

CITY OF DUNKIRK, NEW YORK

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2014

CITY OF DUNKIRK, NEW YORK
YEAR ENDED DECEMBER 31, 2014

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DUNKIRK CITY COUNCIL
YEAR ENDED DECEMBER 31, 2014

MAYOR

Anthony J. Dolce

COUNCILMAN-AT-LARGE

Willie Rosas

MEMBERS OF THE COUNCIL

FIRST WARD

Michael Michalski

SECOND WARD

William J. Rivera

THIRD WARD

Andolino Gonzalez

FOURTH WARD

Stacy Szukala



**JOHNSON, MACKOWIAK
& ASSOCIATES, LLP**

Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

May 22, 2015

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 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, 2014, 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 both is a discretely presented component unit and 85.4 percent, 84.5 percent and 87.6 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 business-type activities, the aggregate discretely presented component units and each major fund of the City of Dunkirk, New York, as of December 31, 2014, 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.

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 and schedule of funding progress – other postemployment benefits on pages 4 through 11, 47 through 50 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 report dated May 22, 2015, 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Dunkirk, New York's internal control over financial reporting and compliance.

Johnson, Mackowiak & Associates, LLP

Johnson, Mackowiak & Associates, LLP

**CITY OF DUNKIRK, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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, 2014. 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 \$417,410 budgetary deficit for the year ended December 31, 2014 as shown on page 47. This amount compares to a budgetary surplus of \$225,657 for the year ended December 31, 2013.
- The General Fund reported an operating deficit of \$529,322 for the current year as compared to an operating surplus of \$29,534 for 2013.
- The Water Fund had an operating deficit of \$225,084 for the current year as compared with an operating deficit of \$153,139 for 2013. The upgrades and repairs to the water filtration plant and water infrastructure mandated by Chautauqua County continued throughout 2014. Water rates were adjusted for 2014 to meet increased costs associated with this project.
- The Wastewater Treatment Fund had an operating surplus of \$383,067 for 2014 as compared with an operating deficit of \$51,162 for 2013.
- The City's net position decreased by \$385,763 as a result of the activity for the year ended December 31, 2014 as compared to an increase of approximately \$1,076,586 as a result of 2013 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 decreased to \$16.603 million from \$16.989 million for the year ended December 31, 2014. This is a result of an operational deficit of \$0.386 million. This compares to an increase for the year ended December 31, 2013 of approximately \$1.076 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		Business - Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Assets						
Current assets	\$ 15,600	\$ 13,192	\$ -	\$ -	\$ 15,600	\$ 13,192
Capital assets	31,954	29,195	-	-	31,954	29,195
Total assets	<u>\$ 47,554</u>	<u>\$ 42,387</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,554</u>	<u>\$ 42,387</u>
Liabilities						
Current liabilities	\$ 21,169	\$ 16,719	\$ -	\$ -	\$ 21,169	\$ 16,719
Long-term portion of obligations	8,482	8,679	-	-	8,482	8,679
Total liabilities	<u>\$ 29,651</u>	<u>\$ 25,398</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,651</u>	<u>\$ 25,398</u>
Deferred Inflows of Resources						
Unavailable revenue - property tax items	\$ 1,300	\$ -	\$ -	\$ -	\$ 1,300	\$ -
Total deferred inflows of resources	<u>\$ 1,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,300</u>	<u>\$ -</u>
Net Position						
Net Investment in capital assets	\$ 10,419	\$ 11,310	\$ -	\$ -	\$ 10,419	\$ 11,310
Restricted	1,943	2,109	-	-	1,943	2,109
Unrestricted	4,241	3,570	-	-	4,241	3,570
Total net position	<u>\$ 16,603</u>	<u>\$ 16,989</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,603</u>	<u>\$ 16,989</u>

Table 2
Changes in Net Position
(In Thousands)

	Governmental Activities		Business - Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
<u>Revenues</u>						
Program revenues						
Charges for services	\$ 7,578	\$ 7,618	\$ -	\$ -	\$ 7,578	\$ 7,618
Operating grants and contributions	1,820	903	-	-	1,820	903
Capital grants and contributions	409	612	-	-	409	612
General revenues						
Property taxes	4,837	4,831	-	-	4,837	4,831
Sales tax	2,404	2,333	-	-	2,404	2,333
PILOT payments	2,860	2,957	-	-	2,860	2,957
Investment earnings	130	102	-	-	130	102
Miscellaneous	3,423	2,767	-	-	3,423	2,767
Total revenues	<u>23,461</u>	<u>22,123</u>	<u>-</u>	<u>-</u>	<u>23,461</u>	<u>22,123</u>
 Program expenses						
Council	61	61	-	-	61	61
Mayor	166	162	-	-	166	162
Financial	526	500	-	-	526	500
Staff	854	888	-	-	854	888
Shared services	732	740	-	-	732	740
Special items	1,020	966	-	-	1,020	966
Police department	5,410	5,134	-	-	5,410	5,134
Fire department	3,271	3,348	-	-	3,271	3,348
Other public safety	268	288	-	-	268	288
Transportation	2,564	1,469	-	-	2,564	1,469
Economic assistance and opportunity	58	55	-	-	58	55
Culture and recreation	935	953	-	-	935	953
Water treatment	2,275	2,350	-	-	2,275	2,350
Wastewater treatment	2,866	2,686	-	-	2,866	2,686
Home and community service	2,405	1,063	-	-	2,405	1,063
Interest on long-term debt	436	384	-	-	436	384
Total expenses	<u>23,847</u>	<u>21,047</u>	<u>-</u>	<u>-</u>	<u>23,847</u>	<u>21,047</u>
 Increase (decrease) in net position	<u>\$ (386)</u>	<u>\$ 1,076</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (386)</u>	<u>\$ 1,076</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)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Police department	\$ 5,410	\$ 5,134	\$ 4,979	\$ 4,751
Fire department	3,272	3,348	3,268	3,348
Transportation	2,564	1,469	1,911	413
Water treatment	2,275	2,350	(372)	(307)
Wastewater treatment	<u>2,866</u>	<u>2,686</u>	<u>(886)</u>	<u>(1,053)</u>
Totals	<u>\$ 16,387</u>	<u>\$ 14,987</u>	<u>\$ 8,900</u>	<u>\$ 7,152</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 \$6.09 million which reflects an decrease of \$3.26 million from last year's total of \$2.83 million. During 2014, the City's capital expenditures exceed its related revenues by approximately \$2.82 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

The significant variances between the originally adopted budgets for 2014 and 2013 and the final budget are detailed as follows:

	2014	2013
Original budget	\$ 15,347,760	\$ 15,092,713
Additional appropriations	-	177,371
Encumbrance carryover	186,501	350,439
Final Budget	\$ 15,534,261	\$ 15,620,523

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2014, the City had \$31.94 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 \$2.759 million for the year.

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

	Governmental Activities		Business - Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land and improvements	\$ 151	\$ 151	\$ -	\$ -	\$ 151	\$ 151
Construction in progress	26,018	22,540	-	-	26,018	22,540
Infrastructure	34,704	34,704	-	-	34,704	34,704
Buildings and improvements	12,420	12,417	-	-	12,420	12,417
Machinery and equipment	16,848	16,786	-	-	16,848	16,786
Accumulated depreciation	(58,187)	(57,403)	-	-	(58,187)	(57,403)
Total	\$ 31,954	\$ 29,195	\$ -	\$ -	\$ 31,954	\$ 29,195

Debt

At year end, the City had \$21.536 million in bonds and notes outstanding as compared to \$17.885 million outstanding at December 31, 2013. See Note 7 on pages 38 through 43 for additional details).

Table 5
Outstanding Debt at Year-end
(In Thousands)

	Governmental Activities		Business - Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 4,870	\$ 5,185	\$ -	\$ -	\$ 4,870	\$ 5,185
Bond anticipation notes	\$ 16,666	\$ 12,700	\$ -	\$ -	\$ 16,666	\$ 12,700

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2015 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 2014. The taxable valuation remained relatively constant at approximately \$279.6 million for 2014.

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 2015. In developing the 2015 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 2015. 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 2015.

The City increased water rates effective with the first quarterly billing of 2014 and also the first quarter billing of 2015 to meet principal and interest expenses associated with the mandated water filtration system upgrade.

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, 2014

	PRIMARY GOVERNMENT			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 11,505,286	\$ -	\$ 11,505,286	\$ 644,770
Investments	-	-	-	442,789
Receivables (net, where applicable of allowances for estimated uncollectibles)				
Taxes	469,511	-	469,511	-
Accounts receivable	1,903,667	-	1,903,667	8,959
Due from fiduciary funds	316,129	-	316,129	-
Due from other governments	1,330,022	-	1,330,022	45,201
Prepaid expenses	-	-	-	34,261
Other assets	-	-	-	37,483
Total current assets	15,524,615	-	15,524,615	1,213,463
NONCURRENT ASSETS:				
Capital assets:				
Land and improvements	151,155	-	151,155	1,257,808
Construction in progress	26,018,283	-	26,018,283	-
Infrastructure	34,704,071	-	34,704,071	-
Buildings and improvements	12,420,179	-	12,420,179	14,742,760
Machinery and equipment	16,847,918	-	16,847,918	1,160,758
Accumulated depreciation	(58,186,992)	-	(58,186,992)	(11,533,991)
Total noncurrent assets	31,954,614	-	31,954,614	5,627,335
TOTAL ASSETS	\$ 47,479,229	\$ -	\$ 47,479,229	\$ 6,840,798

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:

Accounts payable
 Accrued liabilities
 Accrued interest payable
 Due to other governments
 Bond anticipation notes payable
 Deferred revenue
 Current portion of long-term obligations

Total current liabilities

NONCURRENT LIABILITIES:

Noncurrent portion of long-term obligations

TOTAL LIABILITIES

DEFERRED INFLOWS OF RESOURCES

Unavailable revenue - property tax items

TOTAL DEFERRED INFLOWS OF RESOURCES

NET POSITION

Net investment in capital assets

Restricted for:

Capital equipment

Tax stabilization

Employee benefits

Street improvements

Encumbrances

Future expenditures

Unrestricted

TOTAL NET POSITION

TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION

PRIMARY GOVERNMENT				
	Governmental Activities	Business-type Activities	Total	Component Units
\$	2,208,030	\$ -	\$ 2,208,030	\$ 44,375
	357,384	-	357,384	19,366
	218,098	-	218,098	-
	1,079,215	-	1,079,215	66,200
	16,666,000	-	16,666,000	-
	-	-	-	54,999
	565,000	-	565,000	20,804
	21,093,727	-	21,093,727	205,744
	8,481,580	-	8,481,580	187,231
	29,575,307	-	29,575,307	392,975
	1,300,462	-	1,300,462	-
	1,300,462	-	1,300,462	-
	10,418,614	-	10,418,614	5,627,335
	371,115	-	371,115	-
	484,268	-	484,268	-
	516,334	-	516,334	-
	428,534	-	428,534	-
	143,590	-	143,590	-
	4,241,005	-	4,241,005	151,810
	16,603,460	-	16,603,460	668,678
	47,479,229	\$ -	\$ 47,479,229	\$ 6,840,798

CITY OF DUNKIRK, NEW YORK
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

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 GOVERNMENT			Component Units
						Governmental Activities	Business-type Activities	Total	
Primary government:									
Governmental activities:									
Council	\$ 60,777	\$ -	\$ -	\$ -	\$ -	\$ (60,777)	\$ -	\$ (60,777)	\$ -
Mayor	165,682	-	-	-	-	(165,682)	-	(165,682)	-
Financial	526,130	-	-	-	-	(526,130)	-	(526,130)	-
Staff	853,823	103,139	-	-	-	(750,684)	-	(750,684)	-
Shared services	732,406	70,863	7,175	42,217	-	(612,151)	-	(612,151)	-
Special items	1,020,475	-	-	-	-	(1,020,475)	-	(1,020,475)	-
Police department	5,410,025	-	431,496	-	-	(4,978,529)	-	(4,978,529)	-
Fire department	3,271,535	-	4,000	-	-	(3,267,535)	-	(3,267,535)	-
Other public safety	267,794	-	-	-	-	(133,742)	-	(133,742)	-
Transportation	2,563,812	134,052	-	-	-	(1,910,794)	-	(1,910,794)	-
Economic assistance and opportunity	57,930	2,745	650,273	-	-	(54,430)	-	(54,430)	-
Culture and recreation	935,125	3,500	-	-	-	(738,843)	-	(738,843)	-
Water treatment	2,274,933	106,090	90,192	-	-	(371,660)	-	(371,660)	-
Wastewater treatment	2,866,018	2,646,593	-	-	-	885,781	-	885,781	-
Home and community service	2,405,195	3,751,799	-	-	-	(641,888)	-	(641,888)	-
Interest on long-term debt	435,666	759,365	637,330	366,612	-	(435,666)	-	(435,666)	-
Total governmental activities	23,847,326	7,578,146	1,820,466	408,829		(14,039,885)	-	(14,039,885)	-
Total business-type activities									
Total primary government	\$ 23,847,326	\$ 7,578,146	\$ 1,820,466	\$ 408,829		(14,039,885)	-	(14,039,885)	-
Component units									
Dunkirk Free Library	\$ 245,123	\$ 8,170	\$ 18,047	\$ -		-	-	-	(218,906)
City of Dunkirk Industrial Development Agency	1,225	-	-	-		-	-	-	(1,225)
Dunkirk Housing Authority	1,942,946	706,279	513,977	187,608		-	-	-	(635,082)
Total component units	\$ 2,189,294	\$ 714,449	\$ 532,024	\$ 187,608		-	-	-	(755,213)
General revenues:									
Taxes:									
Property taxes						4,837,477	-	4,837,477	-
Sales taxes						2,403,834	-	2,403,834	-
PLOT payments						2,859,553	-	2,859,553	-
Payment from City of Dunkirk, New York						-	-	-	135,000
Grants and contributions not restricted to specific programs						-	-	-	10,000
Investment earnings						-	-	-	7,708
Premium on obligations						130,140	-	130,140	-
Miscellaneous						3,423,118	-	3,423,118	-
Gain on sale of capital assets						-	-	-	450
Total general revenues, special items and transfers						13,654,122	-	13,654,122	174,944
Change in net position						(385,763)	-	(385,763)	(580,269)
NET POSITION - beginning						16,989,223	-	16,989,223	7,028,092
NET POSITION - ending						\$ 16,603,460	\$ -	\$ 16,603,460	\$ 6,447,823

See notes to financial statements.

**CITY OF DUNKIRK, NEW YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General Fund	Water Fund	Wastewater Treatment Fund	Special Grant Fund	Capital Projects Fund	Total Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 5,220,501	\$ 87,595	\$ 637,841	\$ -	\$ 5,559,349	\$ 11,505,286
Receivables, net						
Taxes	469,511	-	-	-	-	469,511
Accounts receivable	561,143	633,039	709,485	-	-	1,903,667
Due from other governments	921,785	-	-	75,314	332,923	1,330,022
Due from other funds	4,132,277	355,691	660,187	-	745,974	5,894,129
TOTAL ASSETS	\$ 11,305,217	\$ 1,076,325	\$ 2,007,513	\$ 75,314	\$ 6,638,246	\$ 21,102,615
<u>LIABILITIES AND FUND BALANCES</u>						
LIABILITIES:						
Accounts payable	\$ 1,867,171	\$ 146,316	\$ 192,508	\$ -	\$ 2,035	\$ 2,208,030
Accrued liabilities	270,753	53,395	33,236	-	-	357,384
Due to other governments	1,079,215	-	-	-	-	1,079,215
Due to other funds	1,109,116	1,759,312	1,846,403	75,314	787,855	5,578,000
Bond anticipation notes payable	-	-	-	-	16,666,000	16,666,000
Deferred revenue	1,302,198	-	-	-	-	1,302,198
TOTAL LIABILITIES	5,628,453	1,959,023	2,072,147	75,314	17,455,890	27,190,827
FUND BALANCES:						
Reserved for:						
Tax stabilization	484,268	-	-	-	-	484,268
Encumbrances	-	6,009	70,005	-	-	76,014
Assigned for:						
Capital equipment	371,115	-	-	-	-	371,115
Street improvements	428,534	-	-	-	-	428,534
Employee benefits	516,334	-	-	-	-	516,334
Encumbrances	67,576	-	-	-	-	67,576
Unassigned:						
Unassigned	3,808,937	(888,707)	(134,639)	-	(10,817,644)	(8,032,053)
TOTAL FUND BALANCES	5,676,764	(882,698)	(64,634)	-	(10,817,644)	(6,088,212)
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,305,217	\$ 1,076,325	\$ 2,007,513	\$ 75,314	\$ 6,638,246	\$ 21,102,615

CITY OF DUNKIRK, NEW YORK
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

Fund balances - total governmental funds	\$ (6,088,212)
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	26,018,283
Infrastructure, net of \$32,506,775 accumulated depreciation	2,197,296
Buildings and improvements, net of \$10,545,232 accumulated depreciation	1,874,947
Equipment, net of \$15,134,985 accumulated depreciation	1,712,933
	31,954,614
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 \$9,046,580 and accrued interest payable on long-term and short-term liabilities amounted to \$218,098.	(9,264,678)
Some receivables of the general fund are not available to pay for current-period expenditures and are therefore deferred in the governmental fund statements.	1,736
Net position of governmental activities	\$ 16,603,460

CITY OF DUNKIRK, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014

	General Fund	Water Fund	Wastewater Treatment Fund	Special Grant Fund	Capital Projects Fund	TOTAL Governmental Funds
REVENUES:						
Real property taxes	\$ 4,837,477	\$ -	\$ -	\$ -	\$ -	\$ 4,837,477
Sales tax	2,403,834	-	-	-	-	2,403,834
Property tax items	2,885,118	-	-	-	-	2,885,118
Non-property tax items	306,928	-	-	-	-	306,928
Departmental income	1,634,279	2,946,592	3,931,272	-	-	8,512,143
Shared services	515,852	-	-	-	-	515,852
Use of money and property	58,804	-	-	-	128,361	187,165
Licenses and permits	36,919	-	-	-	-	36,919
Fines and forfeitures	129,927	-	120,527	-	-	250,454
Sale of property and compensation for loss	10,670	2,547	2,028	-	-	15,245
Miscellaneous	708,264	48,906	67,647	-	4,578	829,395
State aid	2,303,899	-	-	-	291,683	2,595,582
Federal aid	74,928	-	-	637,330	-	712,258
Total revenues	15,906,899	2,998,045	4,121,474	637,330	424,622	24,088,370
EXPENDITURES:						
Current:						
Council	38,173	-	-	-	-	38,173
Mayor	103,717	-	-	-	-	103,717
Financial	349,073	-	-	-	-	349,073
Staff	546,763	-	-	-	-	546,763
Shared services	597,133	-	-	-	-	597,133
Special items	236,024	393,576	390,875	-	-	1,020,475
Police department	3,420,191	-	-	-	-	3,420,191
Fire department	2,070,308	-	-	-	-	2,070,308
Other public safety	201,544	-	-	-	-	201,544
Transportation	2,018,670	-	-	-	-	2,018,670
Economic assistance and opportunity	50,218	-	-	-	-	50,218
Culture and recreation	658,065	-	-	-	-	658,065
Home and community service	1,479,319	1,816,380	2,424,054	707,700	-	6,427,453
Employee benefits	4,589,335	550,649	533,688	-	-	5,673,672
Debt service:						
Principal	60,000	264,000	225,000	-	-	549,000
Interest	17,688	27,925	164,790	-	170,599	381,002
Capital outlay	-	-	-	-	3,477,957	3,477,957
Total expenditures	16,436,221	3,052,530	3,738,407	707,700	3,648,556	27,583,414
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(529,322)	(54,485)	383,067	(70,370)	(3,223,934)	(3,495,044)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	170,599	170,599
Transfers out	-	(170,599)	-	-	-	(170,599)
BANs redeemed from appropriations	-	-	-	-	234,000	234,000
Total other financing sources (uses)	-	(170,599)	-	-	404,599	234,000
NET CHANGE IN FUND BALANCES	(529,322)	(225,084)	383,067	(70,370)	(2,819,335)	(3,261,044)
FUND BALANCES (DEFICIT) - beginning	6,206,086	(657,614)	(447,701)	70,370	(7,998,309)	(2,827,168)
FUND BALANCES (DEFICIT) - ending	\$ 5,676,764	\$ (882,698)	\$ (64,634)	\$ -	\$ (10,817,644)	\$ (6,088,212)

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, 2014

Net change in fund balances - total governmental funds	\$ (3,261,044)
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 (\$3,543,197) exceeded depreciation (\$783,656) in the current period.	2,759,541
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 \$26,807.	(26,807)
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 exceed repayments (\$315,000) exceeded proceeds (\$-0-) in the current period.	315,000
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 increase in compensated absences of \$117,789 and the increase in accrued interest of \$54,664.	(172,453)
Change in net position of governmental activities	\$ (385,763)

See notes to financial statements.

CITY OF DUNKIRK, NEW YORK
BALANCE SHEET
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Business-Type Activities Enterprise Funds <u>Total</u>
<u>ASSETS</u>	
CURRENT ASSETS:	
Total current assets	\$ -
NONCURRENT ASSETS:	
Total noncurrent assets	-
TOTAL ASSETS	\$ -
<u>LIABILITIES</u>	
CURRENT LIABILITIES:	
Total current liabilities	\$ -
NONCURRENT LIABILITIES:	
Total long-term liabilities	-
TOTAL LIABILITIES	-
<u>NET POSITION</u>	
TOTAL NET POSITION	-
TOTAL LIABILITIES AND NET POSITION	\$ -

See notes to financial statements.

CITY OF DUNKIRK, NEW YORK
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014

	Business-Type Activities <u>Enterprise Funds</u> <u>Total</u>
OPERATING REVENUES:	
Total operating revenues	\$ -
OPERATING EXPENSES:	
Total operating expenses	-
OPERATING INCOME	-
NONOPERATING REVENUES (EXPENSES):	
Total nonoperating revenues (expenses)	-
NET INCOME	-
TOTAL NET POSITION - beginning	-
TOTAL NET POSITION - ending	\$ -

See notes to financial statements.

CITY OF DUNKIRK, NEW YORK
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014

	Business-Type Activities Enterprise Funds <u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net cash provided by operating activities	\$ -
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Net cash provided by noncapital financing activities	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Net cash provided by capital and related financing activities	-
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net cash provided by investing activities	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS - beginning	-
CASH AND CASH EQUIVALENTS - ending	\$ -
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ -
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ -

See notes to financial statements.

CITY OF DUNKIRK, NEW YORK
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2014

	<u>Agency Funds</u>	<u>Trust Funds</u>	<u>Total</u>
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 303,301	\$ 93,136	\$ 396,437
Other assets	140,213	-	140,213
Due from other funds	809	-	809
TOTAL ASSETS	<u>\$ 444,323</u>	<u>\$ 93,136</u>	<u>\$ 537,459</u>
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Accounts payable	\$ 133,385	\$ -	\$ 133,385
Due to other funds	310,938	6,000	316,938
TOTAL LIABILITIES	<u>444,323</u>	<u>6,000</u>	<u>450,323</u>
<u>NET POSITION</u>			
Net position held in trust	-	87,136	87,136
TOTAL NET POSITION	<u>-</u>	<u>87,136</u>	<u>87,136</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 444,323</u>	<u>\$ 93,136</u>	<u>\$ 537,459</u>

See notes to financial statements.

CITY OF DUNKIRK, NEW YORK
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2014

	<u>Trust Funds</u>
<u>ADDITIONS</u>	
Investment earnings	\$ 55
TOTAL ADDITIONS	<u>55</u>
<u>DEDUCTIONS</u>	
Transfer to General Fund for Culture and recreation expenditures	<u>-</u>
TOTAL DEDUCTIONS	<u>-</u>
CHANGE IN NET POSITION	55
NET POSITION HELD IN TRUST	
BEGINNING OF YEAR	<u>87,081</u>
END OF YEAR	<u><u>\$ 87,136</u></u>

See notes to financial statements.

**CITY OF DUNKIRK, NEW YORK
STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2014**

	<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>
<u>ASSETS</u>					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 248,327	\$ 378,580	\$ -	\$ 17,863	\$ 644,770
Investments	-	442,789	-	-	442,789
Accounts receivable	-	8,959	-	-	8,959
Due from other governments	-	45,201	-	-	45,201
Prepaid expenses	-	34,261	-	-	34,261
Other assets	15,064	22,419	-	-	37,483
Total current assets	263,391	932,209	-	17,863	1,213,463
NONCURRENT ASSETS:					
Capital assets:					
Land and improvements	-	1,257,808	-	-	1,257,808
Buildings and improvements	829,930	13,912,830	-	-	14,742,760
Machinery and equipment	217,985	942,773	-	-	1,160,758
Accumulated depreciation	(327,708)	(11,206,283)	-	-	(11,533,991)
Total noncurrent assets	720,207	4,907,128	-	-	5,627,335
TOTAL ASSETS	\$ 983,598	\$ 5,839,337	\$ -	\$ 17,863	\$ 6,840,798
<u>LIABILITIES AND NET POSITION</u>					
CURRENT LIABILITIES:					
Accounts payable	\$ -	\$ 44,375	\$ -	\$ -	\$ 44,375
Due to other governments	-	66,200	-	-	66,200
Deferred revenue	-	54,999	-	-	54,999
Other current liabilities	-	19,366	-	-	19,366
Current portion of long-term obligations	-	20,804	-	-	20,804
Total current liabilities	-	205,744	-	-	205,744
NONCURRENT LIABILITIES:					
Noncurrent portion of long-term obligations	-	187,231	-	-	187,231
TOTAL LIABILITIES	-	392,975	-	-	392,975
NET POSITION					
Net Investment in capital assets	720,207	4,907,128	-	-	5,627,335
Restricted	151,810	-	-	-	151,810
Unrestricted	111,581	539,234	-	17,863	668,678
TOTAL NET POSITION	983,598	5,446,362	-	17,863	6,447,823
TOTAL LIABILITIES AND NET POSITION	\$ 983,598	\$ 5,839,337	\$ -	\$ 17,863	\$ 6,840,798

CITY OF DUNKIRK, NEW YORK
STATEMENT OF ACTIVITIES
COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2014

	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	\$ 245,123	\$ 8,170	\$ 18,047	-	\$ (218,906)	\$ -	\$ (218,906)
Total governmental activities	<u>245,123</u>	<u>8,170</u>	<u>18,047</u>	<u>-</u>	<u>(218,906)</u>	<u>-</u>	<u>(218,906)</u>
Business-type activities:							
Dunkirk Urban Renewal Agency	-	-	-	-	-	-	-
City of Dunkirk Housing Authority	1,942,946	706,279	513,977	187,608	-	(535,082)	(535,082)
City of Dunkirk Industrial Development Agency	1,225	-	-	-	-	(1,225)	(1,225)
Total business-type activities	<u>1,944,171</u>	<u>706,279</u>	<u>513,977</u>	<u>187,608</u>	<u>-</u>	<u>(536,307)</u>	<u>(536,307)</u>
Total component units	<u>\$ 2,189,294</u>	<u>\$ 714,449</u>	<u>\$ 532,024</u>	<u>\$ 187,608</u>	<u>(218,906)</u>	<u>(536,307)</u>	<u>(755,213)</u>
General revenues:							
Payment from City of Dunkirk, New York					135,000	-	135,000
Grants and contributions not restricted to specific programs					10,000	-	10,000
Investment earnings					6,566	1,142	7,708
Sale of equipment					-	450	450
Miscellaneous					21,474	312	21,786
Total general revenues, special items and transfers					<u>173,040</u>	<u>1,904</u>	<u>174,944</u>
Change in net position					<u>(45,866)</u>	<u>(534,403)</u>	<u>(580,269)</u>
NET POSITION - beginning					<u>1,029,464</u>	<u>5,998,628</u>	<u>7,028,092</u>
NET POSITION - ending					<u>\$ 983,598</u>	<u>\$ 5,464,225</u>	<u>\$ 6,447,823</u>

CITY OF DUNKIRK, NEW YORK
STATEMENT OF CASH FLOWS
COMPONENT UNITS - PROPRIETARY FUND TYPES
YEAR ENDED DECEMBER 31, 2014

	Business-type Activities			
	Dunkirk Urban Renewal Agency	City of Dunkirk Housing Authority	City of Dunkirk Industrial Development Agency	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from charges and fees	\$ -	\$ 702,017	\$ 18,030	\$ 720,047
Receipts from operating grants	-	412,898	-	412,898
Payments to suppliers	-	(625,917)	(1,216)	(627,133)
Payments from other governments	-	1,333	-	1,333
Payments to employees	-	(640,675)	-	(640,675)
Other receipts	-	16,164	-	16,164
Net cash provided (used) by operating activities	-	(134,180)	16,814	(117,366)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital grants received	-	187,608	-	187,608
Acquisition and modernization of capital assets	-	(225,029)	-	(225,029)
Mold remediation	-	-	-	-
Proceeds from disposition of assets	-	450	-	450
Net cash used by capital and related financing activities	-	(36,971)	-	(36,971)
CASH FLOWS FROM INVESTING ACTIVITIES -				
Proceeds from sale of investments	-	(930)	-	(930)
Interest income received	-	1,141	-	1,141
Net cash provided by investing activities	-	211	-	211
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	(170,940)	16,814	(154,126)
CASH AND CASH EQUIVALENTS - beginning	-	549,520	1,049	550,569
CASH AND CASH EQUIVALENTS - ending	\$ -	\$ 378,580	\$ 17,863	\$ 396,443
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ -	\$ (722,690)	\$ (1,216)	\$ (723,906)
Adjustment to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	-	607,321	-	607,321
Change in assets and liabilities:				
Accounts receivable	-	10,156	18,030	28,186
Due from other governments	-	(40,885)	-	(40,885)
Prepaid expenses	-	(2,554)	-	(2,554)
Accounts payable	-	18,928	-	18,928
Other current liabilities	-	(4,456)	-	(4,456)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ -	\$ (134,180)	\$ 16,814	\$ (117,366)

CITY OF DUNKIRK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

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, 2014.

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.

CITY OF DUNKIRK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

CITY OF DUNKIRK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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-like 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.

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, 2014 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.

CITY OF DUNKIRK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

CITY OF DUNKIRK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2014
(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:

	General Fund	Water Fund	Wastewater Treatment Fund
GAAP Basis:			
Fund Balances (Deficit) - 12/31/14	\$5,676,764	(\$882,698)	(\$64,634)
Deduct outstanding encumbrances	<u>67,576</u>	<u>6,009</u>	<u>70,005</u>
Budgetary Basis:			
Fund Balances (Deficit) - 12/31/14	<u>\$5,609,188</u>	<u>(\$888,707)</u>	<u>(\$134,639)</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.

CITY OF DUNKIRK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets and Budgetary Accounting, continued

n.) At January 1, the amount of encumbrances carried forward from the prior year are reestablished. These increases amounted to \$179,488; \$26,454 and \$58,635 in the General, Water and Wastewater Treatment Funds, respectively. During the year ended December 31, 2014, supplemental appropriations (including the prior year encumbrances) of \$186,501; \$26,454 and \$58,635 were approved in the General, Water and Wastewater Treatment Funds, respectively.

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:

Assets	Years
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, 2014
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. 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.

I. 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.

J. 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.

K. Accounting and Reporting Changes

During June 2013, GASB issued Statement No.67 - *Financial Reporting for Pension Plans- an amendment of GASB Statement No. 25*, effective for the years ending December 31, 2014. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The adoption of Statement No. 67 had no effect on the City's financial statements.

CITY OF DUNKIRK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

During January 2013, GASB issued Statement No. 69 - *Government Combinations and Disposals of Government Operations*, effective for the year ending December 31, 2014. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations that have been transferred or sold. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The City implemented Statement No. 69, effective for the fiscal year ending December 31, 2014, with retroactive application for the fiscal year ended December 31, 2013. The adoption of Statement No. 69 had no effect on the City's financial statements.

During April 2013, GASB issued Statement No. 70 - *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the year ending December 31, 2014. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate by a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. The City implemented Statement No. 70, effective for the fiscal year ending December 31, 2014, with retroactive application for the fiscal year ended December 31, 2013. The adoption of Statement No. 70 had no effect on the City's financial statements.

L. 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. 68 - *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*; effective for the year ending December 31, 2015; GASB Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*; effective for the year ending December 31, 2015; GASB Statement No. 72 - *Fair Value Measurement and Application*; effective for the year ending December 31, 2016.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

At December 31, 2014, the Capital Project Fund had a deficit fund balance in the amount of \$10,817,644. 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.

CITY OF DUNKIRK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY (CONTINUED)

At December 31, 2014, the Water Fund had a deficit fund balance in the amount of \$882,698. The deficit was caused by expenditures in prior years exceeding prior year revenues. Expenditures in 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.

At December 31, 2014, the Wastewater Fund had a deficit fund balance in the amount of \$64,634. The deficit was caused by expenditures in prior years exceeding prior year revenues. Expenditures in prior years were over-expended due to increases in utilities and chemicals that were not anticipated. Management has increased wastewater rates in an attempt to correct the cumulative deficit.

NOTE 3 - 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.

NOTE 3 - CASH AND INVESTMENTS

The detail of cash and cash equivalents at December 31, 2014 is as follows:

	Carrying Amount
Petty cash	\$ 1,400
Deposits (checking account)	8,551,933
Cash and cash equivalents (savings and CDs)	3,348,390
Total	<u>\$ 11,901,723</u>

Cash and cash equivalents maintained by the City at December 31, 2014 consist of:

	Amount
Government activities	\$ 11,505,286
Fiduciary activities	396,437
Total	<u>\$ 11,901,723</u>

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	11,400,323
Total deposits	<u>\$ 11,900,323</u>

At December 31, 2014, 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.

CITY OF DUNKIRK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

NOTE 3 - CASH AND INVESTMENTS, CONTINUED

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 4 - 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 2014 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 2014 levy represents approximately 63.73% of the maximum statutory levy.

The City constitutional tax limit for the fiscal year ended December 31, 2014 is computed as follows:

Five year Average Full Valuation of Taxable Real Estate (2010 - 2014)	<u>\$ 325,805,694</u>
Tax limit @ 2.0%	<u>\$ 6,516,114</u>
Total Tax Levy	4,837,477
Less: Exclusions	<u>684,736</u>
Total Levy Subject to Tax Limit	<u>4,152,741</u>
Tax Margin	<u>\$ 2,363,373</u>

NOTE 5 - RECEIVABLES

Revenues accrued by the City consist of the following:

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

Funds:

General Fund	\$ 561,143
Water Fund	633,039
Wastewater Fund	<u>709,485</u>
Total	<u>\$ 1,903,667</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.

CITY OF DUNKIRK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

NOTE 5 - RECEIVABLES (CONTINUED)

Amounts accrued at December 31, 2014 are comprised of:

State and Federal Receivables	
General Fund	\$ 329,978
Special grant	75,314
Capital Projects Fund	332,923
Total state and federal receivables	<u>738,215</u>
Other Government Receivables	
General Fund	591,807
Total other government receivables	<u>591,807</u>
Total due from other governments	<u>\$ 1,330,022</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 151,155	\$ -	\$ -	\$ 151,155
Construction in progress	22,540,326	3,477,957	-	26,018,283
Total capital assets not being depreciated	<u>22,691,481</u>	<u>3,477,957</u>	<u>-</u>	<u>26,169,438</u>
Capital assets being depreciated:				
Infrastructures	34,704,071	-	-	34,704,071
Buildings and improvements	12,416,999	3,180	-	12,420,179
Machinery and equipment	16,785,858	62,060	-	16,847,918
Total capital assets being depreciated	<u>63,906,928</u>	<u>65,240</u>	<u>-</u>	<u>63,972,168</u>
Less accumulated depreciation for:				
Infrastructures	32,389,106	117,669	-	32,506,775
Buildings and improvements	10,360,016	185,216	-	10,545,232
Machinery and equipment	14,654,214	480,771	-	15,134,985
Total accumulated depreciation	<u>57,403,336</u>	<u>783,656</u>	<u>-</u>	<u>58,186,992</u>
Total capital assets being depreciated, net	<u>6,503,592</u>	<u>(718,416)</u>	<u>-</u>	<u>5,785,176</u>
Governmental activities capital assets, net	<u>\$ 29,195,073</u>	<u>\$ 2,759,541</u>	<u>\$ -</u>	<u>\$ 31,954,614</u>

CITY OF DUNKIRK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the governmental functions as follows:

Shared services	\$ 12,298
Police department	24,254
Fire department	79,709
Transportation	232,719
Culture and recreation	23,258
Water department	196,574
Wastewater department	212,533
Other home and community service	<u>2,311</u>
Total depreciation expense	<u>\$ 783,656</u>

NOTE 7 - 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.

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:

	<u>ERS</u>	<u>PFRS</u>
2014	\$ 901,158	\$ 1,376,136
2013	855,082	1,389,150
2012	748,408	1,110,364

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

CITY OF DUNKIRK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

NOTE 7 - LIABILITIES (CONTINUED)

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, 2014, the City contributed \$22,968, or 74.95%, of the actuarially required contributions, to the Retiree Health Plan.

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 excess) over a period not to exceed thirty years.

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	\$ 32,332
Interest on net OPEB obligation	(1,686)
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	30,646
Contribution made	<u>(22,968)</u>
Increase in net OPEB obligation	7,678
Net OPEB obligation - beginning of year	<u>19,978</u>
Net OPEB obligation - end of year	<u><u>\$ 27,656</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (prepayment) for 2014 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

CITY OF DUNKIRK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

NOTE 7 - LIABILITIES (CONTINUED)

B. Postemployment Benefits Other Than Pensions, continued

d.) Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the funded status of the Retiree Health Plan was as follows:

Actuarial accrued liability (AAL)	\$ 107,418
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 107,418</u>
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.

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, 2013 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 for 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.

CITY OF DUNKIRK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

NOTE 7 - LIABILITIES (CONTINUED)

The following is an analysis of outstanding BANs at December 31, 2013:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
Capital projects	Water filtration plant	\$ 12,466,000	3/26/2015	1.50%
Capital projects	Seawall construction	4,200,000	3/26/2015	1.00%
		<u>\$ 16,666,000</u>		

C. Short Term Debt, continued

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, 2014, 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, 2014, the City did not issue, renew or repay any TANs.

D. Long Term Debt

a.) Constitutional Debt Limit

The City constitutional debt limit at December 31, 2014 is computed as follows:

Five-Year Average Full Valuation of Taxable Real Estate (2009 - 2013)	<u>\$ 317,318,734</u>
Debt Limit @ 7%	\$ 22,212,311
Net Indebtedness (after statutory exclusions)	<u>480,000</u>
Net Debt Contracting Margin	<u>\$ 21,732,311</u>
Percentage of Debt Contracting Power Exhausted	<u>2.16%</u>

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.

CITY OF DUNKIRK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

NOTE 7 - LIABILITIES (CONTINUED)

D. Long Term Debt, continued

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.

d.) Summary of Changes in General Long Term Debt

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

	Balance 01/01/2014	Increases	Decreases	Balance 12/31/2014
Serial bonds	\$ 5,185,000	\$ -	\$ 315,000	\$ 4,870,000
Compensated absences	4,058,791	117,789	-	4,176,580
	<u>\$ 9,243,791</u>	<u>\$ 117,789</u>	<u>\$ 315,000</u>	<u>\$ 9,046,580</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 12/31/2014
Public improvement Boardwalk Market	11/10/2011	11/1/2021	2.50 - 3.75%	650,000	\$ 480,000
Water treatment plant renovation	9/1/2008	5/1/2033	4.25 - 4.75%	4,539,000	3,575,000
Water treatment plant renovation	4/4/2010	5/1/2015	2.69%	280,000	60,000
Public improvement Water Meters	3/28/2013	3/15/2033	3.375 - 4.00%	785,000	755,000
					<u>\$ 4,870,000</u>

CITY OF DUNKIRK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

NOTE 7 - LIABILITIES (CONTINUED)

D. Long Term Debt, continued

f.) Future Debt Service Requirements

The following table summarizes the City's future debt service requirements as of December 31, 2014:

YEAR ENDING DECEMBER 31,	Serial Bonds	
	Principal	Interest
2015	\$ 315,000	\$ 199,113
2016	260,000	188,481
2017	260,000	178,506
2018	265,000	168,369
2019	280,000	157,663
2020-2024	1,275,000	618,453
2025-2029	1,200,000	362,506
2030-2033	1,015,000	93,626
TOTAL	<u>\$ 4,870,000</u>	<u>\$ 1,966,717</u>

NOTE 8 - 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 report 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, 2014. At December 31, 2014, the City has recorded the following restrictions:

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

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, 2014, the City had not designated any unrestricted net position.

CITY OF DUNKIRK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

NOTE 8 - 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, 2014.

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 2014 or 2015 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, 2014 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

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, 2014
(Continued)

NOTE 9 - CONTINGENCIES

A. Lease Commitments and Leased Assets

The City leased various equipment and property during 2014 under a number of operating leases. Total rental expenditures for the year ended December 31, 2014 were approximately \$63,602.

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

Year ending December 31, 2015	\$ 48,737
2016	9,164
2017	8,354
2018	8,085
2019	2,021

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 will remit a total of \$750,000. \$450,000 was remitted in 2014 and the remaining will be paid during 2015 and 2016 to HUD and agreed to a Voluntary Grant Reduction during the 2015 and 2016 program years.

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 10 - SUBSEQUENT EVENTS

The City has evaluated subsequent events through May 22, 2015, the date which the financial statements were available to be issued. On March 26, 2015 the City issued \$3,180,000 Public Improvement Serial Bonds, 2015 and \$13,150,000 Bond Anticipation Notes to refinance the majority of principal of the outstanding \$12,466,000 Bond Anticipation Note and the entire \$4,200,000 Bond Anticipation Note which matured on that date. The Serial Bond requires annual principal payments and semi annual interest payments at rates varying between 2.5% and 3.0% through 2035. The Bond Anticipation Note matures March 24, 2016 and bears interest at 0.75%.

In the Spring of 2015, the City purchased three International trucks with Henke plowing accessories at a cost of \$176,067 per truck under a municipal lease agreement with First Niagara Leasing at 1.54% through a Tax exempt municipal lease/purchase. The lease requires annual payments of \$134,415 in each of the years 2016 through 2019.

CITY OF DUNKIRK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

NOTE 10 - SUBSEQUENT EVENTS, Continued

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, 2014

	Original Budget	Revisions	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
REVENUES:						
Real property taxes	\$ 4,837,477	\$ -	\$ 4,837,477	\$ 4,837,477	\$ -	\$ -
Sales tax	2,251,015	-	2,251,015	2,403,834	-	152,819
Property tax items	2,867,649	-	2,867,649	2,885,118	-	17,469
Non-property tax items	345,000	-	345,000	306,928	-	(38,072)
Departmental income	1,653,300	1,760	1,655,060	1,634,279	-	(20,781)
Shared services	481,000	4,000	485,000	515,852	-	30,852
Use of money and property	56,510	-	56,510	58,804	-	2,294
Licenses and permits	37,800	-	37,800	36,919	-	(881)
Fines and forfeitures	125,000	-	125,000	129,927	-	4,927
Sale of property and compensation for loss	68,500	978	69,478	10,670	-	(58,808)
Miscellaneous	124,375	275	124,650	708,264	-	583,614
State aid	2,500,134	-	2,500,134	2,303,899	-	(196,235)
Federal aid	-	-	-	74,928	-	74,928
Total revenues	15,347,760	7,013	15,354,773	15,906,899	-	552,126
EXPENDITURES:						
Current:						
Council	38,650	-	38,650	38,173	-	477
Mayor	103,725	112	103,837	103,717	65	55
Financial	399,943	1,949	401,892	349,073	3,914	48,905
Staff	547,135	5,715	552,850	546,763	756	5,331
Shared services	550,304	10,661	560,965	597,133	3,497	(39,665)
Special items	303,816	(33,000)	270,816	236,024	-	34,792
Police department	3,304,410	30,429	3,334,839	3,420,191	4,655	(90,007)
Fire department	1,951,467	4,000	1,955,467	2,070,308	9,077	(123,918)
Other public safety	227,667	10,502	238,169	201,544	29,771	6,854
Transportation	1,684,989	187,162	1,872,151	2,018,670	12,376	(158,895)
Economic assistance and opportunity	47,651	6,000	53,651	50,218	-	3,433
Culture and recreation	641,533	665	642,198	658,065	1,030	(16,897)
Home and community service	839,884	(37,694)	802,190	1,479,319	2,435	(679,564)
Employee benefits	4,628,899	-	4,628,899	4,589,335	-	39,564
Debt service:						
Principal	60,000	-	60,000	60,000	-	-
Interest	17,687	-	17,687	17,688	-	(1)
Total expenditures	15,347,760	186,501	15,534,261	16,436,221	67,576	(969,536)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(179,488)	(179,488)	(529,322)	(67,576)	(417,410)
FUND BALANCE, January 1	6,206,086	-	6,206,086	6,206,086	-	-
FUND BALANCE, December 31	\$ 6,206,086	\$ (179,488)	\$ 6,026,598	\$ 5,676,764	\$ (67,576)	\$ (417,410)

CITY OF DUNKIRK, NEW YORK
BUDGETARY COMPARISON SCHEDULE
WATER FUND
YEAR ENDED DECEMBER 31, 2014

	Original Budget	Revisions	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
REVENUES:						
Departmental income	\$ 3,083,444	\$ -	\$ 3,083,444	\$ 2,946,592	\$ -	\$ (136,852)
Sale of property and compensation for loss	6,000	-	6,000	2,547	-	(3,453)
Miscellaneous	5,100	-	5,100	48,906	-	43,806
Total revenues	3,094,544	-	3,094,544	2,998,045	-	(96,499)
EXPENDITURES:						
Current:						
Special items	551,841	(160,140)	391,701	393,576	-	(1,875)
Home and community service	1,552,372	186,594	1,738,966	1,816,380	6,009	(83,423)
Employee benefits	527,807	-	527,807	550,649	-	(22,842)
Debt service:						
Principal	264,000	-	264,000	264,000	-	-
Interest	198,524	-	198,524	27,925	-	170,599
Total expenditures	3,094,544	26,454	3,120,998	3,052,530	6,009	62,459
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(26,454)	(26,454)	(54,485)	(6,009)	(34,040)
OTHER FINANCING SOURCES (USES):						
Transfers out	-	-	-	(170,599)	-	(170,599)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	(26,454)	(26,454)	(225,084)	(6,009)	(204,639)
FUND DEFICIT, January 1	(657,614)	-	(657,614)	(657,614)	-	-
FUND DEFICIT, December 31	\$ (657,614)	\$ (26,454)	\$ (684,068)	\$ (882,698)	\$ (6,009)	\$ (204,639)

CITY OF DUNKIRK, NEW YORK
BUDGETARY COMPARISON SCHEDULE
WASTEWATER TREATMENT FUND
YEAR ENDED DECEMBER 31, 2014

	Original Budget	Revisions	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
REVENUES:						
Departmental income	\$ 3,632,043	\$ -	\$ 3,632,043	\$ 4,051,799	\$ -	\$ 419,756
Sale of property and compensation for loss	2,000	-	2,000	2,028	-	28
Miscellaneous	1,000	-	1,000	67,647	-	66,647
Total revenues	3,635,043	-	3,635,043	4,121,474	-	486,431
Current:						
Special items	494,237	(81,997)	412,240	390,875	-	21,365
Home and community service	2,235,002	140,632	2,375,634	2,424,054	70,005	(118,425)
Employee benefits	513,014	-	513,014	533,688	-	(20,674)
Debt service:						
Principal	225,000	-	225,000	225,000	-	-
Interest	164,790	-	164,790	164,790	-	-
Total expenditures	3,632,043	58,635	3,690,678	3,738,407	70,005	(117,734)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,000	(58,635)	(55,635)	383,067	(70,005)	368,697
FUND DEFICIT, January 1	(447,701)	-	(447,701)	(447,701)	-	-
FUND DEFICIT, December 31	(444,701)	(58,635)	(503,336)	(64,634)	(70,005)	368,697

CITY OF DUNKIRK, NEW YORK
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2014

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%

CITY OF DUNKIRK, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (1)
YEAR ENDED DECEMBER 31, 2014

<u>FEDERAL GRANTOR/ PROGRAM TITLE</u>	<u>Federal CFDA Number (2)</u>	<u>Notes</u>	<u>Federal Expenditures (3)</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Programs			
Community Development Block Grants			
Entitlement Grants	14.218		\$ 637,330
<i>Total U.S. Department of Housing and Urban Development</i>			<u>637,330</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Pass through NYS Division of Homeland Security:			
Disaster Grants - Public Assistance	97.036		<u>74,928</u>
<i>Total U.S. Department of Homeland Security</i>			<u>74,928</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 712,258</u></u>

The accompanying notes are an integral part of this schedule.

CITY OF DUNKIRK, NEW YORK
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014

Notes:

- (1) Includes all major and nonmajor programs.
- (2) Source: October 2014 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 22, 2015

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, 2014, 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 22, 2015.

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. (14-01)

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



**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 22, 2015

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 direct and material effect on each of the City of Dunkirk, New York's major federal programs for the year ended December 31, 2014. 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, 2014.

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, Mackowiak & Associates, LLP

Johnson, Mackowiak & Associates, LLP

**CITY OF DUNKIRK, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2014**

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, 2014

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

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 X no

Section II – Financial Statement Findings

As of and for the year ended December 31, 2014, the City of Dunkirk, New York, had one finding that was required to be reported in accordance with GAGAS.

14-01 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 reconcilements 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, 2014, 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, 2014**

- There were no prior year A-133 findings

Subsequent Monitoring Report

HUD recently completed a report on monitoring of the City's CDBG Program. Due to the fact that monitoring findings pertaining to overall management and financial oversight have been discovered in the past, it was determined that the review would focus on the City Citizen Participation Plan (CPP), housing rehabilitation design and administrative cost.

The findings from this report are as follows:

Finding Number 1: The City needs to formally adopt a current Citizen Participation Plan that is compliant with regulations and shared with the public and community stakeholders.

Condition: During testing it was determined that while actions taken to satisfy HUD requirements have been largely met, the City must address inconsistencies and establish a clear Citizen Participation Plan and practices to ensure it is consistent, fair and compliantly implemented.

Recommendation: It is recommended that the City of Dunkirk staff should implement an official Citizen Participation Plan. The plan should specifically include:

- A definition of predominately low-moderate income neighborhoods
- Identification of City CDBG target areas
- How the CPP can be accessed by the public
- Clear criteria of amendments / substantial amendments

The draft plan should be submitted to HUD for review and the CPP must be made available to the public for comment. Finally, the plan should formally be adopted by the City and be incorporated in the City's Community Development policies and procedures.

CITY OF DUNKIRK, NEW YORK
SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
YEAR ENDED DECEMBER 31, 2014

<u>PROGRAM TITLE</u>	<u>NYS DOT Contract Number</u>	<u>Expenditures</u>
New York State Arterial Aid	N/A	\$ 95,816
Consolidated Highway Improvement Program (CHIPS)	N/A	<u>554,457</u>
TOTAL STATE TRANSPORTATION ASSISTANCE EXPENDED		<u><u>\$ 650,273</u></u>

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, 2014

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 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

Certified Public Accountants & Consultants

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

May 22, 2015

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, 2014. 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, 2014.

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 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, 2014, and have issued our report thereon dated May 22, 2015. 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

**CITY OF DUNKIRK, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR STATE TRANSPORTATION ASSISTANCE EXPENDED
YEAR ENDED DECEMBER 31, 2014**

Summary of Audit Results:

Internal control over state transportation assistance expended:

- | | |
|--|---------------|
| • Material weakness(es) identified | No |
| • Reportable condition(s) identified that are not 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, 2014**

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