

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

**JUNE 30, 2023**

## TABLE OF CONTENTS

		<u>Page</u>
Officials		3
Independent Auditors' Report		5-7
Management's Discussion and Analysis		9-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Position	A	17
Statement of Activities	B	18
Governmental Fund Financial Statements:		
Balance Sheet	C	19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	20
Statement of Revenues, Expenditures and Changes in Fund Balances	E	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	22
Proprietary Fund Financial Statements:		
Statement of Net Position	G	23
Statement of Revenues, Expenses and Changes in Fund Net Position	H	24
Statement of Cash Flows	I	25
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Position	J	26
Statement of Changes in Fiduciary Net Position	K	27
Notes to Financial Statements		28-48
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -- Budget and Actual – All Governmental Funds and Proprietary Fund		50
Notes to Required Supplementary Information – Budgetary Reporting		51
Schedule of the District's Proportionate Share of the Net Pension Liability		52
Schedule of District Contributions		53
Notes to Required Supplementary Information - Pension Liability		54
Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes		55
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	57
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	58
Capital Project Accounts:		
Combining Balance Sheet	3	59
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	60
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	61
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	6	62
Schedule of Expenditures of Federal Awards	7	63
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		64-65
Independent Auditors' Report on Compliance for Its Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance		66-68
Schedule of Findings and Questioned Costs		69-74

**HARLAN COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

**Board of Education**

James Reischl	President	2025
Al Hazelton	Vice President	2025
Joe Herzberg	Board Member	2023
Joni Larsen	Board Member	2023
Monte Schechinger	Board Member	2023
Jade Albertson	Board Member	2025
Greg Bladt	Board Member	2025

**School Officials**

Jenny Barnett	Superintendent	2023
Catherine Hubbard	Board Secretary	Indefinite
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

December 13, 2023

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### Opinions

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, 2023, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

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 the Harlan Community School District as of June 30, 2023 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. general accepted accounting principles.

#### Basis for Opinions

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

#### Responsibilities of Management for the Financial Statements

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

Continued...

omni business centre  
42 n. 2<sup>nd</sup> street  
council bluffs, iowa 51503  
712•322•8734 / fax 712•322•4699  
www.schroer-cpa.com

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

#### Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Harlan Community School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Harlan Community School District's ability to continue as a going concern for a reasonable period of time.

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

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America 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 50 through 55 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the

Governmental Accounting Standards Board who 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 GAAS, 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, 2022 (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.

Such 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in Schedules 1 through 7 is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's 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, P.C.  
Council Bluffs, IA

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

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

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, 2023. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2023 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased \$521,873 from \$18,564,692 in fiscal 2022 to \$18,042,819 in fiscal 2023, while General Fund expenditures increased \$608,879 from \$17,948,944 in fiscal 2022 to \$18,557,823 in fiscal 2023. The net decrease in revenues and increase in expenditures resulted in a decrease in the District's General Fund balance from \$3,972,560 in fiscal 2022 to \$3,519,396 in fiscal 2023 which is an 11.5 percent decrease from the prior year.
- The decrease in revenue is due to a decrease in federal sources. The increase in General Fund in expenditures was due primarily to increases in support services.
- The District's General Fund financial transactions resulted in a decrease to the District's solvency ratio as it was 19.6% for 2022 and 18.6% for 2023. 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 7-17% 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, 2023 compared to June 30, 2022.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2023	2022	2023	2022	2023	2022	2022-2023
Current and other assets	\$ 24,930	15,998	842	884	25,772	16,882	52.66%
Capital assets	19,167	16,034	152	30	19,319	16,064	20.26%
Total assets	44,097	32,032	994	914	45,091	32,946	36.86%
Deferred outflows of resources	1,837	1,937	28	31	1,865	1,968	-5.23%
Long-term liabilities	21,555	7,265	113	12	21,668	7,277	197.76%
Other liabilities	2,879	1,952	54	73	2,933	2,025	44.84%
Total liabilities	24,434	9,217	167	85	24,601	9,302	164.47%
Deferred inflows of resources	9,820	14,944	70	198	9,890	15,142	-34.68%
<b>Net position</b>							
Net investment in capital assets	10,247	10,383	152	30	10,399	10,413	-0.13%
Restricted	4,169	3,033	-	-	4,169	3,033	37.45%
Unrestricted	(2,736)	(3,608)	633	632	(2,103)	(2,976)	29.33%
Total net position	\$ 11,680	9,808	785	662	12,465	10,470	19.05%

The District's total net position increased by 19.05% or approximately \$1,995,000 from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings, equipment, and right-to-use leased 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 \$1,136,000 or 37.45% from the prior year. The increase was primarily a result of an increase in capital project funds.

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 \$873,000 or 29.33%. The increase in unrestricted net position was primarily a result of an increase of revenue over expenses.

**Changes in Net Position** – Figure A-2 shows the changes in net position for the year ended June 30, 2023 compared to the year ended June 30, 2022.

<b>Figure A-2</b>							
<b>Changes in Net Position</b>							
<b>(Expressed in Thousands)</b>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2023	2022	2023	2022	2023	2022	2022-2023
<b>Revenue</b>							
<b>Program revenues:</b>							
Charges for services	\$ 1,597	1,534	366	75	1,963	1,609	22.00%
Operating grants, contributions and restricted interest	3,633	4,082	678	1,145	4,311	6,227	-17.52%
Capital grants, contributions and restricted interest	215	27	-	-	215	27	696.30%
<b>General revenues:</b>							
Property tax	6,770	7,088	-	-	6,770	7,088	-4.49%
Statewide sales, services and use tax	1,851	1,636	-	-	1,851	1,636	13.14%
Unrestricted state grants	7,699	7,460	-	-	7,699	7,460	3.20%
Unrestricted investment earnings	155	12	19	1	174	13	1238.46%
Other	14	2	3	3	17	5	240.00%
Transfers	46	41	(46)	(41)	-	-	-
<b>Total revenues</b>	<b>21,980</b>	<b>21,882</b>	<b>1,020</b>	<b>1,183</b>	<b>23,000</b>	<b>23,065</b>	<b>-0.28%</b>
<b>Program expenses:</b>							
Instruction	12,057	11,678	-	-	12,057	11,678	3.25%
Support services	6,269	5,307	-	-	6,269	5,307	18.13%
Non-instructional programs	-	-	897	868	897	868	3.34%
Other expenses	1,782	1,470	-	-	1,782	1,470	21.22%
<b>Total expenses</b>	<b>20,108</b>	<b>18,455</b>	<b>897</b>	<b>868</b>	<b>21,005</b>	<b>19,323</b>	<b>8.70%</b>
<b>Changes in net position</b>	<b>1,872</b>	<b>3,427</b>	<b>123</b>	<b>315</b>	<b>1,995</b>	<b>3,742</b>	<b>-46.69%</b>
<b>Net position beginning of year</b>	<b>9,808</b>	<b>6,381</b>	<b>662</b>	<b>347</b>	<b>10,470</b>	<b>6,728</b>	<b>55.62%</b>
<b>Net position end of year</b>	<b>\$ 11,680</b>	<b>9,808</b>	<b>785</b>	<b>662</b>	<b>12,465</b>	<b>10,470</b>	<b>19.05%</b>

In fiscal year 2023, property tax and unrestricted state grants account for 74.4% of total revenue. The District's expenses primarily related to instruction and support services which account for 91.1% of the total expenses.

### **Governmental Activities**

Revenues for governmental activities were \$21,841,721 for fiscal 2022 and \$21,933,397 for fiscal 2023. Expenses were \$18,455,584 for fiscal 2022 and \$20,107,045 for fiscal 2023. 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, and other expenses, for the year ended June 30, 2023 compared to the year ended June 30, 2022.

	Total Cost of Services			Net Cost of Services		
			Change			Change
	2023	2022	2022-2023	2023	2022	2022-2023
Instruction	\$ 12,057	11,878	3.25%	7,723	6,901	11.91%
Support services	6,269	5,307	18.13%	6,020	5,108	17.85%
Other expenses	1,782	1,470	21.22%	919	803	14.45%
Total	\$ 20,108	18,455	8.96%	14,662	12,812	14.44%

- The cost financed by users of the District's programs was \$1,533,992 for 2022 and \$1,596,701 for 2023.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$4,109,374 for 2022 and \$3,848,357 for 2023.
- The net cost of governmental activities was financed with \$8,620,206 of property and other taxes, and \$7,699,074 of unrestricted state grants.

### Business-Type Activities

Revenues of the District's business-type activities were \$1,224,599 for 2022 and \$1,065,539 for 2023, and expenses were \$868,517 for 2022 and \$896,486 for 2023. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges 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 \$6,724,805 for 2022 and \$13,927,536 for 2023. The primary reason for the increase in combined fund balances in fiscal 2023 is due to unspent general obligation bond proceeds for construction/renovation projects.

### Governmental Fund Highlights

- The District's decrease in General Fund financial position is the product of many factors. The District saw a decrease in some revenue areas including federal aid, and an increase in expenditures resulting in an overall decrease in financial position. The General Fund balance decreased from \$3,972,560 to \$3,519,396 due to a net decrease in revenues under expenditures.
- The Capital Project Fund balance increased from \$1,887,750 for 2022 to \$9,497,479 for 2023 due to general obligation bonds issued.
- The Debt Service Fund Balance decreased from \$7,134 for 2022 to \$5,917 for 2023.

## Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$661,706 at June 30, 2022 to \$784,816 at June 30, 2023, representing an increase of approximately 18.6%.

## 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, 2023, the District had invested approximately \$19.3 million, net of accumulated depreciation/amortization, 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/amortization expense for the year totaled \$1,012,774.

The original cost of the District's capital assets was \$36.9 million. Governmental funds account for \$36.5 million with the remainder of \$0.4 million in the Proprietary, School Nutrition Fund.

The significant capital assets activities include purchase of vehicles and construction in progress costs.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2023	2022	2023	2022	2023	2022	2022-2023
Land and construction in progress \$	3,881	26	-	-	3,881	26	14826.92%
Buildings	14,110	14,669	-	-	14,110	14,669	-3.81%
Improvements other than buildings	656	637	-	-	656	637	2.98%
Machinery and equipment	475	549	152	30	627	579	8.29%
Right-to-use leased equipment	45	153	-	-	45	153	-70.59%
<b>Total</b>	<b>19,167</b>	<b>16,034</b>	<b>152</b>	<b>30</b>	<b>19,319</b>	<b>16,064</b>	<b>20.26%</b>

## Long-Term Debt

At June 30, 2023 the District had approximately \$14,992,000 general obligation and other long-term debt outstanding. This represents an increase of approximately 165.72% from last year. The increase is primarily attributable to the issuance of general obligation bonds. (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,	
	2023	2022	2022-2023
Revenue bond refunding bonds	\$ 4,945	5,170	-4.35%
General obligation refunding bonds	10,000	315	3074.60%
Lease agreements payable	47	157	-70.06%
Total	<u>\$ 14,992</u>	<u>5,642</u>	<u>165.72%</u>

## 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 an decrease in enrollment. The District's funding for fiscal year 2025 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 2024 budget.
- The District's state wide penny sales tax receipts were sufficient enough to pay the current revenue bonds. The District will assess a property tax levy for debt service repayment for the general obligation bonds that were issued during fiscal year 2023.

## 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, 2023**

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 15,814,693	763,419	16,578,112
Receivables:			
Property tax:			
Delinquent	82,227	-	82,227
Succeeding year	7,681,443	-	7,681,443
Accounts	11,454	-	11,454
Due from other governments	1,256,942	43,010	1,299,952
Prepaid expenses	83,545	5,588	89,133
Inventories	-	29,671	29,671
Capital assets, net of accumulated depreciation/amortization	19,166,962	151,631	19,318,593
Total assets	<u>44,097,266</u>	<u>993,319</u>	<u>45,090,585</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	1,271,844	28,136	1,299,980
OPEB related deferred outflows	565,305	-	565,305
Total deferred outflows of resources	<u>1,837,149</u>	<u>28,136</u>	<u>1,865,285</u>
<b>Liabilities</b>			
Accounts payable	856,207	27	856,234
Salaries & benefits payable	1,800,351	33,706	1,834,057
Accrued interest payable	223,050	-	223,050
Unearned revenue	-	20,422	20,422
Long-term liabilities:			
Portion due within one year:			
Lease agreements payable	46,513	-	46,513
Bonds payable	775,000	-	775,000
Compensated absences	64,356	-	64,356
Portion due after one year:			
Bonds payable, net of unamortized premiums	14,316,182	-	14,316,182
Net pension liability	4,965,168	112,650	5,077,818
Total OPEB liability	1,386,763	-	1,386,763
Total liabilities	<u>24,433,590</u>	<u>166,805</u>	<u>24,600,395</u>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	7,681,443	-	7,681,443
Unavailable income surtax revenue	664,767	-	664,767
Pension related deferred inflows	1,104,576	-	1,104,576
OPEB related deferred inflows	369,457	69,834	439,291
Total deferred inflows of resources	<u>9,820,243</u>	<u>69,834</u>	<u>9,890,077</u>
<b>Net Position</b>			
Net investment in capital assets	10,247,401	151,631	10,399,032
Restricted for:			
Categorical funding	202,558	-	202,558
Management levy purposes	549,537	-	549,537
Student activities	355,207	-	355,207
Capital projects	2,241,474	-	2,241,474
Physical plant and equipment levy	820,738	-	820,738
Unrestricted	(2,736,333)	633,185	(2,103,148)
Total net position	<u>\$ 11,680,582</u>	<u>784,816</u>	<u>12,465,398</u>

See notes to financial statements

**HARLAN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

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	\$ 7,634,862	821,750	2,415,662	-	(4,397,450)	-	(4,397,450)
Special instruction	2,806,646	175,110	293,978	-	(2,337,558)	-	(2,337,558)
Other instruction	1,614,926	591,061	35,453	-	(988,412)	-	(988,412)
	<u>12,056,434</u>	<u>1,587,921</u>	<u>2,745,093</u>	<u>-</u>	<u>(7,723,420)</u>	<u>-</u>	<u>(7,723,420)</u>
Support services:							
Student services	731,170	-	154,438	-	(576,732)	-	(576,732)
Instructional staff services	934,062	-	-	-	(934,062)	-	(934,062)
Administration services	1,907,563	-	-	-	(1,907,563)	-	(1,907,563)
Operation & maintenance of plant services	1,564,138	8,673	-	-	(1,555,465)	-	(1,555,465)
Transportation services	1,131,550	107	85,196	-	(1,046,247)	-	(1,046,247)
	<u>6,268,483</u>	<u>8,780</u>	<u>239,634</u>	<u>-</u>	<u>(6,020,069)</u>	<u>-</u>	<u>(6,020,069)</u>
Other expenditures:							
Facilities acquisition	-	-	-	214,919	214,919	-	214,919
Long-term debt interest	443,603	-	30	-	(443,573)	-	(443,573)
AEA flowthrough	648,681	-	648,681	-	-	-	-
Depreciation/amortization (unallocated)*	689,844	-	-	-	(689,844)	-	(689,844)
	<u>1,782,128</u>	<u>-</u>	<u>648,711</u>	<u>214,919</u>	<u>(918,498)</u>	<u>-</u>	<u>(918,498)</u>
Total governmental activities	20,107,045	1,596,701	3,633,438	214,919	(14,661,987)	-	(14,661,987)
<b>Business-Type activities:</b>							
Non-instructional programs:							
Nutrition services	896,486	365,559	878,010	-	-	147,083	147,083
Total	\$ 21,003,531	1,962,260	4,311,448	214,919	(14,661,987)	147,083	(14,514,904)
<b>General Revenues:</b>							
Property and other tax levied for:							
General purposes					\$ 6,155,893	-	6,155,893
Capital outlay					613,471	-	613,471
Statewide sales, services and use tax					1,850,842	-	1,850,842
Unrestricted state grants					7,699,074	-	7,699,074
Unrestricted investment earnings					154,741	19,112	173,853
Other					14,318	2,858	17,176
Transfers					45,943	(45,943)	-
Total general revenues					<u>16,534,282</u>	<u>(23,973)</u>	<u>16,510,309</u>
Change in net position					1,872,295	123,110	1,995,405
Net position beginning of year					9,808,287	661,706	10,469,993
Net position end of year					\$ <u>11,680,582</u>	<u>784,816</u>	<u>12,465,398</u>

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

See notes to financial statements

**HARLAN COMMUNITY SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2023**

<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	\$ 4,965,117	9,956,882	5,917	886,777	15,814,693
Receivables:					
Property tax:					
Delinquent	67,327	7,537	-	7,363	82,227
Succeeding year	5,072,949	605,420	1,410,629	592,445	7,681,443
Accounts	-	10,842	-	612	11,454
Due from other governments	1,126,670	130,272	-	-	1,256,942
Prepaid expenses	68,331	-	-	15,214	83,545
<b>Total assets</b>	<b>\$ 11,300,394</b>	<b>10,710,953</b>	<b>1,416,546</b>	<b>1,502,411</b>	<b>24,930,304</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 242,931	608,054	-	5,222	856,207
Salaries & benefits payable	1,800,351	-	-	-	1,800,351
Total liabilities	2,043,282	608,054	-	5,222	2,656,558
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax revenue	5,072,949	605,420	1,410,629	592,445	7,681,443
Succeeding year income surtax revenue	664,767	-	-	-	664,767
Total deferred inflows of resources	5,737,716	605,420	1,410,629	592,445	8,346,210
Fund balances:					
Nonspendable - prepaids	68,331	-	-	15,214	83,545
Restricted for:					
Categorical funding	202,558	-	-	-	202,558
Donated purposes	112,593	-	-	-	112,593
Debt service	-	-	5,917	-	5,917
Capital projects	-	8,676,741	-	-	8,676,741
Physical plant and equipment	-	820,738	-	-	820,738
Management levy purposes	-	-	-	534,323	534,323
Student activities	-	-	-	355,207	355,207
Unassigned	3,135,914	-	-	-	3,135,914
Total fund balances	3,519,396	9,497,479	5,917	904,744	13,927,536
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 11,300,394</b>	<b>10,710,953</b>	<b>1,416,546</b>	<b>1,502,411</b>	<b>24,930,304</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, 2023**

<b>Total fund balances of governmental funds</b>		<b>\$ 13,927,536</b>
 <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.		19,166,962
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.		(223,050)
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	\$ 1,837,149	
Deferred inflows of resources	<u>(1,474,033)</u>	363,116
Long-term liabilities, including lease agreements payable, bonds and notes payable, compensated absences, total OPEB liability and net liability are not due and payable in the current period and, therefore, are not reported as liabilities of the governmental funds.		<u>(21,553,982)</u>
<b>Net position of governmental activities</b>		<b>\$ <u>11,680,582</u></b>

See notes to financial statements

**HARLAN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2023**

	General	Capital Projects	Debt Service	Nonmajor Governmental	Total
<b>Revenues:</b>					
Local sources:					
Local Tax	\$ 6,297,201	613,189	-	596,194	7,506,584
Tuition	926,933	-	-	-	926,933
Other	339,637	230,975	30	598,975	1,169,617
State sources	9,658,575	1,851,028	-	187	11,509,790
Federal sources	820,473	-	-	-	820,473
Total revenues	<u>18,042,819</u>	<u>2,695,192</u>	<u>30</u>	<u>1,195,366</u>	<u>21,933,397</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular instruction	7,833,057	253,855	-	133,416	8,220,328
Special instruction	3,026,547	-	-	-	3,026,547
Other instruction	1,192,100	-	-	536,392	1,728,492
	<u>12,051,704</u>	<u>253,855</u>	<u>-</u>	<u>669,808</u>	<u>12,975,367</u>
Support services:					
Student services	763,667	-	-	-	763,667
Instructional staff services	935,172	88,493	-	-	1,023,665
Administration services	1,843,563	10,507	1,247	143,964	1,999,281
Operation and maintenance of plant services	1,406,745	1,350	-	264,370	1,672,465
Transportation services	908,291	139,795	-	69,831	1,117,917
	<u>5,857,438</u>	<u>240,145</u>	<u>1,247</u>	<u>478,165</u>	<u>6,576,995</u>
Other expenditures:					
Facilities acquisition	-	3,969,314	-	-	3,969,314
Long-term debt:					
Principal	-	-	540,000	-	540,000
Interest and fiscal charges	-	94,455	144,220	-	238,675
AEA flowthrough	648,681	-	-	-	648,681
	<u>648,681</u>	<u>4,063,769</u>	<u>684,220</u>	<u>-</u>	<u>5,396,670</u>
Total expenditures	<u>18,557,823</u>	<u>4,557,769</u>	<u>685,467</u>	<u>1,147,973</u>	<u>24,949,032</u>
Excess (deficiency) of revenues over (under) expenditures	(515,004)	(1,862,577)	(685,437)	47,383	(3,015,635)
Other financing sources (uses):					
Proceeds from fixed asset dispositions	15,897	2,650	-	-	18,547
General obligation bonds issued	-	10,153,876	-	-	10,153,876
Operating transfers in	45,943	-	684,220	-	730,163
Operating transfers out	-	(684,220)	-	-	(684,220)
Total other financing sources (uses)	<u>61,840</u>	<u>9,472,306</u>	<u>684,220</u>	<u>-</u>	<u>10,218,366</u>
Change in fund balances	(453,164)	7,609,729	(1,217)	47,383	7,202,731
Fund balances beginning of year	<u>3,972,560</u>	<u>1,887,750</u>	<u>7,134</u>	<u>857,361</u>	<u>6,724,805</u>
Fund balances end of year	<u>\$ 3,519,396</u>	<u>9,497,479</u>	<u>5,917</u>	<u>904,744</u>	<u>13,927,536</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, 2023**

**Net change in fund balances - total governmental funds** **\$ 7,202,731**

*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/amortization expense in the Statement of Activities. The amounts of capital outlays depreciation/amortization expense and adjustments for disposals in the year are as follows:

Expenditures for capital assets	\$ 4,127,261	
Depreciation/amortization expense	<u>(994,400)</u>	3,132,861

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.

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

Issued	(10,153,876)	
Repaid	<u>650,097</u>	(9,503,779)

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.

(204,928)

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.

1,051,438

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	\$ 3,421	
Pension expense	278,545	
OPEB expense	<u>(87,994)</u>	<u>193,972</u>

**Change in net position of governmental activities** **\$ 1,872,295**

See notes to financial statements

**HARLAN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2023**

	<u>School Nutrition</u>
<b>Assets</b>	
Current assets:	
Cash, cash equivalents and pooled investments	\$ 763,419
Due from other governments	43,010
Prepaid expenses	5,588
Inventories	29,671
Total current assets	<u>841,688</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>151,631</u>
Total assets	<u>993,319</u>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	28,136
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	27
Salaries and benefits and payable	33,706
Unearned revenue	20,422
Total current liabilities	<u>54,155</u>
Noncurrent liabilities:	
Net pension liability	<u>112,650</u>
Total liabilities	<u>166,805</u>
<b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	69,834
<b>Net Position</b>	
Net investment in capital assets	151,631
Unrestricted	<u>633,185</u>
Total net position	<u><u>\$ 784,816</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, 2023**

	School Nutrition
Operating revenue:	
Local sources:	
Charges for service	\$ 365,559
Miscellaneous	2,858
	368,417
Operating expenses:	
Support services:	
Operation and maintenance of plant	12,626
Non-instructional programs:	
Food service operations:	
Salaries	277,762
Benefits	22,656
Purchased services	1,428
Supplies	563,640
Depreciation	18,374
Total operating expenses	896,486
Operating loss	(528,069)
Non-operating revenue:	
State sources	5,348
Federal sources	672,662
Interest on investments	19,112
Total non-operating revenue	697,122
Increase in net position before transfers	169,053
Transfers out	(45,943)
Change in net position	123,110
Net position beginning of year	661,706
Net position end of year	\$ 784,816

See notes to financial statements

**HARLAN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2023**

	<u>School Nutrition</u>
<b>Cash flows from operating activities:</b>	
Cash received from sale of lunches and breakfasts	\$ 349,305
Cash received from miscellaneous income	2,858
Cash payments to employees for services	(323,915)
Cash payments to suppliers for goods or services	(504,318)
Net cash used in operating activities	<u>(476,070)</u>
<b>Cash flows from non-capital financing activities:</b>	
State grants received	5,348
Federal grants received	591,756
Net cash provided by non-capital financing sources	<u>597,104</u>
<b>Cash flows from capital and related financing activities:</b>	
Purchase of capital assets	(140,245)
Transfers out	(45,943)
Net cash used in capital and related financing activities	<u>(186,188)</u>
<b>Cash flows from investing activities:</b>	
Interest on investments	<u>19,112</u>
Net decrease in cash and cash equivalents	(46,042)
Cash and cash equivalents at beginning of year	<u>809,461</u>
Cash and cash equivalents at end of year	<u>\$ 763,419</u>

**Reconciliation of operating loss to net cash used in operating activities:**

Operating loss	\$ (528,069)
Commodities used	98,070
Depreciation	18,374
(Increase) decrease:	
Inventories	(21,134)
Prepaid expenses	(301)
Pension related deferred outflows	2,661
Increase (decrease) in:	
Accounts payable	(3,259)
Salaries and benefits payable	1,411
Unearned revenue	(16,254)
Net pension liability	100,301
Pension related deferred inflows	(127,870)
Net cash used in operating activities	<u>\$ (476,070)</u>

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

During the year ended June 30, 2023 the District received \$98,070 of federal commodities.

See notes to financial statements

**HARLAN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2023**

	Private Purpose Trust	
	Scholarship	Custodial
<b>Assets</b>		
Cash, cash equivalents and pooled investments	\$ 142,029	7,355
Total assets	142,029	7,355
<b>Liabilities</b>		
None	-	-
<b>Net Position</b>		
Restricted for scholarships	142,029	-
Restricted for other organizations	-	7,355
Total net position	\$ 142,029	7,355

See notes to financial statements

**HARLAN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2023**

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Custodial</u>
Additions:		
Local sources:		
Interest on investments	\$ 3,629	-
Gifts and contributions	137	700
Total additions	<u>3,766</u>	<u>700</u>
Deductions:		
Scholarships awarded	1,265	-
Merchandise	-	166
Total deductions	<u>1,265</u>	<u>166</u>
Change in net position	2,501	534
Net position beginning of year	<u>139,528</u>	<u>6,821</u>
Net position end of year	<u>\$ 142,029</u>	<u>7,355</u>

See notes to financial statements

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023**

**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/amortization 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, 2023**

**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 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 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 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, 2023**

**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, 2023**

**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, 2023**

**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, 2021 assessed property valuations; is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2022.

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, equipment, and intangibles 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 (except for intangible right-to-use lease assets, the measurement of which is discussed under “Leases” below). Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. 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. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class. Reportable 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
Right-to-use leased equipment	5,000
Furniture and equipment:	
School Nutrition Fund Equipment	1,500
Other furniture and equipment	5,000

Land is not depreciated. The other tangible and intangible property, plant, equipment and right-to-use leased assets are depreciated/amortized using the straight line method 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
Right-to-use leased equipment	2-15 years
Furniture and equipment	5-15 years

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023**

**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)**

Leases - Harlan Community School District is the lessee for noncancelable leases of equipment. The District has recognized a lease liability and an intangible right-to-use lease assets (lease assets) in the government-wide financial statements. The District recognizes leases with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how Harlan Community School District determines the discount rate it uses to discount the expected lease payments to present value, lease term and lease payments.

Harlan Community School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and a purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

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.

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.

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023**

**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)

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.

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.

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023**

**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)

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.

**NOTE 2 Cash and Pooled Investments**

The District's deposits in banks at June 30, 2023 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, 2023, the District had investments in the Iowa Schools Joint Investment Trust District Government Obligations Portfolio which are valued at an amortized cost of \$6,127,308 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, 2023**

**NOTE 3 Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2023 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 684,220
General	Nutrition	45,943
		<u>\$ 730,163</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, 2023 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities</b>				
Capital assets not being depreciated/amortized:				
Land	\$ 25,700	-	-	25,700
Construction in progress	-	3,855,085	-	3,855,085
Total capital assets not being depreciated/amortized	25,700	3,855,085	-	3,880,785
Capital assets being depreciated/amortized:				
Buildings	26,152,100	74,380	-	26,226,480
Improvements other than buildings	1,231,632	65,495	-	1,297,127
Furniture and equipment	4,457,273	132,301	-	4,589,574
Right-to-use leased equipment	450,349	-	-	450,349
Total capital assets being depreciated/amortized	32,291,354	272,176	-	32,563,530
Less accumulated depreciation/amortization for:				
Buildings	11,483,429	632,460	-	12,115,889
Improvements other than buildings	594,807	46,266	-	641,073
Furniture and equipment	3,907,860	207,497	-	4,115,357
Right-to-use leased equipment	296,857	108,177	-	405,034
Total accumulated depreciation/amortization	16,282,953	994,400	-	17,277,353
Total capital assets being depreciated/amortized, net	16,008,401	(722,224)	-	15,286,177
Governmental activities capital assets, net	<u>\$ 16,034,101</u>	<u>3,132,861</u>	<u>-</u>	<u>19,166,962</u>
<b>Business-type activities</b>				
Furniture and equipment	\$ 303,164	140,245	-	443,409
Less accumulated depreciation	273,404	18,374	-	291,778
Business-type activities capital assets, net	<u>\$ 29,760</u>	<u>121,871</u>	<u>-</u>	<u>151,631</u>

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023**

**NOTE 4 Capital Assets (continued)**

Depreciation/amortization expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular	\$	112,535
Special		25,814
Other		1,899
Support services:		
Instructional staff services		22,136
Operation and maintenance of plant		26,763
Transportation		115,409
		<u>304,556</u>
Unallocated		689,844
		<u>689,844</u>
Total depreciation/amortization expense - governmental activities	\$	<u>994,400</u>
Business-type activities:		
Food services	\$	<u>18,374</u>

**NOTE 5 Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2023 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Lease agreements payable	\$ 156,610	-	110,097	46,513	46,513
General obligation refunding bonds	315,000	10,000,000	315,000	10,000,000	-
Unamortized premium	9,982	153,876	17,676	146,182	-
Sales tax refunding bonds	5,170,000	-	225,000	4,945,000	775,000
Compensated absences	67,777	64,356	67,777	64,356	64,356
Net pension liability	175,108	4,790,060	-	4,965,168	-
Total OPEB liability	<u>1,371,101</u>	<u>15,662</u>	<u>-</u>	<u>1,386,763</u>	<u>-</u>
Total	<u>\$ 7,265,578</u>	<u>15,023,954</u>	<u>735,550</u>	<u>21,553,982</u>	<u>885,869</u>
Business type activities					
Net pension liability	<u>\$ 12,349</u>	<u>100,301</u>	<u>-</u>	<u>112,650</u>	<u>-</u>

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023**

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

Lease Agreements Payable

On August 23, 2018, the District entered into a lease agreement for copiers. An initial lease liability was recorded in the amount of \$39,851. The agreement requires monthly payments of \$1,585 over 5 years with an implicit interest rate of 3.00% and final payment due August 23, 2023. During the year ended June 30, 2023, principal and interest paid were \$18,621 and \$399, respectively.

On May 18, 2020, the District entered into a lease agreement for computers. An initial lease liability was recorded in the amount of \$126,679. The agreement requires annual payments of \$44,524 over 4 years with an implicit interest rate of 2.70% and final payment due October 1, 2023. During the year ended June 30, 2023, principal and interest paid were \$42,216 and \$2,308, respectively.

Year Ending June 30,	2018 Copiers			2020 Computers			Totals		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2024	3.00%	3,158	12	2.70%	43,355	1,189	46,513	1,181	47,694
		\$ 3,158	12		\$ 43,355	1,189	46,513	1,181	47,694

General Obligation Bonds Payable

Details of the District's June 30, 2023 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of December 8, 2022			
	Interest Rates	Principal	Interest	Total
2024		\$ -	615,431	615,431
2025	5.00%	370,000	425,250	795,250
2026	5.00%	390,000	406,750	796,750
2027	5.00%	410,000	387,250	797,250
2028	5.00%	430,000	366,750	796,750
2029-2033	4.00-5.00%	2,480,000	1,504,400	3,984,400
2034-2038	4.00%	3,030,000	951,200	3,981,200
2039-2042	4.00%	2,890,000	294,600	3,184,600
		\$ 10,000,000	4,951,631	14,951,631

On December 8, 2022, the District issued \$10,000,000 of general obligation bonds for a building project. The bonds bear interest at 4.00%-5.00% per annum. During the year ended June 30, 2023, no principal or interest was paid on the bonds

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023**

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

Sales Tax Bond

Details of the District's June 30, 2023 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
2024	2.73%	\$ 775,000	134,998	909,998
2025	2.73%	795,000	113,840	908,840
2026	2.73%	815,000	92,137	907,137
2027	2.73%	830,000	69,887	899,887
2028	2.73%	855,000	47,228	902,228
2029	2.73%	875,000	23,887	898,887
		<u>\$ 4,945,000</u>	<u>481,977</u>	<u>5,426,977</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 less than 25 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bond is \$5,426,977. For the current year, \$225,000 of principal and \$141,140 of interest were paid on the refunded bonds and total statewide sales, services and use tax revenue was \$1,850,842.

There are no reserve requirements on the bonds.

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023**

**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, 2023**

**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 2023, 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, 2023 were \$1,070,511

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2023, the District reported a liability of \$5,077,818 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the District's proportion was 0.134400%, which was an increase of 0.188699% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$(72,905). At June 30, 2023, 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	\$ 225,099	\$ 69,555
Changes in assumptions	4,309	121
Net difference between projected and actual earnings on pension plan investments	-	543,562
Changes in proportion and differences between District contributions and proportionate share of contributions	61	561,172
District contributions subsequent to the measurement date	1,070,511	-
<b>Total</b>	<b>\$ 1,299,980</b>	<b>\$ 1,174,410</b>

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023**

**NOTE 6 Pension Plan (continued)**

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

\$1,070,511 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, 2023. 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,		
2024	\$	(645,201)
2025		(512,434)
2026		(801,373)
2027		1,025,310
2028		(11,243)
Total	\$	(944,941)

Actuarial Assumptions - The total pension liability in the June 30, 2022 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, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

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, 2023**

**NOTE 6 Pension Plan (continued)**

Actuarial Assumptions - (continued)

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	3.57%
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
<b>Total</b>	<u>100.0%</u>	

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	\$ 9,460,582	\$ 5,077,818	\$ 1,215,395

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, 2023, the District reported payables to IPERS of \$138,614 for legally required District contributions and \$92,360 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, 2023**

**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, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	16
Active employees	133
 Total	 149

Total OPEB Liability – The District’s total OPEB liability of \$1,386,763 was measured as of June 30, 2023, and was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions – The total OPEB liability in the June 30, 2021 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, 2023)	2.25% per annum
Discount rate (effective June 30, 2023)	3.86% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2023)	6.70% initial rate, changing over future years to 3.75% ultimate rate.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.86% 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, 2021 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, 2023**

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning	\$ 1,371,101
Changes for the year	
Service cost	72,661
Interest	51,519
Difference between expected and actual experiences	468
Changes in assumptions	(13,816)
Benefit payments	(95,170)
Net changes	15,662
Total OPEB liability end of year	\$ 1,386,763

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 (2.86%) or 1% higher (4.86%) than the current discount rate.

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase 4.86%)
Total OPEB liability	\$ 1,469,739	\$ 1,386,763	\$ 1,308,015

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 (5.70%) or 1% higher (7.70%) than the current healthcare cost trend rates.

	1% Decrease (5.70%)	Healthcare Cost Trend Rate (6.70%)	1% Increase (7.70%)
Total OPEB liability	\$ 1,269,457	\$ 1,386,763	\$ 1,524,245

OPEB Expense, Deferred Outflows of Resources Related and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2023, the District recognized OPEB expense of \$183,164. At June 30, 2023, 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	\$ 415,360	\$ 88,238
Change of assumptions	149,945	281,219
	\$ 565,305	\$ 369,457

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023**

**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
2024	\$ 58,984
2025	58,984
2026	58,984
2027	58,984
2028	49,449
Thereafter	(89,537)
Total	\$ 195,848

**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 \$648,681 for the year ended June 30, 2023 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**NOTE 10 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.

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023**

**NOTE 10 Categorical Funding (continued)**

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2023.

Program	Amount
Voluntary preschool	\$ 73,714
Teachers compensation	39,878
Teacher quality	53,739
Teacher leadership	35,227
	\$ 202,558

**NOTE 11 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.

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2023 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
Shelby County	Urban renewal and economic development projects	\$ 45,290
City of Harlan	Chapter 404 tax abatement program	9,496

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, 2023, this reimbursement amounted to \$24,028.

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023**

**NOTE 12 Construction Commitments**

The District entered into various contracts totaling \$7,438,573 for building construction and renovation projects. As of June 30, 2023, costs of \$3,769,030 had been incurred against the contracts. The balance of \$3,669,543 remaining at June 30, 2023, including retainage of \$30,240 will be paid as work on the projects progress.

**NOTE 13 Subsequent Events**

In July 2023, the District approved the \$12,900,000 General Obligation Bond, Series 2023.

**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, 2023**

	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	\$ 9,603,134	384,671	9,987,805	9,400,306	9,400,306	587,499
State sources	11,509,790	5,348	11,515,138	11,348,920	11,348,920	166,218
Federal sources	820,473	672,662	1,493,135	1,567,000	1,567,000	(73,865)
Total revenues	<u>21,933,397</u>	<u>1,062,681</u>	<u>22,996,078</u>	<u>22,316,226</u>	<u>22,316,226</u>	<u>679,852</u>
<b>Expenditures/Expenses:</b>						
Instruction	12,975,367	-	12,975,367	13,380,668	13,521,168	545,801
Support services	6,576,995	-	6,576,995	6,150,097	6,587,106	10,111
Non-instructional programs	-	896,486	896,486	848,600	897,194	708
Other expenditures	5,396,670	-	5,396,670	1,755,544	10,295,508	4,898,838
Total expenditures/expenses	<u>24,949,032</u>	<u>896,486</u>	<u>25,845,518</u>	<u>22,134,909</u>	<u>31,300,976</u>	<u>5,455,458</u>
Excess (deficiency) of revenue over (under) expenditures/expenses	(3,015,635)	166,195	(2,849,440)	181,317	(8,984,750)	6,135,310
Other financing sources, net	<u>10,218,366</u>	<u>(45,943)</u>	<u>10,172,423</u>	<u>-</u>	<u>-</u>	<u>10,172,423</u>
Change in fund balance	7,202,731	120,252	7,322,983	181,317	(8,984,750)	16,307,733
Balances beginning of year	<u>6,724,805</u>	<u>661,706</u>	<u>7,386,511</u>	<u>6,320,510</u>	<u>6,320,510</u>	<u>1,066,001</u>
Balances end of year	<u>\$ 13,927,536</u>	<u>781,958</u>	<u>14,709,494</u>	<u>6,501,827</u>	<u>(2,664,240)</u>	<u>17,373,734</u>

See Accompanying Independent Auditors' Report

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2023**

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 expenditures by \$9,166,067.

During the year ended June 30, 2023, expenditures did not exceed the amended budgeted amounts. 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 NINE YEARS\*  
(IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.134400%	(0.054300%)	0.140001%	0.142243%	0.141258%	0.145363%	0.149279%	0.153362%	0.153786%
District's proportionate share of the net pension liability	\$ 5,078	\$ 187	\$ 9,835	\$ 8,237	\$ 8,939	\$ 9,683	\$ 9,395	\$ 7,577	\$ 6,099
District's covered payroll	\$ 10,845	\$ 10,893	\$ 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	46.82%	1.72%	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	91.40%	100.81%	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 1,071	1,024	1,028	1,049	1,022	948	970	958	939	898
Contributions in relation to the statutorily required contribution	1,071	1,024	1,028	1,049	1,022	948	970	958	939	898
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 11,340	10,845	10,893	11,109	10,829	10,617	10,857	10,508	10,508	10,057
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%

See Accompanying Independent Auditors' Report

**HARLAN COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2023**

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

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 SIX YEARS  
REQUIRED SUPPLEMENTARY INFORMATION**

	2023	2022	2021	2020	2019	2018
Service cost	\$ 72,661	130,189	114,420	41,165	41,165	41,165
Interest cost	51,519	34,809	40,600	24,520	25,464	25,334
Difference between expected and actual experiences	468	(86,469)	7,589	743,852	(24,720)	(17,366)
Changes of assumptions	(13,816)	(347,730)	59,946	199,947	-	-
Benefit payments	(95,170)	(84,997)	(79,932)	(89,554)	(43,949)	(46,010)
Net change in total OPEB liability	15,662	(354,198)	142,623	919,930	(2,040)	3,123
Total OPEB liability beginning of year	1,371,101	1,725,299	1,582,676	662,746	664,786	661,663
Total OPEB liability end of year	\$ 1,386,763	1,371,101	1,725,299	1,582,676	662,746	664,786
Covered-employee payroll	\$ 9,746,730	9,336,726	8,639,782	8,827,604	8,880,033	8,647,233
Total OPEB liability as a percentage of covered-employee payroll	14.23%	14.69%	19.97%	17.93%	7.46%	7.69%

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

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

*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, 2023	3.86%
Year ended June 30, 2022	3.69%
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, 2023**

<b>Assets</b>	Special Revenue		
	Management Levy	Student Activity	Total
<b>Assets:</b>			
Cash, cash equivalents and pooled investments \$	526,960	359,817	886,777
<b>Receivables:</b>			
Property tax:			
Delinquent	7,363	-	7,363
Succeeding year	592,445	-	592,445
Accounts	-	612	612
Prepaid expenses	15,214	-	15,214
<b>Total assets</b>	<b>\$ 1,141,982</b>	<b>360,429</b>	<b>1,502,411</b>
 <b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable \$	-	5,222	5,222
<b>Deferred inflows of resources:</b>			
Unavailable succeeding year property tax revenue	592,445	-	592,445
<b>Fund balances:</b>			
Nonspendable:			
Prepays	15,214	-	15,214
Restricted for:			
Management levy purposes	534,323	-	534,323
Student activities	-	355,207	355,207
<b>Total fund balances</b>	<b>549,537</b>	<b>355,207</b>	<b>904,744</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,141,982</b>	<b>360,429</b>	<b>1,502,411</b>

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, 2023**

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local Tax	\$ 596,194	-	596,194
Other	2,755	596,220	598,975
State sources	187	-	187
Total revenues	<u>599,136</u>	<u>596,220</u>	<u>1,195,356</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	133,416	-	133,416
Other instruction	-	536,392	536,392
	<u>133,416</u>	<u>536,392</u>	<u>669,808</u>
Support services:			
Administration services	143,964	-	143,964
Operation and maintenance of plant services	264,370	-	264,370
Transportation services	69,831	-	69,831
	<u>478,165</u>	<u>-</u>	<u>478,165</u>
Total expenditures	<u>611,581</u>	<u>536,392</u>	<u>1,147,973</u>
Change in fund balances	(12,445)	59,828	47,383
Fund balances beginning of year	<u>561,982</u>	<u>295,379</u>	<u>857,361</u>
Fund balances end of year	<u>\$ 549,537</u>	<u>355,207</u>	<u>904,744</u>

See Accompanying Independent Auditors' Report

**HARLAN COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET – CAPITAL PROJECT ACCOUNTS  
JUNE 30, 2023**

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Building Project Fund	Total
<b>Assets</b>				
<b>Assets:</b>				
Cash, cash equivalents and pooled investments	\$ 2,111,202	805,604	7,040,076	9,956,882
Receivables:				
Property tax:				
Delinquent	-	7,537	-	7,537
Succeeding year	-	605,420	-	605,420
Accounts	-	10,842	-	10,842
Due from other governments	130,272	-	-	130,272
<b>Total assets</b>	<b>\$ 2,241,474</b>	<b>1,429,403</b>	<b>7,040,076</b>	<b>10,710,953</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	3,245	604,809	608,054
Deferred inflows of resources:				
Unavailable succeeding year property tax revenue	-	605,420	-	605,420
Fund balances:				
Restricted for:				
School infrastructure	2,241,474	-	6,435,267	8,676,741
Physical plant and equipment	-	820,738	-	820,738
<b>Total fund balances</b>	<b>2,241,474</b>	<b>820,738</b>	<b>6,435,267</b>	<b>9,497,479</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,241,474</b>	<b>1,429,403</b>	<b>7,040,076</b>	<b>10,710,953</b>

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, 2023**

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Plant and Equipment Levy	Physical Building Project Fund	
Revenues:				
Local sources:				
Local Tax	\$ -	613,189	-	613,189
Other	36,478	23,056	171,441	230,975
State sources	1,850,842	186	-	1,851,028
Total revenues	<u>1,887,320</u>	<u>636,431</u>	<u>171,441</u>	<u>2,695,192</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	214,123	39,732	-	253,855
Support services:				
Instructional staff services	29,084	59,409	-	88,493
Administration services	-	10,507	-	10,507
Operation and maintenance of plant services	-	1,350	-	1,350
Transportation services	130,600	9,195	-	139,795
	<u>159,684</u>	<u>80,461</u>	<u>-</u>	<u>240,145</u>
Other expenditures:				
Facilities acquisition	3,271	170,448	3,795,595	3,969,314
Debt service	-	-	94,455	94,455
	<u>3,271</u>	<u>170,448</u>	<u>3,890,050</u>	<u>4,063,769</u>
Total expenditures	<u>377,078</u>	<u>290,641</u>	<u>3,890,050</u>	<u>4,557,769</u>
Excess (deficiency) of revenues over (under) expenditures	1,510,242	345,790	(3,718,609)	(1,862,577)
Other financing sources (uses):				
Proceeds from fixed asset disposition	-	2,650	-	2,650
General obligation bonds issued	-	-	10,153,876	10,153,876
Operating transfers out	(684,220)	-	-	(684,220)
Total other financing sources (uses)	<u>(684,220)</u>	<u>2,650</u>	<u>10,153,876</u>	<u>9,472,306</u>
Change in fund balances	826,022	348,440	6,435,267	7,609,729
Fund balances beginning of year	<u>1,415,452</u>	<u>472,298</u>	<u>-</u>	<u>1,887,750</u>
Fund balances end of year	<u>\$ 2,241,474</u>	<u>820,738</u>	<u>6,435,267</u>	<u>9,497,479</u>

See Accompanying Independent Auditors' Report

**HARLAN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND,  
STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2023**

	Balance Beginning of Year	Revenues	Expend- itures	Balance End of Year
Drama	\$ 25,387	7,412	7,646	25,153
Activity tickets	305	19,862	153	20,014
Speech	259	50	309	-
HS vocal music	-	2,944	2,944	-
MS vocal music	1,035	1,869	-	2,904
HS instr music	820	3,690	4,292	218
HS jazz	939	4,391	4,711	619
MS jazz	1,308	3,539	-	4,847
HS flag corp	129	3,550	3,459	220
Athletics	31,341	257,544	214,583	74,302
FB holocaust memorial rock project	898	10	-	908
Cheerleaders	2,900	8,885	8,890	2,895
FFA	62,700	93,346	105,816	50,230
Harpoon	7,310	5,558	3,255	9,613
National honor society	2,627	3,634	5,563	698
BPA	-	36,172	36,172	-
Science club	5	-	-	5
Foreign language club	10,398	905	779	10,524
Student council	12,493	22,760	15,174	20,079
Pom pom	4,333	5,966	5,317	4,982
Best buddies	1,566	269	1,064	771
Key club	3,258	38	-	3,296
For the birds	534	6	-	540
FCCLA club	4,649	1,133	460	5,322
Friends of Rachele	1,765	20	-	1,785
Fundraising	-	17,419	17,419	-
Prom	-	8,785	8,785	-
HS miscellaneous	653	4,621	772	4,502
Hosa fund	1,706	913	-	2,619
Cyclone corner store	23,362	19,063	26,051	16,374
Concessions	10,121	22,664	25,124	7,661
Vending	650	5,996	6,646	-
MS cheerleading	6,142	71	-	6,213
MS vending	10,991	7,554	7,104	11,441
MS student council	25,799	1,668	5,927	21,540
MS yearbook	7,071	82	-	7,153
MS building improvements	101	1	-	102
MS student fund	8,687	11,338	6,244	13,781
Special olympics	2,571	3,136	2,779	2,928
New Park student fund	19,913	7,800	7,500	20,213
West Ridge student fund	-	384	384	-
Elementary kindness club	653	1,172	1,070	755
<b>Total</b>	<b>\$ 295,379</b>	<b>596,220</b>	<b>536,392</b>	<b>355,207</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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Revenues:</b>										
Local sources:										
Local Tax	\$ 7,506,584	7,747,419	7,612,741	6,813,014	6,702,130	6,549,869	6,304,778	6,144,495	6,125,125	6,025,640
Tuition	926,933	926,399	1,267,309	1,107,131	968,998	1,004,343	1,105,533	1,095,726	1,112,376	1,071,903
Other	1,169,617	671,073	533,307	667,001	832,465	897,419	1,030,937	1,320,954	1,532,938	1,755,302
State sources	11,509,790	10,933,532	10,601,112	10,971,097	10,662,066	10,252,749	10,380,675	9,554,814	9,818,541	9,450,324
Federal sources	820,473	1,563,298	1,199,077	364,725	367,262	397,940	471,165	454,561	475,526	521,320
<b>Total</b>	<b>\$ 21,933,397</b>	<b>21,841,721</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>Expenditures:</b>										
Instruction:										
Regular instruction	\$ 8,220,328	8,483,544	7,807,998	8,058,685	7,944,271	7,832,759	7,654,258	8,113,459	8,102,246	7,781,024
Special instruction	3,026,547	2,727,004	2,776,320	2,661,821	2,569,627	2,292,562	2,536,759	2,546,048	2,336,968	2,115,622
Other instruction	1,728,492	1,711,417	1,619,871	1,656,884	1,814,398	1,930,106	1,914,665	1,754,009	1,825,380	1,770,513
Support services:										
Student services	763,667	497,258	449,175	440,337	416,647	374,186	481,618	621,220	600,823	494,895
Instructional staff services	1,023,665	863,033	1,001,354	989,323	851,839	935,517	953,133	480,465	481,445	491,024
Administration services	1,999,281	1,778,875	1,702,775	1,873,032	1,817,451	1,867,957	1,729,895	1,791,784	1,725,334	1,642,779
Operation and maintenance of plant services	1,672,465	1,696,345	1,587,234	1,251,025	1,323,225	1,277,704	1,277,883	1,247,355	1,253,922	1,273,294
Transportation services	1,117,917	1,054,875	839,817	807,850	918,876	704,403	828,330	925,826	881,947	956,706
Other support services	-	-	-	-	-	18,000	-	-	-	-
Other expenditures:										
Facilities acquisition	3,969,314	438,121	121,943	217,632	218,076	184,032	271,516	468,003	1,598,039	1,041,240
Long-term debt:										
Principal	540,000	920,000	1,120,000	890,000	875,000	850,000	830,000	1,745,000	5,385,000	490,000
Interest and fiscal charges	238,675	163,645	259,247	197,719	210,672	229,196	247,214	246,622	721,892	648,996
AEA flowthrough	648,681	640,168	639,692	639,362	626,046	607,284	596,205	594,017	596,354	577,516
<b>Total</b>	<b>\$ 24,949,032</b>	<b>20,974,285</b>	<b>19,925,426</b>	<b>19,683,670</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>19,283,809</b>

See Accompanying Independent Auditors' Report

**HARLAN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2023**

Grantor/Program:	Assistance Listing Number	Pass-Through Entity Identifying Number	Expen- ditures
Direct:			
US Department of Treasury			
Public Health Grant	93.384	FY 23	27,017
Total US Department of Treasury			<u>27,017</u>
Indirect:			
US Department of Agriculture:			
Passed through Iowa Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	FY 23	\$ 660,662 *
School Lunch Equipment	10.579	FY 23	12,000
Total US Department of Agriculture			<u>672,662</u>
US Department of Education:			
Passed through Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 23	214,249
Supporting Effective Instruction State Grant	84.367	FY 23	33,629
Student Support Support and Academic Enrichment Program	84.424	FY 23	13,679
COVID 19, American Rescue Plan - Elementary and Secondary School Relief (ARP ESSER)	84.425U	FY 23	271,994
Passed through Cherokee Community School District			
Teacher Paraeducator Registered Apprenticeship Grant	84.425W	FY 23	49,907
Passed through Green Hills Area Education Agency			
Special Education Cluster (IDEA):			
Special Education - Grants to State	84.027	FY 23	66,050
Passed through Iowa Western Community College			
Vocational Education - Basic Grants to States	84.048	FY 23	16,527
Total US Department of Education			<u>666,035</u>
Total			<u>\$ 1,365,714</u>

**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, 2023. 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

December 13, 2023

**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, 2023, 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 December 13, 2023.

**Report on 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.

Continued . . .

omni business centre  
42 n. 2<sup>nd</sup> street  
council bluffs, iowa 51503  
712•322•8734 / fax 712•322•4699  
www.schroer-cpa.com

**Report on 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, 2023 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**

*Government Auditing Standards* requires the auditor to perform limited procedure on Harlan Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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 the responses.

**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

December 13, 2023

**Independent Auditors' Report on Compliance  
for Its 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 Its Major Federal Program

Opinion on Its Major Federal Program

We have audited Harlan Community School District's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Harlan Community School District's major federal program for the year ended June 30, 2023. Harlan Community School District's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Harlan Community School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2023.

Basis for Opinion on Its Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Harlan Community School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for its major federal program. Our audit does not provide a legal determination of Harlan Community School District's compliance with the compliance requirements referred to above.

Continued...

omni business centre  
42 n. 2<sup>nd</sup> street  
council bluffs, iowa 51503  
712•322•8734 / fax 712•322•4699  
www.schroer-cpa.com

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Harlan Community School District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Harlan Community School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence judgement made by a reasonable user of the report on compliance about Harlan Community School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Harlan Community School District's compliance with the compliance requirements referred to above and performing other such procedures as we considered necessary in the circumstances.
- Obtain an understanding of Harlan Community School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Harlan Community School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance we identified during the audit.

Continued...

December 13, 2023  
Harlan Community School District  
Report on Compliance and Internal Control for Its Major Federal Program

Report on 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 that 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weakness as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, P.C.*

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

**HARLAN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

**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 program.
- (e) An unmodified opinion was issued on compliance with requirements applicable to its major program.
- (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 program was as follows:
  - Child Nutrition Cluster
- (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, 2023**

**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, 2023**

**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, 2023**

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

2023-A Certified Budget

Expenditures for the year ended June 30, 2023 did not exceed the amended certified budget amounts.

2023-B 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.

2023-C 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.

2023-D 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 and Andrew Sandquist, employees, co-owners of Drive Safely, LLC	Purchased services	\$ 30,940
Randy Kroger, employee, owner of Kroger & Sons Hauling, LLC	Hauling	\$ 28,205
Jeff Moser, employee, owner of JCREW5, LLC	Supplies	\$ 3,050

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.

2023-E 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, 2023**

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

2023-F 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.

2023-G Board Minutes

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

2023-H 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 1.7 students.

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.

2023-I Supplemental Weighting

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

2023-J 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.

2023-K Certified Annual Report

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

2023-L Categorical Funding

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

2023-M 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, 2023**

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

2023-N 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, 2023, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$	1,415,452
Revenues/transfers in:		
Sales tax revenues		1,850,842
Other local revenues		36,478
		1,887,320
Expenditures/transfers out		
Technology		29,084
Equipment		344,723
Facilities acquisitions		3,271
Transfers to debt service fund		684,220
		1,061,298
Ending balance	\$	2,241,474

For the year ended June 30, 2023, 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	\$	1.11573	\$	684,220
Physical plant and equipment levy (Voted PPEL)		0.56213		344,723
				\$ 1,028,943