

Subject to the Issuer's compliance with certain covenants, under present law, in the opinion of Bond Counsel, interest on the Notes is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. Interest on the Notes is not exempt from present Iowa income taxes. The Issuer intends to designate the Notes as "qualified tax-exempt obligations. See "TAX MATTERS" herein.

## Cresco, Iowa

### \$4,600,000 General Obligation Capital Loan Notes, Series 2023

Dated: Date of Delivery

The General Obligation Capital Loan Notes, Series 2023 described above (the "Notes") are issuable as fully registered Notes in the denomination of \$5,000 or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as Noteholder and nominee of the Depository Trust Company, New York, NY ("DTC"). DTC will act as securities depository for the Notes. Purchases of the Notes will be made in book-entry form. Purchasers of the Notes will not receive certificates representing their interest in the Notes purchased. So long as DTC or its nominee, Cede & Co., is the Noteholder, the principal of, premium, if any, and interest on the Notes will be paid by Wells Fargo/Computershare Corporate Trust, as Registrar and Paying Agent (the "Registrar"), or its successor, to DTC, or its nominee, Cede & Co. Disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants as more fully described herein. Neither the Issuer nor the Registrar will have any responsibility or obligation to such DTC Participants, indirect participants or the persons for whom they act as nominee with respect to the Notes.

Interest on the Notes is payable on June 1, and December 1 in each year, beginning December 1, 2023 to the registered owners thereof. Interest shall be payable by check or draft of the Paying Agent mailed to the persons who were registered owners thereof as of the fifteenth day of the month immediately preceding the Interest Payment Date, to the addresses appearing on the registration books maintained by the Paying Agent or to such other address as is furnished to the Paying Agent in writing by a registered owner.

The Notes maturing after June 1, 2031, may be called for redemption by the Issuer and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot. The terms of redemption shall be par, plus accrued interest to date of call.

The scheduled payment of principal of and interest on the Notes when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Notes by BUILD AMERICA MUTUAL ASSURANCE COMPANY.



#### MATURITY SCHEDULE

Notes Due	Amount	Rate	Yield	Cusip Num.*	Notes Due	Amount	Rate	Yield	Cusip Num.*
June 1, 2024	\$55,000	5.00%	3.40%	225849 LK2	June 1, 2033	\$140,000	5.00%	3.10%	225849 LU0
June 1, 2025	100,000	5.00	3.25	225849 LL0	June 1, 2034	200,000	4.00	3.25	225849 LV8
June 1, 2026	105,000	5.00	3.10	225849 LM8	June 1, 2035	310,000	4.00	3.40	225849 LW6
June 1, 2027	115,000	5.00	3.05	225849 LN6	June 1, 2036	325,000	4.00	3.55	225849 LX4
June 1, 2028	130,000	5.00	3.05	225849 LP1	June 1, 2037	335,000	4.00	3.65	225849 LY2
June 1, 2029	100,000	5.00	3.05	225849 LQ9	June 1, 2038	350,000	4.00	3.75	225849 LZ9
June 1, 2030	110,000	5.00	3.05	225849 LR7	June 1, 2039	365,000	4.00	3.85	225849 MA3
June 1, 2031	120,000	5.00	3.05	225849 LS5	June 1, 2040	380,000	4.00	3.90	225849 MB1
June 1, 2032	130,000	5.00	3.07	225849 LT3					

\$1,230,000      4.00%      Term Note due June 1, 2043      Yield 4.00%      CUSIP Num\* 225849 ME5

The Notes are being offered when, as and if issued by the Issuer and accepted by the Underwriter, subject to receipt of an opinion as to legality and validity by Ahlers & Cooney P.C., Des Moines, Iowa, Bond Counsel. It is expected that the Notes in the definitive form will be available for delivery on or about July 6, 2023. The Underwriter intends to engage in secondary market trading of the Notes subject to applicable securities laws. The Underwriter is not obligated, however, to repurchase any of the Notes at the request of the holder thereof.



The Date of this Official Statement is June 8, 2023

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

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

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

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

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

## **FORWARD-LOOKING STATEMENTS**

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

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Notes or the advisability of investing in the Notes. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “APPENDIX E – BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY”.

**OFFICIAL STATEMENT  
CRESCO, IOWA  
\$4,600,000 GENERAL OBLIGATION CAPITAL LOAN NOTES SERIES 2023**

**INTRODUCTORY STATEMENT**

This Official Statement presents certain information relating to Cresco, Iowa (the “Issuer”), in connection with the sale of the Issuer’s General Obligation Capital Loan Notes (the “Notes”). The Notes are being issued to pay for the cost of i) opening, widening, extending, grading, and draining of the right-of-way of streets, highways, avenues, alleys and public grounds; ii) the construction, reconstruction, and repairing of any street or bridge improvements; iii) the acquisition, installation, and repair of sidewalks, pedestrian overpasses and underpasses, trails, storm sewers, sanitary sewers, water service lines, street lighting, and traffic control devices, and the acquisition of any real estate needed for any of the foregoing purposes, including for the 7th Street West Reconstruction and the Downtown Crosswalk Reconstruction projects; iv) the acquisition, construction, reconstruction, extending, remodeling, improving, repairing and equipping all or part of the water utility, including those costs associated with the water tower rehabilitation project, v) and paying the costs associated with the issuance of the Notes. See “**THE NOTES - Sources and Uses of Funds**” herein.

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

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

The Notes are general obligations of the Issuer, payable from and secured by a continuing annual ad-valorem tax levied against all of the property valuation of the Issuer. See “**THE NOTES – Source of Security for the Notes**” herein.

All statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

**THE NOTES**

**General**

The Notes are dated as of the Date of Delivery and will bear interest at the rates to be set forth on the cover page herein, interest payable on June 1 and December 1 in each year, beginning on December 1, 2023, calculated on the basis of a year of 360 days and twelve 30-day months. Interest shall be payable by check or draft of the Paying Agent mailed to the persons who were registered owners thereof as of the fifteenth day of the month immediately preceding the Interest Payment Date, to the addresses appearing on the registration books maintained by the Paying Agent or to such other address as is furnished to the Paying Agent in writing by a registered owner.

**Authorization for the Issuance**

The Notes are being issued pursuant to the Code of Iowa, 2023 as amended, Sections 384.24A, and 384.25.

**Book Entry Only System**

*The following information concerning The Depository Trust Company (“DTC”), New York, New York and DTC’s book-entry system has been obtained from sources the Issuer believes to be reliable. However, the Issuer takes no responsibility as to the accuracy or completeness thereof and neither the Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters but should instead confirm the same with DTC or the Direct Participants, as the case may be. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.*

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

DTC, the world’s largest 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, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts.

This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation (“DTCC”).

DTCC is the holding company for DTC, national Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has 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](http://www.dtcc.com).

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership 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 nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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 the notices be provided directly to them.

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

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

Redemption proceeds, distributions and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

## **Transfer and Exchange**

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

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

## **Prepayment**

Optional Prepayment. The Notes maturing after June 1, 2031, may be called for redemption by the Issuer and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot. The terms of redemption shall be par, plus accrued interest to date of call.

Mandatory Sinking Fund Redemption The Notes maturing on June 1, 2043 are subject to mandatory redemption (by lot, as selected by the Registrar) on June 1 in each of the years 2041 through 2043 at a redemption price of 100% of the principal amount thereof to be redeemed, plus accrued interest thereon to the redemption date in the following principal amounts:

2043 Term Note	
<u>Mandatory Sinking Fund Date</u>	<u>Principal Amount</u>
June 1, 2041	\$395,000
June 1, 2042	410,000
June 1, 2043 (maturity)	425,000

Selection of Notes for Redemption Notes subject to redemption will be selected in such order of maturity as the Issuer may direct. If less than all of the Notes of a single maturity are to be redeemed, the Notes to be redeemed will be selected by lot or other random method by the Registrar in such a manner as the Registrar may determine.

Notice of Redemption. Prior to the redemption of any Notes under the provisions of the Note Resolution, the Registrar shall give notice by electronic means or mail not less than thirty (30) days prior to the redemption date to each registered owner thereof.

On the dates so designated for redemption, notice having been given in the manner and under the conditions hereinabove, provided and moneys for payment of the redemption price being held in the Sinking Fund, the Notes so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Notes on such date. Interest on the Notes so called for redemption shall cease to accrue; such Notes shall cease to be entitled to any benefit hereunder, and the Note Holders shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Notes which have been duly called for redemption, with respect to which irrevocable instructions to call for redemption at a stated

redemption have been given to the Registrar, and moneys for the payment the face amount thereof, premium, if any, and interest on are held in separate accounts by the Registrar in trust for Noteholders shall not thereafter be deemed to be outstanding under the provisions of the Resolution, other than be entitled to receive payment from such sources.

### **Source of Security for the Notes**

These Notes are general obligations of the Issuer. All taxable property within the corporate boundaries of the Issuer is subject to the levy of taxes to pay the principal of and interest on the Notes without constitutional or statutory limitation as to amount.

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 City's obligation to pay the principal of and interest on the Notes is on a parity with the City's obligation to pay the principal of and interest on any other of its general obligation debt secured by a covenant to levy taxes within the City, including any such debt issued or incurred after the issuance of 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.

### **NOTEHOLDERS' RISKS**

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

**EACH PROSPECTIVE PURCHASER IS RESPONSIBLE FOR ASSESSING THE MERITS AND RISKS OF AN INVESTMENT AND MUST BE ABLE TO BEAR THE ECONOMIC RISK OF SUCH INVESTMENT.**

Public Health Pandemics or Outbreaks. Pandemics and health emergencies may adversely impact the Issuer and its revenues, expenses and financial condition. The Issuer was not materially adversely impacted from COVID-19, but the Issuer cannot predict the duration and extent of any future public health emergency, or its effect on the Issuer's revenues and expenses, with may be impacted by uncertainties such as the severity of future disease, governmental actions taken to mitigate the disease and its spread, travel restrictions and business activity.

Secondary Market Not Established: There is no established secondary market for the Notes, and there is no assurance that a secondary market will develop for the purchase and sale of the Notes. Prices of municipal Notes traded in the secondary market, if any, are subject to adjustment upward and downward in response to changes in the credit markets, general economic conditions, factors which may give rise to uncertainty concerning prudent secondary market practices, or adverse economic factors unique to the City. From time to time it may be necessary to suspend indefinitely secondary market trading in selected issues of municipal Notes, whether or not the subject Notes are in default as to principal and interest payments.

Municipal Notes are generally viewed as long-term investments, subject to material unforeseen changes in the investor's circumstances, and may require commitment of the investor's funds for an indefinite period of time, perhaps until maturity.

Ratings Loss: S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P") is expected to assign the Bonds the municipal bond rating of "AA" (stable outlook) with the understanding that upon delivery of the Bonds, a policy insuring the payment of principal of and interest on the Bonds will be issued by BAM. S&P has assigned a rating of "A+" to the Notes. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of S&P, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Notes.

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.

Matters Relating to Enforceability: 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 the law or in equity by suit, action or mandamus to enforce and compel performance of the duties required by Iowa law and the resolution for the Notes.

The practical realization of any rights upon any default will depend upon the exercise of various remedies specified in the resolution for the Notes. 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 principals of equity and public policy and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

No representation is made and no assurance is given that the enforcement of any remedies with respect to such assets will result in sufficient funds to pay all amounts due under the resolution for the Notes, including principal of and interest on the Notes.

Forward-Looking Statements: This Preliminary 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 Preliminary 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 there are likely to be differences between forward-looking statements and the actual results. These differences could be material and could impact the availability of funds of the City to pay debt service when due on the Notes.

Financial Condition of the City from time to time: No representation is made as to the future financial condition of the City. Certain risks and factors could adversely affect the financial condition and or operations of the City in future. Such factors are often beyond the City's control, including but not limited to, economic recession, deflation of property values, financial difficulty or bankruptcy by one or more major property taxpayers, the complete or partial destruction of taxable property caused by tornados, earthquake, flood, fire or other natural disaster.

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

Tax Matters and Loss of Tax Exemption: As discussed under the heading “**TAX MATTERS**” herein, the interest on the Notes could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Notes, as a result of acts or omissions of the City in violation of its covenants in the resolution for the Notes. 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 rates on the Notes.

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

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

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

Pending Federal Tax Legislation: From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals pending in Congress that could, if enacted, alter or amend one or more of the federal (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.

Changes in Property Taxation: From time to time the Iowa General Assembly has altered the method of property taxation and could do so again. Such alterations could adversely affect the City's financial condition. Historically, changes to property tax calculations and impositions are imposed on a prospective basis. However, there is no assurance future changes to property taxation by the Iowa General Assembly will not be applied retroactively. It is impossible to predict the outcome of future property taxation changes by the Iowa General Assembly or resulting impacts on the City's financial condition. On May 2, 2023, the Iowa legislature passed HF 718, which was signed into law by the Governor on May 4, 2023. Starting in Fiscal Year 2024/2025, HF 718 consolidates various property tax levies into the General Fund levy, and implements a cap to control the increase of this levy by a percentage of valuation growth until the growth percentages phase out in Fiscal Year 2027/2028. The debt service levy pledged for repayment of the Notes is not consolidated. The Issuer has reviewed HF 718, and based on the City's current levy breakdown and the rate of growth in taxable valuation, believes it will not be materially negatively impacted as a result of HF 718.

However, the Notes are secured by an unlimited ad valorem property tax as described more fully in the "THE NOTES - Source of Security for the Notes" herein.

Cybersecurity: The Issuer, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the Issuer will be completely successful to guard against and prevent cyber threats and attacks, which could impact city operations and/or digital networks and systems. The costs of remedying any such damage could be significant, and significant liability claims or regulatory penalties, in connection with a security breach could have a material adverse impact on the Issuer's operations and financial condition. The Issuer has a cyber insurance policy. The Issuer cannot predict whether this policy will be sufficient in the event of a cyberattack.

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

Pensions: At June 30, 2022, the City reported a liability of \$301,887 for its proportionate share of the net pension liability related to IPERS, as defined herein. The net pension liability is the amount by which the total actuarial liability exceeds the pension plan's net assets or fiduciary net position (essentially the market value) available for paying benefits. The net pension liability was measured as of June 30, 2021, 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. For the year ending June 30, 2021, the City's collective proportion was 0.0874460 which was an increase of 0.072759% from its proportion measured as of June 30, 2020.

OPEB Benefits: Individuals who are employed by the City and are eligible to participate in the group health, dental and vision plans are eligible to continue benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

See "EMPLOYEE PENSIONS" included in APPENDIX A to this Preliminary Official Statement for more summary information related to the City's contributions, and the City's June 30, 2022 Independent Auditor's Reports, included in APPENDIX D to this Preliminary Official Statement, for additional information related to the City's deferred outflows and inflows of resources related to pensions, actuarial assumptions, discount rate and discount rate sensitivity. Changes to the City's pension contributions, or available sources to fund said contributions, may adversely affect the City's financial condition.

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

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



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

Tax Levy Procedures: The Notes are general obligations of the City, payable from and secured by a continuing ad valorem tax levied against all of the property valuation within the City. The Notes are secured by an unlimited ad valorem property tax as described more fully in the “Source of Security for the Notes” herein. As part of the budgetary process each fiscal year, the City will have a statutory obligation to request a debt service levy to be applied against all of the taxable property within the City. A failure on the part of the City to make a timely levy request or a levy request by the City that is inaccurate or is insufficient to make full payments of the debt service of the Notes for a particular fiscal year, may cause noteholders to experience a delay in the receipt of distributions of principal of and/or interest on the Notes.

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

Federal Funds Orders and State Funds Legislation: Various federal executive orders, and Iowa Code Chapter 27A (collectively “ICE Enforcement Initiatives”), impose requirements intended to ensure compliance with the federal immigration detention processes. The ICE Enforcement Initiatives impose various penalties for non-compliance, including the loss of state and/or federal funding under certain circumstances. The loss of state and/or federal funds in any significant amount would negatively impact the City’s overall financial position and could affect its rating. However, the Notes are secured by a debt service levy upon real property in the jurisdictional limits of the City, and are not secured by state or federal funds.

DTC-Beneficial Owners: Beneficial Owners of the Notes may experience some delay in the receipt of distributions of principal of and interest on the Notes since such distributions will be forwarded by the Registrar to DTC and DTC will credit such distributions to the accounts of the Participants which will, thereafter, credit them to the accounts of the Beneficial Owner either directly or indirectly through Indirect Participants. Neither the City nor the Registrar will have any responsibility or obligation to assure 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**” herein.

Risk of Audit: The Internal Revenue Service has an ongoing program to audit tax-exempt obligations to determine the legitimacy of the tax status of such obligations. No assurance can be given as to whether the Internal Revenue Service will commence an audit of the Notes. Public awareness of any audit could adversely affect the market value and liquidity of the Notes during the pendency of the audit, regardless of the ultimate outcome of the audit

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 Preliminary Official Statement and the Appendices hereto to make a judgment as to whether the Notes are an appropriate investment.

## FUTURE FINANCING

The Issuer does not have any plans for additional debt in the next 12 months.

## LITIGATION

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

## ACCOUNTANT

The accrual-basis financial statements of the Issuer included as **APPENDIX D** to this Official Statement have been examined by Gardiner + Company, P.C., Charles City, IA, to the extent and for the periods indicated in their report thereon. Such financial statements have been included herein without permission of said CPA, and said CPA expresses no opinion with respect to the Notes or the Official Statement. Note that the financial statements does not include financial data for the City's legally separate component units. For additional information see Appendix D.

## UNDERWRITING

The Notes are being purchased, subject to certain conditions, by Robert W. Baird & Co., Milwaukee, WI (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase all, but not less than all, of the Notes at an aggregate purchase price of \$4,673,770.75 plus accrued interest to the Closing Date.

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

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

## THE PROJECT

The Notes are being issued to pay the costs for i) opening, widening, extending, grading, and draining of the right-of-way of streets, highways, avenues, alleys and public grounds; ii) the construction, reconstruction, and repairing of any street or bridge improvements; iii) the acquisition, installation, and repair of sidewalks, pedestrian overpasses and underpasses, trails, storm sewers, sanitary sewers, water service lines, street lighting, and traffic control devices, and the acquisition of any real estate needed for any of the foregoing purposes, including for the 7th Street West Reconstruction and the Downtown Crosswalk Reconstruction projects; iv) the acquisition, construction, reconstruction, extending, remodeling, improving, repairing and equipping all or part of the water utility, including those costs associated with the water tower rehabilitation project, v) and paying the costs associated with the issuance of the Notes.

## SOURCES AND USES OF FUNDS

<u>Sources of Funds</u>		
	Note Proceeds	\$4,600,000.00
	Reoffering Premium	158,432.00
<u>Total Sources of Funds</u>		\$4,758,432.00
<u>Uses of Funds</u>		
	Deposit to Project Fund	\$4,607,920.75
	Costs of Issuance	65,850.00
	Underwriter's Discount	84,661.25
<u>Total Uses of Funds</u>		\$4,758,432.00

## TAX MATTERS

Tax Exemptions and Related Considerations: 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 Note proceeds and facilities financed with Note 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 imposed on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

Prospective purchasers of the Notes should be aware that ownership of the Notes may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance

companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Notes should consult their tax advisors as to collateral federal income tax consequences.

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

Ownership of the Notes may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Notes. Prospective purchasers of the Notes should consult their tax advisors regarding the applicability of any such state and local taxes.

Qualified Tax-Exempt Obligations: 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.

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. Purchasers of Discount Notes should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Notes for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Notes. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Notes may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Notes (“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.

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

Audits: The Internal Revenue Service (the “Service”) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. 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.

Withholdings: 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.

Legislation: From time to time, proposals are made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Notes. The introduction or enactment of any such legislative proposals or clarification of the Code 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 any pending or proposed tax legislation, as to which Bond Counsel expresses no 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.

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 "Note 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 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 may have to be enforced from year to year.

The obligation to pay general ad valorem property taxes is secured by a statutory lien upon the taxed property, but is not an obligation for which a property owner may be held personally liable in the event of a deficiency. 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).**

#### LEGAL MATTERS

The Notes are subject to approval as to certain legal matters by Ahlers & Cooney, P.C., Des Moines, Iowa, as Bond Counsel. Bond Counsel has not participated in the preparation of this Official Statement except for guidance concerning the Section regarding "TAX MATTERS", and **Appendix "A"**, and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has not examined nor attempted to examine or verify information concerning the filings made by or on behalf of the City with regard to any continuing disclosure undertaking, nor any of the financial or statistical statements, or data contained in this Official Statement, and will express no opinion with respect thereto.

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.

#### CONTINUING DISCLOSURE

The Issuer has covenanted for the benefit of the holders of the Notes to provide certain financial information and operating data relating to the Issuer, and to provide notices of the occurrence of certain enumerated events, if deemed by the Issuer to be material (the "Undertaking"). The specific nature of the information that the Issuer may provide pursuant to the Undertaking is summarized herein under the caption "**APPENDIX C - Form of Continuing Disclosure Certificate.**"

The Issuer will covenant in a Continuing Disclosure Certificate for the benefit of the Owners and Beneficial Owners of the Notes to provide annually certain financial information and operating data relating to the Issuer (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Annual Report is to be filed by the Issuer no later than April 15 of the calendar year after the close of each fiscal year, commencing with the fiscal year ending June 30, 2023, with the Municipal Securities Rulemaking Board, at its internet repository named "Electronic Municipal Market Access" ("EMMA"). The notices of events, if any, are also to be filed with EMMA. See "**APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE.**" The specific nature of the information to be contained in the Annual Report or the notices of events, and the manner in which such materials are to be filed, are summarized in "**APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE.**" These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the "Rule").

During the previous five years, the City did not timely link audited financial statements to one issue for its fiscal years ended June 30, 2018 through 2019, and did not timely file notice of its failure to provide the aforementioned information on or before the date specified in its prior continuing disclosure undertakings.

#### MISCELLANEOUS

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

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

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

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

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

City of Cresco, Iowa

/s/ \_\_\_\_\_

**APPENDIX A - INFORMATION ABOUT THE ISSUER**

**CITY OF CRESCO, IOWA**

**CITY OFFICIALS**

<b>MAYOR</b>	David J. Brenno
<b>COUNCIL MEMBERS:</b>	Gary Kriener Richard McConnell Alex Fortune Amy Bouska Jan Carman
<b>CITY CLERK:</b>	Michelle Elton
<b>DEPUTY CITY CLERK:</b>	Nicole Hill
<b>CITY ATTORNEY</b>	Joseph P. Braun

**CONSULTANTS**

<b>BOND COUNSEL:</b>	Ahlers & Cooney PC Des Moines, Iowa
<b>FINANCIAL ADVISOR:</b>	Piper Sandler & Co. Des Moines, Iowa
<b>REGISTRAR &amp; PAYING AGENT:</b>	Wells Fargo / Computershare Corporate Trust Minneapolis, MN

## General Information

The City of Cresco (population 3,888) is located in northeastern Iowa in Howard County. In addition to the usual services provided by a county seat community, Cresco serves as the major trading center for the excellent surrounding agricultural area, as well as home to industrial plants including the Donaldson Co., Inc., (Minneapolis, MN headquarters); Featherlite Trailers, Alum-Line Inc., Plantpeddlers and Aveka Group, Cresco Facility. The City of Cresco operates an airport suitable for light aircraft. The City also maintains a volunteer fire department boasting a Class 6 rating, the finest rating available to a volunteer department. Commercial airline service is available in Waterloo (60 miles) and Rochester, Minnesota (55 miles). Continuing educational opportunities within commuting distance include: Area I Northeast Iowa Community College, Calmar with satellite campus in Cresco; Luther College, Decorah; Wartburg College, Waverly; Upper Iowa University, Fayette; North Iowa Area Community College, Mason City; University of Northern Iowa, Cedar Falls; Hawkeye Community College, Cedar Falls and the Mayo Clinic, Rochester, Minnesota.

Recreational opportunities in the area abound. The City of Cresco operates five parks combining for a total of 26 acres, pickleball courts, tennis court, and three softball diamonds. The City also operates a theater/opera house, constructed in 1914, with major renovations completed in 1980 and 2016, a wellness center including a pool, and a library. The scenic Upper Iowa River and Turkey River offer excellent water recreation opportunities. The educational nature center in Vernon Springs hosts many trails for hiking, biking and cross country skiing. In addition, the area contains several state-stocked trout streams, campgrounds and picnicking area. The City is located approximately 55 miles from the Mississippi River, offering easy access to one of the nation's most scenic waterways. The Mississippi River offers fishing, boating, picnicking and riverboat rides.

## Government

The City operates with a Mayor-Council form of government, with a Mayor and five council members elected to a staggered, four-year term of office. The City employs a full-time City Clerk, serving at the pleasure of the Council.

## Utilities (2)

The following utilities operate within the Issuer providing the services indicated:

Electric Power:	Alliant Energy
Natural Gas:	Black Hills Energy
Telephone:	Windstream
Water:	City of Cresco
Sanitary Waste:	City of Cresco

## Population (1)

The following table sets forth population trends for the Issuer:

<u>Year</u>	<u>Population</u>
2020	3,888
2010	3,868
2000	3,905
1990	3,669
1980	3,860
1970	3,927

(1) Source: U.S. Census Bureau

(2) Source: The Issuer

## Employee Pension Plan

### Defined Benefit Plan – Iowa Public Employees’ Retirement System

**Plan Description.** Iowa Public Employees’ Retirement System (“IPERS”) membership is mandatory for employees of the Issuer. The Issuer’s employees are provided with pensions through a cost-sharing multiple employer defined pension plan administered by IPERS. IPERS benefits are established under Iowa Code, Chapter 97B and the administrative rules thereunder. The Issuer’s employee who completed seven years of covered service or has reached the age of 65 while in IPERS covered employment becomes vested. If the Issuer’s employee retires before normal retirement age, the employees’ monthly retirement benefit will be permanently reduced by an early-retirement reduction. IPERS provides pension benefits as well as disability benefits to Issuer employees and benefits to the employees’ beneficiaries upon the death of the eligible employee. See “APPENDIX D–AUDITED FINANCIAL STATEMENTS OF THE ISSUER–NOTES TO THE FINANCIAL STATEMENTS” for additional information on IPERS. Additionally, copies of IPERS annual financial report may be obtained from [www.ipers.org](http://www.ipers.org). Moreover, IPERS maintains a website at [www.ipers.com](http://www.ipers.com). However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

**Contributions.** Effective July 1, 2012, as a result of a 2010 law change, IPERS contribution rates for the Issuer and its employees are established by IPERS following the annual actuarial valuation (which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization method.) State statute, however, limits the amount rates can increase or decrease each year to one (1) percentage point. Therefore, any difference between the actuarial contribution rates and the contributions paid is due entirely to statutorily set contributions that may differ from the actual contribution rates. As a result, while the contribution rate in the fiscal year ended June 30, 2017 equaled the actuarially required rate, there is no guarantee, due to this statutory limitation on rate increases, that the contribution rate will meet or exceed the actuarially required rate in the future.

The Issuer’s contributions to IPERS is not less than that which is required by law. The Issuer’s share of the contribution, payable from the applicable funds of the Issuer, is provided by a statutorily authorized annual levy of taxes without limit or restriction as to rate or amount. The Issuer has always made its full required contributions to IPERS.

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

Table 1 – Issuer and Employees Contribution to IPERS (1)

Fiscal Year	Issuer Contribution		Employee Contributions	
	% of covered	Amount	% of covered	Amount
	<u>Payroll</u>	<u>Contributed</u>	<u>Payroll</u>	<u>Contributed</u>
2018	8.93%	\$130,594	5.950%	\$87,027
2019	9.44%	143,584	6.290%	95,700
2020	9.44%	145,785	6.290%	97,165
2021	9.44%	145,331	6.290%	96,861
2022	9.44%	146,663	6.290%	97,748

(1) Source: The Issuer

The Issuer cannot predict the levels of funding that will be required in the future as any IPERS unfunded pension benefit obligation could be reflected in future years in higher contribution rates. The investment of moneys, assumptions underlying the same and the administration of IPERS is not subject to the direction of the Issuer. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of IPERS (“UAALs”). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, adjustments, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAAL could be substantial in the future, requiring significantly increased contributions from the Issuer which could affect other budgetary matters.

The following table sets forth certain information about the funding status of IPERS that has been extracted from the comprehensive annual financial reports of IPERS for the periods indicated (collectively, the “IPERS ACFRs”), or the actuarial valuation reports provided to IPERS by Cavanaugh MacDonald Consulting, LLC (collectively, the “IPERS Actuarial Reports”). Additional information regarding IPERS and its latest actuarial valuations can be obtained by contacting IPERS administrative staff.



Table 2 – Funding Status of IPERS (1)

Valuation Date	Actuarial Value of Assets [a]	Market Value of Assets [b]	Actuarial Accrued Liability [c]	Unfunded Actuarial Accrued Liability (Actuarial Value) [c]-[a]	Funded Ratio (Actuarial Value) [a]/[c]	Unfunded Actuarial Liability (Market Value) [c]-[b]	Funded Ratio (Market Value) [b]/[c]	Covered Payroll [d]	UAAAL as a Percentage of Covered Payroll (Actuarial Value) [[c-a]/[d]]
2018	31,827,755,864	32,314,588,595	38,642,833,653	6,815,077,789	82.36	6,328,245,058	83.62	7,983,219,527	85.37
2019	33,324,327,606	34,010,680,731	39,801,338,797	6,477,011,191	83.73	5,790,658,066	85.45	8,151,043,468	71.04
2020	34,485,656,745	34,047,692,112	41,072,427,540	6,586,770,795	83.96	7,024,735,428	82.90	8,391,856,350	78.49
2021	37,584,987,296	42,889,875,682	42,544,648,750	4,959,661,454	88.34	-345,226,932	100.81	8,648,783,536	57.35
2022	39,354,232,379	40,186,392,289	43,969,714,606	4,615,482,227	89.50	3,783,322,317	91.40	9,018,019,950	51.18

Table 3 – Recent returns of IPERS (1)

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

Fiscal Year Ended June 30	Investment Return %
2018	7.97
2019	8.35
2020	3.39
2021	29.63
2022	-3.90

Net Pension Liabilities (2)

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

At June 30, 2022, the Issuer reported a liability of \$301,887 for its proportional share of the IPERS net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The discount rate used to measure the total pension liability was 7%. The Issuer’s proportion of the net pension liability was based on the Issuer’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. See “**APPENDIX D–AUDITED FINANCIAL STATEMENTS OF THE ISSUER–NOTES TO THE FINANCIAL STATEMENTS**” for additional information related to the Issuer’s deferred outflows and inflows of resources related to pensions, actuarial assumptions, discount rate and discount rate sensitivity.

Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at [www.ipers.org](http://www.ipers.org).

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

(1) Source: IPERS ACFRs and IPERS Actuarial Reports for the periods indicated. For a description of the assumptions used when calculating the funding status of IPERS, see IPERS ACFRs

(2) Source: the Issuer

## GASB 45 (1)

In June 2004, the Governmental Accounting Standards Board (“GASB”) issued GASB 45, which address how state and local governments are required to account for and report their costs and obligations related to other post employment benefits (“OPEB”), defined to include post retirement healthcare benefits. GASB 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension establishes financial reporting standards designed to measure, recognize and display OPEB costs. OPEB costs would become measurable on an accrual basis of accounting, and contribution rates (actuarially determined) would be prescribed for funding such costs. The provisions of GASB 45 do not require governments to fund their OPEBs. The Issuer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however the unfunded actuarial liability is required to be amortized over future periods.

Consistent with Iowa Code section 509A.13, the Issuer offers post-retirement health and dental benefits are available to all fulltime 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.

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees, their spouses and dependents. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2022, the City contributed \$381,988 and plan members eligible for benefits contributed \$64,658 to the plan. At June 30, 2022, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	26
Total	29

## Public Funds Investments (1)

As of March 31, 2023, the Issuer held investments in the following amounts:

	<u>Amount on Deposit</u>
Non Marketable CD	\$0
Local Bank Time Deposits	7,515,072.76
Money Market Deposits	2,255,587.41
Marketable Securities	<u>0</u>
Total	9,770,660.17

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(1) Source: the Issuer

### Retail Sales (1)

Presented below are retail sales statistics for the Issuer for the period indicated:

<u>Year Ended</u>	<u>Taxable Retail Sales</u>	<u>Number of Businesses</u>
2022	\$75,427,515	214
2021	71,020,849	222
2020	59,709,728	220
2019	59,412,439	216
2018	59,634,439	210

### Building Permits (2)

Presented below are the building permits issued in the Issuer for the calendar year indicated.

<u>Fiscal Year</u>	<u>Number of Permits</u>	<u>Dollar Value</u>
2022	39	\$3,283,250
2021	50	2,411,965
2020	55	2,980,107
2019	38	2,582,844
2018	39	2,209,320
2017	41	3,091,329

### Major Employers (3)

Following are the major employers within the Issuer and the current number of people they employ:

<u>Employer</u>	<u>Business</u>	<u>Approximate Employees</u>
Donaldson Co.	Industrial and commercial fans	250-499
Featherlite Trailers Mfg	Trailer manufacturer	250-499
Regional Health Services	Healthcare	100-249
Howard-Winneshiek CSD	Education	100-249
Alum Line	Automobile wreckers	50-99
Aveka Group, Cresco Facility	Manufacturer	50-99
SMI Co.	Pallets & skids mfg	50-99
Accura Healthcare	Nursing home	50-99
Evans Memorial Home	Nursing home	50-99
Fareway	Grocery store	50-99
Plantpeddler	Florist & wholesale flowers	50-99
Bodensteiner Implement	Farm equipment	20-49
Campsite RV Sales & Services	Campers, trailers & auto utility	20-49
K&M Metal Designs	Metal goods	20-49
Hawkeye Sanitation	Garbage collection	20-49
Cresco Fitness	Swimming pool & gym	20-49
Howard County Community Hospice	Hospice	20-49
Casey's	Convenience store	20-49
Fisk's Farm & Home Supply	Home center	20-49

### Employment Statistics (4)

The unemployment unadjusted rates as follows (March 2023)

<u>Governmental Body</u>	<u>Percentage Unemployed</u>
National Average:	3.5%
State of Iowa:	2.8%
Howard County:	4.4%

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

**Historical Employment Statistics (1)**

Presented below are the historical unemployment rates for the years indicated for Howard County and the State of Iowa.

<u>Calendar Year</u>	<u>Howard County</u>	<u>State Of Iowa</u>
2022	3.10%	2.70%
2021	3.80	3.80
2020	4.50	5.20
2019	2.80	2.70
2018	2.50	2.60

**Property Tax Valuations (2)(3)**

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

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

<u>Fiscal Year</u>	<u>Residential</u>	<u>Ag. Land &amp; Bldgs</u>	<u>Commercial (3)</u>	<u>Multi-residential</u>	<u>Railroad (3)</u>	<u>Utilities</u>	<u>Industrial</u>
2023-24	54.6501	91.6430	90.0000	NA	90.0000	100.0000	90.0000
2022-23	54.1302	89.0412	90.0000	63.7500	90.0000	100.0000	90.0000
2021-22	56.4094	84.0305	90.0000	67.5000	90.0000	98.5489	90.0000
2020-21	55.0743	81.4832	90.0000	71.2500	90.0000	100.0000	90.0000
2019-20	55.6209	54.4480	90.0000	75.0000	90.0000	100.0000	90.0000

(1) Source: Iowa Workforce Development

(2) Source: Iowa Department of Revenue

(3) For assessment year 2022 (applicable to fiscal year 2023-24 valuations), the taxable value rollback rate is 54.6501% of actual value for residential property; 91.6430% of actual value for agricultural property and 100.0000% of the actual value of utility property. The residential taxable rollback rate of 54.6501% applies to the value of each property unit of commercial, industrial and railroad property that exceeds zero dollars (\$0), but does not exceed one hundred fifty thousand dollars (\$150,000), with a taxable value rollback rate of 90.0000% to the value that exceeds one hundred fifty thousand dollars (\$150,000).

## Property Valuations

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

Actual Valuation						
Valuation as of January	2022	2021	2020	2019	2018	2017
Fiscal Year	<u>2023-24</u>	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>
Residential:	174,082,245	166,934,570	149,063,070	148,173,610	138,662,700	138,246,850
Agricultural Land:	628,540	629,880	647,630	651,800	809,490	809,500
Ag Buildings:	67,960	67,960	72,950	72,950	90,720	90,150
Commercial:	36,052,615	34,902,916	34,173,027	33,112,301	29,459,281	29,151,288
Industrial:	11,739,220	11,596,680	11,596,680	11,466,040	11,424,200	11,413,950
Multiresidential:	0	5,548,414	5,427,947	5,107,139	5,000,527	4,882,879
Personal RE:	0	0	0	0	0	0
Railroads:	0	0	0	0	0	0
Utilities:	0	70,003	156,363	281,342	351,259	339,019
Other:	0	0	0	0	0	0
<b>Total Valuation:</b>	<b>222,570,580</b>	<b>219,750,423</b>	<b>201,137,667</b>	<b>198,865,182</b>	<b>185,798,177</b>	<b>184,933,636</b>
<b>Less Military:</b>	<b>238,908</b>	<b>250,020</b>	<b>268,540</b>	<b>300,024</b>	<b>314,840</b>	<b>329,656</b>
<b>Net Valuation:</b>	<b>222,331,672</b>	<b>219,500,403</b>	<b>200,869,127</b>	<b>198,565,158</b>	<b>185,483,337</b>	<b>184,603,980</b>
TIF Valuation:	3,677,030	2,810,470	6,089,760	5,616,058	4,844,468	4,118,360
Utility Replacement:	10,475,618	10,394,708	10,373,811	11,004,734	10,966,333	8,301,252
Taxable Valuation						
Valuation as of January	2022	2021	2020	2019	2018	2017
Fiscal Year	<u>2023-24</u>	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>
Residential:	95,130,285	90,356,298	84,050,511	81,569,534	78,886,736	76,857,728
Agricultural Land:	576,012	560,854	544,203	531,110	454,386	440,756
Ag Buildings:	62,281	60,512	61,300	59,442	50,924	49,085
Commercial:	27,025,647	31,412,623	30,755,724	29,801,070	26,513,356	26,236,162
Industrial:	9,946,043	10,437,012	10,437,012	10,319,436	10,281,780	10,272,555
Multiresidential:	0	3,537,117	3,663,872	3,638,833	3,750,415	3,845,271
Personal RE:	0	0	0	0	0	0
Railroads:	0	0	0	0	0	0
Utilities:	0	70,003	154,094	281,342	351,259	339,019
Other:	0	0	0	0	0	0
<b>Total Valuation:</b>	<b>132,740,268</b>	<b>136,434,419</b>	<b>129,666,716</b>	<b>126,200,767</b>	<b>120,288,856</b>	<b>118,040,576</b>
<b>Less Military:</b>	<b>238,908</b>	<b>250,020</b>	<b>268,540</b>	<b>300,024</b>	<b>314,840</b>	<b>329,656</b>
<b>Net Valuation:</b>	<b>132,501,360</b>	<b>136,184,399</b>	<b>129,398,176</b>	<b>125,900,743</b>	<b>119,974,016</b>	<b>117,710,920</b>
TIF Valuation:	2,015,378	1,527,113	3,619,831	3,283,729	2,921,231	2,459,464
Utility Replacement:	1,733,928	1,750,617	1,752,679	1,877,371	1,814,141	1,892,288

Valuation Year	Actual Valuation w/ Utilities	% Change in Actual Valuation	Taxable Valuation w/ Utilities	% Change in Taxable Valuation
2022	236,484,320	1.624%	136,250,666	-2.303%
2021	232,705,581	7.073%	139,462,129	3.481%
2020	217,332,698	0.998%	134,770,686	2.830%
2019	215,185,950	6.901%	131,061,843	5.094%
2018	201,294,138	2.168%	124,709,388	2.168%
2017	197,023,592	10.092%	122,062,672	8.548%

## Tax Rates (1)

The Issuer levied the following taxes for collection during the fiscal years indicated:

Fiscal Year	General Fund	Outside	Emergency Levy	Debt Service	Employee Benefits	Capital Improve	Total Levy	Total Ag Levy
2023	8.10000	1.35775	0.27000	1.98382	4.21953	0.00000	15.93110	3.00375
2022	8.10000	1.58507	0.27000	2.17978	3.98329	0.00000	16.11814	3.00375
2021	8.10000	1.44441	0.27000	2.51396	3.81563	0.00000	16.14400	3.00375
2020	8.10000	1.34787	0.27000	2.69556	3.82123	0.00000	16.23466	3.00375
2019	8.10000	1.38087	0.27000	2.78807	4.42436	0.00000	16.96330	3.00375

## Historic Tax Rates (1)

Fiscal Year	City	School	College	State	Assessor	Ag Extens	Hospital	County	Transit	Total Levy Rate
2023	15.93110	12.20424	0.90520	0.00240	0.67500	0.26489	0.86595	5.84037	0.00000	36.68915
2022	16.11814	12.28293	0.90520	0.00260	0.67500	0.26553	0.86592	6.12255	0.00000	37.23787
2021	16.14400	12.20212	0.94734	0.00270	0.67500	0.27436	1.08000	6.36911	0.00000	37.69463
2020	16.23466	12.20198	1.03168	0.00280	0.67500	0.27689	1.08000	6.21478	0.00000	37.71779
2019	16.96330	12.20068	1.09993	0.00290	0.67500	0.27914	1.08000	5.94995	0.00000	38.25090

## Tax Collection History (2)

Fiscal Year	Amount Levied	Amount Collected	Percentage Collected
2022	\$2,085,608	\$2,089,714	100.20%
2021	2,033,038	2,062,548	101.45%
2020	1,978,378	1,961,388	99.14%
2019	2,028,883	2,026,279	99.87%
2018	1,901,034	1,908,923	100.42%

## Largest Taxpayers

Set forth in the following table are the persons or entities which represent the 2021 largest taxpayers within the Issuer. No independent investigation has been made of and no representation is made herein as to the financial condition of any of the taxpayers listed below or that such taxpayers will continue to maintain their status as major taxpayers in the Issuer. The Issuer's mill levy is uniformly applicable to all of the properties included in the table, and thus taxes expected to be received by the Issuer from such taxpayers will be in proportion to the assessed valuations of the properties. The total tax bill for each of the properties is dependent upon the mill levies of the other taxing entities which overlap the properties.

Taxpayer	2021 Taxable Valuation	Percent of Total
Featherlite Cresco Property LLC	\$4,984,930	3.57%
Peddler Real Estate LLC	4,897,730	3.51%
Decorah Bank & Trust Company	2,659,070	1.91%
Cresco Union Savings Bank	2,565,200	1.84%
Donaldson Co Inc	2,436,050	1.75%
Evans Memorial Home For Aged	2,102,770	1.51%
Interstate Power & Light Co	1,572,348	1.13%
Farmers Win Cooperative	1,462,760	1.05%
Spahn & Rose Lumber Co	1,111,210	0.80%
AGCON Equipment LLC	1,075,550	0.77%

Total of Top 10 Taxpayers: 17.83%

(1) Source: Iowa Department of Management

(2) Source: the Issuer

(3) Source: Howard County

(4) Utility Property Tax Replacement. Beginning in 1999, the State replaced its previous property tax assessment procedure in valuing the property of entities involved primarily in the production, delivery, service and sale of electricity and natural gas with a replacement tax formula based upon the delivery of energy by these entities. Electric and natural gas utilities now pay replacement taxes to the State in lieu of property taxes. All replacement taxes are allocated among local taxing cities by the State Department of Revenue and Finance and the Department of Management. This allocation is made in accordance with a general allocation formula developed by the Department of

Management on the basis of general property tax equivalents. Properties of these utilities are exempt from the levy of property tax by political subdivisions. Utility property will continue to be valued by a special method as provided in the statute and taxed at the rate of three cents per one thousand dollars for the general fund of the State. The utility replacement tax statute states that the utility replacement tax collected by the State and allocated among local taxing cities (including the Issuer) shall be treated as property tax when received and shall be disposed of by the county treasurer as taxes on real estate. However, utility property is not subject to the levy of property tax by political subdivisions, only the utility replacement tax and statewide property tax. It is possible that the general obligation debt capacity of the Issuer could be adjudicated to be proportionately reduced in future years if utility property were determined to be other than “taxable property” for purposes of computing the Issuer’s debt limit under Article XI of the Constitution of the State of Iowa. There can be no assurance that future legislation will not (i) operate to reduce the amount of debt the Issuer can issue or (ii) adversely affect the Issuer’s ability to levy taxes in the future for the payment of the principal of and interest on its outstanding debt obligations, including the Notes. Approximately 4.59% of the Issuer’s tax base currently is utility property. Notwithstanding the foregoing, the Issuer has the obligation to levy taxes against all the taxable property in the Issuer sufficient to pay principal of and interest on the Notes.

### Outstanding General Obligation Principal and Interest (1)

Presented below is the outstanding principal and interest of the Issuer’s General Obligation Debt, presented by fiscal year and bond series,

Fiscal Year	Principal			Interest		P&I
	<u>1-Mar-13</u>	<u>8-Jul-14</u>	<u>6-Jul-23</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
2024	100,000	150,000	55,000	305,000	227,812	532,812
2025		150,000	100,000	250,000	237,675	487,675
2026		150,000	105,000	255,000	228,175	483,175
2027		150,000	115,000	265,000	218,425	483,425
2028		150,000	130,000	280,000	208,175	488,175
2029		150,000	100,000	250,000	197,175	447,175
2030		150,000	110,000	260,000	187,675	447,675
2031		150,000	120,000	270,000	177,488	447,488
2032		150,000	130,000	280,000	166,800	446,800
2033		150,000	140,000	290,000	155,238	445,238
2034		100,000	200,000	300,000	143,175	443,175
2035			310,000	310,000	131,800	441,800
2036			325,000	325,000	119,400	444,400
2037			335,000	335,000	106,400	441,400
2038			350,000	350,000	93,000	443,000
2039			365,000	365,000	79,000	444,000
2040			380,000	380,000	64,400	444,400
2041			395,000	395,000	49,200	444,200
2042			410,000	410,000	33,400	443,400
2043			425,000	425,000	17,000	442,000
Totals:	100,000	1,600,000	4,600,000	6,300,000	2,841,412	9,141,412

### Debt Limit (1) (2)

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

1/1/2021 Actual Valuation:	\$232,705,581
X	0.05
Statutory Debt Limit:	11,635,279
Total General Obligation Debt:	6,300,000
Total Lease Purchases:	
Total Loan Agreements:	
Total Urban Renewal Revenue Debt:	
Total Debt Subject to Limit:	6,300,000
Percentage of Debt Limit Obligated:	54.15%

(1) Direct debt source: the Issuer

(2) Valuation data source: Iowa Department of Management

**Overlapping & Underlying Debt (1) (2) (3) (4)**

Presented below is a listing of the overlapping and underlying debt for Issuers within the Issuer and the amount applicable to the Issuer:

<u>Taxing Authority</u>	<u>Outstanding Debt</u>	<u>2021 Taxable Valuation</u>	<u>Taxable Value Within Issuer</u>	<u>Percentage Applicable</u>	<u>Amount Applicable</u>
HOWARD-WINNESHEIK CSD	0	610,252,627	139,462,129	22.85%	\$0
HOWARD COUNTY	15,555,000	770,165,505	139,462,129	18.11%	2,816,711
NORTHEAST IOWA CC	53,645,000	14,079,251,826	139,462,129	0.99%	531,381
Keystone AEA	0	14,079,251,826	139,462,129	0.99%	0

Total Overlapping & Underlying Debt: \$3,348,092

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

Actual Value of Property, 2021:	\$232,705,581
Taxable Value of Property, 2021:	139,462,129
Direct General Obligation Debt:	\$6,300,000
Less Self-Supported General Obligation Debt:	-249,000
Net Direct General Obligation Debt:	\$6,051,000
Overlapping Debt:	3,348,092
Net Direct & Overlapping General Obligation Debt:	\$9,399,092
Population, 2020 US Census:	3,888
Direct Debt per Capita:	\$1,620.37
Total Debt per Capita:	\$2,417.46
Net Direct Debt to Taxable Valuation:	4.34%
Total Debt to Taxable Valuation:	6.74%
Net Direct Debt to Actual Valuation:	2.60%
Total Debt to Actual Valuation:	4.04%
Actual Valuation per Capita:	\$59,852
Taxable Valuation per Capita:	\$35,870

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



## APPENDIX B – FORM OF LEGAL OPINION

### DRAFT

We hereby certify that we have examined a certified transcript of the proceedings of the City Council and acts of administrative officers of the City of Cresco, State of Iowa (the "Issuer"), relating to the issuance of General Obligation Capital Loan Notes, Series 2023, by said City, dated \_\_\_\_\_, 2023, in the denomination of \$5,000 or multiples thereof, in the aggregate amount of \$\_\_\_\_\_ (the "Notes").

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

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

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

1. The Issuer is duly created and validly existing as a body corporate and politic and political subdivision of the State of Iowa with the corporate power to adopt and perform the Resolution and Loan Agreement and issue the Notes.
2. The Loan Agreement and Notes are valid and binding general obligations of the Issuer.
3. All taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Notes. Taxes have been levied by the Resolution for the payment of the Notes and the Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Notes to the extent the necessary funds are not provided from other sources.
4. Interest on the Notes is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Notes in order that the interest thereon be, and continue to be, excludable from gross income for federal income 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.

The Issuer has designated the Notes "qualified tax exempt obligations" within the meaning of Section 265(b)(3) of the Code.

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 C – FORM OF CONTINUING DISCLOSURE AGREEMENT

### CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Cresco, State of Iowa (the "Issuer"), in connection with the issuance of \$ \_\_\_\_\_ General Obligation Capital Loan Notes, Series 2023 (the "Notes") dated \_\_\_\_\_, 2023. The Notes are being issued pursuant to a Resolution of the Issuer approved on \_\_\_\_\_, 2023 (the "Resolution"). The Issuer covenants and agrees as follows:

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

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

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

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

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

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

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with S.E.C. Rule 15c2-12.

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

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

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

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

"Official Statement" shall mean the Issuer's Official Statement for the Notes, dated \_\_\_\_\_, 2023.

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

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

"State" shall mean the State of Iowa.

Section 3. Provision of Annual Financial Information.

- a. The Issuer shall, or shall cause the Dissemination Agent to, not later than the 15th day of April each year, commencing with information for the 2022/2023 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 contained in the Official Statement under the captions "Population", "Employment Statistics", "Retail Sales", "Property Valuations", "Tax Rates", "Combined Historic Tax Rates", "Tax Collection History", "Largest Taxpayers", "Outstanding Debt", "Overlapping & Underlying Debt", "Debt Limit" and "Financial Summary".

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

Section 5. Reporting of Significant Events.

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

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

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

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

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

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

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

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

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

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers

and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

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

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

Date: \_\_\_\_\_ day of \_\_\_\_\_, 2023.

CITY OF CRESCO, STATE OF IOWA

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

ATTEST:

By: \_\_\_\_\_  
City Clerk

## APPENDIX D – AUDITED FINANCIAL STATEMENTS OF THE ISSUER

The financial statements are prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.

This Appendix contains the entire 2022 audited financial statement of the issuer. The Auditor of State of the State of Iowa (the "State Auditor") maintains a webpage that contains prior years' audits of city, county, school district and community college, including audits of the Issuer, which can be found at the following link <https://www.auditor.iowa.gov/reports/audit-reports>

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**CITY OF CRESCO**  
**Cresco, Iowa**

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

June 30, 2022

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**CITY OF CRESCO  
Cresco, Iowa**

**Officials**

(Before January 2022)

Mark Bohle..... Mayor ..... January 2022  
Alex Fortune..... Council Member ..... January 2024  
Amy Bouska ..... Council Member ..... January 2022  
Jan Carman ..... Council Member ..... January 2024  
Dave Brenno..... Council Member ..... January 2024  
Richard McConnell ..... Council Member ..... January 2022

Michelle Elton ..... City Clerk ..... Indefinite

Joseph P. Braun ..... City Attorney..... Indefinite

Nate Widell..... Public Works Director..... Indefinite

(After January 2022)

Dave Brenno..... Mayor ..... January 2024  
Alex Fortune..... Council Member ..... January 2024  
Amy Bouska ..... Council Member ..... January 2026  
Jan Carman ..... Council Member ..... January 2024  
Gary Kriener\*..... Council Member ..... January 2024  
Richard McConnell ..... Council Member ..... January 2026

Michelle Elton ..... City Clerk ..... Indefinite

Joseph P. Braun ..... City Attorney..... Indefinite

Nate Widell..... Public Works Director..... Indefinite

\*Dave Brenno was elected Mayor. Gary Kriener was appointed to fill his term.



GARDINER + COMPANY  
Certified Public Accountants

## **Independent Auditor's Report**

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To the Honorable Mayor and  
Members of the City Council:

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cresco, Iowa, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Cresco, Iowa's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cresco, Iowa as of June 30, 2022, and the respective changes in financial position-cash basis and, where applicable, cash flows, thereof for the year then ended in accordance with the cash basis of accounting described in Note 1.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Cresco, Iowa and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter – Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

The City of Cresco adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

The City of Cresco, Iowa's management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Cresco, Iowa's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Cresco, Iowa's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Cresco, Iowa's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cresco, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of this report, the financial statements for the six years ended June 30, 2021 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. The financial statements for the three years ended June 30, 2015 (which are not presented herein) were audited by other auditors in accordance with standards referred to in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of this report and expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. The supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information in Schedules 1 through 3 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in Schedules 1 through 3 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information Included in the Annual Report***

Management is responsible for the other information included in the annual report. The other information comprises the Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) and the Schedule of the City's contributions on pages 6 through 11 and 36 through 42 but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2022, on our consideration of the City of Cresco, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 the City of Cresco, Iowa's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gardiner + Company, P.C.".

Charles City, Iowa

November 8, 2022

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Cresco 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, 2022. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2022 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 11.74%, or approximately \$614,350, from fiscal 2021 to fiscal 2022. This increase is primarily due to an increase in charges for service and the receipt of American Rescue Plan Act funding.
- Disbursements of the City's governmental activities increased 4.14%, or approximately \$187,932, in fiscal year 2022 from fiscal 2021. This increase is mainly due to an increase in disbursements for public works and culture and recreation.
- The City's total cash basis net position increased 12.38%, or approximately \$1,006,361, from June 30, 2021 to June 30, 2022. Of this amount, the cash basis net position of the governmental activities increased \$1,014,871 and the cash basis net position of the business type activities decreased \$8,510.

### USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statement consists 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 as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information 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 (asset) and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds.

## **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, health and social services, 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 waterworks, the sanitary sewer system and various other activities. These activities are financed primarily by user charges.

### ***Fund Financial Statements***

The City has two 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 Employee Benefits; (3) the Debt Service Fund and (4) the Capital Projects Funds. The governmental fund financial statements provide a detailed 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 and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains several Enterprise Funds to provide separate information for the water, sewer, capital improvement and yard waste, of which Water and Sewer Funds are considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.



***Fund Financial Statements (Continued)***

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

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

**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 \$5,068,821 a year ago to \$6,083,692. 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	
	Year Ended June 30,	
	2022	2021
Receipts:		
Program Receipts:		
Charges for Service	\$1,524,717	\$1,294,408
Operating Grants, Contributions and Restricted Interest	1,063,438	1,138,312
Capital Grants, Contributions and Restricted Interest	20,000	0
General Receipts:		
Property Tax	2,089,714	2,062,548
Local Option Sales Tax	685,670	580,428
Commercial/Industrial Tax Replacement	59,357	59,020
American Rescue Plan Act	279,533	0
Unrestricted Interest on Investments	20,236	20,918
Other General Receipts	105,309	77,990
Total Receipts	<u>5,847,974</u>	<u>5,233,624</u>
Disbursements:		
Public Safety	934,317	962,268
Public Works	1,652,078	1,384,417
Health and Social Services	5,118	5,368
Culture and Recreation	1,310,182	1,110,280
Community and Economic Development	101,016	126,109
General Government	371,152	367,566
Debt Service	344,952	551,610
Capital Projects	6,288	29,553
Total Disbursements	<u>4,725,103</u>	<u>4,537,171</u>
Change in Cash Basis Net Position Before Transfers	1,122,871	696,453
Transfers, Net	<u>(108,000)</u>	<u>94,093</u>
Change in Cash Basis Net Position	1,014,871	790,546
Cash Basis Net Position Beginning of Year	<u>5,068,821</u>	<u>4,278,275</u>
Cash Basis Net Position End of Year	<u><u>\$6,083,692</u></u>	<u><u>\$5,068,821</u></u>

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The City's total receipts for governmental activities increased 11.74%, or \$614,350. The increase was primarily due to an increase in charges for service and the receipt of American Rescue Plan Act funding. The total cost of all programs and services increased by \$187,932 or 4.14%. The majority of this increase was in the public works and culture and recreation functions.

Changes in Cash Basis Net Position of Business Type Activities		
	Year Ended June 30,	
	2022	2021
Receipts:		
Program Receipts:		
Charges for Service:		
Water	\$ 630,770	\$ 595,664
Sewer	882,094	826,588
Other Proprietary	121,846	118,548
Operating Grants, Contributions and Restricted Interest	0	22,890
General Receipts:		
Unrestricted Interest on Investments	10,652	12,184
Total Receipts	<u>1,645,362</u>	<u>1,575,874</u>
Disbursements:		
Water	741,071	439,156
Sewer	917,399	707,522
Other Proprietary	103,402	54,999
Total Disbursements	<u>1,761,872</u>	<u>1,201,677</u>
Change in Cash Basis Net Position Before Transfers	(116,510)	374,197
Transfers, Net	<u>108,000</u>	<u>(94,093)</u>
Change in Cash Basis Net Position	<u>(8,510)</u>	<u>280,104</u>
Cash Basis Net Position - Beginning of Year	<u>3,063,272</u>	<u>2,783,168</u>
Cash Basis Net Position - End of Year	<u><u>\$3,054,762</u></u>	<u><u>\$3,063,272</u></u>

Total business type activities receipts for the fiscal year were \$1,645,362 compared to \$1,575,874 last year. The cash balance decreased by \$8,510 or 0.28%, from the prior year. Total disbursements for the fiscal year increased by 46.62% or \$560,195.

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The General Fund cash balance increased \$614,082 from the prior year to \$3,804,977. Some of the increase was due to grants received for the Fitness Center and Theatre for loss of revenue due to COVID-19. The Theatre will use the grant money for tuckpointing and windows next fiscal year. The Fitness Center's grant went into the general fund cash reserves to offset some of the current and prior years losses. The Police Department was short-staffed so reduced expenses and the insurance expense was reduced from the prior year and lower than budgeted. Utility expenses, especially natural gas, were higher than budgeted for all departments.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS (CONTINUED)**

The Special Revenue, Road Use Tax Fund cash balance increased \$61,230 to \$709,972 during the fiscal year. RUT revenue was slightly higher than budgeted while rock, street maintenance, storm drainage, and snow removal expenditures were under budget.

The Special Revenue, Employee Benefits Fund cash balance increased \$37,009 to \$821,406 during the fiscal year. This year the City received \$520,753 in property taxes. The City also received \$38,953 from employees for their portion of health and dental insurance premiums. This fund pays FICA, Medicare, IPERS, unemployment claims, health and life insurance for employees, except those employees paid from the water and sewer utilities. Total expenditures increased \$7,388 from the fiscal year ended June 30, 2021 which was less than budgeted.

The Special Revenue, Local Option Revenue Fund receipts of \$685,670 were received which was up \$105,242 from the prior fiscal year following an increase of \$90,719 in FY21. The increases in revenue may have been due to COVID-19 with more local shopping and internet purchases rather than traveling to larger metropolitan areas over the past two years. Ten percent of the total LOST received must be used to reduce the property tax levy. This is transferred to the Debt Service Fund to pay bond payments rather than levying for that amount. The other 90% is transferred to the General Fund, Local Option Sales Tax Project Fund and used primarily for equipment and small projects.

The Debt Service Fund property tax and backfill receipts were \$301,240 this fiscal year. The 10% of Local Option Sales Tax transferred into this fund was \$68,567 and reduced the property tax levy for General Obligation debt payments.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Enterprise, Water Fund cash balance decreased \$79,751 to \$889,423. The well re-casing project was completed this fiscal year. Water rates were increased to build up reserves for future maintenance and infrastructure improvement projects.

The Enterprise, Sewer Fund cash balance increased \$46,311 to \$1,881,656. Revenues were slightly higher than budgeted and operating expenses were less than anticipated. The grit equipment replacement project was finished and a portion of the fence project was completed this fiscal year. Sewer rates were increased to build up reserves for future maintenance and compliance requirements for nutrient reduction.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget three times. The amendments were approved on October 18, 2021, February 7, 2022, and June 6, 2022. The amendments resulted in increasing budgeted disbursements \$849,300, budgeted receipts \$815,700 and adjusting the budgeted profit from \$56,255 to \$37,655. Revenue increased due to Local Option Sales Tax, grants, and donations higher than originally budgeted. Budget amendments for disbursements were necessary due to a carryover of projects that were not finished last year including the bleachers, well re-casing, security fence, sewer replacement, and grit equipment replacement. New projects completed that were not budgeted included roof replacement, storm drainage projects, critical sewer main repairs and purchasing a new sweeper. Expenses that were higher than budgeted included valve replacements, concrete projects, and operating expenses. The manhole riser project was removed from the budgeted expenses. Projects included in the budget but not completed this year include Runway Drainage Project, Rehab Housing, tuckpointing, window replacement, and a portion of the security fence and new sweeper. They will be completed in the next fiscal year.

## DEBT ADMINISTRATION

At June 30, 2022, the City had \$2,225,000 of notes outstanding, compared to \$2,528,000 last year, as shown below:

	Outstanding Debt at Year-End	
	June 30,	
	2022	2020
General Obligation Notes	\$1,980,000	\$2,260,000
Revenue Notes	245,000	268,000
Total	\$2,225,000	\$2,528,000

The City continues to carry a general obligation bond rating of A1. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,980,000 is below its constitutional debt limit of \$10,866,635. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The original budget for fiscal year 2023 shows an estimated profit of \$446,845. Several projects are planned to maintain the infrastructure including sewer main repairs and lining, watermain replacements, storm sewer projects, building improvements, and water meter upgrades. Grants will help pay for repaving of the bike trail and runway improvements this year. Feasibility studies are being conducted for a street assessment project, replacing downtown crosswalks, and sandblasting and painting the water tower to be done in Fiscal Year 2024 and will likely be paid for by borrowing and incurring new debt. The City continues replacing equipment each year in accordance with a five-year Capital Improvement Plan. The City has been paying for projects using reserve fund balances. The final year of a Housing Rehabilitation program is also budgeted to help residents make improvements to resident's homes which will be fully funded by a CDBG grant. The sewer plant will need to make significant improvements to conform to new EPA and DNR regulations within the next ten years. Energy conservation is an important goal of the City of Cresco for reducing future operating expenses and currently has seven sites that utilize solar power. Fund balances are maintained for unexpected expenditures and to alleviate the impact of legislation changes which eliminates the commercial and industrial backfill and could include reducing property tax revenues.

## 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 Michelle Elton, City Clerk, at 130 North Park Place, Cresco, Iowa 52136-1631.

**CITY OF CRESCO**  
**Cresco, Iowa**

**CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION**  
As of and for the Year Ended June 30, 2022

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental Activities:				
Public Safety	\$ 934,317	\$ 28,883	\$ 60,349	\$20,000
Public Works	1,652,078	815,881	537,333	0
Health and Social Services	5,118	0	0	0
Culture and Recreation	1,310,182	616,264	366,515	0
Community and Economic Development	101,016	300	90,738	0
General Government	371,152	63,389	8,503	0
Debt Service	344,952	0	0	0
Capital Projects	6,288	0	0	0
Total Governmental Activities	<u>4,725,103</u>	<u>1,524,717</u>	<u>1,063,438</u>	<u>20,000</u>
Business Type Activities:				
Water	741,071	630,770	0	0
Sewer	917,399	882,094	0	0
Other Proprietary	103,402	121,846	0	0
Total Business Type Activities	<u>1,761,872</u>	<u>1,634,710</u>	<u>0</u>	<u>0</u>
Total	<u>\$6,486,975</u>	<u>\$3,159,427</u>	<u>\$1,063,438</u>	<u>\$20,000</u>
Component Units:				
Cresco Public Library Foundation	\$ 3,718		\$ 11,457	\$ 0
Cresco Fire Fighters, Inc.	<u>76,131</u>		<u>83,261</u>	<u>0</u>
Total Component Units	<u>\$ 79,849</u>		<u>\$ 94,718</u>	<u>\$ 0</u>
<b>General Receipts and Transfers:</b>				
Property and Other City Tax Levied for:				
General Purposes				
Debt Service				
Local Option Sales Tax				
Commercial/Industrial Tax Replacement				
American Rescue Plan Act				
Unrestricted Interest on Investments				
Miscellaneous				
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				
<b>Cash Basis Net Position</b>				
Restricted:				
Expendable:				
Streets				
Employee Benefits				
Debt Service				
Capital Projects				
Other Purposes				
Unrestricted				
<b>Total Cash Basis Net Position</b>				

See Notes to Financial Statements.

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Position

Governmental Activities	Business Type Activities	Total	Component Units
\$ (825,085)	\$ 0	\$ (825,085)	\$ 0
(298,864)	0	(298,864)	0
(5,118)	0	(5,118)	0
(327,403)	0	(327,403)	0
(9,978)	0	(9,978)	0
(299,260)	0	(299,260)	0
(344,952)	0	(344,952)	0
(6,288)	0	(6,288)	0
(2,116,948)	0	(2,116,948)	0
0	(110,301)	(110,301)	0
0	(35,305)	(35,305)	0
0	18,444	18,444	0
0	(127,162)	(127,162)	0
(2,116,948)	(127,162)	(2,244,110)	0
0	0	0	7,739
0	0	0	7,130
0	0	0	14,869
1,800,292	0	1,800,292	0
289,422	0	289,422	0
685,670	0	685,670	0
59,357	0	59,357	0
279,533	0	279,533	0
20,236	10,652	30,888	0
105,309	0	105,309	0
(108,000)	108,000	0	0
3,131,819	118,652	3,250,471	0
1,014,871	(8,510)	1,006,361	14,869
5,068,821	3,063,272	8,132,093	452,835
\$ 6,083,692	\$3,054,762	\$ 9,138,454	\$467,704
\$ 709,972	\$ 0	\$ 709,972	\$ 0
821,406	0	821,406	0
89,253	36,147	125,400	0
197,817	0	197,817	0
368,382	0	368,382	0
3,896,862	3,018,615	6,915,477	467,704
\$ 6,083,692	\$3,054,762	\$ 9,138,454	\$467,704

**CITY OF CRESCO**  
**Cresco, Iowa**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN  
CASH BALANCES – GOVERNMENTAL FUNDS**  
As of and for the Year Ended June 30, 2022

	General	Special Revenue Road Use Tax
<b>Receipts:</b>		
Property Tax	\$1,286,393	\$ 0
Local Option Sales Tax	0	0
Other City Tax	63,429	0
Licenses and Permits	54,351	0
Use of Money and Property	105,263	0
Intergovernmental	263,879	536,954
Charges for Service	1,108,483	0
Special Assessments	85,607	0
Miscellaneous	164,821	0
Total Receipts	3,132,226	536,954
<b>Disbursements:</b>		
Operating:		
Public Safety	908,556	0
Public Works	1,011,073	475,724
Health and Social Services	5,118	0
Culture and Recreation	1,146,276	0
Community and Economic Development	49,816	0
General Government	368,438	0
Debt Service	0	0
Capital Projects	0	0
Total Disbursements	3,489,277	475,724
Excess (Deficiency) of Receipts Over (Under) Disbursements	(357,051)	61,230
<b>Other Financing Sources (Uses):</b>		
Transfers In	1,004,733	0
Transfers Out	(33,600)	0
Total Other Financing Sources (Uses)	971,133	0
Change in Cash Balances	614,082	61,230
Cash Balances Beginning of Year	3,190,895	648,742
Cash Balances End of Year	\$3,804,977	\$709,972
<b>Cash Basis Fund Balances:</b>		
Restricted for:		
Employee Benefits	\$ 0	\$ 0
Fire Equipment	0	0
Equipment Repair – Fitness	0	0
CIDC Revolving Loan	0	0
Debt Service	0	0
Streets	0	709,972
Library	0	0
Capital Projects	0	0
American Rescue Plan Act Projects	0	0
Other Purposes	0	0
Committed To:		
RAGBRAI	9,014	0
Story Walk Project	0	0
Steve McCarville Memorial Field Sign	0	0

**Exhibit B**

Special Revenue				
Employee Benefits	Local Option Revenue	Debt Service	Nonmajor	Total
\$ 513,899	\$ 0	\$289,422	\$ 0	\$ 2,089,714
0	685,670	0	0	685,670
6,854	0	3,750	0	74,033
0	0	0	0	54,351
2,359	0	587	7,450	115,659
14,657	0	8,068	328,414	1,151,972
0	0	0	0	1,108,483
0	0	0	0	85,607
39,861	0	0	238,057	442,739
577,630	685,670	301,827	573,921	5,808,228
0	0	0	18,115	926,671
153,189	0	0	0	1,639,986
0	0	0	0	5,118
300	0	0	156,130	1,302,706
0	0	0	51,200	101,016
1,502	0	0	0	369,940
0	0	344,952	0	344,952
0	0	0	6,288	6,288
154,991	0	344,952	231,733	4,696,677
422,639	685,670	(43,125)	342,188	1,111,551
0	0	68,567	33,600	1,106,900
(385,630)	(685,670)	0	(110,000)	(1,214,900)
(385,630)	(685,670)	68,567	(76,400)	(108,000)
37,009	0	25,442	265,788	1,003,551
784,397	0	63,811	303,961	4,991,806
\$ 821,406	\$ 0	\$ 89,253	\$ 569,749	\$ 5,995,357

\$ 821,406	\$ 0	\$ 0	\$ 0	\$ 821,406
0	0	0	62,612	62,612
0	0	0	35,576	35,576
0	0	0	108,046	108,046
0	0	89,253	0	89,253
0	0	0	0	709,972
0	0	0	83,244	83,244
0	0	0	27,419	27,419
0	0	0	170,398	170,398
0	0	0	78,904	78,904
0	0	0	0	9,014
0	0	0	1,350	1,350
0	0	0	2,200	2,200



**CITY OF CRESCO**  
**Cresco, Iowa**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN  
CASH BALANCES – GOVERNMENTAL FUNDS (CONTINUED)  
As of and for the Year Ended June 30, 2022

	General	Special Revenue Road Use Tax
<b>Cash Basis Fund Balances (Continued):</b>		
Assigned:		
Nuisance Housing	\$ 7,122	\$ 0
Fire Station Building	3,864	0
Community Fire Department	67,815	0
Equipment Replacement	34,253	0
Office/Computer Equipment	26,138	0
Street	112,007	0
Tourism	37,655	0
Theatre	65,121	0
Airport	88,105	0
Unassigned	3,353,883	0
Total Cash Basis Fund Balances	<u>\$3,804,977</u>	<u>\$709,972</u>

See Notes to Financial Statements.

**Exhibit B (Continued)**

Special Revenue					
Employee Benefits	Local Option Revenue	Debt Service	Nonmajor	Total	
\$ 0	\$0	\$ 0	\$ 0	\$ 7,122	
0	0	0	0	3,864	
0	0	0	0	67,815	
0	0	0	0	34,253	
0	0	0	0	26,138	
0	0	0	0	112,007	
0	0	0	0	37,655	
0	0	0	0	65,121	
0	0	0	0	88,105	
0	0	0	0	3,353,883	
\$821,406	\$0	\$89,253	\$569,749	\$5,995,357	

**CITY OF CRESCO**  
**Cresco, Iowa**

RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES TO THE CASH BASIS STATEMENT OF ACTIVITIES AND NET  
POSITION –  
GOVERNMENTAL FUNDS  
As of and for the Year Ended June 30, 2022

**Total Governmental Funds Cash Balances (Pg. 15)** \$5,995,357

*Amounts reported for governmental activities in the Cash Basis Statement of  
Activities and Net Position are different because:*

The Internal Service Fund is used by management to charge the costs of partial self  
funding of the City's health insurance benefit plan to individual funds. A portion of  
the cash balance of the Internal Service Fund is included in governmental activities in  
the Cash Basis Statement of Activities and Net Position.

88,335

**Cash Basis Net Position of Governmental Activities (Pg. 13)** \$6,083,692

**Change in Cash Balances (Pg. 15)** \$1,003,551

*Amounts reported for governmental activities in the Cash Basis Statement of  
Activities and Net Position are different because:*

The Internal Service Fund is used by management to charge the costs of partial self  
funding of the City's health insurance benefit plan to individual funds. A portion of  
the change in the cash balance of the Internal Service Fund is reported with  
governmental activities in the Cash Basis Statement of Activities and Net Position.

11,320

**Change in Cash Basis Net Position of Governmental Activities (Pg. 13)** \$1,014,871

See Notes to Financial Statements.

**CITY OF CRESCO**  
**Cresco, Iowa**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES  
IN CASH BALANCES – PROPRIETARY FUNDS  
As of and for the Year Ended June 30, 2022

	Enterprise Funds	
	Water	Sewer
Operating Receipts:		
Charges for Service	\$ 598,525	\$ 839,110
Miscellaneous	23,453	31,417
Total Operating Receipts	621,978	870,527
Operating Disbursements:		
Governmental Activities:		
General Government	0	0
Business Type Activities	734,746	880,719
Total Operating Disbursements	734,746	880,719
Excess (Deficiency) of Operating Receipts Over (Under)		
Operating Disbursements	(112,768)	(10,192)
Non-Operating Receipts (Disbursements):		
Interest on Investments	4,017	5,863
Debt Service	0	(28,360)
Net Non-Operating Receipts (Disbursements)	4,017	(22,497)
Excess (Deficiency) of Receipts Over (Under) Disbursements	(108,751)	(32,689)
Transfers In	29,000	79,000
Change in Cash Balances	(79,751)	46,311
Cash Balances Beginning of Year	969,174	1,835,345
Cash Balances End of Year	\$ 889,423	\$1,881,656
<b>Cash Basis Fund Balances</b>		
Restricted for Debt Service	\$ 0	\$ 36,147
Unrestricted	889,423	1,845,509
Total Cash Basis Fund Balances	\$ 889,423	\$1,881,656

See Notes to Financial Statements.

**Exhibit D**

Enterprise Funds		Internal Service Fund
Nonmajor Enterprise Funds	Total	Employee Health
\$119,427	\$1,557,062	\$ 0
2,419	57,289	59,878
121,846	1,614,351	59,878
0	0	43,071
103,402	1,718,867	0
103,402	1,718,867	43,071
18,444	(104,516)	16,807
655	10,535	344
0	(28,360)	0
655	(17,825)	344
19,099	(122,341)	17,151
0	108,000	0
19,099	(14,341)	17,151
219,636	3,024,155	116,132
\$238,735	\$3,009,814	\$133,283
\$ 0	\$ 36,147	\$ 0
238,735	2,973,667	133,283
\$238,735	\$3,009,814	\$133,283

**CITY OF CRESCO  
Cresco, Iowa**

**RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES TO THE CASH BASIS STATEMENT OF ACTIVITIES AND NET  
POSITION – PROPRIETARY FUNDS  
As of and for the Year Ended June 30, 2022**

**Total Enterprise Funds Cash Balances (Pg. 20)** \$3,009,814

*Amounts reported for business type activities in the Cash Basis Statement of  
Activities and Net Position are different because:*

The Internal Service Fund is used by management to charge the costs of partial self  
funding of the City’s health insurance benefit plan to individual funds. A portion of  
the cash balance of the Internal Service Fund is included in business type activities  
in the Cash Basis Statement of Activities and Net Position.

44,948

**Cash Basis Net Position of Business Type Activities (Pg. 13)** \$3,054,762

**Change in Cash Balances (Pg. 20)** \$ (14,341)

*Amounts reported for business type activities in the Cash Basis Statement of  
Activities and Net Position are different because:*

The Internal Service Fund is used by management to charge the costs of partial self  
funding of the City’s health insurance benefit plan to individual funds. A portion of  
the change in the cash balance of the Internal Service Fund is reported with business  
type activities in the Cash Basis Statement of Activities and Net Position.

5,831

**Change in Cash Basis Net Position of Business Type Activities (Pg. 13)** \$ (8,510)

See Notes to Financial Statements.

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies

The City of Cresco is a political subdivision of the State of Iowa located in Howard County. It was first incorporated in 1866 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, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

#### A. Reporting Entity

For financial reporting purposes, the City of Cresco 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 Cresco (the primary government) and its discretely presented component units, the Cresco Public Library Foundation (Foundation) and Cresco Fire Fighters, Inc. (Organization). Neither the Foundation nor the Organization issue separately audited financial statements.

#### Discrete Component Units

The Cresco Public Library Foundation (an Iowa nonprofit corporation) is a component unit that is legally separate from the City. The Foundation is governed by a Board of Trustees. Economic resources received by the Foundation are used for the direct benefit of the Cresco Public Library and, therefore, the City's constituents.

Cresco Fire Fighters, Inc. (an Iowa nonprofit corporation) is a component unit that is legally separate from the City. The Organization is governed by a Board of Directors. Economic resources received by the Organization are used for the direct benefit of the City's constituents. The Organization has a year end of December 31. Accordingly, the Organization's financial information included in the Statement of Activities and Net Position is as of and for the year ended December 31, 2021.

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### A. Reporting Entity (Continued)

##### Discrete Component Units (Continued)

In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation and the Organization meet the definition of a component unit which should be discretely presented.

##### 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: Cresco Industrial Development Corporation, Regional Health Services Foundation Board, Intermediary Relending Program Board, Prairie Springs Recreation Trails Board, Upper Explorerland Regional Planning Commission, Howard County Agricultural Society Board, Howard County Conference Board, Howard County Emergency Management Commission and the Howard County Joint 911 Service Board.

#### B. Basis of Presentation

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

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding category. 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.



## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### B. Basis of Presentation (Continued)

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

#### 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 Benefits Fund is used to account for employee payroll taxes and health and life insurance disbursements.

The Local Option Revenue Fund is used to account for the collection and use of local option sales and services tax.

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

The City reports the following major proprietary funds:

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

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

The City also reports the following proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost-reimbursement basis.

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### 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 accounting principles generally accepted in the United States of America.

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

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

Proprietary funds distinguish operating receipts and disbursements from 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. Property Taxes and Governmental Cash Basis Fund Balances

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

Property tax revenues recognized in the governmental funds become due and collectible in September and March of the current fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects tax asking contained in the budget certified to the City Council in March 2021.

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

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

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### D. Property Taxes and Governmental Cash Basis Fund Balances (Continued)

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

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

Unassigned – All amounts not included in the preceding classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2022, disbursements did not exceed the amounts budgeted.

### Note 2: Cash and Pooled Investments

The City's deposits in banks at June 30, 2022 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The City had no investments other than certificates of deposit at June 30, 2022.

#### 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.

## Notes to Financial Statements (Continued)

### Note 2: Cash and Pooled Investments (Continued)

#### Component Units

The Cresco Public Library Foundation cash and investments as of June 30, 2022 are shown below:

Certificates of Deposit	\$308,021
Checking/Savings	<u>24,388</u>
	<u>\$332,409</u>

Cresco Fire Fighters, Inc. cash and investments as of December 31, 2021 are shown below:

Checking/Savings	<u>\$135,295</u>
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### Note 3: Notes Payable

A summary of changes in notes payable for the year ended June 30, 2022 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental Activities:					
General Obligation Capital Loan Notes	\$2,260,000	\$0	\$280,000	\$1,980,000	\$280,000
Business Type Activities:					
Sewer Revenue Notes	\$ 268,000	\$0	\$ 23,000	\$ 245,000	\$ 24,000

#### General Obligation Capital Loan Notes

A summary of the City's June 30, 2022 general obligation capital loan notes payable is as follows:

Year Ending June 30,	Capital Improvements Issued March 6, 2013			Street Improvements Issued July 8, 2014			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2023	1.70%	\$130,000	\$4,060	3.000%	\$ 150,000	\$ 54,375	\$ 280,000	\$ 58,435	\$ 338,435
2024	1.85%	100,000	1,850	3.000%	150,000	49,875	250,000	51,725	301,725
2025		0	0	3.000%	150,000	45,375	150,000	45,375	195,375
2026		0	0	3.000%	150,000	40,875	150,000	40,875	190,875
2027		0	0	3.000%	150,000	36,375	150,000	36,375	186,375
2028-2032		0	0	3.000-3.375%	750,000	113,813	750,000	113,813	863,813
2033-2034		0	0	3.375%	250,000	11,813	250,000	11,813	261,813
Total		<u>\$230,000</u>	<u>\$5,910</u>		<u>\$1,750,000</u>	<u>\$352,501</u>	<u>\$1,980,000</u>	<u>\$358,411</u>	<u>\$2,338,411</u>

## Notes to Financial Statements (Continued)

### Note 3: Notes Payable (Continued)

#### General Obligation Capital Loan Notes (Continued)

On March 6, 2013, the City issued \$1,700,000 of General Obligation Capital Loan Notes with interest rates ranging from 0.40% to 1.85% per annum. The notes were issued for the purpose of providing the funds for the refunding of the City's Series 2007 General Obligation Capital Loan Notes of \$1,210,000 and related costs, and for financing various capital improvement projects. During the year ended June 30, 2022, the City paid \$130,000 of principal and \$6,075 of interest on the notes.

On July 8, 2014, the City issued \$2,950,000 of General Obligation Capital Loan Notes with interest rates ranging from 2.00% to 3.375% per annum. The notes were issued for the purpose of paying costs of the 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 and traffic control devices; and the acquisition of any real estate needed for any of the foregoing purposes. During the year ended June 30, 2022, the City paid \$150,000 of principal and \$57,375 of interest on the notes.

#### Sewer Revenue Notes

A summary of the City's June 30, 2022 revenue notes payable is as follows

Year Ending June 30,	Sewer Issued May 25, 2011			Total
	Interest Rates	Principal	Interest	
2023	1.75%	\$ 24,000	\$ 4,288	\$ 28,288
2024	1.75%	25,000	3,868	28,868
2025	1.75%	25,000	3,430	28,430
2026	1.75%	26,000	2,992	28,992
2027	1.75%	27,000	2,538	29,538
2028-2031	1.75%	118,000	5,252	123,252
Total		\$245,000	\$22,368	\$267,368

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay sewer revenue notes issued in May 2011. Proceeds from the notes provided financing for improvements to the sewer system. The notes are payable solely from sewer customer net receipts and are payable through 2031. Sewer user charges must be established at a level which produces and maintains net revenue at a level not less than 110% of principal and interest falling due in the same year. As of June 30, 2022 the total principal and interest remaining to be paid on notes is \$267,368. For the current year, principal and interest paid and total customer net receipts were \$27,690 and \$129,225, respectively.

## Notes to Financial Statements (Continued)

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### Note 4: Pension Plan

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 P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

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

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

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

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

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

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

## Notes to Financial Statements (Continued)

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### Note 4: Pension Plan (Continued)

Pension Benefits (Continued) – 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 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 2022, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City’s contributions to IPERS for the year ended June 30, 2022 totaled \$146,663.

Net Pension Asset, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the City reported an asset of \$301,887 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City’s proportion of the net pension asset was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the City’s proportion was 0.0874460%, which was an increase of 0.072759% over its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City’s pension expense, deferred outflows of resources and deferred inflows totaled \$(101,379), \$211,433, and \$1,023,335, respectively.

There were no non-employer contributing entities to IPERS.

## Notes to Financial Statements (Continued)

### Note 4: Pension Plan (Continued)

Actuarial Assumptions – The total pension asset in the June 30, 2021 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, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage Growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	22.00%	4.43%
International Equity	17.50	6.01
Global Smart Beta Equity	6.00	5.10
Core Plus Fixed Income	26.00	0.29
Public Credit	4.00	2.08
Cash	1.00	(0.25)
Private Equity	13.00	9.51
Private Real Assets	7.50	4.63
Private Credit	3.00	2.87
Total	100.00%	



## Notes to Financial Statements (Continued)

### Note 4: Pension Plan (Continued)

Discount Rate – The discount rate used to measure the total pension liability (asset) was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the 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 (asset).

Sensitivity of the City’s Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension asset calculated using the discount rate of 7.00%, as well as what the City’s proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City’s proportionate share of the net pension liability (asset)	\$619,769	\$(301,887)	\$(1,073,970)

IPERS’ Fiduciary Net Position – Detailed information about IPERS’ fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at [www.ipers.org](http://www.ipers.org).

### Note 5: Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2022, the City contributed \$381,988 and plan members eligible for benefits contributed \$64,658 to the plan. At June 30, 2022, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	26
	<hr/>
Total	29
	<hr/> <hr/>

## Notes to Financial Statements (Continued)

### Note 6: Compensated Absences

City employees accumulate a limited amount of earned but unused compensatory time off, vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. Compensatory time off and vacation benefits are payable in full when used or upon termination, retirement or death. Sick leave hours are payable in full when used, while the amount payable upon retirement or death is 20% of accumulated hours at the current hourly rate. Additionally, an employee may apply 100% of unused sick leave to pay health insurance premiums upon retirement. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for earned compensatory time off, vacation and sick leave payable to employees at June 30, 2022 is as follows:

Type of Benefit	Amount
Compensatory time off	\$ 21,360
Vacation	139,366
Sick leave	261,943
Total	\$422,669

This liability has been computed based on rates of pay in effect at June 30, 2022.

### Note 7: Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue:	
	Employee Benefits	\$ 385,630
	Local Option Revenue	617,103
	Enterprise:	
	Water	1,000
	Sewer	1,000
		1,004,733
Special Revenue:		
Expendable Trust	General	13,600
Debt Service	Special Revenue:	
	Local Option Revenue	68,567
Capital Projects:		
Downtown Crosswalks Project	General	20,000
Enterprise:	Capital Projects:	
Water	ARPA Project	30,000
Enterprise:	Capital Projects:	
Sewer	ARPA Project	80,000
		\$1,216,900

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

## Notes to Financial Statements (Continued)

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### Note 8: Risk Management

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

### Note 9: Related Party Transactions

The City had business transactions between the City and City officials totaling \$8,707 during the year ended June 30, 2022.

### Note 10: Tax Abatements

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

#### Tax Abatements of Other Entities

Property tax revenues of the City were reduced by the following amounts for the year ended June 30, 2022 under agreements entered into by the following entity:

Entity	Tax Abatement Program	Amount of Tax Abated
Howard County	Urban Renewal and Economic Development Projects	\$47,418

### Note 11: COVID-19

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

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

## Notes to Financial Statements (Continued)

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### Note 12: Subsequent Events

Management evaluated subsequent events through November 8, 2022 the date the financial statements were available to be issued.

Concerns regarding the usage of the City's Sam's Club cards were reported to the State Auditor's Office as required by Chapter 11.6(7) of the Code of Iowa. The City has not taken any action to have additional procedures performed in regards to these concerns as of November 8, 2022.

**CITY OF CRESCO**  
**Cresco, Iowa**

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,  
DISBURSEMENTS AND CHANGES IN BALANCES – BUDGET AND  
ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS AND  
PROPRIETARY FUNDS – OTHER INFORMATION

Year Ended June 30, 2022

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted	Total
<b>Receipts:</b>				
Property Tax	\$2,089,714	\$ 0	\$ 0	\$2,089,714
Other City Tax	759,703	0	0	759,703
Licenses and Permits	54,351	0	0	54,351
Use of Money and Property	115,659	10,879	344	126,194
Intergovernmental	1,151,972	0	0	1,151,972
Charges for Service	1,108,483	1,557,062	0	2,665,545
Special Assessments	85,607	0	0	85,607
Miscellaneous	442,739	117,167	59,878	500,028
Total Receipts	<u>5,808,228</u>	<u>1,685,108</u>	<u>60,222</u>	<u>7,433,114</u>
<b>Disbursements:</b>				
Public Safety	926,671	0	0	926,671
Public Works	1,639,986	0	0	1,639,986
Health and Social Services	5,118	0	0	5,118
Culture and Recreation	1,302,706	0	0	1,302,706
Community and Economic Development	101,016	0	0	101,016
General Government	369,940	43,071	43,071	369,940
Debt Service	344,952	0	0	344,952
Capital Projects	6,288	0	0	6,288
Business Type Activities	0	1,747,227	0	1,747,227
Total Disbursements	<u>4,696,677</u>	<u>1,790,298</u>	<u>43,071</u>	<u>6,443,904</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	1,111,551	(105,190)	17,151	989,210
Other Financing Sources (Uses), Net	<u>(108,000)</u>	<u>108,000</u>	<u>0</u>	<u>0</u>
Change in Balances	1,003,551	2,810	17,151	989,210
Balances Beginning of Year	<u>4,991,806</u>	<u>3,140,287</u>	<u>116,132</u>	<u>8,015,961</u>
Balances End of Year	<u><u>\$5,995,357</u></u>	<u><u>\$3,143,097</u></u>	<u><u>\$133,283</u></u>	<u><u>\$9,005,171</u></u>

See Accompanying Independent Auditor's Report.

Budgeted Amounts		Final to Total Variance
Original	Final	
\$2,085,608	\$2,085,608	\$ 4,106
593,250	760,250	(547)
53,900	53,900	451
133,633	156,633	(30,439)
771,669	1,203,369	(51,397)
2,631,800	2,631,800	33,745
34,000	34,000	51,607
299,270	493,270	6,758
6,603,130	7,418,830	14,284
969,350	1,010,250	83,579
1,597,825	1,937,925	297,939
5,400	5,400	282
1,238,200	1,437,300	134,594
179,400	192,400	91,384
427,600	429,100	59,160
345,200	345,200	248
0	20,000	13,712
1,796,300	2,031,000	283,773
6,559,275	7,408,575	964,671
43,855	10,255	978,955
12,400	27,400	(27,400)
56,255	37,655	951,555
6,780,045	8,015,510	451
\$6,836,300	\$8,053,165	\$952,006

**CITY OF CRESCO  
Cresco, Iowa**

**NOTES TO OTHER INFORMATION – BUDGETARY REPORTING**

**June 30, 2022**

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, except the Internal Service Fund. 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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, three budget amendments increased budgeted disbursements by \$849,300. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2022, disbursements did not exceed the amounts budgeted.

**CITY OF CRESCO  
Cresco, Iowa**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY (ASSET)**

**Iowa Public Employees' Retirement System  
For the Last Eight Years\***

**Other Information**

	2022	2021	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability (Asset)	0.0874460%	0.0146873%	0.0138770%	0.0140783%	0.0146155%	0.0142087%	0.0136761%	0.0134235%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ (301,887)	\$1,031,745	\$ 803,569	\$ 890,910	\$ 973,580	\$ 894,197	\$ 675,665	\$ 544,263
City's Covered Payroll	\$1,533,000	\$1,525,000	\$1,489,000	\$1,425,000	\$1,422,000	\$1,342,000	\$1,316,000	\$1,330,000
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(19.69)%	67.66%	53.97%	62.52%	68.47%	66.63%	51.34%	40.92%
IPERS' Net Position as a Percentage of the Total Pension Liability (Asset)	100.81%	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

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

See Accompanying Independent Auditor's Report.



**CITY OF CRESCO**  
**Cresco, Iowa**

**SCHEDULE OF CITY CONTRIBUTIONS**

**Iowa Public Employees' Retirement System**  
**For the Last Ten Years**

**Other Information**

	2022	2021	2020	2019	2018
Statutorily Required Contribution	\$ 146,663	\$ 145,331	\$ 145,785	\$ 143,584	\$ 130,594
Contributions in Relation to the Statutorily Required Contribution	(146,663)	(145,331)	(145,785)	(143,584)	(130,594)
Contribution Deficiency	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
City's Covered Payroll	\$1,559,000	\$1,533,000	\$1,525,000	\$1,489,000	\$1,425,000
Contributions as a Percentage of Covered Payroll	9.41%	9.48%	9.56%	9.64%	9.16%

See Accompanying Independent Auditor's Report.

2017	2016	2015	2014	2013
<u>\$ 130,171</u>	<u>\$ 123,031</u>	<u>\$ 121,350</u>	<u>\$ 122,503</u>	<u>\$ 120,296</u>
<u>(130,171)</u>	<u>(123,031)</u>	<u>(121,350)</u>	<u>(122,503)</u>	<u>(120,296)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>\$1,422,000</u>	<u>\$1,342,000</u>	<u>\$1,316,000</u>	<u>\$1,330,000</u>	<u>\$1,329,000</u>
9.15%	9.17%	9.22%	9.21%	9.05%

**CITY OF CRESCO**  
**Cresco, Iowa**

**NOTES TO OTHER INFORMATION – PENSION LIABILITY**

**Year Ended June 30, 2022**

*Changes of Benefit Terms:*

There are no significant changes in benefit terms.

*Changes of Assumptions:*

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

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

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

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

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

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

## **Supplementary Information**

**CITY OF CRESCO**  
Cresco, Iowa

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES  
IN CASH BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
As of and for the Year Ended June 30, 2022

	Special Revenue				Capital Projects			Total
	CIDC Revolving Loan	Police Forfeiture	Rehab Housing	Expendable Trust	Scene Shop Project	ARPA Project	Downtown Crosswalks Project	
<b>Receipts:</b>								
Use of Money and Property	\$ 3,296	\$ 0	\$ 195	\$ 3,019	\$ 46	\$ 865	\$ 29	\$ 7,450
Intergovernmental	0	0	18,881	30,000	0	279,533	0	328,414
Miscellaneous	70,457	0	0	167,600	0	0	0	238,057
<b>Total Receipts</b>	<b>73,753</b>	<b>0</b>	<b>19,076</b>	<b>200,619</b>	<b>46</b>	<b>280,398</b>	<b>29</b>	<b>573,921</b>
<b>Disbursements:</b>								
<b>Operating:</b>								
Public Safety	0	0	0	18,115	0	0	0	18,115
Culture and Recreation	0	0	0	156,130	0	0	0	156,130
Community and Economic Development	50,500	0	700	0	0	0	0	51,200
Capital Projects	0	0	0	0	0	0	6,288	6,288
<b>Total Disbursements</b>	<b>50,500</b>	<b>0</b>	<b>700</b>	<b>174,245</b>	<b>0</b>	<b>0</b>	<b>6,288</b>	<b>231,733</b>
<b>Excess (Deficiency) of Receipts Over (Under) Disbursements</b>	<b>23,253</b>	<b>0</b>	<b>18,376</b>	<b>26,374</b>	<b>46</b>	<b>280,398</b>	<b>(6,259)</b>	<b>342,188</b>
<b>Other Financing Sources (Uses):</b>								
Transfers In	0	0	0	13,600	0	0	20,000	33,600
Transfers Out	0	0	0	0	0	(110,000)	0	(110,000)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,600</b>	<b>0</b>	<b>(110,000)</b>	<b>20,000</b>	<b>(76,400)</b>
<b>Change in Cash Balances</b>	<b>23,253</b>	<b>0</b>	<b>18,376</b>	<b>39,974</b>	<b>46</b>	<b>170,398</b>	<b>13,741</b>	<b>265,788</b>
<b>Cash Balances Beginning of Year</b>	<b>84,793</b>	<b>240</b>	<b>42,052</b>	<b>163,244</b>	<b>13,632</b>	<b>0</b>	<b>0</b>	<b>303,961</b>
<b>Cash Balances End of Year</b>	<b>\$108,046</b>	<b>\$240</b>	<b>\$60,428</b>	<b>\$203,218</b>	<b>\$13,678</b>	<b>\$ 170,398</b>	<b>\$13,741</b>	<b>\$ 569,749</b>
<b>Cash Basis Fund Balances:</b>								
<b>Restricted for:</b>								
Fire Equipment	\$ 0	\$ 0	\$ 0	\$ 62,612	\$ 0	\$ 0	\$ 0	\$ 62,612
Equipment Repair - Fitness	0	0	0	35,576	0	0	0	35,576
CIDC Revolving Loan	108,046	0	0	0	0	0	0	108,046
Library	0	0	0	83,244	0	0	0	83,244
Capital Projects	0	0	0	0	13,678	0	13,741	27,419
American Rescue Plan Act Projects	0	0	0	0	0	170,398	0	170,398
Other Purposes	0	240	60,428	18,236	0	0	0	78,904
<b>Committed to:</b>								
Story Walk Project	0	0	0	1,350	0	0	0	1,350
Steve McCarville Memorial Field Sign	0	0	0	2,200	0	0	0	2,200
<b>Total Cash Basis Fund Balances</b>	<b>\$108,046</b>	<b>\$240</b>	<b>\$60,428</b>	<b>\$ 203,218</b>	<b>\$13,678</b>	<b>\$ 170,398</b>	<b>\$13,741</b>	<b>\$ 569,749</b>

See Accompanying Independent Auditor's Report.

**CITY OF CRESCO**  
Cresco, Iowa

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES –  
NONMAJOR PROPRIETARY FUNDS  
As of and for the Year Ended June 30, 2022

	Municipal Sanitary Sewer Utility and Water Utility Capital Improvements	Yard Waste and Recycling	Total
Operating Receipts:			
Charges for Service	\$ 80,299	\$ 39,128	\$119,427
Miscellaneous	0	2,419	2,419
Total Operating Receipts	<u>80,299</u>	<u>41,547</u>	<u>121,846</u>
Operating Disbursements:			
Business Type Activities	<u>25,172</u>	<u>78,230</u>	<u>103,402</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	55,127	(36,683)	18,444
Non-Operating Receipts:			
Interest on Investments	<u>353</u>	<u>302</u>	<u>655</u>
Change in Cash Balances	55,480	(36,381)	19,099
Cash Balances Beginning of Year	<u>90,611</u>	<u>129,025</u>	<u>219,636</u>
Cash Balances End of Year	<u>\$146,091</u>	<u>\$ 92,644</u>	<u>\$238,735</u>
<b>Cash Basis Fund Balances</b>			
Unrestricted	<u>\$146,091</u>	<u>\$ 92,644</u>	<u>\$238,735</u>

See Accompanying Independent Auditor's Report.

**CITY OF CRESCO**  
**Cresco, Iowa**

**SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS**  
**BY FUNCTION – ALL GOVERNMENTAL FUNDS**  
For the Last Ten Years

	2022	2021	2020
<b>Receipts:</b>			
Property Tax	\$2,089,714	\$2,062,548	\$1,929,962
Local Option Sales Tax	685,670	580,428	0
Tax Increment Financing	0	0	0
Other City Tax	74,033	67,974	557,911
Licenses and Permits	54,351	48,530	52,723
Use of Money and Property	115,659	76,316	133,684
Intergovernmental	1,151,972	926,215	684,597
Charges for Service	1,108,483	1,006,861	997,720
Special Assessments	85,607	53,708	100,845
Miscellaneous	442,739	378,593	313,212
	<hr/>		
Total Receipts	\$5,808,228	\$5,201,173	\$4,770,654
<hr/>			
<b>Disbursements:</b>			
Operating:			
Public Safety	\$ 926,671	\$ 954,603	\$ 901,123
Public Works	1,639,986	1,369,954	1,779,244
Health and Social Services	5,118	5,368	7,868
Culture and Recreation	1,302,706	1,102,804	1,131,921
Community and Economic Development	101,016	126,109	224,054
General Government	369,940	363,072	369,340
Debt Service	344,952	551,610	440,826
Capital Projects	6,288	29,553	101,223
	<hr/>		
Total Disbursements	\$4,696,677	\$4,503,073	\$4,955,599
<hr/>			

See Accompanying Independent Auditor's Report.

**Schedule 3**

2019	2018	2017	2016	2015	2014	2013
\$1,995,283	\$1,875,201	\$1,929,325	\$1,990,071	\$1,760,937	\$1,774,897	\$1,737,623
0	0	0	0	0	0	0
0	0	0	0	0	0	39
582,634	541,175	573,949	491,297	535,045	453,570	473,002
51,142	50,242	49,786	53,492	47,935	50,411	13,396
172,263	130,843	85,779	77,822	77,132	66,464	56,400
678,051	625,755	618,775	730,353	524,055	506,403	510,964
1,054,619	1,036,580	1,080,232	1,031,586	1,009,536	957,817	991,696
58,958	78,898	107,787	169,328	8,198	21,380	36,282
373,644	292,491	341,839	347,534	219,208	204,113	187,892
<b>\$4,966,594</b>	<b>\$4,631,185</b>	<b>\$4,787,472</b>	<b>\$4,891,483</b>	<b>\$4,182,046</b>	<b>\$4,035,055</b>	<b>\$4,007,294</b>
\$1,413,162	\$ 752,213	\$ 668,901	\$ 799,484	\$ 680,979	\$ 875,373	\$ 859,182
1,588,572	1,428,309	1,368,412	1,406,211	1,339,292	1,190,197	1,198,791
4,151	4,151	4,151	4,151	4,151	4,151	3,929
1,191,401	1,213,378	1,228,387	1,200,882	1,164,865	1,078,009	1,047,886
268,140	128,437	57,308	47,823	54,464	146,709	274,145
292,219	331,586	318,059	303,870	304,431	305,992	301,425
442,006	446,917	542,365	624,490	596,538	387,129	1,573,696
599,349	117,150	165,976	750,734	2,189,200	215,228	405,829
<b>\$5,799,000</b>	<b>\$4,422,141</b>	<b>\$4,353,559</b>	<b>\$5,137,645</b>	<b>\$6,333,920</b>	<b>\$4,202,788</b>	<b>\$5,664,883</b>





GARDINER + COMPANY  
Certified Public Accountants

## **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***

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To the Honorable Mayor and  
Members of the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cresco, Iowa, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Cresco, Iowa's basic financial statements and have issued our report thereon dated November 8, 2022. Our report expressed unmodified opinions on the financial statements which were prepared on the cash basis of accounting, 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 the City of Cresco, Iowa's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Cresco, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Cresco, Iowa's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings as Item 2022-001 that we consider to be a material weakness.

### **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2022 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 Cresco, Iowa's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Cresco, Iowa's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The City of Cresco, Iowa's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity'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 the City of Cresco, Iowa 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.



Charles City, Iowa

November 8, 2022

**CITY OF CRESCO  
Cresco, Iowa**

**SCHEDULE OF FINDINGS**

**Year Ended June 30, 2022**

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

**2022-001 Segregation of Duties**

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

Condition – Various functions of the City are performed by the same person.

Cause – The City has a limited number of employees.

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 – We realize segregation of duties is difficult with a limited number of office employees. However, 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 and Corrective Action Planned – We have reviewed procedures as suggested and plan to make improvements to internal control.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**CITY OF CRESCO**  
**Cresco, Iowa**

**SCHEDULE OF FINDINGS (Continued)**

**Year Ended June 30, 2022**

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

**2022-A**    Certified Budget – Disbursements during the year ended June 30, 2022 did not exceed the amounts budgeted.

**2022-B**    Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain disbursements were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Visa - Theatre	Sales Tax	\$12
Sam’s Club	Sales Tax	4

According to the opinion, it is possible for certain disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by these types of disbursements prior to authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper public purpose documentation.

Response – If sales tax is charged, the City tries to get a refund from the vendor. If the vendor will not refund the sales tax, the City will file for a refund from the state.

Conclusion – Response accepted.

**2022-C**    Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**CITY OF CRESCO  
Cresco, Iowa**

**SCHEDULE OF FINDINGS (Continued)**

**Year Ended June 30, 2022**

**Other Findings Related to Required Statutory Reporting (Continued):**

**2022-D** Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
<b>Matt Brace, Firefighter</b>		
Part Owner, Cresco Building Service	Overhead Door, Street Light Repair, Kessel Dugouts	\$2,734
<b>Wayne Kerian, Second Assistant Fire Chief</b>		
Partner at Culligan Water Conditioning	Water Conditioning	2,960
<b>Michelle Elton, City Clerk</b>		
Part Owner of Hometown Accounting Inc.	1099 Forms	75
<b>Drew Zahasky, Water Supervisor</b>		
Owner of Mudslingers Construction	Street Patching, Sidewalk Project	2,158
<b>Clair Pecinovsky, Airport Manager</b>		
	Mowing	780

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with Cresco Building Service, Culligan Water Conditioning, Hometown Accounting Inc., Mudslingers Construction and Clair Pecinovsky do not appear to represent conflicts of interest since total transactions with each were less than \$6,000 during the fiscal year.

**2022-E** Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

**2022-F** Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

**2022-G** City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

**2022-H** Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

**2022-I** Revenue Notes – No instances of noncompliance with the revenue note resolutions were noted.

**2022-J** Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

**CITY OF CRESCO**  
**Cresco, Iowa**

**SCHEDULE OF FINDINGS (Continued)**

**Year Ended June 30, 2022**

**Other Findings Related to Required Statutory Reporting (Continued):**

**2022-K**     Excess Fund Balance – We noted the fund balances in the Special Revenue Funds: Road Use Tax, Employee Benefits, CIDC Revolving Loan, Police Forfeiture, Rehab Housing and Expendable Trust Funds, and the fund balances in the Capital Projects Funds: Scene Shop Project, ARPA Project and Downtown Crosswalks Project Funds were in excess of disbursements for the current year.

Recommendation – The City should investigate alternatives to eliminate the excesses.

Response – The Road Use Tax Fund will be used for future street projects and improvements. The Employee Benefits Fund will be used to provide employee benefits in future fiscal years. The CIDC Revolving Loan Fund will be used in future years to fund future economic development opportunities. The Police Forfeiture Fund will be used to make improvements to the Police Department. The Rehab Housing Fund will be used to complete the CDBG grant requirements. The Expendable Trust Fund will be used to make improvements to the Fitness Center and the Library and to provide funds for fire equipment and recreation in the future. The Scene Shop, ARPA and Downtown Crosswalks Capital Projects Funds will be used for future projects.

Conclusion – Response accepted.

## APPENDIX E – BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY

### BOND INSURANCE

#### **BOND INSURANCE POLICY**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

#### **BUILD AMERICA MUTUAL ASSURANCE COMPANY**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

#### *Capitalization of BAM*

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$476.6 million, \$196.7 million and \$279.9 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM’s most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM’s website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “Appendix E – Bond Insurance and Specimen Municipal Bond Insurance Policy”.

*Additional Information Available from BAM*

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at [www.buildamerica.com/videos](http://www.buildamerica.com/videos). (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Credit Profiles.** Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at [www.buildamerica.com/credit-profiles](http://www.buildamerica.com/credit-profiles). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.





**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

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

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

SPECIAL MEMBER

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN