

HORNELL CITY
SCHOOL DISTRICT, NEW YORK
*Basic Financial Statements, Required Supplementary
Information, Supplementary Information and
Federal Awards Information for the Year Ended
June 30, 2023 and Independent Auditors' Reports*

HORNELL CITY SCHOOL DISTRICT, NEW YORK
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INDEPENDENT AUDITORS' REPORT

The Board of Education
Hornell City School District, New York

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

Responsibilities of Management for the Financial Statements

District's management is responsible for the preparation and fair presentation of the 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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment 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 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 the District's basic financial statements. The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2023 on our consideration of the 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 the District's internal control over financial reporting and compliance.

Drescher & Maleki LLP

September 6, 2023

HORNELL CITY SCHOOL DISTRICT, NEW YORK
Management's Discussion and Analysis
Year Ended June 30, 2023

As management of the Hornell City School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. This document should be read in conjunction with the additional information that we have furnished in the District's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$24,644,112 (net position). Net position consists of \$41,611,053 net investment in capital assets, \$27,547,690 restricted for specific purposes, offset by unrestricted net position of \$(44,514,631).
- The District's total net position increased by \$11,049,389 during the year ended June 30, 2023.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$30,798,500, an increase of \$4,301,577 in comparison with the prior year's fund balance of \$26,496,923.
- At the end of the current fiscal year, *unassigned fund balance* of the General Fund was \$1,581,206, or approximately 3.8 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the District's discretion and constitutes approximately 6.4 percent of the General Fund's total fund balance of \$24,518,861 at June 30, 2023.
- The District's total bonded indebtedness decreased by \$4,950,000 as a result of scheduled principal payments made during the year ended June 30, 2023.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements—The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving

rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general support, instruction, pupil transportation, community service, school food service, and interest and other fiscal charges. The District does not engage in any business-type activities.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund financial statements—A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains six individual governmental funds. Information is presented separately in the governmental funds' balance sheet and in the governmental funds' statement of revenues, expenditures and changes in fund balances for the General Fund, Special Aid Fund, and Capital Projects Fund, which are considered major funds. Data from the other three governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* in the Supplementary Information section of this report.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The District maintains one fiduciary fund, the Private Purpose Trust Fund.

The fiduciary fund statements can be found on pages 18 and 19 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-46 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District’s net pension liabilities/(assets), the changes in the District’s total other postemployment benefits (“OPEB”) obligation, and the District’s budgetary comparison for the General Fund. Required Supplementary Information and related notes to the required supplementary information can be found on pages 47-54 of this report.

Supplementary information is presented immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 55-59.

Finally, the Federal Awards Information section presents the District’s Schedule of Expenditures of Federal Awards. This section can be found immediately following the Supplementary Information on pages 60-68 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of the District’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$24,644,112 at June 30, 2023, as compared to liabilities and deferred inflows of resources exceeding assets and deferred outflows of resource by \$13,594,723, at the close of the year ended June 30, 2022.

Table 1, shown below, presents the condensed statements of net position of the District at June 30, 2023 and June 30, 2022.

Table 1 - Condensed Statements of Net Position

	June 30,	
	2023	2022
Current assets	\$ 33,467,369	\$ 29,864,881
Noncurrent assets	65,378,715	77,804,175
Total assets	<u>98,846,084</u>	<u>107,669,056</u>
Deferred outflows of resources	<u>14,433,600</u>	<u>14,951,663</u>
Current liabilities	2,699,084	3,403,062
Noncurrent liabilities	67,725,861	78,308,467
Total liabilities	<u>70,424,945</u>	<u>81,711,529</u>
Deferred inflows of resources	<u>18,210,627</u>	<u>27,314,467</u>
Net position:		
Net investment in capital assets	41,611,053	36,426,600
Restricted	27,547,690	23,170,459
Unrestricted	<u>(44,514,631)</u>	<u>(46,002,336)</u>
Total net position	<u>\$ 24,644,112</u>	<u>\$ 13,594,723</u>

The largest portion of the District’s net position, \$41,611,053 reflects its investment in capital assets (e.g. land, buildings, improvements, equipment, and right-to-use assets), net of accumulated depreciation/amortization and less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide a variety of services to students. Accordingly, these assets are not

available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The next largest portion of the District’s net position, \$27,547,690, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The remaining balance of the District’s net position, \$(44,514,631), is considered to be an unrestricted deficit. This deficit does not mean that the District does not have resources available to meet its obligations in the ensuing year. Rather, it reflects liabilities not related to the District’s capital assets and are not expected to be repaid from current resources. These long-term liabilities including compensated absences, and other postemployment benefits (“OPEB”) obligations, are funded annually within the funds.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2023 and June 30, 2022.

Table 2—Condensed Statements of Changes in Net Position

	<u>Year Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Program revenues:		
Charges for services	\$ 289,444	\$ 202,929
Operating grants and contributions	11,966,141	10,704,019
Capital grants and contributions	290,912	1,429,234
General revenues	<u>38,222,510</u>	<u>36,889,869</u>
Total revenues	<u>50,769,007</u>	<u>49,226,051</u>
Program expenses	<u>39,719,618</u>	<u>39,473,206</u>
Change in net position	11,049,389	9,752,845
Net position—beginning	<u>13,594,723</u>	<u>3,841,878</u>
Net position—ending	<u>\$ 24,644,112</u>	<u>\$ 13,594,723</u>

Overall revenues increased 3.1 percent from the prior year, primarily due to increases in operating grants and contributions related to state and federal funding. Total expenses increased 0.6 percent from the prior year, primarily due to an increase in grant funded instruction and pupil transportation expenses within the Special Aid Fund.

A summary of sources of revenues for the years ended June 30, 2023 and June 30, 2022 is presented on the following page in Table 3.

Table 3—Summary of Sources of Revenues

	Year Ended June 30,		Increase/(Decrease)	
	2023	2022	Dollars	Percent (%)
Charges for services	\$ 289,444	\$ 202,929	\$ 86,515	42.6
Operating grants and contributions	11,966,141	10,704,019	1,262,122	11.8
Capital grants and contributions	290,912	1,429,234	(1,138,322)	(79.6)
Taxes and tax items	8,411,393	8,131,183	280,210	3.4
Use of money and property	813,397	104,723	708,674	676.7
Miscellaneous	1,319,463	1,437,556	(118,093)	(8.2)
State sources—unrestricted	<u>27,678,257</u>	<u>27,216,407</u>	<u>461,850</u>	1.7
Total revenues	<u>\$ 50,769,007</u>	<u>\$ 49,226,051</u>	<u>\$ 1,542,956</u>	3.1

The most significant sources of revenue for the year ended June 30, 2023 were State sources—unrestricted of \$27,678,257, or 54.5 percent of total revenues, operating grants and contributions of \$11,966,141, or 23.6 percent of total revenues, and taxes and tax items of \$8,411,393, or 16.6 percent of total revenues. Similarly, for the year ended June 30, 2022 were State sources—unrestricted of \$27,216,407, or 55.3 percent of total revenues, operating grants and contributions of \$10,704,019, or 21.7 percent of total revenues, and taxes and tax items of \$8,131,183, or 16.5 percent of total revenues.

A summary of program expenses for the years ended June 30, 2023 and June 30, 2022 is presented below in Table 4:

Table 4—Summary of Program Expenses

	Year Ended June 30,		Increase/(Decrease)	
	2023	2022	Dollars	Percent (%)
General support	\$ 6,393,675	\$ 9,302,409	\$ (2,908,734)	(31.3)
Instruction	29,209,724	26,538,893	2,670,831	10.1
Pupil transportation	1,812,267	1,387,905	424,362	30.6
Community service	100,234	15,335	84,899	553.6
School food service	1,418,740	1,331,847	86,893	6.5
Student activities	176,217	173,924	2,293	1.3
Interest and other fiscal charges	<u>608,761</u>	<u>722,893</u>	<u>(114,132)</u>	(15.8)
Total program expenses	<u>\$ 39,719,618</u>	<u>\$ 39,473,206</u>	<u>\$ 246,412</u>	0.6

The most significant expense items for the year ended June 30, 2023 were instruction of \$29,209,724, or 73.5 percent of total expenses, general support of \$6,393,675, or 16.1 percent of total expenses, and pupil transportation of \$1,812,267, or 4.6 percent of total expenses. Similarly, for the year ended June 30, 2022 were instruction of \$26,538,936, or 67.2 percent of total expenses, general support of \$9,302,424, or 23.6 percent of total expenses, and pupil transportation of \$1,387,907, or 3.5 percent of total expenses.

Financial Analysis of Governmental Funds

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

Governmental funds—The focus of the District’s *governmental funds* is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, *unassigned fund balance* and *fund balance assigned to specific use* in special revenue funds may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by an external party, the District itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the Board of Education.

As of June 30, 2023, the District’s governmental funds reported a combined ending fund balance of \$30,798,500, an increase of \$4,301,577 from the prior year. Approximately 5.1 percent, or \$1,581,206, of this amount constitutes *unassigned fund balance* which is available for spending at the District’s discretion. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned*, to indicate that it is: (1) not in spendable form, \$59,253, (2) restricted for particular purposes, \$27,547,690 or (3) assigned for particular purposes, \$1,610,351.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,581,206, while total fund balance increased to \$24,518,861. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 3.8 percent of total General Fund expenditures and transfers out, while total fund balance represents 58.4 percent of that same amount.

The total fund balance of the District’s General Fund increased by \$902,640 during the current fiscal year. During the annual budget process, the District anticipated utilizing \$186,467 of fund balance (this included the re-appropriation of prior year’s encumbrances). As a result of increased receipts from State sources, the District’s General Fund fund balance ended \$1,089,107 higher than expected.

The Special Aid Fund maintains funds that are received from the State and Federal governments. Total revenues amounted to \$6,323,887 and were comprised of State and Federal sources. Expenditures totaled \$6,488,962 and were used toward the instruction and transportation of students. During the year ended June 30, 2023, the General Fund transferred \$165,075 to the Special Aid Fund to cover additional program costs.

The fund balance within the Capital Projects Fund increased by \$3,619,846 during the year ended June 30, 2023, to an ending fund balance of \$3,573,835. The District had transfers in from the General Fund in the amount of \$5,447,486 and incurred capital outlay expenditures of \$2,118,474 during the fiscal year ended June 30, 2023.

General Fund Budgetary Highlights

The District’s General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward (increased) for prior year’s encumbrances since the funds were allocated under the previous year’s budget, and the District has appropriately assigned an equal amount of fund balance at year-end for this purpose. A summary of revisions from adopted budget to final budget is presented in Table 5 on the following page.

Table 5—General Fund Budget

Adopted budget, 2022-2023	\$ 40,039,187
Add: Prior year's encumbrances	<u>186,467</u>
Original budget, 2022-2023	<u>40,225,654</u>
Budget revisions:	
Voter approved use of reserves	4,150,000
Issuance of leases	<u>311,678</u>
Final budget, 2022-2023	<u>\$ 44,687,332</u>

More detailed information about the District's General Fund budget is presented in the Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget (Non-GAAP Basis) and Actual—General Fund within the Requirement Supplementary Information section of this report.

Capital Asset and Debt Administration

Capital assets—The District's investment in capital assets for its governmental activities as of June 30, 2023, amounted to \$64,816,793 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, equipment and vehicles, and right-to-use leased equipment and vehicles. All depreciable/amortizable capital assets were depreciated/amortized from acquisition date to the end of the current year as outlined in the District's capital asset policy.

Capital assets, net of depreciation/amortization for the governmental activities at June 30, 2023 and June 30, 2022 are presented in Table 6 below:

Table 6 - The District's Capital Assets (Net of Accumulated Depreciation/Amortization)

	June 30,	
	<u>2023</u>	<u>2022</u>
Land	\$ 322,094	\$ 322,094
Construction in progress	2,413,275	1,592,289
Land improvements	964,125	1,089,341
Buildings and improvements	59,071,599	59,775,018
Equipments and vehicles	1,423,070	1,346,840
Right-to-use leased equipment and vehicles	<u>622,630</u>	<u>543,496</u>
Total	<u>\$ 64,816,793</u>	<u>\$ 64,669,078</u>

Additional information on the District's capital assets is presented in Note 4 to the financial statements.

Long-term liabilities—At June 30, 2023, the District had total long-term liabilities of \$67,725,861, as compared to \$78,308,467 in the prior year. Of the total long-term liabilities at June 30, 2023, \$20,810,000 represents serial bonds issued by the District. During the year ended June 30, 2023, the District's total bonded indebtedness decreased by \$4,950,000 as a result of scheduled principal payments made.

A summary of the District’s long-term liabilities at June 30, 2023 and June 30, 2022 is presented in Table 7 below:

Table 7—Summary of Long-Term Liabilities

	June 30,	
	2023	2022
Serial bonds	\$ 20,810,000	\$ 25,760,000
Premium on serial bonds	2,013,456	2,253,444
Lease liability	424,099	282,000
Compensated absences	7,016,224	7,065,079
OPEB obligation	33,092,578	42,947,944
Net pension liability	4,369,504	-
Total	<u>\$ 67,725,861</u>	<u>\$ 78,308,467</u>

Additional information on the District’s long-term liabilities can be found in Note 10 to the financial statements.

Economic Factors and Next Year’s Budget and Rates

The unemployment rate, not seasonally adjusted, for the region at June 30, 2023 was 3.2 percent. This compares to New York State’s average unemployment rate of 3.9 percent. These factors, as well as others, are considered in preparing the District’s budget.

The 2023-2024 adopted budget appropriations total of \$41,093,309 is an approximate increase of 2.6 percent as compared to the \$40,039,187 budgeted appropriations in 2022-2023. The District’s total tax levy in 2023-2024 is \$7,468,746, compared to \$7,377,393 levied during the 2022-2023 year.

Request for Information

This financial report is designed to provide our taxpayers, customers and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Patrick Flaitz, Business Manager, Hornell City School District, 120 Raider Road, Hornell, New York 14843.

BASIC FINANCIAL STATEMENTS

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HORNELL CITY SCHOOL DISTRICT, NEW YORK
Statement of Net Position
June 30, 2023

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,118,603
Restricted cash and cash equivalents	25,017,147
Receivables	209,340
Intergovernmental receivables	6,063,026
Inventories	59,253
Other noncurrent assets	561,922
Capital assets not being depreciated/amortized	2,735,369
Capital assets, net of accumulated depreciation/amortization	<u>62,081,424</u>
Total assets	<u>98,846,084</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on debt refunding	41,815
Deferred outflows—relating to pension plans	9,289,768
Deferred outflows—relating to OPEB	<u>5,102,017</u>
Total deferred outflows of resources	<u>14,433,600</u>
LIABILITIES	
Accounts payable	259,592
Accrued liabilities	846,213
Intergovernmental payables	19
Due to retirement systems	1,589,828
Other liabilities	3,432
Noncurrent liabilities:	
Due within one year	5,805,443
Due within more than one year	<u>61,920,418</u>
Total liabilities	<u>70,424,945</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows—relating to pension plans	1,025,147
Deferred inflows—relating to OPEB	<u>17,185,480</u>
Total deferred inflows of resources	<u>18,210,627</u>
NET POSITION	
Net investment in capital assets	41,611,053
Restricted for:	
Employee benefits	6,592,409
Debt service	1,187,183
Workers' compensation	59,144
Unemployment	86,475
Capital projects	16,389,005
Tax certiorari	1,023,537
Repair reserve	894,723
Bus reserve	1,190,721
Student activities	124,493
Unrestricted	<u>(44,514,631)</u>
Total net position	<u>\$ 24,644,112</u>

The notes to the financial statements are an integral part of this statement.

HORNELL CITY SCHOOL DISTRICT, NEW YORK
Statement of Activities
Year Ended June 30, 2023

Function/Program	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Primary Governmental Activities
Governmental activities:					
General support	\$ 6,393,675	\$ -	\$ -	\$ -	\$ (6,393,675)
Instruction	29,209,724	73,147	10,666,787	290,912	(18,178,878)
Pupil transportation	1,812,267	-	-	-	(1,812,267)
Community service	100,234	-	-	-	(100,234)
School food service	1,418,740	28,097	1,299,354	-	(91,289)
Student activities	176,217	188,200	-	-	11,983
Interest and other fiscal charges	608,761	-	-	-	(608,761)
Total primary government	<u>\$ 39,719,618</u>	<u>\$ 289,444</u>	<u>\$ 11,966,141</u>	<u>\$ 290,912</u>	<u>(27,173,121)</u>
General revenues:					
					8,001,563
					409,830
					813,397
					1,319,463
					<u>27,678,257</u>
					<u>38,222,510</u>
					11,049,389
					<u>13,594,723</u>
					<u>\$ 24,644,112</u>

The notes to the financial statements are an integral part of this statement.

HORNELL CITY SCHOOL DISTRICT, NEW YORK
Balance Sheet—Governmental Funds
June 30, 2023

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ -	\$ 791,628	\$ 3,300	\$ 1,323,675	\$ 2,118,603
Restricted cash and cash equivalents	20,134,936	-	3,573,835	1,308,376	25,017,147
Receivables	208,403	-	-	937	209,340
Intergovernmental receivables	2,389,137	2,177,272	1,485,651	10,966	6,063,026
Due from other funds	4,573,046	134,610	161,474	3,300	4,872,430
Inventories	-	-	-	59,253	59,253
Total assets	<u>\$ 27,305,522</u>	<u>\$ 3,103,510</u>	<u>\$ 5,224,260</u>	<u>\$ 2,706,507</u>	<u>\$ 38,339,799</u>
LIABILITIES					
Accounts payable	\$ 84,021	\$ 13,955	\$ 161,474	\$ 142	\$ 259,592
Accrued liabilities	813,296	2,160	-	542	815,998
Due to other funds	296,084	3,087,395	1,488,951	-	4,872,430
Intergovernmental payables	-	-	-	19	19
Due to retirement systems	1,589,828	-	-	-	1,589,828
Other liabilities	3,432	-	-	-	3,432
Total liabilities	<u>2,786,661</u>	<u>3,103,510</u>	<u>1,650,425</u>	<u>703</u>	<u>7,541,299</u>
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	59,253	59,253
Restricted	22,662,179	-	3,573,835	1,311,676	27,547,690
Assigned	275,476	-	-	1,334,875	1,610,351
Unassigned	1,581,206	-	-	-	1,581,206
Total fund balances (deficits)	<u>24,518,861</u>	<u>-</u>	<u>3,573,835</u>	<u>2,705,804</u>	<u>30,798,500</u>
Total liabilities and fund balances (deficits)	<u>\$ 27,305,522</u>	<u>\$ 3,103,510</u>	<u>\$ 5,224,260</u>	<u>\$ 2,706,507</u>	<u>\$ 38,339,799</u>

The notes to the financial statements are an integral part of this statement.

HORNELL CITY SCHOOL DISTRICT, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
June 30, 2023

Amounts reported for governmental activities in the statement of net position (page 12) are different because:

Total fund balances—total governmental funds (page 14)		\$ 30,798,500
Net pension and other long-term assets are not current financial resources and, therefore, are not reported in the fund statements.		561,922
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. The cost of the assets is \$140,169,394 and the accumulated depreciation/amortization is \$75,352,601.		64,816,793
Deferred charges associated with refunding of bonds are not reported in the governmental funds. The charge is reported as a deferred outflow of resources on the statement of net position and is recognized as a component of interest expense over the life of the related debt.		41,815
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows related to employer contributions	\$ 1,589,828	
Deferred outflows related to experience, changes in assumptions and investment earnings	7,699,940	
Deferred inflows of resources related to pension plans	<u>(1,025,147)</u>	8,264,621
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows related to benefit payments and changes of assumptions	\$ 5,102,017	
Deferred inflows related to experience and changes of assumptions	<u>(17,185,480)</u>	(12,083,463)
Net accrued interest expense for serial bonds is not reported in the fund statements.		(30,215)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements. The effects of these items are:		
Serial bonds	\$ (20,810,000)	
Premiums on serial bonds	(2,013,456)	
Lease liability	(424,099)	
Compensated absences	(7,016,224)	
Other postemployment benefits obligation	(33,092,578)	
Net pension liability	<u>(4,369,504)</u>	<u>(67,725,861)</u>
Net position of governmental activities		<u>\$ 24,644,112</u>

The notes to the financial statements are an integral part of this statement.

HORNELL CITY SCHOOL DISTRICT, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund
Balances—Governmental Funds
Year Ended June 30, 2023

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Real property taxes	\$ 6,261,154	\$ -	\$ -	\$ -	\$ 6,261,154
Real property tax items	1,740,409	-	-	-	1,740,409
Non-property tax items	409,830	-	-	-	409,830
Charges for services	73,147	-	-	-	73,147
Use of money and property	790,963	-	-	22,434	813,397
Sale of property and compensation for loss	138,559	-	-	-	138,559
Miscellaneous	1,153,138	-	-	27,766	1,180,904
State sources	31,738,871	1,450,142	290,912	57,187	33,537,112
Federal sources	282,286	4,873,745	-	1,242,167	6,398,198
Sales—food service	-	-	-	28,097	28,097
Student activity collections	-	-	-	188,200	188,200
Total revenues	<u>42,588,357</u>	<u>6,323,887</u>	<u>290,912</u>	<u>1,565,851</u>	<u>50,769,007</u>
EXPENDITURES					
Current:					
General support	5,411,120	-	-	-	5,411,120
Instruction	16,602,021	6,471,413	-	-	23,073,434
Pupil transportation	1,321,268	17,549	-	-	1,338,817
Community service	100,234	-	-	-	100,234
Employee benefits	7,053,125	-	-	126,881	7,180,006
Debt service:					
Principal	5,054,579	-	-	65,000	5,119,579
Interest and other fiscal charges	842,487	-	-	-	842,487
Cost of sales (school lunch)	-	-	-	1,418,740	1,418,740
Student activities	-	-	-	176,217	176,217
Capital outlay	-	-	2,118,474	-	2,118,474
Total expenditures	<u>36,384,834</u>	<u>6,488,962</u>	<u>2,118,474</u>	<u>1,786,838</u>	<u>46,779,108</u>
Excess (deficiency) of revenues over expenditures	<u>6,203,523</u>	<u>(165,075)</u>	<u>(1,827,562)</u>	<u>(220,987)</u>	<u>3,989,899</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	165,075	5,447,486	78	5,612,639
Transfers out	(5,612,561)	-	(78)	-	(5,612,639)
Leases	311,678	-	-	-	311,678
Total other financing sources (uses)	<u>(5,300,883)</u>	<u>165,075</u>	<u>5,447,408</u>	<u>78</u>	<u>311,678</u>
Net change in fund balances	902,640	-	3,619,846	(220,909)	4,301,577
Fund balances (deficit)—beginning	<u>23,616,221</u>	<u>-</u>	<u>(46,011)</u>	<u>2,926,713</u>	<u>26,496,923</u>
Fund balances—ending	<u>\$ 24,518,861</u>	<u>\$ -</u>	<u>\$ 3,573,835</u>	<u>\$ 2,705,804</u>	<u>\$ 30,798,500</u>

The notes to the financial statements are an integral part of this statement.

HORNELL CITY SCHOOL DISTRICT, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances—Governmental Funds to the Government-wide Statement of Activities
Year Ended June 30, 2023

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances—total governmental funds (page 16) \$ 4,301,577

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which depreciation/amortization expense and loss on capital asset disposal exceeded capital outlays in the current period.

Capital asset additions	\$ 3,229,009	
Depreciation/amortization expense	(3,043,247)	
Loss on disposal of assets	(38,047)	147,715

Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds. 252,126

Deferred charges and gains associated with refunding of bonds are not reported in the governmental funds. The charges and gains are reported as deferred outflows and inflows of resources on the statement of net position and are recognized as a component of interest expense over the life of the related debt. (11,151)

Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:

District pension contributions	\$ 1,627,563	
Employee contributions net of benefits earned	(2,600,394)	(972,831)

Deferred outflows and inflows of resources relating to OPEB result from actuarial changes in the census, changes in medical premiums that are different than expected healthcare cost trend rates, and changes in assumptions and other inputs. These amounts are shown net of current year amortization. (7,625,046)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 4,889

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

Repayment of serial bonds	\$ 4,950,000	
Amortization of premiums on serial bonds	239,988	
Leases issued	(311,678)	
Repayment of leases	169,579	
Change in compensated absences	48,855	
Change in other postemployment benefits obligation	9,855,366	14,952,110

Change in net position of governmental activities \$ 11,049,389

The notes to the financial statements are an integral part of this statement.

HORNELL CITY SCHOOL DISTRICT, NEW YORK
Statement of Fiduciary Net Position—Private Purpose Trust Fund
June 30, 2023

	<u>Private Purpose Trust</u>
ASSETS	
Restricted cash and cash equivalents	\$ 12,680
Total assets	<u>12,680</u>
NET POSITION	
Restricted	<u>12,680</u>
Total net position	<u>\$ 12,680</u>

The notes to the financial statements are an integral part of this statement.

HORNELL CITY SCHOOL DISTRICT, NEW YORK
Statement of Changes in Fiduciary Net Position—Private Purpose Trust Fund
Year Ended June 30, 2023

	Private Purpose Trust
ADDITIONS	
Interest earnings	\$ 2
Total additions	2
DEDUCTIONS	
Scholarships awarded	-
Total deductions	-
Change in fiduciary net position	2
Net position—beginning	12,678
Net position—ending	\$ 12,680

The notes to the financial statements are an integral part of this statement.

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HORNELL CITY SCHOOL DISTRICT, NEW YORK
Notes to the Financial Statements
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Hornell City School District, New York (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The District reports no business-type activities or component units.

Reporting Entity

The District is governed by the Education Law and other laws of the State of New York. The governing body is the Board of Education. The scope of activities included within the accompanying financial statements are those transactions which comprise District operations, and are governed by, or significantly influenced by, the Board of Education.

Essentially, the primary function of the District is to provide education for pupils. Support services such as transportation of pupils, food service, administration, finance, and plant maintenance are also included.

The financial reporting entity includes all funds, functions and organizations over which the District officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Extraclassroom Activity Funds—The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management; however, since the District has administrative involvement with these funds they are reported within the District’s Student Activities Fund. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District’s business office.

Joint Venture—The District is a participating school district in the Greater Southern Tier Board of Cooperative Education Services (“BOCES”). Formed under Section 1950 of Education Law, a BOCES is a voluntary cooperative association of school districts in a geographic area that shares

planning, services, and programs, and also provides educational and support activities. There is no authority or process by which the District can terminate its status as a component of BOCES. All BOCES property is held by the BOCES Board as a corporation under Section 1950(6) of Education Law.

The component school district boards elect the members of the BOCES governing body. There are no equity interests, and no single participant controls the financial or operating policies. In addition, BOCES Boards are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of General Municipal Law.

The BOCES budget is comprised of separate spending plans for administrative, program, and capital costs. Each component school district shares in administrative and capital costs determined by its enrollment. Participating districts are charged a service fee for programs in which students participate, and for other shared contracted administrative services. Participating districts may also issue debt on behalf of BOCES. As of June 30, 2023, there was no debt issued by the District on behalf of BOCES.

During the fiscal year ended June 30, 2023, the District was billed \$6,771,059 for BOCES administrative and program costs. The District's share of BOCES aid and refunds amounted to \$4,476,076 for the year ended June 30, 2023. Audited financial statements for the Greater Southern Tier BOCES are available at the BOCES' administrative offices.

Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds even though the fiduciary funds are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and charges between the District's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- *General Fund*—The General Fund constitutes the primary operating fund of the District and includes all operations not required to be recorded in other funds. The principal source of revenue for the General Fund is State sources.
- *Special Aid Fund*—The Special Aid Fund is used to account for special operating projects or programs supported in whole, or in part, with federal and state grants.

- *Capital Projects Fund*—The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

The District also reports the following nonmajor governmental funds:

- *School Lunch Fund*—The School Lunch Fund is used to account for transactions of the District’s food service operations.
- *Student Activities Fund*—The Student Activities fund is used to account for extraclassroom transactions, which represents funds of the students of the District. The District exercises administrative involvement over these funds.
- *Debt Service Fund*—The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed, or assigned for payment of principal and interest on long-term debt obligations of the governmental funds.

Fiduciary Funds—These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary Funds include the *Private Purpose Trust Fund*. The *Private Purpose Trust Fund* is used to account for assets held by the District for scholarships.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide 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 taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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 generally 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 District considers most revenues to be available if they are collected within 60 days of the end of the current fiscal period and certain grant revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, and pensions are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, non-property taxes, charges for services provided, and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period or within the period of availability (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and amount is received during the period of availability (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

The Private Purpose Trust Fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

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

Cash, Cash Equivalents and Investments—The District’s cash and cash equivalents consist of cash on hand, demand deposits, time deposits, and short-term, highly liquid investments with original maturities of three months or less from date of acquisition. New York State law governs the District’s investment policies. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. The District has no investments at June 30, 2023; however, when the District does have investments they are recorded at fair value in accordance with GASB.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represent amounts to support fund balance restrictions and amounts held on behalf others.

Receivables—Receivables are shown net of an allowance for uncollectible accounts, when applicable. No allowance or uncollectible accounts has been provided since it is believed that such allowance would not be material.

Inventories—Inventories of food and/or supplies in the School Lunch Fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and year-end balances are not maintained.

Capital Assets—Capital assets, which include land, construction in progress, land improvements, buildings and improvements, and right-to-use leased equipment and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than an established threshold of \$5,000 and an estimated useful life in

excess of one year. Such assets are recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at acquisition value of the item at the date of its donation. Major outlays for capital assets and improvements are capitalized as projects are completed. Right-to-use leased equipment and vehicles are initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs and are amortized on a straight line basis over their useful lives.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

	Capitalization Threshold	Estimated Useful Life (Years)
Land	\$ 1	n/a
Land improvements	5,000	5-50
Buildings and improvements	5,000	5-50
Right-to-use leased equipment and vehicles	5,000	5-20

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new school bus included as part of *expenditures—pupil transportation*). The amount reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2023, the District has three items that qualify for reporting in this category. The first item, related to pensions, is reported in the government-wide financial statements. This represents the effect of the net change in the District’s proportion of the collective net pension liability/(asset), the difference during the measurement periods between the District’s contributions, its proportionate share of total contribution to the pension systems not included in pension expense, and any contributions to the pension systems subsequent to the measurement date. The second item is related to OPEB reported in the government-wide financial statements and reflects the effects of the change in the District’s proportion of the collective OPEB liability and difference during the measurement period between certain employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective OPEB liability. The third item is a deferred charge on refunding which the District reports within its governmental activities. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2023, the District

reports two deferred inflows of resources on the government-wide financial statements related to pensions and OPEB, respectively. The first item represents the effect of the net change in the District's proportion of the collective net pension liability/(asset) and the difference during the measurement periods between the District's contributions, and its proportionate share of total contributions to the pension systems not included in pension expense. The second represents the effects of the change in the District's proportion of the collective OPEB liability and difference during the measurement period between certain employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective OPEB liability.

Net Position Flow Assumptions—Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balance Flow Assumptions—Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized both the Business Manager and the Superintendent to assign fund balance. The Board of Education may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenses/Expenditures

Program Revenues—Amounts reported as 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes—Real property taxes are levied annually as of July 1st by the Board of Education and attached as an enforceable lien. Uncollected real property taxes are subsequently enforced by the County of Steuben. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the District no later than April 1st.

Compensated Absences—The District labor agreements and District rules and regulations provide for sick leave, vacations, and other miscellaneous paid absences. Upon retirement, certain eligible employees qualify for paid hospitalization insurance premiums and/or payment for fractional values of unused sick leave. These payments are budgeted annually without accrual.

Pension Plans—The District is mandated by New York State law to participate in the New York State Teachers' Retirement System ("TRS") and the New York State Local Employees' Retirement System ("ERS"). For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 6.

Other Postemployment Benefits—In addition to providing pension benefits, the District provides health insurance coverage for certain retired employees, as discussed in Note 7.

Other

Estimates—The preparation of the financial statements, in conformity with accounting principles generally accepted in the United States of America ("GAAP"), requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets, liabilities, deferred outflows/inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements during the reported period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended June 30, 2023, the District implemented GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; No. 96, *Subscription-Based Information Technology Arrangements*; and a portion of No. 99, *Omnibus 2022*. GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnerships arrangements ("PPPs"). GASB Statement No. 96 improves financial reporting by establishing a definition for Subscription-Based Information Technology Arrangements ("SBITAs") and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. A portion of GASB Statement No. 99 enhances comparability in the application of accounting and financial reporting requirements and improves the consistency of authoritative literature related to GASB

Statements No. 94 and 96. The implementation of GASB Statements No. 94, 96, and a portion of 99 did not have a material impact on the District’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The District has not completed the process of evaluating the impact that will result from adopting the remainder of GASB Statement No. 99, *Omnibus 2022*; and No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, effective for the year ending June 30, 2024, and No. 101, *Compensated Absences*, effective for the year ending June 30, 2025. The District is, therefore, unable to disclose the impact that adopting GASB Statements No. 99, 100, and 101 will have on its financial position and results of operations when such statements are adopted.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The District’s investment policies are governed by New York State statutes. District monies must be deposited in FDIC-insured commercial banks or trust companies located within New York State. The District’s Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits, time deposits and certificates of deposit at 100 percent of all deposits not covered by Federal deposit insurance. The District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York. Cash and cash equivalents reported by the District at June 30, 2023, are as follows:

	Governmental Funds	Fiduciary Funds	Total
Deposits	\$ 27,135,750	\$ 12,680	\$ 27,148,430
Total	<u>\$ 27,135,750</u>	<u>\$ 12,680</u>	<u>\$ 27,148,430</u>

Deposits—All deposits are carried at fair value, and are classified by custodial credit risk at June 30, 2023 as follows:

	Bank Balance	Carrying Balance
FDIC insured	\$ 652,270	\$ 652,270
Uninsured:		
Collateral held pledging bank's agent in the District's name	<u>26,923,627</u>	<u>26,496,160</u>
Total	<u>\$ 27,575,897</u>	<u>\$ 27,148,430</u>

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. At June 30, 2023, the District’s deposits were either FDIC insured or collateralized with securities held by the pledging bank’s agent in the District’s name.

Restricted Cash and Cash Equivalents—The District reports amounts to support restricted fund balances and amounts held on behalf of others as restricted cash and cash equivalents. At June 30, 2023, the District reported \$25,017,147 of restricted cash within its governmental funds, and \$12,680 of restricted cash within its fiduciary funds.

Investments—The District had no investments at June 30, 2023.

Interest Rate Risk—In accordance with its investment policy, the District manages exposures by limiting investments to low risk type investments governed by New York State statutes.

3. RECEIVABLES

Major revenues accrued by the District at June 30, 2023 consisted of the following:

Receivables—Represents amounts due from various sources for out-of-district tuition, commissions, reimbursements and other services provided. At June 20, 2023, the District reported accounts receivable of \$208,403 and \$937 in the General Fund and School Lunch Fund, respectively.

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York State and other local governments. Intergovernmental receivables at June 30, 2023 are presented below:

General Fund:		
State aid	\$ 517,769	
Steuben County - sales tax	12,438	
BOCES aid	<u>1,858,930</u>	\$ 2,389,137
Special Aid Fund:		
Title I	205,893	
ARP - ESSER 3	554,302	
CRRSA - ESSER 2	185,690	
Section 611	132,815	
Section 619	4,968	
Section 611 - ARP	53,766	
Section 619 - ARP	7,071	
Spark Grant	210,594	
Summer School Special Education	438,852	
Special Pre-School Program	99,588	
Title IVA	57,985	
Title IV Art Grant	13,951	
Title V	16,156	
Title IIA	10,039	
Universal Pre-K	<u>185,602</u>	2,177,272
Capital Projects Fund:		
Smart Schools		1,485,651
Nonmajor funds:		
School Lunch Program	8,803	
School Breakfast Program	<u>2,163</u>	<u>10,966</u>
Total governmental funds		<u>\$ 6,063,026</u>

4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2023 was as follows:

	Balance 7/1/2022	Increases	Decreases	Balance 6/30/2023
Capital assets, not being depreciated/amortized:				
Land	\$ 322,094	\$ -	\$ -	\$ 322,094
Construction in progress	1,592,289	2,118,473	1,297,487	2,413,275
Total capital assets, not being depreciated/amortized	<u>1,914,383</u>	<u>2,118,473</u>	<u>1,297,487</u>	<u>2,735,369</u>
Capital assets, being depreciated/amortized:				
Land improvements	4,827,135	-	289,425	4,537,710
Buildings and improvements	121,948,646	1,714,094	-	123,662,740
Equipment	8,328,483	361,435	683,494	8,006,424
Right-to-use leased equipment and vehicles	1,136,925	332,494	242,268	1,227,151
Total capital assets, being depreciated/amortized	<u>136,241,189</u>	<u>2,408,023</u>	<u>1,215,187</u>	<u>137,434,025</u>
Less accumulated depreciation/amortization for:				
Land improvements	3,737,794	112,510	276,719	3,573,585
Buildings and improvements	62,173,628	2,417,513	-	64,591,141
Equipment	6,981,643	259,864	658,153	6,583,354
Right-to-use leased equipment and vehicles	593,429	253,360	242,268	604,521
Total accumulated depreciation/amortization	<u>73,486,494</u>	<u>3,043,247</u>	<u>1,177,140</u>	<u>75,352,601</u>
Total capital assets, being depreciated/amortized, net	<u>62,754,695</u>	<u>(635,224)</u>	<u>38,047</u>	<u>62,081,424</u>
Governmental activities capital assets, net	<u>\$ 64,669,078</u>	<u>\$ 1,483,249</u>	<u>\$ 1,335,534</u>	<u>\$ 64,816,793</u>

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

General support	\$ 1,759,123
Instruction	815,083
Pupil transportation	469,041
Total	<u>\$ 3,043,247</u>

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2023, were as follows:

	General Fund	Special Aid Fund	School Lunch Fund	Total Governmental Funds
Salaries and employee benefits	\$ 370,628	\$ 2,160	\$ 542	\$ 373,330
BOCES liability	442,668	-	-	442,668
Total accrued liabilities	<u>\$ 813,296</u>	<u>\$ 2,160</u>	<u>\$ 542</u>	<u>\$ 815,998</u>

6. 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, 2023, the District reported the following liability/(asset) for its proportionate share of the net pension liability/(asset) for each of the Systems. The net pension liability/(asset) was measured as of June 30, 2022 for TRS and March 31, 2023 for ERS. The total pension liability used to calculate the net pension liability/(asset) was determined by actuarial valuations as of June 30, 2021 and April 1, 2022, respectively, with update procedures used to rollforward the total pension liability/(asset) to the measurement dates. The District’s proportion of the net pension liability/(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, 2022	March 31, 2023
Net pension liability/(asset)	\$ 1,319,736	\$ 3,049,768
District's portion of the Plan's total		
Net pension liability/(asset)	0.068776%	0.014222%

For the year ended June 30, 2023, the District recognized pension expense of \$1,645,725 and \$1,101,130 for TRS and ERS, respectively. At June 30, 2023 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	\$ 1,382,916	\$ 324,824	\$ 26,445	\$ 85,649
Changes of assumptions	2,560,064	1,481,164	531,627	16,370
Net difference between projected and actual earnings on pension plan investments	1,705,224	-	-	17,917
Changes in proportion and differences between the District's contributions and proportionate share of contributions	103,472	142,276	300,718	46,421
District contributions subsequent to the measurement date	1,481,946	107,882	-	-
Total	<u>\$ 7,233,622</u>	<u>\$ 2,056,146</u>	<u>\$ 858,790</u>	<u>\$ 166,357</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, 2024. 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
2024	\$ 967,929	\$ 432,589
2025	460,783	(136,626)
2026	(276,796)	638,230
2027	3,294,929	847,714
Thereafter	445,041	-

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, 2022	March 31, 2023
Actuarial valuation date	June 30, 2021	April 1, 2022
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%	2.90%
Cost-of-living adjustments	1.30%	1.50%

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-2021.

For TRS, the actuarial assumptions used in the June 30, 2021 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, 2022 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, 2022	March 31, 2023
Asset class:				
Domestic equities	33.0 %	32.0 %	6.5 %	4.3 %
International equities	16.0	15.0	7.2	6.9
Global equities	4.0	0.0	6.9	0.0
Private equity	8.0	10.0	9.9	7.5
Real estate	11.0	9.0	6.2	4.6
Opportunistic portfolio/Absolute return strategies	0.0	3.0	0.0	5.4
Credit	0.0	4.0	0.0	5.4
Domestic fixed income securities	16.0	0.0	1.1	0.0
Global bonds	2.0	0.0	0.6	0.0
High-yield bonds	1.0	0.0	3.3	0.0
Private debt	2.0	0.0	5.3	0.0
Real assets	0.0	3.0	0.0	5.8
Real estate debt	6.0	0.0	2.4	0.0
Fixed income	0.0	23.0	0.0	1.5
Cash	1.0	1.0	(0.3)	0.0
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 liability/(asset) 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 liability/(asset) 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.

TRs	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
Employer's proportionate share of the net pension liability/(asset)	\$ 12,168,583	\$ 1,319,736	\$ (7,804,073)

ERS	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
Employer's proportionate share of the net pension liability/(asset)	\$ 7,369,980	\$ 3,049,768	\$ 560,273

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)	
	TRs	ERS
Valuation date	June 30, 2021	April 1, 2022
Employers' total pension liability	\$ 133,883,474	\$ 232,627,259
Plan fiduciary net position	131,964,582	211,183,223
Employers' net pension liability	<u>\$ 1,918,892</u>	<u>\$ 21,444,036</u>
System fiduciary net position as a percentage of total pension liability	98.6%	90.8%

Payables to the Pension Plan—For TRs, employer and employee contributions for the fiscal year ended June 30, 2023 are paid to the System in September, October and November 2023 through a state aid intercept. Accrued retirement contributions as of June 30, 2023 represent employee and employer contributions for the fiscal year ended June 30, 2023 based on paid TRs wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRs System. Accrued retirement contributions as of June 30, 2023 amounted to \$1,481,946.

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, 2023 represent the projected employer contribution for the period of April 1, 2022 through June 30, 2023 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2023 amounted to \$107,882.

7. 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, 2022, the actuarial valuation date, the following employees were covered by the benefit terms as outlined on the following page.

Inactive employees or beneficiaries currently receiving benefit payments	212
Active employees	<u>272</u>
Total	<u><u>484</u></u>

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“AAL”) under GASB Statement No. 45.

Total OPEB Liability

The District’s total OPEB liability of \$33,092,578 was measured as of June 30, 2023, and was determined by an actuarial valuation as of June 30, 2022.

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the June 30, 2022 actuarial valuation, the entry age normal method, over a level percent of pay was used. The single discount rate changed from 1.92% to 3.69% effective June 30, 2023. The salary scale assumes an increase of 3.50% per year and was based on the District’s future expectations. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate for post-65 medical trend rates used is 4.40%, while the ultimate healthcare cost trend rate is 3.78%. Mortality rates were updated to rates based on the sex-distinct and job-category-specific headcount-weighted Pub-2010 Public Retirement Plans Mortality Tables for employees and health retirees, and then adjusted for mortality improvements with Scale MP-2021 mortality improvement scaled on a generational basis.

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2021 through June 30, 2022, and were reported as of June 30, 2023.

Changes in the Total OPEB Liability—The following table presents the changes to the total OPEB liability during the fiscal year, by source:

	<u>Total OPEB Liability</u>
Balance at June 30, 2022	<u>\$42,947,944</u>
Changes for the year:	
Service cost	1,768,214
Interest	845,105
Changes of assumptions or other inputs	(7,813,467)
Differences between expected and actual experience	(3,254,693)
Benefit payments	<u>(1,400,525)</u>
Net changes	<u>(9,855,366)</u>
Balance at June 30, 2023	<u><u>\$33,092,578</u></u>

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have an impact on the total OPEB liability. The following table presents the effect a 1% change in the discount rate assumption would have on the total OPEB liability:

	1% Decrease (2.69%)	Current Discount Rate (3.69%)	1% Increase (4.69%)
Total OPEB liability	\$ 37,696,227	\$ 33,092,578	\$ 29,620,571

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the total OPEB liability of a 1% change in the initial (4.40%) and ultimate (3.78%) healthcare cost trend rates.

	1% Decrease (3.40% / 2.78%)	Healthcare Cost Trend Rates (4.40% / 3.78%)	1% Increase (5.40% / 4.78%)
Total OPEB liability	\$ 29,598,591	\$ 33,092,578	\$ 37,848,526

Funding Policy—Authorization for the District to pay a portion of retiree health insurance premiums was enacted through various union contracts, which were ratified by the District’s Board of Education. The District recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. District governmental funds contributed \$1,400,525 for the fiscal year ended June 30, 2023. The District’s contributions to the OPEB plan are based on negotiated contracts with five bargaining units, as discussed in Note 13. Any amendments to the employer’s contributions are subject to the collective bargaining units.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The District reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective total OPEB liability are required to be determined. The table below presents the District’s deferred outflows of resources and deferred inflows of resources at June 30, 2023:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 9,591,015
Changes of assumptions	3,711,527	7,594,465
Benefit payments subsequent to the measurement date	1,390,490	-
Total	\$ 5,102,017	\$ 17,185,480

The District’s benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense on the following page.

<u>Year Ending June 30,</u>	
2024	\$ (3,453,149)
2025	(2,863,925)
2026	(2,077,659)
2027	(2,187,706)
2028	(1,243,066)
Thereafter	(1,648,448)

8. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, vehicle liability, injuries to employees, health insurance, unemployment insurance, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The District purchases insurance for: real and business personal property for direct physical loss including mechanical breakdown, flood and earthquake; commercial general liability; educators' legal liability; business automobile; crime and miscellaneous property; and umbrella liability. The blanket buildings' and contents' coverage is \$123,678,709. Commercial general liability provides \$1 million per occurrence coverage and a \$3 million aggregate. Automobile liability provides \$1 million per accident. The umbrella liability is provided for \$15 million per occurrence and aggregate. There have not been any significant changes in any of the insurance coverage from the prior year, nor have there been any settlements which have exceeded insurance coverage in the past three fiscal years.

Workers' Compensation—The District participates in a group self-insured plan for risks associated with employee workers' compensation claims through Greater Southern Tier BOCES. The District accounts for this activity in the General Fund.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported ("IBNR"). Claim liabilities are calculated with consideration of the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other benefit costs. The District has an insurance policy for claims exceeding \$50,000 to reduce its exposure to larger claims. Plan assets, when available for use for claim liabilities are allocated to individual participants.

As of June 30, 2023, the District's share of the workers' compensation claims was \$248,199. Additionally, the self-insured plan allocated assets of \$810,121 to the District. Accordingly, the District reported the surplus of \$561,922 as an other noncurrent asset at June 30, 2023.

At June 30, 2023, the General Fund maintains restricted fund balance in the amount of \$59,144 for the purpose of funding the District's future claim liabilities.

9. LEASES

The District is a lessee for a noncancellable lease of various vehicles and equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

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

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rates charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease terms include the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

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

During the years ended June 30, 2019, 2020, 2021, and 2023 the District entered into long-term lease agreements as the lessee for the acquisition and use of various equipment and vehicles. As of June 30, 2023, the value of the lease liability was \$424,099. The District is required to make annual principal and interest payments on the vehicles ranging from \$40,241 to \$68,459. The leases have interest rates ranging from 2.93% to 3.75%. The value of the right-to-use lease assets as of the end of the current fiscal year was \$1,227,151 and had accumulated amortization of \$604,521. A portion of the right-to-use asset is prefunded and is not recorded as a lease liability at year-end.

The future principal and interest payments as of June 30, 2023, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 154,649	\$ 10,682	\$ 165,331
2025	101,144	7,556	108,700
2026	63,227	5,232	68,459
2027	65,639	2,820	68,459
2028	39,440	495	39,935
	<u>\$ 424,099</u>	<u>\$ 26,785</u>	<u>\$ 450,884</u>

10. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as noncurrent liabilities in the statement of net position.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The District's outstanding long-term liabilities include serial bonds, premium on serial bonds, lease liability, compensated absences, other postemployment benefits ("OPEB") obligation, and net pension liability. The serial bonds of the District are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the District's long-term liabilities at June 30, 2023 follows:

	Balance 7/1/2022	Additions	Reductions	Balance 6/30/2023	Due Within One Year
Serial bonds	\$ 25,760,000	\$ -	\$ 4,950,000	\$ 20,810,000	\$ 5,060,000
Premiums on serial bonds	2,253,444	-	239,988	2,013,456	239,988
Bonds payable, net	28,013,444	-	5,189,988	22,823,456	5,299,988
Lease liability	282,000	311,678	169,579	424,099	154,649
Compensated absences	7,065,079	-	48,855	7,016,224	350,806
OPEB obligation	42,947,944	2,613,319	12,468,685	33,092,578	-
Net pension liability*	-	4,369,504	-	4,369,504	-
Total	<u>\$ 78,308,467</u>	<u>\$ 7,294,501</u>	<u>\$ 17,877,107</u>	<u>\$ 67,725,861</u>	<u>\$ 5,805,443</u>

(*Additions to the net pension liability are shown net of reductions.)

Serial Bonds—The District issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities. Serial bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 7 to 15 years.

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, 2023 is shown on the following page.

Description	Year of Issue/ Maturity	Amount of		Balance 7/1/2022	Additions	Payments/ Refundings	Balance 6/30/2023
		Original Issue	Interest Rate (%)				
Additions/reconstruction of facilities	2010/2025	\$ 5,205,000	0.80	\$ 1,090,000	\$ -	\$ 360,000	\$ 730,000
Additions/reconstruction of facilities	2010/2025	26,845,000	1.75-5.40	7,145,000	-	2,260,000	4,885,000
Additions/reconstruction of facilities	2015/2031	4,000,000	2.00-3.38	720,000	-	170,000	550,000
Additions/reconstruction of facilities	2016/2030	1,160,000	2.24	700,000	-	80,000	620,000
Additions/reconstruction of facilities	2018/2033	10,680,000	3.35	7,955,000	-	800,000	7,155,000
Additions/reconstruction of facilities	2019/2033	5,390,000	3.00-5.00	4,185,000	-	510,000	3,675,000
Additions/reconstruction of facilities	2021/2027	4,800,000	3.00-4.00	3,965,000	-	770,000	3,195,000
Total				<u>\$ 25,760,000</u>	<u>\$ -</u>	<u>\$ 4,950,000</u>	<u>\$ 20,810,000</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, 2023 was \$2,013,456.

Lease Liability—The District entered into long-term leases for various vehicles and equipment. The outstanding balance at June 30, 2023 was \$424,099. Refer to Note 9 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, 2023, for governmental activities is \$7,016,224. Management estimates that \$350,806 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 7, 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 \$33,092,578 as of June 30, 2023.

Net Pension Liability—The District reported liabilities, \$1,319,736 and \$3,049,768, for its proportionate share of the net pension liability for the Teachers’ Retirement System and Employees’ Retirement System, respectively. Refer to Note 6 for additional information related to the District’s net pension liabilities.

A maturity schedule of the District’s indebtedness is shown below.

Year Ending June 30,	Serial Bonds	Premiums on Serial Bonds	Lease Liability	Compensated Absences	OPEB Obligation	Net Pension Liability	Total
2024	\$ 5,060,000	\$ 239,988	\$ 154,649	\$ 350,806	\$ -	\$ -	\$ 5,805,443
2025	5,070,000	239,988	101,144	-	-	-	5,411,132
2026	2,340,000	239,988	63,227	-	-	-	2,643,215
2027	2,095,000	239,988	65,639	-	-	-	2,400,627
2028	1,135,000	216,118	39,440	-	-	-	1,390,558
2029-2033	5,110,000	782,621	-	-	-	-	5,892,621
2034-2038	-	54,765	-	-	-	-	54,765
Thereafter	-	-	-	6,665,418	33,092,578	4,369,504	44,127,500
Total	<u>\$ 20,810,000</u>	<u>\$ 2,013,456</u>	<u>\$ 424,099</u>	<u>\$ 7,016,224</u>	<u>\$ 33,092,578</u>	<u>\$ 4,369,504</u>	<u>\$ 67,725,861</u>

Interest requirements on serial bonds and leases are as follows:

Year Ending June 30,	Serial bonds	Leases
2024	\$ 647,461	\$ 10,682
2025	549,032	7,556
2026	453,136	5,232
2027	362,382	2,820
2028	286,916	495
2029-2033	657,740	-
Total	<u>\$ 2,956,667</u>	<u>\$ 26,785</u>

11. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- ***Net Investment in Capital Assets***—This category groups all capital assets into one component of net position. Accumulated depreciation/amortization and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- ***Restricted Net Position***—This category presents external restriction imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted Net Position***—This category represents net position of the District not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the District at June 30, 2023 includes:

- ***Inventory***—Representing the portion of fund balance, \$59,253 composed of inventory. This balance is nonspendable as the inventory does not represent an available resource.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as creditors, grantors, contributors, or laws and regulations of other governments) through constitutional provisions or enabling legislation. At June 30, 2023, the District had restricted funds as shown below:

	General	Capital Projects	Total	
	Fund	Fund	Nonmajor Funds	Total
Employee benefits	\$ 6,592,409	\$ -	\$ -	\$ 6,592,409
Debt service	-	-	1,187,183	1,187,183
Workers' compensation	59,144	-	-	59,144
Unemployment	86,475	-	-	86,475
Capital projects	12,815,170	3,573,835	-	16,389,005
Tax certiorari	1,023,537	-	-	1,023,537
Repair reserve	894,723	-	-	894,723
Bus reserve	1,190,721	-	-	1,190,721
Student activities	-	-	124,493	124,493
Total	<u>\$22,662,179</u>	<u>\$ 3,573,835</u>	<u>\$ 1,311,676</u>	<u>\$27,547,690</u>

- ***Restricted for Employee Benefits***—According to General Municipal Law Section 6-p, this restriction must be used for the payment of accrued employee benefit due an employee upon termination of the employee’s service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.
- ***Restricted for Debt Service***—According to General Municipal Law Section 6-1, the mandatory reserve for debt service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement.
- ***Restricted for Workers’ Compensation***—According to General Municipal Law Section 6-j, this restriction must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers’ Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of the fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year’s budget.
- ***Restricted for Unemployment***—According to General Municipal Law Section 6-m, this restriction must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The restriction may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year’s budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over

the sum sufficient to pay pending claims may be transferred to any other reserve fund.

- ***Restricted for Capital Projects***—According to Education Law Section 3651, this restriction must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the restriction only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in Section 3651 of the Education Law.
- ***Restricted for Tax Certiorari***—According to Education Law Section 3651.1-a, this restriction must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the restriction shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceeds in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies.
- ***Restricted for Repair Reserve***—According to General Municipal Law Section 6-d, this restriction must be used to pay the cost of repairs to capital improvements or equipment, which repairs are a type not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this restriction may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years.
- ***Restricted for Bus Reserve***—Similar to the restriction for capital projects, according to Education Law Section 3651, this restriction must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a bus capital reserve fund requires authorization by a majority of the voters establishing the purpose of the restriction, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the restriction only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in Section 3651 of the Education Law.
- ***Restricted for Student Activities***—Amounts generated by the Extraclassroom Activities at the District which are restricted for use only within the Student Activities Fund for specified student activities.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the District's highest level of decision-making authority. As of June 30, 2023, the District has no committed fund balance.

In the fund financial statements, assignments are not legally required segregations but are segregated for a specific purpose by the District at June 30, 2023 and include:

- **Assigned to Encumbrances**—Representing amounts related to unperformed (executory) contracts for goods and services. The District has \$275,476 of fund balance assigned to encumbrances at June 30, 2023 within the General Fund.
- **Assigned to School Lunch**—Representing remaining fund balance of \$1,334,875, within the special revenue fund used to maintain school lunch operations.

If the District must use funds for emergency expenditures the Board of Education shall authorize the District Treasurer to expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available, the District will use unassigned fund balance.

12. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of June 30, 2023 is as presented below:

	Interfund	
	Receivable	Payable
Governmental funds:		
General Fund	\$ 4,573,046	\$ 296,084
Special Aid Fund	134,610	3,087,395
Capital Projects Fund	161,474	1,488,951
Other nonmajor funds	3,300	-
Total	<u>\$ 4,872,430</u>	<u>\$ 4,872,430</u>

The outstanding balances between funds result from payments made on behalf of other funds or temporary advances. All of these balances are expected to be collected/paid within the subsequent year.

The transfers made by the District during the year ended June 30, 2023 are shown below:

Fund	Transfers Out:		
	General Fund	Capital Projects Fund	Total
Transfers in:			
Special Aid Fund	\$ 165,075	\$ -	\$ 165,075
Capital Projects Fund	5,447,486	-	5,447,486
Nonmajor funds	-	78	78
Total	<u>\$ 5,612,561</u>	<u>\$ 78</u>	<u>\$ 5,612,639</u>

Transfers are used primarily to finance certain special aid programs and to support capital project expenditures.

13. LABOR RELATIONS

District employees are represented by five bargaining units, with the balance governed by Board of Education rules and regulations. Negotiated contracts are in place through June 30, 2026 for the Hornell Educators’ Association and Hornell Substitute Teachers Association, through June 30, 2027 for the Hornell Employees Support Staff Association and Hornell School District Principals and Directors Group, and through June 30, 2028 for the Hornell Paraprofessional Association.

14. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year’s budget pursuant to state regulations.

The District considers encumbrances significant if they are in excess of \$20,000. The significant encumbrances of the District as of June 30, 2023 are as follows:

<u>Fund</u>	<u>Purpose</u>	<u>Amount Encumbered</u>
General Fund	Vehicle and equipment	\$ 74,151
General Fund	Hazardous material disposal	50,000
Capital Projects Fund	General construction	2,085,222
Capital Projects Fund	Professional services	1,780,400

Encumbrances in excess of total fund balance within the Capital Projects Fund are anticipated to be liquidated with resources received within the year ending June 30, 2024.

15. TAX ABATEMENTS

The District is subject to programs entered into by Hornell Industrial Development Agency (“HIDA”). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the HIDA and incentives may include property tax abatements of any new property tax revenue realized from the increased assessed value of any incentivized project from the investment of private capital. The abatement agreements include a stipulated reduction pursuant to the limits set forth in State statute and rules. In the future these new revenues will increase periodically until the project is taxed at full assessed value. Under the agreements entered into by the HIDA, the District collected \$561,107 during the 2022-2023 fiscal year in payments in lieu of taxes (“PILOT”), these collections were made in lieu of \$777,766 in property taxes.

16. CONTINGENCIES

Litigation—Various legal actions are pending against the District. The outcome of these matters is not presently determinable, but in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or results of operation of the District.

Grants—In the normal course of operations, the District receives grant funds from various federal and state agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the District. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any such amounts to be immaterial.

Other—The District is involved in litigation in the ordinary course of its operations. The District believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the District’s financial condition or results of operation.

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 6, 2023, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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REQUIRED SUPPLEMENTARY INFORMATION

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HORNELL CITY SCHOOL DISTRICT, NEW YORK
Schedule of the District's Proportionate Share of the Net Pension Liability/(Asset)—
Teachers' Retirement System
Last Ten Fiscal Years

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
District's proportion of the net pension liability/(asset)	0.068776%	0.068404%	0.069934%	0.062022%	0.061638%	0.062164%	0.064735%	0.064735%	0.066272%	0.063009%
District's proportionate share of the net pension liability/(asset)	<u>\$ 1,319,736</u>	<u>\$(11,853,748)</u>	<u>\$ 1,932,478</u>	<u>\$(1,611,347)</u>	<u>\$(1,114,582)</u>	<u>\$(472,511)</u>	<u>\$ 710,616</u>	<u>\$(6,723,954)</u>	<u>\$(7,382,281)</u>	<u>\$(414,762)</u>
District's covered payroll	\$ 12,711,524	\$ 12,064,478	\$12,244,754	\$10,866,068	\$10,315,448	\$10,357,290	\$10,903,298	\$10,229,831	\$ 9,609,419	\$ 9,430,028
District's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	10.4%	(98.3%)	15.8%	(14.8%)	(10.8%)	(4.6%)	6.5%	(65.7%)	(76.8%)	(4.4%)
Plan fiduciary net position as a percentage of the total pension liability	98.6%	113.2%	97.8%	102.2%	101.5%	100.7%	99.0%	110.5%	111.5%	100.7%

HORNELL CITY SCHOOL DISTRICT, NEW YORK
Schedule of District's Contributions—
Teachers' Retirement System
Last Ten Fiscal Years

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,194,017	\$ 1,106,466	\$ 1,051,960	\$ 1,099,441	\$ 983,938	\$ 1,154,538	\$ 1,357,583	\$ 1,704,643	\$ 1,590,777	\$ 1,092,775
Contributions in relation to the contractually required contribution	<u>(1,194,017)</u>	<u>(1,106,466)</u>	<u>(1,051,960)</u>	<u>(1,099,441)</u>	<u>(983,938)</u>	<u>(1,154,538)</u>	<u>(1,357,583)</u>	<u>(1,704,643)</u>	<u>(1,590,777)</u>	<u>(1,092,775)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$13,384,098	\$12,711,524	\$12,064,478	\$12,244,754	\$10,866,068	\$10,315,448	\$10,357,290	\$10,903,298	\$10,229,831	\$ 9,609,419
Contributions as a percentage of covered payroll	8.9%	8.7%	8.7%	9.0%	9.1%	11.2%	13.1%	15.6%	15.6%	11.4%

HORNELL CITY SCHOOL DISTRICT, NEW YORK
Schedule of the District's Proportionate Share of the Net Pension Liability/(Asset)—
Employees' Retirement System
Last Ten Fiscal Years

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
District's proportion of the net pension liability/(asset)	0.0142220%	0.0118850%	0.0122513%	0.0118937%	0.0115596%	0.0116853%	0.0115976%	0.0120420%	0.0123271%	0.0123271%
District's proportionate share of the net pension liability/(asset)	<u>\$ 3,049,768</u>	<u>\$ (971,553)</u>	<u>\$ 12,199</u>	<u>\$ 3,149,533</u>	<u>\$ 819,035</u>	<u>\$ 377,138</u>	<u>\$ 1,089,739</u>	<u>\$ 1,932,781</u>	<u>\$ 416,441</u>	<u>\$ 557,047</u>
District's covered payroll	\$ 2,528,168	\$ 2,291,908	\$ 2,238,825	\$ 2,192,569	\$ 2,268,037	\$ 2,165,002	\$ 1,498,466	\$ 1,528,332	\$ 1,566,652	\$ 1,443,776
District's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	120.6%	(42.4%)	0.5%	143.6%	36.1%	17.4%	72.7%	126.5%	26.6%	38.6%
Plan fiduciary net position as a percentage of the total pension liability	90.8%	103.7%	100.0%	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%

HORNELL CITY SCHOOL DISTRICT, NEW YORK
Schedule of District's Contributions—
Employees' Retirement System
Last Ten Fiscal Years

	<u>Year Ended June 30,</u>									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 433,546	\$ 561,088	\$ 508,549	\$ 484,148	\$ 460,406	\$ 448,252	\$ 483,115	\$ 535,952	\$ 602,135	\$ 576,974
Contributions in relation to the contractually required contribution	<u>(433,546)</u>	<u>(561,088)</u>	<u>(508,549)</u>	<u>(484,148)</u>	<u>(460,406)</u>	<u>(448,252)</u>	<u>(483,115)</u>	<u>(535,952)</u>	<u>(602,135)</u>	<u>(576,974)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,475,453	\$ 2,343,570	\$ 2,119,233	\$ 2,207,909	\$ 2,302,452	\$ 2,243,176	\$ 1,873,803	\$ 1,844,798	\$ 2,175,815	\$ 2,095,837
Contributions as a percentage of covered payroll	17.5%	23.9%	24.0%	21.9%	20.0%	20.0%	25.8%	29.1%	27.7%	27.5%

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HORNELL CITY SCHOOL DISTRICT, NEW YORK
Schedule of Changes in the District's Total OPEB Liability and Related Ratios—
Last Six Fiscal Years*

	Year Ended June 30,					
	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	\$ 1,768,214	\$ 1,521,988	\$ 1,620,167	\$ 1,577,038	\$ 1,971,159	\$ 2,235,478
Interest	845,105	983,106	1,420,785	1,514,992	1,629,970	1,408,503
Changes of assumptions or other inputs	(7,813,467)	2,488,956	2,509,596	1,181,747	(770,590)	(4,425,456)
Change of benefit terms	-	-	-	680,174	-	-
Differences between expected and actual experience	(3,254,693)	-	(9,353,040)	-	(4,941,892)	-
Benefit payments	(1,400,525)	(1,301,806)	(1,428,254)	(1,482,162)	(1,376,994)	(1,432,889)
Net changes in total OPEB liability	(9,855,366)	3,692,244	(5,230,746)	3,471,789	(3,488,347)	(2,214,364)
Total OPEB liability—beginning	42,947,944	39,255,700	44,486,446	41,014,657	44,503,004	46,717,368
Total OPEB liability—ending	<u>\$ 33,092,578</u>	<u>\$ 42,947,944</u>	<u>\$ 39,255,700</u>	<u>\$ 44,486,446</u>	<u>\$ 41,014,657</u>	<u>\$ 44,503,004</u>
Plan fiduciary net position						
Contributions—employer	\$ 1,400,525	\$ 1,301,806	\$ 1,428,254	\$ 1,482,162	\$ 1,376,994	\$ 1,432,889
Benefit payments	(1,400,525)	(1,301,806)	(1,428,254)	(1,482,162)	(1,376,994)	(1,432,889)
Net change in plan fiduciary net position	-	-	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's net OPEB liability—ending	<u>\$ 33,092,578</u>	<u>\$ 42,947,944</u>	<u>\$ 39,255,700</u>	<u>\$ 44,486,446</u>	<u>\$ 41,014,657</u>	<u>\$ 44,503,004</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 16,553,895	\$ 14,363,987	\$ 13,646,612	\$ 13,168,520	\$ 12,558,624	\$ 12,473,041
District's net OPEB liability as a percentage of covered-employee payroll	199.9%	299.0%	287.7%	337.8%	326.6%	356.8%

*Information prior to the year ended June 30, 2018 is not available.

The notes to the required supplementary information are an integral part of this schedule.

HORNELL CITY SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balance—
Budget (Non-GAAP Basis) and Actual—General Fund
Year Ended June 30, 2023

REVENUES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Local sources:				
Real property taxes	\$ 6,261,154	\$ 6,261,154	\$ 6,261,154	\$ -
Other tax items	1,657,811	1,657,811	1,740,409	82,598
Non-property taxes	270,000	270,000	409,830	139,830
Charges for services	15,000	15,000	73,147	58,147
Use of money and property	113,000	113,000	790,963	677,963
Fines and forfeitures	5,000	5,000	-	(5,000)
Sale of property and compensation for loss	-	-	138,559	138,559
Miscellaneous	453,000	453,000	1,153,138	700,138
Total local sources	8,774,965	8,774,965	10,567,200	1,792,235
State sources	31,104,222	31,104,222	31,738,871	634,649
Federal sources:				
Medicaid reimbursement	160,000	160,000	282,286	122,286
Total revenues	<u>\$ 40,039,187</u>	<u>\$ 40,039,187</u>	<u>\$ 42,588,357</u>	<u>\$ 2,549,170</u>
OTHER FINANCING SOURCES				
Leases	-	311,678	311,678	-
Appropriated reserves	-	4,150,000	-	(4,150,000)
Total other financing sources	-	4,461,678	311,678	(4,150,000)
Total revenues and other financing sources	<u>\$ 40,039,187</u>	<u>\$ 44,500,865</u>	<u>\$ 42,900,035</u>	<u>\$ (1,600,830)</u>

(continued)

HORNELL CITY SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balance—
Budget (Non-GAAP Basis) and Actual—General Fund
Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Encumbrances</u>	(concluded)
	<u>Original</u>	<u>Final</u>			<u>Variance with Final Budget</u>
EXPENDITURES					
General support:					
Board of Education	\$ 38,922	\$ 60,565	\$ 53,634	\$ -	\$ 6,931
Central administration	296,679	296,679	274,530	-	22,149
Finance	412,163	461,506	449,550	639	11,317
Staff	362,969	492,935	489,737	-	3,198
Central services	3,087,005	3,864,024	3,350,867	93,655	419,502
Special items	838,777	843,763	792,802	-	50,961
Instruction:					
Instruction, administration and improvement	1,617,596	1,679,289	1,575,297	2,012	101,980
Teaching—regular school	8,477,478	8,214,054	7,360,264	153,126	700,664
Programs for pupils with handicapping conditions	4,113,330	4,504,538	4,247,399	5,093	252,046
Occupational education	1,601,853	1,561,262	1,557,599	1,965	1,698
Teaching—special schools	145,000	140,563	55,296	-	85,267
Instructional media	830,770	570,504	475,948	6,429	88,127
Pupil services	1,349,956	1,429,322	1,330,218	10,308	88,796
Pupil transportation	1,167,268	1,384,749	1,321,268	2,249	61,232
Community service	115,000	105,530	100,234	-	5,296
Employee benefits	8,270,601	7,363,159	7,053,125	-	310,034
Debt service:					
Principal	4,975,000	5,119,579	5,054,579	-	65,000
Interest and other fiscal charges	895,287	869,927	842,487	-	27,440
Total expenditures/encumbrances	38,595,654	38,961,948	36,384,834	275,476	2,301,638
OTHER FINANCING USES					
Transfers out	1,630,000	5,725,384	5,612,561	-	112,823
Total expenditures/encumbrances and other financing uses	40,225,654	44,687,332	41,997,395	275,476	2,414,461
Net change in fund balance*	(186,467)	(186,467)	902,640		
Fund balance—beginning	23,616,221	23,616,221	23,616,221		
Fund balance—ending	\$ 23,429,754	\$ 23,429,754	\$ 24,518,861		

*The net change in fund balance was included as a re-appropriation of prior year encumbrances.

The notes to the required supplementary information are an integral part of this statement.

HORNELL CITY SCHOOL DISTRICT, NEW YORK
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023

1. OPEB LIABILITY

Changes of Assumptions—Changes of assumptions reflect the effects of changes in the long-term bond rate, the mortality rate, and the healthcare cost trend rate. The long-term bond rate is based on the Fidelity General Obligation 20-year AA Municipal Bond Index rate as of the measurement date, which increased from 1.92% to 3.69% at June 30, 2023. Mortality rates were updated to rates based on the sex-distinct and job-category-specific headcount-weighted Pub-2010 Public Retirement Plans Mortality Tables for employees and health retirees, and then adjusted for mortality improvements with Scale MP-2021 mortality improvement scaled on a generational basis. Finally, the healthcare cost trend rate has an initial rate of 4.40% decreasing to an ultimate rate of 3.78%.

2. BUDGETARY INFORMATION

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America for the General Fund. The Capital Projects Fund is appropriated on a project-length basis. No formal annual budget is adopted for the Debt Service, Special Aid, School Lunch, and Student Activities Funds. Appropriation limits, where applicable, for the Debt Service Fund and Special Aid Fund are maintained based on debt schedules and individual grants accepted by the Board of Education. The periods of such grants may vary from the District’s fiscal year. No budget is adopted for the Student Activities Fund as the extracurricular activities of the District are maintained by the individual clubs. A budget is maintained for the School Lunch Fund as a management tool for internal control purposes.

The appropriated budget is prepared by fund, function, and department. The District’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year’s budget pursuant to state regulations.

SUPPLEMENTARY INFORMATION

HORNELL CITY SCHOOL DISTRICT, NEW YORK
Schedule of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit—General Fund
Year Ended June 30, 2023

Change from Adopted Budget to Final Budget

Adopted budget, 2022-2023		\$ 40,039,187
Add: Prior year's encumbrances		<u>186,467</u>
Original budget 2022-2023		<u>40,225,654</u>
Budget revisions:		
Voter approved use of capital reserves	\$ 4,150,000	
Issuance of leases	<u>311,678</u>	
Final budget, 2022-2023		<u>\$ 44,687,332</u>

Section 1318 of Real Property Tax Law Limit Calculation

2023-2024 Voter-approved expenditure budget		\$ 41,093,309
Maximum allowed (4% of 2023-24 budget)		<u>\$ 1,643,732</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:

Unrestricted fund balance:		
Assigned fund balance	\$ 275,476	
Unassigned fund balance	<u>1,581,206</u>	
Total unrestricted fund balance		\$ 1,856,682

Less:

Encumbrances included in assigned fund balance	<u>275,476</u>
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General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u>\$ 1,581,206</u>
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Actual percentage		3.85%
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* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", updated April 2011 (originally issued November 2010), the portion of General Fund fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classification), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

HORNELL CITY SCHOOL DISTRICT, NEW YORK
Schedule of Capital Project Expenditures
Year Ended June 30, 2023

<u>Description</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Expenditures to Date</u>			<u>Unexpended Balance</u>
			<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	
Smart Bond Project	\$ 2,039,972	\$ 2,039,972	\$ 1,478,857	\$ 241,287	\$ 1,720,144	\$ 319,828
District Improvements Capital Project	32,040,000	32,040,000	56,928	579,700	636,628	31,403,372
Capital Outlay Project 2022-23	1,297,487	1,297,487	-	1,297,487	1,297,487	-
Totals	<u>\$ 35,377,459</u>	<u>\$ 35,377,459</u>	<u>\$ 1,535,785</u>	<u>\$ 2,118,474</u>	<u>\$ 3,654,259</u>	<u>\$ 31,723,200</u>

HORNELL CITY SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets
June 30, 2023

Capital assets, net of accumulated depreciation/amortization		\$ 64,816,793
Add:		
Deferred charge on refunding		41,815
Deduct:		
Serial bonds	\$ (20,810,000)	
Premium on serial bonds	(2,013,456)	
Lease liability	<u>(424,099)</u>	<u>(23,247,555)</u>
Net investment in capital assets		<u>\$ 41,611,053</u>

HORNELL CITY SCHOOL DISTRICT, NEW YORK
Combining Balance Sheet—
Nonmajor Governmental Funds
June 30, 2023

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Total Nonmajor Funds</u>
	<u>School Lunch</u>	<u>Student Activities</u>		
ASSETS				
Cash and cash equivalents	\$ 1,323,675	\$ -	\$ -	\$ 1,323,675
Restricted cash and cash equivalents	-	124,493	1,183,883	1,308,376
Receivables	937	-	-	937
Intergovernmental receivables	10,966	-	-	10,966
Due from other funds	-	-	3,300	3,300
Inventories	59,253	-	-	59,253
Total assets	<u>\$ 1,394,831</u>	<u>\$ 124,493</u>	<u>\$ 1,187,183</u>	<u>\$ 2,706,507</u>
LIABILITIES				
Accounts payable	\$ 142	\$ -	\$ -	\$ 142
Accrued liabilities	542	-	-	542
Intergovernmental payables	19	-	-	19
Total liabilities	<u>703</u>	<u>-</u>	<u>-</u>	<u>703</u>
FUND BALANCES				
Nonspendable	59,253	-	-	59,253
Restricted	-	124,493	1,187,183	1,311,676
Assigned	1,334,875	-	-	1,334,875
Total fund balances	<u>1,394,128</u>	<u>124,493</u>	<u>1,187,183</u>	<u>2,705,804</u>
Total liabilities and fund balances	<u>\$ 1,394,831</u>	<u>\$ 124,493</u>	<u>\$ 1,187,183</u>	<u>\$ 2,706,507</u>

HORNELL CITY SCHOOL DISTRICT, NEW YORK
Combining Statements of Revenues, Expenditures and Changes in
Fund Balances—Nonmajor Governmental Funds
Year Ended June 30, 2023

	<u>Special Revenue</u>			<u>Total Nonmajor Funds</u>
	<u>School Lunch</u>	<u>Student Activities</u>	<u>Debt Service</u>	
REVENUES				
Use of money and property	\$ -	\$ -	\$ 22,434	\$ 22,434
Miscellaneous	27,766	-	-	27,766
State sources	57,187	-	-	57,187
Federal sources	1,242,167	-	-	1,242,167
Sales—food service	28,097	-	-	28,097
Student activity collections	<u>-</u>	<u>188,200</u>	<u>-</u>	<u>188,200</u>
Total revenues	<u>1,355,217</u>	<u>188,200</u>	<u>22,434</u>	<u>1,565,851</u>
EXPENDITURES				
Current:				
Employee benefits	126,881	-	-	126,881
Debt service:				
Principal	-	-	65,000	65,000
Cost of sales (school lunch)	1,418,740	-	-	1,418,740
Student activities	<u>-</u>	<u>176,217</u>	<u>-</u>	<u>176,217</u>
Total expenditures	<u>1,545,621</u>	<u>176,217</u>	<u>65,000</u>	<u>1,786,838</u>
Excess (deficiency) of revenues over expenditures	<u>(190,404)</u>	<u>11,983</u>	<u>(42,566)</u>	<u>(220,987)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>-</u>	<u>78</u>	<u>78</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>78</u>	<u>78</u>
Net change in fund balances	(190,404)	11,983	(42,488)	(220,909)
Fund balances—beginning	<u>1,584,532</u>	<u>112,510</u>	<u>1,229,671</u>	<u>2,926,713</u>
Fund balances—ending	<u>\$ 1,394,128</u>	<u>\$ 124,493</u>	<u>\$ 1,187,183</u>	<u>\$ 2,705,804</u>

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FEDERAL AWARDS INFORMATION

HORNELL CITY SCHOOL DISTRICT, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

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	\$ -	\$ 288,659
National School Lunch Program	10.555	n/a	-	904,903
Summer Food Service Program for Children	10.559	n/a	-	48,605
Total Child Nutrition Cluster			-	1,242,167
TOTAL U. S. DEPARTMENT OF AGRICULTURE			-	1,242,167
U.S. DEPARTMENT OF EDUCATION:				
<i>Direct Program:</i>				
Fund for the Improvement of Education	84.215G	S215G210032	-	771,635
<i>Passed through New York State Department of Education:</i>				
Title I Grants to Local Educational Agencies	84.010A	0021-23-2885	-	777,389
Special Education Cluster:				
Special Education - Grants to States	84.027A	0032-23-0863	-	460,800
Special Education - Grants to States (ARP)	84.027X	5532-22-0863	-	69,643
Special Education - Preschool Grants	84.173A	0033-23-0863	-	18,241
Special Education - Preschool Grants (ARP)	84.173X	5533-22-0863	-	8,838
Total Special Education Cluster			-	557,522
Rural Education	84.358	0006-23-2885	-	38,234
Supporting Effective Instruction State Grants	84.367	0147-23-2885	-	68,654
Student Support and Academic Enrichment Grants	84.424	0204-23-2885	-	54,026
Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief Fund	84.425D	5891-21-2885	-	579,727
American Rescue Plan - Elementary and Secondary School Emergency Relief	84.425U	5880-21-2885	-	2,026,558
Total Education Stabilization Fund			-	2,606,285
TOTAL U.S. DEPARTMENT OF EDUCATION			-	4,873,745
TOTAL EXPENDITURES OF FEDERAL AWARDS (1e)			\$ -	\$ 6,115,912

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, 2023

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, 2023. 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 2022-2023 fiscal year are reconciled to Federal sources as reported in the basic financial statements as follows:

Balance per schedule of expenditures of federal awards	\$ 6,115,912
Medicaid reimbursement	<u>282,286</u>
Total Federal sources per financial statements	<u>\$ 6,398,198</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, 2023, the District used \$105,306 worth of commodities.

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**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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 6, 2023.

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 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.

Drescher + Maleki LLP

September 6, 2023

DRESCHER & MALECKI LLP

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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 Major 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, 2023. 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*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

September 6, 2023

HORNELL CITY SCHOOL DISTRICT, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued:		Unmodified
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:		Unmodified
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>
Title I Grants to Local Educational Agencies	84.010A
Fund for the Improvement of Education	84.215G
Education Stabilization Fund	84.425D/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, 2023
(Follow-up on June 30, 2022 Findings)

No findings were reported.