

**HARLAN COMMUNITY SCHOOL DISTRICT**  
**INDEPENDENT AUDITORS' REPORT**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2021**

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**HARLAN COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

Amy Rueschenberg	President	2021
Jessica Anderson	Vice President	2021
Al Hazelton	Board Member	2021
Seth Piro	Board Member	2021
Joe Herzberg	Board Member	2023
Joni Larsen	Board Member	2023
Monte Schechinger	Board Member	2023

**School Officials**

Lynn Johnson	Superintendent	2021
Kelli Klaassen	Director of Personnel/Board Secretary	2021
Brian Gubbels	Director of Finance/District Treasurer	Indefinite
Ahlers & Cooney, P.C.	Attorney	Indefinite

**HARLAN COMMUNITY SCHOOL DISTRICT**



Diane McGrain, CPA  
Jim Menard, CPA  
Kelsey Peterson, CPA

January 3, 2022

## INDEPENDENT AUDITORS' REPORT

The Board of Education  
Harlan Community School District  
Harlan, IA 51537

### 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 Harlan Community School District, Harlan Iowa, as of and for the year ended June 30, 2021, 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.

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### 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 Harlan Community School District as of June 30, 2021, 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.

### 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 Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 9 through 15 and 48 through 53 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 Harlan 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, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by Title 2, *U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and 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.

Continued...

January 3, 2022  
Harlan Community School District  
Independent Auditors' Report

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2022 on our consideration of Harlan 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 Harlan Community School District's internal control over financial reporting and compliance.

*Schroer & Associates, PC*

Schroer and Associates, PC  
Council Bluffs, Iowa

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Harlan 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, 2021. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2021 FINANCIAL HIGHLIGHTS

- General Fund revenues increased \$1,373,138 from \$17,151,683 in fiscal 2020 to \$18,524,821 in fiscal 2021, while General Fund expenditures increased \$238,097 from \$16,988,067 in fiscal 2020 to \$17,226,164 in fiscal 2021. The net increase in revenues and increase in expenditures resulted in an increase in the District's General Fund balance from \$2,016,071 in fiscal 2020 to \$3,314,836 in fiscal 2021 which is a 64.4 percent increase from the prior year.
- The increase in General Fund revenues was primarily attributable to an increase in federal revenues and local property taxes. The increase in expenditures was due primarily to COVID-19 expenses.
- The District's General Fund financial transactions resulted in an increase to the District's solvency ratio as it was 10.9% for 2020 and 16.7% for 2021. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term obligations. Iowa Association of School Boards, and Iowa Association of School Business Officials recognize a solvency ratio between 5-15% as financially acceptable.

### 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 Harlan 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 Harlan 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 Harlan Community School District acts solely as an agent or custodian for the benefit of those outside of the 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 Changes in the District's Total OPEB Liability, Related Ratios and Notes.

- Supplementary Information provides detailed information about the non-major governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

## **REPORTING OF 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 outflow 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 they have changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating, respectively. 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 program is 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 District's programs. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.

The required financial statements for 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 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 one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a 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 Private-Purpose Trust and Custodial Fund, as follows:

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Custodial Fund – These are funds for which the District administers and accounts for certain federal and/or state grants as a fiscal agent and certain revenue collected for District employee purchases of pop and related expenditures.

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 includes a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

### Government-Wide Financial Analysis

**Net Position** – Figure A-1 below provides a summary of the District's net position at June 30, 2021 compared to June 30, 2020.

Figure A-1 Condensed Statement of Net Position (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2021	2020	2021	2020	2021	2020	2020-2021
Current and other assets	\$ 15,422	13,860	622	413	16,044	14,273	12.41%
Capital assets	15,974	16,514	26	33	16,000	16,547	-3.31%
Total assets	31,396	30,374	648	446	32,044	30,820	3.97%
Deferred outflows of resources	2,836	2,745	53	52	2,889	2,797	3.29%
Long-term liabilities	17,790	17,240	263	225	18,053	17,465	3.37%
Other liabilities	1,948	2,033	80	71	2,028	2,104	-3.61%
Total liabilities	19,738	19,273	343	296	20,081	19,569	2.62%
Deferred inflows of resources	8,112	8,910	11	42	8,123	8,952	-9.26%
Net position							
Net investment in capital assets	9,549	8,959	26	33	9,575	8,992	6.48%
Restricted	2,761	2,637	-	-	2,761	2,637	4.70%
Unrestricted	(5,928)	(6,660)	321	127	(5,607)	(6,533)	14.17%
Total net position	\$ 6,382	4,936	347	160	6,729	5,096	32.04%

The District's total net position increased by 32.04% or approximately \$1,633,000 from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position increased approximately \$124,000 or 4.7% from the prior year. The increase was primarily a result of the district lowering its overall debt position.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased approximately \$926,000 or 14.17%. The increase in unrestricted net position was primarily a result of stimulus funds received as a result of the COVID-19 pandemic.

**Changes in Net Position** – Figure A-2 shows the changes in net position for the year ended June 30, 2021 compared to the year ended June 30, 2020.

Figure A-2 Changes in Net Position (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2021	2020	2021	2020	2021	2020	2020-2021
<b>Revenue</b>							
<b>Program revenues:</b>							
Charges for services	\$ 1,721	1,642	74	300	1,795	1,942	-7.57%
Operating grants, contributions and restricted interest	3,738	2,961	1,042	537	4,780	3,498	36.65%
Capital grants, contributions and restricted interest	1	8	-	-	1	8	-87.50%
<b>General revenues:</b>							
Property tax	6,978	6,816	-	-	6,978	6,816	2.38%
Statewide sales, services and use tax	1,383	1,472	-	-	1,383	1,472	-6.05%
Unrestricted state grants	7,379	6,994	-	-	7,379	6,994	5.50%
Unrestricted investment earnings	10	28	-	-	10	28	-64.29%
Other	2	2	1	2	3	4	-25.00%
Transfers	-	13	-	(13)	-	-	-
<b>Total revenues</b>	<b>21,212</b>	<b>19,936</b>	<b>1,117</b>	<b>826</b>	<b>22,329</b>	<b>20,762</b>	<b>7.55%</b>
<b>Program expenses:</b>							
Instruction	12,620	12,608	-	-	12,620	12,608	0.10%
Support services	5,645	5,593	-	-	5,645	5,593	0.93%
Non-instructional programs	-	-	930	750	930	750	24.00%
Other expenses	1,501	1,630	-	-	1,501	1,630	-7.91%
<b>Total expenses</b>	<b>19,766</b>	<b>19,831</b>	<b>930</b>	<b>750</b>	<b>20,696</b>	<b>20,581</b>	<b>0.56%</b>
<b>Changes in net position</b>	<b>1,446</b>	<b>105</b>	<b>187</b>	<b>76</b>	<b>1,633</b>	<b>181</b>	<b>802.21%</b>
<b>Net position beginning of year</b>	<b>4,936</b>	<b>4,831</b>	<b>160</b>	<b>84</b>	<b>5,096</b>	<b>4,915</b>	<b>3.68%</b>
<b>Net position end of year</b>	<b>\$ 6,382</b>	<b>4,936</b>	<b>347</b>	<b>160</b>	<b>6,729</b>	<b>5,096</b>	<b>32.04%</b>

In fiscal year 2021, property tax and unrestricted state grants account for 67.6 percent of total revenue. The District's expenses primarily related to instruction and support services which account for 88.2 percent of the total expenses.

**Governmental Activities**

Revenues for governmental activities were \$19,937,136 for fiscal 2020 and \$21,212,388 for fiscal 2021. Expenses were \$19,832,073 for fiscal 2020 and \$19,766,561 for fiscal 2021. The District revenues exceeded expenditures resulting in an increase in financial position.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses, for the year ended June 30, 2021 compared to the year ended June 30, 2020.

**Figure A-3**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in Thousands)**

	Total Cost of Services			Net Cost of Services		
	2021	2020	Change	2021	2020	Change
			2020-2021			2020-2021
Instruction	\$ 12,620	12,608	0.10%	7,977	8,757	-8.91%
Support services	5,645	5,593	0.93%	5,469	5,481	-0.22%
Other expenses	1,501	1,630	-7.91%	860	982	-12.42%
Total	\$ 19,766	19,831	-0.33%	14,306	15,220	-6.01%

- The cost financed by users of the District's programs was \$1,642,183 for 2020 and \$1,720,694 for 2021.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,969,509 for 2020 and \$3,739,750 for 2021.
- The net cost of governmental activities was financed with \$8,361,025 of property and other taxes, and \$7,379,199 of unrestricted state grants.

**Business-Type Activities**

Revenues of the District's business-type activities were \$825,753 for 2020 and \$1,116,699 for 2021, and expenses were \$749,364 for 2020 and \$929,849 for 2021. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of changes for services, federal and state reimbursements, and investment income.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, the Harlan 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 \$4,513,486 for 2020 and \$5,813,207 for 2021. The primary reason for the increase in combined fund balances in fiscal 2021 is due to CARES Act funding as well as a slight reduction in capital project costs. The District experienced a decrease in enrollment during fiscal year 2022. The District will need to continue to rely on State Foundation Aid allowable growth increases, new revenue sources, and use fund balances to help cover any increases in costs.

## Governmental Fund Highlights

- The District's increase in General Fund financial position is the product of many factors. The District saw an increase in some revenue areas including federal aid, and only a slight increase in expenditures resulting in an overall increase in financial position. The General Fund balance increased from \$2,016,071 to \$3,314,836 due to a net increase in revenues over expenditures.
- The Capital Project Fund balance decreased slightly from \$1,787,853 for 2020 to \$1,784,964 for 2021.
- The Debt Service Fund Balance decreased from \$9,525 for 2020 to \$8,329 for 2021.

## Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$159,925 at June 30, 2020 to \$346,775 at June 30, 2021, representing an increase of approximately 116.8%.

## BUDGETARY HIGHLIGHTS

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 for internal services, private-purpose trusts and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District' budget is prepared on the accrual basis. The District operated within its certified budget. A schedule showing the original and final budget amounts compared to the District's actual financial activity are included in the required supplementary information section of this report.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2021, the District had invested approximately \$16.0 million, 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-4) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year totaled \$820,697.

The original cost of the District's capital assets was \$31.40 million. Governmental funds account for \$31.10 million with the remainder of \$0.30 million in the Proprietary, School Nutrition Fund.

The significant capital assets activities include purchase of vehicles and several facility and technology updates.

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2021	2020	2021	2020	2021	2020	2020-2021
Land	\$ 26	26	-	-	26	26	0.00%
Buildings	15,298	15,935	-	-	15,298	15,935	-4.00%
Improvements other than buildings	215	143	-	-	215	143	50.35%
Machinery and equipment	435	410	26	33	461	443	4.06%
Total	15,974	16,514	26	33	16,000	16,547	-3.31%

## Long-Term Debt

At June 30, 2021 the District had approximately \$6,405,000 general obligation and other long-term debt outstanding. This represents a decrease of approximately 14.88% from last year. The decrease is primarily attributable to the District making the annual payments on the outstanding debt. (See Figure A-5) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

	Total District		Total Change
	June 30,		June 30,
	2021	2020	2020-2021
Revenue bond refunding bonds	\$ 5,385	5,810	-7.31%
General obligation refunding bonds	1,020	1,715	-40.52%
Total	\$ 6,405	7,525	-14.88%

## ECONOMIC FACTORS THAT BEAR 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:

- The District administration is taking steps to balance the District's revenues and expenditures and keep the District in a healthy financial position.
- The District has seen a decrease in enrollment. The District's funding for fiscal year 2023 will be based on the decreased enrollment. It is paramount that the District makes its financial decisions based upon sound assumptions of future enrollment trends.
- The District is closely monitoring the uncertainty of state and local finances in light of the national and global financial situation. It is uncertain whether or not there will be additional reductions made to the fiscal year 2022 budget.
- The District's state wide penny sales tax receipts are sufficient enough to pay the current general obligation and revenue bonds. As a result the District will not assess any property tax levy for debt service repayment.

## 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 Brian Gubbels, Director of Finance, Harlan Community School District, 2102 Durant Street, Harlan, Iowa 51537.

**BASIC FINANCIAL STATEMENTS**



**HARLAN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2021**

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 6,903,447	530,023	7,433,470
Receivables:			
Property tax:			
Delinquent	96,670	-	96,670
Succeeding year	6,995,676	-	6,995,676
Accounts	429	-	429
Due from other governments	1,351,046	57,247	1,408,293
Prepaid expenses	74,904	5,035	79,939
Inventories	-	29,632	29,632
Capital assets, net of accumulated depreciation	15,973,983	26,479	16,000,462
Total assets	<u>31,396,155</u>	<u>648,416</u>	<u>32,044,571</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	2,044,192	52,842	2,097,034
OPEB related deferred outflows	791,902	-	791,902
Total deferred outflows of resources	<u>2,836,094</u>	<u>52,842</u>	<u>2,888,936</u>
<b>Liabilities</b>			
Accounts payable	199,219	3,798	203,017
Salaries & benefits payable	1,748,077	36,714	1,784,791
Accrued interest payable	1,386	-	1,386
Unearned revenue	-	38,973	38,973
Long-term liabilities:			
Portion due within one year:			
Bonds payable	705,000	-	705,000
Compensated absences	68,366	-	68,366
Portion due after one year:			
Bonds payable, net of unamortized premiums	5,719,955	-	5,719,955
Net pension liability	9,570,586	264,143	9,834,729
Total OPEB liability	1,725,299	-	1,725,299
Total liabilities	<u>19,737,888</u>	<u>343,628</u>	<u>20,081,516</u>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	6,995,676	-	6,995,676
Unavailable income surtax revenue	665,993	-	665,993
Pension related deferred inflows	421,473	-	421,473
OPEB related deferred inflows	29,027	10,855	39,882
Total deferred inflows of resources	<u>8,112,169</u>	<u>10,855</u>	<u>8,123,024</u>
<b>Net Position</b>			
Net investment in capital assets	9,549,028	26,479	9,575,507
Restricted for:			
Categorical funding	264,293	-	264,293
Management levy purposes	456,767	-	456,767
Student activities	248,311	-	248,311
Debt service	6,943	-	6,943
Capital projects	1,141,733	-	1,141,733
Physical plant and equipment levy	643,231	-	643,231
Unrestricted	(5,928,114)	320,296	(5,607,818)
Total net position	<u>\$ 6,382,192</u>	<u>346,775</u>	<u>6,728,967</u>

See notes to financial statements

**HARLAN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

Functions/Programs	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
<b>Governmental activities:</b>							
Instruction:							
Regular instruction	\$ 8,074,373	944,174	2,620,077	-	(4,510,122)	-	(4,510,122)
Special instruction	2,883,317	392,273	292,517	-	(2,198,527)	-	(2,198,527)
Other instruction	1,662,703	366,246	28,144	-	(1,268,313)	-	(1,268,313)
	<u>12,620,393</u>	<u>1,702,693</u>	<u>2,940,738</u>	<u>-</u>	<u>(7,976,962)</u>	<u>-</u>	<u>(7,976,962)</u>
Support services:							
Student services	469,707	-	102,240	-	(367,467)	-	(367,467)
Instructional staff services	1,006,127	-	-	-	(1,006,127)	-	(1,006,127)
Administration services	1,765,480	-	-	-	(1,765,480)	-	(1,765,480)
Operation & maintenance of plant services	1,613,805	4,053	-	-	(1,609,752)	-	(1,609,752)
Transportation services	790,213	13,948	55,668	-	(720,597)	-	(720,597)
	<u>5,645,332</u>	<u>18,001</u>	<u>157,908</u>	<u>-</u>	<u>(5,469,423)</u>	<u>-</u>	<u>(5,469,423)</u>
Other expenditures:							
Facilities acquisition	34,083	-	-	1,408	(32,675)	-	(32,675)
Long-term debt interest	169,054	-	4	-	(169,050)	-	(169,050)
AEA flowthrough	639,692	-	639,692	-	-	-	-
Depreciation (unallocated)*	658,007	-	-	-	(658,007)	-	(658,007)
	<u>1,500,836</u>	<u>-</u>	<u>639,696</u>	<u>1,408</u>	<u>(859,732)</u>	<u>-</u>	<u>(859,732)</u>
Total governmental activities	<u>19,766,561</u>	<u>1,720,694</u>	<u>3,738,342</u>	<u>1,408</u>	<u>(14,306,117)</u>	<u>-</u>	<u>(14,306,117)</u>
<b>Business-Type activities:</b>							
Non-instructional programs:							
Nutrition services	929,849	74,087	1,042,000	-	-	186,238	186,238
Total	<u>\$ 20,696,410</u>	<u>1,794,781</u>	<u>4,780,342</u>	<u>1,408</u>	<u>(14,306,117)</u>	<u>186,238</u>	<u>(14,119,879)</u>
<b>General Revenues:</b>							
Property and other tax levied for:							
General purposes					\$ 6,396,908	-	6,396,908
Capital outlay					581,062	-	581,062
Statewide sales, services and use tax					1,383,055	-	1,383,055
Unrestricted state grants					7,379,199	-	7,379,199
Unrestricted investment earnings					9,310	412	9,722
Other					2,410	200	2,610
Total general revenues					<u>15,751,944</u>	<u>612</u>	<u>15,752,556</u>
Change in net position					1,445,827	186,850	1,632,677
Net position beginning of year					4,936,365	159,925	5,096,290
Net position end of year					<u>\$ 6,382,192</u>	<u>346,775</u>	<u>6,728,967</u>

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

**HARLAN COMMUNITY SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2021**

<b>Assets</b>	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Cash, cash equivalents and pooled investments	\$ 4,518,510	1,679,051	8,329	697,557	6,903,447
Receivables:					
Property tax:					
Delinquent	83,836	8,068	-	4,766	96,670
Succeeding year	5,933,784	580,499	-	481,393	6,995,676
Accounts	139	-	-	290	429
Due from other governments	1,235,359	115,687	-	-	1,351,046
Prepaid expenses	68,055	-	-	6,849	74,904
<b>Total assets</b>	<b>\$ 11,839,683</b>	<b>2,383,305</b>	<b>8,329</b>	<b>1,190,855</b>	<b>15,422,172</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 177,802	17,842	-	3,575	199,219
Salaries & benefits payable	1,747,268	-	-	809	1,748,077
Total liabilities	1,925,070	17,842	-	4,384	1,947,296
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax revenue	5,933,784	580,499	-	481,393	6,995,676
Succeeding year income surtax revenue	665,993	-	-	-	665,993
Total deferred inflows of resources	6,599,777	580,499	-	481,393	7,661,669
Fund balances:					
Nonspendable - prepaids	68,055	-	-	6,849	74,904
Restricted for:					
Categorical funding	264,293	-	-	-	264,293
Donated purposes	76,138	-	-	-	76,138
Debt service	-	-	8,329	-	8,329
Capital projects	-	1,141,733	-	-	1,141,733
Physical plant and equipment	-	643,231	-	-	643,231
Management levy purposes	-	-	-	449,918	449,918
Student activities	-	-	-	248,311	248,311
Unassigned	2,906,350	-	-	-	2,906,350
Total fund balances	3,314,836	1,784,964	8,329	705,078	5,813,207
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 11,839,683</b>	<b>2,383,305</b>	<b>8,329</b>	<b>1,190,855</b>	<b>15,422,172</b>

See notes to financial statements

**HARLAN COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET –  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021**

<b>Total fund balances of governmental funds</b>		\$	5,813,207
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.			15,973,983
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.			(1,386)
Pension and OPEB 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	\$	2,836,094	
Deferred inflows of resources		<u>(450,500)</u>	2,385,594
Long-term liabilities, including bonds and notes payable, compensated absences payable, total OPEB liability and net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities of the governmental funds.			<u>(17,789,206)</u>
<b>Net position of governmental activities</b>		\$	<u><u>6,382,192</u></u>

See notes to financial statements

**HARLAN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2021**

	General	Capital Projects	Debt Service	Nonmajor Governmental	Total
<b>Revenues:</b>					
Local sources:					
Local Tax	\$ 6,688,088	580,764	-	343,889	7,612,741
Tuition	1,267,309	-	-	-	1,267,309
Other	164,045	2,318	4	366,940	533,307
State sources	9,206,302	1,390,468	-	4,342	10,601,112
Federal sources	1,199,077	-	-	-	1,199,077
Total revenues	<u>18,524,821</u>	<u>1,973,550</u>	<u>4</u>	<u>715,171</u>	<u>21,213,546</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular instruction	7,606,334	117,372	-	84,292	7,807,998
Special instruction	2,776,320	-	-	-	2,776,320
Other instruction	1,264,874	-	-	354,997	1,619,871
	<u>11,647,528</u>	<u>117,372</u>	<u>-</u>	<u>439,289</u>	<u>12,204,189</u>
Support services:					
Student services	449,175	-	-	-	449,175
Instructional staff services	937,292	64,062	-	-	1,001,354
Administration services	1,551,538	20,631	1,200	129,406	1,702,775
Operation and maintenance of plant services	1,353,275	147,232	-	86,727	1,587,234
Transportation services	647,664	137,445	-	54,708	839,817
	<u>4,938,944</u>	<u>369,370</u>	<u>1,200</u>	<u>270,841</u>	<u>5,580,355</u>
Other expenditures:					
Facilities acquisition	-	121,943	-	-	121,943
Long-term debt:					
Principal	-	-	1,120,000	-	1,120,000
Interest and fiscal charges	-	-	259,247	-	259,247
AEA flowthrough	639,692	-	-	-	639,692
	<u>639,692</u>	<u>121,943</u>	<u>1,379,247</u>	<u>-</u>	<u>2,140,882</u>
Total expenditures	<u>17,226,164</u>	<u>608,685</u>	<u>1,380,447</u>	<u>710,130</u>	<u>19,925,426</u>
Excess (deficiency) of revenues over (under) expenditures	1,298,657	1,364,865	(1,380,443)	5,041	1,288,120
Other financing sources (uses):					
Proceeds from fixed asset dispositions	108	11,493	-	-	11,601
Operating transfers in	-	-	1,379,247	-	1,379,247
Operating transfers out	-	(1,379,247)	-	-	(1,379,247)
Total other financing sources (uses)	<u>108</u>	<u>(1,367,754)</u>	<u>1,379,247</u>	<u>-</u>	<u>11,601</u>
Change in fund balances	1,298,765	(2,889)	(1,196)	5,041	1,299,721
Fund balances beginning of year	<u>2,016,071</u>	<u>1,787,853</u>	<u>9,525</u>	<u>700,037</u>	<u>4,513,486</u>
Fund balances end of year	<u>\$ 3,314,836</u>	<u>1,784,964</u>	<u>8,329</u>	<u>705,078</u>	<u>5,813,207</u>

See notes to financial statements

**HARLAN 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, 2021**

**Net change in fund balances - total governmental funds** **\$ 1,299,721**

*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 outlays depreciation expense and adjustments for disposals in the year are as follows:

Expenditures for capital assets	\$ 274,191	
Depreciation expense	(814,469)	(540,278)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 1,120,000

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. 90,193

Income collected after 60 days is recognized in the Statement of Activities. (1,158)

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflow of resources in the Statement of Net Position. 1,001,510

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.

Compensated absences	\$ 22,169	
Pension expense	(1,361,572)	
OPEB expense	(184,758)	(1,524,161)

**Change in net position of governmental activities** **\$ 1,445,827**

See notes to financial statements

**HARLAN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2021**

	<u>School Nutrition</u>
<b>Assets</b>	
Current assets:	
Cash, cash equivalents and pooled investments	\$ 530,023
Due from other governments	57,247
Prepaid expenses	5,035
Inventories	29,632
Total current assets	<u>621,937</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>26,479</u>
Total assets	<u>648,416</u>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	52,842
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	3,798
Salaries and benefits and payable	36,714
Unearned revenue	38,973
Total current liabilities	<u>79,485</u>
Noncurrent liabilities:	
Net pension liability	<u>264,143</u>
Total liabilities	<u>343,628</u>
<b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	10,855
<b>Net Position</b>	
Net investment in capital assets	26,479
Unrestricted	<u>320,296</u>
Total net position	<u><u>\$ 346,775</u></u>

See notes to financial statements

**HARLAN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2021**

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for service	\$ 74,087
Operating expenses:	
Support services:	
Operation and maintenance of plant	30,331
Non-instructional programs:	
Food service operations:	
Salaries	306,101
Benefits	67,760
Purchased services	282
Supplies	519,147
Depreciation	6,228
Total operating expenses	<u>929,849</u>
Operating loss	(855,762)
Non-operating revenue:	
State sources	7,294
Federal sources	1,034,706
Gain on sale of equipment	200
Interest on investments	412
Total non-operating revenue	<u>1,042,612</u>
Increase in net position	186,850
Net position beginning of year	<u>159,925</u>
Net position end of year	<u>\$ 346,775</u>

See notes to financial statements



**HARLAN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2021**

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 80,719
Cash payments to employees for services	(368,767)
Cash payments to suppliers for goods or services	(468,181)
Net cash used in operating activities	(756,229)
Cash flows from non-capital financing activities:	
State grants received	5,556
Federal grants received	932,491
Net cash provided by non-capital financing sources	938,047
Cash flows from capital and related financing activities:	
Sale of capital assets	200
Net cash provided by capital and related financing activities	200
Cash flows from investing activities:	
Interest on investments	412
Net increase in cash and cash equivalents	182,430
Cash and cash equivalents at beginning of year	347,593
Cash and cash equivalents at end of year	\$ 530,023
 <b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (855,762)
Commodities used	79,533
Depreciation	6,228
(Increase) decrease:	
Inventories	(1,509)
Prepaid expenses	(243)
Pension related deferred outflows	(986)
Increase (decrease) in:	
Accounts payable	3,798
Salaries and benefits payable	(2,435)
Unearned revenue	6,632
Net pension liability	39,309
Pension related deferred inflows	(30,794)
Net cash used in operating activities	\$ (756,229)

**Non-cash investing, capital and financing activities**

During the year ended June 30, 2021 the District received \$79,533 of federal commodities.

See notes to financial statements

**HARLAN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2021**

	Private Purpose Trust	
	Scholarship	Custodial
<b>Assets</b>		
Cash, cash equivalents and pooled investments	\$ 148,197	6,439
Total assets	148,197	6,439
<b>Liabilities</b>		
None	-	-
<b>Net Position</b>		
Restricted for scholarships	148,197	-
Restricted for other organizations	-	6,439
Total net position	\$ 148,197	6,439

See notes to financial statements

**HARLAN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2021**

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Custodial</u>
Additions:		
Local sources:		
Interest on investments	\$ 251	-
Gifts and contributions	5,020	-
	<u>5,271</u>	<u>-</u>
Deductions:		
Scholarships awarded	7,200	-
Merchandise	-	38
Total deductions	<u>7,200</u>	<u>38</u>
Change in net position	(1,929)	(38)
Net position beginning of year	<u>150,126</u>	<u>6,477</u>
Net position end of year	<u>\$ 148,197</u>	<u>6,439</u>

See notes to financial statements

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**NOTE 1 Summary of Significant Accounting Policies**

The Harlan Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. 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 Harlan, Iowa and the predominately agricultural territory in Harrison and Shelby Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District 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, Harlan 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 Harlan Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in jointly governed organizations 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 Harrison and Shelby Counties Assessor's Conference Boards.

**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 the following categories:

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

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**NOTE 1 Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation – (continued)**

*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.

*Unrestricted net position* consists of net position that does not meet the definition of the preceding two categories. Unrestricted net position is often subject to constraints on resources that are 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 that are 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, proprietary, and fiduciary 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 revenues 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 expenditures, 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 long term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and all other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**NOTE 1 Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation - (continued)**

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include 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.

The Custodial Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments.

**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 revenues 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 are 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.

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**NOTE 1 Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus and Basis of Accounting - (continued)**

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 nonoperating 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 Fund 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 nonoperating revenues and expenses.

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position**

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.

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**NOTE 1 Summary of Significant Accounting Policies (continued)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position - (continued)**

Property tax revenue recognized in these funds becomes 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, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2020.

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, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the District-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.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund Equipment	1,500
Other furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 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 OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District's reporting period.



**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**NOTE 1 Summary of Significant Accounting Policies (continued)**

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position - (continued)

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

Unearned Revenue - Nutrition fund unearned revenue consists of student meal charges collected but not yet earned.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2021. The compensated absences liability attributable to the governmental activities will be paid primarily by the General 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. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on Harlan Community School District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Enterprise, School Nutrition Fund.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**NOTE 1 Summary of Significant Accounting Policies (continued)**

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position - (continued)

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivables that will not be recognized as revenue until the year for which it is levied, succeeding year income surtax that will not be recognized as revenue until available, and unrecognized items not yet charged to pension and OPEB expense.

Fund Balance – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts not in spendable form, such as inventories and prepaid expenses.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resource 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, 2021, expenditures exceeded the amount budgeted in the non-instructional programs function. The District did not exceed its General Fund unspent authorized budget.

**NOTE 2 Cash and Pooled Investments**

The District's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance, or by the State Sinking Fund, in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The 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.

At June 30, 2021, the District had investments in the Iowa Schools Joint Investment Trust District Government Obligations Portfolio which are valued at an amortized cost of \$972 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There are no limitations or restrictions on withdrawals of the ISJIT investments. The investment in ISJIT were rated AAAM by Standard & Poor's Financial Services.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**NOTE 3 Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>1,379,247</u>

Transfers generally move revenues from the fund statutorily required to collect the resources, to the fund statutorily required to expend the resources.

**NOTE 4 Capital Assets**

Capital assets activity for the year ended June 30, 2021 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 25,700	-	-	25,700
Capital assets being depreciated:				
Buildings	26,152,100	-	-	26,152,100
Improvements other than buildings	680,639	87,860	-	768,499
Furniture and equipment	3,973,790	186,331	-	4,160,121
Total capital assets being depreciated	<u>30,806,529</u>	<u>274,191</u>	-	<u>31,080,720</u>
Less accumulated depreciation for:				
Buildings	10,217,443	636,488	-	10,853,931
Improvements other than buildings	536,952	16,441	-	553,393
Furniture and equipment	3,563,573	161,540	-	3,725,113
Total accumulated depreciation	<u>14,317,968</u>	<u>814,469</u>	-	<u>15,132,437</u>
Total capital assets being depreciated, net	<u>16,488,561</u>	<u>(540,278)</u>	-	<u>15,948,283</u>
Governmental activities capital assets, net	<u>\$ 16,514,261</u>	<u>(540,278)</u>	-	<u>15,973,983</u>
<b>Business-type activities</b>				
Furniture and equipment	\$ 295,367	-	2,432	292,935
Less accumulated depreciation	<u>262,660</u>	<u>6,228</u>	<u>2,432</u>	<u>266,456</u>
Business-type activities capital assets, net	<u>\$ 32,707</u>	<u>(6,228)</u>	-	<u>26,479</u>

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**NOTE 4 Capital Assets (continued)**

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Regular		\$	3,340
Special			29,095
Other			3,639
Support services:			
Instructional staff services			6,981
Operation and maintenance of plant			35,889
Transportation			77,518
			<u>156,462</u>
Unallocated			<u>658,007</u>
			<u>814,469</u>
Total depreciation expense - governmental activities		\$	<u>814,469</u>
Business-type activities:			
Food services		\$	<u>6,228</u>

**NOTE 5 Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2021 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation refunding bonds \$	1,715,000	-	695,000	1,020,000	705,000
Unamortized premium	29,928	-	9,973	19,955	-
Sales tax refunding bonds	5,810,000	-	425,000	5,385,000	-
Compensated absences	90,935	68,366	90,935	68,366	68,366
Net pension liability	8,011,973	1,558,613	-	9,570,586	-
Total OPEB liability	1,582,676	142,623	-	1,725,299	-
				<u>17,789,206</u>	<u>773,366</u>
Total	\$ 19,513,117	<u>1,769,602</u>	<u>1,220,908</u>	<u>17,789,206</u>	<u>773,366</u>
Business type activities					
Net pension liability	\$ 224,834	<u>39,309</u>	<u>-</u>	<u>264,143</u>	<u>-</u>

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**NOTE 5 Long-Term Liabilities (continued)**

General Obligation Bonds Payable

Details of the District's June 30, 2021 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of December 8, 2012			
	Interest Rates	Principal	Interest	Total
2022	1.60%	\$ 705,000	16,636	721,636
2023	1.70%	315,000	5,356	320,356
		<u>\$ 1,020,000</u>	<u>21,992</u>	<u>1,041,992</u>

On December 8, 2012, the District issued \$5,010,000 of general obligation refunding bonds to currently refund bonds issue in fiscal year 2007. The bonds bear interest at rates ranging from 1.60% to 1.70% per annum. During the year ended June 30, 2021, principal and interest paid were \$695,000 and \$27,060, respectively.

Sales Tax Bond

Details of the District's June 30, 2021 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of February 5, 2015			
	Interest Rates	Principal	Interest	Total
2022	2.73%	\$ -	73,505	73,505
2023	2.73%	215,000	144,075	359,075
2024	2.73%	225,000	138,069	363,069
2025	2.73%	775,000	124,419	899,419
2026	2.73%	795,000	102,989	897,989
2027-2030	2.73%	3,375,000	187,073	3,562,073
		<u>\$ 5,385,000</u>	<u>770,130</u>	<u>6,155,130</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$6,705,000 bonds issued February 5, 2015. The bonds were issued for the purpose of refunding the May 2009 bonds. 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 required approximately 25 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bond is \$6,155,130. For the current year, \$425,000 of principal and \$232,186 of interest were paid on the refunded bonds and total statewide sales, services and use tax revenue was \$1,383,055.

There are no reserve requirements on the new bonds.

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

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

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

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

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

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

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**NOTE 6 Pension Plan (continued)**

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

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll, for a total rate of 15.73%.

The District's contributions to IPERS for the year ended June 30, 2021 were \$1,028,346.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the District reported a liability of \$9,834,729 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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 IPERS' relative to the contributions of all IPERS participating employers. At June 30, 2020, the District's proportion was 0.1400014%, which was a decrease of 0.002242% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$1,508,874. At June 30, 2021, 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	\$ 10,865	\$ 233,108
Changes in assumptions	504,813	-
Net difference between projected and actual earnings on pension plan investments	552,869	-
Changes in proportion and differences between District contributions and proportionate share of contributions	141	199,220
District contributions subsequent to the measurement date	1,028,346	-
Total	\$ 2,097,034	\$ 432,328

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**NOTE 6 Pension Plan (continued)**

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - (continued)

\$1,028,346 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 ending June 30, 2021. 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 Ending June 30,		
2022	\$	31,449
2023		126,664
2024		169,137
2025		313,841
2026		(4,731)
Total	\$	636,360

Actuarial Assumptions - The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25% to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates were based on the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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:



**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**NOTE 6 Pension Plan (continued)**

Actuarial Assumptions - (continued)

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	100.0%	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. 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, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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 7.00%, 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% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 16,398,580	\$ 9,834,729	\$ 4,331,040

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

Payables to IPERS - At June 30, 2021, the District reported payables to IPERS of \$134,517 for legally required District contributions and \$89,631 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**NOTE 7 Other Postemployment Benefits (OPEB)**

Plan Description – The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board (GASB) Statement No. 75.

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

Retired participants must be age 55 or older at retirement. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	16
Active employees	130
 Total	 146

Total OPEB Liability – The District's total OPEB liability of \$1,725,299 was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2021)	2.50% per annum.
Discount rate (effective June 30, 2021)	1.92% per annum.
Healthcare cost trend rate (effective June 30, 2021)	6.40% per annum.

Discount Rate – The discount rate used to measure the total OPEB liability was 1.92% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA as of the measurement date.

Mortality rates are from the RP-2014 annuity mortality table. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**NOTE 7 Other Postemployment Benefits (OPEB) (continued)**

Changes in the Total OPEB Liability

		Total OPEB Liability
Total OPEB liability beginning of year	\$	1,582,676
Changes for the year:		
Service cost		114,420
Interest		40,600
Differences between expected and actual experiences		7,589
Changes in assumptions		59,946
Benefit payments		(79,932)
Net changes		142,623
Total OPEB liability end of year	\$	1,725,299

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (0.92%) or 1% higher (2.92%) than the current discount rate.

		1% Decrease (0.92%)		Discount Rate (1.92%)		1% Increase (2.92%)
Total OPEB liability	\$	1,835,993	\$	1,725,299	\$	1,618,799

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.40%) or 1% higher (7.40%) than the current healthcare cost trend rates.

		1% Decrease (5.40%)		Healthcare Cost Trend Rate (6.40%)		1% Increase (7.40%)
Total OPEB liability	\$	1,547,765	\$	1,725,299	\$	1,936,623

OPEB Expense, Deferred Outflows of Resources Related and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2021, the District recognized OPEB expense of \$264,690. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$	583,619	\$	29,027
Change of assumptions		208,283		-
	\$	791,902	\$	29,027

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**NOTE 7 Other Postemployment Benefits (OPEB) (continued)**

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - (continued)

The amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,	Amount
2022	\$ 109,670
2023	109,670
2024	109,670
2025	109,670
2026	109,670
Thereafter	214,525
Total	\$ 762,875

**NOTE 8 Risk Management**

The 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.

**NOTE 9 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 \$639,692 for the year ended June 30, 2021 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**NOTE 10 Lease Agreements**

The District has signed operating lease agreements for the rental of computer equipment. Rent expense for the year ended June 30, 2021 totaled \$314,931. Future required minimum lease payments are as follows:

Year Ending June 30,	Amount
2022	\$ 96,075
2023	96,075
2024	44,524
	\$ 236,674

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**NOTE 11 Categorical Funding**

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2021.

Program	Amount
Voluntary preschool	\$ 30,585
Talented and gifted	11,115
Teachers compensation	10,949
Teacher quality	55,803
Teacher leadership	155,841
	\$ 264,293

**NOTE 12 Tax Abatements**

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

Tax Abatements of Other Entities

Other entities within the District provide tax abatements for urban renewal and economic development projects pursuant to Chapters 15 and 403 of the Code of Iowa. Additionally, the City of Harlan offered an urban revitalization tax abatement program pursuant to Chapter 404 of the Code of Iowa. With prior approval by the governing body, this program provides for an exemption of taxes based on a percentage of the actual value added by improvements.

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**NOTE 12 Tax Abatements (continued)**

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2021 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Harlan	Urban renewal and economic development projects	\$ 6,510
	Chapter 404 tax abatement program	9,421
Shelby County	Urban renewal and economic development projects	44,718

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2021, this reimbursement amounted to \$24,842.

**NOTE 13 COVID-19**

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

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

**NOTE 14 Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 87, *Leases*. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement will require reporting of certain potentially significant lease liabilities that are not currently reported.

**REQUIRED SUPPLEMENTARY INFORMATION**

**HARLAN COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN BALANCES – BUDGET AND ACTUAL –  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2021**

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
<b>Revenues:</b>						
Local sources	\$ 9,413,357	74,499	9,487,856	9,635,131	9,635,131	(147,275)
State sources	10,601,112	7,294	10,608,406	10,798,146	10,798,146	(189,740)
Federal sources	1,199,077	1,034,706	2,233,783	732,500	732,500	1,501,283
Total revenues	<u>21,213,546</u>	<u>1,116,499</u>	<u>22,330,045</u>	<u>21,165,777</u>	<u>21,165,777</u>	<u>1,164,268</u>
<b>Expenditures/Expenses:</b>						
Instruction	12,204,189	-	12,204,189	12,841,624	12,679,909	475,720
Support services	5,580,355	-	5,580,355	5,454,237	5,721,701	141,346
Non-instructional programs	-	929,849	929,849	761,252	872,078	(57,771)
Other expenditures	2,140,882	-	2,140,882	2,079,524	2,142,145	1,263
Total expenditures/expenses	<u>19,925,426</u>	<u>929,849</u>	<u>20,855,275</u>	<u>21,136,637</u>	<u>21,415,833</u>	<u>560,558</u>
Excess (deficiency) of revenue over (under) expenditures/expenses	1,288,120	186,650	1,474,770	29,140	(250,056)	1,724,826
Other financing sources, net	<u>11,601</u>	<u>200</u>	<u>11,801</u>	<u>-</u>	<u>-</u>	<u>11,801</u>
Change in fund balance	1,299,721	186,850	1,486,571	29,140	(250,056)	1,736,627
Balances beginning of year	<u>4,513,486</u>	<u>159,925</u>	<u>4,673,411</u>	<u>4,001,232</u>	<u>4,001,232</u>	<u>672,179</u>
Balances end of year	<u>\$ 5,813,207</u>	<u>346,775</u>	<u>6,159,982</u>	<u>4,030,372</u>	<u>3,751,176</u>	<u>2,408,806</u>

See Accompanying Independent Auditors' Report



**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2021**

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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund. These four functional areas 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 function 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, the District adopted one budget amendment, increasing budget expenditure by \$279,196.

During the year ended June 30, 2021, expenditures exceeded the amount budgeted in the non-instructional programs function. The District did not exceed its General Fund unspent authorized budget.

**HARLAN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FOR THE LAST SEVEN YEARS\***

**(IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION**

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.140001%	0.142243%	0.141258%	0.145363%	0.149279%	0.153362%	0.153786%
District's proportionate share of the net pension liability	\$ 9,835	8,237	8,939	9,683	9,395	7,577	6,099
District's covered payroll	\$ 11,109	10,829	10,617	10,857	10,508	10,508	10,057
District's proportionate share of the net pension liability as a percentage of its covered payroll	88.53%	76.06%	84.20%	89.19%	89.41%	72.11%	60.64%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

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

See Accompanying Independent Auditors' Report

**HARLAN COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**FOR THE LAST TEN YEARS**  
**(IN THOUSANDS)**  
**REQUIRED SUPPLEMENTARY INFORMATION**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily required contribution	\$ 1,028	1,049	1,022	948	970	958	939	898	815	730
Contributions in relation to the statutorily required contribution	1,028	1,049	1,022	948	970	958	939	898	815	730
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 10,893	11,109	10,829	10,617	10,857	10,508	10,508	10,057	9,405	9,060
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.06%

See Accompanying Independent Auditors' Report

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2021**

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

**HARLAN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY,  
RELATED RATIOS AND NOTES  
FOR THE LAST FOUR YEARS  
REQUIRED SUPPLEMENTARY INFORMATION**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 114,420	41,165	41,165	41,165
Interest cost	40,600	24,520	25,464	25,334
Difference between expected and actual experiences	7,589	743,852	(24,720)	(17,366)
Changes of assumptions	59,946	199,947	-	-
Benefit payments	<u>(79,932)</u>	<u>(89,554)</u>	<u>(43,949)</u>	<u>(46,010)</u>
Net change in total OPEB liability	142,623	919,930	(2,040)	3,123
Total OPEB liability beginning of year	<u>1,582,676</u>	<u>662,746</u>	<u>664,786</u>	<u>661,663</u>
Total OPEB liability end of year	<u>\$ 1,725,299</u>	<u>1,582,676</u>	<u>662,746</u>	<u>664,786</u>
Covered-employee payroll	\$ 8,639,782	8,827,604	8,880,033	8,647,233
Total OPEB liability as a percentage of covered-employee payroll	19.97%	17.93%	7.46%	7.69%

Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios

*Changes in benefits terms:*

There were no significant changes in benefit terms.

*Changes in assumptions:*

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2021	1.92%
Year ended June 30, 2020	2.45%
Year ended June 30, 2019	3.72%
Year ended June 30, 2018	3.72%
Year ended June 30, 2017	2.50%

See Accompanying Independent Auditors' Report

**SUPPLEMENTARY INFORMATION**

**HARLAN COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2021**

<b>Assets</b>	Special Revenue		
	Management Levy	Student Activity	Total
<b>Assets:</b>			
Cash, cash equivalents and pooled investments	\$ 445,152	252,405	697,557
Receivables:			
Property tax:			
Delinquent	4,766	-	4,766
Succeeding year	481,393	-	481,393
Accounts	-	290	290
Prepaid expenses	6,849	-	6,849
 Total assets	 \$ 938,160	 252,695	 1,190,855
 <b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	3,575	3,575
Salaries and benefits payable	-	809	809
Total liabilities	-	4,384	4,384
 Deferred inflows of resources:			
Unavailable succeeding year property tax revenue	481,393	-	481,393
 Fund balances:			
Nonspendable:			
Prepays	6,849	-	6,849
Restricted for:			
Management levy purposes	449,918	-	449,918
Student activities	-	248,311	248,311
Total fund balances	456,767	248,311	705,078
 Total liabilities, deferred inflows of resources and fund balances	 \$ 938,160	 252,695	 1,190,855

See Accompanying Independent Auditors' Report

**HARLAN COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2021**

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local Tax	\$ 343,889	-	343,889
Other	396	366,544	366,940
State sources	4,342	-	4,342
Total revenues	348,627	366,544	715,171
Expenditures:			
Current:			
Instruction:			
Regular instruction	84,292	-	84,292
Other instruction	-	354,997	354,997
	84,292	354,997	439,289
Support services:			
Administration services	129,406	-	129,406
Operation and maintenance of plant services	86,727	-	86,727
Transportation services	54,708	-	54,708
	270,841	-	270,841
Total expenditures	355,133	354,997	710,130
Change in fund balances	(6,506)	11,547	5,041
Fund balances beginning of year	463,273	236,764	700,037
Fund balances end of year	\$ 456,767	248,311	705,078

See Accompanying Independent Auditors' Report



**HARLAN COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET – CAPITAL PROJECT ACCOUNTS  
JUNE 30, 2021**

<b>Assets</b>	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Lewy	Total
<b>Assets:</b>			
Cash, cash equivalents and pooled investments	\$ 1,026,046	653,005	1,679,051
<b>Receivables:</b>			
Property tax:			
Delinquent	-	8,068	8,068
Succeeding year	-	580,499	580,499
Due from other governments	115,687	-	115,687
Total assets	<u>\$ 1,141,733</u>	<u>1,241,572</u>	<u>2,383,305</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	17,842	17,842
<b>Deferred inflows of resources:</b>			
Unavailable succeeding year property tax revenue	-	580,499	580,499
<b>Fund balances:</b>			
Restricted for:			
School infrastructure	1,141,733	-	1,141,733
Physical plant and equipment	-	643,231	643,231
Total fund balances	<u>1,141,733</u>	<u>643,231</u>	<u>1,784,964</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,141,733</u>	<u>1,241,572</u>	<u>2,383,305</u>

See Accompanying Independent Auditors' Report

**HARLAN COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
CAPITAL PROJECT ACCOUNTS  
YEAR ENDED JUNE 30, 2021**

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local Tax	\$ -	580,764	580,764
Other	1,408	910	2,318
State sources	1,383,055	7,413	1,390,468
Total revenues	<u>1,384,463</u>	<u>589,087</u>	<u>1,973,550</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	100,630	16,742	117,372
Support services:			
Instructional staff services	12,902	51,160	64,062
Administration services	-	20,631	20,631
Operation and maintenance of plant services	-	147,232	147,232
Transportation services	-	137,445	137,445
	<u>12,902</u>	<u>356,468</u>	<u>369,370</u>
Other expenditures:			
Facilities acquisition	-	121,943	121,943
Total expenditures	<u>113,532</u>	<u>495,153</u>	<u>608,685</u>
Excess of revenues over expenditures	1,270,931	93,934	1,364,865
Other financing sources (uses):			
Proceeds from fixed asset disposition	-	11,493	11,493
Operating transfers out	(1,379,247)	-	(1,379,247)
Total other financing sources (uses)	<u>(1,379,247)</u>	<u>11,493</u>	<u>(1,367,754)</u>
Change in fund balances	(108,316)	105,427	(2,889)
Fund balances beginning of year	<u>1,250,049</u>	<u>537,804</u>	<u>1,787,853</u>
Fund balances end of year	<u>\$ 1,141,733</u>	<u>643,231</u>	<u>1,784,964</u>

See Accompanying Independent Auditors' Report

**HARLAN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND,  
STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2021**

	Balance Beginning of Year	Revenues	Expend- itures	Balance End of Year
Drama	\$ 15,769	11,620	17,366	10,023
Speech	-	292	292	-
HS vocal music	-	871	370	501
MS vocal music	201	-	-	201
Show choir	-	93	93	-
HS instr music	-	1,669	352	1,317
HS jazz	-	2,376	2,376	-
MS jazz	202	349	-	551
HS flag corp	2,014	1,420	3,434	-
Athletics	14,458	171,806	172,722	13,542
FB holocaust memorial rock project	896	1	-	897
Cheerleaders	-	8,061	4,097	3,964
FFA	38,272	67,892	53,624	52,540
Harpoon	10,906	5,627	10,771	5,762
National honor society	1,174	283	1,391	66
BPA	-	6,885	6,885	-
Science club	5	-	-	5
Foreign language club	9,858	1,143	1,180	9,821
Student council	3,114	8,334	5,131	6,317
Pom pom	1,979	2,830	2,040	2,769
Best buddies	3,114	3	753	2,364
Key club	3,250	4	-	3,254
For the birds	533	1	-	534
FCCLA club	4,101	149	91	4,159
Friends of Rachele	1,761	2	-	1,763
Fundraising	453	1	-	454
Prom	2,330	15,386	16,931	785
HS miscellaneous	-	426	-	426
Hosa fund	1,563	1,742	1,024	2,281
Cyclone corner store	14,021	21,495	14,496	21,020
Concessions	10,579	13,912	13,700	10,791
Vending	573	3,668	2,830	1,411
MS cheerleading	6,128	7	-	6,135
MS vending	8,785	402	-	9,187
Trapshooting	4639	6,347	10,986	-
MS student council	27646	256	1,993	25,909
MS yearbook	6873	2,964	2,774	7,063
MS building improvements	101	-	-	101
MS student fund	9797	2,666	4,069	8,394
Special olympics	3166	2,555	2,031	3,690
New Park student fund	22990	1,867	135	24,722
West Ridge student fund	4895	214	1,059	4,050
West Ridge student store	618	-	1	617
Elementary kindness club	0	925	-	925
<b>Total</b>	<b>\$ 236,764</b>	<b>366,544</b>	<b>354,997</b>	<b>248,311</b>

See Accompanying Independent Auditors' Report

**HARLAN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURE BY FUNCTION  
ALL GOVERNMENTAL FUND TYPES  
FOR THE LAST TEN YEARS**

	Modified Accrual Basis									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Revenues:</b>										
Local sources:										
Local Tax	7,612,741	6,813,014	6,702,130	6,549,869	6,304,778	6,144,495	6,125,125	6,025,640	7,218,238	7,636,847
Tuition	1,267,309	1,107,131	968,998	1,004,343	1,105,533	1,095,726	1,112,376	1,071,903	993,423	1,077,900
Other	533,307	667,001	832,465	897,419	1,030,937	1,320,954	1,532,938	1,755,302	858,994	965,743
State sources	10,601,112	10,971,097	10,662,066	10,252,749	10,380,675	9,554,814	9,818,541	9,450,324	7,789,617	8,330,873
Federal sources	1,199,077	364,725	367,262	397,940	471,165	454,561	475,526	521,920	382,000	545,439
<b>Total</b>	<b>\$ 21,213,546</b>	<b>19,922,968</b>	<b>19,532,921</b>	<b>19,102,320</b>	<b>19,293,088</b>	<b>18,570,550</b>	<b>19,064,506</b>	<b>18,825,089</b>	<b>17,242,272</b>	<b>18,556,802</b>
<b>Expenditures:</b>										
Instruction:										
Regular instruction	7,807,998	8,058,685	7,944,271	7,832,759	7,654,258	8,113,459	8,102,246	7,781,024	7,119,814	6,458,017
Special instruction	2,776,320	2,661,821	2,569,627	2,292,562	2,536,759	2,546,048	2,336,968	2,115,622	1,973,450	2,302,080
Other instruction	1,619,871	1,656,884	1,814,398	1,930,106	1,914,665	1,754,009	1,825,380	1,770,513	1,814,507	1,731,674
Support services:										
Student services	449,175	440,337	416,647	374,186	481,618	621,220	600,823	494,895	424,509	432,328
Instructional staff services	1,001,354	989,323	851,839	935,517	953,133	480,465	481,445	491,024	436,804	666,983
Administration services	1,702,775	1,873,032	1,817,451	1,857,957	1,729,895	1,791,784	1,725,334	1,642,779	1,610,252	1,426,148
Operation and maintenance of plant services	1,587,234	1,251,025	1,323,225	1,277,704	1,277,883	1,247,355	1,253,922	1,273,294	1,222,965	1,313,770
Transportation services	839,817	807,850	918,876	704,403	828,330	925,826	881,947	956,706	778,561	847,034
Other support services	-	-	-	18,000	-	-	-	-	-	-
Other expenditures:										
Facilities acquisition	121,943	217,632	218,076	184,032	271,516	468,003	1,598,039	1,041,240	206,167	835,401
Long-term debt:										
Principal	1,120,000	890,000	875,000	850,000	830,000	1,745,000	5,385,000	490,000	470,000	450,000
Interest and fiscal charges	259,247	197,719	210,672	229,196	247,214	246,622	721,892	648,996	685,065	601,190
AEA flowthrough	639,692	639,362	626,046	607,284	596,205	594,017	596,354	577,516	547,192	547,409
<b>Total</b>	<b>\$ 19,925,426</b>	<b>19,663,670</b>	<b>19,586,128</b>	<b>19,093,706</b>	<b>19,321,476</b>	<b>20,533,808</b>	<b>25,509,350</b>	<b>19,283,609</b>	<b>17,289,286</b>	<b>17,612,034</b>

See Accompanying Independent Auditors' Rep

**HARLAN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021**

Grantor/Program:	CFDA Number	Grant Number	Expen- ditures
Indirect:			
US Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
National School Lunch Program	10.555	FY 21	\$ 79,533 *
COVID -19 - National School Lunch Program	10.555	FY 21	131,191
Summer Food Service Program for Children	10.559	FY 21	811,157
Child Nutrition Discretionary Grant	10.579	FY 21	825
			<u>1,022,706</u>
US Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 21	194,950
Supporting Effective Instruction State Grant	84.367	FY 21	37,703
Student Support Support and Academic Enrichment Program	84.424	FY 21	10,624
Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act (CARES) Cluster			
COVID -19 Governor's Emergency Education Relief Fund (GEER) Fund	84.425C	FY 21	66,443
COVID -19 Elementary and Secondary School Fund (ESSER) Funds	84.425D	FY 21	688,597
Special Education Cluster (IDEA):			
Special Education - Grants to State	84.027	FY 21	19,786
Green Hills Area Education Agency			
Special Education Cluster (IDEA):			
Special Education - Grants to State	84.027	FY 21	67,157
Iowa Western Community College			
Vocational Education - Basic Grants to States	84.048	FY 21	11,577
US Department of Treasury			
Iowa Department of Education			
CARES Local Produce Program	21.019	FY 21	11,000
Public Health Grant	93.945	FY 21	1,000
Pottawattamie County			
Coronavirus Relief Fund	21.019	FY 21	<u>36,741</u>
Total			<u>\$ 2,168,284</u>

\* Includes \$79,533 of non-cash awards.

**Basis of Presentation** – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Harlan Community School District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Harlan Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of Harlan Community School District.

**Summary of Significant Accounting Policies** – Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate** – Harlan Community School District uses a federally negotiated indirect cost rate as allowed under the Uniform Guidance.

See Accompanying Independent Auditors' Report



Diane McGrain, CPA  
Jim Menard, CPA  
Kelsey Peterson, CPA

January 3, 2022

**Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit Performed  
in Accordance with *Government Auditing Standards***

The Board of Education of  
Harlan Community School District  
Harlan, IA 51537

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund balance information of the Harlan Community School District as of and for the year ended June 30, 2021, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 3, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Harlan 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 Harlan Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Harlan Community School District's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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January 3, 2022  
Harlan Community School District  
Report on Internal Control and Compliance

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Harlan 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 noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2021 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.

### **Harlan Community School District's Responses to Findings**

Harlan Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Harlan 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.

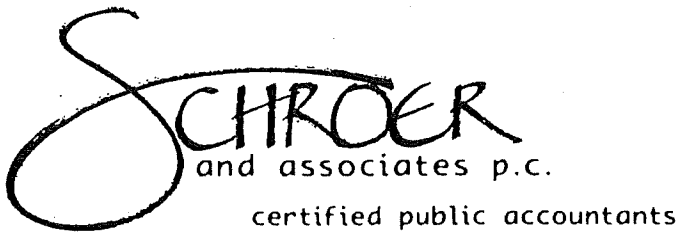
### **Purpose of this Report**

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 Harlan 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.



Schroer & Associates, P.C.  
Council Bluffs, Iowa



Diane McGrain, CPA  
Jim Menard, CPA  
Kelsey Peterson, CPA

January 3, 2022

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

To the Board of Education of Harlan Community School District:

Report on Compliance for Each Major Federal Program

We have audited Harlan Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021. Harlan Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination of Harlan Community School District's compliance.

Continued...

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January 3, 2022  
Harlan Community School District  
Report on Compliance and Internal Control for Each Major Federal Program

Opinion on Each Major Federal Program

In our opinion, Harlan Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified.

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

*Schroer & Associates, PC*

Schroer & Associates, P.C.  
Council Bluffs, Iowa

**HARLAN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**Part I: Summary of the Independent Auditors' Results:**

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) The audit of the financial statements did not disclose any significant deficiencies or material weaknesses in internal control over financial reporting.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The audit did not disclose any significant deficiencies or material weakness in internal control over its major programs.
- (e) An unmodified opinion was issued on compliance with requirements applicable to its major programs.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major programs were as follows:
  - Education Stabilization Fund Under (CARES) Cluster
  - CFDA Number 84.010 – Title I Grants to local Education Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Harlan Community School District did not qualify as a low-risk auditee

**HARLAN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

No matters were noted

**INSTANCES OF NONCOMPLIANCE:**

No matters were reported.

**HARLAN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

No matters were reported.

**HARLAN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**Part IV: Other Findings Related to Statutory Reporting:**

IV-A-21 Certified Budget

Comment - Expenditures for the year ended June 30, 2021 exceeded the amended certified budget amount in the non-instructional programs function.

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 – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

IV-B-21 Questionable Expenditures

No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-21 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.

IV-D-21 Business Transactions

Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jim Bruck, employee, co-owner of Drive Safely, LLC	Purchased services	\$ 33,660
Randy Kroger, employee, owner of Kroger & Sons Hauling, LLC	Hauling	\$ 22,470
Thomas Kurtz, employee, owner of Big Daddy's Tee's	T-shirts and vinyl	\$ 1,223

In accordance with Iowa State Code 279.7A, the above transactions are not with board members and do not appear to represent a conflict of interest.

IV-E-21 Restricted Donor Activity

No transactions were noted between the District, District officials or District employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

**HARLAN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**Part IV: Other Findings Related to Statutory Reporting (continued):**

IV-F-21 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.

IV-G-21 Board Minutes

No transactions were found that we believe should have been approved by the Board minutes, but were not.

IV-H-21 Certified Enrollment

Comment – We noted a variance in the enrollment data certified to the Iowa Department of Education. The number of students reported as resident students was overstated by 1 student.

Recommendation – The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

Response – The District's auditors will contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

Conclusion – Response accepted.

IV-I-21 Supplemental Weighting

No variances regarding supplemental weighting data certified to the Iowa Department of Education were noted.

IV-J-21 Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.

IV-K-21 Certified Annual Report

The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-L-21 Categorical Funding

No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-M-21 Revenue Bonds

The District is in compliance with the provisions of the revenue bond resolution.

**HARLAN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**Part IV: Other Findings Related to Statutory Reporting (continued):**

IV-N-21 Statewide Sales and Services Tax

No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenues provided in Chapter 423F.3 of the Code of Iowa were noted. Pursuant to Chapter 423F.5 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 Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2021, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$	1,250,049
Revenues/transfers in:		
Sales tax revenues		1,383,055
Other local revenues		1,408
		1,384,463
Expenditures/transfers out:		
Equipment		99,464
Technology		14,068
Transfers to debt service fund		1,379,247
		1,492,779
Ending balance	\$	1,141,733

For the year ended June 30, 2021, the District reduced the following levy as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

		Rate of Levy Reduction Per \$1,000 of Taxable Valuation		Property Tax Dollars Reduced
Debt service levy	\$	2.40	\$	1,379,247