

PELLA COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2023

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Pella Community School District
Board of Education and School District Officials
Year Ended June 30, 2023

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Joan Corbin	President	2025
Elisa Klahsen	Vice President	2025
Gary Coppock	Board Member	2023
Timothy Tripp	Board Member	2023
Jesse Peterson	Board Member	2025
School District Officials		
Greg Ebeling	Superintendent	2023
Katelyn Bierl	Business Manager	2023
Ahlers & Cooney	Attorney	Indefinite



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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
Pella Community School District
Pella, Iowa

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Pella Community School District, Pella, Iowa, as of and for the year ended June 30, 2023, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Pella Community School District as of June 30, 2023 and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with U.S. general accepted accounting principles.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional

omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability (Asset), the Schedule of District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 5 through 13 and 51 through 57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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 auditing standards generally accepted in the United States of America, 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 Pella Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2022, (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost of Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Governmental Auditing Standards, we have also issued our report dated January 2, 2024, on our consideration of the Pella Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Pella Community School District's internal control over financial reporting and compliance.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

January 2, 2024

Management Discussion and Analysis

The Pella Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2023. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- General Fund revenues for FY23 were \$29,448,334 compared to \$27,816,459 for FY22. This was an increase of \$1,631,875 or 5.87%.
- General Fund expenditures for FY23 were \$30,488,103 compared to \$28,687,744 for FY22. This was an increase of \$1,800,359 or 6.28%.
- The District's General Fund unassigned fund balance for FY23 was \$3,500,394 compared to \$4,099,870 for FY22. This was a decrease of \$599,476 or 14.62%.
- The Financial Solvency Ratio is an accepted measure of the district's financial health and is calculated by taking the undesignated, unreserved fund balance divided by the total revenues. This ratio decreased from 15.30% in FY22 to 12.14% in FY23. The District attempts to target a solvency ratio between 7% and 17%.
- The District ended FY23 with a special education deficit of \$901,876. This compares to \$624,042 for FY22, an increase of \$277,834.
- The 2022-2023 school year was a more difficult one financially. While the financial measures of the district remain at healthy levels, lower revenues and increased expenses will require management to remain diligent in managing future budgets and resources. Measures have already been taken to improve the financial position of the district for the next fiscal year and beyond. Decreasing trends in Supplemental State Aid and near steady enrollment trends will need to be continually monitored. While the on-going stability and predictability of future funding remains somewhat questionable, the District continues to be well positioned to withstand these challenges.
- A ten-year comparison of the District's assessed valuations, tax increment financing and total tax rates are as follows:

Year	Assessed Valuation	Tax Increment Financing	Total Tax Rate - %
2022-2023	\$ 1,056,744,312	42,139,378	14.60507
2021-2022	1,020,815,028	30,244,859	14.60205
2020-2021	991,234,884	24,832,813	14.60104
2019-2020	883,304,079	13,323,398	14.70707
2018-2019	799,725,390	55,926,812	15.18634
2017-2018	813,041,033	30,281,727	15.18562
2016-2017	785,881,761	34,940,168	15.18672
2015-2016	745,349,974	25,222,224	14.70000
2014-2015	741,898,237	23,496,071	14.70030
2013-2014	708,484,429	15,028,484	14.36515

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee, or fiduciary, for assets that belong to others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

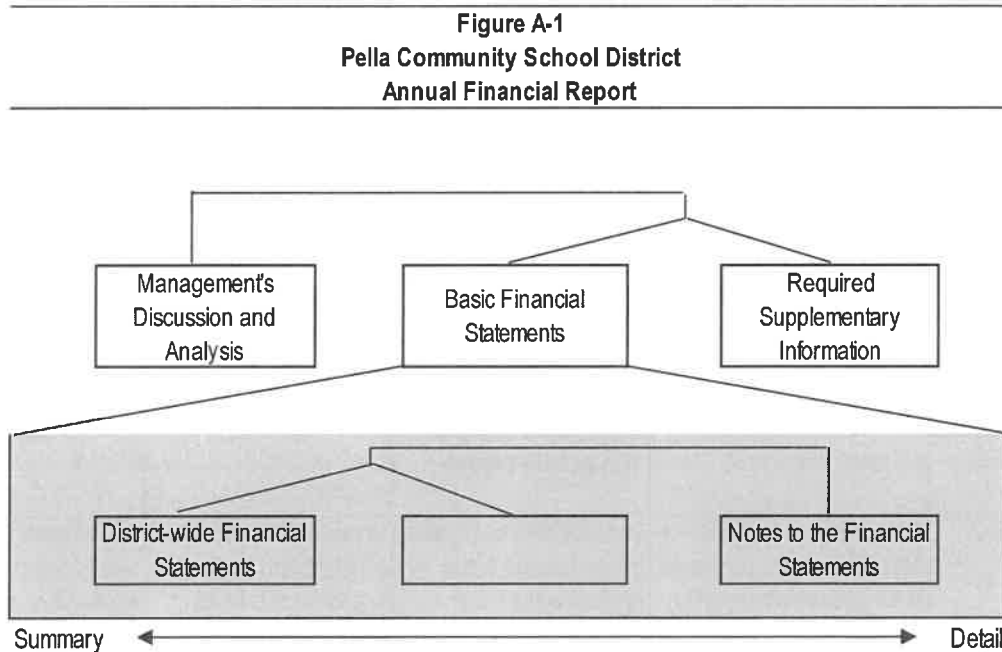


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the District-wide and Fund Financial Statements				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as the special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Student Activity	General	* Statement of revenues, expenses and changes in fund net position * Statement of cash flows	* Statement of fiduciary net position * Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow / outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid
Type of deferred outflow / inflow information	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of fund balance that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period
Common names of district funds included	All funds with the exception of scholarship funds	General, PPEL, Management, Student Activity, Debt Service, Capital Projects	Nutrition Fund, Community Services	Private Purpose Trust Fund

District-wide Statements

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

The two District-wide statements report the District's *net position* and how it has changed. Net position is one way to measure the District's financial health or 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, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-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 food service program would be 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:

Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide 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.

Fiduciary funds: The District is the trustee, or *fiduciary*, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net position – Figure A-3 below provides a summary of the District's net position at June 30, 2023 compared to 2022.

Figure A-3							
Condensed Statement of Net Position							
	Governmental Activities		Business type activities		Total		Total Change
	June 30,		June 30,		June 30,		June 30,
	2023	2022	2023	2022	2023	2022	2022-2023
Current assets	\$ 43,731,990	57,456,774	1,852,034	1,819,525	45,584,024	59,276,299	-23.1%
Noncurrent assets	85,796,054	70,834,628	196,232	155,108	85,992,286	70,989,736	21.1%
Total assets	129,528,044	128,291,402	2,048,266	1,974,633	131,576,310	130,266,035	1.0%
Deferred outflows of resources	10,549,619	4,259,184	262,353	105,338	10,811,972	4,364,522	147.7%
Current liabilities	9,143,079	8,114,072	49,914	104,021	9,192,993	8,218,093	11.9%
Noncurrent liabilities	64,272,857	59,908,759	241,046	41,451	64,513,903	59,950,210	7.6%
Total liabilities	73,415,936	68,022,831	290,960	145,472	73,706,896	68,168,303	8.1%
Deferred inflows of resources	25,951,403	29,207,979	228,161	312,310	26,179,564	29,520,289	-11.3%
Net Position:							
Invested in capital assets, net of related debt	37,354,951	34,737,134	196,232	155,108	37,551,183	34,892,242	7.6%
Restricted	7,140,739	6,084,530	-	-	7,140,739	6,084,530	17.4%
Unrestricted	(3,785,366)	(5,501,888)	1,595,266	1,467,081	(2,190,100)	(4,034,807)	-45.7%
Total Net Position	\$ 40,710,324	35,319,776	1,791,498	1,622,189	42,501,822	36,941,965	15.1%

The District's combined net position increased by 15.1% from \$36,941,965 to \$42,501,822.

**Pella Community School District
Management's Discussion and Analysis
Year ended June 30, 2023**

Changes in net position – Figure A-4 shows the changes in net position for the year ended June 30, 2023 compared to the year ended June 30, 2022.

**Figure A-4
Changes in Net Position**

	Governmental activities		Business type activities		Total District		Total
	Year ended June 30,		Year ended June 30,		Year ended June 30,		Change
	2023	2022	2023	2022	2023	2022	2022-2023
Revenues:							
Program revenues:							
Charges for services	\$ 4,006,055	3,177,871	816,108	189,191	4,822,163	3,367,062	43.22%
Operating grants and contributions	5,550,069	5,591,843	739,045	1,650,260	6,289,114	7,242,103	-13.16%
General Revenues:							
Local taxes	16,662,293	16,220,375	-	-	16,662,293	16,220,375	2.72%
Statewide sales, services and use tax	2,970,566	2,582,733	-	-	2,970,566	2,582,733	15.02%
Unrestricted state grants	10,387,823	9,628,617	-	-	10,387,823	9,628,617	
Investment earnings	599,017	25,062	10,514	3,040	609,531	28,102	2069.00%
Other	680,198	217,487	-	-	680,198	217,487	212.75%
Transfers	-	-	-	-	-	-	0.00%
Total revenues	40,856,021	37,443,988	1,565,667	1,842,491	42,421,688	39,286,479	7.98%
Expenses:							
Program expenses:							
Instruction	21,158,759	21,497,019	-	-	21,158,759	21,497,019	-1.57%
Support services - students & staff	2,675,323	2,648,956	-	-	2,675,323	2,648,956	1.00%
Support services - administration	2,748,266	2,649,193	-	-	2,748,266	2,649,193	3.74%
Operations and maintenance	4,452,800	3,268,234	-	-	4,452,800	3,268,234	36.24%
Transportation	1,489,211	1,417,721	-	-	1,489,211	1,417,721	5.04%
Non-instructional activities	1,548	-	1,396,358	1,391,022	1,397,906	1,391,022	0.49%
Other expenditures	2,939,566	2,573,094	-	-	2,939,566	2,573,094	14.24%
Total expenses	35,465,473	34,054,217	1,396,358	1,391,022	36,861,831	35,445,239	4.00%
Change in Net Position	\$ 5,390,548	3,389,771	169,309	451,469	5,559,857	3,841,240	44.74%

Governmental Activities

Local taxes and unrestricted state grants account for 73.48% of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 74.95% of the total expenses.

Revenues for governmental activities were \$40,856,021 and expenses were \$35,465,473, resulting in a net increase of \$5,390,548.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5
Total and Net Cost of Governmental Activities**

	Total Cost of Services		Change	Net Cost of Services		Change
	2023	2022	2022-2023	2023	2022	2022-2023
Instruction	\$ 21,158,759	21,497,019	-1.6%	12,899,641	13,989,973	-7.8%
Support services	11,365,600	9,984,104	13.8%	11,142,969	9,759,493	14.2%
Non-instructional programs	1,548	-	#DIV/0!	1,548	-	#DIV/0!
Other expenses	2,939,566	2,573,094	14.2%	1,865,191	1,535,037	21.5%
Totals	\$ 35,465,473	34,054,217	4.1%	25,909,349	25,284,503	2.5%

**Pella Community School District
Management's Discussion and Analysis
Year ended June 30, 2023**

- The cost financed by users of the District's programs was \$4,006,055.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$5,550,069.
- The net cost of governmental activities was financed with \$16,662,293 in local taxes, \$10,387,823 in unrestricted state grants, \$2,970,566 in local option sales and services tax, \$599,017 in interest income and \$680,198 in other income.

Business-Type Activities

Revenues of the District's business-type activities were \$1,565,667 and expenses were \$1,396,358. The District's business-type activities include the School Nutrition Fund. Revenues were comprised of \$816,108 in charges for service, \$739,045 for federal and state reimbursements and investment income of \$10,514. The net position for business-type activities increased by \$169,309.

Financial Analysis of the District's Funds

As previously noted, the Pella 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 \$19,732,615. This compares to \$34,994,264 last year, a decrease of \$15,261,649.

Governmental Fund Highlights

- The General Fund balance decreased \$581,319 from \$4,637,787 to \$4,056,468.
- The Activity Fund balance decreased \$106,555 from \$367,911 to 261,356.
- The Management Fund balance increased \$282,207 from \$2,133,437 to \$2,415,644.
- The Physical Plant & Equipment Levy (PPEL) Fund balance decreased \$205,348 from \$593,908 to \$388,560.
- The Statewide Sales, Services and Use Tax Fund balance increased \$960,660 from \$2,349,425 to \$3,310,085. The Statewide Sales, Services and Use Tax generated \$2,970,566. The District receives money from Marion County.
- The Debt Service Fund balance increased \$112,499 from \$241,510 to \$354,009.

Proprietary Fund Highlights

The District's Proprietary Funds include the School Nutrition Fund.

- The School Nutrition Fund net position increased \$169,309 from \$1,622,189 to \$1,791,498.

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. 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. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 51 and 52.

**Pella Community School District
Management's Discussion and Analysis
Year ended June 30, 2023**

Legal Budgetary Highlights

The District's total actual receipts were \$2,330,217 more than the total budgeted receipts, a variance of 5.88%. Total expenditures were \$13,796,854 less than the total budgeted expenditures, a variance of 19.35%.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2023, the District had invested \$85,992,286 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, musical instruments, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$2,822,286.

The original cost of the District's capital assets was \$124,909,139. Governmental funds account for \$123,601,714 with the remaining \$1,307,425 in the School Nutrition Fund.

	Governmental Activities		Business Type activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2023	2022	2023	2022	2023	2022	2022-2023
Land	\$ 1,949,558	1,949,558	-	-	1,949,558	1,949,558	0.0%
Construction in progress	20,149,701	3,503,689	-	-	20,149,701	3,503,689	
Buildings	60,783,607	62,222,892	-	-	60,783,607	62,222,892	-2.3%
Improvements other than buildings	1,344,104	1,592,000	-	-	1,344,104	1,592,000	-15.6%
Furniture and equipment	1,569,084	1,566,489	196,232	155,108	1,765,316	1,721,597	2.5%
Totals	\$ 85,796,054	70,834,628	196,232	155,108	85,992,286	70,989,736	21.1%

Long-Term Debt

At June 30, 2023, the District had \$49,437,318 in general obligation bonds and \$7,950,278 in revenue bonds. This is a decrease of \$3,380,184 from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

	June 30,		Total
	2023	2022	Change
General obligation bonds	\$ 49,437,318	51,696,319	-4.4%
Revenue bonds	7,950,278	9,071,461	-12.4%
Early retirement	1,619,938	2,194,758	-26.2%
Compensated absences	149,426	120,923	23.6%
Net pension liability	8,285,951	299,471	2666.9%
Net OPEB liability	659,308	673,408	-2.1%
Totals	\$ 68,102,219	64,056,340	6.3%

The District had total outstanding bonded indebtedness at June 30, 2023 of \$56,658,000. This represents four separate G.O. bond issues and two revenue bond issues. The six bond issues are being used to finance infrastructure improvements approved by the voters in 2013 and November 2021.

The District also has a long-term debt obligation for its early retirement plan, which was \$1,619,938 at June 30, 2023, down from \$2,194,758 on June 30, 2022. An early retirement incentive was offered in 2021-22 which included district paid health insurance benefits for certified employees until age 65. This obligation is paid from the District's Management Fund. The District long-term debt obligation for other postemployment benefits total \$659,308.

Factors Bearing on the District's Future

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

- The October 2023 certified enrollment decreased by 43.75 students. This decrease will decrease funding for the 2024-2025 school year. Supplemental State Aid has not been set for 2024-2025, so any additional future funding is unknown at this time.
- The District's transportation fleet remains in good shape overall. This past year, two buses were purchased.
- Pella is home to the corporate headquarters of Pella Corporation and Vermeer Manufacturing. The current economic environment seems to have stabilized. The property tax base remains solid and housing starts remain steady.
- The Pella Community School District is very unique in that it does not have a collective bargaining agreement with its teachers. There continues to be a very amicable relationship between management and labor.
- There were no significant changes in leadership during the past year.
- All in all, the 2022-2023 school-year was a good year financially. The 2023-2024 school year is projected to absorb a significant deficit spend; however, the District has already taken steps to reduce spending for the 2024-25 school year. The district also remains cautious about any potential adverse action by the Legislature including low Supplemental State Aid; or a trend of decreased enrollment that could negatively impact funding.

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 Katelyn Bierl, Business Manager, Pella Community School District, 212 E. University, P.O. Box 468, Pella, Iowa, 50219.

Exhibit A

**Pella Community School District
Statement of Net Position
Year ended June 30, 2023**

	Governmental Activities	Business Type Activities	Total
Assets			
Current assets:			
Cash, cash equivalents and pooled investments	\$ 25,374,197	1,826,545	27,200,742
Receivables:			
Property tax:			
Delinquent	41,172	-	41,172
Succeeding year	15,757,653	-	15,757,653
Income surtax	872,644	-	872,644
Accounts	2,560	-	2,560
Due from other governments	1,673,053	-	1,673,053
Inventories	10,711	25,489	36,200
Total current assets	<u>43,731,990</u>	<u>1,852,034</u>	<u>45,584,024</u>
Noncurrent assets:			
Capital assets:			
Capital assets, non-depreciable	22,099,259	-	22,099,259
Capital assets, depreciable, net	63,696,795	196,232	63,893,027
Total noncurrent assets	<u>85,796,054</u>	<u>196,232</u>	<u>85,992,286</u>
Total assets	<u>129,528,044</u>	<u>2,048,266</u>	<u>131,576,310</u>
Deferred Outflows of Resources			
Pension related deferred outflows of resources	10,486,796	258,975	10,745,771
OPEB related deferred outflows of resources	62,823	3,378	66,201
Total deferred outflows of resources	<u>10,549,619</u>	<u>262,353</u>	<u>10,811,972</u>
Liabilities			
Current liabilities:			
Accounts payable	2,777,368	2,023	2,779,391
Medical claims payable	150,249	-	150,249
Salaries and benefits payable	2,241,111	3,102	2,244,213
Deposits payable	-	44,789	44,789
Accrued interest payable	144,989	-	144,989
General obligation bonds payable	1,954,000	-	1,954,000
Revenue bonds payable	1,141,183	-	1,141,183
Early retirement	584,753	-	584,753
Compensated absences	149,426	-	149,426
Total current liabilities	<u>9,143,079</u>	<u>49,914</u>	<u>9,192,993</u>
Noncurrent liabilities:			
General obligation bonds payable	47,483,318	-	47,483,318
Revenue bonds payable	6,809,095	-	6,809,095
Early retirement	1,035,185	-	1,035,185
Net pension liability	8,285,951	205,599	8,491,550
Net OPEB liability	659,308	35,447	694,755
Total noncurrent liabilities	<u>64,272,857</u>	<u>241,046</u>	<u>64,513,903</u>
Total liabilities	<u>73,415,936</u>	<u>290,960</u>	<u>73,706,896</u>

Exhibit A

**Pella Community School District
Statement of Net Position
Year ended June 30, 2023**

Deferred Inflows of Resources

Unavailable property tax revenues	15,757,653	-	15,757,653
Unavailable income surtax revenues	872,644	-	872,644
Pension related deferred inflows	9,185,979	220,896	9,406,875
OPEB related deferred inflows	135,127	7,265	142,392
Total deferred inflows of resources	25,951,403	228,161	26,179,564

Net Position

Net investment in capital assets	37,354,951	196,232	37,551,183
Restricted for:			
Categorical funding	545,363	-	545,363
Debt service	209,020	-	209,020
School infrastructure	3,310,085	-	3,310,085
Management levy purposes	2,415,644	-	2,415,644
Student activities	261,356	-	261,356
Physical plant and equipment levy	388,560	-	388,560
Purpose restricted	10,711	-	10,711
Unrestricted	(3,785,366)	1,595,266	(2,190,100)
Total net position	\$ 40,710,324	1,791,498	42,501,822

See notes to financial statements.

Exhibit B

**Pella Community School District
Statement of Activities
Year ended June 30, 2023**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 11,306,958	1,842,593	3,168,311	(6,296,054)	-	(6,296,054)
Special instruction	4,776,190	1,110,743	645,479	(3,019,968)	-	(3,019,968)
Other instruction	5,075,611	1,005,349	486,643	(3,583,619)	-	(3,583,619)
	<u>21,158,759</u>	<u>3,958,685</u>	<u>4,300,433</u>	<u>(12,899,641)</u>	<u>-</u>	<u>(12,899,641)</u>
Support services:						
Student	601,222	-	-	(601,222)	-	(601,222)
Instructional staff	2,074,101	-	-	(2,074,101)	-	(2,074,101)
Administration	2,748,266	-	-	(2,748,266)	-	(2,748,266)
Operating and maintenance of plant	4,452,800	35,387	-	(4,417,413)	-	(4,417,413)
Transportation	1,489,211	11,983	175,261	(1,301,967)	-	(1,301,967)
	<u>11,365,600</u>	<u>47,370</u>	<u>175,261</u>	<u>(11,142,969)</u>	<u>-</u>	<u>(11,142,969)</u>
Non-instructional programs	1,548	-	-	(1,548)	-	(1,548)
Other expenditures:						
Facilities acquisition	-	-	-	-	-	-
Long-term debt interest	1,865,191	-	-	(1,865,191)	-	(1,865,191)
AEA flowthrough	1,074,375	-	1,074,375	-	-	-
	<u>2,939,566</u>	<u>-</u>	<u>1,074,375</u>	<u>(1,865,191)</u>	<u>-</u>	<u>(1,865,191)</u>
Total governmental activities	<u>35,465,473</u>	<u>4,006,055</u>	<u>5,550,069</u>	<u>(25,909,349)</u>	<u>-</u>	<u>(25,909,349)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	1,396,358	816,108	739,045	-	158,795	158,795
Total business type activities	<u>1,396,358</u>	<u>816,108</u>	<u>739,045</u>	<u>-</u>	<u>158,795</u>	<u>158,795</u>
Total	\$ 36,861,831	4,822,163	6,289,114	(25,909,349)	158,795	(25,750,554)

Exhibit B

Pella Community School District
 Statement of Activities
 Year ended June 30, 2023

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Totals continued from previous pages	\$ 36,861,831	4,822,163	6,289,114	(25,909,349)	158,795	(25,750,554)
General Revenues:						
Property tax levied for:						
General purposes				11,608,634	-	11,608,634
Debt service				3,955,023	-	3,955,023
Capital outlay				1,098,636	-	1,098,636
Statewide sales, services and use tax				2,970,566	-	2,970,566
Unrestricted state grants				10,387,823	-	10,387,823
Unrestricted investment earnings				599,017	10,514	609,531
Other				680,198	-	680,198
Total general revenues				31,299,897	10,514	31,310,411
Change in net position				5,390,548	169,309	5,559,857
Net position beginning of year				35,319,776	1,622,189	36,941,965
Net position end of year				\$ 40,710,324	1,791,498	42,501,822

See notes to financial statements.

Exhibit C

Pella Community School District
 Balance Sheet
 Governmental Funds
 June 30, 2023

	General	Debt Service	Capital Projects	Non-major	Total
Assets					
Cash, cash equivalents and pooled investments	\$ 5,383,395	343,861	14,587,660	2,720,357	23,035,273
Receivables:					
Property tax:					
Delinquent	24,904	10,148	2,819	3,301	41,172
Succeeding year	10,013,858	4,025,577	1,118,216	600,002	15,757,653
Income surtax	872,644	-	-	-	872,644
Accounts	-	-	-	2,560	2,560
Due from other governments	1,451,821	-	209,557	-	1,661,378
Inventories	10,711	-	-	-	10,711
Total assets	\$ 17,757,333	4,379,586	15,918,252	3,326,220	41,381,391
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 574,224	-	2,154,898	48,246	2,777,368
Salaries and benefits payable	2,240,139	-	-	972	2,241,111
Total liabilities	2,814,363	-	2,154,898	49,218	5,018,479
Deferred inflows of resources					
Unavailable revenues:					
Succeeding year property tax	10,013,858	4,025,577	1,118,216	600,002	15,757,653
Income surtax	872,644	-	-	-	872,644
Total deferred inflows of resources	10,886,502	4,025,577	1,118,216	600,002	16,630,297
Fund balances:					
Non-spendable for:					
Inventory	10,711	-	-	-	10,711
Restricted for:					
Categorical funding	545,363	-	-	-	545,363
Debt service	-	354,009	-	-	354,009
Management levy purposes	-	-	-	2,415,644	2,415,644
Student activities	-	-	-	261,356	261,356
School infrastructure	-	-	12,256,578	-	12,256,578
Physical plant and equipment	-	-	388,560	-	388,560
Unassigned	3,500,394	-	-	-	3,500,394
Total fund balances	4,056,468	354,009	12,645,138	2,677,000	19,732,615
Total liabilities, deferred inflows of resources and fund balances	\$ 17,757,333	4,379,586	15,918,252	3,326,220	41,381,391

See notes to financial statements.

Exhibit D

Pella Community School District
 Reconciliation of the Balance Sheet
 Governmental Funds to the Statement of Net Position
 June 30, 2023

Total fund balances of governmental funds (Exhibit C) \$ 19,732,615

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 85,796,054

The Internal Service Fund is used by management to charge the costs of partial self funding of the District's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 2,200,350

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds. (144,989)

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	\$ 10,549,619	
Deferred inflows of resources	(9,321,106)	1,228,513

Long-term liabilities, including bonds and notes payable, compensated absences payable, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds. Those liabilities at year-end consist of:

General obligation bonds payable	(48,905,000)	
Revenue bonds payable	(7,753,000)	
Bond discounts, net	510,922	
Bond premiums, net	(1,240,518)	
Early retirement	(1,619,938)	
Compensated absences	(149,426)	
Net pension liability	(8,285,951)	
Net OPEB liability	(659,308)	(68,102,219)

Net position of governmental activities (Exhibit A) \$ 40,710,324

See notes to financial statements.

Exhibit E

Pella Community School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year ended June 30, 2023

	General	Debt Service	Capital Projects	Non-major	Total
Revenues:					
Local sources:					
Local tax	\$ 10,371,528	3,955,023	1,098,636	1,237,106	16,662,293
Tuition	2,754,113	-	-	-	2,754,113
Other	377,388	12,852	561,233	1,079,267	2,030,740
State sources	14,659,950	588	2,970,729	191	17,631,458
Federal sources	1,285,355	-	-	-	1,285,355
Total revenues	29,448,334	3,968,463	4,630,598	2,316,564	40,363,959
Expenditures:					
Current:					
Instruction:					
Regular	10,518,711	-	764,582	592,581	11,875,874
Special	4,848,445	-	-	-	4,848,445
Other	4,086,797	-	-	1,173,402	5,260,199
	19,453,953	-	764,582	1,765,983	21,984,518
Support services:					
Student	610,069	-	-	436	610,505
Instructional staff	2,013,423	-	73,924	436	2,087,783
Administration	2,513,813	-	312,474	14,165	2,840,452
Operation and maintenance of plant	3,638,855	-	661,204	294,574	4,594,633
Transportation	1,183,615	-	135,582	65,318	1,384,515
	9,959,775	-	1,183,184	374,929	11,517,888
Other expenditures:					
Facilities acquisition	-	-	16,300,925	-	16,300,925
Long-term debt:					
Principal	-	3,298,000	-	-	3,298,000
Interest and fiscal charges	-	1,941,964	-	-	1,941,964
AEA flowthrough	1,074,375	-	-	-	1,074,375
	1,074,375	5,239,964	16,300,925	-	22,615,264
Total expenditures	30,488,103	5,239,964	18,248,691	2,140,912	56,117,670

Exhibit E

Pella Community School District
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Funds
 Year ended June 30, 2023

	General	Debt Service	Capital Projects	Non-major	Total
Excess (deficiency) of revenues over (under) expenditures	(1,039,769)	(1,271,501)	(13,618,093)	175,652	(15,753,711)
Other financing sources(uses):					
Proceeds from sale of assets	458,450	-	33,612	-	492,062
Transfers in	-	1,384,000	-	-	1,384,000
Transfers out	-	-	(1,384,000)	-	(1,384,000)
Total other financing sources (uses)	458,450	1,384,000	(1,350,388)	-	492,062
Change in fund balances	(581,319)	112,499	(14,968,481)	175,652	(15,261,649)
Fund balances beginning of year	4,637,787	241,510	27,613,619	2,501,348	34,994,264
Fund balances end of year	\$ 4,056,468	354,009	12,645,138	2,677,000	19,732,615

See notes to financial statements.

Exhibit F

Pella Community School District
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds to the Statement of Activities
 Year ended June 30, 2023

Net change in fund balances - total governmental funds (Exhibit E) \$ (15,261,649)

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 reported in the Statement of Net Position and are allocated over the estimated useful lives of the capital assets as deprecia

Capital outlays	\$ 17,763,021	
Less current year depreciation	<u>(2,801,595)</u>	14,961,426

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

Repayments of bond and note principal	3,298,000	
Amortization of discounts	(36,823)	
Amortization of premiums	<u>119,007</u>	3,380,184

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 t (5,411)

The current year District employers share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 1,692,178

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.

Early retirement	574,820	
Compensated absences	(28,503)	
Pension (expense) benefit	12,392	
OPEB expense	<u>(31,999)</u>	526,710

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in Net Position of the Internal Service Fund is reported with governmental activities. 97,110

Change in net position of governmental activities (Exhibit B) \$ 5,390,548

See notes to financial statements.

Exhibit G

Pella Community School District
 Statement of Net Position
 Proprietary Funds
 June 30, 2023

	Business Type Activities Enterprise, School Nutrition	Governmental Activities Internal Service Fund
Assets		
Current assets:		
Cash and investments	\$ 1,826,545	2,338,924
Due from other governments	-	11,675
Inventories	25,489	-
Total current assets	<u>1,852,034</u>	<u>2,350,599</u>
Noncurrent assets:		
Property and equipment:		
Machinery and equipment	1,307,425	-
Accumulated depreciation	(1,111,193)	-
Total noncurrent assets	<u>196,232</u>	<u>-</u>
Total assets	<u>2,048,266</u>	<u>2,350,599</u>
Deferred Outflows of Resources		
Pension related deferred outflows	258,975	-
OPEB related deferred outflows	3,378	-
Total deferred inflows of resources	<u>262,353</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	2,023	150,249
Salaries and benefits payable	3,102	-
Unearned revenues	44,789	-
Total current liabilities	<u>49,914</u>	<u>150,249</u>
Noncurrent liabilities:		
Net pension liability	205,599	-
Net OPEB liability	35,447	-
Total noncurrent liabilities	<u>241,046</u>	<u>-</u>
Total liabilities	<u>290,960</u>	<u>150,249</u>

Exhibit G

**Pella Community School District
Statement of Net Position
Proprietary Funds
June 30, 2023**

	<u>Business Type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise, School Nutrition</u>	<u>Internal Service Fund</u>
Deferred Inflows of Resources		
Pension related deferred inflows	220,896	-
OPEB related deferred inflows	7,265	-
Total deferred inflows of resources	<u>228,161</u>	<u>-</u>
Net Position		
Net investment in capital assets	196,232	-
Unrestricted	1,595,266	2,200,350
Total net position	<u>\$ 1,791,498</u>	<u>2,200,350</u>

See notes to financial statements.

Exhibit H

**Pella Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2023**

	Business Type Activities Enterprise, School Nutrition	Governmental Activities Internal Service Fund
Operating revenues:		
Local sources:		
Other local sources:		
Charges for service	\$ 816,108	1,837,479
Total operating revenues	<u>816,108</u>	<u>1,837,479</u>
Operating expenses:		
Instructional programs:		
Support services:		
Administrative services:		
Services	-	1,753,972
	<u>-</u>	<u>1,753,972</u>
Food service operations:		
Salaries	456,124	-
Benefits	104,066	-
Services	44,803	-
Supplies	770,674	-
Depreciation	20,691	-
	<u>1,396,358</u>	<u>-</u>
Total operating expenses	<u>1,396,358</u>	<u>1,753,972</u>
Operating income (loss)	(580,250)	83,507
Non-operating revenues:		
Interest income	10,514	13,603
State sources	5,908	-
Federal sources	733,137	-
Total non-operating revenues	<u>749,559</u>	<u>13,603</u>
Change in net position	169,309	97,110
Net position beginning of year	<u>1,622,189</u>	<u>2,103,240</u>
Net position end of year	<u>\$ 1,791,498</u>	<u>2,200,350</u>

See notes to financial statements.

Exhibit I

**Pella Community School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2023**

	Business Type Activities Enterprise, School Nutrition	Governmental Activities Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 945,395	-
Cash received from miscellaneous operating activities	-	1,849,494
Cash paid to employees for services	(600,591)	(1,745,482)
Cash paid to suppliers for goods or services	(692,724)	-
Net cash provided (used) by operating activities	<u>(347,920)</u>	<u>104,012</u>
Cash flows from non-capital financing activities:		
State grants received	5,908	-
Federal grants received	588,973	-
Net cash provided by operating activities	<u>594,881</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(61,815)	-
Net cash used by capital and related financing activities	<u>(61,815)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	10,514	13,603
Net cash provided by investing activities	<u>10,514</u>	<u>13,603</u>
Net increase (decrease) in cash and cash equivalents	195,660	117,615
Cash and cash equivalents at beginning of year	<u>1,630,885</u>	<u>2,221,309</u>
Cash and cash equivalents at end of year	<u>\$ 1,826,545</u>	<u>2,338,924</u>

Exhibit I

Pella Community School District
 Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2023

	Business Type Activities Enterprise, School Nutrition	Governmental Activities Internal Service Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (580,250)	83,507
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities	144,164	-
Depreciation	20,691	-
Decrease in inventories	11,707	-
Decrease in accounts receivable	151,444	12,015
(Decrease) in accounts payable	(33,118)	-
(Decrease) in unearned revenue	(22,157)	-
Increase in medical claims payable	-	8,490
Increase in salaries and benefits payable	1,168	-
Increase in net pension liability	198,506	-
(Increase) in deferred outflows of resources	(157,015)	-
(Decrease) in deferred inflows of resources	(84,149)	-
Increase in Other postemployment benefits	1,089	-
Net cash provided (used) by operating activities	<u>\$ (347,920)</u>	<u>104,012</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:		
Current assets:		
Cash and investments	\$ 1,826,545	2,338,924
Cash and cash equivalents at year end	<u>\$ 1,826,545</u>	<u>2,338,924</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2023, the District received federal commodities valued at \$144,164.

See notes to financial statements.

Exhibit J

Pella Community School District
 Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2023

	Private Purpose Trust	
	Scholarship	Custodial
Assets		
Cash, cash equivalents and pooled investments	\$ 58,089	749
Total assets	58,089	749
Liabilities		
Accounts payable	1,055	-
Total liabilities	1,055	-
Net Position		
Restricted for scholarships	57,034	-
Restricted for other organizations	-	749
Total net position	\$ 57,034	749

See notes to financial statements.

Exhibit K

Pella Community School District
 Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 Year Ended June 30, 2023

	Private Purpose Trust	
	Scholarship	Custodial
Additions:		
Local sources:		
Gifts and contributions	\$ 56,341	2,055
Interest income	394	-
Total additions	<u>56,735</u>	<u>2,055</u>
Deductions:		
Instruction:		
Supplies	<u>67,808</u>	<u>1,516</u>
Total deductions	<u>67,808</u>	<u>1,516</u>
Change in net position	(11,073)	539
Net position beginning of year	<u>68,107</u>	<u>210</u>
Net position end of year	<u>\$ 57,034</u>	<u>749</u>

See notes to financial statements.

Basic Financial Statements

(1) Summary of Significant Accounting Policies

Pella Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of Pella, Iowa. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Pella 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. Pella Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary 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 non-fiduciary 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.

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 not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, deferred inflows/outflows, fund balance/net position, revenues and expenditures or expenses, as appropriate. The District has the following funds:

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 general long-term debt.

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

The other governmental funds of the District are considered non-major and are as follows:

The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

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.

Internal Service Funds are used to account for goods or services provided by one department to other departments of the District on a cost reimbursement basis. The District has the following internal service fund:

Partial Self-Insurance Fund: This fund accounts for transactions for self-insured health insurance received by District employees in which the District is responsible for paying all claims and administrative costs attributable to the insurances listed above.

The District also reports fiduciary funds which focus on net position and change 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 for scholarship awards, with funds given by individuals, private organizations and other governments.

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 revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the 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.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

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

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The District maintains a cash and investment pool used by all funds. The cash and investment pool has the same characteristics as demand deposits. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents in that fund. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The monies are either maintained in a central bank account or used to purchase legal investments.

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, 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 reported as a deferred inflow of resources in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2021 assessed property valuations; is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2022.

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

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expense 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 government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	2,500
Other furniture and equipment	2,500

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

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position applicable to a future year(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 and OPEB expense, the amortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District's reporting period.

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

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 fund financial statements 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, 2023. 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 the Pella 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) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current 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 in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax and income surtax receivable that will not be recognized as revenue until the year for which it is levied 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:

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

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2023, expenditures exceeded the amounts budgeted in the instruction and support services functions.

(2) **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2023 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

(3) **Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 1,384,000
		<u>\$ 1,384,000</u>

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

Pella Community School District
Notes to Basic Financial Statements
June 30, 2023

(4) Capital Assets

Capital assets activity for the year ended June 30, 2023 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,949,558	-	-	1,949,558
Construction in progress	3,503,689	16,786,762	140,750	20,149,701
Total capital assets not being depreciated	5,453,247	16,786,762	140,750	22,099,259
Capital assets being depreciated:				
Buildings	86,470,339	542,042	-	87,012,381
Improvements other than buildings	5,148,882	17,600	-	5,166,482
Furniture and equipment	9,250,631	557,367	484,406	9,323,592
Total capital assets being depreciated	100,869,852	1,117,009	484,406	101,502,455
Less accumulated depreciation for:				
Buildings	24,247,447	1,981,327	-	26,228,774
Improvements other than buildings	3,556,882	265,496	-	3,822,378
Furniture and equipment	7,684,142	554,772	484,406	7,754,508
Total accumulated depreciation	35,488,471	2,801,595	484,406	37,805,660
Total capital assets being depreciated, net	65,381,381	(1,684,586)	-	63,696,795
Governmental activities capital assets, net	\$ 70,834,628	15,102,176	140,750	85,796,054
Business type activities:				
Furniture and equipment	\$ 1,245,610	61,815	-	1,307,425
Less accumulated depreciation	1,090,502	20,691	-	1,111,193
Business type activities capital assets, net	\$ 155,108	41,124	-	196,232

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 1,728,582
Special education	224,128
Other	140,080

Support services:

Student support	28,016
Instructional staff	112,064
Administration	148,485
Operation and maintenance of plant	140,080
Transportation	280,160

Total depreciation expense - governmental activities \$ 2,801,595

Business type activities:

Food services	37	\$ 20,691
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**Pella Community School District
Notes to Basic Financial Statements
June 30, 2023**

(5) Long-term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 51,110,000	-	2,205,000	48,905,000	1,900,000
General obligation bond discounts, net	(547,745)	-	(36,825)	(510,920)	(36,825)
General obligation bond premiums, net	1,134,064	-	90,825	1,043,239	90,825
Revenue bonds	8,846,000	-	1,093,000	7,753,000	1,113,000
Revenue bond premiums, net	225,461	-	28,183	197,278	28,183
Subtotal	60,767,780	-	3,380,183	57,387,597	3,095,183
Early retirement	2,194,758	49,107	623,927	1,619,938	584,753
Compensated absences	120,923	149,426	120,923	149,426	149,426
Net pension liability	292,378	7,993,573	-	8,285,951	-
Other postemployment benefits	639,050	20,258	-	659,308	-
Total governmental activities	\$ 64,014,889	8,212,364	4,125,033	68,102,220	3,829,362
Business type activities:					
Net pension liability	\$ 233,984	-	28,385	205,599	-
Other postemployment benefits	35,719	-	272	35,447	-
Total business type activities	\$ 269,703	-	28,657	241,046	-

General Obligation Bonds

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

Year ending June 30,	Bond Issue of June 1, 2015			
	Interest Rates	Principal	Interest	Total
2024	2.00%	\$ 215,000	155,194	370,194
2025	2.00%	245,000	150,894	395,894
2026	2.50%	1,105,000	145,994	1,250,994
2027	2.50%	1,140,000	118,369	1,258,369
2028	2.50%	1,180,000	89,869	1,269,869
2029	2.50%	1,160,000	60,369	1,220,369
2030	2.63%	1,195,000	31,369	1,226,369
Subtotal		\$ 6,240,000	752,058	6,992,058

Pella Community School District
Notes to Basic Financial Statements
June 30, 2023

General Obligation Bonds (continued)

Bond Issue of April 20, 2021				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2024	3.00%	\$ 1,350,000	141,900	1,491,900
2025	3.00%	1,370,000	101,400	1,471,400
2026	3.00%	420,000	60,300	480,300
2027	2.00%	435,000	47,700	482,700
2028	2.00%	440,000	39,000	479,000
2029	2.00%	450,000	30,200	480,200
2030	2.00%	460,000	21,200	481,200
2031	2.00%	470,000	12,000	482,000
2032	2.00%	130,000	2,600	132,600
	Subtotal	\$ 5,525,000	456,300	5,981,300

Bond Issue of May 10, 2022				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2024	3.00%	\$ 235,000	285,600	520,600
2025	3.00%	245,000	278,550	523,550
2026	3.00%	385,000	271,200	656,200
2027	3.00%	390,000	259,650	649,650
2028	3.00%	400,000	247,950	647,950
2029	3.00%	450,000	235,950	685,950
2030	3.00%	455,000	222,450	677,450
2031	3.00%	1,690,000	208,800	1,898,800
2032	3.00%	1,530,000	158,100	1,688,100
2033	3.00%	1,530,000	112,200	1,642,200
2034	3.00%	2,210,000	66,300	2,276,300
	Subtotal	\$ 9,520,000	2,346,750	11,866,750

Pella Community School District
Notes to Basic Financial Statements
June 30, 2023

General Obligation Bonds (continued)

Bond Issue of June 28, 2022				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2024	6.000%	\$ 100,000	1,157,175	1,257,175
2025	6.000%	165,000	1,151,175	1,316,175
2026	6.000%	180,000	1,141,275	1,321,275
2027	6.000%	185,000	1,130,475	1,315,475
2028	5.000%	190,000	1,119,375	1,309,375
2029	5.000%	210,000	1,109,875	1,319,875
2030	5.000%	225,000	1,099,375	1,324,375
2031	5.000%	140,000	1,088,125	1,228,125
2032	5.000%	705,000	1,081,125	1,786,125
2033	5.000%	920,000	1,045,875	1,965,875
2034	5.000%	335,000	999,875	1,334,875
2035	4.000%	2,625,000	983,125	3,608,125
2036	4.000%	2,735,000	878,125	3,613,125
2037	4.000%	2,845,000	768,725	3,613,725
2038	4.000%	2,960,000	654,925	3,614,925
2039	4.000%	3,080,000	536,525	3,616,525
2040	4.125%	3,205,000	413,325	3,618,325
2041	4.125%	3,340,000	281,119	3,621,119
2042	4.125%	3,475,000	143,344	3,618,344
	Subtotal	\$ 27,620,000	16,782,938	44,402,938

Total			
Year ending June 30,	Principal	Interest	Total
2024	\$ 1,900,000	1,739,869	3,639,869
2025	2,025,000	1,682,019	3,707,019
2026	2,090,000	1,618,769	3,708,769
2027	2,150,000	1,556,194	3,706,194
2028	2,210,000	1,496,194	3,706,194
2029	2,270,000	1,436,394	3,706,394
2030	2,335,000	1,374,394	3,709,394
2031	2,300,000	1,308,925	3,608,925
2032	2,365,000	1,241,825	3,606,825
2033	2,450,000	1,158,075	3,608,075
2034	2,545,000	1,066,175	3,611,175
2035	2,625,000	983,125	3,608,125
2036	2,735,000	878,125	3,613,125
2037	2,845,000	768,725	3,613,725
2038	2,960,000	654,925	3,614,925
2039	3,080,000	536,525	3,616,525
2040	3,205,000	413,325	3,618,325
2041	3,340,000	281,119	3,621,119
2042	3,475,000	143,344	3,618,344
Total	\$ 48,905,000	20,338,046	69,243,046

Pella Community School District
Notes to Basic Financial Statements
June 30, 2023

On June 1, 2015, the District issued \$10,105,000 of general obligation bonds for High School renovations. The bonds bear interest rates ranging from 2.0% to 3.0%. During the year ended June 30, 2023, the principal and interest paid were \$210,000 and \$158,764, respectively.

On April 20, 2021 the District issued \$8,140,000 of general obligation refunding bonds. The bonds bear interest rates ranging from 2.0% to 3.0%. During the year ended June 30, 2023, the principal and interest paid were \$1,320,000 and \$181,500, respectively.

On May 10, 2022, the District issued \$9,650,000 of general obligation refunding bonds. The bonds bear an interest rate of 3.0%. During the year ended June 30, 2023, the principal or interest paid were \$130,000 and \$306,388, respectively.

On June 28, 2022, the District issued \$28,165,000 of general obligation bonds for capital improvements. The bonds bear interest rates ranging from 4.0% to 6.0%. During the year ended June 30, 2023, the principal and interest paid were \$545,000 and \$1,100,634, respectively.

Revenue Bonds

Details of the District's June 30, 2023 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of February 14, 2017					
Year ending June 30,	Interest Rates		Principal	Interest	Total
2024	2.46%	\$	360,000	57,519	417,519
2025	2.46%		370,000	48,555	418,555
2026	2.46%		380,000	39,342	419,342
2027	2.46%		390,000	29,880	419,880
2028	2.46%		400,000	20,169	420,169
2029	2.46%		410,000	10,209	420,209
	Total	\$	2,310,000	205,674	2,515,674

Bond Issue of April 20, 2021					
Year ending June 30,	Interest Rates		Principal	Interest	Total
2024	2.00%	\$	753,000	108,860	861,860
2025	2.00%		768,000	93,800	861,800
2026	2.00%		783,000	78,440	861,440
2027	2.00%		799,000	62,780	861,780
2028	2.00%		815,000	46,800	861,800
2029	2.00%		831,000	30,500	861,500
2030	2.00%		694,000	6,940	700,940
	Total	\$	5,443,000	428,120	5,871,120

**Pella Community School District
Notes to Basic Financial Statements
June 30, 2023**

Revenue Bonds (continued)

Year ending June 30,	Interest Rates	Total		
		Principal	Interest	Total
2024		\$ 1,113,000	166,379	1,279,379
2025		1,138,000	142,355	1,280,355
2026		1,163,000	117,782	1,280,782
2027		1,189,000	92,660	1,281,660
2028		1,215,000	66,969	1,281,969
2029		1,241,000	40,709	1,281,709
2030		694,000	6,940	700,940
	Total	\$ 7,753,000	633,794	8,386,794

The District has pledged future statewide sales, services and use tax revenues to repay the \$4,300,000 of bonds issued in February 2017. The bonds were issued for the purpose of financing an addition to the existing high school building. 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 2029. The bonds are not a general obligation of the District, however, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 50% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$2,515,674. For the current year, \$355,000 of principal and \$66,359 of interest was paid on the bonds and total statewide sales, services and use tax revenue were \$2,970,566.

The District has pledged future statewide sales, services and use tax revenues to repay the \$6,880,000 of bonds issued in April 2021. The bonds were issued for the purpose of refunding 10,000,000 of bonds issued in April of 2016. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 50% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$5,871,120. For the current year, \$738,000 of principal and \$123,620 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$2,970,566.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least ten years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

The early retirement incentive for each eligible employee is based on a percentage of the employee's final year's salary. The percentage used for calculation is based on years of service to the District. The percentage varies from 38% for 10 years of service to 57% for 15 or more years of experience.

Early retirement benefits are paid monthly over the number of months until the employee turns 65. If the retiree is of an age that these monthly payments would exceed 36 months, the retiree may request payment over 36 months.

At June 30, 2023, the District has obligations to 40 participants with a total liability of \$1,619,938. Actual early retirement expenditures for the year ended June 30, 2023 totaled \$623,927.

(6) Other Post-Employment 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 for employees are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75.

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

Retired participants must be age 55 or older at retirement. At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	22
Active employees	280
Total	302

Total OPEB Liability – the District’s total OPEB liability of \$694,755 was measured as of June 30, 2023, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of Inflation		
(effective June 30, 2023)		3.00% per annum
Rates of salary increase		
(effective June 30, 2023)		0.00% per annum
Discount rate		2.37% compounded annually,
(effective June 30, 2023)		including inflation
Healthcare cost trend rate		
(effective June 30, 2023)		6.00% per annum

Discount Rate – The discount rate used to measure the total OPEB liability was 2.37% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP-2014 mortality tables with projected mortality improvements based on Scale MP-2017. 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, 2023 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Pella Community School District
Notes to Basic Financial Statements
June 30, 2023

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year	\$ 673,408
Changes for the year:	
Service cost	57,276
Interest cost	16,936
Changes in assumptions	-
Demographic changes	-
Recognition of deferred inflows/outflows	(21,044)
Benefit payments	(31,821)
Net changes	21,347
Total OPEB liability end of year	\$ 694,755

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 (1.37%) or 1% higher (3.37%) than the current discount rate.

	1% Decrease (1.37%)	Discount Rate (2.37%)	1% Increase (3.37%)
Total OPEB Liability	\$ 766,678	694,755	630,591

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 liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.00%) or 1% higher (7.00%) than the current healthcare cost trend rates.

	1% Decrease (5.00%)	Healthcare Cost Trend Rate (6.00%)	1% Increase (7.00%)
Total OPEB Liability	\$ 596,824	694,755	813,711

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the year ended June 30, 2023, the District recognized OPEB expense of \$33,719. At June 30, 2023, the District reported deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Demographic and economic gains and losses	\$ 44,276	(80,259)
Changes of assumptions	21,925	(62,133)
Net difference between projected and actual investments	-	-
Total	\$ 66,201	(142,392)

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

Year Ended	
June, 30	
2024	\$ (8,673)
2025	(8,673)
2026	(8,673)
2027	(8,673)
2028	(8,673)
Thereafter	(32,826)
	<u>\$ (76,191)</u>

(7) 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, anytime after reaching age 62 with 20 or more years of covered employment, or when the member’s years of service plus the member’s age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member’s first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member’s highest five-year average salary, 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 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 Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member’s beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member’s accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – 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

Pella Community School District
Notes to Basic Financial Statements
June 30, 2023

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 the fiscal year 2023, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll for a total rate of 15.73%.

The District's contributions to IPERS for the year ended June 30, 2023 were \$1,734,200.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2023, the District reported a liability of \$8,491,550 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2022, the District's proportion was 0.213942%, which was an increase of 0.000325% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension benefit of \$1,747,859. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 376,429	116,315
Changes of assumptions	7,205	203
Net difference between projected and actual earnings on IPERS' investments	8,221,754	9,130,747
Changes in proportion and differences between District contributions and proportionate share of contributions	406,183	159,610
District contributions subsequent to the measurement date	1,734,200	-
Total	\$ 10,745,771	9,406,875

\$1,734,200 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June, 30	
2024	\$ (714,222)
2025	(562,145)
2026	(1,037,510)
2027	1,899,422
2028	19,151
	\$ (395,304)

There are no non-employer contributing entities to IPERS.

Pella Community School District
Notes to Basic Financial Statements
June 30, 2023

Actuarial Assumptions - The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

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

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	3.57%
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and 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 to 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.

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
District's proportionate share of the net pension liability	\$ 15,820,780	8,491,550	2,032,485

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, 2023, the District reported payables to IPERS of \$180,158 for legally required District contributions and \$120,042 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

(8) Risk Management

Pella Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) 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 \$1,074,375 for the year ended June 30, 2023 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Tax Abatements

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

Tax Abatements of Other Entities

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

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

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Pella	Urban renewal and economic development projects	\$ 69,442

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2023, this reimbursement amounted to \$38,898.

(11) Categorical Funding

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most

often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

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

<u>Program</u>	<u>Amount</u>
Gifted & talented programs	\$ 32,063
Teacher leadership	398,803
Professional development	114,497
	<u>\$ 545,363</u>

(12) Construction Commitment

The District entered into contracts totaling \$56,417,297 for various construction projects. As of June 30, 2023 costs of \$20,149,701 had been incurred against the contracts. The estimated balance of \$36,267,596 remaining at June 30, 2023, will be paid as work on the projects progress.

(13) Subsequent Event

On August 28, 2023, the District approved a resolution supporting the proposed issuance of approximately \$20,175,000 in school Infrastructure, Sales, Services, and Use Tax Revenue and Refunding Bonds.

Required Supplementary Information

Pella Community School District
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Change in Balances
Budget and Actual - All Governmental Funds and Proprietary Fund
Required Supplementary Information
Year ended June 30, 2023

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
Revenues:					
Local sources	\$ 21,447,146	826,622	22,273,768	20,221,402	2,052,366
State sources	17,631,458	5,908	17,637,366	17,253,007	384,359
Federal sources	1,285,355	733,137	2,018,492	2,125,000	(106,508)
Total revenues	40,363,959	1,565,667	41,929,626	39,599,409	2,330,217
Expenditures/Expenses:					
Instruction	21,984,518	-	21,984,518	21,520,000	(464,518)
Support services	11,517,888	-	11,517,888	10,795,000	(722,888)
Non-instructional programs	-	1,396,358	1,396,358	1,600,000	203,642
Other expenditures	22,615,264	-	22,615,264	37,395,882	14,780,618
Total expenditures/expenses	56,117,670	1,396,358	57,514,028	71,310,882	13,796,854
Excess (deficiency) of revenues over (under) expenditures/expenses	(15,753,711)	169,309	(15,584,402)	(31,711,473)	16,127,071
Other financing sources, net	492,062	-	492,062	60,000	432,062
Change in fund balance	(15,261,649)	169,309	(15,092,340)	(31,651,473)	16,559,133
Balances beginning of year	34,994,264	1,622,189	36,616,453	44,692,881	(8,076,428)
Balances end of year	\$ 19,732,615	1,791,498	21,524,113	13,041,408	8,482,705

See accompanying independent auditor's report.

Pella Community School District
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2023

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2023, expenditures exceeded the amounts budgeted in the instruction and support services programs.

**Pella Community School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Iowa Public Employee's Retirement System
For the Last Nine Years* (In Thousands)
Required Supplementary Information**

	2023	2022	2021	2020	2019
District's proportion of the net pension liability	0.213942%	0.213617%	0.205833%	0.211692%	0.207409%
District's proportionate share of the net pension liability	\$ 8,492	299	14,358	12,341	13,121
Districts covered-employee payroll	\$ 18,121	17,369	16,222	16,223	15,584
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	46.86%	1.72%	88.51%	76.07%	84.20%
IPERS' net position as a percentage of the total pension liability	91.40%	100.81%	82.90%	85.45%	83.62%

presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

2018	2017	2016	2015
0.200112%	0.214782%	0.212364%	0.205978%
13,211	13,394	10,558	8,336
14,806	15,282	14,642	13,753
89.23%	87.65%	72.11%	60.61%
82.21%	81.82%	85.19%	87.61%

**Pella Community School District
Schedule of District Contributions
Iowa Public Employees' Retirement System
Last 10 Fiscal Years (In Thousands)
Required Supplementary Information**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 1,734	1,710	1,640	1,531	1,531	1,392	1,322	1,365	1,308	1,228
Contributions in relation to the statutorily required contribution	(1,734)	(1,710)	(1,640)	(1,531)	(1,531)	(1,392)	(1,322)	(1,365)	(1,308)	(1,228)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
Districts covered-employee payroll	\$ 18,371	18,121	17,369	16,222	16,223	15,584	14,806	15,282	14,642	13,753
Contributions as a percentage of covered-employee payroll	9.44%	9.44%	9.44%	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%

See accompanying independent auditor's report.

Pella Community School District
Notes to Required Supplementary Information - Pension Liability
Year Ended June 30, 2023

Changes of benefit terms:

There are no significant changes in benefit terms

Changes of assumptions:

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

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

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

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

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

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

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

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

**Pella Community School District
Schedule of Changes in the District's
Total OPEB Liability, Related Ratios and Notes
For the Last Six Years
Required Supplementary Information**

	2023	2022	2021	2020	2019	2018
Service cost	\$ 57,276	57,290	49,111	49,152	38,567	38,581
Interest cost	16,936	16,427	22,475	21,690	20,957	20,211
Assumption changes	-	(24,022)	-	29,429	-	-
Demographic changes	-	(23,857)	-	70,820	-	-
Recognition of deferred inflows	(21,044)	(17,770)	(16,868)	(11,396)	(12,231)	(9,484)
Benefit payments	(31,821)	(34,756)	(34,270)	(34,632)	(31,257)	(25,389)
Net change in total OPEB liability	21,347	(26,688)	20,448	125,063	16,036	23,919
Total OPEB liability beginning of year	673,408	700,096	679,648	554,585	538,549	514,630
Total OPEB liability end of year	\$ 694,755	673,408	700,096	679,648	554,585	538,549
Covered-employee payroll	\$ 16,391,310	15,164,452	13,827,361	13,776,125	13,881,259	13,347,365
Total OPEB liability as a percentage of covered-employee payroll	4.24%	4.44%	5.06%	4.93%	4.00%	4.03%

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

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

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

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

Year ended June 30, 2023	2.37%
Year ended June 30, 2022	2.37%
Year ended June 30, 2021	2.37%
Year ended June 30, 2020	3.15%
Year ended June 30, 2019	3.72%
Year ended June 30, 2018	3.72%
Year ended June 30, 2017	2.50%

See accompanying independent auditor's report.

Supplementary Information

Schedule 1

Pella Community School District
 Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2023

	Special Revenue Funds		
	Management	Student Activity	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 2,418,983	301,374	2,720,357
Receivables:			
Property tax:			
Delinquent	3,301	-	3,301
Succeeding year	600,002	-	600,002
Accounts	-	2,560	2,560
Total assets	\$ 3,022,286	303,934	3,326,220
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 6,640	41,606	48,246
Salaries and benefits payable	-	972	972
Total liabilities	6,640	42,578	49,218
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	600,002	-	600,002
Total deferred inflows of resources	600,002	-	600,002
Fund balances:			
Restricted for:			
Management levy purposes	2,415,644	-	2,415,644
Student activities	-	261,356	261,356
Total fund balances	2,415,644	261,356	2,677,000
Total liabilities, deferred inflows of resources and fund balances	\$ 3,022,286	303,934	3,326,220

See accompanying independent auditor's report.

Schedule 2

Pella Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2023

	Special Revenue Funds		
	Management	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 1,237,106	-	1,237,106
Other	12,420	1,066,847	1,079,267
State sources	191	-	191
Total revenues	<u>1,249,717</u>	<u>1,066,847</u>	<u>2,316,564</u>
Expenditures:			
Current:			
Instruction:			
Regular	592,581	-	592,581
Other	-	1,173,402	1,173,402
Support services:			
Student	436	-	436
Instructional staff	436	-	436
Administration	14,165	-	14,165
Operation and maintenance of plant	294,574	-	294,574
Transportation	65,318	-	65,318
Total expenditures	<u>967,510</u>	<u>1,173,402</u>	<u>2,140,912</u>
Excess (deficiency) of revenues over (under) expenditures	282,207	(106,555)	175,652
Change in fund balances			
Fund balances beginning of year	<u>2,133,437</u>	<u>367,911</u>	<u>2,501,348</u>
Fund balances end of year	<u>\$ 2,415,644</u>	<u>261,356</u>	<u>2,677,000</u>

See accompanying independent auditor's report.

Schedule 3

Pella Community School District
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 Year ended June 30, 2023

Account	Balance Beginning of Year	Revenues	Expenditures	Intra- Fund Transfers	Balance End of Year
Booster/PTO Concessions	\$ 6,525	132,915	121,985	-	17,455
HS Speech/Drama	6,787	12,938	12,771	-	6,954
HS Speech Trip	-	8,449	8,449	-	-
HS Debate	349	200	70	-	479
HS Vocal	49,208	82,708	97,267	-	34,649
Vocal Music Trip Account	335	700	-	-	1,035
HS Instr. Music	9,464	39,550	41,631	-	7,383
Marching Dutch Invitational	34,706	73,118	92,115	-	15,709
HS Instr. Music Fundraiser-Band Trip	67,844	84,665	145,984	-	6,525
Band Uniform	10,955	24,183	13,934	-	21,204
Orchestra	3,993	3,029	1,545	-	5,477
Orchestra Trip Account	293	725	-	-	1,018
HS Spring Showcase	1,059	3,624	4,396	-	287
Athletics	-	23,253	88,545	65,292	-
HS Boys Basketball	-	13,149	13,092	(57)	-
HS Football	-	45,580	43,680	(1,900)	-
HS Boys Soccer	-	3,248	9,100	5,852	-
HS Baseball	-	12,820	16,540	3,720	-
HS Track	-	12,279	12,082	(197)	-
HS Boys Cross Country	-	2,144	2,775	631	-
HS Boys Tennis	-	2,904	6,759	3,855	-
HS Boys Golf	-	3,700	8,696	4,996	-
HS Boys Swimming	-	-	5,038	5,038	-
HS Bowling	-	150	640	490	-
HS Wrestling	-	5,797	8,952	3,155	-
HS Girls Basketball	-	9,617	6,470	(3,147)	-
HS Volleyball	-	7,097	13,975	6,878	-
HS Girls Soccer	-	8,856	9,275	419	-
HS Softball	-	4,084	5,747	1,663	-
HS Girls Track	-	6,974	5,317	(1,657)	-
HS Girls Cross Country	-	1,574	2,041	467	-
HS Girls Tennis	-	444	1,390	946	-
HS Girls Golf	-	317	5,318	5,001	-
HS Girls Swimming	-	-	1,798	1,798	-
Girls Wrestling	-	7,543	6,245	(1,298)	-
HS Activity Tickets	-	49,120	1,473	(47,647)	-
HS Miscellaneous Activity	31,023	73,546	18,127	(86,442)	-
Boys Basketball Club	4,159	2,984	3,553	-	3,590
HS Football Club	12,187	5,150	3,149	-	14,188

Schedule 3

Pella Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2023

Account	Balance Beginning of Year	Revenues	Expenditures	Intra- Fund Transfers	Balance End of Year
Boys Soccer Club	500	1,163	419	-	1,244
Baseball Club	12,582	20,134	15,672	-	17,044
Boys Track Club	138	1,161	-	-	1,299
Cross Country Club	6,144	8,673	8,889	-	5,928
HS Boys Tennis Club	2,533	214	499	-	2,248
HS Girls Tennis Club	1,519	214	734	-	999
Boys Golf Club	1,195	649	250	-	1,594
Swimming Club	-	35	-	-	35
Wrestling Club	531	3,714	2,968	-	1,277
Girls Basketball Club	3,241	9,004	5,936	-	6,309
Volleyball Club	975	883	741	-	1,117
Girls Soccer Club	1,149	1,453	2,742	140	-
Softball Club	7,609	12,240	9,595	-	10,254
Girls Track Club	2,208	968	701	-	2,475
Bowling Club	1,610	161	1,227	-	544
Girls Golf Club	1,140	144	585	-	699
Drill Team-Forte	5,139	22,638	17,685	-	10,092
HS Cheerleaders	1,913	3,722	15,182	9,547	-
FFA	26,950	40,332	45,086	(12,499)	9,697
Girls Wrestling Club	-	1,646	2,237	591	-
FFA Tractor Restoration	1,382	1,000	1,570	9,000	9,812
FFA Sheep Farm	186	1,428	3,130	3,500	1,984
FCS	3,788	1,870	2,315	-	3,343
Esports Club	55	2,891	9,812	6,866	-
HS Robotics	1,797	4,322	5,586	-	533
HS TSA	500	-	-	-	500
Earth Day	212	-	-	-	212
National Honor Society	1	607	608	-	-
PAAC	5	-	-	-	5
HS Vending	1,554	1,457	2,124	4,509	5,396
HS Testing	1,079	114	-	-	1,193
HS Student Council	3,448	3,226	2,614	-	4,060
Class of 2024	2,050	14,510	14,526	-	2,034
Class of 2027	2,418	-	-	(2,418)	-
Class of 2028	4,623	-	-	(4,623)	-
Class of 2029	6,271	2,740	6,154	(2,857)	-
Publications	760	8,020	8,780	-	-
HS Digital Media Club	-	3,478	1,187	-	2,291

Schedule 3

Pella Community School District
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 Year ended June 30, 2023

Account	Balance Beginning of Year	Revenues	Expenditures	Intra- Fund Transfers	Balance End of Year
HS Yearbook	-	31,175	33,864	2,689	-
HS Weight Club	-	4,956	2,050	-	2,906
After Prom Club	5,347	12,213	15,922	-	1,638
Football Parents	4,130	1,000	-	-	5,130
MS Vocal Music	674	4,455	2,612	-	2,517
MS Instrumental Music	1,538	642	798	-	1,382
MS General Athletics	-	-	9,301	9,301	-
MS Boys Basketball	-	4,632	8,304	3,672	-
MS Football	-	3,655	9,535	5,880	-
MS Boys Track	-	1,765	752	(1,013)	-
MS Cross Country	-	-	190	190	-
MS Wrestling	-	1,682	3,568	1,886	-
MS Girls Basketball	-	2,194	2,001	(193)	-
MS Volleyball	-	3,604	1,812	(1,792)	-
MS Softball	-	-	1,039	1,039	-
MS Girls Track	-	2,112	841	(1,271)	-
MS Library/Book Fair	1,399	-	-	-	1,399
MS Publications	6,181	6,630	12,155	-	656
MS Student Council	8	8,729	7,233	-	1,504
MS Activity	214	4,576	3,873	-	917
MS Social Studies	272	-	-	-	272
MS Concessions	265	7,200	7,390	-	75
Lincoln Elementary	95	4,304	4,240	-	159
Madison Elementary	753	7,134	6,447	-	1,440
Jefferson Elementary	943	10,244	9,997	-	1,190
Totals	\$ 367,911	1,066,847	1,173,402	-	261,356

See accompanying independent auditor's report.

Schedule 4

**Pella Community School District
Combining Balance Sheet
Capital Projects Fund Accounts
June 30, 2023**

	Capital Projects			
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 3,100,528	11,061,882	425,250	14,587,660
Receivables:				
Property tax:				
Delinquent	-	-	2,819	2,819
Succeeding year	-	-	1,118,216	1,118,216
Due from other governments	209,557	-	-	209,557
Total assets	\$ 3,310,085	11,061,882	1,546,285	15,918,252
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts Payable	\$ -	2,115,389	39,509	2,154,898
Total liabilities	-	2,115,389	39,509	2,154,898
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	1,118,216	1,118,216
Total deferred inflows of resources	-	-	1,118,216	1,118,216
Fund balances:				
Restricted for:				
School infrastructure	3,310,085	8,946,493	-	12,256,578
Physical plant and equipment	-	-	388,560	388,560
Total fund balances	3,310,085	8,946,493	388,560	12,645,138
Total liabilities, deferred inflows of resources and fund balances	\$ 3,310,085	11,061,882	1,546,285	15,918,252

See accompanying independent auditor's report.

Schedule 5

Pella Community School District
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Capital Projects Fund Accounts
 Year ended June 30, 2023

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ -	-	1,098,636	1,098,636
Other	15,903	541,517	3,813	561,233
State sources	2,970,566	-	163	2,970,729
Total revenues	2,986,469	541,517	1,102,612	4,630,598
Expenditures:				
Current:				
Instruction	648,550	-	116,032	764,582
Instructional staff	-	-	73,924	73,924
Administration	-	-	312,474	312,474
Operation and maintenance of plant	-	-	661,204	661,204
Transportation	-	-	135,582	135,582
Facilities acquisition	26,871	16,265,310	8,744	16,300,925
Total expenditures	675,421	16,265,310	1,307,960	18,248,691
Excess (deficiency) of revenues over (under) expenditures	2,311,048	(15,723,793)	(205,348)	(13,618,093)
Other financing sources (uses):				
Proceeds from disposal of property	33,612	-	-	33,612
Transfers out	(1,384,000)	-	-	(1,384,000)
	(1,350,388)	-	-	(1,350,388)
Change in fund balances	960,660	(15,723,793)	(205,348)	(14,968,481)
Fund balances beginning of year	2,349,425	24,670,286	593,908	27,613,619
Fund balances end of year	\$ 3,310,085	8,946,493	388,560	12,645,138

See accompanying independent auditor's report.

Schedule 6

**Pella Community School District
 Schedule of Revenues by Source and Expenditures by Function
 All Governmental Funds
 For the Last Ten Years**

	Modified Accrual Basis									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues:										
Local sources:										
Local tax	\$ 16,662,293	15,913,429	15,493,786	13,929,830	13,199,568	13,252,240	13,042,092	11,801,859	11,950,722	11,128,270
Tuition	2,754,113	2,020,069	1,949,179	1,842,929	1,828,698	1,646,076	1,423,187	1,143,510	867,199	863,556
Other	2,030,740	1,372,553	910,286	1,134,821	1,305,416	1,114,117	1,094,567	1,292,369	1,332,582	1,314,524
State sources	17,631,458	16,570,231	16,326,409	16,065,422	15,736,589	15,406,111	15,441,385	14,894,251	14,600,546	13,769,315
Federal sources	1,285,355	1,542,345	1,390,955	641,781	684,569	610,768	570,477	674,019	708,064	717,096
Total	\$ 40,363,959	37,418,627	36,070,615	33,614,783	32,754,840	32,029,312	31,571,708	29,806,008	29,459,113	27,792,761
Expenditures:										
Instruction:										
Regular	\$ 11,875,874	11,331,530	11,081,016	10,226,426	10,137,102	10,131,034	9,534,231	10,432,856	10,014,187	9,651,743
Special	4,848,445	4,092,880	3,789,913	3,685,645	3,773,318	3,470,605	3,232,934	3,259,929	3,169,338	3,013,007
Other	5,260,199	4,852,968	4,437,155	4,221,825	4,325,675	4,173,529	3,751,892	3,668,440	3,532,806	3,376,859
Support services:										
Student	610,505	581,044	626,371	548,401	503,789	560,411	483,528	523,287	506,778	495,077
Instructional staff	2,087,783	2,220,580	1,853,436	1,767,553	1,807,796	1,929,370	2,082,427	1,281,872	1,422,171	1,315,534
Administration	2,840,452	2,627,355	2,708,825	2,361,643	2,257,010	2,215,188	1,951,709	1,998,375	1,942,312	1,799,779
Operation and maintenance of plant services	4,594,633	3,291,947	3,025,197	3,019,087	3,083,233	2,693,017	2,619,382	2,399,670	2,414,815	2,260,583
Transportation	1,384,515	1,436,765	1,336,675	1,303,845	1,221,197	1,098,206	1,066,240	1,248,307	1,202,589	1,167,440
Other expenditures:										
Facilities acquisition	16,300,925	4,285,935	93,321	741,321	471,183	3,673,042	12,882,275	13,412,792	15,935,766	4,514,930
Long-term debt:										
Principal	3,298,000	13,694,000	20,230,000	2,580,000	2,530,000	1,735,000	1,515,000	1,759,012	11,023,822	2,838,744
Interest and other charges	1,941,964	1,239,766	1,415,915	1,157,437	1,206,799	1,232,135	1,134,243	1,043,475	1,227,004	958,370
AEA flowthrough	1,074,375	1,038,057	1,039,112	997,214	961,857	955,412	922,651	895,760	887,018	868,667
Total	\$ 56,117,670	50,692,827	51,636,936	32,610,397	32,278,959	33,866,949	41,176,512	41,923,775	53,278,606	32,260,733

See accompanying independent auditor's report.

Schedule 7

Pella Community School District
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2023

Grantor/Program	Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Passed through Iowa Department of Education:			
Local Food For Schools	10.185	FY 23	\$ 3,961
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY 23	54,103
National School Lunch Program	10.555	FY 23	560,363
Supply Chain Assistance Funds	10.555	FY 23	114,710
			729,176
Total U.S. Department of Agriculture			733,137
U.S. Department of Education:			
Passed through Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 23	140,942
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY 23	177,187
Career and Technical Education - Basic Grants to States	84.048	FY 23	17,481
English Language Acquisition State Grants	84.365	FY 23	1,378
Supporting Effective Instruction State Grants	84.367	FY 23	39,722
Student Support and Academic Enrichment Program	84.424	FY 23	9,998
Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act (CARES) Cluster:			
COVID-19 Elementary and Secondary School Relief (ESSER) Funds	84.425D	FY 23	1,363
American Rescue Plan COVID-19 Elementary and Secondary School Emergency Relief (ARP ESSER III) - Learning Loss	84.425U	FY 23	75,484
American Rescue Plan COVID-19 Elementary and Secondary School Emergency Relief (ARP ESSER III)	84.425U	FY 23	271,734
			347,218
American Rescue Plan COVID-19 Elementary and Secondary School Emergency Relief (ARP ESSER III) - Homeless Children and Youth	84.425W	FY 23	4,998
			353,579

Schedule 7

Pella Community School District
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2023

<u>Grantor/Program</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
Passed through Area Education Agency (AEA 11):			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY 23	116,789
Total U.S. Department of Education			<u>857,076</u>
 Total			 <u>\$ 1,590,213</u>

See Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the Pella Community School District under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Pella Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of Pella Community School District.

Note 2. 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.

Note 3. Indirect Cost Rate

Pella Community School District uses a federally negotiated indirect cost rate as allowed under the Uniform Guidance.

Note 4. Noncash Assistance

The schedule includes federal awards in the form of noncash assistance (commodities) received during the year in the amount of \$144,164 related to USDA Commodities grants provided by the U.S. Department of Agriculture passed through the Iowa Department of Education, Assistance Listing Number 10.555.

Note 5. Pass-through Funding

Of the federal expenditures presented in the Schedule, the District provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Assistance Listing Number</u>	<u>Amount Provided to subrecipients</u>
Career and Technical Education- Basic Grants to States	84.048	6,787



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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Education of Pella Community School District:

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 information of the Pella Community School District as of and for the year ended June 30, 2023, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 2, 2024

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pella Community School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are 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 Pella Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pella Community School District's internal control.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pella 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 financial statements. 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 or other matters which are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2023 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Pella School District's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Pella Community School District's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Pella Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the results 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 Pella 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.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

January 2, 2024



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CERTIFIED PUBLIC ACCOUNTANTS

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 Pella Community School District:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Pella Community School District's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of Pella Community School District's major federal programs for the year ended June 30, 2023. Pella Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Pella Community School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance

with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence judgement made by a reasonable user of the report on compliance about Pella Community School District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Pella Community School District's compliance with the compliance requirements referred to above and performing other such procedures as we considered necessary in the circumstances.
- Obtain an understanding of Pella Community School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Pella Community School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 Auditor's Responsibilities of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weakness as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

January 2, 2024

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) Major programs were as follows:
 - Child Nutrition Cluster:
 - Assistance Listing Number 10.553 – School Breakfast Program
 - Assistance Listing Number 10.555 – National School Lunch Program
 - Assistance Listing Number 10.555 – Supply Chain Assistance Funds
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Pella Community School District qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting

- 2023-A Certified Budget- Expenditures for the year ended June 30, 2023 exceeded the certified budget amounts in the instruction and support services programs.
- Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Iowa Code before expenditures were allowed to exceed the budget.
- Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion – Response accepted.
- 2023-B Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 2023-C Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 2023-D Business Transactions - No business transactions between the District and District officials or employees were noted.
- 2023-E Restricted Donor Activity – No transactions were noted between the District, District officials or District employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- 2023-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- 2023-G Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- 2023-H Certified Enrollment - Variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- Recommendation – The certified enrollment data should be corrected.
- Response – The Iowa Department of Education and the Iowa Department of Management will be notified of the error.
- Conclusion – Response accepted.
- 2023-I Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 2023-J Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 2023-K Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

**Pella Community School District
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2023**

2023-L Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

2023-M Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2023, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	2,349,425
Revenues/transfers in:			
Sales tax revenues	\$	2,970,566	
Other local revenues		15,903	
Proceeds from disposal of property		33,612	<u>3,020,081</u>
			5,369,506
Expenditures/transfers out:			
Instruction		648,550	
Construction services		26,871	
Transfers to other funds:			
Debt service funds		<u>1,384,000</u>	<u>2,059,421</u>
Ending balance			<u><u>\$ 3,310,085</u></u>

For the year ended June 30, 2023, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.