debt.....			\$13,612,116	4.14%	7.35%	\$3,006.88

Per Capita Actual Value \$72,443.37
 Per Capita Taxable Value..... \$40,869.87

- Notes: (1) Source: the City, Audited Financial Statements and Treasurer of the State of Iowa - Outstanding Obligations Report, debt as of June 30, 2021 for the School District, Community College and County.
 (2) As of the date of issuance for the Direct Bonded Debt and June 30, 2021 for Overlapping Debt.
 (3) Subject to change.
 (4) Excludes \$43,840,000 in Industrial New Jobs Training Certificates, which are expected to be paid by proceeds from anticipated job credits from withholding taxes.

PROPERTY ASSESSMENT AND TAX INFORMATION

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. Taxable Valuation subject to tax levy is then determined by the application of State determined rollback percentages, principally to residential 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 Taxable Valuation. Such rollback percentages may be changed in future years. Certain historical rollback percentages for residential, multi-residential, agricultural and commercial valuations are as follows:

Percentages for Taxable Valuation After Rollbacks(1)

Fiscal Year	Residential	Multi- Residential(2)	Ag Land & Buildings	Commercial & Industrial
2013/14.....	52.8166%	N/A	59.9334%	100.0000%
2014/15.....	54.4002%	N/A	43.3997%	95.0000%
2015/16.....	55.7335%	N/A	44.7021%	90.0000%
2016/17.....	55.6259%	86.2500%	46.1068%	90.0000%
2017/18.....	56.9391%	82.5000%	47.4996%	90.0000%
2018/19.....	55.6209%	78.7500%	54.4480%	90.0000%
2019/20.....	56.9180%	75.0000%	56.1324%	90.0000%
2020/21.....	55.0743%	71.2500%	81.4832%	90.0000%
2021/22.....	56.4094%	67.5000%	84.0305%	90.0000%
2022/23.....	54.1302%	63.7500%	89.0412%	90.0000%

- Notes: (1) Source: the Iowa Department of Revenue.
 (2) New category beginning with fiscal year 2017, to be phased into residential category with valuations beginning January 1, 2022, per House File 418 signed into law on March 8, 2021.

Property is assessed on a calendar year basis. The assessments finalized as of January 1 of each year are applied to the following tax year. For example, the assessments finalized on January 1, 2021, are used to calculate tax liability for the tax year starting July 1, 2022 through June 30, 2023.

Property Tax Collection

Each county is required by State law to collect all tax levies within its jurisdiction and remit, before the fifteenth of each month, the amount collected through the last day of the preceding month to underlying units of government, including the City. Property tax payments are made at the office of each county treasurer in full or one-half by September 30 and March 31, pursuant to the Code of Iowa, Sections 445.36 and 445.37. Where the first half of any property tax has not been paid by October 1, such installment becomes delinquent. If the second installment is not paid, it becomes delinquent on April 1. Delinquent taxes and special assessments are subject to a penalty at the rate of one and one-half percent per month, to a maximum of eighteen percent per annum.

If taxes are not paid when due, the property may be offered at the regular tax sale on the third Tuesday of June following the delinquency date. Purchasers at the tax sale must pay an amount equal to the taxes, special assessments, interest and penalties due on the property, and funds so received are applied to the payment of taxes. A property owner may redeem from the regular tax sale, but failing redemption within two years, the tax sale purchaser is entitled to a deed which in general conveys the title free and clear of all liens except future installments of taxes.

Actual (100%) Valuations for the City(1)(2)

Property Class	Fiscal Year: Levy Year:	2018/19 2017	2019/20 2018	2020/21 2019	2021/22 2020	2022/23 2021
Residential		\$206,954,100	\$207,510,000	\$223,265,900	\$229,229,400	\$263,936,000
Agricultural		2,591,508	2,617,219	1,812,909	1,771,452	1,806,813
Commercial		31,274,965	31,418,230	32,246,705	32,429,255	31,823,205
Industrial		903,300	903,300	901,200	901,200	880,900
Multi-residential		8,098,035	8,465,270	8,980,095	9,179,745	9,895,795
Railroad.....		1,819,349	1,951,583	2,159,273	2,258,847	2,405,650
Utilities without Gas and Electric(3)		770,282	786,596	624,372	627,468	452,810
Gas and Electric Utilities(3)		11,219,822	17,610,594	17,844,299	16,907,016	16,794,266
Other		224,992	199,281	64,190	160,748	137,187
Less: Military Exemption.....		(216,684)	(209,276)	(200,016)	(192,608)	(181,496)
Total		\$263,639,669	\$271,252,797	\$287,698,927	\$293,272,523	\$327,951,130
Percent Change +/-.....		4.03%(4)	2.89%	6.06%	1.94%	11.82%

- Notes: (1) Source: The Iowa Department of Management.
 (2) Includes tax increment finance (TIF) valuations used in the following amounts:

January 1: TIF Valuation	2017	2018	2019	2020	2021
	\$17,083,477	\$16,664,500	\$19,755,363	\$27,028,447	\$29,204,193

- (3) See "PROPERTY TAX INFORMATION - Utility Property Tax Replacement" herein.
 (4) Based on 2016 Actual Valuation of \$253,435,002.

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For the January 1, 2021 levy year, the City's Taxable Valuation was comprised of approximately 77% residential, 15% commercial, 3% multi-residential, 2% utilities, 1% railroads, 1% agriculture and less than 1% military exemption.

Taxable ("Rollback") Valuations for the City(1)(2)

Property Class	Fiscal Year: Levy Year:	2018/19 2017	2019/20 2018	2020/21 2019	2021/22 2020	2022/23 2021
Residential		\$115,109,740	\$118,110,538	\$122,962,100	\$129,306,887	\$142,869,020
Agricultural		1,308,536	1,381,689	1,452,198	1,462,889	1,593,774
Commercial		28,147,469	28,276,408	29,022,036	29,186,331	28,640,886
Industrial		812,970	812,970	811,080	811,080	792,810
Multi-residential		6,377,214	6,348,957	6,398,331	6,196,350	6,308,578
Railroad		1,637,414	1,756,425	1,943,346	2,032,962	2,165,085
Utilities without Gas and Electric(3)		770,282	786,596	624,372	618,363	452,810
Gas and Electric Utilities(3)		2,255,910	2,437,322	2,534,245	2,382,152	2,376,430
Less: Military Exemption		(216,684)	(209,276)	(200,016)	(192,608)	(181,496)
Total		\$156,202,851	\$159,701,629	\$165,547,692	\$171,804,406	\$185,017,897
Percent Change +/-		2.08%(4)	2.24%	3.66%	3.78%	7.69%

- Notes: (1) Source: the Iowa Department of Management.
 (2) Includes tax increment finance (TIF) valuations used in the following amounts:

January 1: TIF Valuation	2017	2018	2019	2020	2021
	\$17,083,477	\$16,664,500	\$19,755,363	\$27,028,447	\$29,204,193

- (3) See "PROPERTY TAX INFORMATION - Utility Property Tax Replacement" herein.
 (4) Based on 2016 Taxable Valuation of \$153,014,438.

The following shows the trend in the City's tax extensions and collections.

Tax Extensions and Collections(1)

Levy Year	Fiscal Year	Amount Levied	Amount Collected(2)	Percent Collected
2012	2013-14	\$1,489,821	\$1,498,025	100.55%
2013	2014-15	1,625,193	1,663,695	102.37%
2014	2015-16	1,643,313	1,676,433	102.02%
2015	2016-17	1,653,815	1,658,629	100.29%
2016	2017-18	1,724,036	1,750,198	101.52%
2017	2018-19	1,766,009	1,794,962	101.64%
2018	2019-20	1,818,990	1,821,125	100.12%
2019	2020-21	1,857,003	1,918,864	103.33%
2020	2021-22	1,847,172	1,882,986	101.94%
2021	2022-23	1,989,055	---	--- In Collection ---

- Notes: (1) Source: the State of Iowa Department of Management and the City. Does not include Levies or Collections for Utility Replacement.
 (2) Includes delinquent taxes.

Principal Taxpayers(1)

Taxpayer Name	Business/Service	Levy Year 2021 Taxable Valuation(2)
Lynch Properties LC	Auto Dealership	\$ 2,270,790
Union Pacific Railroad	Railroad	2,165,085
Interstate Power and Light Co.	Utility	1,938,920
PAA-320 LLC	Auto Dealership	1,512,630
ANAH LLC	Real Estate	1,387,260
Mount Vernon Bank and Trust Co.	Financial Institution	1,382,214
Mercy Physician Services Inc.	Healthcare	1,340,100
Hills Bank	Financial Institution	1,299,060
ABCM Corporation	Healthcare	1,175,295
Central Iowa Health Properties	Healthcare	923,400
Total		\$15,394,754
Ten Largest Taxpayers as Percent of City's 2021 Taxable Valuation (\$185,017,897)		8.32%

- Notes: (1) Source: the County.
 (2) Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers listed contain multiple parcels and it is possible that some parcels and their valuations have been overlooked.

Levy Limits

Normal municipal operations and maintenance costs are generally funded through the corporate property tax levy. Iowa State Code does not allow the municipal general fund to be taxed above \$8.10 per thousand dollars of taxable value in any one year. In addition to the General Fund, there are several other tax funds that the City can create and use for specific purposes.

The property tax rates for the City from levy year 2017 through levy year 2021 are shown below:

Property Tax Rates⁽¹⁾⁽²⁾ (Per \$1,000 Actual Valuation)

	Fiscal Year: Levy Year:	2018/19 2017	2019/20 2018	2020/21 2019	2021/22 2020	2022/23 2021
City:						
General Fund		\$ 8.10000	\$ 8.10000	\$ 8.10000	\$ 8.10000	\$ 8.10000
Emergency Levy.....		0.27000	0.27000	0.27000	0.27000	0.27000
Debt Service Fund.....		0.00000	0.32213	0.48380	0.39794	0.35764
Employee Benefits		2.32487	2.30135	2.67881	2.74224	2.64557
Capital Improvement		0.67500	0.67500	0.67500	0.67500	0.67500
Other.....		<u>1.62912</u>	<u>1.32891</u>	<u>0.78961</u>	<u>0.81426</u>	<u>0.95085</u>
Total City.....		\$12.99899	\$12.99739	\$12.99722	\$12.99944	\$12.99906
Linn County						
Linn County		\$ 5.83902	\$ 5.83902	\$ 6.40442	\$ 6.24304	\$ 5.84664
Mount Vernon Community School District.....		18.41273	18.41273	17.89259	17.89259	17.35216
Kirkwood Community College.....		1.20354	1.21331	1.25730	1.31195	1.34462
Other.....		<u>0.35010</u>	<u>0.34287</u>	<u>0.32584</u>	<u>0.32168</u>	<u>0.32171</u>
Total Tax Rate.....		\$38.80438	\$38.80532	\$38.87737	\$38.76870	\$37.86419

Notes: (1) Source: Iowa Department of Management.
 (2) Does not include the tax rate for agriculture.

Tax Levy Procedures

The Notes are general obligations of the City, payable from and secured by a continuing ad valorem tax levied against all of the taxable real property within the corporate limits of the City. As part of the budgetary process each fiscal year, the City will have an obligation to request a debt service levy to be applied against all of the taxable real property within the corporate limits of the City. A failure on the part of the City to make a timely levy request or a levy request by the City that is inaccurate or is insufficient to make full payments of the debt service of the Notes for a particular fiscal year may cause Note holders to experience delay in the receipt of distributions of principal of and/or interest on the Notes. In the event of a default in the payment of principal of or interest on the Notes, there is no provision for acceleration of maturity of the principal of the Notes. Consequently, the remedies of the owners of the Notes (consisting primarily of an action in the nature of mandamus requiring the City and certain other public officials to perform the terms of the resolution for the Notes) may have to be enforced from year to year.

Notwithstanding the foregoing, Iowa Code section 76.2 provides when an Iowa political subdivision issues general obligation bonds, “the governing authority of these political subdivisions before issuing bonds shall, by resolution, provide for the assessment of an annual levy upon all the taxable property in the political subdivision sufficient to pay the interest and principal of the bonds within a period named not exceeding twenty years. A certified copy of this resolution shall be filed with the county auditor or auditors of the counties in which the political subdivision is located; and the filing shall make it a duty of the auditor(s) to enter annually this levy for collection from the taxable property within the boundaries of the political subdivision until funds are realized to pay the bonds in full.”

Utility Property Tax Replacement

Property owned by entities involved primarily in the production, delivery, service and sale of electricity and natural gas (“Utilities”) pay a replacement tax based upon the delivery of energy by Utilities in lieu of property taxes. All replacement taxes are allocated among local taxing bodies by the State Department of Revenue and the Department of Management. This allocation is made in accordance with a general allocation formula developed by the Department of Management on the basis of general property tax equivalents. Utility properties paying the replacement tax are exempt from the levy of property tax by political subdivisions. In addition to the replacement tax, Utility property will continue to be valued by a special method as provided in the statute and taxed at the rate of three cents per one thousand dollars for the general fund of the State.

By statute, the replacement tax collected by the State and allocated among local taxing bodies (including the City) shall be treated as property tax when received and shall be disposed of by the county treasurer as taxes on real estate. It is possible that the general obligation debt capacity of the City could be adjudicated to be proportionately reduced in future years if Utility property were determined to be other than “taxable property” for purposes of computing the City’s debt limit under Article XI of the Constitution of the State of Iowa. There can be no assurance that future legislation will not (i) operate to reduce the amount of debt the City can issue or (ii) adversely affect the City’s ability to levy taxes in the future for the payment of the principal of and interest on its outstanding debt obligations, including the Notes. Approximately 1.5% of the City’s levy year 2021 taxable valuation currently is utility property.

Tax Increment Financing

The Code of Iowa currently authorizes the use of two types of tax increment financing by local taxing districts in the State of Iowa. The first type allows local governments to establish TIF districts for the purposes of financing designated urban renewal projects which contribute to the urban redevelopment and economic development of the immediate area. The taxable valuation used for this type of TIF district in the City for levy year 2021 is \$29,204,193.

The second type of tax increment financing was authorized by state legislative action in the mid-1980’s. The area community colleges can establish TIF districts by contract with specific local businesses and industries to provide jobs training programming for new employees of existing expanding businesses or employees of new businesses. The revenues from these job training TIF districts then retires the debt incurred from the issuance of jobs training certificates which finance the cost of jobs training programming over a maximum of ten years. Upon payment of all jobs training certificates, the district dissolves and the incremental value from the new or expanded business reverts to the general tax base. There is no current valuation for this second type of TIF district.

Legislation

From time to time, legislative proposals are pending in Congress and the Iowa General Assembly that would, if enacted, alter or amend one or more of the property tax matters described herein. 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 valuation, assessment or levy procedures for taxes levied by the City or have an adverse impact on the future tax collections of the City. Purchasers of the Notes should consult their tax advisors regarding any pending or proposed federal or state tax legislation. The opinions expressed by Bond Counsel are based upon existing legislation as of the date of issuance and delivery of the Notes and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending federal or state tax legislation.

During the 2019 legislative session, the Iowa General Assembly enacted Senate File 634 (the “2019 Act”). The 2019 Act modifies the process for hearing and approval of the total maximum property tax dollars under certain levies in the City’s budget. The 2019 Act also includes a provision that will require the affirmative vote of 2/3 of the City Council when the maximum property tax dollars under these levies exceed an amount determined under a prescribed formula. The 2019 Act does not change the process for hearing and approval of the Debt Service Levy pledged for repayment of the Notes.

During the 2013 legislative session, the Iowa General Assembly enacted Senate File 295 (the “2013 Act”). Among other things, the Act (i) reduced the maximum annual taxable value growth percent, due to revaluation of existing residential and agricultural property to 3%, (ii) assigned a “rollback” (the percentage of a property’s value that is subject to tax) to commercial, industrial and railroad property of 90%, (iii) created a new property tax classification for multi-residential properties (apartments, nursing homes, assisted living facilities and certain other rental property) and assigned a declining rollback percentage to such properties for each year until the residential rollback percentage is reached in the 2022 assessment year, after which the rollback percentage for such properties will be equal to the residential rollback percentage each assessment year, and (iv) exempted a specified portion of the assessed value of telecommunication properties.

During the 2021 Iowa Legislative session, House File 418 (“2021 Act”) was signed into law on March 8, 2021, applicable to valuations beginning January 1, 2022. The 2021 Act removes the multi-residential property classification by reclassifying certain properties as subdivision of “residential” property. The multi-residential classification was created as part of the January 1, 2015 valuations and became unnecessary due to the equalization of the residential and multi-residential classifications as of January 1, 2022.

The 2013 Act included a standing appropriation to replace some of the tax revenues lost by local governments, including tax increment district, resulting from the new rollback for commercial and industrial property. During the 2021 legislative session, Senate File 619 (“SF 619”) was signed into law on June 17, 2021, which phases out the standing appropriation payments over time to the City starting in Fiscal Year 2022-23 through Fiscal year 2025-2026. The appropriation does not replace losses to local governments resulting from the 2013Act’s provisions that reduce the annual revaluation growth limit for residential and agricultural properties to 3%, the gradual transition for multi-residential properties from the residential rollback percentage, or the reduction in the percentage of telecommunications property that is subject to taxation.

Notwithstanding any modifications to property tax revenues that may result from the 2013 Act, the 2019 Act, the 2021 Act or SF 619, the Notes are secured by an unlimited ad valorem property tax as described more fully in the “**SECURITY AND SOURCE OF PAYMENT**” herein.

FINANCIAL INFORMATION

Financial Reports

The City’s financial statements are audited annually by certified public accountants. The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. See **APPENDIX A** for more detail.

No Consent or Updated Information Requested of the Auditor

The tables and excerpts (collectively, the “Excerpted Financial Information”) contained in this “**FINANCIAL INFORMATION**” section are from the audited financial statements of the City, including the audited financial statements for the fiscal year ended June 30, 2021 (the “2021 Audit”). The 2021 Audit has been prepared by CliftonLarsonAllen LLP, Certified Public Accountants, Cedar Rapids, Iowa, (the “Auditor”), and received by the City Council. The City has not requested the Auditor to update information contained in the Excerpted Financial Information and the 2021 Audit; nor has the City requested that the Auditor consent to the use of the Excerpted Financial Information and the 2021 Audit in this Official Statement. The inclusion of the Excerpted Financial Information and the 2021 Audit in this Official Statement in and of itself is not intended to demonstrate the fiscal condition of the City since the date of the 2021 Audit. Questions or inquiries relating to financial information of the City since the date of the 2021 Audit should be directed to the City.

Summary Financial Information

The following tables are summaries and do not purport to be the complete audits, copies of which are available upon request. See **APPENDIX A** for the City's 2021 Audit. The City's expects its General Fund balance for the fiscal year ending June 30, 2022 to decrease by approximately \$855,000. The City has approved a budget for fiscal year 2023 with an anticipated decrease to the General Fund balance of approximately \$1,400,000. The decreases are primarily due to planned spend down for capital projects after the receipt of CARES Act funds.

Cash Basis Statement of Activities and Net Position Governmental Activities(1)

	Audited Fiscal Year Ended June 30				
	2017	2018	2019	2020	2021
FUNCTIONS/PROGRAMS:					
Governmental Activities:					
Public Safety	\$ (678,712)	\$ (785,510)	\$ (1,485,219)	\$ (950,518)	\$ (994,775)
Public Works	177,222	74,601	29,716	(169,360)	83,227
Culture and Recreation	(371,043)	(411,155)	(418,618)	(565,801)	399,088
Community and Economic Development	(77,851)	(73,386)	(83,863)	(179,870)	(79,149)
General Government	(389,864)	(448,189)	(374,359)	(508,263)	(492,701)
Debt Service	(1,277,113)	(917,599)	(1,033,505)	(3,405,712)	(1,351,099)
Capital Projects	(464,941)	(625,387)	(1,752,062)	(6,682,234)	(1,926,852)
Total Governmental Activities	<u>\$(3,082,302)</u>	<u>\$(3,186,625)</u>	<u>\$(5,117,910)</u>	<u>\$(12,461,758)</u>	<u>\$(4,362,261)</u>
GENERAL RECEIPTS AND TRANSFERS:					
Property and Other City Tax Levied for:					
General Purposes	\$ 1,661,858	\$ 1,753,718	\$ 1,797,940	\$ 1,823,334	\$ 1,924,060
Tax Increment Financing	741,473	598,139	601,518	551,727	655,288
Local Option Sales Tax	644,502	582,588	587,106	662,783	731,349
Utility Franchise Fees	0	28,915	119,018	263,059	251,278
Hotel/Motel Taxes	72,073	69,713	71,618	58,397	58,714
Grants and Contributions not Restricted to					
Specific Purposes	4,388	5,597	23,777	47,259	15,256
Commercial/Industrial Tax Replacement	40,620	36,777	35,025	36,642	35,277
Unrestricted Interest on Investments	8,297	13,431	114,151	83,362	25,511
Rents Received	0	0	0	81,372	78,345
Proceeds from Bond Issuance	0	0	5,000,000	4,303,821	184,559
Proceeds from Bond Premium	0	0	26,418	0	0
Miscellaneous	104,604	84,117	115,171	88,786	79,866
Sale of Capital Assets	0	0	0	57,368	31,932
Transfers	559,812	365,826	345,455	693,802	(28,309)
Total General Receipts and Transfers	<u>\$ 3,837,627</u>	<u>\$ 3,538,821</u>	<u>\$ 8,837,197</u>	<u>\$ 8,751,712</u>	<u>\$ 4,043,126</u>
CHANGE IN CASH BASIS NET POSITION	\$ 755,325	\$ 352,196	\$ 3,719,287	\$ (3,710,046)	\$ (319,135)
CASH BASIS NET POSITION - BEGINNING OF YEAR ...	\$ 4,856,933	\$ 5,612,258	\$ 5,964,454	\$ 9,683,741	\$ 5,973,695
CASH BASIS NET POSITION - END OF YEAR	<u>\$ 5,612,258</u>	<u>\$ 5,964,454</u>	<u>\$ 9,683,741</u>	<u>\$ 5,973,695</u>	<u>\$ 5,654,560</u>
CASH BASIS NET POSITION:					
Restricted:					
Nonexpendable:					
Cemetery Perpetual Care	\$ 89,245	\$ 89,525	\$ 90,895	\$ 92,995	\$ 94,035
Expendable:					
Urban Renewal Purposes	570,353	270,451	547,830	580,432	438,657
Streets	298,293	379,906	424,886	263,201	331,799
Debt Service	157,544	189,025	207,783	183,066	126,771
Other Purposes	2,390,017	2,842,270	6,609,843	2,834,691	1,736,062
Unrestricted	<u>2,106,806</u>	<u>2,193,277</u>	<u>1,802,504</u>	<u>2,019,310</u>	<u>2,927,236</u>
Total Cash Basis Net Position	<u>\$ 5,612,258</u>	<u>\$ 5,964,454</u>	<u>\$ 9,683,741</u>	<u>\$ 5,973,695</u>	<u>\$ 5,654,560</u>

Note: (1) Source: Audited financial statements of the City for the fiscal years ended June 30, 2017 - 2021.

**Statement of Cash Receipts, Disbursements and Changes in Cash Balances
 General Fund(1)**

	Audited Fiscal Year Ended June 30				
	2017	2018	2019	2020	2021
RECEIPTS:					
Property Tax.....	\$1,068,093	\$1,127,084	\$1,154,198	\$1,170,029	\$1,230,183
Other City Tax.....	75,302	102,148	193,614	323,664	314,199
Licenses and Permits.....	53,464	40,820	59,935	20,082	18,643
Use of Money and Property.....	72,725	79,790	131,278	114,550	98,315
Intergovernmental.....	41,187	36,115	56,542	85,526	988,095
Charges for Services.....	175,430	149,308	167,361	106,452	249,680
Miscellaneous.....	87,753	78,604	117,736	125,308	86,460
Total Receipts.....	<u>\$1,573,954</u>	<u>\$1,613,869</u>	<u>\$1,880,664</u>	<u>\$1,945,611</u>	<u>\$2,985,575</u>
DISBURSEMENTS:					
Operating:					
Public Safety.....	\$ 739,943	\$ 828,069	\$ 979,239	\$1,024,297	\$1,249,888
Culture and Recreation.....	516,443	540,580	575,989	658,886	539,901
Community and Economic Development.....	77,851	76,786	83,863	179,870	78,649
General Government.....	352,634	401,865	410,636	431,496	449,489
Total Disbursements.....	<u>\$1,686,871</u>	<u>\$1,847,300</u>	<u>\$2,049,727</u>	<u>\$2,294,549</u>	<u>\$2,317,927</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements.....	\$ (112,917)	\$ (233,431)	\$ (169,063)	\$ (348,938)	\$ 667,648
OTHER FINANCING SOURCES (USES):					
Sale of Capital Assets.....	\$ 0	\$ 0	\$ 0	\$ 19,557	\$ 28,322
Transfers In.....	335,648	475,207	372,732	414,049	519,422
Transfers Out.....	0	0	(17,522)	(133,859)	(434,176)
Total Other Financing Sources (Uses).....	<u>\$ 335,648</u>	<u>\$ 475,207</u>	<u>\$ 355,210</u>	<u>\$ 299,747</u>	<u>\$ 113,568</u>
NET CHANGE IN CASH BALANCES.....	\$ 222,731	\$ 241,776	\$ 186,147	\$ (49,191)	\$ 781,216
CASH BALANCES - BEGINNING OF YEAR.....	<u>\$1,315,501</u>	<u>\$1,538,232</u>	<u>\$1,780,008</u>	<u>\$1,966,155</u>	<u>\$1,916,964</u>
CASH BALANCES - END OF YEAR.....	<u>\$1,538,232</u>	<u>\$1,780,008</u>	<u>\$1,966,155</u>	<u>\$1,916,964</u>	<u>\$2,698,180</u>
CASH BASIS FUND BALANCES:					
Restricted for:					
Streets.....	\$ 10,000	\$ 10,000	\$ 0	\$ 0	\$ 0
Other Purposes.....	22,650	17,966	14,714	21,115	29,512
Unassigned.....	1,505,582	1,752,042	1,951,441	1,895,849	2,668,668
Total Cash Basis Fund Balances.....	<u>\$1,538,232</u>	<u>\$1,780,008</u>	<u>\$1,966,155</u>	<u>\$1,916,964</u>	<u>\$2,698,180</u>

Note: (1) Source: The City's audited financial statements for fiscal years ending June 30, 2017 - 2021.

REGISTRATION, TRANSFER AND EXCHANGE

See also **APPENDIX B - BOOK-ENTRY SYSTEM** for information on registration, transfer and exchange of book-entry bonds. The Notes will be initially issued as book-entry bonds.

The City shall cause books (the "Note Register") for the registration and for the transfer of the Notes to be kept at the principal office maintained for the purpose by the Registrar in West Des Moines, Iowa. The City will authorize to be prepared, and the Registrar shall keep custody of, multiple bond blanks executed by the City for use in the transfer and exchange of Notes.

Any Note may be transferred or exchanged, but only in the manner, subject to the limitations, and upon payment of the charges as set forth in the Note Resolution. Upon surrender for transfer or exchange of any Note at the principal office maintained for the purpose by the Note Registrar, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Note Registrar and duly executed by the registered owner or such owner's attorney duly authorized in writing, the City shall execute and the Note Registrar shall authenticate, date and deliver in the name of the registered owner, transferee or transferees (as the case may be) a new fully registered Note or Notes of the same maturity and interest rate of authorized denominations, for a like aggregate principal amount.

The execution by the City of any fully registered Note shall constitute full and due authorization of such Note, and the Note Registrar shall thereby be authorized to authenticate, date and deliver such Note, provided, however, the principal amount of outstanding Notes of each maturity authenticated by the Note Registrar shall not exceed the authorized principal amount of Notes for such maturity less Notes previously paid.

The Note Registrar shall not be required to transfer or exchange any Note following the close of business on the fifteenth day of the month next preceding an interest payment date on such bond (known as the record date), nor to transfer or exchange any Note after notice calling such Note for redemption has been mailed, nor during a period of fifteen days next preceding mailing of a notice of redemption of any Notes.

The person in whose name any Note shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of or interest on any Notes shall be made only to or upon the order of the registered owner thereof or such owner's legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid.

No service charge shall be made for any transfer or exchange of Notes, but the City or the Note Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Notes except in the case of the issuance of a Note or Notes for the unredeemed portion of a bond surrendered for redemption.

TAX MATTERS

Tax Exemption

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

Subject to the City's compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Notes is excludable from gross income for federal income tax purposes. Interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

Prospective purchasers of the Notes should be aware that ownership of the Notes 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 Notes should consult their tax advisors as to collateral federal income tax consequences.

The interest on the Notes is not exempt from present Iowa income taxes. Ownership of the Notes 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 Notes. Prospective purchasers of the Notes should consult their tax advisors regarding the applicability of any such state and local taxes.

Qualified Tax Exemption Obligations

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

Discount and Premium Notes

The initial public offering price of certain Notes may be less than the amount payable on such Notes at maturity (“Discount Notes”). Purchasers of Discount Notes should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Notes for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Notes. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Notes 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 Notes may be greater than the amount of such Notes at maturity (“Premium Notes”). Purchasers of the Premium Notes should consult with their own tax advisors with respect to the determination of amortizable premium on Premium Notes for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Notes.

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 Notes. 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 Notes.

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 City’s knowledge, no obligations of the City are currently under examination by the Service. It cannot be predicted whether or not the Service will commence an audit of the Notes. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer and the Noteholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Notes 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 Notes, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Note 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 Note 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 General Assembly. 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 Notes will not have an adverse effect on the tax status of interest or other income on the Notes or the market value or marketability of the Notes. 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 Notes from gross income for federal or state income tax purposes for all or certain taxpayers.

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

Enforcement

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

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

The Opinion

The **FORM OF LEGAL OPINION**, in substantially the form set out in **APPENDIX C** 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 City 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.

Bond Counsel Review

Bond Counsel has approved the language included in this "**TAX MATTERS**" 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 NOTES SHOULD CONSULT WITH THEIR TAX ADVISORS WITH RESPECT TO FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF OWNERSHIP OF THE NOTES (INCLUDING BUT NOT LIMITED TO THOSE LISTED ABOVE).

CONTINUING DISCLOSURE

For the purpose of complying with Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the “Rule”), the City will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Notes to provide reports of specified information and notice of the occurrence of certain events, 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, is set forth in “**APPENDIX D – Form of Continuing Disclosure Certificate**”. This covenant is being made by the City 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 Notes 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 Notes in the secondary market. Thus, a failure on the part of the City to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Notes and their market price.

Pursuant to the Rule, in the last five years, the City believes it has complied in all material respects with regard to its prior Disclosure Covenants.

In the past five years there have been numerous rating actions reported by S&P Global Ratings affecting the municipal bond insurance companies, some of which had insured bonds previously issued by the City. Due to widespread knowledge of these rating actions, material event notices were not filed by the City at the time, but subsequently the City has filed a failure notice on EMMA

Bond Counsel expresses no opinion as to whether the Disclosure Covenants comply with the requirements of Section (b)(5) of the Rule.

OPTIONAL REDEMPTION

Notes due June 1, 2024 - 2030 inclusive, are not subject to optional redemption. Notes due June 1, 2031 - 2035, inclusive, are callable in whole or in part on any date on or after June 1, 2030, at a price of par and accrued interest. If selection by lot within a maturity is required, the Registrar shall designate the Notes to be redeemed by random selection of the names of the registered owners of the entire annual maturity until the total amount of Notes to be called has been reached.

If less than all of the maturity is called for redemption, the City 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.

Thirty days’ written notice of redemption shall be given to the registered owner of the Note. Failure to give written notice to any registered owner of the Notes or any defect therein shall not affect the validity of any proceedings for the redemption of the Notes. All Notes or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment. Written notice will be deemed completed upon transmission to the owner of record.

LITIGATION

There is no litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes or any proceedings of the City taken with respect to the issuance or sale thereof. There is no litigation now pending, or to the knowledge of the City, threatened against the City that is expected to materially impact the financial condition of the City.

LEGAL MATTERS

The Notes are subject to approval as to certain legal matters by Ahlers & Cooney, P.C., Des Moines, Iowa, as Bond Counsel. Bond Counsel has not participated in the preparation of this Official Statement except for guidance concerning the sections regarding “**TAX MATTERS**”, 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 Official Statement, and will express no opinion with respect thereto. A legal opinion in substantially the form set forth in **APPENDIX C** to this Official Statement will be delivered at closing.

The legal opinion to be delivered concurrently with the delivery of the Notes expresses the professional judgment of the attorneys rendering the opinion as to legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment, or of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

In addition, the enforceability of the rights and remedies of owners of the Notes may be subject to limitation as set forth in the Bond Counsel’s opinion. The opinion will state, in part, that the obligation of the City with respect to the Notes may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable, and to the exercise of judicial discretion in appropriate cases.

OFFICIAL STATEMENT AUTHORIZATION

This Official Statement has been authorized for distribution to prospective purchasers of the Notes. All statements, information, and statistics herein are believed to be correct but are not guaranteed by the consultants or by the City, and all expressions of opinion, whether or not so stated, are intended only as such.

This Official Statement is not to be construed as a contract or agreement amongst the City, the Underwriter, or the holders of any of the Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinions contained herein are subject to change without notice and neither the delivery of this Official Statement or the sale of the Notes made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. The information contained in this Official Statement is not guaranteed.

INVESTMENT RATING

The Notes have been rated “AA-/Stable” by S&P Global Ratings, New York, New York. The City has supplied certain information and material concerning the Notes and the City to the rating service shown on the cover page, including certain information and materials which may not have been included in this Official Statement, as part of its application for an investment rating on the Notes. A rating reflects only the views of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. Generally, such rating service bases its rating on such information and material, and also on such investigations, studies and assumptions that it may undertake independently. There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by such rating service if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the secondary market price of the Notes. An explanation of the significance of the investment rating may be obtained from the rating agency: S&P Global Ratings, 55 Water Street, New York, New York 10041, telephone 212-438-2000.

UNDERWRITING

The Notes were offered for sale by the City at a public, competitive sale on Monday, September 19, 2022. The best bid submitted at the sale was submitted by _____ (the "Underwriter"). The City awarded the contract for sale of the Notes to the Underwriter at a price of \$_____ (reflecting the par amount of \$_____, plus a reoffering premium of \$_____, and less an Underwriter's discount of \$_____). The Underwriter has represented to the City that the Notes have been subsequently re-offered to the public initially at the yields or prices set forth in the Final Official Statement.

MUNICIPAL ADVISOR

The City has engaged Speer Financial, Inc. as municipal advisor (the "Municipal Advisor") in connection with the issuance and sale of the Notes. The Municipal Advisor is a Registered Municipal Advisor in accordance with the rules of the MSRB. The Municipal Advisor will not participate in the underwriting of the Notes. The financial information included in the Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. The Municipal Advisor is not a firm of certified public accountants and does not serve in that capacity or provide accounting services in connection with the Notes. The Municipal Advisor is not obligated to undertake any independent verification of or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement, nor is the Municipal Advisor obligated by the City's continuing disclosure undertaking.

MISCELLANEOUS

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

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

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

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

The City has reviewed the information contained herein which relates to it and has approved all such information for use within this Official Statement. The execution and delivery of this Official Statement has been duly authorized by the City.

/s/ **CHRIS NOSBISCH**
City Administrator
City of Mount Vernon
Linn County, Iowa

/s/ **THOMAS WIESELER**
Mayor
City of Mount Vernon
Linn County, Iowa

APPENDIX A

**CITY OF MOUNT VERNON
LINN COUNTY, IOWA**

FISCAL YEAR 2021 AUDITED FINANCIAL STATEMENTS

CITY OF MOUNT VERNON, IOWA
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2021



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

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**CITY OF MOUNT VERNON, IOWA
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**CITY OF MOUNT VERNON, IOWA
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jamie Hampton	Mayor	December 31, 2021
Eric S. Roudabush	Council Member	December 31, 2021
Deb Hermann	Council Member	December 31, 2023
Stephanie West	Council Member	December 31, 2021
Thomas Wieseler	Council Member	December 31, 2023
Scott Rose	Council Member	December 31, 2023
Chris Nosbisch	City Administrator	Indefinite
Robert Hatala	Attorney	Indefinite



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Mount Vernon, Iowa

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mount Vernon, Iowa (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as 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 the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditors' 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 auditors' 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 City'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 City'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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Honorable Mayor and
Members of the City Council
City of Mount Vernon, Iowa

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mount Vernon, Iowa, as of June 30, 2021, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit for the year ended June 30, 2021 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mount Vernon's basic financial statements. The supplementary information included in Schedules 1 and 2 for the year ended June 30, 2021 and the other information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information included in Schedules 1 and 2 has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2021 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in Schedules 1 and 2 is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2021.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Mount Vernon, Iowa as of and for the year ended June 30, 2020 (not presented herein), and have issued our report thereon dated October 30, 2020, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. Those audits were conducted for the purpose of forming opinions on the financial statements as a whole. The supplementary information included in Schedule 2 for the nine years ended June 30, 2020 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements for the nine years ended June 30, 2020. 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 auditing standards generally accepted in the United States of America. In our opinion, the financial information for the nine years ended June 30, 2020 presented in Schedule 2 is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the nine years ended June 30, 2020.

Honorable Mayor and
Members of the City Council
City of Mount Vernon, Iowa

The other information, which consists of the budgetary comparison information, the schedule of the City's proportionate share of the net pension liability, and the schedule of the City contributions has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2021, on our consideration of the City of Mount Vernon, Iowa'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 City'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 City of Mount Vernon, Iowa's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Cedar Rapids, Iowa
October 27, 2021

BASIC FINANCIAL STATEMENTS

**CITY OF MOUNT VERNON, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

FUNCTIONS/PROGRAMS	Disbursements	Program Receipts		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Public Safety	\$ 1,249,888	\$ 177,132	\$ 77,981	\$ -
Public Works	619,192	-	702,419	-
Culture and Recreation	539,901	78,989	860,000	-
Community and Economic Development	84,149	-	5,000	-
General Government	537,879	18,643	26,535	-
Debt Service	1,351,099	-	-	-
Capital Projects	2,008,476	-	-	81,624
Total Governmental Activities	6,390,584	274,764	1,671,935	81,624
Business Type Activities:				
Storm Water	62,986	81,826	-	-
Water	646,830	740,158	26,535	-
Sewer	629,505	777,826	26,535	-
Solid Waste	759,950	299,188	2,133	-
Wellness/Fitness Center	450,612	238,411	-	5,000
Total Business Type Activities	2,549,883	2,137,409	55,203	5,000
Total Functions/Programs	\$ 8,940,467	\$ 2,412,173	\$ 1,727,138	\$ 86,624
GENERAL RECEIPTS AND TRANSFERS				
Property and Other City Tax Levied for General Purposes				
Tax Increment Financing				
Local Option Sales Tax				
Utility Franchise Fees				
Hotel/Motel Taxes				
Grants and Contributions not Restricted to Specific Purposes				
Commercial/Industrial Tax Replacement				
Unrestricted Interest on Investments				
Rents Received				
Proceeds from Bond Issuance				
Miscellaneous				
Sale of Capital Assets				
Transfers				
Total General Receipts and Transfers				
CHANGE IN CASH BASIS NET POSITION				
Cash Basis Net Position - Beginning of Year				
CASH BASIS NET POSITION - END OF YEAR				
CASH BASIS NET POSITION				
Restricted:				
Nonexpendable:				
Cemetery Perpetual Care				
Expendable:				
Urban Renewal Purposes				
Streets				
Debt Service				
Other Purposes				
Unrestricted				
Total Cash Basis Net Position				

See accompanying Notes to Financial Statements.

**CITY OF MOUNT VERNON, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

EXHIBIT A

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
\$ (994,775)	\$ -	\$ (994,775)
83,227	-	83,227
399,088	-	399,088
(79,149)	-	(79,149)
(492,701)	-	(492,701)
(1,351,099)	-	(1,351,099)
(1,926,852)	-	(1,926,852)
(4,362,261)	-	(4,362,261)
-	18,840	18,840
-	119,863	119,863
-	174,856	174,856
-	(458,629)	(458,629)
-	(207,201)	(207,201)
-	(352,271)	(352,271)
(4,362,261)	(352,271)	(4,714,532)
1,924,060	-	1,924,060
655,288	-	655,288
731,349	-	731,349
251,278	-	251,278
58,714	-	58,714
15,256	-	15,256
35,277	-	35,277
25,511	5,027	30,538
78,345	14,658	93,003
184,559	-	184,559
79,866	182,294	262,160
31,932	3,750	35,682
(28,309)	28,309	-
4,043,126	234,038	4,277,164
(319,135)	(118,233)	(437,368)
5,973,695	986,405	6,960,100
\$ 5,654,560	\$ 868,172	\$ 6,522,732
\$ 94,035	\$ -	\$ 94,035
438,657	-	438,657
331,799	-	331,799
126,771	-	126,771
1,736,062	-	1,736,062
2,927,236	868,172	3,795,408
\$ 5,654,560	\$ 868,172	\$ 6,522,732

CITY OF MOUNT VERNON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

EXHIBIT B

	Special Revenue							Total
	General	Urban Renewal Tax Increment	Road Use Tax	Debt Service	Capital Projects	Nonmajor	Total	
RECEIPTS								
Property Tax	\$ 1,230,183	\$ -	\$ -	\$ 79,575	\$ 99,196	\$ 509,910	\$ 1,918,864	
Tax Increment Financing	-	655,288	-	-	-	-	655,288	
Other City Tax	314,199	-	-	990	731,349	-	1,046,538	
Licenses and Permits	18,643	-	-	-	-	-	18,643	
Use of Money and Property	96,315	882	-	-	11,099	-	110,296	
Intergovernmental	988,095	-	700,913	1,313	1,832	9,414	1,701,567	
Charges for Services	249,680	-	-	-	-	-	249,680	
Miscellaneous	86,460	-	8,267	-	81,624	6,040	182,391	
Total Receipts	2,985,575	656,170	709,180	81,878	925,100	525,364	5,883,267	
DISBURSEMENTS								
Operating:								
Public Safety	1,249,888	-	-	-	-	-	1,249,888	
Public Works	-	-	619,192	-	-	-	619,192	
Culture and Recreation	539,901	-	-	-	-	-	539,901	
Community and Economic Development	78,649	-	-	-	-	5,500	84,149	
General Government	449,489	-	-	-	-	88,390	537,879	
Debt Service	-	-	-	1,351,099	-	-	1,351,099	
Capital Projects	-	-	-	-	2,008,476	-	2,008,476	
Total Disbursements	2,317,927	-	619,192	1,351,099	2,008,476	93,890	6,390,584	
Excess (Deficiency) of Receipts Over (Under) Disbursements	667,648	656,170	89,988	(1,269,221)	(1,083,376)	431,474	(507,317)	
OTHER FINANCING SOURCES (USES)								
Proceeds from Bond Issuance	-	-	-	-	184,559	-	184,559	
Sales of Capital Assets	28,322	-	3,610	-	-	-	31,932	
Transfers In	519,422	8,382	-	1,221,308	463,525	-	2,212,637	
Transfers Out	(434,176)	(806,327)	(25,000)	(8,382)	(547,639)	(419,422)	(2,240,946)	
Total Other Financing Sources (Uses)	113,568	(797,945)	(21,390)	1,212,926	100,445	(419,422)	188,182	
NET CHANGE IN CASH BALANCES	781,216	(141,775)	68,598	(56,295)	(982,931)	12,052	(319,135)	
Cash Balances - Beginning of Year	1,916,964	580,432	263,201	183,066	2,529,803	500,229	5,973,695	
CASH BALANCES - END OF YEAR	\$ 2,698,180	\$ 438,657	\$ 331,799	\$ 126,771	\$ 1,546,872	\$ 512,281	\$ 5,654,560	

See accompanying Notes to Financial Statements.

(8)

**CITY OF MOUNT VERNON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUNDS
(CONTINUED)**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

EXHIBIT B (CONTINUED)

	Special Revenue							Total
	General	Urban Renewal Tax Increment	Road Use Tax	Debt Service	Capital Projects	Nonmajor		
CASH BASIS FUND BALANCES								
Nonspendable - Cemetery Perpetual Care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 94,035	\$ 94,035
Restricted for:								
Urban Renewal	-	438,657	-	-	-	-	-	438,657
Streets	-	-	331,799	-	-	-	-	331,799
Debt Service	-	-	-	126,771	-	-	-	126,771
Other Purposes	29,512	-	-	-	1,288,304	-	418,246	1,736,062
Assigned for:								
Capital Projects	-	-	-	-	258,568	-	-	258,568
Unassigned	2,668,668	-	-	-	-	-	-	2,668,668
Total Cash Basis Fund Balances	\$ 2,698,180	\$ 438,657	\$ 331,799	\$ 126,771	\$ 1,546,872	\$ 512,281	\$ 5,654,560	\$ 5,654,560

See accompanying Notes to Financial Statements.

CITY OF MOUNT VERNON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES –
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

EXHIBIT C

	Enterprise					Total
	Water	Sewer	Solid Waste	Wellness/ Fitness Center	Nonmajor Storm Water	
OPERATING RECEIPTS						
Intergovernmental	\$ 26,535	\$ 26,535	\$ -	\$ -	\$ -	\$ 53,070
Charges for Services	740,158	777,826	299,188	238,411	81,826	2,137,409
Miscellaneous	3,772	994	175,680	8,914	67	189,427
Total Operating Receipts	<u>770,465</u>	<u>805,355</u>	<u>474,868</u>	<u>247,325</u>	<u>81,893</u>	<u>2,379,906</u>
OPERATING DISBURSEMENTS						
Business Type Activities	<u>646,830</u>	<u>629,505</u>	<u>759,950</u>	<u>450,612</u>	<u>62,986</u>	<u>2,549,883</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	123,635	175,850	(285,082)	(203,287)	18,907	(169,977)
NONOPERATING RECEIPTS						
Use of Money and Property	<u>1,872</u>	<u>1,287</u>	<u>1,868</u>	<u>14,658</u>	<u>-</u>	<u>19,685</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	125,507	177,137	(283,214)	(188,629)	18,907	(150,292)
OTHER FINANCING USES						
Sales of Capital Assets	-	-	3,750	-	-	3,750
Transfers In	-	-	-	240,000	-	240,000
Transfers Out	(64,289)	(147,402)	-	-	-	(211,691)
Total Other Financing Sources (Uses)	<u>(64,289)</u>	<u>(147,402)</u>	<u>3,750</u>	<u>240,000</u>	<u>-</u>	<u>32,059</u>
NET CHANGE IN CASH BALANCES	61,218	29,735	(279,464)	51,371	18,907	(118,233)
Cash Balances - Beginning of Year	<u>330,454</u>	<u>381,289</u>	<u>407,051</u>	<u>(29,434)</u>	<u>(102,955)</u>	<u>986,405</u>
CASH BALANCES - END OF YEAR	<u>\$ 391,672</u>	<u>\$ 411,024</u>	<u>\$ 127,587</u>	<u>\$ 21,937</u>	<u>\$ (84,048)</u>	<u>\$ 868,172</u>
CASH BASIS FUND BALANCES:						
Unrestricted	<u>\$ 391,672</u>	<u>\$ 411,024</u>	<u>\$ 127,587</u>	<u>\$ 21,937</u>	<u>\$ (84,048)</u>	<u>\$ 868,172</u>

See accompanying Notes to Financial Statements.

**CITY OF MOUNT VERNON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Mount Vernon, Iowa (the City) is a political subdivision of the state of Iowa located in Linn County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer, storm water, and solid waste utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City of Mount Vernon has included all funds, organizations, agencies, boards, commissions, and authorities. The City 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 City are such that exclusion would cause the City'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 City 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 City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Linn County 911 Service Board and Linn County Emergency Management.

Basis of Presentation

Government-wide Financial Statement – The cash basis statement of activities and net position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The cash basis statement of activities and net position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

**CITY OF MOUNT VERNON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The cash basis statement of activities and net position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts 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 on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts 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 disbursements, the fixed charges, and the capital improvement costs not paid from the other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Road Use Tax Fund is used to account for the road use tax allocation from the state of Iowa to be used for road construction and maintenance.

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

**CITY OF MOUNT VERNON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Solid Waste Fund accounts for the costs associated with solid waste removal which is funded through user fees.

The Enterprise, Wellness/Fitness Center Fund accounts for the costs associated with the operation and maintenance of the City's wellness and fitness center.

Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

**CITY OF MOUNT VERNON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

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.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2021, disbursements did not exceed amounts budgeted.

Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2019 to compute the amounts which became liens on property on July 1, 2020. These taxes were due and payable in two installments on September 30, 2020 and March 31, 2021, at the Linn County Treasurer's Office. These taxes are recognized as income when they are received from the county.

NOTE 2 CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2021, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City 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 City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

**CITY OF MOUNT VERNON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND POOLED INVESTMENTS (CONTINUED)

At June 30, 2021, the City's deposits consisted of cash, cash equivalents, and bank certificates of deposit as follows:

	<u>Bank Value</u>	<u>Carrying Value</u>
Checking Account	\$ 5,583,525	\$ 5,310,225
Police Forfeiture & Reserves Accounts	4,755	4,755
Petty Cash	-	100
Money Market Account	1,090,787	1,090,787
Certificates of Deposit	116,865	116,865
Total	<u>\$ 6,795,932</u>	<u>\$ 6,522,732</u>

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTE 3 BONDS AND NOTES PAYABLE

A summary of changes in bonds and notes payable for the year ended June 30, 2021 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Governmental Activities Bonds and Notes	<u>\$ 10,627,000</u>	<u>\$ -</u>	<u>\$ 958,000</u>	<u>\$ 9,669,000</u>	<u>\$ 988,000</u>
Notes from Direct Borrowings	<u>\$ 1,491,993</u>	<u>\$ 184,559</u>	<u>\$ 74,000</u>	<u>\$ 1,602,552</u>	<u>\$ 76,000</u>

The City's outstanding notes from direct borrowings related to governmental activities of \$1,602,552 contain a provision that in an event of default, outstanding amounts become immediately due if the City is unable to make a payment.

**CITY OF MOUNT VERNON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 BONDS AND NOTES PAYABLE (CONTINUED)

General Obligation Bonds and Notes

A summary of the City's June 30, 2021 general obligation bonds and notes payable is as follows:

Year Ending June 30,	Bonds and Notes							
	2007 Capital Improvements		2013A Highway 30 Corridor		2014 Street Impr./Pool		2015 Water Treatment Plant	
	Issued May 1, 2007		Issued July 1, 2013		Issued Sept. 22, 2014		Issued July 15, 2015	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2022	4.00 %	\$ 225,000	2.20 %	\$ 85,000	2.50 %	\$ 190,000	2.15 %	\$ 38,000
2023	-	-	2.50	90,000	3.00	190,000	2.25	39,000
2024	-	-	2.50	90,000	3.00	195,000	2.35	40,000
2025	-	-	2.85	90,000	3.00	200,000	2.45	42,000
2026	-	-	2.85	95,000	3.00	205,000	-	-
2027	-	-	3.10	95,000	3.00	210,000	-	-
2028	-	-	3.10	100,000	3.00	215,000	-	-
2029	-	-	-	-	3.00	225,000	-	-
		<u>\$ 225,000</u>		<u>\$ 645,000</u>		<u>\$ 1,630,000</u>		<u>\$ 159,000</u>

Year Ending June 30,	Bonds and Notes						
	2018 Urban Renewal/ Community Center		2019 Refunding Water/Sewer		2020 Wellness/Fitness Center		Total
	Issued October 30, 2018		Issued October 1, 2019		Issued February 28, 2020		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2022	3.00 %	\$ 155,000	1.45 %	\$ 215,000	1.60 %	\$ 80,000	\$ 988,000
2023	3.00	440,000	1.45	215,000	1.70	80,000	1,054,000
2024	3.00	455,000	1.45	225,000	1.80	85,000	1,090,000
2025	3.00	465,000	1.45	220,000	1.90	90,000	1,107,000
2026	3.00	485,000	1.45	230,000	2.00	90,000	1,105,000
2027	3.00	500,000	1.55	240,000	-	-	1,045,000
2028	3.00	520,000	1.65	245,000	-	-	1,080,000
2029	3.00	540,000	1.75	230,000	-	-	995,000
2030	3.00	570,000	-	-	-	-	570,000
2031	3.10	585,000	-	-	-	-	3,244,000
2032	3.25	25,000	-	-	-	-	25,000
2033	3.35	25,000	-	-	-	-	25,000
		<u>\$ 4,765,000</u>		<u>\$ 1,820,000</u>		<u>\$ 425,000</u>	<u>\$ 9,669,000</u>

**CITY OF MOUNT VERNON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 BONDS AND NOTES PAYABLE (CONTINUED)

Notes from Direct Borrowings

A summary of the City's June 30, 2021 notes from direct borrowings is as follows:

	2019	
	<u>WWTP UV Disinfection</u>	
	<u>Issued August 30, 2019</u>	
	Interest	
	<u>Rates</u>	<u>Amount</u>
2022	1.75 %	\$ 76,000
2023	1.75	77,000
2024	1.75	79,000
2025	1.75	80,000
2026	1.75	82,000
2027	1.75	83,000
2028	1.75	85,000
2029	1.75	87,000
2030	1.75	88,000
2031	1.75	90,000
2032	1.75	92,000
2033	1.75	94,000
2034	1.75	96,000
2035	1.75	98,000
2036	1.75	100,000
2037	1.75	102,000
2038	1.75	104,000
2039	1.75	89,552
		<u>\$ 1,602,552</u>

The City issued \$1,564,993 of Sewer Revenue Capital Loan Notes, Series 2019 in August 2019 for the purpose of the construction of wastewater treatment facilities. During the year ended June 30, 2021, the City drew an additional \$184,559 on this loan. The City has pledged future net sewer customer receipts, to repay this bond. For the current year, principal and interest paid and total customer net receipts were \$101,902 and \$177,137, respectively. The loan will mature in 2039 and have an interest rate of 1.75%.

The resolution providing for the issuance of the sewer revenue capital loan notes includes the following provision:

- a) The City shall generate net revenues from sewer operations equal to at least 110% of the principal and interest due in the fiscal year.

Pursuant to the Code of Iowa, the City's general obligation debt is limited to 5% of assessed value as follows:

Assessed Value	<u>\$ 287,634,737</u>
Debt Limit - 5% of Assessed Value	\$ 14,381,737
Debt Outstanding	<u>9,669,000</u>
Debt Margin	<u>\$ 4,712,737</u>

**CITY OF MOUNT VERNON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 PENSION AND RETIREMENT BENEFITS

Plan Description

IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO 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 informational purposes only. Refer to the plan documents for more information.

Pension Benefits

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

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

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service, but not more than 30 years of service.
- The member's highest three-year average salary.

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

**CITY OF MOUNT VERNON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 PENSION AND RETIREMENT BENEFITS (CONTINUED)

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

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 totaled \$172,242.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the City reported a liability of \$1,032,797 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.014274% for Regular employees and 0.113532% for Protection Occupation employees, which was an increase of 0.001657% for Regular employees and an increase of 0.000508% for Protection Occupation employees from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City's pension expense, deferred outflows, and deferred inflows totaled \$208,272, \$273,555, and \$142,365, respectively.

There were no nonemployer contributing entities to IPERS.

**CITY OF MOUNT VERNON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 PENSION AND RETIREMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0 %	4.43 %
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	100 %	

**CITY OF MOUNT VERNON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 PENSION AND RETIREMENT BENEFITS (CONTINUED)

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 contributions from the City 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 of 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 City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
City's proportionate share of the net pension liability	\$ 1,963,306	\$ 1,032,797	\$ 252,892

Pension Plan 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 www.ipers.org.

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees, and their spouses. Group insurance benefits are established under Iowa Code 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members range from \$477 for single coverage to \$1,392 for family coverage. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits

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

**CITY OF MOUNT VERNON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	28
Total	28

NOTE 6 COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2021, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 34,827
Sick Leave	123,273
Total	\$ 158,100

This liability has been computed based on rates of pay in effect at June 30, 2021.

Sick leave is payable when used or at retirement. If, at retirement, an employee has at least 20 years of service, all of the accumulated sick leave will be paid, with the pay rate being the same as the employee's regular rate. Upon termination (voluntary/involuntary) an employee who has worked less than 20 years shall receive one half of all accumulated sick leave pay.

Based on this computation, the minimum accumulated sick leave approximates \$61,637 at June 30, 2021.

The City is also potentially liable for severance pay and continued health coverage for certain employees. If the employees' contracts are not renewed by the City Council, the City agrees to pay an amount equal to a specified number of months of the employees' salary, half of their accrued sick leave, all of their accrued vacation, and health coverage. Calculated based on rates of pay and the insured cost of health coverage as of June 30, 2021 the total for the six employees affected approximates \$195,935.

NOTE 7 METER DEPOSITS

At June 30, 2021, the City was holding meter deposits from individuals in the amount of \$7,702.

**CITY OF MOUNT VERNON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 INTERFUND TRANSFERS

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

<u>Transfer to:</u>	<u>Transfer from:</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefit (nonmajor)	\$ 380,976
	Emergency Levy (nonmajor)	38,446
	Urban Renewal Tax Increment	100,000
Special Revenue		
Urban Renewal Tax Increment	Debt Service	8,382
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	706,327
	Capital Projects	307,639
	Enterprise:	
	Water	59,940
	Sewer	147,402
Capital Projects	General	434,176
	Special Revenue:	
	Road Use Tax	25,000
	Enterprise:	
	Water	4,349
Enterprise		
Wellness/Fitness Center	Capital Projects	240,000
Total		<u>\$ 2,452,637</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources. There were also \$89,692 of transfers within the same fund to different departments.

NOTE 9 RISK MANAGEMENT

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

**CITY OF MOUNT VERNON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 DEFICIT BALANCES

The Storm Water Fund deficit balance of \$84,048 was caused by increases in state unfunded mandates which the City has no control over. The City Council and staff discussed the issue and took corrective action to fix the issue which included decreases in expenses and reallocation of funds. Improvements have been noted on a month-to-month basis.

NOTE 11 COMMITMENTS AND CONTINGENCIES

As of June 30, 2021, the City has entered into various contracts for capital projects and for the purchase of equipment. These contracts total \$2,205,049, of which \$1,626,406 has been paid as of June 30, 2021. The City has also entered into a five-year contract for water leak detection. The contract requires payments totaling \$11,000, of which \$6,000 has been paid as of June 30, 2021.

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the City expects such amount, if any, to be immaterial.

NOTE 12 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 receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2021, the City did not have any tax abatements of property tax under the urban renewal and economic development projects.

Tax Abatements of Other Entities

There were no tax abatements of other entities for the year ended June 30, 2021.

**CITY OF MOUNT VERNON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 13 CONTINGENT LIABILITIES

The City is a defendant in lawsuits from time to time. It is the opinion of the City that resolution of these matters would not have a material adverse effect on the financial condition of the City and the outcome of these claims is not presently determinable.

NOTE 14 UNCERTAINTIES

In March 2020, the COVID-19 outbreak was declared a global pandemic. The COVID-19 pandemic is having significant effects on global market, supply chains, businesses, and communities. Specific to the City of Mount Vernon, COVID-19 may impact various parts of its 2022 operations and financial results. Management believes the City is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown as these events are still developing.

OTHER INFORMATION

CITY OF MOUNT VERNON, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN BALANCES-BUDGET AND ACTUAL (CASH BASIS)-
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Total	Budgeted Amounts		Final to Total Variance
					Original	Final	
RECEIPTS							
Property Tax	\$ 1,918,864	\$ -	\$ -	\$ 1,918,864	\$ 1,857,003	\$ 1,857,003	\$ 61,861
Tax Increment Financing	655,288	-	-	655,288	587,500	587,500	67,788
Other City Tax	1,046,538	-	-	1,046,538	832,937	832,937	213,601
Licenses and Permits	18,643	-	-	18,643	27,500	27,500	(8,857)
Use of Money and Property	110,296	19,685	-	129,981	212,000	212,000	(82,019)
Intergovernmental	1,701,567	53,070	-	1,754,637	1,289,162	2,605,302	(850,665)
Charges for Services	249,680	2,137,409	-	2,387,089	2,479,930	2,649,930	(262,841)
Special Assessments	-	-	-	-	1,000	1,000	(1,000)
Miscellaneous	182,391	189,427	-	371,818	265,800	315,800	56,018
Total Receipts	5,883,267	2,399,591	-	8,282,858	7,552,832	9,088,972	(806,114)
DISBURSEMENTS							
Public Safety	1,249,888	-	-	1,249,888	1,101,633	1,302,333	52,445
Public Works	619,192	-	-	619,192	553,000	679,535	60,343
Culture and Recreation	539,901	-	-	539,901	659,934	689,934	150,033
Community and Economic Development	84,149	-	-	84,149	70,670	85,670	1,521
General Government	537,879	-	-	537,879	530,196	556,731	18,852
Debt Service	1,351,099	-	-	1,351,099	1,361,838	1,361,838	10,739
Capital Projects	2,008,476	-	-	2,008,476	1,400,000	2,288,500	280,024
Business Type Activities	-	2,549,883	-	2,549,883	2,098,526	2,621,596	71,713
Total Disbursements	6,300,584	2,549,883	-	8,940,467	7,775,797	9,586,137	645,670
Excess (Deficiency) of Receipts Over (Under) Disbursements	(507,317)	(150,292)	-	(657,609)	(222,965)	(497,165)	(160,444)
OTHER FINANCING SOURCES (USES), NET							
Deficiency of Receipts and Other Financing Sources Under Disbursements and Other Financing Uses	188,182	32,059	-	220,241	-	218,200	2,041
Balances - Beginning of Year	(319,135)	(118,233)	-	(437,368)	(222,965)	(278,965)	(158,403)
BALANCES - END OF YEAR	5,973,695	986,405	-	6,960,100	6,329,983	6,329,983	630,117
	\$ 5,654,560	\$ 868,172	\$ -	\$ 6,522,732	\$ 6,107,018	\$ 6,051,018	\$ 471,714

**CITY OF MOUNT VERNON, IOWA
NOTES TO OTHER INFORMATION – BUDGETARY REPORTING
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon eight major classes of disbursements known as functions, not by fund. These eight functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$1,536,140, increased budgeted other financing sources by \$218,200 (\$200,000 bond proceeds and \$18,200 sale of assets) and increased budgeted disbursements by \$1,810,340. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements did not exceed budget.

**CITY OF MOUNT VERNON, IOWA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST SEVEN YEARS*
(IN THOUSANDS)**

	(In Thousands)						
	2021	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability:							
Regular	0.014274 %	0.012617 %	0.011855 %	0.011448 %	0.011233 %	0.011418 %	0.011843 %
Police	0.113532 %	0.113024 %	0.109423 %	0.111718 %	0.105973 %	0.115107 %	0.112031 %
City's Total Proportionate Share of the Net Pension Liability	\$ 1,033	\$ 701	\$ 748	\$ 776	\$ 722	\$ 517	\$ 392
City's Covered Payroll	\$ 1,558	\$ 1,380	\$ 1,269	\$ 1,238	\$ 1,153	\$ 1,163	\$ 1,149
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	66.30 %	50.80 %	58.94 %	62.68 %	62.62 %	44.45 %	34.12 %
IPERS Net Position as a Percentage of the Total Pension Liability	82.90 %	85.45 %	83.62 %	82.21 %	81.82 %	85.19 %	87.61 %

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

See accompanying independent auditors' report.

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

**CITY OF MOUNT VERNON, IOWA
SCHEDULE OF CITY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TEN YEARS
(IN THOUSANDS)**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily Required Contribution	\$ 172	\$ 149	\$ 133	\$ 117	\$ 114	\$ 106	\$ 108	\$ 107	\$ 104	\$ 99
Contributions in Relation to the Statutorily Required Contribution	(172)	(149)	(133)	(117)	(114)	(106)	(108)	(107)	(104)	(99)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll (Regular)	\$ 1,335	\$ 1,124	\$ 967	\$ 891	\$ 847	\$ 798	\$ 787	\$ 791	\$ 796	\$ 823
City's Covered Payroll (Police)	\$ 487	\$ 434	\$ 413	\$ 378	\$ 391	\$ 355	\$ 376	\$ 358	\$ 342	\$ 322
Contributions as a Percentage of Covered Payroll (Regular)	9.44 %	9.44 %	9.44 %	8.93 %	8.93 %	8.93 %	8.93 %	8.93 %	8.67 %	8.07 %
Contributions as a Percentage of Covered Payroll (Police)	9.61 %	9.91 %	10.21 %	9.84 %	9.84 %	9.84 %	10.14 %	10.14 %	10.27 %	9.97 %

**CITY OF MOUNT VERNON, IOWA
NOTES TO OTHER INFORMATION – PENSION LIABILITY
JUNE 30, 2021**

CHANGES IN BENEFIT TERMS

There are no significant changes in benefit terms.

CHANGES OF ASSUMPTIONS

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

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

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

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

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- 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.

SUPPLEMENTARY INFORMATION

CITY OF MOUNT VERNON, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCE --
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

SCHEDULE 1

	Special Revenue						Total
	Insurance Levy	Employee Benefits	Emergency Levy	Local Option Sales Tax	Low-Moderate Income	Permanent Cemetery Perpetual Care	
RECEIPTS							
Property Tax	\$ 77,024	\$ 393,207	\$ 39,679	\$ -	\$ -	\$ -	\$ 509,910
Intergovernmental	1,410	7,271	733	-	-	-	9,414
Miscellaneous	-	-	-	-	5,000	1,040	6,040
Total Receipts	<u>78,434</u>	<u>400,478</u>	<u>40,412</u>	<u>-</u>	<u>5,000</u>	<u>1,040</u>	<u>525,364</u>
DISBURSEMENTS							
Operating							
General Government	88,390	-	-	-	-	-	88,390
Community and Economic Development	-	-	-	-	5,500	-	5,500
Total Disbursements	<u>88,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,500</u>	<u>-</u>	<u>93,890</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(9,956)	400,478	40,412	-	(500)	1,040	431,474
OTHER FINANCING SOURCES (USES):							
Transfers Out	-	(380,976)	(38,446)	-	-	-	(419,422)
NET CHANGE IN CASH BALANCES	(9,956)	19,502	1,966	-	(500)	1,040	12,052
Cash Balances - Beginning of Year	315,010	43,842	5,095	32,750	10,537	92,995	500,229
CASH BALANCES - END OF YEAR	<u>\$ 305,054</u>	<u>\$ 63,344</u>	<u>\$ 7,061</u>	<u>\$ 32,750</u>	<u>\$ 10,037</u>	<u>\$ 94,035</u>	<u>\$ 512,281</u>
CASH BASIS FUND BALANCES							
Nonspendable - Cemetery Perpetual Care Restricted for:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 94,035	\$ 94,035
Other Purposes	305,054	63,344	7,061	32,750	10,037	-	418,246
Total Cash Basis Fund Balances	<u>\$ 305,054</u>	<u>\$ 63,344</u>	<u>\$ 7,061</u>	<u>\$ 32,750</u>	<u>\$ 10,037</u>	<u>\$ 94,035</u>	<u>\$ 512,281</u>

CITY OF MOUNT VERNON, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION – ALL GOVERNMENTAL FUNDS
FOR THE LAST 10 YEARS

SCHEDULE 2

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
RECEIPTS										
Property Tax	\$ 1,918,864	\$ 1,821,126	\$ 1,794,962	\$ 1,750,198	\$ 1,658,629	\$ 1,676,435	\$ 1,663,694	\$ 1,476,458	\$ 1,378,806	\$ 1,377,296
Tax Increment Financing	655,288	551,727	601,518	598,139	741,473	782,727	734,244	733,720	724,854	676,858
Other City Tax	1,046,538	986,447	790,720	684,736	719,804	681,643	632,823	640,055	603,508	648,531
Licenses and Permits	18,643	20,082	59,935	40,820	53,464	34,772	52,919	52,550	79,764	72,490
Use of Money and Property	110,296	170,639	210,554	80,980	73,761	75,558	75,839	70,114	57,515	48,155
Intergovernmental	1,701,567	702,307	690,835	667,915	660,834	735,775	571,440	2,171,496	525,268	439,696
Charges for Services	249,680	106,452	167,361	149,308	175,430	155,609	159,756	110,852	141,688	145,794
Special Assessments	-	978	1,173	18,200	-	-	-	-	-	-
Miscellaneous	182,391	770,257	1,658,178	84,117	104,604	218,366	63,442	171,138	105,686	160,217
Total	\$ 5,883,267	\$ 5,130,015	\$ 5,965,236	\$ 4,074,413	\$ 4,187,989	\$ 4,360,885	\$ 3,954,157	\$ 5,426,383	\$ 3,617,089	\$ 3,589,037
DISBURSEMENTS										
Operating:										
Public Safety	\$ 1,249,888	\$ 1,024,297	\$ 1,538,241	\$ 828,069	\$ 739,943	\$ 715,353	\$ 745,901	\$ 726,626	\$ 876,131	\$ 635,662
Public Works	619,192	753,554	552,395	500,320	382,169	413,680	649,072	512,359	439,613	429,652
Culture and Recreation	539,901	658,866	575,989	540,580	516,443	455,460	457,920	479,086	428,942	472,897
Community and Economic Development	84,149	179,870	83,863	76,786	77,851	90,502	74,607	89,062	83,419	69,388
General Government	537,879	528,345	512,747	537,318	488,235	548,967	455,118	438,919	412,819	485,011
Debt Service	1,351,099	3,425,254	1,075,114	961,383	1,322,904	1,423,343	1,179,073	1,032,898	1,035,875	1,120,761
Capital Projects	2,008,476	7,324,846	3,279,473	643,587	464,941	2,650,529	1,060,262	2,983,531	1,619,211	3,708,097
Total	\$ 6,390,584	\$ 13,895,052	\$ 7,617,822	\$ 4,088,043	\$ 3,992,486	\$ 6,297,834	\$ 4,621,953	\$ 6,262,481	\$ 4,896,010	\$ 6,921,468



**INDEPENDENT AUDITORS' 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**

Honorable Mayor and
Members of the City Council
City of Mount Vernon, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mount Vernon, Iowa (the City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 27, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting as a basis for designing audit procedures that are 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a 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 City'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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in Part II of the accompanying schedule of findings and responses as item 2021-001, that we consider to be a material weakness.

Honorable Mayor and
Members of the City Council
City of Mount Vernon, Iowa

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part III of the accompanying schedule of findings and responses.


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

City of Mount Vernon, Iowa's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City'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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Cedar Rapids, Iowa
October 27, 2021

**CITY OF MOUNT VERNON, IOWA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2021**

Part I – Summary of the Independent Auditors’ Results

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America.
- (b) A material weakness in internal control over financial reporting was reported by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Part II – Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

2021-001: Segregation of Duties

Criteria:

The City should have adequate segregation of duties to provide for the accuracy and reliability of the financial statements.

Condition:

The City does not have complete segregation of duties over all accounting transactions. Though disbursements are generally reviewed, there is a lack of controls to ensure that all disbursements are reviewed. Utility adjustments and write offs can be performed by all accounting staff. Credit card receipts were also being approved by the person using the card. For these items, an additional level of review would be necessary to have proper controls over credit card expenditures. There is no specific review over manual journal entries, only general overview in the monthly reconciliation process. Some checks were noted to only have one signature instead of two that are required by policy.

Cause:

The City has limited resources in order to create an ideal segregation of duties.

Effect:

As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected within a timely period.

**CITY OF MOUNT VERNON, IOWA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2021**

Part II – Findings Related to the Financial Statements (Continued)

INTERNAL CONTROL DEFICIENCIES: (CONTINUED)

2021-001: Segregation of Duties (Continued)

Recommendation:

We recommend that tasks performed by accounting be evaluated so that proper segregation of duties can be established. Someone other than the preparer of the check voucher should review and approve the coding of checks. In addition, there should be controls implemented to ensure completeness that all checks are being reviewed. Since utility write-offs can be performed by all accounting staff, we suggest that a review of adjustments be performed by the City Administrator. Credit card receipts should be maintained for all credit card transactions. Each receipt should be reviewed and approved by someone other than the person who made the purchase. Manual journal entries should be reviewed and signed off on by someone other than the person creating the entry. Each check should be reviewed for two signatures before being released.

Management Response:

With a limited number of office employees, segregation of duties is sometimes difficult. Management is aware of the lack of segregation of duties and has considered alternatives to improve the situation. Management is monitoring the situation and is segregating accounting duties where practical.

Conclusion:

Response accepted

This finding was reported in the prior year as finding 2020-001. Finding has been repeated in the current year, with modifications.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

**CITY OF MOUNT VERNON, IOWA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2021**

Part III – Other Findings Related to Required Statutory Reporting

III-A-21 Certified Budget – Disbursements did not exceed amounts budgeted in the capital projects function or the community and economic development function at year-end, however, expenditures exceeded the amounts budgeted before an amendment was adopted. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-B-21 Questionable Disbursements – We noted no disbursements that failed to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

III-C-21 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-21 Business Transactions – No business transactions between the City and City officials or employees were noted.

III-E-21 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

III-F-21 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

III-G-21 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

III-H-21 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

III-I-21 Financial Condition – The Storm Water fund had a deficit balance at June 30, 2021 of \$84,048.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – The Storm Water Fund deficit balance of \$84,048 was caused by increases in state unfunded mandates which the City has no control over. The City Council and staff discussed the issue and are taking corrective action to fix the issue. The results of the changes made will be evaluated during the preparation of the 2021-2022 budget.

Conclusion – Response accepted.

**CITY OF MOUNT VERNON, IOWA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2021**

Part III – Other Findings Related to Required Statutory Reporting (continued)

- III-J-21 Questionable Donations – During the fiscal year ended June 30, 2021, the City donated \$20,000 to Southeast Linn Community Center.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to private, nonprofit corporations. Article III, Section 31 of the Constitution of the State of Iowa states "...no public money or property shall be appropriated for local or private purposes, unless such appropriation, compensation or claim be allowed by two-thirds of the members elected to each branch of the General Assembly."

At least six official Iowa Attorney General Opinions since 1972 have consistently concluded that "a governmental body may not donate public funds to a private entity, even if the entity is established for charitable educational purposes and performs work which the government could perform directly." The Opinions further state, "Even if the function of a private nonprofit corporation fits within the scope of activities generally recognized as serving a public purpose, a critical question exists regarding whether funds or property transferred to a private entity will indeed be used for those public purposes. Political subdivisions and municipalities, including cities, counties, schools, and townships are municipal-governmental-entities. As governmental entities they are governed by elected bodies, are directly responsible to the public as a whole, and are subject to the limitations imposed on them by the state. Although a private organization may be formed to provide and support 'public' services which are the same or similar to the services provided by governments, the private organizations are not subjected to the same degree of public accountability and oversight as governmental entities."

Recommendation – We are not aware of any statutory authority for the City to donate public funds to private nonprofit organizations. The City should immediately cease making future such donations.

Response – Management will contact the State to determine next steps for these types of payments to be allowable per the Code of Iowa.

Conclusion – Response accepted.

- III-K-21 Annual Urban Renewal Report – The Annual Urban Renewal Report was approved by the Iowa Department of Management and certified on or before December 1.

APPENDIX B

DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

1. The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Notes (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 each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC.

2. 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 the 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 instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P Global Ratings 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.

3. 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 into the transaction. Transfers of ownership interests 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 interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. 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 DTC nominee do not effect 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.

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

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. 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 the City or the Paying 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, the Paying Agent, or the City, 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 the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to any Tender/Remarketing Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to any Tender/Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to any Tender/Remarketing Agent's DTC account.

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

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

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX C

DRAFT FORM OF BOND COUNSEL OPINION



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Draft

We hereby certify that we have examined a certified transcript of the proceedings of the City Council and acts of administrative officers of the City of Mount Vernon, State of Iowa (the "Issuer"), relating to the issuance of General Obligation Capital Loan Notes, Series 2022, by said City, dated _____, in the denomination of \$5,000 or multiples thereof, in the aggregate amount of \$ _____ (the "Notes").

We have examined the law and such 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 the Loan Agreement and issuance of the Notes (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 Loan Agreement and issue the Notes.
2. The Loan Agreement and Notes 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 Notes. Taxes have been levied by the Resolution for the payment of the Notes and the Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Notes to the extent the necessary funds are not provided from other sources.
4. Interest on the Notes 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; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. 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 Notes in order that the interest thereon be, and continue to be, excludable from gross income for federal income

City of Mount Vernon, State of Iowa
\$ _____ General Obligation
Capital Loan Notes, Series 2022
Page 2

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 Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes.

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

The rights of the owners of the Notes and the enforceability of the Notes 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.

Respectfully submitted,

APPENDIX D

DRAFT CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Mount Vernon, State of Iowa (the "Issuer"), in connection with the issuance of \$_____ General Obligation Capital Loan Notes, Series 2022 (the "Notes") dated _____. The Notes are being issued pursuant to a Resolution of the Issuer approved on _____, 2022 (the "Resolution"). The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate; Interpretation. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Notes 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 Notes (including persons holding Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Notes 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 shall 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 Notes, 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 Notes, dated _____, 2022.

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

"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 two hundred seventy (270) days after the end of the Issuer's fiscal year (presently June 30th), commencing with information for the 2021/2022 fiscal year, provide to the National Repository an Annual Financial Information filing consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Financial Information filing must be submitted in such format as is required by the MSRB (currently in "searchable PDF" format). The Annual Financial Information filing may be submitted as a single document or as separate documents comprising a package. The Annual Financial Information filing may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Financial Information filing and later than the date required above for the filing of the Annual Financial Information if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

b) If the Issuer is unable to provide to the National Repository the Annual Financial Information by the date required in subsection (a), the Issuer shall send a notice to the Municipal Securities Rulemaking Board, if any, in substantially the form attached as Exhibit A.

c) The Dissemination Agent shall:

i. each year file Annual Financial Information with the National Repository; and

ii. (if the Dissemination Agent is other than the Issuer), file a report with the Issuer certifying that the Annual Financial Information has been filed pursuant to this Disclosure Certificate, stating the date it was filed.

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

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

b) A table, schedule or other information prepared as of the end of the preceding fiscal year, of the type contained in the final Official Statement under the caption Debt Information: "Debt Limitation", "Summary of Outstanding General Obligation Bonded Debt", "General Obligation Debt", "Statement of Bonded Indebtedness"; Property Assessment and Tax Information (formerly identified as "Property Tax Information"): "Actual (100%) Valuations for the City", "Taxable (Rollback) Valuations for the City", "Tax Extensions and Collections", "Principal Taxpayers", "Property Tax Rates"; Financial Information: "Cash Basis Statement of Activities and Net Position", "Statement of Cash Receipts, Disbursements, and Changes in Cash Balances".

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 Notes 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 Notes 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 Notes, or material events affecting the tax-exempt status of the Notes;
- vii. Modifications to rights of Holders of the Notes, if material;
- viii. Note calls (excluding sinking fund mandatory redemptions), if material, and tender offers;
- ix. Defeasances of the Notes;
- x. Release, substitution, or sale of property securing repayment of the Notes, if material;
- xi. Rating changes on the Notes;
- 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 similar 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 Notes shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Notes 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 Notes, 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 Notes, 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 Notes 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 Notes.

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 Notes 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 Notes.

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 Notes, 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: _____ day of _____, 2022.

CITY OF MOUNT VERNON, STATE OF IOWA

By: _____
Mayor

ATTEST:

By: _____
City Clerk

EXHIBIT A

NOTICE TO NATIONAL REPOSITORY OF FAILURE TO FILE ANNUAL FINANCIAL INFORMATION

Name of Issuer: City of Mount Vernon, Iowa.

Name of Note Issue: \$ _____ General Obligation Capital Loan Notes,
Series 2022

Dated Date of Issue: _____

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

Dated: _____ day of _____, 20__.

CITY OF MOUNT VERNON, STATE OF IOWA

By: _____
Its: _____

OFFICIAL BID FORM

City of Mount Vernon
213 First Street NW
Mount Vernon, IA 52314

September 19, 2022
Speer Financial, Inc.
Facsimile: (319) 291-8628

City Council:

For the \$1,500,000* General Obligation Capital Loan Notes, Series 2022 (the "Notes"), of the City of Mount Vernon, Linn County, Iowa (the "City"), as described in the annexed Official Terms of Offering, which is expressly made a part of this bid, we will pay you \$ _____ (no less than \$1,488,000). The Notes are to bear interest at the following respective rates (each a multiple of 1/8 or 1/100 of 1%) for the Notes of each designated maturity.

AMOUNTS* AND MATURITIES – JUNE 1

\$100,0002024 _____%	\$115,0002028 _____%	\$135,0002032 _____%
105,0002025 _____%	120,0002029 _____%	140,0002033 _____%
110,0002026 _____%	125,0002030 _____%	150,0002034 _____%
115,0002027 _____%	130,0002031 _____%	155,0002035 _____%

Any consecutive maturities may be aggregated into term bonds at the option of the bidder, in which case the mandatory redemption provisions shall be on the same schedule as above.

Maturities: _____ Term Maturity _____ Maturities: _____ Term Maturity _____
Maturities: _____ Term Maturity _____ Maturities: _____ Term Maturity _____

*Subject to principal adjustment in accordance with the Official Terms of Offering.

In submitting this bid, we represent that (i) this bid constitutes a firm offer to purchase the Notes, and (ii) we have an established industry reputation for underwriting new issuances of municipal bonds and notes.

The Notes are to be executed and delivered to us in accordance with the terms of this bid accompanied by the approving legal opinion of Ahlers & Cooney, P.C., Des Moines, Iowa. The City will pay for the legal opinion. **The Purchaser agrees to** pay the fee charged by the CUSIP Service Bureau and will accept the Notes with the CUSIP numbers as entered on the Notes.

As evidence of our good faith, if we are the winning bidder, we will wire transfer the amount of **TWO PERCENT OF PAR** (the "Deposit") **WITHIN TWO HOURS** after the bid opening time to the City's good faith bank and under the terms provided in the Official Terms of Offering for the Notes. Alternatively, we have wire transferred or enclosed herewith a check payable to the City in the amount of the Deposit under the terms provided in the Official Terms of Offering for the Notes.

Attached hereto is a list of members of our account on whose behalf this bid is made.

Form of Deposit (Check One)

Prior to Bid Opening:
 Certified/Cashier's Check
 Wire Transfer

Within TWO Hours of Bid Opening:
 Wire Transfer

Amount: \$30,000

Account Manager Information

Underwriter/Bank _____
 Address _____
 Authorized Rep _____
 City _____ State/Zip _____
 Direct Phone (_____) _____
 FAX Number (_____) _____
 E-Mail Address _____

Bidders Option Insurance

We have purchased insurance from: <u>Name of Insurer</u> (Please fill in) _____ Premium: _____ Maturities: (Check One) <input type="checkbox"/> _____ Years <input type="checkbox"/> All
--

The foregoing bid was accepted and the Notes sold by resolution of the City on September 19, 2022, and receipt is hereby acknowledged of the good faith Deposit which is being held in accordance with the terms of the annexed Official Terms of Offering.

ATTEST:

CITY OF MOUNT VERNON
LINN COUNTY, IOWA

City Clerk

Mayor

-----NOT PART OF THE BID-----
 (Calculation of true interest cost)

Gross Interest	\$
Less Premium/Plus Discount	\$
True Interest Cost	\$
True Interest Rate	%
TOTAL BOND YEARS	11,364.17
AVERAGE LIFE	7.576 Years

OFFICIAL TERMS OF OFFERING

\$1,500,000*
CITY OF MOUNT VERNON
Linn County, Iowa

General Obligation Capital Loan Notes, Series 2022

The City of Mount Vernon, Linn County, Iowa, (the “City”), will receive electronic bids on the SpeerAuction (“SpeerAuction”) website address “www.SpeerAuction.com” for its \$1,500,000* General Obligation Capital Loan Notes, Series 2022 (the “Notes”), on an all or none basis between 10:30 A.M. and 11:00 A.M., C.D.T., Monday, September 19, 2022. To bid electronically, bidders must have: (1) completed the registration form on the SpeerAuction website, and (2) requested and received admission to the City’s sale (as described below). The City will also receive sealed bids for the Notes, on an all or none basis, at the City Hall, 213 First Street NW, Mount Vernon, Iowa, before 11:00 A.M., C.D.T., Monday, September 19, 2022. The City will also receive facsimile bids at (319) 291-8628 for the Notes, on an all or none basis, before 11:00 A.M., C.D.T., Monday, September 19, 2022. Upon receipt, facsimile bids will be sealed and treated as sealed bids, and along with all other sealed bids will be publicly opened and, together with any electronic bids, read.

Award will be made or all bids rejected at a meeting of the City on that date. The City reserves the right to reject all bids, to reject any bid proposal not conforming to this Official Terms of Offering, and to waive any irregularity or informality with respect to any bid. Additionally, the City reserves the right to modify or amend this Official Terms of Offering; however, any such modification or amendment shall not be made less than twenty-four (24) hours prior to the date and time for receipt of bids on the Notes and any such modification or amendment will be announced on the Amendments Page of the SpeerAuction webpage and through *Thomson Municipal News*.

The Notes will constitute valid and legally binding obligations of the City payable both as to principal and interest from ad valorem taxes levied against all taxable, real property within the corporate limits of the City without limitation as to rate or amount, all except as limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws relating to the enforcement of creditors’ rights generally and except that enforcement by equitable and similar remedies, such as mandamus, is subject to the exercise of judicial discretion.

**ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER DETERMINATION OF BEST BID. The aggregate principal amount of the Notes, and each scheduled maturity thereof, are subject to increase or reduction by the City or its designee after the determination of the Winning Bidder. The City may increase or decrease each maturity in increments of \$5,000, but the total amount to be issued will not exceed \$1,500,000. Interest rates specified by the Winning Bidder for each maturity will not change. Final adjustments shall be in the sole discretion of the City.*

The dollar amount of the purchase price proposed by the Winning Bidder will be changed if the aggregate principal amount of the Notes is adjusted as described above. Any change in the principal amount of any maturity of the Notes will be made while maintaining, as closely as possible, the Winning Bidder’s net compensation, calculated as a percentage of Note principal. The Winning Bidder may not withdraw or modify its bid as a result of any post-bid adjustment. Any adjustment shall be conclusive, and shall be binding upon the Winning Bidder.

Establishment of Issue Price (10% Test May Apply if Competitive Sale Requirements are Not Satisfied)

- (a) The winning bidder shall assist the City in establishing the issue price of the Notes and shall execute and deliver to the City at closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the Public or the sales price or prices of the Notes, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as **Exhibit A** to this Official Terms of Offering, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Ahlers & Cooney, P.C. (“Bond Counsel”). All actions to be taken by the City under this Official Terms of Offering to establish the issue price of the Notes may be taken on behalf of the City by the City’s municipal advisor and any notice or report to be provided to the City may be provided to Speer Financial, Inc., Chicago, Illinois (“Speer”).

- (b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the “competitive sale requirements”) because:
- (i) the City shall disseminate this Official Terms of Offering to potential Underwriters in a manner that is reasonably designed to reach potential Underwriters;
 - (ii) all bidders shall have an equal opportunity to bid;
 - (iii) the City may receive bids from at least three Underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
 - (iv) the City anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the lowest true interest cost, as set forth in this Official Terms of Offering.

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

- (c) In the event that the competitive sale requirements are not satisfied, the City shall so advise the winning bidder. **The City will not require bidders to comply with the “hold-the-offering-price rule” and therefore does not intend to use the initial offering price to the Public as of the Sale Date of any maturity of the Notes as the issue price of that maturity, though the winning bidder may elect to apply the “hold the offering price rule” (as described below). Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied. Unless a bidder intends to apply the “hold-the-offering-price rule” as described below, bidders should prepare their bids on the assumption that all of the maturities of the Notes will be subject to the 10% test (as described below) in order to establish the issue price of the Notes.** If the competitive sale requirements are not satisfied, the 10% test shall apply to determine the issue price of each maturity of the Notes unless the winning bidder shall request that the “hold-the-offering-price rule” (as described below) shall apply. The winning bidder must notify Speer of its intention to apply the “hold-the-offering-price rule” at or prior to the time the Notes are awarded.
- (i) If the winning bidder does not request that the “hold-the-offering-price rule” apply to determine the issue price of the Notes, the following two paragraphs shall apply:

The City shall treat the first price at which 10% of a maturity of the Notes (the “10% test”) is sold to the Public as the issue price of that maturity, applied on a maturity-by-maturity basis. The winning bidder shall advise the City if any maturity of the Notes satisfies the 10% test as of the date and time of the award of the Notes.

Until the 10% test has been satisfied as to each maturity of the Notes, the winning bidder agrees to promptly report to the City the prices at which the unsold Notes of that maturity have been sold to the Public. That reporting obligation shall continue, whether or not the closing date has occurred, until the 10% test has been satisfied as to the Notes of that maturity or until all Notes of that maturity have been sold to the Public. In addition, if the 10% test has not been satisfied with respect to any maturity of the Notes prior to closing, then the purchaser shall provide the City with a representation as to the price of prices, as of the date of closing, at which the purchaser reasonably expects to sell the remaining Notes of such maturity.

- (ii) If the winning bidder does request that the “hold-the-offering-price rule” apply to determine the issue price of the Notes, the following three paragraphs shall apply:

The City may determine to treat (i) pursuant to the 10% test, the first price at which 10% of a maturity of the Notes is sold to the Public as the issue price of that maturity and/or (ii) the initial offering price to the Public as of the Sale Date of any maturity of the Notes as the issue price of that maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis. The winning bidder shall advise the City if any maturity of the Notes satisfies the 10% test as of the date and time of the award of the Notes. The City shall promptly advise the winning bidder, at or before the time of award of the Notes, which maturities of the Notes shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule or both. Bids will *not* be subject to cancellation in the event that the City determines to apply the hold-the-offering-price rule to any maturity of the Notes.

By submitting a bid, the winning bidder shall (i) confirm that the Underwriters have offered or will offer the Notes to the Public on or before the date of award at the offering price or prices (the “*initial offering price*”), and (ii) agree, on behalf of the Underwriters participating in the purchase of the Notes, that the Underwriters will neither offer nor sell unsold Notes of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the Public during the period starting on the Sale Date and ending on the earlier of the following:

- (1) the close of the fifth business day after the Sale Date; or
- (2) the date on which the Underwriters have sold at least 10% of that maturity of the Notes to the Public at a price that is no higher than the initial offering price to the Public.

The City 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 Notes 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 Notes 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 City 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 applicable to the Notes.

- (d) 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 Notes 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 Notes 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 Notes of that maturity or all Notes 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 which shall be at least until the 10% test has been satisfied as to the Notes of that maturity or until the close of the fifth business day following the date of the award, and (ii) any agreement among Underwriters relating to the initial sale of the Notes 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 Notes 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 Notes 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 Notes of that maturity or all Notes 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, which shall be at least until the 10% test has been satisfied as to the Notes of that maturity or until the close of the fifth business day following the date of the award.
- (e) Sales of any Notes to any person that is a Related Party to an Underwriter shall not constitute sales to the Public for purposes of this Official Terms of Offering. Further, for purposes of this Official Terms of Offering:
- (i) “Public” means any person other than an Underwriter or a Related Party,
 - (ii) “Underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the public including, specifically, the purchaser, 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 Notes 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 Notes to the Public),
 - (iii) a purchaser of any of the Notes 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 Notes are awarded by the City to the winning bidder.

Establishment of Issue Price (Hold-the-Offering Price Rule May Apply if Competitive Sale Requirements are Not Satisfied)

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

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

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

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

In the event that the competitive sale requirements are not satisfied, the City shall so advise the winning bidder. The City may determine to treat (i) the first price at which 10% of a maturity of the Notes (the “10% test”) is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Notes as the issue price of that maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the City if any maturity of the Notes satisfies the 10% test as of the date and time of the award of the Notes. The City shall promptly advise the winning bidder, at or before the time of award of the Notes, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of the Notes shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule. **Bids will not be subject to cancellation in the event that the City determines to apply the hold-the-offering-price rule to any maturity of the Notes. Bidders should prepare their bids on the assumption that some or all of the maturities of the Notes will be subject to the hold-the-offering-price rule in order to establish the issue price of the Notes.**

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

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

The winning bidder shall promptly advise the City when the underwriters have sold 10% of that maturity of the Notes 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.

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Notes, the winning bidder agrees to promptly report to the City the prices at which the unsold Notes of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Notes of that maturity or until all Notes of that maturity have been sold.

The City 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 Notes 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 Notes 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 City 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 Notes.

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 Notes 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 Notes 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 Notes of that maturity or all Notes 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 Notes 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 Notes 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 Notes 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 Notes of that maturity or all Notes 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.

Sales of any Notes to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Official Terms of Offering. Further, for purposes of this Official Terms of Offering:

- (1) “public” means any person other than an underwriter or a related party;
- (2) “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes 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 Notes 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 Notes to the public);
- (3) a purchaser of any of the Notes 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
- (4) “sale date” means the date that the Notes are awarded by the City to the winning bidder.

Note Details

The Notes will be in fully registered form in the denominations of \$5,000 and integral multiples thereof in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”), New York, New York, to which principal and interest payments on the Notes will be paid. Individual purchases will be in book-entry form only. Interest on each Note shall be paid by check or draft of the Note Registrar to the person in whose name such Note is registered at the close of business on the fifteenth day of the month next preceding an interest payment date on such bond. The principal of the Notes shall be payable in lawful money of the United States of America at the principal office maintained for the purpose by the Note Registrar in West Des Moines, Iowa. Semiannual interest is due June 1 and December 1 of each year, commencing June 1, 2023 and is payable by UMB Bank, n.a., West Des Moines, Iowa (the “Note Registrar”). The Notes are dated the date of delivery (expected to be on or about October 18, 2022).

AMOUNTS* AND MATURITIES – JUNE 1

\$100,0002024	\$115,0002028	\$135,000 2032
105,0002025	120,0002029	140,000 2033
110,0002026	125,0002030	150,000 2034
115,0002027	130,0002031	155,000 2035

Any consecutive maturities may be aggregated into term bonds at the option of the bidder, in which case the mandatory redemption provisions shall be on the same schedule as above.

The Notes due June 1, 2024 - 2030, inclusive, are non-callable. The Notes due June 1, 2031 - 2035, inclusive, are callable in whole or in part and on any date on or after June 1, 2030, at a price of par and accrued interest. If less than all the Notes are called, they shall be redeemed in any order of maturity as determined by the City and within any maturity by lot.

Method of Bidding Electronically

Notwithstanding the fact that the City permits receiving bids electronically using SpeerAuction, all bidders must have a signed, but uncompleted, Official Bid Form delivered to Speer Financial, Inc., Suite 608, 531 Commercial Street, Waterloo, Iowa, (319) 291-8628 facsimile, prior to the close of bidding to which a printout of the electronic bid will be attached and delivered to the City.

If bidding electronically, all-or-none bids must be submitted via the internet address www.SpeerAuction.com. The use of SpeerAuction shall be at the bidder’s risk and expense and the City shall have no liability with respect thereto, including (without limitation) liability with respect to incomplete, late arriving and non-arriving bids.

To bid via the SpeerAuction webpage, bidders must first visit the SpeerAuction webpage where, if they have not previously registered with either SpeerAuction, Grant Street Group (the “Auction Administrator”) or any other website administered by the Auction Administrator, they may register and then request admission to bid on the Notes. Bidders will be notified prior to the scheduled bidding time of their eligibility to bid. Only registered broker-dealers and dealer banks with DTC clearing arrangements will be eligible to bid electronically.

The “Rules” of the SpeerAuction bidding process may be viewed on the SpeerAuction webpage and are incorporated herein by reference. Bidders must comply with the Rules of SpeerAuction in addition to the requirements of the City’s Official Terms of Offering. In the event the Rules of SpeerAuction and this Official Terms of Offering conflict, this Official Terms of Offering shall be controlling.

All electronic bids must be submitted on the SpeerAuction webpage. Electronic bidders may change and submit bids as many times as they choose during the sale period but may not delete a submitted bid. The last bid submitted by an electronic bidder before the deadline for receipt of bids will be compared to all other final bids to determine the winning bidder. During the bidding, no bidder will see any other bidder’s bid nor the status of their bid relative to other bids (e.g., whether their bid is a leading bid). The electronic bidder bears all risk of transmission failure. Any questions regarding bidding on the SpeerAuction website should be directed to Grant Street Group at (412) 391-5555 x 370.

Each bidder shall be solely responsible for making necessary arrangements to access SpeerAuction for purposes of submitting its internet bid in a timely manner and in compliance with the requirements of the Terms of Offering. The City is permitting bidders to use the services of the SpeerAuction solely as a communication mechanism to conduct the internet bidding and the SpeerAuction is not an agent of the City. Provisions of the Terms of Offering and Official Bid Form shall control in the event of conflict with information provided by the Internet Bid System.

Electronic Facsimile Bidding: Bids may be submitted via facsimile at (319) 291-8628. Electronic facsimile bids will be sealed and treated as sealed bids. Neither the City nor its agents will assume liability for the inability of the bidder to reach the above named fax numbers prior to the time of sale specified above. Transmissions received after the deadline will be rejected. Bidders electing to submit bids via facsimile transmission bear full and complete responsibility for the transmission of such bid. Neither the City nor its agents will assume responsibility for the inability of the bidder to reach the above specified fax number prior to the time of sale. Time of receipt shall be the time recorded by the person receiving the facsimile and shall be conclusive.

Bidding Parameters and Award of the Notes

All interest rates must be in multiples of one-eighth or one one-hundredth of one percent (1/8 or 1/100 of 1%), and not more than one rate for a single maturity shall be specified. The rates bid shall be in non-descending order. The differential between the highest rate bid and the lowest rate bid shall not exceed six percent (6%). All bids must be for all of the Notes and must be for not less than \$1,488,000.

Award of the Notes: The Notes will be awarded on the basis of true interest cost, determined in the following manner. True interest cost shall be computed by determining the annual interest rate (compounded semi-annually) necessary to discount the debt service payments on the Bonds from the payment dates thereof to the dated date and to the bid price. For the purpose of calculating true interest cost, the Notes shall be deemed to become due in the principal amounts and at the times set forth in the table of maturities set forth above. In the event two or more qualifying bids produce the identical lowest true interest cost, the winning bid shall be the bid that was submitted first in time on the SpeerAuction webpage or if all such bids are not submitted electronically, the winning bid shall be determined by lot.

The Notes will be awarded to the bidder complying with the terms of this Official Terms of Offering whose bid produces the lowest true interest cost rate to the City as determined by the City's Registered Municipal Advisor, which determination shall be conclusive and binding on all bidders; provided, that the City reserves the right to reject all bids or any non-conforming bid and reserves the right to waive any informality in any bid. Electronic bidders should verify the accuracy of their final bids and compare them to the winning bids reported on the SpeerAuction Observation Page immediately after the bidding.

The premium or discount, if any, is subject to pro rata adjustment if the maturity amounts of the Notes are changed, maintaining, as close as possible, the same dollar amount of profit per \$1,000 bond as bid.

The true interest cost of each electronic bid will be computed by SpeerAuction and reported on the Observation Page of the SpeerAuction webpage immediately following the date and time for receipt of bids. These true interest costs are subject to verification by the City's Municipal Advisor, will be posted for information purposes only and will not signify an actual award of any bid or an official declaration of the winning bid. The City or its Municipal Advisor will notify the bidder to whom the Notes will be awarded, if and when such award is made.

The winning bidder will be required to make the standard filings and maintain the appropriate records routinely required pursuant to MSRB Rules G-8, G-11 and G-36. The winning bidder will be required to pay the standard MSRB charge for Notes purchased. In addition, the winning bidder who is a member of the Securities Industry and Financial Markets Association ("SIFMA") will be required to pay SIFMA's standard charge per Note.

Good Faith Deposit and Other Matters

The winning bidder is required to a wire transfer from a solvent bank or trust company to the City's good faith bank the amount of **TWO PERCENT OF PAR** (the "Deposit") **WITHIN TWO HOURS** after the bid opening time as evidence of the good faith of the bidder. Alternatively, a bidder may submit its Deposit upon or prior to the submission of its bid in the form of a certified or cashier's check on, or a wire transfer from, a solvent bank or trust company for **TWO PERCENT OF PAR** payable to the Treasurer of the City. The City reserves the right to award the Notes to a winning bidder whose wire transfer is initiated but not received within such two hour time period provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the City may award the Notes to the bidder submitting the next best bid provided such bidder agrees to such award.

If a wire transfer is used for the Deposit, it must be sent according to the following wire instructions:

Amalgamated Bank of Chicago
Corporate Trust
30 North LaSalle Street
38th Floor
Chicago, IL 60602
ABA # 071003405

Credit To: 3281 Speer Bidding Escrow
RE: City of Mount Vernon, Linn County, Iowa bid for
\$1,500,000* General Obligation Capital Loan Notes, Series 2022

If the wire shall arrive in such account prior to the date and time of the sale of the Notes. Contemporaneously with such wire transfer, the prospective purchaser shall send an email to biddingscrow@aboc.com with the following information: (1) indication that a wire transfer has been made, (2) the amount of the wire transfer, (3) the issue to which it applies, and (4) the return wire instructions if such prospective purchaser is not awarded the Notes. The City and any prospective purchaser who chooses to wire the Deposit hereby agree irrevocably that Speer Financial, Inc. ("Speer") shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: (i) if the bid is not accepted, Speer shall, at its expense, promptly return the Deposit amount to the unsuccessful prospective purchaser; (ii) if the bid is accepted, the Deposit shall be forwarded to the City, (iii) Speer shall bear all costs of maintaining the escrow account and returning the funds to the prospective purchaser; (iv) Speer shall not be an insurer of the Deposit amount and shall have no liability except if it willfully fails to perform, or recklessly disregards, its duties specified herein; and (v) income earned on the Deposit, if any, shall be retained by Speer.

The City covenants and agrees to enter into a written agreement, certificate or contract, constituting an undertaking (the "Undertaking") to provide ongoing disclosure about the City for the benefit of the beneficial owners of the Notes on or before the date of delivery of the Notes as required under Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The Undertaking shall be as described in the Official Statement, with such changes as may be agreed in writing by the Underwriter.

The Underwriter's obligation to purchase the Notes shall be conditioned upon the City delivering the Undertaking on or before the date of delivery of the Notes.

The Notes will be delivered to the successful purchaser against full payment in immediately available funds as soon as they can be prepared and executed, which is expected to be on or about October 18, 2022. Should delivery be delayed beyond sixty (60) days from the date of sale for any reason beyond the control of the City except failure of performance by the purchaser, the City may cancel the award or the purchaser may withdraw the good faith deposit and thereafter the purchaser's interest in and liability for the Notes will cease.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts, and interest rates of the Notes, and any other information required by law or deemed appropriate by the City, shall constitute a “Final Official Statement” of the City with respect to the Notes, as that term is defined in the Rule. By awarding the Notes to any underwriter or underwriting syndicate, the City 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 Notes are awarded, up to 50 copies of the Final Official Statement to permit each “Participating Underwriter” (as that term is defined in the Rule) to comply with the provisions of such Rule. The City shall treat the senior managing underwriter of the syndicate to which the Notes 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 Notes agrees thereby that if its bid is accepted by the City it shall enter into a contractual relationship with all Participating Underwriters of the Notes for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

By submission of its bid, the senior managing underwriter of the successful purchaser agrees to supply all necessary pricing information and any Participating Underwriter identification necessary to complete the Official Statement within 24 hours after award of the Notes. Additional copies of the Final Official Statement may be obtained by Participating Underwriters from the printer at cost.

The City will, at its expense, deliver the Notes to the purchaser in New York, New York (or arrange for “FAST” delivery) through the facilities of DTC and will pay for the bond attorney’s opinion. At the time of closing, the City will also furnish to the purchaser the following documents, each dated as of the date of delivery of the Notes: (1) the legal opinion of Ahlers & Cooney, P.C., Des Moines, Iowa, that the Notes are lawful and enforceable obligations of the City in accordance with their terms; (2) the opinion of said attorneys that the interest on the Notes is exempt from federal income taxes as and to the extent set forth in the Official Statement for the Notes; and (3) a no litigation certificate by the City.

The City intends to designate the Notes as “qualified tax-exempt obligations” pursuant to the small issuer exception provided by Section 265(b) (3) of the Internal Revenue Code of 1986, as amended.

Purchaser consents to the receipt of electronic transcripts and acknowledges the City’s intended use of electronically executed documents. Iowa Code Chapter 554D establishes electronic signatures have the full weight and legal authority as manual signatures.

The City has authorized the printing and distribution of an Official Statement containing pertinent information relative to the City and the Notes. Copies of such Official Statement or additional information may be obtained from Chris Nosbisch, City of Mount Vernon, 213 First Street N.W., Mount Vernon, Iowa 52314 or an electronic copy of this Official Statement is available from the www.speerfinancial.com website under “Official Statement Sales/Competitive Calendar” or from the Registered Municipal Advisor to the City, Speer Financial, Inc., 531 Commercial Street, Suite 608, Waterloo, Iowa 50701 (telephone (319) 291-2077), and 230 West Monroe Street, Suite 2630, Chicago, Illinois 60606 (telephone (312) 346-3700).

/s/ **CHRIS NOSBISCH**
City Administrator
City of Mount Vernon
Linn County, Iowa

EXHIBIT A

EXAMPLE ISSUE PRICE CERTIFICATE

EXHIBIT A

MOUNT VERNON, IOWA
\$(PRINCIPAL AMOUNT)
GENERAL OBLIGATION CAPITAL LOAN NOTES, SERIES 2022

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. Initial Offering Price of the Bonds.

a) [Purchaser][The Underwriting Group] offered each Maturity of the Bonds 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 [Bond Purchase Agreement][Notice of Sale and bid award], [Purchaser][the members of the Underwriting Group] [has][have] agreed in writing that, (i) for each Maturity of the Bonds, [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 Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

2. *Defined Terms.*

a) *Holding Period* means, for each Maturity of the Bonds, 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 (September 26, 2022), or (ii) the date on which [Purchaser][the Underwriters] [has][have] sold at least 10% of such Maturity of the Bonds to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

b) *Issuer* means Mount Vernon, Iowa.

c) *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.

d) *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.

e) *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 September 19, 2022.

f) *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).

g) The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [the Purchaser's][the Representative's] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer[and the Borrower] with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Ahlers & Cooney, P.C. 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 [and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER][REPRESENTATIVE]

By: _____

Name: _____

Dated: [ISSUE DATE]

SCHEDULE A

INITIAL OFFERING PRICES OF THE BONDS

(Attached)

SCHEDULE B

PRICING WIRE OR EQUIVALENT COMMUNICATION

EXHIBIT A

MOUNT VERNON, IOWA \$[PRINCIPAL AMOUNT] GENERAL OBLIGATION CAPITAL LOAN NOTES, SERIES 2022

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.¹

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 September 19, 2022.

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

¹ Treas. Reg. §1.148-1(f)(3)(i)(B) requires that all bidders have an equal opportunity to bid to purchase bonds. If the bidding process affords an equal opportunity for bidders to review other bids prior to submitting their bids, then this representation should be modified to describe the bidding process.

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[and the Borrower] with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Ahlers & Cooney, P.C. 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 [and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER]

By: _____

Name: _____

Dated: [ISSUE DATE]

SCHEDULE A
EXPECTED OFFERING PRICES

(Attached)

SCHEDULE B

COPY OF UNDERWRITER'S BID

(Attached)

EXHIBIT A

MOUNT VERNON, IOWA
[\$[PRINCIPAL AMOUNT]
GENERAL OBLIGATION CAPITAL LOAN NOTES, SERIES 2022

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 Bonds.*** As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.
2. ***Defined Terms.***
 - a) *Issuer* means Mount Vernon, Iowa.
 - b) *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.
 - c) *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.
 - 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][the Representative's] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer[and the Borrower] with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Ahlers & Cooney, P.C. 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 [and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER][REPRESENTATIVE]

By: _____

Name: _____

Dated: [ISSUE DATE]

SCHEDULE A

SALE PRICES

(Attached)