

**CITY OF OLEAN, NEW YORK**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOR THE  
FISCAL YEAR ENDED MAY 31, 2011  
WITH INDEPENDENT AUDITORS' REPORT**

**CITY OF OLEAN, NEW YORK**

**MAY 31, 2011**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>Independent Auditors' Report</b> .....	1-2
<b>Management's Discussion and Analysis</b> .....	3-10
<b>Government-wide Financial Statements</b>	
Statements of Net Assets.....	11
Statements of Activities.....	12
<b>Financial Statements</b>	
Combined Balance Sheets - All Governmental Funds.....	13
Combined Statements of Revenues, Expenditures and Changes in Fund Equity - All Governmental Funds.....	14
Statement of Revenue and Expenditures Budget and Actual – General Fund.....	15
Statement of Revenue and Expenditures Budget and Actual – Special Revenue Funds.....	16
Statement of Revenue and Expenditures Budget and Actual-Debt Service Fund.....	17
Statements of Fiduciary Net Assets.....	18
Reconciliation of Governmental Balance Sheet to the Statement of Net Assets.....	19
Reconciliation of Governmental Funds Revenues, Expenditures and Changes in Fund Equity to the Statement of Activities.....	20
<b>Notes to the Financial Statements</b> .....	21-38
<b>Supplementary Information</b>	
<b>General Fund</b>	
Comparative Balance Sheets – General Fund.....	39
Comparative Statements of Revenues, Expenditures And Changes In Fund Equity – General Fund.....	40
<b>Special Revenue Funds</b>	
Combining Balance Sheet – All Special Revenue Funds.....	41
Combining Schedule of Revenues, Expenditures And Changes In Fund Equity – All Special Revenue Funds.....	42
Comparative Balance Sheets – Special Revenue Funds.....	43
Comparative Statements of Revenues, Expenditures And Changes In Fund Equity – Special Revenue Funds.....	44

**CITY OF OLEAN, NEW YORK**

**MAY 31, 2011**

**TABLE OF CONTENTS**

**Supplementary Information (continued)**

**Water Fund**

Comparative Balance Sheets – Water Fund.....45  
Comparative Statements of Revenues, Expenditures  
And Changes In Fund Equity – Water Fund.....46  
Statement of Revenues and Expenditures  
– Budget and Actual – Water Fund.....47

**Sewer Fund**

Comparative Balance Sheets – Sewer Fund.....48  
Comparative Statements of Revenues, Expenditures  
And Changes In Fund Equity – Sewer Fund.....49  
Statement of Revenues and Expenditures  
– Budget and Actual – Sewer Fund.....50

**Revolving Loan Fund**

Comparative Balance Sheets – Revolving Loan Fund.....51  
Comparative Statements of Revenues, Expenditures  
And Changes In Fund Equity – Revolving Loan Fund.....52

**Housing Rehabilitation Fund**

Comparative Balance Sheets – Housing Rehabilitation Fund.....53  
Comparative Statements of Revenues, Expenditures  
And Changes In Fund Equity – Housing Rehabilitation Fund.....54

**First Time Homebuyers Fund**

Balance Sheet – First Time Homebuyers Fund.....55  
Statement of Revenues, Expenditures And  
Changes In Fund Equity – First Time Homebuyers Fund.....56

**Capital Projects Fund**

Comparative Balance Sheets – Capital Projects Fund.....57  
Comparative Statements of Revenues, Expenditures  
And Changes in Fund Equity – Capital Projects Fund.....58  
Balance Sheet – Capital Projects Fund – By Project.....59  
Schedule of Expenditures – Capital Projects Fund – By Project.....60

**Debt Service Fund**

Comparative Balance Sheets – Debt Service Fund.....61  
Comparative Statements of Revenues, Expenditures  
And Changes In Fund Equity – Debt Service Fund.....62

**CITY OF OLEAN, NEW YORK**

**MAY 31, 2011**

**TABLE OF CONTENTS**

**Supplementary Information (continued)**

**Agency Fund**

Comparative Balance Sheets – Agency Fund.....63

Schedule of Cash Receipts, Disbursements and Balances  
– Agency Fund.....64

**Other Schedules**

Schedule of Funding Progress.....65

**Federal Awards**

Schedule of Expenditures of Federal Awards.....66

**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”.....67-68**

**Report on Compliance with Requirements Applicable to Each  
Major Program and Internal Control Over Compliance in  
Accordance with OMB Circular A-133.....69-70**

**Schedule of Findings and Questioned Costs.....71-75**

**Management Letter.....76-79**

**Statistical Information**

General Governmental Expenditures by Function  
– Last Ten Fiscal Years.....80

General Governmental Revenues by Source – Last Ten Fiscal Years.....81

Fund Balance History – General Fund – Last Ten Fiscal Years.....82

Assessed and Equalized Full Value of Taxable Property  
– Last Ten Fiscal Years.....83

Ratio of General Bonded Debt to Assessed Value and Net  
Bonded Debt per Capita – Last Ten Fiscal Years.....84

Ratio of General Obligation Debt Service to Total General  
Expenditures – Last Ten Fiscal Years.....85

Principal Taxpayers..... 86



## **INDEPENDENT AUDITORS' REPORT**

**To the Mayor and Members of  
The Common Council  
*City of Olean, New York***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *City of Olean, New York* for the year ended May 31, 2011, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the City's May 31, 2010 financial statements and, in our report dated November 19, 2010; we expressed an unqualified opinion on the financial statements of the governmental activities and a qualified opinion on the fund financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1 to the financial statements, general fixed assets and infrastructure are reported at estimated historical costs as required by accounting principles generally accepted in the United States of America. However, although the City conducted an independent appraisal of its fixed assets in 2009, an evaluation and reconciliation of the appraisal to the recorded costs has not been performed and therefore, the reasonableness of the recorded costs could not be verified.

In our opinion, except for the effects of the recorded cost of the City's fixed assets and infrastructure as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the *City of Olean, New York* as of May 31, 2011, and the results of the respective changes in financial position and the budgetary comparison for the general fund, special revenue funds, and debt service fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2011 on our consideration of the *City of Olean, New York's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and pages 15 through 17, 47 and 50, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the *City of Olean's* basic financial statements as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is also not a required part of the financial statements of *City of Olean*. The combining and individual nonmajor fund financial statements 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Olean, New York  
November 16, 2011**

**I. Discussion and Analysis**

The following is a discussion and analysis of the *City of Olean, New York's* (the City) financial performance for the fiscal year ended May 31, 2011. The section is a summary of the City's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the City's financial statements, which immediately follows this section.

**II. Financial Highlights**

The following items are the financial highlights experienced by the City of during the fiscal year ended May 31, 2011:

- Overall net assets of the City increased during the current year in the amount of \$4,284,000, as compared to an increase of \$4,952,000 during the prior fiscal year.
- Total net assets of the City as of May 31, 2011 amounted to approximately \$28,018,000.
- The City's total revenue increased approximately 2% from \$23,883,000 during the fiscal year ended May 31, 2010 to \$24,275,000 during the fiscal year ended May 31, 2011. This increase was primarily the result of increases in operating grants, real property taxes, sales tax which were partially offset by declines in charges for services and capital grants and contributions.
- The City's total expenses increased approximately 6% from \$18,931,000 during fiscal year ended May 31, 2010 to \$19,991,000 during the fiscal year ended May 31, 2011. This increase was primarily related to increases in public safety costs, water and sewer costs, and state retirement costs.
- The City incurred capital costs in the amount of approximately \$4,425,000 primarily related to the purchase of new vehicles, airport equipment, other general equipment, and work performed on the City's East Olean Sewer Project, Safe Routes to Schools Project, and other miscellaneous capital projects.
- The general fund reported an overall fund balance of approximately \$6,253,000 as of May 31, 2011.

**III. Overview of the Financial Statements**

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City.

**A. Reporting the City as a Whole (Government-wide Financial Statements):**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. Activities that are fiduciary in nature are not included in these statements.

**1. Statement of Net Assets**

The Statement of Net Assets (Page 11) shows the "assets" (what is owned), "liabilities" (what is owed) and the "net assets" (the resources that would remain if all obligations were settled) of the City. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.

**2. Statement of Activities**

The Statement of Activities (Page 12) shows the amounts of program-specific and general revenue used to support the City's various functions.

The Statement of Net Assets and Statement of Activities divide the activities of the City into two categories: governmental activities (the City's functions, including general governmental support, public safety, transportation, culture and recreation, etc.; property taxes, non-property taxes (sales taxes) and state and federal revenue usually support most of these functions) and proprietary activities. The City only had governmental activities during the current fiscal year.

**III. Overview of the Financial Statements  
(continued)**

**A. Reporting the City as a Whole (Government-wide Financial Statements) (continued):**

The two government-wide statements report the City's net assets and how they have changed. Net assets – the difference between the City's assets and liabilities – is one way to measure the City's financial health or position. Over time, increases or decreases in the City's net assets are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the City's overall health, you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of buildings and other facilities.

**B. Reporting the City's Most Significant Funds (Fund Financial Statements):**

The fund financial statements provide more detailed information about the City's funds, focusing on its most significant or major funds – not the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of funding and spending on particular programs. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the City's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

**III. Overview of the Financial Statements  
(continued)**

**B. Reporting the City's Most Significant Funds (Fund Financial Statements)(continued):**

The City has two kinds of funds:

1. Governmental Funds

Most of the City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending.

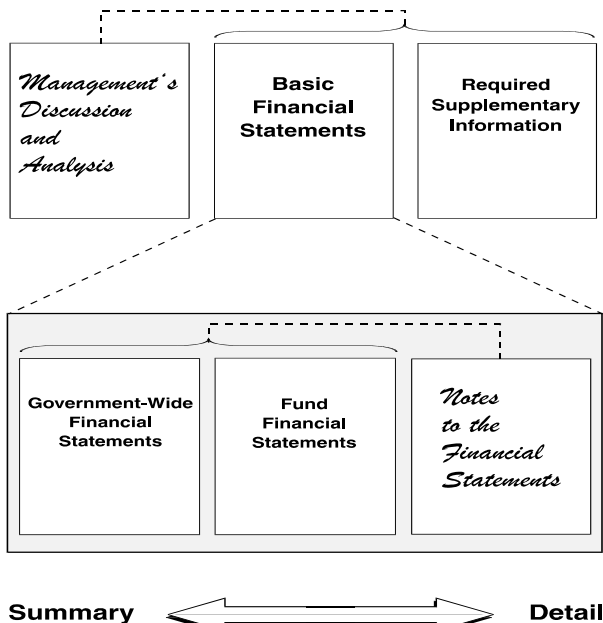
Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

**Figure A-1 - Major Features of the Government-Wide Statements and Fund Financial Statements**

	Government-wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire government (except fiduciary funds)	The activities of the government that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the government administers resources on behalf of someone else.
Required financial statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenue, Expenditures, and Changes in Fund Balances	Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, all assets expected to be used up during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid



**Figure A-2 - Required Components of the City's Annual Financial Report**



**IV. Financial Analysis of the City as a Whole**  
**(continued)**

Changes in Net Assets

The City's total government-wide revenue was \$24,275,000. Approximately 29%, 19%, and 41% of total revenue is derived from the property taxes, non-property taxes and program revenue, respectively. The remaining 11% comes from state sources, use of money and property, sales of property and compensation for loss and other revenue sources.

The total cost of all programs and services of the City was \$19,991,000 for the fiscal year ended May 31, 2011. The City's expenses cover a range of services, with 12%, 28%, 10%, and 20% related to general government support, public safety, transportation and employee benefits, respectively. Figure A-4 through Figure A-6 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

Revenue

- Property tax revenue represents approximately 29% of the City's total revenue for governmental activities. Total property taxes increased approximately \$372,000 or 6% during the current fiscal year. This increase was primarily the result of a 5.6% increase in the tax rate for the 2010-11 fiscal year.
- One of the City's most significant general revenue is non-property taxes, which represents \$4,597,000 or 19% of total governmental revenue. Total non-property taxes increased approximately \$326,000 or 8% as a result of an overall increase in sales and use tax revenues.
- The City's program revenue totaled approximately \$9,902,000. Program revenue consists of charges for services in the amount of \$8,412,000, which is primarily related to revenue received in the special revenue funds of approximately \$6,757,000. These revenues relate to water and sewer usage fees and program income related to the City's three community development programs. The City received operating grants in the amount of \$468,000, which relate to grants including the operation of the local OATS bus, federal Section 5311 funding, court facilities and security, and the youth bureau; and capital grants and contributions in the amount of \$1,022,000, which consists of grants related to the City's capital project funds. These projects include federal and state grants for pump station renovations (HUD), airport improvements (FAA and NYS DOT), CHIPS program (NYS DOT and Marchesilli), Safe Routes to Schools, Energy audit and the sewer projects.

**III. Overview of the Financial Statements**  
**(continued)**

**B. Reporting the City's Most Significant Funds**  
**(Fund Financial Statements)(continued):**

2. Fiduciary Funds

The City is the trustee, or fiduciary, for assets that belong to others. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The City excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

**IV. Financial Analysis of the City as a Whole**

Net Assets

The City's total reporting entity net assets increased \$4,284,000 or 18%. The components of net assets include: invested in capital assets, net of related debt of \$20,251,000; restricted net assets of \$530,000; and unrestricted net assets of \$7,237,000 as of May 31, 2011.

**IV. Financial Analysis of the City as a Whole**  
**(continued)**

Revenue (continued)

Total charges for services decreased approximately 3% during the current fiscal year as a result of decreases in commercial water usage and a credit for prior year sewer overpayments given to a local municipality. Total operating grants increased approximately 68% during the current fiscal year, as a result of grant funding for City's OATS bus and additional federal Section 5311 funding utilized for the purchase of a new bus. Lastly, capital grants and contributions decreased approximately 11% during the current year, which was primarily related to declines in grant funding for the City's East Olean Sewer project, in comparison to the prior year.

Expenses

Figure A-6 presents the cost of each of the expenditure-types, which include; general governmental support, public safety, health, transportation, culture and recreation, economic development, home and community services, employee benefit and debt service. The net cost shows the financial burden that was placed on the City's taxpayers and NYS by each of these functions. Total costs of the City's governmental activities were approximately \$19,991,000.

- The City's general governmental support was approximately \$2,425,000 or 12% of expenditures. These expenditures consist primarily of the City's main support service departments such as central garage, buildings department, clerk's office, public works department, outside professional fees and related fees and the City's general liability insurances. Total general governmental support expenses decreased approximately 1% in part due to a decline in consulting fees.
- The City's public safety costs were approximately \$5,557,000 or 28% of total expenditures. These expenditures consist primarily of costs attributable to the fire and police departments. Total costs for public safety increased 5% during the current year, due to an increases in police department and fire department staffing levels and contractual salary increases.

**IV. Financial Analysis of the City as a Whole**  
**(continued)**

Expenses (continued)

- Transportation costs of the City were approximately \$2,024,000 or 10% of total expenditures. These expenditures encompass the street maintenance department including maintenance and snow removal, the airport department and street lighting expenditures. Total transportation costs decreased approximately 0% during the current year.
- The City's culture and recreation costs were approximately \$819,000 or 4% of total expenditures. These expenditures consist primarily of costs of maintaining the City's parks, playgrounds and recreational facilities and programs. Total expenses for culture and recreation decreased approximately 4% which was primarily related to a decline in park renovation costs and other declines in outside service costs.
- Home and community services costs were approximately \$4,164,000 or 21% of total expenditures. These expenditures are related to costs of the water and sewer funds and costs related to homebuyer and other community development projects. Total home and community services expenditures increased 16% during the current year, primarily related water and sewer cost increases and services provided by a zoning consultant during the current fiscal year.
- Employee benefit costs were approximately \$4,034,000 or 20% of total expenditures. These expenditures consist primarily of social security benefits, health insurance benefits, workmen's compensation benefits and pension costs. Total employee benefit costs increased approximately 13% during the current fiscal year primarily as a result of increases in state pension costs and workers compensation insurance costs.
- During the current fiscal year, the City had debt service costs of \$903,000. These costs were primarily related to the current fiscal year interest payments on long-term debt for the new water treatment facility and the City's two new reservoirs. These costs also include interest payments on serial bonds for other city public improvement projects.

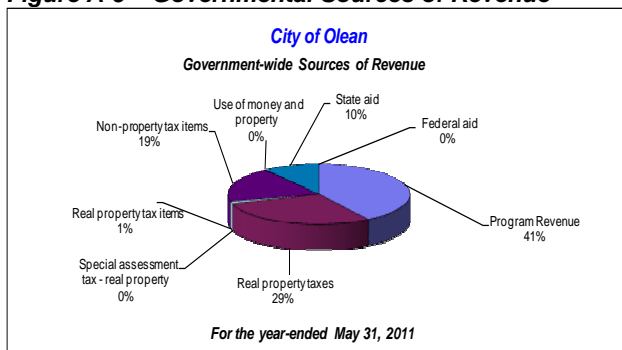
**Figure A-3 – Condensed Statement of Net Assets**

<i>City of Olean, New York</i> Condensed Statement of Net Assets As of May 31, (in thousands of dollars)			
	2011	2010	Change
<b>Assets</b>			
Current and other assets	\$ 18,789	\$ 19,335	-3%
Capital Assets	47,226	44,449	6%
<b>Total assets</b>	<b>\$ 66,015</b>	<b>\$ 63,784</b>	<b>3%</b>
<b>Liabilities</b>			
Other liabilities	\$ 6,471	\$ 6,362	2%
Long-term debt outstanding	31,526	33,688	-6%
<b>Total liabilities</b>	<b>37,997</b>	<b>40,050</b>	<b>-5%</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	20,251	20,145	1%
Restricted	530	529	0%
Unrestricted	7,237	3,060	137%
<b>Total net assets</b>	<b>28,018</b>	<b>23,734</b>	<b>18%</b>
<b>Total liabilities and net assets</b>	<b>\$ 66,015</b>	<b>\$ 63,784</b>	<b>3%</b>

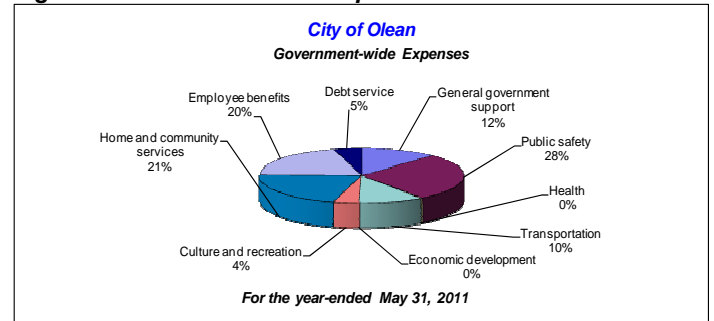
**Figure A-4 – Condensed Statement of Activities**

<i>City of Olean, New York</i> Condensed Statement of Activities For the Year Ended May 31, (in thousands of dollars)			
	2011	2010	Change
<b>Revenue</b>			
Program Revenue			
Charges for services	\$ 8,412	\$ 8,711	-3%
Operating grants	468	278	68%
Capital grants & contributions	1,022	1,153	-11%
General Revenue			
Real property taxes	6,993	6,621	6%
Special assessment tax - real property	2	7	-77%
Real property tax items	289	325	-11%
Non-property tax items	4,597	4,271	8%
Use of money and property	30	37	-20%
Miscellaneous local sources	34	-	100%
State aid	2,428	2,480	-2%
<b>Total revenue</b>	<b>24,275</b>	<b>23,883</b>	<b>2%</b>
<b>Expenses</b>			
General government support	2,425	2,442	-1%
Public safety	5,557	5,306	5%
Health	65	92	-30%
Transportation	2,024	2,029	0%
Economic development	-	16	-100%
Culture and recreation	819	854	-4%
Home and community services	4,164	3,592	16%
Employee benefits	4,034	3,562	13%
Debt service	903	1,038	-13%
<b>Total expenses</b>	<b>19,991</b>	<b>18,931</b>	<b>6%</b>
<b>Change in net assets</b>	<b>\$ 4,284</b>	<b>\$ 4,952</b>	

**Figure A-5 – Governmental Sources of Revenue**



**Figure A-6 – Governmental Expenses**



**V. Financial Analysis of the City's Funds**

It is important to note that variances between years for the governmental fund financial statements (Balance Sheets and Statement of Revenue, Expenditures and Changes in Fund Equity) are not the same as variances between years for the government-wide financial statements (Statement of Net Assets and Statement of Activities). The City's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting, while the statement of net assets are presented on the full accrual method of accounting. Therefore, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

General Fund

- The City's general fund revenue and other sources exceeded its expenditures and other uses by approximately \$3,546,000 during the year ended May 31, 2011.
- The City's general fund unassigned fund balance equated to approximately \$5,728,000 as of May 31, 2011.
- The City had a assigned fund balance as of May 31, 2011, which approximated \$526,000.
- The total assets for the City's general fund were \$12,136,000 which increased approximately \$1,706,000 during the current year, primarily related to an increase in cash due to positive results from operations during the fiscal year ended May 31, 2011. The City's general fund liabilities as of May 31, 2011 were \$5,883,000 which decreased approximately \$1,839,000 during the current fiscal year, primarily related to paying down deficit financing bond anticipation notes with proceeds from a serial bond issuance during the fiscal year ended May 31, 2011.

**V. Financial Analysis of the City's Funds (continued)**

General Fund (continued)

- The City's total revenue and other sources in the general fund increased approximately \$2,219,000 or 14% during the current year as a result of increases in revenue associated with real estate taxes, sales tax collections, and federal section 5311 grant funds. In addition, the City had other financing sources from the issuance of serial bonds whose proceeds were utilized to pay down deficit financing bond anticipation notes in the amount of \$1,463,000. Total expenditures and other uses in the general fund increased approximately \$594,000 or 4% which was primarily related to increases in public safety salaries and state retirement costs.

Special Revenue Fund

- The City's special revenue consisted of the following funds; water fund, sewer fund, revolving loan fund, housing fund and first time homebuyers' fund.
- Current year revenue and other sources in the special revenue fund was \$7,064,000 which increased \$47,000 primarily related to other financing sources from the issuance of serial bonds whose proceeds were utilized to pay down deficit financing bond anticipation notes in the amount of \$306,000. This increase was partially offset by decreases in revenues in the watered metered sales and outside City sewer fees due to a credit for prior year overpayments given to a local municipality during the current fiscal year. Total expenditures and other uses were \$6,574,000 which increased \$845,000. This increase primarily related to current year increases in water and sewer fund expenditures, state pension rates, transfers to other funds for debt service, and bond anticipation notes interest expense.

Debt Service Fund

- The City's current fiscal year revenue and other sources were \$1,754,000 which increased approximately \$96,000 and was primarily related to an increase in long-term debt requirements. Expenditures during the current year amounted to \$1,753,000 which increased approximately \$96,000.

**V. Financial Analysis of the City's Funds (continued)**

Capital Projects Fund

- During the current year, the City incurred total costs in the capital projects fund in the amount of \$4,094,000. Such costs were primarily related to costs associated with the City's replacement of its East Olean Sewer (\$1,687,000), the City's Airport Master Plan Project (\$337,000), Energy audit (\$516,000), Vehicle replacement (\$578,000), Safe Routes to Schools Project (\$193,000), Woodview Avenue Paving Project (\$281,000) and the City's CHIPS program (\$447,000).

**VI. General Fund Budgetary Highlight**

As shown in figure A-7, over the course of the year, the City makes many budget transfers. After such transfers, the revised budget presents actual expenditures being approximately \$1,696,000 below the revised budget. The most significant variances were in the areas of general governmental support, transportation, culture and recreation, and employee benefits which totaled approximately \$321,000, \$511,000, \$285,000, and \$197,000, respectively, below that budgeted. On the other hand, resources available for appropriations were approximately \$1,900,000 above the final budgeted amount. Significant variance of revenue items consisted of federal aid and proceeds from the issuance of long-term debt that were approximately \$199,000 and \$1,429,000, respectively, above that budgeted.

**VII. Capital Asset and Debt Administration**

Capital Assets

As of May 31, 2011, the City had a net investment of \$47,226,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles and other equipment. Capital additions made during the fiscal year ended May 31, 2011, totaled approximately \$4,425,000 and consisted primarily of costs associated with the purchase of new vehicles, airport equipment, and work performed on both the City's Energy Audit, Airport renovations, Safe Routes to Schools, and East Olean Sewer Projects. More detailed information about the City's capital assets is presented in the notes of the financial statements.

Long-term Debt

As of May 31, 2011, the City had approximately \$31,526,000 in serial bonds, capital leases, EFC notes, revenue anticipation notes, bond anticipation notes, compensated absences, retirement incentives, environmental liability and other long-term debt outstanding.

**Figure A-7 – General Fund Budget vs Actual**

<i>City of Olean, New York</i>			
<i>Budget vs Actual - General Fund</i>			
<i>For the Year Ended May 31, 2011</i>			
<i>(in thousands of dollars)</i>			
<b>Revenue</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Difference</b>
Real property taxes	\$ 6,996	\$ 6,993	\$ (3)
Special assessment tax - real property	1	1	(0)
Real property tax items	199	289	90
Non-property tax items	4,426	4,597	171
Departmental income	1,380	1,330	(50)
Intergovernmental charges	164	165	1
Use of money and property	31	26	(5)
Licenses and permits	52	62	10
Fines and forfeitures	100	90	(10)
Sales of property and comp for loss	3	5	2
Miscellaneous local sources	-	34	34
State aid	2,666	2,698	32
Federal aid	-	199	199
Other financing sources			
Proceeds from issuance of long-term debt	-	1,429	1,429
Total revenue	<u>\$ 16,018</u>	<u>\$ 17,918</u>	<u>\$ 1,900</u>
<b>Expenses</b>			
General government support	\$ 2,459	\$ 2,138	\$ 321
Public safety	5,287	5,099	188
Health	86	59	27
Transportation	2,196	1,685	511
Economic development	15	-	15
Culture and recreation	1,130	845	285
Home and community services	166	158	8
Employee benefits	3,548	3,351	197
Debt service	125	51	74
Other financing uses			
BANS redeemed from appropriations	-	80	(80)
Transfer to other funds	1,056	906	150
Total expenses	<u>\$ 16,068</u>	<u>\$ 14,372</u>	<u>\$ 1,696</u>

**VIII. Factors bearing on the City's Future**

At the time these financial statements were prepared and audited, the City was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The City has seen significant increases in its real property revenues in the past few years due to the increased rates adopted by the Common Council of the City of Olean. For the 2011-12 fiscal year the Council adopted a budget with a tax increase of approximately 1.35% - the lowest increase in ten years.
- NYS has imposed a 2% property tax cap on all municipalities effective in 2012. The City is carefully watching for the final version of this tax plan, as it could dramatically affect the City operations and the services it presently provides to its citizens.

**VIII. Factors bearing on the City's Future (continued)**

- New York State has announced that it intends to continue reductions in AIM funding in 2011-12. A minimum decrease of 2% is expected. Other state funding cuts are anticipated in the City's Youth Bureau and Court Facilities funding. The City of Olean is concerned with the possibility of further cuts in funding and programs in the near future as well.
- The contracts of all four bargaining units within the City of Olean expired on May 31, 2011 and negotiations are currently ongoing. The City of Olean is concerned with rising health care and pension cost. We believe these factors will play an integral part in the outcome of negotiations.
- The City of Olean has received inquiries from outside sources as to the possibility of selling its water in the future. Revenue from such sales could be utilized to aid in the reduction of property taxes or assist in funding future capital projects.
- The Olean Urban Renewal Agency, serving the City as a leading arm in economic development, has recently purchased a historic anchor building and adjacent properties in the center of the City of Olean in the hope of stimulating interest in additional retail and commercial activities in our downtown district. The Agency is currently working with a local developer whose plans include major renovations to accommodate new retail and commercial activities.
- We have recently learned that the development of 60 acres of the North Olean Brownfield property will not move along as quickly as previously anticipated. The development of this property is not part of our immediate short-term business plan.
- Scott Rotary Seals is relocating its operations to the City of Olean from Hinsdale, New York. A 16,000 square foot building is being constructed just north of the Henkel Corporation industrial manufacturing site on vacant Brownfield property. The new site will initially employ 11 full-time staff

**VIII. Factors bearing on the City's Future (continued)**

- The Olean Center Mall, located in the Northern Commercial District, will have a new tenant soon. Kohl's will occupy a significant amount of retail space in the mall. It is expected to generate significant sales tax revenues and will hopefully attract more tenants to increase retail traffic and trade.
- The City is concerned with the potential effect of a wind farm that may be created on the outskirts of the City. If this comes to fruition, the City could experience a significant loss in revenues in the Water Department. Indek, located within the City of Olean, is a large industrial customer who may shift from the use of the City's water for production of energy to this new alternative. If this does happen, the potential loss of water revenues may be expected to approximate \$325,000. This decline from this revenue source may have to be offset by an increase in the City's water rates.
- The City hopes to address its infrastructure, specifically by repairing East State Street in the coming year. This street is a vital part of the City's industrial and commercial base and is in dire need of attention.

**IX. Contacting the City's Financial Management**

This financial report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the finances of the City and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, please contact:

Mr. Fred Saradin, City Auditor  
City of Olean, New York  
Municipal Building  
Olean, New York

**CITY OF OLEAN, NEW YORK**  
**STATEMENTS OF NET ASSETS**  
**AS OF MAY 31,**

<b>Assets</b>	<b>2011</b>	<b>2010</b>
Cash on hand	\$ 1,348	\$ 1,348
Cash on deposit		
Regular accounts	13,369,128	11,037,114
Receivables		
Refuse and garbage	1,869	1,861
Special assessment	1,824	3,040
Accounts receivable	1,706,436	1,802,366
Due from other funds	9,513	9,513
State and federal	991,862	1,362,875
Due from other governments	56,520	70,533
Revolving loans receivable	273,419	363,849
First Time Homebuyers loans receivable	123,226	124,418
Rehabilitation loans receivable	7,826	8,137
Other assets - other post-employment benefit	66,218	49,335
Cash to be used for capital assets	2,179,699	4,500,668
Capital assets, net	47,226,303	44,449,283
Total assets	<u>\$ 66,015,191</u>	<u>\$ 63,784,340</u>
<b>Liabilities</b>		
Payables		
Accounts payable	\$ 707,852	\$ 933,553
Accrued liabilities	623,903	787,769
Due to other funds	2,716	2,716
Due to employee retirement system	252,494	208,167
Other liabilities	172,038	18,091
Deferred revenue	4,712,032	4,411,664
Long-term liabilities		
Portion due or payable within one year		
Due to other governments	23,991	23,751
Bond anticipation notes payable - construction	11,500,000	12,906,086
Bond anticipation notes payable - deficit financing	-	2,729,851
NYS EFC notes	285,000	280,000
Serial bonds payable	1,040,990	737,190
Capital leases	125,512	120,795
Environmental liability	225,000	225,000
Retirement incentive	68,000	220,000
Compensated absences	68,000	73,000
Other liabilities	-	5,000
Portion due or payable after one year		
Due to other governments	71,362	95,354
NYS EFC notes	5,400,000	5,685,000
Serial bonds payable	10,826,010	8,412,000
Capital leases	1,091,229	1,216,741
Environmental liability	507,000	517,000
Retirement incentive	28,460	102,495
Compensated absences	265,281	339,137
Total liabilities	<u>37,996,870</u>	<u>40,050,360</u>
<b>Net Assets</b>		
Investment in capital assets, net of related debt	20,251,615	18,807,748
Restricted for		
Reserved for debt	529,753	528,969
Unrestricted:		
Designated	587,851	221,716
Undesignated	6,649,102	4,175,547
Total net assets	<u>28,018,321</u>	<u>23,733,980</u>
Total liabilities and net assets	<u>\$ 66,015,191</u>	<u>\$ 63,784,340</u>

**See accompanying independent auditors' report and notes to the financial statements.**

**CITY OF OLEAN, NEW YORK**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED MAY 31,**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>2011</b>	<b>2010</b>
		<b>Charges for Services</b>	<b>Operating Grants</b>	<b>Capital Grants &amp; Contributions</b>	<b>Net (Expense) Revenue and Changes in Net Assets</b>	<b>Net (Expense) Revenue and Changes in Net Assets</b>
General government support	\$ 2,424,697	\$ 173,382	\$ -	\$ 273,509	\$ (1,977,806)	\$ (1,637,335)
Public safety	5,557,347	175,996	61,471	51,080	(5,268,800)	(5,050,667)
Health	64,792	802,559	-	-	737,767	652,581
Transportation	2,024,282	335,987	381,975	266,293	(1,040,027)	(1,369,674)
Economic development	-	15,042	-	-	15,042	(5,651)
Culture and recreation	818,490	236,762	24,400	-	(557,328)	(583,309)
Home and community services	4,163,925	5,139,875	-	431,373	1,407,323	2,171,482
Employee benefits	4,033,971	1,262,185	-	-	(2,771,786)	(2,287,847)
Debt service - interest & issuance fees	903,484	270,170	-	-	(633,314)	(679,283)
<b>Total functions and programs</b>	<b>\$ 19,990,988</b>	<b>\$ 8,411,958</b>	<b>\$ 467,846</b>	<b>\$ 1,022,255</b>	<b>(10,088,929)</b>	<b>(8,789,703)</b>
<b>General Revenues</b>						
Real property taxes					6,993,342	6,621,354
Special assessment tax - real property					1,544	6,826
Real property tax items					289,320	325,298
Non-property tax items					4,597,008	4,271,314
Use of money and property					30,001	37,311
Miscellaneous local sources					33,582	-
State aid					2,428,473	2,479,571
<b>Total general revenues</b>					<b>14,373,270</b>	<b>13,741,674</b>
<b>Change in net assets</b>					4,284,341	4,951,971
Net assets - beginning of year					23,733,980	18,782,009
<b>Net assets - end of year</b>					<b>\$ 28,018,321</b>	<b>\$ 23,733,980</b>



**CITY OF OLEAN, NEW YORK  
COMBINED BALANCE SHEETS  
ALL GOVERNMENTAL FUNDS  
AS OF MAY 31,**

	Major Funds					Non-Major	2011	2010
	General	Water	Sewer	Debt Service	Capital Project Funds	Funds Special Revenue Funds	(Memo only) Total	(Memo only) Total
<b>Assets</b>								
Cash on hand	\$ 1,308	\$ 40	\$ -	\$ -	\$ -	\$ -	\$ 1,348	\$ 1,348
Cash on deposit								
Regular accounts	10,659,510	917,619	885,297	610,896	2,179,699	295,806	15,548,827	15,537,782
Receivables								
Refuse and garbage	1,869	-	-	-	-	-	1,869	1,861
Special assessment	1,824	-	-	-	-	-	1,824	3,040
Accounts receivable	211,253	742,537	752,646	-	-	-	1,706,436	1,802,366
Due from other funds	47,514	36,622	3,804	-	551,159	-	639,099	514,953
Advances to other funds	533,837	-	96,170	-	-	-	630,007	810,000
State and federal	679,107	49,343	47,646	-	215,766	-	991,862	1,362,875
Revolving loans receivable	-	-	-	-	-	273,419	273,419	363,849
First Time Homebuyers loans receivable	-	-	-	-	-	123,226	123,226	124,418
Rehabilitation loans receivable	-	-	-	-	-	7,826	7,826	8,137
<b>Total assets</b>	<b>\$ 12,136,222</b>	<b>\$ 1,746,161</b>	<b>\$ 1,785,563</b>	<b>\$ 610,896</b>	<b>\$ 2,946,624</b>	<b>\$ 700,277</b>	<b>\$ 19,925,743</b>	<b>\$ 20,530,629</b>
<b>Liabilities</b>								
Accounts payable and retainage payable	\$ 321,290	\$ 53,107	\$ 70,835	\$ -	\$ 262,620	\$ -	\$ 707,852	\$ 933,553
Accrued liabilities	450,061	28,024	25,742	-	100,000	-	603,827	834,769
Due to other funds	430,601	-	120,558	81,143	-	-	632,302	508,156
Advances from other funds	-	630,007	-	-	-	-	630,007	810,000
Due to employee retirement systems	206,660	22,917	22,917	-	-	-	252,494	208,167
Other liabilities	166,685	-	-	-	-	5,429	172,114	18,091
Deferred revenue	4,307,564	-	-	-	-	404,468	4,712,032	4,411,664
Bond anticipation notes - construction	-	-	-	-	11,500,000	-	11,500,000	12,955,000
Bond anticipation notes - deficit financing	-	-	-	-	-	-	-	2,680,937
<b>Total liabilities</b>	<b>5,882,861</b>	<b>734,055</b>	<b>240,052</b>	<b>81,143</b>	<b>11,862,620</b>	<b>409,897</b>	<b>19,210,628</b>	<b>23,360,337</b>
<b>Fund Equity</b>								
Assigned	525,786	1,012,106	1,545,511	-	-	290,380	3,373,783	2,407,560
Restricted	-	-	-	529,753	-	-	529,753	528,969
Unassigned (deficit)	5,727,575	-	-	-	(8,915,996)	-	(3,188,421)	(5,766,237)
<b>Total fund equity (deficit)</b>	<b>6,253,361</b>	<b>1,012,106</b>	<b>1,545,511</b>	<b>529,753</b>	<b>(8,915,996)</b>	<b>290,380</b>	<b>715,115</b>	<b>(2,829,708)</b>
<b>Total liabilities and fund equity</b>	<b>\$ 12,136,222</b>	<b>\$ 1,746,161</b>	<b>\$ 1,785,563</b>	<b>\$ 610,896</b>	<b>\$ 2,946,624</b>	<b>\$ 700,277</b>	<b>\$ 19,925,743</b>	<b>\$ 20,530,629</b>

**CITY OF OLEAN, NEW YORK**  
**COMBINED STATEMENTS OF REVENUE, EXPENDITURES**  
**AND CHANGES IN FUND EQUITY -**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEARS ENDED MAY 31,**

Revenue	Major Funds					Non-Major	2011 (Memo only) Total	2010 (Memo only) Total
	General	Water	Sewer	Debt Service	Capital Project Funds	Special Revenue Funds		
Real property taxes	\$ 6,993,342	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,993,342	\$ 6,621,354
Special assessment tax - real property	1,544	-	-	-	-	-	1,544	6,826
Real property tax items	289,320	-	-	-	-	-	289,320	325,298
Non-property tax items	4,597,008	-	-	-	-	-	4,597,008	4,271,314
Departmental income	1,330,034	3,327,986	3,159,090	-	-	129,056	7,946,166	8,022,795
Intergovernmental charges	164,661	-	121,260	-	-	-	285,921	415,998
Use of money and property	26,302	-	-	784	7,128	2,160	36,374	43,881
Licenses and permits	61,706	-	-	-	-	-	61,706	38,193
Fines and forfeitures	89,744	-	-	-	-	-	89,744	130,554
Sale of property & compensation for loss	4,640	8,689	-	-	-	-	13,329	83,088
Miscellaneous local sources	33,582	1,496	6,518	-	179,028	-	220,624	126,219
State aid	2,697,758	-	705	-	383,604	-	3,082,067	3,130,365
Federal aid	198,561	-	-	-	459,623	-	658,184	666,926
<b>Total revenue</b>	<b>16,488,202</b>	<b>3,338,171</b>	<b>3,287,573</b>	<b>784</b>	<b>1,029,383</b>	<b>131,216</b>	<b>24,275,329</b>	<b>23,882,811</b>
<b>Expenditures</b>								
General government support	2,137,658	57,469	56,950	11,245	1,095,329	-	3,358,651	6,503,729
Public safety	5,098,629	-	-	-	204,561	-	5,303,190	5,035,897
Health	59,154	-	-	-	-	-	59,154	86,316
Transportation	1,685,203	-	-	-	1,066,430	-	2,751,633	2,001,491
Economic development	-	-	-	-	-	-	-	15,000
Culture and recreation	845,295	-	-	-	-	-	845,295	817,290
Home and community services	157,547	1,785,261	1,866,966	-	1,727,535	63,648	5,600,957	7,065,276
Employee benefits	3,351,055	457,151	474,212	-	-	-	4,282,418	3,828,440
Debt service:								
Principal	23,752	-	-	1,137,985	-	-	1,161,737	1,148,187
Interest	27,225	61,844	129,268	604,134	-	-	822,471	1,002,818
<b>Total expenditures</b>	<b>13,385,518</b>	<b>2,361,725</b>	<b>2,527,396</b>	<b>1,753,364</b>	<b>4,093,855</b>	<b>63,648</b>	<b>24,185,506</b>	<b>27,504,444</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>3,102,684</b>	<b>976,446</b>	<b>760,177</b>	<b>(1,752,580)</b>	<b>(3,064,472)</b>	<b>67,568</b>	<b>89,823</b>	<b>(3,621,633)</b>
<b>Other financing sources (uses)</b>								
BANS redeemed from appropriations	(80,000)	(30,000)	(190,000)	-	300,000	-	-	-
Proceeds from serial bonds - construction	-	-	-	-	1,455,000	-	1,455,000	1,244,190
Proceeds from serial bonds - deficit financing	1,429,382	78,711	227,990	-	263,917	-	2,000,000	-
Proceeds from issuance of capital leases	-	-	-	-	-	-	-	1,458,209
Operating transfers in	-	-	-	1,753,364	679,182	-	2,432,546	2,106,721
Operating transfers out	(906,459)	(888,494)	(512,593)	-	(125,000)	-	(2,432,546)	(2,106,721)
<b>Total other financing sources (uses)</b>	<b>442,923</b>	<b>(839,783)</b>	<b>(474,603)</b>	<b>1,753,364</b>	<b>2,573,099</b>	<b>-</b>	<b>3,455,000</b>	<b>2,702,399</b>
<b>Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses</b>	<b>3,545,607</b>	<b>136,663</b>	<b>285,574</b>	<b>784</b>	<b>(491,373)</b>	<b>67,568</b>	<b>3,544,823</b>	<b>(919,234)</b>
<b>Fund equity (deficit), beginning of year</b>	<b>2,707,754</b>	<b>875,443</b>	<b>1,259,937</b>	<b>528,969</b>	<b>(8,424,623)</b>	<b>222,812</b>	<b>(2,829,708)</b>	<b>(1,910,474)</b>
<b>Fund equity (deficit), end of year</b>	<b>\$ 6,253,361</b>	<b>\$ 1,012,106</b>	<b>\$ 1,545,511</b>	<b>\$ 529,753</b>	<b>\$ (8,915,996)</b>	<b>\$ 290,380</b>	<b>\$ 715,115</b>	<b>\$ (2,829,708)</b>

**CITY OF OLEAN, NEW YORK**  
**STATEMENT OF REVENUE AND EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2011**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Encumbrances</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenue</b>					
Real property taxes	\$ 6,996,086	\$ 6,996,086	\$ 6,993,342	\$ -	\$ (2,744)
Special assessment tax - real property	828	828	1,544	-	716
Real property tax items	198,865	198,865	289,320	-	90,455
Non-property tax items	4,426,000	4,426,000	4,597,008	-	171,008
Departmental income	1,380,082	1,380,082	1,330,034	-	(50,048)
Intergovernmental charges	163,603	163,603	164,661	-	1,058
Use of money and property	31,000	31,000	26,302	-	(4,698)
Licenses and permits	52,650	52,650	61,706	-	9,056
Fines and forfeitures	100,000	100,000	89,744	-	(10,256)
Sales of property and compensation for loss	3,000	3,000	4,640	-	1,640
Miscellaneous local sources	-	-	33,582	-	33,582
State aid	2,666,200	2,666,200	2,697,758	-	31,558
Federal aid	-	-	198,561	-	198,561
<b>Total revenue</b>	<b>16,018,314</b>	<b>16,018,314</b>	<b>16,488,202</b>	<b>-</b>	<b>469,888</b>
<b>Expenditures</b>					
General government support	2,995,334	2,458,564	2,137,658	19,512	301,394
Public safety	5,322,085	5,287,067	5,098,629	47,593	140,845
Health	86,026	86,192	59,154	-	27,038
Transportation	1,726,977	2,195,792	1,685,203	336,766	173,823
Economic development	15,000	15,000	-	-	15,000
Culture and recreation	1,114,719	1,130,171	845,295	121,915	162,961
Home and community services	166,590	166,590	157,547	-	9,043
Employee benefits	3,833,054	3,547,777	3,351,055	-	196,722
Debt service:					
Principal	23,752	23,752	23,752	-	-
Interest	101,083	101,083	27,225	-	73,858
<b>Total expenditures</b>	<b>15,384,620</b>	<b>15,011,988</b>	<b>13,385,518</b>	<b>525,786</b>	<b>1,100,684</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>633,694</b>	<b>1,006,326</b>	<b>3,102,684</b>	<b>(525,786)</b>	<b>1,570,572</b>
<b>Other financing sources (uses)</b>					
BANS redeemed from appropriations	-	-	(80,000)	-	(80,000)
Proceeds from issuance of bonds - deficit financing	-	-	1,429,382	-	1,429,382
Operating transfers out	(633,694)	(1,055,694)	(906,459)	-	149,235
<b>Total other financing sources (uses)</b>	<b>(633,694)</b>	<b>(1,055,694)</b>	<b>442,923</b>	<b>-</b>	<b>1,498,617</b>
<b>Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ (49,368)</b>	<b>\$ 3,545,607</b>	<b>\$ (525,786)</b>	<b>\$ 3,069,189</b>

**CITY OF OLEAN, NEW YORK**  
**STATEMENT OF REVENUE AND EXPENDITURES**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2011**

	<u>(Water Fund and Sewer Fund Only)</u>				Variance
	Original	Amended	Actual	Encumbrances	Favorable
	Budget	Budget			(Unfavorable)
<b>Revenue</b>					
Departmental income	\$ 6,783,767	\$ 6,783,767	\$ 6,487,076	\$ -	\$ (296,691)
Miscellaneous income	-	-	8,014	-	8,014
Intergovernmental charges	5,000	5,000	121,260	-	116,260
Sales of property and compensation for loss	-	-	8,689	-	8,689
State aid	-	-	705	-	705
<b>Total revenue</b>	<b>6,788,767</b>	<b>6,788,767</b>	<b>6,625,744</b>	<b>-</b>	<b>(163,023)</b>
<b>Expenditures</b>					
General government support	396,300	189,982	114,419	-	75,563
Home and community services	3,741,552	3,929,133	3,652,227	62,065	214,841
Employee benefits	1,000,021	944,543	931,363	-	13,180
Debt service - interest expense	9,306	9,306	191,112	-	(181,806)
<b>Total expenditures</b>	<b>5,147,179</b>	<b>5,072,964</b>	<b>4,889,121</b>	<b>62,065</b>	<b>121,778</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>1,641,588</b>	<b>1,715,803</b>	<b>1,736,623</b>	<b>(62,065)</b>	<b>(41,245)</b>
<b>Other financing sources (uses)</b>					
BANs redeemed from appropriations	-	-	(220,000)	-	(220,000)
Proceeds from issuance of bonds - deficit financing	-	-	306,701	-	306,701
Operating transfers out	(1,639,094)	(1,885,667)	(1,401,087)	-	484,580
<b>Total other financing sources (uses)</b>	<b>(1,639,094)</b>	<b>(1,885,667)</b>	<b>(1,314,386)</b>	<b>-</b>	<b>571,281</b>
<b>Excess (deficiency) of revenue over expenditures and other financing uses</b>	<b>\$ 2,494</b>	<b>\$ (169,864)</b>	<b>\$ 422,237</b>	<b>\$ (62,065)</b>	<b>\$ 530,036</b>

**CITY OF OLEAN, NEW YORK**  
**STATEMENT OF REVENUE AND EXPENDITURES**  
**BUDGET AND ACTUAL - DEBT SERVICE FUND**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2011**

	Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>Revenue</b>				
Use of money and property	\$ -	\$ 784	\$ -	\$ 784
<b>Total revenue</b>	<b>-</b>	<b>784</b>	<b>-</b>	<b>784</b>
<b>Expenditures</b>				
General government support	11,245	11,245	-	-
Debt service:				
Principal	1,404,920	1,137,985	-	266,935
Interest	911,623	604,134	-	307,489
<b>Total expenditures</b>	<b>2,327,788</b>	<b>1,753,364</b>	<b>-</b>	<b>574,424</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>(2,327,788)</b>	<b>(1,752,580)</b>	<b>-</b>	<b>575,208</b>
<b>Other financing sources (uses)</b>				
Operating transfers in	2,272,788	1,753,364	-	(519,424)
<b>Total other financing sources (uses)</b>	<b>2,272,788</b>	<b>1,753,364</b>	<b>-</b>	<b>(519,424)</b>
<b>Excess (deficiency) of revenue and other financing sources over expenditures</b>	<b>\$ (55,000)</b>	<b>\$ 784</b>	<b>\$ -</b>	<b>\$ 55,784</b>

**CITY OF OLEAN, NEW YORK**  
**STATEMENTS OF FIDUCIARY NET ASSETS**  
**AS OF MAY 31,**

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Cash on deposit		
Regular accounts	\$ 100,978	\$ 109,929
Restricted accounts	140,457	109,846
Due from governmental activities - general fund	<u>2,716</u>	<u>2,716</u>
 Total assets	 <u>\$ 244,151</u>	 <u>\$ 222,491</u>
Due to governmental activities - general fund	\$ 9,513	\$ 9,513
Other liabilities	<u>234,638</u>	<u>212,978</u>
 Total liabilities	 <u>\$ 244,151</u>	 <u>\$ 222,491</u>

**CITY OF OLEAN, NEW YORK**  
**RECONCILIATION OF GOVERNMENTAL BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**AS OF MAY 31, 2011**

---

**Total fund balance - governmental funds** \$ 715,115

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets consist of the following at year-end:

Cost of the assets	\$ 70,605,162	
Accumulated depreciation	<u>(23,378,859)</u>	47,226,303

Long-term asset, related to other post employment benefits are not recognized in governmental funds until available, whereas such assets are recognized in the government-wide statements when earned 66,218

Interest on long-term assets is not accrued in governmental funds, but rather is recognized as an expenditure when due. (245,000)

Long-term liabilities, including serial bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of the following:

Due to other governments - Constitution Avenue note, net	(38,833)	
NYS Environmental Facilities Corporation Bond	(5,685,000)	
Serial Bonds payable	(11,867,000)	
Capital leases	(1,216,741)	
Environmental liability	(507,000)	
Retirement incentive	(96,460)	
Compensated absences	<u>(333,281)</u>	(19,744,315)

**Total net assets - governmental liabilities** \$ 28,018,321

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Assets Totals
<b>Assets</b>				
Cash on hand	\$ 1,348	\$ -	\$ -	\$ 1,348
Cash on deposit				
Regular accounts	15,548,827	-	-	15,548,827
Receivables				
Refuse and garbage	1,869	-	-	1,869
Special assessment	1,824	-	-	1,824
Accounts receivable	1,706,436	-	-	1,706,436
Due from other funds	639,099	-	(629,586)	9,513
Advances to other funds	630,007	-	(630,007)	-
State, Federal and other governments	991,862	56,520	-	1,048,382
Revolving loans receivable	273,419	-	-	273,419
First Time Homebuyers loans receivable	123,226	-	-	123,226
Rehabilitation loans receivable	7,826	-	-	7,826
Other assets - OPEB	-	66,218	-	66,218
Capital Assets, net	-	47,226,303	-	47,226,303
Total assets	\$ 19,925,743	\$ 47,349,041	\$ (1,259,593)	\$ 66,015,191
<b>Liabilities</b>				
Accounts payable	\$ 707,852	\$ -	\$ -	\$ 707,852
Accrued liabilities	603,827	245,000	(224,924)	623,903
Due to other funds	632,302	-	(629,586)	2,716
Advances from other funds	630,007	-	(630,007)	-
Due to other governments	-	95,353	-	95,353
Due to employee retirement system	252,494	-	-	252,494
Other liabilities	172,114	-	(76)	172,038
Deferred revenue	4,712,032	-	-	4,712,032
Bond anticipation notes payable	11,500,000	-	-	11,500,000
NYS EFC note	-	5,685,000	-	5,685,000
Serial bonds payable	-	11,867,000	-	11,867,000
Capital leases	-	1,216,741	-	1,216,741
Environmental liability	-	507,000	225,000	732,000
Retirement incentive	-	96,460	-	96,460
Compensated absences	-	333,281	-	333,281
Total liabilities	19,210,628	20,045,835	(1,259,593)	37,996,870
<b>Fund equity/net assets</b>	715,115	27,303,206	-	28,018,321
Total liabilities and fund equity/net assets	\$ 19,925,743	\$ 47,349,041	\$ (1,259,593)	\$ 66,015,191



**CITY OF OLEAN, NEW YORK**  
**RECONCILIATION OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES**  
**AND CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MAY 31, 2011**

**Total net change in fund balances - governmental funds** \$ 3,544,823

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. Activity for the current fiscal year ended was as follows:

Capital outlays	\$ 4,425,313	
Depreciation expense	<u>(1,648,293)</u>	
		2,777,020

Payments made on Catch Basin Disconnect Project are reported in governmental funds as expenditures. However, in the statement of activities, these expenditures are applied against the environmental liability reported on the statement of net assets. 10,000

Repayment of bond and other long term debt principal is an expenditure in the government funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,152,724

Proceeds from long-term debt (net of issuance fees) are recorded as revenue in governmental funds. However in the statement of activities, proceeds from long-term debt is not recorded as revenue but rather the amount is recorded as a liability in the statement of net assets. Proceeds from long-term debt during the current year consisted of the following: (3,455,000)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus required the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (67,000)

In the statement of activities, certain operating expenses - compensated absences (vacation and sick days) and other post employment benefits 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. 321,774

**Change in net assets of governmental activities** \$ 4,284,341

	Total Governmental Funds	Capital Related Items	Long-term Debt Transactions	Reclassifications and Eliminations	Statement of Activities Total
<b>Revenues</b>					
Real property taxes	\$ 6,993,342	\$ -	\$ -	\$ -	\$ 6,993,342
Special assessment tax - real property	1,544	-	-	-	1,544
Real property tax items	289,320	-	-	-	289,320
Non-property tax items	4,597,008	-	-	-	4,597,008
Departmental income	7,946,166	-	-	(7,946,166)	-
Intergovernmental charges	285,921	-	(14,013)	(271,908)	-
Use of money and property	36,374	-	-	(6,373)	30,001
Licenses and permits	61,706	-	-	(61,706)	-
Fines and forfeitures	89,744	-	-	(89,744)	-
Sales of property and compensation for loss	13,329	-	-	(13,329)	-
Miscellaneous local sources	220,624	-	-	(187,042)	33,582
State aid	3,082,067	-	-	(653,594)	2,428,473
Federal aid	658,184	-	-	(658,184)	-
<b>Total revenues</b>	<b>24,275,329</b>	<b>-</b>	<b>(14,013)</b>	<b>(9,888,046)</b>	<b>14,373,270</b>
<b>Expenditures/Expenses</b>					
General government support	3,358,651	(935,096)	1,142	(446,891)	1,977,806
Public safety	5,303,190	273,886	(19,729)	(288,547)	5,268,800
Health	59,154	5,638	-	(802,559)	(737,767)
Transportation	2,751,633	(715,005)	(12,346)	(984,255)	1,040,027
Economic development	-	-	-	(15,042)	(15,042)
Culture and recreation	845,295	(26,805)	-	(261,162)	557,328
Home and community services	5,600,957	(1,379,638)	(57,394)	(5,571,248)	(1,407,323)
Employee benefits	4,282,418	-	(248,447)	(1,262,185)	2,771,786
Debt service:					
Principal	1,161,737	-	(1,161,737)	-	-
Interest	822,471	-	67,000	(256,157)	633,314
<b>Total expenditures/expenses</b>	<b>24,185,506</b>	<b>(2,777,020)</b>	<b>(1,431,511)</b>	<b>(9,888,046)</b>	<b>10,088,929</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>89,823</b>	<b>2,777,020</b>	<b>1,417,498</b>	<b>-</b>	<b>4,284,341</b>
<b>Other sources and (uses)</b>					
Proceeds from issuance of serial bonds	3,455,000	-	(3,455,000)	-	-
Operating transfers in	2,432,546	-	-	(2,432,546)	-
Operating transfers out	(2,432,546)	-	-	2,432,546	-
<b>Total other sources (uses)</b>	<b>3,455,000</b>	<b>-</b>	<b>(3,455,000)</b>	<b>-</b>	<b>-</b>
<b>Net change for the year</b>	<b>\$ 3,544,823</b>	<b>\$ 2,777,020</b>	<b>\$ (2,037,502)</b>	<b>\$ -</b>	<b>\$ 4,284,341</b>

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

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

**A. Financial Reporting Entity**

The *City of Olean, New York*, which was incorporated in 1915, is governed by the Charter of the City of Olean, other general laws of the State of New York and various local laws and ordinances. The Common Council, which is the legislative body responsible for the overall operation of the City, consists of the seven aldermen elected by ward. The Mayor serves as chief executive officer and the Auditor serves as chief fiscal officer of the City.

The following basic services are provided: police and fire protection, animal control, ambulance service, street lighting, street maintenance, snow removal, and public parking. The City also operates a recreational complex, a community building, an airport, a stadium, a system of parks, and water and sewer utilities. All governmental activities and functions performed for the City of Olean are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity includes organizations, functions and activities over which elected 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.

Although the following organizations, functions or activities are related to the City they are not included in the City's reporting entity because of the reasons noted:

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

The City of Olean Housing Authority was created in 1969 and the Olean Urban Renewal Agency was created in 1966, both by acts of the New York State Legislature. The Mayor appoints their governing boards. The City government provides no subsidies nor is it responsible for debt or operating deficits of these entities. The City government does not appoint management nor does it approve the entities' budgets, contracts or hiring of staff. The Common Council may approve or disapprove wage rates of the Housing Authority. The City government has no other oversight responsibility for funds of these entities.

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

**B. Basis of Presentation**

**1. Government-wide Statements**

The Statement of Net Assets and the Statement of Activities present financial information about the City's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other exchange and non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenue.

**2. Fund Financial Statements**

The fund statements provide information about the City's funds, including fiduciary 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.

**3. Fund Categories**

- a. Governmental Funds** - Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position. The following are the City's governmental fund types:

General Fund – The general fund is the principal operating fund and includes all operations not required to be recorded in other funds.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds are Sewer, Water, Revolving Loan, Housing Rehabilitation and First Time Homebuyers.

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

**B. Basis of Presentation**

**3. Fund Categories (continued)**

Capital Projects Fund - used to account for financial resources to be used for the acquisition, construction or major repair of major capital facilities.

Debt Service Fund - used to account for current payment of principal and interest on general obligation long-term debt and for financial resources accumulated for payment of future principal and interest on long-term indebtedness.

- b. **Fiduciary Funds** - Fiduciary Fund Types are used to account for fiduciary activities. Fiduciary activities are those in which the City acts as trustee or agent for resources that belong to others. These activities are not included in the government-wide financial statements, because their resources do not belong to the City, and are not available to be used. Included in the Fiduciary Fund are Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and generally are accounted for on the cash basis which approximates the modified accrual basis of accounting.

**C. Basis of Accounting / Measurement Focus**

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within the current period or soon enough thereafter to be used to pay liabilities of the current period, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

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

**C. Basis of Accounting/Measurement Focus (cont'd)**

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**D. Property Taxes**

City property taxes are levied annually and become a lien by May 1, preceding the fiscal year, which commences June 1. The City collects taxes until July 31 with late payment penalties of 1% added June 1 and July 1. Taxes uncollected at July 31 are turned over to Cattaraugus County for enforcement. The City receives the full amount of such taxes, plus the additional 2% penalty, within the year of levy.

**E. Cash and Cash Equivalents**

For financial statement purposes, all highly liquid investments of three months or less are considered as cash equivalents.

**F. Fund Equity - Reservations and Designations**

Reservations of fund equity are created to either satisfy legal restrictions or to plan for future expenditures. A designation of unreserved fund equity in governmental funds indicates the use of these resources in the subsequent year's budget. The following is a description of the reserves utilized by the City:

**1. Governmental Funds**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

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

**F. Fund Equity - Reservations and Designations (continued)**

**1. Governmental Funds (continued)**

GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below:

**A. Nonspendable**

Fund balance associated with assets that are inherently nonspendable in the current period because of their form or because they must be maintained intact, including inventories, prepaids, long-term loans and notes receivable, and property held for relate (unless the proceeds are restricted, committed, or assigned). The City did not have any nonspendable fund balance as of June 30, 2011.

**B. Restricted**

Fund balance amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation. Restricted Fund Balance includes the following categories:

**1. Reserve For Debt Service**

This reserve is comprised of transfers and interest earnings on bond proceeds to be used to pay future debt service payments. This reserve is accounted for in the Debt Service Fund.

**C. Committed**

Fund balance amounts that can be used only for specific purposes determined by a formal action of the City's Common Council, which is the City's highest level of decision-making authority. The City did not have any committed fund balance as of June 30, 2011.

**D. Assigned**

Fund balance intended to be used by the City for specific purposes but does not meet the criteria to be restricted or committed. Along with the City's Common Council, the City Auditor has been authorized to assign fund balance amounts for specific purposes through the establishment of an encumbrance.

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

**F. Fund Equity - Reservations and Designations (continued)**

**1. Governmental Funds (continued)**

**D. Assigned (continued)**

**1. Encumbrance Reserve**

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds, and Capital Project Funds. The cost of construction contract commitments generally is recorded as an encumbrance of Capital Project Funds and is presented as a reserve for encumbrances. These committed amounts generally will become liabilities in future periods as the contractors perform the construction work. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

**2. Special Revenue Fund Balance**

Water Fund, Sewer Fund, and Non-Major Special Revenue Fund balances are intended to be used by the City for specific purposes.

**E. Unassigned**

The residual classification of the general fund and includes all spendable amounts not contained in the other classifications.

**2. Government-wide financial statements**

**A. Invested in Capital Assets, Net of Related Debt**

This designation of net assets is used to accumulate the capital asset balance in the statement of net assets less accumulated depreciation and outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**B. Restricted**

This category represents amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation.

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

**F. Fund Equity (continued)**

**2. Government-wide financial statements (continued)**

**C. Unrestricted**

This category represents net assets of the City not restricted for any other purpose.

**3. Order of Fund Balance Spending Policy**

When more than one classification of fund balance of the City are eligible to be utilized for an expenditure of the City, the order in which the fund balance classifications will be utilized will be as follows:

- a. Restricted fund balance for which action has been taken by the Common Council, a designated City official, or by the voters of the City, specifically designating funds to the expenditure;
- b. Committed fund balance for which action has been taken by the Common Council, a designated City official, or by the voters of the City, specifically designating funds to the expenditure;
- c. Assigned fund balance created specifically for the expenditure (encumbered fund balance);
- d. Assigned fund balance within funds other than the General Fund of the City to which the expenditure relates;
- e. Unassigned fund balance.

**G. Budgetary Data**

**1. Budget Policies**

The budget policies are as follows:

- a. The City's administration prepares a proposed budget for approval by the Common Council for the General, Water, Sewer and Debt Service Funds. The Common Council adopts the budget on or before April 15.
- b. The governing board must approve all modifications of the budget. However, the City Auditor is authorized to transfer certain budgeted amounts within departments.

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

**G. Budgetary Data**

**1. Budget Policies (continued)**

- c. Appropriations established by adoption of the budget constitute a limitation on expenditures and encumbrances, which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Common Council approves them because of a need which exists which was not determined at the time the budget was adopted.

**2. Budget Basis of Accounting**

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

The budget and actual comparison for Special Revenue Funds, included in the statement of revenue and expenditures – budget and actual, reflects budgeted and actual amounts for funds with legally authorized (appropriated) budgets.

Budgetary controls for the special revenue funds (other than the Water and Sewer Fund) are established in accordance with the applicable grant agreement or authorized project limit, which may cover a period other than the City's fiscal year. Consequently, the budgets for such funds have been excluded from the statement of revenue, expenditures, encumbrances and changes in fund balance - budget and actual.

Certain Special Revenue Funds have not been included in the comparison because they do not have the legally authorized (appropriated) budgets.

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

**G. Budgetary Data (continued)**

**2. Budget Basis of Accounting (continued)**

The following is a reconciliation of the actual activity of these unbudgeted funds to the actual activity on the budget to actual comparison:

	<u>June 1, 2010 Fund Equity</u>	<u>Revenues and Other Sources</u>	<u>Expenditures and Other Uses</u>	<u>May 31, 2011 Fund Equity</u>
Total for funds included in Budget Comparison	\$ 2,135,380	\$ 6,932,445	\$ 6,510,208	\$ 2,557,617
Funds not included in budget comparison:				
Revolving Loan Fund	153,089	105,127	-	258,216
First Time Homebuyers Fund	54,365	25,648	54,046	25,967
Housing Rehabilitation Fund	15,358	441	9,602	6,197
Total Special Revenue Funds	<u>\$ 2,358,192</u>	<u>\$ 7,063,661</u>	<u>\$ 6,573,856</u>	<u>\$ 2,847,997</u>

**H. Revenue Recognition**

**1. Sales and Use Taxes**

The State of New York allocates a portion of its sales and use tax collection to all the municipalities within the State. The portion allocated to the City of Olean for 2010-2011 was \$4,142,147 as compared to \$3,821,284 for the prior fiscal year, an increase of \$320,863. The City's General Fund Balance Sheet, as of May 31, 2011, reflects a receivable balance from Federal and State governments of \$679,107, of which, \$541,765 represents an amount of sales and use tax that is "measurable and available" at the end of the fiscal year in accordance with the modified accrual basis of accounting, for sales tax revenue. The City records this amount as non-property tax revenue in the general fund.

**I. Capital Assets**

During the 2008-2009 fiscal year, the City had an independent appraisal of its fixed assets conducted by third-party professionals. As such, equipment and vehicles are reported at estimated historical cost based on the appraisal. Although, land, buildings and infrastructure is reported at cost and depreciated, a reconciliation of the appraisal and recorded costs has not been performed and therefore, the reasonableness of the City's estimated cost for these assets could not be verified as of May 31, 2011 and therefore, is not in accordance with generally accepted accounting principles. Because the amount reported as fixed assets are estimated, the reported cost may significantly change once the recorded costs and appraisal are verified.

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

**I. Capital Assets (continued)**

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 200	Straight-line	40 years
Land Improvements	\$ 200	Straight-line	25 years
Furniture and equipment	\$ 200	Straight-line	7 years
Transportation vehicles	\$ 200	Straight-line	8 years

**J. Deferred Revenue**

Deferred revenue is reported on the City's combined balance sheet. Deferred revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the City has legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

**K. Compensated Absences**

Sick leave and Comp Time Pay - certain of the City's employee groups have negotiated benefits payable based on accumulated unused sick and comp days. Generally the employee must have accumulated minimum years of service with the City and must be eligible for retirement under the provisions of either the employee retirement systems. The City has recorded an estimated liability in the government-wide financial statements as of May 31, 2011 amounting to \$333,281 to recognize the cost of the benefits for those employees eligible to receive such benefits. Payment of these benefits is dependent on many factors; therefore, the timing of future payments is not readily determinable. The City believes sufficient resources and budgetary appropriations will be available as the benefits become payable in future years. The liability for compensated absences is calculated at rates in effect as of the balance sheet date and is recorded in the governmental-wide financial statements.

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

**L. Retirement Incentives**

The City has offered retirement incentives under separate collective bargaining agreements which are more thoroughly discussed subsequently in these notes.

**M. Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses.

**N. Reclassification**

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the current year presentation, including prior year classification of fund equity in accordance with GASB 54.

**O. Interfund Activity**

The amounts reported on the Statement of Net Assets for due to and from other funds represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these notes.

During the course of operations, the City has numerous transactions between funds, including expenditures and transfers of revenue to provide services and construct assets. Eliminations have been also made for amounts transferred to and from the same fund type.

**P. Total Columns on the Financial Statements**

Total columns on the general-purpose financial statements are captioned "Memo Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.



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

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

**A. Total Fund Equity of Governmental Funds vs. Net Assets of Governmental Activities**

Total fund equity of the City's governmental funds differs from "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental fund Balance Sheets.

**B. Statement of Revenues, Expenditures and Changes in Fund Equity vs. Statement of Activities**

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Equity and the Statement of Activities fall into one of three broad categories, which are summarized below.

**1. Long-term Revenue Differences**

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

**2. Capital Related Differences**

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

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (CONTINUED)**

**B. Statement of Revenues, Expenditures and Changes in Fund Equity vs. Statement of Activities (continued)**

**3. Long-term Debt Transaction Differences**

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

**NOTE 3 - DETAIL NOTES ON ALL FUNDS**

**A. Assets**

**1. Cash and Investments**

The City's investment policies are governed by State statutes. In addition, the City has its own written investment policy. City monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The City 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.

Custodial credit risk is the risk that in the event of a bank failure the City's deposits may not be returned to it. While the City does not have a specific policy with regards to custodial credit risk, New York State statutes govern the City's investment policies. At May 31, 2011, the City's bank deposits were fully collateralized.

Collateral is required for demand deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

**CITY OF OLEAN, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MAY 31, 2011**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS**  
**(CONTINUED)**

**A. Assets (continued)**

**1. Cash and Investments (continued)**

**a. Deposits**

Deposits are valued at cost or cost plus interest and are categorized as either:

- (1) Insured through the Federal Deposit Insurance Corporation or collateralized with securities held by the entity or by the agent in the entity's name;
- (2) Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name;
- (3) Uncollateralized

Total financial institution (bank) balances at May 31, 2011 per the bank were approximately \$15,425,000. These deposits are categorized as follows:

Category 1	Category 2	Category 3	Carrying Value
\$ 750,000	\$ 14,675,000	\$ 0	\$15,425,000

**NOTE 3 - DETAIL NOTES ON ALL FUNDS**  
**(CONTINUED)**

**A. Assets (continued)**

**2. Capital Assets**

Governmental activities:	Beginning Balance 5/31/10	Additions / Transfers	Ending Balance 5/31/11
Capital assets that are not depreciated:			
Land	\$ 660,727	\$ -	\$ 660,727
Construction in Progress	13,180,491	3,025,913	16,206,404
Capital assets that are depreciated:			
Buildings and Improvements	44,891,872	65,824	44,957,696
Furniture and Equipment	2,886,466	522,888	3,409,354
Vehicles	4,560,293	810,688	5,370,981
Total historical Cost	66,179,849	\$ 4,425,313	70,605,162
Less: Accumulated depreciation:	21,730,566	\$ 1,648,293	23,378,859
Total net book Value	\$ 44,449,283		\$ 47,226,303

Depreciation expense:

General governmental support	\$ 319,740
Public safety	503,435
Health	5,638
Transportation	210,690
Economic development	-
Culture and recreation	79,935
Home and community services	528,855
	<u>\$ 1,648,293</u>

**CITY OF OLEAN, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MAY 31, 2011**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (continued)**

**3. Receivables**

Receivables at May 31, 2011 consisted of the following, which are stated at net realizable value. The City's management has deemed the amounts to be fully collectible.

Fund	Description	Amount
General Fund	Due from Federal & State - Other	\$ 137,342
General Fund	Due from Federal & State - NYS sales tax	541,765
General Fund	Other receivables	214,946
Special Revenue:		
Water Fund	Accounts receivable - water rents and meter	742,537
Water Fund	Due from Federal & State	49,343
Sewer Fund	Accounts receivable - sewer rents	752,646
Sewer Fund	Due from Federal & State	47,646
Community Development:		
Revolving Loan	Loan receivable	273,419
1 <sup>st</sup> Time Home	Loan receivable	123,226
Housing Rehab	Loan receivable	7,826
Capital Projects	Due from Federal & State - various projects	215,766
		<u>\$ 3,106,462</u>

**B. Liabilities**

**1. Deferred Revenue**

Deferred revenue at May 31, 2011 was as follows:

	General Fund	Special Revenue Fund
Real property taxes	\$ 4,146,509	\$ -
Payment in-lieu of taxes	159,231	-
Special assessment taxes	1,824	-
Revolving loans	-	273,419
Housing Rehab	-	7,826
1 <sup>st</sup> Time Home	-	123,223
	<u>\$ 4,307,564</u>	<u>\$ 404,468</u>

Deferred real property taxes reflect collections during May 2011 for real property taxes levied on May 1 for the 2010-2011 fiscal year. Deferred special assessment taxes consist of levies on property owners to be collected after May 31, 2011. Installments on special assessments are due over a period of 5 to 10 years. Revenue from revolving loans is collected over a period of 5 to 20 years.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities (continued)**

**2. Pension Plans**

**a. Plan Description**

The City participates in the New York State Employees' Retirement System (ERS) and the New York State Policemen's and Firemen's Retirement System (PFRS). These are cost sharing multiple-employer public employee retirement systems. The Systems provide retirement benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

**b. Funding Policy**

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions, required to be made by employers to the pension accumulation fund.

The City is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

		ERS	PFRS
May 31,	2011	\$ 452,267	\$ 715,537
	2010	252,672	552,605
	2009	288,915	584,893

Effective June 1, 1986, the City entered into an agreement with the Patrol Unit of Olean Police Local 967 and the Command Unit of the Olean Police Local 967c to provide health insurance to retired police employees and surviving spouses through the Olean Police Retirees Health Insurance Fund. The City is required to contribute \$53,995 annually to the Fund.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities (continued)**

**2. Pension Plans**

**b. Funding Policy (continued)**

Effective June 1, 1988, the City entered into a similar agreement establishing the Olean General Unit Retirees Health Insurance Fund. The agreement called for the City to contribute \$55,569, to this Fund each year. This agreement was modified through the 2001-2004 Collective Negotiations Agreement to increase the City's contribution to \$88,500 annually to this Fund, which commenced during the 2002-2003 fiscal year.

Effective June 1, 1998, the City entered into an agreement establishing the Olean Fire Sick Leave Pay Fund. The City is required to contribute \$18,201 to this fund each year.

**3. Other Post-Employment Benefits**

Plan Description

The City maintains a single-employer defined benefit healthcare plan (the Plan). The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefit provisions are based on bargaining agreements as negotiated from time to time. The Plan does not issue a publicly available financial report. Eligibility for the Plan is established by the City and specified in the City's employment contracts.

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with no current funding of actuarially determined liabilities. For the year ended May 31, 2011 the City contributed approximately \$185,000 for plan benefits and Medicare-B reimbursements. Plan members receiving benefits contributed approximately \$0 for co-payments and other required contributions.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) expense is calculated based on the annual required contribution of the City (ARC), an amount actuarially determined in accordance with GASB 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize unfunded actuarial liabilities for a period not to exceed thirty years.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities (continued)**

**3. Other Post-Employment Benefits**

Annual OPEB Cost and Net OPEB Obligation (continued)

The following table summarizes the City's annual OPEB cost for 2011, the amount actually contributed to the Plan, and the changes in the City's net OPEB obligation (asset):

Normal Cost	\$ -
Amortization of unfunded actuarial accrued liability	159,467
Interest adjustment	7,176
Annual required contribution adjustment	-
Annual OPEB cost (expense)	<u>166,643</u>
Contributions made	<u>(183,526)</u>
Increase in net OPEB obligation/(asset)	(16,883)
Net OPEB obligation/(asset) – beginning of year	<u>(49,335)</u>
Net OPEB obligation/(asset)-end of year	<u><u>\$(66,218)</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011, 2010 and 2009 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/11	\$ 166,643	110.1%	\$ (66,218)
6/30/10	\$ 169,287	121.2%	\$ (49,335)
6/30/09	\$168,889	107.9%	\$ (13,385)

Funding Status and Funding Progress

As of June 30, 2011, the actuarial accrued liability for benefits was \$1,336,369, all of which was unfunded. The covered payroll (annual payroll of active employees covered under the plan) was approximately \$0 and the ratio of unfunded actuarial liability to the covered payroll was 0% as the actuarial accrued liability was related to retirees of the City.

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities (continued)**

**3. Other Post-Employment Benefits (continued)**

Funding Status and Funding Progress (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual ARC of the City are subject to continual revision as actual results compared with past expectations and new estimates are made about the future. The schedule of funding progress is intended to present multi-year trend information that shows whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities of benefits. As of May 31, 2011, the City has had only one actuarial valuation performed.

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the Plan as understood by the City and Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the City and Plan members. The actuarial methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Valuation assumptions are as follows:

*Marital status* – Based on actual health coverage election for active employees and retirees, with male spouses assumed to be three years older than female spouses. Marital status of members at the calculation date was assumed to continue throughout retirement.

*Mortality* – Life expectancies were based on the 1994 GAR Mortality Table.

*Healthcare cost trend rate* – The initial trend rate was selected based on a combination of employer history, national trend surveys, and professional judgment. The ultimate trend rate was selected based on historical medical CPI information. Rate of 10.0% initially, reduced to an ultimate rate of 5% after seven years.

*Health insurance premiums* – 2008 health insurance premiums are used as the basis for calculation of the present value of total benefits to be paid.

*Discount rate and cost method* - Based on the historical and expected returns of the City's general assets, a discount rate of 4.5% was used. In addition, the projected unit credit actuarial cost method with linear prorating to decrement was used.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities (continued)**

**3. Other Post-Employment Benefits (continued)**

Actuarial Methods and Assumptions

*Amortization* - The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over ten years.

**4. Short-Term Debt**

**a. Bond Anticipation Notes**

Liabilities for Bond Anticipation Notes Payable (BANs) are generally accounted for in the Capital Projects Fund. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12-month period thereafter.

Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. Such notes may be classified as Long-Term Debt when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance sheet issuance of long-term debt or by an acceptable financing agreement. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date.

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

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities (continued)**

**4. Short-Term Debt (continued)**

**a. Bond Anticipation Notes (continued)**

On August 12, 2010, the *City of Olean, New York* issued bond anticipation notes, 2010 Series A (various purposes) in the amount of \$11,200,000. The notes are dated August 12, 2010 with a maturity date of August 11, 2011 and were issued with the option of prepayment on any date on or after February 14, 2011. The notes carried interest rates between 1.38% and 1.50% and were issued to finance the following projects:

Reconstruction and Construction of Sewer Improvements – Two Mile Sewer	\$ 4,865,000
Reconstruction and Construction of Water Improvements – City Water System	3,490,000
Reconstruction and construction of Sewer Improvements – City Sewer System	345,000
Reconstruction and construction of Sewer Improvements – City's East Olean Sewer System	<u>2,500,000</u>
	<u>\$ 11,200,000</u>

On September 29, 2010, the *City of Olean, New York* issued bond anticipation note, 2010B (Woodview Ave Paving) in the amount of \$300,000. The notes are dated September 29, 2010 with a maturity date of August 11, 2011 and were issued without the option of prepayment. The notes carry an interest rate of 1.72% and were issued to finance the following projects:

Improvements- Woodview Ave Paving	<u>\$ 300,000</u>
-----------------------------------	-------------------

The City's bond anticipation notes outstanding as of May 31, 2011 are as follows:

Description	Amount	Interest Rate
East Olean Sewer System	\$ 2,500,000	.98%
Energy Performance Contract	3,835,000	Various
Two Mile Creek	4,865,000	Various
Woodview Ave Paving	<u>300,000</u>	1.72%
Totals	<u>\$ 11,500,000</u>	

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities (continued)**

**4. Short-Term Debt (continued)**

**b. Revenue Anticipation Notes**

Liabilities for Revenue Anticipation Notes Payable (RANs) are generally accounted for as a current liability of the fund that will actually receive the proceeds from issuance of the notes. RANs are short-term municipal debt obligations used to resolve cash flow deficits. They are secured by anticipated collections of fines, license fees, interest income, assessments, user fees, grant funds or other non-tax revenues. The note may not extend more than one year beyond the original date of issue.

There were no revenue anticipation notes issued during the fiscal years ended May 31, 2011 and 2010.

**c. Short-Term Debt Interest**

Interest expense related to the bond anticipation notes amounted to \$217,255 during the fiscal year ended May 31, 2011 of which \$26,143, \$61,844, and \$129,268 was incurred in the general, water, and sewer funds, respectively.

**5. Long-Term Debt**

**a. Debt Limit**

At May 31, 2011 the total outstanding indebtedness of the City aggregated \$29,147,350 (including bond anticipation notes and revenue anticipation notes). Of this amount, \$3,995,350 is subject to the constitutional debt limit and represented approximately 11.9% of its statutory debt limit.

**b. Serial Bonds**

The City borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the government-wide financial statements. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities (continued)**

**5. Long-Term Debt (continued)**

**b. Serial Bonds (continued)**

On August 1, 2010, the *City of Olean, New York* issued serial bonds, 2010 (various purposes) in the amount of \$3,455,000. The bonds are dated August 1, 2010 with a maturity date of August 1, 2020 and were issued without the option of prepayment. The first principal and interest payments are due on August 1, 2011. The bonds carry interest rates ranging from 2.0% to 3% and were issued to finance the following projects:

Liquidation of deficits	\$ 2,000,000
Sewer System (catch basin)	585,000
Reconstruction and construction of various City owned buildings	625,000
Improvements to various City buildings	<u>245,000</u>
	<u>\$ 3,455,000</u>

**c. Other Long-Term Debt**

In addition to the above long-term debt, the *City of Olean, New York* has a loan from New York State to finance the construction of Constitution Avenue. The balance of this loan at May 31, 2011 was \$95,353. Although the loan is in the City of Olean's name, the Towns of Allegany and Olean are responsible for 59% of the loan or \$56,520, which is recorded in due from other governments. Both the asset and liability are recorded in the government-wide financial statements.

During the fiscal year ended May 31, 2002, the City recorded a long-term liability related to estimated future costs associated with a Department of Conservation's Order on Consent. This situation is more fully described in Note 4F of the financial statements.

During the fiscal year ended May 31, 2009, the City purchased new accounting software which will be paid over a three year period. As of May 31, 2011, the City had paid down the entire balance outstanding related to the purchase.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities (continued)**

**5. Long-Term Debt (continued)**

**d. Installment Purchase Debt – Capital Leases**

During the 2009-10 fiscal year, the *City of Olean, New York* entered into a \$1,046,586 15-year capital lease with Manufacturers and Traders Trust Company in concurrence with the *City of Olean, New York's* Energy Performance Audit. Equipment included in the lease agreement consists of lighting and lighting controls, building envelope upgrades, a low emissivity ceiling, energy efficient motor replacement, a pump, VFD, and control upgrades to be used throughout various buildings. During the current fiscal year, principal and interest paid on this capital lease totaled approximately \$95,119, which is included in the regular program expenditures.

During the 2009-10 fiscal year, the *City of Olean, New York* entered into a \$411,623 5-year capital lease with First Niagara Bank. Equipment included in the lease agreement consists of a 2009 Vac-Con Sewer Cleaner and a 2009 Pelican Street Sweeper. During the current fiscal year, principal and interest paid on this capital lease totaled approximately \$87,729, which is included in the regular program expenditures.

**CITY OF OLEAN, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MAY 31, 2011**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities (continued)**

**5. Long-Term Debt (continued)**

**e. Summary Long-Term Debt**

The following is a summary of bonds outstanding as of May 31, 2011:

	Issued	Original Amount	Interest Rate	Final Maturity	Outstanding May 31, 2011
<b>General Fund</b>					
Various Purpose	10/97	\$ 2,888,000	4.50%	10/11	\$ 100,000
Various Purpose	08/04	938,383	Various	08/14	171,250
Public Improvement Bond	08/06	1,160,000	Various	08/14	375,000
Public Improvement Bond	08/10	870,000	Various	08/20	870,000
Deficit Financing Bond	08/10	1,444,070	Various	08/20	1,444,070
<b>Special Revenue Funds</b>					
Water Filtration Plant	03/03	2,790,591	Various	10/32	2,210,000
Water Filtration Plant	07/03	1,809,453	Various	07/23	1,270,000
Water Reservoir	07/03	4,665,163	Various	07/24	3,475,000
Water Filtration Plant	02/04	5,868,000	4.50%	02/39	5,297,000
Water Fund – Various	08/04	207,262	Various	08/14	31,250
Water Fund – Various	08/09	325,000	Various	08/19	295,000
Water Fund – Odor Control	08/09	339,190	4.70%	08/16	295,000
Water Fund – Deficit Financing Bond	08/10	327,940	Various	08/20	327,940
Sewer Fund – Various	08/04	82,905	Various	08/14	12,500
Sewer Fund – Public Imp.	08/06	80,000	Various	08/14	40,000
Sewer Fund – Various	08/09	580,000	Various	08/19	525,000
Sewer Fund – Catch Basin	08/10	585,000	Various	08/20	585,000
Sewer Fund – Deficit Financing Bond		227,990	Various	08/20	227,990
<b>Total</b>					<b>\$ 17,552,000</b>

**f. Changes**

The following is a summary of changes in long-term liabilities for the period ended May 31, 2011:

	Payable at June 1, 2010	Additions	Reductions	Balance at May 31, 2011
<b>Bonds</b>	<b>\$ 3,759,190</b>	<b>\$ 3,455,000</b>	<b>\$ 644,190</b>	<b>\$ 6,570,000</b>
EFC Grid Note/Bond	2,285,000	-	75,000	2,210,000
EFC Grid Bond	3,680,000	-	205,000	3,475,000
RD Bond	5,390,000	-	93,000	5,297,000
Subtotal	15,114,190	3,455,000	1,017,190	17,552,000
<b>Due to Other</b>				
Governments	119,105	-	23,752	95,353
Other liabilities – software	5,000	-	5,000	-
Environmental Liability	742,000	-	10,000	732,000
Retirement Incentive	322,495	-	226,035	96,460
Compensated Absences	412,137	-	78,856	333,281
Capital Leases	1,337,536	-	120,795	1,216,741
	2,938,273	-	464,438	2,473,835
<b>Total</b>	<b>\$ 18,052,463</b>	<b>\$ 3,455,000</b>	<b>\$ 1,481,628</b>	<b>\$ 20,025,835</b>



**NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities (continued)**

**5. Long-Term Debt (continued)**

**g. Long-Term Debt Interest**

Interest expense on long term indebtedness totaled \$605,216 for the year ended May 31, 2011, of which \$1,082 was recorded in the general fund, while \$604,134 was recorded in the debt service fund.

**h. Maturity**

The following table summarizes the City's future serial bond debt, Rural Development, capital leases and EFC bond and debt service requirements as of May 31, 2011:

Year Ending May 31	Total	Principal	Interest
2012	\$ 1,909,687	\$ 1,302,000	\$ 607,687
2013	1,687,276	1,157,000	530,276
2014	1,679,961	1,181,000	498,961
2015	1,666,450	1,201,000	465,450
2016	1,548,683	1,116,000	432,683
2017-2021	6,321,431	4,643,000	1,678,431
2022-2026	3,887,704	2,814,000	1,073,704
2027-2031	2,341,187	1,639,000	702,187
2032-2036	1,935,132	1,566,000	369,132
2037-2041	997,410	933,000	64,410
<b>Total</b>	<b>\$23,974,921</b>	<b>\$ 17,552,000</b>	<b>\$ 6,422,921</b>

The following table summarizes the City's future amounts due to other governments as of May 31, 2011

Year Ending May 31	Total	Principal	Interest
2012	\$ 24,832	\$ 23,990	\$ 842
2013	24,835	24,232	603
2014	24,835	24,475	360
2015	22,770	22,656	114
<b>Total</b>	<b>\$ 97,272</b>	<b>\$ 95,353</b>	<b>\$ 1,919</b>

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities (continued)**

**5. Long-Term Debt (continued)**

**h. Maturity**

The following is a schedule of future minimum lease payments under the capital lease including principal and interest:

Year Ending May 31	Total	Principal	Interest
2012	\$ 201,538	\$ 125,513	\$ 76,025
2013	201,538	131,493	70,045
2014	187,095	123,358	63,737
2015	113,809	56,229	57,580
2016	113,808	60,234	53,574
2017-2021	568,942	371,870	197,072
2022-2026	398,430	348,044	50,386
<b>Total</b>	<b>\$ 1,785,160</b>	<b>\$ 1,216,741</b>	<b>\$ 568,419</b>

**C. Deferred Compensation Plan**

In October 1997 the Governmental Accounting Standards Board issued Statement No. 32 Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The statement established accounting and financial reporting standards for Internal Revenue Code Section 457 deferred compensation plans of state and local governments.

On October 1, 1997 the New York State Deferred Compensation Board (Board) created a Trust and Custody agreement making Chase Manhattan Bank the Trustee and Custodian of the Plan. Consequently, Statement No. 32 became effective for the New York State Deferred Compensation Plan as of October 1, 1997. Since the Board is no longer the trustee of the plan, the plan no longer meets the criteria for inclusion in New York State's financial statements. Therefore, municipalities, which participate in New York State's Deferred Compensation Plan, are no longer required to record the value of plan assets.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**D. Interfund Receivables, Payables and Transactions**

Interfund receivables and payables at May 31, 2011 and interfund transactions during the fiscal year ended May 31, 2011 were as follows:

	Due From Other Funds	Due to Other Funds	Long-Term Advances Receivable	Long-Term Advances Payable	Interfund Revenue	Interfund Expenditures
General Fund	\$ 47,514	\$ 430,601	\$ 533,837	\$ -	\$ -	\$ 906,459
Capital Projects Fund	551,159	-	-	-	679,182	125,000
Agency Fund	2,716	9,513	-	-	-	-
Debt Service Fund	-	81,143	-	-	1,753,364	-
Sewer Fund	3,804	120,558	96,170	-	-	512,593
Water Fund	36,622	-	-	630,007	-	888,494
Totals	<u>\$ 641,815</u>	<u>\$ 641,815</u>	<u>\$ 630,007</u>	<u>\$ 630,007</u>	<u>\$ 2,432,546</u>	<u>\$ 2,432,546</u>

During the current year, the General, Water, and Sewer funds transferred \$484,459, \$844,868, and \$424,037, respectively to the Debt Service Fund to pay for the City's long-term debt obligations.

In addition, the General, Water and Sewer funds also transferred \$422,000, \$43,626, and \$88,556 to the City's Capital Projects fund for cost associated with the airport fuel facility project, vehicle replacement, Bartlett House renovations, and other assorted capital projects.

Finally, a transfer of \$125,000 was made within the City's Capital Projects fund ambulance reserve project to the Capital Project Fund vehicle replacement project. The transfer was made to assist in the purchase of a new fire engine.

**NOTE 4 – COMMITMENTS AND CONTINGENCIES**

**A. Risk Financing and Related Insurance**

**General Information**

The *City of Olean, New York* is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage. The City is self-insured against unemployment claims.

**B. Compensated Absences**

The City does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, the value for accumulating, non-vesting sick leave is considered a contingent liability.

**NOTE 4 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**C. Federal and State Audits**

The City has received grants reported in the general and capital project funds, which are subject to audit by agencies of the state and federal government. Such audits may result in disallowances and a request for a return of funds. Based on past audits and no known significant areas of non-compliance, the City believes disallowances, if any, will not be material.

**D. Litigation**

The City is currently involved in a number of tax certiorari proceedings which are in the discovery phases. At this time, it is not possible to predict with certainty the outcome of these matters.

The City currently has some matters and claims that have been referred to the City's insurance carrier for defense.

**E. Employee Contracts**

The City of Olean has four collective bargaining units, Police Patrol Unit, Police Command Unit expired Civil Service Employees Association Unit and Olean Professional Fire Fighters Association whose contracts all have expired on May 31, 2011.

**NOTE 4 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**F. Environmental**

In 1994 the *City of Olean, New York* determined that leakage problems existed at the site of its former landfill in Ischua, New York. The City was issued an Order on Consent by the Department of Environmental Conservation (DEC) which required the City to prepare an engineering report for the wetland treatment system and to construct a leachate collection and treatment system. The City has accrued \$125,000 as of May 31, 2011, for the estimated costs associated with this Order. It is not known at this time whether other remediation costs will be necessary.

The *City of Olean, New York* has negotiated a settlement with the Department of Environmental Conservation (DEC) regarding the City's wastewater treatment plant. The final Order on Consent includes a schedule of compliance which sets forth dates for various plans of action concerning the wastewater treatment plant and requires the City to complete and submit an assessment of its sanitary sewer system, pumping stations, and a wet weather operation plan. The *City of Olean, New York* submitted its plans for monitoring, maintenance and necessary remedial actions regarding the wastewater treatment plant with the assistance of their engineering consultants. These plans are based on the results of smoke testing which have taken place over the last three years. As part of the plan, the *City of Olean, New York* entered into a contract with its engineering consultants on May 28, 2003 for estimated costs of approximately \$1,326,000. An initial BAN of \$128,810 was issued in a previous fiscal year for the system engineering and design costs.

On August 19, 2004, the City issued bond anticipation notes in the amount of \$2,705,000 of which \$700,000 was designated for the first two phases of this project. On August 19, 2005 the City issued an additional BAN in the amount of \$700,000 for the last phases of this project. In 2006 the City completed a new master plan for the waste water system and submitted the plan to the DEC for their review.

In a prior year, the City accrued \$1,500,000 in the statement of net assets as an estimate of the cost of remedial actions; this liability has been reduced by related costs incurred during the current and prior years and as of May 31, 2011, the estimated liability stands at \$607,000.

**NOTE 4 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**G. Retirement Incentives**

In a December 2006, the *City of Olean, New York* offered retirement incentives to certain employees. Employees whom participated in the incentive were eligible to receive continuation of health coverage for five years or a cash alternative. Total accumulated costs associated with the incentive approximated \$995,000, of which \$745,000 was paid during prior fiscal years. The remaining \$96,460 is recognized as a liability in the Statement of Net Assets. Future payments related to the incentive are as follows:

Year Ending May 31	Incentive
2012	\$ 68,000
2013	4,000
2014	4,000
2015	4,000
2016-2021	16,460
Total	\$ 96,460

In 2007-08, the *City of Olean, New York* offered a second retirement incentive to all eligible employees. Employees whom participated in the incentive were eligible to receive a lump sum payment on the date of retirement for the employees' earned unused vacation time and a cash incentive to be paid in equal installments over the next 3 years. Total accumulated costs associated with the incentive approximated \$300,000, of which \$300,000 has been paid through the fiscal year ending May 31, 2011.

**CITY OF OLEAN, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MAY 31, 2011**

**NOTE 5 – FUND BALANCE**

**1. Classification**

The City's fund equity is comprised of various components:

Category/Fund	Description	May 31, 2011
<b>Restricted:</b>		
Debt Service	Reserve for debt service	\$ 529,753
<b>Assigned:</b>		
General	Reserve for encumbrances	525,786
Water	Reserve for encumbrances	52,859
	Special Revenue Fund Balance	959,247
Sewer	Reserve for encumbrances	9,206
	Special Revenue Fund Balance	1,536,305
First Time Homebuyers	Special Revenue Fund Balance	25,967
Housing Rehab	Special Revenue Fund Balance	6,197
Revolving Loan	Special Revenue Fund Balance	258,216
		<u>\$ 3,373,783</u>

**2. Accumulated Deficits**

The *City of Olean, New York's* capital project funds had an accumulated deficit as of May 31, 2011 which totaled approximately \$8,916,000. It is not uncommon for municipalities to have deficit fund balances in the capital project fund as a result of short-term debt (bond anticipation notes) being recorded as liabilities until they are converted to long-term debt at which time such proceeds are recorded as other financing sources (revenue). As of May 31, 2011, the *City of Olean, New York* had certain projects (aircraft parking apron and East State bridge) that when closed out will have deficit fund balances. As a result, the City will be required to transfer funds from its general fund to eliminate the capital project deficits. Management is developing plans to alleviate these deficits in future years.

**NOTE 6 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through November 16, 2011, which is the date the financial statements were available to be issued.

The following debt was issued subsequent to May 31, 2011:

**Bond Anticipation Notes – Capital Projects**

On August 11, 2011, the *City of Olean, New York* issued bond anticipation notes, 2011 Series A (various purposes) in the amount of \$7,160,000. The notes are dated August 11, 2011 with a maturity date of August 9, 2012 and were issued with the option of prepayment on any date on or after February 15, 2012. The notes carry interest rates of 1.07% and were used to finance the following projects:

Reconstruction and construction of sewer improvements – Two Mile Sewer	\$ 4,725,000
Sanitary sewer system improvements (East Olean sewer system)	2,435,000
	<u>\$ 7,160,000</u>

On August 11, 2011, the *City of Olean, New York* issued bond anticipation notes, 2011 Series B (various purposes) in the amount of \$4,070,000. The notes are dated August 11, 2011 with a maturity date of August 9, 2012 and were issued without the option of prepayment. The notes carry interest rates of 1.75% and were used to finance the following projects:

Reconstruction and construction of water improvements – City Water System	\$ 3,460,000
Reconstruction and construction of sewer improvements – City Sewer System	340,000
Reconstruction and construction of improvements to Woodview Avenue	270,000
	<u>\$ 4,070,000</u>

On September 29, 2011, the *City of Olean, New York* issued an E.F.C. Clean Water Facility bond anticipation notes, 2011 Series A and 2011 Series B in the amounts of \$1,361,500 and \$1,361,500, respectively. The notes mature on September 29, 2014. The Series A bond anticipation note carries a 0% interest rate, while the Series B bond anticipation note carries an interest rate of .51%.

**SUPPLEMENTARY INFORMATION**

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE BALANCE SHEETS**  
**GENERAL FUND**  
**AS OF MAY 31, 2011 AND 2010**

	<b>May 31 2011</b>	<b>May 31 2010</b>
<b><u>Assets</u></b>		
Cash on hand	\$ 1,308	\$ 1,308
Cash on deposit		
Regular accounts	10,659,510	8,661,246
Receivables		
Refuse and garbage	1,869	1,861
Special assessment	1,824	3,040
Accounts receivable	211,253	208,388
Due from other funds	47,514	6,797
Advances to other funds	533,837	810,000
State and federal	679,107	737,289
<b>Total assets</b>	<b>\$ 12,136,222</b>	<b>\$ 10,429,929</b>
<b><u>Liabilities and Fund Equity</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 321,290	\$ 157,138
Accrued liabilities	450,061	668,268
Due to other funds	430,601	387,597
Due to employee retirement system	206,660	171,500
Other liabilities	166,685	5,389
Deferred revenues	4,307,564	3,915,263
Bond anticipation notes payable	-	2,417,020
<b>Total liabilities</b>	<b>5,882,861</b>	<b>7,722,175</b>
<b>Fund Equity</b>		
Assigned	525,786	49,368
Unassigned	5,727,575	2,658,386
<b>Total fund equity</b>	<b>6,253,361</b>	<b>2,707,754</b>
	<b>\$ 12,136,222</b>	<b>\$ 10,429,929</b>

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND EQUITY**  
**GENERAL FUND**  
**FOR THE FISCAL YEARS ENDED MAY 31, 2011 AND 2010**

	<b>May 31 2011</b>	<b>May 31 2010</b>
<b>Revenue</b>		
Real property taxes	\$ 6,993,342	\$ 6,621,354
Special assessment tax - real property	1,544	6,826
Real property tax items	289,320	325,298
Non-property tax items	4,597,008	4,271,314
Departmental income	1,330,034	1,317,064
Intergovernmental charges	164,661	124,557
Use of money and property	26,302	26,252
Licenses and permits	61,706	38,193
Fines and forfeitures	89,744	130,554
Sales of property and compensation for loss	4,640	82,644
Miscellaneous local sources	33,582	-
State aid	2,697,758	2,675,154
Federal aid	198,561	79,100
<b>Total revenue</b>	<b>16,488,202</b>	<b>15,698,310</b>
<b>Expenditures</b>		
General government support	2,137,658	2,005,033
Public safety	5,098,629	5,022,682
Health	59,154	86,316
Transportation	1,685,203	1,383,930
Economic development	-	15,000
Culture and recreation	845,295	817,290
Home and community services	157,547	136,519
Employee benefits	3,351,055	2,991,599
Debt service:		
Principal	23,752	23,514
Interest	27,225	256,624
<b>Total expenditures</b>	<b>13,385,518</b>	<b>12,738,507</b>
<b>Excess of revenue over expenditures</b>	<b>3,102,684</b>	<b>2,959,803</b>
<b>Other financing sources (uses)</b>		
BANS redeemed from appropriations	(80,000)	(25,000)
Proceeds from issuance of serial bonds - deficit financing	1,429,382	-
Operating transfers out	(906,459)	(1,014,325)
<b>Total other financing sources (uses)</b>	<b>442,923</b>	<b>(1,039,325)</b>
<b>Excess of revenue and other financing sources over expenditures and other financing uses</b>	<b>3,545,607</b>	<b>1,920,478</b>
<b>Fund equity, beginning of year</b>	<b>2,707,754</b>	<b>787,276</b>
<b>Fund equity, end of year</b>	<b>\$ 6,253,361</b>	<b>\$ 2,707,754</b>

**CITY OF OLEAN, NEW YORK  
COMBINING BALANCE SHEET -  
ALL SPECIAL REVENUE FUNDS  
AS OF MAY 31, 2011**

	<u>Community Development</u>					(Memo only) Total
	Water	Sewer	Revolving Loan Fund	Housing Rehabilitation Fund	First Time Homebuyers Fund	
<b>Assets</b>						
Cash on hand	\$ 40	\$ -	\$ -	\$ -	\$ -	\$ 40
Cash on deposit						
Regular accounts	917,619	885,297	263,645	6,197	25,964	2,098,722
Receivables						
Accounts receivable	791,880	800,292	-	-	-	1,592,172
Advances to other funds	-	96,170	-	-	-	96,170
Due from other funds	36,622	3,804	-	-	-	40,426
Revolving loans receivable	-	-	273,419	-	-	273,419
First Time Homebuyers loans receivable	-	-	-	-	123,226	123,226
Rehabilitation loans receivable	-	-	-	7,826	-	7,826
<b>Total assets</b>	<b>\$ 1,746,161</b>	<b>\$ 1,785,563</b>	<b>\$ 537,064</b>	<b>\$ 14,023</b>	<b>\$ 149,190</b>	<b>\$ 4,232,001</b>
<b>Liabilities</b>						
Accounts payable	\$ 53,107	\$ 70,835	\$ -	\$ -	\$ -	\$ 123,942
Accrued liabilities	28,024	25,742	-	-	-	53,766
Due to other funds	-	120,558	-	-	-	120,558
Advances from other funds	630,007	-	-	-	-	630,007
Other liabilities/due to retirement systems	22,917	22,917	5,429	-	-	51,263
Deferred revenues	-	-	273,419	7,826	123,223	404,468
<b>Total liabilities</b>	<b>734,055</b>	<b>240,052</b>	<b>278,848</b>	<b>7,826</b>	<b>123,223</b>	<b>1,384,004</b>
<b>Fund Equity</b>						
Assigned	1,012,106	1,545,511	258,216	6,197	25,967	2,847,997
<b>Total fund equity</b>	<b>1,012,106</b>	<b>1,545,511</b>	<b>258,216</b>	<b>6,197</b>	<b>25,967</b>	<b>2,847,997</b>
<b>Total liabilities and fund equity</b>	<b>\$ 1,746,161</b>	<b>\$ 1,785,563</b>	<b>\$ 537,064</b>	<b>\$ 14,023</b>	<b>\$ 149,190</b>	<b>\$ 4,232,001</b>



**CITY OF OLEAN, NEW YORK**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND EQUITY - ALL SPECIAL REVENUE FUNDS**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2011**

	Water	Sewer	Community Development			(Memo only) Total
			Revolving Loan Fund	Housing Rehabilitation Fund	First Time Homebuyers Fund	
<b>Revenue</b>						
Departmental income	\$ 3,327,986	\$ 3,159,090	\$ 103,019	\$ 436	\$ 25,601	\$ 6,616,132
Intergovernmental charges	-	121,260	-	-	-	121,260
Miscellaneous income	1,496	6,518	-	-	-	8,014
Use of money and property	-	-	2,108	5	47	2,160
Sales of property & compensation for loss	8,689	-	-	-	-	8,689
State aid	-	705	-	-	-	705
<b>Total revenue</b>	<b>3,338,171</b>	<b>3,287,573</b>	<b>105,127</b>	<b>441</b>	<b>25,648</b>	<b>6,756,960</b>
<b>Expenditures</b>						
General government support	57,469	56,950	-	-	-	114,419
Home and community services	1,785,261	1,866,966	-	9,602	54,046	3,715,875
Employee benefits	457,151	474,212	-	-	-	931,363
Debt service - interest expense	61,844	129,268	-	-	-	191,112
<b>Total expenditures</b>	<b>2,361,725</b>	<b>2,527,396</b>	<b>-</b>	<b>9,602</b>	<b>54,046</b>	<b>4,952,769</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>976,446</b>	<b>760,177</b>	<b>105,127</b>	<b>(9,161)</b>	<b>(28,398)</b>	<b>1,804,191</b>
<b>Other financing sources (uses)</b>						
BANs redeemed from appropriations	(30,000)	(190,000)	-	-	-	(220,000)
Proceeds from issuance of bonds - deficit financing	78,711	227,990	-	-	-	306,701
Operating transfers out	(888,494)	(512,593)	-	-	-	(1,401,087)
<b>Total financing sources (uses)</b>	<b>(839,783)</b>	<b>(474,603)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,314,386)</b>
<b>Excess (deficiency) of revenue over expenditures and other financing uses</b>	<b>136,663</b>	<b>285,574</b>	<b>105,127</b>	<b>(9,161)</b>	<b>(28,398)</b>	<b>489,805</b>
<b>Fund equity, beginning of year</b>	<b>875,443</b>	<b>1,259,937</b>	<b>153,089</b>	<b>15,358</b>	<b>54,365</b>	<b>2,358,192</b>
<b>Fund equity, end of year</b>	<b>\$ 1,012,106</b>	<b>\$ 1,545,511</b>	<b>\$ 258,216</b>	<b>\$ 6,197</b>	<b>\$ 25,967</b>	<b>\$ 2,847,997</b>

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE BALANCE SHEETS**  
**SPECIAL REVENUE FUNDS**  
**AS OF MAY 31, 2011 AND 2010**

	<b>May 31</b>	<b>May 31</b>
	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
Cash on hand	\$ 40	\$ 40
Cash on deposit		
Regular accounts	2,098,722	1,846,899
Accounts receivable	1,592,172	1,682,952
Advances to other funds	96,170	-
Due from other funds	40,426	-
Revolving loans receivable	273,419	363,849
First time homebuyers loans receivable	123,226	124,418
Rehabilitation loans receivable	7,826	8,137
<b>Total assets</b>	<b>\$ 4,232,001</b>	<b>\$ 4,026,295</b>
<b>Liabilities</b>		
Accounts payable	\$ 123,942	\$ 125,273
Accrued liabilities	53,766	66,425
Due to other funds	120,558	120,559
Advances from other funds	630,007	810,000
Other liabilities/due to retirement systems	51,263	49,445
Deferred revenues	404,468	496,401
<b>Total liabilities</b>	<b>1,384,004</b>	<b>1,668,103</b>
<b>Fund Equity</b>		
Assigned	2,847,997	2,358,192
<b>Total fund equity</b>	<b>2,847,997</b>	<b>2,358,192</b>
<b>Total liabilities and fund equity</b>	<b>\$ 4,232,001</b>	<b>\$ 4,026,295</b>

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND EQUITY - SPECIAL REVENUE FUNDS**  
**FOR THE FISCAL YEARS ENDED MAY 31, 2011 AND 2010**

**Page 44**

	May 31 2011	May 31 2010
<b>Revenue</b>		
Departmental income	\$ 6,616,132	\$ 6,705,731
Intergovernmental charges	121,260	291,441
Miscellaneous income	8,014	-
Use of money and property	2,160	3,044
Sales of property and compensation for loss	8,689	444
Federal aid	-	2,124
State aid	705	13,798
<b>Total revenue</b>	<b>6,756,960</b>	<b>7,016,582</b>
<b>Expenditures</b>		
General government support	114,419	115,134
Home and community services	3,715,875	3,368,016
Employee benefits	931,363	836,841
Debt service - interest expense	191,112	225,733
<b>Total expenditures</b>	<b>4,952,769</b>	<b>4,545,724</b>
<b>Excess of revenue over expenditures</b>	<b>1,804,191</b>	<b>2,470,858</b>
<b>Other financing sources (uses)</b>		
BANs redeemed from appropriations	(220,000)	(190,810)
Proceeds from issuance of serial bonds - deficit financing	306,701	-
Operating transfers out	(1,401,087)	(991,997)
<b>Total other financing sources (uses)</b>	<b>(1,314,386)</b>	<b>(1,182,807)</b>
<b>Excess of revenue and other financing sources over expenditures and other financing uses</b>	<b>489,805</b>	<b>1,288,051</b>
<b>Fund equity, beginning of year</b>	<b>2,358,192</b>	<b>1,070,141</b>
<b>Fund equity, end of year</b>	<b>\$ 2,847,997</b>	<b>\$ 2,358,192</b>

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE BALANCE SHEETS**  
**WATER FUND**  
**AS OF MAY 31, 2011 AND 2010**

	<b>May 31 2011</b>	<b>May 31 2010</b>
<b>Assets</b>		
Cash on hand	\$ 40	\$ 40
Cash on deposit		
Regular accounts	917,619	940,218
Accounts receivable	791,880	858,403
Due from other funds	36,622	-
<b>Total assets</b>	<b>\$ 1,746,161</b>	<b>\$ 1,798,661</b>
<b>Liabilities</b>		
Accounts payable	\$ 53,107	\$ 67,487
Accrued liabilities	28,024	38,915
Advances from other funds	630,007	797,649
Other liabilities/due to retirement systems	22,917	19,167
<b>Total liabilities</b>	<b>734,055</b>	<b>923,218</b>
<b>Fund Equity</b>		
Assigned	1,012,106	875,443
<b>Total fund equity</b>	<b>1,012,106</b>	<b>875,443</b>
<b>Total liabilities and fund equity</b>	<b>\$ 1,746,161</b>	<b>\$ 1,798,661</b>

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND EQUITY - WATER FUND**  
**FOR THE FISCAL YEARS ENDED MAY 31, 2011 AND 2010**

	May 31 2011	May 31 2010
<b>Revenue</b>		
Departmental income	\$ 3,327,986	\$ 3,513,838
Miscellaneous income	1,496	-
Sales of property and compensation for loss	8,689	444
<b>Total revenue</b>	<b>3,338,171</b>	<b>3,514,282</b>
<b>Expenditures</b>		
General government support	57,469	58,184
Home and community services	1,785,261	1,738,539
Employee benefits	457,151	421,199
Debt service - interest expense	61,844	32,302
<b>Total expenditures</b>	<b>2,361,725</b>	<b>2,250,224</b>
<b>Excess of revenue over expenditures</b>	<b>976,446</b>	<b>1,264,058</b>
<b>Other financing sources (uses)</b>		
BANS redeemed from appropriations	(30,000)	-
Proceeds from issuance of serial bonds - deficit financing	78,711	-
Operating transfers out	(888,494)	(930,931)
<b>Total other financing sources (uses)</b>	<b>(839,783)</b>	<b>(930,931)</b>
<b>Excess of revenue and other financing sources over expenditures and other financing uses</b>	<b>136,663</b>	<b>333,127</b>
<b>Fund equity, beginning of year</b>	<b>875,443</b>	<b>542,316</b>
<b>Fund equity, end of year</b>	<b>\$ 1,012,106</b>	<b>\$ 875,443</b>

**CITY OF OLEAN, NEW YORK**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL - WATER FUND**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2011**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Encumbrances</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenue</b>					
Departmental income	\$ 3,444,000	\$ 3,444,000	\$ 3,327,986	\$ -	\$ (116,014)
Miscellaneous income	-	-	1,496	-	1,496
Sales of property and compensation for loss	-	-	8,689	-	8,689
<b>Total revenue</b>	<b>3,444,000</b>	<b>3,444,000</b>	<b>3,338,171</b>	<b>-</b>	<b>(105,829)</b>
<b>Expenditures</b>					
General government support	186,300	104,926	57,469	-	47,457
Home and community services	1,905,015	1,917,226	1,785,261	52,859	79,106
Employee benefits	488,571	461,457	457,151	-	4,306
Debt service - interest expense	2,481	2,481	61,844	-	(59,363)
<b>Total expenditures</b>	<b>2,582,367</b>	<b>2,486,090</b>	<b>2,361,725</b>	<b>52,859</b>	<b>71,506</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>861,633</b>	<b>957,910</b>	<b>976,446</b>	<b>(52,859)</b>	<b>(34,323)</b>
<b>Other financing sources (uses)</b>					
BANS redeemed from appropriations	-	-	(30,000)	-	(30,000)
Proceeds from issuance of bonds - deficit financing	-	-	78,711	-	78,711
Operating transfers out	(860,039)	(997,726)	(888,494)	-	109,232
<b>Total other financing sources (uses)</b>	<b>(860,039)</b>	<b>(997,726)</b>	<b>(839,783)</b>	<b>-</b>	<b>157,943</b>
<b>Excess (deficiency) of revenue over expenditures and other financing uses</b>	<b>\$ 1,594</b>	<b>\$ (39,816)</b>	<b>\$ 136,663</b>	<b>\$ (52,859)</b>	<b>\$ 123,620</b>

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE BALANCE SHEETS**  
**SEWER FUND**  
**AS OF MAY 31, 2011 AND 2010**

	May 31 2011	May 31 2010
<b>Assets</b>		
Cash	\$ 885,297	\$ 671,094
Accounts receivable	800,292	824,549
Advances to other funds	96,170	-
Due from other funds	3,804	-
<b>Total assets</b>	<b>\$ 1,785,563</b>	<b>\$ 1,495,643</b>
<b>Liabilities</b>		
Accounts payable	\$ 70,835	\$ 57,786
Accrued liabilities	25,742	27,510
Advances from other funds	-	12,351
Due to other funds	120,558	120,559
Other liabilities/due to other governments	22,917	17,500
<b>Total liabilities</b>	<b>240,052</b>	<b>235,706</b>
<b>Fund Equity</b>		
Assigned	1,545,511	1,259,937
<b>Total fund equity</b>	<b>1,545,511</b>	<b>1,259,937</b>
<b>Total liabilities and fund equity</b>	<b>\$ 1,785,563</b>	<b>\$ 1,495,643</b>

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND EQUITY - SEWER FUND**  
**FOR THE FISCAL YEARS ENDED MAY 31, 2011 AND 2010**

	May 31 2011	May 31 2010
<b>Revenue</b>		
Departmental income	\$ 3,159,090	\$ 3,049,784
Miscellaneous income	6,518	-
Intergovernmental charges	121,260	291,441
State aid	705	13,798
<b>Total revenue</b>	<b>3,287,573</b>	<b>3,355,023</b>
<b>Expenditures</b>		
General government support	56,950	56,950
Home and community services	1,866,966	1,594,599
Employee benefits	474,212	415,642
Debt service - interest expense	129,268	193,431
<b>Total expenditures</b>	<b>2,527,396</b>	<b>2,260,622</b>
<b>Excess of revenue over expenditures</b>	<b>760,177</b>	<b>1,094,401</b>
<b>Other financing sources (uses)</b>		
BANs redeemed from appropriations	(190,000)	(190,810)
Proceeds from issuance of serial bonds - deficit financing	227,990	-
Operating transfers out	(512,593)	(61,066)
<b>Total other financing sources (uses)</b>	<b>(474,603)</b>	<b>(251,876)</b>
<b>Excess of revenue and other financing sources over expenditures and other financing uses</b>	<b>285,574</b>	<b>842,525</b>
<b>Fund equity, beginning of year</b>	<b>1,259,937</b>	<b>417,412</b>
<b>Fund equity, end of year</b>	<b>\$ 1,545,511</b>	<b>\$ 1,259,937</b>



**CITY OF OLEAN, NEW YORK**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL - SEWER FUND**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2011**

	Original Budget	Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>Revenue</b>					
Departmental income	\$ 3,339,767	\$ 3,339,767	\$ 3,159,090	\$ -	\$ (180,677)
Miscellaneous income	-	-	6,518	-	6,518
Intergovernmental charges	5,000	5,000	121,260	-	116,260
State aid	-	-	705	-	705
<b>Total revenue</b>	<b>3,344,767</b>	<b>3,344,767</b>	<b>3,287,573</b>	<b>-</b>	<b>(57,194)</b>
<b>Expenditures</b>					
General government support	210,000	85,056	56,950	-	28,106
Home and community services	1,836,537	2,011,907	1,866,966	9,206	135,735
Employee benefits	511,450	483,086	474,212	-	8,874
Debt service - interest expense	6,825	6,825	129,268	-	(122,443)
<b>Total expenditures</b>	<b>2,564,812</b>	<b>2,586,874</b>	<b>2,527,396</b>	<b>9,206</b>	<b>50,272</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>779,955</b>	<b>757,893</b>	<b>760,177</b>	<b>(9,206)</b>	<b>(6,922)</b>
<b>Other financing sources (uses)</b>					
Serial Bonds			-		-
BANs redeemed from appropriations	-	-	(190,000)	-	(190,000)
Proceeds from issuance of bonds - deficit financing	-	-	227,990	-	227,990
Operating transfers out	(779,055)	(887,941)	(512,593)	-	375,348
<b>Total other financing sources (uses)</b>	<b>(779,055)</b>	<b>(887,941)</b>	<b>(474,603)</b>	<b>-</b>	<b>413,338</b>
<b>Excess (deficiency) of revenue over expenditures and other financing uses</b>	<b>\$ 900</b>	<b>\$ (130,048)</b>	<b>\$ 285,574</b>	<b>\$ (9,206)</b>	<b>\$ 406,416</b>

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE BALANCE SHEETS**  
**REVOLVING LOAN FUND**  
**AS OF MAY 31, 2011 AND 2010**

	<b>May 31 2011</b>	<b>May 31 2010</b>
<b>Assets</b>		
Cash on deposit - Regular accounts	\$ 263,645	\$ 165,867
Rehabilitation loans receivable	273,419	363,849
<b>Total assets</b>	<b>\$ 537,064</b>	<b>\$ 529,716</b>
<b>Liabilities</b>		
Deferred revenues	\$ 273,419	\$ 363,849
Due to other agency	5,429	12,778
<b>Total liabilities</b>	<b>278,848</b>	<b>376,627</b>
<b>Fund Equity</b>		
Assigned	258,216	153,089
<b>Total fund equity</b>	<b>258,216</b>	<b>153,089</b>
<b>Total liabilities and fund equity</b>	<b>\$ 537,064</b>	<b>\$ 529,716</b>

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND EQUITY - REVOLVING LOAN FUND**  
**FOR THE FISCAL YEARS ENDED MAY 31, 2011 AND 2010**

	<b>May 31</b>	<b>May 31</b>
	<b>2011</b>	<b>2010</b>
<b>Revenue</b>		
Departmental income	\$ 103,019	\$ 112,561
Use of money and property	2,108	2,990
Federal aid	-	2,124
<b>Total revenue</b>	<b>105,127</b>	<b>117,675</b>
<b>Expenditures</b>		
Home and community services	-	11,727
<b>Total expenditures</b>	<b>-</b>	<b>11,727</b>
<b>Excess of revenue over expenditures and other uses</b>	<b>105,127</b>	<b>105,948</b>
<b>Fund equity, beginning of year</b>	<b>153,089</b>	<b>47,141</b>
<b>Fund equity, end of year</b>	<b>\$ 258,216</b>	<b>\$ 153,089</b>

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE BALANCE SHEETS**  
**HOUSING REHABILITATION FUND**  
**AS OF MAY 31, 2011 AND 2010**

	<u>May 31</u> <u>2011</u>	<u>May 31</u> <u>2010</u>
<b>Assets</b>		
Cash on deposit - regular accounts	\$ 6,197	\$ 15,358
Rehabilitation loans receivable	7,826	8,137
<b>Total assets</b>	<u>\$ 14,023</u>	<u>\$ 23,495</u>
<b>Liabilities</b>		
Deferred revenues	\$ 7,826	\$ 8,137
<b>Total liabilities</b>	<u>7,826</u>	<u>8,137</u>
<b>Fund Equity</b>		
Assigned	<u>6,197</u>	<u>15,358</u>
<b>Total fund equity</b>	<u>6,197</u>	<u>15,358</u>
<b>Total liabilities and fund equity</b>	<u>\$ 14,023</u>	<u>\$ 23,495</u>

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND EQUITY - HOUSING REHABILITATION FUND**  
**FOR THE FISCAL YEARS ENDED MAY 31, 2011 AND 2010**

	<b>May 31 2011</b>	<b>May 31 2010</b>
<b>Revenue</b>		
Departmental income	\$ 436	\$ 475
Use of money and property	5	15
<b>Total revenue</b>	<b>441</b>	<b>490</b>
<b>Expenditures</b>		
Home and community services	9,602	4,013
<b>Total expenditures</b>	<b>9,602</b>	<b>4,013</b>
<b>Deficiency of revenue over expenditures</b>	<b>(9,161)</b>	<b>(3,523)</b>
<b>Deficiency of revenue over expenditures and other uses</b>	<b>(9,161)</b>	<b>(3,523)</b>
<b>Fund equity, beginning of year</b>	<b>15,358</b>	<b>18,881</b>
<b>Fund equity, end of year</b>	<b>\$ 6,197</b>	<b>\$ 15,358</b>

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE BALANCE SHEETS**  
**FIRST TIME HOMEBUYERS PROGRAM**  
**AS OF MAY 31, 2011 AND 2010**

	<b>May 31 2011</b>	<b>May 31 2010</b>
<b>Assets</b>		
Cash on deposit - regular accounts	\$ 25,964	\$ 54,362
First time homebuyers loans receivable	123,226	124,418
<b>Total assets</b>	<b>\$ 149,190</b>	<b>\$ 178,780</b>
<b>Liabilities</b>		
Deferred revenue	\$ 123,223	\$ 124,415
<b>Total liabilities</b>	<b>123,223</b>	<b>124,415</b>
<b>Fund Equity</b>		
Assigned	25,967	54,365
<b>Total fund equity</b>	<b>25,967</b>	<b>54,365</b>
<b>Total liabilities and fund equity</b>	<b>\$ 149,190</b>	<b>\$ 178,780</b>

**CITY OF OLEAN, NEW YORK****COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND EQUITY - FIRST TIME HOMEBUYERS PROGRAM  
FOR THE FISCAL YEARS ENDED MAY 31, 2011 AND 2010****Page 56**

	May 31 2011	May 31 2010
<b>Revenue</b>		
Departmental income	\$ 25,601	\$ 29,073
Use of money and property	47	39
<b>Total revenue</b>	<u>25,648</u>	<u>29,112</u>
<b>Expenditures</b>		
Home and community services	54,046	19,138
<b>Total expenditures</b>	<u>54,046</u>	<u>19,138</u>
<b>Excess (deficiency) of revenue over expenditures</b>	<u>(28,398)</u>	<u>9,974</u>
<b>Excess (deficiency) of revenue over expenditures and other uses</b>	(28,398)	9,974
<b>Fund equity, beginning of year</b>	54,365	44,391
<b>Fund equity, end of year</b>	<u>\$ 25,967</u>	<u>\$ 54,365</u>

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE BALANCE SHEETS**  
**CAPITAL PROJECTS FUND**  
**AS OF MAY 31, 2011 AND 2010**

	<b>May 31 2011</b>	<b>May 31 2010</b>
<b>Assets</b>		
Cash on deposit - regular accounts	\$ 2,179,699	\$ 4,500,668
Due from Federal and State	215,766	536,612
Due from other funds	551,159	508,156
<b>Total assets</b>	<b>\$ 2,946,624</b>	<b>\$ 5,545,436</b>
<b>Liabilities</b>		
Accounts payable	\$ 262,620	\$ 651,142
Accrued liabilities/due to other governments	100,000	100,000
Bond anticipation notes payable	11,500,000	13,218,917
<b>Total liabilities</b>	<b>11,862,620</b>	<b>13,970,059</b>
<b>Fund Equity</b>		
Unassigned (deficit)	(8,915,996)	(8,424,623)
<b>Total fund equity (deficit)</b>	<b>(8,915,996)</b>	<b>(8,424,623)</b>
<b>Total liabilities and fund equity</b>	<b>\$ 2,946,624</b>	<b>\$ 5,545,436</b>



**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND EQUITY - CAPITAL PROJECTS FUND**  
**FOR THE FISCAL YEARS ENDED MAY 31, 2011 AND 2010**

**Page 58**

	<b>May 31 2011</b>	<b>May 31 2010</b>
<b>Revenue</b>		
Use of money and property	\$ 7,128	\$ 13,727
Miscellaneous local sources	179,028	126,219
Federal aid	459,623	585,702
State aid	383,604	441,413
<b>Total revenue</b>	<b>1,029,383</b>	<b>1,167,061</b>
<b>Expenditures</b>		
General government support	1,095,329	4,371,821
Public safety	204,561	13,215
Transportation	1,066,430	617,561
Home and community services	1,727,535	3,560,741
<b>Total expenditures</b>	<b>4,093,855</b>	<b>8,563,338</b>
<b>Deficiency of revenue over expenditures</b>	<b>(3,064,472)</b>	<b>(7,396,277)</b>
<b>Other financing sources (uses)</b>		
Bond anticipation notes redeemed from appropriations	300,000	215,810
Proceeds from issuance of serial bonds - construction	1,455,000	1,244,190
Proceeds from issuance of serial bonds - deficit financing	263,917	-
Proceeds from capital leases	-	1,458,209
Operating transfers in	679,182	449,795
Operating transfers out	(125,000)	(100,399)
<b>Total other financing sources</b>	<b>2,573,099</b>	<b>3,267,605</b>
<b>Deficiency of revenue and other financing sources over expenditures and other financing uses</b>	<b>(491,373)</b>	<b>(4,128,672)</b>
<b>Fund deficit, beginning of year</b>	<b>(8,424,623)</b>	<b>(4,295,951)</b>
<b>Fund deficit, end of year</b>	<b>\$ (8,915,996)</b>	<b>\$ (8,424,623)</b>

**CITY OF OLEAN, NEW YORK**  
**BALANCE SHEET - CAPITAL PROJECTS FUND - BY PROJECT**  
**AS OF MAY 31, 2011**

Project Number	Description	Cash	Due from Federal & State	Due from Other Funds	Total Assets	Accounts Payable & Accrued Expenses	BAN's/ Notes Payable	Fund Equity (Deficit)	Total Liabilities & Fund Equity
29	CHIPS	\$ 10,325	\$ -	\$ 105,621	\$ 115,946	\$ 5,396	\$ -	\$ 110,550	\$ 115,946
87	Landfill - Olean Airport	56,980	-	312	57,292	-	-	57,292	57,292
101	ALARM	11,328	-	10,359	21,687	-	-	21,687	21,687
102	Vehicle replacement	192,493	-	50,000	242,493	-	-	242,493	242,493
103	Police Equipment Replacement	-	-	28,169	28,169	-	-	28,169	28,169
116	Fire arson equipment	11,471	-	-	11,471	-	-	11,471	11,471
117	Dispatch project	11,071	-	-	11,071	-	-	11,071	11,071
118	Ambulance reserve	23,829	-	11,020	34,849	-	-	34,849	34,849
119	OATS Bus Reserve	22,651	-	572	23,223	-	-	23,223	23,223
121	East State bridge	(28,752)	-	1,279	(27,473)	-	-	(27,473)	(27,473)
123	Catch basin disconnect project	309,335	-	34,748	344,083	100,000	-	244,083	344,083
125	Main Street Bridge	38,941	-	-	38,941	-	-	38,941	38,941
127	Odor Control/air make-up units	(3,684)	-	85,810	82,126	-	-	82,126	82,126
132	Parking lot maintenance program	338	-	4,016	4,354	-	-	4,354	4,354
133	Parking lots repaving & rehab	67,459	-	-	67,459	-	-	67,459	67,459
137	Telephone System	4,000	-	-	4,000	-	-	4,000	4,000
139	Airport Building Renovations	11,296	2,109	-	13,405	-	-	13,405	13,405
141	Aircraft Parking Apron	(11,083)	-	5,881	(5,202)	-	-	(5,202)	(5,202)
142	Roof Construction	25,429	-	-	25,429	-	-	25,429	25,429
143	Energy Audit	187,704	-	-	187,704	-	3,835,000	(3,647,296)	187,704
144	East Olean Sewer	563,190	-	-	563,190	41,132	2,500,000	(1,977,942)	563,190
145	Two Mile Sewer	584,291	-	-	584,291	-	4,865,000	(4,280,709)	584,291
146	Airport Master Plan	(52,756)	128,197	113,372	188,813	117,110	-	71,703	188,813
147	Safe Schools Route	(1,732)	85,460	100,000	183,728	85,460	-	98,268	183,728
148	Woodview Avenue Paving Project	31,973	-	-	31,973	12,922	300,000	(280,949)	31,973
149	Bartlett House Renovations	33,600	-	-	33,600	600	-	33,000	33,600
150	Sanitary and Storm Sewer Reserve	50,001	-	-	50,001	-	-	50,001	50,001
151	Sidewalk Improvement Reserve	30,001	-	-	30,001	-	-	30,001	30,001
<b>Totals</b>		<b>\$ 2,179,699</b>	<b>\$ 215,766</b>	<b>\$ 551,159</b>	<b>\$ 2,946,624</b>	<b>\$ 362,620</b>	<b>\$ 11,500,000</b>	<b>\$ (8,915,996)</b>	<b>\$ 2,946,624</b>

**CITY OF OLEAN, NEW YORK**  
**SCHEDULE OF EXPENDITURES-**  
**CAPITAL PROJECTS FUND - BY PROJECT**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2011**

<b>Project</b>	<b>Amount</b>
CHIPS	\$ 447,495
City Alarm	11,704
Vehicle Replacement	577,982
East State Bridge	218
Catch basin disconnect project	10,668
Roof Construction	1,539
Energy Audit	515,808
East Olean Sewer	1,686,910
Two Mile Sewer	29,181
Airport Master Plan	336,544
Safe Routes to Schools	192,857
Woodview Avenue Paving Project	280,949
Bartlett House Renoavtions	2,000
	<hr/>
	\$ 4,093,855

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE BALANCE SHEETS**  
**DEBT SERVICE FUND**  
**AS OF MAY 31, 2011 AND 2010**

	<b>May 31 2011</b>	<b>May 31 2010</b>
<b>Assets</b>		
Cash on deposit		
Restricted regular accounts	\$ 610,896	\$ 528,969
<b>Total assets</b>	<b>\$ 610,896</b>	<b>\$ 528,969</b>
<b>Liabilities</b>		
Due to other funds	\$ 81,143	\$ -
<b>Total liabilities</b>	<b>81,143</b>	<b>-</b>
<b>Fund Equity</b>		
Restricted	529,753	528,969
<b>Total fund equity</b>	<b>529,753</b>	<b>528,969</b>
<b>Total liabilities and fund equity</b>	<b>\$ 610,896</b>	<b>\$ 528,969</b>

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND EQUITY - DEBT SERVICE FUND**  
**FOR THE FISCAL YEARS ENDED MAY 31, 2011 AND 2010**

	May 31 2011	May 31 2010
<b>Revenue</b>		
Use of money and property	\$ 784	\$ 858
<b>Total revenue</b>	<b>784</b>	<b>858</b>
<b>Expenditures</b>		
General government support	11,245	11,741
Debt service:		
Principal	1,137,985	1,124,673
Interest	604,134	520,461
<b>Total expenditures</b>	<b>1,753,364</b>	<b>1,656,875</b>
<b>Deficiency of revenue over expenditures</b>	<b>(1,752,580)</b>	<b>(1,656,017)</b>
<b>Other financing sources</b>		
Operating transfers in	1,753,364	1,656,926
<b>Total other financing sources</b>	<b>1,753,364</b>	<b>1,656,926</b>
<b>Excess of revenue and other financing sources over expenditures and other financing uses</b>	<b>784</b>	<b>909</b>
<b>Fund equity, beginning of year</b>	<b>528,969</b>	<b>528,060</b>
<b>Fund equity, end of year</b>	<b>\$ 529,753</b>	<b>\$ 528,969</b>

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE BALANCE SHEETS**  
**AGENCY FUND**  
**AS OF MAY 31, 2011 AND 2010**

	<b>May 31</b>		<b>May 31</b>
	<b>2011</b>		<b>2010</b>
<b>Assets</b>			
Cash on deposit			
Regular accounts	\$ 100,978	\$	109,929
Restricted accounts	140,457		109,846
Due from other funds	2,716		2,716
<b>Total assets</b>	<b>\$ 244,151</b>	<b>\$</b>	<b>222,491</b>
<b>Liabilities</b>			
Due to other funds	\$ 9,513	\$	9,513
Other liabilities	234,638		212,978
<b>Total liabilities</b>	<b>\$ 244,151</b>	<b>\$</b>	<b>222,491</b>

**CITY OF OLEAN, NEW YORK**  
**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS**  
**AND BALANCES - AGENCY FUND**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2011**

	Balance June 1, 2010	Receipts	Disbursements	Balance May 31, 2011
NYS Retirement	\$ -	\$ 974	\$ 974	\$ -
Hospitalization	4,410	443,089	446,057	1,442
US Savings Bonds	-	2,250	2,250	-
Charity - United Way	11	336	138	209
Guarantee & Bid Bonds	500	-	-	500
Guarantee & Bid deposits	3,288	1,277	3,288	1,277
Covet Tree Service	2,654	2	2,656	-
Building Improvement Fund-HDCP	459	-	-	459
Children's Memorial Flower Grdn	358	-	1	357
Stadium Renovations / Donations	5,542	-	1,480	4,062
Y&R St. John's	5,954	1,300	300	6,954
Mayor's Cup Golf Tournament	4,794	-	296	4,498
Concession Stand	8,866	-	8,866	-
Bike Auction	4,915	857	-	5,772
Miscellaneous Recreation	8,683	12,241	10,695	10,229
Clerk Sales	1,077	310	289	1,098
Bartlett House Donations	12,637	3,245	281	15,601
Donations Fire Equipment	-	25	-	25
Police Drugs Donations	17,169	13,988	12,400	18,757
Police Federal Drug Proceeds	4,410	5	-	4,415
Youth Programs Donations	57	-	-	57
DARE	8,291	678	4,885	4,084
Youth Court Donations	10,258	-	2,369	7,889
Tree Program	635	1,775	1,076	1,334
Interest & Service Charges	325	122	3	444
Personnel	1,498	1,024	146	2,376
Fire Equipment Donations	3,139	6,000	-	9,139
Flexible Spending Account	(8,273)	-	-	(8,273)
Medical Savings Account	109,985	122,346	110,406	121,925
Payroll Account	387	9,870,689	9,852,124	18,952
Special Account	949	15,209	15,102	1,056
<b>Totals</b>	<b>\$ 212,978</b>	<b>\$ 10,497,742</b>	<b>\$ 10,476,082</b>	<b>\$ 234,638</b>

**CITY OF OLEAN, NEW YORK**  
**SCHEDULE OF FUNDING PROGRESS**  
**AS OF MAY 31, 2011**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL)	Unfunded Actuarial Accrued Liability ("UAAL)	Funded Ratio	Budgeted Covered Payroll	Ratio of UAAL to Budgeted Covered Payroll
January 1, 2008	\$ -	\$ 1,340,000	\$ 1,340,000	\$ -	\$ -	N/A



**CITY OF OLEAN, NEW YORK**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED MAY 31, 2011**

Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Receivable 5/31/2010	Total Received	Revenue	Expenditures	Receivable 5/31/2011
<b><u>Appalachian Regional Grant Commission</u></b>								
Appalachian Regional Commission Grant	23.001	NY15358-06	150,000	114,645	150,000	35,355	35,355	-
<b><u>United States Department of Housing and Urban Development</u></b>								
Community Development Block Grant	14.228	841ER112-06	400,000	400,000	400,000	-	-	-
Subtotal U.S. Department of HUD			400,000	400,000	400,000	-	-	-
<b><u>United States Department of Transportation</u></b>								
Airport Aviation Research Grant	20.108	FAA AIP No. 3-36-0091-12-08 NYS DOT PIN 5904.41	113,684	17,465	21,333	3,868	3,868	-
Airport Improvement Program - Snow Removal Equipment *	20.106	FAA AIP 3-36-0091-14-10 PIN 5904.44	205,200	-	139,422	189,891	189,891	50,469
Airport Improvement Program - Airport Property Map *	20.106	FAA AIP 3-36-0091-14-10 PIN 5904.44	178,600	-	6,747	28,265	28,265	21,518
Highway Planning and Construction	20.205	NYS DOT/D032498 PIN 5759.08	395,000	-	116,784	202,244	202,244	85,460
ARRA Section 5311 Transportation Grant **	20.509	PIN 5799.17.401	84,600	-	84,600	84,600	84,600	-
ARRA Section 5311 Transportation Grant - Bus and Bus Shelter **	20.509	NYS Contract # C003839	195,000	-	113,961	113,961	113,961	-
Subtotal U.S. Department of Transportation			1,172,084	17,465	482,847	622,829	622,829	157,447
Total			\$ 1,722,084	\$ 532,110	\$ 1,032,847	\$ 658,184	\$ 658,184	\$ 157,447

**Note 1 - Basis of Presentation**

The accompanying Schedule of Federal Awards includes Federal grant activity of the City of Olean, New York and is presented on the modified accrual basis of accounting. The information in the Schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore some amounts in the Schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

\* Constitutes a cluster of Federal programs

\*\* Constitutes a cluster of Federal programs



**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**

**To the Mayor and Members  
of the Common Council  
*City of Olean, New York***

We have audited the financial statements of the governmental activities and each major fund of the *City of Olean, New York* as of and for the year ended May 31, 2011, which collectively comprise the *City of Olean, New York's* basic financial statements and have issued our report thereon dated November 16, 2011. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered *City of Olean, New York's* internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore there can be no assurance that deficiencies, significant deficiencies and material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items II.A.2011-1, II.A.2011-2, II.A.2011-3 and II.A.2011-4 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item II.A.2011-5 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the *City of Olean, New York's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

*City of Olean, New York's* responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit *City of Olean, New York's* responses and, accordingly, we express no opinion on them.

We noted other matters involving internal control over financial reporting that we have reported to management of *City of Olean, New York* in a separate letter dated November 16, 2011.

This report is intended for the information of the Common Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Olean, New York  
November 16, 2011**



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

**To the Mayor and Members of  
the Common Council  
*City of Olean, New York***

**Compliance**

We have audited the compliance of the *City of Olean, New York* with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2011. The *City of Olean, New York's* major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the *City of Olean, New York's* management. Our responsibility is to express an opinion on the *City of Olean, New York's* compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit included examining, on a test basis, evidence about the *City of Olean, New York's* compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the *City of Olean, New York's* compliance with those requirements.

In our opinion, the *City of Olean, New York's* complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended May 31, 2011.

**Internal Control Over Compliance**

Management of *City of Olean, New York* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered *City of Olean, New York 's* internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing our opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of the 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 the internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses and therefore, can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 award 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items III.B.2010-6, III.B.2010-7, and III.B.2010-8 to be material weaknesses.

*City of Olean, New York's* responses to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit *City of Olean, New York's* response and, accordingly, we express no opinion on it.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the City in a separate letter dated November 16, 2011.

This report is intended for the information of the Common Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Olean, New York  
November 16, 2011**

**CITY OF OLEAN, NEW YORK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED MAY 31, 2011**

**I. SUMMARY OF AUDIT RESULTS**

1. The independent auditors' report expresses a qualified opinion on the financial statements of the *City of Olean, New York*.
2. There were five deficiencies noted during the audit of the financial statements as described in the 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. Items II.A.2011-1, II.A.2011-2, II.A.2011-3, and II.A.2011-4 are reported as material weaknesses, while item II.A.2011-5 is reported as a significant deficiency.
3. No instances of noncompliance material to the financial statements of the *City of Olean, New York* were disclosed during the audit as reported in the 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.
4. There were three deficiencies disclosed during the audit of the major federal assistance programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance With OMB Circular A-133. Items III.B.2011-6, III.B.2011-7, and III.B.2011-8 are reported as material weaknesses.
5. The auditors' report on compliance for the major federal awards programs of the *City of Olean, New York* expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. Major programs tested:

Name	Type	CFDA #	Federal Expenditures
U.S. Department of Transportation Airport Improvement Grant – Snow Removal Equip *	(Type B)	20.106	\$ 189,891
U.S. Department of Transportation Airport Improvement Grant – Airport Property Map *	(Type B)	20.106	28,265
U.S. Department of Transportation Highway Planning and Construction Grant	(Type B)	20.205	<u>202,244</u>
Total tested			<u>\$ 420,400</u>
Total Federal Awards			<u>\$ 658,184</u>
Percentage of total programs tested			<u>63.8%</u>

\* Constitutes a cluster of federal programs.

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The *City of Olean, New York* was not determined to be a low-risk auditee.

**II. FINANCIAL STATEMENTS AUDIT - FINDINGS**

**A. Internal Control over Financial Reporting**

**2011-1 Federal and State Grants**

**Year ended May 31, 2011**

**Condition and criteria:** The City has a process whereby the Departments that receive Federal and State grants are responsible for carrying out the conditions of the grant, including the completion and filing of claims for reimbursement. We noticed that when claims for reimbursement are filed with the Federal and State governments, there is a lack of communication with the City Auditor's Office, who is ultimately the Department that receives the reimbursements. This circumstance could lead to a situation whereby the funding requested is not received and requires additional follow-up similar to instances that occurred during the 2009 and 2010 years.

**Effect:** By not instituting a strong internal control system over the monitoring of grant receipts, the City could jeopardize certain grant funding and therefore absorb such costs locally.

**Auditors' Recommendations:** The City should develop an internal system with regard to its public works and community development projects that are funded through Federal and State grants, whereby, schedules that outline expenditures incurred to-date and submissions of reports for reimbursement are routinely provided to the City Auditor's office for review. Cash received from the Federal and State government should then be closely monitored and compared with these schedules, with follow-ups performed on any discrepancies.

**City's Response:** The City understands the importance of tracking the submission of reimbursement reports for Federal and State grants with the amounts received and will develop a system so that such information is provided to the City Auditor for monitoring.

**Year ended May 31, 2010**

Similar finding was reported upon during the year ended May 31, 2010

**2011-2 Segregation of Duties – Bank Reconciliations**

**Year Ended May 31, 2011**

**Condition and Criteria:** During the audit, we noted that presently there is no formal review of bank reconciliations performed by someone independent of the preparer. During the current year, the City contracted with an individual to perform reviews of certain cash functions in an effort to enhance segregation of duties over cash, however, there was no documentation present to verify that a review of the bank reconciliations was being performed. Furthermore, the balance per the bank reconciliation did not agree with the City's general ledger cash accounts.

**Effect:** Segregation of duties is a key element to an effective internal control environment. Because the reconciliation of cash is vital to its operations, the lack of proper segregation of duties in this area heightens the City's risk of potential errors and/or fraud.

**Auditors' Recommendations:** Accurate and timely bank reconciliations are a significant control function over the City's funds. The review of such reconciliations ensures that they are prepared accurately and timely. We recommend that a review of bank reconciliations be performed monthly by someone independent of the preparer and that this review be clearly documented. The review should consist of comparing the reconciliation with bank statements and general ledger account balances, along with following-up on unusual reconciling items.

**City's Response:** Due to the nature, complexity, and manual nature of the City's finance structure, the City Auditor is responsible for preparing the bank reconciliations for the majority of the accounts. The City will consider the auditors' recommendation.

**Year ended May 31, 2010**

Similar finding was reported upon during the year ended May 31, 2010.

**II. FINANCIAL STATEMENTS AUDIT – FINDINGS**

**A. Internal Control over Financial Reporting (continued)**

**2011-3 Adjusting Journal Entries and Required Disclosures to the Financial Statements**

**Year Ended May 31, 2011**

**Condition and Criteria:** During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the City properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments and footnotes were related to recording receivables, payables, deferred liabilities, and converting to the full accrual method for GASB 34 purposes. In addition, a draft of the financial statements was prepared by the auditors and accepted by the City.

**Effect:** The American Institute of Certified Public Accountants (AICPA) issued Statement on Auditing Standards Number 115, entitled Communicating Internal Control Related Matters in an Audit. This standard considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency.

**Auditors' Recommendation:** Although auditors may continue to provide such assistance both now and in the future, under this pronouncement, the City should continue to review and accept both proposed adjusting journal entries and footnote disclosures, along with the draft financial statements.

**City's Response:** The City has received, reviewed and approved all journal entries, footnote disclosures and draft financial statements proposed for the current year audit and will continue to review similar information in future years. Further, the City believes it has a thorough understanding of these financial statements and has the ability to make informed judgments based on these financial statements.

**Year ended May 31, 2010**

This finding was not reported upon during the fiscal year ended May 31, 2010.

**2011-4 Reconciliation of General Ledger**

**Year Ended May 31, 2011**

**Condition and Criteria:** During the current and prior fiscal year, the City began to record all transactions within a pre-packaged accounting general ledger system, whereas in previous years balance sheet accounts were maintained within Microsoft excel worksheets that were developed many years ago. Although dual systems were maintained throughout the year, differences that arose in certain balance sheet accounts and revenue and expense accounts were not investigated and corrected until the audit. During our audit, we also noted that the City does not perform reconciliations of asset and liability accounts during the year on a regular or routine basis.

**Effect:** Without regular and routine reconciliation of asset and liability accounts balances, a significant misstatement in the general ledger of the City would go undetected for extended periods of time and could result in inaccurate or incomplete information which is ultimately utilized by management in its decision making process throughout the year, including the establishments of annual budgets. Within the current audit, the lack of reconciliation resulted in several audit adjustments.

**Auditors' Recommendation:** We recommend that asset and liability accounts be reconciled by the City Auditor's office on a regular and routine basis. Further, reconciliations should be reviewed by management to ensure their accurate and timely completion.

**City's Response:** The City Auditor's office will take the necessary steps to remedy this issue. A reconciliation of all asset and liability balances will be performed on a monthly basis. Additionally the City will take the necessary steps to ensure the general ledger packages reconcile and agree to one and other on a regular basis.

**Year ended May 31, 2010**

This finding related to internal control over financial reporting was not reported on during the fiscal year ended May 31, 2010.



**II. FINANCIAL STATEMENTS AUDIT – FINDINGS**

**A. Internal Control over Financial Reporting (continued)**

**2011-5 Payroll System Review and Analysis**

**Year Ended May 31, 2011**

**Condition and Criteria:** Although the City utilizes a third-party provider to process its payroll, we noted that payroll change reports are not reviewed by someone independent of the individual responsible for submitting payroll information to the third-party provider. In addition, we noted instances in which the City paid certain employees throughout the year at rates less than that stipulated in their contractual agreements. This circumstance was primarily related to longevity pay increases that went into effect on the employees' anniversary date.

**Effect:** The lack of independent review of change reports creates a lack of segregation of duties with one individual having the ability to change pay rates without proper oversight. Additionally, without regular and routine independent review of third party payroll change reports, employees could be paid at rates which differ from that stated in their contractual agreement.

**Auditors' Recommendation:** We recommend that someone independent of the individual responsible for submitting payroll information to the third-party provider be assigned to review payroll change reports on a regular and routine basis. This process should be performed to ensure pay rates are consistent with the City's contractual agreements and that any new employees are verified. This review process should be well documented.

**City's Response:** The City understands the importance of having good controls over payroll and will consider the auditors' recommendation.

**Year ended May 31, 2010**

This finding related to internal control over financial reporting was not reported on during the fiscal year ended May 31, 2010.

**II. FINANCIAL STATEMENTS AUDIT – FINDINGS (Continued)**

**B. Compliance**

**Year ended May 31, 2011**

There are no compliance findings being reported upon for the fiscal year ended May 31, 2011.

**Year ended May 31, 2010**

There are no compliance findings being reported upon for the fiscal year ended May 31, 2010.

**III. MAJOR FEDERAL AWARD PROGRAMS AUDIT – FINDINGS AND QUESTIONED COSTS**

**A. Compliance**

**Year ended May 31, 2011**

No compliance findings are being reported upon during the fiscal year ended May 31, 2011.

**B. Internal Control over Compliance**

**Year ended May 31, 2011**

**All Federal Awards**

**2011-6 Federal and State Grants**

Same finding as that reported as II.A.2011-1 above.

**2011-7 Adjusting Journal Entries and Required Disclosures to the Financial Statements**

Same finding as that reported as II.A.2011-3 above.

**2011-8 Reconciliation of General Ledger**

Same finding as that reported as II.A.2011-4 above.

**Year ended May 31, 2010**

Finding 2011-6 on internal controls over compliance was reported upon for the year ended May 31, 2010, whereas findings 2011-7 and 2011-8 were not reported upon for the year ended May 31, 2010.



November 16, 2011

**To the Mayor and Members of  
The Common Council  
*City of Olean, New York***

**Ladies and Gentlemen:**

We have completed our 2010-11 audit of the City's financial statements and have issued our reports thereon dated November 16, 2011. Our audit report expressed opinion which states that the City's financial statements are in accordance with generally accepted accounting principles (except for not having a current appraisal to substantiate fixed assets) for governments. In addition, we have issued separate reports on internal controls over financial reporting and compliance with laws and regulations as required by Government Auditing Standards and OMB Circular A-133.

In planning and performing our audit of the financial statements of the *City of Olean, New York* for the fiscal year ended May 31, 2011, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation. As noted within the body of such reports, the City generally was in compliance with laws and regulations and maintains a reasonable system of accounting internal controls.

Attached to this letter is a summary of additional comments which we desire to bring to the Common Council and management's attention involving various matters. Although such matters were not of sufficient nature to be disclosed in the previously mentioned reports, we do feel the comments should be reviewed and acted upon primarily by the business staff.

We have reviewed the financial statements extensively with the Mayor and City Auditor. We believe these individuals have a good understanding of the financial condition of the City as well as the comments expressed in our annual report. We have enjoyed working with the City this year and wish to thank all of the staff who have assisted us during our audit.

**Financial Plan**

The City should continue to prepare projections of future revenue and expenditures and should consider developing a three to five year financial plan. This plan is particularly important as a result of the potential for future declines in Federal and State aid, increases in contractual expenditures and increases in retirement system contribution rates. We realize that such a plan will require the use of estimates and assumptions of information such as the amount of expected Federal and State Aid, expected rate increase in retirement systems and health insurance, potential increase in salaries, etc. However, we believe this plan could be a very useful tool that the City can utilize when negotiating employee contracts, setting future tax rates, purchasing future equipment, making improvements to infrastructure, establishing reserves and utilizing fund balance.

**Budget Transfers**

The City prepares budget transfers where accounts with leftover appropriations are transferred to accounts which experienced budget shortfalls. Any transfers made between fund types or transfers that are made from one expense category to another are first authorized by the Common Council. Budget transfers are ultimately entered within the City's accounting software which gives management the ability to monitor budget versus actual results. We noticed during our audit, however, that the City's current year encumbrances/commitments are currently being reduced from the budget within the City's accounting software. We recommend that the City contact its software provider and determine whether encumbrance/commitments can be presented in a separate column rather than being deducted from the budget as the total budgeted expenditures should agree to that approved by the Common Council.

**Allocation of Salaries**

During the fiscal year the City allocates a portion of salaries of certain positions (public works director, engineers, etc.) from the general fund to the sewer and water funds. The amounts allocated were based on estimates of time incurred in the various departments. We recommend that the City conduct time studies for these individuals which would document actual time spent in the various categories. This is particularly important because the sewer and water funds are supported by users, whereas the general fund's revenue is derived from real property tax assessments, sales tax and other sources of revenue.

**Journal entries and wire transfers**

The City should develop a standardize form which documents the date, amount and purpose of journal entries and wire transfers, which would be completed and signed by the individual initiating the transaction. The City should then designate one individual who would be responsible for reviewing the appropriateness of each journal entry and wire transfer.

**Credit Limits on Purchase Cards**

During our audit process we noted that various City employees are issued purchase cards for general use. The purchases made with such cards are to adhere to the City's purchasing policies. The credit limits on these cards vary by department and cardholder. We recommend that the City review the reasonableness of the credit limits based on volume of usage and departmental need.

**Policies and Procedures**

In today's environment it is critical to have good governance and for governmental entities to continually review, update and monitor its policies. We believe it is a prudent practice to periodically review and update policies and procedures of the City. Some of the areas that have received recent scrutiny in the governmental sector which the City may wish to consider reviewing include the following:

- Personal use of City's assets
- Credit card usage, regulation and Safeguarding
- Personal use of City's assets
- Travel reimbursement policy

In addition, the City should consider establishing the following policies:

- ***Whistleblower policy*** – The purpose of this policy is to establish procedures for receiving and dealing with complaints relating to accounting and auditing and for receiving anonymous complaints. The policy would provide structure to employees of the City in disclosing potential wrongdoing, while protecting such individuals from being disciplined or terminated for reporting actions taken by the employer that might violate the law.
- ***Conflict of interest policy*** – We recommend that the City adopt a formal policy covering potential conflict of interest situations. This policy should identify all business relationships and other dealings between the City and its Common Council, employees and other such parties with whom business is conducted with. The City should also require all Common Council members and members of management to sign a written statement which would identify any business relationships. These written statements should be reviewed and updated on an annual basis.

An important component of the governance process is to ensure that all employees have a full understanding of all policies adopted by the Common Council. As such, the City may wish to include a policy review with members of its staff whereby Management could communicate to the entire staff the importance placed on such policies.

**First Time Homebuyers/Revolving Loan Programs Deposits/ Trust and Agency Receipts**

During our review of First Time Homebuyer's, Revolving Loan, and Trust and Agency cash receipts, we noted that there not a formal process in place for documenting the timing of cash receipts. In prior years, we also noted that receipts were not always being deposited into the bank in a timely basis; rather such funds are being locked in a locked safe at the City. This process has improved in recent years, however due to the lack of documenting the timing of the receipts, determining the timeliness of the deposits could not be specifically verified. We recommend that the cash receipts for these funds be deposited on a more regular basis throughout the year and the City develop a process for identifying the date or timing of these receipts.

**Agency Fund**

**Reconciliation of Medical Savings Account**

Currently, the City of Olean maintains a bank account that houses medical savings plan through a third-party administrator. We recommend that the balance of this bank account and corresponding general ledger account be reconciled with balances from its third-party administrator on a monthly basis.

**Adequacy of Account Activity**

Currently, the City maintains over thirty-five agency funds. We suggest that Management review each fund and determine whether funds meet the definition of the City acting as the trustee or agent in a fiduciary manner. A policy should be established which dictates which funds meet this criteria and which funds should be rather included in the City's general fund.

**Disbursements**

We noted in our disbursement testing that invoices received by the Trust and Agency fund were not present in all instances. Further, in many cases we noted no indication that the invoice received was reviewed for clerical accuracy. We recommend the City obtain invoices and attach all invoices to their respective voucher packet. Additionally, we recommend that all vouchers be signed and reviewed by the City Auditor.

**Equipment and Inventory**

It is extremely important for all entities to have processes in place so that assets are properly safeguarded against loss or misuse. The following are internal controls that the City should consider implementing.

**Equipment**

An annual inventory of City property and equipment should be performed, with any discrepancies between the physical count and the City's appraisal being investigated and explained. Adherence to this policy is a sound accounting practice that helps to safeguard the City's assets, and limits the possibility of their loss or misappropriation.

**Maintenance and Transportation Supplies**

Additionally, the City should consider maintaining a perpetual inventory system for its maintenance and transportation supplies. A physical inventory should be performed on an annual basis and compared with the perpetual inventory with any differences investigated. The physical and perpetual inventory reports should be provided to the auditor's office for review.

**Fixed Assets**

**Capitalization Thresholds**

We recommend that the City establish a fixed asset capitalization policy whereby equipment and capital improvements with costs exceeding a certain threshold are capitalized. Government Finance Officers Association (GFOA) suggests that the capitalization threshold should ensure that at least 80% of the value of assets are capitalized as fixed assets and that the threshold does not exceed \$5,000. If a higher threshold is selected, the City may wish to maintain an inventory of all assets, however, for insurance purposes only.

**Fixed Asset Reconciliation**

Because the City's financial statements now require fixed assets to be reported at cost and to record depreciation, it will be important for the City to reconcile current year capital and equipment additions recorded on its general ledger system with those recorded on the independent appraisal.

**Technology**

**Disaster recovery plan**

Ensuring that all IT systems are properly backed up is essential for governmental entities. Although, the City typically performs restore tests throughout the year, there is no formal schedule as to when these backups are performed. We recommend that the City perform backup restore tests on a regular basis, which should be adequately documented. In addition, the City should develop a comprehensive disaster recovery plan which outlines the procedures it would take in the event that all stored data files were lost unexpectedly in its technology plan.

**Informal policies**

During inquiries, we understand that the City has informal policies which guide personnel in creating and changing employee passwords, suspending terminated employees account access, routine workstation and server audit policy and workstation and workstation data security. The City should attempt to formalize these internal policies.

In addition, the City should identify those individuals that currently have access to various modules within its accounting software. A listing of individuals with rights to perform various accounting transactions should be maintained, reviewed and verified by someone independent of the auditor's office on a regular basis. As part of this process, restrictions should be placed on certain functions such as the individual processing payroll should not have access to the payroll module where changes to pay rates are made.

**STATISTICAL SECTION**

General Governmental Expenditures by Function

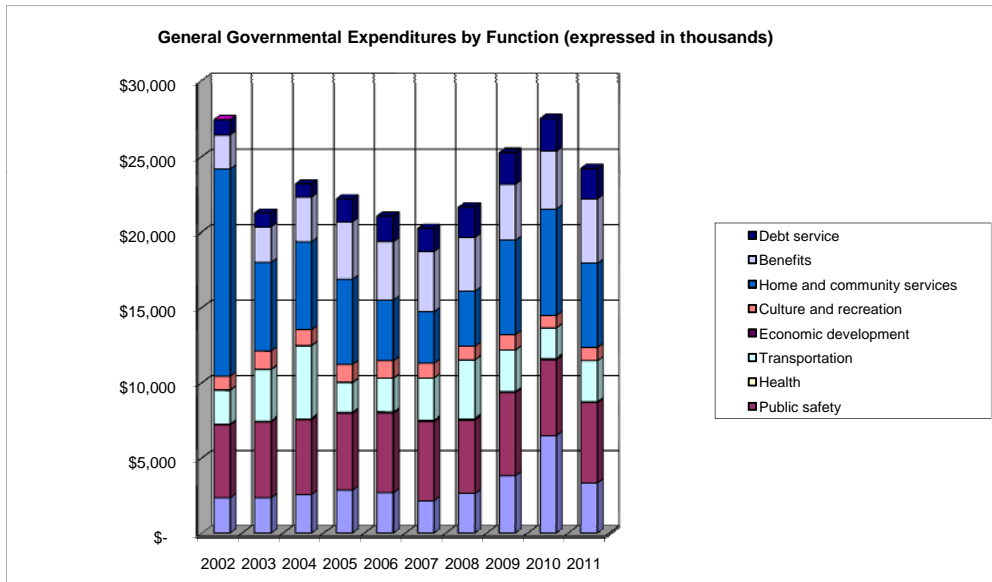
Governmental Funds

Last Ten Fiscal Years

(amounts expressed in thousands)

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government support	\$ 2,369	\$ 2,370	\$ 2,588	\$ 2,885	\$ 2,716	\$ 2,173	\$ 2,648	\$ 3,799	\$ 6,504	\$ 3,359
Public safety	4,845	5,030	4,968	5,063	5,239	5,244	4,890	5,534	5,036	5,303
Health	54	68	61	72	82	84	85	74	86	59
Transportation	2,218	3,411	4,809	1,981	2,267	2,810	3,902	2,731	2,002	2,752
Economic development	26	26	26	26	15	15	15	15	15	-
Culture and recreation	921	1,187	1,050	1,193	1,157	981	857	1,027	817	845
Home and community services	13,723	5,892	5,860	5,637	4,037	3,411	3,661	6,285	7,065	5,601
Benefits	2,242	2,343	2,956	3,808	3,860	3,991	3,592	3,715	3,828	4,282
Debt service	1,025	904	874	1,530	1,660	1,512	1,997	2,065	2,151	1,984
<b>Total</b>	<b>\$ 27,423</b>	<b>\$ 21,231</b>	<b>\$ 23,192</b>	<b>\$ 22,195</b>	<b>\$ 21,033</b>	<b>\$ 20,221</b>	<b>\$ 21,647</b>	<b>\$ 25,245</b>	<b>\$ 27,504</b>	<b>\$ 24,185</b>

Source: City of Olean Annual Report (2002-2011)





**City of Olean**

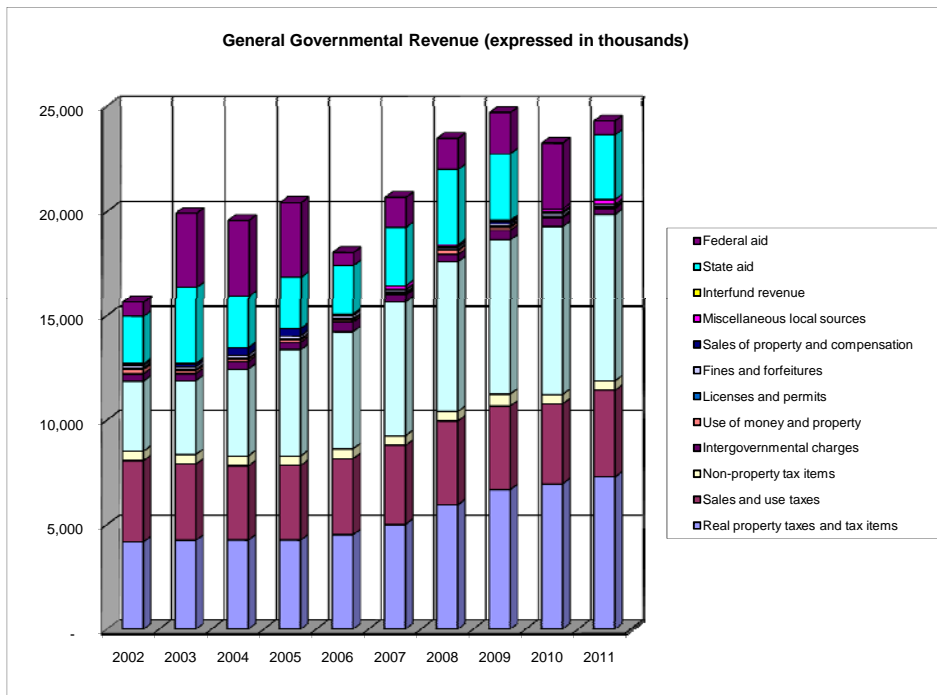
**General Governmental Revenues by Source**  
Governmental Funds

**Last Ten Fiscal Years**  
(amounts expressed in thousands)

**Source**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Real property taxes and tax items	\$ 4,179	\$ 4,254	\$ 4,262	\$ 4,262	\$ 4,518	\$ 5,013	\$ 5,954	\$ 6,679	\$ 6,953	\$ 7,284
Sales and use taxes	3,884	3,642	3,550	3,569	3,642	3,784	4,009	3,995	3,822	4,142
Non-property tax items	451	459	474	455	468	454	452	572	450	455
Departmental income	3,350	3,531	4,152	5,082	5,599	6,409	7,169	7,374	8,023	7,946
Intergovernmental charges	352	337	366	359	464	327	339	457	416	286
Use of money and property	202	128	103	104	95	70	189	127	44	36
Licenses and permits	85	64	59	59	64	54	52	78	38	62
Fines and forfeitures	103	130	142	142	150	110	108	96	131	90
Sales of property and compensation	41	124	355	347	21	37	33	92	83	13
Miscellaneous local sources	50	43	-	-	55	175	89	77	126	221
Interfund revenue	-	-	-	-	-	-	-	-	-	-
Bad debt expense	-	-	-	-	59	-	-	-	-	-
State aid	2,270	3,640	2,463	2,460	2,324	2,774	3,575	3,170	3,130	3,082
Federal aid	679	3,530	3,611	3,551	606	1,426	1,481	1,955	667	658
	<u>\$ 15,646</u>	<u>\$ 19,882</u>	<u>\$ 19,537</u>	<u>\$ 20,390</u>	<u>\$ 18,065</u>	<u>\$ 20,633</u>	<u>\$ 23,450</u>	<u>\$ 24,672</u>	<u>\$ 23,883</u>	<u>\$ 24,275</u>

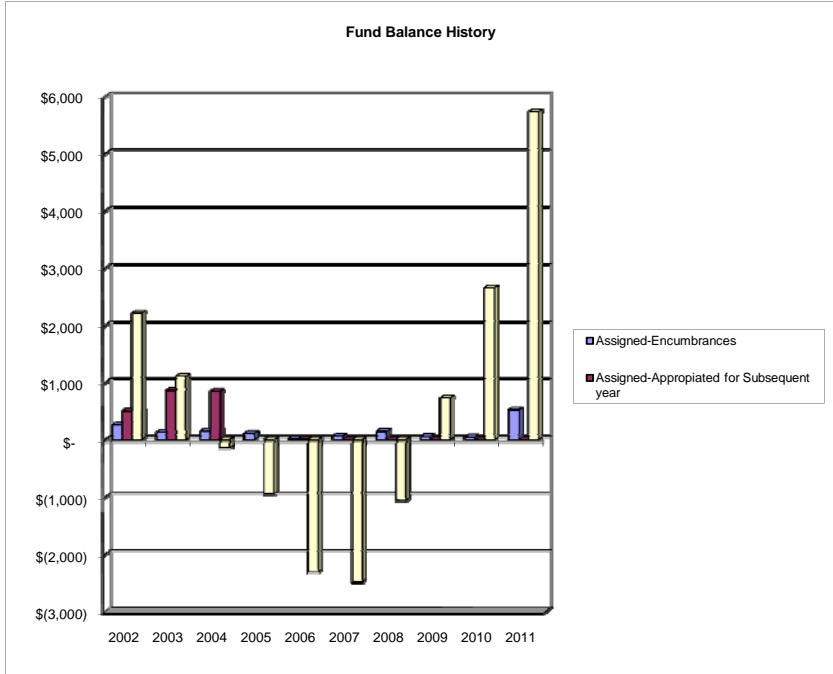
Source: City of Olean Annual Report (2002-2011)



**City of Olean**  
**Fund Balance History**  
 General Fund

**Last Ten Fiscal Years**  
 (amounts expressed in thousands)

<u>Source</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Assigned-Encumbrances	\$ 264	\$ 134	\$ 154	\$ 116	\$ 14	\$ 59	\$ 148	\$ 55	\$ 49	\$ 525
Assigned-Appropriated for Subsequen	500	864	850		15	-	-	-	-	-
Unassigned	2,215	1,107	(141)	(949)	(2,309)	(2,480)	(1,058)	732	2,658	5,728
<b>Total</b>	<b>\$ 2,979</b>	<b>\$ 2,105</b>	<b>\$ 863</b>	<b>\$ (833)</b>	<b>\$ (2,280)</b>	<b>\$ (2,421)</b>	<b>\$ (910)</b>	<b>\$ 787</b>	<b>\$ 2,707</b>	<b>\$ 6,253</b>



Source: City of Olean Annual Report (2002-2011)

Assessed and Equalized Full Value of Taxable Property (1)

Last Ten Fiscal Years

(amounts expressed in thousands)

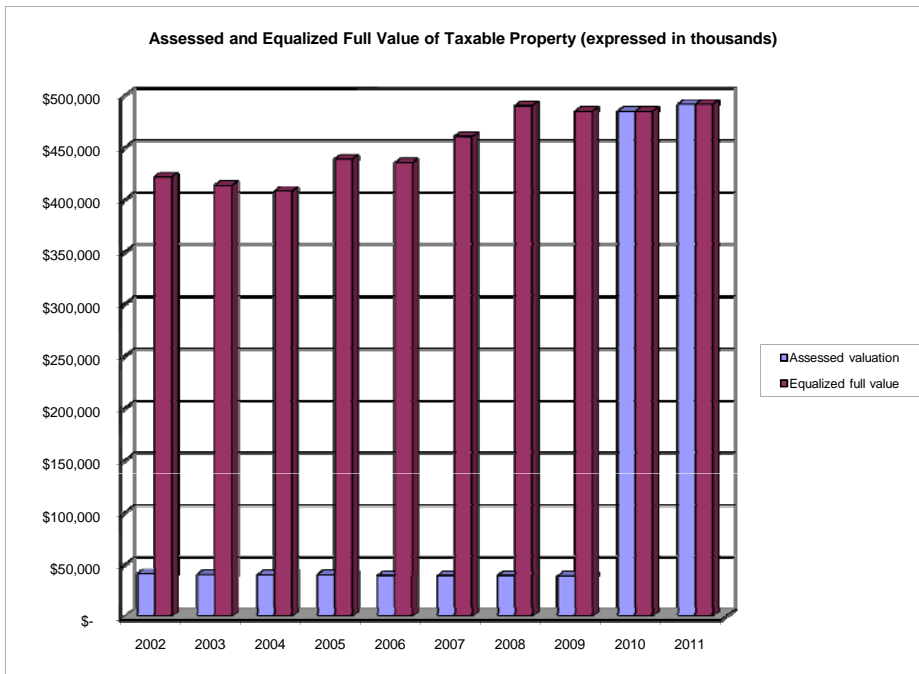
Source

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	#	<u>2011</u>
Assessed valuation	\$ 41,107	\$ 40,319	\$ 39,782	\$ 40,052	\$ 39,154	\$ 39,141	\$ 39,178	\$ 38,725	\$ 484,646		\$ 491,202
Equalized full value	421,610	413,528	408,021	438,686	435,044	460,482	489,725	484,520	484,646		491,202
Ratio: Assessed value to equalized full value	<u>9.75%</u>	<u>9.75%</u>	<u>9.75%</u>	<u>9.13%</u>	<u>9.00%</u>	<u>8.50%</u>	<u>8.00%</u>	<u>7.99%</u>	<u>100.00%</u>	#	<u>100.00%</u>

Notes:

- (1) Equalization rates are provided by New York State and applied by the City to the assessed valuation of taxable real estate to arrive at equalized full value which is comparable to estimated actual value. Taxable values are used from the preceding years assessment rolls.

Source: City of Olean Annual Report (2002-2011)



Ratio of General Bonded Debt to Assessed Value  
and Net Bonded Debt Per Capita

Last Ten Fiscal Years

Source

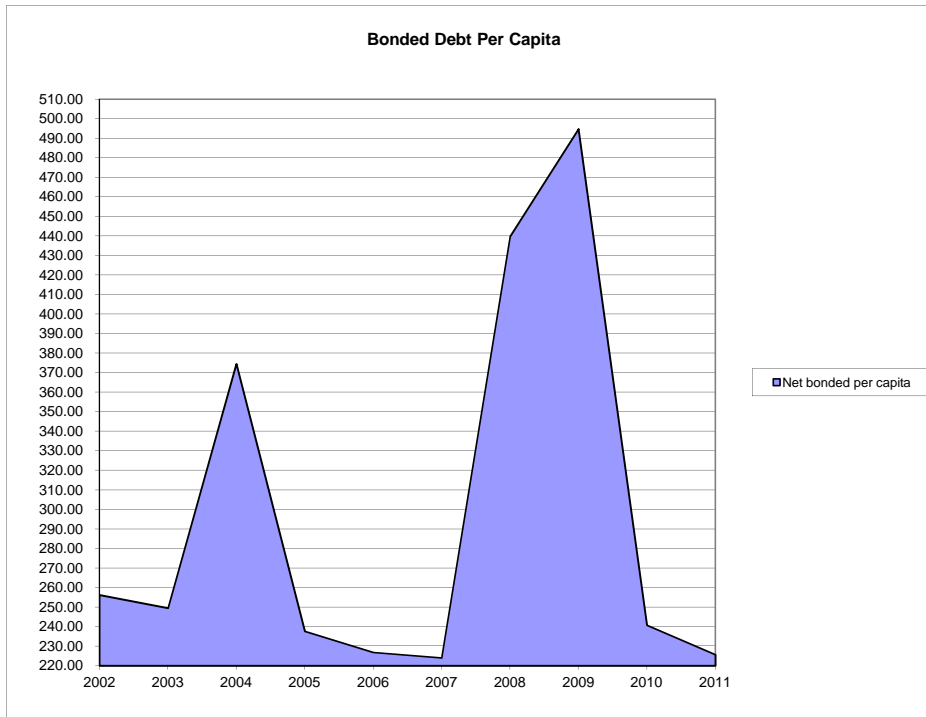
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net bonded per capita	256.14	249.50	374.54	237.57	226.75	223.95	439.70	494.82	240.76	225.57
Population	15,347	15,347	15,347	15,347	15,347	15,347	15,347	15,347	15,347	14,452
Assessed value (000)	41,107	40,319	39,782	40,052	39,154	39,141	39,178	38,725	48,465	49,120
Gross bonded debt (000)	15,427	15,523	19,022	20,278	20,565	23,022	26,110	32,786	30,584	29,052
Less: self-supporting debt (000)	11,496	11,694	13,274	16,632	17,085	19,585	19,362	25,192	26,889	25,792
Net bonded debt (000)	3,931	3,829	5,748	3,646	3,480	3,437	6,748	7,594	3,695	3,260
Ratio of net bonded debt to assessed value	<u>9.56%</u>	<u>9.50%</u>	<u>14.45%</u>	<u>9.10%</u>	<u>8.89%</u>	<u>8.78%</u>	<u>17.22%</u>	<u>19.61%</u>	<u>7.62%</u>	<u>6.64%</u>

Notes:

Self-supporting debt includes water debt

Sources:

Population (2002-2010) were obtained from the 2000 census  
 Population (2011) were obtained from the 2010 census  
 Assessed value amounts were obtained via the City Assessor's office.  
 Debt amounts were obtained via the City Auditor's report 2002-2011



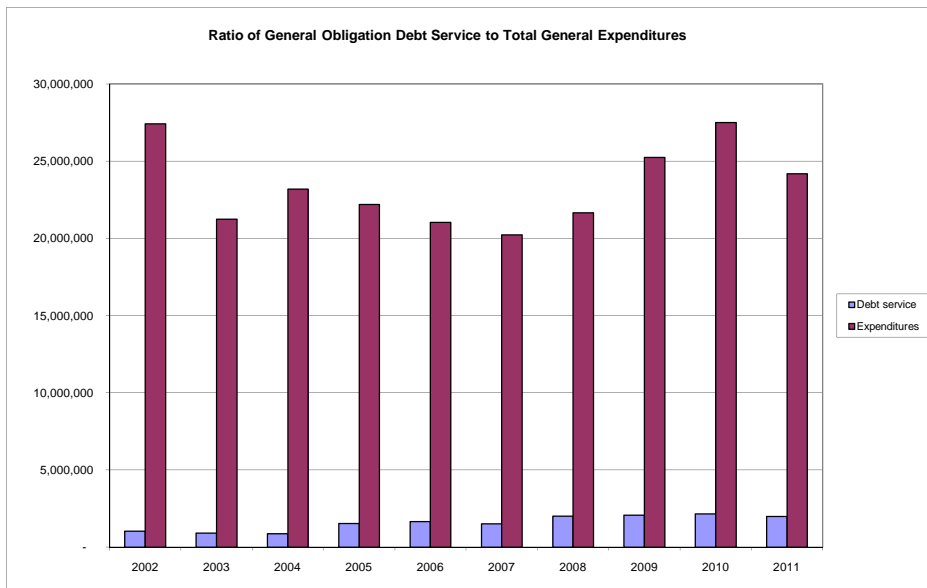
Ratio of General Obligation Debt Service to  
Total General Expenditures

Last Ten Fiscal Years

Source	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt service	1,025,000	904,000	874,000	1,530,000	1,660,000	1,512,000	1,997,000	2,065,000	2,151,000	1,984,000
Expenditures	27,423,000	21,231,000	23,192,000	22,195,000	21,033,000	20,221,000	21,647,000	25,245,000	27,504,000	24,185,000
Ratio of general debt service to total general expenditures	3.74%	4.26%	3.77%	6.89%	7.89%	7.48%	9.23%	8.18%	7.82%	8.20%

Notes:

- (1) Debt service amounts shown include payments made from all governmental fund types
- (2) General expenditures include amounts recorded in the general, special revenue, capital projects and debt service funds for all years.



**City of Olean**  
**Principal Taxpayers**

**Fiscal Year Ended May 31, 2011**

**Page 86**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Estimated Equalized Full Value</u>	<u>Percentage of Equalized Full Value</u>
National Grid	Public Utility	\$ 14,285,227	2.91%
NYS Electric & Gas	Public Utility	10,639,560	2.17%
Park Centre Development	Real Estate	10,601,300	2.16%
2501 West State Street	Grocery Store	6,950,000	1.41%
Dresser-Rand Industries	Manufacturing	5,756,400	1.17%
Cutco Cutlery Corp. & Alcas	Manufacturing	5,021,600	1.02%
ZRAJ Olean, LLC	Shopping Mall	4,924,275	1.00%
Troy CMBS Prop.	Large Retail	4,300,000	0.88%
Olean Medical Properties	Health Care	4,276,800	0.87%
Eden Heights of Olean	Retirement Facility	4,225,000	0.86%
<b>Total</b>		<b>\$ 70,980,162</b>	<b>14.45%</b>

**Note:**

Percentage of equalized full value is calculated by dividing the valuation shown for each of the listed taxpayers by the City's total equalized full value.

