$3,625,000*
Underwood Community School District, Iowa
General Obligation School Refunding Bonds
Series 2016

(FAST Closing)
(The Issuer will designate the Bonds as Bank-Qualified as discussed more thoroughly herein)
(Book Entry Only)
(PARITY© Bidding Available)

DATE:	Thursday, October 6, 2016
TIME:	11:00 am
PLACE:	Office of the Superintendent 601 Third St. Underwood, IA 51576
Telephone:	(712)566-2332
Fax:	(712)566-2070

Standard & Poor's Rating: "A+"

* Preliminary, subject to change

PiperJaffray®

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

OFFICIAL BID FORM

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

Re: $3,625,000* General Obligation School Refunding Bonds, Series 2016, dated the date of delivery, of the Issuer (the "Bonds")

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

Coupon	Yield	Due	Coupon	Yield	Due
__________	________	May 1, 2017	__________	________	May 1, 2022
__________	________	May 1, 2018	__________	________	May 1, 2023
__________	________	May 1, 2019	__________	________	May 1, 2024
__________	________	May 1, 2020	__________	________	May 1, 2025
__________	________	May 1, 2021	__________	________	May 1, 2026

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

Principal Amount	Month and Year (Inclusive)	Maturity Month and Year
$______________	________________ to ________________	________________
$______________	________________ to ________________	________________
$______________	________________ to ________________	________________
$______________	________________ to ________________	________________
$______________	________________ to ________________	________________

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

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

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

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

NET INTEREST COST:$______________________________ TRUE INTEREST RATE __________________________%
(Computed from the dated date)

____________________________ ____________________________________
Account Manager Signature of Account Manager

The foregoing offer is hereby accepted by and on behalf of the Board of Directors of the Underwood Community School District, in the County of Pottawattamie, State of Iowa, this 6th day of October, 2016.

ATTEST: _______________________________________ ___________________________________
District Secretary Board President

____

* Preliminary, subject to change

OFFICIAL TERMS OF OFFERING

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

The Bonds to be offered are the following:

GENERAL OBLIGATION SCHOOL REFUNDING BONDS, **SERIES 2016**, in the principal amount of $3,625,000* dated the date of delivery in the denomination of $5,000 or multiples thereof, and maturing as shown on the front page of the official statement.

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

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

Optional Redemption: The Bonds maturing after May 1, 2021, may be called for redemption by the Issuer and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot. The terms of redemption shall be par, plus accrued interest to date of call.

Interest: Interest on said Bonds will be payable on May 1, 2017 and semiannually on the 1st day of June and November thereafter. Interest shall be payable by check or draft of the Paying Agent mailed to the persons who were registered owners thereof as of the fifteenth day of the month immediately preceding the Interest Payment Date, to the addresses appearing on the registration books maintained by the Paying Agent or to such other address as is furnished to the Paying Agent in writing by a registered owner.

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

Good Faith Deposit: A Good Faith Deposit ("Deposit") in the form of a certified or cashier's check or a wire in the amount of $36,250* for the Bonds, payable to the order of the Issuer, is required for each bid to be considered. If a check is used, it must accompany each bid. If a wire is to be used, it must be received by the Issuer not later than two hours after the time stated for receipt of bids. The Financial Advisor or the Issuer will provide the apparent winning bidder (the "Purchaser") with wiring instructions, by facsimile and email, within 10 minutes of the stated time when bids are due. If the wire is not received at the time indicated above, the Issuer will abandon its plan to award to the Purchaser, and will contact the next highest bidder received and offer said bidder the opportunity to become the Purchaser, on the terms as outlined in said bidder's bid, so long as said bidder submits a good faith wire within two hours of the time offered. The Issuer will not award the Bonds to the Purchaser absent receipt of the Deposit prior to action awarding the Bonds. No interest on the Deposit will accrue to the Purchaser. The Deposit will be applied to the purchase price of the Bonds. In the event the Purchaser fails to honor its bid, the Deposit will be retained by the Issuer.

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* Preliminary, subject to change

Form of Bids: All bids shall be unconditional for the entire issue of Bonds for a price of not less than 99.00% of par, plus accrued interest, and shall specify the rate or rates of interest in conformity to the limitations set forth herein. Bids must be submitted on or in substantial compliance with the Official Bid Form provided by the Issuer or through the Internet Bid System. The Issuer shall not be responsible for any malfunction or mistake made by any person, or as a result of the use of the electronic bid, facsimile facilities or the means used to deliver or complete a bid. The use of such facilities or means is at the sole risk of the prospective bidder who shall be bound by the terms of the bid as received.

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

Sealed Bidding: Sealed bids may be submitted and will be received at the office of the Superintendent, Underwood Community School District, 601 Third St., Underwood, IA 51576.

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

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

Electronic Facsimile Bidding: Bids may be submitted via facsimile at the phone number listed on the front cover of this Preliminary Official Statement. Electronic facsimile bids will be sealed and treated as sealed bids. Transmissions received after the deadline shall be rejected. It is the responsibility of the bidder to ensure that the bid is legible, that the bid is received prior to the appointed time, and that the bid is sent to the telecopier number set forth above. The Financial Advisor will, in no instance correct, alter, or in any way change bids submitted through facsimile transmission. Neither the Issuer nor its agents will be responsible for bids submitted by facsimile transmission not received in accordance with the provisions of this Official Terms of Offering. Bidders electing to submit bids via facsimile transmission will bear full and complete responsibility for the transmission of such bid. Neither the Issuer nor its agents will assume liability for the inability of the bidder to reach the above name fax number prior to the time of sale specified above. Time of receipt shall be the time recorded by the facsimile operator.

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

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

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

Rates must be in level or ascending order.

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

Certificate of Purchaser: The Purchaser will be required to certify to the Issuer immediately after the opening of bids: (i) the initial public offering price of each maturity of the Bonds (not including bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds (not less than 10% of each maturity) were sold to the public; or (ii) if less than 10% of any maturity has been sold, the price for that maturity determined as of the time of the sale based upon the reasonably expected initial offering price to the public; and (iii) that the initial public offering price does not exceed their fair market value of the Bonds on the sale date. The Purchaser will also be required to provide a certificate satisfactory to the Issuer and Bond Counsel at closing confirming the information required by this paragraph.

Official Statement: The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts, and interest rates of the Notes, and any other information required by law or deemed appropriate by the Issuer, shall constitute a "Final Official Statement" of the Issuer with respect to the Notes, as that term is defined in Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). By awarding the Notes to any underwriter or underwriting syndicate submitting an Official Bid Form therefore, the Issuer agrees that, no more than seven (7) business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Notes are awarded one ".pdf" copy of the Official Statement and the addendum described in the preceding sentence to permit each "Participating Underwriter" (as that term is defined in the Rule) to comply with the provisions of such Rule. The Issuer shall treat the senior managing underwriter of the syndicate to which the Notes are awarded as its designated agent for purposes of distributing copies of the Final Official Statement to each participating Underwriter. Any underwriter executing and delivering an Official Bid Form with respect to the Notes agrees thereby that if its bid is accepted by the Issuer, (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Notes for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

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

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

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

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

For more information see the Continuing Disclosure section herein.

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

Requested modifications to the Bond Resolution or other issuance documents shall be accommodated by the Issuer at its sole discretion. In no event will modifications be made regarding the investment of funds created under the Bond Resolution or other issuance documents without prior Issuer consent, in its sole discretion. Either the Purchaser or the insurer must agree, in the insurance commitment letter or separate agreement acceptable to the Issuer in its sole discretion, to pay any future continuing disclosure costs of the Issuer associated with any rating changes assigned to the municipal bond insurer after closing (for example, if there is a rating change on the municipal bond insurer that require a material event notice filing by the Issuer, the Purchaser or the municipal bond insurer must agree to pay the reasonable costs associated with such filing). Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the Purchaser shall not constitute cause for failure or refusal by the Purchaser to accept delivery of the Bonds.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 13, 2016

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

NEW ISSUE - DTC BOOK ENTRY ONLY Rating: "A+".

Subject to the Issuer' s compliance with certain covenants, under present law, in the opinion of Bond Counsel, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations, such interest is included in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Interest on the Bonds is not exempt from present Iowa income taxes. The Issuer intends to designate the Bonds as "qualified tax-exempt obligations." See "TAX MATTERS" herein.

$3,625,000*
Underwood Community School District, Iowa
General Obligation School Refunding Bonds
Series 2016

Dated: Date of Delivery

The General Obligation School Refunding Bonds, Series 2016 described above (the "Bonds") are issuable as fully registered Bonds in the denomination of $5,000 or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee of the Depository Trust Company, New York, NY ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form. Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased. So long as DTC or its nominee, Cede & Co., is the Bondholder, the principal of, premium, if any, and interest on the Bonds will be paid by Bankers Trust Company as Registrar and Paying Agent (the "Registrar"), or its successor, to DTC, or its nominee, Cede & Co. Disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants as more fully described herein. Neither the Issuer nor the Registrar will have any responsibility or obligation to such DTC Participants, indirect participants or the persons for whom they act as nominee with respect to the Bonds.

Interest on the Bonds is payable on May 1, and November 1 in each year, beginning May 1, 2017 to the registered owners thereof. Interest shall be payable by check or draft of the Paying Agent mailed to the persons who were registered owners thereof as of the fifteenth day of the month immediately preceding the Interest Payment Date, to the addresses appearing on the registration books maintained by the Paying Agent or to such other address as is furnished to the Paying Agent in writing by a registered owner.

The Bonds maturing after May 1, 2021 may be called for redemption by the Issuer and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot. The terms of redemption shall be par, plus accrued interest to date of call.

MATURITY SCHEDULE

Bonds Due	Amount*	Rate *	Yield *	Cusip #'s **	Bonds Due	Amount*	Rate *	Yield *	Cusip #'s **
May 1, 2017	$330,000			904410 BR7	May 1, 2022	$395,000			904410 BW6
May 1, 2018	375,000			904410 BS5	May 1, 2023	400,000			904410 BX4
May 1, 2019	380,000			904410 BT3	May 1, 2024	410,000			904410 BY2
May 1, 2020	390,000			904410 BU0	May 1, 2025	420,000			904410 BZ9
May 1, 2021	390,000			904410 BV8	May 1, 2026	135,000			904410 CA3

$________________ ______% Term bond due Priced to yield CUSIP # _________

The Bonds are being offered when, as and if issued by the Issuer and accepted by the Underwriter, subject to receipt of an opinion as to legality, validity and tax exemption by Ahlers & Cooney, P.C., Des Moines, Iowa, Bond Counsel. It is expected that the Bonds in the definitive form will be available for delivery through the facilities of DTC on or about December 1, 2016. The Underwriter intends to engage in secondary market trading of the Bonds subject to applicable securities laws. The Underwriter is not obligated, however, to repurchase any of the Bonds at the request of the holder thereof.

The Date of this Official Statement is ______, 2016

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* *Preliminary, subject to change*

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

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

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

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

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

FORWARD-LOOKING STATEMENTS

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

OFFICIAL STATEMENT
UNDERWOOD COMMUNITY SCHOOL DISTRICT, IOWA
$3,625,000* GENERAL OBLIGATION SCHOOL REFUNDING BONDS, SERIES 2016

INTRODUCTORY STATEMENT

This Official Statement presents certain information relating to the Underwood Community School District, Iowa (the "Issuer"), in connection with the sale of the Issuer's General Obligation School Refunding Bonds, Series 2016 (the "Bonds"). The Bonds are being issued for the advance refunding of principal and interest on the 2017-2026 maturities of the Issuer's outstanding General Obligation School Bonds, dated December 1, 2006 and to pay costs of issuance. See "**SOURCES AND USES OF FUNDS**" herein.

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

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

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

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

THE BONDS

General

The Bonds are dated as of the date of delivery and will bear interest at the rates to be set forth on the cover page herein, interest payable on May 1 and November 1 in each year, beginning on May 1, 2017, calculated on the basis of a year of 360 days and twelve 30-day months. Interest shall be payable by check or draft of the Paying Agent mailed to the persons who were registered owners thereof as of the fifteenth day of the month immediately preceding the Interest Payment Date, to the addresses appearing on the registration books maintained by the Paying Agent or to such other address as is furnished to the Paying Agent in writing by a registered owner.

Authorization for the Issuance

The Bonds are being issued pursuant to the Code of Iowa, 2015, as amended, Chapter 298.

Book Entry Only System

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

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

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* Preliminary, subject to change

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S equity issues, corporate and municipal debt issues and money market instrument (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

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

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

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

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

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

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

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

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

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

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

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

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

Transfer and Exchange

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

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

Prepayment

Optional Prepayment: The Bonds maturing after May 1, 2021, may be called for redemption by the Issuer and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot. The terms of redemption shall be par, plus accrued interest to date of call.

Notice of Prepayment. Prior to the redemption of any Bonds under the provisions of the Resolution, the Registrar shall give written notice not less than thirty (30) days prior to the redemption date to each registered owner thereof. Written notice shall be effective upon the date of transmission to the owner of record of the Bond.

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

____ Term Bond	
Mandatory Sinking Fund Date	Principal Amount
	$
(maturity)	

Selection of Bonds for Redemption Bonds subject to redemption will be selected in such order of maturity as the Issuer may direct. If less than all of the Bonds of a single maturity are to be redeemed, the Issuer will notify DTC of the particular amount of such maturity to be redeemed prior to maturity. DTC will determine by lot the amount of each Participant's interest in such maturity to be redeemed and each Participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All prepayments shall be at a price of par plus accrued interest.

Any notice of redemption may contain a statement that the redemption is conditioned upon the receipt by the Paying Agent of funds on or before the date fixed for redemption sufficient to pay the redemption price of the Bonds so called for redemption, and that if funds are not available, such redemption shall be cancelled by written notice to the owners of the Bonds called for redemption in the same manner as the original redemption notice was sent.

Source of Security for the Bonds

These Bonds are general obligations of the Issuer. The Bonds are payable from general ad valorem property taxes, without limitation as to levy rate, levied against all taxable property within the territory of the Issuer.

BONDHOLDERS' RISKS

Tax Levy Procedures

The Bonds are general obligations of the Issuer, payable from and secured by a continuing ad-valorem tax levied against all of the property valuation within the territory of the Issuer. As part of the budgetary process of the Issuer each fiscal year the Issuer will have an obligation to request a debt service levy to be applied against all of the taxable property within the Issuer. A failure on the part of the Issuer to make a timely levy request or a levy request by the Issuer that is inaccurate or is insufficient to make full payments of the debt service on the Bonds for a particular fiscal year may cause Bondholders to experience delay in the receipt of distributions of principal of and/or interest on the Bonds. Consequently, the remedies of the owners of the Bonds (consisting primarily of an action in the nature of mandamus requiring the Issuer and certain other public officials to perform the terms of the resolution for the Bonds) may have to be enforced from year to year.

2013 Property Tax Legislation

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

Changes in Property Taxation

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

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

The practical realization of any rights upon any default will depend upon the exercise of various remedies specified in the Bond Resolution. The remedies available to the owners of the Bonds upon an event of default under the Bond Resolution, in certain respects, may require judicial action, which is often subject to discretion and delay. Under existing law, including specifically the federal bankruptcy code, certain of the remedies specified in the Bond Resolution may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in these documents. The legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principles of equity and public policy and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

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

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

Pension
Pursuant to GASB Statement No. 68, the School reported a liability of $2,626,867 as of June 30, 2015 for its proportionate share of the net pension liability for Iowa Public Employee Retirement System ("IPERS"). The net pension liability is the amount by which the total actuarial liability exceeds the pension plan's net assets or fiduciary net position (essentially the market value) available for paying benefits. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. As of June 30, 2015, the School's collective proportion was 0.064908%, which is an increase of 0.000954% from its proportion measured June 30, 2013. **See School's Audited Financial Statements for Fiscal Year Ending June 30, 2015, Appendix D, for additional information.**

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

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

Pending Federal Tax Legislation
From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals are pending in Congress that could, if enacted, alter or amend one or more of the federal tax matters described herein in certain respects or would adversely affect the market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further such proposals may impact the marketability or market

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

DTC-Beneficial Owners

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

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

Other Factors

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

Summary

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

LITIGATION

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

ACCOUNTANT

The accrual-basis financial statements of the Issuer included as APPENDIX D to this Official Statement have been examined by Nolte, Cornman & Associates, PC to the extent and for the periods indicated in their report thereon. Such financial statements have been included herein without permission of said CPA, and said CPA expresses no opinion with respect to the Bonds or the Official Statement.

UNDERWRITING

The Bonds are being purchased, subject to certain conditions, by ____ (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase all, but not less than all, of the Bonds at an aggregate purchase price of $_________ plus accrued interest to the Closing Date.

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

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

THE PROJECT

The Bonds are being issued for the advance refunding of principal and interest on the 2017-2026 maturities of the Issuer's outstanding General Obligation School Bonds, dated December 1, 2006 and to pay costs of issuance.

SOURCES AND USES OF FUNDS *

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

* Preliminary, subject to change

TAX MATTERS

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

Subject to the District's compliance with the above referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax imposed on individuals and corporations. However, with respect to corporations (as defined for federal income tax purposes), such interest is included in adjusted current earnings for the purpose of determining the federal alternative minimum tax for such corporations

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

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

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors as to collateral federal income tax consequences.

Qualified Tax-Exempt Obligations: The District intends to designate the Bonds as "qualified tax-exempt obligations" under the exception provided in Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code.

Tax Accounting Treatment of Discount and Premium on Certain Bonds: The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of Discount Bonds (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bonds. Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds ("Premium Bonds") may be greater than the amount of such Bonds at maturity. An amount equal to the difference between the initial public offering price of Premium bonds (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes a premium to the initial purchaser of such Premium Bonds. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Related Tax Matters: The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the District as a taxpayer and the bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

Current and future legislative proposals, including some that carry retroactive effective dates, if enacted into law, or clarification of the Code may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, Representative David Camp, Chair of the House Ways and Means Committee released draft legislation that would subject interest on the Bonds to a federal income tax at an effective rate of 10% or more for individuals, trusts and estates in the highest tax bracket, and the Obama Administration proposed legislation that would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals or clarification of the Code may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed tax legislation, as to which Bond Counsel expresses no opinion.

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

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

The owners of the Bonds cannot foreclose on property within the boundaries of the District or sell such property in order to pay the debt service on the Bonds. In addition, the enforceability of the rights and remedies of owners of the Bonds may be subject to limitation as set forth in Bond Counsel's opinion. The opinion will state, in part, that the obligations of the District with respect to the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and to the exercise of judicial discretion in appropriate cases.

Opinion: Bond Counsel's opinion is not a guarantee of a result, or of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described in this section. No ruling has been sought from the Service with respect to the matters addressed in the opinion of Bond Counsel and Bond Counsel's opinion is not binding on the Service. Bond Counsel assumes no obligation to update its opinion after the issue date to reflect any further action, fact or circumstance, or change in law or interpretation, or otherwise.

FINANCIAL ADVISOR

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

CONTINUING DISCLOSURE

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

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

To the Issuer's knowledge, there have been no instances in the previous five year where the Issuer failed to comply, in all material respects, with a previous continuing disclosure obligation.

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I have reviewed the information contained within the Official Statement of the Community School District, State of Iowa, and to the best of our knowledge, information and belief said Official Statement does not contain any material misstatements of fact nor omissions of any material fact which is necessary to make the statements and information herein, in light of the circumstances under which they were made, not misleading regarding the issuance of $3,625,000* General Obligation School Refunding Bonds, Series 2016.

UNDERWOOD COMMUNITY SCHOOL DISTRICT, STATE OF IOWA

/s/ Andrea Raes
Board Secretary

* Preliminary, subject to change

APPENDIX A - INFORMATION ABOUT THE ISSUER

UNDERWOOD COMMUNITY SCHOOL DISTRICT, IOWA
DISTRICT OFFICIALS

PRESIDENT	Keith Petersen
BOARD MEMBERS	Neil Darrington Rick Larson Jim Kuehn Jon Rasmussen
SUPERINTENDENT	Ed Hawks
DISTRICT SECRETARY	Andrea Raes
DISTRICT TREASURER	Andrea Raes
DISTRICT ATTORNEY	William R. Hughes, Jr.

CONSULTANTS

BOND COUNSEL	Ahlers & Cooney P.C. Des Moines, Iowa
DISCLOSURE COUNSEL	Ahlers & Cooney P.C. Des Moines, Iowa
FINANCIAL ADVISOR	Piper Jaffray & Co. Des Moines, Iowa
ESCROW / PAYING AGENT	Bankers Trust Co Des Moines, Iowa
ESCROW VERIFICATION	Chris D Berens CPA P.C. Omaha, Nebraska

General Information

The Underwood Community School District is located in western Iowa just north of the Omaha-Council Bluffs metropolitan area. Included within the District's 150 square miles are the cities of Underwood and McClelland as well as unincorporated portions of Pottawattamie County. Located only 13 miles northeast of Council Bluffs, residents enjoy all of the employment, cultural and economic advantages of the metropolitan area. Transportation opportunities are provided by U.S. Interstate 80, Iowa Highway 191 and numerous paved county roads. Rail service is provided by the Burlington Northern Santa Fe Railroad. Commercial airline service is available at Eppley Airfield located in Omaha. Continuing educational opportunities within close proximity include: Iowa Western Community College, Council Bluffs; Creighton University and University of Nebraska/Omaha located in Omaha.

District Facilities

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

Building	Construction Date	Grades Served
High School	1978	9-12
Middle School	2009	6-8
Elementary	1964	PK-5

Source: Underwood CSD

Enrollment

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

Count Date	Fiscal Year	Enrollment
October-15	2016-17	697.4
October-14	2015-16	692.5
October-13	2014-15	693.9
October-12	2013-14	721.4
October-11	2012-13	735.0
October-10	2011-12	741.9

Source: Iowa Department of Education

Open Enrollment

The District has and may have in the future certain students enrolling into or enrolling out of the District. Presented below are open enrollment results for the periods outlined:

Count Date	Enrolled In	Enrolled Out	Net
October-15	150.0	80.0	70.0
October-14	145.0	87.0	58.0
October-13	112.0	83.0	29.0
October-12	107.0	85.0	22.0
October-11	108.0	80.0	28.0
October-10	97.0	70.0	27.0

Source: Iowa Department of Education

Staff

Presented below is a list of the District's 112 employees.

Administrators:	4	Media Specialists:	1
Teachers:	51	Nurses:	1
Teacher Aids:	16	Guidance:	2
Custodians:	4	Secretaries:	4
Food Service:	8	Transportation:	10
Other:	9	Maintenance:	2

Source: Underwood CSD

District Funds

The District is organized and operates pursuant to Chapter 274 of the Code. The District maintains various funds. Presented below is a description of some of the various funds.

The General Fund

The General Fund receives those revenues of the District not specifically required to be deposited in other funds. General fund revenues are obtained from ad-valorem taxation in the District, State foundation aid payments, and minimal federal sources. In addition, revenues generated as miscellaneous revenues including, but not limited to, general fund investment income, and tuition income are deposited in the general fund. The bulk of the general fund revenues are derived from local and State foundation aid sources.

The District receives a mix of property tax and State foundation aid based on a formula which takes into account District enrollment, District property valuations and District costs per pupil. The description of the formula is found in Chapter 257.1 of the Code and reads as follows:

> "For a budget year, each school district in the State is entitled to receive foundation aid in an amount per pupil equal to the difference between the amount per pupil of foundation property tax in the district, and the combined district cost per pupil, whichever is less."

The Code allowed for an "State Percentage of Growth," defined as ". . . the amount by which State cost per pupil and district cost per pupil will increase from one budget year to the next" which is calculated on or before October 1 of each year by the Department of Management of the State.

Presented below is the State percentage of growth the District has received (in total dollars) for the period indicated:

Fiscal Year	Allowable Growth
2017	$132,708
2016	4,009
2015	-81,564
2014	130,675
2013	-137,736

Source: Underwood CSD and Iowa Department of Management

Presented below is the District's per pupil cost for the period indicated:

Fiscal Year	District Per Pupil Cost	State Average Per Pupil Cost
2017	$6,591	$6,591
2016	6,446	6,446
2015	6,366	6,366
2014	6,121	6,121
2013	6,001	6,001

Source: Underwood CSD and Iowa Department of Management

The District has generated a revenue mix in the operating fund as follows:

Fiscal Year	Property Tax Revenues	State Aid Revenues
2017	$2,952,447	$3,754,684
2016	2,808,184	3,649,339
2015	2,900,395	3,613,593
2014	2,897,807	3,663,411
2013	2,924,028	3,775,557

Source: Underwood CSD and Iowa Department of Management

Additional General Fund State and Local Revenues

Instructional Support:

Districts are allowed to fund additional educational programs or enhanced current programs under the instructional support program, which allows a district to generate 10% of the total regular program district cost for the budget year. These revenues can be locally generated from either ad valorem taxation, income surtax or both. In addition, revenues are appropriated by the State and provided to each district depending on formula. The District can participate in the instructional support program by generating local revenues after either (i) scheduling and holding an election on the proposed funding, programs, and mix of funding, which requires 50% approval of those voting at a special district election and allows the program to be funded for a period of up to ten years; or (ii) after scheduling and holding a hearing on the program and mix of funding, which can then be implemented after a 28-day period during which voters of the District can force an election or a recission, for a period of up to five years. The Issuer's current participation in the instructional support program runs through fiscal year 2021.

Presented below is a summary of the instructional support levy for the periods indicated:

Fiscal Year	ISL Property Tax	ISL State Aid	ISL Income Surtax
2017	$360,049	$0	$0
2016	351,083	0	0
2015	349,697	0	0
2014	343,513	0	0
2013	336,407	0	0

Source: Underwood CSD and Iowa Department of Management

Management Levy:

A District can levy for certain costs relating to payment of employee benefits, tort insurance and early retirement outside of the General Operating Levy. These revenues are generated through a property tax, and there is no limitation on the tax rate or amount. Presented below is the management fund levies for the period indicated:

Fiscal Year	Management Levy
2017	$194,999
2016	195,001
2015	189,999
2014	189,999
2013	190,001

Source: Underwood CSD and Iowa Department of Management

Educational Improvement Program

The District can schedule and hold an election on funding the educational improvement program if the District's per pupil cost is in excess of 110% of the State average per pupil cost, which takes 50% approval and is funded by a combination of property tax and income surtax.

Cash Reserve Levy

The District can certify a cash reserve levy as a part of its general fund levy but in addition to the property tax levied as a part of each of the above general fund levies. This levy covers cash-flow needs and funds programs when the above revenue sources are reduced. This is levied annually at the discretion of the Board of Directors. The District has levied the following in cash reserve for the period indicated:

Fiscal Year	Regular Cash Reserve	Cash Reserve - SBRC
2017	$200,000	$139,872
2016	200,000	79,900
2015	400,000	0
2014	350,000	83,158
2013	400,000	158,394

Source: Underwood CSD and Iowa Department of Management

The School Infrastructure Funds

Physical Plant & Equipment Levies

The District can, at Board discretion, annually levy on ad valorem tax of $.33 per $1,000 of assessed valuation for certain capital, land costs etc. In addition, upon voter approval, the District can institute a property tax or property tax income surtax that generates up to $1.34 per $1,000 of assessed valuation. The District has historically levied the Board discretionary Physical Plant and Equipment Levies.

Debt Service Levy

The debt service levy is an ad valorem tax levied for the payment of bonds and interest and is approved at a special election of the District with minimum of 60% in favor of the proposal. Principal and interest on the Bonds will be paid from this levy.

Capital Projects Fund

This fund is used to account for the revenues received from the state-wide school infrastructure sales, services and use tax.

Historic and Potential State and Federal Actions that impact current and future District Budgets

The District's operating budget is subject to change based on events outside of its control, including State and Federal funding. There may be changes in funding that are unknown or unanticipated at this time. Presented below is a discussion of some of the known changes that might impact the District's operating budget:

State Funding
After the appropriation of State Aid (and after the adoption of the District's budget for a particular fiscal year), the Governor and the General Assembly have the ability to rescind all or a portion of the appropriation. Certain areas of the State's budget are exempt from these potential cuts, however, K-12 and community college funding are not exempt from rescission. Historically, rescissions were imposed in an "across-the-board" fashion, and all state funding was reduced in a percentage format. This had the potential to impact schools with low valuation per pupil much greater than schools with high per pupil valuations. In the 2002 General Assembly, the formula for rescission was altered for K-12 funding, such that all future rescissions, if any, would be applied to K-12 education on a "per-pupil" basis.

Historically, the Governor has rescinded state aid since 1980, presented below are the most recent cuts and the fiscal years affected:

Fiscal Year	Percentage Rescission
2010	10.00%
2009	1.50
2004	2.50
2002	4.30

Source: Iowa Department of Management, Historic Funding and School Aid files, aid and levy worksheets

Note – reduction in state aid impacts only the general fund operating account of a district. The revenues pledged for the repayment of these Bonds are not impacted in any away by reductions in State Aid.

Federal Funding
Federal legislation with respect to student achievement in future years may result in sanctions that could have financial implications for the general fund operating budget. The "No Child Left Behind" act of 2001 applies sanctions to under-performing schools that, if the school remains under-performing (as defined by the act) allows the parents of pupils in the school to move to another school, transferring their funding to the new school. This act applies to individual school facilities and does not necessarily apply to school districts, however, the revenue impact to a school district could be material if the school district has a school facility that under-performs and starts to lose enrollment.

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

Consistent with Iowa Code section 509A.13, the Issuer offers post-retirement health and dental benefits are available to all fulltime employees of the Issuer who retire before attaining age 65. The group health insurance plan provided to full time Issuer employees allows retirees to continue medical coverage until they reach age 65. Although retirees pay 100% of the "cost of coverage", the pre-age 65 group of retirees is grouped with the active employees when determining the cost of coverage. The computation creates an implicit rate subsidy that would not exist if the cost of the coverage for this group (pre-age 65 retirees) was computed separately and paid 100% by that group.

In addition, the district provides a Voluntary Early Retirement Program. The early retirement program provides a one-time lump sum payment, Health insurance for retirees is available, but they pay the full premium. This explicit benefit is included in this valuation reflected below. There was most recently 10 eligible active employees that may choose this option upon retirement, and 4 retired employees for which this benefit is already being utilized. This retirement option remains available as a choice for future retirees at this time.

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. Employees must be age 55 or older at retirement.

The medical benefits are provided through a partial self-funded plan with United Health Care of River Valley. The District purchases higher deductible insurance through United Health Care and self-funds the difference between that deductible/out-of-pocket coverage level and the level promised to the employees. The District determines the maximum exposure and contributes to the self-insurance fund a percentage designed to meet the expected claims. For FY2016, the District is contributing 23% of the maximum self-insurance exposure to the self-insurance fund. Retirees under age 65 pay the same premium for the medical insurance benefit as active employees plus the self-insurance contribution, which results in an implicit subsidy and 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 Costs and Net OPEB Obligation - The District's annual OPEB costs is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, 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 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	(38,805)
Annual OPEB costs (expense)	155,167
Contributions made	(133,000)
Increase in net OPEB obligation	22,167
Net OPEB obligation – beginning of year	1,021,595
Net OPEB obligation – end of year	1,043,762

For calculation of the net OPEB obligation, the actuary has set the transition day as of July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans 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 costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Fiscal Year ended	Annual OPEB Cost	Percentage of Annual OPEB cost contributed	Net OPEB obligation
June 30, 2013	154,439	50.51	940,000
June 30, 2014	154,495	47.22	1,021,595
June 30, 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 the 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 healthcare 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 process presented above, will present multi year trend information about whether other actuarial value of plan assets is increasing or decreasing over time relative to the actuarial 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 that are 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 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 medical 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 from 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.

Source: District's 2015 Independent Audited Financial Statement

Employee Pension Plan

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

Contributions. Although the actuarial contribution rates are calculated each year, the contribution rates were set by state law through June 30, 2012 and did not necessarily coincide with the actuarially calculated contribution rate. As a result, from June 30, 2002 through June 30, 2013, the rate allowed by statute was less than the actuarially required rate. Effective July 1, 2012, as a result of a 2010 law change, IPERS contribution rates for the Issuer and its employees are established by IPERS following the annual actuarial valuation (which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization method.) State statute, however, limits the amount rates can increase or decrease each year to one (1) percentage point. Therefore, any difference between the actuarial contribution rates and the contributions paid is due entirely to statutorily set contributions that may differ from the actual contribution rates. As a result, while the contribution rate in the fiscal year ended June 30, 2014 equaled the actuarially required rate, there is no guarantee, due to this statutory limitation on rate increases, that the contribution rate will meet or exceed the actuarially required rate in the future.

In fiscal year 2015, pursuant to the IPERS' required rate, the Issuer's employees contributed 5.95% of pay and the Issuer contributed 8.93% for a total rate of 14.88 percent. The Issuer's contributions to IPERS for the year ended June 30, 2015 were $387,693 which amount is not less than its actuarially determined calculated annual actuarial valuation. The Issuer's share of the contribution, payable from the applicable funds of the Issuer, is provided by a statutorily authorized annual levy of taxes without limit or restriction as to rate or amount. The Issuer has always made its full required contributions to IPERS.

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

Table 1 – Issuer and Employees Contribution to IPERS.

	Issuer Contribution		Issuer Employees' Contribution	
Fiscal Year	Amount Contributed	% of Covered Payroll	Amount Contributed	% of Covered Payroll
2011	$285,534	6.95%	$184,848	4.50%
2012	334,630	8.07	223,087	5.38
2013	358,618	8.67	239,079	5.78
2014	361,614	8.93	240,941	5.95
2015	387,693	8.93	458,205	5.95
2016 (1)	394,775	8.93	263,036	5.95

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(1) Budgeted
SOURCE: The Issuer

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

The following table sets forth certain information about the funding status of IPERS that has been extracted from the comprehensive annual financial reports of IPERS for the fiscal years ended June 30, 2015 through, and including, 2011 (collectively, the "IPERS CAFRs (2011-2015)"), and the actuarial valuation reports provided to IPERS by Cavanaugh MacDonald Consulting, LLC (collectively, the "IPERS Actuarial Reports (2011-2015)"). Additional information regarding IPERS and its latest actuarial valuations can be obtained by contacting IPERS administrative staff.

Table 2 – Funding Status of IPERS

Valuation Date	Actuarial Value of Assets [a]	Market Value of Assets [b]	Actuarial Accrued Liability [c]	Unfunded Actuarial Accrued Liability (Actuarial Value) [c]-[a]	Funded Ratio (Actuarial Value) [a]/[c]	Unfunded Actuarial Accrued Liability (Market Value) [c]-[b]	Funded Ratio (Market Value) [b]/[c]	Covered Payroll [d]	UAAL as a Percentage of Covered Payroll (Actuarial Value) [[c-a]/[d]]
2011	22,575,309,199	22,772,000	28,257,080,114	5,681,770,915	79.89	28,234,308,114	.08	6,574,872,719	86.42
2012	23,530,094,461	23,025,000	29,446,197,486	5,916,103,025	79.91	29,423,172,486	.07	6,786,158,720	87.18
2013	24,711,096,187	24,757,000	30,498,342,320	5,787,246,133	81.02	30,473,585,320	.08	6,880,131,134	84.12
2014	26,460,428,085	28,039,000	32,004,456,088	5,544,028,003	82.68	31,976,417,088	.09	7,099,277,280	78.09
2015	27,915,379,103	28,430,000	33,370,318,731	5,454,939,628	83.65	33,341,888,731	.09	7,326,348,141	74.46

Source: IPERS CAFRs (2011-2015) and IPERS Actuarial Reports (2011-2015)
For a description of the assumptions used when calculating the funding status of IPERS for the fiscal year ended June 30, 2015, see IPERS CAFRs (2011-2015)

Table 3 – Recent returns of IPERS

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

Fiscal Year Ended June 30	Investment Return %
2011	19.91%
2012	3.73
2013	10.12
2014	15.88
2015	3.96

Net Pension Liabilities.

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

At June 30, 2015, the Issuer reported a liability of $2,626,867 for its proportional share of the IPERS 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 discount rate used to measure the total pension liability was 7.5%. The Issuer's proportion of the net pension liability was based on the Issuer's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. See "APPENDIX D–AUDITED FINANCIAL STATEMENTS OF THE ISSUER–NOTES TO THE FINANCIAL STATEMENTS" for additional information related to the Issuer's deferred outflows and inflows of resources related to pensions, actuarial assumptions, discount rate and discount rate sensitivity.

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

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

Investment of Public Funds

The District invests its funds pursuant to Chapter 12B of the Code. Presented below is the District's investing activities as of July 31, 2016.

Type of Investment	Amount Invested
Local Bank Money Market	$833,354.37
Local Bank Deposit Accounts	602,449.70
Local Bank Time CD's	76,883.27
ISJIT Money Market	80,123.19
ISJIT Time CD's	0

Source: Underwood CSD

Anticipatory Warrants

The Issuer has not issued anticipatory warrants in the past.

Population

Presented below are population figures for the periods indicated for the cities of Underwood and McClelland:

Year	Underwood	McClelland
2010	917	157
2000	688	129
1990	515	139
1980	448	177
1970	515	146
1960	484	150
1950	534	159

Source: U.S. Census Bureau

Population by Age

Presented below are the 2010 Census figures according to age group for Pottawattamie County and the State of Iowa:

Age Group	Pottawattamie County	State of Iowa
Under 19 years of age	27.2%	26.9%
20 to 24 years of age	6.3	7.0
25 to 44 years of age	24.5	24.5
45 to 64 years of age	27.7	26.7
65 to 84 years of age	12.3	12.4
85 and over	2.0	2.3
Median age	38.5	38.1

Source: U.S. Census Bureau

Major Employers

Presented below is a summary of the largest employers in the District:

Name	Business	Number of Employees
Jack Links	Distribution center – meat products	135
Underwood CSD	Education	
Subway	Restaurant	16
Underwood Feed	Animal feed/ag business	10
Agriland	Ag business/fuel	10
KC Meat	Convenient Store/fuel	11
Lyons Auto	Auto repair	7
U.S. Bank	Banking	4
U.S. Post Office	Postal service	4

Presented below is a summary of the the largest employers in the Council Bluffs metropolitan area.

Name	Business	Number of Employees
Alegent Health/Mercy Hospital	Health Care	500-999
American Games	Manufacturing	250-499
Ameristar Casino	Gaming/resort	1000-1500
Bass Pro Shops	Retail	100-249
Bethany Lutheran Home	Nursing Home	100-249
ConAgra Frozen Foods	Food processor	500-999
Council Bluffs CSD	Education	1000-1500
Dillards	Department Store	100-249
Griffin Pipe Products Co	Cast Iron Pipe	250-499
Harrah's Casino Hotel	Gaming/hotel	1000-1500
Horseshoe Casino	Gamin	1000-1500
Hy-Vee Stores	Grocery store	250-499
JC Penny Co	Department Store	100-249
Jennie Edmundson	Health care	500-999
Kohl's	Department Store	100-249
Menards	Retail store	100-249
Mid America Center	Convention center	100-249
Mid-American Energy Co.	Electric and natural gas utility	250-499
No Frills Supermarket	Grocery store	100-249
Omaha Standard	Truck bodies	250-499
Park Place	Health services	250-499
Peerless Wiping Cloth	Wholesale	100-249
Physicians Clinic	Medical Clinic	100-249
Pinncale Customer Solutions	Telemarketing	100-249
Plumrose USA	Manufacturing	250-499
Risen Son Christian Village	Nursing Home	100-249
Sam's Club	Wholesale	100-249
Sapp Brothers	Truckstop	100-249
Super Saver Stores	Grocery Store	250-499
Target	Retail store	100-249
Telmar Network Technology Inc	Manufacturing	100-249
Tyson-Case Ready	Manufacturing	1000-1500
Tyson-Cooked meats	Food processing	100-249
Union Pacific Railroad	Transportation	500-999
Wal-Mart	Retail/grocery store	500-999
Warren Distribution	Manufacturing	250-499
Woodlands Rehabilitation Center	Nursing Home	100-249
Zalkin Used Clothing	Wholesale	100-249

Source: Locationone.com

Unemployment Statistics

The State of Iowa Department of Job Service reports unemployment unadjusted rates as follows (July 2016):

National Average:	4.90%
State of Iowa:	4.00
Pottawattamie County	3.80

Source: Iowa Workforce Development

Historical Employment Statistics

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

Calendar Year	Pottawattamie County	State of Iowa
2015	3.6%	3.7%
2014	4.2	4.2
2013	4.0	4.8
2012	4.6	5.2
2011	5.2	5.9

Source: Iowa Workforce Development

Retail Sales

Presented below are retail sales statistics for the City of Underwood, for the period indicated:

Year Ended	Retail Sales	Number of Permits
2015	$5,227,324	47
2014	5,134,811	47
2013	4,634,377	51
2012	4,815,459	49
2011	6,063,798	48

Source: Iowa Department of Revenue

Median Family Income

Pottawattamie County had a had an estimated median family income of $51,939, compared to $52,716 for the State of Iowa. The following table represents the distribution of family incomes for the Counties according to the 2009-2014 American Community Survey 5 year estimated table:

Household Income	Number of Households	Percent of Households
Under $10,000	2,150	5.9%
10,000 to 14,999	2,158	5.9%
15,000 to 24,999	3,816	10.4%
25,000 to 34,999	4,090	11.2%
35,000 to 49,999	5,418	14.8%
50,000 to 74,999	7,362	20.1%
75,000 to 99,999	5,239	14.3%
100,000 to 149,999	4,229	11.5%
150,000 to 199,999	1,134	3.1%
200,000 or more	1,019	2.8%

Source: U.S. Census Bureau

Legislation

During the 2013 legislative session, the Iowa General Assembly enacted Senate File 295 (the "Act"), which the Governor signed into law on June 12, 2013. Among other things, the Act (i) reduces the maximum annual taxable value growth percent, due to revaluation of existing residential and agricultural property, from the current 4% to 3%, (ii) assigns a "rollback" (the percentage of a property's value that is subject to tax) to commercial, industrial and railroad property of 95% for the 2013 assessment year and 90% for the 2014 assessment year and all years thereafter, (iii) creates a new property tax classification for multi-residential properties (mobile home parks, manufactured home communities, land-lease communities, assisted living facilities and property primarily used or intended for human habitation containing three or more separate dwelling units) ("Multi-residential Property") that begins in the 2015 assessment year, and assigns a declining rollback percentage of 3.75% to such properties for each subsequent year until 2021 assessment year (the rollback percentage for Multi-residential Properties will be equal to the residential rollback percentage in 2022 assessment year and thereafter) and (iv) exempts a specified portion of the assessed value of telecommunication properties.

The Act includes a standing appropriation to replace some of the tax revenues lost by local governments, including tax increment districts, resulting from the new rollback for commercial and industrial property. Prior to Fiscal Year 2017-18, the appropriation is a standing unlimited appropriation, but beginning in fiscal year 2017-18 the standing appropriation cannot exceed the actual fiscal year 2016-17 appropriation amount. The appropriation does not replace losses to local governments resulting from the Act's provisions that reduce the annual revaluation growth limit for residential and agricultural properties to 3% from 4%, the gradual transition for Multi-residential Property from the commercial rollback percentage (100% of Actual Value in Fiscal Year 2013-14) to the residential rollback percentage (currently 55.6259% of Actual Valuation), or the reduction in the percentage of telecommunications property that is subject to taxation.

Given the wide scope of the statutory changes, and the State of Iowa's discretion in establishing the annual replacement amount that is appropriated each year commencing in fiscal year 2017-18, the impact of the Act on the Issuer's future property tax collections is uncertain and the Issuer is unable to accurately assess the financial impact of the Act's provisions on the Issuer's future operations.

In Moody's Investor Service US Public Finance Weekly Credit Outlook, dated May 30, 2013, Moody's Investor Service ("Moody's") projected that local governments in the State of Iowa are likely to experience modest reductions in property tax revenues starting in fiscal year 2014-15 as a result of the Act, with sizeable reductions possible starting in fiscal year 2017-18. According to Moody's, local governments that may experience disproportionately higher revenue losses include regions that have a substantial commercial base, a large share of Multi-residential Property (such as college towns), or significant amounts of telecommunications property.

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

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

Property Tax Assessment

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

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

Fiscal Year	Residential Rollback	Ag. Land & Buildings	Commercial
2016-17	55.6259	46.1068	90.0000
2015-16	55.7335	44.7021	90.0000
2014-15	54.4002	43.3997	95.0000
2013-14	52.8166	59.9334	100.0000
2012-13	50.7518	57.5411	100.0000
2011-12	48.5299	69.0152	100.0000

Source: Iowa Department of Revenue

Property is assessed on a calendar year basis. The assessments finalized as of January 1 of each year are applied to the following fiscal year. For example, the assessments finalized on January 1, 2013 are used to calculate tax liability for the tax year starting July 1, 2014 through June 30, 2015. Presented below are the historic property valuations of the Issuer by class of property.

Property Valuations

Actual Valuation					
Valuation as of January	2015	2014	2013	2012	2011
Fiscal Year	2016-17	2015-16	2014-15	2013-14	2012-13
Residential:	266,260,551	256,426,365	252,140,851	250,351,497	248,085,195
Agricultural Land:	153,438,357	153,528,610	153,617,809	102,726,652	102,755,647
Ag Buildings:	6,431,178	7,967,059	7,895,454	6,314,415	5,781,085
Commercial:	11,299,091	12,162,574	10,776,067	11,009,136	11,710,756
Industrial:	34,839	29,282	740,348	745,000	710,000
Multiresidential:	1,667,005				
Personal RE:		0	0	0	0
Railroads:	9,636,316	8,503,267	8,450,029	7,810,898	6,868,541
Utilities:	3,996,048	4,527,938	5,349,888	6,073,097	6,151,694
Other:	0	0	0	0	0
Total Valuation:	452,763,385	443,145,095	438,970,446	385,030,695	382,062,918
Less Military:	425,960	427,812	431,516	437,072	455,354
Net Valuation:	452,337,425	442,717,283	438,538,930	384,593,623	381,607,564
TIF Valuation:	1,870,862	6,353,773	5,787,461	2,652,111	4,189,781
Utility Replacement:	19,121,308	18,008,753	16,194,947	19,522,917	19,798,278

Taxable Valuation					
Valuation as of January	2015	2014	2013	2012	2011
Fiscal Year	2016-17	2015-16	2014-15	2013-14	2012-13
Residential:	148,102,009	142,917,159	137,165,790	132,227,157	123,844,290
Agricultural Land:	70,745,527	68,630,509	66,669,665	61,567,574	59,126,682
Ag Buildings:	2,965,207	3,561,455	3,426,610	3,784,437	3,326,500
Commercial:	9,984,217	10,946,338	10,237,275	11,009,136	11,710,756
Industrial:	31,340	26,355	703,331	745,000	710,000
Multiresidential:	1,437,348				
Personal RE:		0	0	0	0
Railroads:	8,672,685	7,652,940	8,027,528	7,810,898	6,868,541
Utilities:	3,996,048	4,527,938	5,349,888	6,073,097	6,151,694
Other:	0	0	0	0	0
Total Valuation:	245,934,381	238,262,694	231,580,087	223,217,299	211,738,463
Less Military:	425,960	427,812	431,516	437,072	444,242
Net Valuation:	245,508,421	237,834,882	231,148,571	222,780,227	211,294,221
TIF Valuation:	1,870,862	4,331,179	4,024,100	1,400,754	4,178,669
Utility Replacement:	10,047,354	10,141,177	10,089,326	10,233,232	10,286,173

Valuation Year	Actual Valuation w/ Utilities	% Change in Actual Valuation	Taxable Valuation w/ Utilities	% Change in Taxable Valuation
2015	473,329,595	1.34%	257,426,637	2.03%
2014	467,079,809	1.42%	252,307,238	2.87%
2013	460,521,338	13.21%	245,261,997	4.63%
2012	406,768,651	0.29%	234,414,213	3.83%
2011	405,595,623	4.61%	225,759,063	3.50%

Source: Iowa Department of Management

Tax Rates

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

Fiscal Year	Operating	Management	Board PPEL	V PPEL	Playground	Debt	Schoolhouse	Total Levy
2017	11.54281	0.76304	0.33000	0.00000	0.00000	1.64831	0.00000	14.28416
2016	11.30011	0.78637	0.33000	0.00000	0.00000	1.68572	0.00000	14.10220
2015	11.99918	0.78760	0.33000	0.00000	0.00000	1.71539	0.00000	14.83217
2014	12.42741	0.81540	0.33000	0.00000	0.00000	1.79477	0.00000	15.36758
2013	13.19624	0.85748	0.33000	0.00000	0.00000	1.86446	0.00000	16.24818
2012	13.86025	0.84089	0.33000	0.00000	0.00000	1.92870	0.00000	16.95984

Source: Iowa Department of Management

Historic Tax Rates

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

Fiscal Year	City	School	College	State	Assessor	Ag Extens	Hospital	County	Transit	Total Levy
2017	12.18560	14.28416	1.51663	0.00330	0.33719	0.24454	0.00000	11.67628	0.00000	40.24770
2016	12.18140	14.10220	1.13910	0.00330	0.33057	0.23915	0.00000	12.02066	0.00000	40.01638
2015	12.27985	14.83217	1.15526	0.00330	0.35978	0.25224	0.00000	12.25423	0.00000	41.13683
2014	12.78016	15.36758	0.98207	0.00330	0.34467	0.23624	0.00000	10.87633	0.00000	40.59035
2013	13.97685	16.24818	1.10184	0.00330	0.32500	0.22124	0.00000	10.67748	0.00000	42.55389
2012	13.97697	16.95984	0.81035	0.00300	0.30404	0.19551	0.00000	10.47396	0.00000	42.72367

Source: Iowa Department of Management

Tax Collection History

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

Fiscal Year	Amount Levied	Amount Collected	Percentage Collected
2017	$3,656,717	In Collection	NA
2016	3,511,765	In Collection	NA
2015	3,592,050	$3,601,027	100.25%
2014	3,585,883	3,584,824	99.97%
2013	3,609,448	3,608,728	99.98%
2012	3,639,601	3,639,559	100.00%

Source: CSD

Largest Taxpayers

Set forth in the following table are the persons or entities which represent the 2015 largest taxpayers within the Issuer, as provided by the Auditors Offices of each of said counties. No independent investigation has been made of and no representation is made herein as to the financial condition of any of the taxpayers listed below or that such taxpayers will continue to maintain their status as major taxpayers in the District. The District's tax levy is uniformly applicable to all of the properties included in the table, and thus taxes expected to be received by the District from such taxpayers will be in proportion to the assessed valuations of the properties. The total tax bill for each of the properties is dependent upon the tax levies of the other taxing entities which overlap the properties.

Taxpayer	2015 Taxable Valuation	Percent of Total
Burlington Northern Santa Fe	$7,384,423	2.87%
Link Snacks Inc	$5,850,000	2.27%
Century Link	$3,391,128	1.32%
Pedersen, Dan A-Sheila K	$2,072,250	0.80%
Peterson Angus Farms Inc	$1,604,772	0.62%
Moran Beef Inc	$1,474,824	0.57%
Johnsen, Charles W-Beth A	$1,302,742	0.51%
Iowa Interstate Railroad	$1,292,848	0.50%
Graalfs Farms Inc	$1,124,687	0.44%
Larson, Gary L-Sandra L	$1,061,699	0.41%
	Total	10.32%

Source: County Auditor Office

(1) Utility Property Tax Replacement

Beginning in 1999, the State replaced its previous property tax assessment procedure in valuing the property of entities involved primarily in the production, delivery, service and sale of electricity and natural gas with a replacement tax formula based upon the delivery of energy by these entities. Electric and natural gas utilities now pay replacement taxes to the State in lieu of property taxes. All replacement taxes are allocated among local taxing cities by the State Department of Revenue and Finance and the Department of Management. This allocation is made in accordance with a general allocation formula developed by the Department of Management on the basis of general property tax equivalents. Properties of these utilities are exempt from the levy of property tax by political subdivisions. Utility property will continue to be valued by a special method as provided in the statute and taxed at the rate of three cents per one thousand dollars for the general fund of the State.

The utility replacement tax statute states that the utility replacement tax collected by the State and allocated among local taxing cities (including the Issuer) shall be treated as property tax when received and shall be disposed of by the county treasurer as taxes on real estate. However, utility property is not subject to the levy of property tax by political subdivisions, only the utility replacement tax and statewide property tax. It is possible that the general obligation debt capacity of the Issuer could be adjudicated to be proportionately reduced in future years if utility property were determined to be other than "taxable property" for purposes of computing the Issuer's debt limit under Article XI of the Constitution of the State of Iowa. There can be no assurance that future legislation will not (i) operate to reduce the amount of debt the Issuer can issue or (ii) adversely affect the Issuer's ability to levy taxes in the future for the payment of the principal of and interest on its outstanding debt obligations, including the Bonds. Approximately 4.59% of the Issuer's tax base currently is utility property. Notwithstanding the foregoing, the Issuer has the obligation to levy taxes against all the taxable property in the Issuer sufficient to pay principal of and interest on the Bonds.

Direct Debt

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

Fiscal Year	Estimate* 12/1/16	Total Principal	Total Interest	Total P&I
2017	330,000	330,000	20,172	350,172
2018	375,000	375,000	45,608	420,608
2019	380,000	380,000	42,045	422,045
2020	390,000	390,000	38,055	428,055
2021	390,000	390,000	33,570	423,570
2022	395,000	395,000	28,695	423,695
2023	400,000	400,000	23,363	423,363
2024	410,000	410,000	17,163	427,163
2025	420,000	420,000	10,193	430,193
2026	135,000	135,000	2,633	137,633
Totals:	3,625,000	3,625,000	261,494	3,886,494

Source: CSD

School Infrastructure Sales, Services & Use Tax Revenue Bonds

Presented below is the principal and interest on the Issuer's outstanding School Infrastructure Sales & Services Tax Revenue Bonds, presented by fiscal year and issue:

Fiscal Year	7/1/12	Total Principal	Total Interest	Total P&I
2017	335,000	335,000	116,485	451,485
2018	340,000	340,000	112,465	452,465
2019	345,000	345,000	107,705	452,705
2020	350,000	350,000	102,013	452,013
2021	355,000	355,000	95,013	450,013
2022	365,000	365,000	87,913	452,913
2023	370,000	370,000	79,700	449,700
2024	380,000	380,000	70,820	450,820
2025	390,000	390,000	61,320	451,320
2026	400,000	400,000	50,595	450,595
2027	410,000	410,000	39,395	449,395
2028	425,000	425,000	27,095	452,095
2029	435,000	435,000	13,920	448,920
Totals:	4,900,000	4,900,000	964,438	5,864,438

Source: CSD

Debt Limit

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

1/1/2015 Actual Valuation:	473,329,595
X	0.05
Statutory Debt Limit:	23,666,480
Total General Obligation Debt:	3,625,000
Total Lease Purchases:	
Total Loan Agreements:	
Capital Leases:	
Total Debt Subject to Limit:	3,625,000
Percentage of Debt Limit Obligated:	15.32%

It has not been determined whether the District's Sales Tax Revenue Bonds do or do not count against the constitutional debt limit. If the Bonds do count against the constitutional debt limit, the amount of debt subject to the debt limit would increase $4,900,000* to be $8,525,000*, or 36.02% * of the statutory debt limit.

* Preliminary, subject to change
Source: Iowa Department of Management

Overlapping & Underlying Debt

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

Taxing Authority	Outstanding Debt	2015 Taxable Valuation	Taxable Value Within Issuer	Percentage Applicable	Amount Applicable
City of Underwood	$560,000	$35,971,172	$35,971,172	100.00%	$560,000
Pottawattamie County	10,685,000	4,863,579,512	252,307,238	5.19%	554,304
Iowa Western Community College	48,820,000	9,872,462,806	252,307,238	2.56%	1,247,676
Green Hills AEA	0	12,999,381,675	252,307,238	1.94%	0
				Total Overlapping & Underlying Debt:	2,361,981

Source: Iowa Department of Management

FINANCIAL SUMMARY

Actual Value of Property, 2015:	$473,329,595
Taxable Value of Property, 2015:	257,426,637
Direct General Obligation Debt:	$3,625,000
Overlapping Debt:	0
Direct & Overlapping General Obligation Debt:	$3,625,000
Population, 2010 US Census:	3,930
Direct Debt per Capita:	$922.39
Total Debt per Capita:	$922.39
Direct Debt to Taxable Valuation:	1.41%
Total Debt to Taxable Valuation:	1.41%
Direct Debt to Actual Valuation:	0.77%
Total Debt to Actual Valuation:	0.77%
Actual Valuation per Capita:	$120,440
Taxable Valuation per Capita:	$65,503

Source: Iowa Department of Management

APPENDIX B – FORM OF LEGAL OPINION

We hereby certify that we have examined a certified transcript of the proceedings of the Board of Directors of the Underwood Community School District in the County of Pottawattamie, State of Iowa, and acts of administrative officers of the School District (the "Issuer"), relating to the issuance of General Obligation School Refunding Bonds, Series 2016, dated the date of delivery, in the denominations of $5,000 or multiples thereof, in the aggregate amount of $_______________ (the "Bonds").

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

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

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

1. The Issuer is duly created and validly existing as a body corporate and politic and political subdivision of the State of Iowa with the corporate power to adopt and perform the Resolution and issue the Bonds.

2. The Bonds are valid and binding general obligations of the Issuer.

3. All taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds. Taxes have been levied by the Resolution for the payment of the Bonds and the Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent the necessary funds are not provided from other sources.

4. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

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

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

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

AHLERS & COONEY, P.C.

APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Underwood Community School District, State of Iowa (the "Issuer"), in connection with the issuance of $_______________ General Obligation School Refunding Bonds, Series 2016 (the "Bonds"), dated the date of delivery. The Bonds are being issued pursuant to a Resolution of the Issuer approved on November 14, 2016 (the "Resolution"). The Issuer covenants and agrees as follows:

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

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

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

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

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

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

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

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

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

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

"Official Statement" shall mean the Issuer's Official Statement for the Bonds, dated _______________, 2016.

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

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Iowa.

Section 3. Provision of Annual Financial Information.

a) The Issuer shall, or shall cause the Dissemination Agent to, not later than the 15th day of April following the end of the Issuer's fiscal year (presently June 30th), commencing with information for the 2016/2017 fiscal year, provide to the National Repository an Annual Financial Information filing consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Financial Information filing must be submitted in such format as is required by the MSRB (currently in "searchable PDF" format). The Annual Financial Information filing may be submitted as a single document or as separate documents comprising a package. The Annual Financial Information filing may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Financial Information filing and later than the date required above for the filing of the Annual Financial Information if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).
b) If the Issuer is unable to provide to the National Repository the Annual Financial Information by the date required in subsection (a), the Issuer shall send a notice to the Municipal Securities Rulemaking Board, if any, in substantially the form attached as Exhibit A.
c) The Dissemination Agent shall:
    i. each year file Annual Financial Information with the National Repository; and

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

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

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

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

Section 5. Reporting of Significant Events.

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

b) Whenever the Issuer obtains the knowledge of the occurrence of a Listed Event, the Issuer shall determine if the occurrence is subject to notice only if material, and if so shall as soon as possible determine if such event would be material under applicable federal securities laws.

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

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

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

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

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

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

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

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

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.
Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.
Date: Date of Delivery

UNDERWOOD COMMUNITY SCHOOL
DISTRICT, STATE OF IOWA

By: ______________________________
President of the Board of Directors

ATTEST:

By: ______________________________

Secretary of the Board of Directors

EXHIBIT A

NOTICE TO NATIONAL REPOSITORY OF
FAILURE TO FILE ANNUAL FINANCIAL INFORMATION

Name of Issuer:	Underwood Community School District, Iowa.
Name of Bond Issue:	$__________ General Obligation School Refunding Bonds, Series 2016
Dated Date of Issue:	________________, 2016

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

Dated: __________ day of ______________, 20___.

UNDERWOOD COMMUNITY SCHOOL
DISTRICT, STATE OF IOWA

By: ____
Its: ____

APPENDIX D – AUDITED FINANCIAL STATEMENTS OF THE ISSUER

This Appendix contains the entire 2015 audited financial statement of the issuer. The Auditor of State of the State of Iowa (the "State Auditor") maintains a webpage that contains prior years' audits of city, county, school district and community college, including audits of the Issuer, which can be found at the following link http://auditor.iowa.gov/reports/index.html.

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UNDERWOOD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

Table of Contents

Underwood Community School District

Officials

Name	Title	Term Expires
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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of 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 PC

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

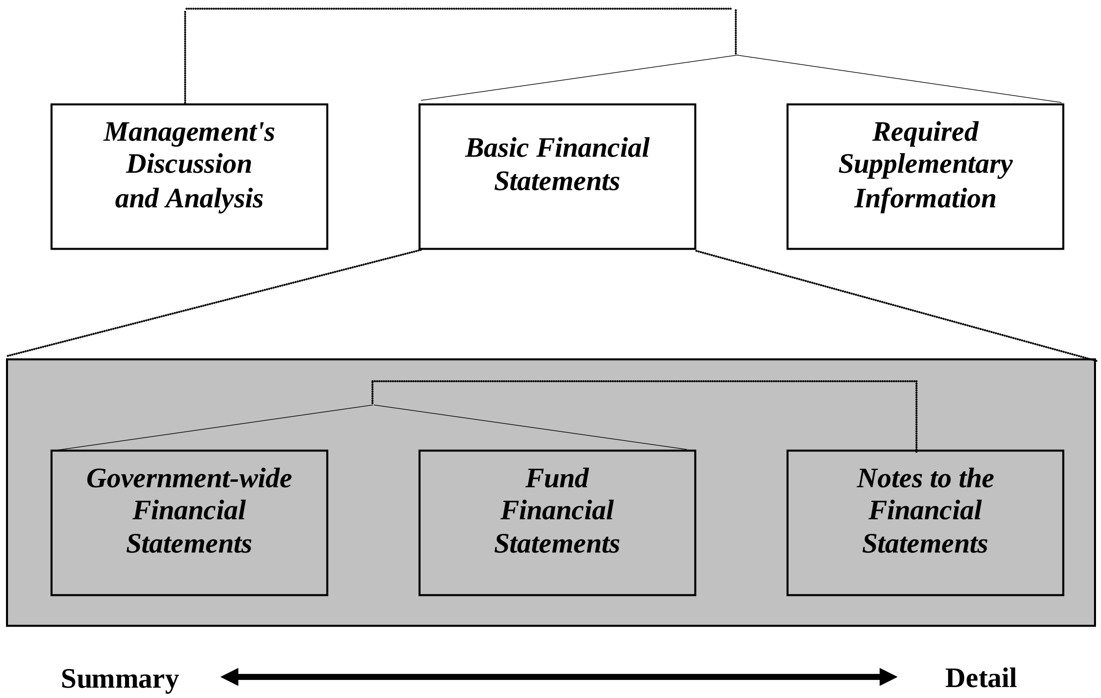

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows	• 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,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
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	20,815,468	21,201,192	197,599	180,719	21,013,067	21,381,911	-1.73%
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	13,759,232	11,772,656	154,872	59,258	13,914,104	11,831,914	17.60%
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	$ 3,132,887	5,836,486	28,092	121,461	3,160,979	5,957,947	-46.95%

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 June 30,		Business Type Activities June 30,		Total District June 30,		Total Change June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (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.

Figure A-5
Total and Net Cost of Governmental Activities

	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 June 30, 2015	Governmental Activities June 30, 2014	Business Type Activities June 30, 2015	Business Type Activities June 30, 2014	Total District June 30, 2015	Total District June 30, 2014	Total Change June 30, 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 June 30, 2015	Governmental Activities June 30, 2014 (Not Restated)	Business Type Activities June 30, 2015	Business Type Activities June 30, 2014 (Not Restated)	Total District June 30, 2015	Total District June 30, 2014 (Not Restated)	Total Change June 30, 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

Exhibit A

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 DEFEERRED 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.

Exhibit B

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
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.

Exhibit C

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.

Exhibit D

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
Amounts reported for governmental activities in the Statement of Net Position are different because:		
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	(967,049)	(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.		(12,844,845)
Net position of governmental activities(page 18)		$ 3,132,887

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit E

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

	General	Debt Service	Nonmajor	Total
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.

Exhibit F

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.

Exhibit G

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

	Business Type Activities: Enterprise Funds				Governmental Activities: Internal Service Fund
	School Nutrition	Latch Key	Wellness	Total	
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	284,848	71,207	3,710	359,765	866,169
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	-
	403,982	-	-	403,982	-
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	-
	-	66,863	-	66,863	-
Community service operations:					
Supplies	-	-	189	189	-
Other	-	-	2,367	2,367	-
	-	-	2,556	2,556	-
Total non-instructional programs	403,982	66,863	2,556	473,401	-
Total operating expenses	405,398	66,863	2,556	474,817	825,768
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	133,904	-	-	133,904	-
Change in net position	13,354	4,344	1,154	18,852	40,401
Net position beginning of year, as restated	(25,810)	35,050	-	9,240	73,575
Net position end of year	$ (12,456)	39,394	1,154	28,092	113,976

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit I

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

	Business Type Activities: Enterprise Funds					Governmental Activities: Internal Service Fund
		School Nutrition	Latch Key	Wellness	Total	
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.

Exhibit J

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

	Private Purpose Trust Scholarship
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

	Private Purpose Trust
	Scholarship
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.

(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	140,274	45,479	88,163	97,590
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	19,993,916	196,076	58,902	20,131,090
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	5,447,309	571,140	58,902	5,959,547
Total capital assets being depreciated, net	14,546,607	(375,064)	-	14,171,543
Governmental activities capital assets, net	$ 14,686,881	(329,585)	88,163	14,269,133
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	$ 58,827	(7,331)	-	51,496

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
	161,089
Unallocated depreciation	410,051
Total governmental activities depreciation expense	$ 571,140
Business type activities:	
Food service operations	$ 5,157
Other business operations	2,174
	$ 7,331

(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 Activites:						
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	Bond Issue of July 1, 2012				
Ending June 30,	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:

Asset Class	**Asset Allocation**	**Long-Term Expected Real Rate of Return**
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	100%	

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.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
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		(38,805)
Annual OPEB cost		155,167
Contributions made		(133,000)
Increase in net OPEB obligation		22,167
Net OPEB obligation beginning of year		1,021,595
Net OPEB obligation end of year	$	1,043,762

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	$	80,206

(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	Business Type Activities: Latch Key	Business Type Activities: 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 outlfows 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	$ 2,714,687	$ (25,810)	35,050	9,240

(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 Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
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	9,535,167	493,669	10,028,836	9,503,505	9,503,505	525,331
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	9,480,834	474,817	9,955,651	10,601,475	10,601,475	645,824
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	2,038,378	9,240	2,047,618	2,146,158	2,146,158	(98,540)
Balances end of year	$ 2,092,711	28,092	2,120,803	1,048,188	1,048,188	1,072,615

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	(387,693)	(361,614)	(358,618)	(334,630)	(285,534)	(272,275)	(249,792)	(213,330)	(198,393)	(191,489)
Contribution deficiency (excess)	$ -	-	-	-	-	-	-	-	-	-
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.

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				
	Management 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				
	Management 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.

Schedule 3

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 INLFOWS OF RESOURCES AND FUND BALANCES	$ 394,288	97,390	491,678

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 4

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
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						
		Armstrong Scholarship	Boyer Scholarship	Torneton Scholarship	Wyland Scholarship	Health Committee	Total
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.
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(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.

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.

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	122	661,077
		1,000,989
Expenditures/transfer out:		
School infrastructure construction	91,674	
Equipment	67,500	
Transfer to another fund:		
Debt service fund	449,469	608,643
Ending balance		$ 392,346

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.