

**CITY OF DUNKIRK
INDUSTRIAL DEVELOPMENT AGENCY
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

**CITY OF DUNKIRK
INDUSTRIAL DEVELOPMENT AGENCY**

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City of Dunkirk Industrial Development Agency Annual Financial Report	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance with Government Auditing Standards	



JOHNSON, MACKOWIAK & ASSOCIATES, LLP

Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
City of Dunkirk Industrial Development Agency
342 Central Avenue
Dunkirk, New York 14048

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Dunkirk Industrial Development Agency ("DIDA"), as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise DIDA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the 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 fund information of the DIDA, as of December 31, 2018, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 and 4 and page 19 be presented to supplement the basic financial statements. Such information, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the DIDA's basic financial statements. The Annual Financial Report is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Annual Financial Report 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 Annual Financial Report 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 April 22, 2019, on our consideration of the DIDA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 DIDA's internal control over financial reporting and compliance.

Johnson, Mackowiak & Associates, LLP

JOHNSON, MACKOWIAK & ASSOCIATES, LLP

Fredonia, New York
April 22, 2019

**CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

This discussion and analysis of the City of Dunkirk Industrial Development Agency's (DIDA) financial performance provides an overview of the DIDA financial activities for the year ended December 31, 2018. This document should be read in conjunction with the DIDA financial statements which begin on page 5.

FINANCIAL HIGHLIGHTS

- The DIDA decreased from a net position of \$15,098 to \$13,424 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 the DIDA as a whole and present a longer-term view of the DIDA finances. Financial statements for each fund start on page 7. For governmental activities, these statements show how services were financed in the overall operation of the 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 the DIDA as a whole. These statements include all assets and liabilities of the DIDA using the accrual basis of accounting which is used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the DIDA net position and the changes to it. The DIDA net position – the difference between assets and liabilities – is a way to measure the DIDA financial health, or financial position. Over time, increases or decreases in the 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, the DIDA reports all its basic services as governmental activities. These services are primarily economic development.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Our discussion and analysis of the DIDA major fund begins on page 7 and provides detail of the DIDA most significant fund on an individual basis rather than the 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 the DIDA only utilizes a single governmental fund.

Governmental Funds

The sole fund of the 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 the 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 8 and 10.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the DIDA finances and to show the 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, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 13,424
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TOTAL ASSETS

	\$ 13,424
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LIABILITIES AND NET POSITION

TOTAL LIABILITIES

	\$
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NET POSITION

Unrestricted	\$ 13,424
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TOTAL NET POSITION	\$ 13,424
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TOTAL LIABILITIES AND NET POSITION

	\$ 13,424
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See accompanying notes to financial statements

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET POSITION
	Charges for Services	Operating Expenses	Capital Grants and Contributions	
Governmental activities:				
Economic assistance and opportunity	\$ 1,674	\$ -	\$ -	\$ (1,674)
Total governmental activities	\$ 1,674	\$ -	\$ -	\$ (1,674)
General revenues				
Change in net position				
NET POSITION - beginning				15,098
NET POSITION - ending				\$ 13,424

See accompanying notes to financial statements

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 13,424
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TOTAL ASSETS	\$ 13,424
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LIABILITIES AND FUND BALANCE

TOTAL LIABILITIES

\$	-
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TOTAL FUND BALANCE

	13,424
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TOTAL LIABILITIES AND FUND BALANCE	\$ 13,424
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See accompanying notes to financial statements

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

Fund balances - total governmental funds	\$ 13,424
Net position of governmental activities	\$ 13,424

There are no differences between the amounts reported on the DIDA's governmental funds and the amounts reported in the Statement of Net Position.

See accompanying notes to financial statements.

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2018

REVENUE FROM OPERATIONS	\$ -
EXPENSES OF OPERATIONS	<u>1,674</u>
DEFICIT OF EXPENSES OVER REVENUES	(1,674)
OTHER SOURCES (USES)	-
DEFICIT OF EXPENSES AND OTHER USES OVER REVENUES AND OTHER SOURCES	(1,674)
FUND BALANCE, beginning	<u>15,098</u>
FUND BALANCE, ending	<u>\$ 13,424</u>

See accompanying notes to financial statements

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018

Net change in fund balances - total governmental funds	\$ (1,674)
There are no differences between the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balance and the amounts reported in the Statement of Activities.	-

Change in net position of governmental activities

See accompanying notes to financial statements

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Payments of contractual expenses \$ (1,674)

Cash used by operating activities (1,674)

NET DECREASE IN CASH AND CASH EQUIVALENTS (1,674)

CASH AND CASH EQUIVALENTS, beginning 15,098

CASH AND CASH EQUIVALENTS, ending \$ 13,424

**RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED)
BY OPERATING ACTIVITIES:**

Operating loss \$ (1,674)

NET CASH USED BY OPERATING ACTIVITIES \$ (1,674)

See accompanying notes to financial statements.

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic 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 the DIDA's accounting policies are described below.

A. Reporting Entity

The reporting entity of the DIDA is based on Criteria set forth by GASB Statement 14, *The Financial 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.

1. Nature of the Organization

The City of Dunkirk Industrial Development Agency 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. The DIDA is authorized under the Act to issue bonds to promote the economic and industrial development of the State. The bonds are secured by pledges of any rents, revenues and receipts as well as a lien on and a security interest in the projects being promoted. Neither the DIDA nor the City of Dunkirk shall be held liable for repayment of these bonds out of any funds other than those pledged by the DIDA. Members of the Board of Directors of the DIDA are appointed by and designated to serve at the pleasure of the City's Common Council. The City of Dunkirk Industrial Development Agency is a component unit of the City of Dunkirk and, accordingly, is included in the City's financial statements as a discretely presented component unit.

B. Basis of presentation:

1. Government-wide statements:

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

2. Fund financial statements:

The fund statements provide information about the DIDA's funds, including fiduciary funds (when applicable). Currently, the 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 the DIDA's primary operating fund. Currently, the general fund is the only fund of the DIDA.

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

NOTE 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. Revenues are 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 the 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, revenues are recognized when measurable and available. The DIDA considers all revenues reported in the governmental funds to be available if the revenues are 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 and Cash Equivalents

The DIDA's cash and cash equivalents 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 the 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 States 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 revenues, 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.

F. PILOT Program

The PILOT program is governed by New York State statute. The DIDA has the local authority to offer real property tax abatement as an inducement for industrial development projects. The 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 the DIDA's Annual Financial Report included as supplementary information.

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

G. Accounting and Reporting Change

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The DIDA implemented Statement No. 75 effective for the year ended December 31, 2018 and which had no effect on the DIDA's financial statements.

During March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82 *Pension Issues - an amendment of GASB Statement No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The DIDA implemented Statement No. 82 effective for the year ended December 31, 2018 and which had no effect on the DIDA's financial statements.

In March 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 85 - *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The DIDA implemented Statement No. 85 effective for the year ended December 31, 2018 and which had no effect on the DIDA's financial statements.

During May 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 86 - *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The DIDA implemented Statement No. 86 effective for the year ended December 31, 2018 and which had no effect on the DIDA's financial statements.

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

H. Future Impacts of Accounting Pronouncements

The DIDA has not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board (GASB) Statement No. 83 - *Certain Asset Retirement Obligations*, effective for the year ending December 31, 2019; GASB Statement No. 84 - *Fiduciary Activities*, effective for the year ending December 31, 2019; GASB Statement No. 87 - *Leases*, effective for the year ending December 31, 2020; GASB Statement No. 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the year ending December 31, 2019; GASB Statement No. 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending December 31, 2020 and GASB Statement No. 90 - *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*, effective for the year ended December 31, 2019.

The DIDA is therefore unable to disclose the impact that adopting these GASB Statements will have on its financial position and results of operation when such statements are adopted.

NOTE 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 the 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 Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities:

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

1. Long-term revenue differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues 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.

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS

2. 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.

3. 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.

NOTE 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. The 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.

The DIDA does not have restricted net position at December 31, 2018.

Unrestricted Net Position - Designations are not legally required restrictions, but are segregated for a specific purpose. At December 31, 2018, the DIDA had not designated any unrestricted net position.

B. Fund Statements

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

Non-Spendable - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The DIDA did not have any nonspendable fund balance at December 31, 2018.

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, 2018 the DIDA did not have any restricted fund balances.

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

NOTE 3 - EQUITY CLASSIFICATIONS

B. Fund Statements, continued

Committed - includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the DIDA's highest level of decision making authority, i.e., the Board of Directors. At December 31, 2018 the DIDA did not have any committed fund balances.

Assigned - includes amounts that are constrained by the DIDA's intent to be used for specific purposes but are neither restricted nor committed. The DIDA did not have any assigned fund balances at December 31, 2018.

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

Order of Use of Fund Balance - The 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.

NOTE 4 - CONTINGENCIES

A. Litigation

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

NOTE 5 - EVALUATION OF SUBSEQUENT EVENTS

The DIDA has evaluated subsequent events through April 22, 2019, the date which the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustments of or disclosure in the accompanying financial statements.

CITY OF DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUE FROM OPERATIONS	\$ 15,463	\$ 15,463	\$ -	\$ (15,463)
EXPENSES OF OPERATIONS	800	800	1,674	(874)
DEFICIT OF EXPENSES OVER REVENUES	14,663	14,663	(1,674)	(16,337)
OTHER SOURCES (USES)	-	-	-	-
EXCESS (DEFICIT) OF EXPENSES AND OTHER USES OVER (UNDER) REVENUES AND OTHER SOURCES	14,663	14,663	(1,674)	(16,337)
FUND BALANCE, beginning	15,098	15,098	15,098	-
FUND BALANCE, ending	<u>\$ 29,761</u>	<u>\$ 29,761</u>	<u>\$ 13,424</u>	<u>\$ (16,337)</u>

PART II - Supplementary Information

ENTERPRISE FUND * BALANCE SHEET * AS OF December 31, 2018

<u>ASSETS</u>	<u>EDP CODE</u>	<u>LIABILITIES AND NET ASSETS</u>	<u>EDP CODE</u>
Cash	ED100S	\$ 13,424	Accounts Payable
Investments	ED105S	-	Accrued Liabilities
Other Receivables (Net)	ED115S	-	Retained Percentages
State and Federal Aid Receivables	ED120S	-	Notes Payable
Due From Other Funds	ED125S	-	Other Liabilities
Due From Other Governments	ED130S	-	Due to Other Funds
Economic Development Projects	EDXXXX	-	Due to Other Governments
Prepaid Expenses	ED140S	-	Due to Other Entities
Restricted Assets	ED145S	-	Deferred Revenues
Fixed Assets (Net)	ED150S	-	Total Liabilities
			\$ -
			Invested in Capital Assets, Net of
			Related Debt
			ED301
			ED306
			Restricted
			Unrestricted
			ED311
			Net Assets
			\$ 13,424
TOTAL ASSETS			TOTAL LIABILITIES AND NET ASSETS
			\$ 13,424

The Notes to the Financial Statements are an integral part of this statement.

ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED December 31, 2018

	EDP CODE	AMOUNT
Operating Revenues		
Personal Services	ED515S	\$ -
Charges for Services	ED _____ S	\$ -
Payments in lieu of taxes	ED _____ S	\$ -
Total Operating Revenues		
Operating Expenses		
Personal Services	ED625.1S	\$ -
Contractual Expenses	ED625.4S	\$ 1,674
Employee Benefits	ED625.8S	\$ -
Depreciation	ED603.4S	\$ -
Total Operating Expenses		
Operating Income (Loss)		
Non-Operating Revenues (Expenses)		
Revenues:		
Use of Money and Property	ED525S	\$ -
Sale of Property and Compensation for Loss	ED530S	\$ -
Forgiveness of Debt	ED _____ S	\$ -
Expenses: (Specify)		
Realized & Unrealized Gain on Marketable Securities	ED _____ S	\$ -
Interest on Note	ED _____ S	\$ -
Net Non-Operating Revenue (Expense)		
Income (Loss) Before Transfers and Taxes		
Operating Transfers In	ED555S	\$ -
Operating Transfers Out	ED655.9S	\$ -
Real Property Taxes	ED _____ .4S	\$ -
Net Income (Loss)		
Net Assets - Beginning of Year	ED400S	\$ (1,674)
Adjustments: (Specify)		
Transfer of Capital Assets	ED _____ S	\$ 15,098
Interest	ED _____ S	\$ -
Net Assets - End of Year	ED405S	\$ 13,424

STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED December 31, 2018
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:	EDP CODE	AMOUNT
Cash Received from Providing Services	ED7111S	\$ -
Cash Payments Contractual Expenses	ED7112S	\$ (1,674)
Cash Payments Personal Services & Benefits	ED7113S	\$ -
Other Operating Revenues	ED7114S	\$ -
Net Cash Provided (Used) by Operating Activities	ED7119S	\$ (1,674)
 Cash Flows from Non-Capital and Financing Activities:		
Real Property Taxes	ED7121S	\$ -
Operating Grants Received	ED7122S	\$ -
Transfers To/From Other Funds	ED7123S	\$ -
Proceeds of Debt (Non-Capital)	ED7124S	\$ -
Payment of Debt (Non-Capital)	ED7125S	\$ -
Interest Expenses (Non-Capital)	ED7126S	\$ -
Net Cash Provided (Used) by Non-Capital Financing Activities	ED7129S	\$ -
 Cash Flows from Capital and Related Financing Activities:		
Proceeds of Debt (Capital)	ED7131S	\$ -
Principal Payments Debt (Capital)	ED7132S	\$ -
Interest Expenses (Capital)	ED7133S	\$ -
Capital Contributed by Developers	ED7134S	\$ -
Capital Contributed by Other Funds	ED7135S	\$ -
Payments to Contractors	ED7136S	\$ -
Capital Grants Received from Other Governments	ED7137S	\$ -
Proceeds from Sale of Assets	ED7138S	\$ -
Net Cash Provided (Used) by Capital and Related Financing Activities	ED7139S	\$ -

STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED December 31, 2017
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Continued)

	<u>EDP CODE</u>	<u>AMOUNT</u>
Cash Flows from Investing Activities:		
Purchase of Investments	ED7151S	\$ -
Sale of Investments	ED7152S	-
Interest Income & Other	ED7153S	-
Net Cash Provided (Used) by Investing Activities	ED7159S	\$ -
Net Increase (Decrease) in Cash and Cash Equivalents	ED7161S	\$ (1,674)
Cash and Cash Equivalents at Beginning of Year	ED7171S	\$ 15,098
Cash and Cash Equivalents at End of Year	ED7179S	\$ 13,424
RECONCILIATION OF OPERATING INCOME TO NET CASH		
Operating Income (Loss)	ED7181S	\$ (1,674)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) from Operations:		
Depreciation	ED7182S	\$ -
Increase/Decrease in Assets Other than Cash and Cash Equivalents	ED7183S	-
Increase/Decrease in Liabilities Other than Cash and Cash Equivalents	ED7184S	-
Other Reconciling Items:		
Interest Income & Other	ED7185S	-
Transfer Out - Beginning Balance	ED7185S	-
Total Adjustments	ED7185S	-
Net Cash Provided (Used) by Operating Activities	ED7188S	\$ (1,674)
Total Adjustments	ED7189S	\$ (1,674)

NOTES TO FINANCIAL STATEMENTS
Summary of Significant Accounting Policies

See accompanying notes to the financial statements

DUNKIRK INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF INDUSTRIAL REVENUE BONDS AND NOTES ISSUED
December 31, 2018

Project	Date of Issue	Original Issue Value	Outstanding Balance at January 1, 2018	New Issues	Payments	Outstanding Balance at December 31, 2018	
						\$	\$
Bonds 05						\$ -	\$ -

Total Indebtedness

STATEMENT OF INDEBTEDNESS

List Separately by Date of Issue	EDP CODE	Month and Year*	Interest Rate At Issuance If Variable, Applicable Range	Outstanding Beginning of Fiscal Year	Do Not Include Renewals Here		Final Maturity Date
					Issued During Fiscal Year	Paid During Fiscal Year	
Capital Notes:	2P1865	/		1	3	5	7
Other Debt (specify):		/					
Bond Anticipation Notes:		/					
		/					
		/					
Total Bond Anticipation Notes	2P1866	-----	-----	-----	-----	-----	-----
**BANS Redeemed from Bond Proceeds	2P1888	-----	-----	-----	-----	-----	-----
Bonds (List by Purpose)		/					
		/					
		/					
		/					
		/					
Total Bonds	2P1867	-----	-----	-----	-----	-----	-----
Authority Loans	2P1869	/					
TOTAL OF ALL INDEBTEDNESS		-----	-----	-----	-----	-----	-----

Please note callable features of bond issues and any reserve funds available to pay debt (include also in the Notes to Financial Statements)

*ON NEW ISSUES, PLEASE INSERT NEW ISSUE DATE. ON RENEWAL, PLEASE INSERT LATEST RENEWAL DATE. PLEASE INSERT 4 DIGITS. I.E. APRIL 2003 WOULD BE 04/03.

1. SCHEDULE ATTACHED
2. INFO APPEARS ON ATTACHED PROJECT SHEETS

MATURITY SCHEDULE
BONDS ISSUED DURING THE YEAR

PURPOSE OF ISSUE	EDP CODE							
For State Comptroller Use Only	2P3CE							
TOTAL PRINCIPAL	2P3PR							
DATE OF ISSUE*	2P3DT	/ /	/ /	/ /	/ /	/ /	/ /	/ /
INTEREST RATE (In Decimals)	2P3PC							
DATE OF FINAL MATURITY*	2P3DM	/ /	/ /	/ /	/ /	/ /	/ /	/ /
Amount of Principal Redeemed in or to be Redeemed in Fiscal Year Ending in								
2002	2P302							
2003	2P303							
2004	2P304							
2005	2P305							
2006	2P306							
2007	2P307							
2008	2P308							
2009	2P309							
2010	2P310							
2011	2P311							
2012	2P312							
2013	2P313							
2014	2P314							
2015	2P315							
Continue on Reverse Side	2016	2P316						

*PLEASE INSERT SIX DIGITS, FOR EXAMPLE, APRIL 1, 2003 SHOULD BE SHOWN AS 04/01/03

NOTE: If two or more purposes are combined in a consolidated issue, show the maturity schedule for each purpose.

**1. SCHEDULE ATTACHED
2. INFO APPEARS ON ATTACHED PROJECT SHEETS**

**MATURITY SCHEDULE
BONDS ISSUED DURING THE YEAR**

Amount of Principal Redeemed in or to be Redeemed in Fiscal Year Ending in	EDP CODE
2017	2P317
2018	2P318
2019	2P319
2020	2P320
2021	2P321
2022	2P322
2023	2P323
2024	2P324
2025	2P325
2026	2P326
2027	2P327
2028	2P328
2029	2P329
2030	2P330
2031	2P331
2032	2P332
2033	2P333
2034	2P334
2035	2P335
2036	2P336

Continue on Next Page

*PLEASE INSERT SIX DIGITS, FOR EXAMPLE, APRIL 1, 2003 SHOULD BE SHOWN AS 04/01/03

NOTE: If two or more purposes are combined in a consolidated issue, show the maturity schedule for each purpose.

**1. SCHEDULE ATTACHED
2. INFO APPEARS ON ATTACHED PROJECT SHEETS**

**MATURITY SCHEDULE
BONDS ISSUED DURING THE YEAR**

Amount of Principal Redeemed in or to be Redeemed in Fiscal Year Ending in	EDP CODE:
2037	2P337
2038	2P338
2039	2P339
2040	2P340
2041	2P341
2042	2P342
2043	2P343
2044	2P344
2045	2P345
2046	2P346
2047	2P347
2048	2P348
2049	2P349
2050	2P350
2051	2P351
2052	2P352
2053	2P353
2054	2P354
2055	2P355
Total	

*PLEASE INSERT SIX DIGITS, FOR EXAMPLE, APRIL 1, 2003 SHOULD BE SHOWN AS 04/01/03

NOTE: If two or more purposes are combined in a consolidated issue, show the maturity schedule for each purpose.

INSTRUCTIONS FOR COMPLETING SCHEDULE OF SUPPLEMENTAL BOND/NOTE AND LEASE INFORMATION FOR INDUSTRIAL DEVELOPMENT AGENCIES AND AUTHORITIES

The Supplemental Information follows the Manuity Schedule and is required to be completed for each project begun in 1990 and thereafter for which debt was issued, outstanding or retired during the fiscal year or any straight lease agreement which was entered into since 1990 and thereafter and is outstanding. (Photocopy additional sheets if needed).

1. On the Schedule of Supplemental Information, the name of the project, the name of the project owner, and the project owner's address must be completed for all projects begun in 1990 and thereafter. This information should be current and reflect any changes since the project was undertaken. The project code must be established and reported for all projects started in 1998 and thereafter. Refer to separate instructions for coding structure for IDA project identification numbers. This code should also be used to identify the project in reporting project activity to other state agencies or departments.
2. The project purpose code should be taken from the list on the top of pages 11 and 12 of the annual report forms. The definitions for the codes follow these instructions.
3. Total Project Amount is the cost of the entire project.
4. Benefited Project Amount less any project costs that will not result in an IDA-derived benefit. For example, items included within the project amount that are not sales taxable (e.g. services such as legal, architectural, engineering) or do not result in an increase in the real property assessment.
5. Bond or Note Amount is the original principal amount of bond or note issued.
6. Show the federal tax status of each bond or note using the codes on top of page 11.
7. Not-for-Profit Organization status of project occupant should be indicated by putting a "yes" in the not-for-profit column.
8. New Tax Revenue If No Exemptions Granted refers to the amount of tax revenues a project would generate if the project did not receive any tax exemptions.
9. Method of Financial Assistance Other Than Tax Exemptions or other economic benefits can be detailed on another page if necessary.
10. Tax Exemptions refer to the total dollar amount of exemptions received during the year for which the report is being completed. For real property tax exemptions, please indicate the total amount of taxes for which the project would have been liable if the IDA was not involved. Do not deduct amounts paid pursuant to any payment in lieu of taxes (PILT) agreements. Real property tax exemptions must be shown for all projects including those to which PILOTS are made...
11. Total Real Property Tax Exemptions Net of RPITL section 485-b Exemptions is the amount of real property tax exemptions the project received as a result of IDA status, i.e., deduct from the IDA exemption the amount of any real property tax exemptions the project would have received, irrespective of IDA involvement.
12. Each project where a PILOT is made must be listed on pages 11b and 12b.
 - code 1 (all local units);
 - code 2 (selected local units)

13.F.I.E Jobs Created and Retained-report the number of full time equivalent jobs.

PROJECT PURPOSE CODE DEFINITIONS

Services: This category includes establishments primarily engaged in producing a wide variety of services for individuals, business and government establishments and other organizations. Hotels and other lodging places, recreation services, health, legal, engineering, and other professional services; educational institutions, membership organizations, and other miscellaneous services, are included. Construction: This category includes establishments primarily engaged in construction. Three broad types of construction activity are covered: (1) building construction by general contractors or by operative builders; (2) heavy construction other than building, by general contractors and special trade contractors; and (3) construction activity by other special trade contractors.

Agriculture, Forestry and Fishing: This category includes establishments primarily engaged in agricultural production, forestry, commercial fishing, hunting and trapping and related services.

Wholesale Trade: This category includes establishments or places of business primarily engaged in selling merchandise to retailers, to industrial, commercial, institutional, farm, construction contractors, or professional business users, or to other wholesalers, or acting as agents or brokers in buying merchandise, for or selling merchandise, to such persons or companies.

Retail Trade: This category includes establishments engaged in selling merchandise incidental to the sale of the goods. In general, retail establishments are classified by kind of business according to the principal lines of commodities sold (groceries, hardware, etc.), or the usual trade designation (drug store, cigar store, etc.). Some of the important characteristics of retail trade establishments are: the establishment is usually a place of business and is engaged in activities to attract the general public to buy; the establishment buys or receives merchandise as well as sells; the establishment sells to customers for personal or household use.

Finance, Insurance and Real Estate: This category includes establishments operating primarily in the fields of finance, insurance and real estate. Finance includes depository institutions, non-depository credit institutions, holding (but not predominantly operating) companies, other investment companies, brokers and dealers in securities and commodity contracts, and security and commodity exchanges. Insurance covers carriers of all types of insurance, and insurance agents and brokers. Real estate includes owners, lessors, lessees, buyers, sellers, agents, and developers of real estate. Transportation, Communications, Electric, Gas and Sanitary Services: This category includes establishments providing to the general public or to other business enterprises, passenger and freight transportation, communications services, or electricity, gas, steam, water or sanitary services.

Other Categories:

- Exempt Facility
- Local furnishing of electric energy or gas
- Water and sewage facilities
- Exempt sports facility

—Docks, wharves and public transit

—Exempt

—Solid waste and resource recovery

—Civic Facility—Facility owned or occupied by a nonprofit organization

Manufacturing: The manufacturing category includes establishments engaged in the mechanical or chemical transformation of materials or substances into new products. These establishments are usually described as plants, factories, or mills and characteristically use power, drive machines and materials handling equipment. Establishments engaged in assembling component parts of manufactured products are also considered manufacturing if the new product is neither a structure nor other fixed improvement. Also included is the blending of materials, such as lubricating oils, plastic resins, or liquors.

**SCHEDULE OF SUPPLEMENTAL INFORMATION
BONDS/NOTES**

Refer to Page 10 of this report for instructions

*Total Exemptions (page 11a) less total PII OTS (page 11b)

Project Purpose Codes			Federal Tax Status		
1. Services	4. Wholesale Trade	7. Transportation, Communication, Electric, Gas, and Sanitary Services	1. Taxable	2. Tax Exempt	
2. Construction	5. Retail Trade	8. Other (specify)			
3. Agriculture, Forestry, Fishing	6. Finance, Insurance and Real Estate	9. Manufacturing			
No.	Project Code	Name of Project, Project Owner and Address	Total Project Amount	Benefited Project Amount	Bond/Note Amount
1					
2					
3					
4					
5					
6					
7					

**SCHEDULE OF SUPPLEMENTAL INFORMATION
BONDS/NOTES**

Refer to Page 10 of this report for instructions

TAX EXEMPTIONS

No.	State	Local	County	Real Property Tax Exemptions		Mortgage Recording	School	Total Exemptions	Net of RPTL section 485-b Exemptions	Total Exemptions
				Sales Tax Exemptions	Total Exemptions					
1.										
2.										
3.										
4.										
5.										
6.										
7.										

**SCHEDULE OF SUPPLEMENTAL INFORMATION
BONDS/NOTES**

Refer to page 10 of this report for instructions.

*For appropriate Code, indicate 1 or 2:

- 1 =PILOT payments made to all eligible local government participants.
- 2 =PILOT payments made to selected local government participants.

PAYMENTS IN LIEU OF TAXES (PILOTS)

No.	Project Code	County	Local	School	Total PILOTS	Code*
1.						
2.						
3.						
4.						
5.						
6.						
7.						

SCHEDULE OF SUPPLEMENTAL INFORMATION - BONDS/NOTES
Full Time Equivalent (FTE) Jobs Created and Retained

No.	# of FTE Employees at Project Location Before IDA Status	Original Estimate of Jobs to be Created:	Original Estimate of Jobs to be Retained:	# of Current FTE Employees	# of FTE Construction Jobs Created During Fiscal Year
1.					
2.					
3.					
4.					
5.					
6.					
7.					

DUNKIRK IDA - 2018

BOND PROJECTS

**SCHEDULE OF SUPPLEMENTAL INFORMATION
STRAIGHT LEASE**

		<u>Project Purpose Codes</u>		* Total Exemptions (page 12a) less total PILOTS (page 12b)			
1. Services	4. Wholesale Trade	7. Transportation, Communication, Electric, Gas, and Sanitary Services	8. Other (specify)			Refer to page 10 of this report for instructions	
2. Construction	5. Retail Trade	6. Finance, Insurance and Real Estate	9. Manufacturing				
No.	Project Code	Name of Project, Project Owner and Address	Purpose	Total Amount of Lease	Not for Profit	New Tax Revenues If No Exemptions Granted*	Method of Financial Assistance Utilized by Project, Other than Tax Exemptions Claimed by Project (Identify amount and type)
1.							
2.							
3.							
4.							
5.							
6.							
7.							

SCHEDULE OF SUPPLEMENTAL INFORMATION
STRAIGHT LEASE

Refer to Page 10 of this report for instructions

TAX EXEMPTIONS						
Sales Tax Exemptions		Real Property Tax Exemptions			Total Exemptions Net of RPTL section 485-b	
No.	State	Local	County	Local	Mortgage Recording	Total Exemptions
1						
2						
3						
4						
5						
6						
7						

**SCHEDULE OF SUPPLEMENTAL INFORMATION
STRAIGHT LEASE**

Refer to page 10 of this report for instructions.

*For appropriate Code, indicate 1 or 2:

- 1 = PILOT payments made to all eligible local government participants.
- 2 = PILOT payments made to selected local government participants.

PAYMENTS IN LIEU OF TAXES (PILOTS)						
No.	Project Code	County	Local	School	Total PILOTS	Code*
1.						
2.						
3.						
4.						
5.						
6.						
7.						

SCHEDULE OF SUPPLEMENTAL INFORMATION - STRAIGHT LEASE
Full Time Equivalent (FTE) Jobs Created and Retained

No.	# of FTE Employees at Project Location Before IDA Status	Original Estimate of Jobs to be Created:	Original Estimate of Jobs to be Retained:	# of Current FTE Employees	Construction Jobs Created During Fiscal Year	# of FTE
1.						
2.						
3.						
4.						
5.						
6.						
7.						

DUNKIRK IDA - 2018

LEASE PROJECTS

**PART III - Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***



JOHNSON, MACKOWIAK & ASSOCIATES, LLP

Certified Public Accountants & Consultants

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

To the Board of Directors
City of Dunkirk Industrial Development Agency
342 Central Avenue
Dunkirk, New York 14048

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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 Dunkirk Industrial Development Agency ("DIDA"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the DIDA's basic financial statements and have issued our report thereon dated April 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the DIDA's internal control over financial reporting (internal control) to determine 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 DIDA's internal control. Accordingly, we do not express an opinion on the effectiveness of the DIDA'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 statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the DIDA's financial statements are free of 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 determination of financial statement amounts. 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 result 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.

Johnson, Mackowiak & Associates, LLP

JOHNSON, MACKOWIAK & ASSOCIATES, LLP

Fredonia, New York
April 22, 2019