

**CITY OF DUNKIRK, NEW YORK**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

CITY OF DUNKIRK, NEW YORK  
YEAR ENDED DECEMBER 31, 2015

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**CITY OF DUNKIRK, NEW YORK**  
**YEAR ENDED DECEMBER 31, 2015**

**MAYOR**

**Wilfred Rosas**

**TREASURER**

**Mark Woods**

**COUNCILMAN-AT-LARGE**

**Andrew Woloszyn**

**MEMBERS OF THE COUNCIL**

**FIRST WARD**

**Donald Williams**

**SECOND WARD**

**Martin Bamonto**

**THIRD WARD**

**Andolino Gonzalez**

**FOURTH WARD**

**Stacy Szukala**



**JOHNSON, MACKOWIAK  
& ASSOCIATES, LLP**

Certified Public Accountants & Consultants

**INDEPENDENT AUDITOR'S REPORT**

May 26, 2016

Honorable Mayor  
Members of City Council  
Treasurer  
City of Dunkirk  
Dunkirk, NY 14048

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund, of the City of Dunkirk, New York, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City'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.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Dunkirk Housing Authority, which is a discretely presented component unit and represents 81.0 percent, 84.5 percent and 87.8 percent, respectively, of the assets, net position and revenues of the discretely presented component units of the City of Dunkirk, New York. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Dunkirk Housing Authority, is based solely on the report of the other auditors. 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 risk 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units and each major fund of the City of Dunkirk, New York, as of December 31, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As described in Note 1 of the financial statements, in 2015, the City adopted new accounting standards, GASB Statement No. 68, *Accounting for Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress – other postemployment benefits and schedule of proportionate share of the net pension asset / liability on pages 4 through 11, 44 through 48 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 and other auditors 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 obtain 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 City of Dunkirk, New York's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying schedule of expenditures of New York State Department of Transportation assistance as listed in the table of contents is presented for the purpose of additional analysis as required by the New York State Department of Transportation and Drafts Part 43 of the New York State Codification of Rules and Regulations, and is not a required part of the basic financial statements. The schedule of expenditures of New York State Department of Transportation assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of New York State Department of Transportation assistance 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 reports dated May 26, 2016, on our consideration of the City of Dunkirk, New York'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 these reports 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 internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Dunkirk, New York's internal control over financial reporting and compliance.

*Johnson, Mackowiak & Associates, LLP*

Johnson, Mackowiak & Associates, LLP

Fredonia, New York

**CITY OF DUNKIRK, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

This discussion and analysis of the City of Dunkirk, New York's financial performance provides an overview of the City's financial activities for the year ended December 31, 2015. This document should be read in conjunction with the City's financial statements which begin on page 12

**FINANCIAL HIGHLIGHTS**

- The General Fund reported a \$3,286 budgetary surplus for the year ended December 31, 2015 as shown on page 49. This amount compares to a budgetary deficit of \$417,410 for the year ended December 31, 2014.
- The General Fund reported an operating surplus of \$36,818 for the current year as compared to an operating deficit of \$529,322 for 2014.
- The Water Fund had an operating deficit of \$96,921 for the current year as compared with an operating deficit of \$225,084 for 2014. The upgrades and repairs to the water filtration plant and water infrastructure mandated by Chautauqua County continued throughout 2015. Water rates were adjusted for 2015 to meet increased costs associated with this project.
- The Wastewater Treatment Fund had an operating surplus of \$144,021 for 2015 as compared with an operating surplus of \$383,067 for 2014.
- The City's net position increased by \$687,816 as a result of the operations for the year ended December 31, 2015 as compared to a decrease of approximately \$385,763 as a result of 2014 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 City as a whole and present a longer-term view of the City's finances. Financial statements for each fund start on page 14. For governmental activities, these statements show how services were financed in the overall operation of the City in greater detail than the City-wide financial statements.



## **REPORTING THE CITY 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 City as a whole. These statements include all assets and liabilities of the City 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 City's net position and the changes to them. The City's net position – the difference between assets and liabilities – is a way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors need to be considered, such as changes in the City's property tax base and the condition of the City's roads and infrastructure, to assess the overall health of the City.

In the statement of net position and the statement of activities, the City reports all its basic services as governmental activities. These services include public safety, public works, economic assistance, health, water treatment, wastewater treatment, economic development and general administration. Property taxes, sales taxes, departmental income and state and federal aid finance most of these activities.

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

### **Fund Financial Statements**

Our discussion and analysis of the City's major funds begin on page 14 and provide detail of the City's most significant funds on an individual basis rather than the City 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. The City has also segregated funds to account for their special purpose. Currently the City only utilizes governmental funds.

### **Governmental Funds**

All funds of the City are considered governmental funds. This Section focuses on how revenue flows into and out of these funds and the balance of the funds at year-end which is available for future spending. These funds are 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 City's general operations and the basic services it provides. This information helps determine the financial resources that can be spent to finance City programs. The relationship between the governmental activities (accrual basis) and the governmental funds (modified accrual basis) is provided in reconciliations on pages 15 and 17.

## THE CITY AS TRUSTEE

The City is the trustee for assets held – due to a trust arrangement – which can be used only for the trust beneficiaries. These amounts are excluded from the City-wide financial statements because the City cannot use these assets to finance its day to day operations. The City is responsible for ensuring that the assets reported are used for their intended purpose.

## THE CITY AS A WHOLE

The City's combined net position increased to \$16.557 million from \$15.869 million for the year ended December 31, 2015. This is a result of an operational surplus of \$0.688 million. This compares to a decrease for the year ended December 31, 2014 of approximately \$0.386 million. Our discussion and analysis focuses on the net position (Table 1) and the changes in net position (Table 2) of the City's governmental activities.

Table 1 Net Position (In Thousands)				
	Governmental Activities		Total Primary Government	
	2015	2014	2015	2014
<b>Assets</b>				
Current assets	\$ 8,765	\$ 15,525	\$ 8,765	\$ 15,525
Capital assets	35,557	31,954	35,557	31,954
Total assets	<u>\$ 44,322</u>	<u>\$ 47,479</u>	<u>\$ 44,322</u>	<u>\$ 47,479</u>
<b>Deferred Outflows of Resources</b>				
Pensions	\$ 462	\$ 570	\$ 462	\$ 570
Total deferred outflow at resource	<u>\$ 462</u>	<u>\$ 570</u>	<u>\$ 462</u>	<u>\$ 570</u>
<b>Liabilities</b>				
Current liabilities	\$ 15,467	\$ 21,094	\$ 15,467	\$ 21,094
Long-term portion of obligations	12,760	9,786	12,760	9,786
Total liabilities	<u>\$ 28,227</u>	<u>\$ 30,880</u>	<u>\$ 28,227</u>	<u>\$ 30,880</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property tax items	\$ -	\$ 1,300	\$ -	\$ 1,300
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 1,300</u>	<u>\$ -</u>	<u>\$ 1,300</u>
<b>Net Position</b>				
Net Investment in capital assets	\$ 15,008	\$ 10,419	\$ 15,008	\$ 10,419
Restricted	1,944	1,943	1,944	1,943
Unrestricted	(395)	3,507	(395)	3,507
Total net position	<u>\$ 16,557</u>	<u>\$ 15,869</u>	<u>\$ 16,557</u>	<u>\$ 15,869</u>

Table 2  
Changes in Net Position  
(In Thousands)

	Governmental Activities		Total Primary Government	
	2015	2014	2015	2014
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 8,129	\$ 7,578	\$ 8,129	\$ 7,578
Operating grants and contributions	2,496	1,820	2,496	1,820
Capital grants and contributions	409	409	409	409
General revenues				
Property taxes	4,838	4,837	4,838	4,837
Sales tax	2,403	2,404	2,403	2,404
PILOT payments	2,768	2,860	2,768	2,860
Investment earnings	7	130	7	130
Miscellaneous	3,121	3,423	3,121	3,423
Total revenues	<u>24,171</u>	<u>23,461</u>	<u>24,171</u>	<u>23,461</u>
<b>Program expenses</b>				
Council	57	61	57	61
Mayor	155	166	155	166
Financial	504	526	504	526
Staff	731	854	731	854
Shared services	660	732	660	732
Special items	1,076	1,020	1,076	1,020
Police department	5,381	5,410	5,381	5,410
Fire department	3,526	3,271	3,526	3,271
Other public safety	274	268	274	268
Transportation	2,037	2,564	2,037	2,564
Economic assistance and opportunity	50	58	50	58
Culture and recreation	889	935	889	935
Water treatment	2,329	2,275	2,329	2,275
Wastewater treatment	2,956	2,866	2,956	2,866
Home and community service	2,519	2,405	2,519	2,405
Interest on long-term debt	339	436	339	436
Total expenses	<u>23,483</u>	<u>23,847</u>	<u>23,483</u>	<u>23,847</u>
Increase (decrease) in net position	<u>\$ 688</u>	<u>\$ (386)</u>	<u>\$ 688</u>	<u>\$ (386)</u>

Table 3 presents the cost of the City's five largest governmental programs: police department, fire department, transportation, water treatment and wastewater treatment as well as the net cost (total cost less revenues generated by the activities). The net cost shows the final cost paid by the City's taxpayers and other general revenue sources of each of these functions.

Table 3  
Governmental Activities  
(In Thousands)

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Police department	\$ 5,381	\$ 5,410	\$ 4,926	\$ 4,979
Fire department	3,526	3,272	3,076	3,268
Water treatment	2,329	2,275	(749)	(372)
Wastewater treatment	2,956	2,866	(949)	(886)
Home & community	<u>2,519</u>	<u>2,405</u>	<u>594</u>	<u>642</u>
Totals	<u>\$ 16,711</u>	<u>\$ 16,228</u>	<u>\$ 6,898</u>	<u>\$ 7,631</u>

## THE CITY'S FUNDS

### General Governmental Functions

As the City completed the year, its governmental funds (as presented on page 14) reported a combined fund deficit of \$6.62 million which reflects an increase of \$0.53 million from last year's total of \$6.09 million. During 2015, the City's capital expenditures exceed its related revenues by approximately \$0.95 million.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The significant variances between the originally adopted budgets for 2015 and 2014 and the final budget are detailed as follows:

	2015	2014
Original budget	\$ 14,973,797	\$ 15,347,760
Additional appropriations	1,021,735	-
Encumbrance carryover	<u>67,576</u>	<u>186,501</u>
Final Budget	<u>\$ 16,063,108</u>	<u>\$ 15,534,261</u>

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At December 31, 2015, the City had \$35.56 million (net of accumulated depreciation) in a broad range of capital assets including land, buildings, water mains, sewer lines, roads, sidewalks, machinery and equipment. This represents a net increase of approximately \$3.603 million for the year.

Table 4  
Capital Assets at Year-End (Net of Depreciation)  
(In Thousands)

	Governmental Activities		Total Primary Government	
	2015	2014	2015	2014
Land and improvements	\$ 151	\$ 151	\$ 151	\$ 151
Construction in progress	30,252	26,018	30,252	26,018
Infrastructure	34,704	34,704	34,704	34,704
Buildings and improvements	12,420	12,420	12,420	12,420
Machinery and equipment	16,910	16,848	16,910	16,848
Accumulated depreciation	<u>(58,880)</u>	<u>(58,187)</u>	<u>(58,880)</u>	<u>(58,187)</u>
Total	<u>\$ 35,557</u>	<u>\$ 31,954</u>	<u>\$ 35,557</u>	<u>\$ 31,954</u>

## Debt

At year end, the City had \$20.549 million in bonds and notes outstanding as compared to \$21.536 million outstanding at December 31, 2014. See Note 7 on pages 38 through 45 for additional details).

	Outstanding Debt at Year-end (In Thousands)			
	Governmental Activities		Total Primary Government	
	2015	2014	2015	2014
General obligation bonds	\$ 7,735	\$ 4,870	\$ 7,735	\$ 4,870
Bond anticipation notes	\$ 12,814	\$ 16,666	\$ 12,814	\$ 16,666

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal-year 2016 budget, tax rates, and fees that will be charged for activities. One of these factors is the economy. Full valuation of property in the City amounted to \$610.1 million for 2016. The taxable valuation remained relatively constant at approximately \$279.6 million for 2016.

The City, along with many other municipalities, is faced with many mandatory increases beyond the City's control. There is a mandatory increase in the pension fund, medical and liability insurance and worker's compensation ranging in double digits. The City is also faced with the challenge of declining revenues (caused primarily by a decrease in customer usage) in the General, Water Funds and Wastewater Treatment Funds.

These current indicators are consistent with those we used when adopting the General Fund budget for 2016. In developing the 2016 General Fund budget, the City did not appropriate any amount from the tax stabilization reserve.

The City's general fund balance is not expected to decrease by the close of 2016. However, due to economic conditions and anticipated revenues not realized, the City may realize a decrease in the general fund balance at year end. Nonetheless, the City's unreserved fund balance remains positive, we maintain healthy bond ratings (A+ from Standard & Poor's), and the City does not anticipate cash flow problems in 2016.

The City is expecting a \$1.2 million shortfall in 2017 as the result of the loss of revenue from the NRG payment in lieu of tax agreement less the state's transition aid and payments of debt related to the consent-ordered water treatment plant work and work on the seawall coming due.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the city's finances and to show the city's accountability for the money it receives. If you have any questions or need additional information, contact Mark A. Woods, City Treasurer, City Hall, 342 Central Avenue, Dunkirk, New York 14048; Phone (716) 366-9863.

**CITY OF DUNKIRK, NEW YORK  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015**

	<u>PRIMARY GOVERNMENT Governmental Activities</u>	<u>Component Units</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 4,261,203	\$ 954,248
Investments	-	443,484
Receivables (net, where applicable of allowances for estimated uncollectibles)		
Taxes	442,894	-
Accounts receivable	2,164,230	2,847
Due from fiduciary funds	417,222	-
Due from other governments	1,479,319	10,352
Prepaid expenses	-	38,320
Other assets	-	37,064
Capital assets:		
Land and improvements	151,155	1,257,808
Construction in progress	30,252,026	-
Infrastructure	34,704,071	-
Buildings and improvements	12,420,179	14,897,870
Machinery and equipment	16,909,533	1,175,918
Accumulated depreciation	<u>(58,880,345)</u>	<u>(12,164,888)</u>
 TOTAL ASSETS	 <u>44,321,487</u>	 <u>6,653,023</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Pensions	<u>\$ 462,282</u>	<u>\$ 27,159</u>



	<u>PRIMARY GOVERNMENT Governmental Activities</u>	<u>Component Units</u>
<b>LIABILITIES:</b>		
Payables		
Accounts payable	\$ 1,514,904	\$ 36,914
Accrued liabilities	211,777	32,858
Accrued interest payable	110,688	-
Due to other governments	815,564	49,552
Bond anticipation notes payable	12,814,000	-
Deferred revenue	-	405,565
Long term liabilities		
Due and payable within one year		
Serial bonds	410,000	-
Compensated absences	250,000	20,518
Due and payable in more than one year		
Serial bonds	7,325,000	-
Compensated absences	3,852,018	184,660
Net pension liability	923,269	35,205
	<u>28,227,220</u>	<u>765,272</u>
<b>TOTAL LIABILITIES</b>		
	<u>28,227,220</u>	<u>765,272</u>
<b>NET POSITION:</b>		
Net investment in capital assets	15,007,619	5,166,708
Restricted for:		
Capital equipment	371,115	-
Tax stabilization	484,268	-
Employee benefits	516,334	-
Street improvements	428,534	-
Encumbrances	144,048	-
Future expenditures	-	37,565
Unrestricted (Deficit)	(395,369)	710,637
	<u>(395,369)</u>	<u>710,637</u>
<b>TOTAL NET POSITION</b>	<u>\$ 16,556,549</u>	<u>\$ 5,914,910</u>

See notes to financial statements.

CITY OF DUNKIRK, NEW YORK  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2015

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	PRIMARY GOVERNMENTAL Activities Component Units
Primary government:					
Governmental activities:					
Council	\$ 57,737	\$ -	\$ -	\$ -	\$ (57,737)
Mayor	155,410	-	-	-	(155,410)
Financial	503,842	-	-	-	(503,842)
Staff	730,886	129,837	-	-	(601,049)
Shared services	660,181	75,666	31,177	235,379	(317,959)
Special items	1,075,944	-	-	-	(1,075,944)
Police department	5,381,506	-	455,419	-	(4,926,087)
Fire department	3,525,989	-	449,500	-	(3,076,489)
Other public safety	274,247	-	75,938	-	(56,572)
Transportation	2,036,636	141,737	261,784	-	(1,772,759)
Economic assistance and opportunity	49,551	2,083	-	-	(46,051)
Culture and recreation	888,619	3,500	134,896	-	(625,014)
Water treatment	2,328,540	128,709	-	-	749,214
Wastewater treatment	2,955,754	3,077,754	-	100,000	946,155
Home and community services	2,618,816	3,804,909	-	73,219	(583,994)
Interest on long-term debt	338,943	764,805	1,086,998	-	(338,943)
Total governmental activities	23,482,601	8,128,800	2,495,722	408,598	(12,449,481)
Total business-type activities	-	-	-	-	-
Total primary government	\$ 23,482,601	\$ 8,128,800	\$ 2,495,722	\$ 408,598	\$ (12,449,481)
Component units					
Dunkirk Free Library	\$ 278,000	\$ 7,231	\$ 31,275	\$ -	(239,494)
City of Dunkirk Industrial Development Agency	800	-	-	-	(800)
Dunkirk Housing Authority	1,826,281	740,753	489,192	161,968	(434,368)
Total component units	\$ 2,105,081	\$ 747,984	\$ 520,467	\$ 161,968	\$ (674,662)
General revenues:					
Taxes:					
Property taxes					4,838,480
Sales taxes					2,403,031
PILOT payments					2,787,826
Payment from City of Dunkirk, New York					135,000
Grants and contributions not restricted to specific programs					10,250
Investment earnings					1,521
Miscellaneous					9,757
Gain on sale of capital assets					175
Total general revenues, special items and transfers					13,137,297
Change in net position					687,816
NET POSITION - beginning					16,603,450
Prior Period Adjustment					(734,727)
NET POSITION - ending					\$ 16,556,549
					\$ 5,914,910

**CITY OF DUNKIRK, NEW YORK  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015**

	<u>General Fund</u>	<u>Water Fund</u>	<u>Wastewater Treatment Fund</u>	<u>Special Grant Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>						
Cash and cash equivalents	\$ 2,839,504	\$ 252,382	\$ 434,640	\$ 5,951	\$ 728,746	\$ 4,261,203
Receivables, net						
Taxes	442,894	-	-	-	-	442,894
Accounts receivable	557,773	761,509	844,948	-	-	2,164,230
Due from other governments	1,019,182	-	-	27,214	432,923	1,479,319
Due from other funds	4,233,057	524,578	825,976	-	1,036,411	6,620,022
<b>TOTAL ASSETS</b>	<b>\$ 9,092,410</b>	<b>\$ 1,538,449</b>	<b>\$ 2,105,564</b>	<b>\$ 33,165</b>	<b>\$ 2,198,080</b>	<b>\$ 14,967,668</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 1,208,607	\$ 125,958	\$ 155,339	\$ -	\$ 25,000	\$ 1,514,904
Accrued liabilities	156,506	35,328	19,943	-	-	211,777
Due to other governments	782,399	-	-	-	-	782,399
Due to other funds	1,207,268	2,356,782	1,850,895	33,165	787,855	6,235,965
Bond anticipation notes payable	-	-	-	-	12,814,000	12,814,000
Deferred revenue	24,048	-	-	-	-	24,048
<b>TOTAL LIABILITIES</b>	<b>3,378,828</b>	<b>2,518,068</b>	<b>2,026,177</b>	<b>33,165</b>	<b>13,626,855</b>	<b>21,583,093</b>
<b>FUND BALANCES:</b>						
Reserved for:						
Tax stabilization	484,268	-	-	-	-	484,268
Encumbrances	-	16,466	41,479	-	-	57,945
Assigned for:						
Capital equipment	371,115	-	-	-	-	371,115
Street improvements	428,534	-	-	-	-	428,534
Employee benefits	516,334	-	-	-	-	516,334
Encumbrances	86,103	-	-	-	-	86,103
Unassigned: (Deficit)						
Unassigned (Deficit)	3,827,228	(996,085)	37,908	-	(11,428,775)	(8,559,724)
<b>TOTAL FUND BALANCES</b>	<b>5,713,582</b>	<b>(979,619)</b>	<b>79,387</b>	<b>-</b>	<b>(11,428,775)</b>	<b>(6,615,425)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 9,092,410</b>	<b>\$ 1,538,449</b>	<b>\$ 2,105,564</b>	<b>\$ 33,165</b>	<b>\$ 2,198,080</b>	<b>\$ 14,967,668</b>

CITY OF DUNKIRK, NEW YORK  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

Fund balances - total governmental funds \$ (6,615,425)

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Land	\$ 151,155
Construction in progress	30,252,026
Infrastructure, net of \$32,623,667 accumulated depreciation	2,080,404
Buildings and improvements, net of \$10,688,841 accumulated depreciation	1,731,338
Equipment, net of \$15,567,837 accumulated depreciation	<u>1,341,696</u>
	35,556,619

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in governmental funds.

Net pension liability

(923,269)

Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in governmental funds.

Deferred outflows of resources

462,282

Long-term liabilities applicable to the City's governmental funds are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized when due. All liabilities - both current and long-term - are reported in the statement of net position. Long-term liabilities amounted to \$11,837,018 and accrued interest payable on long-term and short-term liabilities amounted to \$110,688.

(11,947,706)

Some receivables of the general fund are not available to pay for current-period expenditures and are therefore deferred in the governmental fund statements.

24,048

Net position of governmental activities

\$ 16,556,549

**CITY OF DUNKIRK, NEW YORK**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2016**

	<u>General Fund</u>	<u>Water Fund</u>	<u>Wastewater Treatment Fund</u>	<u>Special Grant Fund</u>	<u>Capital Projects Fund</u>	<u>TOTAL Governmental Funds</u>
<b>REVENUES:</b>						
Real property taxes	\$ 4,838,480	\$ -	\$ -	\$ -	\$ -	\$ 4,838,480
Sales tax	2,403,031	-	-	-	-	2,403,031
Property tax items	2,795,620	-	-	-	-	2,795,620
Non-property tax items	283,736	-	-	-	-	283,736
Departmental income	1,738,608	3,077,753	3,629,135	-	-	8,443,496
Shared services	1,208,313	-	-	-	100,000	1,308,313
Use of money and property	59,377	-	-	-	6,612	65,989
Licenses and permits	45,629	-	-	-	-	45,629
Fines and forfeitures	112,701	-	175,774	-	-	288,475
Sale of property and compensation for loss	5,483	5,287	-	-	-	10,770
Miscellaneous	407,033	15,043	11,007	-	-	433,083
State aid	2,067,203	-	-	-	-	2,067,203
Federal aid	73,219	-	-	1,086,998	-	1,160,217
<b>Total revenues</b>	<b>16,036,433</b>	<b>3,098,083</b>	<b>3,815,916</b>	<b>1,086,998</b>	<b>106,612</b>	<b>24,144,042</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
Council	38,726	-	-	-	-	38,726
Mayor	103,922	-	-	-	-	103,922
Financial	357,384	-	-	-	-	357,384
Staff	496,292	-	-	-	-	496,292
Shared services	539,359	-	-	-	-	539,359
Special items	236,443	394,967	444,534	-	-	1,075,944
Police department	3,633,379	-	-	-	-	3,633,379
Fire department	2,517,237	-	-	-	-	2,517,237
Other public safety	219,549	-	-	-	-	219,549
Transportation	1,594,325	-	-	-	-	1,594,325
Economic assistance and opportunity	42,415	-	-	-	-	42,415
Culture and recreation	660,892	-	-	-	-	660,892
Home and community service	1,256,668	1,670,311	2,326,031	1,086,998	-	6,340,008
Employee benefits	4,217,574	507,541	515,675	-	-	5,240,790
<b>Debt service:</b>						
Principal	60,000	366,000	225,000	-	-	651,000
Interest	29,513	256,185	160,655	-	-	446,353
<b>Capital outlay</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,233,743</b>	<b>4,233,743</b>
<b>Total expenditures</b>	<b>16,003,678</b>	<b>3,195,004</b>	<b>3,671,895</b>	<b>1,086,998</b>	<b>4,233,743</b>	<b>28,191,318</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>32,755</b>	<b>(96,921)</b>	<b>144,021</b>	<b>-</b>	<b>(4,127,131)</b>	<b>(4,047,276)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	4,063	-	-	-	-	4,063
Proceeds of obligations	-	-	-	-	3,180,000	3,180,000
BANs redeemed from appropriations	-	-	-	-	336,000	336,000
<b>Total other financing sources (uses)</b>	<b>4,063</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,516,000</b>	<b>3,520,063</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>36,818</b>	<b>(96,921)</b>	<b>144,021</b>	<b>-</b>	<b>(611,131)</b>	<b>(527,213)</b>
<b>FUND BALANCES (DEFICIT) - beginning</b>	<b>5,676,764</b>	<b>(882,698)</b>	<b>(64,634)</b>	<b>-</b>	<b>(10,817,844)</b>	<b>(6,088,212)</b>
<b>FUND BALANCES (DEFICIT) - ending</b>	<b>\$ 5,713,582</b>	<b>\$ (979,619)</b>	<b>\$ 79,387</b>	<b>\$ -</b>	<b>\$ (11,428,775)</b>	<b>\$ (6,615,425)</b>

CITY OF DUNKIRK, NEW YORK  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2015

Net change in fund balances - total governmental funds	\$ (527,213)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays (\$4,295,358) exceeded depreciation (\$693,353) in the current period.	3,602,005
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include a change in deferred revenues of \$22,312.	22,312
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net position. This is the amount by which proceeds (\$3,180,000) exceeded repayments (\$315,000) in the current period.	(2,865,000)
Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These include the decrease in compensated absences of \$74,562 and the decrease in accrued interest of \$107,410.	181,972
Decrease in proportionate share of net pension asset/liability reported in the statement of activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.	273,740
Change in net position of governmental activities	\$ 687,816

See notes to financial statements.

**CITY OF DUNKIRK, NEW YORK**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2015**

	<u>Agency Funds</u>	<u>Trust Funds</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 646,379	\$ 89,103	\$ 735,482
Other assets	241,406	-	241,406
Due from other funds	<u>809</u>	<u>-</u>	<u>809</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 888,594</u></b>	<b><u>\$ 89,103</u></b>	<b><u>\$ 977,697</u></b>
<b><u>LIABILITIES</u></b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 476,562	\$ -	\$ 476,562
Due to other funds	<u>412,032</u>	<u>6,000</u>	<u>418,032</u>
<b>TOTAL LIABILITIES</b>	<b><u>888,594</u></b>	<b><u>6,000</u></b>	<b><u>894,594</u></b>
<b><u>NET POSITION</u></b>			
Net position held in trust	<u>-</u>	<u>83,103</u>	<u>83,103</u>
<b>TOTAL NET POSITION</b>	<b><u>-</u></b>	<b><u>83,103</u></b>	<b><u>83,103</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 888,594</u></b>	<b><u>\$ 89,103</u></b>	<b><u>\$ 977,697</u></b>

See notes to financial statements.

**CITY OF DUNKIRK, NEW YORK**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2015**

	<u>Trust Funds</u>
<b><u>ADDITIONS</u></b>	
Investment earnings	\$ <u>30</u>
<b>TOTAL ADDITIONS</b>	<u>30</u>
<b><u>DEDUCTIONS</u></b>	
Transfer to General Fund for Culture and recreation expenditures	<u>4,063</u>
<b>TOTAL DEDUCTIONS</b>	<u>4,063</u>
<b>CHANGE IN NET POSITION</b>	(4,033)
<b>NET POSITION HELD IN TRUST</b>	
BEGINNING OF YEAR	<u>87,136</u>
END OF YEAR	<u>\$ 83,103</u>

See notes to financial statements.



**CITY OF DUNKIRK, NEW YORK  
STATEMENT OF NET POSITION  
COMPONENT UNITS  
DECEMBER 31, 2015**

	<u>Dunkirk Free Library</u>	<u>City of Dunkirk Housing Authority</u>	<u>Dunkirk Urban Renewal Agency</u>	<u>City of Dunkirk Industrial Development Agency</u>	<u>Total</u>
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 544,659	\$ 392,526	\$ -	\$ 17,063	\$ 954,248
Investments	-	443,484	-	-	443,484
Accounts receivable	-	2,847	-	-	2,847
Due from other governments	-	10,352	-	-	10,352
Prepaid expenses	-	38,320	-	-	38,320
Other assets	14,645	22,419	-	-	37,064
Capital assets:					
Land and improvements	-	1,257,808	-	-	1,257,808
Buildings and improvements	829,930	14,067,940	-	-	14,897,870
Machinery and equipment	217,985	957,933	-	-	1,175,918
Accumulated depreciation	(357,491)	(11,807,397)	-	-	(12,164,888)
<b>TOTAL ASSETS</b>	<u>1,249,728</u>	<u>5,386,232</u>	<u>-</u>	<u>17,063</u>	<u>6,653,023</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Pensions	<u>-</u>	<u>27,159</u>	<u>-</u>	<u>-</u>	<u>27,159</u>
<b>LIABILITIES:</b>					
Accounts payable	-	36,914	-	-	36,914
Due to other governments	-	49,552	-	-	49,552
Deferred revenue	350,000	55,565	-	-	405,565
Other current liabilities	-	32,858	-	-	32,858
Current portion of long-term obligations	-	20,518	-	-	20,518
Noncurrent portion of long-term obligations	-	184,660	-	-	184,660
Net pension liability	<u>-</u>	<u>35,205</u>	<u>-</u>	<u>-</u>	<u>35,205</u>
<b>TOTAL LIABILITIES</b>	<u>350,000</u>	<u>415,272</u>	<u>-</u>	<u>-</u>	<u>765,272</u>
<b>NET POSITION</b>					
Net Investment in capital assets	690,424	4,476,284	-	-	5,166,708
Restricted	37,565	-	-	-	37,565
Unrestricted	<u>171,739</u>	<u>521,835</u>	<u>-</u>	<u>17,063</u>	<u>710,637</u>
<b>TOTAL NET POSITION</b>	<u>\$ 899,728</u>	<u>\$ 4,998,119</u>	<u>\$ -</u>	<u>\$ 17,063</u>	<u>\$ 5,914,910</u>

CITY OF DUNKIRK, NEW YORK  
STATEMENT OF ACTIVITIES  
COMPONENT UNITS  
YEAR ENDED DECEMBER 31, 2015

	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Dunkirk Free Library	\$ 278,000	\$ 7,231	\$ 31,275	\$ -	\$ (239,494)	\$ -	\$ (239,494)
Total governmental activities	278,000	7,231	31,275	-	(239,494)	-	(239,494)
Business-type activities:							
Dunkirk Urban Renewal Agency	-	-	-	-	-	-	-
City of Dunkirk Housing Authority	1,826,281	740,753	489,192	161,968	-	(434,368)	(434,368)
City of Dunkirk Industrial Development Agency	800	-	-	-	-	(800)	(800)
Total business-type activities	1,827,081	740,753	489,192	161,968	-	(435,168)	(435,168)
Total component units	\$ 2,105,081	\$ 747,984	\$ 520,467	\$ 161,968	\$ (239,494)	\$ (435,168)	\$ (674,662)
General revenues:							
Payment from City of Dunkirk, New York					135,000	-	135,000
Grants and contributions not restricted to specific programs					10,250	-	10,250
Investment earnings					617	904	1,521
Sale of equipment					-	175	175
Miscellaneous					9,757	-	9,757
Total general revenues, special items and transfers					155,624	1,079	156,703
Change in net position					(83,870)	(434,089)	(517,959)
NET POSITION - beginning					983,598	5,464,225	6,447,823
Prior period restatement					-	(14,954)	(14,954)
NET POSITION - ending					\$ 899,728	\$ 5,015,182	\$ 5,914,910

**CITY OF DUNKIRK, NEW YORK  
STATEMENT OF CASH FLOWS  
COMPONENT UNITS - PROPRIETARY FUND TYPES  
YEAR ENDED DECEMBER 31, 2015**

	<b>Business-type Activities</b>			
	<b>Dunkirk Urban Renewal Agency</b>	<b>City of Dunkirk Housing Authority</b>	<b>City of Dunkirk Industrial Development Agency</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from charges and fees	\$ -	\$ 725,661	\$ -	\$ 725,661
Receipts from operating grants	-	528,607	-	528,607
Payments to suppliers	-	(650,961)	(800)	(651,761)
Payments from other governments	-	(11,044)	-	(11,044)
Payments to employees	-	(581,003)	-	(581,003)
Other receipts	-	17,478	-	17,478
<b>Net cash provided (used) by operating activities</b>	<b>-</b>	<b>28,738</b>	<b>(800)</b>	<b>27,938</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital grants received	-	157,403	-	157,403
Acquisition and modernization of capital assets	-	(172,579)	-	(172,579)
Mold remediation	-	-	-	-
Proceeds from disposition of assets	-	175	-	175
<b>Net cash used by capital and related financing activities</b>	<b>-</b>	<b>(15,001)</b>	<b>-</b>	<b>(15,001)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES -</b>				
Proceeds from sale of investments	-	(695)	-	(695)
Interest income received	-	904	-	904
<b>Net cash provided by investing activities</b>	<b>-</b>	<b>209</b>	<b>-</b>	<b>209</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>-</b>	<b>13,946</b>	<b>(800)</b>	<b>13,146</b>
<b>CASH AND CASH EQUIVALENTS - beginning</b>	<b>-</b>	<b>378,580</b>	<b>17,863</b>	<b>396,443</b>
<b>CASH AND CASH EQUIVALENTS - ending</b>	<b>\$ -</b>	<b>\$ 392,526</b>	<b>\$ 17,063</b>	<b>\$ 409,589</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ -	\$ (596,336)	\$ (800)	\$ (597,136)
Adjustment to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	-	603,715	-	603,715
Deferred Outflows of Resources	-	4,980	-	4,980
Change in assets and liabilities:				
Accounts receivable	-	6,112	-	6,112
Due from other governments	-	39,414	-	39,414
Prepaid expenses	-	(4,059)	-	(4,059)
Accounts payable	-	(7,461)	-	(7,461)
Other current liabilities	-	(17,627)	-	(17,627)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ -</b>	<b>\$ 28,738</b>	<b>\$ (800)</b>	<b>\$ 27,938</b>

**CITY OF DUNKIRK, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Dunkirk, New York (the City) 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 City's accounting policies are described below.

**A. Reporting Entity**

Subject to the New York State Constitution, the City operates pursuant to its Charter and the City Code, as well as various local laws. Additionally, certain New York State laws govern the City to the extent that such laws are applicable to cities operating under a charter form of government. The City of Dunkirk Common Council is the legislative body responsible for overall operations, the Mayor serves as chief executive officer, and the City Treasurer serves as chief fiscal officer.

The City provides the following basic services: garbage collection, police and fire protection, recreation programming for youths and adults, maintenance of parks, beaches and boat launches, maintenance of streets, water and sewer lines, regional water filtration plant and sewage treatment facilities.

The financial reporting entity consists of (a) the primary government which is the City of Dunkirk, New York, (b) organizations for which the primary government is financially accountable, and (c) 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 as set forth in GASB Statement 14.

The decision to include a potential component unit in the City's reporting entity is based on several criteria set forth in GASB 14 including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the City's reporting entity.

**1. INCLUDED IN THE REPORTING ENTITY**

The City of Dunkirk Housing Authority (the Authority) was created in 1963 by the New York State Legislature. The governing board of the Authority is appointed by the Mayor except for two tenant representatives. The local government provides no subsidy to the Authority nor is it responsible for debt or operating deficits of the Authority. The Authority is essentially supported by operating subsidies from the U. S. Department of Housing and Urban Development. The local government does not appoint management of the Authority nor does it approve the Authority's budget or hiring of staff. The local government has no oversight responsibility for funds of the Authority. However, per New York State directive, the Dunkirk Housing Authority is considered a component unit of the City and is discretely presented. The information presented in these financial statements for the Dunkirk Housing Authority is as of June 30, 2015.

The Dunkirk Free Library (the Library) was established in 1904. The Library is administered by a Board of Directors; one director is appointed by the Common Council and the remaining directors are elected by members of the Library Board. The Library Board designates management and exercises complete responsibility over fiscal matters. The local government has no oversight responsibility over the funds of the Library, however, the City does provide a substantial portion of the operating costs for the Library. The Library is considered a component unit of the City and is discretely presented.

The Dunkirk Urban Renewal Agency (the Agency) was established for the purpose of renovating and rehabilitating an economically depressed area with the City. The Agency is presently inactive and yet it holds title to certain parcels of land that are unappraised. The Dunkirk Urban Renewal Agency is a component unit of the City and is discretely presented.

The City of Dunkirk Industrial Development Agency (the 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 Agency 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 Agency nor the City shall be held liable for repayment of these bonds out of any funds other than those pledged by the Agency. Members of the Board of Directors of the Agency are appointed by and designated to serve at the pleasure of the City's Common Council. The City of Dunkirk Industrial Development Agency is considered a component unit of the City and is discretely presented.

**CITY OF DUNKIRK, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015  
(Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Reporting Entity , continued**

Complete financial statements of these individual component units can be obtained from their respective administrative offices:

City of Dunkirk Housing Authority  
15 North Main Street  
Dunkirk, New York 14048

Dunkirk Free Library  
536 Central Avenue  
Dunkirk, New York 14048

Dunkirk Urban Renewal Agency  
City Hall  
Dunkirk, New York 14048

City of Dunkirk Industrial Development Agency  
City Hall  
Dunkirk, New York 14048

**2. EXCLUDED FROM THE REPORTING ENTITY**

Although the following organizations, functions or activities are related to the City, they are not included in the City's reporting entity based on the professional judgment of responsible local officials because of the reasons noted:

The Dunkirk City School District was created by state legislation which designated the school board as the governing authority. School board members are elected by the qualified voters of the district. The school board designates management and exercises complete responsibility for all fiscal matters. The City Common Council exercises no oversight over school operations.

The Dunkirk Local Development Corporation (the Corporation) is a special purpose development corporation organized by the City under the Not-For-Profit Corporation Law of the State of New York. The corporation was created to purchase, lease, sublease, own, hold, sell, assign or pledge various parcels of real estate throughout the City. The Corporation, on behalf of the City, manages a low-interest revolving loan fund initially funded by the repayments of Urban Development Action Grant Loans. The Corporation is governed by a Board of Directors comprised of business leaders and community representatives appointed by the City Common Council.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (statement of net position and statement of activities) report information on all the nonfiduciary activities of the City. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are differentiated from business-type activities, which rely to a significant extent on fees and charges for support. Currently the City does not operate any business-type activities. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses have been included as a part of the program expenses reported for the various functional activities. Program revenues include 1) charges to those who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds even though the fiduciary funds are excluded from the government-wide financial statements.

**CITY OF DUNKIRK, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015  
(Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Reimbursements are reported as reductions to expenses. Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Property tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when the underlying exchange transaction has occurred and the resources are available. For this purpose, the City considers revenues to be available if the City has collected the revenues in the current period or expects to collect them soon enough after the end of the period to use them to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, except for general obligation bond principal and interest and compensated absences which are reported in the year due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenues accrued at December 31, 2015 are listed in Note 5. There were no significant revenues considered as not subject to accrual.

Revenues from Federal, State or other grants designated for payment of specific City expenditures, are recognized when the related expenditures are incurred. At fiscal year-end, excess receipts over expenditures are recorded as deferred revenue. Any excess expenditures over receipts are recorded as accounts receivable.

The City reports the following governmental funds, which are all considered major:

**General Fund** - This fund is the principal operating fund of the City and is used to account for all financial resources except those required to be accounted for in other funds.

**Water Fund** - This fund is used to account for the revenues (primarily user charges) and expenditures related to the operation and maintenance of the water filtration plant and water lines for residential and commercial users.

**Wastewater Treatment Fund** - This fund is used to account for the revenues (user charges) and expenditures of the wastewater treatment plant for residential and commercial users.

**Special Grant Fund** - This fund is used to account for Community Development Block Grants and Small Cities Entitlement Grants from the U.S. Department of Housing and Urban Development.

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

The City currently does not operate any proprietary funds.

Additionally, the City reports the following fund type:

**Fiduciary Funds**

**Agency Fund** - The Agency fund is custodial in nature and does not present results of operation nor have measurement focus. The Agency Fund is accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

**Trust Fund** - The Trust Fund represents an expendable trust received and held by the City which can only be utilized for the benefit of Recreation/Youth programs of the City.

**CITY OF DUNKIRK, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015  
(Continued)**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges performed, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

**D. Budgets and Budgetary Accounting**

As required by Article V of the City Charter and Administrative Code, the City's annual procedures in establishing the budgetary data reflected in the financial statements are as follows:

a.) On or before the first day of October each year, the Mayor shall submit to the Common Council a proposed budget and capital budget together with a message concerning same for the ensuing year.

b.) The budget message shall describe the important features; outline the proposed capital programs; indicate major changes from the current fiscal year in financial policies, expenditures, and revenues together with the reasons for such changes; summarize the City's debt condition; and include such other material items as the Mayor may deem advisable.

c.) The proposed budget shall provide a complete financial plan of all City functions and activities for the ensuing year. The budget shall be in such form as the Mayor may deem advisable and shall include: actual revenues and expenditures of the preceding fiscal year; actual and estimated revenues and expenditures of the current fiscal year; all estimated revenues and proposed expenditures for the ensuing fiscal year (including detailed estimates of revenue from all sources and the amount proposed to be raised by the tax levy upon real estate). The proposed expenditures shall be itemized as follows: each office, department, board and commission shall be listed separately showing the proposed amount for salaries and wages, supplies and other expenditures and the total thereof; reserve for uncollected taxes; debt service; judgments and settlements outstanding not covered by insurance; capital program stating the amount to be financed, if any, and the method thereof; special funds and purposes not otherwise contained in the budget; anticipated deficit, if any, of the current year and contingency fund.

d.) Immediately after the presentation of the proposed budget to the Common Council, the mayor shall file same in the City Clerk's Office and cause sufficient copies of same and the budget message to be made for distribution to the public. The proposed budget shall be a public record and shall be open to inspection by the public during regular business hours in the City Clerk's Office. Not less than five days prior to the date of the public hearing, the City Clerk shall cause to be published in the official newspaper of the City a notice of public hearing which shall specify the date, time and place of the public hearing; the total amount of the proposed budget; the amount thereof to be raised by taxes; the anticipated tax rate per thousand of assessed valuation and that copies of the proposed budget are available to the public in the City Clerk's Office.

e.) The Common Council shall meet and conduct a public hearing at which the Mayor shall be present. Such public hearing shall be held no later than November 15th.

f.) After conclusion of the public hearing, the Common Council shall consider the adoption of the proposed budget and may adjourn from time to time until it has fully considered and reviewed the proposed budget. The Common Council may add new programs or amounts, and may increase, decrease or delete programs and amounts. Expenditures required by law, for debt service, estimated deficits or estimated revenues may not be changed except to correct omissions or mathematical errors. The Common Council may, however, decrease the amount of tax levy for the ensuing fiscal year as proposed by the Mayor in proportion to such decreases in total expenditures as it may have determined. If the Common Council shall increase the total expenditures, such increase shall be included in the amount to be raised by taxes.

**CITY OF DUNKIRK, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**  
**(Continued)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Budgets and Budgetary Accounting, continued**

g.) Upon completion of the consideration and review of the proposed budget, the Common Council, shall on or before the 15th day of December of each year, adopt a resolution approving the budget in the final form approved by it and shall forthwith adopt an appropriation resolution and a resolution making a levy upon all the real property situated in the City liable to taxation in the ensuing year. The appropriation resolution shall be passed on the budget as adopted but need not be itemized further than by each office, board, department, commission, fund and program. Upon adoption of the budget, the appropriation and tax levy resolutions, the City Clerk shall file a certified copy of each with the City Treasurer and Fiscal Affairs Officer. The adoption of the budget shall constitute an appropriation of the amounts, a levy of the amount to be raised by taxation therein stated, and a warrant to the City Treasurer to spread and extend such levy upon current assessment tax rolls and to collect the same.

h.) If a budget has not been adopted, as provided by the Charter, on or before the 15th day of December, the tentative City budget, with amendments, if any, shall become the budget for the ensuing year.

i.) The amount of all taxes levied upon any parcel of real property shall, except as otherwise expressly provided by law, be and become a lien thereon as of the first day of January of the fiscal year for which levied and shall remain a lien until paid.

j.) Formal annual budgetary accounts are adopted and employed for control of all governmental funds except the special grant fund and the capital projects fund. These budgets are adopted on a basis consistent with accounting principles generally accepted in the United States except that encumbrances are treated as budgetary expenditures in the year of occurrence of the commitment to purchase. All unencumbered appropriations lapse at the end of the fiscal year. Budgetary comparisons presented in this report are on the budgetary basis and represent the budget as modified. This results in the following reconciliations of fund balances computed on a GAAP basis and a budgetary basis:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Wastewater Treatment Fund</u>
GAAP Basis:			
Fund Balances (Deficit) - 12/31/15	\$5,713,582	(\$979,619)	\$79,387
Deduct outstanding encumbrances	<u>86,103</u>	<u>16,466</u>	<u>41,479</u>
Budgetary Basis:			
Fund Balances (Deficit) - 12/31/15	<u>\$5,627,479</u>	<u>(\$996,085)</u>	<u>\$37,908</u>

k.) Total expenditures for each activity may not legally exceed the total appropriations for that activity. Encumbrances outstanding at year end are accounted for by a reservation of fund balance.

l.) Formal annual capital budgets and five year projections of capital needs are adopted by the Common Council for control of capital expenditures.

m.) Budgetary controls for the Special Grant Fund are established in accordance with the applicable grant agreement which covers a period other than the City's fiscal year.

n.) At January 1, the amount of encumbrances carried forward from the prior year are reestablished. These increases amounted to \$65,576; \$6,009 and \$70,005 in the General, Water and Wastewater Treatment Funds, respectively. During the year ended December 31, 2015, supplemental appropriations (including the prior year encumbrances) of \$1,089,311; \$5,532 and \$62,424 were approved in the General, Water and Wastewater Treatment Funds, respectively.



**CITY OF DUNKIRK, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015  
(Continued)**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of budgetary control in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

**F. Cash and Cash Equivalents**

Investments are stated at fair value. Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

**G. Capital Assets**

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with costs of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Major outlays for capital assets and improvements are capitalized as projects are incurred.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Buildings	40
Building Improvements	20
Land improvements	20
Infrastructure:	
Sanitary sewers	50
Water mains	50
Storm drains	50
Traffic control systems	20
Roads	20
Sidewalks	20
Machinery and equipment:	
Office equipment and furniture	10 - 15
Heavy equipment	10
Vehicles	10
Other	8
Computers	5

CITY OF DUNKIRK, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015  
(Continued)

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Deferred Outflow / Inflow**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2015, the City has one item that qualifies for reporting in this category. This item is related to pensions reported in the government-wide financial statements, as well as within individual proprietary funds. This represents the effect of the net change in the City's proportion of the collective net position asset or liability, the difference during the measurement period between the City's contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources* represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. At December 31, 2015, the City did not have any items that qualify for reporting in this category.

**I. Property Tax Revenue Recognition**

The City-wide property tax is levied by the Common Council effective January 1 of the year the taxes are recognizable as revenue. Taxes become a lien on the related property on January 1st of the year for which they are levied. In the government-wide statements, property tax receivables and related revenue include all amounts due the City regardless of when cash is received. The City acts as the collection agent for the County of Chautauqua for County taxes levied on properties within the City. The City also collects school taxes for the local school district for remission to them. During 1994, the City entered an agreement with the County of Chautauqua whereby unpaid City and school taxes are to be turned over for enforcement. The agreement with the County of Chautauqua was renewed on March 10, 2014 for the 2014, 2015 and 2016 tax years. The County reimburses the City for unpaid taxes and relieves unpaid taxes as County taxes in the subsequent year.

**J. Compensated Absences**

City employees are granted vacation, personal and sick leave and compensatory time in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation, sick leave and unused compensatory absences at various rates subject to certain conditions, maximum limitations and union affiliations.

Compensated absences are reported as accrued in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits.

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

**K. Due to Retirement System and Pensions**

Amounts owed to the State Retirement Systems for wages of employees of the city, but not yet billed, are reported as liabilities in the financial statements.

The City is mandated by New York State law to participate in the New York State Local Employees' Retirement System ("ERS") and the New York State Police and Fire Retirement System ("PFRS"). For purposes of measuring the net pension (asset)/liability, deferred outflows of resources related to pensions, and pension expense, information about fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 8.

**CITY OF DUNKIRK, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**  
**(Continued)**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Estimates**

The preparation of 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.

**M. Accounting and Reporting Changes**

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68 - *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. This Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improved information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The City implemented Statement No. 68 effective for the year ended December 31, 2015. The effect of the adoption of GASB Statement No. 68 is described in Note 2.

During November 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. This Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer after the measurement date of the governments beginning net pension liability. The effect of the adoption of GASB Statement No. 71 is described in Note 2.

**N. Future Impacts of Accounting Pronouncements**

The City has not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board (GASB) Statement No. 72 - *Fair Value Measurement and Application*, effective for the year ending December 31, 2016; GASB Statement 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*, effective for the year ending December 31, 2016 - except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for the fiscal year ending December 31, 2017; GASB Statement No. 74 - *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, effective for the fiscal year ending December 31, 2017; GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the fiscal year ending December 31, 2018; GASB Statement No. 76 - *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending December 31, 2016; GASB Statement No. 77 - *Tax Abatement Disclosures*, effective for the year ending December 31, 2016; GASB Statement No. 78 - *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, effective for the year ending December 31, 2016; GASB Statement No. 79 - *Certain External Investment Pools and Pool Participants*, effective for the year ending December 31, 2016; GASB Statement No. 80 - *Blending Requirements for Certain Component Units- an amendment of GASB Statement No. 14*, effective for the fiscal year ending December 31, 2017; GASB Statement No. 81 - *Irrevocable Split-Interest Agreements*, effective for the fiscal year ending December 31, 2017; and GASB Statement No. 82 - *Pension Issues- an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the fiscal year ending December 31, 2017, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the person liability is on or after June 15, 2017.

**CITY OF DUNKIRK, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**NOTE 2 - RESTATEMENT OF NET POSITION**

For the fiscal year ended December 31, 2015, the City and its component units implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. The implementation of GASB Statements No. 68 and No. 71 resulted in the reporting of an asset, deferred outflows of resources, a liability and a deferred inflow of resources related to the entities' participation in the New York State Employees' and Police and Fire Retirement Systems.

	Primary Government Governmental Activities Net Position	Component Unit  Net Position
Net Position - December 31, 2014, as previously stated	\$ 16,603,460	\$ 6,447,823
<b>GASB Statements No. 68 and No. 71:</b>		
Beginning System Liability-		
Police and Fire Retirement System	(706,553)	-
Beginning System Liability-		
Employees' Retirement System	(597,497)	(47,092)
Beginning deferred outflow of resources for contributions subsequent to the measurement date:		
Police and Fire Retirement System	344,034	-
Employees' Retirement System	225,289	32,138
Net Position- December 31, 2014, as restated	<u>\$ 15,868,733</u>	<u>\$ 6,432,869</u>

**NOTE 3 - STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY**

**A. Deficit Fund Balances**

At December 31, 2015, the Capital Project Fund had a deficit fund balance in the amount of \$11,764,775. The deficit was caused by (a) debt relating to the activity is considered to be a fund liability rather than a source of financing to be reported as revenue and (b) expenditures to date exceeded revenues to date. Revenue related to the debt, under the modified accrual basis, is not recognized as revenue until the debt is repaid from appropriations or the debt is refinanced on a long-term basis. The deficit fund balance will eventually be eliminated as the bond anticipation notes are retired. Management believes that sufficient revenues will be generated by the end of the project to cover the additional project expenditures incurred.

At December 31, 2015, the Water Fund had a deficit fund balance in the amount of \$979,619. The deficit was caused by expenditures in prior years exceeding prior year revenues. Expenditures in the current year and prior years were over-expended due to increases in utilities, chemicals, repairs to equipment, sewer fees, contracted services, and equipment purchases that were not anticipated. Management has increased water rates in an attempt to correct the cumulative deficit.

**B. Overdrawn Appropriations**

Expenditures for the year ended December 31, 2015 materially exceeded appropriations in the General and Water Funds. See pages 44 and 45 for detail by functional area.

**NOTE 4 - CASH AND INVESTMENTS**

The City's investment policies are governed by state statutes and various resolutions of the Common Council. City moneys must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities. Collateral is required for demand deposits and certificates of deposit at 102% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities and school districts.

**CITY OF DUNKIRK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**  
**(Continued)**

**NOTE 4 - CASH AND INVESTMENTS, CONTINUED**

The detail of cash and cash equivalents at December 31, 2015 is as follows:

	Carrying Amount
Petty cash	\$ 1,400
Deposits (checking account)	3,437,807
Cash and cash equivalents (savings and CDs)	1,557,478
<b>Total</b>	<b>\$ 4,996,685</b>

Cash and cash equivalents maintained by the City at December 31, 2015 consist of:

	Amount
Government activities	\$ 4,261,203
Fiduciary activities	735,482
<b>Total</b>	<b>\$ 4,996,685</b>

Deposits - All deposits are carried at cost plus accrued interest.

	Bank Balance
Insured (FDIC)	\$ 500,000
Uninsured	-
Collateral held by bank's agent in City's name	4,766,304
<b>Total deposits</b>	<b>\$ 5,266,304</b>

At December 31, 2015, the City did not have any investments other than cash and cash equivalents.

Investments - All investments are carried at the lower of cost or market and are categorized in the following manner.

Category 1 - Insured or registered, or securities held by the City or its agent in the City's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department, or agent in the City's name.

Category 3 - Uninsured and unregistered, with no securitization of the investments.

**NOTE 5 - PROPERTY TAX**

The City-wide property tax is levied each January 1, which is also the lien date. Property taxes are collected during the period April 1 through May 6 of each year. The County assumes enforcement responsibility for all taxes levied by the City.

Tax rates are calculated using assessments prepared by City Assessors as adjusted by the New York State Board of Equalization and Assessment for the purpose of comparability. The total taxable assessed value of real property included in the tax levy of 2015 was approximately \$280 million. The effective tax rate on this value is approximately \$17.30 per thousand. The statutory maximum tax rate is 2.0% of the 5-year average of the equalized assessment. The 2015 levy represents approximately 60.96% of the maximum statutory levy.

The City constitutional tax limit for the fiscal year ended December 31, 2015 is computed as follows:

Five year Average Full Valuation of Taxable Real Estate (2011 - 2015)	\$ 331,717,243
Tax limit @ 2.0%	\$ 6,634,345
Total Tax Levy	4,837,477
Less: Exclusions	793,158
Total Levy Subject to Tax Limit	4,044,319
Tax Margin	\$ 2,590,026

**CITY OF DUNKIRK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**  
**(Continued)**

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**NOTE 6 - RECEIVABLES**

Revenues accrued by the City consist of the following:

**A. Other Receivables** - represents amounts due from various sources.

Funds:	
General Fund	\$ 557,773
Water Fund	761,509
Wastewater Fund	<u>844,948</u>
Total	<u>\$ 2,164,230</u>

**B. Due from Other Governments** - State and federal receivables primarily represent claims for reimbursement of expenditures incurred related to the community development small cities program and various state aided programs. They are net of related advances from New York State. State and federal receivables also include reimbursable amounts for construction expenditures made through the Capital Project Fund. Other government receivables are amounts primarily due from other local municipalities and other miscellaneous items.

Amounts accrued at December 31, 2015 are comprised of:

State and Federal Receivables	
General Fund	\$ 416,442
Special grant	27,214
Capital Projects Fund	<u>432,923</u>
Total state and federal receivables	<u>876,579</u>
Other Government Receivables	
General Fund	<u>602,740</u>
Total other government receivables	<u>602,740</u>
Total due from other governments	<u>\$ 1,479,319</u>

**CITY OF DUNKIRK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**  
**(Continued)**

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 151,155	\$ -	\$ -	\$ 151,155
Construction in progress	26,018,283	4,233,743	-	30,252,026
Total capital assets not being depreciated	26,169,438	4,233,743	-	30,403,181
Capital assets being depreciated:				
Infrastructures	34,704,071	-	-	34,704,071
Buildings and improvements	12,420,179	-	-	12,420,179
Machinery and equipment	16,847,918	61,615	-	16,909,533
Total capital assets being depreciated	63,972,168	61,615	-	64,033,783
Less accumulated depreciation for:				
Infrastructures	32,506,775	116,892	-	32,623,667
Buildings and improvements	10,545,232	143,609	-	10,688,841
Machinery and equipment	15,134,985	432,852	-	15,567,837
Total accumulated depreciation	58,186,992	693,353	-	58,880,345
Total capital assets being depreciated, net	5,785,176	(631,738)	-	5,153,438
Governmental activities capital assets, net	\$ 31,954,614	\$ 3,602,005	\$ -	\$ 35,556,619

Depreciation expense was charged to the governmental functions as follows:

Shared services	\$ 11,993
Police department	23,923
Fire department	75,919
Transportation	200,563
Culture and recreation	20,290
Water department	185,340
Wastewater department	172,685
Other home and community service	2,640
Total depreciation expense	\$ 693,353

**NOTE 8 - LIABILITIES**

**A. Pension Plans**

**a.) Plan Description**

The City of Dunkirk participates in the New York and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (System). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for custody and control of its funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

CITY OF DUNKIRK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015  
(Continued)

NOTE 8 - LIABILITIES, (CONTINUED)

**A. Pension Plans, continued**

**b.) Funding Policy**

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed used in computing the employers' contributions. The required contributions for the current and two preceding years were:

	ERS	PFRS
2015	\$ 777,829	\$ 953,266
2014	901,158	1,376,136
2013	855,082	1,389,150

The City's contributions made to the systems were equal to 100 percent of the contributions required for each year.

**c.) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions**

At December 31, 2015, the City reported the following liabilities for its proportionate share of the net pension liabilities for PFRS and ERS. The net pension liabilities were measured as of March 31, 2015. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2014, with update procedures used to roll forward the total net pension liabilities to the measurement date. The City's proportion of the net pension liabilities was based on projections of the City's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided by the City.

Measurement date	March 31, 2015	March 31, 2015
Net pension liability	\$ 395,059	\$ 528,210
City's portion of the Plan's total net pension liability	0.1435222%	0.0156356%

For the year ended December 31, 2015, the City recognized pension expenses of \$1,058,983 and \$808,661, respectively, for PFRS and ERS. At December 31, 2016, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	
	PFRS	ERS
Difference between expected and actual experiences	\$ 47,642	\$ 16,909
Net difference between projected and actual earnings on pension plan investments	132,634	91,743
Changes in proportion and differences between the City's contributions and proportionate share of contributions	64,453	108,901
Total	\$ 244,729	\$ 217,553



CITY OF DUNKIRK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015  
(Continued)

NOTE 8 - LIABILITIES,(CONTINUED)

A. Pension Plans, continued

c.) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources, continued

The City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2015. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	PFRS	ERS
2016	\$ 55,578	\$ 54,388
2017	55,578	54,388
2018	55,578	54,388
2019	55,578	54,388
2020	22,419	-
Thereafter	-	-

d.) Actuarial Assumptions

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

	PFRS	ERS
Measurement Date	March 31, 2015	March 31, 2015
Actuarial valuation date	April 1, 2014	April 1, 2014
Interest rate	7.50%	7.50%
Salary scale	6.00%	4.90%
Decrement tables	April 1, 2015-	April 1, 2015-
	March 31, 2010	March 31, 2010
Inflation rate	2.7%	2.7%

Annuitant mortality rates are based on April 1, 2005 - March 31, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP - 2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 - March 31, 2010.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns net of investments expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below.

Measurement date Asset Class:	PFRS and ERS	
	Long-Term Expected Real Rate of Return	
	Target Allocation	March 31, 2015
Domestic equities	38.0 %	7.3 %
International equities	13.0	8.6
Private equity	10.0	11.0
Real estate	8.0	8.3
Absolute return strategies	3.0	6.8
Opportunistic portfolio	3.0	8.6
Real assets	3.0	8.7
Bond and mortgages	18.0	4.0
Cash	2.0	2.3
Inflation-indexed bonds	2.0	4.0
Total	100.0%	

**CITY OF DUNKIRK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**  
**(Continued)**

**NOTE 8 - LIABILITIES, (CONTINUED)**

**A. Pension Plans, continued**

**e.) Discount Rate**

The discount rate used to calculate the total pension liabilities was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**f.) Sensitivity of Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**

The chart below presents the City's proportionate share of the net pension liabilities calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liabilities would be if they were calculated using a discount rate that is one percentage-point lower (6.5%) or one percentage-point higher (8.5%) than the current assumption.

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension liability-PFRS	\$ 5,259,998	\$ 395,059	\$ (3,682,054)
Employer's proportionate share of the net pension liability-ERS	3,520,751	528,210	(1,998,236)

**g.) Pension Plan Fiduciary Net Position**

The components of the current-year net pension liabilities of the employers as of the valuation dates, were as follows:

	(Dollars in Thousands)		
	PFRS	ERS	Total
Valuation date	March 31, 2015	March 31, 2015	
Employer's total pension liability	\$ 395,059	\$ 528,270	\$ 923,269
Plan fiduciary net position	391,227	517,382	908,609
Employer's net pension liability	\$ 3,832	\$ 10,828	\$ 14,660
System fiduciary net position as a percentage of total pension liability	99.03%	97.95%	98.11%

**h.) Payables to the Pension Plan**

Employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of December 31, 2015 represent the projected employer contribution for the period of April 1, 2015 through December 31, 2015 based on paid System wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of December 31, 2015 amounted to \$714,949 and \$583,372 for PFRS and ERS, respectively.

**B. Postemployment Benefits Other Than Pensions**

**a.) Plan Description**

The City of Dunkirk administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides healthcare to a single disabled retiree until the age of 70 through the City's group health insurance plan, which covers both active employees and the above mentioned retired member. Benefit provisions were established through negotiations between the City and union representing City employees and are renegotiated as each bargaining period expires.

**b.) Funding Policy**

Contribution requirements of the Retiree Health Plan by the City are established and may be amended through negotiations between the City and the bargaining units. The contribution is based on pay-as-you-go financing requirements. For the year ended December 31, 2015, the City contributed \$14,723, or 73.71%, of the actuarially required contributions, to the Retiree Health Plan.

CITY OF DUNKIRK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015  
(Continued)

**NOTE 8 - LIABILITIES,(CONTINUED)**

**B. Postemployment Benefits Other Than Pensions, continued**

**c.) Annual OPEB Cost and Net OPEB Obligation**

The City's annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funded

The following table shows the components of the City's annual OPEB cost over the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 19,975
Interest on net OPEB obligation	(1,041)
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	18,934
Contribution made	(14,723)
Increase in net OPEB obligation	4,211
Net OPEB obligation - beginning of year	27,656
Net OPEB obligation - end of year	\$ 31,867

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (prepayment) for 2015 is as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2011	\$ 21,923	107.49%	\$ (221)
12/31/2012	36,455	69.67%	10,844
12/31/2013	36,455	72.25%	19,978
12/31/2014	30,646	74.95%	27,656
12/31/2015	18,934	73.71%	31,867

**d.) Funded Status and Funding Progress**

As of July 1, 2015, the most recent actuarial valuation date, the funded status of the Retiree Health Plan was as follows:

Actuarial accrued liability (AAL)	\$ 51,084
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 51,084
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Annual covered payroll (active plan members)	\$ -
UAAL as a percentage of annual covered payroll	0.0%

**e.) Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. Examples, include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**CITY OF DUNKIRK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**  
**(Continued)**

**NOTE 8 - LIABILITIES (CONTINUED)**

**B. Postemployment Benefits Other Than Pensions (continued)**

**e.) Actuarial Methods and Assumptions, continued**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the alternative measurement method was used. Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 5.5 percent was used. In addition, a simplified version of the projection of future benefit payments was used.

**C. Short Term Debt**

Liabilities for bond anticipation notes (BANs) are generally recorded in the capital projects fund. The notes or renewals thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each twelve month period thereafter.

State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

The following is an analysis of outstanding BANs at December 31, 2015:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
Capital projects	Consolidated Water System /Seawall	12,814,000	3/24/2016	0.75%
		<u>\$ 12,814,000</u>		

Revenue anticipation notes (RANs) may be issued in anticipation of collection of revenues other than real estate taxes for meeting expenditures payable from the type of revenue for which the borrowing was made. RANs must mature within one year and may be renewed from time to time, but each renewal shall be for a period not exceeding one year. During the year ended December 31, 2015, the City did not issue, renew or repay any RANs.

Tax Anticipation Notes (TANs) may, up to the maximum authorized by statute, be issued against the anticipated collection of taxes or assessments levied or to be levied against real property. These notes may be renewed for a period not to exceed one year and must be retired within five years of the original issue. During the year ended December 31, 2015, the City did not issue, renew or repay any TANs.

**a.) Constitutional Debt Limit**

The City constitutional debt limit at December 31, 2015 is computed as follows:

Five-Year Average Full Valuation of Taxable Real Estate (2010 - 2014)	<u>\$ 325,805,694</u>
Debt Limit @ 7%	\$ 22,806,399
Net Indebtedness (after statutory exclusions)	<u>420,000</u>
Net Debt Contracting Margin	<u>\$ 22,386,399</u>
Percentage of Debt Contracting Power Exhausted	<u>1.84%</u>

**CITY OF DUNKIRK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**  
**(Continued)**

**NOTE 8 - LIABILITIES (CONTINUED)**

**C. Short Term Debt, continued**

**b.) Serial Bonds**

The City borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government are recorded in the governmental funds in the government-wide financial statements.

**c.) Compensated Absences**

As explained in Note 1, compensated absences are recorded in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees which are included in wages and benefits. The amount that are considered current and payable within one year is estimated at \$250,000.

**d.) Summary of Changes in General Long Term Debt**

The following is a summary of changes in general long-term liabilities:

	Balance 01/01/2015	Increases	Decreases	Balance 12/31/2015
Serial bonds	\$ 4,870,000	\$ 3,180,000	\$ 315,000	\$ 7,735,000
Compensated absences	4,176,580	-	74,562	4,102,018
	<u>\$ 9,046,580</u>	<u>\$ 3,180,000</u>	<u>\$ 389,562</u>	<u>\$ 11,837,018</u>

Additions and deletions to compensated absences are shown net since it is impractical to determine these amounts separately.

**e.) Long Term Debt Maturity Schedule**

The following is a summary of long term liabilities.

Purpose	Date Issued	Maturity Date	Interest Rate	Original Amount	Outstanding Balance 12/31/2015
Public improvement Boardwalk Mark	11/10/2011	11/1/2021	2.50 - 3.75%	650,000	\$ 420,000
Water treatment plant renovation	9/1/2008	5/1/2033	4.25 - 4.75%	4,539,000	3,410,000
Water treatment plant renovation	4/4/2010	5/1/2015	2.69%	280,000	-
Public improvement Water Meters	3/28/2013	3/15/2033	3.375 - 4.00%	785,000	725,000
Water Filtration improvements	3/26/2015	3/25/1935	2.5-3.0%	3,180,000	3,180,000
					<u>\$ 7,735,000</u>

**CITY OF DUNKIRK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**  
**(Continued)**

**NOTE 8 - LIABILITIES (CONTINUED)**

**C. Short Term Debt, continued**

**f.) Future Debt Service Requirements**

The following table summarizes the City's future debt service requirements as of December 31, 2015:

YEAR ENDING DECEMBER 31,	Serial Bonds	
	Principal	Interest
2016	\$ 410,000	\$ 277,781
2017	415,000	263,994
2018	425,000	249,819
2019	440,000	234,813
2020	455,000	219,122
2021-2025	2,080,000	834,053
2026-2030	1,950,000	473,047
2031-2035	1,560,000	113,900
<b>TOTAL</b>	<b>\$ 7,735,000</b>	<b>\$ 2,666,529</b>

**NOTE 9 - 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.

**Restricted Net position** - Restricted net position reports constraints placed on assets that are either legally imposed by creditors (such as through covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Restrictions of net position have been recorded in the government-wide financial statements of the City at December 31, 2015. At December 31, 2015, the City has recorded the following restrictions:

Restricted for Capital Equipment - represents resources that are committed for future capital equipment acquisitions.

Restricted for Tax Stabilization - represents resources appropriated by the Common Council to keep future tax increases at a minimum in any fiscal year.

Restricted for Employee Benefits - represents resources to be used to help minimize the financial burden of future employee benefit increases.

Restricted for Street Improvements - represents resources that are committed for future street construction.

Restricted for Encumbrances - represents commitments related to unperformed (executory) contracts for goods or services.

**Unrestricted Net Position** - Designations are not legally required restrictions, but are segregated for a specific purpose. At December 31, 2015, the City had not designated any unrestricted net position.

CITY OF DUNKIRK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015  
(Continued)

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**NOTE 9 - EQUITY CLASSIFICATIONS, (CONTINUED)**

**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 City does not have any nonspendable fund balance at December 31, 2015.

**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. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The City has established the following restricted fund balances:

**Tax Stabilization** - represent funds that may be appropriated to keep future tax increases at a minimum in future years. The Common Council did not appropriate any of these funds in developing the 2015 or 2016 General Fund budgets.

**Other Fund Activities** - represents resources accumulated by special revenue and or capital project funds dedicated to be used for the purpose for which the fund was created.

**Encumbrances** - Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

**Committed** - includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority, i.e., the Common Council. At December 31, 2015 the City did not have any committed fund balances.

**Assigned** - includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City has the following assigned fund balances:

**Capital Equipment** - represents resources set aside by the Common Council to be used for the acquisition of capital equipment.

**Street Improvements** - represents resources set aside by Common Council for improvements to city streets.

**Employee Benefits** - represents resources set aside to help minimize the financial burden of future employee benefit increases.

**Encumbrances** - All encumbrances of the General Fund are classified as assigned fund balance.

**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 City.

**Order of Use of Fund Balance** - The City'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. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

**CITY OF DUNKIRK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015  
(Continued)**

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**NOTE 10 - CONTINGENCIES**

**A. Lease Commitments and Leased Assets**

The City leased various equipment and property during 2015 under a number of operating leases. Total rental expenditures for the year ended December 31, 2015 were approximately \$52,534.

The minimum future non-cancelable operating lease payments are as follows:

Year ending December 31, 2016	\$	20,751
2017		4,312
2018		4,042
2019		1,011

**B. Grant and Aid Programs**

The City receives significant financial assistance from numerous federal and state agencies. The receipt of such funds generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. During 2014 the U.S. Department of Housing and Urban Development completed its review of the City's utilization and administration of certain Community Development Block Grants ("CDBG") funds over the past several years. As a result of such review, HUD determined that various allocations of certain CDBG funds were noncompliant with certain HUD protocols and guidelines and directed the City to reimburse the CDBG program monies delineated for various uses. The City and HUD have reached an agreement whereby the City remitted a total of \$750,000 through December 31, 2015 and has a Voluntary Grant Reduction during the 2016 program year.

**C. Litigation**

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

**D. Environmental Remediation**

The City's policy is not to take possession or ownership of properties with potential or known pollution remediation issues. The City currently does not have any properties with pollution remediation obligations where the City retains ownership rights that have either been remediated or have grant funding in place to be remediated. Any potential future environmental remediation is considered to be de minimus to the City. Therefore, the City has not made any adjustments related to GASB No. 49 to record any potential environmental remediations.

**NOTE 11 - SUBSEQUENT EVENTS**

The City has evaluated subsequent events through May 26, 2016, the date which the financial statements were available to be issued.

On March 24, 2016 the City issued \$4,515,000 Public Improvements Serial Bonds, 2016 and \$8,350,000 Bond Anticipation Notes.

The City is expecting a \$1.2 million shortfall in 2017 as the result of the loss of revenue from the NRG payment in lieu of tax agreement less the state's transition aid and payments of debt related to the consent-ordered water treatment plant work and work on the seawall coming due.

No additional subsequent events have been identified that would require adjustments of or disclosure in the accompanying financial statements.



**CITY OF DUNKIRK, NEW YORK  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2015**

	Original Budget	Revisions	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>REVENUES:</b>						
Real property taxes	\$ 4,837,477	\$ -	\$ 4,837,477	\$ 4,838,480	\$ -	\$ 1,003
Sales tax	2,858,632	-	2,858,632	2,403,031	-	(455,601)
Property tax items	2,264,265	-	2,264,265	2,785,620	-	531,355
Non-property tax items	326,047	-	326,047	283,736	-	(42,311)
Departmental income	1,891,815	1,697	1,893,512	1,736,608	-	43,096
Shared services	481,969	250,000	731,969	1,208,313	-	476,344
Use of money and property	37,243	-	37,243	59,377	-	22,134
Licenses and permits	138,854	-	138,854	45,629	-	(93,225)
Fines and forfeitures	70,200	8,244	78,444	112,701	-	34,257
Sale of property and compensation for loss	122,775	26,591	149,366	5,483	-	(143,883)
Miscellaneous	63,320	-	63,320	407,033	-	343,713
State aid	2,081,200	300,708	2,381,908	2,067,203	-	(314,705)
Federal aid	-	449,500	449,500	73,219	-	(376,281)
<b>Total revenues</b>	<b>14,973,787</b>	<b>1,036,740</b>	<b>16,010,537</b>	<b>16,036,433</b>	<b>-</b>	<b>25,896</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
Council	38,650	-	38,650	38,726	-	(76)
Mayor	103,425	65	103,490	103,922	6	(438)
Financial	399,866	3,914	403,780	357,384	1,141	45,255
Staff	489,235	1,206	490,441	496,292	3,132	(8,983)
Shared services	545,678	(9,748)	535,930	539,359	5,608	(9,037)
Special items	330,212	(73,200)	257,012	238,443	-	20,569
Police department	3,436,031	41,428	3,477,457	3,633,379	3,134	(159,056)
Fire department	1,981,807	478,577	2,460,384	2,517,237	43,611	(100,464)
Other public safety	219,097	13,106	232,203	218,549	2,188	10,466
Transportation	1,233,755	223,919	1,457,674	1,594,325	11,456	(148,106)
Economic assistance and opportunity	50,033	-	50,033	42,415	892	6,726
Culture and recreation	624,522	30,492	655,014	660,892	1,873	(7,751)
Home and community service	745,434	379,554	1,124,988	1,256,666	13,063	(144,743)
Employee benefits	4,686,539	-	4,686,539	4,217,574	-	468,965
<b>Debt service:</b>						
Principal	60,000	-	60,000	60,000	-	-
Interest	29,513	-	29,513	29,513	-	-
<b>Total expenditures</b>	<b>14,973,787</b>	<b>1,089,311</b>	<b>16,063,108</b>	<b>16,003,678</b>	<b>86,103</b>	<b>(28,673)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>(52,571)</b>	<b>(52,571)</b>	<b>32,755</b>	<b>(86,103)</b>	<b>(777)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	4,063	-	4,063
Transfer out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,063</b>	<b>-</b>	<b>4,063</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>-</b>	<b>(52,571)</b>	<b>(52,571)</b>	<b>36,818</b>	<b>(86,103)</b>	<b>3,286</b>
<b>FUND BALANCE, January 1</b>	<b>5,676,764</b>	<b>-</b>	<b>5,676,764</b>	<b>5,676,764</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE, December 31</b>	<b>\$ 5,676,764</b>	<b>\$ (52,571)</b>	<b>\$ 5,624,193</b>	<b>\$ 5,713,582</b>	<b>\$ (86,103)</b>	<b>\$ 3,286</b>

CITY OF DUNKIRK, NEW YORK  
BUDGETARY COMPARISON SCHEDULE  
WATER FUND  
YEAR ENDED DECEMBER 31, 2015

	Original Budget	Revisions	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>REVENUES:</b>						
Departmental income	\$ 3,245,143	\$ -	\$ 3,245,143	\$ 3,077,753	\$ -	\$ (167,390)
Sale of property and compensation for loss	5,000	-	5,000	5,287	-	287
Miscellaneous	5,000	-	5,000	15,043	-	10,043
<b>Total revenues</b>	<b>3,255,143</b>	<b>-</b>	<b>3,255,143</b>	<b>3,098,083</b>	<b>-</b>	<b>(157,060)</b>
<b>EXPENDITURES:</b>						
Current:						
Special items	441,764	(50,457)	391,307	394,967	-	(3,660)
Home and community service	1,573,025	55,989	1,629,014	1,670,311	16,466	(57,763)
Employee benefits	555,003	-	555,003	507,541	-	47,462
Debt service:						
Principal	366,000	-	366,000	366,000	-	-
Interest	319,351	-	319,351	256,185	-	63,166
<b>Total expenditures</b>	<b>3,255,143</b>	<b>5,532</b>	<b>3,260,675</b>	<b>3,195,004</b>	<b>16,466</b>	<b>49,205</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>(5,532)</b>	<b>(5,532)</b>	<b>(96,921)</b>	<b>(16,466)</b>	<b>(107,855)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers In	-	-	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>-</b>	<b>(5,532)</b>	<b>(5,532)</b>	<b>(96,921)</b>	<b>(16,466)</b>	<b>(107,855)</b>
<b>FUND DEFICIT, January 1</b>	<b>(882,698)</b>	<b>-</b>	<b>(882,698)</b>	<b>(882,698)</b>	<b>-</b>	<b>-</b>
<b>FUND DEFICIT, December 31</b>	<b>\$ (882,698)</b>	<b>\$ (5,532)</b>	<b>\$ (888,230)</b>	<b>\$ (979,619)</b>	<b>\$ (16,466)</b>	<b>\$ (107,855)</b>

CITY OF DUNKIRK, NEW YORK  
BUDGETARY COMPARISON SCHEDULE  
WASTEWATER TREATMENT FUND  
YEAR ENDED DECEMBER 31, 2015

	Original Budget	Revisions	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>REVENUES:</b>						
Departmental income	\$ 4,136,294	\$ -	\$ 4,136,294	\$ 3,804,909	\$ -	\$ (331,385)
Sale of property and compensation for loss	2,000	-	2,000	-	-	(2,000)
Miscellaneous	1,000	11,000	12,000	11,007	-	(993)
<b>Total revenues</b>	<b>4,139,294</b>	<b>11,000</b>	<b>4,150,294</b>	<b>3,815,916</b>	<b>-</b>	<b>(334,378)</b>
<b>EXPENDITURES:</b>						
Current:						
Special items	795,260	(114,600)	680,660	444,534	-	236,126
Home and community service	2,322,237	177,024	2,499,261	2,326,031	41,479	131,751
Employee benefits	541,143	-	541,143	515,675	-	25,468
Debt service:						
Principal	225,000	-	225,000	225,000	-	-
Interest	160,655	-	160,655	160,655	-	-
<b>Total expenditures</b>	<b>4,044,295</b>	<b>62,424</b>	<b>4,106,719</b>	<b>3,671,895</b>	<b>41,479</b>	<b>393,345</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>94,999</b>	<b>(51,424)</b>	<b>43,575</b>	<b>144,021</b>	<b>(41,479)</b>	<b>58,967</b>
<b>FUND DEFICIT, January 1</b>	<b>(64,634)</b>	<b>-</b>	<b>(64,634)</b>	<b>(64,634)</b>	<b>-</b>	<b>-</b>
<b>FUND DEFICIT, December 31</b>	<b>\$ 30,365</b>	<b>\$ (51,424)</b>	<b>\$ (21,059)</b>	<b>\$ 79,387</b>	<b>\$ (41,479)</b>	<b>\$ 58,967</b>

**CITY OF DUNKIRK, NEW YORK**  
**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS**  
**DECEMBER 31, 2015**

The schedule of funding progress presented below provides a consolidated snapshot of the City's ability to meet current and future liabilities with the plan assets. Of particular interest to most is the funded status ratio. This ratio conveys a plan's level of assets to liabilities, an important indicator to determine the financial health of the OPEB plan. The closer the plan is to a 100% funded status, the better position it will be in to meet all of its future liabilities. The actuarial value of assets and actuarial accrued liability are obtained from the latest actuarial report.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2008	\$ -	\$ 106,697	\$ 106,697	0.0%	\$ -	0.0%
7/1/2009	\$ -	\$ 215,071	\$ 215,071	0.0%	\$ -	0.0%
7/1/2010	\$ -	\$ 202,616	\$ 202,616	0.0%	\$ -	0.0%
7/1/2011	\$ -	\$ 199,338	\$ 199,338	0.0%	\$ -	0.0%
7/1/2012	\$ -	\$ 182,146	\$ 182,146	0.0%	\$ -	0.0%
7/1/2013	\$ -	\$ 140,546	\$ 140,546	0.0%	\$ -	0.0%
7/1/2014	\$ -	\$ 107,418	\$ 107,418	0.0%	\$ -	0.0%
7/1/2015	\$ -	\$ 51,084	\$ 51,084	0.0%	\$ -	0.0%

**CITY OF DUNKIRK, NEW YORK  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>2015</u>
<b>PFRS PENSION PLAN</b>	
CITY'S PROPORTION SHARE OF THE NET PENSION LIABILITY	0.1435222%
CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	\$ 395,059
CITY'S COVERED-EMPLOYEE PAYROLL	\$ 5,431,810
CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	7.27%
CITY'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	99.03%
<b>ERS PENSION PLAN</b>	
CITY'S PROPORTION SHARE OF THE NET PENSION LIABILITY	0.0156356%
CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	\$ 528,270
CITY'S COVERED-EMPLOYEE PAYROLL	\$ 4,238,924
CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	12.46%
CITY'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	97.95%

**CITY OF DUNKIRK, NEW YORK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (1)  
YEAR ENDED DECEMBER 31, 2015**

<b>FEDERAL GRANTOR/ PROGRAM TITLE</b>	<b>Federal CFDA Number (2)</b>	<b>Notes</b>	<b>Federal Expenditures (3)</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Direct Programs			
Community Development Block Grants			
Entitlement Grants	14.218 *		\$ 1,086,998
<i>Total U.S. Department of Housing and Urban Development</i>			<u>1,086,998</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Pass through NYS Division of Homeland Security:			
Disaster Grants - Public Assistance	97.036		<u>73,219</u>
<i>Total U.S. Department of Homeland Security</i>			<u>73,219</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><b>\$ 1,160,217</b></u>

\* Major Program

**CITY OF DUNKIRK, NEW YORK**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2015**

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**Notes:**

- (1) Includes all major and nonmajor programs.
- (2) Source: October 2015 Catalog of Federal Domestic Assistance.
- (3) Prepared on the "GAAP" basis of accounting and includes all federal program expenditures.
- (4) The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Dunkirk, New York. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements which are presented on the modified accrual basis.



JOHNSON, MACKOWIAK  
& ASSOCIATES, LLP

Certified Public Accountants & Consultants

**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**

May 26, 2016

Honorable Mayor  
Members of City Council  
Treasurer  
City of Dunkirk  
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 financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Dunkirk, New York, as of and for the year ended December 31, 2015, and the related notes to the financial statements which collectively comprise City of Dunkirk, New York's basic financial statements and have issued our report thereon dated May 26, 2016.

**Internal Control Over Financial Reporting**

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

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



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (15-01)

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Dunkirk, New York's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

#### **The City of Dunkirk New York's Response to Findings**

The City of Dunkirk, New York's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Dunkirk, New York's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### **Purpose of this Report**

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

*Johnson, Mackowiak & Associates, LLP*

Johnson, Mackowiak & Associates, LLP  
Fredonia, New York



**JOHNSON, MACKOWIAK  
& ASSOCIATES, LLP**

Certified Public Accountants & Consultants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

May 26, 2016

Honorable Mayor  
Members of City Council  
Treasurer  
City of Dunkirk  
Dunkirk, NY 14048

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

We have audited the City of Dunkirk, New York's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Dunkirk, New York's major federal programs for the year ended December 31, 2015. The City of Dunkirk, New York's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Dunkirk's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Dunkirk, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Dunkirk's compliance.

### **Opinion on Each of the Major Federal Programs**

In our opinion, the City of Dunkirk, New York complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.


### **Report on Internal Control Over Compliance**

Management of the City of Dunkirk, New York, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Dunkirk's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Dunkirk, New York's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
JOHNSON, MACKOWICK & ASSOCIATES, LLP  
Fredonia, New York

**CITY OF DUNKIRK, NEW YORK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2015**

**Section I – Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	yes	X	no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	X	yes	no
Noncompliance material to financial statements noted?	yes	X	no

**Federal Awards**

Internal control over major programs:			
Material weakness(es) identified?	yes	X	no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	yes	X	no
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>		
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes	X	no

**CITY OF DUNKIRK, NEW YORK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued**  
**YEAR ENDED DECEMBER 31, 2015**

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218	CDBG Entitlement Grant

Dollar threshold used to distinguish between  
Type A and type B programs? \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_yes Xno

**Section II – Financial Statement Findings**

As of and for the year ended December 31, 2015, the City of Dunkirk, New York, had one finding that was required to be reported in accordance with GAGAS.

**15-01 Improvements in Internal Controls Over Receivable Reconciliations**

*Condition:* Although the City records adjustments to its subsidiary ledgers for utility billing and general accounts receivable, the adjustments are not consistently and timely posted to the general ledger.

*Criteria:* Internal controls should be in place that provide reasonable assurance that adjustments are timely recorded in the general ledger to be sure the City is aware of all revenues to which it is entitled and that these revenues and receivables are correctly recorded in the general ledger.

*Effect:* Because of the improper documentation, lack of formal approval and untimely adjustment of the City's utility billing account corrections needed to be made as a result of the City's annual audit.

*Cause:* The City does not have established policies and procedures requiring timely reconciliations and adjustments of its accounts.

*Recommendation:* The City should establish a policy requiring formal documentation of all utility account adjustments as well as requiring approval by the City Treasurer. An established policy for making these adjustments will increase the likelihood that the adjustments will be recorded in a timely and correct manner.

*Management's Response:* Internal controls are established to provide assurance that receivables account adjustments are recorded in a timely manner. There are instances where an adjustment is mandated and may lapse from the month of the billing into the next billing cycle. All adjustments require final approval by the City Treasurer. The formal

procedures established were followed explicitly to the letter until the loss of a full-time employee in the Treasury Department. Due to time constraints and available staff and work hours, timeliness was impacted by these adjustment procedures. The City is still investigating alternatives to correct the situation.

### **Section III – Federal Award Findings and Questioned Costs**

As of and for the year ended December 31, 2015, the City of Dunkirk, New York, did not have any findings that were considered Federal Award Findings and Questioned Costs.

**CITY OF DUNKIRK, NEW YORK  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2015**

- There were no prior year A-133 findings

**CITY OF DUNKIRK, NEW YORK  
SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED  
YEAR ENDED DECEMBER 31, 2015**

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<b>PROGRAM TITLE</b>	<b>NYSDOT Contract Number</b>	<b>Expenditures</b>
Consolidated Highway Improvement Program (CHIPS)	N/A	\$ 309,702
<b>TOTAL STATE TRANSPORTATION ASSISTANCE EXPENDED</b>		<b>\$ 309,702</b>

The accompanying notes are an integral part of this schedule.



**CITY OF DUNKIRK, NEW YORK  
NOTES TO THE SCHEDULE OF STATE TRANSPORTATION  
ASSISTANCE EXPENDED  
YEAR ENDED DECEMBER 31, 2015**

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**GENERAL**

The accompanying Schedule of State Transportation Assistance Expended of City of Dunkirk, New York, presents the activity of all financial assistance programs provided by the New York State Department of Transportation.

**BASIS OF ACCOUNTING**

The accompanying Schedule of State Transportation Assistance Expended is presented using the modified accrual basis of accounting.

The amounts reported in the Schedule of State Transportation Assistance Expended generally were obtained from the appropriate financial reports for the applicable program and periods. The amounts reported in the financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the financial statements.

**INDIRECT COSTS**

There are no indirect costs associated with these programs.

**MATCHING COSTS**

Matching costs, ie, the City's share of certain program costs, are not included in the reported expenditures.

**AMOUNTS PAID TO SUBRECIPIENTS**

There were no amounts paid to subrecipients.



JOHNSON, MACKOWIAK  
& ASSOCIATES, LLP

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROLS  
OVER STATE TRANSPORTATION ASSISTANCE EXPENDED BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS

May 26, 2016

Honorable Mayor  
Members of the City Council  
Treasurer  
City of Dunkirk, New York 14048

Compliance

We have audited the compliance of the City of Dunkirk, New York with the types of compliance requirements described in Part 43 of the New York State Codification of Rules and regulations (NYCRR) that are applicable to each state transportation assistance program tested for the year ended December 31, 2015. The programs tested are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each program tested is the responsibility of the City of Dunkirk, New York's management. Our responsibility is to express an opinion on the City of Dunkirk, New York's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Part 43 of NYCRR. Those standards and Part 43 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, that could have a direct and material effect on the state transportation assistance programs tested, has occurred. An audit includes examining, on a test basis, evidence about the City of Dunkirk, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Dunkirk, New York's compliance with those requirements.

In our opinion, the City of Dunkirk, New York complied in all material respects with the compliance requirements referred to above that could have a direct and material effect on each of its state transportation assistance programs tested for the year ended December 31, 2015.

Internal Control Over Compliance

The management of the City of Dunkirk, New York is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state transportation assistance programs. In planning and

performing our audit, we considered the City of Dunkirk, New York's internal control over compliance with requirements that could have a direct and material effect on state transportation assistance programs to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on the internal control over compliance in accordance with Part 43 of NYCRR, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Dunkirk, New York's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a state transportation assistance program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state transportation assistance program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above.

#### Schedule of State Transportation Assistance Expended

We have audited the financial statements of the City of Dunkirk, New York as of and for the year ended December 31, 2015, and have issued our report thereon dated May 26, 2016. Our audit was performed for the purpose of forming an opinion on the City of Dunkirk, New York's financial statements taken as a whole. The accompanying schedule of state transportation assistance expended is presented for purposes of additional analysis as required by Part 43 of NYCRR, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the City of Dunkirk, New York's management and the New York State Department of Transportation. However, this report is a matter of public record and its distribution is not limited.

*Johnson, Mackowiak & Associates, LLP*

Johnson, Mackowiak & Associates, LLP  
Fredonia, New York

**CITY OF DUNKIRK, NEW YORK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR STATE TRANSPORTATION ASSISTANCE EXPENDED  
YEAR ENDED DECEMBER 31, 2015**

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**Summary of Audit Results:**

Internal control over state transportation assistance expended:

- |   |               |
|---|---------------|
| • Material weakness(es) identified  | No            |
| • Reportable condition(s) identified that are not<br>considered to be material weakness(es) | None reported |

Type of auditors' report issued on compliance  
for programs tested:

Unmodified

Identification of State Transportation Assistance Programs Tested:

Name

Consolidated Highway Improvement Program

**Compliance Findings and Questioned Costs:**

No matters were reported.

**CITY OF DUNKIRK, NEW YORK  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR STATE TRANSPORTATION ASSISTANCE EXPENDED  
YEAR ENDED DECEMBER 31, 2015**

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The City of Dunkirk, New York did not have any prior year findings.