

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

June 30, 2022

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Pella Community School District
Board of Education and School District Officials
Year Ended June 30, 2022

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Joan Corbin	President	2025
Timothy Tripp	Vice President	2023
Gary Coppock	Board Member	2023
Elisa Klahsen	Board Member	2025
Jesse Peterson	Board Member	2025
School District Officials		
Greg Ebeling	Superintendent	2022
Katelyn Bierl	Business Manager	2022
Mary Bogaard	Treasurer	2022
Ahlers & Cooney	Attorney	Indefinite



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Van Maanen, Sietstra, Meyer & Nikkel, PC
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, 2022, 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, 2022 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 55 through 62 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, 2021, (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 December 13, 2022, 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

December, 13, 2022

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, 2022. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- General Fund revenues for FY22 were \$27,816,459 compared to \$28,160,699 for FY21. This was a decrease of \$344,240 or 1.22%.
- General Fund expenditures for FY22 were \$28,687,745 compared to \$27,706,912 for FY21. This was an increase of \$980,833 or 3.54%.
- The District's General Fund unassigned fund balance for FY22 was \$4,099,870 compared to \$4,869,995 for FY21. This was a decrease of \$770,125 or 15.81%.
- 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 17.29% in FY21 to 14.74% in FY22. The District attempts to target a solvency ratio between 7% and 17%.
- The District ended FY22 with a special education deficit of \$624,042. This compares to \$480,272 for FY21, an increase of \$143,770.
- The 2021-2022 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 - %
2020-2021	\$ 1,020,815,028	30,244,859	14.60205
2019-2020	991,234,884	24,832,813	14.60119
2018-2019	883,304,079	13,323,398	14.70707
2017-2018	799,725,390	55,926,812	15.18630
2016-2017	813,041,033	30,281,727	15.18669
2015-2016	785,881,761	34,940,168	14.70000
2014-2015	745,349,974	25,222,224	14.70030
2013-2014	741,898,237	23,496,071	14.36515
2012-2013	708,484,429	15,028,484	14.21433
2011-2012	621,722,509	52,619,101	13.99439

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.

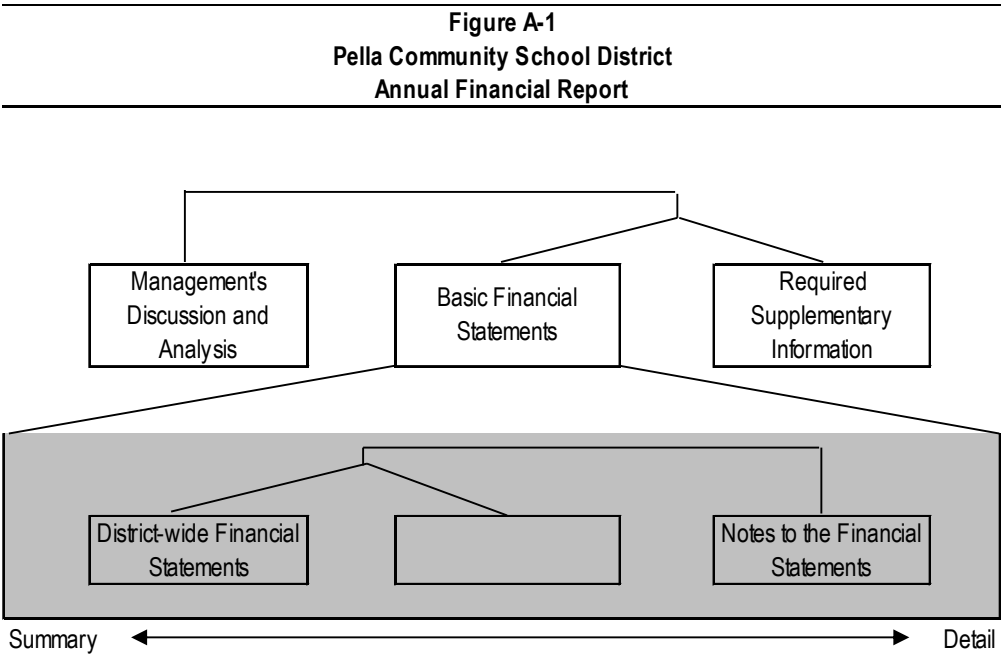


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents 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, 2022 compared to 2021.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business type activities		Total		Total Change
	June 30,		June 30,		June 30,		June 30,
	2022	2021	2022	2021	2022	2021	2021-2022
Current assets	\$ 57,456,774	30,780,684	1,819,525	1,390,910	59,276,299	32,171,594	84.3%
Noncurrent assets	70,834,628	69,254,103	155,108	79,168	70,989,736	69,333,271	2.4%
Total assets	128,291,402	100,034,787	1,974,633	1,470,078	130,266,035	101,504,865	28.3%
Deferred outflows of resources	4,259,184	4,691,069	105,338	102,989	4,364,522	4,794,058	-9.0%
Current liabilities	8,114,072	5,863,581	104,021	92,258	8,218,093	5,955,839	38.0%
Noncurrent liabilities	59,908,759	49,008,533	41,451	269,703	59,950,210	49,278,236	21.7%
Total liabilities	68,022,831	54,872,114	145,472	361,961	68,168,303	55,234,075	23.4%
Deferred inflows of resources	29,207,979	17,923,737	312,310	40,386	29,520,289	17,964,123	64.3%
Net Position:							
Invested in capital assets, net of related debt	34,737,134	30,693,126	155,108	79,168	34,892,242	30,772,294	13.4%
Restricted	6,084,530	5,305,604	-	-	6,084,530	5,305,604	14.7%
Unrestricted	(5,501,888)	(4,068,725)	1,467,081	1,091,552	(4,034,807)	(2,977,173)	35.5%
Total Net Position	\$ 35,319,776	31,930,005	1,622,189	1,170,720	36,941,965	33,100,725	11.6%

The District's combined net position increased by 11.6% from \$33,100,725 to \$36,941,965.

**Pella Community School District
Management's Discussion and Analysis
Year ended June 30, 2022**

Changes in net position – Figure A-4 shows the changes in net position for the year ended June 30, 2022 compared to the year ended June 30, 2021.

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

	Governmental activities		Business type activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2022	2021	2022	2021	2022	2021	2021-2022
Revenues:							
Program revenues:							
Charges for services	\$ 3,177,871	2,692,268	189,191	173,826	3,367,062	2,866,094	17.48%
Operating grants and contributions	5,591,843	5,454,556	1,650,260	1,403,714	7,242,103	6,858,270	5.60%
General Revenues:							
Local taxes	16,220,375	15,493,786	-	-	16,220,375	15,493,786	4.69%
Statewide sales, services and use tax	2,582,733	2,182,661	-	-	2,582,733	2,182,661	18.33%
Unrestricted state grants	9,628,617	9,770,071	-	-	9,628,617	9,770,071	-1.45%
Investment earnings	25,062	26,765	3,040	2,304	28,102	29,069	-3.33%
Other	217,487	518,460	-	-	217,487	518,460	-58.05%
Total revenues	37,443,988	36,138,567	-	1,842,491	39,286,479	37,718,411	4.16%
Expenses:							
Program expenses:							
Instruction	21,497,019	20,493,591	-	-	21,497,019	20,493,591	4.90%
Support services - students & staff	2,648,956	2,775,977	-	-	2,648,956	2,775,977	-4.58%
Support services - administration	2,649,193	2,888,781	-	-	2,649,193	2,888,781	-8.29%
Operations and maintenance	3,268,234	3,243,472	-	-	3,268,234	3,243,472	0.76%
Transportation	1,417,721	1,833,205	-	-	1,417,721	1,833,205	-22.66%
Non-instructional activities	-	19,831	1,391,022	1,238,655	1,391,022	1,258,486	10.53%
Other expenditures	2,573,094	2,290,860	-	-	2,573,094	2,290,860	12.32%
Total expenses	34,054,217	33,545,717	-	1,391,022	35,445,239	34,784,372	1.90%
Change in Net Position	\$ 3,389,771	2,592,850	-	451,469	3,841,240	2,934,039	30.92%

Governmental Activities

Local taxes and unrestricted state grants account for 75.93% of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 78.68% of the total expenses.

Revenues for governmental activities were \$37,443,988 and expenses were \$34,054,217, resulting in a net increase of \$3,389,771.

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
	2022	2021	2021-2022	2022	2021	2021-2022
Instruction	\$ 21,497,019	20,493,591	4.9%	13,989,973	13,622,773	2.7%
Support services	9,984,104	10,741,435	-7.1%	9,759,493	10,504,541	-7.1%
Non-instructional programs	-	19,831	-100.0%	-	19,831	-100.0%
Other expenses	2,573,094	2,290,860	12.3%	1,535,037	1,251,748	22.6%
Totals	\$ 34,054,217	33,545,717	1.5%	25,284,503	25,398,893	-0.5%

- The cost financed by users of the District's programs was \$3,177,871.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$5,591,843.
- The net cost of governmental activities was financed with \$16,220,375 in local taxes, \$9,628,617 in unrestricted state grants, \$2,582,733 in local option sales and services tax, \$25,062 in interest income and \$217,487 in other income.

Business-Type Activities

Revenues of the District's business-type activities were \$1,842,491 and expenses were \$1,391,022. The District's business-type activities include the School Nutrition Fund. Revenues were comprised of \$189,191 in charges for service, \$1,650,260 for federal and state reimbursements and investment income of \$3,040. The net position for business-type activities increased by \$451,469.

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 \$34,994,264. This compares to \$10,258,519 last year, an increase of \$24,735,745.

Governmental Fund Highlights

- The General Fund balance decreased \$845,509 from \$5,483,296 to 4,637,787.
- The Activity Fund balance increased \$64,841 from \$303,070 to 367,911.
- The Management Fund balance increased \$904,048 from \$1,229,389 to 2,133,437.
- The Physical Plant & Equipment Levy (PPEL) Fund balance increased \$47,006 from \$546,902 to 593,908.
- The Statewide Sales, Services and Use Tax Fund balance increased \$123,834 from \$2,225,591 to 2,349,425. The Statewide Sales, Services and Use Tax generated \$2,582,733. The District receives money from Marion County.
- The Debt Service Fund balance decreased \$228,761 from \$470,271 to 241,510.

Proprietary Fund Highlights

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

- The School Nutrition Fund net position increased \$451,469 from \$1,170,720 to 1,622,189.

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 48 and 49.

**Pella Community School District
Management's Discussion and Analysis
Year ended June 30, 2022**

Legal Budgetary Highlights

The District's total actual receipts were \$988,588 more than the total budgeted receipts, a variance of 2.58%. Total expenditures were \$10,375,303 less than the total budgeted expenditures, a variance of 16.61%.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2022, the District had invested \$70,989,736 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 \$2,800,920.

The original cost of the District's capital assets was \$107,568,709. Governmental funds account for \$106,323,099 with the remaining \$1,245,610 in the School Nutrition Fund.

	Figure A-6 Capital Assets, net of Depreciation						
	Governmental Activities		Business Type activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2022	2021	2022	2021	2022	2021	2021-2022
Land	\$ 1,949,558	1,949,558	-	-	1,949,558	1,949,558	0.0%
Construction in progress	3,503,689	-	-	-	3,503,689	-	-
Buildings	62,222,892	63,724,601	-	-	62,222,892	63,724,601	-2.4%
Improvements other than buildings	1,592,000	1,840,286	-	-	1,592,000	1,840,286	-13.5%
Furniture and equipment	1,566,489	1,739,658	155,108	79,168	1,721,597	1,818,826	-5.3%
Totals	\$ 70,834,628	69,254,103	155,108	79,168	70,989,736	69,333,271	2.4%

Long-Term Debt

At June 30, 2022, the District had \$51,696,319 in general obligation bonds and \$9,071,461 in revenue bonds. This is an increase of \$24,218,204 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.

	Figure A-7 Outstanding Long-Term Obligations, net of premiums and discounts		
	June 30,		Total
	2022	2021	Change
General obligation bonds	\$ 51,696,319	26,405,932	95.8%
Revenue bonds	9,071,461	10,143,644	-10.6%
Early retirement	2,194,758	625,889	250.7%
Compensated absences	120,923	135,453	-10.7%
Net pension liability	299,471	14,358,373	-97.9%
Net OPEB liability	673,408	700,096	-3.8%
Totals	\$ 64,056,340	52,369,387	22.3%

The District had total outstanding bonded indebtedness at June 30, 2022 of \$59,956,000. This represents four separate G.O. bond issues and two revenue bond issues. The five 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 \$2,194,758 at June 30, 2022, up from \$625,889 on June 30, 2021. An early retirement incentive was offered in 2021-22 which accounts for the increased balance in the obligation. This obligation is paid from the District's Management Fund. The District long-term debt obligation for other postemployment benefits total \$759,973.

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 2022 certified enrollment increased by 5.59 students. This increase will increase funding for the 2023-2024 school year. Supplemental State Aid has not been set for 2023-2024, 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 2021-2022 school-year was a good year financially. The 2022-2023 school year seems manageable at this point; however, the District 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.

Basic Financial Statements

Exhibit A
Pella Community School District
Statement of Net Position
Year ended June 30, 2022

	Governmental Activities	Business Type Activities	Total
Assets			
Current assets:			
Cash, cash equivalents and pooled investments	\$ 39,602,981	1,630,885	41,233,866
Receivables:			
Property tax:			
Delinquent	51,276	-	51,276
Succeeding year	15,643,041	-	15,643,041
Income surtax	847,865	-	847,865
Due from other governments	1,296,829	151,444	1,448,273
Inventories	14,782	37,196	51,978
Total current assets	57,456,774	1,819,525	59,276,299
Noncurrent assets:			
Capital assets:			
Capital assets, nondepreciable	5,453,247	-	5,453,247
Capital assets, depreciable, net	65,381,381	155,108	65,536,489
Total noncurrent assets	70,834,628	155,108	70,989,736
Total assets	128,291,402	1,974,633	130,266,035
Deferred Outflows of Resources			
Pension related deferred outflows of resources	4,190,986	101,671	4,292,657
OPEB related deferred outflows of resources	68,198	3,667	71,865
Total deferred outflows of resources	4,259,184	105,338	4,364,522
Liabilities			
Current liabilities:			
Accounts payable	1,744,753	35,141	1,779,894
Medical claims payable	141,759	-	141,759
Salaries and benefits payable	1,981,852	1,934	1,983,786
Deposits payable	-	66,946	66,946
Accrued interest payable	139,578	-	139,578
General obligation bonds payable	2,258,999	-	2,258,999
Revenue bonds payable	1,121,183	-	1,121,183
Early retirement	605,025	-	605,025
Compensated absences	120,923	-	120,923
Total current liabilities	8,114,072	104,021	8,218,093
Noncurrent liabilities:			
General obligation bonds payable	49,437,320	-	49,437,320
Revenue bonds payable	7,950,278	-	7,950,278
Early retirement	1,589,733	-	1,589,733
Net pension liability	292,378	7,093	299,471
Net OPEB liability	639,050	34,358	673,408
Total noncurrent liabilities	59,908,759	41,451	59,950,210
Total liabilities	68,022,831	145,472	68,168,303

Exhibit A
Pella Community School District
Statement of Net Position
Year ended June 30, 2022

	Governmental Activities	Business Type Activities	Total
Deferred Inflows of Resources			
Unavailable property tax revenues	15,643,041	-	15,643,041
Unavailable income surtax revenues	847,865	-	847,865
Pension related deferred inflows	12,588,312	305,387	12,893,699
OPEB related deferred inflows	128,761	6,923	135,684
Total deferred inflows of resources	29,207,979	312,310	29,520,289
Net Position			
Net investment in capital assets	34,737,134	155,108	34,892,242
Restricted for:			
Categorical funding	523,135	-	523,135
Debt service	101,932	-	101,932
School infrastructure	2,349,425	-	2,349,425
Management levy purposes	2,133,437	-	2,133,437
Student activities	367,911	-	367,911
Physical plant and equipment levy	593,908	-	593,908
Purpose restricted	14,782	-	14,782
Unrestricted	(5,501,888)	1,467,081	(4,034,807)
Total net position	\$ 35,319,776	1,622,189	36,941,965

See notes to financial statements.

Exhibit B

Pella Community School District
Statement of Activities
Year ended June 30, 2022

	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	\$ 13,148,194	1,595,201	3,409,383	(8,143,610)	-	(8,143,610)
Special instruction	3,834,108	616,700	506,097	(2,711,311)	-	(2,711,311)
Other instruction	4,514,717	918,781	460,884	(3,135,052)	-	(3,135,052)
	21,497,019	3,130,682	4,376,364	(13,989,973)	-	(13,989,973)
Support services:						
Student	548,757	-	-	(548,757)	-	(548,757)
Instructional staff	2,100,199	-	-	(2,100,199)	-	(2,100,199)
Administration	2,649,193	-	-	(2,649,193)	-	(2,649,193)
Operating and maintenance of plant	3,268,234	31,949	-	(3,236,285)	-	(3,236,285)
Transportation	1,417,721	15,240	177,422	(1,225,059)	-	(1,225,059)
	9,984,104	47,189	177,422	(9,759,493)	-	(9,759,493)
Non-instructional programs	-	-	-	-	-	-
Other expenditures:						
Facilities acquisition	310,578	-	-	(310,578)	-	(310,578)
Long-term debt interest	1,224,459	-	-	(1,224,459)	-	(1,224,459)
AEA flowthrough	1,038,057	-	1,038,057	-	-	-
	2,573,094	-	1,038,057	(1,535,037)	-	(1,535,037)
Total governmental activities	34,054,217	3,177,871	5,591,843	(25,284,503)	-	(25,284,503)
Business type activities:						
Non-instructional programs:						
Food service operations	1,391,022	189,191	1,650,260	-	448,429	448,429
Total business type activities	1,391,022	189,191	1,650,260	-	448,429	448,429
Total	\$ 35,445,239	3,367,062	7,242,103	(25,284,503)	448,429	(24,836,074)

Exhibit B

Pella Community School District
Statement of Activities
Year ended June 30, 2022

	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
Totals continued from previous pages	\$ 35,445,239	3,367,062	7,242,103	(25,284,503)	448,429	(24,836,074)
General Revenues:						
Property tax levied for:						
General purposes				11,751,380	-	11,751,380
Debt service				3,396,452	-	3,396,452
Capital outlay				1,072,543	-	1,072,543
Statewide sales, services and use tax				2,582,733	-	2,582,733
Unrestricted state grants				9,628,617	-	9,628,617
Unrestricted investment earnings				25,062	3,040	28,102
Other				217,487	-	217,487
Total general revenues				28,674,274	3,040	28,677,314
Change in net position				3,389,771	451,469	3,841,240
Net position beginning of year				31,930,005	1,170,720	33,100,725
Net position end of year				\$ 35,319,776	1,622,189	36,941,965

See notes to financial statements.

Exhibit C

Pella Community School District
Balance Sheet
Governmental Funds
June 30, 2022

	General	Debt Service	Capital Projects	Non-major	Total
Assets					
Cash, cash equivalents and pooled investments	\$ 5,852,496	229,690	28,789,600	2,509,886	37,381,672
Receivables:					
Property tax:					
Delinquent	30,124	12,320	3,890	4,942	51,276
Succeeding year	9,350,824	3,955,981	1,098,884	1,237,352	15,643,041
Income surtax	847,865	-	-	-	847,865
Due from other governments	1,092,294	-	180,845	-	1,273,139
Inventories	14,782	-	-	-	14,782
Total assets	\$ 17,188,385	4,197,991	30,073,219	3,752,180	55,211,775
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 371,379	500	1,360,716	12,158	1,744,753
Salaries and benefits payable	1,980,530	-	-	1,322	1,981,852
Total liabilities	2,351,909	500	1,360,716	13,480	3,726,605
Deferred inflows of resources					
Unavailable revenues:					
Succeeding year property tax	9,350,824	3,955,981	1,098,884	1,237,352	15,643,041
Income surtax	847,865	-	-	-	847,865
Total deferred inflows of resources	10,198,689	3,955,981	1,098,884	1,237,352	16,490,906
Fund balances:					
Non-spendable for:					
Inventory	14,782	-	-	-	14,782
Restricted for:					
Categorical funding	523,135	-	-	-	523,135
Debt service	-	241,510	-	-	241,510
Management levy purposes	-	-	-	2,133,437	2,133,437
Student activities	-	-	-	367,911	367,911
School infrastructure	-	-	27,019,711	-	27,019,711
Physical plant and equipment	-	-	593,908	-	593,908
Unassigned	4,099,870	-	-	-	4,099,870
Total fund balances	4,637,787	241,510	27,613,619	2,501,348	34,994,264
Total liabilities, deferred inflows of resources and fund balances	\$ 17,188,385	4,197,991	30,073,219	3,752,180	55,211,775

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, 2022**

Total fund balances of governmental funds (Exhibit C) **\$ 34,994,264**

***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. 70,834,628

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. 2,103,240

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. (139,578)

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	\$ 4,259,184	
Deferred inflows of resources	<u>(12,717,073)</u>	(8,457,889)

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	(51,110,000)	
Revenue bonds payable	(8,846,000)	
Bond discounts, net	547,745	
Bond premiums, net	(1,359,525)	
Early retirement	(2,194,758)	
Compensated absences	(120,923)	
Net pension liability	(292,378)	
Net OPEB liability	<u>(639,050)</u>	<u>(64,014,889)</u>

Net position of governmental activities (Exhibit A) **\$ 35,319,776**

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, 2022

	General	Debt Service	Capital Projects	Non-major	Total
Revenues:					
Local sources:					
Local tax	\$ 10,026,048	3,327,244	1,050,688	1,509,449	15,913,429
Tuition	2,020,069	-	-	-	2,020,069
Other	363,042	4,097	6,746	998,668	1,372,553
State sources	13,864,955	69,736	2,604,755	30,785	16,570,231
Federal sources	1,542,345	-	-	-	1,542,345
Total revenues	27,816,459	3,401,077	3,662,189	2,538,902	37,418,627
Expenditures:					
Current:					
Instruction:					
Regular	10,751,383	-	209,468	370,679	11,331,530
Special	4,092,880	-	-	-	4,092,880
Other	3,922,172	-	-	930,796	4,852,968
	18,766,435	-	209,468	1,301,475	20,277,378
Support services:					
Student	580,558	-	-	486	581,044
Instructional staff	2,089,437	-	130,657	486	2,220,580
Administration	2,318,911	-	297,336	11,108	2,627,355
Operation and maintenance of plant	2,793,758	-	303,441	194,748	3,291,947
Transportation	1,100,588	-	274,467	61,710	1,436,765
	8,883,252	-	1,005,901	268,538	10,157,691
Other expenditures:					
Facilities acquisition	-	-	4,285,935	-	4,285,935
Long-term debt:					
Principal	-	13,694,000	-	-	13,694,000
Interest and fiscal charges	-	1,074,143	165,623	-	1,239,766
AEA flowthrough	1,038,057	-	-	-	1,038,057
	1,038,057	14,768,143	4,451,558	-	20,257,758
Total expenditures	28,687,744	14,768,143	5,666,927	1,570,013	50,692,827
Excess (deficiency) of revenues over (under) expenditures	(871,285)	(11,367,066)	(2,004,738)	968,889	(13,274,200)

Exhibit E

Pella Community School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year ended June 30, 2022

	General	Debt Service	Capital Projects	Non-major	Total
Other financing sources(uses):					
Proceeds from sale of assets	25,776	-	-	-	25,776
General obligation bonds issued	-	9,650,000	28,165,000	-	37,815,000
Premium on issuance of bonds	-	182,969	353,855	-	536,824
Discount on issuance of bonds	-	(78,664)	(288,991)	-	(367,655)
Transfers in	-	1,384,000	-	-	1,384,000
Transfers out	-	-	(1,384,000)	-	(1,384,000)
Total other financing sources (uses)	25,776	11,138,305	26,845,864	-	38,009,945
Change in fund balances	(845,509)	(228,761)	24,841,126	968,889	24,735,745
Fund balances beginning of year	5,483,296	470,271	2,772,493	1,532,459	10,258,519
Fund balances end of year	\$ 4,637,787	241,510	27,613,619	2,501,348	34,994,264

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, 2022

Net change in fund balances - total governmental funds (Exhibit E) \$ 24,735,745

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 depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 4,365,814	
Gain (loss) on disposal of assets	(415)	
Less current year depreciation	(2,784,874)	1,580,525

Fixed assets acquired by capital lease are shown as an expenditure and other financing source in the governmental funds. Equipment financed by the lease was capitalized and is being depreciated. The capital outlay for the assets purchased by the lease must be added to the Statement of Activities, the other financing source must be removed from the Statement of Activities and principal payments are applied to the lease liability. Current year items are as follows:

Payments of capital lease principal	-
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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 funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of issuance costs and premiums, whereas these amounts are deferred in and amortized in the Statement of Activities. Current year items are as follows:

Repayments of bond and note principal	13,694,000	
Issuance of general obligation bonds	(37,815,000)	
Premium/discount on issuance of general obligation bonds	(169,169)	
Amortization of discounts	(18,118)	
Amortization of premiums	90,083	(24,218,204)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(56,658)
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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.	1,670,120
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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	(1,568,869)	
Compensated absences	14,530	
Pension (expense) benefit	1,106,354	
OPEB expense	(78,364)	(526,349)

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.	204,592
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Change in net position of governmental activities (Exhibit B)	\$ 3,389,771
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See notes to financial statements.

Exhibit G

Pella Community School District
Statement of Net Position
Proprietary Funds
June 30, 2022

	Business Type Activities Enterprise, School Nutrition	Governmental Activities Internal Service Fund
Assets		
Current assets:		
Cash and investments	\$ 1,630,885	2,221,309
Due from other governments	151,444	23,690
Inventories	37,196	-
Total current assets	1,819,525	2,244,999
Noncurrent assets:		
Property and equipment:		
Machinery and equipment	1,245,610	-
Accumulated depreciation	(1,090,502)	-
Total noncurrent assets	155,108	-
Total assets	1,974,633	2,244,999
Deferred Outflows of Resources		
Pension related deferred outflows	101,671	-
OPEB related deferred outflows	3,667	-
Total deferred inflows of resources	105,338	-
Liabilities		
Current liabilities:		
Accounts payable	35,141	141,759
Salaries and benefits payable	1,934	-
Unearned revenues	66,946	-
Total current liabilities	104,021	141,759
Noncurrent liabilities:		
Net pension liability	7,093	-
Net OPEB liability	34,358	-
Total noncurrent liabilities	41,451	-
Total liabilities	145,472	141,759
Deferred Inflows of Resources		
Pension related deferred inflows	305,387	-
OPEB related deferred inflows	6,923	-
Total deferred inflows of resources	312,310	-
Net Position		
Net investment in capital assets	155,108	-
Unrestricted	1,467,081	2,103,240
Total net position	\$ 1,622,189	2,103,240

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, 2022

	Business Type Activities Enterprise, School Nutrition	Governmental Activities Internal Service Fund
Operating revenues:		
Local sources:		
Other local sources:		
Charges for service	\$ 189,191	1,774,290
Total operating revenues	189,191	1,774,290
Operating expenses:		
Instructional programs:		
Support services:		
Administrative services:		
Services	-	1,573,863
	-	1,573,863
Food service operations:		
Salaries	433,697	-
Benefits	172,838	-
Services	26,298	-
Supplies	742,143	-
Depreciation	16,046	-
	1,391,022	-
Total operating expenses	1,391,022	1,573,863
Operating income (loss)	(1,201,831)	200,427
Non-operating revenues:		
Interest income	3,040	4,165
State sources	58,241	-
Federal sources	1,592,019	-
Total non-operating revenues	1,653,300	4,165
Change in net position	451,469	204,592
Net position beginning of year	1,170,720	1,898,648
Net position end of year	\$ 1,622,189	2,103,240

See notes to financial statements.

Exhibit I

**Pella Community School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022**

	Business Type Activities Enterprise, School Nutrition	Governmental Activities Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 51,589	-
Cash received from miscellaneous operating activities	-	1,750,600
Cash paid to employees for services	(569,404)	(1,575,142)
Cash paid to suppliers for goods or services	(638,090)	-
Net cash provided (used) by operating activities	(1,155,905)	175,458
Cash flows from non-capital financing activities:		
State grants received	58,241	-
Federal grants received	1,474,753	-
Net cash provided by operating activities	1,532,994	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(91,986)	-
Net cash used by capital and related financing activities	(91,986)	-
Cash flows from investing activities:		
Interest on investments	3,040	4,165
Net cash provided by investing activities	3,040	4,165
Net increase (decrease) in cash and cash equivalents	288,143	179,623
Cash and cash equivalents at beginning of year	1,342,742	2,041,686
Cash and cash equivalents at end of year	\$ 1,630,885	2,221,309
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (1,201,831)	200,427
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities	117,266	-
Depreciation	16,046	-
(Increase) in inventories	(3,206)	-
(Increase) in accounts receivable	(137,266)	(23,690)
Increase in accounts payable	16,291	-
Increase in unearned revenue	(336)	-
(Decrease) in medical claims payable	-	(1,279)
(Decrease) in salaries and benefits payable	(4,192)	-
(Decrease) in net pension liability	(226,891)	-
(Increase) in deferred outflows of resources	(2,349)	-
Increase in deferred inflows of resources	271,924	-
(Decrease) in Other postemployment benefits	(1,361)	-
Net cash provided (used) by operating activities	\$ (1,155,905)	175,458
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:		
Current assets:		
Cash and investments	\$ 1,630,885	2,221,309
Cash and cash equivalents at year end	\$ 1,630,885	2,221,309

Non-cash investing, capital and financing activities:

During the year ended June 30, 2022, the District received federal commodities valued at \$117,266.

See notes to financial statements.

Exhibit J**Pella Community School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022**

	Private Purpose Trust	
	Scholarship	Custodial
Assets		
Cash, cash equivalents and pooled investments	\$ 68,581	210
Accounts receivable	-	705
Total assets	68,581	915
Liabilities		
Accounts payable	474	705
Total liabilities	474	705
Net Position		
Restricted for scholarships	68,107	-
Restricted for other organizations	-	210
Total net position	\$ 68,107	210

See notes to financial statements.

Exhibit K**Pella Community School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2022**

	Private Purpose Trust	
	Scholarship	Custodial
Additions:		
Local sources:		
Gifts and contributions	\$ 31,677	2,555
Interest income	152	-
Total additions	31,829	2,555
Deductions:		
Instruction:		
Supplies	38,687	2,952
Total deductions	38,687	2,952
Change in net position	(6,858)	(397)
Net position beginning of year	74,965	607
Net position end of year	\$ 68,107	210

See notes to 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 non-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, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2021.

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, 2022. 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, 2022, expenditures did not exceed the amounts budgeted.

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

The District's deposits in banks at June 30, 2022 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, 2022 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 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.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2022 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	-	3,503,689
Total capital assets not being depreciated	1,949,558	3,503,689	-	5,453,247
Capital assets being depreciated:				
Buildings	86,021,549	448,790	-	86,470,339
Improvements other than buildings	5,126,004	22,878	-	5,148,882
Furniture and equipment	9,060,443	390,457	200,269	9,250,631
Total capital assets being depreciated	100,207,996	862,125	200,269	100,869,852
Less accumulated depreciation for:				
Buildings	22,296,948	1,950,499	-	24,247,447
Improvements other than buildings	3,285,718	271,164	-	3,556,882
Furniture and equipment	7,320,785	563,211	199,854	7,684,142
Total accumulated depreciation	32,903,451	2,784,874	199,854	35,488,471
Total capital assets being depreciated, net	67,304,545	(1,922,749)	415	65,381,381
Governmental activities capital assets, net	\$ 69,254,103	1,580,940	415	70,834,628
Business type activities:				
Furniture and equipment	\$ 1,153,624	91,986	-	1,245,610
Less accumulated depreciation	1,074,456	16,046	-	1,090,502
Business type activities capital assets, net	\$ 79,168	75,940	-	155,108
Depreciation expense was charged by the District as follows:				
Governmental activities:				
Instruction:				
Regular			\$	1,715,482
Special education				222,790
Other				139,244
Support services:				
Student support				27,849
Instructional staff				111,395
Administration				150,383
Operation and maintenance of plant				139,244
Transportation				278,487
Total depreciation expense - governmental activities			\$	2,784,874
Business type activities:				
Food services			\$	16,046

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2022 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 25,945,000	37,815,000	12,650,000	51,110,000	2,205,000
General obligation bond discounts, net	(198,208)	(367,655)	(18,118)	(547,745)	(36,826)
General obligation bond premiums, net	659,140	536,824	61,900	1,134,064	90,825
Revenue bonds	9,890,000	-	1,044,000	8,846,000	1,093,000
Revenue bond premiums, net	253,644	-	28,183	225,461	28,183
Subtotal	36,549,576	37,984,169	13,765,965	60,767,780	3,380,182
Early retirement	625,889	1,873,912	305,043	2,194,758	605,025
Compensated absences	135,453	120,923	135,453	120,923	120,923
Net pension liability	14,124,389	-	13,832,011	292,378	-
Other postemployment benefits	664,377	-	25,327	639,050	-
Total governmental activities	\$ 52,099,684	39,979,004	28,063,799	64,014,889	4,106,130
Business type activities:					
Net pension liability	\$ 233,984	-	226,891	7,093	-
Other postemployment benefits	35,719	-	1,361	34,358	-
Total business type activities	\$ 269,703	-	228,252	41,451	-

General Obligation Bonds

Details of the District's June 30, 2022 general obligation bonded indebtedness are as follows:

Bond Issue of June 1, 2015				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2023	1.70%	\$ 210,000	158,764	368,764
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		\$ 6,450,000	910,822	7,360,822
Bond Issue of April 20, 2021				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2023	3.00%	\$ 1,320,000	181,500	1,501,500
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		\$ 6,845,000	637,800	7,482,800

General Obligation Bonds (continued)

Bond Issue of May 10, 2022				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2023	3.00%	\$ 130,000	306,388	436,388
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		\$ 9,650,000	2,653,138	12,303,138

Bond Issue of June 28, 2022				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2023	6.000%	\$ 545,000	1,100,634	1,645,634
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		\$ 28,165,000	17,883,572	46,048,572

General Obligation Bonds (continued)

Year ending June 30,	Total		
	Principal	Interest	Total
2023	\$ 2,205,000	1,747,286	3,952,286
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	\$ 51,110,000	22,085,332	73,195,332

On June 2, 2014, the District issued \$9,995,000 of general obligation bonds for the construction of the Career Academy. The bonds bear interest rates ranging from 2.0% to 3.5%. During the year ended June 30, 2022, the principal and interest paid were \$8,780,000 and \$293,112, respectively.

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 1.0% to 3.25%. During the year ended June 30, 2022, the principal and interest paid were \$2,575,000 and \$239,151, 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, 2022, the principal and interest paid were \$1,295,000 and \$245,445, 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, 2022, no principal or interest was paid.

On June 28, 2022, the District issues \$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, 2022, no principal or interest was paid.

Revenue Bonds

Details of the District's June 30, 2022 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
2023	2.46%	\$	355,000	66,359	421,359
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		\$	2,665,000	272,033	2,937,033

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 \$2,937,033. For the current year, \$345,000 of principal and \$74,949 of interest was paid on the bonds and total statewide sales, services and use tax revenue were 2,582,733.

Bond Issue of April 20, 2021					
Year ending June 30,	Interest Rates		Principal	Interest	Total
2023	2.00%	\$	738,000	123,620	861,620
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		\$	6,181,000	551,740	6,732,740

Total					
Year ending June 30,	Interest Rates		Principal	Interest	Total
2023		\$	1,093,000	189,979	1,282,979
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		\$	8,846,000	823,773	9,669,773

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 \$6,732,740. For the current year, \$699,000 of principal and \$164,738 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$2,582,733.

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, 2022, the District has obligations to 41 participants with a total liability of \$2,194,758. Actual early retirement expenditures for the year ended June 30, 2022 totaled \$305,043.

(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, 2022, 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 \$673,408 was measured as of June 30, 2022, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2022 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, 2022)	3.00% per annum
Rates of salary increase (effective June 30, 2022)	0.00% per annum
Discount rate (effective June 30, 2022)	2.37% compounded annually, including inflation
Healthcare cost trend rate (effective June 30, 2022)	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, 2022 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year	\$ 700,096
Changes for the year:	
Service cost	57,290
Interest cost	16,427
Changes in assumptions	(24,022)
Demographic changes	(23,857)
Recognition of deferred inflows/outflows	(17,770)
Benefit payments	(34,756)
Net changes	(26,688)
Total OPEB liability end of year	\$ 673,408

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	\$ 739,359	673,408	614,446

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	\$ 588,566	673,408	775,615

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the year ended June 30, 2022, the District recognized OPEB expense of \$82,577. At June 30, 2022, 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	\$ 48,063	(67,381)
Changes of assumptions	23,802	(68,303)
Net difference between projected and actual investments	-	-
Total	\$ 71,865	(135,684)

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	
2023	\$ (6,835)
2024	(6,835)
2025	(6,835)
2026	(6,835)
2027	(6,835)
Thereafter	(29,644)
	\$ (63,819)

(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 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 2022, 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, 2022 were \$1,710,636.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2022, the District reported a liability of \$299,471 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021, the District's proportion was 0.213617%, which was an increase of 0.007784% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension benefit of \$1,028,728. At June 30, 2022, 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	\$ 227,856	228,781
Changes of assumptions	195,880	-
Net difference between projected and actual earnings on IPERS' investments	1,547,177	12,397,518
Changes in proportion and differences between District contributions and proportionate share of contributions	611,108	267,400
District contributions subsequent to the measurement date	1,710,636	-
Total	\$ 4,292,657	12,893,699

Pella Community School District
Notes to Basic Financial Statements
June 30, 2022

\$1,710,636 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, 2022. 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	
2023	\$ (2,529,225)
2024	(2,555,243)
2025	(2,403,463)
2026	(2,878,090)
2027	54,343
	<u>\$ (10,311,678)</u>

There are no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2021 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, 2021 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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%	4.43%
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
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.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 10,599,279	299,471	(8,332,421)

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, 2022, the District reported payables to IPERS of \$95,676 for legally required District contributions and \$63,750 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 \$1,038,057 for the year ended June 30, 2022 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, 2022 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Pella	Urban renewal and economic development projects	\$ 10,014

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, 2022, this reimbursement amounted to \$5,373.

(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, 2022.

Program	Amount
Gifted & talented program	\$ 68,094
Teacher leadership	371,100
Statewide voluntary four-year-old preschool	26,013
Professional development	57,928
	<u>\$ 523,135</u>

(12) Construction Commitment

The District entered into contracts totaling \$28,337,435 for various construction projects plus one project with an architect's estimated cost of \$18,407,513. As of June 30, 2022 costs of \$3,503,689 had been incurred against the contracts. The estimated balance of \$43,241,2596 remaining at June 30, 2022, will be paid as work on the projects progress.

(13) Subsequent Event

On December 12, 2022, the District approved a resolution supporting the proposed issuance of approximately \$21,000,000 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, 2022

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Revenues:						
Local sources	\$ 19,306,051	192,231	19,498,282	19,980,010	19,980,010	(481,728)
State sources	16,570,231	58,241	16,628,472	16,367,520	16,367,520	260,952
Federal sources	1,542,345	1,592,019	3,134,364	1,925,000	1,925,000	1,209,364
Total revenues	37,418,627	1,842,491	39,261,118	38,272,530	38,272,530	988,588
Expenditures/Expenses:						
Instruction	20,277,378	-	20,277,378	20,400,000	20,600,000	322,622
Support services	10,157,691	-	10,157,691	10,419,500	10,419,500	261,809
Non-instructional programs	-	1,391,022	1,391,022	1,600,000	1,600,000	208,978
Other expenditures	20,257,758	-	20,257,758	5,839,652	29,839,652	9,581,894
Total expenditures/expenses	50,692,827	1,391,022	52,083,849	38,259,152	62,459,152	10,375,303
Excess (deficiency) of revenues over (under) expenditures/expenses	(13,274,200)	451,469	(12,822,731)	13,378	(24,186,622)	11,363,891
Other financing sources, net	38,009,945	-	38,009,945	10,000	10,000	37,999,945
Change in fund balance	24,735,745	451,469	25,187,214	23,378	(24,176,622)	49,363,836
Balances beginning of year	10,258,519	1,170,720	11,429,239	10,928,117	10,928,117	501,122
Balances end of year	\$ 34,994,264	1,622,189	36,616,453	10,951,495	(13,248,505)	49,864,958

See accompanying independent auditor's report.

Pella Community School District
Notes to Required Supplementary Information - Budgetary Reporting
Year Ended June 30, 2022

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, the District adopted one budget amendment, increasing budgeted expenditures by \$24,200,000.

During the year ended June 30, 2022, expenditures did not exceed the amounts budgeted.

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 Eight Years* (In Thousands)
Required Supplementary Information

	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.213617%	0.205833%	0.211692%	0.207409%	0.200112%	0.214782%	0.212364%	0.205978%
District's proportionate share of the net pension liability	\$ 299	14,358	12,341	13,121	13,211	13,394	10,558	8,336
District's covered-employee payroll	\$ 17,369	16,222	16,223	15,584	14,806	15,282	14,642	13,753
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1.72%	88.51%	76.07%	84.20%	89.23%	87.65%	72.11%	60.61%
IPERS' net position as a percentage of the total pension liability	100.81%	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 1,710	1,640	1,531	1,531	1,392	1,322	1,365	1,308	1,228	1,115
Contributions in relation to the statutorily required contribution	(1,710)	(1,640)	(1,531)	(1,531)	(1,392)	(1,322)	(1,365)	(1,308)	(1,228)	(1,115)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 18,121	17,369	16,222	16,223	15,584	14,806	15,282	14,642	13,753	12,858
Contributions as a percentage of covered-employee payroll	9.44%	9.44%	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%

See accompanying independent auditor's report.

Pella Community School District
Notes to Required Supplementary Information - Pension Liability
Year Ended June 30, 2022

Changes of benefit terms:

There are no significant changes in benefit terms

Changes of assumptions:

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

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

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

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

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (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 Five Years
Required Supplementary Information**

	2022	2021	2020	2019	2018
Service cost	\$ 57,290	49,111	49,152	38,567	38,581
Interest cost	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	(17,770)	(16,868)	(11,396)	(12,231)	(9,484)
Benefit payments	(34,756)	(34,270)	(34,632)	(31,257)	(25,389)
Net change in total OPEB liability	(26,688)	20,448	125,063	16,036	23,919
Total OPEB liability beginning of year	700,096	679,648	554,585	538,549	514,630
Total OPEB liability end of year	\$ 673,408	700,096	679,648	554,585	538,549
Covered-employee payroll	\$ 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	4.44%	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, 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, 2022**

	Special Revenue Funds		
	Management	Student Activity	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 2,128,513	381,373	2,509,886
Receivables:			
Property tax:			
Delinquent	4,942	-	4,942
Succeeding year	1,237,352	-	1,237,352
Total assets	\$ 3,370,807	381,373	3,752,180
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 18	12,140	12,158
Salaries and benefits payable	-	1,322	1,322
Total liabilities	18	13,462	13,480
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	1,237,352	-	1,237,352
Total deferred inflows of resources	1,237,352	-	1,237,352
Fund balances:			
Restricted for:			
Management levy purposes	2,133,437	-	2,133,437
Student activities	-	367,911	367,911
Total fund balances	2,133,437	367,911	2,501,348
Total liabilities, deferred inflows of resources and fund balances	\$ 3,370,807	381,373	3,752,180

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, 2022

	Special Revenue Funds		
	Management	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 1,509,449	-	1,509,449
Other	3,031	995,637	998,668
State sources	30,785	-	30,785
Total revenues	1,543,265	995,637	2,538,902
Expenditures:			
Current:			
Instruction:			
Regular	370,679	-	370,679
Other	-	930,796	930,796
Support services:			
Student	486	-	486
Instructional staff	486	-	486
Administration	11,108	-	11,108
Operation and maintenance of plant	194,748	-	194,748
Transportation	61,710	-	61,710
Total expenditures	639,217	930,796	1,570,013
Excess (deficiency) of revenues over (under) expenditures	904,048	64,841	968,889
Change in fund balances			
Fund balances beginning of year	1,229,389	303,070	1,532,459
Fund balances end of year	\$ 2,133,437	367,911	2,501,348

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, 2022

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Booster/PTO Concessions	\$ 5,609	107,571	106,655	6,525
HS Speech/Drama	9,911	15,299	18,423	6,787
HS Speech Trip	1,504	3,803	5,307	-
HS Debate	229	200	80	349
HS Vocal	51,006	79,854	81,652	49,208
Vocal Music Trip Account	6,125	3,034	8,824	335
HS Instr. Music	13,371	14,089	17,996	9,464
Marching Dutch Invitational	4,833	49,141	19,268	34,706
HS Instr. Music Fundraiser-Band Trip	15,311	155,760	103,227	67,844
Band Uniform	21,789	18,289	29,123	10,955
Orchestra	2,839	2,114	960	3,993
Orchestra Trip Account	2,218	5,376	7,301	293
HS Spring Showcase	1,109	5,500	5,550	1,059
Athletics	-	32,668	32,668	-
HS Boys Basketball	-	13,908	13,908	-
HS Football	-	30,694	30,694	-
HS Boys Soccer	-	4,832	4,832	-
HS Baseball	-	7,989	7,989	-
HS Track	-	4,060	4,060	-
HS Boys Cross Country	-	2,275	2,275	-
HS Boys Tennis	-	460	460	-
HS Boys Golf	-	2,040	2,040	-
HS Wrestling	-	4,730	4,730	-
HS Girls Basketball	-	10,093	10,093	-
HS Volleyball	-	8,231	8,231	-
HS Girls Soccer	-	2,439	2,439	-
HS Softball	-	4,565	4,565	-
HS Girls Track	-	3,815	3,815	-
HS Girls Cross Country	-	2,115	2,115	-
HS Girls Tennis	-	540	540	-
HS Girls Golf	-	180	180	-
HS Activity Tickets	-	42,909	42,909	-
HS Miscellaneous Activity	30,026	65,688	64,691	31,023
Boys Basketball Club	2,546	3,416	1,803	4,159
HS Football Club	8,381	5,619	1,813	12,187
Boys Soccer Club	386	495	381	500
Baseball Club	11,207	18,006	16,631	12,582
Boys Track Club	111	1,399	1,372	138
Cross Country Club	1,236	7,330	2,422	6,144
HS Boys Tennis Club	1,183	1,643	293	2,533
HS Girls Tennis Club	851	668	-	1,519
Boys Golf Club	959	623	387	1,195
Wrestling Club	504	4,636	4,609	531
Girls Basketball Club	1,640	3,686	2,085	3,241
Volleyball Club	146	1,179	350	975
Girls Soccer Club	1,640	325	816	1,149
Softball Club	8,237	11,289	11,917	7,609
Girls Track Club	1,174	1,211	177	2,208
Bowling Club	2,405	763	1,558	1,610
Girls Golf Club	1,375	66	301	1,140
Drill Team-Forte	9,503	30,454	34,818	5,139
HS Cheerleaders	1,424	3,420	2,931	1,913

Schedule 3

**Pella Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2022**

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
FFA	15,975	46,972	35,997	26,950
FFA Tractor Restoration	1,930	1,988	2,536	1,382
FFA Sheep Farm	-	1,659	1,473	186
FCS	3,671	567	450	3,788
Esports Club	-	2,067	2,012	55
HS Robotics	2,212	3,550	3,965	1,797
HS TSA	-	500	-	500
Earth Day	13	946	747	212
National Honor Society	47	400	446	1
PAAC	5	-	-	5
HS Vending	1,948	1,779	2,173	1,554
HS Testing	1,479	-	400	1,079
HS Student Council	2,642	2,291	1,485	3,448
Class of 2022	6,316	3,560	5,253	4,623
Class of 2023	3,499	15,721	12,949	6,271
Class of 2024	2,050	-	-	2,050
Class of 2027	2,418	-	-	2,418
Publications	55	33,425	32,720	760
After Prom Club	5,651	14,414	14,718	5,347
Football Parents	2,830	1,300	-	4,130
MS Vocal Music	12,222	4,245	15,793	674
MS Instrumental Music	993	945	400	1,538
MS Boys Basketball	-	4,859	4,859	-
MS Football	-	3,376	3,376	-
MS Boys Track	-	2,329	2,329	-
MS Cross Country	-	432	432	-
MS Wrestling	-	1,327	1,327	-
MS Girls Basketball	-	2,380	2,380	-
MS Volleyball	-	3,747	3,747	-
MS Girls Track	-	522	522	-
MS Activity Tickets	-	1,379	1,379	-
MS Library/Book Fair	1,356	43	-	1,399
MS Publications	9,895	11,620	15,334	6,181
MS Student Council	1,143	4,488	5,623	8
MS Activity	2,508	2,256	4,550	214
MS Social Studies	272	-	-	272
MS Concessions	51	6,855	6,641	265
Lincoln Elementary	354	3,677	3,936	95
Madison Elementary	242	5,784	5,273	753
Jefferson Elementary	505	3,745	3,307	943
Totals	\$ 303,070	995,637	930,796	367,911

See accompanying independent auditor's report.

Schedule 4

Pella Community School District
Combining Balance Sheet
Capital Projects Fund Accounts
June 30, 2022

	Capital Projects			
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 2,168,580	26,012,622	608,398	28,789,600
Receivables:				
Property tax:				
Delinquent	-	-	3,890	3,890
Succeeding year	-	-	1,098,884	1,098,884
Due from other governments	180,845	-	-	180,845
Total assets	\$ 2,349,425	26,012,622	1,711,172	30,073,219
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts Payable	\$ -	1,342,336	18,380	1,360,716
Total liabilities	-	1,342,336	18,380	1,360,716
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	1,098,884	1,098,884
Total deferred inflows of resources	-	-	1,098,884	1,098,884
Fund balances:				
Restricted for:				
School infrastructure	2,349,425	24,670,286	-	27,019,711
Physical plant and equipment	-	-	593,908	593,908
Total fund balances	2,349,425	24,670,286	593,908	27,613,619
Total liabilities, deferred inflows of resources and fund balances	\$ 2,349,425	26,012,622	1,711,172	30,073,219

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, 2022**

	Capital Projects			
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ -	-	1,050,688	1,050,688
Other	4,987	647	1,112	6,746
State sources	2,582,733	-	22,022	2,604,755
Total revenues	2,587,720	647	1,073,822	3,662,189
Expenditures:				
Current:				
Instruction	209,468	-	-	209,468
Instructional staff	-	-	130,657	130,657
Administration	-	-	297,336	297,336
Operation and maintenance of plant	-	-	303,441	303,441
Transportation	-	-	274,467	274,467
Facilities acquisition	870,418	3,394,602	20,915	4,285,935
Debt service	-	165,623	-	165,623
Total expenditures	1,079,886	3,560,225	1,026,816	5,666,927
Excess (deficiency) of revenues over (under) expenditures	1,507,834	(3,559,578)	47,006	(2,004,738)
Other financing sources (uses):				
General obligation bonds issued	-	28,165,000	-	28,165,000
Premium on issuance of bonds	-	353,855	-	353,855
Discount on issuance of bonds	-	(288,991)	-	(288,991)
Transfers out	(1,384,000)	-	-	(1,384,000)
	(1,384,000)	28,229,864	-	26,845,864
Change in fund balances	123,834	24,670,286	47,006	24,841,126
Fund balances beginning of year	2,225,591	-	546,902	2,772,493
Fund balances end of year	\$ 2,349,425	24,670,286	593,908	27,613,619

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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenues:										
Local sources:										
Local tax	\$ 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	12,176,769
Tuition	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	894,493
Other	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	1,109,041
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	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	11,542,976
Federal sources	1,542,345	1,390,955	641,781	684,569	610,768	570,477	674,019	708,064	717,096	559,196
Total	\$ 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	26,282,475
Expenditures:										
Instruction:										
Regular	\$ 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	9,841,345
Special	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	2,850,721
Other	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	3,054,646
Support services:										
Student	581,044	626,371	548,401	503,789	560,411	483,528	523,287	506,778	495,077	506,928
Instructional staff	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	1,137,848
Administration	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	1,821,709
Operation and maintenance of plant services	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	2,156,112
Transportation	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	1,084,364
Non-instructional programs	-	-	-	-	-	-	-	-	-	-
Other expenditures:										
Facilities acquisition	4,285,935	93,321	741,321	471,183	3,673,042	12,882,275	13,412,792	15,935,766	4,514,930	164,600
Long-term debt:										
Principal	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	2,054,319
Interest and other charges	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	791,556
AEA flowthrough	1,038,057	1,039,112	997,214	961,857	955,412	922,651	895,760	887,018	868,667	832,321
Total	\$ 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	26,296,469

See accompanying independent auditor's report.

Schedule 7

**Pella Community School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2022**

<u>Grantor/Program</u>	Pass-Through		
	Assistance Listing Number	Entity Identifying Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Passed through Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY 22	\$ 177,659
National School Lunch Program	10.555	FY 22	1,297,947
Summer Food Service Program for Children	10.559	FY 22	116,413
Total U.S. Department of Agriculture			<u>1,592,019</u>
U.S. Department of Education:			
Passed through Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 22	<u>125,212</u>
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY 22	<u>47,623</u>
Career and Technical Education - Basic Grants to States	84.048	FY 22	<u>30,630</u>
English Language Acquisition State Grants	84.365	FY 22	<u>5,000</u>
Supporting Effective Instruction State Grants	84.367	FY 22	<u>36,593</u>
Student Support and Academic Enrichment Program	84.424	FY 22	<u>10,119</u>
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 22	<u>2,159</u>
American Rescue Plan COVID-19 Elementary and Secondary School Emergency Relief (ARP ESSER III) - Learning Loss	84.425U	FY 22	106,764
American Rescue Plan COVID-19 Elementary and Secondary School Emergency Relief (ARP ESSER III)	84.425U	FY 22	418,151
American Rescue Plan COVID-19 Elementary and Secondary School Emergency Relief (ARP ESSER III) - Teacher Retention Bonus	84.425U	FY 22	163,628
			<u>688,543</u>
			<u>690,702</u>
Passed through Area Education Agency (AEA 11):			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY 22	<u>114,586</u>
American Rescue Plan Special Education - Grants to States	84.027x	FY 22	<u>17,677</u>
Total U.S. Department of Education			<u>1,078,142</u>
Total			<u>\$ 2,670,161</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, 2022. 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 \$117,266 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	4,692



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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, 2022, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 13, 2022

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, 2022 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

December 13, 2022



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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, 2022. Pella Community School District's major federal programs are identified in the summary of auditor's results section 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, 2022.

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

December 13, 2022

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 10.559 – Summer Food Service Program for Children
- (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.

Pella Community School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Part IV: Other Findings Related to Required Statutory Reporting

- 2022-A Certified Budget- Expenditures for the year ended June 30, 2022 did not exceed the amended certified budget amounts.
- 2022-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.
- 2022-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.
- 2022-D Business Transactions - No business transactions between the District and District officials or employees were noted.
- 2022-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.
- 2022-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- 2022-G Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- 2022-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.
- 2022-I Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 2022-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.
- 2022-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.
- 2022-L Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

Pella Community School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

2022-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, 2022, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	2,225,591	
Revenues/transfers in:				
Sales tax revenues	\$	2,582,733		
Other local revenues		4,987	2,587,720	
			<u>4,813,311</u>	
Expenditures/transfers out				
Instruction		209,468		
Construction services		870,418		
Transfers to other funds:				
Debt service funds		1,384,000	2,463,886	
			<u>2,463,886</u>	
Ending balance			\$	<u>2,349,425</u>

For the year ended June 30, 2022, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.