DUNKIRK CITY
SCHOOL DISTRICT, NEW YORK

Basic Financial Statements, Required Supplementary Information, Supplementary Information and Federal Awards Information for the Year Ended June 30, 2017 and Independent Auditors' Reports

DUNKIRK CITY SCHOOL DISTRICT, NEW YORK

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Dunkirk City School District, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dunkirk City School District, New York (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2017 the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate 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 Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are 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 October 12, 2017 on our consideration of the District'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 the District's internal control over financial reporting and compliance.

Davis & Mahan LLP

October 12, 2017

As management of the Dunkirk City School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2017. This document should be read in conjunction with the additional information that we have furnished in the District's financial statements, which follow this narrative. For comparative purposes certain data from the prior year has been reclassified to conform with the current year presentation.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2017 by $53,739,443 (*net position*). This consists of $26,737,007 net investment in capital assets, $19,457,715 restricted for specific purposes and unrestricted net position of $7,544,721.

- The District's net position increased by $1,489,934 as a result of a restatement totaling $1,754,082 related to the implementation of GASB Statement No. 75 offset by an increase in operations totaling $3,244,016 during the year ended June 30, 2017.

- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $17,275,580 a decrease of $3,155,456 in comparison with the prior year's fund balance of $20,431,036. Excluding the Capital Projects Fund, the District's governmental funds reported combined ending fund balances of $23,367,612, an increase of $2,396,737 from the prior year.

- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was $1,737,200, or approximately 4.6 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the District's discretion and constitutes approximately 7.5 percent of the General Fund's total fund balance of $23,229,404 at June 30, 2017.

- The District's total bonded indebtedness decreased by $2,530,327 as a result of scheduled principal payments.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide financial statements—The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general support, instruction, pupil transportation, community services, school lunch program, and interest and other fiscal charges. The District does not engage in any business-type activities.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund financial statements—A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Aid Fund, School Lunch Fund, and Capital Projects Fund, all of which are considered to be major.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The

District is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The District maintains one fiduciary fund, the Agency Fund.

The fiduciary fund financial statement can be found on page 18 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-45 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District's net pension liability/(asset), obligation to provide postemployment benefits to its employees, and the District's budgetary comparison for the General Fund. Required supplementary information and related notes to the required supplementary information can be found on pages 46-53 of this report.

Other supplementary information is presented immediately following the required supplementary information in the Supplementary Information section of this report on pages 54-56.

The Federal Awards Information section presents the District's Schedule of Expenditures of Federal Awards. This section can be found on pages 57-65 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by $53,739,443 at June 30, 2017 as compared to $50,495,427 at the close of the fiscal year ended June 30, 2016, as restated.

Table 1, shown below, presents a condensed statement of net position compared to the prior year.

Table 1—Condensed Statement of Net Position

	June 30,	
	2017	2016 (as restated)
Current assets	$ 24,502,320	$ 24,125,862
Noncurrent assets	58,372,007	65,422,612
Total assets	82,874,327	89,548,474
Deferred outflows of resources	12,538,232	4,161,068
Current liabilities	6,903,948	3,126,364
Noncurrent liabilities	34,041,425	36,011,012
Total liabilities	40,945,373	39,137,376
Deferred inflows of resources	727,743	4,076,739
Net position:		
Net investment in capital assets	26,737,007	23,707,204
Restricted	19,457,715	15,612,341
Unrestricted	7,544,721	11,175,882
Total net position	$ 53,739,443	$ 50,495,427

The largest portion of the District's net position at June 30, 2017, $26,737,007, reflects its investment in capital assets (e.g. land, buildings, improvements and equipment), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide a variety of services to students. Accordingly, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position, $19,457,715, represents resources that are subject to external restrictions imposed by laws and regulations of other governments, through constitutional provisions or enabling legislation.

The remaining balance of $7,544,721 is unrestricted and represents resources that may be used to meet the District's ongoing operations.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2017 and June 30, 2016.

Table 2—Condensed Statement of Changes in Net Position

	Year Ended June 30,	
	2017	2016
Program revenues:		
Charges for services	$ 214,594	$ 208,632
Operating grants and contributions	9,373,801	5,947,434
General revenues	35,678,709	37,501,661
Total revenues	45,267,104	43,657,727
Program expenses	42,023,088	39,095,799
Change in net position	3,244,016	4,561,928
Net position—beginning	50,495,427	47,687,581
Restatement	-	(1,754,082)
Net position—ending	$ 53,739,443	$ 50,495,427

Overall revenues increased by 3.7 percent due primarily to increased state aid offset by a decrease in payments in lieu of taxes. Total expenses increased 7.5 percent from the year ended June 30, 2016, as a result of increased employee benefits related to the Teachers' Retirement System pension liability and other postemployment benefits valuations.

A summary of sources of revenues for the years ended June 30, 2017 and June 30, 2016 is presented below in Table 3:

Table 3—Summary of Sources of Revenues

	Year Ended June 30,		Increase/(Decrease)	
	2017	2016	Dollars	Percent
Charges for services	$ 214,594	$ 208,632	$ 5,962	2.9
Operating grants and contributions	9,373,801	5,947,434	3,426,367	57.6
Real property taxes and tax items	10,267,625	13,451,574	(3,183,949)	(23.7)
Miscellaneous	258,672	173,205	85,467	49.3
State sources—unrestricted	25,152,412	23,876,882	1,275,530	5.3
Total revenues	$ 45,267,104	$ 43,657,727	$ 1,609,377	3.7

The most significant source of revenue for the year ended June 30, 2017 were State sources of $25,152,412, or 55.6 percent of total revenues, and real property taxes and tax items of $10,267,625, or 22.7 percent of total revenues. Similarly, for the year ended June 30, 2016 the largest sources of revenue were State sources of $23,876,882, or 54.7 percent of total revenues, and real property taxes and tax items of $13,451,574, or 30.8 percent of total revenues. The decline in real property and related items reflects reduction in PILOT revenues that were partially offset by State Mitigation Aid designed for the closure of electric generating coal fueled power plants (see Note 18).

A summary of program expenses for the years ended June 30, 2017 and June 30, 2016 is presented below in Table 4:

Table 4—Summary of Program Expenses

	Year Ended June 30,		Increase/(Decrease)	
	2017	2016	Dollars	Percent
General support	$ 5,091,228	$ 4,672,069	$ 419,159	9.0
Instruction	33,670,921	31,151,632	2,519,289	8.1
Pupil transportation	1,362,233	1,150,230	212,003	18.4
Community services	67,605	70,988	(3,383)	(4.8)
School lunch program	908,222	1,101,006	(192,784)	(17.5)
Interest and other fiscal charges	922,879	949,874	(26,995)	(2.8)
Total program expenses	$ 42,023,088	$ 39,095,799	$ 2,927,289	7.5

The District's significant expense items for the year ended June 30, 2017 were instruction of $33,670,921, or 80.1 percent of total expenses and general support of $5,091,228, or 12.1 percent of total expenses. Similarly, for the year ended June 30, 2016 significant expense items were instruction of $31,151,632, or 79.7 percent of total expenses and general support of $4,672,069, or 12.0 percent of total expenses.

Financial Analysis of Governmental Funds

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

Governmental funds—The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* and *fund balance assigned to specific use* in special revenue funds may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by an external party, the District itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the Board of Education.

As of June 30, 2017, the District's governmental funds reported combined ending fund balances of $17,275,580, a decrease of $3,155,456 from the prior year. Excluding the effects of a $6,395,032 fund balance deficit in the Capital Projects Fund, approximately 7.3 percent, $1,737,200, of the combined ending fund balances constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *nonspendable*, *restricted*, or *assigned* to indicate that it is 1) not in spendable form, $6,986, 2) restricted for particular purposes, $19,457,715, or 3) assigned for particular purposes, $2,468,711.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was $1,737,200, while total General Fund fund balance increased to $23,229,404. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents 4.6 percent of total General Fund expenditures and transfers out, while total fund balance represents 61.3 percent of that same amount.

The total fund balance of the District's General Fund increased by $2,267,993 during the current fiscal year. During the annual budget process, the District anticipated utilizing $3,724,508 of fund balance, which included funds appropriated from fund balance ($3,640,894) and the re-appropriation of prior year's encumbrances ($83,614). As a result of lower spending and receipt of Electric Generation Mitigation Aid of $2,778,243 (Note 18), the District's fund balance ended $5,992,501 higher than anticipated.

The Special Aid Fund reports a zero fund balance. Special Aid Fund expenditures for the year ended June 30, 2017 amounted to $3,901,928 as compared to prior year expenditures of $3,191,268. These expenditures are supported by State and Federal aid.

The School Lunch Fund has a total fund balance of $441,208, of which $6,986 is composed of inventory and is unavailable for spending, $495 is assigned to encumbrances and $433,727 is assigned to school lunch purposes. During the year ended June 30, 2017, fund balance increased $128,744 from operations.

The Capital Projects Fund has a total deficit fund balance of $6,395,032. The District anticipates that this deficit will be remedied through future grant revenue and the issuance of serial bonds. During the year ended June 30, 2017, fund balance decreased $5,552,193, due to ongoing capital project expenditures.

General Fund Budgetary Highlights

The District's General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward (increased) for prior year's encumbrances since the funds were allocated under the previous year's budget, and the District has appropriately assigned an equal amount of fund balance at year-end for the purpose. A summary of revisions from the adopted budget to final budget is presented below in Table 5:

Table 5—General Fund Budget

Adopted budget, 2016-2017	$ 40,614,061
Add: Prior year's encumbrances—June 30, 2016	83,614
Original budget, 2016-2017	40,697,675
Budget revisions	-
Final budget, 2016-2017	$ 40,697,675

More detailed information about the District's General Fund is presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget (Non-GAAP Basis) and Actual—General Fund within the Required Supplementary Information section of this report.

Capital Asset and Debt Administration

Capital Assets—The District's investment in capital assets for its governmental activities as of June 30, 2017, amounted to $58,372,007 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, site improvements, and furniture and equipment.

All depreciable capital assets were depreciated from the year of acquisition to the end of the current year as outlined in the District's capital asset policy.

Capital assets, net of depreciation for the governmental activities at the years ended June 30, 2017 and June 30, 2016 are presented below in Table 6:

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

	June 30,	
	2017	2016
Land	$ 81,502	$ 81,502
Construction in progress	6,958,050	1,233,566
Buildings	50,230,614	51,969,315
Site improvements	475,782	518,097
Furniture and equipment	626,059	470,051
Total	$ 58,372,007	$ 54,272,531

Additional information on the District's capital assets can be found in Note 5 to the financial statements.

Long-term liabilities—At June 30, 2017, the District had serial bonds outstanding of $28,035,000, as compared to $30,565,327 at June 30, 2016. During the year ended June 30, 2017, the District made $2,530,327 in scheduled serial bond payments.

A summary of the District's long-term liabilities at June 30, 2017 and June 30, 2016 is presented below in Table 7:

Table 7—Summary of Long-Term Liabilities

	June 30,	
	2017	2016 (as restated)
Serial bonds	$ 28,035,000	$ 30,565,327
Compensated absences	489,349	507,089
Retirement incentive payable	363,920	538,920
Other postemployment obligations	2,849,458	2,414,060
Net pension liability	2,303,698	1,985,616
Total	$ 34,041,425	$ 36,011,012

Additional information on the District's long-term liabilities can be found in Note 11 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate, not seasonally adjusted, for the Chautauqua County region at June 30, 2017 was 5.7 percent. This is unfavorable to New York State's average unemployment rate of 4.5 percent. These factors are considered in preparing the District's budget.

During the current fiscal year, the District appropriated $1,977,201 of the General Fund's unassigned fund balance for spending in the District's 2017-2018 fiscal year budget. The 2017-2018 adopted budget appropriations total of $43,429,994 is an approximate increase of 6.9 percent as compared to adopted budget appropriations of $40,614,061 in 2016-2017. The District's total tax levy in 2017-2018 is $10,120,656, which is an approximate decrease of 1.8 percent as compared to $10,310,808 levied during the 2016-2017 year.

Requests for Information

This financial report is designed to provide our taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information in this report, or requests for additional financial information should be addressed to Mr. William Thiel, Business Manager, 620 Marauder Drive, Dunkirk, NY 14048.

BASIC FINANCIAL STATEMENTS

DUNKIRK CITY SCHOOL DISTRICT, NEW YORK
Statement of Net Position
June 30, 2017

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 431,009
Restricted cash and cash equivalents	19,668,755
Receivables	172,870
Due from Agency Fund	49
Taxes receivable	804,413
Intergovernmental receivables	3,418,238
Inventories	6,986
Capital assets not being depreciated	7,039,552
Capital assets, net of accumulated depreciation	51,332,455
Total assets	82,874,327
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows—relating to pension plans	12,108,920
Deferred outflows—relating to OPEB	429,312
Total deferred outflows of resources	12,538,232
LIABILITIES	
Accounts payable	651,501
Accrued liabilities	123,191
Due to retirement systems	2,178,061
Retainages payable	138,417
Unearned revenue	212,778
Bond anticipation notes payable	3,600,000
Noncurrent liabilities:	
Due within one year	2,819,773
Due in more than one year	31,221,652
Total liabilities	40,945,373
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow—relating to pension plans	670,466
Deferred inflow—relating to OPEB	57,277
Total deferred inflows of resources	727,743
NET POSITION	
Net investment in capital assets	26,737,007
Restricted for:	
Capital projects	265,395
Tax certiorari	3,779,971
Unemployment insurance	6,084,778
Employee benefits	326,037
Retirement	8,778,019
Repairs	200,036
Debt service	23,479
Unrestricted	7,544,721
Total net position	$ 53,739,443

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

DUNKIRK CITY SCHOOL DISTRICT, NEW YORK
Statement of Activities
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities
Governmental activities:				
General support	$ 5,091,228	$ 138,439	$ -	$ (4,952,789)
Instruction	33,670,921	34,774	7,289,703	(26,346,444)
Pupil transportation	1,362,233	-	848,198	(514,035)
Community services	67,605	-	-	(67,605)
School lunch program	908,222	41,381	1,235,900	369,059
Interest and other fiscal charges	922,879	-	-	(922,879)
Total primary government	$ 42,023,088	$ 214,594	$ 9,373,801	(32,434,693)
General revenues:				
Real property taxes				7,371,501
Real property tax items				2,896,124
Use of money and property				4,049
Sale of property and compensation for loss				2,498
Miscellaneous				252,125
State sources–unrestricted				25,152,412
Total general revenues				35,678,709
Change in net position				3,244,016
Net position - beginning, as restated				50,495,427
Net position - ending				$ 53,739,443

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

DUNKIRK CITY SCHOOL DISTRICT, NEW YORK
Balance Sheet—Governmental Funds
June 30, 2017

	General	Special Revenue: Special Aid	Special Revenue: School Lunch	Capital Projects	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 55,310	$ -	$ 375,699	$ -	$ 431,009
Restricted cash and cash equivalents	19,567,117	50,053	-	51,585	19,668,755
Receivables	118,492	-	54,378	-	172,870
Due from other funds	4,289,899	83,343	-	-	4,373,242
Taxes receivable	804,413	-	-	-	804,413
Intergovernmental receivables	1,527,515	1,807,231	83,492	-	3,418,238
Inventories	-	-	6,986	-	6,986
Total assets	$ 26,362,746	$ 1,940,627	$ 520,555	$ 51,585	$ 28,875,513
LIABILITIES					
Accounts payable	$ 177,275	$ 893	$ 76,716	$ 396,617	$ 651,501
Accrued liabilities	34,739	49,832	2,631	-	87,202
Due to other funds	83,344	1,839,849	-	2,450,000	4,373,193
Due to retirement systems	2,178,061	-	-	-	2,178,061
Unearned revenue	162,725	50,053	-	-	212,778
Bond anticipation notes payable	-	-	-	3,600,000	3,600,000
Total liabilities	2,636,144	1,940,627	79,347	6,446,617	11,102,735
DEFERRED INFLOWS OF RESOURCES					
Taxes receivable	497,198	-	-	-	497,198
Total deferred inflows of resources	497,198	-	-	-	497,198
FUND BALANCES (DEFICIT)					
Nonspendable	-	-	6,986	-	6,986
Restricted	19,457,715	-	-	-	19,457,715
Assigned	2,034,489	-	434,222	-	2,468,711
Unassigned	1,737,200	-	-	(6,395,032)	(4,657,832)
Total fund balances (deficit)	23,229,404	-	441,208	(6,395,032)	17,275,580
Total liabilities, deferred inflows of resources, and fund balance (deficit)	$ 26,362,746	$ 1,940,627	$ 520,555	$ 51,585	$ 28,875,513

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

DUNKIRK CITY SCHOOL DISTRICT, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds to the Government-wide Statement of Net Position
June 30, 2017

Amounts reported for governmental activities in the statement of net position (page 12) are different because:

Total fund balances (deficit) - governmental funds (page 14)		$ 17,275,580
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is $83,199,917 and the accumulated depreciation is $24,827,910.		58,372,007
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows related to employer contributions	$ 2,078,872	
Deferred outflows related to experience, changes of assumption, investment earnings, and changes in proportion	10,030,048	
Deferred inflows of resources related to pension plans	(670,466)	11,438,454
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the fund statements.		
Deferred outflows related to experience	$ 429,312	
Deferred outflows related to changes in assumptions	(57,277)	372,035
Amounts relating to taxes receivable have not met the revenue recognition criteria for fund financial purposes and, therefore, have been deferred. However, these revenues are recorded in the government-wide financial statements which report on the full accrual basis of accounting. This is the amount of revenues deferred in the funds, but recognized in the government-wide presentation.		497,198
Retained percentages are not a current liability and, therefore are not reported in the funds.		(138,417)
To recognize interest accrual on long-term debt, which is not recognized in the fund financial statements.		(35,989)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effect of these items are:		
Serial bonds	$ (28,035,000)	
Compensated absences	(489,349)	
Retirement incentive payable	(363,920)	
Other postemployment obligations	(2,849,458)	
Net pension liability	(2,303,698)	(34,041,425)
Total net position of governmental activities		$ 53,739,443

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

DUNKIRK CITY SCHOOL DISTRICT, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)—Governmental Funds
Year Ended June 30, 2017

	General	Special Revenue		Capital Projects	Total Governmental Funds
		Special Aid	School Lunch		
REVENUES					
Real property taxes	$ 7,505,586	$ -	$ -	$ -	$ 7,505,586
Real property tax items	2,896,124	-	-	-	2,896,124
Charges for services	173,213	-	-	-	173,213
Use of money and property	3,922	-	30	97	4,049
Sale of property and compensation for loss	2,498	-	-	-	2,498
Miscellaneous	218,348	-	-	33,777	252,125
State sources	28,923,161	1,579,426	28,759	-	30,531,346
Federal sources	465,224	2,322,502	1,207,141	-	3,994,867
School lunch sales	-	-	41,381	-	41,381
Total revenues	40,188,076	3,901,928	1,277,311	33,874	45,401,189
EXPENDITURES					
Current:					
General support	3,961,865	-	-	-	3,961,865
Instruction	20,916,878	3,901,928	-	-	24,818,806
Pupil transportation	1,061,886	-	-	-	1,061,886
Community service	67,605	-	-	-	67,605
Employee benefits	8,456,098	-	-	-	8,456,098
Debt service:					
Principal	2,530,327	-	-	-	2,530,327
Interest	925,424	-	-	-	925,424
Cost of sales (school lunch)	-	-	1,148,567	-	1,148,567
Capital outlay	-	-	-	5,586,067	5,586,067
Total expenditures	37,920,083	3,901,928	1,148,567	5,586,067	48,556,645
Net change in fund balances (deficit)	2,267,993	-	128,744	(5,552,193)	(3,155,456)
Fund balances (deficit) - beginning	20,961,411	-	312,464	(842,839)	20,431,036
Fund balances (deficit) - ending	$ 23,229,404	$ -	$ 441,208	$ (6,395,032)	$ 17,275,580

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

DUNKIRK CITY SCHOOL DISTRICT, NEW YORK

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities

Year Ended June 30, 2017

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

Net change in fund balances (deficit)–total governmental funds (page 16)		$ (3,155,456)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital additions	$ 6,028,124	
Depreciation expense	(1,928,648)	4,099,476
Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:		
District pension contributions	$ 1,964,834	
Cost of benefits earned net of employee contributions	(2,078,872)	(114,038)
Deferred outflows and inflows of resources relating to OPEB result from actuarial changes in the census, changes in medical premiums that are different than expected healthcare cost trend rates, and changes in assumptions and other inputs. These amounts are shown net of current year amortization.		
Deferred outflows—relating to OPEB	$ 429,312	
Deferred inflows—relating to OPEB	(57,277)	372,035
Governmental funds recognize revenues only if they are both measurable and available after the end of the fiscal year; however, the entity-wide statements recognize revenue on an accrual basis. This is the effect of the change in deferred revenue during the current		(134,085)
Governmental funds reported retained percentages expenditures on construction contracts when such a retained percentage is paid. However, in the statement of activities retained percentages on construction contracts is reported as an expense as it accrues.		(114,130)
In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid.		2,545
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:		
Principal repayment of serial bonds	$ 2,530,327	
Change in compensated absences	17,740	
Change in retirement incentives payable	175,000	
Change in other postemployment obligations	(435,398)	2,287,669
Change in net position of governmental activities		$ 3,244,016

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

DUNKIRK CITY SCHOOL DISTRICT, NEW YORK
Statement of Fiduciary Net Position—Agency Fund
June 30, 2017

	Agency Fund
ASSETS	
Cash and cash equivalents	$ 135,775
Total assets	$ 135,775
LIABILITIES	
Agency liabilities	$ 41,145
Due to other funds	49
Extraclassroom activity funds	94,581
Total liabilities	$ 135,775

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Dunkirk City School District, New York (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (the "GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable. The District reports no business-type activities or component units.

Reporting Entity

The District is governed by the Education Law and other laws of the State of New York. The governing body is the Board of Education. The scope of activities included within the accompanying financial statements are those transactions which comprise District operations, and are governed by, or significantly influenced by, the Board of Education.

Essentially, the primary function of the District is to provide education for pupils. Support services such as transportation of pupils, food services, administration, finance, and plant maintenance are also included.

The financial reporting entity includes all funds, functions and organizations over which the District officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Extraclassroom Activity Funds—The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District's business office. The District accounts for assets held as an agent for various student organizations in an agency fund.

Joint Venture—The District is one of 27 participating school districts in the Erie No. 2—Chautauqua—Cattaraugus Board of Cooperative Education Services ("BOCES"). Formed under Section 1950 of Education Law, a BOCES is a voluntary cooperative association of school districts in a geographic area that shares planning, services, and programs, and also provides educational and support activities. There is no authority or process by which the District can terminate its status as a

component of BOCES. All BOCES property is held by the BOCES Board as a corporation under section 190(6) of Education Law.

The component school district boards elect the members of the BOCES governing body. There are no equity interests and no single participant controls the financial or operating policies. In addition, BOCES Boards are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of General Municipal Law.

The BOCES budget is comprised of separate spending plans for administrative, program, and capital costs. Each component school district shares in administrative and capital costs determined by its enrollment. Participating districts are charged a service fee for programs in which students participate, and for other shared contracted administrative services. Participating districts may also issue debt on behalf of BOCES. As of June 30, 2017, there was no debt issued by the District on behalf of BOCES.

During the fiscal year ended June 30, 2017, the District was billed $3,883,480 for BOCES administrative and program costs and recognized $166,212 in revenue as a refund from prior years' expenditures paid to BOCES. Audited financial statements are available from the BOCES administrative offices.

Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and charges between the District's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. The District does not report any nonmajor funds.

The District reports the following major governmental funds:

- *General Fund*—This fund constitutes the primary operating fund of the District and includes all operations not required to be recorded in other funds. The principal source of revenue for the General Fund is real property taxes and state sources.

- *Special Aid Fund*—The Special Aid Fund is used to account for special operating projects or programs supported in whole, or in part, with federal and state grants.

- *School Lunch Fund*—The School Lunch Fund is used to account for transactions of the District's food service operations.

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

Additionally, the District reports the following fund type:

Fiduciary Funds—These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. The Fiduciary Fund of the District includes an *Agency Fund.*

- *Agency Fund*—The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, various student groups and clubs, and/or other governmental units. Included within the Agency Fund is the extraclassroom activity fund for the District, which represents funds of the students of the District. The Board of Education exercises general oversight of these funds.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources.* The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period except for real property taxes which are considered available if

they are received within a year of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, long-term retirement incentives, claims and judgments and pension costs, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, non-property taxes, charges for services provided, and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period except for property taxes received after one year of the end of the current fiscal year which are recognized as deferred inflows of resources. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period or within the period of availability (within 60 days of year-end). Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and amount is received during the period of availability (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

The Agency Fund has no measurement focus, but utilizes the *accrual basis of accounting* for reporting assets and liabilities.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, Cash Equivalents and Investments—The District's cash and cash equivalents consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. New York State law governs the District's investment policies. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. The District had no investments at June 30, 2017; however, when the District does have investments they are recorded at fair value in accordance with GASB.

Restricted Cash and Cash Equivalents—Restricted cash represents cash collected in advance for retiree health insurance premiums, unearned grant revenue and amounts restricted to support fund balance.

Inventories—Inventories of food and/or supplies in the School Lunch Fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and year-end balances are not maintained.

Capital Assets—Capital assets, which include land, construction in progress, buildings, site improvements and furniture and equipment are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than an established threshold for the type of asset and an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its estimated useful life. Donated capital assets are recorded at estimated fair market value of the item at the date of its donation. Major outlays for capital assets and improvements are capitalized as projects are completed.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the useful lives presented on the following page.

	Capitalization Threshold	Estimated Useful Life
Land	$ 1	n/a
Buildings	5,000	20-40 years
Site improvements	5,000	15-20 years
Furniture and equipment	5,000	5-20 years

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new school bus included as part of *expenditures—pupil transportation*). The amount reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2017, the District has two items that qualify for reporting in this category. The first item is related to pensions reported in the government-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability, and the difference during the measurement period between the District's contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension system made subsequent to the measurement date. The second item is related to OPEB reported in the government-wide financial statements and represents the effects of the change in the District's proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers includd in the collective net OPEB liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At June 30, 2017, the District has three items that qualify for reporting in this category. The first item represents the effect of the net change in the District's proportion of the collective net pension liability and the difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide statements. The second item represents the effects of the change in the District's proportion of the collective net OPEB liability. The final item, reported on the balance sheet of governmental funds, represents taxes receivable that the District does not expect to receive within one year of year-end, which in accordance with the modified accrual basis of accounting are considered deferred inflows of resources.

Net Position Flow Assumptions—Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balance Flow Assumptions—Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized the Superintendent to assign fund balance. The Board may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

Program Revenues—Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes—Real property taxes are levied annually as of July 1 by the Board of Education and attached as an enforceable lien. Uncollected real property taxes are subsequently enforced by the County of Chautauqua. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the District no later than April 1.

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At June 30, 2017, the District reported $162,725 and $50,053 of unearned revenue in the General Fund and Special Aid Fund, respectively. The District billed and received a portion of payments for retiree insurance premiums in advance but has not performed the services and therefore recognizes a liability in the General Fund. Additionally, the Special Aid Fund recognizes a liability for cash received in advance.

Compensated Absences—The District labor agreements provide for sick leave, vacations, and other miscellaneous paid absences. Upon retirement, certain eligible employees qualify for paid health insurance premiums based upon accumulated sick leave. CSEA employees who have a minimum of 50 days of unused sick days at the time of retirement can use a maximum of 125 days to purchase medical insurance at a dollar for dollar contribution, which is recorded as compensated absences liability. Teachers and Administrators sick time may be converted to a District contribution and is included within the other post-employment benefit obligation liability.

Pensions—The District is mandated by New York State law to participate in the New York State Teacher's Retirement System ("TRS") and the New York State Local Employees' Retirement System ("ERS"). For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 7.

Other Postemployment Benefits—In addition to providing pension benefits, the District provides health insurance coverage for certain retired employees as discussed in Note 8.

Other

Estimates—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets, liabilities, deferred outflows/inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements during the reported period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncement—During the year ended June 30, 2017, the District implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68;* No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; No. 77, *Tax Abatement Disclosures*; No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Plans;* and No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14.* GASB Statement No. 73 establishes a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. GASB Statement No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) for making decisions and accessing accountability. GASB Statement No. 75 improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment

benefits or OPEB). GASB Statement No. 77 requires the disclosure of information about the nature and magnitude of tax abatements and will make these transactions more transparent to financial statement users. GASB Statement No. 78 addresses a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* GASB Statement No. 80 improves financial reporting by clarifying the financial statement presentation requirements for certain component units. Other than the matter discussed in Note 2, GASB Statements No. 73, 74, 75, 77, 78 and 80 did not have a material impact on the District's financial position or results from operations.

Future Impacts of Accounting Pronouncements—The District has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 81, *Irrevocable Split-Interest Agreements*; No. 82, *Pension Issues; an Amendment of GASB Statements No. 67, No. 68, and No. 73*; No. 85, *Omnibus 2017*; and No. 86, *Certain Debt Extinguishment Issues* effective for the year ending June 30, 2018; No. 83, *Certain Asset Retirement Obligations* effective for the year ending June 30, 2019; No. 84, *Fiduciary Activities* effective for the year ending June 30, 2020 and No. 87, *Leases* effective for the year ending June 30, 2021. The District is, therefore, unable to disclose the impact that adopting GASB Statements No. 81, 82, 83, 84, 85, 86 and 87 will have on its financial position and results of operations when such statements are adopted.

Deficit Fund Balance—The Capital Projects Fund has a deficit fund balance at June 30, 2017 totaling $6,395,032. The primary reason for the deficit in this case is that the District issued bond anticipation notes ("BANs"), which do not qualify for treatment as a long-term liability. Accordingly, the BANs are reported as a fund liability in the Capital Projects Fund balance sheet (rather than an inflow on the statement of revenues, expenses, and fund balances). When the cash from the BANs is spent, expenditures are reported and fund balance is reduced. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANs or retire the BANs.

2. RESTATEMENT OF NET POSITION

The District early implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the fiscal year ended June 30, 2017. The implementation of GASB Statement No. 75 requires the District's net OPEB liability to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. As a result, OPEB liability was restated from $659,978 to $2,414,060 at June 30, 2016. Net position of governmental activities at June 30, 2016 has been restated.

The District's net position as of June 30, 2016 has been restated as follows:

Net position—June 30, 2016, as previously stated	$ 52,249,509
GASB Statement No. 75 implementation:	
OPEB liability	(1,754,082)
Net position—June 30, 2016, as restated	$ 50,495,427

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The District's investment policies are governed by State statutes. District monies must be deposited in FDIC-Insured commercial banks or trust companies located within New York State. The District's Business Manager 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 deposit accounts, time deposit accounts and certificates of deposit at 100 percent of all deposits not covered by Federal deposit insurance. The District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligation that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York. Cash and cash equivalents at June 30, 2017 are shown below.

	Governmental Funds	Fiduciary Fund	Total
Petty cash (uncollateralized)	$ 357	$ -	$ 357
Deposits	20,099,407	135,775	20,235,182
Total	$ 20,099,764	$ 135,775	$ 20,235,539

Deposits—All deposits are carried at fair value, and are classified by custodial credit risk at June 30, 2017 as shown below.

	Bank Balance	Carrying Amount
FDIC insured	$ 250,000	$ 250,000
Uninsured:		
Collateral held by pledging bank's agent in the District's name	20,786,812	19,985,182
Total	$ 21,036,812	$ 20,235,182

Custodial Credit Risk-Deposits—Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. At June 30, 2017, the District's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the District's name.

Restricted Cash and Cash Equivalents—Restricted cash represents cash collected in advance for retiree health insurance premiums, unearned grant revenue, and amounts restricted to support fund balance. At June 30, 2017, the District reported $19,668,755 of restricted cash within its governmental funds.

Investments—The District had no investments at June 30, 2017.

Interest Rate Risk—In accordance with its investment policy, the District manages exposures by limiting investments to low risk type investments governed by New York State statutes.

4. RECEIVABLES

Major revenues accrued by the District at June 30, 2017 consisted of the following:

Receivables—Represents interest receivable from a checking account, amounts due for student tuition, retiree's portion of health insurance premiums, and a reimbursement from the school lunch contract. The District reported amounts of $118,492 and $54,378 in the General Fund and the School Lunch Fund respectively.

Taxes Receivable—Represents taxes due in the amount of $804,413. These amounts are recognized as revenue when the amounts are both measurable and available. At June 30, 2017, the District reported a deferred inflow of resources on the governmental fund financial statements in the amount of $497,198, which represents taxes receivable that the District does not expect to receive within one year of year-end, in accordance with the modified accrual basis of accounting.

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York State and other local governments. Intergovernmental receivables at June 30, 2017 are:

General Fund:		
BOCES	$ 778,790	
Federal aid	174,636	
State aid	574,089	$ 1,527,515
Special Aid Fund:		
State aid	910,003	
Federal aid	897,228	1,807,231
School Lunch Fund:		
State aid	4,077	
Federal aid	79,415	83,492
Total governmental funds		$ 3,418,238

5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2017 was as follows:

	Balance 7/1/2016	Increases	Decreases	Balance 6/30/2017
Capital assets, not being depreciated:				
Land	$ 81,502	$ -	$ -	$ 81,502
Construction in process	1,233,566	5,724,484	-	6,958,050
Total capital assets, not being depreciated	1,315,068	5,724,484	-	7,039,552
Capital assets, being depreciated:				
Buildings	70,566,218	-	-	70,566,218
Site improvements	2,342,183	-	-	2,342,183
Furniture and equipment	2,948,324	303,640	-	3,251,964
Total capital assets, being depreciated	75,856,725	303,640	-	76,160,365
Less accumulated depreciation for:				
Buildings	18,596,903	1,738,701	-	20,335,604
Site improvements	1,824,086	42,315	-	1,866,401
Furniture and equipment	2,478,273	147,632	-	2,625,905
Total accumulated depreciation	22,899,262	1,928,648	-	24,827,910
Total capital assets being depreciated, net	52,957,463	(1,625,008)	-	51,332,455
Governmental activities capital assets, net	$ 54,272,531	$ 4,099,476	$ -	$ 58,372,007

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

Governmental activities:	
General support	$ 33,066
Instruction	1,880,677
School food service	14,905
	$ 1,928,648

6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2017, were as follows:

	General Fund	Special Aid Fund	School Lunch Fund	Total Governmental Funds
Salary and employee benefits	$ 34,739	$ 49,832	$ 2,631	$ 87,202

7. PENSION OBLIGATIONS

The District participates in the New York State Teachers' Retirement System and the New York State and Local Employees' Retirement System (the "Systems"). These cost-sharing multiple-employer public employee retirement systems compute contribution requirements based on the New York State Retirement and Social Security Law ("NYSRSSL").

Plan Descriptions and Benefits Provided

Teachers' Retirement System—TRS provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS is governed by a 10 member Board of Trustees. TRS benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding TRS, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System—ERS provides retirement benefits as well as death and disability benefits. The net position of ERS is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in plan net position allocated to ERS. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of ERS. ERS benefits are established under the provisions of the New York State Retirement and Social Security Law ("RSSL"). Once a public employer elects to participate in ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At June 30, 2017, the District reported the following liability for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of June 30, 2016 for TRS and March 31, 2017 for ERS. The total pension liability used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2015 and April 1, 2016, respectively, with update procedures used to roll forward the total pension liability to the measurement dates. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2016	March 31, 2017
Net pension liability	$ 1,168,408	$ 1,135,290
District's portion of the Plan's total net pension liability	0.109091%	0.0120824%

For the year ended June 30, 2017, the District recognized a pension expense of $1,916,573 and $676,995 for TRS and ERS, respectively. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experiences	$ -	$ 28,449	$ 379,565	$ 172,400
Changes in assumptions	6,655,998	387,857	-	-
Net difference between projected and actual earnings on pension plan investments	2,627,196	226,763	-	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	9,115	94,670	109,098	9,403
District contributions subsequent to the measurement date	1,943,528	135,344	-	-
Total	$ 11,235,837	$ 873,083	$ 488,663	$ 181,803

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	TRS	ERS
2018	$ 796,568	$ 241,563
2019	796,568	241,563
2020	2,836,921	216,292
2021	2,202,108	(143,482)
2022	1,001,242	-
Thereafter	1,170,239	-

Actuarial Assumptions—The total pension liability/(asset) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	TRS	ERS
Measurement date	June 30, 2016	March 31, 2017
Actuarial valuation date	June 30, 2015	April 1, 2016
Interest rate	7.50%	7.00%
Salary scale	1.90%-4.72%	3.80%
Decrement tables	July 1, 2009-June 30, 2014	April 1, 2010-March 31, 2015
Inflation rate	2.5%	2.5%

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

For TRS, the actuarial assumptions used in the June 30, 2015 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	TRS	ERS
Measurement date			June 30, 2016	March 31, 2017
Asset class:				
Domestic equities	37.0 %	36.0 %	6.1%	4.6%
International equities	18.0	14.0	7.3	6.3
Private equity	7.0	10.0	9.2	7.8
Real estate	10.0	10.0	5.4	5.8
Alternative investments	0.0	0.0	0.0	0.0
Absolute return strategies	20.0	2.0	1.9	4.0
Opportunistic portfolio	0.0	3.0	0.0	5.9
Real assets	0.0	3.0	0.0	5.5
Bonds and mortgages	8.0	17.0	3.1	1.3
Cash	0.0	1.0	0.0	(0.3)
Inflation-indexed bonds	0.0	4.0	0.0	1.5
Total	100.0 %	100.0 %		

Discount Rate—The discount rate used to calculate the total pension liability was 7.5% for TRS and 7.0% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents the District's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.5% for TRS and 7.0% for ERS, as well as what the District's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage-point lower (6.5% for TRS and 6.0% for ERS) or one percentage-point higher (8.5% for TRS and 8.0% for ERS) than the current assumption.

TRS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension liability/(asset)	$ 15,244,543	$ 1,168,408	$ (10,637,915)

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)	$ 3,625,890	$ 1,135,290	$ (970,508)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liability/(asset) of the employers as of the respective valuation dates, were as follows:

	(Dollars in Thousands)		
	TRS	ERS	Total
Valuation date	June 30, 2015	April 1, 2016	
Employers' total pension liability(asset)	$ 108,577,184	$ 177,400,586	$ 285,977,770
Plan fiduciary net position	107,506,142	168,004,363	275,510,505
Employers' net pension liability(asset)	$ 1,071,042	$ 9,396,223	$ 10,467,265
System fiduciary net position as a percentage of total pension liability	99.01%	94.70%	96.34%

Payables to the Pension Plan—For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to $2,042,717.

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to $135,344.

8. OTHER POSTEMPLOYMENT BENEFIT ("OPEB") OBLIGATIONS

Plan Description and Benefits Provided—The District may pay for a portion of eligible retirees' health insurance dependent upon such factors as age, years of service, accumulated sick leave and associated group or union. While benefits change over time as union contracts are renegotiated, current benefits are as follows:

(1) *Dunkirk Teachers' Association*—To be eligible, an employee must be eligible to retire with full benefits from NYSTRS. Unused sick leave days at the time of retirement can be used to purchase single or family medical coverage. For employees who retire with greater than 125 but less than 195 days, the District will pay 90% of medical coverage (the same percentage as active employees) for 2 years. For employees who retire with greater than 195 days, the District will pay 90% of medical coverage for 3 years. Once sick leave conversion days are exhausted, retirees and their spouses may remain in the plan, but will pay 100% of the premiums.

(2) *Dunkirk Administrators' Association*—To be eligible, an employee must be eligible to retire with full benefits from NYSTRS. For employees hired before July 1, 2008, unused sick leave days at the time of retirement can be used to purchase single or family medical coverage. For employees who retire with greater than 125 but less than 195 days, the District will pay 96% of medical coverage (the same percentage as active employees) for 2 years. For employees who retire with greater than 195 days, the District will pay 96% of medical coverage for 3 years. Once sick leave conversion days are exhausted, retirees

and their spouses may remain in the plan, but will pay 100% of the premiums. For employees hired on or after July 1, 2008, unused sick leave days at the time of retirement can be used to purchase single or family medical coverage. For employees who retire with greater than 125 but less than 195 days, the District will pay 90% of medical coverage (the same percentage as active employees) for 2 years. For employees who retire with greater than 195 days, the District will pay 90% of medical coverage for 3 years. Once sick leave conversion days are exhausted, retirees and their spouses may remain in the plan, but will pay 100% of the premiums.

(3) *Dunkirk CSEA*—An employee must be eligible to retire under NYSERS and have at least 10 years of service with the District. For grandfathered retiree, the District pays 100% of medical premiums for single coverage. For employees hired before July 1, 1976 and retire after October 15, 1976, the District pays 50% of medical premiums for single coverage. For employees hired on or after July 1, 1976, retirees and their spouses are eligible to continue coverage under the plan, but are responsible for the full cost of coverage. Unused sick leave days (must have at least 50 days but no more than 125 days) at the time of retirement can be used to purchase medical insurance. This benefit is not accounted for under GASB 75.

Employees Covered by Benefit Terms—At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	119
Active employees	285
	404

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments, which may be attributed to past service (or "earned"), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability ("AAL") under GASB Statement No. 45.

Total OPEB Liability

The District's total OPEB liability of $2,849,458 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the May 5, 2017 actuarial valuation, the entry age normal method, over a level percent of pay was used. The single discount rate changed from 4.00% to 3.31% effective July 1, 2016, and 3.80% effective June 30, 2017. The salary scale changed from 3.00% to 3.31%. The 2015 New York State Teachers' Retirement System rates were used for mortality rates and retirement rates. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 5.30%, while the ultimate healthcare cost trend rate is 4.17%.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2017.

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

	Total OPEB Liability
Balances at 6/30/2016, as restated:	$ 2,414,060
Changes for the year	
Service cost	95,673
Interest	79,282
Differences between expected and actual experience	465,694
Changes of assumptions	(62,131)
Contributions—employer	(143,120)
Net changes	435,398
Balances at 6/30/2017	$ 2,849,458

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have a profound impact on total liabilities. The table below presents the effect of a 1% change in the discount rate assumption would have on the net OPEB liability.

	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
Net OPEB liability	$ 3,010,283	$ 2,849,458	$ 2,669,114

Additionally, healthcare cost can be subject to considerable volatility over time. The table presented below presents the effect on the net OPEB liability of a 1% change in the initial (5.3%)/ultimate (4.2%) healthcare cost trend rates.

	1% Decrease (4.3%/3.2%)	Healthcare Cost Trend Rates (5.3%/4.2%)	1% Increase (6.3%/5.2%)
Net OPEB liability	$ 2,510,907	$ 2,849,458	$ 3,231,729

Funding Policy—Authorization for the District to pay a portion of retiree health insurance premiums was enacted through various union contracts as specified above, which were ratified by the District's Board of Education. The District recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. District governmental activities contributed $143,120 for the fiscal year ended June 30, 2017.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The District reports deferred outflows of resources and deferred inflows of resources due to difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net

OPEB liability are required to be determined. The following table presents the District's deferred outflows and inflows of resources at June 30, 2017:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 429,312	$ -
Changes of assumptions	-	57,277
Total	$ 429,312	$ 57,277

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2018	$ 31,528
2019	31,528
2020	31,528
2021	31,528
2022	31,528
Therafter	214,395

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to damage and destruction of assets, vehicle liability, injuries to employees, health insurance, and unemployment insurance. These risks are covered by commercial insurance purchased from independent third parties. The District purchases insurance for: property, business income, equipment, public liability, employee benefit – wrongful act, crime vehicle and an umbrella liability. Property insurance has a $5,000 deductible. The public liability insurance is limited ranging from $10,000 to $2,000,000 with a $2,000,000 aggregate per location. The umbrella liability provides coverage of $10,000,000.

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

The District participates in Chautauqua County School Districts Medical Health Plan, a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 27 individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members up to $200,000 per insured event. The pool maintains independent coverage for insured events in excess of the $200,000 limit, and the District has essentially transferred all related risk to the pool.

The District participates in Erie No. 2 Area Schools Self-Funded Workers' Compensation Plan (the "Plan"), a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The Erie No. 2 Area Schools Self-Funded Workers' Compensation Plan is considered a self-sustaining risk pool that will provide coverage for its members up to $450,000 per event. The Plan maintains independent coverage for events in excess of $450,000. The District has essentially transferred all related risk to the Plan.

10. SHORT-TERM DEBT

Liabilities for bond anticipation notes ("BANs") are accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. A summary of the District's short-term debt for fiscal year ended June 30, 2017 follows:

Description	Interest Rate	Maturity Date	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017
Capital Projects Fund:						
Various Projects	2.00%	7/26/2017	$ -	$ 3,600,000	$ -	$ 3,600,000

11. LONG-TERM LIABILITIES

Long-term debt and other long-term obligations are reported in the government-wide financial statements.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The District's outstanding long-term liabilities include serial bonds, compensated absences, retirement incentive payable, other post-employment benefits, and net pension liability. The bonds payable of the District are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the District's long term debt at June 30, 2017 follows:

	Balance 7/1/2016 (as restated)	Additions	Reductions	Balance 6/30/2017	Due Within One Year
Government activities:					
Serial bonds	$ 30,565,327	$ -	$ (2,530,327)	$ 28,035,000	$ 2,590,000
Compensated absences	507,089	38,174	(55,914)	489,349	50,563
Retirement incentive payable	538,920	-	(175,000)	363,920	179,210
Other postemployment obligations	2,414,060	640,649	(205,251)	2,849,458	-
Net pension liability*	1,985,616	318,082	-	2,303,698	-
Total	$ 36,011,012	$ 996,905	$ (2,966,492)	$ 34,041,425	$ 2,819,773

(*additions to the net pension liability are shown net of reductions.)

Serial Bonds—The District issues general obligation bonds to provide funds for construction renovations and improvements of major capital facilities. Serial bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with 14 to 15 year maturities.

The activity on the District's outstanding bond issues, for the year ended June 30, 2017, follows:

Description	Year of Issue/ Maturity	Interest Rate	Balance 7/1/2016	Additions	Payments	Balance 6/30/2017
District improvements	2010/2025	2.3-4.0%	$ 4,885,000	$ -	$ 470,000	$ 4,415,000
District improvements	2011/2026	2.0-4.0%	9,280,000	-	810,000	8,470,000
District improvements	2012/2027	1.4-4.1%	3,895,000	-	295,000	3,600,000
District improvements	2013/2027	2.1-3.0%	6,115,000	-	540,000	5,575,000
District improvements	2016/2030	2.1-5.0%	6,390,327	-	415,327	5,975,000
Total			$ 30,565,327	$ -	$ 2,530,327	$ 28,035,000

Compensated Absences—As explained in Note 1, the District provides for either cash or post-employment health benefits after retirement. The payment in cash or health care benefits depends on individual options selected upon retirement in accordance with the union contract. The liability for compensated absences at June 30, 2017 amounts to $489,349 of which $50,563 has been included within the current portion of long-term debt.

Retirement Incentive Payable—During the 2015-2016 year, the District offered an early retirement incentive to employees of the Dunkirk Teachers Association and the Civil Service Employees Association. The value recorded in the government-wide financial statements at June 30, 2017 for governmental activities is $363,920. $179,210 is considered payable within one year and has been included within the current portion of long-term debt.

Other Postemployment Obligations—As explained in Note 8 the District provides health insurance coverage for certain retirees. The District's annual other postemployment benefit ("OPEB") cost is calculated based in the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB. The estimated long-term OPEB liability is $2,849,458 at June 30, 2017.

Net Pension Liability—The District reported a liability, $2,303,698, for its proportionate share of the net pension liability for the Teachers' and Employees' Retirement System. Refer to Note 7 for additional information related to the District's net pension liability.

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

	Serial Bonds	Compensated Absences	Retirement Incentive Payable	OPEB Obligation	Net Pension Liability	Total
2018	$ 2,590,000	$ 50,563	$ 179,210	$ -	$ -	$ 2,819,773
2019	2,665,000	-	184,710	-	-	2,849,710
2020	2,730,000	-	-	-	-	2,730,000
2021	2,805,000	-	-	-	-	2,805,000
2022	2,885,000	-	-	-	-	2,885,000
2023-2027	13,025,000	-	-	-	-	13,025,000
2028-2030	1,335,000	-	-	-	-	1,335,000
Thereafter	-	438,786	-	2,849,458	2,303,698	5,591,942
	$ 28,035,000	$ 489,349	$ 363,920	$ 2,849,458	$ 2,303,698	$ 34,041,425

Interest requirements on serial bonds are as follows:

Year Ending June 30,	Interest
2018	$ 863,736
2019	792,076
2020	717,781
2021	639,863
2022	557,000
2023-2027	1,343,384
2028-2030	59,450
	$ 4,973,290

12. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- ***Net Investment in Capital Assets***—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construct or improvement of these assets reduce the balance in this category.

- ***Restricted Net Position***—This category represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- ***Unrestricted Net Position***—This category represents net position of the District not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the District at June 30, 2017 includes:

- ***Inventories***—Representing the portion of fund balance, $6,986 composed of inventory. This balance is nonspendable as the inventory does not represent an available resource.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as grants, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Restricted fund balance maintained by the District at June 30, 2017 includes:

	General Fund
Capital projects	$ 265,395
Tax certiorari	3,779,971
Unemployment insurance	6,084,778
Employee benefit accrued liability	326,037
Retirement	8,778,019
Repairs	200,036
Debt service	23,479
	$ 19,457,715

- ***Capital Projects***—According to Education Law Section 3651, this restriction must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probably term and the source of the funds. Expenditures may be made from the restriction only for a specific purpose further authorized by voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in Section 3651 of the Education Law.

- ***Tax Certiorari***—According to Education Law Section 3651.1-a, this restriction must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the restriction shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgements and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari purposes in the year must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies.

- ***Unemployment Insurance***—According to General Municipal Law Section 6-m, this restriction must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The restriction may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of

the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund.

- ***Employee Benefit Accrued Liability***—According to General Municipal Law Section 6-p, this restriction must be used for the payment of accrued employee benefit due to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

- ***Retirement Contribution***—According to General Municipal Law Section 6-r, this restriction must be used for the payment of any portion of the amount payable to the New York State and Local Employees' Retirement System, pursuant to Sections 17 or 317 of the Retirement and Social Security Law. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

- ***Repairs***—According to General Municipal Law Section 6-d, this restriction must be used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this restriction may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years.

- ***Debt Service***—Represents amounts within the Debt Service Fund resulting from contributions related to certain external agreements that are required to be used for capital project expenses or the debt service thereof.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the District's highest level of decision-making authority. As of June 30, 2017, the District had no committed fund balance.

In the fund financial statements, assignments are not legally required segregations but are segregated for a specific purpose by the District at June 30, 2017 and include:

	General Fund	School Lunch Fund	Total
Subsequent year's expenditures	$ 1,977,201	$ -	$ 1,977,201
Encumbrances	57,288	495	57,783
Specific use:			
School lunch	-	433,727	433,727
Total	$ 2,034,489	$ 434,222	$ 2,468,711

- ***Assigned to Subsequent Year's Expenditures***—Representing available fund balance being appropriated to meet expenditures requirements in the 2017-2018 fiscal year.

- ***Assigned to Encumbrances***—Representing amounts related to unperformed (executory) contracts for goods and services.

- ***Assigned to Specific Use***—Representing fund balance within the special revenue funds that is assigned for a specific purpose. The assignments purpose relates to each funds operations and represents remaining amounts within funds that are not restricted or committed.

If the District must use funds for emergency expenditures the Board of Education shall authorize the Business Manager to expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available, the District will use unassigned fund balance.

13. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of June 30, 2017 is as follows:

	Interfund	
	Receivables	Payables
Governmental Funds:		
General Fund	$ 4,289,899	$ 83,344
Special Aid Fund	83,343	1,839,849
Capital Projects	-	2,450,000
Total	4,373,242	4,373,193
Fiduciary Funds:		
Agency Fund	-	49
Total fiduciary funds	-	49
Total	$ 4,373,242	$ 4,373,242

The outstanding balances between these funds result from payments made on behalf of other funds or temporary advances. All of these balances are expected to be collected/paid within the subsequent year.

Transfers are used primarily to finance certain special aid programs and to support capital project expenditures. The District did not make any transfers during the year ended June 30, 2017.

14. AGENCY FUND

An agency fund exists for temporary deposit funds. The following is a summary of changes in assets and liabilities for the fiscal year ended June 30, 2017:

	Balance 7/1/2016	Increases	Decreases	Balance 6/30/2017
ASSETS:				
Cash and cash equivalents	$ 143,798	$ 22,550,756	$ 22,558,779	$ 135,775
Total assets	$ 143,798	$ 22,550,756	$ 22,558,779	$ 135,775
LIABILITIES:				
Agency liabilities	$ 53,130	$ 22,547,143	$ 22,559,128	$ 41,145
Due to other funds	35	14	-	49
Extraclassroom activity funds	90,633	106,554	102,606	94,581
Total liabilities	$ 143,798	$ 22,653,711	$ 22,661,734	$ 135,775

15. LABOR RELATIONS

District employees are represented by three bargaining units, with the balance governed by Board of Education rules and regulations. Negotiated contracts are in place through June 30, 2017 for the Civil Service Employees Association, through June 30, 2018 for the Dunkirk Administrators' Association. The Dunkirk Teachers' Association had a contract through June 30, 2015 and is currently under negotiation.

16. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations. The District considers encumbrances significant if they are in excess of $200,000. As of June 30, 2017, there were no significant encumbrances.

17. CONTINGENCIES

Litigation—Various legal actions are pending against the District. The outcome of these matters is not presently determinable but, in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or results of operation of the District.

Grants—In the normal course of business, the District receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

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

18. TAX ABATEMENTS

The District is subject to tax abatements granted by the Chautauqua County Industrial Development Agency ("CCIDA"). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the CCIDA and include the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the District, the abatements have resulted in reductions of property taxes, which the District administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by CCIDA, the District collected $655,662 during the 2016-2017 fiscal year in payments in lieu of taxes ("PILOT"), these collections were made in lieu of $5,053,277 in property taxes.

During the year ended June 30, 2017, the District's largest PILOT payment, received from a local electric power generating facility, decreased from $4,005,538 to $612,848 due to the modification of the company's PILOT agreement. To compensate for the decrease in revenue, New York State legislation established the Electric Generation Cessation Mitigation Fund, administered by Empire State Development ("ESD"). The State's enacted 2016-2017 budget appropriated $30 million in State aid to assist municipalities who will see a reduction in their collection of real property taxes or PILOT payments of at least 20% of the taxes owed by the electric generating facility, payable over a period of up to five years with aid declining to 0% over the five years. The District received $2,778,243 from such fund in the 2016-2017 fiscal year. The 2017-2018 enacted State budget included $45 million for the mitigation fund and extended the term to seven years. The District is anticipating it will for and receive $2,663,875 of such aid in its 2017-2018 fiscal year.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 12, 2017, which is the date the financial statements are available for issuance, except as noted below, there are no subsequent events that require disclosure under generally accepted accounting principles.

On July 27, 2017, the District issued $11,888,500 of bond anticipation notes at an interest rate of 2.00%. The notes mature on July 27, 2018.

On September 26, 2017, the District sold $10,025,000 in refunding bonds. Closing is scheduled for October 17, 2017, The bonds were priced with interest rates of 2.00%-5.00% and refunded existing 2010 and 2011 Public Improvement Serial Bonds.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

DUNKIRK CITY SCHOOL DISTRICT, NEW YORK

Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)—
Teachers' Retirement System
Last Four Fiscal Years*

	Year Ended June 30,			
	2017	2016	2015	2014
Measurement date	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
District's proportion of the net pension liability (asset)	0.109091%	0.107348%	0.107100%	0.109114%
District's proportionate share of the net pension liability (asset)	$ 1,168,408	$ (11,150,081)	$ (11,930,263)	$ (718,247)
District's covered-employee payroll	$ 16,290,017	$ 16,161,067	$ 16,265,671	$ 16,103,014
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.17%	(68.99%)	(73.35%)	(4.42%)
Plan fiduciary net position as a percentage of the total pension liability	99.0%	110.5%	111.5%	100.7%

*Information prior to the year ended June 30, 2014 is not available.

DUNKIRK CITY SCHOOL DISTRICT, NEW YORK
Schedule of District's Contributions—
Teachers' Retirement System
Last Four Fiscal Years*

	Year Ended June 30,			
	2017	2016	2015	2014
Contractually required contribution	$ 1,942,262	$ 2,826,746	$ 2,570,812	$ 1,892,371
Contributions in relation to the contractually required contribution	(1,942,262)	(2,826,746)	(2,570,812)	(1,892,371)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 16,583,007	$ 16,290,017	$ 16,161,067	$ 16,265,671
Contributions as a percentage of covered-employee payroll	11.7%	17.4%	15.9%	11.6%

*Information prior to the year ended June 30, 2014 is not available.

DUNKIRK CITY SCHOOL DISTRICT, NEW YORK
Schedule of the District's Proportionate Share of the Net Pension Liability—
Employees' Retirement System
Last Four Fiscal Years*

	Year Ended June 30,			
	2017	2016	2015	2014
Measurement date	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
District's proportion of the net pension liability (asset)	0.0120824%	0.0123712%	0.0120339%	0.0120339%
District's proportionate share of the net pension liability (asset)	$ 1,135,290	$ 1,985,616	$ 406,534	$ 543,794
District's covered-employee payroll	$ 3,615,786	$ 3,599,201	$ 3,683,088	$ 3,709,413
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	31.4%	55.2%	11.0%	14.7%
Plan fiduciary net position as a percentage of the total pension liability	94.7%	90.7%	97.9%	97.2%

*Information prior to the year ended June 30, 2014 is not available.

DUNKIRK CITY SCHOOL DISTRICT, NEW YORK
Schedule of District's Contributions—
Employees' Retirement System
Last Four Fiscal Years*

	Year Ended June 30,			
	2017	2016	2015	2014
Contractually required contribution	$ 531,434	$ 598,498	$ 630,024	$ 782,128
Contributions in relation to the contractually required contribution	(531,434)	(598,498)	(630,024)	(782,128)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 3,598,716	$ 3,621,337	$ 3,668,892	$ 3,596,844
Contributions as a percentage of covered-employee payroll	14.8%	16.5%	17.2%	21.7%

*Information prior to the year ended June 30, 2014 is not available.

DUNKIRK CITY SCHOOL DISTRICT, NEW YORK
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2017

Total OPEB Liability	
Service cost	$ 95,673
Interest	79,282
Differences between expected and actual experience	465,694
Changes in assumptions	(62,131)
Benefit payments	(143,120)
Net changes in total OPEB liability	435,398
Total OPEB liability—beginning, as restated	2,414,060
Total OPEB liability—ending	$ 2,849,458
Covered-employee payroll	$ 15,449,335
District's net OPEB liability as a percentage of covered-employee payroll	18.44%

*Information prior to the year ended June 30, 2017 is not available.

The notes to the Required Supplementary Information are an integral part of this schedule.

DUNKIRK CITY SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balance— Budget (Non-GAAP Basis) and Actual—General Fund
Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Local sources:				
Real property taxes	$ 9,548,521	$ 7,372,168	$ 7,505,586	$ 133,418
Real property tax items	762,287	2,938,640	2,896,124	(42,516)
Charges for services	112,000	112,000	173,213	61,213
Use of money and property	3,600	3,600	3,922	322
Sale of property and compensation for loss	1,550	1,550	2,498	948
Miscellaneous	138,000	138,000	218,348	80,348
State sources:				
Basic formula	21,832,499	21,031,397	20,981,206	(50,191)
Lottery aid	-	3,579,345	3,668,870	89,525
BOCES aid	1,340,372	1,340,372	1,350,534	10,162
State aid - other	2,993,038	2,993,038	2,922,551	(70,487)
Federal sources:				
Medicaid reimbursement	100,000	100,000	325,403	225,403
Federal interest subsidy	141,300	141,300	139,821	(1,479)
Total revenues	$ 36,973,167	$ 39,751,410	$ 40,188,076	$ 436,666

(continued)

DUNKIRK CITY SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balance— Budget (Non-GAAP Basis) and Actual—General Fund
Year Ended June 30, 2017

(concluded)

	Budgeted Amounts				Variance with Final
	Original	Final	Actual	Encumbrances	Budget
EXPENDITURES					
General support:					
Board of education	$ 12,227	$ 12,262	$ 5,144	$ -	$ 7,118
Central administration	215,518	234,060	231,898	-	2,162
Finance	298,621	353,440	342,538	-	10,902
Staff	214,778	161,778	148,454	-	13,324
Central services	2,978,786	2,968,626	2,821,700	51,648	95,278
Special items	421,607	423,107	412,131	-	10,976
Instruction:					
Instruction, administration and improvements	1,460,192	1,448,963	1,399,058	-	49,905
Teaching - regular school	12,019,182	11,719,389	11,390,748	5,640	323,001
Programs for pupils with handicapping conditions	4,869,574	4,983,090	4,710,861	-	272,229
Occupational education	619,470	541,270	509,253	-	32,017
Teaching - special school	80,296	235,452	205,175	-	30,277
Instructional media	812,634	890,648	885,136	-	5,512
Pupil services	1,912,389	1,941,667	1,816,647	-	125,020
Pupil transportation	1,163,086	1,165,937	1,061,886	-	104,051
Community services	52,877	83,347	67,605	-	15,742
Employee benefits	9,928,555	9,948,755	8,456,098	-	1,492,657
Debt service:					
Principal	2,520,325	2,530,327	2,530,327	-	-
Interest	1,042,558	980,557	925,424	-	55,133
Total expenditures/encumbrances	40,622,675	40,622,675	37,920,083	57,288	2,645,304
OTHER FINANCING USES					
Transfers out	75,000	75,000	-	-	75,000
Total expenditures/encumbrances and other financing uses	40,697,675	40,697,675	37,920,083	57,288	2,720,304
Net change in fund balance*	(3,724,508)	(946,265)	2,267,993		
Fund balance-beginning	20,961,411	20,961,411	20,961,411		
Fund balance-ending	$ 17,236,903	$ 20,015,146	$ 23,229,404		

*The net change in fund balances was included as an appropriation (i.e., spendown) of fund balance and re-appropriation of prior year encumbrances.

The notes to the Required Supplementary Information are an integral part of this schedule.

1. BUDGETARY INFORMATION

Changes of Assumptions—Changes of assumptions reflect the effects of changes in the long-term bond rate, the mortality rate, and the healthcare cost trend rate. The long-term bond rate is based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date, which increased from 3.35% to 3.8% at June 30, 2017. Mortality rates were updated to rates based on the 2015 NYSTRS mortality rates. Finally, the healthcare cost trend rate increased from 5.2% at June 30, 2016 to 5.3% at June 30, 2017.

2. BUDGETARY INFORMATION

Budgetary Basis of Accounting—An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. The Capital Projects Fund is appropriated on a project-length basis. No formal annual budget is adopted for the Debt Service, Special Aid, and School Lunch Funds. Appropriation limits, where applicable, for the Debt Service Fund, Special Aid Fund and Special Purpose Fund are maintained based on debt schedules, individual grants and donations or fundraising revenues accepted by the Board of Education. The periods of such grants may vary from the District's fiscal year. A budget is maintained for the School Lunch Fund as a management tool for internal control purposes.

The appropriated budget is prepared by fund, function, and department. The District's department heads may make transfers of appropriations within a department. Transfers of appropriations exceeding $20,000 between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

SUPPLEMENTARY INFORMATION

DUNKIRK CITY SCHOOL DISTRICT, NEW YORK
Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit—General Fund
Year Ended June 30, 2017

Change from Adopted Budget to Final Budget

Adopted budget, 2016-2017	$ 40,614,061
Add: Prior year's encumbrances	83,614
Original budget, 2016-2017	40,697,675
Budget revisions	-
Final budget, 2016-2017	$ 40,697,675

Section 1318 of Real Property Tax Law Limit Calculation

2017-2018 voter approved expenditure budget	$ 43,429,994	
Maximum allowed (4% of 2017-2018 budget)		$ 1,737,200

General Fund fund balance subject to Subject to Section 1318 of Real Property Tax Law*:

Unrestricted fund balance:		
Assigned fund balance	$ 2,034,489	
Unassigned fund balance	1,737,200	
Total unrestricted fund balance		3,771,689
Less:		
Appropriated fund balance	$ (1,977,201)	
Encumbrances included in assigned fund balance	(57,288)	
Total adjustments		(2,034,489)
General Fund fund balance subject to Section 1318 of Real Property Tax Law		$ 1,737,200
Actual percentage		4.00%

* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", updated April 2011 (originally issued November 2010), the portion of General Fund fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

DUNKIRK CITY SCHOOL DISTRICT, NEW YORK
Schedule of Capital Project Expenditures
Year Ended June 30, 2017

Project Title	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance
			Prior Years	Current Year	Total	
Excel Project	$ 7,520,000	$ 7,520,000	$ 7,475,112	$ -	$ 7,475,112	$ 44,888
District-wide Project	33,100,000	33,100,000	32,761,400	-	32,761,400	338,600
Phase III	8,308,000	8,308,000	7,820,102	11,225	7,831,327	476,673
Phase IV	3,802,000	3,802,000	710,036	2,706,768	3,416,804	385,196
School 6	8,288,500	8,288,500	493,532	2,864,774	3,358,306	4,930,194
Middle School Capital Outlay	95,000	95,000	-	3,300	3,300	91,700
	$ 61,113,500	$ 61,113,500	$ 49,260,182	$ 5,586,067	$ 54,846,249	$ 6,267,251

DUNKIRK CITY SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets
Year Ended June 30, 2017

Capital assets, net of accumulated depreciation	$ 58,372,007
Deduct:	
Serial bonds	(28,035,000)
BAN payable	(3,600,000)
Net investment in capital assets	$ 26,737,007

FEDERAL AWARDS INFORMATION

DUNKIRK CITY SCHOOL DISTRICT, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title (1a)	Federal CFDA Number (1b)	Pass-through Entity's Identifying Number (1c)	Passed-Through to Subrecipients	Federal Expenditures (1d)
U.S. DEPARTMENT OF AGRICULTURE				
Passed through State Department of Agriculture:				
Child Nutrition Cluster				
School Breakfast Program	10.553	N/A	$ -	$ 275,991
National School Lunch Program	10.555	N/A	-	926,764
Summer Food Service Program for Children	10.559	N/A	-	4,385
Total Child Nutrition Cluster			-	1,207,140
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	1,207,140
U.S. DEPARTMENT OF EDUCATION				
Passed through State Department of Education:				
Title I Grants to Local Educational Agencies	84.010	0021-16-0350	-	346,196
Title I Grants to Local Educational Agencies	84.010	0021-17-0350	-	667,364
Title I Grants to Local Educational Agencies	84.010	0011-16-2136	-	80,206
Title I Grants to Local Educational Agencies	84.010	0011-17-2136	-	133,152
Total Title I Grants to Local Educational Agencies			-	1,226,918
Special Education Cluster				
Special Education - Grants to States	84.027A	0032-17-0103	-	581,260
Special Education - Grants to States	84.027A	0032-16-0103	-	231,279
Special Education - Preschool Grants	84.173	0033-16-0103	-	41,962
Total Special Education Cluster			-	854,501
English Language Acquisition State Grants	84.365	0293-17-0350	-	19,150
English Language Acquisition State Grants	84.365	0293-16-0350	-	37,289
English Language Acquisition State Grants	84.365A	0152-17-0350	-	10,164
Total English Language Acquisition State Grants			-	66,603
Supporting Effective Instruction State Grant	84.367	0147-17-0350	-	113,911
Supporting Effective Instruction State Grant	84.367	0147-16-0350	-	60,570
Total Supporting Effective Instruction State Grants			-	174,481
TOTAL U.S. DEPARTMENT OF EDUCATION			-	2,322,503
TOTAL FEDERAL AWARDS EXPENDED (1e)			$ -	$ 3,529,643

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

DUNKIRK CITY SCHOOL DISTRICT, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Dunkirk City School District, New York (the "District") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a select portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District. The following notes were identified on the schedule. The following notes were identified on the schedule of expenditures of federal awards:

a) Includes all federal award programs of the Dunkirk City School District, New York.

b) Source: Catalog of Federal Domestic Assistance.

c) Pass-through identifying numbers are presented where available.

d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.

e) Total federal expenditures for the District's 2016-2017 fiscal year is reconciled to Federal Sources as reported in the basic financial statements as follows:

Balance per schedule of expenditures of federal awards	$ 3,529,643
Medicaid reimbursement	325,403
Federal interest subsidy received	139,821
Total Federal Sources per financial statements	$ 3,994,867

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis or accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are present where available. The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. NON-MONETARY FEDERAL PROGRAM

The District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program." During the year ended June 30, 2017, the District used $66,289 worth of commodities.

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

The Board of Education
Dunkirk City School District, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dunkirk City School District, New York (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 12, 2017 (which includes an emphasis of matter paragraph regarding the implementation of GASB Statement No. 75).

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*.

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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Davis & Mehl LLP

October 12, 2017

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Drescher & Malecki

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

The Board of Education
Dunkirk City School District, New York

Report on Compliance for Each Major Federal Program

We have audited the Dunkirk City School District, New York's (the "District") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget ("OMB") Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District'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

The District's management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District'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 the audit requirements of Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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 District'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 District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District 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 June 30, 2017.

Report on Internal Control Over Compliance

Management of the District 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 District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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 the Uniform Guidance, 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 District'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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Davis & Mahan LLP

October 12, 2017

DUNKIRK CITY SCHOOL DISTRICT, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of report the auditor issued: Unmodified*

*(which includes an emphasis of matter paragraph regarding the implementation of GASB Statement No. 75)

Internal control over financial reporting:

Material weakness(es) identified?	____ Yes	✓ No
Significant deficiency(ies) identified?	____ Yes	✓ None reported
Noncompliance material to financial statements noted?	____ Yes	✓ No

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified?	____ Yes	✓ No
Significant deficiency(ies) identified?	____ Yes	✓ None reported

Type of report the auditor issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ Yes	✓ No

Identification of major federal programs

CFDA Number(s)	Name of Federal Program or Cluster
	Special Education Cluster:
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants

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

Auditee qualified as low-risk auditee?	✓ Yes	____ No

Part II. FINANCIAL STATEMENT FINDINGS SECTION

No findings noted.

Part III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No findings noted.

DUNKIRK CITY SCHOOL DISTRICT, NEW YORK
Summary Schedule of Prior Year Audit Findings and Corrective Action Plan
Year Ended June 30, 2017
(Follow-up on June 30, 2016 Findings)

No findings were reported.