

CITY OF DUNKIRK
INDUSTRIAL DEVELOPMENT AGENCY
Financial Statements
December 31, 2021
(With Independent Auditors' Report Thereon)

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
City of Dunkirk Industrial Development Agency:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the City of Dunkirk Industrial Development Agency (DIDA), as of and for the year ended December 31, 2021, and the related notes to financial statements, which collectively comprise DIDA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining information of DIDA, as of December 31, 2021, and the respective changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 DIDA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 DIDA's ability to continue as a going concern for the twelve months beyond the financial statement dates, 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 and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 and Government Auditing Standards, 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 DIDA'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 DIDA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require management's discussion and analysis and Budgetary Comparison Schedule - Governmental Funds 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2023 on our consideration of DIDA'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 DIDA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Agency's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
January 31, 2023

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY

Management's Discussion and Analysis

December 31, 2021

This discussion and analysis of City of Dunkirk Industrial Development Agency's (DIDA) financial performance provides an overview of DIDA's financial activities for the year ended December 31, 2021. This document should be read in conjunction with DIDA financial statements which begin on page 6.

FINANCIAL HIGHLIGHTS

- DIDA decreased from a net position of \$27,793 at December 31, 2020 to \$24,187 at December 31, 2021 as a result of this year's activity.

USING THIS REPORT

The annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information regarding DIDA as a whole and present a long-term view of DIDA finances. Financial statements for each fund start on page 8. For governmental activities, these statements show how services were financed in the overall operation of DIDA in greater detail than the Government-Wide financial statements.

REPORTING THE AGENCY AS A WHOLE

The Statement of Net Position and Statement of Activities

The statement of net position and statement of activities show information about DIDA as a whole. These statements include all assets and liabilities of DIDA using the accrual basis of accounting, which is used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report DIDA's net position and the changes to it. DIDA net position, the difference between assets and liabilities, is a way to measure DIDA financial health, or financial position. Over time, increases or decreases in DIDA net assets are one indicator of whether its financial health is improving or deteriorating.

In the statement of net position and the statement of activities DIDA reports all its basic services as governmental activities. These services are primarily economic development.

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis, Continued

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The Presentation of Fund Financial Statements begins on page 8 and provides detail of DIDA's most significant fund on an individual basis rather than DIDA taken as a whole. Some funds are required to be established by state or local law or by the nature of the federal and state funding for their operation. Currently DIDA only utilizes a single governmental fund.

Governmental Funds

The sole fund of DIDA is considered a governmental fund. This section focuses on how revenue flows into and out of this fund and the balance of the fund at year-end which is available for future spending. The fund is reported using the modified accrual basis of accounting which measures cash and financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of DIDA general operations and the basic services it provides. This information helps determine the financial resources that can be spent to finance DIDA programs. The relationship between the governmental activities (accrual basis) and the governmental funds (modified accrual basis) is provided in reconciliations on pages 9 and 11.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and creditors with a general overview of DIDA finances and to show DIDA accountability for the money it receives. If you have any questions or need additional information, contact Wilfred Rosas, Mayor of the City of Dunkirk, City Hall, 342 Central Avenue, Dunkirk, New York 14048.

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
Statement of Net Position
December 31, 2021

<u>Assets</u>	
Current assets - cash	\$ <u>24,187</u>
<u>Liabilities and Net Position</u>	
Liabilities	<u>-</u>
Net position - unrestricted	<u><u>\$ 24,187</u></u>

See accompanying notes to financial statements.

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
Statement of Activities
Year ended December 31, 2021

		Program Revenue			Net (expense) revenue and changes in <u>net position</u>
<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental activities</u>	
<u>Functions/programs</u>					
Governmental activities - economic assistance and opportunity	\$ 22,606	19,000	-	-	(3,606)
General revenue					-
Change in net position					(3,606)
Net position at beginning of year					27,793
Net position at end of year					\$ 24,187

See accompanying notes to financial statements.

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
Balance Sheet - Governmental Funds
December 31, 2021

<u>Assets</u>	
Current assets - cash	\$ <u>24,187</u>
<u>Liabilities and Fund Balance</u>	
Liabilities	-
Fund balances	<u>24,187</u>
Total liabilities and fund balance	<u>\$ 24,187</u>

See accompanying notes to financial statements.

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
Reconciliation of the Balance Sheet to the
Statement of Net Position
December 31, 2021

Fund balances - total governmental funds	\$ 24,187
There are no differences between the amounts reported on DIDA's governmental funds and the amounts reported in the Statement of Net Position	<u>-</u>
Net position of governmental activities	<u><u>\$ 24,187</u></u>

See accompanying notes to financial statements.

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
Statement of Revenue, Expenses and Changes in Fund Balance
Year ended December 31, 2021

Revenue from operations	\$ 19,000
Expenses of operations	<u>(22,606)</u>
Deficit of revenue over expenses	(3,606)
Other sources (uses)	<u>-</u>
Deficit of revenue and other sources over expenses and other uses	(3,606)
Fund balance at beginning of year	<u>27,793</u>
Fund balance at end of year	<u><u>\$ 24,187</u></u>

See accompanying notes to financial statements.

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
Reconciliation of the Statement of Revenue, Expenses
and Changes in Fund Balance to the Statement of Activities
Year ended December 31, 2021

Net changes in fund balances - total governmental funds	\$ (3,606)
There are no differences between the amounts reported in the Statement of Revenue, Expenses, and Changes in Fund Balance and the amounts reported in the Statement of Activities	<u>-</u>
Changes in net position of governmental activities	<u>\$ (3,606)</u>

See accompanying notes to financial statements.

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
Statement of Cash Flows
Year ended December 31, 2021

Cash flows from operating activities:	
Cash received for services	\$ 19,000
Payments of contractual expenses	<u>(22,606)</u>
Net cash used in operating activities	(3,606)
Cash at beginning of year	<u>27,793</u>
Cash at end of year	<u><u>\$ 24,187</u></u>
Reconciliation of net income to net cash used in by operating activities - net income	<u><u>\$ (3,606)</u></u>

See accompanying notes to financial statements.

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements

December 31, 2021

(1) Summary of Significant Accounting Policies

The financial statements of the City of Dunkirk Industrial Development Agency (DIDA) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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 DIDA's accounting policies are described below.

(a) Reporting Entity

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

DIDA was established by the enactment of Section 890-a of the General Municipal Law, effective June 17, 1971, as a special act of the New York State Legislature. DIDA is authorized to issue bonds to promote the economic and industrial development of the State. The bonds are secured by pledges of any rents, revenue and receipts as well as a lien on and a security interest in the projects being promoted. Neither DIDA nor the City of Dunkirk (the City) shall be held liable for repayment of these bonds out of any funds other than those pledged by DIDA. Members of the Board of Directors of DIDA are appointed by and designated to serve at the pleasure of the City's Common Council. DIDA is a component unit of the City and, accordingly, is included in the City's financial statements as a discretely presented component unit.

(b) Basis of Presentation

Government-Wide Statements

The Statement of Net Position and the Statement of Activities present financial information about DIDA's governmental activities. These statements include the financial activities of the overall governmental entity in its entirety, except those that are fiduciary.

Fund Financial Statements

The fund statements provide information about DIDA's funds, including fiduciary funds (when applicable). Currently, DIDA maintains a single governmental fund. The emphasis of fund financial statements is on this governmental fund.

The DIDA reports the following major governmental fund - General Fund - This is DIDA's primary operating fund. Currently, the general fund is the only fund of DIDA.

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Measurement Focus and Basis of Accounting

The Government-Wide financial statements are reported using the economic resources management focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which DIDA gives or receives value without directly receiving or giving equal value in exchange, may include grants and donations. On an accrual basis, revenue is recognized in the fiscal year for which the revenue is earned. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources management focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The DIDA considers all revenue reported in the governmental funds to be available if the revenue is collected within 90 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt or claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

(d) Cash

DIDA's cash consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs DIDA's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United State Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Investments are stated at fair value.

(e) Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenue, expenditures, assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and during the reported period. Actual results could differ from those estimates and those differences could be significant.

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) PILOT Program

The PILOT program is governed by New York State statute. DIDA has the local authority to offer real property tax abatement as an inducement for industrial development projects. DIDA can affix the tax abatement discount at a rate necessary to satisfactorily complete a project. The real property tax abatement is for a period not to exceed fifteen years and the percentage of abatement ranges from 0% to 100% depending on the type of project. The PILOT agreement is the instrument by which the discounted tax payments to be made are structured. Details of the current PILOT agreements are disclosed in DIDA's Annual Financial Report included as supplementary information.

(g) Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available for issuance.

(h) Risks and Uncertainties

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences on a national, regional and local level are unknown, but have the potential to result in a significant economic impact. The impact of this situation on the District and its future results and financial position is not presently determinable.

(2) Explanation Of Certain Differences Between Governmental Fund Statements and Government-Wide Statements

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the Government-Wide statements, certain financial transactions are treated differently. The basic financial statements contain full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

(a) Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of DIDA's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental funds Balance Sheet

(b) Statement of Revenue, Expenditures and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds Statement of Revenue, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of the three broad categories. The amounts shown below represent:

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(2) Explanation Of Certain Differences Between Governmental Fund Statements and Government-Wide Statements, Continued

(b) Statement of Revenue, Expenditures and Changes in Fund Balance vs. Statement of Activities, Continued

Long-term revenue differences

Long-term revenue differences arise because governmental funds report revenue only when they are considered “available,” whereas the Statement of Activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

Capital related differences

Capital related differences include the difference between proceeds for the sale of capital reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the differences between recording an expenditure for the purchase of capital items in the governmental funds statements and depreciation expense on those items as recorded in the Statement of Activities.

Long-term debt transaction differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental funds, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

(3) Equity Classifications

(a) Government-Wide Statements

In the Government-Wide statements, there are three classes of net position:

Net investment in capital assets - This class consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of these assets. DIDA does not currently record any capital assets.

Restricted Net Position - Restricted net position reports constraints placed on assets that are either legally imposed by creditors (such as through covenants), grantors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. DIDA does not have restricted net position at December 31, 2021.

Unrestricted Net Position - Designations are not legally required restrictions, but are segregated for a specific purpose. At December 31, 2021, DIDA had not designated any unrestricted net position.

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(3) Equity Classifications, Continued

(b) Fund Statements

In the fund basis statements there are five classifications of fund balance:

Nonspendable - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. DIDA did not have any nonspendable fund balance at December 31, 2021.

Restricted - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. At December 31, 2021, DIDA did not have any restricted fund balances.

Committed - includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of DIDA's highest level of decision making authority, i.e., the Board of Directors. At December 31, 2021, DIDA did not have any committed fund balances.

Assigned - includes amounts that are constrained by DIDA's intent to be used for specific purposes but are neither restricted nor committed. DIDA did not have any assigned fund balances at December 31, 2021.

Unassigned - includes all other General Fund net position that does not meet the definition of the above four classifications and is deemed to be available for general use by DIDA.

Order of use of fund balance - DIDA's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined.

(4) Contingencies

(a) Litigation

DIDA is party to various legal proceedings which normally occur in governmental operations. DIDA believes that its ultimate liability, if any, in connection with these matters, will not have a material effect on DIDA's financial condition or results of operations.

(5) Future Implementations of GASB Pronouncements

GASB has issued the following pronouncements which will be implemented in the years required. The effects of the implementation of these pronouncements are not known at this time.

Statement No. 91 - Conduit Debt Obligations. Effective for fiscal years beginning after December 15, 2021.

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements, Continued

(5) Future Implementations of GASB Pronouncements, Continued

Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 96 - Subscription-Based Information Technology Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 99 - Omnibus 2022. Effective for various periods through fiscal years beginning after June 15, 2023.

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
 Required Supplementary Information
 Budgetary Comparison Schedule - Governmental Funds
 Year ended December 31, 2021

	Original <u>Budget</u>	<u>Revisions</u>	Revised <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenue from operations	\$ 39,577	-	39,577	19,000	(20,577)
Expenses of operations	<u>12,100</u>	<u>-</u>	<u>12,100</u>	<u>22,606</u>	<u>10,506</u>
Excess of revenues over expenses	27,477	-	27,477	(3,606)	(31,083)
Other sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficit) of revenue and other sources over (under) expenses and other uses	27,477	-	27,477	(3,606)	(31,083)
Fund balance at beginning of year	<u>27,793</u>	<u>-</u>	<u>27,793</u>	<u>27,793</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 55,270</u></u>	<u><u>-</u></u>	<u><u>55,270</u></u>	<u><u>24,187</u></u>	<u><u>(31,083)</u></u>

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY

Schedule of Leases

Year ended December 31, 2021

Name of Project: S&K Hospitality, LLC
Project Number: 0602-19-01A
Project Owner and Address: 30 Lakeshore Drive East
Dunkirk, NY 14048
Year of Origin: 2019
Purpose: Renovation, upgrading and equipping of existing improvements
Estimated Project Amount: \$600,000
Amount of Tax Exemption: \$48,000

Name of Project: Lakeside Werks LLC
Project Number: 0602-20-01A
Project Owner and Address: 23-25 Lakeshore Drive East
Dunkirk, NY 14048
Year of Origin: 2020
Purpose: Renovation, upgrading and equipping of existing improvements
Estimated Project Amount \$1,400,000
Amount of Tax Exemption: \$112,000

Name of Project: Dunkirk Resort Properties, LLC
Project Number: 0602-21-01A
Project Owner and Address: 30 Lakeshore Drive East
Dunkirk, NY 14048
Year of Origin: 2021
Purpose: Renovation and reconstruction to establish a commercial
brewery and distillery
Estimated Project Amount \$1,000,000
Amount of Tax Exemption: \$80,000

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

The Board of Directors
City of Dunkirk Industrial Development Agency:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of City of Dunkirk Industrial Development Agency (DIDA), as of and for the year ended December 31, 2021, and the related notes to financial statements, which collectively comprise DIDA's basic financial statements, and have issued our report thereon dated January 31, 2023.

Report on Internal Control Over Financial Reporting

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

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 DIDA's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control as described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether DIDA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Investment Guidelines for Public Authorities and DIDA's investment policy, 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.

City of Dunkirk Industrial Development Agency's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on DIDA's response to finding identified in our audit and as described in the accompanying Schedule of Findings and Questioned Costs. DIDA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 result of that testing, and not to provide an opinion on the effectiveness of DIDA's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering DIDA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
January 31, 2023

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
Schedule of Findings and Questioned Costs
Year ended December 31, 2021

INTERNAL CONTROL FINDING

(2021-001) MATERIAL WEAKNESS

Criteria: Management is responsible for establishing and maintaining effective internal controls and for the fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition: The accounting records were incomplete and not maintained during the year.

Cause: Management changes during the year resulted in no individual assigned to maintain accounting records for DIDA.

Effect: Delays in providing financial information caused delays in the audit process.

Questioned Costs: None identified.

Recommendation: DIDA should establish and maintain accurate financial records and assign appropriately trained individuals responsibility to maintain those records and provide proper management oversight of the accounting function.

Management's Response: See Corrective Action Plan on Page 25.

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
Status of Prior Year Audit Findings
Year ended December 31, 2021

There were no audit findings with regard to the prior year financial statements (December 31, 2020).

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY

Corrective Action Plan

Year ended December 31, 2021

Name of auditee: City of Dunkirk Industrial Development Agency
Name of audit firm: EFPR Group, CPAs, PLLC
Period covered by audit: January 1, 2021 - December 31, 2021
CAP prepared by: Marsha Beach, Fiscal Affairs Officer
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Finding 2021-001 - Material Weakness

- (1) Comments on the Finding and Recommendation: Management agrees with the finding and recommendation. During the period under audit, there were changes to personnel and responsibilities.
- (2) Action Taken: Management and the Agency will address this issue by ensuring full compliance with its by-laws regarding the role of the Treasurer as defined in Section 3:
Treasurer: The Treasurer shall not be a member of the Board. The Treasurer shall have the care and custody of all funds of the Agency and shall deposit the same in the name of the Agency in such bank or banks as the Agency may select. The Treasurer shall sign all instruments of indebtedness, all orders, and all checks for the payment of money; and shall pay out and disburse such monies under the direction of the Agency. Except as otherwise authorized by resolution of the Agency, all such instruments of indebtedness, orders and checks shall be countersigned by the Chair. The Treasurer shall keep regular books of accounts showing receipts and expenditures, and shall render to the Agency at each regular meeting an account of his transactions and also of the financial condition of the Agency. The Treasurer shall give such bond for the faithful performance of his duties as the Agency may determine.
- (3) Anticipated Completion Date: Management anticipates this finding will be resolved by December 31, 2022.