

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

JUNE 30, 2020

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HARLAN COMMUNITY SCHOOL DISTRICT



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

December 3, 2020

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Harlan Community School District, Harlan Iowa, as of and for the year ended June 30, 2020, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Continued...

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Harlan Community School District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 14 to the financial statements, Harlan Community School District adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 9 through 15 and 48 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harlan Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by Title 2, *U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Continued...

December 3, 2020
Harlan Community School District
Independent Auditors' Report

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2020 on our consideration of Harlan Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Harlan Community School District's internal control over financial reporting and compliance.

Schroer & Associates, P.C.

Schroer and Associates, PC
Council Bluffs, Iowa

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, 2020. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- The District implemented Governmental Accounting Standards Board Statement (GASBS) No. 84, *Fiduciary Activities*, during fiscal year 2020. The beginning net position for fiduciary (custodial) funds was restated by \$7,347 to retroactively report fiduciary funds in accordance with the GASBS.
- General Fund revenues increased \$459,310 from \$16,692,373 in fiscal 2019 to \$17,151,683 in fiscal 2020, while General Fund expenditures increased \$189,098 from \$16,798,969 in fiscal 2019 to \$16,988,067 in fiscal 2020. The net increase in revenues and increase in expenditures resulted in an increase in the District's General Fund balance from \$1,838,754 in fiscal 2019 to \$2,016,071 in fiscal 2020 which is a 9.6 percent increase from the prior year.
- The increase in General Fund revenues was primarily attributable to an increase in state revenues and local property taxes. The increase in expenditures was due primarily to wages and employee benefits.
- The District's General Fund financial transactions resulted in an increase to the District's solvency ratio as it was 9.9% for 2019 and 10.9% for 2020. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term obligations. Iowa Association of School Boards, and Iowa Association of School Business Officials recognize a solvency ratio between 5-15% as financially acceptable.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Harlan Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Harlan Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Harlan Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's Proportionate Share of the Net Pension Liability and Related Contributions, as well as presenting the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes.
- Supplementary Information provides detailed information about the non-major governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

REPORTING OF DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

Net Position – Figure A-1 below provides a summary of the District's net position at June 30, 2020 compared to June 30, 2019.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2020	2019	2020	2019	2020	2019	2019-2020
Current and other assets	\$ 13,860	12,796	413	312	14,273	13,108	8.89%
Capital assets	16,514	17,109	33	36	16,547	17,145	-3.49%
Total assets	30,374	29,905	446	348	30,820	30,253	1.87%
Deferred outflows of resources	2,745	2,320	52	65	2,797	2,385	17.27%
Long-term liabilities	17,240	17,897	225	243	17,465	18,140	-3.72%
Other liabilities	2,033	1,924	71	62	2,104	1,986	5.94%
Total liabilities	19,273	19,821	296	305	19,569	20,126	-2.77%
Deferred inflows of resources	8,910	7,573	42	24	8,952	7,597	17.84%
Net position							
Net investment in capital assets	8,959	8,654	33	36	8,992	8,690	3.48%
Restricted	2,637	2,591	-	-	2,637	2,591	1.78%
Unrestricted	(6,660)	(6,414)	127	48	(6,533)	(6,366)	-2.62%
Total net position	\$ 4,936	4,831	160	84	5,096	4,915	3.68%

The District's total net position increased by 3.68% or approximately \$181,000 from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position increased approximately \$46,000 or 1.78% from the prior year. The decrease was primarily a result of the district lowering its management fund balance through the lowering of management fund reserves.

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 – decreased approximately \$167,000 or 2.62%. This reduction in unrestricted net position was primarily a result of changes in the reserves of several funds from the prior year

Changes in Net Position – Figure A-2 shows the changes in net position for the year ended June 30, 2020 compared to the year ended June 30, 2019.

	Governmental Activities		Business Type Activities		Total District		Total Change
	2020	2019	2020	2019	2020	2019	2019-2020
Revenue							
Program revenues:							
Charges for services	\$ 1,642	1,618	300	353	1,942	1,971	-1.47%
Operating grants, contributions and restricted interest	2,961	2,925	537	412	3,498	3,337	4.82%
Capital grants, contributions and restricted interest	8	15	-	-	8	15	-46.67%
General revenues:							
Property tax	6,816	6,705	-	-	6,816	6,705	1.66%
Statewide sales, services and use tax	1,472	1,465	-	-	1,472	1,465	0.48%
Unrestricted state grants	6,994	6,754	-	-	6,994	6,754	3.55%
Unrestricted investment earnings	28	49	-	-	28	49	-42.86%
Other	2	2	2	1	4	3	33.33%
Transfers	13	11	(13)	(11)	-	-	-
Total revenues	<u>19,936</u>	<u>19,544</u>	<u>826</u>	<u>755</u>	<u>20,762</u>	<u>20,299</u>	2.28%
Program expenses:							
Instruction	12,608	12,452	-	-	12,608	12,452	1.25%
Support services	5,593	5,270	-	-	5,593	5,270	6.13%
Non-instructional programs	-	-	750	774	750	774	-3.10%
Other expenses	1,630	1,695	-	-	1,630	1,695	-3.83%
Total expenses	<u>19,831</u>	<u>19,417</u>	<u>750</u>	<u>774</u>	<u>20,581</u>	<u>20,191</u>	1.93%
Changes in net position	105	127	76	(19)	181	108	67.59%
Net position beginning of year	<u>4,831</u>	<u>4,704</u>	<u>84</u>	<u>103</u>	<u>4,915</u>	<u>4,807</u>	2.25%
Net position end of year	<u>\$ 4,936</u>	<u>4,831</u>	<u>160</u>	<u>84</u>	<u>5,096</u>	<u>4,915</u>	3.68%

In fiscal year 2020, property tax and unrestricted state grants account for 69.2 percent of total revenue. The District's expenses primarily related to instruction and support services which account for 91.7 percent of the total expenses.

Governmental Activities

Revenues for governmental activities were \$19,543,688 for fiscal 2019 and \$19,937,136 for fiscal 2020. Expenses were \$19,416,723 for fiscal 2019 and \$19,832,073 for fiscal 2020. The District revenues exceeded expenditures resulting in an increase in financial position.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses, for the year ended June 30, 2020 compared to the year ended June 30, 2019.

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

	Total Cost of Services			Net Cost of Services		
	2020	2019	Change	2020	2019	Change
			2019-2020			2019-2020
Instruction	\$ 12,608	12,452	1.25%	8,757	8,637	1.39%
Support services	5,593	5,270	6.13%	5,481	5,168	6.06%
Other expenses	1,630	1,695	-3.83%	982	1,054	-6.83%
Total	\$ 19,831	19,417	2.13%	15,220	14,859	2.43%

- The cost financed by users of the District's programs was \$1,618,021 for 2019 and \$1,642,183 for 2020.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,939,463 for 2019 and \$2,969,509 for 2020.
- The net cost of governmental activities was financed with \$8,287,594 of property and other taxes, and \$6,993,967 of unrestricted state grants.

Business-Type Activities

Revenues of the District's business-type activities were \$755,129 for 2019 and \$825,753 for 2020, and expenses were \$774,538 for 2019 and \$749,364 for 2020. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of changes for services, federal and state reimbursements, and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,258,859 for 2019 and \$4,513,486 for 2020. The primary reason for the increase in combined fund balances in fiscal 2020 is due to the carryover of CARES Act funding to fiscal year 2021 as well as a slight reduction in capital project costs. The District experienced an decrease in enrollment during fiscal year 2020. The District will need to continue to rely on State Foundation Aid allowable growth increases, new revenue sources, and use fund balances to help cover any increases in costs.

Governmental Fund Highlights

- The District's increase in General Fund financial position is the product of many factors. The District saw an increase in some revenue areas including state aid, and only a slight increase in expenditures resulting in an overall increase in financial position. The General Fund balance increased from \$1,838,754 to \$2,016,071 due to a net increase in revenues over expenditures.
- The Capital Project Fund balance increased from \$1,639,072 for 2019 to \$1,787,853 for 2020 due to an increase in revenues, the timing and availability of an equipment purchase that was made, and technology costs slightly decreasing.
- The Debt Service Fund Balance decreased from \$10,398 for 2019 to \$9,525 for 2020.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$83,536 at June 30, 2019 to \$159,925 at June 30, 2020, representing an increase of approximately 91.4%.

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, 2020, the District had invested approximately \$16.5 million, net of accumulated depreciation, in a broad range of capital assets including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year totaled \$827,017.

The original cost of the District's capital assets was \$31.13 million. Governmental funds account for \$30.83 million with the remainder of \$0.30 million in the Proprietary, School Nutrition Fund.

The significant capital assets activities include purchase of a bus, car, pickup, and several facility and technology updates.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2020	2019	2020	2019	2020	2019	2019-2020
Land	\$ 26	26	-	-	26	26	0.00%
Buildings	15,935	16,513	-	-	15,935	16,513	-3.50%
Improvements other than buildings	143	155	-	-	143	155	-7.74%
Machinery and equipment	410	415	33	36	443	451	-1.77%
Total	16,514	17,109	33	36	16,547	17,145	-3.49%

Long-Term Debt

At June 30, 2020 the District had approximately \$7,525,000 general obligation and other long-term debt outstanding. This represents a decrease of approximately 10.58% from last year. The decrease is primarily attributable to the District making the annual payments on the outstanding debt. (See Figure A-5) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-5 Outstanding Long-Term Obligations (Expressed in Thousands)			
	Total District		Total Change
	June 30,		June 30,
	2020	2019	2019-2020
Revenue bond refunding bonds	\$ 5,810	6,015	-3.41%
General obligation refunding bonds	1,715	2,400	-28.54%
Total	<u>\$ 7,525</u>	<u>8,415</u>	-10.58%

ECONOMIC FACTORS THAT BEAR ON THE DISTRICT'S FUTURE

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

- The District administration is taking steps to balance the District's revenues and expenditures and keep the District in a healthy financial position.
- The District has seen a decrease in enrollment. The District's funding for fiscal year 2022 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 2021 budget.
- The District's state wide penny sales tax receipts are sufficient enough to pay the current general obligation and revenue bonds. As a result the District will not assess any property tax levy for debt service repayment.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brian Gubbels, Director of Finance, Harlan Community School District, 2102 Durant Street, Harlan, Iowa 51537.

BASIC FINANCIAL STATEMENTS

**HARLAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020**

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 5,851,717	347,593	6,199,310
Receivables:			
Property tax:			
Delinquent	44,341	-	44,341
Succeeding year	6,796,555	-	6,796,555
Accounts	7,952	-	7,952
Due from other governments	1,082,201	32,827	1,115,028
Prepaid expenses	77,064	4,792	81,856
Inventories	-	28,123	28,123
Capital assets, net of accumulated depreciation	16,514,261	32,707	16,546,968
Total assets	30,374,091	446,042	30,820,133
Deferred Outflows of Resources			
Pension related deferred outflows	1,906,801	51,856	1,958,657
OPEB related deferred outflows	837,873	-	837,873
Total deferred outflows of resources	2,744,674	51,856	2,796,530
Liabilities			
Accounts payable	18,022	-	18,022
Salaries & benefits payable	1,814,086	39,149	1,853,235
Accrued interest payable	81,606	-	81,606
Unearned revenue	118,954	32,341	32,341
Long-term liabilities:			
Portion due within one year:			
Bonds payable	905,000	-	905,000
Compensated absences	90,535	-	90,535
Portion due after one year:			
Bonds payable, net of unamortized premiums	6,649,926	-	6,649,926
Net pension liability	8,011,973	224,834	8,236,807
Total OPEB liability	1,582,678	-	1,582,678
Total liabilities	19,272,780	296,324	19,569,104
Deferred Inflows of Resources			
Unavailable property tax revenue	6,796,555	-	6,796,555
Unavailable income surtax revenue	597,569	-	597,569
Pension related deferred inflows	1,482,633	41,649	1,524,282
OPEB related deferred inflows	32,863	-	32,863
Total deferred inflows of resources	8,909,620	41,649	8,951,269
Net Position			
Net investment in capital assets	8,959,333	32,707	8,992,040
Restricted for:			
Categorical funding	149,141	-	149,141
Management levy purposes	463,273	-	463,273
Student activities	236,764	-	236,764
Capital projects	1,250,049	-	1,250,049
Physical plant and equipment levy	537,804	-	537,804
Unrestricted	(6,659,999)	127,218	(6,532,781)
Total net position	\$ 4,936,365	159,925	5,096,290

See notes to financial statements

**HARLAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

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
Governmental activities:							
Instruction:							
Regular instruction	\$ 8,272,072	905,304	1,936,742	-	(5,430,026)	-	(5,430,026)
Special instruction	2,633,118	262,858	278,441	-	(2,091,819)	-	(2,091,819)
Other instruction	1,703,230	452,072	16,233	-	(1,234,925)	-	(1,234,925)
	<u>12,608,420</u>	<u>1,620,234</u>	<u>2,231,416</u>	<u>-</u>	<u>(8,756,770)</u>	<u>-</u>	<u>(8,756,770)</u>
Support services:							
Student services	453,254	-	35,767	-	(417,487)	-	(417,487)
Instructional staff services	1,013,526	-	-	-	(1,013,526)	-	(1,013,526)
Administration services	1,926,176	-	-	-	(1,926,176)	-	(1,926,176)
Operation & maintenance of plant services	1,291,995	5,910	-	-	(1,286,085)	-	(1,286,085)
Transportation services	908,323	16,039	54,465	-	(837,819)	-	(837,819)
	<u>5,593,274</u>	<u>21,949</u>	<u>90,232</u>	<u>-</u>	<u>(5,481,093)</u>	<u>-</u>	<u>(5,481,093)</u>
Other expenditures:							
Facilities acquisition	143,387	-	-	8,472	(134,915)	-	(134,915)
Long-term debt interest	194,134	-	27	-	(194,107)	-	(194,107)
AEA flowthrough	629,389	-	639,362	-	9,973	-	9,973
Depreciation (unallocated)*	663,469	-	-	-	(663,469)	-	(663,469)
	<u>1,630,379</u>	<u>-</u>	<u>639,389</u>	<u>8,472</u>	<u>(982,518)</u>	<u>-</u>	<u>(982,518)</u>
Total governmental activities	19,832,073	1,642,183	2,961,037	8,472	(15,220,381)	-	(15,220,381)
Business-Type activities:							
Non-instructional programs:							
Nutrition services	749,364	299,639	537,234	-	-	87,509	87,509
Total	\$ 749,364	299,639	537,234	-	-	87,509	87,509
Total	\$ 20,581,437	1,941,822	3,498,271	8,472	(15,220,381)	87,509	(15,132,872)
General Revenues:							
Property and other tax levied for:							
General purposes					\$ 6,273,188	-	6,273,188
Capital outlay					542,731	-	542,731
Statewide sales, services and use tax					1,471,675	-	1,471,675
Unrestricted state grants					6,993,967	-	6,993,967
Unrestricted investment earnings					28,539	1,890	30,429
Other					2,334	-	2,334
Transfers					13,010	(13,010)	-
Total general revenues					15,325,444	(11,120)	15,314,324
Change in net position					105,063	76,389	181,452
Net position beginning of year					4,831,302	83,536	4,914,838
Net position end of year					\$ 4,936,365	159,925	5,096,290

* This amount excludes the depreciation 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, 2020**

	General	Capital Projects	Debt Service	Nonmajor Governmental	Total
Assets					
Cash, cash equivalents and pooled investments	\$ 3,489,434	1,660,018	9,525	692,740	5,851,717
Receivables:					
Property tax:					
Delinquent	38,480	3,898	-	1,963	44,341
Succeeding year	5,895,123	566,255	-	335,177	6,796,555
Accounts	7,952	-	-	-	7,952
Due from other governments	958,264	123,937	-	-	1,082,201
Prepaid expenses	66,727	-	-	10,337	77,064
Total assets	\$ 10,455,980	2,354,108	9,525	1,040,217	13,859,830
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 13,829	-	-	4,193	18,022
Salaries & benefits payable	1,813,276	-	-	810	1,814,086
Advances from grantors	118,954	-	-	-	118,954
Total liabilities	1,946,059	-	-	5,003	1,951,062
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax revenue	5,895,123	566,255	-	335,177	6,796,555
Succeeding year income surtax revenue	597,569	-	-	-	597,569
Other	1,158	-	-	-	1,158
Total deferred inflows of resources	6,493,850	566,255	-	335,177	7,395,282
Fund balances:					
Nonspendable - prepaids	66,727	-	-	10,337	77,064
Restricted for:					
Categorical funding	149,141	-	-	-	149,141
Donated purposes	74,424	-	-	-	74,424
Debt service	-	-	9,525	-	9,525
Capital projects	-	1,250,049	-	-	1,250,049
Physical plant and equipment	-	537,804	-	-	537,804
Management levy purposes	-	-	-	452,936	452,936
Student activities	-	-	-	236,764	236,764
Unassigned	1,725,779	-	-	-	1,725,779
Total fund balances	2,016,071	1,787,853	9,525	700,037	4,513,486
Total liabilities, deferred inflows of resources and fund balances	\$ 10,455,980	2,354,108	9,525	1,040,217	13,859,830

See notes to financial statements

**HARLAN COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Total fund balances of governmental funds		\$ 4,513,486
<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.		16,514,261
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.		(81,606)
Accounts receivable not collected within 60 days is considered a deferred outflow in the governmental funds.		1,158
Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 2,744,674	
Deferred inflows of resources	<u>(1,515,496)</u>	1,229,178
Long-term liabilities, including bonds and notes payable, compensated absences payable, total OPEB liability and net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities of the governmental funds.		<u>(17,240,112)</u>
Net position of governmental activities		<u>\$ 4,936,365</u>

See notes to financial statements

**HARLAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020**

	General	Capital Projects	Debt Service	Nonmajor Governmental	Total
Revenues:					
Local sources:					
Local Tax	\$ 5,998,686	542,477	-	271,851	6,813,014
Tuition	1,107,131	-	-	-	1,107,131
Other	193,291	10,953	27	462,730	667,001
State sources	9,487,850	1,479,317	-	3,930	10,971,097
Federal sources	364,725	-	-	-	364,725
Total revenues	<u>17,151,683</u>	<u>2,032,747</u>	<u>27</u>	<u>738,511</u>	<u>19,922,968</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	7,613,398	323,662	-	121,625	8,058,685
Special instruction	2,661,821	-	-	-	2,661,821
Other instruction	1,249,237	-	-	407,647	1,656,884
	<u>11,524,456</u>	<u>323,662</u>	<u>-</u>	<u>529,272</u>	<u>12,377,390</u>
Support services:					
Student services	440,337	-	-	-	440,337
Instructional staff services	891,904	97,419	-	-	989,323
Administration services	1,717,544	9,276	1,200	145,012	1,873,032
Operation and maintenance of plant services	1,147,505	30,511	-	73,009	1,251,025
Transportation services	626,959	119,075	-	61,816	807,850
	<u>4,824,249</u>	<u>256,281</u>	<u>1,200</u>	<u>279,837</u>	<u>5,361,567</u>
Other expenditures:					
Facilities acquisition	-	217,632	-	-	217,632
Long-term debt:					
Principal	-	-	890,000	-	890,000
Interest and fiscal charges	-	-	197,719	-	197,719
AEA flowthrough	639,362	-	-	-	639,362
	<u>639,362</u>	<u>217,632</u>	<u>1,087,719</u>	<u>-</u>	<u>1,944,713</u>
Total expenditures	<u>16,988,067</u>	<u>797,575</u>	<u>1,088,919</u>	<u>809,109</u>	<u>19,683,670</u>
Excess (deficiency) of revenues over (under) expenditures	163,616	1,235,172	(1,088,892)	(70,598)	239,298
Other financing sources (uses):					
Proceeds from fixed asset dispositions	691	1,628	-	-	2,319
Operating transfers in	13,010	-	1,088,019	-	1,101,029
Operating transfers out	-	(1,088,019)	-	-	(1,088,019)
Total other financing sources (uses)	<u>13,701</u>	<u>(1,086,391)</u>	<u>1,088,019</u>	<u>-</u>	<u>15,329</u>
Change in fund balances	177,317	148,781	(873)	(70,598)	254,627
Fund balances beginning of year	<u>1,838,754</u>	<u>1,639,072</u>	<u>10,398</u>	<u>770,635</u>	<u>4,258,859</u>
Fund balances end of year	<u>\$ 2,016,071</u>	<u>1,787,853</u>	<u>9,525</u>	<u>700,037</u>	<u>4,513,486</u>

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, 2020**

Net change in fund balances - total governmental funds **\$ 254,627**

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

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

Expenditures for capital assets	\$ 226,308	
Depreciation expense	<u>(820,932)</u>	(594,624)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 890,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 13,558

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

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflow of resources in the Statement of Net Position. 1,022,890

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	\$ (7,144)	
Pension expense	(1,397,181)	
OPEB expense	<u>(78,221)</u>	<u>(1,482,546)</u>

Change in net position of governmental activities **\$ 105,063**

See notes to financial statements

**HARLAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2020**

	<u>School Nutrition</u>
Assets	
Current assets:	
Cash, cash equivalents and pooled investments	\$ 347,593
Due from other governments	32,827
Prepaid expenses	4,792
Inventories	28,123
Total current assets	<u>413,335</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	32,707
Total assets	<u>446,042</u>
Deferred Outflows of Resources	
Pension related deferred outflows	51,856
Liabilities	
Current liabilities:	
Salaries and benefits and payable	39,149
Unearned revenue	32,341
Total current liabilities	<u>71,490</u>
Noncurrent liabilities:	
Net pension liability	224,834
Total liabilities	<u>296,324</u>
Deferred Inflows of Resources	
Pension related deferred inflows	41,649
Net Position	
Net investment in capital assets	32,707
Unrestricted	127,218
Total net position	<u><u>\$ 159,925</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, 2020**

	School Nutrition
Operating revenue:	
Local sources:	
Charges for service	\$ 299,639
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	279,283
Benefits	66,731
Purchased services	263
Supplies	397,002
Depreciation	6,085
Total operating expenses	749,364
Operating loss	(449,725)
Non-operating revenue:	
State sources	5,729
Federal sources	531,505
Interest on investments	1,890
Total non-operating revenue	539,124
Change in net position before transfers	89,399
Transfers out	(13,010)
Change in net position	76,389
Net position beginning of year	83,536
Net position end of year	\$ 159,925

See notes to financial statements

**HARLAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2020**

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 315,197
Cash payments to employees for services	(334,102)
Cash payments to suppliers for goods or services	(316,778)
Net cash used in operating activities	(335,683)
Cash flows from non-capital financing activities:	
State grants received	5,729
Federal grants received	431,816
Net cash provided by non-capital financing sources	437,545
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(2,915)
Transfers out	(13,010)
Net cash used by capital and related financing activities	(15,925)
Cash flows from investing activities:	
Interest on investments	1,890
Net increase in cash and cash equivalents	87,827
Cash and cash equivalents at beginning of year	259,766
Cash and cash equivalents at end of year	\$ 347,593

Reconciliation of operating loss to net cash used by operating activities:

Operating loss	\$ (449,725)
Commodities used	76,999
Depreciation	6,085
(Increase) decrease:	
Inventories	9,596
Prepaid expenses	291
Pension related deferred outflows	12,708
Increase (decrease) in:	
Accounts payable	(6,399)
Salaries and benefits payable	249
Unearned revenue	15,558
Net pension liability	(18,330)
Pension related deferred inflows	17,285
Net cash used in operating activities	\$ (335,683)

Non-cash investing, capital and financing activities

During the year ended June 30, 2020 the District received \$76,999 of federal commodities.

See notes to financial statements

**HARLAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020**

	Private Purpose Trust Scholarship	Custodial
Assets		
Cash, cash equivalents and pooled investments	\$ 150,126	6,477
Total assets	150,126	6,477
Liabilities		
None	-	-
Net Position		
Restricted for scholarships	150,126	-
Restricted for other organizations	-	6,477
Total net position	\$ 150,126	6,477

**HARLAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2020**

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Custodial</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 9,278	-
Deductions:		
Scholarships awarded	9,422	-
Merchandise	-	870
Total deductions	<u>9,422</u>	<u>870</u>
Change in net position	(144)	(870)
Net position beginning of year, as restated	<u>150,270</u>	<u>7,347</u>
Net position end of year	<u>\$ 150,126</u>	<u>6,477</u>

See notes to financial statements

**HARLAN COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

NOTE 1 Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

Jointly Governed Organizations – The District participates in jointly governed organizations that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Harrison and Shelby Counties Assessor's Conference Boards.

B. Basis of Presentation

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

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

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

**HARLAN COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

NOTE 1 Summary of Significant Accounting Policies (continued)

B. Basis of Presentation – (continued)

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

**HARLAN COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

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, 2020**

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, 2020**

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, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2019.

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

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

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District's reporting period.

**HARLAN COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

NOTE 1 Summary of Significant Accounting Policies (continued)

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

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2020. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

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

**HARLAN COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

NOTE 1 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2 Cash and Pooled Investments

The District's deposits in banks at June 30, 2020 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, 2020, the District had investments in the Iowa Schools Joint Investment Trust District Government Obligations Portfolio which are valued at an amortized cost of \$972 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There are no limitations or restrictions on withdrawals of the ISJIT investments. The investment in ISJIT were rated AAAM by Standard & Poor's Financial Services.

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

**HARLAN COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

NOTE 3 Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Proprietary: School Nutrition	\$ 13,010
Debt Service	Capital Projects	<u>1,088,019</u>
		<u>\$ 1,101,029</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, 2020 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 25,700	-	-	25,700
Capital assets being depreciated:				
Buildings	26,090,445	61,655	-	26,152,100
Improvements other than buildings	680,639	-	-	680,639
Furniture and equipment	4,281,548	164,653	472,411	3,973,790
Total capital assets being depreciated	<u>31,052,632</u>	<u>226,308</u>	<u>472,411</u>	<u>30,806,529</u>
Less accumulated depreciation for:				
Buildings	9,576,929	640,514	-	10,217,443
Improvements other than buildings	525,933	11,019	-	536,952
Furniture and equipment	3,866,585	169,399	472,411	3,563,573
Total accumulated depreciation	<u>13,969,447</u>	<u>820,932</u>	<u>472,411</u>	<u>14,317,968</u>
Total capital assets being depreciated, net	<u>17,083,185</u>	<u>(594,624)</u>	<u>-</u>	<u>16,488,561</u>
Governmental activities capital assets, net	<u>\$ 17,108,885</u>	<u>(594,624)</u>	<u>-</u>	<u>16,514,261</u>
Business-type activities				
Furniture and equipment	\$ 292,452	2,915	-	295,367
Less accumulated depreciation	<u>256,575</u>	<u>6,085</u>	<u>-</u>	<u>262,660</u>
Business-type activities capital assets, net	<u>\$ 35,877</u>	<u>(3,170)</u>	<u>-</u>	<u>32,707</u>

**HARLAN COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

NOTE 4 Capital Assets (continued)

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular	\$	3,340
Special		37,852
Other		3,639
Support services:		
Operation and maintenance of plant		31,020
Transportation		81,612
		<u>157,463</u>
Unallocated		<u>663,469</u>
	\$	<u>820,932</u>
Business-type activities:		
Food services	\$	<u>6,085</u>

NOTE 5 Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2020 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation refunding bonds \$	2,400,000	-	685,000	1,715,000	695,000
Unamortized premium	39,901	-	9,973	29,928	-
Sales tax refunding bonds	6,015,000	-	205,000	5,810,000	210,000
Compensated absences	83,391	90,935	83,391	90,935	90,935
Net pension liability	8,695,955	-	683,982	8,011,973	-
Total OPEB liability	<u>662,746</u>	<u>919,930</u>	<u>-</u>	<u>1,582,676</u>	<u>-</u>
Total	<u>\$ 19,513,117</u>	<u>1,010,865</u>	<u>1,667,346</u>	<u>17,240,512</u>	<u>995,935</u>
Business type activities					
Net pension liability	<u>\$ 243,164</u>	<u>-</u>	<u>18,330</u>	<u>224,834</u>	<u>-</u>

**HARLAN COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

NOTE 5 Long-Term Liabilities (continued)

General Obligation Bonds Payable

Details of the District's June 30, 2020 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of December 8, 2012			
	Interest Rates	Principal	Interest	Total
2021	1.50%	\$ 695,000	27,060	722,060
2022	1.60%	705,000	16,636	721,636
2023	1.70%	315,000	5,356	320,356
		<u>\$ 1,715,000</u>	<u>49,052</u>	<u>1,764,052</u>

On December 8, 2012, the District issued \$5,010,000 of general obligation refunding bonds to currently refund bonds issue in fiscal year 2007. The bonds bear interest at rates ranging from 1.50% to 1.70% per annum. During the year ended June 30, 2020, principal and interest paid were \$685,000 and \$36,308, respectively.

Sales Tax Bond

Details of the District's June 30, 2020 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
2021	2.73%	\$ 210,000	155,746	365,746
2022	2.73%	215,000	149,945	364,945
2023	2.73%	215,000	144,075	359,075
2024	2.73%	225,000	138,069	363,069
2025	2.73%	775,000	124,419	899,419
2026-2030	2.73%	4,170,000	290,062	4,460,062
		<u>\$ 5,810,000</u>	<u>1,002,316</u>	<u>6,812,316</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$6,705,000 bonds issued February 5, 2015. The bonds were issued for the purpose of refunding the May 2009 bonds. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds required approximately 25 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bond is \$6,812,316. For the current year, \$205,000 of principal and \$161,411 of interest were paid on the refunded bonds and total statewide sales, services and use tax revenue was \$1,471,675.

There are no reserve requirements on the new bonds.

**HARLAN COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

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.

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, 2020**

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 2020, 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, 2020 were \$1,048,715.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the District reported a liability of \$8,236,807 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the District's proportion was 0.1422430%, which was an increase of 0.000986% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$1,515,172. At June 30, 2020, 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	\$ 22,835	\$ 296,153
Changes in assumptions	882,280	-
Net difference between projected and actual earnings on pension plan investments	-	928,190
Changes in proportion and differences between District contributions and proportionate share of contributions	4,827	299,939
District contributions subsequent to the measurement date	1,048,715	-
Total	\$ 1,958,657	\$ 1,524,282

**HARLAN COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

NOTE 6 Pension Plan (continued)

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

\$1,048,715 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, 2020. 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,		
2021	\$	68,556
2022		(299,709)
2023		(204,359)
2024		(161,907)
2025		(16,921)
Total	\$	(614,340)

Actuarial Assumptions - The total pension liability in the June 30, 2019 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, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates were based on the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

**HARLAN COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

NOTE 6 Pension Plan (continued)

Actuarial Assumptions - (continued)

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100.0%	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 14,625,911	\$ 8,236,807	\$ 2,877,697

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.

Payables to IPERS - At June 30, 2020, the District reported payables to IPERS of \$140,361 for legally required District contributions and \$93,525 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, 2020**

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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	16
Active employees	<u>130</u>
 Total	 <u>146</u>

Total OPEB Liability – The District’s total OPEB liability of \$1,582,676 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2019.

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

Rate of inflation (effective June 30, 2019)	2.50% per annum.
Discount rate (effective June 30, 2019)	2.45% per annum.
Healthcare cost trend rate (effective June 30, 2019)	6.40% per annum.

Discount Rate – The discount rate used to measure the total OPEB liability was 2.45% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA as of the measurement date.

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

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

**HARLAN COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

NOTE 7 Other Postemployment Benefits (OPEB) (continued)

Changes in the Total OPEB Liability

		Total OPEB Liability
Total OPEB liability beginning of year	\$	662,746
Changes for the year:		
Service cost		41,165
Interest		24,520
Differences between expected and actual experiences		743,852
Changes in assumptions		199,947
Benefit payments		(89,554)
Net changes		919,930
Total OPEB liability end of year	\$	1,582,676

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 (1.45%) or 1% higher (3.45%) than the current discount rate.

		1% Decrease (1.45%)		Discount Rate (2.45%)		1% Increase (3.45%)
Total OPEB liability	\$	1,687,643	\$	1,582,676	\$	1,482,225

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

		1% Decrease (5.40%)		Healthcare Cost Trend Rate (6.40%)		1% Increase (7.40%)
Total OPEB liability	\$	1,431,291	\$	1,582,676	\$	1,761,725

OPEB Expense, Deferred Outflows of Resources Related and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the District recognized OPEB expense of \$167,775. At June 30, 2020, 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	\$	660,367	\$		32,863
Change of assumptions		177,506			-
	\$	837,873	\$		32,863

**HARLAN COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

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
2021	\$ 102,090
2022	102,090
2023	102,090
2024	102,090
2025	102,090
Thereafter	<u>294,560</u>
Total	<u>\$ 805,010</u>

NOTE 8 Termination Benefits

In October, 2019, the District approved a voluntary early retirement plan for employees. The plan was offered for one year. Eligible employees must have completed at least 10 years of full time service to the District, must have reached the age of fifty-five by June 30, 2019, and be first year eligible for IPERS benefits. The retirement benefit equaled a one-time payment of \$20,000 (prorated for part-time employees) to a deferred plan on behalf of each electing employee. Five employees were granted the benefit. Early retirement expenditures for the year ended June 30, 2020 totaled \$120,000, with no liability outstanding.

NOTE 9 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 10 Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$639,362 for the year ended June 30, 2020 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**HARLAN COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

NOTE 11 Lease Agreements

The District has signed operating lease agreements for the rental of computer equipment. Rent expense for the year ended June 30, 2020 totaled \$314,931. Future required minimum lease payments are as follows:

Year Ending June 30,	Amount
2021	\$ 96,441
2022	96,440
2023	96,440
2024	44,890
	\$ 334,211

NOTE 12 Categorical Funding

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

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2020.

Program	Amount
Voluntary preschool	\$ 3,961
Teacher quality	44,361
Teacher leadership	100,819
	\$ 149,141

**HARLAN COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

NOTE 13 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

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2020 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
Shelby County	Other tax abatement program	\$ 7,360

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, 2020, there was no reimbursement amount.

NOTE 14 Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, was implemented during fiscal year 2020. The new requirements change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments which report fiduciary activity. Beginning net position for fiduciary funds was restated to retroactively report the change in net position, as follows:

	Fiduciary Activities
Net position June 30, 2019, as previously reported	\$ -
Change to implement GASBS No. 84	7,347
Net position July 1, 2019, as restated	\$ 7,347

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, 2020**

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 8,587,146	301,529	8,888,675	8,941,535	8,941,535	(52,860)
State sources	10,971,097	5,729	10,976,826	11,076,888	11,076,888	(100,062)
Federal sources	364,725	531,505	896,230	729,000	729,000	167,230
Total receipts	<u>19,922,968</u>	<u>838,763</u>	<u>20,761,731</u>	<u>20,747,423</u>	<u>20,747,423</u>	<u>14,308</u>
Expenditures/Expenses:						
Instruction	12,377,390	-	12,377,390	12,857,026	12,857,026	479,636
Support services	5,361,567	-	5,361,567	5,232,761	5,590,000	228,433
Non-instructional programs	-	749,364	749,364	760,000	793,000	43,636
Other expenditures	1,944,713	-	1,944,713	2,032,082	2,032,082	87,369
Total expenditures/expenses	<u>19,683,670</u>	<u>749,364</u>	<u>20,433,034</u>	<u>20,881,869</u>	<u>21,272,108</u>	<u>839,074</u>
Excess (deficiency) of revenue over (under) expenditures/expenses	239,298	89,399	328,697	(134,446)	(524,685)	853,382
Other financing sources, net	<u>15,329</u>	<u>(13,010)</u>	<u>2,319</u>	<u>-</u>	<u>-</u>	<u>2,319</u>
Change in fund balance	254,627	76,389	331,016	(134,446)	(524,685)	855,701
Balances beginning of year	<u>4,258,859</u>	<u>83,536</u>	<u>4,342,395</u>	<u>4,058,859</u>	<u>4,058,859</u>	<u>283,536</u>
Balances end of year	<u>\$ 4,513,486</u>	<u>159,925</u>	<u>4,673,411</u>	<u>3,924,413</u>	<u>3,534,174</u>	<u>1,139,237</u>

See Accompanying Independent Auditors' Report

**HARLAN COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2020**

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budget expenditure by \$390,239.

During the year ended June 30, 2020, expenditures did not exceed the amended amounts budgeted and 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 SIX YEARS*
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.142243%	0.141258%	0.145363%	0.149279%	0.153362%	0.153786%
District's proportionate share of the net pension liability	\$ 8,237	8,939	9,683	9,395	7,577	6,099
District's covered payroll	\$ 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	76.06%	84.20%	89.19%	89.41%	72.11%	60.64%
IPERS' net position as a percentage of the total pension liability	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.

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 1,049	1,022	948	970	958	939	898	815	730	639
Contributions in relation to the statutorily required contribution	1,049	1,022	948	970	958	939	898	815	730	639
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 11,109	10,829	10,617	10,857	10,508	10,508	10,057	9,405	9,060	9,198
Contributions as a percentage of covered payroll	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.06%	6.95%

See Accompanying Independent Auditors' Report

**HARLAN COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2020**

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

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

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

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

Changes in benefits terms:

There were no significant changes in benefit terms.

Changes in assumptions:

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

Year ended June 30, 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, 2020**

Assets	Special Revenue		
	Management Levy	Student Activity	Total
Assets:			
Cash, cash equivalents and pooled investments \$	450,973	241,767	692,740
Receivables:			
Property tax:			
Delinquent	1,963	-	1,963
Succeeding year	335,177	-	335,177
Prepaid expenses	10,337	-	10,337
 Total assets	\$ 798,450	241,767	1,040,217
 Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	4,193	4,193
Salaries and benefits payable	-	810	810
Total liabilities	-	5,003	5,003
 Deferred inflows of resources:			
Unavailable succeeding year property tax revenue	335,177	-	335,177
 Fund balances:			
Nonspendable:			
Prepays	10,337	-	10,337
Restricted for:			
Management levy purposes	452,936	-	452,936
Student activities	-	236,764	236,764
Total fund balances	463,273	236,764	700,037
 Total liabilities, deferred inflows of resources and fund balances	\$ 798,450	241,767	1,040,217

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, 2020**

	Special Revenue		
	Management Lewy	Student Activity	Total
Revenues:			
Local sources:			
Local Tax	\$ 271,851	-	271,851
Other	9,100	453,630	462,730
State sources	3,930	-	3,930
Total revenues	284,881	453,630	738,511
Expenditures:			
Current:			
Instruction:			
Regular instruction	121,625	-	121,625
Other instruction	-	407,647	407,647
	121,625	407,647	529,272
Support services:			
Administration services	145,012	-	145,012
Operation and maintenance of plant services	73,009	-	73,009
Transportation services	61,816	-	61,816
	279,837	-	279,837
Total expenditures	401,462	407,647	809,109
Change in fund balances	(116,581)	45,983	(70,598)
Fund balances beginning of year	579,854	190,781	770,635
Fund balances end of year	\$ 463,273	236,764	700,037

**HARLAN COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET – CAPITAL PROJECT ACCOUNTS
JUNE 30, 2020**

Assets	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets:			
Cash, cash equivalents and pooled investments	\$ 1,126,112	533,906	1,660,018
Receivables:			
Property tax:			
Delinquent	-	3,898	3,898
Succeeding year	-	566,255	566,255
Due from other governments	123,937	-	123,937
Total assets	\$ 1,250,049	1,104,059	2,354,108
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
None	\$ -	-	-
Deferred inflows of resources:			
Unavailable succeeding year property tax revenue	-	566,255	566,255
Fund balances:			
Restricted for:			
School infrastructure	1,250,049	-	1,250,049
Physical plant and equipment	-	537,804	537,804
Total fund balances	1,250,049	537,804	1,787,853
Total liabilities, deferred inflows of resources and fund balances	\$ 1,250,049	1,104,059	2,354,108

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, 2020**

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local Tax	\$ -	542,477	542,477
Other	8,472	2,481	10,953
State sources	1,471,675	7,642	1,479,317
Total revenues	<u>1,480,147</u>	<u>552,600</u>	<u>2,032,747</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	262,727	60,935	323,662
Support services:			
Instructional staff services	56,753	40,666	97,419
Administration services	-	9,276	9,276
Operation and maintenance of plant services	-	30,511	30,511
Transportation services	-	119,075	119,075
	<u>56,753</u>	<u>199,528</u>	<u>256,281</u>
Other expenditures:			
Facilities acquisition	-	217,632	217,632
Total expenditures	<u>319,480</u>	<u>478,095</u>	<u>797,575</u>
Excess of revenues over expenditures	1,160,667	74,505	1,235,172
Other financing sources (uses):			
Proceeds from fixed asset disposition	-	1,628	1,628
Operating transfers out	(1,088,019)	-	(1,088,019)
Total other financing sources (uses)	<u>(1,088,019)</u>	<u>1,628</u>	<u>(1,086,391)</u>
Change in fund balances	72,648	76,133	148,781
Fund balances beginning of year	<u>1,177,401</u>	<u>461,671</u>	<u>1,639,072</u>
Fund balances end of year	<u>\$ 1,250,049</u>	<u>537,804</u>	<u>1,787,853</u>

See Accompanying Independent Auditors' Report

**HARLAN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND,
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2020**

	Balance Beginning of Year	Revenues	Expend- itures	Balance End of Year
Drama	\$ 3,893	20,385	8,509	15,769
HS vocal music	293	2,494	2,787	-
MS vocal music	446	729	974	201
HS instr music	1,213	575	1,788	-
HS jazz	-	1,817	1,817	-
MS jazz	883	133	814	202
HS flag corp	863	5,623	4,472	2,014
Athletics	13,150	146,933	145,625	14,458
FB holocaust memorial rock project	890	6	-	896
Cheerleaders	-	9,972	9,972	-
FFA	16,154	81,157	59,039	38,272
Harpoon	13,329	4,167	6,590	10,906
National honor society	377	1,679	882	1,174
BPA	-	10,785	10,785	-
Science club	5	-	-	5
Foreign language club	9,021	2,832	1,995	9,858
Student council	3,161	10,517	10,564	3,114
Pom pom	1,233	5,938	5,192	1,979
Best buddies	4,229	404	1,519	3,114
Key club	3,229	21	-	3,250
For the birds	529	4	-	533
FCCLA club	3,533	1,127	559	4,101
Friends of Rachele	1,749	12	-	1,761
Fundraising	1,175	29,303	30,025	453
Prom	2,160	2,136	1,966	2,330
HS miscellaneous	126	370	496	-
Hosa fund	2,447	6,343	7,227	1,563
Cyclone corner store	14,182	21,693	21,854	14,021
Concessions	551	24,387	14,359	10,579
Vending	2,997	2,147	4,571	573
MS cheerleading	5,246	3,015	2,133	6,128
MS vending	8,177	5,084	4,476	8,785
Trapshooting	7157	10,841	13,359	4,639
MS student council	23956	22,152	18,462	27,646
MS yearbook	6934	2,700	2,761	6,873
MS building improvements	100	1	-	101
MS student fund	7654	6,118	3,975	9,797
Special olympics	1016	4,431	2,281	3,166
New Park student fund	21877	5,075	3,962	22,990
West Ridge student fund	6232	520	1,857	4,895
West Ridge student store	614	4	-	618
Total	\$ 190,781	453,630	407,647	236,764

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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues:										
Local sources:										
Local Tax	\$ 6,813,014	6,702,130	6,549,869	6,304,778	6,144,495	6,125,125	6,025,640	7,218,238	7,636,847	7,512,198
Tuition	1,107,131	968,998	1,004,343	1,105,533	1,095,726	1,112,376	1,071,903	993,423	1,077,900	1,044,614
Other	667,001	832,465	897,419	1,030,937	1,320,954	1,532,938	1,755,302	888,994	965,743	853,217
State sources	10,971,097	10,662,066	10,252,749	10,380,675	9,554,814	9,818,541	9,450,324	7,789,617	8,330,873	7,794,654
Federal sources	364,725	367,262	397,940	471,165	454,561	475,526	521,920	382,000	545,439	736,524
Total	\$ 19,922,968	19,532,921	19,102,320	19,293,088	18,570,550	19,064,506	18,825,089	17,242,272	18,556,802	17,941,207
Expenditures:										
Instruction:										
Regular instruction	\$ 8,058,685	7,944,271	7,832,759	7,654,258	8,113,459	8,102,246	7,781,024	7,119,814	6,458,017	6,561,370
Special instruction	2,661,821	2,569,627	2,292,562	2,536,759	2,546,048	2,336,968	2,115,622	1,973,450	2,302,080	2,025,680
Other instruction	1,656,884	1,814,398	1,930,106	1,914,665	1,754,009	1,825,380	1,770,513	1,814,507	1,731,674	1,701,138
Support services:										
Student services	440,337	416,647	374,186	481,618	621,220	600,823	494,895	424,509	432,328	375,374
Instructional staff services	989,323	851,839	935,517	953,133	480,465	481,445	491,024	436,804	666,983	371,410
Administration services	1,873,032	1,817,451	1,857,957	1,729,895	1,791,784	1,725,334	1,642,779	1,610,252	1,426,148	1,495,949
Operation and maintenance of plant services	1,251,025	1,323,225	1,277,704	1,277,883	1,247,355	1,253,922	1,273,294	1,222,965	1,313,770	1,196,590
Transportation services	807,850	918,876	704,403	828,330	925,826	881,947	956,706	778,561	847,034	726,086
Other support services	-	-	18,000	-	-	-	-	-	-	3,997
Other expenditures:										
Facilities acquisition	217,632	218,076	184,032	271,516	468,003	1,598,039	1,041,240	206,167	835,401	1,584,854
Long-term debt:										
Principal	890,000	875,000	850,000	830,000	1,745,000	5,385,000	490,000	470,000	450,000	435,000
Interest and fiscal charges	197,719	210,672	229,196	247,214	246,622	721,892	648,996	685,065	601,190	613,336
AEA flowthrough	639,362	626,046	607,284	596,205	594,017	596,354	577,516	547,192	547,409	613,093
Total	\$ 19,683,670	19,586,128	19,093,706	19,321,476	20,533,808	25,509,350	19,283,609	17,289,286	17,612,034	17,703,877

See Accompanying Independent Auditors' Rep

**HARLAN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

Grantor/Program:	CFDA Number	Grant Number	Expen- ditures
Indirect:			
US Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 20	\$ 35,695
National School Lunch Program	10.555	FY 20	291,096 *
USDA Child Nutrition Program CARES Grants to States	10.555	FY 20	93,884
Summer Food Service Program for Children	10.559	FY 20	<u>110,830</u>
			531,505
US Department of Education:			
Iowa Department of Education:			
Title 1 Cluster Programs			
Title I Grants to Local Educational Agencies	84.010	FY 20	174,887
Title IIA - Teacher Quality Program	84.367	FY 20	24,227
Title IVA - Grants for State Assessments	84.369	FY 20	10,421
Education Stabilization Fund	84.425	FY 20	13,257
Green Hills Area Education Agency			
Individuals with Disabilities Education Act (IDEA)			
Special Education Cluster:			
Special Education - Grants to State	84.027	FY 20	93,133
Iowa Western Community College			
Vocational Education - Basic Grants to States	84.048	FY 20	<u>13,032</u>
Total			<u>\$ 860,462</u>

* Includes \$76,999 of non-cash awards.

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Harlan Community School District under programs of the federal government for the year ended June 30, 2020. 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 3, 2020

**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, 2020, 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 3, 2020.

Internal Control Over Financial Reporting

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

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

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

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

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, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Harlan Community School District's Responses to Findings

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

Purpose of this Report

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

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



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



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

December 3, 2020

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

To the Board of Education of Harlan Community School District:

Report on Compliance for Each Major Federal Program

We have audited Harlan Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020. Harlan Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Continued...

December 3, 2020
Harlan Community School District
Report on Compliance and Internal Control for Each Major Federal Program

Opinion on Each Major Federal Program

In our opinion, Harlan Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Schroer & Associates, P.C.

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

**HARLAN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Part I: Summary of the Independent Auditors' Results:

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) The audit of the financial statements did not disclose any significant deficiencies or material weaknesses in internal control over financial reporting.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The audit did not disclose any significant deficiencies or material weakness in internal control over its major programs.
- (e) An unmodified opinion was issued on compliance with requirements applicable to its major programs.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major programs were as follows:
 - 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, 2020**

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, 2020**

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, 2020**

Part IV: Other Findings Related to Statutory Reporting:

IV-A-20 Certified Budget

Expenditures for the year ended June 30, 2020 did not exceed the amended certified budget amounts.

IV-B-20 Questionable Expenditures

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

IV-C-20 Travel Expense

No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-20 Business Transactions

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jim Bruck, employee, co-owner of of Drive Safely, LLC	Purchased services	\$ 32,640
Randy Kroger, employee, owner of Kroger & Sons Hauling, LLC	Hauling	\$ 20,424

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

IV-E-20 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.

IV-F-20 Bond Coverage

Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-20 Board Minutes

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

**HARLAN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Part II: Other Findings Related to Statutory Reporting (continued):

IV-H-20 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 understated by 0.11 students. The number of students reported as EL students was overstated by 0.22 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.

IV-I-20 Supplemental Weighting

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

IV-J-20 Deposits and Investments

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

IV-K-20 Certified Annual Report

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

IV-L-20 Categorical Funding

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

IV-M-20 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, 2020**

Part II: Other Findings Related to Statutory Reporting (continued):

IV-N-20 Statewide Sales and Services Tax

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, 2020, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$	1,177,401
Revenues/transfers in:		
Sales tax revenues		1,471,675
Other local revenues		8,472
		1,480,147
Expenditures/transfers out:		
Equipment		290,268
Technology		29,212
Transfers to debt service fund		1,088,019
		1,407,499
Ending balance	\$	1,250,049

For the year ended June 30, 2020, 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	\$	1.98	\$	1,088,019