

Intergovernmental Receivables—Represent amounts due from other units of government, such as Federal, New York State and other local governments. Intergovernmental receivables at June 30, 2022 are presented below:

General Fund:		
State aid	\$ 491,991	
Steuben County - sales tax	10,113	
BOCES aid	1,387,060	
QZAB subsidy payment	<u>217,377</u>	<u>\$ 2,106,541</u>
Special Aid Fund:		
Title I	\$ 230,291	
ARP - ESSER 3	190,421	
CRRSA - ESSER 2	367,395	
Section 611	116,629	
Section 619	5,201	
Expanded Pre-K	46,744	
Extended School Day	40	
Spark Grant	36,345	
Summer School Special Education	286,065	
Title IVA	36,615	
Title IV Art Grant	7,694	
Title V	8,766	
Title IIA	16,428	
Universal Pre-K	<u>212,126</u>	<u>1,560,760</u>
Capital Projects Fund:		
Smart Schools		<u>1,534,495</u>
Nonmajor funds:		
National School Lunch Program	\$ 221,684	
National School Breakfast Program	<u>82,701</u>	<u>304,385</u>
Total governmental funds		<u><u>\$ 5,506,181</u></u>

5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2022 was as follows:

	Balance 7/1/2021 (as restated)	Increases	Decreases	Balance 6/30/2022
Capital assets, not being depreciated/amortized:				
Land	\$ 322,094	\$ -	\$ -	\$ 322,094
Construction in progress	<u>105,261</u>	<u>2,491,785</u>	<u>1,004,757</u>	<u>1,592,289</u>
Total capital assets, not being depreciated/amortized	<u>427,355</u>	<u>2,491,785</u>	<u>1,004,757</u>	<u>1,914,383</u>
Capital assets, being depreciated/amortized:				
Land improvements	4,920,617	-	93,482	4,827,135
Buildings and improvements	125,837,579	1,004,757	4,893,690	121,948,646
Equipment	8,753,739	260,131	685,387	8,328,483
Right-to-use leased equipment and vehicles	<u>1,036,051</u>	<u>100,874</u>	<u>-</u>	<u>1,136,925</u>
Total capital assets, being depreciated/amortized	<u>140,547,986</u>	<u>1,365,762</u>	<u>5,672,559</u>	<u>136,241,189</u>
Less accumulated depreciation/amortization for:				
Land improvements	3,704,206	117,103	83,515	3,737,794
Buildings and improvements	61,859,484	2,519,734	2,205,590	62,173,628
Equipment	7,341,475	251,918	611,750	6,981,643
Right-to-use leased equipment and vehicles	<u>386,217</u>	<u>207,212</u>	<u>-</u>	<u>593,429</u>
Total accumulated depreciation/amortization	<u>73,291,382</u>	<u>3,095,967</u>	<u>2,900,855</u>	<u>73,486,494</u>
Total capital assets, being depreciated/amortized, net	<u>67,256,604</u>	<u>(1,730,205)</u>	<u>2,771,704</u>	<u>62,754,695</u>
Governmental activities capital assets, net	<u>\$ 67,683,959</u>	<u>\$ 761,580</u>	<u>\$ 3,776,461</u>	<u>\$ 64,669,078</u>

Depreciation/amortization expense was charged to the functions and programs of governmental activities as follows:

General support	\$ 2,056,015
Instruction	722,189
Pupil transportation	<u>317,763</u>
Total	<u>\$ 3,095,967</u>

6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2022, were as follows:

	General Fund	Special Aid Fund	School Lunch Fund	Total Governmental Funds
Salaries and employee benefits	\$ 710,480	\$ 4,099	\$ 1,149	\$ 715,728
BOCES liability	<u>625,273</u>	<u>-</u>	<u>-</u>	<u>625,273</u>
Total accrued liabilities	<u>\$ 1,335,753</u>	<u>\$ 4,099</u>	<u>\$ 1,149</u>	<u>\$ 1,341,001</u>

7. PENSION PLANS

The District participates in the New York State Teachers' Retirement System ("TRS") and the New York State and Local Employees' Retirement System ("ERS") (the "Systems"). These cost-sharing multiple-employer public employee retirement systems compute contribution retirements based on the New York State Retirement and Social Security Law ("NYSRSSL").

Plan Descriptions and Benefits Provided

Teachers' Retirement System—TRS provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS is governed by a 10 member Board of Trustees. TRS benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding TRS, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Annual Comprehensive Financial Report which can be found at the TRS website at www.nystrs.org.

Employees' Retirement System—ERS provides retirement benefits as well as death and disability benefits. The net position of ERS is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in plan net position allocated to ERS. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of ERS. ERS benefits are established under the provisions of the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute three percent (3.0%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute three percent (3.0%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

Pension Liability/(asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At June 30, 2022, the District reported the following assets for its proportionate share of the net pension (asset) for each of the Systems. The net pension (asset) was measured as of June 30, 2021 for TRS and March 31, 2022 for ERS. The total pension liability used to calculate the net pension (asset) was determined by actuarial valuations as of June 30, 2020 and April 1, 2021, respectively, with update procedures used to rollforward the total pension (asset) to the measurement dates. The District’s proportion of the net pension (asset) was based on a projection of the District’s long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2021	March 31, 2022
Net pension liability/(asset)	\$ (11,853,748)	\$ (971,553)
District's portion of the Plan's total net pension liability/(asset)	0.068404%	0.0118850%

For the year ended June 30, 2022, the District recognized pension expense (income) of (\$704,467) and \$58,612 for TRS and ERS, respectively. At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from sources below:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Difference between expected and actual experiences	\$ 1,633,913	\$ 73,577	\$ 61,585	\$ 95,434
Changes of assumptions	3,898,946	1,621,412	690,446	27,360
Net difference between projected and actual earnings on pension plan investments	-	-	12,406,174	3,181,428
Changes in proportion and differences between the District's contributions and proportionate share of contributions	164,215	66,681	367,179	29,278
District contributions subsequent to the measurement date	1,310,332	132,455	-	-
Total	<u>\$ 7,007,406</u>	<u>\$ 1,894,125</u>	<u>\$ 13,525,384</u>	<u>\$ 3,333,500</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/(asset) in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown below:

Year Ending June 30,	TRS	ERS
2023	\$ (3,365,169)	\$ (230,718)
2024	(2,314,699)	(344,350)
2025	(3,048,349)	(821,306)
2026	505,068	(175,456)
Thereafter	394,839	-

Actuarial Assumptions—The total pension liability as of the measurement dates were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liability to the respective measurement dates. The actuarial valuations used the following actuarial assumptions:

	TRS	ERS
Measurement date	June 30, 2021	March 31, 2022
Actuarial valuation date	June 30, 2020	April 1, 2021
Interest rate	6.95%	5.90%
Salary scale	1.95%-5.18%	4.40%
Decrement tables	July 1, 2015 - June 30, 2020	April 1, 2015 - March 31, 2020
Inflation rates	2.40%	2.70%
Cost-of-living adjustments	1.30%	1.40%

For TRS, annuitant mortality rates are based on July 1, 2015 – June 30, 2020 System experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2020, applied on a generational basis. For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2020.

For TRS, the actuarial assumptions used in the June 30, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020. For ERS, the actuarial assumptions used in the April 1, 2021 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (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 each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as shown on the following page.

Measurement date	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	TRS	ERS
			June 30, 2021	March 31, 2022
Asset class:				
Domestic equities	33.0 %	32.0 %	6.8 %	3.3 %
International equities	16.0	15.0	7.6	5.9
Global equities	4.0	0.0	7.1	0.0
Private equity	8.0	10.0	10.0	6.5
Real estate	11.0	9.0	6.5	5.0
Opportunistic portfolio/Absolute return strategies	0.0	3.0	0.0	4.1
Credit	0.0	4.0	0.0	3.8
Domestic fixed income securities	16.0	0.0	1.3	0.0
Global bonds	2.0	0.0	0.8	0.0
High-yield bonds	1.0	0.0	3.8	0.0
Private debt	1.0	0.0	5.9	0.0
Real assets	0.0	3.0	0.0	5.6
Real estate debt	7.0	0.0	3.3	0.0
Fixed income	0.0	23.0	0.0	0.0
Cash	1.0	1.0	(0.2)	(1.0)
Total	100.0 %	100.0 %		

Discount Rate—The discount rate used to calculate the total pension liability was 6.95% for TRS and 5.90% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability/(Asset) to the Discount Rate Assumption—The chart on the following page presents the District’s proportionate share of the net pension (assets) calculated using the discount rate of 6.95% for TRS and 5.90% for ERS, as well as what the District’s proportionate share of the net pension (assets) would be if it were calculated using a discount rate that is one percentage-point lower (5.95% for TRS and 4.90% for ERS) or one percentage-point higher (7.95% for TRS and 6.90% for ERS) than the current assumption.

TRIS	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
Employer's proportionate share of the net pension (asset)	\$ (1,243,878)	\$ (11,853,748)	\$ (20,770,574)

ERS	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
Employer's proportionate share of the net pension liability/(asset)	\$ 2,500,766	\$ (971,553)	\$ (3,875,979)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liability of the employers as of the respective valuation dates, were as follows:

	(Dollar in Thousands)	
	TRIS	ERS
Valuation date	June 30, 2020	April 1, 2021
Employers' total pension liability	\$ 130,819,415	\$ 223,874,888
Plan fiduciary net position	148,148,457	232,049,473
Employers' net pension (asset)	<u>\$ (17,329,042)</u>	<u>\$ (8,174,585)</u>
System fiduciary net position as a percentage of total pension liability	113.2%	103.7%

Payables to the Pension Plan—For TRIS, employer and employee contributions for the fiscal year ended June 30, 2022 are paid to the System in September, October and November 2022 through a state aid intercept. Accrued retirement contributions as of June 30, 2022 represent employee and employer contributions for the fiscal year ended June 30, 2022 based on paid TRIS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRIS System. Accrued retirement contributions as of June 30, 2022 amounted to \$1,310,332.

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2022 represent the projected employer contribution for the period of April 1, 2022 through June 30, 2022 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2022 amounted to \$132,455.

8. OTHER POSTEMPLOYMENT BENEFITS ("OPEB") OBLIGATION

Plan Description—In addition to pension benefits, the District pays for a portion of eligible retirees' health insurance, depending on the type of health plan provided in accordance with the provisions of various employment contracts. The benefit level, employee contributions and employer contributions are governed by the District's contractual agreements.

Employees Covered by Benefit Terms—As of June 30, 2021, the actuarial valuation date, the following employees were covered by the benefit terms as outlined on the following page.

In the event of a default in the payment of the principal of or interest on the serial bonds, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Bonds.

The District does not hold any lines of credit.

Principal is paid annually, interest is paid semiannually; these payments are recorded in the General Fund. A summary of additions and payments for the year ended June 30, 2022 is shown below:

Description	Year of Issue/ Maturity	Amount of Original Issue	Interest Rate (%)	Balance 7/1/2021	Additions	Payments/ Refundings	Balance 6/30/2022
Additions/reconstruction of facilities	2010/2025	\$ 5,205,000	0.80	\$ 1,450,000	\$ -	\$ 360,000	\$ 1,090,000
Additions/reconstruction of facilities	2010/2025	26,845,000	1.75-5.40	9,295,000	-	2,150,000	7,145,000
Additions/reconstruction of facilities	2015/2031	4,000,000	2.00-3.38	985,000	-	265,000	720,000
Additions/reconstruction of facilities	2016/2030	1,160,000	2.24	780,000	-	80,000	700,000
Additions/reconstruction of facilities	2018/2033	10,680,000	3.35	8,730,000	-	775,000	7,955,000
Additions/reconstruction of facilities	2019/2033	5,390,000	3.00-5.00	4,655,000	-	470,000	4,185,000
Additions/reconstruction of facilities	2021/2027	4,800,000	3.00-4.00	4,705,000	-	740,000	3,965,000
Total				<u>\$ 30,600,000</u>	<u>\$ -</u>	<u>\$ 4,840,000</u>	<u>\$ 25,760,000</u>

Premiums on Serial Bonds—Premiums on bond issuances are being amortized on a straight-line basis over the life of their respective bonds. The unamortized premium as of June 30, 2022 was \$2,253,444.

Leases—The District entered into long-term leases for various vehicles and equipment. The outstanding balance at June 30, 2022 was \$282,000. Refer to Note 10 for additional information related to the District’s leases.

Compensated Absences—As explained in Note 1, the District records the value of compensated absences. The annual budgets of the operating funds provide funding for these benefits as they become payable. The value recorded in the government-wide financial statements at June 30, 2022, for governmental activities is \$7,065,079. Management estimates that \$353,254 is due within one year. Since payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable.

OPEB Obligation—As explained in Note 8, the District provides health insurance coverage for certain retirees. The District’s annual OPEB cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB. The long-term OPEB obligation is estimated to be \$42,947,944 as of June 30, 2022.

A maturity schedule of the District’s indebtedness is shown on the following page.

FEDERAL AWARDS INFORMATION

HORNELL CITY SCHOOL DISTRICT, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor /Pass-through Grantor/Program or Cluster Title (1a)	Federal Assistance Listing Number (1b)	Pass-Through Entity Identifying Number (1c)	Passed Through to Sub- recipients	Total Federal Expenditures (1d)
U.S. DEPARTMENT OF AGRICULTURE:				
<i>Passed through New York State Department of Agriculture:</i>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	n/a	\$ -	\$ 368,403
National School Lunch Program	10.555	n/a	-	1,184,263
Summer Food Service Program for Children	10.559	n/a	-	45,170
Total Child Nutrition Cluster			-	1,597,836
TOTAL U. S. DEPARTMENT OF AGRICULTURE			-	1,597,836
U.S. DEPARTMENT OF EDUCATION:				
<i>Passed through New York State Department of Education:</i>				
Title I Grants to Local Educational Agencies	84.010A	0021-22-2885	-	724,338
Special Education Cluster:				
Special Education - Grants to States	84.027A	0032-22-0863	-	436,666
Special Education - Preschool Grants	84.173A	0033-22-0863	-	18,314
Total Special Education Cluster			-	454,980
Rural Education	84.358	0006-22-2885	-	33,483
Improving Teacher Quality State Grants	84.367	0147-22-2885	-	105,146
Student Support and Academic Enrichment Grants	84.424	0203-22-2885	-	60,071
Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief Fund	84.425D	5891-21-2885	-	1,510,016
American Rescue Plan - Elementary and Secondary School Emergency Relief	84.425U	5880-21-2885	-	799,818
Total Education Stabilization Fund			-	2,309,834
Direct Program:				
Fund for the Improvement of Education	84.215G	S215G210032	-	358,588
Fund for the Improvement of Education	84.215G	S215G180079-18A	-	257,638
Total Fund for the Improvement of Education			-	616,226
TOTAL U.S. DEPARTMENT OF EDUCATION			-	4,304,078
TOTAL EXPENDITURES OF FEDERAL AWARDS (1e)			\$ -	\$ 5,901,914

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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HORNELL CITY SCHOOL DISTRICT, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Hornell City School District, New York (the “District”) under programs of federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the Title 2 U.S. Code of Federal Regulations (“CFR”) 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 the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District. The following notes were identified on the Schedule:

- a) Includes all federal award programs of the Hornell City School District, New York.
- b) Source: Federal Assistance Listing Numbers, previously known as Catalog of Federal Domestic Assistance.
- c) Pass-through entity identifying numbers are presented where available.
- d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- e) Total federal expenditures for the District’s 2021-2022 fiscal year are reconciled to Federal sources as reported in the basic financial statements as follows:

Balance per schedule of expenditures of federal awards	\$ 5,901,914
Medicaid reimbursement	<u>191,644</u>
Total Federal sources per financial statements	<u>\$ 6,093,558</u>

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the 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. The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. NON-MONETARY FEDERAL PROGRAM

The District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a “non-monetary program.” During the year ended June 30, 2022, the District used \$86,054 worth of commodities.

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Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Education
Hornell City School District, New York:

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hornell City School District, New York (the "District") 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, and have issued our report thereon dated October 5, 2022 (which report includes an other matter paragraph regarding the implementation of GASB Statement No. 87).

Report on Internal Control Over Financial Reporting

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

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

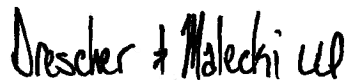
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



October 5, 2022

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

The Board of Education
Hornell City School District, New York:

Report on Compliance for Each Major Federal Program

Opinion on Each Federal Program

We have audited the Hornell City School District, New York's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the 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 the judgment made by a reasonable user of the report on compliance about the 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 judgment 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 the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the 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 the 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 that 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 that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Drescher & Malecki LLP

October 5, 2022

HORNELL CITY SCHOOL DISTRICT, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued:		Unmodified*
*(which report includes an other matter paragraph regarding the implementation of GASB Statement No. 87)		
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported
Noncompliance material to the financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> No

Federal Awards:

Internal control over major federal programs:		
Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported
Type of auditors' report issued on compliance for major federal programs:		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		_____ Yes _____ <input checked="" type="checkbox"/> No
Identification of major federal programs:		

<u>Name of Federal Program or Cluster</u>	<u>Federal Assistance Listing Number</u>
Elementary and Secondary School Emergency Relief Fund	84.425D
American Rescue Plan—Elementary and Secondary School Emergency Relief	84.425U

Dollar threshold used to distinguish between Type A and Type B programs?		\$ <u>750,000</u>
Auditee qualified as low-risk auditee?	_____ <input checked="" type="checkbox"/> Yes	_____ <input type="checkbox"/> No

Section II. FINANCIAL STATEMENT FINDINGS

No findings noted.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted.

HORNELL CITY SCHOOL DISTRICT, NEW YORK
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022
(Follow-up on June 30, 2021 Findings)

No findings noted.