

UNDERWOOD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Underwood Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Keith Peterson	President	2017
Neil Darrington	Vice President	2015
John Rasmussen	Board Member	2017
Bill Bracker	Board Member	2015
Becky Constant	Board Member	2015
School Officials		
Edward Hawks	Superintendent	2015
Andrea Raes	District Secretary and Treasurer	2015
Ahlers & Cooney P.C.	Attorney	2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of Underwood Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Underwood Community School District, Underwood, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Underwood Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 12 to the financial statements, Underwood Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Underwood Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 are presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2016 on our consideration of Underwood Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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 Underwood Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 8, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Underwood Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,679,179 in fiscal year 2014 to \$7,857,271 in fiscal year 2015, while General Fund expenditures decreased from \$7,846,486 in fiscal year 2014 to \$7,838,510 in fiscal year 2015. The District's General Fund balance increased from \$670,033 at June 30, 2014 to \$688,794 at June 30, 2015, a 2.80% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in tuition source revenue as compared to the prior year. The decrease in expenditures was due to a decrease in costs incurred for District support services as compared to the prior year.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Underwood Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Underwood Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Underwood Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

Figure A-1
Underwood Community School District Annual Financial Report

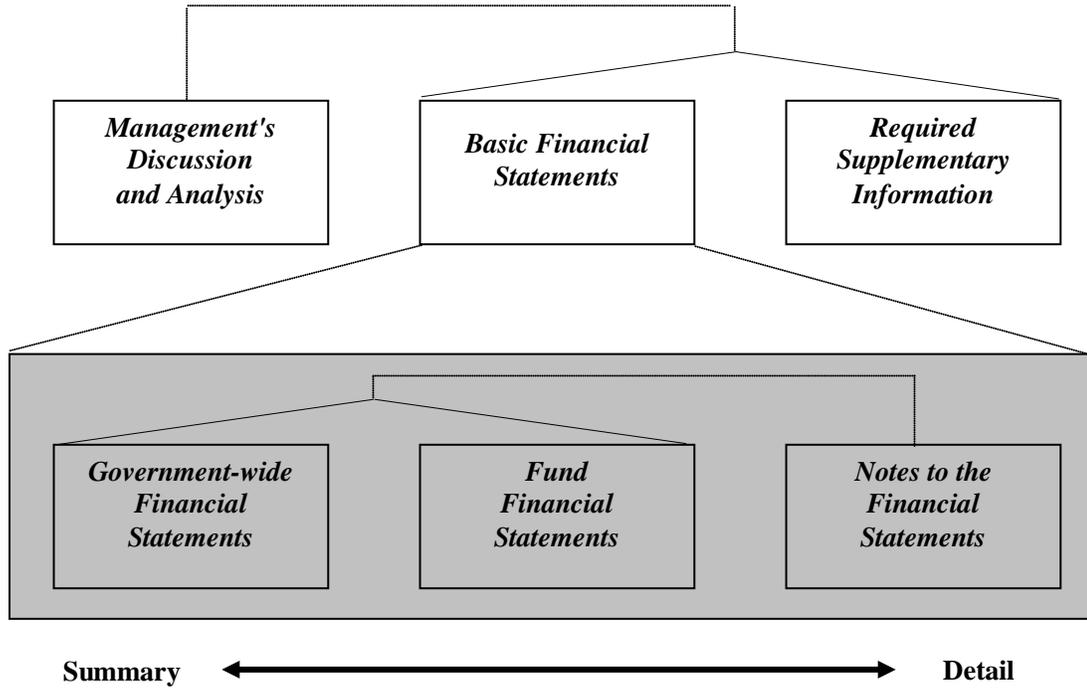


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has three enterprise funds, the School Nutrition, Latch Key, and Wellness Funds.

The District's Internal Service Fund, one type of proprietary fund, is the same as the governmental activities, but provides more detail and additional information, such as cash flows. The District Internal Service Fund accounts for the partially self-funded insurance provided by the District.

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students and wellness activities in this fund.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net position at June 30, 2015 compared to June 30, 2014.

Figure A-3 Condensed Statement of Net Position								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2014		2014		2014		2014-15	
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)		
Current and other assets	\$ 6,546,335	6,514,311	146,103	121,892	6,692,438	6,636,203	0.85%	
Capital assets	14,269,133	14,686,881	51,496	58,827	14,320,629	14,745,708	-2.88%	
Total assets	<u>20,815,468</u>	<u>21,201,192</u>	<u>197,599</u>	<u>180,719</u>	<u>21,013,067</u>	<u>21,381,911</u>	<u>-1.73%</u>	
Deferred outflows of resources	555,465	-	20,128	-	575,593	-	100.00%	
Long-term liabilities	12,844,845	10,872,485	115,784	24,110	12,960,629	10,896,595	18.94%	
Other liabilities	914,387	900,171	39,088	35,148	953,475	935,319	1.94%	
Total liabilities	<u>13,759,232</u>	<u>11,772,656</u>	<u>154,872</u>	<u>59,258</u>	<u>13,914,104</u>	<u>11,831,914</u>	<u>17.60%</u>	
Deferred inflows of resources	4,478,814	3,592,050	34,763	-	4,513,577	3,592,050	25.65%	
Net position:								
Net investment in capital assets	4,979,133	4,811,881	51,496	58,827	5,030,629	4,870,708	3.28%	
Restricted	1,434,794	1,437,375	-	-	1,434,794	1,437,375	-0.18%	
Unrestricted	(3,281,040)	(412,770)	(23,404)	62,634	(3,304,444)	(350,136)	843.76%	
Total net position	<u>\$ 3,132,887</u>	<u>5,836,486</u>	<u>28,092</u>	<u>121,461</u>	<u>3,160,979</u>	<u>5,957,947</u>	<u>-46.95%</u>	

The District's combined net position decreased by \$2,796,968 or 46.95% from the prior year. The largest portion of the District's net position is invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position decreased \$2,581 or 0.18% from the prior year. The decrease in restricted net position is due in part to the decrease in the amount of General Fund balance restricted for categorical funding.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$2,954,308 or 843.76%. The decrease in unrestricted net position is primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$3,121,799 and \$112,221 respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30, 2014		June 30, 2014		June 30, 2014		June 30, 2014-15	
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	2014-15	
Revenues:								
Program revenues:								
Charges for service	\$ 1,448,798	1,107,388	357,655	341,382	1,806,453	1,448,770	24.69%	
Operating grants, contributions and restricted interest	474,963	479,823	133,904	116,566	608,867	596,389	2.09%	
Capital grants, contributions and restricted interest	10,000	-	-	-	10,000	-	100.00%	
General revenues:								
Property tax	3,601,027	3,584,825	-	-	3,601,027	3,584,825	0.45%	
Statewide sales, services and use tax	660,955	628,248	-	-	660,955	628,248	0.00%	
Unrestricted state grants	3,249,239	3,398,900	-	-	3,249,239	3,398,900	-4.40%	
Unrestricted investment earnings	2,438	3,114	-	-	2,438	3,114	-21.71%	
Other	87,747	18,695	2,110	636	89,857	19,331	364.83%	
Total revenues	9,535,167	9,220,993	493,669	458,584	10,028,836	9,679,577	3.61%	
Program expenses:								
Instruction	5,326,709	5,203,975	-	-	5,326,709	5,203,975	2.36%	
Support services	2,808,795	2,975,841	1,416	-	2,810,211	2,975,841	-5.57%	
Non-instructional programs	-	-	473,401	428,216	473,401	428,216	10.55%	
Other expenses	981,463	989,195	-	-	981,463	989,195	-0.78%	
Total expenses	9,116,967	9,169,011	474,817	428,216	9,591,784	9,597,227	-0.06%	
Change in net position	418,200	51,982	18,852	30,368	437,052	82,350	430.72%	
Net position beginning of year, as restated	2,714,687	5,784,504	9,240	91,093	2,723,927	5,875,597	-53.64%	
Net position end of year	\$ 3,132,887	5,836,486	28,092	121,461	3,160,979	5,957,947	-46.95%	

In fiscal year 2015, property tax, statewide sales, services and use tax and unrestricted state grants accounted for 78.77% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 99.57% of the revenue from business type activities.

The District's total revenues were approximately \$10.03 million, of which approximately \$9.54 million was for governmental activities and approximately \$0.49 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 3.61% in revenues and a decrease of 0.06% in expenses. The increase in revenues can be attributed to the increase in charges for service revenues received by the District as compared to the previous year. The decrease in expenses was primarily due to a decrease in support service expenses incurred as compared to the previous year.

Governmental Activities

Revenues for governmental activities were \$9,535,167 and expenses were \$9,116,967 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-15	2015	2014 (Not Restated)	Change 2014-15
Instruction	\$ 5,326,709	5,203,975	2.36%	3,698,674	3,911,493	-5.44%
Support services	2,808,795	2,975,841	-5.61%	2,790,111	2,968,476	-6.01%
Other expenses	981,463	989,195	-0.78%	694,421	701,831	-1.06%
Totals	\$ 9,116,967	9,169,011	-0.57%	7,183,206	7,581,800	-5.26%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,448,798.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$484,963.
- The net cost of governmental activities was financed with \$3,601,027 in property tax, \$660,955 in statewide sales, services and use tax, \$3,249,239 in unrestricted state grants, \$2,438 in interest income and \$87,747 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$493,669 and expenses were \$474,817 for the year ended June 30, 2015. The District's business type activities include the School Nutrition, Latch Key, and Wellness Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Underwood Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,092,711; an increase from last year's ending combined fund balances of \$2,038,378. The primary reason for the increase in combined fund balances is due to an increase in fund balance of the Capital Projects Fund.

Governmental Fund Highlights

- The District's General Fund balance increased from \$670,033 at June 30, 2014 to \$688,794 at June 30, 2015. The District's General Fund financial position is the product of many factors. An increase in tuition revenues was the primary reason for the increase in fund balance.
- The Debt Service Fund balance decreased from \$844,445 at June 30, 2014 to \$843,158 at June 30, 2015. This decrease in fund balance was primarily due an increase in principal and interest expenditures needed for payments on the District's general obligation and revenue bond indebtedness.

Proprietary Fund Highlights

The School Nutrition Fund increased from deficit net position of \$25,810 restated as of July 1, 2014 to deficit \$12,456 at June 30, 2015, representing an increase of 51.74%. An increase in federal source revenues received compared to the prior year was the primary reason for the increase in net position.

The Latch Key Fund net position increased from \$35,050 restated as of July 1, 2014 to \$39,394 at June 30, 2015, representing an increase of 12.39%. An increase in revenues as compared to the previous year was the primary reason for the increase in net position at year end.

BUDGETARY HIGHLIGHTS

The District's revenues were \$525,331 more than budgeted revenues, a variance of 5.53%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The district then manages or controls General Fund spending through its line-item budget. In situations where revenues exceed projections, and expenditures do not exceed spending authority, the Board may take action to amend the budget authorizing additional expenditures.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional area for during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$14,320,629, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.88% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$578,471.

The original cost of the District's capital assets was \$20,340,094. Governmental funds accounted for \$20,228,680 with the remainder of \$111,414 accounted for in the Proprietary, School Nutrition and Latch Key Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$13,180,028 at June 30, 2014, compared to \$12,824,679 reported at June 30, 2015. This decrease in buildings is primarily due to annual depreciation expense incurred during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 97,590	97,590	-	-	97,590	97,590	0.00%
Construction in progress	-	42,684	-	-	-	42,684	-100.00%
Buildings	12,824,679	13,180,028	-	-	12,824,679	13,180,028	-2.70%
Land improvements	869,753	836,292	-	-	869,753	836,292	4.00%
Furniture and equipment	477,111	530,287	51,496	58,827	528,607	589,114	-10.27%
Total	\$ 14,269,133	14,686,881	51,496	58,827	14,320,629	14,745,708	-2.88%

Long-Term Debt

At June 30, 2015, the District had \$12,960,629 in general and other long-term debt outstanding. This represents an increase of 18.94% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonds of \$3,735,000 at June 30, 2015 payable from the Debt Service Fund.

The District had total outstanding revenue bonds of \$5,555,000 at June 30, 2015 payable from the Capital Projects: Statewide Sales, Services and Use Tax.

The District had total net pension liability of \$2,626,867 at June 30, 2015. \$2,535,715 of this total is attributed to the District's governmental activities while \$91,152 is attributed to the District's business type activities.

The District had total net OPEB liability of \$1,043,762 at June 30, 2015. \$1,019,130 of this total is attributed to the District's governmental activities while \$24,632 is attributed to the District's business type activities.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	Change 2014-15
General obligation bonds	\$ 3,735,000	3,995,000	-	-	3,735,000	3,995,000	-6.51%
Revenue bonds	5,555,000	5,880,000	-	-	5,555,000	5,880,000	-5.53%
Net pension liability	2,535,715	-	91,152	-	2,626,867	-	100.00%
Net OPEB obligation	1,019,130	997,485	24,632	24,110	1,043,762	1,021,595	2.17%
Total	\$ 12,844,845	10,872,485	115,784	24,110	12,960,629	10,896,595	18.94%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Unstable modified allowable growth over several years may impact the district's spending authority.
- Decreases in enrollment over the past few years may impact the district's spending authority

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Andrea Raes, District Secretary/Treasurer, Underwood Community School District, P.O. Box 130, Underwood, Iowa, 51576.

BASIC FINANCIAL STATEMENTS

UNDERWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,605,882	138,043	2,743,925
Receivables:			
Property tax:			
Delinquent	27,953	-	27,953
Succeeding year	3,511,765	-	3,511,765
Accounts	887	-	887
Due from other governments	399,848	-	399,848
Inventories	-	8,060	8,060
Capital assets, net of accumulated depreciation	14,269,133	51,496	14,320,629
TOTAL ASSETS	20,815,468	197,599	21,013,067
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	555,465	20,128	575,593
LIABILITIES			
Accounts payable	80,316	-	80,316
Salaries and benefits payable	747,567	33,523	781,090
Accrued interest payable	86,504	-	86,504
Unearned revenues	-	5,565	5,565
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	275,000	-	275,000
Revenue bonds payable	325,000	-	325,000
Portion due after one year:			
General obligation bonds payable	3,460,000	-	3,460,000
Revenue bonds payable	5,230,000	-	5,230,000
Net pension liability	2,535,715	91,152	2,626,867
Net OPEB liability	1,019,130	24,632	1,043,762
TOTAL LIABILITIES	13,759,232	154,872	13,914,104
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	3,511,765	-	3,511,765
Pension related deferred inflows	967,049	34,763	1,001,812
TOTAL DEFERRED INFLOWS OF RESOURCES	4,478,814	34,763	4,513,577
NET POSITION			
Net investment in capital assets	4,979,133	51,496	5,030,629
Restricted for:			
Categorical funding	80,206	-	80,206
School infrastructure	392,346	-	392,346
Physical plant and equipment	14,129	-	14,129
Management levy purposes	92,910	-	92,910
Student activities	98,549	-	98,549
Debt service	756,654	-	756,654
Unrestricted	(3,281,040)	(23,404)	(3,304,444)
TOTAL NET POSITION	\$ 3,132,887	28,092	3,160,979

SEE NOTES TO FINANCIAL STATEMENTS.

UNDERWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,502,663	855,552	31,920	-	(2,615,191)	-	(2,615,191)
Special	804,157	264,762	30,850	-	(508,545)	-	(508,545)
Other	1,019,889	327,311	117,640	-	(574,938)	-	(574,938)
	5,326,709	1,447,625	180,410	-	(3,698,674)	-	(3,698,674)
Support services:							
Student	191,797	-	-	-	(191,797)	-	(191,797)
Instructional staff	254,839	-	3,580	-	(251,259)	-	(251,259)
Administration	986,890	-	-	-	(986,890)	-	(986,890)
Operation and maintenance of plant	905,735	-	-	10,000	(895,735)	-	(895,735)
Transportation	469,534	1,173	3,931	-	(464,430)	-	(464,430)
	2,808,795	1,173	7,511	10,000	(2,790,111)	-	(2,790,111)
Long-term debt interest	284,370	-	-	-	(284,370)	-	(284,370)
Other expenses:							
AEA flowthrough	287,042	-	287,042	-	-	-	-
Depreciation(unallocated)*	410,051	-	-	-	(410,051)	-	(410,051)
	697,093	-	287,042	-	(410,051)	-	(694,421)
Total governmental activities	9,116,967	1,448,798	474,963	10,000	(7,183,206)	-	(7,183,206)
Business Type activities:							
Support services:							
Administration	1,416	-	-	-	-	(1,416)	(1,416)
Non-instructional programs:							
Food service operations	403,982	282,738	133,904	-	-	12,660	12,660
Other enterprise operations	66,863	71,207	-	-	-	4,344	4,344
Community service operations	2,556	3,710	-	-	-	1,154	1,154
Total non-instructional programs	473,401	357,655	133,904	-	-	18,158	17,004
Total business type activities	474,817	357,655	133,904	-	-	16,742	16,742
Total	\$ 9,591,784	1,806,453	608,867	10,000	(7,183,206)	16,742	(7,166,464)
General Revenues:							
Property tax levied for:							
General purposes				\$ 3,098,155	-		3,098,155
Debt service				421,739	-		421,739
Capital outlay				81,133	-		81,133
Statewide sales, services and use tax				660,955	-		660,955
Unrestricted state grants				3,249,239	-		3,249,239
Unrestricted investment earnings				2,438	-		2,438
Other general revenues				87,747	2,110		89,857
Total general revenues				7,601,406	2,110		7,603,516
Change in net position				418,200	18,852		437,052
Net position beginning of year, as restated				2,714,687	9,240		2,723,927
Net position end of year				\$ 3,132,887	28,092		3,160,979

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

SEE NOTES TO FINANCIAL STATEMENTS.

UNDERWOOD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Debt Service	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 1,193,476	839,906	458,524	2,491,906
Receivables:				
Property tax:				
Delinquent	22,594	3,252	2,107	27,953
Succeeding year	2,808,184	425,319	278,262	3,511,765
Accounts	887	-	-	887
Due from other governments	297,778	-	102,070	399,848
TOTAL ASSETS	\$ 4,322,919	1,268,477	840,963	6,432,359
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 78,374	-	1,942	80,316
Salaries and benefits payable	747,567	-	-	747,567
Total liabilities	825,941	-	1,942	827,883
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,808,184	425,319	278,262	3,511,765
Fund balances:				
Restricted for:				
Categorical funding	80,206	-	-	80,206
School infrastructure	-	-	392,346	392,346
Physical plant and equipment	-	-	14,129	14,129
Management levy purposes	-	-	92,910	92,910
Student activities	-	-	98,549	98,549
Debt service	-	843,158	-	843,158
Unassigned:				
General	608,588	-	-	608,588
Student activities	-	-	(37,175)	(37,175)
Total fund balances	688,794	843,158	560,759	2,092,711
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,322,919	1,268,477	840,963	6,432,359

SEE NOTES TO FINANCIAL STATEMENTS.

UNDERWOOD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2015

Total fund balances of governmental funds(page 20)	\$	2,092,711
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		14,269,133
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		113,976
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(86,504)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 555,465	
Deferred inflows of resources	<u>(967,049)</u>	(411,584)
Long-term liabilities, including bonds payable, other postemployment benefits payable and the net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(12,844,845)</u>
Net position of governmental activities(page 18)	\$	<u><u>3,132,887</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

UNDERWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	Debt			Total
	General	Service	Nonmajor	
REVENUES:				
Local sources:				
Local tax	\$ 2,907,677	421,739	271,611	3,601,027
Tuition	1,083,322	-	-	1,083,322
Other	154,037	67	323,248	477,352
State sources	3,631,344	167	661,064	4,292,575
Federal sources	80,891	-	-	80,891
TOTAL REVENUES	7,857,271	421,973	1,255,923	9,535,167
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,526,731	-	68,965	3,595,696
Special	800,002	-	-	800,002
Other	665,470	-	311,706	977,176
	4,992,203	-	380,671	5,372,874
Support services:				
Student	184,253	-	-	184,253
Instructional staff	264,052	-	16,800	280,852
Administration	963,328	-	6,758	970,086
Operation and maintenance of plant	774,918	-	127,768	902,686
Transportation	372,714	-	84,894	457,608
	2,559,265	-	236,220	2,795,485
Capital outlay	-	-	152,704	152,704
Long-term debt:				
Principal	-	585,000	-	585,000
Interest and fiscal charges	-	287,729	-	287,729
	-	872,729	-	872,729
Other expenditures:				
AEA flowthrough	287,042	-	-	287,042
TOTAL EXPENDITURES	7,838,510	872,729	769,595	9,480,834
Excess(Deficiency) of revenues over(under) expenditures	18,761	(450,756)	486,328	54,333
OTHER FINANCING SOURCES(USES):				
Transfer in	-	449,469	-	449,469
Transfer out	-	-	(449,469)	(449,469)
TOTAL OTHER FINANCING SOURCES(USES)	-	449,469	(449,469)	-
Change in fund balances	18,761	(1,287)	36,859	54,333
Fund balances beginning of year	670,033	844,445	523,900	2,038,378
Fund balances end of year	\$ 688,794	843,158	560,759	2,092,711

SEE NOTES TO FINANCIAL STATEMENTS .

UNDERWOOD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2015

Change in fund balances - total governmental funds(page 22) \$ 54,333

*Amounts reported for governmental activities in the
 Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlay and depreciation expense in the current year are as follows:

Capital outlay	\$ 153,392	
Depreciation expense	(571,140)	(417,748)

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 40,401

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 585,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,359

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 374,085

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds, as follows:

Pension expense	(199,585)	
Other postemployment benefits	(21,645)	(221,230)

Change in net position of governmental activities(page 19) \$ 418,200

SEE NOTES TO FINANCIAL STATEMENTS .

UNDERWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business Type Activities:				Governmental
	Enterprise Funds				Activities:
	School Nutrition	Latch Key	Wellness	Total	Internal Service Fund
ASSETS					
Current assets:					
Cash and pooled investments	\$ 80,887	56,002	1,154	138,043	113,976
Inventories	8,060	-	-	8,060	-
Total current assets	88,947	56,002	1,154	146,103	113,976
Noncurrent assets:					
Capital assets, net of accumulated depreciation	32,194	19,302	-	51,496	-
TOTAL ASSETS	121,141	75,304	1,154	197,599	113,976
DEFERRED OUTFLOWS OF RESOURCES					
Pension related deferred outflows	16,498	3,630	-	20,128	-
LIABILITIES					
Current liabilities:					
Salaries and benefits payable	26,982	6,541	-	33,523	-
Unearned revenue	5,565	-	-	5,565	-
Total current liabilities	32,547	6,541	-	39,088	-
Noncurrent liabilities:					
Net pension liability	76,179	14,973	-	91,152	-
Net OPEB liability	12,316	12,316	-	24,632	-
Total noncurrent liabilities	88,495	27,289	-	115,784	-
TOTAL LIABILITIES	121,042	33,830	-	154,872	-
DEFERRED INFLOWS OF RESOURCES					
Pension related deferred inflows	29,053	5,710	-	34,763	-
NET POSITION					
Net investment in capital assets	32,194	19,302	-	51,496	-
Unrestricted	(44,650)	20,092	1,154	(23,404)	113,976
TOTAL NET POSITION	\$ (12,456)	39,394	1,154	28,092	113,976

SEE NOTES TO FINANCIAL STATEMENTS.

UNDERWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business Type Activities: Enterprise Funds				Governmental Activities: Internal Service Fund
	School Nutrition	Latch Key	Wellness	Total	
Operating revenues:					
Local sources:					
Charges for service	\$ 282,738	71,207	3,710	357,655	-
Miscellaneous	2,110	-	-	2,110	866,169
Total operating revenues	<u>284,848</u>	<u>71,207</u>	<u>3,710</u>	<u>359,765</u>	<u>866,169</u>
Operating expenses:					
Instruction:					
Regular					
Benefits	-	-	-	-	825,768
Support Services:					
Administration:					
Services	1,416	-	-	1,416	-
Non-instructional programs:					
Food service operations:					
Salaries	135,317	-	-	135,317	-
Benefits	26,147	-	-	26,147	-
Services	18,159	-	-	18,159	-
Supplies	219,202	-	-	219,202	-
Depreciation	5,157	-	-	5,157	-
	<u>403,982</u>	<u>-</u>	<u>-</u>	<u>403,982</u>	<u>-</u>
Other enterprise operations:					
Salaries	-	46,982	-	46,982	-
Benefits	-	13,682	-	13,682	-
Supplies	-	3,944	-	3,944	-
Other	-	81	-	81	-
Depreciation	-	2,174	-	2,174	-
	<u>-</u>	<u>66,863</u>	<u>-</u>	<u>66,863</u>	<u>-</u>
Community service operations:					
Supplies	-	-	189	189	-
Other	-	-	2,367	2,367	-
	<u>-</u>	<u>-</u>	<u>2,556</u>	<u>2,556</u>	<u>-</u>
Total non-instructional programs	<u>403,982</u>	<u>66,863</u>	<u>2,556</u>	<u>473,401</u>	<u>-</u>
Total operating expenses	<u>405,398</u>	<u>66,863</u>	<u>2,556</u>	<u>474,817</u>	<u>825,768</u>
Operating income(loss)	(120,550)	4,344	1,154	(115,052)	40,401
Non-operating revenues:					
State sources	3,288	-	-	3,288	-
Federal sources	130,616	-	-	130,616	-
Total non-operating revenues	<u>133,904</u>	<u>-</u>	<u>-</u>	<u>133,904</u>	<u>-</u>
Change in net position	13,354	4,344	1,154	18,852	40,401
Net position beginning of year, as restated	<u>(25,810)</u>	<u>35,050</u>	<u>-</u>	<u>9,240</u>	<u>73,575</u>
Net position end of year	<u>\$ (12,456)</u>	<u>39,394</u>	<u>1,154</u>	<u>28,092</u>	<u>113,976</u>

SEE NOTES TO FINANCIAL STATEMENTS.

UNDERWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business Type Activities: Enterprise Funds				Governmental Activities:
	School Nutrition	Latch Key	Wellness	Total	Internal Service Fund
Cash flows from operating activities:					
Cash received from sale of lunches and breakfasts	\$ 285,384	-	-	285,384	-
Cash received from latch key operations	-	71,207	-	71,207	-
Cash received from wellness operations	-	-	3,710	3,710	-
Cash received from miscellaneous operating activities	2,110	-	-	2,110	866,169
Cash payments to employees for services	(165,252)	(61,494)	-	(226,746)	-
Cash payments to suppliers for goods or services	(206,691)	(4,025)	(2,556)	(213,272)	(825,768)
Net cash provided by(used in) operating activities	(84,449)	5,688	1,154	(77,607)	40,401
Cash flows from non-capital financing activities:					
State grants received	3,288	-	-	3,288	-
Federal grants received	100,259	-	-	100,259	-
Net cash provided by non-capital financing activities	103,547	-	-	103,547	-
Net increase in cash and pooled investments	19,098	5,688	1,154	24,786	40,401
Cash and pooled investments beginning of year	61,789	50,314	-	112,103	73,575
Cash and pooled investments end of year	\$ 80,887	56,002	1,154	138,043	113,976
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:					
Operating income(loss)	\$ (120,550)	4,344	1,154	(115,052)	40,401
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:					
Commodities consumed	30,357	-	-	30,357	-
Depreciation	5,157	2,174	-	7,331	-
Decrease in inventories	1,729	-	-	1,729	-
Increase in salaries and benefits payable	1,004	290	-	1,294	-
Increase in unearned revenue	2,646	-	-	2,646	-
Decrease in net pension liability	(28,832)	(5,667)	-	(34,499)	-
Increase in deferred outflows of resources	(5,274)	(1,424)	-	(6,698)	-
Increase in deferred inflows of resources	29,053	5,710	-	34,763	-
Increase in other postemployment benefits	261	261	-	522	-
Net cash provided by(used in) operating activities	\$ (84,449)	5,688	1,154	(77,607)	40,401

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$30,357 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

UNDERWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2015

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
ASSETS		
Cash and pooled investments	\$	18,744
LIABILITIES		
		-
NET POSITION		
Held in trust for scholarships	\$	18,744

SEE NOTES TO FINANCIAL STATEMENTS.

UNDERWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
ADDITIONS:	
Local sources:	
Interest income	\$ 34
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	4,798
Change in net position	(4,764)
Net position beginning of year	23,508
Net position end of year	\$ 18,744

SEE NOTES TO FINANCIAL STATEMENTS .

UNDERWOOD COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(1) Summary of Significant Accounting Policies

The Underwood Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Underwood, Iowa, and the predominate agricultural territory in Pottawattamie County. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor proprietary funds:

The District's proprietary funds are the School Nutrition Fund, Latch Key Fund and Wellness Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Latch Key Fund is used to account for child care services. The Wellness Fund is used to account for the revenues and expenses of the District's wellness center.

The Internal Service Fund is used to account for the benefits program offered by the District's partially self-funded health insurance. The Internal Service Fund is charged back to the Governmental funds and shown combined in the Statement of Net Position and the Statement of Activities.

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

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

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

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes

certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Furniture and equipment	5-20 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

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

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

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

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the non-instructional programs functional area.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2015 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$80,072 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Standard & Poor's Financial Services.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 97,590	-	-	97,590
Construction in progress	42,684	45,479	88,163	-
Total capital assets not being depreciated	<u>140,274</u>	<u>45,479</u>	<u>88,163</u>	<u>97,590</u>
Capital assets being depreciated:				
Buildings	16,574,668	-	-	16,574,668
Land improvements	1,416,386	88,163	-	1,504,549
Machinery and equipment	2,002,862	107,913	58,902	2,051,873
Total capital assets being depreciated	<u>19,993,916</u>	<u>196,076</u>	<u>58,902</u>	<u>20,131,090</u>
Less accumulated depreciation for:				
Buildings	3,394,640	355,349	-	3,749,989
Land improvements	580,094	54,702	-	634,796
Machinery and equipment	1,472,575	161,089	58,902	1,574,762
Total accumulated depreciation	<u>5,447,309</u>	<u>571,140</u>	<u>58,902</u>	<u>5,959,547</u>
Total capital assets being depreciated, net	<u>14,546,607</u>	<u>(375,064)</u>	<u>-</u>	<u>14,171,543</u>
Governmental activities capital assets, net	<u>\$ 14,686,881</u>	<u>(329,585)</u>	<u>88,163</u>	<u>14,269,133</u>
Business type activities:				
Furniture and equipment	\$ 111,414	-	-	111,414
Less accumulated depreciation	52,587	7,331	-	59,918
Business type activities capital assets, net	<u>\$ 58,827</u>	<u>(7,331)</u>	<u>-</u>	<u>51,496</u>

Depreciation expense was charged by the District as follows:

Instruction:	
Regular	\$ 5,663
Other	53,030
Support services:	
Administration	2,768
Operation and maintenance of plant	4,135
Transportation	95,493
	<u>161,089</u>
Unallocated depreciation	410,051
Total governmental activities depreciation expense	<u>\$ 571,140</u>
Business type activities:	
Food service operations	\$ 5,157
Other business operations	2,174
	<u>\$ 7,331</u>

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
	Capital Projects:	
Debt Service	Statewide Sales, Services and Use Tax	\$ 449,469

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

(5) Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 3,995,000	-	260,000	3,735,000	275,000
Revenue bonds	5,880,000	-	325,000	5,555,000	325,000
Net pension liability	3,495,414	-	959,699	2,535,715	-
Net OPEB liability	997,485	21,645	-	1,019,130	-
Total	\$ 14,367,899	21,645	1,544,699	12,844,845	600,000
Business Type Activities:					
Net pension liability	\$ 125,651	-	34,499	91,152	-
Net OPEB liability	24,110	522	-	24,632	-
Total	\$ 149,761	522	34,499	115,784	-

General Obligation Bonds Payable

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of December 1, 2006			
	Interest Rates	Principal	Interest	Total
2016	4.00 %	\$ 275,000	149,919	424,919
2017	4.00	285,000	138,919	423,919
2018	4.00	295,000	127,518	422,518
2019	4.00	310,000	115,719	425,719
2020	4.00	325,000	103,319	428,319
2021-2025	4.00	1,830,000	311,594	2,141,594
2026	4.125	415,000	17,118	432,118
Total		\$ 3,735,000	964,106	4,699,106

Revenue Bonds Payable

Details of the District’s June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2012				
	Interest Rates		Principal	Interest	Total
2016	1.00	% \$	325,000	121,410	446,410
2017	1.00		330,000	118,135	448,135
2018	1.20		335,000	114,475	449,475
2019	1.40		340,000	110,085	450,085
2020	1.65		345,000	104,859	449,859
2021-2025	2.00-2.50		1,820,000	415,111	2,235,111
2026-2030	2.75-3.20		2,060,000	161,665	2,221,665
	Total		\$ 5,555,000	1,145,740	6,700,740

The District has pledged future statewide sales, services and use tax revenues to repay the \$6,200,000 of bonds issued in July 2012. The bonds were issued for the purpose of financing a portion of the costs of renovations to the school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 68% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$6,700,740. For the current year, \$325,000 in principal and \$124,660 of interest was paid on the bonds and the total statewide sales, services and use tax revenues were \$660,955.

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

- a) \$452,913 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) Monthly transfers will be made from the District’s Capital Projects: Statewide Sales, Services and Use Tax Fund to a revenue account held by the bonding agent in the District’s name.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project to be used for any lawful purpose.

(6) Pension Plan

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

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

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

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

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

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

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

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$387,693.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$2,626,867 for its proportionate share of the net pension liability. The net pension liability was measured as of June

30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.064908 percent, which was an increase of 0.000954 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$206,759. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,549	\$ -
Changes of assumptions	115,930	-
Net difference between projected and actual earnings on pension plan investments	-	1,001,812
Changes in proportion and differences between District contributions and proportionate share of contributions	43,421	-
District contributions subsequent to the measurement date	387,693	-
Total	\$ 575,593	\$ 1,001,812

\$387,693 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (206,551)
2017	(206,551)
2018	(206,551)
2019	(206,551)
2020	12,292
	\$ (813,912)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$ 4,963,392	\$ 2,626,867	\$ 654,598

Pension Plan Fiduciary Net Position - 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.

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$51,738 for legally required employer contributions and \$34,472 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(7) Other Postemployment Benefits

Plan Description - The District operates a single-employer health benefit plan which provides medical and vision benefits for employees, retirees and their spouses. There are 88 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with United Health Care of River Valley. Retirees under age 65 pay the same premium for the medical benefit as active employees, which result in an implicit rate subsidy and an OPEB liability. The District also offers a one-time cash subsidy to eligible retirees at retirement. This benefit has been accounted for as an explicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	148,000
Interest on net OPEB obligation		45,972
Adjustment to annual required contribution		<u>(38,805)</u>
Annual OPEB cost		155,167
Contributions made		<u>(133,000)</u>
Increase in net OPEB obligation		22,167
Net OPEB obligation beginning of year		<u>1,021,595</u>
Net OPEB obligation end of year	\$	<u>1,043,762</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$133,000 to the medical plan. Plan members eligible for benefits contributed \$75,000, or 36.06% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 154,439	50.51%	\$ 940,000
2014	154,495	47.22%	1,021,595
2015	155,167	85.71%	1,043,762

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$1,290,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,290,000. The covered payroll (annual payroll of active employees covered by the plan) was \$4,139,181 and the ratio of the UAAL to covered payroll was 31.17%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The ultimate health care cost trend rate is 10% reduced by 0.5% each year until an ultimate health care cost trend rate is 5.0% is reached.

Mortality rates are from the RP2000 Table, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected monthly claim costs of the medical plan for retirees less than age 65 are \$1,391 per month under the PPO500 plan or \$1,248 per month under the HD1500 plan. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

(9) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Teacher Salary Supplement	\$ 6,603
Four-Year Old Preschool State Aid	51,357
Professional Development for Model Core Curriculum	1,087
Professional Development	940
Successful Progression for Early Readers	16,308
Teacher Leadership Grants	3,911
Total	<u>\$ 80,206</u>

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$287,042 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position are as follows:

	Net Investment in Capital Assets	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	843,158	608,588
Capital assets, net of accumulated depreciation	14,269,133	-	-
General obligation bond capitalized indebtedness	(3,735,000)	-	-
Revenue bond capitalized indebtedness	(5,555,000)	-	-
Accrued interest payable	-	(86,504)	-
Internal service fund	-	-	113,976
Net OPEB liability	-	-	(1,019,130)
Net pension liability	-	-	(2,535,715)
Pension related deferred outflows	-	-	555,465
Pension related deferred inflows	-	-	(967,049)
Unassigned for student activities	-	-	(37,175)
Net position (Exhibit A)	\$ 4,979,133	756,654	(3,281,040)

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities		
		School Nutrition	Latch Key	Total
Net position June 30, 2014, as previously reported	\$ 5,836,486	\$ 67,977	53,484	121,461
Net pension liability at June 30, 2014	(3,495,414)	(105,011)	(20,640)	(125,651)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	373,615	11,224	2,206	13,430
Net position July 1, 2014, as restated	<u>\$ 2,714,687</u>	<u>\$ (25,810)</u>	<u>35,050</u>	<u>9,240</u>

(13) Deficit Balances

At June 30, 2015 the District had the following deficit balances: the School Nutrition Fund had deficit unrestricted net position of \$44,650 and deficit total net position of \$12,456. The Student Activity Fund had three accounts with deficit total unassigned fund balance of \$37,175. The District also had deficit unrestricted net position of \$23,404 in its business type activities and deficit unrestricted net position of \$3,281,040 in its governmental activities.

(14) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2015, expenditures in the non-instructional programs functional area exceeded the amounts budgeted.

UNDERWOOD

COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

UNDERWOOD COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 5,161,701	359,765	5,521,466	5,610,716	5,610,716	(89,250)
State sources	4,292,575	3,288	4,295,863	3,695,789	3,695,789	600,074
Federal sources	80,891	130,616	211,507	197,000	197,000	14,507
Total revenues	<u>9,535,167</u>	<u>493,669</u>	<u>10,028,836</u>	<u>9,503,505</u>	<u>9,503,505</u>	<u>525,331</u>
Expenditures/Expenses:						
Instruction	5,372,874	-	5,372,874	5,420,000	5,420,000	47,126
Support services	2,795,485	1,416	2,796,901	2,903,000	2,903,000	106,099
Non-instructional programs	-	473,401	473,401	455,000	455,000	(18,401)
Other expenditures	1,312,475	-	1,312,475	1,823,475	1,823,475	511,000
Total expenditures/expenses	<u>9,480,834</u>	<u>474,817</u>	<u>9,955,651</u>	<u>10,601,475</u>	<u>10,601,475</u>	<u>645,824</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	54,333	18,852	73,185	(1,097,970)	(1,097,970)	(1,171,155)
Balances beginning of year, as restated	<u>2,038,378</u>	<u>9,240</u>	<u>2,047,618</u>	<u>2,146,158</u>	<u>2,146,158</u>	<u>(98,540)</u>
Balances end of year	<u>\$ 2,092,711</u>	<u>28,092</u>	<u>2,120,803</u>	<u>1,048,188</u>	<u>1,048,188</u>	<u>1,072,615</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNDERWOOD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

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

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

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

During the year ended June 30, 2015, expenditures in the non-instructional programs functional area exceeded the amounts budgeted.

UNDERWOOD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR *
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.064908%
District's proportionate share of the net pension liability	\$ 2,626,867
District's covered-employee payroll	\$ 4,341,461
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.51%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amount presented for each fiscal year were determined as of June 30.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNDERWOOD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 387,693	361,614	358,618	334,630	285,534	272,275	249,792	213,330	198,393	191,489
Contributions in relation to the statutorily required contribution	<u>(387,693)</u>	<u>(361,614)</u>	<u>(358,618)</u>	<u>(334,630)</u>	<u>(285,534)</u>	<u>(272,275)</u>	<u>(249,792)</u>	<u>(213,330)</u>	<u>(198,393)</u>	<u>(191,489)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>								
District's covered-employee payroll	\$ 4,341,461	4,049,429	4,136,309	4,146,592	4,108,403	3,917,626	3,933,732	3,526,116	3,450,313	3,330,243
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNDERWOOD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

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

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

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

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

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

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

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

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

UNDERWOOD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$	3,130,000	3,130,000	0.00%	\$ 3,878,551	80.70%
2011	July 1, 2009	-	3,130,000	3,130,000	0.00%	3,636,718	86.07%
2012	July 1, 2009	-	3,130,000	3,130,000	0.00%	3,593,318	87.11%
2013	July 1, 2012	-	1,290,000	1,290,000	0.00%	3,825,623	33.72%
2014	July 1, 2012	-	1,290,000	1,290,000	0.00%	4,010,343	32.17%
2015	July 1, 2012	-	1,290,000	1,290,000	0.00%	4,139,181	31.17%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNDERWOOD

COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

UNDERWOOD COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Capital Projects	Total
ASSETS					
Cash and pooled investments	\$ 91,428	61,374	152,802	305,722	458,524
Receivables:					
Property tax:					
Delinquent	1,482	-	1,482	625	2,107
Succeeding year	195,001	-	195,001	83,261	278,262
Due from other governments	-	-	-	102,070	102,070
TOTAL ASSETS	\$ 287,911	61,374	349,285	491,678	840,963
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	-	-	-	1,942	1,942
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	195,001	-	195,001	83,261	278,262
Fund balances:					
Restricted for:					
Management levy purposes	92,910	-	92,910	-	92,910
Student activities	-	98,549	98,549	-	98,549
School infrastructure	-	-	-	392,346	392,346
Physical plant and equipment	-	-	-	14,129	14,129
Unassigned	-	(37,175)	(37,175)	-	(37,175)
Total fund balances	92,910	61,374	154,284	406,475	560,759
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 287,911	61,374	349,285	491,678	840,963

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNDERWOOD COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Capital Projects	Total
REVENUES:					
Local sources:					
Local tax	\$ 190,478	-	190,478	81,133	271,611
Other	9,129	303,997	313,126	10,122	323,248
State sources	77	-	77	660,987	661,064
TOTAL REVENUES	199,684	303,997	503,681	752,242	1,255,923
EXPENDITURES:					
Current:					
Instruction:					
Regular	68,965	-	68,965	-	68,965
Other	-	311,706	311,706	-	311,706
Support services:					
Instructional staff	-	-	-	16,800	16,800
Administration	6,758	-	6,758	-	6,758
Operation and maintenance of plant	127,768	-	127,768	-	127,768
Transportation	17,394	-	17,394	67,500	84,894
Capital outlay	-	-	-	152,704	152,704
TOTAL EXPENDITURES	220,885	311,706	532,591	237,004	769,595
Excess(Deficiency) of revenues over(under) expenditures	(21,201)	(7,709)	(28,910)	515,238	486,328
OTHER FINANCING USES:					
Transfer out	-	-	-	(449,469)	(449,469)
Change in fund balances	(21,201)	(7,709)	(28,910)	65,769	36,859
Fund balances beginning of year	114,111	69,083	183,194	340,706	523,900
Fund balances end of year	\$ 92,910	61,374	154,284	406,475	560,759

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNDERWOOD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 292,218	13,504	305,722
Receivables:			
Property tax:			
Delinquent	-	625	625
Succeeding year	-	83,261	83,261
Due from other governments	102,070	-	102,070
TOTAL ASSETS	\$ 394,288	97,390	491,678
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,942	-	1,942
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	83,261	83,261
Fund balances:			
Restricted for:			
School infrastructure	392,346	-	392,346
Physical plant and equipment	-	14,129	14,129
Total fund balances	392,346	14,129	406,475
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 394,288	97,390	491,678

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNDERWOOD COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
REVENUES:			
Local sources:			
Local tax	\$ -	81,133	81,133
Other	122	10,000	10,122
State sources	660,955	32	660,987
TOTAL REVENUES	661,077	91,165	752,242
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	-	16,800	16,800
Transportation	67,500	-	67,500
Capital outlay	91,674	61,030	152,704
TOTAL EXPENDITURES	159,174	77,830	237,004
Excess of revenues over expenditures	501,903	13,335	515,238
OTHER FINANCING USES:			
Transfer out	(449,469)	-	(449,469)
Change in fund balances	52,434	13,335	65,769
Fund balances beginning of year	339,912	794	340,706
Fund balances end of year	\$ 392,346	14,129	406,475

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNDERWOOD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama/Speech	\$ 594	1,114	527	1,181
Band Activity	11,996	21,065	18,804	14,257
Track Activity	(18,343)	7,718	8,935	(19,560)
Basketball Activity	4	7,685	7,670	19
Football Activity	4,129	15,762	15,705	4,186
Soccer Activity	(12,158)	3,213	4,130	(13,075)
Baseball Activity	(2,450)	2,378	4,468	(4,540)
Wrestling Activity	107	2,073	2,178	2
Volleyball Activity	687	2,717	3,151	253
Softball Activity	10	3,704	3,712	2
Activity Tickets	864	9,865	9,681	1,048
Golf Activity	39	1,010	1,029	20
Baseball Club	3,320	15,148	14,979	3,489
Cross Country Club	903	2,247	2,785	365
Boys Basketball Club	682	11,529	11,262	949
FFA Account	3,671	-	-	3,671
Interest	490	168	328	330
Girls Basketball Club	2,320	9,495	9,844	1,971
Library Club	411	-	-	411
Football Club	5,347	6,908	11,959	296
Drill Team	10	9,853	9,826	37
Middle School Pop/Juice	2,430	11,269	12,699	1,000
High School Pop/Juice	1,385	2,271	2,665	991
High School Science Club	32	-	-	32
Softball Club	3,748	5,450	5,030	4,168
Elementary Student Council	3,814	4,852	7,412	1,254
Middle School Student Council	969	1,227	559	1,637
High School Student Council	1,241	2,170	1,866	1,545
High School Boys Track Club	2,246	1,209	3,152	303
FCCLA/FHA Account	250	-	-	250
High Vocal Activity	2,898	21,353	15,895	8,356
High School Volleyball Club	661	2,303	2,590	374
High School Wrestling Club	3,789	10,709	11,101	3,397
High School Yearbook	2,486	5,064	2,787	4,763
High School Girls Track Club	1,080	1,358	1,686	752
Basketball Cheerleading	1,304	-	-	1,304
Football Cheerleading	721	1,281	648	1,354
Wrestling Cheerleading	45	1,506	1,324	227
Middle School Leadership	2,419	1,972	1,787	2,604
Alumni	1,311	31	98	1,244
Spanish Club	380	325	331	374
JH Volleyball Club	879	-	-	879

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Jump Rope for Heart	10	-	-	10
Middle School Wrestling Club	158	-	-	158
Middle School Yearbook	1,745	1,275	1,216	1,804
Middle School Vocal Activity	2,554	-	1,407	1,147
Elementary Music	5,078	2,055	1,328	5,805
Elementary PAC	7,255	6,722	7,145	6,832
JH Girls Track Club	300	830	768	362
Girard Memorial Library Fund	190	-	190	-
Special Olympics	-	1,939	-	1,939
Band Flag Corp	301	-	-	301
JH Football Club	18	-	-	18
JH Basketball Club	9	-	-	9
Class of 2013	31	-	31	-
Class of 2014	483	-	190	293
Class of 2015	2,853	1,304	3,700	457
Class of 2016	1,745	12,836	11,921	2,660
Class of 2017	-	4,426	2,615	1,811
Class of 2018	-	422	337	85
Adopt Instrument Fund	2,293	-	899	1,394
Band	479	36,750	37,200	29
Girls Soccer Club	1,258	5,326	3,344	3,240
Boys Soccer Club	39	3,665	3,691	13
Golf Club	71	1,107	1,067	111
National Honor Society	490	100	500	90
Donations	5,002	17,238	21,554	686
Total	\$ 69,083	303,997	311,706	61,374

UNDERWOOD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST ACCOUNTS
 JUNE 30, 2015

	Private Purpose Trust - Scholarship				
	Armstrong Scholarship	Boyer Scholarship	Torneton Scholarship	Wyland Scholarship	Total
ASSETS					
Cash and pooled investments	\$ 6,121	8,321	502	3,800	18,744
LIABILITIES	-	-	-	-	-
NET POSITION					
Held in trust for scholarships	\$ 6,121	8,321	502	3,800	18,744

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT .

UNDERWOOD COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Private Purpose Trust - Scholarship					Total
	Armstrong Scholarship	Boyer Scholarship	Torneton Scholarship	Wyland Scholarship	Health Committee	
ADDITIONS:						
Local sources:						
Interest income	\$ 12	10	-	12	-	34
DEDUCTIONS:						
Instruction:						
Regular:						
Scholarships awarded	-	-	-	-	4,798	4,798
Change in net position	12	10	-	12	(4,798)	(4,764)
Net position beginning of year	6,109	8,311	502	3,788	4,798	23,508
Net position end of year	\$ 6,121	8,321	502	3,800	-	18,744

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
REVENUES:										
Local sources:										
Local tax	\$ 3,601,027	3,584,825	4,285,599	4,307,276	4,272,752	3,859,248	3,559,351	3,386,665	2,684,647	2,498,730
Tuition	1,083,322	772,587	683,714	693,153	631,429	529,795	582,847	535,398	530,597	496,622
Other	477,352	373,044	404,969	409,356	472,238	342,911	593,388	700,548	617,450	414,695
State sources	4,292,575	4,401,824	3,779,770	3,774,489	3,667,662	3,110,998	3,559,813	3,291,054	3,188,309	3,036,025
Federal sources	80,891	88,713	104,092	93,993	324,816	520,064	187,622	120,635	107,984	104,438
TOTAL	\$ 9,535,167	9,220,993	9,258,144	9,278,267	9,368,897	8,363,016	8,483,021	8,034,300	7,128,987	6,550,510
EXPENDITURES:										
Current:										
Instruction:										
Regular	\$ 3,595,696	3,538,364	3,650,015	3,347,989	3,311,541	3,298,465	3,234,551	2,818,043	2,524,275	2,534,795
Special	800,002	725,837	684,817	741,655	788,499	679,912	618,625	491,819	578,620	543,956
Other	977,176	909,586	824,858	797,259	826,527	809,326	725,085	690,333	611,006	613,966
Support services:										
Student	184,253	173,776	165,059	164,097	157,903	156,686	150,195	132,163	150,554	152,881
Instructional staff	280,852	341,893	374,339	339,439	271,138	275,727	216,595	278,716	222,390	215,561
Administration	970,086	982,545	971,268	964,859	914,131	897,778	878,294	857,999	798,067	702,332
Operation and maintenance of plant	902,686	911,734	878,104	852,770	876,114	791,686	794,137	679,452	608,972	609,510
Transportation	457,608	499,549	469,602	540,080	473,071	413,388	473,403	428,893	315,745	337,581
Capital outlay	152,704	2,129,609	3,605,371	1,439,626	398,986	671,535	3,136,148	4,881,798	1,070,435	69,183
Long-term debt:										
Principal	585,000	570,000	240,000	230,000	220,000	215,000	205,000	90,000	-	-
Interest and fiscal charges	287,729	299,454	246,511	190,794	200,094	209,181	217,894	313,935	54,766	-
Other expenditures:										
AEA flow-through	287,042	287,364	280,205	280,435	309,671	297,169	263,267	232,064	222,271	206,685
TOTAL	\$ 9,480,834	11,369,711	12,390,149	9,889,003	8,747,675	8,715,853	10,913,194	11,895,215	7,157,101	5,986,450

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of Underwood Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Underwood Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 8, 2016.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as items I-A-15 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Underwood Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could

have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Underwood Community School District's Responses to Findings

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

Purpose of this Report

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 8, 2016
Newton, Iowa

UNDERWOOD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-15 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over one or more of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting, and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing, and recording.
- 5) Payroll - recordkeeping, preparation, posting, and distribution.
- 6) Financial reporting - preparing, reconciling, and approving.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - The district will continue to review procedures and implement additional controls where feasible.

Conclusion - Response accepted.

UNDERWOOD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-15 Certified Budget - District expenditures for the year ended June 30, 2015 exceeded the certified amounts budgeted in the non-instructional programs functional area.
- Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response - The district realizes it overspent. We will watch closely in the future and amend as needed.
- Conclusion - Response accepted.
- II-B-15 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-15 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-15 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-15 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely, however, we noted significant deficiencies in the amounts reported. The District's Certified Annual Report did not include amounts recorded in the Enterprise, Wellness Fund or the Internal Service Fund.
- Recommendation - The District should ensure the funds and amounts certified on the Certified Annual Report to the Department of Education are a complete and accurate listing of all funds included in the District's financial statements. The District should take the necessary steps to include the Wellness Fund and the Internal Service Fund on the District's next Certified Annual Report.

Response - The district will work to ensure the funds and amounts certified on the Certified Annual Report are a complete and accurate listing of all funds in the District's Financial Statements.

Conclusion - Response accepted.

II-K-15 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Reports (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the following information includes amounts the District reported for the statewide sales, services, and use tax revenue in the District's CAR including adjustments identified during the fiscal 2015 audit:

Beginning balance		\$ 339,912
Revenues:		
Sales tax revenues	\$ 660,955	
Other local revenues	<u>122</u>	<u>661,077</u>
		1,000,989
Expenditures/transfer out:		
School infrastructure construction	91,674	
Equipment	67,500	
Transfer to another fund:		
Debt service fund	<u>449,469</u>	<u>608,643</u>
Ending balance		<u><u>\$ 392,346</u></u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M -15 Financial Condition - The District had deficit unrestricted net position of \$44,650 and a deficit total net position of \$12,456 in the Enterprise, School Nutrition Fund. The District also had deficit unrestricted net position in the District's governmental activities of \$3,281,040 and deficit unrestricted net position of \$23,404 in its business type activities at June 30, 2015. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

The District also had three deficit accounts, Track Activity, Soccer Activity and Baseball Activity, with a total deficit unassigned fund balance in the Student Activity Fund of \$37,175 at June 30, 2015.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving

forward. The District should also monitor the deficit accounts within the Student Activity Fund and develop a workout plan with the group sponsor to bring these accounts back to a positive balance.

Response - The district is working to correct these deficit accounts.

Conclusion - Response accepted.

II-N-15 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the co-curricular and extracurricular activities offered as a part of the education program for students.

Graduated Class Account: We noted during our audit the Student Activity Fund has a 2014 class account with a balance remaining in this account at year end.

Recommendation - Upon graduation, the remaining balance in the graduated class accounts should be redistributed to other individual activity fund accounts with board approval, used as startup funds for the next incoming class or used for purposes outlined by class officers before graduating, provided the expenditures meet District compliance. If class officers do not designate a use for the unused funds the designation of the reclassification of funds falls to the District's Board of Education.

Response - The district will redistribute graduated class accounts to other individual activity fund accounts with board approval.

Conclusion - Response accepted.

Scholarships: We noted during our audit that scholarships were paid out of the Student Activity Fund from the National Honor Society (NHS) account.

Recommendation - Scholarships are most appropriate from the Private Purpose Trust Fund; therefore, proceeds from scholarship fundraising should be placed and expended from the Private Purpose Trust Fund.

Response - The district will make changes to how the NHS's scholarship fundraising proceeds and expenditures are accounted for.

Conclusion - Response accepted.