

**CITY OF HORNELL,  
NEW YORK**

*Basic Financial Statements,  
Required Supplementary Information and Federal  
Awards Information for the Year Ended  
March 31, 2022 and Independent Auditors' Reports*



**CITY OF HORNELL, NEW YORK**  
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*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Common Council of  
the City of Hornell, 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 City of Hornell, New York (the "City"), as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise the City'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 City, as of March 31, 2022, 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 City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating 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***

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 City'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 City'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 City'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 City's basic financial statements. 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"), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 Schedule of Expenditures of Federal Awards is 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 23, 2022 on our consideration of the City'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 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 City's internal control over financial reporting and compliance.

*Drescher & Malecki LLP*

September 23, 2022



**CITY OF HORNELL, NEW YORK**  
**Management's Discussion and Analysis**  
**Year Ended March 31, 2022**

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As management of the City of Hornell, New York (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended March 31, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

**Financial Highlights**

- The assets and the deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$24,060,013 (*net position*). This consists of \$34,250,399 net investment in capital assets, \$560,137 restricted for specific purposes, offset by an unrestricted net position of \$(10,750,523).
- The City's total net position increased by \$4,542,327 during the year ended March 31, 2022.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,464,817, an increase of \$587,644 in comparison with the prior year's fund balance of \$4,877,173.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$4,256,532 or approximately 32.1 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the City's discretion and constitutes approximately 86.2 percent of the General Fund's total fund balance of \$4,938,811.
- During the year ended March 31, 2022, the City's total serial bonds outstanding decreased \$611,006 as the result of scheduled principal payments of \$618,405, partially offset by the issuance of long-term Environmental Facilities Corporation ("EFC") notes payable in the amount of \$7,399.

**Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise 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 City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, liabilities and deferred outflows/inflows 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 City is improving or deteriorating.

The *statement of activities* presents information showing how the City'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 in this statement for some items that will 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 City 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 City include general government support, public safety, health, transportation, culture and recreation, home and community services and interest and other fiscal charges. The City does not engage in any business-type activities.

The government-wide financial statements can be found on pages 13-14 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 City, 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 City 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Water Fund, Community Development Fund, Library Fund and Capital Projects Fund, which are presented as major funds.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

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

The fiduciary fund financial statements can be found on pages 19-20 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 21-45 of this report.

**Other information**—In addition to the basic financial statements and the accompanying notes, this report also presents *Required Supplementary Information* concerning the City’s net pension liability, the City’s progress in funding its obligation to provide post-employment benefits (“OPEB”) to its employees, and the City’s budgetary comparison for each major fund with a legally adopted budget. Required Supplementary Information and related notes to the Required Supplementary Information can be found on pages 46-54 of this report.

Finally, the Federal Awards Information presents the City’s Schedule of Expenditures of Federal Awards and can be found on pages 55-64 of this report.

## Government-wide Financial Analysis

As noted earlier, net position over time may serve as useful indicator of a government’s financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$24,060,013 at the close of the most recent fiscal year, as compared to \$19,517,686 at the close of the fiscal year ended March 31, 2021.

Table 1, shown below, presents condensed statements of net position as of March 31, 2022 and March 31, 2021.

**Table 1—Condensed Statements of Net Position**

	Governmental Activities	
	March 31,	
	2022	2021
Current assets	\$ 9,523,448	\$ 8,216,066
Capital assets	43,467,050	40,574,031
Total assets	52,990,498	48,790,097
Deferred outflows of resources	8,432,764	7,265,589
Current liabilities	4,104,862	3,614,891
Noncurrent liabilities	24,167,220	31,464,565
Total liabilities	28,272,082	35,079,456
Deferred inflows of resources	9,091,167	1,458,544
Net position:		
Net investment in capital assets	34,250,399	31,156,574
Restricted	560,137	637,124
Unrestricted	(10,750,523)	(12,276,012)
Total net position	\$ 24,060,013	\$ 19,517,686

The largest portion of the City's net position, \$34,250,399, reflects its investment in capital assets (such as land, buildings, machinery and equipment, and infrastructure); net of accumulated depreciation and less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$560,137, 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 net position, \$(10,750,523), is considered to be an unrestricted deficit. This deficit does not mean that the City does not have the resources available to meet its obligations in the ensuing year. Rather, it reflects liabilities not related to the County's capital assets and are not expected to be repaid from current resources. These long-term liabilities include OPEB obligations and net pension liabilities.

Table 2, as presented below, shows the changes in net position for the years ended March 31, 2022 and March 31, 2021.

**Table 2—Condensed Statements of Changes in Net Position**

	Governmental Activities	
	Year Ended March 31,	
	2022	2021
Program revenues:		
Charges for services	\$ 4,257,159	\$ 4,200,972
Operating grants and contributions	1,533,105	1,305,445
Capital grants and contributions	4,134,880	3,376,030
General revenues	11,342,827	10,458,894
Total revenues	<u>21,267,971</u>	<u>19,341,341</u>
Program expenses	<u>16,725,644</u>	<u>16,923,053</u>
Change in net position	4,542,327	2,418,288
Net position—beginning	<u>19,517,686</u>	<u>17,099,398</u>
Net position—ending	<u>\$ 24,060,013</u>	<u>\$ 19,517,686</u>

Overall revenues increased 10.0 percent from the prior year. The increase was primarily the result of increases in capital grants and contributions related to grants received for ongoing bridge projects, combined with an increase in sales tax received. Total expenses decreased 1.2 percent from the prior year, which is attributable to a decrease in transportation expenses.

A summary of sources of revenues for the years ended March 31, 2022 and March 31, 2021 is presented in Table 3 on the following page.

**Table 3—Summary of Sources of Revenues – Governmental Activities**

	Year Ended March 31,		Increase/(Decrease)	
	2022	2021	Dollar (\$)	Percent (%)
Program revenues:				
Charges for services	\$ 4,257,159	\$ 4,200,972	\$ 56,187	1.3
Operating grants and contributions	1,533,105	1,305,445	227,660	17.4
Capital grants and contributions	4,134,880	3,376,030	758,850	22.5
General revenues:				
Real property taxes and other tax items	4,780,952	4,655,887	125,065	2.7
Sales tax	4,507,013	3,782,792	724,221	19.1
Mortgage tax	95,614	62,650	32,964	52.6
Utilities gross receipt tax	89,500	74,732	14,768	19.8
Use of money and property	49,748	51,600	(1,852)	(3.6)
Sale of property and compensation for loss	181,493	68,472	113,021	165.1
Miscellaneous	131,507	259,733	(128,226)	(49.4)
State aid—unrestricted	1,507,000	1,503,028	3,972	0.3
Total revenues	<u>\$21,267,971</u>	<u>\$19,341,341</u>	<u>\$1,926,630</u>	10.0

The City's most significant sources of revenues for the year ended March 31, 2022 were real property taxes and other tax items of \$4,780,952, or 22.5 percent of total revenues, sales tax of \$4,507,013, or 21.2 percent of total revenues, and charges for services of \$4,257,159, or 20.0 percent of total revenues. Similarly, for the year ended March 31, 2021 were real property taxes and other tax items of \$4,655,887, or 24.1 percent of total revenues, charges for services of \$4,200,972, or 21.7 percent of total revenues, and sales tax of \$3,782,792, or 19.6 percent of total revenues.

A summary of program expenses for the years ended March 31, 2022 and March 31, 2021 is presented below in Table 4.

**Table 4 – Summary of Program Expenses – Governmental Activities**

	Year Ended March 31,		Increase/(Decrease)	
	2022	2021	Dollars (\$)	Percent (%)
General government support	\$ 2,543,478	\$ 2,078,845	\$ 464,633	22.4
Public safety	4,912,680	6,253,233	(1,340,553)	(21.4)
Health	1,210,084	1,428,028	(217,944)	(15.3)
Transportation	1,028,419	2,259,652	(1,231,233)	(54.5)
Culture and recreation	1,911,299	524,011	1,387,288	264.7
Home and community services	4,927,743	4,221,821	705,922	16.7
Interest and other fiscal charges	191,941	157,463	34,478	21.9
Total expenses	<u>\$16,725,644</u>	<u>\$16,923,053</u>	<u>\$ (197,409)</u>	(1.2)

The City's most significant expenses for the year ended March 31, 2022 were home and community services of \$4,927,743, or 29.5 percent of total expenses, public safety of \$4,912,680, or 29.4 percent of total expenses, and general government support of \$2,543,478, or 15.2 percent of total expenses. Similarly, for the year ended March 31, 2021 were public safety of \$6,253,233, or 37.0 percent of total expenses, home and community services of \$4,221,821, or 24.9 percent of total expenses, and transportation of \$2,259,652, or 13.4 percent of total expenses.

## Financial Analysis of the Governmental Funds

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

**Governmental funds**—The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, *unassigned fund balance* and *fund balance assigned to a 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 City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Common Council.

At March 31, 2022, the City’s governmental funds reported combined ending fund balances of \$5,464,817, an increase of \$587,644 in comparison with the prior year. Approximately 61.4 percent, or \$3,355,029, of this fund balance constitutes *unassigned fund balance* which is available for spending at the City’s discretion. The remainder of fund balance is *restricted, committed, or assigned* to indicate that it is 1) restricted for particular purposes, \$560,137, 2) committed to a particular purpose, \$107,951, or 3) assigned for particular purposes, \$1,441,700.

The General Fund is the chief operating fund of the City. At March 31, 2022, the *unassigned fund balance* of the General Fund was \$4,256,532, while the total fund balance increased to \$4,938,811. As a measure of the General Fund’s liquidity, it may be useful to compare both the *unassigned fund balance* and total fund balances to total fund expenditures and transfers out. *Unassigned fund balance* represents approximately 32.1 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 37.2 percent of that same amount. The total fund balance of the General Fund increased by \$1,237,149 during the current fiscal year, which compares to the planned use of \$460,003 of fund balance included with the original budget, which included an appropriated use of restricted fund balance.

The City’s Water Fund ending fund balance was \$866,515. Approximately 94.5 percent, \$818,760, of this amount is reported as fund balance assigned for subsequent year expenditures, as well as specific Water Fund use. The fund balance of the Water Fund decreased by \$147,002 during the year ended March 31, 2022 due to an increase in expenditures and transfers out.

The City’s Community Development Fund ending fund balance was \$355,205. All of the reported fund balance is restricted for specific Community Development Fund use. The fund balance of the Community Development Fund decreased by \$40,010 during the year ended March 31, 2022 due to expenditures outpacing revenues for the administration and projects ongoing.

The City’s Library Fund ending fund balance was \$205,789. The fund balance of the Library Fund decreased \$16,810 during the year ended March 31, 2022. The decrease is primarily due an increase transfers out to support future capital projects

The City’s Capital Projects Fund ending fund balance deficit was \$901,503 at March 31, 2022. During the year ended March 31, 2022, the fund balance decreased \$445,683 primarily due to an increase in capital outlay. The deficit will be eliminated as resources are obtained to make the schedule debt service principal and interest payments on the BANs or retire the BANs.



## General Fund Budgetary Highlights

The City'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 City has appropriately assigned an equal amount of fund balance at year-end for this purpose. Furthermore, the budget is allowed to be amended upward (increased) for additional current year appropriations supported by an increase in budgeted revenues. A budgetary comparison schedule within the required supplementary information section of this report has been provided to demonstrate compliance with their budget.

A summary of the General Fund results of operations for the year ended March 31, 2022 is presented below in Table 5.

**Table 5—General Fund Budget**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues and other financing sources	\$ 13,806,881	\$ 14,166,139	\$ 14,501,174	\$ 335,035
Expenditures and other financing uses	14,266,884	14,692,181	13,264,025	1,428,156
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (460,003)	\$ (526,042)	\$ 1,237,149	\$ 1,763,191

**Original budget compared to final budget**—During the year, there was a \$65,745 net increase between the original and final amended budget within the General Fund. This increase was primarily due to an increase in appropriations related to health and transportation that were partially offset by higher than estimated state and federal aid.

**Final budget compared to actual results**—A review of actual revenues and expenditures compared to the estimated revenues and appropriations in the final budget yields a variance in General Fund expenditures and transfers out of \$1,428,156 and a variance in General Fund revenues and other financing sources of \$335,035. The following are the main components of the variances:

- Transportation expenditures were \$542,447 less than the final budget primarily due to less than anticipated spending related to bus equipment.
- Public safety expenditures were \$245,699 less than the final budget due to less than anticipated fire department personnel costs.
- Employee benefit expenditures were \$147,289 less than the final budget due to less than anticipated spending on medical insurance.
- Non-property tax item revenues were \$693,565 more than the final budget due to more than anticipated sales and use tax.

## Capital Assets and Debt Administration

**Capital assets**—The City’s investment in capital assets for its governmental activities as of March 31, 2022, amounted to \$43,467,050 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, machinery and equipment, and infrastructure. All depreciable capital assets were depreciated by taking their historical cost, less any residual value, and dividing by the estimated life. One half of the annual depreciation is expensed in the year of acquisition, regardless of the actual purchase date, as outlined in the City’s capital asset policy.

Capital assets, net of accumulated depreciation, for the governmental activities, at the years ended March 31, 2022 and 2021 are presented below in Table 6.

**Table 6—Summary Capital Assets (Net of Accumulated Depreciation)**

	Governmental Activities	
	March 31,	
	2022	2021
Land	\$ 669,498	\$ 669,498
Construction in progress	6,755,137	10,409,539
Land improvements	4,420,456	4,356,243
Buildings	6,705,752	6,482,316
Machinery and equipment	3,403,202	3,139,009
Infrastructure	21,513,005	15,517,426
Total	<u>\$ 43,467,050</u>	<u>\$ 40,574,031</u>

Additional information on the City’s capital assets can be found in Note 4 to the financial statements.

**Long-term liabilities**—At March 31, 2022, the City had total long-term liabilities outstanding of \$24,167,220, as compared to \$31,464,565 at March 31, 2021. Of the total long-term debt outstanding at March 31, 2022, \$7,675,538 represents serial bonds issued by the City. A summary of the City’s long-term outstanding liabilities is presented in Table 7 below.

**Table 7—Summary of Long-Term Liabilities**

	Governmental Activities	
	March 31,	
	2022	2021
Serial bonds	\$ 7,675,538	\$ 8,286,544
Due to NYS retirement systems	100,193	149,309
Capital leases	232,063	355,002
OPEB obligation	14,589,563	15,996,381
Net pension liability	1,569,863	6,677,329
Total	<u>\$ 24,167,220</u>	<u>\$ 31,464,565</u>

The City’s most recent bond rating from Standard and Poor’s is A+. Additional information on the City’s long-term debt can be found in Note 11 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the City's budget for the year ending March 31, 2022, there are many other factors outside the City's control that exert significant influence on the budget. Some of these factors are as follows:

- The unemployment rate (not seasonally adjusted) for the County of Steuben, which encompasses the City, was 4.3 percent at March 31, 2022. This rate is lower than New York State's rate of 4.6 and higher than the national rate of 3.6 percent.
- During the City's budget process for the 2022-2023 fiscal year, the City's General Fund appropriated a total of \$368,000 of fund balance. This amount is reported as assigned to subsequent year's expenditures as of March 31, 2022.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Chamberlain's Office, City of Hornell, 82 Main Street, Hornell, New York 14843.

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## BASIC FINANCIAL STATEMENTS



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**CITY OF HORNELL, NEW YORK**  
**Statement of Net Position**  
**March 31, 2022**

	<b>Primary Government</b>
	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,173,885
Restricted cash and cash equivalents	2,716,643
Receivables (net of allowance for uncollectibles)	620,531
Taxes receivable	270,013
Loans receivable	188,096
Intergovernmental receivables	1,554,280
Capital assets not being depreciated	7,424,635
Capital assets, net of accumulated depreciation	36,042,415
Total assets	<u>52,990,498</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows—relating to pensions	7,064,696
Deferred outflows—relating to OPEB	1,368,068
Total deferred outflows of resources	<u>8,432,764</u>
<b>LIABILITIES</b>	
Accounts payable	280,579
Retainage payable	25,901
Accrued liabilities	227,049
Intergovernmental payable	360,591
Unearned revenue	425,742
Bond anticipation notes payable	2,785,000
Noncurrent liabilities:	
Due within one year	878,833
Due within more than one year	23,288,387
Total liabilities	<u>28,272,082</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows—relating to pensions	6,957,850
Deferred inflows—relating to OPEB	2,133,317
Total deferred inflows of resources	<u>9,091,167</u>
<b>NET POSITION</b>	
Net investment in capital assets	34,250,399
Restricted for:	
Public safety	47,300
Parklands/playgrounds	14,874
Repairs	47,755
Debt	12,770
Community Development	355,205
Special purpose	62,218
Tax stabilization	20,015
Unrestricted	(10,750,523)
Total net position	<u>\$ 24,060,013</u>

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



**CITY OF HORNELL, NEW YORK**  
**Statement of Activities**  
**Year Ended March 31, 2022**

					Net (Expense) Revenue and Changes in Net Position
Function/Program	Expenses	Program Revenues			Primary Government Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government support	\$ 2,543,478	\$ 115,796	\$ -	\$ -	\$ (2,427,682)
Public safety	4,912,680	67,704	222,766	-	(4,622,210)
Health	1,210,084	1,490,021	-	-	279,937
Transportation	1,028,419	67,450	845,954	3,394,441	3,279,426
Culture and recreation	1,911,299	14,645	-	-	(1,896,654)
Home and community services	4,927,743	2,501,543	464,385	740,439	(1,221,376)
Interest and other fiscal charges	191,941	-	-	-	(191,941)
Total primary government	<u>\$ 16,725,644</u>	<u>\$ 4,257,159</u>	<u>\$ 1,533,105</u>	<u>\$ 4,134,880</u>	<u>(6,800,500)</u>
General revenues:					
					4,780,952
					4,692,127
					49,748
					181,493
					131,507
					1,507,000
					<u>11,342,827</u>
					4,542,327
					<u>19,517,686</u>
					<u>\$ 24,060,013</u>

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

**CITY OF HORNELL, NEW YORK**  
**Balance Sheet—Governmental Funds**  
**March 31, 2022**

		Special Revenue				Total
	General	Water	Community Development	Library	Capital Projects	Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 3,146,635	\$ 789,311	\$ -	\$ 237,939	\$ -	\$ 4,173,885
Restricted cash and cash equivalents	582,919	47,755	208,462	-	1,877,507	2,716,643
Receivables:						
Accounts (net of allowance for uncollectibles)	488,645	131,886	-	-	-	620,531
Taxes	270,013	-	-	-	-	270,013
Loans	-	-	188,096	-	-	188,096
Intergovernmental receivables	1,526,464	-	-	-	27,816	1,554,280
Total assets	<u>\$ 6,014,676</u>	<u>\$ 968,952</u>	<u>\$ 396,558</u>	<u>\$ 237,939</u>	<u>\$ 1,905,323</u>	<u>\$ 9,523,448</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 152,309	\$ 81,122	\$ 280	\$ 25,042	\$ 21,826	\$ 280,579
Accrued liabilities	178,296	21,315	-	7,108	-	206,719
Intergovernmental payable	319,518	-	41,073	-	-	360,591
Unearned revenue	425,742	-	-	-	-	425,742
Bond anticipation notes payable	-	-	-	-	2,785,000	2,785,000
Total liabilities	<u>1,075,865</u>	<u>102,437</u>	<u>41,353</u>	<u>32,150</u>	<u>2,806,826</u>	<u>4,058,631</u>
<b>FUND BALANCES (DEFICIT)</b>						
Restricted	157,177	47,755	355,205	-	-	560,137
Committed	107,951	-	-	-	-	107,951
Assigned	417,151	818,760	-	205,789	-	1,441,700
Unassigned	4,256,532	-	-	-	(901,503)	3,355,029
Total fund balances (deficit)	<u>4,938,811</u>	<u>866,515</u>	<u>355,205</u>	<u>205,789</u>	<u>(901,503)</u>	<u>5,464,817</u>
Total liabilities and fund balances (deficit)	<u>\$ 6,014,676</u>	<u>\$ 968,952</u>	<u>\$ 396,558</u>	<u>\$ 237,939</u>	<u>\$ 1,905,323</u>	<u>\$ 9,523,448</u>

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

**CITY OF HORNELL, NEW YORK**  
**Reconciliation of the Balance Sheet—Governmental Funds**  
**to the Government-wide Statement of Net Position**  
**March 31, 2022**

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

Total fund balances (deficit)—governmental funds (page 15)	\$	5,464,817	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$124,498,454 and the accumulated depreciation is \$81,031,404.			43,467,050
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:			
Deferred outflows related to employer contributions	\$	1,282,412	
Deferred outflows related to experience, changes of assumptions, investment earnings, and changes in proportion		5,782,284	
Deferred inflows of resources related to pensions		<u>(6,957,850)</u>	106,846
Deferred outflows and inflows of resources related to other postemployment benefits ("OPEB") are applicable to future periods and, therefore, are not reported in the funds:			
Deferred outflows of resources related to OPEB	\$	1,368,068	
Deferred inflows of resources related to OPEB		<u>(2,133,317)</u>	(765,249)
Retained percentages are not a current liability and, therefore, are not reported in the funds.			(25,901)
Net accrued interest expense for serial bonds is not reported in the funds.			(20,330)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effects of these items are:			
Serial bonds	\$	(7,675,538)	
Due to NYS retirement systems		(100,193)	
Capital leases		(232,063)	
OPEB net obligation		(14,589,563)	
Net pension liability		<u>(1,569,863)</u>	<u>(24,167,220)</u>
Net position of governmental activities	\$		<u>24,060,013</u>

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

**CITY OF HORNELL, NEW YORK**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances (Deficit)—Governmental Funds**  
**Year Ended March 31, 2022**

		<b>Special Revenue</b>				<b>Total</b>
	<b>General</b>	<b>Water</b>	<b>Community Development</b>	<b>Library</b>	<b>Capital Projects</b>	<b>Governmental Funds</b>
<b>REVENUES</b>						
Real property taxes	\$ 4,028,802	\$ -	\$ -	\$ 334,848	\$ -	\$ 4,363,650
Other tax items	405,745	-	-	-	-	405,745
Non-property tax items	4,596,513	-	-	-	-	4,596,513
Departmental income	2,398,507	1,746,708	2,870	-	-	4,148,085
Use of money and property	49,163	216	5	43	321	49,748
Licenses and permits	74,979	-	-	-	-	74,979
Fines and forfeitures	34,095	-	-	-	-	34,095
Sale of property and compensation for loss	35,361	382	-	-	145,750	181,493
Miscellaneous	105,255	-	-	26,252	-	131,507
State aid	2,468,118	-	-	-	2,175,854	4,643,972
Federal aid	304,636	-	464,385	-	1,869,163	2,638,184
Total revenues	<u>14,501,174</u>	<u>1,747,306</u>	<u>467,260</u>	<u>361,143</u>	<u>4,191,088</u>	<u>21,267,971</u>
<b>EXPENDITURES</b>						
Current:						
General government support	1,268,261	103,574	-	-	-	1,371,835
Public safety	3,371,195	-	-	-	-	3,371,195
Health	1,053,726	-	-	-	-	1,053,726
Transportation	2,014,512	-	-	-	-	2,014,512
Culture and recreation	344,226	-	-	273,459	-	617,685
Home and community service	1,293,331	1,229,551	507,270	-	-	3,030,152
Employee benefits	3,093,036	352,370	-	34,494	-	3,479,900
Debt service:						
Principal	600,462	140,882	-	-	-	741,344
Interest	185,276	854	-	-	-	186,130
Capital outlay	-	-	-	-	4,821,247	4,821,247
Total expenditures	<u>13,224,025</u>	<u>1,827,231</u>	<u>507,270</u>	<u>307,953</u>	<u>4,821,247</u>	<u>20,687,726</u>
Excess (deficiency) of revenues over expenditures	<u>1,277,149</u>	<u>(79,925)</u>	<u>(40,010)</u>	<u>53,190</u>	<u>(630,159)</u>	<u>580,245</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Serial bond issued	-	-	-	-	7,399	7,399
Transfers in	-	-	-	-	177,077	177,077
Transfers out	(40,000)	(67,077)	-	(70,000)	-	(177,077)
Total other financing sources (uses)	<u>(40,000)</u>	<u>(67,077)</u>	<u>-</u>	<u>(70,000)</u>	<u>184,476</u>	<u>7,399</u>
Net change in fund balances	1,237,149	(147,002)	(40,010)	(16,810)	(445,683)	587,644
Fund balances (deficit)—beginning	3,701,662	1,013,517	395,215	222,599	(455,820)	4,877,173
Fund balances (deficit)—ending	<u>\$ 4,938,811</u>	<u>\$ 866,515</u>	<u>\$ 355,205</u>	<u>\$ 205,789</u>	<u>\$ (901,503)</u>	<u>\$ 5,464,817</u>

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

**CITY OF HORNELL, NEW YORK**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities**  
**Year Ended March 31, 2022**

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Amounts reported for governmental activities in the statement of activities (page 14) are different because:

Net change in fund balances (deficit)—total governmental funds (page 17) \$ 587,644

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 expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital asset additions	\$ 4,848,833	
Depreciation expense	<u>(1,955,814)</u>	2,893,019

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

Direct pension contributions	\$ 1,086,779	
Cost of benefits earned net of employee contributions	<u>(787,529)</u>	299,250

Deferred outflows and deferred inflows relating to OPEB result for 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.

Changes of assumptions	\$ (623,613)	
Differences between expected and actual experience	<u>(1,033,619)</u>	(1,657,232)

Governmental funds report retained percentages expenditures on construction contracts when the retained percentage is paid. However, in the statement of activities retained percentages on construction contracts is reported as an expense as it accrues. 235,578

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. (5,811)

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:

Serial bonds issued	\$ (7,399)	
Repayment of serial bonds	618,405	
Change in due to NYS retirement systems	49,116	
Capital lease payments	122,939	
Change in OPEB obligation	<u>1,406,818</u>	<u>2,189,879</u>

Change in net position of governmental activities \$ 4,542,327

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

**CITY OF HORNELL, NEW YORK**  
**Statement of Fiduciary Net Position—Custodial Fund**  
**March 31, 2022**

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	<u><b>Custodial Fund</b></u>
<b>ASSETS</b>	
Restricted cash and cash equivalents	\$    105,492
Total assets	<u>105,492</u>
<b>LIABILITIES</b>	
Accounts payable	<u>50</u>
Total liabilities	<u>50</u>
<b>NET POSITION</b>	
Restricted for fire insurance	<u><u>\$    105,442</u></u>

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

**CITY OF HORNELL, NEW YORK**  
**Statement of Changes in Fiduciary Net Position—Custodial Fund**  
**March 31, 2022**

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	<u><b>Custodial Fund</b></u>
<b>ADDITIONS</b>	
Interest income	\$ 11
Funds received on behalf of others	<u>15,998</u>
Total additions	<u>16,009</u>
 <b>DEDUCTIONS</b>	
Funds distributed on behalf of others	<u>15,672</u>
Total deductions	<u>15,672</u>
 Change in fiduciary net position	 337
 Net position—beginning	 <u>105,105</u>
Net position—ending	<u><u>\$ 105,442</u></u>

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

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**CITY OF HORNELL, NEW YORK**  
**Notes to the Financial Statements**  
**Year Ended March 31, 2022**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basis of financial statements of the City of Hornell, New York (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America 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 City’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 City. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are 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 for support. Likewise, the primary government is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The City reports no business-type activities or component units.

***Financial Reporting Entity***

The City, which was incorporated in 1888, is governed by the Charter of the City of Hornell, the General City Law and other laws of the State of New York and various local laws and ordinances. The Common Council, which is the legislative body responsible for the overall operation of the City, consists of ten aldermen. The Mayor serves as chief executive officer and the Chamberlain serves as chief fiscal officer of the City.

The City provides the following basic services: police and law enforcement, fire protection, street maintenance, culture and recreation, sanitation, water facilities and community development.

All governmental activities and functions performed for the City are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

***Related Organizations***—Although the following organizations, functions or activities are related to the City, they are not included in the City reporting entity.

The City of Hornell Industrial Development Agency (the “Agency”) is a Public Benefit Corporation created under Article 18-A, Title 1, of New York State General Municipal Law to promote the economic welfare, recreation opportunities and prosperity of the City’s inhabitants. Members of the Agency are appointed by the City Common Council. Agency members have complete responsibility for management of the Agency and accountability for fiscal matters. The City is not responsible for the Agency’s debt.

The City of Hornell Housing Authority (the “Housing Authority”) was established by the state legislature to provide for low rent housing in accordance with state and federal legislation. Housing Authority board members are approved by the City. Housing Authority members have complete responsibility for management and accountability for fiscal matters. The City is not responsible for the Housing Authority’s debt.

### ***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 its fiduciary fund, even though the latter is 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 City'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 City'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.

The City reports the following major governmental funds:

- *General Fund*—This fund constitutes the primary operating fund of the City and includes all operations not required to be recorded in other funds. The principal source of revenue for the General Fund is real property taxes.
- *Water Fund*—This fund is used to record all revenues and expenditures related to operation and maintenance of the City's water system. The principal source of revenue for the Water Fund is departmental income.
- *Community Development Fund*—This fund is used to record all revenues and expenditures related to various development activities within the City. The principal source of revenue for the Community Development Fund is federal aid.
- *Library Fund*—This fund is used to record all revenues and expenditures related to the operation of the City's public library. Revenue sources arise from real property taxes and transfers. The principal source of revenue for the Library Fund is real property taxes.
- *Capital Projects Fund*—This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities. The principal source of revenue for the Capital Projects Fund are federal and state grants, bond proceeds, and transfers from the City's operating funds.

Additionally, the City reports the following fund type:

- *Custodial Fund*—These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. 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 *Custodial Fund*. Activities reported in the fiduciary funds include monies from outside entities, controlled and administered by the County for the benefit of others.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to 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 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 the 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 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 City considers revenues to be available if they are 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, other postemployment benefits, 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 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. 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

The Custodial 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 and Cash Equivalents***—Cash and cash equivalents include cash on hand, demand deposits, time deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash and have a maturity date within 90 days of the City's fiscal year end.

***Restricted Cash and Cash Equivalents***—Represent unspent proceeds from debt, as well as restricted fund balances, amounts to support unearned revenue, and amounts held on behalf of others.

**Investments**—Permissible investments include obligations of the U.S. Treasury and U.S. agencies and repurchase agreements. There were no investments at March 31, 2022; however, it is the City’s policy to state investments at fair value, when applicable.

**Receivables**—Receivables are recorded and revenues are recognized as earned. Allowances are recorded when appropriate.

**Capital Assets**—Capital assets, which include land, land improvements, buildings, machinery and equipment and infrastructure assets (e.g. roads, bridges, drainage systems and similar items) are reported in the applicable governmental activities in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Land and construction in progress are not depreciated. The other capital assets of the City are depreciated using the straight line method over the estimated useful lives presented below:

Assets	Years
Buildings	40
Land improvements	20
Machinery and equipment	5-20
Infrastructure:	
Dams and drainage systems	100
Water and sewer systems	50
Traffic control systems	40
Bridges and culverts	50
Roads	20

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in other funds are included in the appropriate functional category (i.e. purchase of new highway equipment as part of *expenditures–transportation*). At times, amounts reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (i.e. furnishings).

**Unearned Revenues**—Certain revenues have not met the revenue recognition criteria for financial statement purposes. At March 31, 2022, the City reported \$425,742 of unearned revenue in the General Fund for unspent American Rescue Plan Act funds.

**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 March 31, 2022, the City has two items that qualify for reporting in this category that are reported in the government-wide financial statements. The first item represents the effect of the net change in the City’s proportion of the collective net pension liability, and the difference during the measurement period between the City’s contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense and any contributions made to the pension systems subsequent to the measurement date. The second item represents the effects of the change in the City’s proportion of the collective OPEB liability and difference 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 OPEB liability.

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 March 31, 2022, the City has two items that qualify for reporting in this category. These items are reported in the government-wide financial statements. The first item represents the net change in the City's proportion of the collective net pension liability and the difference during the measurement periods between the City's contribution and its proportionate share of the total contributions to the pension system not included in the pension expense. The second item represents the effects of the change in the City's proportion of the collective OPEB liability and difference 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 OPEB liability.

***Net Position Flow Assumption***—Sometimes the City 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 amount 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 City's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

***Fund Balance Flow Assumptions***—Sometimes the City 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 balances 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 City's policy to consider restricted fund balances. 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 City 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 included amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The Common Council is the highest level of decision-making authority for the City that can, by resolution approved prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The Common Council has by resolution authorized the Mayor to assign fund balance. The Common Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue 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, 2) grants and contributions (including special assessments) 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**—Steuben County prepares the levy, tax rolls and billings for the City of Hornell real property taxes. On April 1 of each year, or upon receipt of the tax warrant, property taxes become a lien on the property.

Tax payments are due within 30 days of delivery of the tax warrant without penalty; a 1% penalty is added for taxes paid the next fifteen days; 2% for the next 15 days; 6% for the next 15 days; 8% for the next 15 days and 10% thereafter. The City enforces all liens.

The Steuben County Legislature prepares its levy in late December of each year and the taxes are mailed January 1 and become due January 31. The tax roll is returned to the Steuben County Commissioner of Finance on April 1, at which time all unpaid taxes and penalties are payable to that office. The City has no further liability for collection of County taxes.

The City also collects property taxes for Steuben County and various school districts within the City's limits. School taxes are levied on October 1 each year and become due on October 31. The County of Steuben assumes full enforcement responsibility for taxes levied by the Hornell City School District on properties within the City.

**Compensated Absences**—Most City employees are granted vacation and sick leave and earn compensatory absences in varying amounts. Vacations and compensatory absences must be used by the end of the fiscal year in which they are earned. Employees may accumulate sick leave, but they are not entitled to receive payment for unused sick leave in the event of termination or upon retirement.

Payment of compensated absences recorded in the government-wide financial statements is dependent on many factors; therefore, the timing of future payments is not readily determinable. However, management believes that sufficient resources will be available for the payment of compensated absences when such payments become due.

**Pensions**—The City is mandated by New York State law to participate in the New York State Local Employees' Retirement System ("ERS") and the New York State Police and Fire Retirement System ("PFRS"). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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 City provides health insurance coverage and/or payments for fractional values of unused sick leave for certain retired employees at the time of retirement as discussed in Note 7.

#### **Other**

**Estimates**—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States required management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows of resources and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expense/expenditures during the reporting period. Actual results could differ from those estimates.

***Adoption of New Accounting Pronouncements***—During the year ended March 31, 2022, the City implemented GASB Statements No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; No. 91, *Conduit Debt Obligations*; No. 93, *Replacement of Interbank Offered Rates*; and No. 98, *The Annual Comprehensive Financial Report*. GASB Statement No. 89 enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for certain interest costs. GASB Statement No. 91 clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 93 addresses those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (“IBOR”). GASB Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR, which replaces the acronym for comprehensive annual financial report. The implementation of GASB Statements No. 89, 91, 93, and 98 did not have a material impact on the City’s financial position or results from operations.

***Future Impacts of Accounting Pronouncements***—The City has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 87, *Leases*, effective for the year ending March 31, 2023, No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; No. 96, *Subscription-Based Information Technology Arrangements*; and No. 99, *Omnibus 2022*, effective for the year ending March 31, 2024, and No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*; and No. 101, *Compensated Absences*, effective for the year ending March 31, 2025. The City is, therefore, unable to disclose the impact that adopting GASB Statements No. 87, 94, 96, 99, 100, and 101 will have on its financial position and results of operations when such statements are adopted.

### ***Stewardship, Compliance and Accountability***

***Legal Compliance—Budgets***—The City follows these procedures in establishing most of the budgetary data reflected in the financial statements:

- On the first day of February in each year, department heads submit their tentative departmental budgets to the Common Council for the fiscal year commencing the following April 1. The Common Council has the power to reduce any estimate submitted to them.
- After public hearings are conducted to obtain taxpayer comments, the Common Council adopts the budget no later than March 31 of each year. Notices of the original estimates along with revisions are published in the official newspaper.
- Formal annual budgetary accounts are adopted and employed for control of the General, Water and Library Funds detailed to the department level. These budgets are adopted on a basis consistent with generally accepted accounting principles accepted in the United States of America. A form of encumbrance accounting is employed as an extension of budgetary control in all governmental funds, under which certain contracts and other commitments outstanding at year-end for the expenditure of monies (encumbrances) are recorded as an assignment of fund balance. All unencumbered appropriations lapse at the end of the fiscal year. On January 1, encumbrance assignments outstanding at year-end are reappropriated to the ensuing year’s original budget.
- Capital Projects Fund and Community Development Fund appropriations are not included in the City’s annual budget. Instead appropriations are approved through Common Council resolution at the projects’ inception and lapse upon termination of the project.

**Deficit Fund Balances**—At March 31, 2022, the Capital Projects Fund, a major governmental fund, has a deficit fund balance of \$901,503. The primary reason for this deficit is that the City issued bond anticipation notes (“BANs”), which do not qualify for treatment as a long-term liability. Accordingly, the BANs are reported as a fund liability in the Capital Projects Fund balance sheet (rather than an inflow on the statement of revenues, expenditures, and changes in fund balances). When the cash from the BANs is spent, expenditures are reported and fund balance is reduced. Since the BANs are the main source of resources for the fund, the result is an overall fund deficit. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANs or retire the BANs.

## 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The City’s investment policies are governed by New York State statutes. The City may use FDIC-insured commercial banks or trust companies located within the State. The City Chamberlain is authorized to use demand accounts and certificates of deposit. Investments with maturities of less than three months are considered to be cash equivalents.

Collateral is required for demand deposits and certificates of deposit in an amount equal to or greater than the amount of all deposits not covered by federal deposit insurance. The City 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 and restricted cash and cash equivalents at March 31, 2022 are as follows:

	Governmental Activities	Fiduciary Fund	Total
Petty cash (uncollateralized)	\$ 860	\$ -	\$ 860
Deposits	6,889,668	105,492	6,995,160
Total	<u>\$ 6,890,528</u>	<u>\$ 105,492</u>	<u>\$ 6,996,020</u>

**Deposits**—All deposits are carried at fair value and are classified by custodial risk at March 31, 2022 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 500,000	\$ 500,000
Uninsured:		
Collateral held by pledging bank's agent in the City's name	6,805,735	6,495,160
Total deposits	<u>\$ 7,305,735</u>	<u>\$ 6,995,160</u>

**Custodial Credit Risk—Deposits**—In the case of deposits, this is the risk that in the event of a bank failure, the City’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 March 31, 2022, all uninsured bank deposits were fully collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name.



**Restricted Cash and Cash Equivalents**—The City’s governmental activities report unspent proceeds of debt, amounts to support unearned revenue, and amounts to support restricted fund balances as restricted cash and cash equivalents totaling \$2,716,643. The City also reports restricted cash of \$105,492 for cash that is restricted for purposes of the Custodial Fund.

**Investments**—The City had no investments at March 31, 2022.

**Interest Rate Risk**—In accordance with its investment policy, the City manages exposure by limiting investments to low risk type investments governed by New York State statute.

### 3. RECEIVABLES

Revenues accrued by the City at March 31, 2022 consisted of the following:

**Accounts Receivable**—Accounts receivable and their respective allowance for doubtful accounts, of the City at March 31, 2022 consisted of the following:

General Fund:		
Ambulance billings	\$ 1,262,057	
Allowance for doubtful accounts	(998,051)	
Garbage billings	29,558	
Sewer billings	5,896	
Other	<u>189,185</u>	\$ 488,645
Water Fund:		
Water billings		<u>131,886</u>
Total governmental funds		<u>\$ 620,531</u>

**Taxes Receivable**—Represents unpaid taxes collected on behalf of Steuben County. At March 31, 2022, the General Fund reported taxes receivable of \$270,013. These amounts are offset by a corresponding intergovernmental payable within the General Fund.

**Loans Receivable**—Represents outstanding loans made by the City’s Department of Community Development under the Community Development Block Grant (“CDBG”). These loans are made to local businesses for economic development and to local homeowners living in areas of blight for the rehabilitation of their homes. Principal balances outstanding at March 31, 2022 amounted to \$188,096.

Loans receivable are offset by restricted fund balance as they represent funds which are legally or contractually required to be maintained intact. Undisbursed funds associated with CDBG loans are maintained in a separate interest bearing bank account and reported as restricted cash in the Community Development Fund. The restricted cash balance on undisbursed CDBG loans is also offset by restricted fund balance as it represents funds which are subject to externally enforceable legal restrictions.

***Intergovernmental Receivables***—Represents amounts due from other units of government, such as Federal, New York State, County of Steuben or other local governments. Intergovernmental receivables at March 31, 2022 are shown below:

Governmental funds:

General Fund:

Steuben County - property and sales tax	\$ 1,352,721	
State Transit Operating Assistance	99,137	
Federal - CARES Act	60,863	
State - Court Aid	6,045	
State - Bulletproof Vest Program	1,002	
Miscellaneous	<u>6,696</u>	\$ 1,526,464

Capital Projects Fund:

State - Canisteo bridge	\$ 20,417	
State/Federal - Environmental Facilities Corporation	<u>7,399</u>	<u>27,816</u>
Total governmental funds		<u>\$ 1,554,280</u>

#### 4. CAPITAL ASSETS

Capital asset activity for the City's governmental activities for the year ended March 31, 2022 is as follows:

	Balance 4/1/2021	Increases	Decreases	Balance 3/31/2022
Capital assets, not being depreciated:				
Land	\$ 669,498	\$ -	\$ -	\$ 669,498
Construction in progress	<u>10,409,539</u>	<u>3,412,835</u>	<u>7,067,237</u>	<u>6,755,137</u>
Total capital assets, not being depreciated	<u>11,079,037</u>	<u>3,412,835</u>	<u>7,067,237</u>	<u>7,424,635</u>
Capital assets, being depreciated				
Land improvements	7,534,165	281,629	-	7,815,794
Buildings	12,477,777	503,997	-	12,981,774
Machinery and equipment	15,301,501	701,947	-	16,003,448
Infrastructure	<u>73,257,141</u>	<u>7,015,662</u>	<u>-</u>	<u>80,272,803</u>
Total capital assets, being depreciated	<u>108,570,584</u>	<u>8,503,235</u>	<u>-</u>	<u>117,073,819</u>
Less accumulated depreciation for:				
Land improvements	3,177,922	217,416	-	3,395,338
Buildings	5,995,461	280,561	-	6,276,022
Machinery and equipment	12,162,492	437,754	-	12,600,246
Infrastructure	<u>57,739,715</u>	<u>1,020,083</u>	<u>-</u>	<u>58,759,798</u>
Total accumulated depreciation	<u>79,075,590</u>	<u>1,955,814</u>	<u>-</u>	<u>81,031,404</u>
Total capital assets, being depreciated, net	<u>29,494,994</u>	<u>6,547,421</u>	<u>-</u>	<u>36,042,415</u>
Governmental activities capital assets, net	<u>\$ 40,574,031</u>	<u>\$ 9,960,256</u>	<u>\$ 7,067,237</u>	<u>\$ 43,467,050</u>

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

General government support	\$ 234,142
Public safety	575,388
Health	179,848
Transportation	343,832
Culture and recreation	105,425
Home and community service	<u>517,179</u>
Total	<u>\$ 1,955,814</u>

## 5. ACCRUED LIABILITIES

Accrued liabilities reported by the City's governmental funds at March 31, 2022 were as follows:

	General	Water	Library	Total Governmental Funds
Salaries and employee benefits	\$ 175,346	\$ 21,315	\$ 7,108	\$ 203,769
Other liabilities	<u>2,950</u>	<u>-</u>	<u>-</u>	<u>2,950</u>
Total accrued liabilities	<u>\$ 178,296</u>	<u>\$ 21,315</u>	<u>\$ 7,108</u>	<u>\$ 206,719</u>

## 6. PENSION PLANS

### *Plan Descriptions and Benefits Provided*

**Police and Fire Retirement System ("PFRS") and Employees' Retirement System ("ERS")**—The City participates in the PFRS and ERS (the "Systems"). The Systems provide retirement benefits as well as death and disability benefits. The net position of the Systems are held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all assets and record changes in fiduciary net position allocated to the Systems. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the Systems. System 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 the System, 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 City also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. The Systems are included in the State's financial report as a pension trust fund. That report, including information with regards to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://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 the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS), who generally contribute three percent (3%) 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. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***—At March 31, 2022, the City reported the following liabilities for its proportionate share of the net pension liabilities for PFRS and ERS. The net pension liabilities were measured as of March 31, 2021. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2020, with update procedures used to roll forward the total net pension liabilities to the measurement date. The City's proportion of the net pension liabilities were based on projections of the City's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the City.

	<u>PFRS</u>	<u>ERS</u>
Measurement date	March 31, 2021	March 31, 2021
Net pension liability	\$ 1,562,637	\$ 7,226
City's portion of the Plan's total net pension liability	0.0899994%	0.0072572%

For the year ended March 31, 2022, the City recognized pension expenses of \$774,988 and \$208,174, respectively, for PFRS and ERS. At March 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources below:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>PFRS</u>	<u>ERS</u>	<u>PFRS</u>	<u>ERS</u>
Difference between expected and actual experiences	\$ 346,741	\$ 88,252	\$ -	\$ -
Changes of assumptions	3,839,230	1,328,680	-	25,059
Net difference between projected and actual earnings on pension plan investments	-	-	4,594,843	2,075,814
Changes in proportion and differences between the City's contributions and proportionate share of contributions	60,731	118,650	225,132	37,002
City contributions subsequent to the measurement date	<u>928,794</u>	<u>353,618</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,175,496</u>	<u>\$ 1,889,200</u>	<u>\$ 4,819,975</u>	<u>\$ 2,137,875</u>

City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending March 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending March 31,</u>	<u>PFRS</u>	<u>ERS</u>
2023	\$ (244,649)	\$ (87,797)
2024	(56,205)	(19,202)
2025	(180,546)	(101,994)
2026	(842,978)	(393,300)
2027	751,105	-

**Actuarial Assumptions**—The total pension liabilities as of the measurement date were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liabilities to the measurement date. The actuarial valuations used the actuarial assumptions as presented below:

	PFRS	ERS
Measurement date	March 31, 2021	March 31, 2021
Actuarial valuation date	April 1, 2020	April 1, 2020
Interest rate	5.9%	5.9%
Salary scale	4.4%	6.2%
Decrement tables	April 1, 2015- March 31, 2020	April 1, 2015- March 31, 2020
Inflation rate	2.7%	2.7%
Cost-of-living adjustments	1.4%	1.4%

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2020. The actuarial assumptions used in the April 1, 2020 valuations 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 below:

	PFRS and ERS	
	Target Allocation	Long-Term Expected Real Rate of Return
Measurement date	March 31, 2021	
Asset class:		
Domestic equities	32.0 %	4.1 %
International equity	15.0	6.3
Private equity	10.0	6.8
Real estate	9.0	5.0
Opportunistic/absolute return strategy	3.0	4.5
Credit	4.0	3.6
Real assets	3.0	6.0
Fixed income	23.0	0.0
Cash	1.0	0.5
Total	<u>100 %</u>	

**Discount Rate**—The discount rate used to calculate the total pension liabilities was 5.9%. 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 below presents the City’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 5.9%, as well as what the City’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 (4.9%) or one percentage-point higher (6.9%) than the current assumption.

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension liability/(asset)—PFRS	\$ 6,645,214	\$ 1,562,637	\$ (2,644,423)
Employer's proportionate share of the net pension liability/(asset)—ERS	2,005,737	7,226	(1,835,868)

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

	(Dollars in Thousands)		
	PFRS	ERS	Total
Valuation date	March 31, 2021	March 31, 2021	
Employers' total pension liability	\$ 41,236,775	\$ 220,680,157	\$ 261,916,932
Plan fiduciary net position	39,500,500	220,580,583	260,081,083
Employers' net pension liability	<u>\$ 1,736,275</u>	<u>\$ 99,574</u>	<u>\$ 1,835,849</u>
System fiduciary net position as a percentage of total pension liability	95.8%	100.0%	99.3%

## 7. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

***Plan Description***—The City may pay for a portion of eligible retirees’ health insurance depending on the type of health plan provided. The plan is a single-employer defined benefit healthcare Plan administered by the City. Eligibility for post-employment benefits depends upon union group as follows: (1) *The City Building Employee’s Association*—employee must be eligible under the rules and regulation of NYSERS, (2) *Hornell Police Association*—employee must have 20 years of service and be eligible under the rules and regulations of NYSPFRS, (3) *Hornell Firefighters Association Local 835*—employee must have 20 years of service and be eligible under the rules and regulations of NYSPFRS, (4) *The Department of Public Works Association*—employee must be eligible under the rules and regulation of NYSERS, and (5) *Water and Waste Water Treatment Plant Operators*—employee must be eligible under the rules and regulation of NYSERS. The plan does not issue a stand-alone financial report. Authorization for the City to pay a portion of retiree health insurance premiums was enacted through a union contract, which was ratified by the City’s Common Council. Upon retirement, the City pays 50% of the cost of the medical and dental plan in effect at the time of retirement for the employee and 35% of the dependent coverage. The City pays 35% for individual or family coverage for surviving spouses and their dependents.

**Employees Covered by Benefit Terms**—At March 31, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	84
Active employees	<u>70</u>
Total	<u>154</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 (“UAAL”) under GASB Statement No. 45.

***Total OPEB Liability***

The City’s total OPEB liability of \$14,589,563 was measured as of March 31, 2022, and was determined by an actuarial valuation as of April 1, 2021.

**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 April 1, 2021 actuarial valuation, the Entry Age Normal Method, over a level percent of pay, was used. The single discount rate changed from 2.00% effective April 1, 2021 to 1.84% effective March 31, 2022. The salary scale changed from 3.11% effective April 1, 2021 to 3.44% for the fiscal year ending March 31, 2022. The initial healthcare rate as of April 1, 2021 was 6.10%, while the ultimate healthcare cost trend rate is 4.37%. Mortality rates are based on Pub-2010 Public Retirement Plans Mortality Tables, Headcount-Weighted, without separate Contingent Survivor mortality, fully generational using scale MP-2021.

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

	Total OPEB Liability
Balance at March 31, 2021	<u>\$ 15,996,381</u>
Changes for the year:	
Service cost	450,284
Interest	321,775
Changes of assumptions	1,348,925
Difference between expected and actual experience	(3,169,903)
Benefit payments	<u>(357,899)</u>
Net changes	<u>(1,406,818)</u>
Balance at March 31, 2022	<u><u>\$ 14,589,563</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 OPEB liability. The following table presents the effect a 1% change in the discount rate assumption would have on the OPEB liability.

	1% Decrease (0.84%)	Current Discount Rate (1.84%)	1% Increase (2.84%)
Total OPEB liability	\$ 17,298,605	\$ 14,589,563	\$ 12,485,755

***Additionally***, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the OPEB liability of a 1% change in the initial (6.10%)/ultimate (4.37%) healthcare cost trend rates.

	1% Decrease (5.10%/3.37%)	Healthcare Cost Trend Rates (6.10%/4.37%)	1% Increase (7.10%/5.37%)
Total OPEB liability	\$ 12,204,811	\$ 14,589,563	\$ 17,701,427

***Funding Policy***—Authorization for the City to pay a portion of retiree health insurance premiums was enacted through various union contracts as specified above, which were ratified by the City Council. The City recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. City governmental activities contributions \$357,899 for the fiscal year ended March 31, 2022. For the year ended March 31, 2022, the City's governmental activities recognized OPEB expense of \$589,296. The City's contributions to the OPEB plan are based on negotiated contracts with five bargaining units, as discussed in Note 14. Any amendments to the employer's contributions are subject to the collective bargaining agreements.

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***—The City reports deferred inflows and deferred outflows of resources due to actuarial gains due to plan experience or changes in assumptions and other inputs. The table below presents the City's deferred inflows and deferred outflows of resources at March 31, 2022.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,133,317
Changes of assumptions	1,279,576	-
Benefit payments subsequent to the measurement date	88,492	-
Total	<u>\$ 1,368,068</u>	<u>\$ 2,133,317</u>

City benefit payments subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending March 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

<u>Year Ending March 31,</u>	
2023	\$ (433,515)
2024	(420,226)



## 8. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The City purchases commercial insurance to cover such potential risks. The liability insurance limits are as follows: commercial property coverage with a blanket limit of \$38,409,418, general liability coverage with a general aggregate limit of \$3,000,000, employee benefits coverage with a liability limit of \$1,000,000, commercial automobile coverage with a liability limit of \$1,000,000, commercial inland marine coverage with a scheduled equipment limit of \$5,666,147, commercial umbrella coverage with a general aggregate limit of \$10,000,000, public official and police professional liability coverage with a liability limit of \$1,000,000, crime coverage with employee dishonesty limit per employee of \$20,000, excess limit for CFO of \$50,000, and money and securities limit of \$5,000, owners and contractors protective coverage with a liability limit of \$1,000,000 and airport liability coverage with a general aggregate limit of \$2,000,000.

There have not been any significant changes in any type of insurance coverage from the prior year, nor have there been any settlements which have exceeded insurance coverage in the past three fiscal years.

## 9. LEASES

**Capital Leases**—The City has entered into lease agreements as lessee for financing the acquisition of certain machinery and equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through the City's capital leases are presented below:

	<u>Governmental Activities</u>
Assets:	
Sewer Truck	\$ 174,250
Less: accumulated depreciation	(91,392)
Streetsweeper	143,605
Less: accumulated depreciation	(143,605)
Police & Streets Vehicles	195,102
Less: accumulated depreciation	(60,969)
Ambulance	118,705
Less: accumulated depreciation	<u>(22,257)</u>
Total	<u>\$ 313,439</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of March 31, 2022 are as follows:

Year Ending March 31,	Governmental Activities
2023	\$ 136,431
2024	65,524
2025	23,055
2026	23,056
Total minimum lease payments	248,066
Less: amount representing interest	(16,003)
Present value of minimum lease payments	<u>\$ 232,063</u>

## 10. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANS”) are generally accounted for in the Capital Projects Fund. Principal payments on BANS must be made annually. State law requires that BANS issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANS used for assessable improvement projects may be renewed for periods equivalent to the life of the permanent financing, provided that the annual reductions of principal are made.

A summary of changes in the City’s short-term debt for the year ended March 31, 2022 is presented below:

Description	Issue/ Maturity	Interest Rate	Balance 4/1/2021	Issues	Redemptions	Balance 3/31/2022
Capital Projects Fund:						
Various capital projects	2020/2021	1.85%	\$ 2,350,000	\$ -	\$ 2,350,000	\$ -
Various capital projects	2021/2022	0.39%	-	2,785,000	-	2,785,000
Total			<u>\$ 2,350,000</u>	<u>\$ 2,785,000</u>	<u>\$ 2,350,000</u>	<u>\$ 2,785,000</u>

## 11. LONG-TERM OBLIGATIONS

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 issues 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 City’s outstanding long-term liabilities include serial bonds, due to New York State (“NYS”) retirement systems, capital leases, other postemployment benefits (“OPEB”) obligation, and net pension liability. The serial bonds of the City are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the City's long-term liabilities for the year ended March 31, 2022 is presented below:

	Balance 4/1/2021	Additions	Deletions	Balance 3/31/2022	Due Within One Year
Serial bonds	\$ 8,286,544	\$ 7,399	\$ 618,405	\$ 7,675,538	\$ 710,905
Due to NYS					
retirement systems	149,309	-	49,116	100,193	40,469
Capital leases	355,002	-	122,939	232,063	127,459
OPEB obligation	15,996,381	2,120,984	3,527,802	14,589,563	-
Net pension liability*	6,677,329	-	5,107,466	1,569,863	-
Total	<u>\$ 31,464,565</u>	<u>\$ 2,128,383</u>	<u>\$ 9,425,728</u>	<u>\$ 24,167,220</u>	<u>\$ 878,833</u>

\*Reductions to the net pension liability are shown net of additions.

**Serial Bonds**—The City issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities. 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 5 to 30 years.

On January 4, 2018, the City entered into an agreement with the Environmental Facilities Corporation to issue bond anticipation notes at an amount not to exceed \$3,870,000. The long-term bond anticipation notes mature on January 21, 2023. The total balance reported as a long-term liability at March 31, 2022 is \$3,870,000. Timing of payments and interest rates have not been finalized as of March 31, 2022.

On January 21, 2021, the City entered into an agreement with the Environmental Facilities Corporation to issue bond anticipation notes at an amount not to exceed \$5,858,200. The long-term bond anticipation notes mature on January 21, 2026. During the year ended March 31, 2022 the City drew down \$7,399. The total balance reported as a long-term liability at March 31, 2022 is \$77,399. Timing of payments and interest rates have not been finalized as of March 31, 2022.

A default will have occurred if the payment of principal or interest are not paid when due and payable.

If there is an occurrence of an event of default on the EFC notes payable, 12% per annum may be charged on the amount due and payable until such sum has been paid in full to the Corporation.

The City does not have any lines of credit.

A summary of additions and payments of the City's bond indebtedness for the year ended March 31, 2022 is shown below:

Description	Original Issue Amount	Year of Issue/ Maturity	Interest Rate	Balance 4/1/2021	Increases	Decreases	Balance 3/31/2022
Public improvements	\$ 1,200,000	2004/2022	4.2%	\$ 185,000	\$ -	\$ 90,000	\$ 95,000
Public improvements	2,275,000	2007/2024	4.0-4.5%	515,000	-	165,000	350,000
Water improvements	2,463,432	2007/2026	0.0%	645,000	-	129,000	516,000
WPCP improvements	2,343,470	2016/2014	0.2-4.3%	1,940,000	-	65,000	1,875,000
WPCP improvements	295,020	2016/2028	0.6-2.2%	195,000	-	25,000	170,000
Ladder truck	424,000	2018/2025	2.9%	242,500	-	60,500	182,000
Public improvements	349,654	2019/2027	3.95%	262,244	-	43,705	218,539
Public improvements	402,000	2020/2029	3.95%	361,800	-	40,200	321,600
EFC notes 2021 - WPCP	5,858,200	2021/2026	0.00%	70,000	7,399	-	77,399
EFC notes 2021 - WTP	3,870,000	2018/2023	0.00%	3,870,000	-	-	3,870,000
Total				<u>\$ 8,286,544</u>	<u>\$ 7,399</u>	<u>\$ 618,405</u>	<u>\$ 7,675,538</u>

**Due to NYS Retirement Systems**—The City's retirement liability does not represent an outflow of expendable financial resources and, accordingly, has been recorded as a long-term obligation. The City's total unpaid liability to the New York State Retirement Systems at March 31, 2022 is \$100,193. The final maturity of this debt is in the City's fiscal year ending March 31, 2025.

**Capital Leases**—The City has entered into lease agreements as lessee for financing the acquisition of certain machinery and equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The outstanding balance at March 31, 2022 was \$232,063. Refer to Note 9 for additional information related to the City's capital leases.

**OPEB Obligation**—As explained in Note 7, the City provides health insurance coverage for retirees. The long-term OPEB liability is estimated to be \$14,589,563 as of March 31, 2022.

**Net Pension Liability**—The City reports a liability for its proportionate share of the net pension liability for the Police and Fire Retirement System and Employees' Retirement System. The total net pension liability is estimated to be \$1,569,863 in the governmental activities. Typically, the General, Water, Community Development, and Library Funds that pay NYS retirement have been used to liquidate this liability within governmental funds. Refer to Note 6 for additional information related to the City's net pension liability.

The following is a maturity schedule of the City's indebtedness:

Year Ending March 31,	Serial Bonds	Due to NYS Retirement Systems	Capital Leases	OPEB Obligation	Net Pension Liability	Total
2023	\$ 710,905	\$ 40,469	\$ 127,459	\$ -	\$ -	\$ 878,833
2024	548,405	41,867	61,305	-	-	651,577
2025	368,905	17,857	21,194	-	-	407,956
2026	307,905	-	22,105	-	-	330,010
2027	178,919	-	-	-	-	178,919
2028-2032	535,600	-	-	-	-	535,600
2033-2037	410,000	-	-	-	-	410,000
2038-2042	445,000	-	-	-	-	445,000
2043-2047	300,000	-	-	-	-	300,000
2048 and thereafter*	3,869,899	-	-	14,589,563	1,569,863	20,029,325
Total	<u>\$ 7,675,538</u>	<u>\$ 100,193</u>	<u>\$ 232,063</u>	<u>\$ 14,589,563</u>	<u>\$ 1,569,863</u>	<u>\$ 24,167,220</u>

\*The timing of payments on EFC notes has not been finalized.

The interest requirements for the City's outstanding serial bonds is as follows:

Fiscal Year Ending March 31,	Interest
2023	\$ 99,941
2024	85,413
2025	76,383
2026	71,061
2027	67,197
2028-2032	282,041
2033-2037	207,877
2038-2042	121,414
2043-2047	26,028
Total	<u>\$ 1,037,355</u>

## 12. 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 including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to acquisition, construction or improvement of these assets reduce the balance in this category. The table on the following page presents a reconciliation of the City's governmental activities net investment in capital assets.

Capital assets, net of accumulated depreciation		\$ 43,467,050
Related debt:		
Serial bonds	\$ (7,675,538)	
Bond anticipation notes	(2,785,000)	
Capital leases	(232,063)	
Unspent debt proceeds	<u>1,475,950</u>	<u>(9,216,651)</u>
Net investment in capital assets		<u>\$ 34,250,399</u>

- **Restricted Net Position**—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions and enabling legislation. The total restricted component of net position of \$560,137 is restricted for public safety, parklands/playgrounds, repairs, unspent debt proceeds, community development, special purpose, and tax stabilization in the amounts of \$47,300, \$14,874, \$47,755, \$12,770, \$355,205, \$62,218 and \$20,015, respectively, within governmental activities.
- **Unrestricted Net Position**—This category represents net position of the City 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. At March 31, 2022, the City reported no nonspendable fund balance.

In the fund financial statements, restricted fund balances are amounts with external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions and enabling legislation. Restricted fund balances maintained by the City at March 31, 2022 are presented as follows:

	General	Water	Community Development	Total
Public safety	\$ 47,300	\$ -	\$ -	\$ 47,300
Parklands/playgrounds	14,874	-	-	14,874
Repairs	-	47,755	-	47,755
Debt	12,770	-	-	12,770
Community development	-	-	355,205	355,205
Special purpose	62,218	-	-	62,218
Tax stabilization	<u>20,015</u>	<u>-</u>	<u>-</u>	<u>20,015</u>
Total restricted fund balance	<u>\$ 157,177</u>	<u>\$ 47,755</u>	<u>\$ 355,205</u>	<u>\$ 560,137</u>

- **Public Safety**—According to General Municipal Law Section 6-c, represents funds accumulated to finance all or part of the cost of construction, reconstruction or acquisition of specific items or types of capital improvements or acquisition of specific items or types of equipment for public safety purposes.
- **Parklands/Playgrounds**—According to General Municipal Law Section 6-c, represents funds accumulated to finance all or part of the cost of construction, reconstruction or acquisition of specific items or types of capital improvements or acquisition of specific items or types of equipment for Parklands/Playgrounds purposes.

- **Repairs**—According to General Municipal Law Section 6-d, this restriction represents funds accumulated to pay the cost of certain repairs of capital improvements or equipment related to the Water Fund.
- **Debt**—Represents funds from the General Fund to be used for future debt payments.
- **Community Development**—Represents amounts received from the Office of Community Renewal and Housing and Urban Development for loans receivable and funds set aside for community development, which are legally or contractually required to be maintained intact.
- **Special Purpose**—Represents funds which can only be used for specific activities.
- **Tax Stabilization**—Represents amounts restricted for future use to stabilize real property tax levies.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by formal action of the City's highest level of decision-making authority (Common Council). Committed fund balances maintained by the City as of March 31, 2022 are presented below:

- **Water Pollution Control Plant**—Represents funds accumulated to be used for the Water Pollution Control Plant and its sewer transmission lines and pump stations. The City has committed \$107,951 of fund balance within the General Fund for this purpose.

In the fund financial statements, assigned amounts are subject to a purpose constraint that represents an intended use established by the Common Council, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balances represents the residual amount of fund balance. Assigned fund balances maintained by the City at March 31, 2022 are presented as follows:

	General	Water	Library	Total
Subsequent year's expenditures	\$ 368,000	\$ 260,597	\$ 14,508	\$ 643,105
Specific use	-	558,163	191,281	749,444
Other	49,151	-	-	49,151
Total assigned fund balance	<u>\$ 417,151</u>	<u>\$ 818,760</u>	<u>\$ 205,789</u>	<u>\$ 1,441,700</u>

- **Assigned to Subsequent Year's Expenditure**—Represents funds to be used to assist in supporting the subsequent year authorized appropriations.
- **Assigned to Specific Use**—Represents remaining fund balance of the special revenue funds designated to be used for that funds' specific purpose, as discussed in Note 1.
- **Assigned to Other**—Represents fund balance designated to be used for specific purpose.

If the City must use funds for emergency expenditures the Common Council shall authorize the Mayor to expend funds first from funds classified as nonspendable (if funds become available) then restricted funds. The used of committed and assigned funds will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available the City will use unassigned fund balance.

### 13. INTERFUND BALANCES AND ACTIVITY

Transfers are used primarily (1) to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) to move residual cash from closed projects, and (3) move cash to fund capital projects. The City had the following interfund transfers as of and for the year ended March 31, 2022:

Fund	Transfers	
	In	Out
General Fund	\$ -	\$ 40,000
Water Fund	-	67,077
Library Fund	-	70,000
Capital Projects Fund	177,077	-
Total	<u>\$ 177,077</u>	<u>\$ 177,077</u>

### 14. LABOR CONTRACTS

The majority of City employees are represented by five bargaining units. Some department heads and most part-time employees are governed by City Council policies. The Department of Public Works Association has a contract through March 31, 2023. The City Building Employees' Association has a contract through March 31, 2022. The Water and Wastewater Employees' Association has a contract through March 31, 2024. The Hornell Firefighters Association has a contract through March 31, 2027. Policeman's Association has a contract through March 31, 2026.

### 15. TAX ABATEMENTS

The City 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. Assuming the HIDA incentivized projects would have been completed absent tax abatement, the unrealized property tax revenue is \$323,746. However, during the 2021-2022 fiscal year, the City collected \$252,311 related to these new incentivized projects.

### 16. CONTINGENCIES

**Litigation**—The City is a defendant in various litigation under Article 7 of the Real Property Tax law of the State of New York to review tax assessments. While the City vigorously defends assessments, likelihood of success is on a case-by-case basis, and is dependent upon many factors including market values and appraised amounts. No potential amount or potential range of loss is determinable. However, management believes that level of such potential loss, if any, would be immaterial and no provisions have been made within the financial statements. Other various legal actions are pending against the City. 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 City's financial condition or results of operation.



**Grants**—In the normal course of operations, the City 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 the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of any expenditures which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

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

## **17. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 23, 2022, 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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**CITY OF HORNELL, NEW YORK**  
**Schedule of the City's Proportionate Share of the Net Pension Liability—**  
**Police and Fire Retirement System**  
**Last Eight Fiscal Years\***

	Year Ended March 31,							
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
City's proportion of the net pension liability	0.0899994%	0.0884003%	0.0917751%	0.0850392%	0.0909504%	0.0951467%	0.0918243%	0.0918243%
City's proportionate share of the net pension liability	<u>\$ 1,562,637</u>	<u>\$ 4,724,942</u>	<u>\$ 1,539,126</u>	<u>\$ 859,539</u>	<u>\$ 1,885,085</u>	<u>\$ 2,817,091</u>	<u>\$ 252,755</u>	<u>\$ 382,273</u>
City's covered payroll	\$ 3,249,271	\$ 3,386,496	\$ 3,234,319	\$ 3,298,826	\$ 3,088,388	\$ 3,055,602	\$ 2,993,067	n/a
City's proportionate share of the net pension liability as a percentage of its covered payroll	48.1%	47.6%	47.6%	26.1%	61.0%	92.2%	8.4%	n/a
Plan fiduciary net position as a percentage of the total pension liability	95.8%	84.9%	95.1%	96.9%	93.5%	90.2%	99.0%	98.5%

\*Information prior to the year ended March 31, 2015 is not available.

**CITY OF HORNELL, NEW YORK**  
**Schedule of the City's Contributions—**  
**Police and Fire Retirement System**  
**Last Eight Fiscal Years\***

	Year Ended March 31,							
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 742,334	\$ 725,368	\$ 738,646	\$ 720,784	\$ 660,893	\$ 648,873	\$ 697,048	\$ 728,673
Contributions in relation to the contractually required contribution	<u>(742,334)</u>	<u>(725,368)</u>	<u>(738,646)</u>	<u>(720,784)</u>	<u>(660,893)</u>	<u>(648,873)</u>	<u>(697,048)</u>	<u>(728,673)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,249,271	\$ 3,386,496	\$ 3,234,319	\$ 3,215,979	\$ 3,298,826	\$ 3,088,388	\$ 3,055,602	\$ 2,993,067
Contributions as a percentage of covered payroll	22.8%	22.8%	22.8%	22.4%	20.0%	21.0%	22.8%	24.3%

\*Information prior to the year ended March 31, 2015 is not available.

**CITY OF HORNELL, NEW YORK**  
**Schedule of the City's Proportionate Share of the Net Pension Liability—**  
**Employees' Retirement System**  
**Last Eight Fiscal Years\***

	Year Ended March 31,							
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
City's proportion of the net pension liability	0.0072572%	0.0073729%	0.0079546%	0.0073785%	0.0078254%	0.0078408%	0.0078554%	0.0078554%
City's proportionate share of the net pension liability	<u>\$ 7,226</u>	<u>\$ 1,952,387</u>	<u>\$ 563,608</u>	<u>\$ 238,138</u>	<u>\$ 735,288</u>	<u>\$ 1,258,474</u>	<u>\$ 265,376</u>	<u>\$ 354,976</u>
City's covered payroll	\$ 2,483,321	\$ 2,409,366	\$ 2,583,852	\$ 2,502,245	\$ 2,474,096	\$ 2,429,380	\$ 2,302,955	n/a
City's proportionate share of the net pension liability as a percentage of its covered payroll	0.3%	81.0%	21.8%	9.5%	29.7%	51.8%	11.5%	n/a
Plan fiduciary net position as a percentage of the total pension liability	100.0%	86.4%	96.3%	98.2%	94.7%	90.7%	97.7%	97.2%

\*Information prior to the year ended March 31, 2015 is not available.



**CITY OF HORNELL, NEW YORK**  
**Schedule of the City's Contributions—**  
**Employees' Retirement System**  
**Last Eight Fiscal Years\***

	Year Ended March 31,							
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 344,445	\$ 349,029	\$ 347,424	\$ 367,102	\$ 330,507	\$ 381,000	\$ 415,785	\$ 463,332
Contributions in relation to the contractually required contribution	<u>(344,445)</u>	<u>(349,029)</u>	<u>(347,424)</u>	<u>(367,102)</u>	<u>(330,507)</u>	<u>(381,000)</u>	<u>(415,785)</u>	<u>463,332</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,473,196	\$ 2,398,666	\$ 2,573,727	\$ 2,581,932	\$ 2,502,245	\$ 2,474,096	\$ 2,429,380	\$ 2,302,955
Contributions as a percentage of covered payroll	13.9%	14.6%	13.5%	14.2%	13.2%	15.4%	17.1%	20.1%

\*Information prior to the year ended March 31, 2015 is not available.

**CITY OF HORNELL, NEW YORK**  
**Schedule of Changes in the City's Total OPEB Liability and Related Ratios**  
**Last Four Fiscal Years\***

	<b>March 31,</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Total OPEB Liability</b>				
Service cost	\$ 450,284	\$ 407,124	\$ 407,688	\$ 500,165
Interest	321,775	400,578	507,438	537,763
Changes in assumptions	1,348,925	1,733,662	2,434,877	(1,104,445)
Differences between expected and actual experience	(3,169,903)	(704,341)	(2,025,723)	(2,033,996)
Benefit payments	<u>(357,899)</u>	<u>(434,815)</u>	<u>(376,038)</u>	<u>(386,639)</u>
Net change in total OPEB liability	(1,406,818)	1,402,208	948,242	(2,487,152)
Total OPEB liability—beginning	<u>15,996,381</u>	<u>14,594,173</u>	<u>13,645,931</u>	<u>16,133,083</u>
Total OPEB liability—ending	<u>\$ 14,589,563</u>	<u>\$ 15,996,381</u>	<u>\$ 14,594,173</u>	<u>\$ 13,645,931</u>
<b>Plan Fiduciary Net Position</b>				
Contributions—employer	\$ 357,899	\$ 434,815	\$ 376,038	\$ 386,639
Benefit payments	<u>(357,899)</u>	<u>(434,815)</u>	<u>(376,038)</u>	<u>(386,639)</u>
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position—beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's net OPEB liability—ending	<u>\$ 14,589,563</u>	<u>\$ 15,996,381</u>	<u>\$ 14,594,173</u>	<u>\$ 13,645,931</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 4,068,079	\$ 3,932,791	\$ 3,906,305	\$ 3,906,305
Total OPEB liability as a percentage of covered-employee payroll	358.6%	406.7%	373.6%	349.3%

\*Information prior to the year ended March 31, 2019 is not available.

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

**CITY OF HORNELL, NEW YORK**  
**Schedule of Revenues, Expenditures and Change in Fund Balance—**  
**Budget and Actual—General Fund**  
**Year Ended March 31, 2022**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>REVENUES</b>				
Real property taxes	\$ 4,028,587	\$ 4,028,587	\$ 4,028,802	\$ 215
Other tax items	380,311	380,311	405,745	25,434
Non-property tax items	3,902,948	3,902,948	4,596,513	693,565
Departmental income	2,255,900	2,255,900	2,398,507	142,607
Use of money and property	52,211	52,211	49,163	(3,048)
Licenses and permits	72,600	72,600	74,979	2,379
Fines and forfeitures	55,000	55,000	34,095	(20,905)
Sale of property and compensation for loss	20,200	26,032	35,361	9,329
Miscellaneous	79,832	90,332	105,255	14,923
State aid	2,360,838	2,492,312	2,468,118	(24,194)
Federal aid	468,454	679,906	304,636	(375,270)
Total revenues	<u>13,676,881</u>	<u>14,036,139</u>	<u>14,501,174</u>	<u>465,035</u>
<b>EXPENDITURES</b>				
Current:				
General government support	1,396,031	1,406,437	1,268,261	138,176
Public safety	3,599,991	3,616,894	3,371,195	245,699
Health	859,503	1,121,877	1,053,726	68,151
Transportation	2,403,554	2,556,959	2,014,512	542,447
Culture and recreation	367,570	404,764	344,226	60,538
Home and community services	1,352,360	1,394,187	1,293,331	100,856
Employee benefits	3,337,456	3,240,325	3,093,036	147,289
Debt service:				
Principal	600,462	600,462	600,462	-
Interest	184,957	185,276	185,276	-
Total expenditures	<u>14,101,884</u>	<u>14,527,181</u>	<u>13,224,025</u>	<u>1,303,156</u>
Excess (deficiency) of revenues over expenditures	<u>(425,003)</u>	<u>(491,042)</u>	<u>1,277,149</u>	<u>1,768,191</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	130,000	130,000	-	(130,000)
Transfers out	<u>(165,000)</u>	<u>(165,000)</u>	<u>(40,000)</u>	<u>125,000</u>
Total other financing sources (uses)	<u>(35,000)</u>	<u>(35,000)</u>	<u>(40,000)</u>	<u>(5,000)</u>
Net change in fund balance*	(460,003)	(526,042)	1,237,149	1,763,191
Fund balance—beginning	<u>3,701,662</u>	<u>3,701,662</u>	<u>3,701,662</u>	<u>-</u>
Fund balance—ending	<u>\$ 3,241,659</u>	<u>\$ 3,175,620</u>	<u>\$ 4,938,811</u>	<u>\$ 1,763,191</u>

\*The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance and use of restricted fund balance.

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

**CITY OF HORNELL, NEW YORK**  
**Schedule of Revenues, Expenditures and Change in Fund Balance—**  
**Budget and Actual—Water Fund**  
**Year Ended March 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>REVENUES</b>				
Departmental income	\$ 1,753,000	\$ 1,753,000	\$ 1,746,708	\$ (6,292)
Use of money and property	2,000	2,000	216	(1,784)
Sale of property				
and compensation for loss	-	-	382	382
Miscellaneous	500	500	-	(500)
Total revenues	<u>1,755,500</u>	<u>1,755,500</u>	<u>1,747,306</u>	<u>(8,194)</u>
<b>EXPENDITURES</b>				
Current:				
General government support	109,934	109,934	103,574	6,360
Home and community services	1,293,210	1,300,582	1,229,551	71,031
Employee benefits	412,620	405,246	352,370	52,876
Debt service:				
Principal	140,882	140,882	140,882	-
Interest	854	854	854	-
Total expenditures	<u>1,957,500</u>	<u>1,957,498</u>	<u>1,827,231</u>	<u>130,267</u>
Excess (deficiency) of revenues over expenditures	<u>(202,000)</u>	<u>(201,998)</u>	<u>(79,925)</u>	<u>(138,461)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	(67,077)	(67,077)	-
Total other financing sources (uses)	<u>-</u>	<u>(67,077)</u>	<u>(67,077)</u>	<u>-</u>
Net change in fund balance*	(202,000)	(269,075)	(147,002)	(138,461)
Fund balance—beginning	<u>1,013,517</u>	<u>1,013,517</u>	<u>1,013,517</u>	<u>-</u>
Fund balance—ending	<u>\$ 811,517</u>	<u>\$ 744,442</u>	<u>\$ 866,515</u>	<u>\$ (138,461)</u>

\*The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance.

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

**CITY OF HORNELL, NEW YORK**  
**Schedule of Revenues, Expenditures and Change in Fund Balance—**  
**Budget and Actual—Library Fund**  
**Year Ended March 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>REVENUES</b>				
Real property taxes	\$ 334,700	\$ 334,700	\$ 334,848	\$ 148
Use of money and property	-	-	43	43
Miscellaneous	-	-	26,252	26,252
Total revenues	<u>334,700</u>	<u>334,700</u>	<u>361,143</u>	<u>26,443</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	284,700	284,700	273,459	11,241
Employee benefits	<u>49,242</u>	<u>42,249</u>	<u>34,494</u>	<u>7,755</u>
Total expenditures	<u>333,942</u>	<u>326,949</u>	<u>307,953</u>	<u>18,996</u>
Excess (deficiency) of revenues over expenditures	<u>758</u>	<u>7,751</u>	<u>53,190</u>	<u>45,439</u>
<b>OTHER FINANCING USES</b>				
Transfers out	<u>-</u>	<u>-</u>	<u>(70,000)</u>	<u>(70,000)</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>(70,000)</u>	<u>(70,000)</u>
Net change in fund balance*	758	7,751	(16,810)	(24,561)
Fund balance—beginning	<u>222,599</u>	<u>222,599</u>	<u>222,599</u>	<u>-</u>
Fund balance—ending	<u>\$ 223,357</u>	<u>\$ 230,350</u>	<u>\$ 205,789</u>	<u>\$ (24,561)</u>

\*The net change in fund balance was included in the budget as an appropriation (i.e. spenddown) of fund balance.

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

**CITY OF HORNELL, NEW YORK**  
**Notes to the Required Supplementary Information**  
**Year Ended March 31, 2022**

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**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 Municipal Go AA 20-Year Bond rate as of the measurement date, which decreased from 2.00% effective April 1, 2021 to 1.84% at March 31, 2022. Mortality rates were updated to rates based on the Pub-2010 Public Retirement Plans Mortality Tables, Headcount-Weighted, without separate contingent survivor mortality fully generational using scale MP-2021. Finally, the healthcare cost trend rate has an initial rate of 6.10% and an ultimate rate of 4.37%

**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 all governmental funds, with the exception of the Community Development Fund and the Capital Projects Fund. These funds are appropriated on a project-length basis; appropriations are approved through Common Council resolution at the grant/project's inception and lapse upon completion/termination of the grant/project.

The appropriated budget is prepared by fund, function, and department. Amendments and transfers of appropriations require the approval of the Common Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the object classification.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances.

Actual results of operations presented in accordance with GAAP and the City's accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed or assigned fund balance. The City has no significant encumbrances at March 31, 2022.

## FEDERAL AWARDS INFORMATION





**CITY OF HORNELL, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended March 31, 2022**

<b>Federal Grantor/Pass-through Grantor Program or Cluster Title (1a)</b>	<b>Federal Assistance Listing Number (1b)</b>	<b>Pass-Through Entity Identifying Number (1c)</b>	<b>Passed Through to Sub- recipients</b>	<b>Total Federal Expenditures (1d)</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>				
Passed through New York State Community Planning and Development:				
Community Development Block Grants/State Programs and Non-entitlement Grants in Hawaii	14.228	552HR357-19	\$ -	\$ 207,276
Community Development Block Grants/State Programs and Non-entitlement Grants in Hawaii	14.228	552PR169-19	-	257,900
Direct Program:				
Community Development Block Grants/State Programs and Non-entitlement Grants in Hawaii	14.218	N/A	-	9,477
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			-	474,653
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>				
Direct Program:				
Airport Improvement Program	20.106	N/A	-	29,000
Passed through New York State Department of Transportation:				
Highway Planning and Construction	20.205	D035380	-	2,310,846
Formula Grants for Rural Areas	20.509	C004112	-	60,863
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>			-	2,400,709
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>				
Direct Program:				
Assistance to Firefighters Grant	97.044	N/A	-	244,098
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			-	244,098
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>				
Direct Program:				
Provider Relief Fund	93.498	N/A	-	33,917
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			-	33,917
<b>U.S. DEPARTMENT OF JUSTICE:</b>				
Direct Program:				
The Bulletproof Vest Partnership	16.607	N/A	-	3,321
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			-	3,321
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS (1e)</b>			\$ -	\$ 3,156,698

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

**CITY OF HORNELL, NEW YORK**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended March 31, 2022**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Hornell, New York (the "City") under programs of the federal government for the year ended March 31, 2022. The information in this Schedule is presented in accordance with the requirements of 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 City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City. The following notes were identified on the Schedule.

- (a) Includes all federal award programs of the City of Hornell, 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) A reconciliation to the financial statements is available.

**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 City has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance. Pass-through entity identifying numbers are presented where available.

**3. INDIRECT COSTS**

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented.

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*Certified Public Accountants*

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

Honorable Mayor and Common Council of  
the City of Hornell, New York:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Hornell, New York (the "City") as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 23, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 to 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 may exist that were not identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 & Malecki LLP*

September 23, 2022

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*Certified Public Accountants*

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

Honorable Mayor and Common Council of  
the City of Hornell, New York:

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of Hornell, New York's (the "City") 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 City's major federal programs for the year ended March 31, 2022. The City'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 City 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 March 31, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("Government Auditing Standards"); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("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 City 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 City'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 City'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 City'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 City'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 City'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 City'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 City'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 23, 2022





**CITY OF HORNELL, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**Year Ended March 31, 2022**

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**Section I. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements:**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes ✓ No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes ✓ None reported

Noncompliance material to the financial statements noted? \_\_\_\_\_ Yes ✓ No

**Federal Awards:**

Internal control over major federal programs:

Material weakness(es) identified? \_\_\_\_\_ Yes ✓ No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes ✓ 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 ✓ No

Identification of major federal programs:

<u>ALN(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
97.044	Assistance to Firefighters Grant

Dollar threshold used to distinguish between Type A and Type B programs? \$ 750,000

Auditee qualified as low-risk auditee? ✓ Yes \_\_\_\_\_ No

**CITY OF HORNELL, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**Year Ended March 31, 2022**

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**Section II. FINANCIAL STATEMENT FINDINGS**

No findings noted.

**Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No findings noted.

**CITY OF HORNELL, NEW YORK**  
**Summary Schedule of Prior Year Audit Findings**  
**Year Ended March 31, 2022**  
**(Follow-up of March 31, 2021 Findings)**

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No findings were reported.

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