

CITY OF OLEAN, NEW YORK

***FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION***

***FOR THE
FISCAL YEAR ENDED MAY 31, 2015
WITH INDEPENDENT AUDITOR'S REPORT***

CITY OF OLEAN, NEW YORK

MAY 31, 2015

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INDEPENDENT AUDITOR'S 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* as of and for the year ended May 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the fiduciary funds of the *City of Olean, New York* in the accompanying and individual fund statements as of and for the year ended May 31, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the *City of Olean, New York's* as of June 30, 2015, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a matter

As discussed in Note 6 to the financial statements, fixed assets, accumulated depreciation and net position have been adjusted as of and for the year ended May 31, 2015, resulting from a new appraisal of the City's fixed assets. In addition, adjustments were made to equity in the water, sewer and general fund as described in Note 6, resulting from a reclassification of where prior debt and capital lease payments were made. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited the *City of Olean, New York's* May 31, 2014 financial statements, and our report dated November 9, 2015, expressed modified opinions on the respective financial statements of the governmental activities and each major fund financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the *City of Olean, New York's* basic financial statements as a whole. The supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

The accompanying schedule of expenditures of New York State Department of Transportation assistance as listed in the table of contents is presented for the purpose of additional analysis as required by the New York State Department of Transportation Draft Part 43 of the New York State Codification of Rules and Regulations, and is not a required part of the basic financial statements. This schedule is the responsibility of the County's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2015, on our consideration of the *City of Olean, New York's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering *City of Olean, New York's* internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
November 9, 2015**

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, 2015. 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, 2015:

- Overall net assets of the City increased from operations during the current year in the amount of \$3,857,000, as compared to an increase of \$1,463,000 during the prior fiscal year.
- Total net assets of the City as of May 31, 2015 amounted to approximately \$38,864,000.
- The City's total revenue increased approximately 14% from \$24,056,000 during the fiscal year ended May 31, 2014 to \$27,374,000 during the fiscal year ended May 31, 2015. This increase was primarily the result of increases in capital grants and contributions related to the North Union Street Project.
- The City's total expenses increased approximately 4% from \$22,593,000 during fiscal year ended May 31, 2014 to \$23,517,000 during the fiscal year ended May 31, 2015. This increase was primarily related to increases in depreciation, health insurance costs and state retirement costs.
- The City incurred capital costs in the amount of approximately \$9,350,000 primarily related to the purchase of new vehicles, other general equipment, work performed on the North Union Rehabilitation, CHIPS, Airport Master Plan and other miscellaneous capital projects.
- The general fund reported an overall fund balance of approximately \$3,334,000 as of May 31, 2015.

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

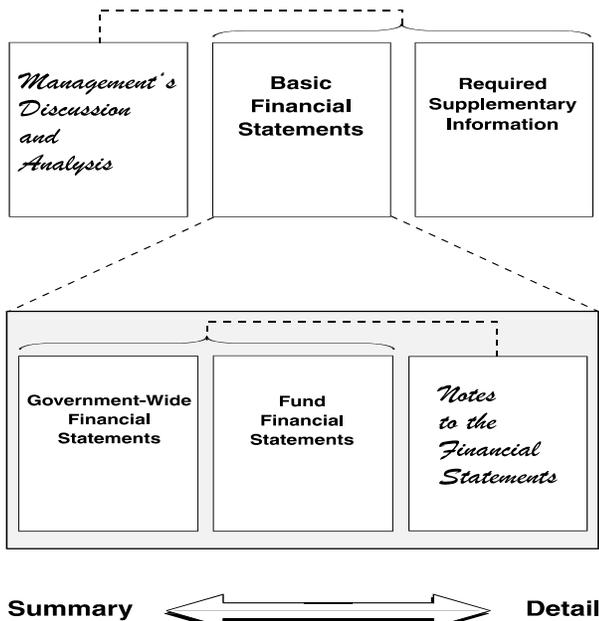
Most of the City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending.

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 and liabilities that come due 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 \$27,374,000. Approximately 26%, 17%, and 48% of total revenue is derived from the property taxes, non-property taxes and program revenue, respectively. The remaining 9% 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 \$23,517,000 for the fiscal year ended May 31, 2015. The City's expenses cover a range of services, with 11%, 25%, 16%, and 23% 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 26% of the City's total revenue for governmental activities. Total property taxes increased approximately \$95,000 or 1% during the current fiscal year. The City budgeted for a small increase in property taxes in 2014-15.
- One of the City's most significant general revenue is non-property taxes, which represents \$4,644,000 or 17% of total governmental revenue. Total non-property taxes decreased approximately \$9,000 or 0% as a result of an overall decrease in sales and use tax revenues.
- The City's program revenue totaled approximately \$13,179,000. Program revenue consists of charges for services in the amount of \$8,913,000, which is primarily related to revenue received in the special revenue funds of approximately \$7,358,000. 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 \$662,000, 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 \$3,604,000, which consists of grants related to the City's capital project funds. These projects include federal and state grants for the North Union Street Rehabilitation, airport improvements (FAA and NYS DOT), and the CHIPS program (NYS DOT and Marchesilli).

**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 from operations \$3,857,000 or 11%. The components of net assets include: invested in capital assets, net of related debt of \$33,976,000; restricted net assets of \$2,014,000; and unrestricted net assets of \$2,874,000 as of May 31, 2015.

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

Revenue (continued)

Total charges for services increased approximately 4% during the current fiscal year as a result of increases in rates and usage in the water and sewer funds. Total operating grants increased approximately 11% during the current fiscal year, as a result of an increase in NYS Mass Transit funding received and grant funding in the Revolving Loan fund related to Four Mile Brewing. Lastly, capital grants and contributions increased approximately 412% during the current year, which was primarily related to North Union Street Rehabilitation and Airport Improvements.

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 \$23,517,000.

- The City's general governmental support was approximately \$2,507,000 or 11% 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 increased approximately 11% in primarily due to an increase in depreciation related to a new appraisal.
- The City's public safety costs were approximately \$5,987,000 or 25% of total expenditures. These expenditures consist primarily of costs attributable to the fire and police departments. Total costs for public safety increased 1% during the current year related to equipment purchases made in the police department and depreciation related to a new appraisal.

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

Expenses (continued)

- Transportation costs of the City were approximately \$3,696,000 or 16% 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 increased approximately 11% during the current year due to depreciation related to a new appraisal.
- The City's culture and recreation costs were approximately \$969,000 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 increased approximately 8% which was primarily related to an increase in depreciation and Bradner Stadium repairs recorded in the General Fund.
- Home and community services costs were approximately \$4,303,000 or 18% 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 decreased approximately 2% which was related to decreases in the light and power expenses in the Water and Sewer fund.
- Employee benefit costs were approximately \$5,326,000 or 23% 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 10% during the current fiscal year primarily as a result of increases in health insurance and state pension costs.
- During the current fiscal year, the City had debt service costs of \$669,000. These costs were primarily related to the current fiscal year interest payments on long-term debt. 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>			
<i>Condensed Statement of Net Position</i>			
<i>As of May 31, 2015</i>			
<i>(in thousands of dollars)</i>			
	2014	2014	Change
Assets			
Current and other assets	\$ 15,907	\$ 14,422	10%
Capital Assets	60,750	55,033	10%
Total assets	\$ 76,657	\$ 69,455	10%
Liabilities			
Other liabilities	\$ 2,864	\$ 2,236	28%
Long-term debt outstanding	30,794	26,555	16%
Total liabilities	33,658	28,791	17%
Deferred Inflows of Resources			
Taxes collected for subsequent year	4,135	4,780	0%
Net Position			
Net investment in capital assets	33,976	30,781	10%
Restricted	2,014	2,672	-25%
Unrestricted	2,874	2,431	18%
Total net position	38,864	35,884	8%
Total liabilities and net position	\$ 76,657	\$ 69,455	11%

Figure A-4 – Condensed Statement of Activities

<i>City of Olean, New York</i>			
<i>Condensed Statement of Activities</i>			
<i>For the Year Ended May 31, 2015</i>			
<i>(in thousands of dollars)</i>			
	2015	2014	Change
Revenue			
Program Revenue			
Charges for services	\$ 8,913	\$ 8,604	4%
Operating grants	662	599	11%
Capital grants & contributions	3,604	704	412%
General Revenue			
Real property taxes	7,097	7,002	1%
Special assessment tax - real property	12	15	-16%
Real property tax items	84	132	-37%
Non-property tax items	4,644	4,654	0%
Use of money and property	5	8	-38%
State aid	2,353	2,338	1%
Total revenue	27,374	24,056	14%
Expenses			
General government support	2,507	2,265	11%
Public safety	5,987	5,919	1%
Health	60	134	-56%
Transportation	3,696	3,334	11%
Culture and recreation	969	896	8%
Home and community services	4,303	4,376	-2%
Employee benefits	5,326	4,859	10%
Debt service	669	810	-17%
Total expenses	23,517	22,593	4%
Change in net position	\$ 3,857	\$ 1,463	

Figure A-5 – Governmental Sources of Revenue

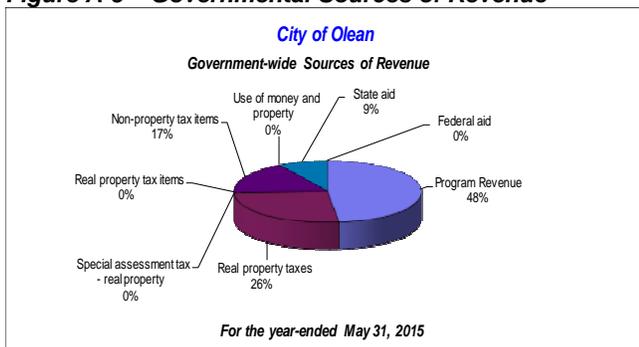
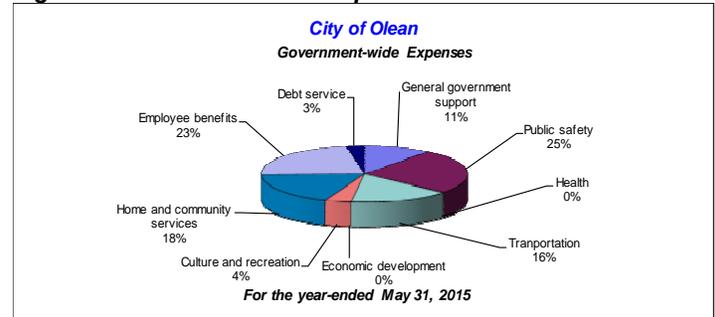


Figure A-6 – Governmental Expenses



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 \$76,000 during the year ended May 31, 2015.
- The City's general fund unassigned fund balance equated to approximately \$3,095,000 as of May 31, 2015.
- The City had an assigned fund balance as of May 31, 2015, which approximated \$239,000.
- The total assets for the City's general fund were \$9,364,000 which decreased approximately \$258,000 during the current year, primarily related to a decrease in advances to other fund balances as of May 31, 2015. The City's general fund liabilities and deferred inflows as of May 31, 2015 were \$6,030,000 which decreased approximately \$401,000 during the current fiscal year, primarily related to a decrease in deferred inflows from real estate taxes.

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

General Fund (continued)

- The City's total revenue and other sources in the general fund decreased approximately \$120,000 or 1% during the current year as a result of a decrease in interfund transfers related to closing out certain capital projects in the prior year. This decrease was partially offset by increases in real estate tax collections and state aid. This was offset by decreases in departmental income. Total expenditures and other uses in the general fund decreased approximately \$1,481,000 or 8% which was primarily related to decreases in interfund transfers to the capital projects fund.

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 \$7,495,000 which increased \$407,000 primarily related to increases in departmental income in both the water and sewer funds. Total expenditures and other uses were \$6,934,000 which decreased \$456,000. This decrease primarily related to current year decreases in water and sewer fund transfers to capital fund due to the funding of capital projects occurring in the prior year.
- During the current year the City made a prior period adjustment in the amount of \$472,039 to transfer equity in the water fund to the sewer fund. This adjustment was related prior year debt payments made by the Sewer Fund that was related to a Water Fund capital project. In addition, an adjustment was made to transfer \$67,024 from the sewer fund to the general related to principal and interest lease payments in the prior year made in the General Fund that should have been recorded in the Sewer Fund.

Debt Service Fund

- The City's current fiscal year revenue and other sources were \$2,438,000 which decreased approximately \$267,000. Expenditures during the current year amounted to \$2,437,000 which decreased approximately \$106,000. These decreases were related to decreases in long-term debt requirements.

Capital Projects Fund

- During the current year, the City incurred total costs in the capital projects fund in the amount of \$8,939,000. Such costs were primarily related to costs associated with the York St. and Prospect Ave. Improvements (\$2,514,000), North Union Street Rehabilitation (\$2,065,000), and the Airport improvements (\$1,108,000). No other project exceeded \$1 million in expenditures during the year ending May 31, 2015.

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 \$681,000 below the revised budget. The most significant variance were in the areas of general governmental support and culture and recreation which were under budget by approximately \$362,000 and \$137,000. The City's employee benefits were approximately \$145,000 above the amount budgeted. On the other hand, resources available for appropriations were approximately \$195,000 below the final budgeted amount. Significant variance of revenue items consisted of departmental income that was approximately \$145,000 below that budgeted.

VII. Capital Asset and Debt Administration

Capital Assets

As of May 31, 2015, the City had a net investment of \$60,750,000 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, 2015, totaled approximately \$9,350,000 and consisted primarily of costs associated with North Union Rehabilitation, York St. and Prospect Ave. Improvements the purchase of new vehicles, airport renovations, and other miscellaneous capital 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, 2015, the City had approximately \$30,794,000 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.

CITY OF OLEAN, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MAY 31, 2015

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, 2015</i>			
<i>(in thousands of dollars)</i>			
Revenue	Revised Budget	Actual	Difference
Real property taxes	\$ 7,097	\$ 7,097	\$ -
Special assessment tax - real property	16	12	(4)
Real property tax items	144	84	(60)
Non-property tax items	4,677	4,644	(33)
Departmental income	1,294	1,149	(145)
Intergovernmental charges	153	152	(1)
Use of money and property	13	3	(10)
Licenses and permits	51	41	(10)
Fines and forfeitures	80	63	(17)
Sales of property and comp for loss	-	12	12
State aid	2,942	3,015	73
Total revenue	<u>\$ 16,467</u>	<u>\$ 16,272</u>	<u>\$ (195)</u>
Expenses			
General government support	\$ 2,588	\$ 2,226	\$ 362
Public safety	5,539	5,421	118
Health	70	53	17
Transportation	2,476	2,384	92
Economic development	15	-	15
Culture and recreation	1,115	915	200
Home and community services	254	166	88
Employee benefits	4,091	4,236	(145)
Debt service	21	23	(2)
Other financing uses			
Transfer to other funds	709	772	(63)
Total expenses	<u>\$ 16,878</u>	<u>\$ 16,196</u>	<u>\$ 682</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:

- NYS has imposed a 1.48% property tax cap on all municipalities as it relates to the 2014-15 budget year. The City is carefully adhering to the state mandated tax cap, as it affects the City's operations and the services it presently provides to its citizens.
- The City has seen 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 2015-16 fiscal year the Council adopted a budget with no tax increase.

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

- New York State has announced that it intends to continue AIM funding in 2015-16 at the same levels realized in the 2014-15 fiscal year.
- The contract with the Fire Department bargaining unit within the City of Olean expired on May 31, 2011 and an agreement on wages and health insurance only has been reached for the period of 6/1/13 through 5/31/16. A third party arbitrator will rule on the period 6/1/11 through 5/31/13. Both police union contracts expired on May 31, 2015 and the CSEA bargaining unit contract expires on May 31, 2016. The City of Olean is concerned with rising health care costs and believes this will play an integral part in the outcome of negotiations with the unsettled contracts.
- The rehabilitation of North Union Street began in the fall of 2014 and will continue into 2016. The City of Olean was the recipient of a \$6.5 million TIGER Grant that will be used to improve the sewer system and other infrastructure on this important street.
- Renovations and upgrades to the local airport are continuing, including the addition of 10 new hangers. The improvements also include upgrades to the fueling facilities and runway.
- Construction of a retail complex and hotel is underway in North Olean on a former Brownfield area. This project is expected to create new jobs and increase sales tax revenues in the years to come.

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 POSITION
AS OF MAY 31,

Assets	2015	2014
Cash on hand	\$ 1,348	\$ 1,348
Cash on deposit		
Regular accounts	9,281,157	9,159,613
Receivables		
Refuse and garbage	1,869	1,869
Special assessment	1,882	1,882
Accounts receivable	1,904,040	1,895,261
Due from other funds	9,826	4,247
State and federal	2,018,192	1,250,406
Due from other governments	-	13,365
Revolving loans receivable	131,432	100,403
First Time Homebuyers loans receivable	101,585	72,517
Rehabilitation loans receivable	6,313	6,699
Cash to be used for capital assets	2,449,273	1,914,399
Capital assets, net	60,750,116	55,033,022
Total assets	<u>\$ 76,657,033</u>	<u>\$ 69,455,031</u>
Liabilities		
Payables		
Accounts payable	\$ 1,223,829	\$ 929,977
Accrued liabilities	1,003,803	745,221
Due to other funds	2,716	13,248
Due to employee retirement system	316,667	336,167
Other liabilities	77,940	31,601
Unearned revenue	239,330	179,935
Long-term liabilities		
Portion due or payable within one year		
Due to other governments	-	22,656
Bond anticipation notes payable - construction	5,817,224	-
NYS EFC notes	310,000	305,000
Serial bonds payable	1,305,000	1,385,000
Capital leases	171,568	118,939
Environmental liability	225,000	225,000
Retirement incentive	3,000	3,000
Compensated absences	35,000	35,000
Portion due or payable after one year		
NYS EFC notes	4,195,000	4,505,000
Serial bonds payable	16,905,000	18,210,000
Capital leases	1,039,209	974,660
Environmental liability	507,000	507,000
Retirement incentive	12,000	17,000
Compensated absences	249,095	239,763
Other-post employment benefits	19,817	6,753
Total liabilities	<u>33,658,198</u>	<u>28,790,920</u>
Deferred Inflows of Resources		
Taxes collected for subsequent year	4,134,943	4,780,151
Net Position		
Net investment in capital assets	33,975,559	30,781,005
Restricted for		
Debt service	207,287	205,365
Capital	1,806,351	2,466,763
Unrestricted:		
Designated	319,086	579,235
Undesignated	2,555,609	1,851,592
Total net position	<u>38,863,892</u>	<u>35,883,960</u>
Total liabilities and net position	<u>\$ 76,657,033</u>	<u>\$ 69,455,031</u>

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

	Program Revenues				2015	2014
	Expenses	Charges for Services	Operating Grants	Capital Grants & Contributions	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs						
General government support	\$ 2,507,065	\$ 261,820	\$ -	\$ 147,565	\$ (2,097,680)	\$ (1,936,043)
Public safety	5,986,942	143,242	67,647	104,505	(5,671,548)	(5,644,479)
Health	59,590	582,045	-	-	522,455	530,234
Transportation	3,695,807	332,009	594,752	2,556,559	(212,487)	(2,289,821)
Economic development	-	13,036	-	-	13,036	10,835
Culture and recreation	969,289	225,700	-	2,698	(740,891)	(680,413)
Home and community services	4,303,327	5,726,833	-	792,742	2,216,248	1,548,691
Employee benefits	5,326,227	1,617,884	-	-	(3,708,343)	(3,426,728)
Debt service - interest & issuance fees	669,072	10,244	-	-	(658,828)	(798,838)
Total functions and programs	\$ 23,517,319	\$ 8,912,813	\$ 662,399	\$ 3,604,069	(10,338,038)	(12,686,562)
General Revenues						
Real property taxes					7,096,697	7,002,055
Special assessment tax - real property					12,364	15,672
Real property tax items					83,518	131,977
Non-property tax items					4,644,424	4,653,732
Use of money and property					5,133	8,296
State aid					2,352,944	2,338,268
Total general revenues					14,195,080	14,150,000
Change in net position					3,857,042	1,463,438
Net position - beginning of year					35,883,960	34,420,522
Prior period adjustment					(877,110)	-
Net position - end of year					\$ 38,863,892	\$ 35,883,960

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

	Major Funds					Non-Major	2015 (Memo only) Total	2014 (Memo only) Total
	General	Water	Sewer	Debt Service	Capital Project Funds	Special Revenue Funds		
Assets								
Cash on hand	\$ 1,308	\$ 40	\$ -	\$ -	\$ -	\$ -	\$ 1,348	\$ 1,348
Cash on deposit								
Regular accounts	7,363,391	753,936	478,323	2,306,429	348,599	479,752	11,730,430	11,074,012
Receivables								
Refuse and garbage	1,869	-	-	-	-	-	1,869	1,869
Special assessment	1,882	-	-	-	-	-	1,882	1,882
Accounts receivable	202,808	874,800	826,432	-	-	-	1,904,040	1,895,261
Due from other funds	429,537	96,559	658,557	1,532	2,119,582	-	3,305,767	1,011,640
Advances to other funds	624,696	-	20,416	-	-	-	645,112	1,046,562
State and federal	738,499	38,300	-	-	1,241,393	-	2,018,192	1,250,406
Revolving loans receivable	-	-	-	-	-	131,432	131,432	100,403
First Time Homebuyers loans receivable	-	-	-	-	-	101,585	101,585	72,517
Rehabilitation loans receivable	-	-	-	-	-	6,313	6,313	6,699
Total assets	\$ 9,363,990	\$ 1,763,635	\$ 1,983,728	\$ 2,307,961	\$ 3,709,574	\$ 719,082	\$ 19,847,970	\$ 16,462,599
Liabilities								
Accounts payable	\$ 260,093	\$ 39,105	\$ 86,756	\$ -	\$ 835,992	\$ 1,883	\$ 1,223,829	\$ 929,977
Accrued liabilities	725,597	59,961	50,590	-	151,655	-	987,803	757,221
Due to other funds	623,962	571,262	2,549	2,100,674	210	-	3,298,657	1,020,641
Advances from other funds	-	438,728	206,384	-	-	-	645,112	1,046,562
Due to employee retirement systems	265,000	25,000	26,667	-	-	-	316,667	336,167
Other liabilities	20,096	203	55,064	-	-	2,577	77,940	31,601
Unearned revenue	-	-	-	-	-	239,330	239,330	179,935
Bond anticipation notes - construction	-	-	-	-	5,817,224	-	5,817,224	-
Total liabilities	1,894,748	1,134,259	428,010	2,100,674	6,805,081	243,790	12,606,562	4,302,104
Deferred Inflows of Resources								
Taxes collected for subsequent year	4,134,943	-	-	-	-	-	4,134,943	4,780,151
Fund Equity								
Restricted	-	-	-	207,287	1,806,351	-	2,013,638	2,672,128
Assigned	239,337	629,376	1,555,718	-	-	475,292	2,899,723	2,577,387
Unassigned (deficit)	3,094,962	-	-	-	(4,901,858)	-	(1,806,896)	2,130,829
Total fund equity (deficit)	3,334,299	629,376	1,555,718	207,287	(3,095,507)	475,292	3,106,465	7,380,344
Total liabilities, deferred inflows of resources and fund equity	\$ 9,363,990	\$ 1,763,635	\$ 1,983,728	\$ 2,307,961	\$ 3,709,574	\$ 719,082	\$ 19,847,970	\$ 16,462,599

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

Revenue	Major Funds					Non-Major	2015	2014
	General	Water	Sewer	Debt Service	Capital Project Funds	Funds Special Revenue Funds	(Memo only) Total	(Memo only) Total
Real property taxes	\$ 7,096,697	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,096,697	\$ 7,002,055
Special assessment tax - real property	12,364	-	-	-	-	-	12,364	15,672
Real property tax items	83,518	-	-	-	-	-	83,518	131,977
Non-property tax items	4,644,424	-	-	-	-	-	4,644,424	4,653,732
Departmental income	1,148,871	3,894,547	3,186,673	-	-	46,283	8,276,374	7,932,673
Intergovernmental charges	152,342	-	260,415	-	-	-	412,757	537,760
Use of money and property	3,396	-	-	1,922	770	621	6,709	10,549
Licenses and permits	40,639	-	-	-	-	-	40,639	40,604
Fines and forfeitures	62,751	-	-	-	-	-	62,751	73,462
Sale of property & compensation for loss	12,030	14,166	-	-	-	-	26,196	13,026
Miscellaneous local sources	-	-	-	-	475,617	-	475,617	200,380
State aid	3,015,343	-	2,520	-	969,121	90,000	4,076,984	3,423,647
Federal aid	-	-	-	-	2,159,331	-	2,159,331	20,897
Total revenue	16,272,375	3,908,713	3,449,608	1,922	3,604,839	136,904	27,374,361	24,056,434
Expenditures								
General government support	2,226,074	66,814	60,252	-	363,551	-	2,716,691	2,980,075
Public safety	5,420,845	-	-	-	257,466	-	5,678,311	5,618,055
Health	53,127	-	-	-	-	-	53,127	122,108
Transportation	2,384,022	-	-	-	6,298,529	-	8,682,551	3,879,167
Culture and recreation	915,560	-	-	-	66,347	-	981,907	915,112
Home and community services	166,530	1,930,247	1,749,977	-	1,953,059	203,824	6,003,637	6,742,706
Employee benefits	4,235,785	553,250	519,796	-	-	-	5,308,831	5,005,988
Debt service:								
Principal	22,656	-	-	1,808,939	-	-	1,831,595	1,915,916
Interest	109	-	-	627,598	-	-	627,707	651,557
Total expenditures	15,424,708	2,550,311	2,330,025	2,436,537	8,938,952	203,824	31,884,357	27,830,684
Excess (deficiency) of revenue over expenditures	847,667	1,358,402	1,119,583	(2,434,615)	(5,334,113)	(66,920)	(4,509,996)	(3,774,250)
Other financing sources (uses)								
Proceeds from capital lease	-	-	-	-	236,117	-	236,117	324,245
Operating transfers in	-	-	-	2,436,537	185,130	-	2,621,667	4,805,958
Operating transfers out	(771,562)	(1,096,821)	(753,284)	-	-	-	(2,621,667)	(4,805,958)
Total other financing sources (uses)	(771,562)	(1,096,821)	(753,284)	2,436,537	421,247	-	236,117	324,245
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	76,105	261,581	366,299	1,922	(4,912,866)	(66,920)	(4,273,879)	(3,450,005)
Fund equity, beginning of year	3,191,170	839,834	784,404	205,365	1,817,359	542,212	7,380,344	10,830,349
Prior period adjustments	67,024	(472,039)	405,015	-	-	-	-	-
Fund equity (deficit), end of year	\$ 3,334,299	\$ 629,376	\$ 1,555,718	\$ 207,287	\$ (3,095,507)	\$ 475,292	\$ 3,106,465	\$ 7,380,344

CITY OF OLEAN, NEW YORK
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2015

	Original Budget	Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
Revenue					
Real property taxes	\$ 7,096,697	\$ 7,096,697	\$ 7,096,697	\$ -	\$ -
Special assessment tax - real property	15,708	15,708	12,364	-	(3,344)
Real property tax items	144,000	144,000	83,518	-	(60,482)
Non-property tax items	4,677,500	4,677,500	4,644,424	-	(33,076)
Departmental income	1,294,500	1,294,500	1,148,871	-	(145,629)
Intergovernmental charges	152,631	152,631	152,342	-	(289)
Use of money and property	13,500	13,500	3,396	-	(10,104)
Licenses and permits	50,900	50,900	40,639	-	(10,261)
Fines and forfeitures	80,000	80,000	62,751	-	(17,249)
Sales of property and compensation for loss	-	-	12,030	-	12,030
State aid	2,941,826	2,941,826	3,015,343	-	73,517
Total revenue	16,467,262	16,467,262	16,272,375	-	(194,887)
Expenditures					
General government support	2,856,718	2,588,355	2,226,074	24,007	338,274
Public safety	5,440,451	5,538,554	5,420,845	60,330	57,379
Health	69,520	69,687	53,127	-	16,560
Transportation	2,127,845	2,476,279	2,384,022	118,000	(25,743)
Economic development	15,000	15,000	-	-	15,000
Culture and recreation	1,053,145	1,114,962	915,560	-	199,402
Home and community services	208,373	254,152	166,530	37,000	50,622
Employee benefits	4,091,150	4,091,150	4,235,785	-	(144,635)
Debt service:					
Principal	20,399	20,399	22,656	-	(2,257)
Interest	300	300	109	-	191
Total expenditures	15,882,901	16,168,838	15,424,708	239,337	504,793
Excess (deficiency) of revenue over expenditures	584,361	298,424	847,667	(239,337)	309,906
Other financing sources (uses)					
Operating transfers out	(584,361)	(709,361)	(771,562)	-	(62,201)
Total other financing sources (uses)	(584,361)	(709,361)	(771,562)	-	(62,201)
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	\$ -	\$ (410,937)	\$ 76,105	\$ (239,337)	\$ 247,705

CITY OF OLEAN, NEW YORK
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL – SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2015

	<u>(Water Fund and Sewer Fund Only)</u>				Variance
	Original	Amended			Favorable
	Budget	Budget	Actual	Encumbrances	(Unfavorable)
Revenue					
Departmental income	\$ 6,795,255	\$ 6,795,255	\$ 7,081,220	\$ -	\$ 285,965
Intergovernmental charges	300,000	300,000	260,415	-	(39,585)
Sales of property and compensation for loss	-	-	14,166	-	14,166
State aid	-	-	2,520	-	2,520
Total revenue	7,095,255	7,095,255	7,358,321	-	263,066
Expenditures					
General government support	274,000	274,000	127,066	-	146,934
Home and community services	3,833,615	4,001,913	3,680,224	79,749	241,940
Employee benefits	1,075,150	1,075,150	1,073,046	-	2,104
Total expenditures	5,182,765	5,351,063	4,880,336	79,749	390,978
Excess of revenue over expenditures	1,912,490	1,744,192	2,477,985	(79,749)	654,044
Other financing sources (uses)					
Operating transfers out	(1,912,490)	(1,912,490)	(1,850,105)	-	62,385
Total other financing sources (uses)	(1,912,490)	(1,912,490)	(1,850,105)	-	62,385
Excess of revenue over expenditures and other financing uses	\$ -	\$ (168,298)	\$ 627,880	\$ (79,749)	\$ 716,429

CITY OF OLEAN, NEW YORK
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL – DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2015

	Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
Revenue				
Use of money and property	\$ -	\$ 1,922	\$ -	\$ 1,922
Total revenue	-	1,922	-	1,922
Expenditures				
Debt service:				
Principal	1,871,649	1,808,939	-	62,710
Interest	650,039	627,598	-	22,441
Total expenditures	2,521,688	2,436,537	-	85,151
Excess (deficiency) of revenue over expenditures	(2,521,688)	(2,434,615)	-	87,073
Other financing sources (uses)				
Operating transfers in	2,521,688	2,436,537	-	(85,151)
Total other financing sources (uses)	2,521,688	2,436,537	-	(85,151)
Excess of revenue and other financing sources over expenditures	\$ -	\$ 1,922	\$ -	\$ 1,922

CITY OF OLEAN, NEW YORK
STATEMENT OF NET POSITION - FIDUCIARY FUND
AS OF MAY 31,

	<u>2015</u>	<u>2014</u>
Assets		
Cash on deposit		
Regular accounts	\$ 125,119	\$ 138,231
Restricted accounts	147,138	136,121
Due from governmental activities - general fund	<u>2,716</u>	<u>13,248</u>
 Total assets	 <u>\$ 274,973</u>	 <u>\$ 287,600</u>
Due to governmental activities - general fund	\$ 9,826	\$ 4,247
Other liabilities	<u>265,147</u>	<u>283,353</u>
 Total liabilities	 <u>\$ 274,973</u>	 <u>\$ 287,600</u>

CITY OF OLEAN, NEW YORK
RECONCILIATION OF GOVERNMENTAL BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AS OF MAY 31, 2015

Total fund balance - governmental funds \$ 3,106,465

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	\$ 98,355,927	
Accumulated depreciation	<u>(37,605,811)</u>	60,750,116

Interest on long-term assets is not accrued in governmental funds, but rather is recognized as an expenditure when due. (241,000)

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:

NYS Environmental Facilities Corporation Bond	(4,505,000)	
Serial Bonds payable	(18,210,000)	
Capital leases	(1,210,777)	
Environmental liability	(507,000)	
Other post-employment benefits	(19,817)	
Retirement incentive	(15,000)	
Compensated absences	<u>(284,095)</u>	(24,751,689)

Total net position - governmental liabilities \$ 38,863,892

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
Assets				
Cash on hand	\$ 1,348	\$ -	\$ -	\$ 1,348
Cash on deposit				
Regular accounts	11,730,430	-	-	11,730,430
Receivables				
Refuse and garbage	1,869	-	-	1,869
Special assessment	1,882	-	-	1,882
Accounts receivable	1,904,040	-	-	1,904,040
Due from other funds	3,305,767	-	(3,295,941)	9,826
Advances to other funds	645,112	-	(645,112)	-
State, Federal and other governments	2,018,192	-	-	2,018,192
Revolving loans receivable	131,432	-	-	131,432
First Time Homebuyers loans receivable	101,585	-	-	101,585
Rehabilitation loans receivable	6,313	-	-	6,313
Capital Assets, net	-	60,750,116	-	60,750,116
Total assets	\$ 19,847,970	\$ 60,750,116	\$ (3,941,053)	\$ 76,657,033
Liabilities				
Accounts payable	\$ 1,223,829	\$ -	\$ -	\$ 1,223,829
Accrued liabilities	987,803	241,000	(225,000)	1,003,803
Due to other funds	3,298,657	-	(3,295,941)	2,716
Advances from other funds	645,112	-	(645,112)	-
Due to employee retirement system	316,667	-	-	316,667
Other liabilities	77,940	-	-	77,940
Unearned revenue	239,330	-	-	239,330
Bond anticipation notes payable	5,817,224	-	-	5,817,224
NYS EFC note	-	4,505,000	-	4,505,000
Serial bonds payable	-	18,210,000	-	18,210,000
Capital leases	-	1,210,777	-	1,210,777
Environmental liability	-	507,000	225,000	732,000
Other post-employment benefits	-	19,817	-	19,817
Retirement incentive	-	15,000	-	15,000
Compensated absences	-	284,095	-	284,095
Total liabilities	12,606,562	24,992,689	(3,941,053)	33,658,198
Deferred inflows of resources				
Taxes collected for subsequent year	4,134,943	-	-	4,134,943
Fund equity/net position				
Total liabilities and fund equity/net position	\$ 19,847,970	\$ 60,750,116	\$ (3,941,053)	\$ 76,657,033

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, 2015

Total net change in fund balances - governmental funds \$ (4,273,879)

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	\$ 9,350,147	
Depreciation expense	<u>(2,755,943)</u>	
		6,594,204

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 position. 1,818,230

Proceeds from long-term debt (including capital leases) 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: (236,117)

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. (28,000)

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. (17,396)

Change in net position of governmental activities \$ 3,857,042

	Total Governmental Funds	Capital Related Items	Long-term Debt Transactions	Reclassifications and Eliminations	Statement of Activities Total
Revenues					
Real property taxes	\$ 7,096,697	\$ -	\$ -	\$ -	\$ 7,096,697
Special assessment tax - real property	12,364	-	-	-	12,364
Real property tax items	83,518	-	-	-	83,518
Non-property tax items	4,644,424	-	-	-	4,644,424
Departmental income	8,276,374	-	-	(8,276,374)	-
Intergovernmental charges	412,757	-	(13,365)	(399,392)	-
Use of money and property	6,709	-	-	(1,576)	5,133
Licenses and permits	40,639	-	-	(40,639)	-
Fines and forfeitures	62,751	-	-	(62,751)	-
Sales of property and compensation for loss	26,196	-	-	(26,196)	-
Miscellaneous local sources	475,617	-	-	(475,617)	-
State aid	4,076,984	-	-	(1,724,040)	2,352,944
Federal aid	2,159,331	-	-	(2,159,331)	-
Total revenues	27,374,361	-	(13,365)	(13,165,916)	14,195,080
Expenditures/Expenses					
General government support	2,716,691	(209,626)	-	(409,385)	2,097,680
Public safety	5,678,311	308,631	-	(315,394)	5,671,548
Health	53,127	6,463	-	(582,045)	(522,455)
Transportation	8,682,551	(4,986,744)	-	(3,483,320)	212,487
Economic development	-	-	-	(13,036)	(13,036)
Culture and recreation	981,907	(12,618)	-	(228,398)	740,891
Home and community services	6,003,637	(1,700,310)	-	(6,519,575)	(2,216,248)
Employee benefits	5,308,831	-	17,396	(1,617,884)	3,708,343
Debt service:					
Principal	1,831,595	-	(1,831,595)	-	-
Interest	627,707	-	28,000	3,121	658,828
Total expenditures/expenses	31,884,357	(6,594,204)	(1,786,199)	(13,165,916)	10,338,039
Excess (deficiency) of revenue over expenditures	(4,509,996)	6,594,204	1,772,834	-	3,857,042
Other sources and (uses)					
Proceeds from capital lease	236,117	-	(236,117)	-	-
Operating transfers in	2,621,667	-	-	(2,621,667)	-
Operating transfers out	(2,621,667)	-	-	2,621,667	-
Total other sources (uses)	236,117	-	(236,117)	-	-
Net change for the year	\$ (4,273,879)	\$ 6,594,204	\$ 1,536,717	\$ -	\$ 3,857,042

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (continued)

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.

B. Basis of Presentation

1. Government-wide Statements

The Statement of Net Position 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2015.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Equity - Reservations and Designations (continued)

1. Governmental Funds (continued)

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 May 31, 2015.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Equity - Reservations and Designations (continued)

2. Government-wide financial statements

A. Net Investment in Capital Assets

This designation of net position is used to accumulate the capital asset balance in the statement of net position 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
- 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, 2014 Fund Equity</u>	<u>Revenues and Other Sources</u>	<u>Expenditures and Other Uses</u>	<u>May 31, 2015 Fund Equity</u>
Total for funds included in Budget Comparison	\$ 1,557,214	\$ 7,358,321	\$ 6,730,441	\$ 2,185,094
Funds not included in budget comparison:				
Revolving Loan Fund	463,868	113,305	153,508	423,665
First Time Homebuyers Fund	71,672	23,123	45,466	49,329
Housing Rehabilitation Fund	6,672	476	4,850	2,298
Total Special Revenue Funds	<u>\$ 2,099,426</u>	<u>\$ 7,495,225</u>	<u>\$ 6,934,265</u>	<u>\$ 2,660,386</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 2014-2015 was \$4,264,868 as compared to \$4,255,237 for the prior fiscal year, an increase of \$9,631. The City's General Fund Balance Sheet, as of May 31, 2015, reflects a receivable balance from Federal and State governments of \$738,499, of which, \$606,382 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

As of May 31, 2014, the City had an independent appraisal of its fixed assets conducted by third-party professionals. As such, land, buildings equipment and vehicles are reported at estimated historical cost based on the appraisal. Donated assets are reported at estimated fair market value at the time received.

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	\$ 1,000	Straight-line	40 years
Land Improvements	\$ 1,000	Straight-line	25 years
Furniture and equipment	\$ 1,000	Straight-line	7 years
Transportation vehicles	\$ 1,000	Straight-line	8 years

J. Unearned Revenue

Unearned revenue is reported on the City's combined balance sheet. Unearned revenue 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 the City has legal claim to the resources, the liability for unearned 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, 2015 amounting to \$284,095 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 prior year amounts have been reclassified to conform with the current year presentation.

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.

Q. Deferred Outflows of Resources

The City reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and governmental fund financial statements. No deferred outflows of resources affect the governmental fund or government-wide financial statements in the current year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Deferred Inflows of Resources

The City reports increases in net assets that relate to future periods as deferred inflows of resources in a separate section of its government-wide and governmental fund financial statements. The only deferred inflows of resources reported in this year's financial statements is a property taxes collected during the current year for next year's budget and is recorded in the government-wide financial statements and general fund in the current year.

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.

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)

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.

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, 2015, 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, 2015

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, 2015 per the bank were approximately \$13,182,000. These deposits are categorized as follows:

Category 1	Category 2	Category 3	Carrying Value
\$ 255,000	\$ 12,927,000	\$ -	\$13,182,000

NOTE 3 - DETAIL NOTES ON ALL FUNDS
(CONTINUED)

A. Assets (continued)

2. Capital Assets

Governmental activities:	Beginning Balance 5/31/14	Additions, Transfers and Prior Period Adjustment	Ending Balance 5/31/15
Capital assets that are not depreciated:			
Land	\$ 660,727	\$ (276,540)	\$ 384,187
Construction in Progress	16,623,871	(3,461,654)	13,162,217
Capital assets that are depreciated:			
Buildings and Improvements	54,034,256	12,761,049	66,795,305
Furniture and Equipment	5,330,652	7,378,687	12,709,339
Vehicles	7,240,930	(1,936,051)	5,304,879
Total historical Cost	83,890,436	\$ 14,465,491	98,355,927
Less: Accumulated depreciation:	28,857,414	\$ 8,748,397	37,605,811
Total net book Value	\$ 55,033,022		\$ 60,750,116

Depreciation expense:

General governmental support	\$ 326,912
Public safety	675,223
Health	6,463
Transportation	936,980
Economic development	-
Culture and recreation	119,442
Home and community services	690,923
	<u>\$ 2,755,943</u>

During the current year the City recorded a prior period adjustment in the amount of \$877,110 to adjust its capital asset records based on a new independent appraisal of its fixed assets.

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2015

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

A. Assets (continued)

3. Receivables

Receivables at May 31, 2015 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	\$ 132,117
General Fund	Due from Federal & State - NYS sales tax	606,382
General Fund	Other receivables	206,559
Special Revenue:		
Water Fund	Accounts receivable - water rents and meter	874,800
Water Fund	Due from Federal & State	38,300
Sewer Fund	Accounts receivable - sewer rents	826,432
Community Development:		
Revolving Loan	Loan receivable	131,432
1 st Time Home	Loan receivable	101,585
Housing Rehab	Loan receivable	6,313
Capital Projects	Due from Federal & State - various projects	1,241,393
		<u>\$ 4,165,313</u>

B. Liabilities

1. Deferred Inflows of Resources and Unearned Revenue

Deferred Inflows of resources and unearned revenue at May 31, 2015 was as follows:

	General Fund	Special Revenue Fund
<u>Deferred inflows</u>		
Real property taxes	\$ 4,126,169	\$ -
Payment in-lieu of taxes	6,892	-
Special assessment taxes	1,882	-
	<u>\$ 4,134,943</u>	<u>-</u>
<u>Unearned revenue</u>		
Revolving loans	-	131,432
Housing Rehab	-	6,313
1 st Time Home	-	101,585
	<u>\$ -</u>	<u>\$ 239,330</u>

Deferred inflows of resources related to real property taxes reflect collections during May 2015 for real property taxes levied on May 1 for the 2015-2016 fiscal year. Unearned revenue from special assessment taxes consist of levies on property owners to be collected after May 31, 2015. 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,	2015	\$ 750,021	\$ 1,285,072
	2014	768,156	1,162,942
	2013	755,902	1,130,412

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 \$91,000 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, 2015 the City contributed approximately \$99,000 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 2015, 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	65,083
Interest adjustment	-
Annual required contribution adjustment	-
Annual OPEB cost (expense)	65,083
Contributions made	(52,019)
Increase in net OPEB obligation/(asset)	13,064
Net OPEB obligation/(asset) – beginning of year	6,753
Net OPEB obligation-end of year	<u>\$ 19,817</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2014 and 2013 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/15	\$ 65,083	80.0%	\$ 19,817
6/30/14	\$ 65,083	69.1%	\$ 6,753
6/30/13	\$ 168,889	26.9%	\$ 126,824

Funding Status and Funding Progress

As of May 31, 2015, the actuarial accrued liability for benefits was \$514,979, 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.

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 2000 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 – 2013 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 proration to decrement was used.

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

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.

In June, 2014, the *City of Olean, New York* issued bond anticipation note 2014 in the amount of \$4,700,000. The note matures on June 18, 2015 and carries a 1.5% interest rate. The proceeds from this short-term issuance were utilized to purchase a fire truck & apparatus, ice resurfacers, and York St./Prospect Ave. improvements.

In February, 2015, the *City of Olean, New York* entered into bond anticipation note 2015 with the New York State Environmental Facilities Corporation which gives the City the ability to finance construction costs related to the Waste Water Treatment Plant up to \$18,900,640. As of May 31, 2015, advances on the note totaled \$1,117,224. The note matures on February 12, 2018 and carries a 0.0% interest rate.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

4. Short-Term Debt (continued)

a. Bond Anticipation Notes (continued)

The City's bond anticipation notes outstanding as of May 31, 2015 are as follows:

Description	Amount	Interest Rate
EFC Waste Water Treatment	\$ 1,117,224	0.00%
Fire Truck & Apparatus	1,080,000	1.50%
Ice Resurfacer	220,000	1.50%
York St./Prospect Ave.	3,400,000	1.50%
Totals	\$ 5,817,224	

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, 2015 and 2014.

5. Long-Term Debt

a. Debt Limit

At May 31, 2015 the total outstanding indebtedness of the City aggregated \$33,782,321 (including bond anticipation notes and revenue anticipation notes). Of this amount, \$6,319,500 is subject to the constitutional debt limit and represented approximately 18.45% 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. There were no serial bonds issued during the 2014-15 fiscal year.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

5. Long-Term Debt (continued)

c. Other Long-Term Debt

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 5F of the financial statements.

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 interfund transfers to the City's debt service fund. The General Fund, Water Fund and Sewer Fund each paid principal and interest for the year ended May 31, 2015 of \$14,268, \$73,342, and \$7,609, respectively.

During the 2013-14 fiscal year, the *City of Olean, New York* entered into a \$324,245 5-year capital lease with First Niagara Bank. Equipment included in the lease agreement consists of a 2013 Vac-Con Sewer Cleaner and a 2013 Pelican Street Sweeper. During the current fiscal year, principal and interest paid on this capital lease totaled approximately \$67,024, which is included in the interfund transfers to the City's debt service fund. The Sewer Fund paid principal and interest for the year ended May 31, 2015.

During the 2014-15 fiscal year, the *City of Olean, New York* entered into two 5-year capital leases with First Niagara Bank which totaled \$90,260 and \$145,857. Equipment included in the lease agreement consists of a John Deere Tri-Deck Mowers and an International Model Plow/Spreader. Principal and interest payments on the capital leases commence during the 2015-16 fiscal year and will be paid through the General Fund.

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2015

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, 2015:

	Issued	Original Amount	Interest Rate	Final Maturity	Outstanding May 31, 2015
General Fund					
Public Improvement Bond	08/10	870,000	Various	08/20	432,610
Deficit Financing Bond	08/10	1,444,070	Various	08/20	718,490
Public Improvement Bond	08/12	9,250,000	Various	08/33	8,505,000
Special Revenue Funds					
Water Filtration Plant-Ref.	10/12	2,060,000	Various	10/32	1,900,000
Water Filtration Plant	07/03	1,809,453	Various	07/23	920,000
Water Reservoir	07/03	4,665,163	Various	07/24	2,605,000
Water Filtration Plant	05/13	5,868,000	Various	08/38	4,875,000
Water Fund – Various	08/09	325,000	Various	08/19	95,000
Water Fund – Odor Control	08/09	339,190	4.70%	08/16	160,000
Water Fund – Deficit Financing Bond	08/10	327,940	Various	08/20	161,760
Sewer Fund –Various	08/09	580,000	Various	08/19	340,000
Sewer Fund – Catch Basin	08/10	585,000	Various	08/20	385,000
Sewer Fund – Deficit Financing Bond	08/10	227,990	Various	08/20	112,140
Sewer Fund – Public Imp	08/12	1,731,059	Various	08/33	1,505,000
Total					<u>\$ 22,715,000</u>

f. Changes

The following is a summary of changes in long-term liabilities for the period ended May 31, 2015:

	Payable at June 1, 2014	Additions	Reductions	Balance at May 31, 2015
Bonds				
Bonds	\$ 14,570,000	\$ -	\$ 1,235,000	\$ 13,335,000
EFC Grid Note/Bond	1,980,000	-	80,000	1,900,000
EFC Grid Bond	2,830,000	-	225,000	2,605,000
RD Bond	5,025,000	-	150,000	4,875,000
Subtotal	<u>24,405,000</u>	<u>-</u>	<u>1,690,000</u>	<u>22,715,000</u>
Due to Other				
Governments	22,656	-	22,656	-
Environmental Liability	732,000	-	-	732,000
Retirement Incentive	20,000	-	5,000	15,000
Compensated Absences	274,763	9,332	-	284,095
Other Post-Employment Benefits	6,753	13,064	-	19,817
Capital Leases	1,093,599	236,117	118,939	1,210,777
	<u>2,149,771</u>	<u>258,513</u>	<u>146,595</u>	<u>2,261,689</u>
	<u>\$ 26,554,771</u>	<u>\$ 258,513</u>	<u>\$ 1,836,595</u>	<u>\$ 24,976,689</u>

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 \$627,707 for the year ended May 31, 2015, of which \$109 was recorded in the general fund, while \$627,598 was recorded in the debt service fund.

h. Maturity

The following table summarizes the City's future serial bond debt, Rural Development and EFC bond and debt service requirements as of May 31, 2015:

Year Ending May 31	Total	Principal	Interest
2016	\$ 2,297,625	\$ 1,615,000	\$ 682,625
2017	2,282,610	1,645,000	637,610
2018	2,209,953	1,620,000	589,953
2019	1,901,305	1,355,000	546,305
2020	1,851,126	1,345,000	506,126
2021-2025	7,919,964	5,950,000	1,969,964
2026-2030	5,717,277	4,550,000	1,167,277
2031-2035	3,976,355	3,555,000	421,355
2036-2039	1,164,960	1,080,000	84,960
Total	\$29,321,175	\$ 22,715,000	\$ 6,606,175

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

5. Long-Term Debt (continued)

h. Maturity (continued)

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

Year Ending May 31	Total	Principal	Interest
2016	\$ 211,510	\$ 171,568	\$ 39,942
2017	211,516	175,183	36,333
2018	211,520	181,727	29,793
2019	144,491	121,610	22,881
2020	144,491	127,778	16,713
2021-2024	432,911	432,911	-
Total	\$ 1,356,439	\$ 1,210,777	\$ 145,662

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, 2015 and interfund transactions during the fiscal year ended May 31, 2015 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	\$ 429,537	\$ 623,962	\$ 624,696	\$ -	\$ -	\$ 771,562
Capital Projects Fund	2,119,582	210	-	-	185,130	-
Agency Fund	2,716	9,826	-	-	-	-
Debt Service Fund	1,532	2,100,674	-	-	2,436,537	-
Sewer Fund	658,557	2,549	20,416	206,384	-	753,284
Water Fund	96,559	571,262	-	438,728	-	1,096,821
Housing Rehab Fund	-	-	-	-	-	-
Totals	\$ 3,308,483	\$ 3,308,483	\$ 645,112	\$ 645,112	\$ 2,621,667	\$ 2,621,667

During the current year, the General, Water, and Sewer funds transferred \$586,432, \$1,096,821, and \$753,284, respectively to the Debt Service Fund to pay for the City's long-term debt obligations.

The General fund also transferred \$185,130 to the City's Capital Projects fund for cost associated with the vehicle replacement, Olean Creek Pedestrian Crossing Bradner Stadium, and other assorted capital projects.

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.

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.

NOTE 4 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, Civil Service Employees Association Unit and Olean Professional Fire Fighters Association. The two Police Unions have entered into contracts that expired on May 31, 2015 and the Civil Service Employees Association Unit's contract will expire on May 31, 2016.

The contract with the Fire Department bargaining unit within the City of Olean expired on May 31, 2011 and an agreement on wages and health insurance only has been reached for the period of June 1, 2013 through May 31, 2016. A third party arbitrator will rule on the period June 1, 2011 through May 31, 2013. The City has recognized a liability of approximately \$252,000 for the salaries and retirement costs associated with the settlement during the periods June 1, 2013 through May 31, 2015. No liability has been recorded for the period from June 1, 2011 through May 31, 2013.

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2015

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 complied with preparing plans for the treatment system and submitted it to NYSDEC and has not received a response as of the audit report date. The City has accrued \$125,000 as of May 31, 2015, 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 plant. 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 prior years and as of May 31, 2015, the estimated liability stands at \$607,000.

NOTE 4 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

F. Environmental (continued)

In 2005 the *City of Olean, New York* began renegotiating the Order on Consent and submitted a Master Plan to NYSDEC in January 2006. The City is currently working with a consultant to re-write the Master Plan and begin preliminary design of the Phase 1 project at the Wastewater Treatment Facility. The cost of the project is unknown as of the date of this audit report.

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 \$980,000 was paid during prior fiscal years. The remaining \$15,000 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
2016	\$ 3,000
2017	3,000
2018	3,000
2019	3,000
2020	3,000
Total	<u>\$ 15,000</u>

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2015

NOTE 5 – FUND BALANCE

1. Classification

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

Category/Fund	Description	May 31, 2015
Restricted:		
Debt Service	Reserve for debt service	\$ 207,287
Capital	Reserve for Capital	\$ 1,806,351
Assigned:		
General	Reserve for encumbrances	\$ 239,337
Water	Reserve for encumbrances	\$ 79,749
	Special Revenue Fund Balance	549,627
		\$ 629,376
Sewer	Reserve for encumbrances	\$ -
	Special Revenue Fund Balance	1,555,718
		\$ 1,555,718
First Time Homebuyers	Special Revenue Fund Balance	\$ 49,329
Housing Rehab	Special Revenue Fund Balance	\$ 2,298
Revolving Loan	Special Revenue Fund Balance	\$ 423,665

2. Accumulated Deficits

The *City of Olean, New York* had certain projects 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.

Capital Project	May 31, 2015
Bartlett House Renovations	\$ 11,752
Sidewalk Improvement Reserve	45,595
Fire Hall Relocation	3,478
East State Street and East End Sewer	74,078
Courtroom Repairs	8,403
Narrow Band Radio Upgrade	2,584
Subtotal	\$ 145,890

NOTE 5 – FUND BALANCE (CONTINUED)

2. Accumulated Deficits (continued)

The *City of Olean, New York* had certain projects that have been established within the current and prior years. These projects incurred expenses related to the initial phases of the projects. The city anticipates revenue from bond proceeds, federal, state, and local sources to cover these expenses.

Capital Project	May 31, 2015
Airport Master Plan	\$ 68,352
Brownfield Opportunity Areas Program	102,906
Waste Water Treatment Plant	1,272,684
Bradner Stadium Project	11,158
Franchot Playground	5,531
North Union Rehabilitation	519,589
York St./Prospect Ave. Improvement	2,513,592
Ladder Truck	134,970
Ice Resurfacers	126,661
Homer Street Project	525
Subtotal	\$ 4,755,968

NOTE 6 – PRIOR PERIOD ADJUSTMENTS

During the year ending May 31, 2015, the City recorded a prior period adjustment in the amount of \$877,110 related to a new appraisal of its fixed assets completed as of May 31, 2014. Adjustments were made related to the estimated historical cost of land, building, equipment, vehicles, and accumulated depreciation.

During the year ending May 31, 2015, the City recorded a prior period adjustment in the amount of \$472,039 related to principal and interest debt payments made in prior years in the Sewer Fund that were related to Water Fund project, and therefore should have been recorded in the Water Fund. The City also recorded a prior period adjustment of \$67,024 related to principal and interest lease payments in the prior year made in the General Fund that should have been recorded in the Sewer Fund.

NOTE 7 – SUBSEQUENT EVENTS

Subsequent events were evaluated through November 9, 2015, which is the date the financial statements were available to be issued.

On September 1, 2015 the *City of Olean, New York* entered into a \$140,000 5-year capital lease with First Niagara Bank. Equipment included in the lease agreement consists of a John Deere High Lift and Plow. The lease carries an interest rate of 2.13% per annum with annual payments totaling \$29,782.

SUPPLEMENTARY INFORMATION

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
GENERAL FUND
AS OF MAY 31, 2015 AND 2014

	May 31 2015	May 31 2014
<u>Assets</u>		
Cash on hand	\$ 1,308	\$ 1,308
Cash on deposit		
Regular accounts	7,363,391	7,175,995
Receivables		
Refuse and garbage	1,869	1,869
Special assessment	1,882	1,882
Accounts receivable	202,808	238,856
Due from other funds	429,537	430,326
Advances to other funds	624,696	1,026,146
State and federal	738,499	745,591
Total assets	\$ 9,363,990	\$ 9,621,973
<u>Liabilities, Deferred Inflows of Resources and Fund Equity</u>		
Liabilities		
Accounts payable	\$ 260,093	\$ 241,756
Accrued liabilities	725,597	545,280
Due to other funds	623,962	558,276
Due to employee retirement system	265,000	281,583
Other liabilities	20,096	23,757
Total liabilities	1,894,748	1,650,652
Deferred Inflows of Resources		
Taxes collected for subsequent year	4,134,943	4,780,151
Fund Equity		
Assigned	239,337	410,937
Unassigned	3,094,962	2,780,233
Total fund equity	3,334,299	3,191,170
	\$ 9,363,990	\$ 9,621,973

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY
GENERAL FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2015 AND 2014

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	May 31 2015	May 31 2014
Revenue		
Real property taxes	\$ 7,096,697	\$ 7,002,055
Special assessment tax - real property	12,364	15,672
Real property tax items	83,518	131,977
Non-property tax items	4,644,424	4,653,732
Departmental income	1,148,871	1,227,528
Intergovernmental charges	152,342	160,915
Use of money and property	3,396	7,885
Licenses and permits	40,639	40,604
Fines and forfeitures	62,751	73,462
Sales of property and compensation for loss	12,030	10,974
State aid	3,015,343	2,937,593
Total revenue	16,272,375	16,262,397
Expenditures		
General government support	2,226,074	2,284,004
Public safety	5,420,845	5,447,191
Health	53,127	122,108
Transportation	2,384,022	2,615,687
Culture and recreation	915,560	915,112
Home and community services	166,530	155,569
Employee benefits	4,235,785	3,955,045
Debt service:		
Principal	22,656	24,475
Interest	109	359
Total expenditures	15,424,708	15,519,550
Excess of revenue over expenditures	847,667	742,847
Other financing sources (uses)		
Operating transfers in	-	129,748
Operating transfers out	(771,562)	(2,157,419)
Total other financing sources (uses)	(771,562)	(2,027,671)
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	76,105	(1,284,824)
Fund equity, beginning of year	3,191,170	4,475,994
Prior period adjustment	67,024	-
Fund equity, end of year	\$ 3,334,299	\$ 3,191,170

See accompanying independent auditor's report on supplementary information.

**CITY OF OLEAN, NEW YORK
COMBINED BALANCE SHEET -
ALL SPECIAL REVENUE FUNDS
AS OF MAY 31, 2015**

			Community Development			(Memo only) Total
	Water	Sewer	Revolving Loan Fund	Housing Rehabilitation Fund	First Time Homebuyers Fund	
Assets						
Cash on hand	\$ 40	\$ -	\$ -	\$ -	\$ -	\$ 40
Cash on deposit						
Regular accounts	753,936	478,323	428,145	2,298	49,309	1,712,011
Receivables						
Accounts receivable	913,100	826,432	-	-	-	1,739,532
Advances to other funds	-	20,416	-	-	-	20,416
Due from other funds	96,559	658,557	-	-	-	755,116
Revolving loans receivable	-	-	131,432	-	-	131,432
First Time Homebuyers loans receivable	-	-	-	-	101,585	101,585
Rehabilitation loans receivable	-	-	-	6,313	-	6,313
Total assets	\$ 1,763,635	\$ 1,983,728	\$ 559,577	\$ 8,611	\$ 150,894	\$ 4,466,445
Liabilities						
Accounts payable	\$ 39,105	\$ 86,756	\$ 1,883	\$ -	\$ -	\$ 127,744
Accrued liabilities	59,961	50,590	-	-	-	110,551
Due to other funds	571,262	2,549	-	-	-	573,811
Advances from other funds	438,728	206,384	-	-	-	645,112
Other liabilities/due to retirement systems	25,203	81,731	2,597	-	(20)	109,511
Unearned revenue	-	-	131,432	6,313	101,585	239,330
Total liabilities	1,134,259	428,010	135,912	6,313	101,565	1,806,059
Fund Equity						
Assigned	629,376	1,555,718	423,665	2,298	49,329	2,660,386
Total fund equity	629,376	1,555,718	423,665	2,298	49,329	2,660,386
Total liabilities and fund equity	\$ 1,763,635	\$ 1,983,728	\$ 559,577	\$ 8,611	\$ 150,894	\$ 4,466,445

CITY OF OLEAN, NEW YORK

**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY – ALL SPECIAL REVENUE FUNDS
FOR THE FISCAL YEARS ENDED MAY 31, 2015 AND 2014**

	Water	Sewer	Community Development			(Memo only) Total
			Revolving Loan Fund	Housing Rehabilitation Fund	First Time Homebuyers Fund	
Revenue						
Departmental income	\$ 3,894,547	\$ 3,186,673	\$ 22,700	\$ 475	\$ 23,108	\$ 7,127,503
Intergovernmental charges	-	260,415	-	-	-	260,415
Use of money and property	-	-	605	1	15	621
Sales of property & compensation for loss	14,166	-	-	-	-	14,166
State aid	-	2,520	90,000	-	-	92,520
Total revenue	3,908,713	3,449,608	113,305	476	23,123	7,495,225
Expenditures						
General government support	66,814	60,252	-	-	-	127,066
Home and community services	1,930,247	1,749,977	153,508	4,850	45,466	3,884,048
Employee benefits	553,250	519,796	-	-	-	1,073,046
Total expenditures	2,550,311	2,330,025	153,508	4,850	45,466	5,084,160
Excess (deficiency) of revenue over expenditures	1,358,402	1,119,583	(40,203)	(4,374)	(22,343)	2,411,065
Other financing uses						
Operating transfers out	(1,096,821)	(753,284)	-	-	-	(1,850,105)
Total financing uses	(1,096,821)	(753,284)	-	-	-	(1,850,105)
Excess (deficiency) of revenue over expenditures and other financing uses	261,581	366,299	(40,203)	(4,374)	(22,343)	560,960
Fund equity, beginning of year	839,834	784,404	463,868	6,672	71,672	2,166,450
Prior period adjustment	(472,039)	405,015	-	-	-	(67,024)
Fund equity, end of year	\$ 629,376	\$ 1,555,718	\$ 423,665	\$ 2,298	\$ 49,329	\$ 2,660,386

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
SPECIAL REVENUE FUNDS
AS OF MAY 31, 2015 AND 2014

	<u>May 31</u> <u>2015</u>	<u>May 31</u> <u>2014</u>
Assets		
Cash on hand	\$ 40	\$ 40
Cash on deposit		
Regular accounts	1,712,011	1,720,544
Accounts receivable	1,739,532	1,656,405
Advances to other funds	20,416	20,416
Due from other funds	755,116	158,308
Revolving loans receivable	131,432	100,403
First time homebuyers loans receivable	101,585	72,517
Rehabilitation loans receivable	6,313	6,699
Total assets	<u>\$ 4,466,445</u>	<u>\$ 3,735,332</u>
Liabilities		
Accounts payable	\$ 127,744	\$ 122,735
Accrued liabilities	110,551	111,941
Due to other funds	573,811	45,281
Advances from other funds	645,112	1,046,562
Other liabilities/due to retirement systems	109,511	62,428
Unearned revenue	239,330	179,935
Total liabilities	<u>1,806,059</u>	<u>1,568,882</u>
Fund Equity		
Assigned	<u>2,660,386</u>	<u>2,166,450</u>
Total fund equity	<u>2,660,386</u>	<u>2,166,450</u>
Total liabilities and fund equity	<u>\$ 4,466,445</u>	<u>\$ 3,735,332</u>

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY – SPECIAL REVENUE FUNDS
AND FOR THE FISCAL YEARS ENDED MAY 31, 2015 AND 2014

	May 31 2015	May 31 2014
Revenue		
Departmental income	\$ 7,127,503	\$ 6,705,145
Intergovernmental charges	260,415	376,845
Use of money and property	621	603
Sales of property and compensation for loss	14,166	2,052
State aid	92,520	3,780
Total revenue	7,495,225	7,088,425
Expenditures		
General government support	127,066	129,185
Home and community services	3,884,048	3,950,434
Employee benefits	1,073,046	1,050,943
Debt service - interest expense	-	-
Total expenditures	5,084,160	5,130,562
Excess of revenue over expenditures	2,411,065	1,957,863
Other financing sources (uses)		
BANs redeemed from appropriations	-	-
Operating transfers out	(1,850,105)	(2,259,347)
Total other financing uses	(1,850,105)	(2,259,347)
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	560,960	(301,484)
Fund equity, beginning of year	2,166,450	2,467,934
Prior period adjustment	(67,024)	-
Fund equity, end of year	\$ 2,660,386	\$ 2,166,450

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
WATER FUND
AS OF MAY 31, 2015 AND 2014

	May 31	May 31
	2015	2014
Assets		
Cash on hand	\$ 40	\$ 40
Cash on deposit		
Regular accounts	753,936	678,364
Accounts receivable	913,100	835,666
Due from other funds	96,559	54,446
Total assets	\$ 1,763,635	\$ 1,568,516
Liabilities		
Accounts payable	\$ 39,105	\$ 48,915
Accrued liabilities	59,961	61,048
Due to other funds	571,262	5,266
Advances from other funds	438,728	582,457
Other liabilities/due to retirement systems	25,203	30,996
Total liabilities	1,134,259	728,682
Fund Equity		
Assigned	629,376	839,834
Total fund equity	629,376	839,834
Total liabilities and fund equity	\$ 1,763,635	\$ 1,568,516

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY – WATER FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2015 AND 2014

	May 31 2015	May 31 2014
Revenue		
Departmental income	\$ 3,894,547	\$ 3,495,727
Sales of property and compensation for loss	14,166	2,052
Total revenue	3,908,713	3,497,779
Expenditures		
General government support	66,814	64,407
Home and community services	1,930,247	1,840,191
Employee benefits	553,250	548,622
Total expenditures	2,550,311	2,453,220
Excess of revenue over expenditures	1,358,402	1,044,559
Other financing sources (uses)		
Operating transfers out	(1,096,821)	(1,153,520)
Total other financing sources (uses)	(1,096,821)	(1,153,520)
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	261,581	(108,961)
Fund equity, beginning of year	839,834	948,795
Prior period adjustment	(472,039)	-
Fund equity, end of year	\$ 629,376	\$ 839,834

CITY OF OLEAN, NEW YORK
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL – WATER FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2015

	Original Budget	Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
Revenue					
Departmental income	\$ 3,593,402	\$ 3,593,402	\$ 3,894,547	\$ -	\$ 301,145
Sales of property and compensation for loss	-	-	14,166	-	14,166
Total revenue	3,593,402	3,593,402	3,908,713	-	315,311
Expenditures					
General government support	137,000	137,000	66,814	-	70,186
Home and community services	1,853,297	2,012,753	1,930,247	79,749	2,757
Employee benefits	562,300	562,300	553,250	-	9,050
Debt service - interest expense	-	-	-	-	-
Total expenditures	2,552,597	2,712,053	2,550,311	79,749	81,993
Excess (deficiency) of revenue over expenditures	1,040,805	881,349	1,358,402	(79,749)	397,304
Other financing sources (uses)					
Operating transfers out	(1,040,805)	(1,040,805)	(1,096,821)	-	(56,016)
Total other financing sources (uses)	(1,040,805)	(1,040,805)	(1,096,821)	-	(56,016)
Excess (deficiency) of revenue over expenditures and other financing uses	\$ -	\$ (159,456)	\$ 261,581	\$ (79,749)	\$ 341,288

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
SEWER FUND
AS OF MAY 31, 2015 AND 2014

	May 31	May 31
	2015	2014
Assets		
Cash	\$ 478,323	\$ 495,272
Accounts receivable	826,432	820,739
Advances from other funds	20,416	20,416
Due from other funds	658,557	103,832
Total assets	\$ 1,983,728	\$ 1,440,259
Liabilities		
Accounts payable	\$ 86,756	\$ 73,820
Accrued liabilities	50,590	50,893
Advances from other funds	206,384	464,105
Due to other funds	2,549	40,015
Other liabilities/due to other governments	81,731	27,022
Total liabilities	428,010	655,855
Fund Equity		
Assigned	1,555,718	784,404
Total fund equity	1,555,718	784,404
Total liabilities and fund equity	\$ 1,983,728	\$ 1,440,259

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY – SEWER FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2015 AND 2014

	May 31 2015	May 31 2014
Revenue		
Departmental income	\$ 3,186,673	\$ 3,111,374
Intergovernmental charges	260,415	376,845
State aid	2,520	3,780
Total revenue	3,449,608	3,491,999
Expenditures		
General government support	60,252	64,778
Home and community services	1,749,977	2,109,996
Employee benefits	519,796	502,321
Total expenditures	2,330,025	2,677,095
Excess of revenue over expenditures	1,119,583	814,904
Other financing sources (uses)		
Operating transfers out	(753,284)	(1,105,827)
Total other financing uses	(753,284)	(1,105,827)
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	366,299	(290,923)
Fund equity, beginning of year	784,404	1,075,327
Prior period adjustment	405,015	-
Fund equity, end of year	\$ 1,555,718	\$ 784,404

CITY OF OLEAN, NEW YORK
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL – SEWER FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2015

	Original Budget	Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
Revenue					
Departmental income	\$ 3,201,853	\$ 3,201,853	\$ 3,186,673	\$ -	\$ (15,180)
Intergovernmental charges	300,000	300,000	260,415	-	(39,585)
State aid	-	-	2,520	-	2,520
Total revenue	3,501,853	3,501,853	3,449,608	-	(52,245)
Expenditures					
General government support	137,000	137,000	60,252	-	76,748
Home and community services	1,980,318	1,989,160	1,749,977	-	239,183
Employee benefits	512,850	512,850	519,796	-	(6,946)
Debt service - interest expense	-	-	-	-	-
Total expenditures	2,630,168	2,639,010	2,330,025	-	308,985
Excess (deficiency) of revenue over expenditures	871,685	862,843	1,119,583	-	256,740
Other financing sources (uses)					
Operating transfers out	(871,685)	(871,685)	(753,284)	-	118,401
Total other financing uses	(871,685)	(871,685)	(753,284)	-	118,401
Excess (deficiency) of revenue over expenditures and other financing uses	\$ -	\$ (8,842)	\$ 366,299	\$ -	\$ 375,141

**CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
REVOLVING LOAN FUND
AS OF MAY 31, 2015 AND 2014**

	May 31 2015	May 31 2014
Assets		
Cash on deposit - Regular accounts	\$ 428,145	\$ 468,542
Rehabilitation loans receivable	131,432	100,403
Total assets	\$ 559,577	\$ 568,945
Liabilities		
Unearned revenue	\$ 131,432	\$ 100,691
Accounts Payable	1,883	-
Due to other agency	2,597	4,386
Total liabilities	135,912	105,077
Fund Equity		
Assigned	423,665	463,868
Total fund equity	423,665	463,868
Total liabilities and fund equity	\$ 559,577	\$ 568,945

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY – REVOLVING LOAN FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2015 AND 2014

	May 31	May 31
	2015	2014
Revenue		
Departmental income	\$ 22,700	\$ 70,589
Use of money and property	605	581
State aid	90,000	-
Total revenue	113,305	71,170
Expenditures		
Home and community services	153,508	-
Total expenditures	153,508	-
Excess of revenue over expenditures and other uses	(40,203)	71,170
Fund equity, beginning of year	463,868	392,698
Fund equity, end of year	\$ 423,665	\$ 463,868

**CITY OF OLEAN, NEW YORK
 COMPARATIVE BALANCE SHEETS
 HOUSING REHABILITATION FUND
 AS OF MAY 31, 2015 AND 2014**

	May 31 2015	May 31 2014
Assets		
Cash on deposit - regular accounts	\$ 2,298	\$ 6,672
Due from other funds	-	30
Rehabilitation loans receivable	6,313	6,699
Total assets	\$ 8,611	\$ 13,401
Liabilities		
Unearned revenue	\$ 6,313	\$ 6,729
Total liabilities	6,313	6,729
Fund Equity		
Assigned	2,298	6,672
Total fund equity	2,298	6,672
Total liabilities and fund equity	\$ 8,611	\$ 13,401

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY – HOUSING REHABILITATION FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2015 AND 2014

	May 31 2015	May 31 2014
Revenue		
Departmental income	\$ 475	\$ 3,476
Use of money and property	1	1
Total revenue	<u>476</u>	<u>3,477</u>
Expenditures		
Home and community services	4,850	-
Total expenditures	<u>4,850</u>	<u>-</u>
Excess of revenue over expenditures	<u>(4,374)</u>	<u>3,477</u>
Excess of revenue over expenditures and other uses	(4,374)	3,477
Fund equity, beginning of year	6,672	3,195
Fund equity, end of year	<u>\$ 2,298</u>	<u>\$ 6,672</u>

**CITY OF OLEAN, NEW YORK
 COMPARATIVE BALANCE SHEETS
 FIRST TIME HOMEBUYERS FUND
 AS OF MAY 31, 2015 AND 2014**

	<u>May 31</u> <u>2015</u>	<u>May 31</u> <u>2014</u>
Assets		
Cash on deposit - regular accounts	\$ 49,309	\$ 71,694
First time homebuyers loans receivable	101,585	72,517
Total assets	<u>\$ 150,894</u>	<u>\$ 144,211</u>
Liabilities		
Unearned revenue	\$ 101,585	\$ 72,515
Other liabilities	(20)	24
Total liabilities	<u>101,565</u>	<u>72,539</u>
Fund Equity		
Assigned	49,329	71,672
Total fund equity	<u>49,329</u>	<u>71,672</u>
Total liabilities and fund equity	<u>\$ 150,894</u>	<u>\$ 144,211</u>

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY – FIRST TIME HOMEBUYERS FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2015 AND 2014

	May 31 2015	May 31 2014
Revenue		
Departmental income	\$ 23,108	\$ 23,979
Use of money and property	15	21
Total revenue	<u>23,123</u>	<u>24,000</u>
Expenditures		
Home and community services	<u>45,466</u>	247
Total expenditures	<u>45,466</u>	<u>247</u>
Excess of revenue over expenditures	<u>(22,343)</u>	<u>23,753</u>
Excess of revenue over expenditures and other uses	(22,343)	23,753
Fund equity, beginning of year	<u>71,672</u>	<u>47,919</u>
Fund equity, end of year	<u>\$ 49,329</u>	<u>\$ 71,672</u>

**CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
CAPITAL PROJECTS FUND
AS OF MAY 31, 2015 AND 2014**

	May 31 2015	May 31 2014
Assets		
Cash on deposit - regular accounts	\$ 348,599	\$ 1,914,399
Due from Federal and State	1,241,393	504,815
Due from other funds	2,119,582	421,473
Total assets	\$ 3,709,574	\$ 2,840,687
Liabilities		
Accounts payable	\$ 835,992	\$ 565,486
Accrued liabilities/due to other governments	151,655	100,000
Due to other funds	210	357,842
Bond anticipation notes payable	5,817,224	-
Total liabilities	6,805,081	1,023,328
Fund Equity		
Restricted	1,806,351	2,466,763
Unassigned (deficit)	(4,901,858)	(649,404)
Total fund equity (deficit)	(3,095,507)	1,817,359
Total liabilities and fund equity	\$ 3,709,574	\$ 2,840,687

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY – CAPITAL PROJECTS FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2015 AND 2014

	May 31 2015	May 31 2014
Revenue		
Use of money and property	\$ 770	\$ 1,934
Miscellaneous local sources	475,617	200,380
Federal aid	2,159,331	20,897
State aid	969,121	482,274
Total revenue	3,604,839	705,485
Expenditures		
General government support	363,551	566,886
Public safety	257,466	170,864
Transportation	6,298,529	1,263,480
Culture and recreation	66,347	-
Home and community services	1,953,059	2,636,703
Total expenditures	8,938,952	4,637,933
Deficiency of revenue over expenditures	(5,334,113)	(3,932,448)
Other financing sources (uses)		
Proceeds from capital leases	236,117	324,245
Operating transfers in	185,130	1,970,000
Operating transfers out	-	(388,192)
Total other financing sources	421,247	1,906,053
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	(4,912,866)	(2,026,395)
Fund equity (deficit), beginning of year	1,817,359	3,843,754
Fund equity, end of year	\$ (3,095,507)	\$ 1,817,359

CITY OF OLEAN, NEW YORK
BALANCE SHEET – CAPITAL PROJECTS FUND – BY PROJECT
AS OF MAY 31, 2015

Project Number	Description	Cash	Due from Federal & State	Due from/(to) Other Funds	Total Assets	Accounts Payable & Accrued Expenses	BAN's/ Notes Payable	Fund Equity (Deficit)	Total Liabilities & Fund Equity
29	CHIPS	\$ (342)	\$ -	\$ 342	\$ -	\$ -	\$ -	\$ -	\$ -
87	Landfill - Olean Airport	57,292	-	-	57,292	-	-	57,292	57,292
101	Alarm	27,047	-	1,035	28,082	-	-	28,082	28,082
102	Vehicle replacement	102,920	-	67,024	169,944	-	-	169,944	169,944
103	Police Equipment Replacement	11,742	-	-	11,742	-	-	11,742	11,742
116	Fire arson equipment	11,471	-	-	11,471	-	-	11,471	11,471
117	Dispatch project	2,212	-	-	2,212	-	-	2,212	2,212
118	Ambulance reserve	66,441	-	-	66,441	-	-	66,441	66,441
119	OATS Bus Reserve	23,223	-	-	23,223	-	-	23,223	23,223
120	Water filtration plant	34,139	-	-	34,139	-	-	34,139	34,139
123	Catch basin disconnect project	314,473	-	34,749	349,222	100,000	-	249,222	349,222
132	Parking lot maintenance program	27,226	-	-	27,226	-	-	27,226	27,226
133	Parking lots repaving & rehab	51,629	-	-	51,629	-	-	51,629	51,629
137	Telephone System	4,000	-	-	4,000	-	-	4,000	4,000
145	Two Mile Sewer	237,520	-	-	237,520	-	-	237,520	237,520
146	Airport Master Plan	12,536	53,930	-	66,466	134,818	-	(68,352)	66,466
149	Bartlett House Renovations	(11,752)	-	-	(11,752)	-	-	(11,752)	(11,752)
150	Sidewalk Improvement Reserve	(45,595)	-	-	(45,595)	-	-	(45,595)	(45,595)
151	Fire Hall Relocation	(3,478)	-	-	(3,478)	-	-	(3,478)	(3,478)
153	East State Street and East End Sewer	(74,078)	-	-	(74,078)	-	-	(74,078)	(74,078)
155	Courtroom Repairs	(8,403)	-	-	(8,403)	-	-	(8,403)	(8,403)
156	Wastewater Plant Belt Press Reserve	5,000	-	-	5,000	-	-	5,000	5,000
157	Narrow Band Radio Upgrade	(2,584)	-	-	(2,584)	-	-	(2,584)	(2,584)
158	Traffic Signal Upgrade Project	17,000	-	-	17,000	-	-	17,000	17,000
159	Rec Center Compressor Reserve	27,006	-	-	27,006	-	-	27,006	27,006
160	Downtown Facilities Upgrades	644,120	-	(25,000)	619,120	8,316	-	610,804	619,120
161	Other Miscellenous Reserves	575	-	-	575	-	-	575	575
162	Brownfield Opportunity Areas Program	(90,131)	3,220	-	(86,911)	15,995	-	(102,906)	(86,911)
163	Waste Water Treatment Plant Master Plan	(138,696)	-	-	(138,696)	16,764	1,117,224	(1,272,684)	(138,696)
164	Chestnut Street Development	-	-	-	-	-	-	-	-
165	Bradner Stadium Project	34,614	-	-	34,614	45,772	-	(11,158)	34,614
166	Franchot Playground	(5,531)	-	-	(5,531)	-	-	(5,531)	(5,531)
167	North Union Street Rehabilitation	(1,159,801)	1,184,243	-	24,442	544,031	-	(519,589)	24,442
168	Homer Street Playground	56,125	-	-	56,125	-	-	56,125	56,125
169	Olean Creek Pedestrian Crossing	90,488	-	-	90,488	-	-	90,488	90,488
170	Property Reevaluation	25,000	-	-	25,000	-	-	25,000	25,000
171	York St./Prospect Ave.	5,291	-	988,775	994,066	107,448	3,400,000	(2,513,382)	994,066
172	Ladder Truck	-	-	956,900	956,900	11,870	1,080,000	(134,970)	956,900
173	Ice Resurfacer	-	-	95,757	95,757	2,418	220,000	(126,661)	95,757
174	Homer Street Project	(100)	-	-	(100)	425	-	(525)	(100)
Totals		\$ 348,599	\$ 1,241,393	\$ 2,119,582	\$ 3,709,574	\$ 987,857	\$ 5,817,224	\$ (3,095,507)	\$ 3,709,574

See accompanying independent auditor's report on supplementary information.

CITY OF OLEAN, NEW YORK
SCHEDULE OF EXPENDITURES -
CAPITAL PROJECTS FUND – BY PROJECT
FOR THE FISCAL YEARS ENDED MAY 31, 2015 AND 2014

<i>Project</i>	May 31 2015	May 31 2014
CHIPS	\$ 372,452	\$ 612,940
Vehicle Replacement	195,902	490,823
Equipment Purchased Through Capital Leases	236,117	324,245
Dispatch Project	2,352	-
Police Equipment Replacement Reserve	50,317	32,558
Water Filtration Plant	16,568	1,178
Main Street Bridge Project	-	11,467
East Olean Sewer	-	256,911
Two Mile Sewer	-	242,360
Airport Master Plan	1,108,434	194,139
Safe Routes to Schools	-	106,480
Sidewalk Improvement Reserve	100,764	42,327
East State Street and East End Sewer	-	126,943
Woodview Avenue Paving Project	-	1,533
HVAC Reserve	-	11,801
Bartlett House Renoavtions	-	35,199
Rec Center Compressor Reserve	66,347	-
Courtroom Repairs	-	58,028
Narrow Band Radio Upgrade	18,646	-
Downtown Facilities Upgrade	35,998	659,292
Brownfield Opportunity Areas Program	63,543	163,854
Waste Water Treatment Plant Master Plan	953,713	215,083
Bradner Stadium Project	749,627	1,085,384
North Union Street Rehabilitation	2,064,679	5,213
Ambulance Reserve	103,850	112,836
Chestnut Street Development	-	150,000
Franchot Playground	-	85,531
Homer Street Playground	3,875	-
Olean Creek Pedestrian Crossing	19,642	-
York St./Prospect Ave.	2,513,970	-
Ladder Truck	134,970	-
Ice Resurfacers	126,661	-
Homer Street Project	525	-
	\$ 8,938,952	\$ 5,026,125

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
DEBT SERVICE FUND
AS OF MAY 31, 2015 AND 2014

	May 31 2015	May 31 2014
Assets		
Cash on deposit		
Restricted regular accounts	\$ 2,306,429	\$ 263,074
Due from other funds	1,532	1,533
Total assets	\$ 2,307,961	\$ 264,607
Liabilities		
Due to other funds	\$ 2,100,674	\$ 59,242
Total liabilities	2,100,674	59,242
Fund Equity		
Restricted	207,287	205,365
Total fund equity	207,287	205,365
Total liabilities and fund equity	\$ 2,307,961	\$ 264,607

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY – DEBT SERVICE FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2015 AND 2014

	<u>May 31</u> <u>2015</u>	<u>May 31</u> <u>2014</u>
Revenue		
Use of money and property	\$ 1,922	\$ 127
Total revenue	<u>1,922</u>	<u>127</u>
Expenditures		
Debt service:		
Principal	1,808,939	1,891,441
Interest	627,598	651,198
Total expenditures	<u>2,436,537</u>	<u>2,542,639</u>
Deficiency of revenue over expenditures	<u>(2,434,615)</u>	<u>(2,542,512)</u>
Other financing sources		
Operating transfers in	2,436,537	2,705,210
Total other financing sources	<u>2,436,537</u>	<u>2,705,210</u>
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	1,922	162,698
Fund equity, beginning of year	<u>205,365</u>	<u>42,667</u>
Fund equity, end of year	<u>\$ 207,287</u>	<u>\$ 205,365</u>

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
AGENCY FUND
AS OF MAY 31, 2015 AND 2014

	May 31	May 31
	2015	2014
Assets		
Cash on deposit		
Regular accounts	\$ 125,119	\$ 138,231
Restricted accounts	147,138	136,121
Due from other funds	2,716	13,248
Total assets	\$ 274,973	\$ 287,600
Liabilities		
Due to other funds	\$ 9,826	\$ 4,247
Other liabilities	265,147	283,353
Total liabilities	\$ 274,973	\$ 287,600

CITY OF OLEAN, NEW YORK
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND BALANCES – AGENCY FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2015

	Balance				Balance
	June 1, 2014	Receipts	Disbursements		May 31, 2015
Hospitalization	\$ 5,202	\$ 674,765	\$ 677,919	\$	2,048
Charity - United Way	110	213	236		87
Guarantee & Bid Bonds	500	-	-		500
Tree Cut Tree Service Inc.	3,754	1	-		3,755
Tree Cut Tree Service Inc.	3,751	-	3,751		-
Building Improvement Fund-HDCP	459	-	-		459
Children's Memorial Flower Grdn	15	-	-		15
Stadium Renovations / Donations	1,398	-	-		1,398
Y&R St. John's	7,274	-	-		7,274
Mayor's Cup Golf Tournament	819	756	-		1,575
Bike Auction	10,152	1,069	11,221		-
Neighborhood Preservation	400	-	-		400
Miscellaneous Recreation	16,899	15,697	14,660		17,936
Clerk Sales	1,583	-	-		1,583
Bartlett House Donations	14,503	1,867	613		15,757
Bartlett House Donations	11,601	-	-		11,601
Police Drugs Donations	2,709	6,328	-		9,037
Police Federal Drug Proceeds	29,252	9,408	11,712		26,948
Youth Programs Donations	57	-	-		57
Youth Court Donations	7,043	-	120		6,923
Tree Program	9,861	1,090	3,703		7,248
Interest & Service Charges	705	139	98		746
Personnel	1,021	-	825		196
Fire Equipment Donations	9,164	100	-		9,264
Flexible Spending Account	(8,274)	1	-		(8,273)
Medical Savings Account	137,255	118,062	110,315		145,002
Payroll Account	14,964	10,404,681	10,417,239		2,406
Special Account	1,176	16,260	16,231		1,205
Totals	\$ 283,353	\$ 11,250,437	\$ 11,268,643	\$	265,147

CITY OF OLEAN, NEW YORK
SCHEDULE OF FUNDING PROGRESS
AS OF MAY 31, 2015

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
June 1, 2008	\$ -	\$ 1,336,369	\$ 1,336,369	\$ -	\$ -	N/A
June 1, 2013	\$ -	\$ 514,979	\$ 514,979	\$ -	\$ -	N/A

CITY OF OLEAN, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2015

Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Receivable 05/31/14	Total Received	Revenue	Expenditures	Receivable 05/31/15
<u>United States Department of Transportation</u>								
Airport Improvement Program - Obstruction Removal*	20.106	FAA AIP 3-36-0091-19-14 NYS DOT PIN 5904.45	\$ 51,300	\$ -	\$ 13,018	\$ 30,240	\$ 30,240	\$ 17,222
Airport Improvement Program - Perimeter Fence Replacement *	20.106	FAA AIP 3-36-0091-18-13 PIN 5904.44	72,000	-	1,080	1,080	1,080	-
Airport Improvement Program - T-Hanger Taxilane*	20.106	FAA AIP 3-36-0091-17-13 PIN 5904.44	633,600	-	546,189	577,708	577,708	31,519
Highway Planning and Construction	20.205	NYS DOT/D034764 PIN 5760.83	6,617,000	-	366,060	1,550,303	1,550,303	1,184,243
Subtotal U.S. Department of Transportation			7,373,900	-	926,347	2,159,331	2,159,331	1,232,984
Total			\$ 7,373,900	\$ -	\$ 926,347	\$ 2,159,331	\$ 2,159,331	\$ 1,232,984

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



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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of *City of Olean, New York* as of and for the year ended c, and the related notes to the financial statements, which collectively comprise *City of Olean, New York's* basic financial statements and have issued our report thereon dated November 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered *City of Olean, New York's* internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of *City of Olean, New York's* internal control. Accordingly, we do not express an opinion on the effectiveness of *City of Olean, New York* internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified four deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. 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 deficiencies described in the accompanying schedule of findings and questioned costs as items II.A.2015-001, II.A.2015-002 and II.A.2015-003 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

City of Olean's Response to Findings

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.

Other Matters

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 9, 2015.

Purpose of the Report

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

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
November 9, 2015**



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

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

Report on Compliance for Each Major Federal Program

We have audited *City of Olean, New York's* compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of *City of Olean, New York's* major federal programs for the year ended May 31, 2015. *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.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

Report on Internal Control Over Compliance (continued)

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified three deficiencies in internal control over compliance that we consider to be material weaknesses.

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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items III.A.2015-004, III.A.2015-005 and III.A.2015-006 to be material weaknesses.

City of Olean's Responses to Findings

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. *City of Olean, New York's* responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on these responses.

We also noted other matters that we have reported to management of *City of Olean, New York* in a separate letter dated November 9, 2015.

Purpose of this Report

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

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
November 9, 2015**

CITY OF OLEAN, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MAY 31, 2015

I. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unmodified opinion on the financial statements of the *City of Olean, New York*.
2. There were three 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.2015-001, II.A. 2015-002, and II.A. 2015-003 are reported as material weaknesses.
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. 2015-004, III.B. 2015-005, and III.B. 2015-006 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 unmodified 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 – Obstruction Removal *	(Type A)	20.106	\$ 30,240
U.S. Department of Transportation Airport Improvement Grant – Perimeter Fence *	(Type A)	20.106	1,080
U.S. Department of Transportation Airport Improvement Grant– T-Hanger Taxilane *	(Type A)	20.106	577,708
U.S. Department of Transportation Highway Planning and Construction	(Type A)	20.205	<u>1,550,303</u>
Total tested			<u>\$ 2,159,331</u>
Total Federal Awards			<u>\$ 2,159,331</u>
Percentage of total programs tested			<u>100%</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

2015-001 Bank Reconciliations

Year Ended May 31, 2015

Conditions and Criteria: The City of Olean prepares its bank reconciliation electronically utilizing its accounting software. Although in total the bank reconciliation agrees to the cash balance on the general ledger for each month, the bank reconciliations includes transactions that were not correctly recorded during the current year.

Effect: At times throughout the year, the City's bank balances reported within its general ledger are incorrect. The effect of not investigating and correcting bank reconciliation transaction that are improperly posted is that reporting errors in financial reporting can occur and not be detected or resolved in a timely manner.

Auditors' Recommendation: As part of the bank reconciliation preparation and review, the City's general ledger cash balances should be compared against the bank reconciliation, with any differences being immediately investigated and corrected.

City's Response: The City understands the importance of the bank reconciliation process and will investigate and correct any reconciling differences as they occur. Differences existed related to the timing of payroll transfers made from the general checking account to the payroll account. The City will put a process in place to verify that these transactions are properly accounted for on the bank reconciliations.

Year ended May 31, 2014

In the prior year, a finding on bank reconciliations was cited which included language on the lack of segregation of duties. In the current year, an independent contractor performed bank reconciliation reviews on a monthly basis.

2015-002 Adjusting Journal Entries and Required Disclosures to the Financial Statements

Year Ended May 31, 2015

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. Also, during the current year, there were prior period adjustments made to correct previously reported balances. 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, 2014

Similar finding was reported upon during the year ended May 31, 2014.

II. FINANCIAL STATEMENTS AUDIT – FINDINGS (CONTINUED)

A. Internal Control over Financial Reporting (continued)

2015-003 Reconciliation of General Ledger

Year Ended May 31, 2015

Condition and Criteria: During our audit, we noted that the City does not perform reconciliations of assets and liability accounts during the year on regular or routine basis, including receivables, payables and interfund loan balances. In addition, the City maintained manual records along with its general ledger system for the capital projects fund. Although dual systems were maintained throughout the year, differences that arise in certain balance sheet accounts and revenue and expense accounts were not investigated and corrected until the audit.

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, 2014

Similar finding was reported upon during the year ended May 31, 2014

2014-001 Federal and State Grants

Year ended May 31, 2015

This finding related to internal control over financial reporting is not being reported upon during the fiscal year ended May 31, 2015.

Year ended May 31, 2014

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, 2010, 2011 and 2012 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.

Current Status: The City developed a worksheet that is used to track requests for reimbursements of Federal and State grants, along with payments received by grantors.

II. FINANCIAL STATEMENTS AUDIT – FINDINGS (CONTINUED)

B. Compliance

Year ended May 31, 2015

There are no compliance findings being reported upon for the fiscal year ended May 31, 2015.

Year ended May 31, 2014

There were no compliance findings reported upon for the fiscal year ended May 31, 2014.

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

A. Compliance

Year ended May 31, 2015

No compliance findings are being reported upon during the fiscal year ended May 31, 2015.

Year ended May 31, 2014

No compliance findings were reported upon for the fiscal year ended May 31, 2014, as the City's Federal expenditures did not exceed \$500,000 and a single audit was not required.

B. Internal Control over Compliance

Year ended May 31, 2015

All Federal Awards

2015-004 Bank Reconciliations

Same finding as that reported as II.A.2015-001 above.

2015-005 Adjusting Journal Entries and Required Disclosures to the Financial Statements

Same finding as that reported as II.A.2015-002 above.

2015-006 Reconciliation of General Ledger

Same finding as that reported as II.A.2015-003 above.

Year ended May 31, 2014

No findings on internal controls over compliance were reported upon for the year ended May 31, 2014, as the City's Federal expenditures did not exceed \$500,000 and a single audit was not required.

CITY OF OLEAN, NEW YORK
SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
YEAR ENDED MAY 31, 2015

<u>PROGRAM TITLE</u>	<u>NYSDOT CONTRACT NUMBER</u>	<u>EXPENDITURES</u>
Airport Improvement Program	PIN 5904.45. 5904.44	\$ 609,028
Highway Planning and Construction	PIN 5760.83	1,550,303
Consolidated Highway Improvement Program (CHIPS)	N/A	<u>372,452</u>
TOTAL STATE TRANSPORTATION ASSISTANCE EXPENDED		\$ <u>2,531,783</u>

Note 1 - Basis of Presentation

The accompanying Schedule of State Transportation Assistance Expended includes Federal and State 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 Draft Part 43 NYCRR. Therefore some amounts in the Schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

GENERAL

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

BASIS OF ACCOUNTING

The accompanying Schedule of State Transportation Assistance Expended includes Federal and State grant activity that passes through the New York State Department of Transportation and is presented using the modified accrual basis of accounting.

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

INDIRECT COSTS

There are no indirect costs associated with these programs.

MATCHING COSTS

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

AMOUNTS PAID TO SUBRECIPIENTS

There were no amounts paid to subrecipients during the fiscal year ended May 31, 2015.



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

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

Compliance

We have audited the compliance of the *City of Olean, New York* with the types of compliance requirements described in Draft Part 43 of the New York State Codification of Rules and Regulations (NYCRR) that are applicable to each state transportation assistance program tested for the year ended May 31, 2015. The programs tested are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each program tested is the responsibility of the *City of 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 generally accepted auditing standards; issued by the Comptroller General of the United States; and Draft Part 43 of NYCRR. These standards and Draft Part 43 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, that could have a direct and material effect on the state transportation assistance programs tested, has occurred. An audit includes examining, on a test basis, evidence about the *City of 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* complied in all material respects with the requirements referred to above that are applicable to each of its state transportation assistance programs tested for the year ended May 31, 2015.

Internal Control Over Compliance

The management of the *City of Olean, New York* is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state transportation assistance programs tested. In planning and performing our audit, we considered the *City of Olean, New York's* internal control over compliance with requirements that could have a direct and material effect on state transportation assistance programs tested in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on the internal control over compliance in accordance with Draft Part 43 NYCRR.

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 four deficiencies in internal control over compliance that we consider to be material weaknesses.

A control deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state transportation assistance program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state transportation 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 I.2015-001, I.2015-002, and I.2015-003 to be material weaknesses.

Schedule of State Transportation Assistance Expended

We have audited the financial statements of the *City of Olean, New York* as of and for the year ended May 31, 2015, and have issued our report thereon dated November 9, 2015. Our audit was performed for the purpose of forming an opinion on the *City of Olean, New York's* financial statements taken as a whole. The accompanying schedule of state transportation assistance expended is presented for purposes of additional analysis as required by Draft Part 43 of NYCRR, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

City of Olean's Responses to Findings

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.

Other Matters

We noted other matters that we have reported to management of *City of Olean, New York* in a separate letter dated November 9, 2015.

Purpose of the Report

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

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
November 9, 2015**

CITY OF OLEAN, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR STATE TRANSPORTATION ASSISTANCE EXPENDED
YEAR ENDED MAY 31, 2015

Summary of Audit Results:

Internal control over state transportation assistance expended:

- Material weaknesses identified Findings I.2015-001, I.2015-002, and I.2015-003.
- Deficiencies identified that are not considered to be material weakness None reported

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

Identification of State Transportation Assistance Programs Tested:

Name

Consolidated Highway Improvement Program (CHIPS)
Highway Planning and Construction
Airport Improvement Program

Compliance Findings and Questioned Costs:

No matters were reported.

CITY OF OLEAN, NEW YORK
SUMMARY OF SCHEDULE OF AUDIT FINDINGS
FOR STATE TRANSPORTATION ASSISTANCE EXPENDED
YEAR ENDED MAY 31, 2015

Page 79

I. Internal Control Over State Transportation Assistance Expended

2015-001 Bank Reconciliations

Year Ended May 31, 2015

Conditions and Criteria: The City of Olean prepares its bank reconciliation electronically utilizing its accounting software. Although in total the bank reconciliation agrees to the cash balance on the general ledger for each month, the bank reconciliations includes transactions that were not correctly recorded during the current year.

Effect: The effect of not investigating and correcting bank reconciliation transaction that are improperly posted is that reporting errors in financial reporting can occur and not be detected or resolved in a timely manner.

Auditors' Recommendation: As part of the bank reconciliation preparation and review, the City's general ledger cash balances should be compared against the bank reconciliation with any differences being immediately investigated and corrected.

City's Response: The City understands the importance of the bank reconciliation process and will investigate and correct any reconciling differences as they occur. Differences existed related to the timing of payroll transfers made from the general checking account to the payroll account. The City will put a process in place to verify that these transactions are properly accounted for on the bank reconciliations.

Year ended May 31, 2014

In the prior year a finding on bank reconciliations was cited which included language on the lack of segregation of duties. In the current year, an independent contractor performed bank reconciliation reviews on a monthly basis.

2015-002 Adjusting Journal Entries and Required Disclosures to the Financial Statements

Year Ended May 31, 2015

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. Also, during the current year, there were prior period adjustments made to correct previously reported balances. 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, 2014

Similar finding was reported upon during the year ended May 31, 2014.

CITY OF OLEAN, NEW YORK
SUMMARY OF SCHEDULE OF AUDIT FINDINGS
FOR STATE TRANSPORTATION ASSISTANCE EXPENDED
YEAR ENDED MAY 31, 2015

I. Internal Control Over State Transportation Assistance Expended (continued)

2015-003 Reconciliation of General Ledger

Year Ended May 31, 2015

Condition and Criteria: During our audit, we noted that the City does not perform reconciliations of assets and liability accounts during the year on regular or routine basis, including receivables, payables and interfund loan balances. In addition, the City maintained manual records along with its general ledger system for the capital projects fund. Although dual systems were maintained throughout the year, differences that arise in certain balance sheet accounts and revenue and expense accounts were not investigated and corrected until the audit.

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, 2014

Similar finding was reported upon during the year ended May 31, 2014

2014-001 Federal and State Grants

Year ended May 31, 2015

This finding related to internal control over financial reporting is not being reported upon during the fiscal year ended May 31, 2015.

Year ended May 31, 2014

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, 2010, 2011 and 2012 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.

Current Status: The City developed a worksheet that is used to track requests for reimbursements of Federal and State grants, along with payments received by grantors.



November 9, 2015

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

Ladies and Gentlemen:

We have completed our 2014-15 audit of the City's financial statements and have issued our reports thereon dated November 9, 2015. Our audit report expressed our opinion which states that the City's financial statements are in accordance with generally accepted accounting principles 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, 2015, 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.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
November 9, 2015**

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.

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.

Debt Service Reserve

Over the years, the City has earned interest and premiums related to bond proceeds issued to fund capital projects. In addition, when capital projects that are financed with long-term debt are closed, leftover funds are transferred to the City's debt service fund. These funds have been accumulated in the debt service fund and are required to be utilized in the future towards debt service principal and interest payments. We recommend that the City consider developing a worksheet which outlines a plan for when the funds will be utilized and applied against future years' debt service payments.

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 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. Additions and disposals should be tracked and updated on the City's fixed asset inventory report, at least annually.

Bond Anticipation Note Premiums

During the current year, the City received approximately \$52,000 in premiums related to the issuance of bond anticipation notes. Premiums received on such notes should be offset against the interest payment when due. We recommend that the City transfer such funds to the applicable funds (General, Water or Sewer Funds) in future years at the time interest payments are made.

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
- 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 and Trust and Agency Receipts

During our review of First Time Homebuyers and Trust and Agency cash receipts, we noted that there is 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. In addition we noticed that certain loan balances in the First Time Homebuyer and Revolving Loan program remain unpaid. The City should develop a policy which dictates the City's procedures for action on collections.

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.

Affordable Care Act (ACA)

With the passage of the Affordable Care Act by the Federal government, increased gathering of data, analysis and reporting will be required by all employers in the future. Information such as tracking employees hours for eligibility purposes and analyzing the affordability of health care will now be required. It is our understanding that the City, has developed systems to document and report such information in compliance with the new regulations. Because of the regulations related to the Affordable Care Act are new and somewhat complex, we recommend that the City continue to review the latest guidance and continue to participate in educational opportunities when they become available in order to stay current in this area.

Equipment and Inventory

The City reports approximately \$61 million of capital assets. The most significant dollar amount of these assets consists of the City buildings, infrastructure and capital improvements that are not as susceptible to the risk of loss or misuse. Assets that are more susceptible to such risk include equipment and inventory items. It is extremely important for the City to be aware of the risks associated with these assets and have processes in place to safeguard against their loss or misuse. Internal controls that the City may consider the following:

- Continued updating of the City's fixed asset and inventory additions and disposals within its asset database;
- Obtaining a full independent appraisal every few years, that would compare the assets listed within the database compared with those physically counted;
- Maintaining a perpetual inventory system for higher risk equipment and inventory items;
- Periodically perform random spot checks of equipment and inventory and compare to asset database;
- Performing annual physical inventory counts and investigating any differences between the appraisal/inventory reports and physical count;
- Obtaining mileage logs and purchases records to determine reasonableness of gasoline usage.

Accumulated Deficit –Capital Project Fund

The *City of Olean, New York's* capital project fund had multiple projects with accumulated deficits of as of May 31, 2015. The projects with accumulated deficits were Bartlett House Renovations, Fire Hall Relocation, East State Street and East End Sewer Courtroom Repairs, and Narrow Band Upgrade. As a result, the City will be required to transfer funds from its general fund to cover its local share and to eliminate this capital project deficit.

Technology

In an ever changing technological society the City should continue to monitor the risks associated with technology so that key operational and financial data are safeguarded. Some of the general and application IT controls that should continue to be considered include the following:

- Procedures for developing, testing, documenting, reviewing, and approving systems or program changes and subsequent modification.
- Controls over access to computer equipment, software and data contained therein.
- Disaster/recovery plans, including backup procedures, off-site storage, and contingency planning.
- Developing formal procedures and guidelines for tasks performed by IT staff.
- Formal documentation of IT policies and processes.
- Identifying those individuals who have access within accounting systems and routinely monitoring such access.
- We recommend that the City continue to consider its technology risks and how such risks are mitigated.

GASB 68 – Accounting and Financial Reporting for Pensions

The Government Accounting Standards Board issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. Statement No. 68 will be effective for the City in the fiscal year ending May 31, 2016. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

Currently, governments must only report as an expenditure the amount of their required contribution based on current contribution rates. The new standard will require the City to report in their government-wide financial statements their proportionate share of the net pension liability of the pension systems (ERS and PFRS Systems). The net pension liability is equal to the difference between the total pension liability and the value of assets set aside in a pension plan to pay benefits to current employees, retirees and their beneficiaries. The City should begin to familiarize itself with this new GASB and calculated its impact once projected net pension liabilities are calculated and communicated by the Teacher and Employee Retirement Systems. Once an evaluation is made, the City should begin to educate the users of the financial statements as to the new Statement's impact.

STATISTICAL SECTION

City of Olean

General Governmental Expenditures by Function

Governmental Funds(excludes bond refunding)

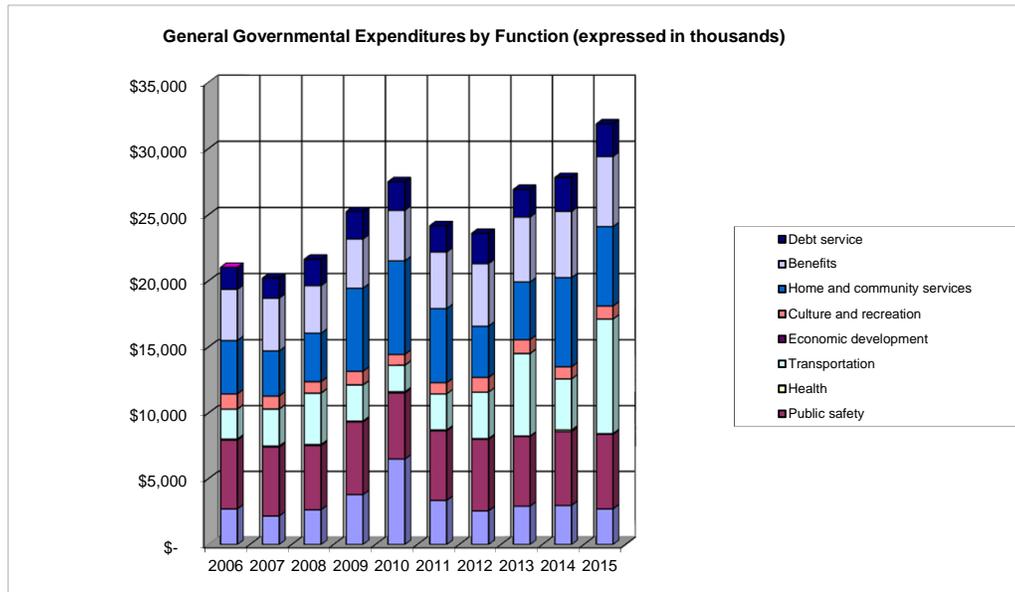
Last Ten Fiscal Years

(amounts expressed in thousands)

Function

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General government support	\$ 2,716	\$ 2,173	\$ 2,648	\$ 3,799	\$ 6,504	\$ 3,359	\$ 2,564	\$ 2,923	\$ 2,980	\$ 2,717
Public safety	5,239	5,244	4,890	5,534	5,036	5,303	5,447	5,310	5,618	5,678
Health	82	84	85	74	86	59	55	33	122	53
Transportation	2,267	2,810	3,902	2,731	2,002	2,752	3,540	6,252	3,879	8,682
Economic development	15	15	15	15	15	-	-	15	-	-
Culture and recreation	1,157	981	857	1,027	817	845	1,106	1,043	915	982
Home and community services	4,037	3,411	3,661	6,285	7,065	5,601	3,884	4,354	6,743	6,004
Benefits	3,860	3,991	3,592	3,715	3,828	4,282	4,724	4,906	5,006	5,309
Debt service	1,660	1,512	1,997	2,065	2,151	1,984	2,289	2,093	2,567	2,459
Total	\$ 21,033	\$ 20,221	\$ 21,647	\$ 25,245	\$ 27,504	\$ 24,185	\$ 23,609	\$ 26,929	\$ 27,830	\$ 31,884

Source: City of Olean Annual Report (2006-2015)



City of Olean

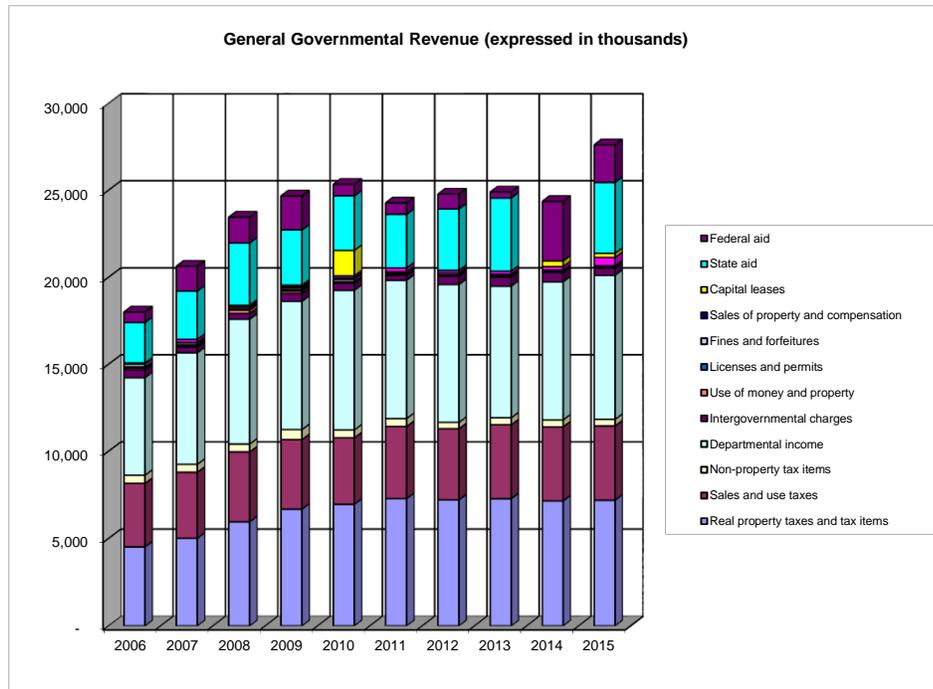
General Governmental Revenues by Source
 Governmental Funds(excludes bond refunding)

Last Ten Fiscal Years
 (amounts expressed in thousands)

Source

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Real property taxes and tax items	\$ 4,518	\$ 5,013	\$ 5,954	\$ 6,679	\$ 6,953	\$ 7,284	\$ 7,211	\$ 7,278	\$ 7,150	\$ 7,192
Sales and use taxes	3,642	3,784	4,009	3,995	3,822	4,142	4,087	4,249	4,255	4,264
Non-property tax items	468	454	452	572	450	455	364	401	398	380
Departmental income	5,599	6,409	7,169	7,374	8,023	7,946	7,919	7,558	7,933	8,276
Intergovernmental charges	464	327	339	457	416	286	481	523	538	413
Use of money and property	95	70	189	127	44	36	29	19	10	7
Licenses and permits	64	54	52	78	38	62	47	47	41	41
Fines and forfeitures	150	110	108	96	131	90	94	82	73	63
Sales of property and compensation	21	37	33	92	83	13	5	14	13	26
Miscellaneous local sources	55	175	89	77	126	221	155	182	200	476
Capital leases	-	-	-	-	1,458	-	-	-	324	236
Bad debt expense	59	-	-	-	-	-	-	-	-	-
State aid	2,324	2,774	3,575	3,170	3,130	3,082	3,528	4,204	3,424	4,077
Federal aid	606	1,426	1,481	1,955	667	658	856	339	21	2,159
	<u>\$ 18,065</u>	<u>\$ 20,633</u>	<u>\$ 23,450</u>	<u>\$ 24,672</u>	<u>\$ 25,341</u>	<u>\$ 24,275</u>	<u>\$ 24,776</u>	<u>\$ 24,896</u>	<u>\$ 24,380</u>	<u>\$ 27,610</u>

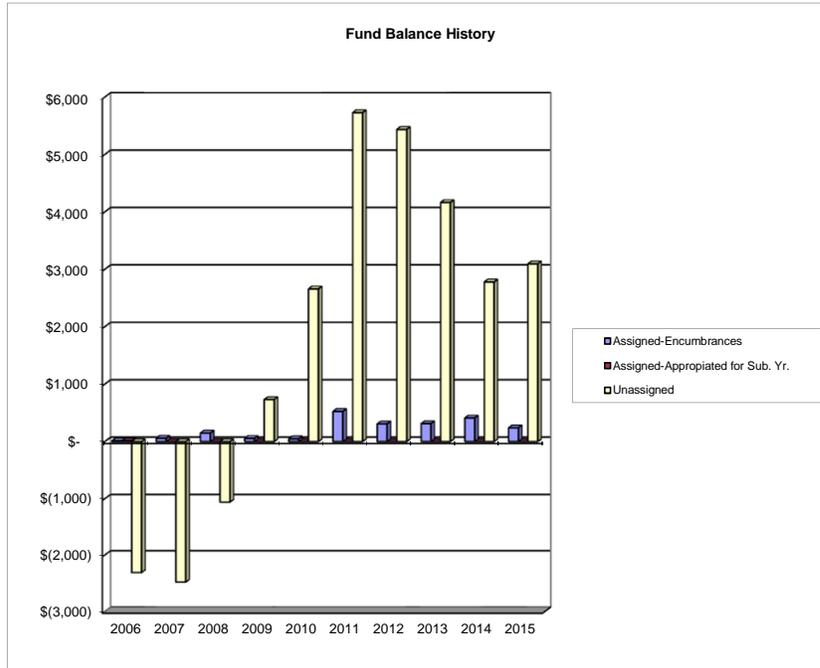
Source: City of Olean Annual Report (2006-2015)



City of Olean
Fund Balance History
 General Fund

Last Ten Fiscal Years
 (amounts expressed in thousands)

<u>Source</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Assigned-Encumbrances	\$ 14	\$ 59	\$ 148	\$ 55	\$ 49	\$ 525	\$ 307	\$ 312	\$ 411	\$ 239
Assigned-Appropriated for Sub. Yr.	15	-	-	-	-	-	-	-	-	-
Unassigned	(2,309)	(2,480)	(1,058)	732	2,658	5,728	5,437	4,164	2,780	3,095
Total	\$ (2,280)	\$ (2,421)	\$ (910)	\$ 787	\$ 2,707	\$ 6,253	\$ 5,744	\$ 4,476	\$ 3,191	\$ 3,334



Source: City of Olean Annual Report (2006-2015)

Assessed and Equalized Full Value of Taxable Property

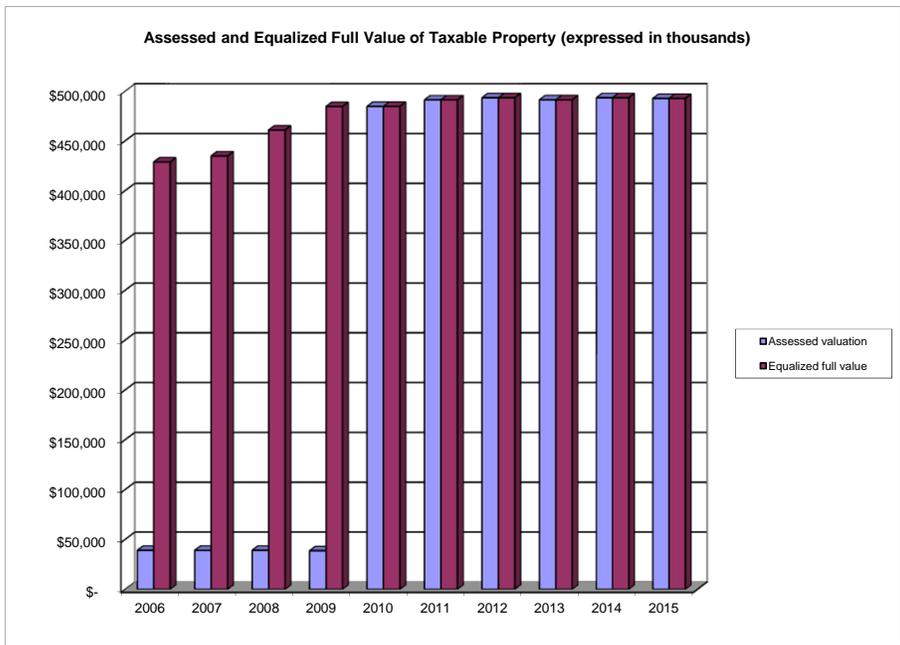
Last Ten Fiscal Years
(amounts expressed in thousands)

Source	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Assessed valuation	\$ 39,154	\$ 39,141	\$ 39,178	\$ 38,725	\$ 484,646	\$ 491,202	\$ 493,281	\$ 491,211	\$ 493,323	\$ 492,635
Equalized full value	428,850	434,900	460,918	484,520	484,646	491,202	493,281	491,211	493,323	492,635
Ratio: Assessed value to equalized full value	9.13%	9.00%	8.50%	8.00%	7.99%	100.00%	100.00%	100.00%	100.00%	100.00%

Notes:

- (1) Equalization rates are provided by N Retail which is comparable to estimated actual value. Taxable values are used from the preceding years assessment rolls.

Source: City of Olean Annual Report (2006-2015)



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

Last Ten Fiscal Years

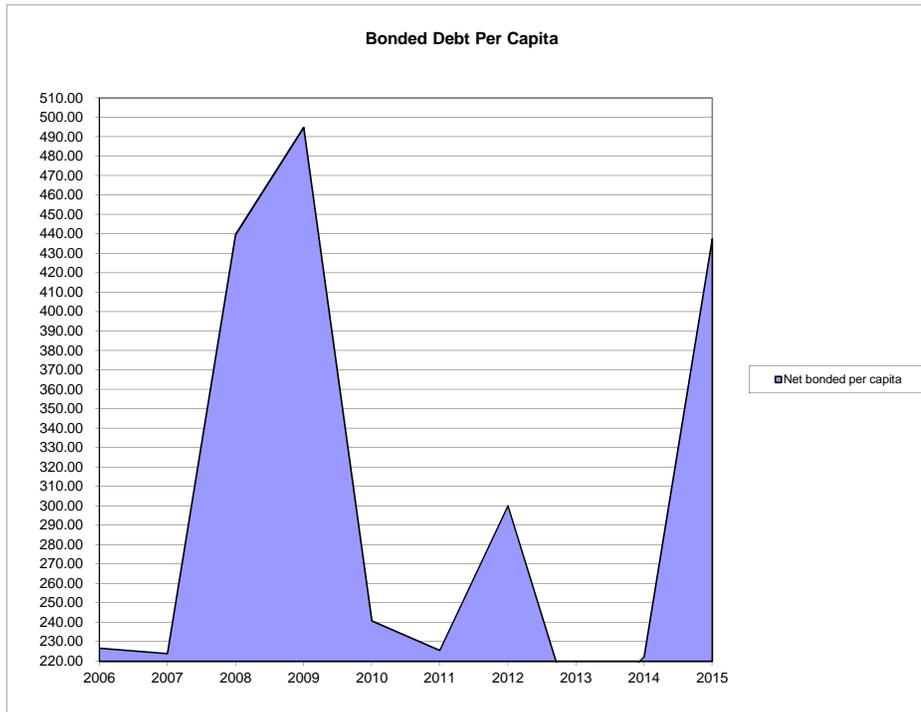
<u>Source</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Net bonded per capita	226.75	223.95	439.70	494.82	240.76	225.57	300.03	186.62	222.25	437.31
Population	15,347	15,347	15,347	15,347	15,347	14,452	14,452	14,452	14,452	14,452
Assessed value (000)	39,154	39,141	39,178	38,725	48,465	49,120	49,328	49,121	49,332	49,264
Gross bonded debt (000)	20,565	23,022	26,110	32,786	30,584	29,052	27,433	26,106	24,405	28,532
Less: self-supporting debt (000)	17,085	19,585	19,362	25,192	26,889	25,792	23,097	23,409	21,193	22,212
Net bonded debt (000)	3,480	3,437	6,748	7,594	3,695	3,260	4,336	2,697	3,212	6,320
Ratio of net bonded debt to assessed value	<u>8.89%</u>	<u>8.78%</u>	<u>17.22%</u>	<u>19.61%</u>	<u>7.62%</u>	<u>6.64%</u>	<u>8.79%</u>	<u>5.49%</u>	<u>6.51%</u>	<u>12.83%</u>

Notes:

Self-supporting debt includes water debt

Sources:

Population (2006-2010) were obtained from the 2000 census
 Population (2011-2015) 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 2006-2015



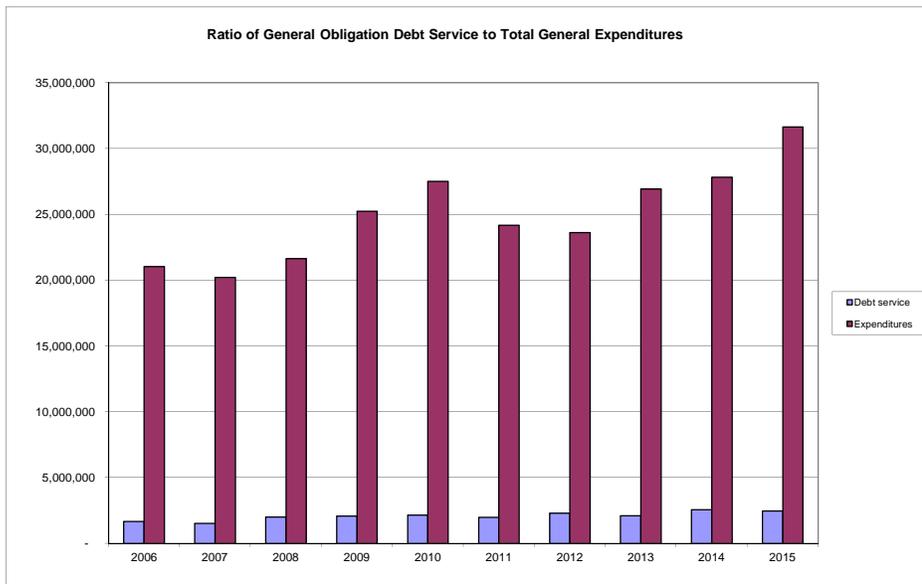
Ratio of General Obligation Debt Service to
Total General Expenditures

Last Ten Fiscal Years

Source	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt service	1,660,000	1,512,000	1,997,000	2,065,000	2,151,000	1,984,000	2,289,000	2,093,000	2,567,000	2,459,000
Expenditures	21,033,000	20,221,000	21,647,000	25,245,000	27,504,000	24,185,000	23,609,000	26,929,000	27,830,000	31,648,000
Ratio of general debt service to total general expenditures	7.89%	7.48%	9.23%	8.18%	7.82%	8.20%	9.70%	7.77%	9.22%	7.77%

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, 2015

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<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	\$ 13,836,691	2.81%
NYS Electric and Gas	Public Utility	13,460,863	2.73%
Park Centre Development	Real Estate	13,338,400	2.71%
Indeck-Olean LP	Manufacturing	10,600,000	2.15%
ZRAJ Olean, LLC	Retail	7,850,004	1.59%
Dresser-Rand Industries	Manufacturing	7,512,440	1.52%
2501 West State St Co. LLC	Retail	6,950,000	1.41%
Cutco Cutlery Corp.	Manufacturing	5,049,600	1.03%
Troy CMBS Prop.	Retail	4,300,000	0.87%
Olean Medical Properties	Health Care	4,276,800	0.87%
Total		\$ 87,174,798	17.70%

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.

