CITY OF UNDERWOOD

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

JUNE 30, 2015

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CITY OF UNDERWOOD

OFFICIALS

Name	Title	Term Expires
Dennis Bardsley	Mayor	January 2018
Robert Dose	Mayor Pro-Tem	January 2016
Todd Erwin	Council Member	January 2016
Jim Pingel	Council Member	January 2018
David Powell	Council Member	January 2016
Gary Wahel	Council Member	January 2018
Kelly Groskurth	City Clerk	Resigned
Lea Voss	City Treasurer	Appointed yearly
Matthew Woods	City Attorney	Indefinite

MUXFELDT
ASSOCIATES, CPA, P.C.
Certified Public Accountant

September 16, 2015

Lonnie G. Muxfeldt
Certified Public Accountant

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Continued . . .

Member of American Institute of Certified Public Accountants,
Iowa Society of CPA's and AICPA Private Companies Practice Section

To the Honorable Mayor and
Members of the City Council:

Auditor's Responsibility (Continued)

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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Underwood as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

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

Continued . .

To the Honorable Mayor and
Members of the City Council:

Other Matters

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Underwood's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2014 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and 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 procedure sin accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the City's Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 8 through 13 and 38 through 44, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

To the Honorable Mayor and
Members of the City Council:

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 16, 2015 on my consideration of the City of Underwood's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Underwood's internal control over financial reporting and compliance.

Mayfield Associates, CPA, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Underwood 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 City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 83%, or approximately $614,000, from fiscal year 2014 to fiscal year 2015. Property tax increased approximately $79,000, tax increment financing increased approximately $82,000, and note proceeds increased approximately $406,000.

Disbursements of the City's governmental activities increased 77%, or approximately $509,000 in fiscal year 2015 from fiscal year 2014. Public safety, public works and community and economic development increased approximately $489,000, $91,000, and $54,000, respectively.

The City's total cash basis net position increased 21% or approximately $294,000, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased approximately $316,000 and the cash basis net position of the business type activities decreased approximately $22,000.

USING THIS REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the sanitary sewer system and garbage collection. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately $858,000 to approximately $1.17 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

	Year Ended June 30, 2015	Year Ended June 30, 2014
Receipts:		
Program receipts:		
Charges for services	$ 59,764	$ 52,910
Operating grants, contributions and restricted interest	192,491	188,959
Capital grants, contributions and restricted interest	-0-	-0-
General receipts:		
Property tax	402,794	323,669
Tax increment financing	125,081	42,867
Local option sales tax	136,655	108,381
Miscellaneous receipts	6,560	-0-
Note Proceeds	596,300	190,000
Sale of property	860	-0-
Total receipts	1,520,505	906,786
Disbursements:		
Public safety	552,605	63,899
Public works	190,581	99,147
Culture and recreation	30,051	32,767
Community and economic development	124,644	70,619
General government	157,927	139,188
Debt service	114,678	91,903
Capital projects	-0-	163,939
Total disbursements	1,170,486	661,462
Change in cash basis net position before transfers	350,019	245,324
Transfers, net	(34,164)	(27,096)
Change in cash basis net position	315,855	218,228
Cash basis net position, beginning of year	858,162	639,934
Cash basis net position, end of year	$ 1,174,017	$ 858,162

The City's total receipts for governmental activities increased 68%, or approximately $600,000. The total cost of all programs and services increased approximately $ -0- or 20%, with no new programs added this year.

Significant increases to governmental receipts included approximately $79,000 in property taxes, $82,000 in tax increment financing, $28,000 in local option taxes and $406,000 from note proceeds. Significant increase to governmental disbursements was the result of the purchase of a new fire truck.

The cost of all governmental activities this year was approximately $1.17 million compared to approximately $661,000 last year. However, as shown in the Statement of Activities and Net Position on pages 15 and 16, the amount taxpayers ultimately financed for these activities was only $918,231 because some of the cost was paid by those directly benefited from the programs ($59,764) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest ($192,491). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2015 from approximately $242,000 to $252,000, principally due to increases in charges for services.

Changes in Cash Basis Net Position of Business Type Activities

	Year Ended June 30, 2015	Year Ended June 30, 2014
Receipts:		
Program receipts:		
Charges for services and sales:		
Sewer	$ 115,555	$ 122,023
Garbage	44,223	45,006
Operating grants, contributions and restricted interest	-0-	-0-
Capital grants, contributions and restricted interest	-0-	-0-
General receipts:		
Miscellaneous	-0-	-0-
Restricted interest	-0-	-0-
Sale of assets	-0-	1,000
Net note proceeds	-0-	-0-
Total receipts	159,778	168,029
Disbursements:		
Sewer	171,137	120,900
Garbage	44,770	39,550
Total disbursements	215,907	160,450
Change in cash basis net position before transfers	(56,129)	7,579
Transfers, net	34,164	27,096
Change in cash basis net position	(21,965)	34,675
Cash basis net position, beginning of year	531,396	496,721
Cash basis net position, end of year	$ 509,431	$ 531,396

Total business type activities receipts for the fiscal year were approximately $160,000 compared to approximately $168,000 last year. The cash balance decreased approximately $22,000 from the prior year primarily due to engineering costs for the sanitary sewer lift and main project.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Underwood completed the year, its governmental funds reported a combined fund balance of $1,174,017, an increase of $315,855 from last year's total of $858,162.

The General Fund cash balance increased $294,024 from the prior year to $626,289 at year end. The Fire Department purchased a new fire truck which was financed by the issuance of GO Corporate Purpose Bonds in the principal amount of $610,000.

The Special Revenue, Road Use Tax Fund cash balance increased by $618 to $335,399. The 4th Street Extension was completed and financed by the issuance of the above mentioned bonds. $102,491 of local option sales tax was receipted into the Road Use Tax Fund this fiscal year and this money will be used to maintain and upgrade City streets.

The Special Revenue Fund, Urban Renewal Tax Increment Fund was established to account for the Fieldcrest Addition, the Eagle Landing Subdivision, the finance agreement with Links Snacks, Inc. and the City's housing rehabilitation program. The fund's cash balance increased by $16,054 to $184,752 at year end.

The Debt Service Fund cash balance increased by $675 from the prior year. Principal and interest payments were $114,678, tax receipts were $55,300, transfers from the general fund and the road use tax fund were $36,002 and $24,051, respectively.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise Fund, Sewer Fund cash balance decreased by $21,418 to $465,458 from the prior year. The decrease was primarily due to engineering costs associated with the sanitary sewer lift and main project.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City did not amend the budget. The City's receipts were approximately $96,000 more than budgeted primarily due to receiving more property taxes, tax incremental financing, and local option sales tax receipts than anticipated.

The City's disbursements were approximately $498,000 less than budgeted primarily affecting the business type activities and community and economic development functions.

DEBT ADMINISTRATION

At June 30, 2015, the City had $1,230,102 in bonds and notes outstanding, compared to $745,930 last year, as shown below.

Outstanding Debt at Year-End		
	Year Ended June 30, 2015	Year Ended June 30, 2014
General obligation notes	$ 1,035,102	$ 520,930
Sewer revenue notes	195,000	225,000
Total	$ 1,230,102	$ 745,930

Debt increased $610,000 as a result of issuing general obligation corporate purpose bonds to finance the purchase of a new fire truck and completion of the 4th Street Extension. Outstanding principal was reduced by $125,828. Interest costs for the fiscal year were $25,682.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of $1,035,102 is significantly below its constitutional debt limit of approximately $2.7 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Underwood's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees charged for various City activities. One of those factors is the economy. As a bedroom community of a major metropolitan area, housing continues to move as new families take residence in the Community.

These factors were taken into account when adopting the budget for fiscal year 2016. The mill levy decreased $0.05399 from $12.27985 to $12.22586. Disbursements are expected to decrease approximately $330,000. Receipts are expected to increase by approximately $4,900.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately $11,500 by the close of fiscal year 2016.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Janice Ehrens, Deputy City Clerk, or Mayor Dennis Bardsley, at 218 2nd Street, Underwood, Iowa 51576.

BASIC FINANCIAL STATEMENTS

CITY OF UNDERWOOD

CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

		Program Receipts		
	Disbursements	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	$ 552,605	$ 50,830	$ 96,690	$ -0-
Public works	190,581	-0-	95,352	-0-
Cultures and recreation	30,051	3,359	-0-	-0-
Community and economic development	124,644	33	49	-0-
General government	157,927	5,542	400	-0-
Debt service	114,678	-0-	-0-	-0-
Capital Projects	-0-	-0-	-0-	-0-
Total governmental activities	1,170,486	59,764	192,491	-0-
Business type activities:				
Sewer	171,137	115,555	-0-	-0-
Garbage	44,770	44,223	-0-	-0-
Total business type activities	215,907	159,778	-0-	-0-
Total	$ 1,386,393	$ 219,542	$ 192,491	$ -0-

Property taxes levied for:
General purposes
Debt service
Tax increment financing
Local option sales tax
Unrestricted investment earnings
Note Proceeds
Miscellaneous
Sale of assets
Transfers
Total general receipts

Change in cash basis net assets

Cash basis net assets, beginning of year

Cash basis net assets, end of year

Cash basis net position
Restricted:
Expendable:
Streets
Urban renewal
Debt service
Other purposes
Unrestricted
Total cash basis net position

Net (Disbursements), Receipts and Changes in Net Position

Governmental Activities	Business Type Activities	Total
$ (405,085)	$ -0-	$ (405,085)
(95,229)	-0-	(95,229)
(26,692)	-0-	(26,692)
(124,562)	-0-	(124,562)
(151,985)	-0-	(151,985)
(114,678)	-0-	(114,678)
-0-	-0-	-0-
(918,231)	-0-	(918,231)
-0-	(55,582)	(55,582)
-0-	(547)	(547)
-0-	(56,129)	(56,129)
(918,231)	(56,129)	(974,360)
347,494	-0-	347,494
55,300	-0-	55,300
125,081	-0-	125,081
136,655	-0-	136,655
-0-	-0-	-0-
596,300	-0-	596,300
6,560	-0-	6,560
860	-0-	860
(34,164)	34,164	-0-
1,234,086	34,164	1,268,250
315,855	(21,965)	293,890
858,162	531,396	1,389,558
$ 1,174,017	$ 509,431	$ 1,683,448
$ 335,399	$ -0-	$ 335,399
184,752	-0-	184,752
676	-0-	676
26,901	-0-	26,901
626,289	509,431	1,135,720
$ 1,174,017	$ 509,431	$ 1,683,448

See notes to financial statements.

CITY OF UNDERWOOD

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	General	Special Revenue: Road Use Tax	Special Revenue: Urban Renewal Tax Increment
Receipts:			
Property tax	$ 259,238	$ -0-	$ -0-
Tax increment financing	-0-	-0-	125,081
Other city tax	3,830	-0-	-0-
Licenses and permits	11,878	-0-	-0-
Use of money and property	452	-0-	49
Intergovernmental	96,671	95,352	-0-
Charges for services	44,131	-0-	-0-
Miscellaneous	3,722	6,560	-0-
Total receipts	419,922	101,912	125,130
Disbursements:			
Operating:			
Public safety	547,812	-0-	-0-
Public works	-0-	179,734	-0-
Culture and recreation	17,316	-0-	-0-
Community and economic development	33,913	-0-	89,597
General government	109,130	-0-	-0-
Debt service	-0-	-0-	-0-
Total disbursements	708,171	179,734	89,597
Excess (deficiency) of receipts over (under) disbursements	(288,249)	(77,822)	35,533
Other financing sources (uses):			
Sale of assets	860	-0-	-0-
Bond Proceeds	596,300	-0-	-0-
Operating transfers in	23,683	102,491	-0-
Operating transfers out	(38,570)	(24,051)	(19,479)
Total other financing sources (uses)	582,273	78,440	(19,479)
Net change in cash balances	294,024	618	16,054
Cash balances, beginning of year	332,265	334,781	168,698
Cash balances, end of year	$ 626,289	$ 335,399	$ 184,752
Cash Basis Fund Balances			
Restricted for:			
Urban renewal purposes	$ -0-	$ -0-	$ 184,752
Debt Service	-0-	-0-	-0-
Streets	-0-	335,399	-0-
Other purposes	-0-	-0-	-0-
Assigned for Clark Circle	-0-	-0-	-0-
Unassigned	626,289	-0-	-0-
Total cash basis fund balances	$ 626,289	$ 335,399	$ 184,752

See notes to financial statements.

EXHIBIT B

Local Option Sales Tax	Debt Service	Other Non-major Governmental Funds	Total
$ -0-	$ 55,300	$ 84,426	$ 398,964
-0-	-0-	-0-	125,081
136,655	-0-	-0-	140,485
-0-	-0-	-0-	11,878
-0-	-0-	-0-	501
-0-	-0-	-0-	192,023
-0-	-0-	-0-	44,131
-0-	-0-	-0-	10,282
136,655	55,300	84,426	923,345
-0-	-0-	4,793	552,605
-0-	-0-	10,847	190,581
-0-	-0-	12,735	30,051
-0-	-0-	1,134	124,644
-0-	-0-	48,797	157,927
-0-	114,678	-0-	114,678
-0-	114,678	78,306	1,170,486
136,655	(59,378)	6,120	(247,141)
-0-	-0-	-0-	860
-0-	-0-	-0-	596,300
-0-	60,053	2,568	188,795
(136,655)	-0-	(4,204)	(222,959)
(136,655)	60,053	(1,636)	562,996
-0-	675	4,484	315,855
-0-	1	22,417	858,162
$ -0-	$ 676	$ 26,901	$ 1,174,017
$ -0-	$ -0-	$ -0-	$ 184,752
-0-	676	-0-	676
-0-	-0-	-0-	335,399
-0-	-0-	11,506	11,506
-0-	-0-	15,395	15,395
-0-	-0-	-0-	626,289
$ -0-	$ 676	$ 26,901	$ 1,174,017

EXHIBIT C

CITY OF UNDERWOOD

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES PROPRIETARY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds		
	Sewer	Garbage	Total
Operating receipts:			
Charges for services	$ 114,770	$ 43,714	$ 158,484
Miscellaneous	767	509	1,276
Total receipts	115,537	44,223	159,760
Operating disbursements:			
Business type activities	67,620	44,770	112,390
Total disbursements	67,620	44,770	112,390
Operating income	47,917	(547)	47,370
Non-operating receipts (disbursements):			
Interest	18	-0-	18
Capital outlay	(66,685)	-0-	(66,685)
Debt service	(36,832)	-0-	(36,832)
Total non-operating receipts (disbursements)	(103,499)	-0-	(103,499)
Excess of receipts over disbursements	(55,582)	(547)	(56,129)
Other financing sources (uses):			
Sale of assets	-0-	-0-	-0-
Operating transfer in	34,164	-0-	34,164
Operating transfer out	-0-	-0-	-0-
Other financing sources (uses)	34,164	-0-	34,164
Net change in cash balance	(21,418)	(547)	(21,965)
Cash balances, beginning of year	486,876	44,520	531,396
Cash balances, end of year	$ 465,458	$ 43,973	$ 509,431
Cash Basis Fund Balances			
Unrestricted	$ 486,876	$ 43,973	$ 509,431
Total cash basis fund balances	$ 486,876	$ 43,973	$ 509,431

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

The City of Underwood is a political subdivision of the State of Iowa and located in Pottawattamie County. It was first incorporated in 1902 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general administrative services. The City also provides sewer and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Underwood has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial burdens on the City.

Jointly Governed Organizations

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

B. Basis of Presentation

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

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation - Continued

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

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

Expendable restricted net position results when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provision or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often have constraints on resources imposed by management which can be removed or modified.

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

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

The City reports the following major governmental funds:

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

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation - Continued

Special Revenue:

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

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

The Local Option Sales Tax Fund is used to account for local option sales taxes which are transferred 25% to the Sewer Fund and 75% to the Road Use Tax Fund.

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

The City reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

D. Governmental Cash Basis Fund Balances

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements did not exceed amounts budgeted.

(2) Cash and Pooled Investments

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

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

The City's cash, which consists of cash on hand, cash in bank and certificates of deposit, held at two local institutions in the City's name totaled $1,683,448 as of June 30, 2015.

Interest Rate Risk

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

(3) Bonds and Notes Payable

Annual debt service requirements to maturity of general obligation bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 148,260	$ 31,646	$ 30,000	$ 5,906	$ 178,260	$ 37,552
2017	124,909	24,905	30,000	4,961	154,909	29,866
2018	130,475	21,029	30,000	4,017	160,475	25,046
2019	136,056	16,928	30,000	3,071	166,056	19,999
2020	76,654	12,710	30,000	2,126	106,654	14,836
2021	77,269	10,995	30,000	1,182	107,269	12,177
2022	77,901	9,263	15,000	236	92,901	9,499
2023	83,578	7,073	-0-	-0-	83,578	7,073
2024	60,000	4,950	-0-	-0-	60,000	4,950
2025	60,000	3,300	-0-	-0-	60,000	3,300
2026	60,000	1,650	-0-	-0-	60,000	1,650
Total	$ 1,035,102	$ 144,449	$ 195,000	$ 21,499	$ 1,230,102	$ 165,948

General Obligation Street Improvement Note, 2013

On July 9, 2013, the City issued a $190,000 general obligation street improvement note with a local bank. The $190,000 note bears interest at 2.82%, requires semiannual principle and interest installments of $12,025, and matures June 1, 2023.

General Obligation Fire Equipment Note, 2007

On June 21, 2007, the City financed the purchase of a pumper truck with a local bank. The $174,000 note bears interest at 4.90%, requires semiannual installments of $12,038, and matures June 1, 2016.

General Obligation Corporate Purpose Bonds, Series 2009

On April 15, 2009, the City issued bonds to finance street repairs to 3rd Street and the purchase of an ambulance. The $495,000 bonds bear interest ranging from 2.25% to 4.20%, require semi-annual installments of interest and annual retirements of bonds (approximately $65,000 annually), and mature June 1, 2019.

(3) Bonds and Notes Payable (Continued)

General Obligation Corporate Purpose Bonds, Series 2013

On March 31, 2015, the City issued bonds to finance the purchase of a fire truck and the 4th Street Extension project. The $610,000 bonds bear interest ranging from 2.0% to 2.75%, require semiannual installments of interest and annual installments of principal of approximately $63,500, and mature June 1, 2026.

Sewer Revenue Note

On January 31, 2012, the City issued a $300,000 sewer revenue note with a local bank. The note bears interest at 3.15%, required semi-annual principal and interest payments, and matures June 1, 2022.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay $300,000 of a sewer revenue note issued January 31, 2012. Proceeds from the note provided financing for sewer improvements. The note is payable solely from sewer customer net receipts and are payable through 2022.

(4) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 3 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums of the City and plan members are $1,193 for family coverage. For the year ended June 30, 2015, the City contributed $32,892 and the plan members eligible for benefits contributed $10,044.

(5) Pension Plan

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

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

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

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

(5) Pension Plan (Continued)

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 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.

Contribution - 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 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 City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were $10,975.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled $154,819. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.001980 percent, which was a decrease of 0.000064 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled $5,997, $4,407, and $30,557, respectively.

(5) Pension Plan (Continued)

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 assets 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 Flus 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%	

(5) Pension Plan (Continued)

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 rates and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was project 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 City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 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%)
City's proportionate share of the net pension liability	$151,392	$80,214	$19,966

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.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time termination payments payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

Type of Benefit		Amount June 30, 2015
Vacation	$	3,535
Comp time		307
	$	3,842

This liability has been computed based on rates of pay in effect at June 30, 2015.

(7) Related Party Transactions

The City had no business transactions between the City and City officials during the year ended June 30, 2015.

(8) Interfund Transfers

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

Transfer to	Transfer from		Amount
Debt Service	General Fund	$	36,002
Debt Service	Special Revenue - Road Use		24,051
General	Special Revenue - Urban Renewal TIF		19,479
General	Special Revenue - Emergency		4,204
Insurance	General		2,568
Special Revenue - Road Use	Special Revenue - Local Option		102,491
Enterprise – Sewer	Special Revenue - Local Option		34,164
Total		$	222,959

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

(9) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claim expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 were $28,195.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $350,000 per claim. Claims exceeding $350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $250,000 each occurrence, each location. Property risks exceeding $250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

(9) Risk Management (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all liability claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries workers' compensation insurance purchased from the Iowa Municipalities Workers' Compensation Association, IMWCA. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Urban Renewal Tax Increment Financing Agreements

Fieldcrest Development Agreement

On December 10, 2003, the City entered into a development agreement with McKee Contracting. The developer agreed to construct residential infrastructure such as storm sewers, pavement, sanitary sewers, hydrants, and streetlights in the Fieldcrest Urban Renewal Area of the City. The City voided the original agreement and entered into a new agreement with Shiloh Properties, LLC. The developer requested and the City agreed to make economic development tax increment payments to the developer each year during the term of the agreement. For the year ended June 30, 2015, the City rebated $31,021 to Shiloh Properties, LLC.

The City certifies to the County Auditor by December 1 of each year the following year's tax increment financing request. Per terms of the agreement and in accordance with provisions of Section 403.22 of the Code of Iowa, the City retains 35.1% of the incremental tax receipts for the purpose of providing assistance to low and moderate income households. For the year ended June 30, 2015, the City received $47,799 of tax increment financing receipts and retained the required percentage of LMI set aside per terms of the agreement.

In March 2014, the City entered into an agreement with Shiloh Properties, LLC to develop Fieldcrest Phase 3 Subdivision and the construction of public infrastructure on certain real property situated in the urban renewal area. The City will use up to $440,000 tax increment financing to support the developer's construction of public infrastructure necessary for the development of the Fieldcrest Phase 3 Project. Per terms of the agreement 15% of tax increment financing receipts will be set aside for low to moderate income households.

Urban Renewal Area South - Internal Loan

On October 8, 2013, the City amended its Urban Renewal Plan South to decrease the Urban Renewal Area and to provide a commercial business building to house up to four new businesses. The City's General Fund advanced approximately $200,000 necessary to construct the commercial building and will be reimbursed through tax increment financing receipts. For the year ended June 30, 2015, the Urban Renewal Tax Increment Financing Fund reimbursed $19,479 to the General Fund. The balance of the Internal Loan was $180,521 at June 30, 2015.

(10) Urban Renewal Tax Increment Financing Agreements (Continued)

Tax Incremental Finance Agreement with Jack Links, Inc.

In November 2013, the City requested an annual appropriation from Pottawattamie County to collect the maximum allowable taxes for the Jack Links TIF District. For the year ended June 30, 2015, the City received and rebated to Jack Links, Inc. $57,803 per terms of the agreement.

(11) Commitments

The City renewed an agreement for law enforcement services with Pottawattamie County. The fee for the year ended June 30, 2015 was $16,048.

The City has extended an agreement with M & K Tree Service, Inc. for solid waste collection through 2015 at a cost of $11.09 (with annual optional incremental fuel increases) per month per household or commercial unit.

(12) Subsequent Events

In May 2015, the City awarded the contract for the sanitary sewer lift and main project to Driver Sewer and Water, Inc. of Council Bluffs, Iowa. In August 2015, the $476,544 contract qualified for Clean Water State Revolving Fund participation. In July 2015, the Pottawattamie County Board of Supervisors awarded a CITIES grant to the City for the sanitary sewer lift and main project. The $260,000 grant requires a 50/50 local match and expires September 30, 2016.

OTHER INFORMATION

CITY OF UNDERWOOD

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

OTHER INFORMATION

YEAR ENDED JUNE 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	$ 398,964	$ -0-
Tax increment financing	125,081	-0-
Other city tax	140,485	-0-
Licenses and permits	11,878	-0-
Use of money and property	501	18
Intergovernmental	192,023	-0-
Charges for services	44,131	158,484
Special assessments	-0-	-0-
Miscellaneous	10,282	1,276
Total receipts	923,345	159,778
Disbursements:		
Public safety	552,605	-0-
Public works	190,581	-0-
Health and social services	-0-	-0-
Culture and recreation	30,051	-0-
Community and economic development	124,644	-0-
General government	157,927	-0-
Debt service	114,678	-0-
Capital projects	-0-	-0-
Business type	-0-	215,907
Total disbursements	1,170,486	215,907
Excess (deficiency) of receipts over (under) disbursements	(247,141)	(56,129)
Other financing sources, net	562,996	34,164
Excess (deficiency) of receipts and other financing sources	315,855	(21,965)
Balance beginning of year	858,162	531,396
Balance end of year	$ 1,174,017	$ 509,431

See Accompanying Independent Auditor's Report.

	Total	Budgeted Amounts Original and Final	Final to Total Variance
$	398,964	$ 384,390	$ 14,574
	125,081	130,020	(4,939)
	140,485	96,498	43,987
	11,878	3,855	8,023
	519	250	269
	192,023	191,342	681
	202,615	179,720	22,895
	-0-	-0-	-0-
	11,558	1,200	10,358
	1,083,123	987,275	95,848
	552,605	562,794	10,189
	190,581	243,569	52,988
	-0-	-0-	-0-
	30,051	52,918	22,867
	124,644	252,428	127,784
	157,927	189,136	31,209
	114,678	119,853	5,175
	-0-	-0-	-0-
	215,907	463,512	247,605
	1,386,393	1,884,210	497,817
	(303,270)	(896,935)	593,665
	597,160	710,000	(112,840)
	293,890	(186,935)	480,825
	1,389,558	1,389,558	-0-
$	1,683,448	$ 1,202,623	$ 480,825

CITY OF UNDERWOOD

NOTES TO OTHER INFORMATION - BUDGETARY REPORTING

JUNE 30, 2015

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

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, there were no budget amendments.

During the year ended June 30, 2015, disbursements did not exceed amounts budgeted.

CITY OF UNDERWOOD
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR

OTHER INFORMATION

		2015
City's proportion of the net pension liability		.001980%
City's proportionate share of the net pension liability	$	80,214
City's covered-employee payroll	$	123,159
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll		65.13%
Plan fiduciary net position as a percentage of the total pension liability		87.61%

- The amounts present for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

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 City will present information for those years for which information is available.

CITY OF UNDERWOOD
SCHEDULE OF CITY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR

OTHER INFORMATION

		2015
Statutorily required contribution	$	10,998
Contributions in relation to the statutorily required contribution	$	10,975
Contribution deficiency (excess)	$	23
City's covered-employee payroll	$	123,159
Contributions as a percentage of covered-employee payroll	$	8.93%

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.

SUPPLEMENTARY INFORMATION

CITY OF UNDERWOOD

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue	
	Emergency	Employee Benefits
Receipts:		
Property tax	$ -0-	$ 59,903
Disbursements:		
Operating:		
Public safety	-0-	4,793
Public works	-0-	10,847
Culture and recreation	-0-	12,735
Community and economic development	-0-	1,134
General government	-0-	20,602
Total disbursements	-0-	50,111
Excess (deficiency) of receipts over (under) disbursements	-0-	9,792
Other financing sources (uses):		
Operating transfers in	-0-	-0-
Operating transfers out	(4,204)	-0-
Net financing sources (uses)	(4,204)	-0-
Net change in cash balances	(4,204)	9,792
Cash balances beginning of year	4,204	1,483
Cash balances end year	$ -0-	$ 11,275
Cash Basis Fund Balances		
Restricted for other purposes	$ -0-	$ 11,275
Assigned for capital projects	-0-	-0-
Total cash basis fund balances	$ -0-	$ 11,275

See Accompanying Independent Auditor's Report.

SCHEDULE 1

Insurance	Capital Projects Clark Circle	Total
$ 24,523	$ -0-	$ 84,426
-0-	-0-	4,793
-0-	-0-	10,847
-0-	-0-	12,735
-0-	-0-	1,134
28,195	-0-	48,797
28,195	-0-	78,306
(3,672)	-0-	6,120
2,568	-0-	2,568
-0-	-0-	(4,204)
2,568	-0-	(1,636)
(1,104)	-0-	4,484
1,335	15,395	22,417
$ 231	$ 15,395	$ 26,901
$ 231	$ -0-	$ 11,506
-0-	15,395	15,395
$ 231	$ 15,395	$ 26,901

CITY OF UNDERWOOD

SCHEDULE OF INDEBTEDNESS

JUNE 30, 2015

Obligation	Date of Issue	Interest Rates		Amount Originally Issued
General obligation notes:				
Clarke Circle Improvement Note	July 9, 2013	2.82 %	$	190,000
Fire Equipment Note	June 21, 2007	4.90 %	$	174,000
Corporate Purpose Bonds	April 15, 2009	2.25 - 4.20 %	$	495,000
Corporate Purpose Bonds	March 31, 2015	2.00 - 2.75%	$	610,000
Revenue notes:				
Sewer Revenue Note	January 31, 2012	3.15%	$	300,000

See Accompanying Independent Auditor's Report.

SCHEDULE 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
$ 190,000	$ -0-	$ 18,798	$ 171,202	$ 5,253	$ 402
45,930	-0-	22,030	23,900	2,397	98
285,000	-0-	55,000	230,000	11,200	773
-0-	610,000	-0-	610,000	-0-	1,405
$ 520,930	$ 610,000	$ 95,828	$ 1,035,102	$ 18,850	$ 2,678
$ 225,000	$ -0-	$ 30,000	$ 195,000	$ 6,832	$ 512

SCHEDULE 3

CITY OF UNDERWOOD

BOND AND NOTE MATURITIES

JUNE 30, 2015

General Obligation Bonds and Notes

Year Ending June 30,	Street Improvements Issued July 9, 2013		Fire Truck Note Issued June 21, 2007	
	Interest Rate	Amount	Interest Rate	Amount
2016	2.82	$ 19,359	4.9%	$ 23,900
2017	2.82	19,909	--	-0-
2018	2.82	20,475	--	-0-
2019	2.82	21,056	--	-0-
2020	2.82	21,654	--	-0-
2021	2.82	22,269	--	-0-
2022	2.82	22,901	--	-0-
2023	2.82	23,579	--	-0-
2024	--	-0-	--	-0-
2025	--	-0-	--	-0-
2026	--	-0-	--	-0-
Total		$ 171,202		$ 23,900

See Accompanying Independent Auditor's Report.

CITY OF UNDERWOOD

BOND AND NOTE MATURITIES

JUNE 30, 2015

General Obligation Bonds and Notes

Year Ending June 30,	Essential Corporate Purpose Bonds Issued April 15, 2009		Essential Corporate Purpose Bonds Issued March 31, 2015		
	Interest Rate	Amount	Interest Rate	Amount	Total
2016	3.50%	$ 55,000	2.00%	$ 50,000	$ 148,259
2017	3.50%	55,000	2.00%	50,000	124,909
2018	4.20%	60,000	2.00%	50,000	130,475
2019	4.20%	60,000	2.00%	55,000	136,056
2020	--	-0-	2.00%	55,000	76,654
2021	--	-0-	2.00%	55,000	77,269
2022	--	-0-	2.75%	55,000	77,901
2023	--	-0-	2.75%	60,000	83,579
2024	--	-0-	2.75%	60,000	60,000
2025	--	-0-	2.75%	60,000	60,000
2026	--	-0-	2.75%	60,000	60,000
Total		$ 230,000		$ 610,000	$ 1,035,102

CITY OF UNDERWOOD

BOND AND NOTE MATURITIES

JUNE 30, 2015

Sewer Revenue Note

Year Ending June 30,	Sewer Revenue Note Issued January 31, 2012 Interest Rate	Amount	Total
2016	3.15%	$ 30,000	$ 30,000
2017	3.15%	30,000	30,000
2018	3.15%	30,000	30,000
2019	3.15%	30,000	30,000
2020	3.15%	30,000	30,000
2021	3.15%	30,000	30,000
2022	3.15%	15,000	15,000
Total		$ 195,000	$ 195,000

CITY OF UNDERWOOD

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION - ALL GOVERNMENTAL FUNDS

FOR THE LAST ELEVEN YEARS

	2015	2014	2013	2012	2011
Receipts:					
Property taxes	$ 398,964	$ 323,669	$ 308,902	$ 313,228	$ 304,106
Tax increment financing	125,081	42,913	138,374	132,638	138,597
Other city taxes	140,485	108,381	95,905	104,829	83,453
License and permits	11,878	9,923	11,605	4,292	7,420
Use of money and property	501	324	1,002	778	1,459
Intergovernmental	192,023	186,090	200,434	210,675	176,971
Charges for service	44,131	33,198	25,223	21,858	29,557
Special assessments	-0-	-0-	-0-	631	-0-
Miscellaneous	10,282	12,288	30,462	10,270	4,604
Total	$ 923,345	$ 716,786	$ 811,907	$ 799,199	$ 746,167
Disbursements:					
Operating:					
Public safety	$ 552,605	$ 63,899	$ 66,461	$ 85,024	$ 159,372
Public works	190,581	99,147	145,866	169,873	137,970
Health and social services	-0-	-0-	-0-	-0-	-0-
Culture and recreation	30,051	32,767	24,346	24,391	22,980
Comm. and economic dev	124,644	70,619	309,896	155,806	128,010
General government	157,927	139,188	156,684	147,998	144,403
Debt service	114,678	91,903	118,839	124,397	137,599
Capital projects	-0-	163,939	-0-	-0-	82,859
Total	$ 1,170,486	$ 661,462	$ 822,092	$ 707,489	$ 813,193

See accompanying independent auditor's report.

2010	2009	2008	2007	2006	2005
$ 293,877	$ 270,827	$ 256,042	$ 231,541	$ 212,017	$ 205,970
123,215	107,394	105,459	112,347	76,287	98,565
70,550	90,339	77,247	85,383	90,562	76,458
7,920	10,133	14,064	5,840	7,936	8,683
1,592	6,600	16,071	12,858	3,378	1,252
156,597	391,438	203,803	154,660	129,724	148,400
14,424	16,255	10,954	9,893	15,763	37,616
80	-0-	461	-0-	15	168
14,845	35,613	3,946	20,544	28,412	10,762
$ 683,100	$ 928,599	$ 688,047	$ 633,066	$ 564,094	$ 587,874

$ 244,484	$ 48,252	$ 63,655	$ 244,708	$ 165,080	$ 80,432
114,943	95,392	90,412	41,769	61,710	96,443
-0-	-0-	-0-	-0-	-0-	650
28,358	22,519	15,818	22,324	12,380	23,735
137,592	147,032	160,643	123,243	107,790	97,029
129,953	126,105	122,462	116,766	126,730	112,466
127,722	107,177	98,114	96,850	91,668	125,109
-0-	372,950	249,091	28,072	85,151	-0-
$ 783,052	$ 919,427	$ 800,195	$ 673,732	$ 650,509	$ 535,864

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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September 16, 2015

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Underwood, Iowa as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated September 16, 2015. My report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

My 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, I identified a deficiency in internal control that I consider to be a material weakness.

Continued . . .

Member of American Institute of Certified Public Accountants,
Iowa Society of CPA's and AICPA Private Companies Practice Section

To the Honorable Mayor and
Members of the City Council:

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

Compliance and Other Matters

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

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

City of Underwood's Responses to Findings

The City of Underwood's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. The City of Underwood's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Continued . . .

To the Honorable Mayor and
Members of the City Council

Purpose of this Report

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

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

Mayfleet Associates, CPA, P.C.

CITY OF UNDERWOOD
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES

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. For example, the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all performed by the same person.

Recommendation - I realize that with one full time city clerk and a part time deputy clerk, a proper segregation of duties is challenging. However, City Council should monitor control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged.

I-B-15 Financial Reporting - During the audit, I identified significant mispostings to the road use tax and general funds. Adjustments were subsequently made by the City to properly report these amounts in the City's financial statements.

Recommendation - The City should implement procedures to ensure local option sales tax, road use tax and general property taxes are correctly recorded in the City's financial statements.

Response - We will investigate and implement procedures in this area so that we may avoid posting errors in future.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF UNDERWOOD
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted.

II-B-15 Questionable Disbursements - I noted no disbursements for parties, banquets or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-15 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-15 Business Transactions - There were no business transactions between the City and City officials or employees.

II-E-15 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-15 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

II-G-15 Deposits and Investments - I noted no instance of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-15 Unsubstantiated Disbursements - It was noted that not all credit card charges or employee reimbursements were substantiated. I also noted that the City does not have a written credit card policy.

Recommendation - Disbursements should be substantiated with appropriate documentation. City Council should consider adopting a written credit card policy.

Response - Credit card charges and employee reimbursements will be appropriately substantiated in the future and we will consider adopting a written credit card policy.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting (Continued):

II-I-15 Revenue Bonds and Notes - No instances of non-compliance with the revenue bond and note resolutions were noted.

II-J-15 Tax Increment Financing - Chapter 403.19 of the Code of Iowa provides that a municipality may certify loans, advances, indebtedness and bonds (indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. Urban Renewal Area TIF Indebtedness was certified to the County Auditor before December 1, and no exceptions were noted.

II-K-15 Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1, and no exceptions were noted.