

OFFICIAL STATEMENT DATED APRIL 10, 2018

New Issue

Moody's "A1"

Assuming compliance by the City with certain covenants, in the opinion of Ahlers & Cooney, P.C., Bond Counsel, under present laws and rulings, interest on the Notes is excludable from gross income of the owners thereof for federal income tax purposes; and is not an item of tax preference in computing the federal alternative minimum tax; however, with respect to corporations, such interest is included in computing an adjustment used in determining the federal alternative minimum tax for certain corporations for tax years beginning before January 1, 2018. The Notes will be designated "qualified tax exempt obligations" by the City. Interest on the Notes is not exempt from present Iowa income taxes. See "TAX MATTERS herein for more information.



CITY OF CRESTON, IOWA

\$5,000,000 General Obligation Capital Loan Notes, Series 2018

Dated: Date of Delivery (May 1, 2018)

Principal Due: June 1

The \$5,000,000 General Obligation Capital Loan Notes, Series 2018 (the "Notes") are being issued pursuant to Division III of Chapter 384 of the Code of Iowa, and a resolution to be adopted by the City Council of the City of Creston, Iowa (the "City"). Proceeds of the Notes will be used to pay costs of opening, widening, extending, grading, and draining of the right-of-way of streets, highways, avenues, alleys and public grounds; the construction, reconstruction, and repairing of any street improvements; the acquisition, installation, and repair of sidewalks, 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, for essential corporate purposes. The Notes will be general obligations of the City for which the City will pledge its power to levy direct ad valorem taxes to the repayment of the Notes.

The Notes will be issued as fully registered bonds or notes without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Notes. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Notes purchased. Principal of the Notes payable annually on each June 1, beginning June 1, 2019, and interest on the Notes, payable initially on December 1, 2018, and thereafter on each December 1 and June 1, will be paid to DTC by the City's Registrar/Paying Agent, Bankers Trust Company, Des Moines, Iowa (the "Registrar"). DTC will in turn remit such principal and interest to its participants for subsequent disbursements to the beneficial owners of the Notes as described herein. Interest and principal shall be paid to the registered holder of a Note as shown on the records of ownership maintained by the Registrar on the 15th day of the month preceding said interest payment date (the "Record Date").

MATURITIES, INTEREST RATES, AND YIELDS LISTED ON THE INSIDE FRONT COVER

Baird

CITY OF CRESTON, IOWA

\$5,000,000 General Obligation Capital Loan Notes, Series 2018A

Year (June 1)	Maturity Amount	Interest Rate	Bond Yield	CUSIP 226237	Year (June 1)	Maturity Amount	Interest Rate	Bond Yield¹	CUSIP 226237
2019	\$245,000	3.000%	1.700%	NW1	2027	\$340,000	3.000%	2.700%	PE9
2020	280,000	3.000%	1.800%	NX9	2028	350,000	3.000%	2.800%	PF6
2021	285,000	3.000%	1.900%	NY7	2029	365,000	3.000%	2.900%	PG4
2022	295,000	3.000%	2.050%	NZ4	2030	375,000	3.000%	3.000%	PH2
2023	305,000	3.000%	2.200%	PA7	2031	385,000	3.000%	3.100%	PJ8
2024	315,000	3.000%	2.350%	PB5	2032	395,000	3.125%	3.200%	PK5
2025	325,000	3.000%	2.500%	PC3	2033	410,000	3.125%	3.250%	PL3
2026	330,000	3.000%	2.600%	PD1					

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¹ The June 1, 2027 through June 1, 2029 maturities are priced to the June 1, 2026 call date.

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**OFFICIAL STATEMENT CITY OF
CRESTON, IOWA
\$5,000,000 General Obligation Capital Loan Notes, Series 2018**

INTRODUCTION

This Official Statement contains information relating to the City of Creston, Iowa (the “City”) and its issuance of \$5,000,000 General Obligation Capital Loan Notes, Series 2018 (the “Notes”). This Official Statement has been executed on behalf of the City and its Administrator and may be distributed in connection with the sale of the Notes authorized therein. Inquiries may be directed to Independent Public Advisors, LLC, 8805 Chambery Blvd, Suite 300, #114, Johnston, Iowa 50131, or by telephoning (515) 259-8193. Information can also be obtained from Ms. Mandy Parsons, Accounting Manager, City of Creston, 116 West Adams Street, Creston, Iowa 50801, or by telephoning 641-782-2000.

AUTHORITY AND PURPOSE

The Notes are being issued pursuant to Division III of Chapter 384 of the Code of Iowa, and a resolution to be adopted by the City Council of the City. Proceeds of the Notes will be used to pay costs of opening, widening, extending, grading, and draining of the right-of-way of streets, highways, avenues, alleys and public grounds; the construction, reconstruction, and repairing of any street improvements; the acquisition, installation, and repair of sidewalks, 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, for essential corporate purposes.

The Purchaser of the Notes agrees to enter into a Loan Agreement with the City pursuant to authority contained in Section 384.24A of the Code of Iowa. The Notes are issued in evidence of the City’s obligations under the Loan Agreement.

The Sources and Uses of the Notes are as follows:

Sources of Funds:

Par Amount	\$5,000,000
Net Premium	\$75,191.35
Total	\$5,075,191.35

Uses of Funds

Project Fund	\$4,964,041.35
Underwriter’s Discount	\$55,950
Cost of Issuance & Rounding	\$55,200
Total	\$5,075,191.35

OPTIONAL REDEMPTION

Notes maturing after June 1, 2026 will be subject to call prior to maturity in whole, or from time to time in part, in any order of maturity and within a maturity by lot on said date or on any date thereafter at the option of the City, upon terms of par plus accrued interest to date of call. Written notice of such call shall be given at least thirty (30) days prior to the date fixed for redemption to the registered owners of the Notes to be redeemed at the address shown on the registration books.

INTEREST ON THE NOTES

Interest on the Notes will be payable on December 1, 2018 and semiannually on the 1st day of December and June thereafter. Interest and principal shall be paid to the registered holder of a note or bond as shown on the records of ownership maintained by the Registrar on the 15th day of the month preceding said interest payment date (the “Record Date”). Interest will be computed on the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board.

PAYMENT OF AND SECURITY FOR THE NOTES

The Notes are general obligations of the City and, subject to state law, the unlimited taxing powers of the City are irrevocably pledged for their payment. Upon issuance of the Notes, the City will levy taxes for the years and in amounts sufficient to provide 100% of annual principal and interest due. The City is required to levy ad valorem taxes upon all taxable property within the corporate limits of the City without limit as to rate or amount sufficient to pay the debt service except to the extent that other monies are deposited in the debt service fund for such purposes.

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.

The resolution authorizing the Notes does not restrict the City’s ability to issue or incur additional general obligation debt, although issuance of additional general obligation debt is subject to the same constitutional and statutory limitations that apply to the issuance of the Notes. For a further description of the City’s outstanding general obligation debt upon issuance of the Notes and the annual debt service on the Notes, see DIRECT DEBT under INDEBTEDNESS herein. For a description of certain constitutional and statutory limits on the issuance of general obligation debt, see DEBT LIMIT under INDEBTEDNESS herein.

BOOK-ENTRY-ONLY ISSUANCE

The information contained in the following paragraphs of this subsection “Book-Entry-Only Issuance” has been extracted from a schedule prepared by Depository Trust Company (“DTC”) entitled “SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING DTC AND BOOK-ENTRY-ONLY ISSUANCE.” 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.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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 (the “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 (the "Indirect Participants"). DTC has Standard & Poor's highest rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security (the "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.

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 affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment 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.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co., nor 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.

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 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, 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 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.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to 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 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 Tender/Remarketing Agent's DTC account.

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

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.

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 Bond Counsel, Disclosure Counsel, the Municipal Advisor and the City take no responsibility for the accuracy thereof.

FUTURE FINANCING

With the exception of approximately \$3,000,000 of Sewer Revenue Capital Loan Notes expected to be issued through the State of Iowa State Revolving Fund program, the City does not anticipate any additional borrowing needs within 90 days of the date of this Official Statement.

LITIGATION

The City is not aware of any threatened or pending litigation affecting the validity of the Notes or the City's ability to meet its financial obligations.

DEBT PAYMENT HISTORY

The City knows of no instance in which it has defaulted in the payment of principal or interest on its debt.

LEGAL MATTERS

The Notes are subject to approval as to certain matters by Ahlers & Cooney, P.C. of Des Moines, Iowa as Bond Counsel. Bond Counsel has not participated in the preparation of this 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 Official Statement, and will express no opinion with respect thereto. The FORM OF LEGAL OPINION as set out 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 express the professional judgment of the attorneys rendering the opinions as to legal issues expressly addressed therein. By rendering legal opinions, 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 opinions are rendered, or of the future performance of parties to the transaction. Nor does the rendering of opinions guarantee the outcome of any legal dispute that may arise out of the transaction.

All other information contained in this Official Statement has been obtained by (or on behalf of) the City from sources which

the City considers to be reliable but it makes no warranty, guaranty, or other representation with respect to the accuracy or completeness of such information.

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.

TAX MATTERS

Federal Tax Matters

Federal tax law contains a number of requirements and restrictions that apply to the Notes. These include investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and facilities financed with bond proceeds, and certain other matters. The Issuer has covenanted to comply with all requirements that must be satisfied in order for the interest on the 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 Issuer'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 of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax. However, with respect to corporations (as defined for federal income tax purposes), such interest is included in adjusted current earnings for the purpose of determining the federal alternative minimum tax for such corporations for tax years beginning before January 1, 2018. Bond Counsel's form of opinion for the Notes is attached hereto as Appendix C.

The Issuer 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"), 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.

Collateral Federal Income Tax consequences

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.

Tax Accounting Treatment of Discount and Premium on Certain Notes

The initial public offering price of certain Notes (the "Discount Notes") may be less than the amount payable on such Notes at maturity. An amount equal to the difference between the initial public offering price of Discount Notes (assuming that a substantial amount of the Discount Notes of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Notes. Owners 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 (“Premium Notes”) may be greater than the amount of such Notes at maturity. An amount equal to the difference between the initial public offering price of Premium Notes (assuming that a substantial amount of the Premium Notes of that maturity are sold to the public at such price) and the amount payable at maturity constitutes a premium to the initial purchaser of such Premium Notes. Purchasers of the Premium Notes should consult with their own tax advisors with respect to the determination of amortizable bond 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.

Related Tax Matters

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 tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. 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 Issuer 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.

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.

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

The 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 Notes, 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.

State Tax Matters

Interest on the Notes is NOT exempt from present Iowa income taxes.

Ownership of the Notes may also 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.

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 Notes, 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

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 authorizing issuance of the Notes (the “Bond Resolution”). There is no bond trustee or similar person to monitor or enforce the terms of the resolution for issuance of the Notes. 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 may have to be enforced from year to year. The owners of the Notes cannot foreclose on property within the boundaries of the Issuer 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 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, and to the exercise of judicial discretion in appropriate cases.

Opinion

Bond Counsel’s opinion is not a guarantee of a result, or of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Issuer described in this section. No ruling has been sought from the Service with respect to the matters addressed in the opinion of Bond Counsel and Bond Counsel’s opinion is not binding on the Service. 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.

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).

CHANGES IN FEDERAL AND STATE TAX LAW

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals are pending in Congress and the Iowa General Assembly that could, if enacted, alter or amend one or more of the federal (or state) tax 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 2013 legislative session, the Iowa General Assembly enacted Senate File 295 (the “Act”), which the Governor signed into law on June 12, 2013. Among other things, the Act (i) reduces the maximum annual taxable value growth percent, due to revaluation of existing residential and agricultural property, from the current 4% to 3%, (ii) assigns a “rollback” (the percentage of a property’s value that is subject to tax) to commercial, industrial and railroad property of 95% for the 2013 assessment year and 90% for the 2014 assessment year and all years thereafter, (iii) creates a new property tax classification for multi-residential properties (apartments, nursing homes, assisted living facilities and certain other rental property) that begins in the 2015 assessment year, and assigns a declining rollback percentage to such properties for each subsequent 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) exempts a specified portion of the assessed value of telecommunication properties.

The Act includes a standing appropriation to replace some of the tax revenues lost by local governments, including tax increment districts, resulting from the new rollback for commercial and industrial property. Prior to fiscal year 2018, the appropriation is a standing unlimited appropriation, but beginning in fiscal year 2018 the standing appropriation cannot exceed the actual 2017 appropriation amount. The appropriation does not replace losses to local governments resulting from the Act's provisions that reduce the annual revaluation growth limit for residential and agricultural properties to 3% from 4%, the gradual transition for multi-residential properties from the commercial rollback percentage (100% of market value) to the residential rollback percentage (currently 53% of market value), or the reduction in the percentage of telecommunications property that is subject to taxation.

Given the wide scope of the statutory changes, and the State's discretion in establishing the annual replacement amount that is appropriated each year commencing in fiscal 2018, the impact of the Act on the City's future property tax collections is uncertain and the City has not attempted to quantify the financial impact of the Act's provisions on the City's future operations. It has been projected by Moody's Investor Service that local governments in Iowa are likely to experience modest reductions in property tax revenues starting in fiscal 2015 as a result of the Act, with sizeable reductions possible starting in fiscal 2018. According to Moody's, local governments that may experience disproportionately higher revenue losses include regions that have a substantial commercial base, a large share of multi-residential developments (such as college towns), or significant amounts of telecommunications property.

Notwithstanding any decrease in property tax revenues that may result from the Act, Iowa Code section 76.2 provides that when an Iowa political subdivision issues bonds, "[t]he 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 the auditors of the counties in which the political subdivision is located; and the filing shall make it a duty of the auditors to enter annually this levy for collection from the taxable property within the boundaries of the political subdivision until funds are realized to pay the bonds in full."

From time to time, other legislative proposals may be considered by the Iowa General Assembly that would, if enacted, alter or amend one or more of the property tax matters described in this Official Statement. It cannot be predicted whether or in what forms any of such proposals may be enacted, and there can be no assurance that such proposals will not apply to valuation, assessment or levy procedures for the levy of taxes by the City.

RATING

The Notes have an unsecured rating of 'A1' by Moody's. Such rating reflects only the view of the rating agency and any explanation of the significance of such rating may only be obtained from the respective rating agency. There is no assurance that such ratings will continue for any period of time or that they will not be revised or withdrawn, if, in the judgment of Moody's, circumstances so warrant. 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.

INVESTMENT CONSIDERATIONS

A PROSPECTIVE PURCHASER OF THE NOTES SHOULD BE AWARE THAT THERE ARE CERTAIN INVESTMENT CONSIDERATIONS ASSOCIATED WITH THE NOTES. EACH PROSPECTIVE PURCHASER OF THE NOTES IS ENCOURAGED TO READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY, AND TO GIVE PARTICULAR ATTENTION TO THE CONSIDERATIONS DESCRIBED BELOW WHICH, AMONG OTHERS, COULD AFFECT THE PAYMENT OF DEBT SERVICE AND THE MARKET PRICE ON THE NOTES. THE FOLLOWING STATEMENTS REGARDING CERTAIN INVESTMENT CONSIDERATIONS SHOULD NOT BE CONSIDERED A COMPLETE DESCRIPTION OF ALL CONSIDERATIONS IN THE DECISION TO PURCHASE THE NOTES.

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

It is also possible that actions of the Issuer 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: It is possible that 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 Issuer nor the Paying Agent will have any responsibility or obligation to assure that any such notice or payment is forwarded by DTC to any Participants or by any Participant to any Beneficial Owner.

In addition, since transactions in the 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 “*Book-Entry Only Issuance.*”

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

Tax Levy Procedures: The Notes are general obligations of the Issuer, payable from and secured by a continuing ad valorem tax levied against all of the property valuation within the Issuer. As part of the budgetary process each fiscal year, the Issuer will have an obligation to request a debt service levy to be applied against all of the taxable property within the Issuer. A failure on the part of the Issuer to make a timely levy request or a levy request by the Issuer that is inaccurate or is insufficient to make full payments of the debt service 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 Issuer and certain other public officials to perform the terms of the resolution for the Notes) may have to be enforced from year to year.

Additional Indebtedness: The City reserves the right to issue additional bonds payable from the same sources and ranking on a parity with each series of the Notes.

Investment Rating: The rating assigned to the Notes by Moody's (the "Rating Agency") reflects only the Rating Agency's view of the likelihood the noteholders will receive payments of interest when due and principal on the Notes on their respective maturity dates. There is no assurance that the rating will remain for any given period of time or that the rating will not be lowered, suspended or withdrawn by the Rating Agency if, in the Rating Agency's judgment, circumstances so warrant based upon factors prevailing at the time. The lowering, suspension or withdrawal of the investment rating initially assigned to the Notes could adversely affect the market price and the market for the Notes.

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, and 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.

Optional Redemption: Notes maturing after June 1, 2026 will be subject to call prior to maturity in whole, or from time to time in part, in any order of maturity and within a maturity by lot on said date or on any date thereafter at the option of the City, upon terms of par plus accrued interest to date of call. The redemption of the Notes prior to their stated maturity may subject noteholders to the risk of reinvestment at a time when comparable returns are not available.

Summary: 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.

MUNICIPAL ADVISOR

The City has retained Independent Public Advisors, LLC, Johnston, Iowa as municipal advisor (the "Municipal Advisor") in connection with the preparation of the issuance of the Notes. In preparing the Official Statement, the Municipal Advisor has relied on government officials, and other sources to provide accurate information for disclosure purposes. The Municipal Advisor is not obligated to undertake, and has not undertaken, an independent verification of the accuracy, completeness, or fairness of the information contained in the Official Statement. Independent Public Advisors, LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

CONTINUING DISCLOSURE

In order to permit bidders for the Notes and other Participating Underwriters in the primary offering of the Notes to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the City will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Notes, in the resolution authorizing the issuance of the Notes and the Continuing Disclosure Certificate, to provide annual reports of specified information and notice of the occurrence of certain material events as hereinafter described (the "Disclosure Covenants"). The information to be provided on an annual basis, the events as to which notice is to be given, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth as APPENDIX D to this Official Statement.

Within the past five years, the City failed to file annual financial information for the fiscal year ending June 30, 2012 by the time specified in applicable continuing disclosure undertakings, did not timely file notice of a Standard & Poor's Ratings Services' June 9, 2014 rating downgrade of the City's general obligation debt, and did not timely file notice of a Standard & Poor's Rating Services' July 19, 2017 rating upgrade of the City's general obligation debt, and did not file or timely file notice of its failure to provide the aforementioned information on or before the date specified in its prior continuing disclosure undertakings.

The foregoing description of instances of noncompliance by the City with respect to its continuing disclosure undertakings should not be construed as an acknowledgment that any such instance was material.

A failure by the City to comply with continuing disclosure undertakings will not constitute a default under the Resolution and beneficial owners of the Notes are limited to the remedies described in the undertakings. A failure by the City to comply with continuing disclosure undertakings must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Notes in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

Bond Counsel and Disclosure Counsel express no opinion as to whether the continuing disclosure undertakings entered into by the City comply with the requirements of Section (b)(5) of the Rule.

SALE AT COMPETITIVE BIDDING

After competitive bids were received on April 3, 2018, the Notes were awarded to a syndicate led by Robert W. Baird & Co., Inc. for an aggregate price of \$5,019,241.35 plus accrued interest from the dated date to the date of delivery.

CERTIFICATION

The City has authorized the distribution of this Official Statement for use in connection with the initial sale of the Notes. I have reviewed the information contained within the Official Statement prepared on behalf of the City of Creston, Iowa, by Ahlers & Cooney, P.C., Disclosure Counsel, and Independent Public Advisors, LLC., Johnston, Iowa, and said Official Statement does not contain any material misstatements of fact nor omission of any material fact regarding the issuance of \$5,000,000 General Obligation Capital Loan Notes, Series 2018.

CITY OF CRESTON, IOWA

/s/ Mike Taylor, City Administrator

**APPENDIX A:
INFORMATION ABOUT THE ISSUER
CITY OF CRESTON, IOWA**

**APPENDIX A - INFORMATION ABOUT THE ISSUER
CITY OF CRESTON, IOWA**

CRESTON, IA

CITY HALL

116 W. Adams Street

Creston, IA 50801

Telephone 641-782-2000

Mayor and City Council

<u>Member</u>	<u>Position</u>	<u>Term Expiration</u>
Gary Lybarger	Mayor	2019
Rich Madison	Mayor Prom Tem Ward 2	2019
Ron Higgins	Council Member Ward 1	2021
Dr. Gabe Carroll	Council Member Ward 3	2021
Marsha Wilson	Council Member Ward 4	2019
Brian Davis	Council Member Ward 5	2021
Terry Freeman	Council Member At Large	2019
Steve Wintermute	Council Member At Large	2021

Administration

Michael Taylor City Administrator
Lisa Williamson City Clerk
Mandy Parsons Accounting Manager

City Attorney

Marion James
Creston, Iowa

Bond / Disclosure Counsel

Ahlers & Cooney, P.C.
Des Moines, Iowa

Municipal Advisor

Independent Public Advisors, LLC
Johnston, Iowa

PROPERTY VALUES

IOWA PROPERTY VALUATIONS

In compliance with Section 441.21 of the Code of Iowa, 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 assessments finalized as of January 1 of each year are applied to the following fiscal year. The 2017 final Actual Values were adjusted by the Union County Auditor. The reduced values, determined after the application of rollback percentages, are the Taxable Values subject to tax levy. For assessment year 2017, the Taxable Value rollback rate was 55.6209% of Actual Value for residential property; 78.7500% of Actual Value for multiresidential property; 54.4480% of Actual Value for agricultural property; 90% of Actual Value for commercial, industrial, and railroad property, and 100% of Actual Value for utility property.

The Legislature's intent has been to limit the growth of statewide taxable valuations for most classes of property to 3% annually; utility taxable valuation growth is limited to 8%. Political subdivisions whose taxable values are thus reduced or are unusually low in growth are allowed to appeal the valuations to the State Appeal Board, in order to continue to fund present services.

1/1/2017 VALUATIONS (Taxes payable July 1, 2018 through June 30, 2019)

	100% <u>Actual Value</u>	Taxable Value <u>(With Rollback)</u>
Residential	\$239,464,087	\$132,837,510
Multiresidential	11,368,005	8,947,917
Commercial	73,238,776	65,734,374
Industrial	19,271,189	17,342,971
Railroad	2,658,604	2,392,744
Utilities w/o Gas & Electric	561,314	561,314
Other	<u>146</u>	<u>146</u>
Gross valuation	\$346,562,121	\$227,816,976
Less military exemption	<u>(700,056)</u>	<u>(700,056)</u>
Net valuation	\$345,862,065	\$227,116,287
TIF increment (used to compute debt service levies and constitutional debt limit)	\$2,725,287	\$2,725,287
Taxed separately		
Ag. Land & Buildings	\$589,490	\$325,867
Utilities – Gas & Electric	\$26,771,523	\$5,446,651

2017 GROSS TAXABLE VALUATION BY CLASS OF PROPERTY¹

	<u>Taxable Valuation</u>	<u>Percent Total</u>
Residential	\$132,837,510	56.947%
Multiresidential	8,947,917	3.836%
Commercial, Industrial, Railroad, Utility & Other	86,031,549	36.882%
Utilities – Gas & Electric	<u>5,446,651</u>	<u>2.335%</u>
Total Gross Taxable Valuation	\$233,263,627	100.00%

¹ Before military exemption. Excludes Ag. Land, Ag. Buildings and taxable TIF increment.

TREND OF VALUATIONS

The 100% Actual Valuations, before rollback and after reduction of military exemption, include Ag. Land, Ag. Buildings, TIF Increment, and Gas & Electric Utilities. The Net Taxable Valuations, with the rollback and after the reduction of military exemption, exclude the Taxable TIF Increment, Ag. Land and Ag Buildings. Iowa cities certify operating levies against Net Taxable Valuation excluding the Taxable TIF Increment and debt service levies are certified against Net Taxable Valuations including the Taxable TIF Increment.

Assessment <u>Year</u>	Payable <u>Fiscal Year</u>	100% <u>Actual Valuation</u>	Net Taxable Valuation <u>(With Rollback)</u>	Taxable <u>TIF Increment</u>
2013	2014-15	\$315,464,973	\$177,029,816	\$25,824,701
2014	2015-16	318,746,250	176,913,411	25,551,317
2015	2016-17	352,531,510	206,491,304	14,374,116
2016	2017-18	357,468,233	218,512,653	7,257,208
2017	2018-19	375,957,365	232,563,571	2,725,287

LARGER TAXPAYERS

<u>Taxpayer</u>	Property <u>Type</u>	1/1/2017 <u>Taxable Valuation</u>
CHS Inc	Commercial	\$9,961,326
Wal-Mart Real Estate Business Trust	Commercial	8,788,104
Gavilon Grain LLC	Commercial	7,594,704
Ferrara Candy Company	Commercial	4,854,708
Interstate Power & Light Co	Utility	4,013,691
Farmers Cooperative Company	Commercial	3,332,247
Solomons Beacon Inn Limited	Commercial	2,828,079
BNSF Railway Company	Railroad	2,392,744
Ganesh LLC Jay Shree	Commercial	1,760,490
Homestead Of Creston LLC	Commercial	1,654,789

INDEBTEDNESS

DEBT LIMIT

Article XI, Section 3 of the State of Iowa Constitution limits the amount of debt outstanding at any time of any county, municipality or other political subdivision to no more than 5% of the actual value of all taxable property within the corporate limits, as taken from the last state and county tax list. The debt limit for the City, based on its 2016 Actual Valuations applicable to fiscal year 2017-18 is as follows:

	1/1/2016 <u>(Fiscal Year 2017-18)</u>
Actual Valuation of Property	\$358,194,217
Less Military Exemption	<u>(725,984)</u>
Net Valuation	\$357,468,233
Constitutional Debt Percentage	5.00%
Constitutional Debt Limit	\$17,873,412
Less: Applicable General Obligation Debt	(8,080,000)
Less: Capital Lease	<u>(65,403)</u>
Constitutional Debt Margin	\$9,728,009

DIRECT DEBT

General Obligation Debt (Includes the Notes)

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 03/01/18</u>
04/12A	1,720,000	Current Refunding, Fire Truck	06/22	770,000
04/12B	1,815,000	Advance Refunding	06/19	525,000
08/16A	855,000	Current Refunding	06/23	720,000
08/16B	1,090,000	Urban Renewal	06/33	1,065,000
05/18A	5,000,000	Street Improvements	06/33	<u>5,000,000</u>
Total				\$8,080,000

ANNUAL FISCAL YEAR ESTIMATED DEBT SERVICE PAYMENTS

Bonded General Obligation Debt (Includes the Notes)

Fiscal Year	<u>Current Outstanding General Obligation Debt</u>		<u>The Series 2018A Notes</u>		<u>Total Estimated General Obligation Debt²</u>	
	<u>Principal</u>	<u>Principal and Interest</u>	<u>Principal</u>	<u>Principal and Interest</u>	<u>Principal</u>	<u>Principal and Interest</u>
FY 2017-18	\$570,000	\$601,078			\$570,000	\$601,078
FY 2018-19	575,000	629,288	\$245,000	\$408,590	820,000	1,037,878
FY 2019-20	310,000	355,203	280,000	423,656	590,000	778,859
FY 2020-21	310,000	349,315	285,000	420,256	595,000	769,571
FY 2021-22	325,000	358,115	295,000	421,706	620,000	779,821
FY 2022-23	195,000	221,225	305,000	422,856	500,000	644,081
FY 2023-24	70,000	92,325	315,000	423,706	385,000	516,031
FY 2024-25	75,000	95,575	325,000	424,256	400,000	519,831
FY 2025-26	75,000	93,700	330,000	419,506	405,000	513,206
FY 2026-27	75,000	91,825	340,000	419,606	415,000	511,431
FY 2027-28	80,000	94,950	350,000	419,406	430,000	514,356
FY 2028-29	80,000	92,750	365,000	423,906	445,000	516,656
FY 2029-30	80,000	90,550	375,000	422,956	455,000	513,506
FY 2030-31	85,000	93,150	385,000	421,706	470,000	514,856
FY 2031-32	85,000	90,600	395,000	420,156	480,000	510,756
FY 2032-33	<u>90,000</u>	<u>92,880</u>	<u>410,000</u>	<u>422,813</u>	<u>500,000</u>	<u>515,693</u>
Total	\$3,080,000	\$3,442,529	\$5,000,000	\$6,315,081	\$8,080,000	\$9,757,610

OTHER DEBT

The City has debt payable solely from the net revenues of the City’s sanitary sewer system as follows:

Sewer Revenue Debt

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 03/01/18</u>
03/98	\$829,000	Sanitary Sewer Improvements	06/18	\$60,000
09/09	945,000	Sanitary Sewer Improvements	06/29	<u>632,000</u>
Total				\$692,000

² Debt service is partially abated by local option sales tax and tax increment.

INDIRECT DEBT

<u>Taxing District</u>	<u>1/1/2016 Taxable Valuation³</u>	<u>Portion of Taxable Value In the City</u>	<u>Percent Applicable</u>	<u>GO Debt⁴</u>	<u>City's Indirect Portion</u>
Creston Schools	\$393,084,868	\$ 226,107,384	57.52%	\$5,030,000	\$2,893,320
Union County	520,461,146	226,107,384	43.44%	7,405,000	3,217,003
Southwestern Iowa Comm College	3,244,754,562	226,107,384	6.97%	1,467,330	<u>102,249</u>
TOTAL					\$6,212,572

DEBT RATIOS

	<u>G.O. Debt</u>	<u>Debt/2016 Actual Market Value \$357,468,233</u>	<u>Debt/7,834 Population</u>
Direct General Obligation Debt	\$8,145,403	2.28%	\$1,039.75
Indirect General Obligation Debt	<u>6,212,572</u>	<u>1.74%</u>	<u>793.03</u>
Combined Debt	\$14,357,975	4.02%	\$1,832.78

³ Includes ag, gas, and electric values.

⁴ School district figures exclude Sale and Service Tax Revenue Bonds. Debt as of March 1, 2018 based on publically available documentation.

LEVIES AND TAX COLLECTIONS

<u>Year</u>	<u>Taxes Levied</u>	<u>Current Collections</u>	<u>% of Taxes Levied</u>
2013-14	\$2,280,278	\$ 2,369,974	103.93%
2014-15	2,469,925	2,588,294	104.79%
2015-16	2,468,282	2,592,635	105.04%
2016-17	2,829,118	2,944,952	104.09%
2017-18	2,941,134	In process of collection	

After the assessment of property in a calendar year, taxes are levied for collection in the following fiscal year. Taxes are certified to the County Auditor in March. The County Treasurer collects taxes for all taxing entities in the County. Statutory dates for payment without penalty are September 30 for the first installment and March 31 for the second installment. Penalty rates are established by State law at 1% per month.

TAX RATES

<u>Taxing District</u>	<u>FY 2013/14</u> <u>\$/1,000</u>	<u>FY 2014/15</u> <u>\$/1,000</u>	<u>FY 2015/16</u> <u>\$/1,000</u>	<u>FY 2016/17</u> <u>\$/1,000</u>	<u>FY 2017/18</u> <u>\$/1,000</u>
City Levies:					
General	\$8.10000	\$8.10000	\$8.10000	\$8.10000	\$8.10000
Outside \$8.10000	1.52890	1.67452	1.85967	1.59328	1.51478
Emergency	0.27000	0.27000	0.27000	0.27000	0.27000
Debt Service	0.00000	0.00000	0.00000	0.00000	0.00000
Employee Benefit	<u>3.05545</u>	<u>3.90187</u>	<u>3.71645</u>	<u>3.73284</u>	<u>3.57037</u>
Total City	\$12.95435	\$13.94639	\$13.94612	\$13.69612	\$13.45515
City Ag Land	\$3.00375	\$3.00375	\$3.00375	\$3.00375	\$3.00375
All Jurisdictional Levies:					
City of Creston	\$12.95435	\$13.94639	\$13.94612	\$13.69612	\$13.45515
Union County	10.10774	9.96302	9.60832	8.75832	8.77970
Creston Community School District	15.05393	15.18238	16.42889	16.48780	16.46191
County Hospital	2.54011	2.55430	2.50809	2.34082	2.23931
County Assessor	0.58074	0.67000	0.67500	0.72074	0.72245
County Ag Extension	0.30000	0.30000	0.30000	0.30000	0.30000
Southwest Community College	0.79675	0.79617	0.79896	0.87444	0.87897
State of Iowa	<u>0.00330</u>	<u>0.00330</u>	<u>0.00330</u>	<u>0.00330</u>	<u>0.00310</u>
Consolidated Rate:					
City Resident	\$42.33692	\$43.41556	\$44.26868	\$43.18154	\$42.84059

LEVY LIMITS

A city’s general fund tax levy is limited to \$8.10 per \$1,000 of taxable value, with provision for an additional \$0.27 per \$1,000 levy for an emergency fund which can be used for general fund purposes (Code of Iowa, Chapter 384, Division I). Cities may exceed the \$8.10 limitation upon authorization by a special levy election. Further, there are limited special purpose levies, which may be certified outside of the above-described levy limits (Code of Iowa, Section 384.12). The amount of the City’s general fund levy subject to the \$8.10 limitation is \$8.10 for FY 2017-18, and the City is using the emergency levy. The City also levies for employee benefits. Debt service levies are not limited.

FUNDS ON HAND (Cash and Investments as of February 28, 2018)

<u>Fund</u>	<u>Balance</u>
General Fund	\$1,714,768
Debt Service Fund	31,293
Special Revenue Funds	7,103,161
Proprietary Funds	2,278,466
Fiducial (Trust & Agency) Fund	<u>23,760</u>
Total	\$11,151,448

THE CITY

CITY GOVERNMENT

The City was incorporated in 1871, and operates under the Mayor-Council form of government with seven council members. Policy is established by a Mayor and seven council members, the mayor and two of the council members being elected at large and five members elected from wards. City Council members hold four year staggered terms. The City Administrator, City Attorneys, and City Clerk are appointed by the City Council.

The Municipal Waterworks is managed and controlled by a Board of Trustees, appointed by the Mayor and approved by the City Council. The City has a well trained and equipped police department with eleven full time police officers. The police department is housed in a modern facility constructed jointly by the City and Union County to house the Union County Sheriff's staff and the Creston Police. The City has a full-time fire department with a staff of five augmented by a part-time staff of six fire fighters and fourteen excellently trained volunteer fire fighters.

EMPLOYEES, PENSIONS AND OPEB

The City has 40 full-time and 22 part-time employees (including seasonal employees), of which 33 full-time employees are enrolled in the Iowa Public Employees Retirement System (the "IPERS") pension plan administered by the State of Iowa.

The City contributes to the Iowa Public Employees' Retirement System ("IPERS"), which is a state-wide multiple-employer cost-sharing defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. All full-time employees of the Issuer are required to participate in IPERS. IPERS plan members are required to contribute a percentage of their annual salary, in addition to the Issuer being required to make annual contributions to IPERS. Contribution amounts are set by State statute. The IPERS Comprehensive Annual Financial Report for its fiscal year ended June 30, 2017 (the "IPERS CAFR") indicates that as of June 30, 2017, the date of the most recent actuarial valuation for IPERS, the funded ratio of IPERS was 81.4%, and the unfunded actuarial liability was \$6.968 billion. The IPERS CAFR is available on the IPERS website, or by contacting IPERS at 7401 Register Drive, Des Moines, IA 50321. See "APPENDIX C —COMPREHENSIVE ANNUAL FINANCIAL REPORT" for additional information on IPERS.

In fiscal year 2017, the Issuer's IPERS contribution totaled approximately \$128,095 compared to a contribution in fiscal year 2016 of \$109,685. See note 4 of the audited financial statements of the City attached as Appendix B for further information.

The following table sets forth certain information about the funding status of IPERS that has been extracted from the IPERS CAFR. According to IPERS, as of the end of fiscal year 2017, there were approximately 355,631 total members participating in IPERS, including Issuer employees.

Fiscal Year Ended June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability [b]	Unfunded Actuarial Accrued Liability (UAAL) [b] - [a]	Funded Ratio [a] / [b]	Covered Payroll [c]	UAAL as a % of Covered Payroll ([b]-[a]) / [c]
2014	26,460,428,085	32,004,456,088	5,544,028,003	82.68%	7,099,277,280	78.09%
2015	27,915,379,103	33,370,318,731	5,454,939,628	83.65%	7,326,348,141	74.46%
2016	29,033,696,587	34,619,749,147	5,586,052,560	83.86%	7,556,515,720	73.92%
2017	30,472,423,914	37,440,382,029	6,967,958,115	81.39%	7,863,160,443	88.62%

Source: IPERS Comprehensive Annual Financial Report (Fiscal Year 2017)

When calculating the funding status of IPERS for fiscal year 2017, the following assumptions were used: (1) the amortization period for the total unfunded actuarial liability is 30 years (which is consistent with the maximum acceptable amortization period set forth by the Governmental Accounting Standards Board (“GASB”) in GASB Statement No. 25); (2) the rate of return on investments is assumed to be 7.00%; (3) salaries are projected to increase 3.25-16.25% for IPERS, depending on years of service; and (4) the rate of inflation is assumed to be 2.60% for prices and 3.25% for wages.

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

In addition, the City contributes to the Municipal Fire and Police Retirement System of Iowa (the “MFPRSI”), a benefit plan administered by a Board of Trustees. MFPRSI provides retirement, disability and death benefits that are established by State statute to plan members and beneficiaries. Plan members are required to contribute 9.40% of their earnable compensation and the City’s contribution rate is 25.92% of earnable compensation. The City’s contributions to the Plan for the years ended June 30, 2017, 2016, and 2015, were \$212,391, \$217,942, and \$232,665 respectively.

Consistent with Iowa Code section 509A.13, the Issuer offers post-retirement health and dental benefits (“OPEB”) to all full-time employees of the Issuer who retire before attaining age 65. The group health insurance plan provided to full-time Issuer employees allows retirees to continue medical coverage until they reach age 65. Although retirees pay 100% of the “cost of coverage”, the pre-age 65 group of retirees is grouped with the active employees when determining the cost of coverage. The computation creates an implicit rate subsidy that would not exist if the cost of the coverage for this group (pre-age 65 retirees) was computed separately and paid 100% by that group. See note 7 of the audited financial statements of the City attached as Appendix B for further information on OPEB obligations of the City. In addition, employees accumulate limited compensated absences funded on a pay-as-you-go basis. See note 5 of the audited financial statements attached as Appendix B.

The City offers certain employees a deferred compensation plan created in accordance with the provisions of Internal Revenue Code Section 457. The plan, available to the City Manager, allows the employee to defer a portion of his current salary until future years. The employee becomes eligible to withdraw funds upon termination, retirement, death or unforeseeable emergency. The City provides neither administrative service to the plan nor investment advice for the plan.

UNION CONTRACTS

City employees are represented by the following bargaining units:

<u>Bargaining Unit</u>	<u>Contract Expiration Date</u>
Teamsters Local #238 Police	June 30, 2018
Teamsters Local #238 Fire	June 30, 2018
Operating Engineers Local #234 Blue Collar	June 30, 2021

GENERAL INFORMATION

LOCATION AND TRANSPORTATION

The City of Creston, the county seat and principal city of Union County is located in the southwestern part of the State of Iowa approximately 75 miles southwest of Des Moines. Creston was initially founded by a B & M Railroad surveying crew (now known as Burlington Northern Santa Fe Railroad) in 1868. The City was selected as a major division point in the line from Chicago to Denver. For many years after this, the City derived its economic base from the railroad and the many commercial and business activities generated by the railroad. The community has since developed into a multifaceted municipality with commercial and industrial activity, including support of agricultural production providing the majority of the economic input into the community. Creston has long been the trading center for a large portion of southwestern Iowa. The City is situated approximately 30 miles west of Interstate 35, and is accessible by US Highway 34.

BUILDING PERMITS

City officials report the following construction activity as of February 28, 2018. Permits for the City are reported on a calendar basis. The figures below include both new construction and remodeling.

Calendar Year	Residential Construction		Commercial Construction		Other Construction	
	Number	Permit Value	Number	Permit Value	Number	Permit Value
2014	8	\$976,581	3	\$1,331,840	49	\$9,553,698
2015	9	1,578,276	3	1,770,000	48	4,512,896
2016	23	3,141,625	4	1,459,800	65	4,529,948
2017	3	400,755	2	317,768	46	4,374,158
2018	0	0	0	0	5	1,567,135

US CENSUS DATA

1990 US Census	7,911
2000 US Census	7,597
2010 US Census	7,834
2016 Estimate	7,829

Source: U.S. Census Bureau website.

UNEMPLOYMENT RATES

<u>Calendar Year Average</u>	<u>Union County⁵</u>	<u>State of Iowa⁶</u>
2013	4.9%	4.7%
2014	4.7%	4.3%
2015	4.3%	3.8%
2016	3.8%	3.7%
2017	3.1%	3.1%

Source: Iowa Workforce Development Center Website; accessed March 9, 2018.

EDUCATION

Public education to the City is provided by the Creston Community School District, with certified enrollment for the 2017-2018 school year of 1,471. On April 7, 2015 voters approved the consolidation of the Prescott Community School District and the Creston Community School District. Former Prescott students officially became students of the Creston Community School District during 2017-2018 school year. The Creston Community School District comprises a high school, a middle school and an elementary school. The community has an alternative high school and two private schools that serve PreK-8th grade students. Southwestern Community College provides higher education opportunities and career-related programs.

FINANCIAL STATEMENTS

The City's INDEPENDENT AUDITOR'S REPORTS for the fiscal year ended June 30, 2017 is reproduced in APPENDIX B. The City's certified public accountant has not consented to distribution of the audited financial statements and has not undertaken added review of their presentation. Further information regarding financial performance and copies of the City's prior Independent Auditor's Reports may be obtained from the City's Municipal Advisor, Independent Public Advisors, LLC.

⁵ Not seasonally adjusted.

⁶ Seasonally adjusted.

APPENDIX B:
JUNE 30, 2017 INDEPENDENT AUDITOR'S REPORTS

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

June 30, 2017

CITY OF CRESTON

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**CITY OF CRESTON
OFFICIALS
June 30, 2017**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gary Lybarger.	Mayor.	Jan 2020
Marsha Wilson.....	Council Member.	Jan 2020
Dave Koets.....	Council Member.	Jan 2018
Rich Madison.....	Council Member.	Jan 2020
Gabe Carroll.....	Council Member.	Jan 2018
Steve Wintermute.....	Council Member.	Jan 2020
Christine Nielsen.	Council Member. (Resigned 10-19-16)	Jan 2018
Ron Higgins.....	Council Member. (Started 7-19-16)	Jan 2018
Terry Freeman.	Council Member. (Started 1-1-17)	Jan 2018
Michael Taylor.....	City Administrator.	Indefinite
Lisa Williamson.....	City Clerk.	Jan 2018
Marion James.....	City Attorney.....	Jan 2018

City of Creston



MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS
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West Des Moines, Iowa 50266

(515)-223-4841
FAX: (515)-223-0851

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Creston, Iowa, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Creston, Iowa as of June 30, 2017, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Creston's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2016 (which is not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the six years ended June 30, 2013 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 7 through 12 and 40 through 46 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 2, 2017 on our consideration of the City of Creston's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Creston's internal control over financial reporting and compliance.

Martens & Company, CPA, LLP

West Des Moines, Iowa
October 2, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Creston provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased by approximately \$3,100,000 from the previous fiscal year. Bond proceeds and capital grants contributions and restricted interest increased from the previous fiscal year. Tax increment financing and other general receipts decreased when compared to fiscal year 2016.
- Disbursements of the City's governmental activities increased by approximately \$3,500,000. All functions increased compared to fiscal year 2016. Debt Service expenditures increased by approximately \$923,000, Capital Projects increased by approximately \$1,425,000, Culture and Recreation increased by approximately \$299,000, and General Government increased by approximately \$344,000 compared to fiscal year 2016.
- During fiscal year 2017, the City's total cash basis net position increased by 10.4% or approximately \$1,021,000. Of this amount, the cash basis net position of the Governmental Activities increased approximately \$858,000 and the cash basis net position of the business type activities increased approximately \$163,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consist of a cash basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statements by providing information about the most significant funds.

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

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

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

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 U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the sanitary sewer system. These activities are financed primarily by user charges.
- The Component Unit includes the Creston City Water Works, which accounts for the activities of the Water Works.

Fund Financial Statements

The City has three kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains one Enterprise Fund to provide separate information for the Sewer Fund, considered to be a major fund of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

3) Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources are not available to support the City’s own programs. The Fiduciary Fund consists of the Agency, Animal Shelter Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City’s cash balance for governmental activities increased from a year ago, by approximately \$858,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for services	\$ 1,121	\$ 1,019
Operating grants, contributions and restricted interest	1,409	1,291
Capital grants, contributions and restricted interest	1,344	154
General receipts:		
Property tax	2,936	2,683
Tax incremental financing collections	272	697
Other city tax	1,249	1,040
Unrestricted interest on investments	72	61
Special assessments	14	7
Bond proceeds	1,899	-
Other general receipts	360	620
Total receipts	<u>10,676</u>	<u>7,572</u>
Disbursements:		
Public safety	1,727	1,606
Public works	2,011	1,675
Culture and recreation	996	697
Community and economic development	42	32
General government	2,204	1,860
Debt service	1,831	908
Capital projects	1,530	105
Total disbursements	<u>10,341</u>	<u>6,883</u>
Change in cash basis net position before transfers	335	689
Transfers, net	<u>522</u>	<u>311</u>
Change in cash basis net position	857	1,000
Cash basis net position beginning of year	<u>8,004</u>	<u>7,004</u>
Cash basis net position end of year	<u>\$ 8,861</u>	<u>\$ 8,004</u>

The City’s total receipts for governmental activities increased by 41.0% or approximately \$3,104,000 from fiscal year 2016. Disbursements for fiscal year 2017 increased by 50.2% or approximately \$3,458,000 over fiscal year 2016. Starting fiscal year 2018, the City is in a better position than when it started fiscal year 2017 with a beginning cash balance of approximately \$8,861,000 vs. \$8,004,000.

Property tax receipts increased for fiscal 2017, by 9% or approximately \$253,000 due to increased assessed valuations. The property tax levy rate for fiscal year 2017 was decreased by \$0.25 per thousand.

Based on increases in the total assessed valuation, property tax receipts are budgeted to increase by approximately an additional \$115,000 next year or 4.2%.

The cost of all governmental activities this year was approximately \$10.341 million compared to \$6.883 million last year. However, as shown in the Statement of Activities and Net Position on pages 14-15, the amount taxpayers ultimately financed for these activities was approximately \$6.467 million because some of the cost was paid by those directly benefitted from the programs (approximately \$1.121 million) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$2.753 million). The City paid for the remaining “public benefit” portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City’s governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2017 from approximately \$2.465 million to approximately \$3.874 million, principally due to increased capital grants and contributions.

Changes in Cash Basis Net Position of Business Type Activities
(Expressed in Thousands)

	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for services	\$ 1,367	\$ 1,354
Miscellaneous receipts	23	235
Total receipts	<u>1,390</u>	<u>1,589</u>
Disbursements:		
Personal services	381	332
Services and commodities	280	287
Capital outlay	44	470
Total disbursements	<u>705</u>	<u>1,089</u>
Change in cash basis net position before transfers	685	500
Transfers, net	<u>(522)</u>	<u>(311)</u>
Change in cash basis net position	163	189
Cash basis net position beginning of year	<u>1,844</u>	<u>1,655</u>
Cash basis net position end of year	<u>\$ 2,007</u>	<u>\$ 1,844</u>

Total business type activity receipts decreased approximately 13% or approximately \$199,000. Business type activity disbursements decreased approximately 35% or approximately \$384,000. The decrease in receipts was primarily due to decreased federal grant receipts of approximately \$227,000. The decrease in disbursements was primarily due to decreased capital outlay for the North Side Sanitary Sewer Project.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Creston completed the year, its governmental funds reported a combined fund balance of approximately \$8,861,000, an increase of approximately \$858,000 above last year’s total of approximately \$8,004,000. The following are the major reasons for the changes in cash balances of the major funds from the prior year.

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance in the General Fund was approximately \$1,631,000, an increase of approximately \$246,000. The City continues to maintain a very strong General Fund balance, which is approximately 41% of General Fund receipts. The Fund increased partially due to increased property tax and intergovernmental revenue.
- The Special Revenue, Road Use Tax Fund ending cash balance was approximately \$681,000, an increase of approximately \$67,000. The City continues to invest all of the Road Use Tax received throughout the year in maintaining and improving the streets. The Funds increase was due to receipts exceeding disbursements through normal operations.
- The Special Revenue, Employee Benefits Fund is a Special Revenue Fund that accounts for revenues received and expenditures paid in support of employee benefits. The types of revenues received are property taxes assessed for the employer contributions for health insurance, FICA, IPERS, and unemployment benefits. Expenditures from the fund include premiums and medical claims paid on behalf of covered employees and the employer contributions for FICA, IPERS, and unemployment benefits. The fund showed a net decrease of approximately \$400 with an ending cash balance of approximately \$480,000.
- The Special Revenue, Urban Renewal Tax Increment Fund was established to account for major urban renewal projects within the City. At the end of the fiscal year, the cash balance was approximately \$791,000, a decrease of approximately \$121,000 from the previous year. The decrease was the result of decreased tax increment financing receipts. These proceeds are generally used to redeem bonds and interest on existing outstanding bonds and developer rebate agreements.
- The Special Revenue, Local Option Sales Tax Fund increased approximately \$260,000 to approximately \$3,988,000. This increase was primarily attributable to the local option sales tax receipts exceeding the transfers to other funds for the use of the local option sales tax.
- The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation and long-term debt. The City transferred approximately \$929,000 from other funds to make payments for these obligations. The fund increased due to bond proceeds received to fund a development agreement that had not been fully expended as of June 30, 2017.
- The Capital Projects Adams Street Bridge Fund had a decrease of approximately \$50,000 for an ending cash and investment balance of \$0 due to work on the construction of the Adams Street Bridge, which was in the process of being constructed.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance increased by approximately \$163,000 during the fiscal year. The Fund increased due to receipts exceeding disbursements partly due to an increase in the sewer rates by 4.5% due to future planned improvements.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the City Council annually adopts a budget following the required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures, ie; a required public notice followed by a public hearing. Over the course of the year, the City amended its operating budget once. The amendment was approved on May 16, 2017 to provide for additional disbursements in certain city departments of approximately \$2,431,000, primarily due to increased debt service payments of \$888,000. The amendment also included a projected increase in revenues of approximately \$201,000 and other financing sources of approximately \$2,084,000, primarily due to bond proceeds.

DEBT ADMINISTRATION

At June 30, 2017, the City had \$3,857,561 in bonds and other long-term debt compared to \$3,543,900 in fiscal year 2016. See below for a side by side comparison of the outstanding debt obligations for fiscal years 2017 and 2016.

	Outstanding Debt at Year-End	
	June 30	
	2017	2016
General Obligation Capital Loan Note, Series 2010	\$ -	\$ 815,000
General Obligation Capital Loan Note, Series 2012A	770,000	965,000
General Obligation Refunding Capital Loan Notes, Series 2012B	525,000	785,000
General Obligation Urban Renewal, Series 2016B	1,065,000	10,900
Refunding Capital Loan Note, Series 2016A	720,000	-
State Revolving Funds Loans	692,000	968,000
Capital Lease	85,561	-
Total	<u>\$3,857,561</u>	<u>\$3,543,900</u>

The City's general obligation bond rating continues to be strong. Moody's Investor Services assigned its "A1" rating to the Series 2016A General Obligation Refunding Capital Loan Note and Series 2016B General Obligation Urban Renewal Bonds. S & P Global Ratings raised the City's credit rating to A+ on July 19, 2017. The outlook is stable. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to five percent (5%) of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation of \$3,080,000 is well below the City's legal debt limit of \$17,626,576.

More detailed information about the City's long-term liabilities is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2018 fiscal year budget, tax rates, and fees that will be charged for various City activities. In addition, capital equipment needs, fuel costs, and the costs of employee benefits are primary concerns in setting a budget.

These factors all contributed when adopting the fiscal year 2018 budget. The total budgeted revenue for fiscal year 2018 is \$15,817,438. This revenue includes Governmental Activities and Business Type Activities, which includes the Sewer and Component Unit City Water Works departments. Budgeted expenditures for fiscal year 2018 is \$16,773,681. \$11,086,454 is budgeted for Governmental activity expenditures and \$5,687,227 is for Business Type expenditures. Steps implemented by the City, including the careful utilization of Local Option Sales Tax receipts, increasing certain fees, transferring costs across funds, and reducing the costs of the delivery of services allowed the City to maintain positive fund balances for the fiscal year 2018 budget. The property tax rate of \$13.45515 for the fiscal year ending June 30, 2018, is a slight decrease of the fiscal year 2017 rate.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michael A. Taylor, Creston City Administrator, 116 West Adams Street, P.O. Box 449, Creston, Iowa 50801.

Basic Financial Statements

CITY OF CRESTON

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2017

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 1,726,542	\$ 185,110	\$ 86,185	\$ -
Public works	2,011,081	833,919	1,010,257	162,425
Culture and recreation	996,392	89,793	281,486	-
Community and economic development	41,713	-	-	-
General government	2,204,031	12,498	30,808	-
Debt service	1,831,362	-	-	-
Capital projects	1,529,960	-	-	1,181,731
Total governmental activities	<u>10,341,081</u>	<u>1,121,320</u>	<u>1,408,736</u>	<u>1,344,156</u>
Business type activities:				
Sewer	704,758	1,367,117	-	-
Total business type activities	<u>704,758</u>	<u>1,367,117</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 11,045,839</u>	<u>\$ 2,488,437</u>	<u>\$ 1,408,736</u>	<u>\$ 1,344,156</u>
Component Unit:				
Creston City Water Works	<u>\$ 2,906,765</u>	<u>\$ 2,511,652</u>	<u>\$ -</u>	<u>\$ -</u>

General Receipts and Transfers:

Property and other city tax levied for:

- General purposes
- Tax increment financing
- Local option sales tax
- Other taxes
- Unrestricted interest on investments
- Bond proceeds
- Bond premium
- 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:

Streets

Urban renewal purposes

Debt service

Other purposes

Unrestricted

Total cash basis net position

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Unit
Governmental Activities	Business Type Activities	Total	Creston City Water Works
\$ (1,455,247)	\$ -	\$(1,455,247)	\$ -
(4,480)	-	(4,480)	-
(625,113)	-	(625,113)	-
(41,713)	-	(41,713)	-
(2,160,725)	-	(2,160,725)	-
(1,831,362)	-	(1,831,362)	-
(348,229)	-	(348,229)	-
<u>(6,466,869)</u>	<u>-</u>	<u>(6,466,869)</u>	<u>-</u>
-	662,359	662,359	-
-	662,359	662,359	-
<u>(6,466,869)</u>	<u>662,359</u>	<u>(5,804,510)</u>	<u>-</u>
			\$ (395,113)
2,936,438	-	2,936,438	-
272,011	-	272,011	-
990,611	-	990,611	-
258,777	-	258,777	-
72,241	-	72,241	11,893
1,884,100	-	1,884,100	-
15,125	-	15,125	-
369,220	22,932	392,152	35,772
4,000	-	4,000	-
521,977	(521,977)	-	-
<u>7,324,500</u>	<u>(499,045)</u>	<u>6,825,455</u>	<u>47,665</u>
857,631	163,314	1,020,945	(347,448)
<u>8,003,672</u>	<u>1,843,640</u>	<u>9,847,312</u>	<u>1,612,976</u>
<u>\$ 8,861,303</u>	<u>\$ 2,006,954</u>	<u>\$ 10,868,257</u>	<u>\$ 1,265,528</u>
\$ 267,597	\$ -	\$ 267,597	\$ -
681,029	-	681,029	-
790,749	-	790,749	-
545,156	354	545,510	-
4,945,830	1,361,502	6,307,332	383,267
1,630,942	645,098	2,276,040	882,261
<u>\$ 8,861,303</u>	<u>\$ 2,006,954</u>	<u>\$ 10,868,257</u>	<u>\$ 1,265,528</u>

CITY OF CRESTON

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2017

	General	Special Revenue		
		Road Use Tax	Employee Benefit Tax	Urban Renewal Tax Increment
Receipts:				
Property tax	\$2,150,321	\$ 60,563	\$ 497,112	\$ -
Tax increment financing	-	-	-	272,011
Other city tax	147,788	-	-	-
Licenses and permits	57,075	-	-	-
Uses of money and property	104,286	-	-	-
Intergovernmental	418,649	972,542	264,952	-
Charges for service	932,458	19,785	-	-
Special assessments	14,225	-	-	-
Miscellaneous	201,663	3,858	6,348	-
Total receipts	<u>4,026,465</u>	<u>1,056,748</u>	<u>768,412</u>	<u>272,011</u>
Disbursements:				
Operating:				
Public safety	1,510,153	-	-	-
Public works	1,020,154	990,927	-	-
Culture and recreation	609,659	-	-	-
Community and economic development	41,713	-	-	-
General government	1,345,184	-	858,847	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>4,526,863</u>	<u>990,927</u>	<u>858,847</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(500,398)</u>	<u>65,821</u>	<u>(90,435)</u>	<u>272,011</u>
Other financing sources (uses):				
Sale of capital assets	4,000	-	-	-
Bond proceeds	-	-	-	-
Bond premium	-	-	-	-
Transfers in	749,598	1,325	90,000	-
Transfers out	(6,825)	-	-	(392,902)
Total other financing sources (uses)	<u>746,773</u>	<u>1,325</u>	<u>90,000</u>	<u>(392,902)</u>
Change in cash balances	246,375	67,146	(435)	(120,891)
Cash balances beginning of year	<u>1,384,568</u>	<u>613,883</u>	<u>480,134</u>	<u>911,640</u>
Cash balances end of year	<u>\$1,630,943</u>	<u>\$ 681,029</u>	<u>\$ 479,699</u>	<u>\$ 790,749</u>
Cash Basis Fund Balances				
Nonspendable:				
Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Cemetery perpetual decoration	-	-	-	-
Restricted for:				
Urban renewal purposes	-	-	-	790,749
Debt service	-	-	-	-
Streets	-	681,029	-	-
Other purposes	-	-	479,699	-
Committed				
Community Center	15,457	-	-	-
Unassigned	<u>1,615,486</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$1,630,943</u>	<u>\$ 681,029</u>	<u>\$ 479,699</u>	<u>\$ 790,749</u>

See notes to financial statements.

		Capital Projects			
Local Option Sales Tax	Debt Service	Adams Street Bridge	Nonmajor	Total	
\$ -	\$ -	\$ -	\$ 214,215	\$ 2,922,211	
-	-	-	-	272,011	
990,611	-	-	-	1,138,399	
-	-	-	-	57,075	
-	-	-	4,022	108,308	
-	-	1,103,088	160,741	2,919,972	
-	-	-	-	952,243	
-	-	-	-	14,225	
-	-	-	177,198	389,067	
990,611	-	1,103,088	556,176	8,773,511	
-	-	-	216,389	1,726,542	
-	-	-	-	2,011,081	
-	-	-	386,733	996,392	
-	-	-	-	41,713	
-	-	-	-	2,204,031	
-	1,831,362	-	-	1,831,362	
-	-	1,529,960	-	1,529,960	
-	1,831,362	1,529,960	603,122	10,341,081	
990,611	(1,831,362)	(426,872)	(46,946)	(1,567,570)	
-	-	-	-	4,000	
-	1,884,100	-	-	1,884,100	
-	15,125	-	-	15,125	
190,598	928,989	567,387	5,500	2,533,397	
(921,096)	(500,000)	(190,598)	-	(2,011,421)	
(730,498)	2,328,214	376,789	5,500	2,425,201	
260,113	496,852	(50,083)	(41,446)	857,631	
3,727,591	48,303	50,083	787,470	8,003,672	
\$ 3,987,704	\$ 545,155	\$ -	\$ 746,024	\$ 8,861,303	
\$ -	\$ -	-	\$ 243,983	\$ 243,983	
-	-	-	23,613	23,613	
-	-	-	-	790,749	
-	545,155	-	-	545,155	
-	-	-	-	681,029	
3,987,704	-	-	478,428	4,945,831	
-	-	-	-	15,457	
-	-	-	-	1,615,486	
\$ 3,987,704	\$ 545,155	\$ -	\$ 746,024	\$ 8,861,303	

CITY OF CRESTON

Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Proprietary Fund

As of and for the year ended June 30, 2017

	<u>Enterprise</u> <u>Sewer</u>
Operating receipts:	
Charges for service	\$ 1,367,117
Total operating receipts	<u>1,367,117</u>
Operating disbursements:	
Business type activities:	<u>660,815</u>
Total operating disbursements	<u>660,815</u>
Excess of operating receipts over operating disbursements	<u>706,302</u>
Non-operating receipts (disbursements):	
Capital projects and equipment	(43,943)
Miscellaneous	<u>22,932</u>
Net non-operating receipts (disbursements)	<u>(21,011)</u>
Excess of receipts over disbursements	<u>685,291</u>
Other financing sources (uses):	
Transfers (out)	<u>(521,977)</u>
Total other financing (uses)	<u>(521,977)</u>
Change in cash balances	163,314
Cash balances beginning of year	<u>1,843,640</u>
Cash balances end of year	<u>\$ 2,006,954</u>
Cash Basis Fund Balances	
Restricted for capital replacement	\$ 1,024,128
Restricted for storm water	337,374
Unrestricted	<u>645,452</u>
Total cash basis fund balances	<u>\$ 2,006,954</u>

See notes to financial statements.

CITY OF CRESTON

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Fiduciary Fund

Year ended June 30, 2017

	<u>Creston Animal Rescue Effort</u>
Additions:	\$ 34,056
Deductions:	<u>36,908</u>
Change in cash balance	(2,852)
Cash balance beginning of year	<u>37,890</u>
Cash balance end of year	<u><u>\$ 35,038</u></u>

See notes to financial statements.

CITY OF CRESTON

Notes to Financial Statements

June 30, 2017

(1) Summary of Significant Accounting Policies

The City of Creston, Iowa is a political subdivision of the State of Iowa located in Union County. It was first incorporated in 1871 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 non-partisan 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 sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Creston 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.

These financial statements present the City of Creston (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

Discretely Presented Component Unit

The Creston City Water Works is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Creston City Water Works is governed by a five-member board appointed by the City Council and the Creston City Water Works' operating budget is subject to the approval of the City Council.

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:

Union County Assessors Conference Board, Union County Emergency Management Commission, Union County Solid Waste Management Commission, Union County Development Association Public Funding Council, and ATURA (Adams, Taylor, Union, Ringgold, Adair), Iowa Community Trust Governmental Health and Related Benefits Program.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2017

(1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation

Government-wide Financial Statements - 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 revenues, 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 assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

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

Unrestricted net position consists of 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, proprietary funds and fiduciary 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 that are not paid from other funds.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2017

(1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

Special Revenue:

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 Employee Benefit Fund is used to account for tax revenue for the use of payments for employee benefits.

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

The Local Option Sales Tax Fund is used to account for the revenues from the state and local option sales tax and expenditure of those funds for the specific purpose as set forth in the referendum.

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

The Capital Projects Adams Street Bridge Fund, is used for the recognition of receipts and reconstruction costs of the Adams Street Bridge.

The City reports the following major proprietary fund:

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

The City also reports the following additional fund:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The City's fiduciary fund consists of:

Creston Animal Rescue Effort - An agency fund utilized to account for the funds of the animal shelter, a separate not-for-profit entity.

C. 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 U.S. generally accepted accounting principles.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2017

(1) Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting - Continued

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 non-operating 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 non-operating receipts and disbursements.

D. 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 are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts the Council has legally limited for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

(2) Cash and Investments

The City's deposits at June 30, 2017, were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2017

(2) Cash and Investments - Continued

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; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are normally categorized to give an indication of the level of risk assumed by the City at year end. However, at June 30, 2017, the City had no investments subject to risk categorization.

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.

(3) Long Term Debt

Annual debt service requirements to maturity for general obligation bonds and notes and other notes are as follows:

Year Ending <u>June 30,</u>	General Obligation		Total
	Bonds & Capital Loan Notes	Other Notes	
2018	\$ 570,000	\$ 104,000	\$ 674,000
2019	575,000	45,000	620,000
2020	310,000	47,000	357,000
2021	310,000	48,000	358,000
2022	325,000	50,000	375,000
2023-2027	490,000	276,000	766,000
2028-2032	410,000	122,000	532,000
2033	90,000	-	90,000
	<u>\$ 3,080,000</u>	<u>\$ 692,000</u>	<u>\$ 3,772,000</u>
<hr/>			
	Interest		
	General Obligation		
Year Ending <u>June 30,</u>	Bonds & Capital Loan Notes	Other Notes	Total
2018	\$ 62,155	\$ 20,010	\$ 82,165
2019	54,288	17,640	71,928
2020	45,202	16,290	61,492
2021	39,315	14,880	54,195
2022	33,115	13,440	46,555
2023-2027	104,650	43,680	148,330
2028-2032	52,000	5,520	57,520
2033	2,880	-	2,880
	<u>\$ 393,605</u>	<u>\$ 131,460</u>	<u>\$ 525,065</u>

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2017

(3) Long Term Debt - Continued

The Code of Iowa requires that principal and interest on general obligation debt be paid from the Debt Service Fund.

The resolutions providing for the issuance of the general obligation bonds and capital loan notes and other notes include the following provisions:

- (a) All taxes collected under levy shall be converted into a special fund in the Debt Service Fund.
- (b) Fund monies are to be used for payment of principal and interest of the bonds and capital loan notes only.
- (c) All proceeds are to be invested in either direct obligations of the U.S. Government or deposited in banks which are members of the FDIC in FDIC insured accounts.
- (d) No use of capital loan note proceeds is allowed which will cause them to be classified as arbitrage bonds or notes.
- (e) Project has not been and is not expected to be sold or disposed of prior to capital loan note maturity.
- (f) Tax levies of adequate amount are ordered for bonds and capital loan note repayments.

Other Notes

On March 20, 1998, the City entered into a note agreement with a financial institution for a State Revolving Funds Loan for additional financing of construction of wastewater treatment plant improvements. The total loan award was for \$827,000. The balance at June 30, 2017 is \$60,000. The loan bears interest at 1.75% and interest payments are due June 1 and December 1. Principal payments are due June 1.

On September 30, 2009, the City entered into a note agreement with a financial institution for a State Revolving Funds Loan for additional financing of construction of sanitary sewer line improvements. The total loan award was for \$945,000. The balance at June 30, 2017 is \$632,000. The loan bears interest at 3% and interest payments are due June 1 and December 1. Principal payments are due June 1.

Capital Lease

The City is leasing a plow truck under a capital lease. The balance of the lease is \$85,561 as of June 30, 2017. Annual payments are \$23,554.82 each year, including interest at 3.97 percent. The lease is collateralized by the plow truck.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2017

(3) Long Term Debt - Continued

As of June 30, 2017, the present value of future minimum capital lease payments are as follows:

June 30, 2018	\$ 23,554.82
June 30, 2019	23,554.82
June 30, 2020	23,554.82
June 30, 2021	<u>23,554.82</u>
Total minimum lease payments	94,219.28
Less amount representing interest	<u>8,658.10</u>
Present value of net minimum capital lease payments	<u>\$85,561.18</u>

(4) Pension and Retirement Benefits

Iowa Public Employees Retirement System

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 Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general 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, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except 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. 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.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2017

(4) Pension and Retirement Benefits - Continued

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

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

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

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

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2017 were \$128,095.

Net Pension Liability, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the City's liability for its proportionate share of the net pension liability totaled \$1,034,114. The net pension liability was measured as of June 30, 2016, 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 the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2016, the City's proportion was .0164319 percent, which was a decrease of 0.0006896 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017 the City pension expense, deferred outflows and deferred inflows totaled \$126,329, \$311,615 and \$146,342 respectively.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2017

(4) Pension and Retirement Benefits - Continued

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00-17.00%, average, including inflation, rates vary by membership group
Long term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan 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>
Core Plus Fixed Income	28%	1.90%
Domestic Equity	24	5.85
International Equity	16	6.32
Private Equity/Debt	11	10.31
Real Estate	8	3.87
Credit Opportunities	5	4.48
U.S. TIPS	5	1.36
Other Real Assets	2	6.42
Cash	<u>1</u>	(0.26)
Total	<u><u>100%</u></u>	

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2017

(4) Pension and Retirement Benefits - Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the 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 7.5%, 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 (6.5%) or 1% higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$1,696,713	\$1,034,114	\$474,901

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

Plan Description - MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City of Creston are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at www.mfprsi.org.

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2017

(4) Pension and Retirement Benefits - Continued

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66% of the member's average final compensation. Members who perform more than 22 years of service receive an additional 2% of the member's average final compensation for each additional year of service, up to a maximum of 8 years. Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50% surviving spouse benefit.

Active members, at least 55 years of age, with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. When electing to participate in DROP, the member signs a contract indicating the member will retire at the end of the selected DROP period. During the DROP period, the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

Disability and Death Benefits - Disability coverage may be either accidental or ordinary. Accidental disability is defined as permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60% of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50% of the member's average final compensation, for those with 5 or more years of service, or the member's service retirement benefit calculation amount, and 25% of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50% of the average final compensation of the member plus an additional amount of each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40% of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50% of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased annually in accordance with Chapter 411.6 of the Code of Iowa which states a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

Contributions - Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2017.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2017

(4) Pension and Retirement Benefits - Continued

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa the employer's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 25.92% for the year ended June 30, 2017.

The City's contributions to MFPRSI for the year ended June 30, 2017 was \$212,391.

If approved by the state legislature, state appropriation may further reduce the city's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa therefore is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67 - Financial Reporting for Pension Plans.

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2017.

Net Pension Liability, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the City reported a liability for its proportionate share of \$1,810,793 for the net pension liability. The net pension liability was measured as of June 30, 2016, 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 the MFPRSI relative to the contributions of all MFPRSI participating employers. At June 30, 2016, the City's proportion was .289606% which was a decrease of .002141% from its proportions measured as of June 30, 2015.

For the year ended June 30, 2017, the City pension expense, deferred outflows of resources and deferred inflows totaled \$247,803, \$690,122 and \$273,227 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation	3.00%
Salary increases	4.50 to 15.00%, including inflation
Investment rate of return	7.50%, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Postretirement mortality rates were based on the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year and disabled individuals set-forward one year (male only rates), with no projection of future mortality improvements.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2017

(4) Pension and Retirement Benefits - Continued

The long-term expected rate of return on MFPRSI investments was determined using a building-block method in which best-estimate ranges of expected future real rates (i.e., 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 best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap	6.0%
Small cap	5.8
International large cap	7.0
Emerging markets	8.8
Emerging markets debt	6.5
Private non-core real estate	9.3
Master limited partnerships	8.5
Private equity	9.8
Core plus fixed income	3.8
Private core real estate	6.8
Treasury inflation protected securities	2.8
Tactical asset allocation	6.0

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed contributions will be made at 9.4% of covered payroll and the City's contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the MFPRSI's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on MFPRSI's investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of 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 7.5%, 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 (6.5%) or 1% higher (8.5%) than the current rate.

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
City's proportionate share of the net pension liability	\$2,841,945	\$1,810,791	\$952,060

MFPRSI's Fiduciary Net Position - Detailed information about MFPRSI's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at www.mfprsi.org.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2017

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. They also accumulate a limited amount of sick leave hours which are available for subsequent use only. These accumulations are not recognized as disbursements by the City until used or paid. The City’s approximate liability for earned compensated absences payable to employees at June 30, 2017, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$149,076
Sick leave	<u>556,718</u>
Total	<u>\$705,794</u>

This liability has been computed based on rates of pay as of June 30, 2017.

(6) Deferred Compensation Plan

The City offers certain employees a deferred compensation plan created in accordance with the provisions of Internal Revenue Code Section 457. The plan, available to the City Manager, allows the employee to defer a portion of his current salary until future years. The employee becomes eligible to withdraw funds upon termination, retirement, death or unforeseeable emergency. The City provides neither administrative service to the plan nor investment advice for the plan.

Plan contributions for the year by the City ended June 30, 2017 were \$9,731, and for the year ended June 30, 2016 were \$9,135.

(7) Other Post-Employment Benefits (OPEB)

The City of Creston offers health insurance coverage to full time employees wishing to voluntarily retire prior to the age of 65 and wish to remain on the City employee health insurance plan. Retirees are able to purchase insurance through the City’s plan until Medicare eligibility.

There are 36 active employees for the City, 13 active employees for Waterworks, and 1 former employee.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City pays 90% of the premium for active employees while the employee is responsible for 10%. Retirees pay their own premiums.

	Plus Plan	Basic Plan	Value Plan
Deductible	\$420/840	\$960/1,920	\$2,000/4,000
Single Coverage	\$666	\$623	\$455
Family Coverage	\$1,530	\$1,443	\$1,056

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2017

(7) Other Post-Employment Benefits (OPEB) - Continued

For the year ended June 30, 2017 the City contributed \$691,819 to the plan.

(8) Related Party Transactions

The City has title to all the land and buildings used by the Creston City Water Works. The Mayor appoints and the City Council confirms the appointments to the Creston City Water Works Board of Trustees.

The Water Works determines fees charged to users and also charges the City for usage. The Creston City Water Works collects sewage and garbage fees for the City of Creston. Funds collected are remitted to the City monthly. The City received \$1,308,463 for sewer rental, \$691,244 for garbage collections, \$8,895 for sewer connection charges and \$269 for testing fees from the Water Works for the year ended June 30, 2017. The City paid the Water Works \$12,008 for utilities and \$5,816 for other costs and reimbursements.

The City of Creston and the Creston City Water Works are covered under the same insurance policies. Each year the City pays the total policy premium and the Water Works reimburses the City for its share of the cost. During the year ended June 30, 2017, the Creston City Water Works reimbursed the City \$95,933.

Also of June 30, 2017, the Creston City Water Works owes the following to the City of Creston:

Sewer rental	\$ 106,734
Garbage collections	63,484
Lab fees	<u>22</u>
	<u>\$ 170,240</u>

The City provides health insurance for employees of both the City and the Creston City Water Works under its health insurance plan. For the year ended June 30, 2017, the City was reimbursed \$214,689 from the Water Works for claims and premiums paid on behalf of the Creston City Water Works' employees.

(9) Risk Management

The City of Creston 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 limits. Settled claims from these risks did not exceed commercial insurance coverage in any of the past three fiscal years.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2017

(10) Commitments

Garbage Collection

The City of Creston renewed its contract for garbage collection for an additional five years beginning July 1, 2016.

Airport Operations

The City has entered into an agreement with a contractor to operate and maintain the Creston Municipal Airport for the fiscal year ending June 30, 2017, for \$32,500. The contractor is responsible for all maintenance, upkeep and repairs of the airport and has the option of operating as a fixed based operator. The City is responsible for providing for utilities for the runway lighting, taxiing, lighted windsock, rotating light beacon, and radio homing beacon and for all parts and repairs necessary for these items. The agreement is an annual agreement and has been renewed until June 30, 2018.

Self-Funded Health Insurance

The City of Creston, Iowa has a partially self-insured high deductible Health Care Plan for City employees accounted for in the employee benefit fund. The City funds the difference between the deductibles and out-of-pocket maximums charged to employees and those covered by the purchase plan.

As of June 30, 2017 the Plan held \$479,699 in cash and investments. The estimate of the claims liability was \$16,349 for June 30, 2017 and \$49,239 for June 30, 2016, and includes claims reported but not settled and those incurred but not reported. Claim payments as of June 30, 2017 and 2016 were \$108,994 and \$328,257, respectively. The City records the cost of these claims when paid; therefore, the cost of claims incurred but unpaid have not been recorded in the financial statements.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2017

(11) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer to	Transfer from	Amount
General	Special revenue:	
	Urban Renewal Tax Increment	\$ 10,000
	Local Option Sales Tax	18,999
	Debt Service	500,000
	Enterprise:	
	Sewer	<u>220,599</u>
		<u>749,598</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	382,902
	Local Option Sales Tax	244,710
	Enterprise:	
	Sewer	<u>301,378</u>
		<u>928,990</u>
Special Revenue:		
McKinley Park	General	<u>5,500</u>
Road Use Tax	General	<u>1,325</u>
Employee Benefit Tax	Special Revenue:	
	Local Option Sales Tax	<u>90,000</u>
Local Option Sales Tax	Capital Projects	<u>190,598</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	<u>567,387</u>
Total		<u><u>\$ 2,533,398</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2017

(12) Operating Lease

The City has entered into operating leases for a copier, phone system and postage meter. The leases are for 60 months, respectively, beginning on June 8, 2016, June 22, 2016 and August 7, 2013, respectively. Minimum future lease payments are as follows:

Year ending June 30,	
2018	\$ 5,250
2019	4,836
2020	4,422
2021	4,054

(13) Development Agreements

The City has entered into development agreements for urban renewal projects. Some agreements call for the City to make economic development tax rebate payments each year out of incremental taxes received by the City. \$500,000 in payments were made during the year ended June 30, 2017 funded by note proceeds. Additional amounts due on future years on development agreements were \$730,000.

(14) Tax Abatements

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

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 to 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, 2017, the City abated \$-0- of property tax under the urban renewal and economic development projects.

(15) Construction Contracts

The City has entered into various construction contracts totaling approximately \$2,663,000. The unpaid contract balances as of June 30, 2017 totaled approximately \$239,000 which will be paid as work on the projects progresses.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2017

(16) Subsequent Events

Management has evaluated subsequent events through October 2, 2017, the date on which the financial statements were available to be issued.

(17) New Accounting Pronouncement

The City adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about the City's tax abatements and tax abatements of other entities which impact the City.

(18) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information.

Other Information

CITY OF CRESTON

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds, Proprietary Fund and Component Unit
Other Information
Year ended June 30, 2017

	Governmental Funds Actual	Proprietary Fund Actual	Component Unit Actual	Less Funds not Required to Be Budgeted
Receipts:				
Property tax	\$ 2,922,211	\$ -	\$ -	\$ -
Tax increment financing	272,011	-	-	-
Other city tax	1,138,399	-	-	-
Licenses and permits	57,075	-	-	-
Uses of money and property	108,308	-	11,893	-
Intergovernmental	2,919,972	-	-	-
Charges for service	952,243	1,367,117	4,418,897	1,995,011
Special assessments	14,225	-	-	-
Miscellaneous	389,067	22,932	123,538	-
Total receipts	<u>8,773,511</u>	<u>1,390,049</u>	<u>4,554,328</u>	<u>1,995,011</u>
Disbursements:				
Public safety	1,726,542	-	-	-
Public works	2,011,081	-	-	-
Culture and recreation	996,392	-	-	-
Community and economic development	41,713	-	-	-
General government	2,204,031	-	-	-
Debt service	1,831,362	-	-	-
Capital projects	1,529,960	-	-	-
Business type activities	-	704,758	4,901,776	1,988,191
Total disbursements	<u>10,341,081</u>	<u>704,758</u>	<u>4,901,776</u>	<u>1,988,191</u>
Excess (deficiency) of receipts over (under) disbursements	(1,567,570)	685,291	(347,448)	6,820
Other financing sources (uses), net	<u>2,425,201</u>	<u>(521,977)</u>	-	-
Excess (deficiency) of receipts over (under) disbursements and other financing uses	857,631	163,314	(347,448)	6,820
Balances beginning of year	<u>8,003,672</u>	<u>1,843,640</u>	<u>1,612,976</u>	-
Balances end of year	<u>\$ 8,861,303</u>	<u>\$ 2,006,954</u>	<u>\$ 1,265,528</u>	<u>\$ 6,820</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
	Original	Final	
\$ 2,922,211	\$ 2,750,305	\$ 2,750,305	\$ 171,906
272,011	270,870	270,870	1,141
1,138,399	1,023,813	1,063,813	74,586
57,075	43,400	63,400	(6,325)
120,201	85,275	100,275	19,926
2,919,972	3,247,055	3,114,055	(194,083)
4,743,246	5,651,231	5,761,231	(1,017,985)
14,225	3,000	13,000	1,225
535,537	185,300	324,250	211,287
12,722,877	13,260,249	13,461,199	(738,322)
1,726,542	1,673,108	1,794,908	68,366
2,011,081	2,007,647	2,261,147	250,066
996,392	1,221,192	1,245,992	249,600
41,713	42,175	42,175	462
2,204,031	2,189,816	3,004,316	800,285
1,831,362	943,226	1,831,362	-
1,529,960	1,563,000	1,663,000	133,040
3,618,343	4,065,209	4,293,192	674,849
13,959,424	13,705,373	16,136,092	2,176,668
(1,236,547)	(445,124)	(2,674,893)	1,438,346
1,903,224	-	2,084,225	(181,001)
666,677	(445,124)	(590,668)	1,257,345
11,460,288	10,248,131	10,248,131	1,212,157
<u>\$12,126,965</u>	<u>\$ 9,803,007</u>	<u>\$ 9,657,463</u>	<u>\$ 2,469,502</u>

CITY OF CRESTON

Notes To Other Information - Budgetary Reporting

June 30, 2017

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 including the discretely presented component unit and excluding the Fiduciary Fund. However, the sewer fees collected by the Creston City Water Works and remitted to the City of Creston have been deducted in the column "Less Funds not Required to be Budgeted" since these are intra agency transactions not required to be budgeted. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, 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, Debt Service Fund, Capital Projects Funds, the Permanent Funds and the Enterprise Fund. 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 disbursements by \$2,430,719. The budget amendment is reflected in the final budgeted amounts.

CITY OF CRESTON

Schedule of the City's Proportionate Share of the Net Pension Liability
For the Last Three Fiscal Years
(In Thousands)

Other Information

Iowa Public Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City of Creston's proportion of the net pension liability	.0164319%	.0171215%	.0176576%
City of Creston's proportionate share of the net pension liability	\$ 1,034	\$ 846	\$ 700
City of Creston's covered-employee payroll	\$ 1,320	\$ 1,222	\$ 1,209
City of Creston's proportionate share of the net pension liability as a percentage of its covered-employee payroll	78.33%	69.23%	57.90%
IPERS' net position as a percentage of the total pension liability	80.86%	85.19%	87.61%

Municipal Fire and Police Retirement System of Iowa

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City of Creston's proportion of the net pension liability	.289606%	.291747%	.288239%
City of Creston's proportionate share of the net pension liability	\$ 1,811	\$ 1,371	\$ 1,045
City of Creston's covered-employee payroll	\$ 819	\$ 765	\$ 736
City of Creston's proportionate share of the net pension liability as a percentage of its covered-employee payroll	221.12%	179.15%	141.95%
MFPRSI's net position as a percentage of the total pension liability	78.20%	83.04%	86.27%

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

See accompanying independent auditor's report.

CITY OF CRESTON

Schedule of City Contributions

For the Last 10 Fiscal Years
(In Thousands)

Other Information

Iowa Public Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 128	110	109	108
Contributions in relation to the statutorily required contribution	<u>(128)</u>	<u>(110)</u>	<u>(109)</u>	<u>(108)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City of Creston's covered-employee payroll	\$ 1,320	1,223	1,217	1,209
Contributions as a percentage of covered-employee payroll	9.70%	8.99%	8.96%	8.93%

Municipal Fire and Police Retirement System of Iowa

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 212	218	233	222
Contributions in relation to the statutorily required contribution	<u>(212)</u>	<u>(218)</u>	<u>(233)</u>	<u>(222)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City of Creston's covered-employee payroll	\$ 819	785	765	736
Contributions as a percentage of covered-employee payroll	25.89%	27.77%	30.41%	30.12%

See accompanying independent auditor's report.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
99	91	78	72	67	59
<u>(99)</u>	<u>(91)</u>	<u>(78)</u>	<u>(72)</u>	<u>(67)</u>	<u>(59)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,142	1,128	1,122	1,083	1,055	975
8.67%	8.07%	6.95%	6.65%	6.35%	6.05%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
194	182	129	107	115	152
<u>(194)</u>	<u>(182)</u>	<u>(129)</u>	<u>(107)</u>	<u>(115)</u>	<u>(152)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
741	733	650	631	613	595
26.12%	24.76%	19.90%	17.00%	18.75%	25.48%

CITY OF CRESTON

Notes to Other Information - Pension Liability

Year ended June 30, 2017

Iowa Public Employee's Retirement System

Changes of benefit terms:

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

Legislative action in 2008 transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- 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.

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

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

Municipal Fire and Police Retirement System of Iowa

Changes of benefit terms:

There are no significant changes of benefit terms.

Changes of assumptions:

Postretirement mortality changed to the RP-2000 Blue Collar combined Healthy Mortality Table with males set-back two years, females set-forward one year and disableds set-forward one year (male only rates), with no projection of future mortality improvement.

Supplementary Information

CITY OF CRESTON

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2017

	Special Revenue			
	Police Forfeiture	Police and Fire Retirement	McKinley Park	Library
Receipts:				
Property tax	\$ -	\$214,215	\$ -	\$ -
Use of money and property	-	-	-	4,022
Intergovernmental	-	-	160,741	-
Miscellaneous	9,688	-	77,711	8,596
Total receipts	<u>9,688</u>	<u>214,215</u>	<u>238,452</u>	<u>12,618</u>
Disbursements:				
Operating:				
Public safety	3,999	212,390	-	-
Culture and recreation	-	-	322,408	64,325
Capital projects	-	-	-	-
Total disbursements	<u>3,999</u>	<u>212,390</u>	<u>322,408</u>	<u>64,325</u>
Excess (deficiency) of receipts over (under) disbursements	5,689	1,825	(83,956)	(51,707)
Other financing sources:				
Transfers in	-	-	5,500	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>5,500</u>	<u>-</u>
Change in cash balances	5,689	1,825	(78,456)	(51,707)
Cash balances beginning of year	<u>5,207</u>	<u>34,713</u>	<u>197,556</u>	<u>284,958</u>
Cash balances end of year	<u>\$ 10,896</u>	<u>\$ 36,538</u>	<u>\$ 119,100</u>	<u>\$ 233,251</u>
Cash Basis Fund Balances				
Nonspendable:				
Cemetery perpetual care	-	-	-	-
Cemetery perpetual decoration	-	-	-	-
Restricted for:				
Other purposes	<u>\$ 10,896</u>	<u>\$ 36,538</u>	<u>\$ 119,100</u>	<u>\$ 233,251</u>
Total cash basis fund balances	<u>\$ 10,896</u>	<u>\$ 36,538</u>	<u>\$ 119,100</u>	<u>\$ 233,251</u>

See accompanying independent auditor's reports.

Capital Projects Library	Permanent		Total
	Cemetery Perpetual Care	Cemetery Perpetual Decoration	
\$ -	\$ -	\$ -	\$ 214,215
-	-	-	4,022
-	-	-	160,741
78,643	2,560	-	177,198
78,643	2,560	-	556,176
-	-	-	216,389
-	-	-	386,733
-	-	-	-
-	-	-	603,122
78,643	2,560	-	(46,946)
-	-	-	5,500
-	-	-	5,500
78,643	2,560	-	(41,446)
-	241,423	23,613	787,470
<u>\$ 78,643</u>	<u>\$ 243,983</u>	<u>\$ 23,613</u>	<u>\$ 746,024</u>
\$ -	\$ 243,983	\$ -	\$ 243,983
-	-	23,613	23,613
78,643	-	-	478,428
<u>\$ 78,643</u>	<u>\$ 243,983</u>	<u>\$ 23,613</u>	<u>\$ 746,024</u>

CITY OF CRESTON

Schedule of Indebtedness

Year ended June 30, 2017

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and capital loan notes:			
General corporate purpose - Series 2010	Jul 22, 2010	3.60-3.80%	\$ 1,280,000
General corporate purpose - Series 2012A	Apr 24, 2012	1.35-2.30	1,720,000
General corporate purpose - Series 2012B	Apr 24, 2012	1.35-1.60	1,815,000
General obligation urban renewal - Series 2016B	Aug 1, 2016	2.00-3.20	1,065,000
General obligation refunding - Series 2016A	Aug 1, 2016	1.50-2.00	830,000
Total			
Other debt:			
State Revolving Funds Loan	Jun 10, 1997	1.75%	\$2,383,000
State Revolving Funds Loan	Mar 20, 1998	1.75	827,000
State Revolving Funds Loan	Sep 30, 2009	3.00	945,000
Total			
Capital Lease:			
Plow Truck	Apr 19, 2016	3.97%	\$ 117,774

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 815,000	\$ -	\$ 815,000	\$ -	\$ 4,860	\$ -
965,000	-	195,000	770,000	15,770	-
785,000	-	260,000	525,000	10,870	-
10,900	1,054,100	-	1,065,000	23,104	-
-	830,000	110,000	720,000	12,417	-
<u>\$ 2,575,900</u>	<u>\$1,884,100</u>	<u>\$1,380,000</u>	<u>\$3,080,000</u>	<u>\$ 67,021</u>	<u>\$ -</u>
\$ 176,000	\$ -	\$ 176,000	\$ -	\$ 3,080	\$ -
117,000	-	57,000	60,000	2,048	-
675,000	-	43,000	632,000	20,250	-
<u>\$ 968,000</u>	<u>\$ -</u>	<u>\$ 276,000</u>	<u>\$ 692,000</u>	<u>\$ 25,378</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 109,116</u>	<u>\$ 23,555</u>	<u>\$ 85,561</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CRESTON

Long Term Debt Maturities

June 30, 2017

Year Ending June 30,	General Obligation Bonds and Capital Loan Notes					
	General Purpose Series 2012A		General Purpose Series 2012B		Urban Renewal Series 2016B	
	Issued April 24, 2012		Issued April 24, 2012		Issued Aug. 1, 2016	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2018	1.35%	\$ 195,000	1.35%	\$ 260,000	- %	\$ -
2019	1.60	195,000	1.60	265,000	-	-
2020	1.75	125,000	1.60	-	2.00	65,000
2021	2.00	125,000	-	-	2.00	65,000
2022	2.30	130,000	-	-	2.00	70,000
2023	-	-	-	-	2.00	70,000
2024	-	-	-	-	2.50	70,000
2025	-	-	-	-	2.50	75,000
2026	-	-	-	-	2.50	75,000
2027	-	-	-	-	2.50	75,000
2028	-	-	-	-	2.75	80,000
2029	-	-	-	-	2.75	80,000
2030	-	-	-	-	3.00	80,000
2031	-	-	-	-	3.00	85,000
2032	-	-	-	-	3.20	85,000
2033	-	-	-	-	3.20	90,000
Total		<u>\$ 770,000</u>		<u>\$ 525,000</u>		<u>\$1,065,000</u>

See accompanying independent auditor's report.

Refunding Series 2016A Issued Aug 1, 2016		Total General Obligation Bonds and Notes
Interest Rates	Amount	
1.50%	\$ 115,000	\$ 570,000
1.50	115,000	575,000
2.00	120,000	310,000
2.00	120,000	310,000
2.00	125,000	325,000
2.00	125,000	195,000
-	-	70,000
-	-	75,000
-	-	75,000
-	-	75,000
-	-	80,000
-	-	80,000
-	-	80,000
-	-	85,000
-	-	85,000
-	-	90,000
	<u>\$ 720,000</u>	<u>\$3,080,000</u>

CITY OF CRESTON

Long Term Debt Maturities - Continued

June 30, 2017

Year Ending June 30,	Other Notes				Total Other Notes
	State Revolving Funds Loan		State Revolving Funds Loan		
	Dated March 20, 1998		Dated September 30, 2009		
	Interest Rates	Amount	Interest Rates	Amount	
2018	1.75%	\$ 60,000	3.00%	\$ 44,000	\$ 104,000
2019	-	-	3.00	45,000	45,000
2020	-	-	3.00	47,000	47,000
2021	-	-	3.00	48,000	48,000
2022	-	-	3.00	50,000	50,000
2023	-	-	3.00	52,000	52,000
2024	-	-	3.00	53,000	53,000
2025	-	-	3.00	55,000	55,000
2026	-	-	3.00	57,000	57,000
2027	-	-	3.00	59,000	59,000
2028	-	-	3.00	60,000	60,000
2029	-	-	3.00	62,000	62,000
Total		<u>\$ 60,000</u>		<u>\$ 632,000</u>	<u>\$ 692,000</u>

See accompanying independent auditor's report.

City of Creston

CITY OF CRESTON

Schedule of Receipts by Source and Disbursements by Function -
All Governmental Funds

For the Last Ten Years

	Years ended June 30,				
	2017	2016	2015	2014	2013
Receipts:					
Property tax	\$ 2,922,211	\$ 2,683,483	\$ 2,625,395	\$ 2,369,974	\$ 2,444,298
Tax increment financing	272,011	697,428	684,931	725,435	662,093
Other city tax	1,138,399	1,039,566	1,179,121	1,009,722	1,023,738
Licenses and permits	57,075	44,719	50,753	48,767	82,412
Use of money and property	108,308	102,532	102,883	89,929	151,238
Intergovernmental	2,919,972	1,506,249	1,491,859	1,591,093	2,659,081
Charges for service	952,243	865,164	884,456	853,882	820,397
Special assessments	14,225	6,954	5,844	5,680	6,833
Miscellaneous	389,067	608,519	558,730	455,242	745,651
Total	<u>\$ 8,773,511</u>	<u>\$ 7,554,614</u>	<u>\$ 7,583,972</u>	<u>\$ 7,149,724</u>	<u>\$ 8,595,741</u>
Disbursements:					
Operating:					
Public safety	\$ 1,726,542	\$ 1,606,192	\$ 1,588,711	\$ 1,626,443	\$ 1,511,893
Public works	2,011,081	1,675,071	1,833,649	1,992,752	2,468,297
Culture and recreation	996,392	696,820	802,234	768,301	1,380,459
Community and economic development	41,713	31,617	40,517	40,563	39,860
General government	2,204,031	1,860,501	2,516,571	1,991,061	2,673,211
Debt service	1,831,362	908,363	1,058,825	1,058,729	2,849,030
Capital projects	1,529,960	104,764	19,034	19,191	508,819
Total	<u>\$10,341,081</u>	<u>\$ 6,883,328</u>	<u>\$ 7,859,541</u>	<u>\$ 7,497,040</u>	<u>\$11,431,569</u>

See accompanying independent auditor's report.

2012	2011	2010	2009	2008
\$2,357,629	\$ 2,237,733	\$ 2,206,761	\$ 1,834,171	\$ 1,610,447
845,542	982,107	830,465	570,169	377,466
1,054,234	967,832	995,380	938,578	930,308
33,316	85,868	45,691	53,262	35,096
159,502	137,851	138,544	220,911	309,648
2,985,951	1,823,211	1,964,979	1,877,398	1,604,264
860,138	784,966	731,480	754,752	728,682
6,560	4,673	6,564	3,202	1,120
1,298,090	869,589	402,807	574,130	405,027
<u>\$ 9,600,962</u>	<u>\$ 7,893,830</u>	<u>\$ 7,322,671</u>	<u>\$ 6,826,573</u>	<u>\$ 6,002,058</u>
\$ 1,450,238	\$ 1,414,502	\$ 1,291,228	\$ 1,935,678	\$ 1,369,057
2,251,390	2,995,965	1,606,899	1,710,960	1,550,531
1,029,200	697,349	579,237	709,738	1,055,408
37,103	34,537	34,522	45,807	29,577
3,603,438	1,906,869	2,288,799	1,609,437	1,818,139
2,257,597	1,070,878	1,088,399	1,060,991	1,137,048
-	406,828	118,361	12,676	39,328
<u>\$10,628,966</u>	<u>\$ 8,526,928</u>	<u>\$ 7,007,445</u>	<u>\$ 7,085,287</u>	<u>\$ 6,999,088</u>

City of Creston

Schedule of Expenditures of Federal Awards

Year ended June 30, 2017

Grantor/Program	CFDA Number	Pass-Through Agency or Identifying Number	Program Expenditures
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BRM-1710(610)-8N-88	\$1,215,009
Direct:			
U.S. Department of Transportation:			
Airport Improvement Program	20.106	3-19-0023-011-2015	9,581
Airport Improvement Program	20.106	3-19-0023-012-2016	152,844
U.S. Department of Agriculture:			
Community Facilities Loans and Grants	10.766		<u>10,000</u>
Total			<u>\$1,387,434</u>

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of City of Creston under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Creston, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Creston.

Summary of Significant Accounting Policies - Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U. S. generally accepted accounting principles. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

See accompanying independent auditor's report.



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

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Creston, Iowa as of and for the year ended June 30, 2017, 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 2, 2017. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of 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 a material misstatement of the city of Creston's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-A-17 to be a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City of Creston's operations for the year ended June 30, 2017 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 Creston's Responses to the Findings

The City of Creston's response to findings identified in our audit is described in the accompanying Schedule of Findings. City of Creston's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 results of that testing, and not to provide an opinion on the effectiveness of the City of Creston'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 of Creston's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Martens & Company, CPA, LLP

West Des Moines, Iowa
October 2, 2017



MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS

4949 Pleasant Street, Suite 104

West Des Moines, Iowa 50266

(515)-223-4841

FAX: (515)-223-0851

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

To the Honorable Mayor and Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Creston, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Creston's major federal program for the year ended June 30, 2017. The City of Creston's major federal program is identified in Part I of the accompanying Schedule of Findings.

Management's Responsibility

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

Auditor's Responsibility

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

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Creston's compliance.

Option on the Major Federal Program

In our opinion, the City of Creston complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed no instances of non-compliance or other matters that are required to be reported under government auditing standards.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control over compliance, described in the accompanying Schedule of Findings as item III-A-17, we consider to be a material weakness.

The City of Creston's response to the internal control over compliance finding identified in our audit is reported in the accompanying Schedule of Findings. The City of Creston's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

Martens + Company, CPA, LLP

West Des Moines, Iowa
October 2, 2017

CITY OF CRESTON

Schedule of Findings

Year ended June 30, 2017

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

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (g) The major program was CFDA Number 20.205 - Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Creston did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-17 Segregation of Duties

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

Condition - One individual in the City has control over the cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal, recordkeeping, preparation and distribution of payroll, and preparing, recording and reconciling disbursements.

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

CITY OF CRESTON

Schedule of Findings - Continued

Year ended June 30, 2017

Part II: Findings Related to the Financial Statements: - Continued

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

Recommendation - The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the cash receipts listing, depositing and posting duties will be separated and spread among different employees and the City Finance Committee will also start reviewing the monthly bank statements along with the bank reconciliation and will have access to trace deposits and disbursements to the cash receipts and disbursements posting journals. We plan to implement these changes in November, 2017.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF CRESTON

Schedule of Findings - Continued

Year ended June 30, 2017

Part III: Findings For Federal Awards:

INSTANCE OF NON-COMPLIANCE:

**CFDA Number 20.205 Highway Planning and Construction
Pass-through Entity Identifying Number: BRM-1710(610)-8N-88
Federal Award Year: 2017
Prior Year Finding Number: N/A
U.S. Department of Transportation
Pass through Iowa Department of Transportation**

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

**CFDA Number 20.205: Highway Planning and Construction
Pass-through Entity Identifying Number: BRM-1710(610)-8N-88
Federal Award Year: 2017
Prior Year Finding Number: N/A
U.S. Department of Transportation
Pass through Iowa Department of Transportation**

III-A-17 Segregation of Duties - The City did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See item II-A-17.

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-17 Certified Budget - Disbursements during the year ended June 30, 2017 did not exceed amounts budgeted.
- IV-B-17 Questionable Disbursements - During the audit, we noted no disbursements for parties, banquets or other entertainment for employees or Council members that we believe may constitute an unlawful expenditure of public funds as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-17 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials and/or employees were noted.
- IV-D-17 Business Transactions - No business transactions between the City and City officials or employees were noted.
- IV-E-17 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 insure that the coverage is adequate for current operations.

CITY OF CRESTON

Schedule of Findings - Continued

Year ended June 30, 2017

Part IV: Other Findings Related to Required Statutory Reporting: - Continued

IV-F-17 City Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of City Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa and publish minutes as required.

Response - We will publish minutes as required.

Conclusion - Response accepted.

IV-G-17 Revenue Bonds and Notes - The City does not have revenue bonds, only general obligation loan notes. No instances of non-compliance with the notes were noted.

IV-H-17 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

IV-I-17 Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

**APPENDIX C:
FORM OF LEGAL OPINION**

DRAFT

May 1, 2018

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 Creston, State of Iowa (the "Issuer"), relating to the issuance of General Obligation Capital Loan Notes, Series 2018, by said City, dated May 1, 2018, in the denomination of \$5,000 or multiples thereof, in the aggregate amount of \$5,000,000 (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; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations for taxable years beginning before January 1, 2018. 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

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:
FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Creston, State of Iowa (the "Issuer"), in connection with the issuance of \$5,000,000 General Obligation Capital Loan Notes, Series 2018 (the "Notes") dated May 1, 2018. The Notes are being issued pursuant to a Resolution of the Issuer approved on April 17, 2018 (the "Resolution"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Notes and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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.

"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 April 10, 2018.

"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(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Iowa.

SECTION 3. Provision of Annual Financial Information.

- (a) The Issuer shall, or shall cause the Dissemination Agent to, not later than Three Hundred Sixty-Five (365) days after the end of the Issuer's fiscal year (presently June 30th), commencing with information for the 2017/2018 fiscal year, provide to the National Repository an Annual Financial Information filing consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Financial Information filing must be submitted in such format as is required by the MSRB (currently in "searchable PDF" format). The Annual Financial Information filing may be submitted as a single document or as separate documents comprising a package. The Annual Financial Information filing may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Financial Information filing and later than the date required above for the filing of the Annual Financial Information if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).
- (b) If the Issuer is unable to provide to the National Repository the Annual Financial Information by the date required in subsection (a), the Issuer shall send a notice to the Municipal Securities Rulemaking Board, if any, in substantially the form attached as Exhibit A.
- (c) The Dissemination Agent shall:
 - (i) each year file Annual Financial Information with the National Repository; and
 - (ii) (if the Dissemination Agent is other than the Issuer), file a report with the Issuer certifying that the Annual Financial Information has been filed pursuant to this Disclosure Certificate, stating the date it was filed.

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

- (a) The last available audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under State law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with generally accepted accounting principles, noting the discrepancies therefrom and the effect thereof. If the Issuer's audited financial statements for the preceding years are not available by the time Annual Financial Information is required to be filed pursuant to Section 3(a), the Annual Financial Information filing shall contain unaudited financial statements of the type included in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Financial Information when they become available.
- (b) A table, schedule or other information prepared as of the end of the preceding fiscal year, of the type contained in the final Official Statement under the captions "1/1/2017 Valuations", "2017 Gross Taxable Valuation Class of Property", "Trend of Valuations", "Debt Limit", "Direct Debt", "Other Debt", "Annual Fiscal Year Debt Service Payments", "Levies and Tax Collections" and "Tax Rates".

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:
 - (1) Principal and interest payment delinquencies;
 - (2) Non-payment related defaults, if material;
 - (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (4) Unscheduled draws on credit enhancements relating to the Notes reflecting financial difficulties;

- (5) Substitution of credit or liquidity providers, or their failure to perform;
 - (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Series Bonds, or material events affecting the tax-exempt status of the Notes;
 - (7) Modifications to rights of Holders of the Notes, if material;
 - (8) Bond calls (excluding sinking fund mandatory redemptions), if material, and tender offers;
 - (9) Defeasances of the Notes;
 - (10) Release, substitution, or sale of property securing repayment of the Notes, if material;
 - (11) Rating changes on the Notes;
 - (12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
 - (13) 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; and
 - (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (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 shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Notes 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.

Date: 1st day of May, 2018.

CITY OF CRESTON, 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 Creston, Iowa.

Name of Bond Issue: \$5,000,000 General Obligation Capital Loan Notes, Series 2018

Dated Date of Issue: May 1, 2018

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 _____, _____.

CITY OF CRESTON, STATE OF IOWA

By: _____
Its: _____