

**CITY OF OLEAN, NEW YORK**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOR THE  
FISCAL YEAR ENDED MAY 31, 2016  
WITH INDEPENDENT AUDITOR'S REPORT**

CITY OF OLEAN, NEW YORK

MAY 31, 2016

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**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**  
Certified Public Accountants • Business Advisors

**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, 2016, 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, 2016, 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* as of May 31, 2016, 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, the City implemented Government Accounting Standards Board Statement Number 68 "Accounting and Reporting for Pensions" during the current year which resulted in a prior period adjustment. Our opinion is not modified with respect to this matter.

## Report on Summarized Comparative Information

We have previously audited the *City of Olean, New York's* May 31, 2015 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, 2015, 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, budgetary comparison information, schedule of funding progress, schedule of the City's share of the net pension asset/liability, and the schedule of the City's contributions for defined benefit pension plans on pages 3 through 10, 28 through 32, and 68 through 69 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. Uniform Guidance, *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 10, 2016, 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 10, 2016

**CITY OF OLEAN, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED MAY 31, 2016**

**Page 3**

**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, 2016. 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, 2016:

- Overall net assets of the City increased from operations during the current year in the amount of \$5,566,000, as compared to an increase of \$3,857,000 during the prior fiscal year.
- Total net assets of the City as of May 31, 2016 amounted to approximately \$44,258,000.
- The City's total revenue increased approximately 10% from \$27,374,000 during the fiscal year ended May 31, 2015 to \$30,085,000 during the fiscal year ended May 31, 2016. This increase was primarily the result of increases in capital grants and contributions related to the North Union Street Project and waste water treatment plant.
- The City's total expenses increased approximately 4% from \$23,517,000 during fiscal year ended May 31, 2015 to \$24,519,000 during the fiscal year ended May 31, 2016. This increase was primarily related to increases in salaries and improvements to streets.
- The City incurred capital costs in the amount of approximately \$14,317,000 primarily related to the purchase of a new ladder truck, work performed on the North Union Rehabilitation, waste water treatment plant, CHIPS, Airport Master Plan and other miscellaneous capital projects.
- The general fund reported an overall fund balance of approximately \$3,494,000 as of May 31, 2016.

**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.



**CITY OF OLEAN, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED MAY 31, 2016**

**Page 4**

**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.

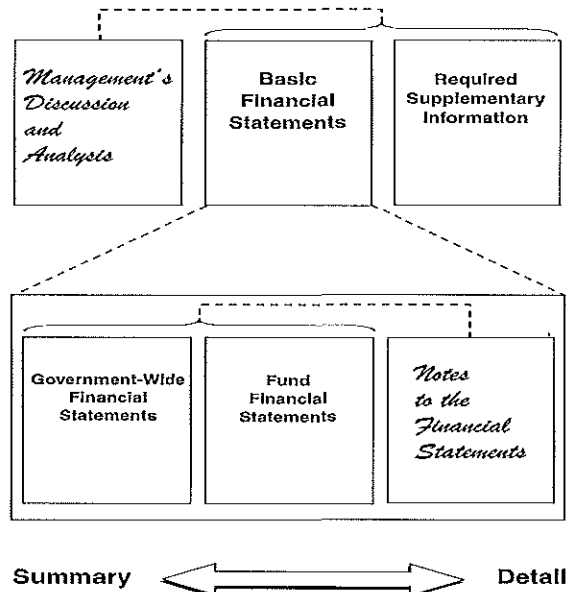
**Figure A-1 - Major Features of the Government-Wide Statements and Fund Financial Statements**

	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

**CITY OF OLEAN, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED MAY 31, 2016**

**Page 5**

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



**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 \$5,566,000 or 14%. The components of net assets include: invested in capital assets, net of related debt of \$39,466,000; restricted net assets of \$2,429,000; and unrestricted net assets of \$2,363,000 as of May 31, 2016.

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

**Changes in Net Assets**

The City's total government-wide revenue was \$30,085,000. Approximately 24%, 15%, and 53% of total revenue is derived from the property taxes, non-property taxes and program revenue, respectively. The remaining 8% 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 \$24,519,000 for the fiscal year ended May 31, 2016. The City's expenses cover a range of services, with 10%, 25%, 15%, 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 24% of the City's total revenue for governmental activities. Total property taxes decreased approximately \$9,000 or 0% during the current fiscal year.
- One of the City's most significant general revenue is non-property taxes, which represents \$4,623,000 or 15% of total governmental revenue. Total non-property taxes decreased approximately \$21,000 or 0% as a result of an overall decrease in sales and use tax revenues.
- The City's program revenue totaled approximately \$15,881,000. Program revenue consists of charges for services in the amount of \$8,777,000, which is primarily related to revenue received in the special revenue funds of approximately \$7,204,000. 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 \$961,000, 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 \$6,143,000, 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).

**CITY OF OLEAN, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED MAY 31, 2016**

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

Revenue (continued)

Total charges for services decreased approximately 2% during the current fiscal year as a result of decreases in usage in the water and sewer funds. Total operating grants increased approximately 45% during the current fiscal year, primarily as a result of an increase in NYS Mass Transit funding received. Lastly, capital grants and contributions increased approximately 70% during the current year, which was primarily related to North Union Street Rehabilitation, Airport Improvements and Waste Water Treatment plant.

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 \$24,519,000.

- The City's general governmental support was approximately \$2,375,000 or 10% of expenditures. These expenditures consist primarily of the City's main support service departments such as central garage, buildings department, clerk's office, public works department, outside professional fees and related fees and the City's general liability insurances. Total general governmental support expenses decreased approximately 5% in primarily due to a decrease in repairs to auto equipment and central garage expenses.
- The City's public safety costs were approximately \$6,246,000 or 25% of total expenditures. These expenditures consist primarily of costs attributable to the fire and police departments. Total costs for public safety increased 4% during the current year related to increases in salaries and contractual costs related to safety inspections.

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

Expenses (continued)

- Transportation costs of the City were approximately \$3,870,000 or 15% 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 5% during the current year related to CHIPS and bus transportation costs.
- The City's culture and recreation costs were approximately \$866,000 or 4% of total expenditures. These expenditures consist primarily of costs of maintaining the City's parks, playgrounds and recreational facilities and programs. Total expenses for culture and recreation decreased approximately 11% which was primarily related to a decrease in depreciation.
- Home and community services costs were approximately \$4,814,000 or 20% of total expenditures. These expenditures are related to costs of the water and sewer funds and costs related to homebuyer and other community development projects. Total home and community services expenditures increased approximately 12% which was related to increases in contracted services, street materials and electricity.
- Employee benefit costs were approximately \$5,590,000 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 5% during the current fiscal year primarily as a result of the implementation of GASB 68.
- During the current fiscal year, the City had debt service costs of \$682,000. 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.

**CITY OF OLEAN, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED MAY 31, 2016**

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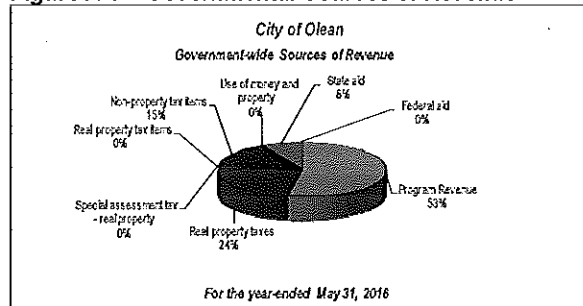
**Figure A-3 – Condensed Statement of Net Assets**

City of Olean, New York Condensed Statement of Net Position As of May 31, 2016 (In thousands of dollars)			
	2016	2015	Change
<b>Assets</b>			
Current and other assets	\$ 16,063	\$ 15,907	1%
Capital Assets	71,593	60,750	18%
Total assets	87,656	76,657	19%
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pensions	8,425	-	n/a
Deferred outflows of resources and assets	\$ 94,081	\$ 76,657	23%
<b>Liabilities</b>			
Other liabilities	\$ 3,843	\$ 2,884	34%
Long-term debt outstanding	40,143	30,784	30%
Total liabilities	43,986	33,668	31%
<b>Deferred Inflows of Resources</b>			
Taxes collected for subsequent year	4,941	4,135	19%
Deferred inflows related to pensions	896	-	n/a
Deferred inflows of resources and liabilities	49,823	37,783	32%
<b>Net Position</b>			
Net investment in capital assets	39,468	33,976	16%
Restricted	2,429	2,014	21%
Unrestricted	2,363	2,874	-18%
Total net position	44,259	38,864	14%
Total liabilities and net position	\$ 94,081	\$ 76,657	23%

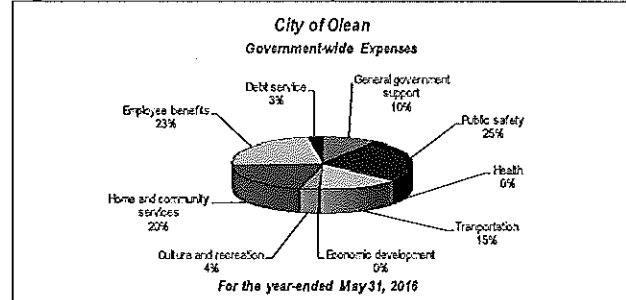
**Figure A-4 – Condensed Statement of Activities**

City of Olean, New York Condensed Statement of Activities For the Year Ended May 31, 2016 (In thousands of dollars)			
	2016	2015	Change
<b>Revenue</b>			
Program Revenue			
Charges for services	\$ 8,777	\$ 8,913	-2%
Operating grants	961	662	45%
Capital grants & contributions	6,143	3,604	70%
General Revenue			
Real property taxes	7,088	7,097	0%
Special assessment tax - real property	16	12	27%
Real property tax items	82	84	-1%
Non-property tax items	4,623	4,644	0%
Use of money and property	62	5	1108%
State aid	2,333	2,353	-1%
Total revenue	30,085	27,374	10%
<b>Expenses</b>			
General government support	2,375	2,507	-5%
Public safety	6,246	5,687	4%
Health	61	60	2%
Transportation	3,870	3,696	5%
Economic development	15	-	0%
Culture and recreation	866	969	-11%
Home and community services	4,814	4,303	12%
Employee benefits	5,590	5,326	5%
Debt service	682	669	2%
Total expenses	24,519	23,517	4%
<b>Change in net position</b>	\$ 5,566	\$ 3,857	

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



**Figure A-6 – Governmental Expenses**



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

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 \$159,000 during the year ended May 31, 2016.
- The City's general fund unassigned fund balance equated to approximately \$2,690,000 as of May 31, 2016.
- The City had an assigned fund balance as of May 31, 2016, which approximated \$804,000.
- The total assets for the City's general fund were \$9,625,000 which increased approximately \$261,000 during the current year, primarily related to an increase in state and federal receivable as of May 31, 2016. The City's general fund liabilities and deferred inflows as of May 31, 2016 were \$6,131,000 which increased approximately \$101,000 during the current fiscal year, primarily related to an increase in deferred inflows from real estate taxes.

**CITY OF OLEAN, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED MAY 31, 2016**

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

General Fund (continued)

- The City's total revenue and other sources in the general fund increased approximately \$454,000 or 3% during the current year as a result of an increase in NYS mass transit and departmental income. Total expenditures and other uses in the general fund increased approximately \$371,000 or 2% which was primarily related to increases in public safety and bus transportation costs.

Special Revenue Fund

- The City's special revenue consisted of the following funds; water fund, sewer fund, revolving loan fund, housing fund and first time homebuyers' fund.
- Current year revenue and other sources in the special revenue fund was \$7,215,000 which decreased \$280,000 primarily related to decreases in departmental income in both the water and sewer funds. Total expenditures and other uses were \$6,864,000 which decreased \$70,000. This decrease primarily related to current year decreases in the water fund water main and hydrant expenses.

Debt Service Fund

- The City's current fiscal year revenue and other sources were \$2,681,000 which increased approximately \$242,000. Expenditures during the current year amounted to \$2,443,000 which increased approximately \$6,000.

Capital Projects Fund

- During the current year, the City incurred total costs in the capital projects fund in the amount of \$14,157,000. Such costs were primarily related to costs associated with the Waste Water Treatment Plant (\$6,637,000) and North Union Street Rehabilitation (\$4,508,000). No other project exceeded \$1 million in expenditures during the year ending May 31, 2016.

**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 \$90,000 below the revised budget. The most significant variances were in the areas of transportation and public safety which were over budget by approximately \$341,000 and \$86,000, respectively and home and community services and employee benefits which were \$142,000 and \$196,000, respectively, below budget. On the other hand, resources available for appropriations were approximately \$307,000 above the final budgeted amount. Significant variances of revenue items consisted of departmental income and Federal revenue that was approximately \$179,000 and \$588,000, respectively, above that budgeted.

**VII. Capital Asset and Debt Administration**

Capital Assets

As of May 31, 2016, the City had a net investment of \$71,593,000 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, 2016, totaled approximately \$14,317,000 and consisted primarily of costs associated with North Union Rehabilitation, Waste Water Treatment Plant, 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, 2016, the City had approximately \$40,143,000 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, 2016**

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

City of Olean, New York Budget vs Actual - General Fund For the Year Ended May 31, 2016 (In thousands of dollars)				
Revenue	Revised Budget	Actual	Difference	
Real property taxes	\$ 7,088	\$ 7,088	\$ -	
Special assessment tax - real property	16	16	-	
Real property tax items	144	82	(62)	
Non-property tax items	4,783	4,623	(160)	
Departmental income	1,153	1,332	179	
Intergovernmental charges	155	132	(23)	
Use of money and property	11	3	(8)	
Licenses and permits	50	54	4	
Fines and forfeitures	80	44	(36)	
Sales of property and comp for loss	-	10	10	
State aid	2,891	2,705	(185)	
Federal aid	-	588	588	
<b>Total revenue</b>	<b>\$ 16,371</b>	<b>\$ 16,678</b>	<b>\$ 307</b>	
<b>Expenses</b>				
General government support	\$ 2,264	\$ 2,132	\$ 132	
Public safety	5,519	5,802	(283)	
Health	68	55	13	
Transportation	2,584	2,925	(341)	
Economic development	15	15	-	
Culture and recreation	1,002	860	142	
Home and community services	247	192	55	
Employee benefits	4,118	3,923	195	
Other financing uses	-	(48)	48	
BANS premium	-	864	(864)	
Transfer to other funds	795	-	795	
<b>Total expenses</b>	<b>\$ 16,610</b>	<b>\$ 16,520</b>	<b>\$ 90</b>	

**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 .12% property tax cap on all municipalities as it relates to the 2016-17 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 2016-17 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 2016-17 at the same levels realized in the 2015-16 fiscal year.
- The rehabilitation of North Union Street began in the fall of 2014 and will continue into 2017. The City of Olean was the recipient of a \$6.5 million TIGER Grant that was 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,**

**Page 10**

<b>Assets</b>	<b>2016</b>	<b>2015</b>
Cash on hand	\$ 1,565	\$ 1,348
Cash on deposit		
Regular accounts	10,819,661	9,281,157
Receivables		
Refuse and garbage	1,869	1,869
Special assessment	1,882	1,882
Accounts receivable	1,392,060	1,904,040
Advances to other funds		
Due from other funds	9,826	9,826
State and federal	3,071,697	2,018,192
Revolving loans receivable	263,036	131,432
First Time Homebuyers loans receivable	121,664	101,585
Rehabilitation loans receivable	229	6,313
Cash to be used for capital assets	379,857	2,449,273
Capital assets, net	71,592,392	60,750,116
<b>Total assets</b>	<b>87,655,738</b>	<b>76,657,033</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pensions	6,425,500	-
<b>Total assets and deferred outflows of resources</b>	<b>\$ 94,081,238</b>	<b>\$ 76,657,033</b>
<b>Liabilities</b>		
Payables		
Accounts payable	\$ 2,199,168	\$ 1,223,829
Accrued liabilities	920,159	1,003,803
Due to other funds	2,716	2,716
Due to employee retirement system	294,857	316,667
Other liabilities	40,825	77,940
Unearned revenue	384,929	239,330
Long-term liabilities		
Portion due or payable within one year		
Bond anticipation notes payable - construction	11,143,893	5,817,224
NYS EFC notes	320,000	310,000
Serial bonds payable	1,325,000	1,305,000
Capital leases	205,305	171,568
Environmental liability	125,000	225,000
Retirement incentive	4,000	3,000
Compensated absences	35,000	35,000
Portion due or payable after one year		
NYS EFC notes	3,875,000	4,195,000
Serial bonds payable	15,580,000	16,905,000
Capital leases	983,740	1,039,209
Environmental liability	-	507,000
Retirement incentive	8,000	12,000
Compensated absences	179,719	249,095
Net pension liability - NYS Employee's Retirement System	2,778,045	-
Net pension liability - NYS Police and Fire Retirement System	3,556,599	-
Other-post employment benefits	24,075	19,817
<b>Total liabilities</b>	<b>43,986,030</b>	<b>33,658,198</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pensions	896,479	-
Taxes collected for subsequent year	4,941,087	4,134,843
<b>Total liabilities and deferred inflows of resources</b>	<b>49,823,596</b>	<b>37,793,141</b>
<b>Net Position</b>		
Net investment in capital assets	39,465,856	33,975,559
Restricted for		
Debt service	445,269	207,287
Capital	1,983,704	1,806,351
Unrestricted:		
Designated	878,956	319,086
Undesignated	1,483,857	2,555,609
<b>Total net position</b>	<b>44,257,642</b>	<b>38,863,892</b>
<b>Total liabilities and net position</b>	<b>\$ 94,081,238</b>	<b>\$ 76,657,033</b>

**See accompanying independent auditor's report and notes to financial statements.**

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

**Page 11**

	Program Revenues				2016	2015
	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
<b>Functions/Programs</b>						
General government support	\$ 2,375,412	\$ 258,837	\$ -	\$ 48,766	\$ (2,067,809)	\$ (2,097,680)
Public safety	6,245,526	112,846	64,657	418,765	(5,649,258)	(5,671,548)
Health	60,995	626,136	-	-	565,141	522,455
Transportation	3,870,302	472,508	880,437	2,677,093	159,736	(212,487)
Economic development	15,000	13,670	-	-	(1,330)	13,036
Culture and recreation	865,977	236,795	15,559	2,932	(610,691)	(740,891)
Home and community services	4,814,377	5,416,704	-	2,995,784	3,598,111	2,216,248
Employee benefits	5,589,723	1,639,564	-	-	(3,950,159)	(3,708,343)
Debt service - interest & issuance fees	681,563	-	-	-	(681,563)	(658,828)
Total functions and programs	\$24,518,875	\$ 8,777,060	\$ 960,653	\$ 6,143,340	(8,637,822)	(10,338,038)
<b>General Revenues</b>						
Real property taxes					7,088,452	7,096,697
Special assessment tax - real property					15,698	12,364
Real property tax items					82,420	83,518
Non-property tax items					4,622,467	4,644,424
BAN Premium					59,598	-
Use of money and property					2,413	5,133
State aid					2,333,273	2,352,944
Total general revenues					14,204,321	14,195,080
Change in net position					5,566,499	3,857,042
Net position - beginning of year					38,863,892	35,883,960
Prior period adjustment					(172,749)	(877,110)
Net position - end of year					\$ 44,257,642	\$ 38,863,892

**See accompanying independent auditor's report and notes to financial statements.**



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

**Page 12**

	Major Funds					Non-Major Funds	2016	2015
	General	Water	Sewer	Debt Service	Capital Project Funds	Special Revenue Funds	(Memo only) Total	(Memo only) Total
<b>Assets</b>								
Cash on hand	\$ 1,525	\$ 40	\$ -	\$ -	\$ -	\$ -	\$ 1,565	\$ 1,348
Cash on deposit								
Regular accounts	7,849,158	916,059	1,119,416	1,130,917	(157,042)	341,010	11,199,518	11,730,430
Receivables								
Refuse and garbage	1,869	-	-	-	-	-	1,869	1,869
Special assessment	1,882	-	-	-	-	-	1,882	1,882
Accounts receivable	232,113	570,509	589,438	-	-	-	1,392,060	1,904,040
Due from other funds	137,333	59,105	315,195	1,532	556,830	-	1,069,995	3,305,767
Advances to other funds	377,749	-	-	-	-	-	377,749	645,112
State and federal	1,022,977	38,300	-	-	2,010,420	-	3,071,697	2,018,192
Revolving loans receivable	-	-	-	-	-	263,036	263,036	131,432
First Time Homebuyers loans receivable	-	-	-	-	-	121,664	121,664	101,585
Rehabilitation loans receivable	-	-	-	-	-	229	229	6,313
<b>Total assets</b>	<b>\$ 9,624,606</b>	<b>\$ 1,584,013</b>	<b>\$ 2,024,049</b>	<b>\$ 1,132,449</b>	<b>\$ 2,410,208</b>	<b>\$ 725,939</b>	<b>\$ 17,501,264</b>	<b>\$ 19,847,970</b>
<b>Liabilities</b>								
Accounts payable	\$ 234,892	\$ 41,965	\$ 52,133	\$ -	\$ 1,867,961	\$ 2,217	\$ 2,199,168	\$ 1,223,829
Accrued liabilities	597,430	71,273	58,381	-	51,655	-	778,739	987,803
Due to other funds	93,261	262,513	-	687,180	19,931	-	1,062,885	3,298,657
Advances from other funds	-	371,401	6,348	-	-	-	377,749	645,112
Due to employee retirement systems	247,367	23,323	24,167	-	-	-	294,857	316,667
Other liabilities	16,973	23,872	-	-	-	(20)	40,825	77,940
Unearned revenue	-	-	-	-	-	384,929	384,929	239,330
Bond anticipation notes - construction	-	-	-	-	11,143,893	-	11,143,893	5,817,224
<b>Total liabilities</b>	<b>1,189,923</b>	<b>794,347</b>	<b>141,029</b>	<b>687,180</b>	<b>13,083,440</b>	<b>387,126</b>	<b>16,283,045</b>	<b>12,606,562</b>
<b>Deferred Inflows of Resources</b>								
Taxes collected for subsequent year	4,941,087	-	-	-	-	-	4,941,087	4,134,943
<b>Fund Equity</b>								
Restricted	-	-	-	445,269	1,983,704	-	2,428,973	2,013,638
Assigned	803,951	789,666	1,883,020	-	-	338,813	3,815,450	2,899,723
Unassigned (deficit)	2,689,645	-	-	-	(12,656,936)	-	(9,967,291)	(1,806,896)
<b>Total fund equity (deficit)</b>	<b>3,493,596</b>	<b>789,666</b>	<b>1,883,020</b>	<b>445,269</b>	<b>(10,673,232)</b>	<b>338,813</b>	<b>(3,722,868)</b>	<b>3,106,465</b>
<b>Total liabilities, deferred inflows of resources and fund equity</b>	<b>\$ 9,624,606</b>	<b>\$ 1,584,013</b>	<b>\$ 2,024,049</b>	<b>\$ 1,132,449</b>	<b>\$ 2,410,208</b>	<b>\$ 725,939</b>	<b>\$ 17,501,264</b>	<b>\$ 19,847,970</b>

**See accompanying independent auditor's report and notes to financial statements.**

**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,**

**Page 13**

Revenue	Major Funds					Non-Major Funds	2016	2015
	General	Water	Sewer	Debt Service	Capital Project Funds	Special Revenue Funds	(Memo only) Total	(Memo only) Total
Real property taxes	\$ 7,088,452	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,088,452	\$ 7,088,697
Special assessment tax - real property	15,698	-	-	-	-	-	15,698	12,364
Real property tax items	82,420	-	-	-	-	-	82,420	83,518
Non-property tax items	4,622,467	-	-	-	-	-	4,622,467	4,644,424
Departmental income	1,332,228	3,732,088	3,035,130	-	-	48,076	8,147,522	8,276,374
Intergovernmental charges	132,296	-	366,172	-	-	-	498,468	412,757
Use of money and property	2,909	-	-	462	194	2,080	5,645	6,709
Licenses and permits	54,137	-	-	-	-	-	54,137	40,639
Fines and forfeitures	43,792	-	-	-	-	-	43,792	62,751
Sale of property & compensation for loss	9,778	9,493	-	-	-	-	19,271	26,196
Miscellaneous local sources	-	-	-	-	345,734	-	345,734	475,617
State aid	2,706,373	-	2,520	-	1,861,009	8,117	4,578,019	4,076,984
Federal aid	587,553	-	-	-	3,936,598	-	4,524,151	2,159,331
<b>Total revenue</b>	<b>16,678,103</b>	<b>3,741,581</b>	<b>3,403,822</b>	<b>462</b>	<b>6,143,535</b>	<b>58,273</b>	<b>30,025,776</b>	<b>27,374,361</b>
<b>Expenditures</b>								
General government support	2,132,303	72,953	60,893	-	110,546	-	2,376,695	2,716,691
Public safety	5,601,779	-	-	-	949,279	-	6,551,058	5,678,311
Health	55,017	-	-	-	-	-	55,017	53,127
Transportation	2,924,775	-	-	-	6,068,575	-	8,993,350	8,682,551
Economic development	15,000	-	-	-	-	-	15,000	-
Culture and recreation	859,972	-	-	-	-	-	859,972	981,907
Home and community services	191,838	1,832,375	1,735,808	-	6,791,000	194,752	10,745,773	6,003,637
Employee benefits	3,922,553	588,347	514,067	-	-	-	5,024,967	5,308,831
Debt service:								
Principal	-	-	-	1,786,542	-	-	1,786,542	1,831,595
Interest	-	-	-	656,143	-	-	656,143	627,707
<b>Total expenditures</b>	<b>15,703,237</b>	<b>2,493,675</b>	<b>2,310,768</b>	<b>2,442,685</b>	<b>13,919,400</b>	<b>194,752</b>	<b>37,064,517</b>	<b>31,884,357</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>974,866</b>	<b>1,247,906</b>	<b>1,093,054</b>	<b>(2,442,223)</b>	<b>(7,775,865)</b>	<b>(136,479)</b>	<b>(7,038,741)</b>	<b>(4,509,996)</b>
<b>Other financing sources (uses)</b>								
Proceeds from capital lease	-	-	-	-	149,810	-	149,810	236,117
BAN Premium	48,088	-	11,530	-	-	-	59,598	-
Operating transfers in	-	-	-	2,680,205	285,850	-	2,966,055	2,621,667
Operating transfers out	(863,637)	(1,087,616)	(777,282)	-	(237,520)	-	(2,966,055)	(2,621,667)
<b>Total other financing sources (uses)</b>	<b>(815,589)</b>	<b>(1,087,616)</b>	<b>(765,752)</b>	<b>2,680,205</b>	<b>198,140</b>	<b>-</b>	<b>209,408</b>	<b>236,117</b>
<b>Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses</b>	<b>159,297</b>	<b>160,290</b>	<b>327,302</b>	<b>237,982</b>	<b>(7,577,725)</b>	<b>(136,479)</b>	<b>(6,829,333)</b>	<b>(4,273,879)</b>
<b>Fund equity (deficit), beginning of year</b>	<b>3,334,299</b>	<b>629,376</b>	<b>1,555,718</b>	<b>207,287</b>	<b>(3,095,507)</b>	<b>475,292</b>	<b>3,106,465</b>	<b>7,380,344</b>
<b>Fund equity (deficit), end of year</b>	<b>\$ 3,493,596</b>	<b>\$ 789,666</b>	<b>\$ 1,883,020</b>	<b>\$ 445,269</b>	<b>\$ (10,673,232)</b>	<b>\$ 338,813</b>	<b>\$ (3,722,868)</b>	<b>\$ 3,106,465</b>

**See accompanying independent auditor's report and notes to financial statements.**

**CITY OF OLEAN, NEW YORK  
STATEMENT OF REVENUE AND EXPENDITURES  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED MAY 31, 2016**

**Page 14**

	Original Budget	Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>Revenue</b>					
Real property taxes	\$ 7,088,452	\$ 7,088,452	\$ 7,088,452	\$ -	\$ -
Special assessment tax - real property	15,708	15,708	15,698	-	(10)
Real property tax items	144,000	144,000	82,420	-	(61,580)
Non-property tax items	4,782,500	4,782,500	4,622,467	-	(160,033)
Departmental income	1,152,500	1,152,500	1,332,228	-	179,728
Intergovernmental charges	255,131	155,131	132,296	-	(22,835)
Use of money and property	11,500	11,500	2,909	-	(8,591)
Licenses and permits	50,400	50,400	54,137	-	3,737
Fines and forfeitures	80,000	80,000	43,792	-	(36,208)
Sales of property and compensation for loss	-	-	9,778	-	9,778
State aid	2,790,601	2,890,601	2,706,373	-	(184,228)
Federal aid	-	-	587,553	-	587,553
<b>Total revenue</b>	<b>16,370,792</b>	<b>16,370,792</b>	<b>16,678,103</b>	<b>-</b>	<b>307,311</b>
<b>Expenditures</b>					
General government support	2,560,046	2,264,053	2,132,303	9,500	122,250
Public safety	5,440,705	5,516,035	5,601,779	42,111	(127,855)
Health	68,390	68,390	55,017	-	13,373
Transportation	2,385,180	2,584,180	2,924,775	113,000	(453,595)
Economic development	15,000	15,000	15,000	-	-
Culture and recreation	995,028	1,002,128	859,972	3,340	138,816
Home and community services	210,000	247,000	191,838	34,000	21,162
Employee benefits	4,118,650	4,118,650	3,922,553	-	196,097
<b>Total expenditures</b>	<b>15,792,999</b>	<b>15,815,436</b>	<b>15,703,237</b>	<b>201,951</b>	<b>(89,752)</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>577,793</b>	<b>555,356</b>	<b>974,866</b>	<b>(201,951)</b>	<b>217,559</b>
<b>Other financing sources (uses)</b>					
BAN premium	-	-	48,068	-	48,068
Operating transfers out	(577,793)	(794,693)	(863,637)	-	(68,944)
<b>Total other financing sources (uses)</b>	<b>(577,793)</b>	<b>(794,693)</b>	<b>(815,569)</b>	<b>-</b>	<b>(20,876)</b>
<b>Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ (239,337)</b>	<b>\$ 159,297</b>	<b>\$ (201,951)</b>	<b>\$ 196,683</b>

**See accompanying independent auditor's report and notes to financial statements.**

**CITY OF OLEAN, NEW YORK  
STATEMENT OF REVENUE AND EXPENDITURES  
BUDGET AND ACTUAL – SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED MAY 31, 2016**

**Page 15**

	<u>(Water Fund and Sewer Fund Only)</u>				Variance
	Original Budget	Amended Budget	Actual	Encumbrances	Favorable (Unfavorable)
<b>Revenue</b>					
Departmental income	\$ 6,988,123	\$ 6,988,123	\$ 6,767,218	\$ -	\$ (220,905)
Intergovernmental charges	300,000	300,000	366,172	-	66,172
Sales of property and compensation for loss	-	-	9,493	-	9,493
State aid	-	-	2,520	-	2,520
<b>Total revenue</b>	<b>7,288,123</b>	<b>7,288,123</b>	<b>7,145,403</b>	<b>-</b>	<b>(142,720)</b>
<b>Expenditures</b>					
General government support	274,000	244,000	133,846	-	110,154
Home and community services	4,005,700	4,115,449	3,568,183	75,005	472,261
Employee benefits	1,143,525	1,143,525	1,102,414	-	41,111
<b>Total expenditures</b>	<b>5,423,225</b>	<b>5,502,974</b>	<b>4,804,443</b>	<b>75,005</b>	<b>623,526</b>
<b>Excess of revenue over expenditures</b>	<b>1,864,898</b>	<b>1,785,149</b>	<b>2,340,960</b>	<b>(75,005)</b>	<b>480,806</b>
<b>Other financing sources (uses)</b>					
Proceeds from issuance of bonds - deficit financing	-	-	11,530	-	11,530
Operating transfers out	(1,864,898)	(1,864,898)	(1,864,898)	-	-
<b>Total other financing sources (uses)</b>	<b>(1,864,898)</b>	<b>(1,864,898)</b>	<b>(1,853,368)</b>	<b>-</b>	<b>11,530</b>
<b>Excess of revenue over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ (79,749)</b>	<b>\$ 487,592</b>	<b>\$ (75,005)</b>	<b>\$ 492,336</b>

**See accompanying independent auditor's report and notes to financial statements.**

**CITY OF OLEAN, NEW YORK  
STATEMENT OF REVENUE AND EXPENDITURES  
BUDGET AND ACTUAL – DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED MAY 31, 2016**

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	Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>Revenue</b>				
Use of money and property	\$ -	\$ 462	\$ -	\$ 462
<b>Total revenue</b>	-	462	-	462
<b>Expenditures</b>				
Debt service:				
Principal	2,372,387	1,786,542	-	585,845
Interest	70,304	656,143	-	(585,839)
<b>Total expenditures</b>	2,442,691	2,442,685	-	6
<b>Excess (deficiency) of revenue over expenditures</b>	(2,442,691)	(2,442,223)	-	468
<b>Other financing sources (uses)</b>				
Operating transfers in	2,442,691	2,680,205	-	237,514
<b>Total other financing sources (uses)</b>	2,442,691	2,680,205	-	237,514
<b>Excess of revenue and other financing sources over expenditures</b>	\$ -	\$ 237,982	\$ -	\$ 237,982

**See accompanying independent auditor's report and notes to financial statements.**

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

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	2016	2015
<b>Assets</b>		
Cash on deposit		
Regular accounts	\$ 116,275	\$ 125,119
Restricted accounts	154,870	147,138
Due from governmental activities - general fund	2,716	2,716
<b>Total assets</b>	<b>\$ 273,861</b>	<b>\$ 274,973</b>
Due to governmental activities - general fund	\$ 9,826	\$ 9,826
Other liabilities	264,035	265,147
<b>Total liabilities</b>	<b>\$ 273,861</b>	<b>\$ 274,973</b>

**See accompanying independent auditor's report and notes to financial statements.**

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
<b>Assets</b>				
Cash on hand	\$ 1,565	\$ -	\$ -	\$ 1,565
Cash on deposit				
Regular accounts	11,199,518	-	-	11,199,518
Receivables				
Refuse and garbage	1,869	-	-	1,869
Special assessment	1,882	-	-	1,882
Accounts receivable	1,392,060	-	-	1,392,060
Due from other funds	1,069,995	-	(1,060,169)	9,826
Advances to other funds	377,749	-	(377,749)	-
State, Federal and other governments	3,071,697	-	-	3,071,697
Revolving loans receivable	263,036	-	-	263,036
First Time Homebuyers loans receivable	121,664	-	-	121,664
Rehabilitation loans receivable	229	-	-	229
Capital Assets, net	-	71,592,392	-	71,592,392
Total assets	17,501,264	71,592,392	(1,437,918)	87,655,738
<b>Deferred Outflows of Resources</b>				
Deferred outflows related to pensions	-	6,425,500	-	6,425,500
Total assets and deferred outflows of resources	\$ 17,501,264	\$ 78,017,892	\$ (1,437,918)	\$ 94,081,238
<b>Liabilities</b>				
Accounts payable	\$ 2,199,168	\$ -	\$ -	\$ 2,199,168
Accrued liabilities	778,739	266,420	(125,000)	920,159
Due to other funds	1,062,885	-	(1,060,169)	2,716
Advances from other funds	377,749	-	(377,749)	-
Due to employee retirement system	294,857	-	-	294,857
Other liabilities	40,825	-	-	40,825
Unearned revenue	384,929	-	-	384,929
Net pension liability	-	6,334,644	-	6,334,644
Bond anticipation notes payable	11,143,893	-	-	11,143,893
NYS EFC note	-	4,195,000	-	4,195,000
Serial bonds payable	-	16,905,000	-	16,905,000
Capital leases	-	1,189,045	-	1,189,045
Environmental liability	-	-	125,000	125,000
Other post-employment benefits	-	24,075	-	24,075
Retirement incentive	-	12,000	-	12,000
Compensated absences	-	214,719	-	214,719
Total liabilities	16,283,045	29,140,903	(1,437,918)	43,986,030
<b>Deferred inflows of resources</b>				
Deferred inflows related to pensions	-	896,479	-	896,479
Taxes collected for subsequent year	4,941,087	-	-	4,941,087
Total liabilities and deferred inflows of resources	21,224,132	30,037,382	(1,437,918)	49,823,596
<b>Fund equity/net position</b>	(3,722,868)	47,980,510	-	44,257,642
Total liabilities, deferred inflows of resources and fund equity/net position	\$ 17,501,264	\$ 78,017,892	\$ (1,437,918)	\$ 94,081,238

	Total Governmental Funds	Capital Related Items	Long-term Debt Transactions	Reclassifications and Eliminations	Statement of Activities Total
<b>Revenues</b>					
Real property taxes	\$ 7,088,452	\$ -	\$ -	\$ -	\$ 7,088,452
Special assessment tax- real property	15,698	-	-	-	15,698
Real property tax items	82,420	-	-	-	82,420
Non-property tax items	4,622,467	-	-	-	4,622,467
Departmental income	8,147,522	-	-	(8,147,522)	-
Intergovernmental charges	498,468	-	-	(498,468)	-
Use of money and property	5,645	-	-	(3,232)	2,413
Licenses and permits	54,137	-	-	(54,137)	-
Fines and forfeitures	43,792	-	-	(43,792)	-
Sales of property and compensation for loss	19,271	-	-	(19,271)	-
Miscellaneous local sources	345,734	-	-	(345,734)	-
State aid	4,578,019	-	-	(2,244,746)	2,333,273
Federal aid	4,524,151	-	-	(4,524,151)	-
Total revenues	30,025,776	-	-	(15,881,053)	14,144,723
<b>Expenditures/Expenses</b>					
General government support	2,376,695	(1,283)	-	(307,603)	2,067,809
Public safety	6,551,058	(305,532)	-	(596,268)	5,649,258
Health	55,017	5,978	-	(626,136)	(565,141)
Transportation	8,993,350	(5,123,048)	-	(4,030,038)	(159,736)
Economic development	15,000	-	-	(13,670)	1,330
Culture and recreation	859,972	6,005	-	(255,286)	610,691
Home and community services	10,745,773	(5,931,396)	-	(8,412,488)	(3,598,111)
Employee benefits	5,024,967	-	564,756	(1,639,564)	3,950,159
Debt service:					
Principal	1,786,542	-	(1,786,542)	-	-
Interest	656,143	-	25,420	-	681,563
Total expenditures/expenses	37,064,517	(11,349,276)	(1,196,366)	(15,881,053)	8,637,822
Excess (deficiency) of revenue over expenditures	(7,038,741)	11,349,276	1,196,366	-	5,506,901
<b>Other sources and (uses)</b>					
Proceeds from capital lease	149,810	-	(149,810)	-	-
BAN premium	59,598	-	-	-	59,598
Operating transfers in	2,966,055	-	-	(2,966,055)	-
Operating transfers out	(2,966,055)	-	-	2,966,055	-
Total other sources (uses)	209,408	-	(149,810)	-	59,598
Net change for the year	\$ (6,829,333)	\$ 11,349,276	\$ 1,046,556	\$ -	\$ 5,566,499



**CITY OF OLEAN, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MAY 31, 2016**

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**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 City - was created by state legislation, which designates the school board as the governing authority. The voters of the City 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.

**CITY OF OLEAN, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MAY 31, 2016**

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**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 Caltaraugus 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.

**CITY OF OLEAN, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MAY 31, 2016**

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**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.

**CITY OF OLEAN, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MAY 31, 2016**

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**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:

	June 1, 2015 Fund Equity	Revenues and Other Sources	Expenditures and Other Uses	May 31, 2016 Fund Equity
Total for funds included in Budget Comparison	\$ 2,185,094	\$ 7,156,933	\$ 6,669,341	\$ 2,672,686
Funds not included in budget comparison:				
Revolving Loan Fund	423,665	33,010	157,295	299,380
First Time Homebuyers Fund	49,329	19,173	37,457	31,045
Housing Rehabilitation Fund	2,298	6,090	-	8,388
Total Special Revenue Funds	\$ 2,660,386	\$ 7,215,206	\$ 6,864,093	\$ 3,011,499

**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 2015-2016 was \$4,226,198 as compared to \$4,264,868 for the prior fiscal year, a decrease of \$38,670. The City's General Fund Balance Sheet, as of May 31, 2016, reflects a receivable balance from Federal and State governments of \$1,022,977, of which, \$519,027 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.

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:

**I. Capital Assets (continued)**

	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.

**CITY OF OLEAN, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MAY 31, 2016**

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

**Q. Deferred Inflows and Outflows of Resources  
(continued)**

This represents the effect of the net change in the City's proportion of the collective net pension liability (ERS and PFRS Systems) and difference during the measurement periods between the City's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

**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, 2016, 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 Citys.

**CITY OF OLEAN, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MAY 31, 2016**

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**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, 2016 per the bank were approximately \$12,321,000. These deposits are categorized as follows:

Category 1	Category 2	Category 3	Carrying Value
\$ 255,000	\$ 12,066,000	\$ -	\$12,321,000

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

**A. Assets (continued)**

**2. Capital Assets**

Governmental activities:	Beginning Balance 5/31/15	Additions, Transfers and Prior Period Adjustment	Ending Balance 5/31/16
Capital assets that are not depreciated:			
Land	\$ 384,187	\$ -	\$ 384,187
Construction in Progress	13,162,217	11,639,770	24,801,987
Capital assets that are depreciated:			
Buildings and Improvements	66,795,305	-	66,795,305
Furniture and Equipment	12,709,339	598,946	13,308,285
Vehicles	5,304,879	1,571,669	6,876,548
Total historical Cost	98,355,927	\$ 13,810,385	112,166,312
Less:			
Accumulated depreciation:	37,605,811	\$ 2,968,109	40,573,920
Total net book Value	\$ 60,750,116		\$ 71,592,392

**Depreciation expense:**

General governmental support	\$ 255,659
Public safety	710,136
Health	5,978
Transportation	904,317
Economic development	-
Culture and recreation	93,442
Home and community services	998,577
	<u>\$ 2,968,109</u>

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

**A. Assets (continued)**

**3. Receivables**

Receivables at May 31, 2016 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	\$ 503,950
General Fund	Due from Federal & State - NYS sales tax	519,027
General Fund	Other receivables	235,864
Special Revenue:		
Water Fund	Accounts receivable - water rents and meter	570,509
Water Fund	Due from Federal & State	38,300
Sewer Fund	Accounts receivable - sewer rents	589,438
Community Development:		
Revolving Loan	Loan receivable	263,036
1 <sup>st</sup> Time Home	Loan receivable	121,664
Housing Rehab	Loan receivable	229
Capital Projects	Due from Federal & State - various projects	2,010,420
		<u>\$ 4,852,437</u>

**B. Liabilities**

**1. Deferred Inflows of Resources and Unearned Revenue**

Deferred inflows of resources and unearned revenue at May 31, 2016 recorded in governmental fund were as follows:

	General Fund	Special Revenue Fund
<b>Deferred inflows</b>		
Real property taxes	\$ 4,932,119	\$ -
Payment in-lieu of taxes	7,086	-
Special assessment taxes	1,882	-
	<u>\$ 4,941,087</u>	<u>-</u>
<b>Unearned revenue</b>		
Revolving loans	-	263,036
Housing Rehab	-	229
1 <sup>st</sup> Time Home	-	121,664
	<u>\$ -</u>	<u>\$ 384,929</u>

Deferred inflows of resources related to real property taxes reflect collections during May 2016 for real property taxes levied on May 1 for the 2016-2017 fiscal year. Deferred inflows from special assessment taxes consist of levies on property owners to be collected after May 31, 2016. 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 Descriptions and Benefits Provided**

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

**b. Contributions**

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

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

**B. Liabilities (continued)**

**2. Pension Plans (continued)**

**b. Contributions (continued)**

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

		ERS	PFRS
May 31,	2016	\$ 752,381	\$ 969,106
	2015	750,021	1,285,072
	2014	768,156	1,162,942

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.

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.

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

**B. Liabilities (continued)**

**2. Pension Plans (continued)**

**b. Contributions (continued)**

Over the years, State Legislature authorized local governments to make available retirement incentive programs to qualifying employees. The City had no expenditures incurred or liability accrued related to the retirement incentive liabilities as of and for the year ended May 31, 2016.

ERS and PFRS have provided additional disclosures through entities that elected to participate in Chapter 260, 57, and 105.

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

At May 31, 2016, the City reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2016 for ERS and PFRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The City's proportion of the net pension asset/(liability) was based on a projection of the City's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and PFRS Systems in reports provided to the City.

At May 31, 2016 the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	PFRS	ERS	PFRS
Differences between expected and actual experience	\$ 14,038	\$ 31,900	\$ 329,291	\$ 537,715
Changes of assumptions	740,821	1,533,238	-	-
Net difference between projected and actual earnings on pension plan investments	1,648,089	1,993,186	-	-
Changes in proportion and differences between the City's contributions and proportionate share of contributions	21,013	148,358	29,473	-
City's contributions subsequent to the measurement date	115,700	179,157	-	-
<b>Total</b>	<b>\$ 2,539,661</b>	<b>\$ 3,885,839</b>	<b>\$ 358,764</b>	<b>\$ 537,715</b>



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

**B. Liabilities (continued)**

**2. Pension Plans (continued)**

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

Actuarial valuation date	ERS 3/31/16	PFRS 3/31/16
Net pension asset/(liability)	\$ (2,778,045)	\$ (3,556,599)
City's portion of the Plan's total net pension asset/(liability)	.0173084%	.1201234%

For the year ended May 31, 2016, the City's recognized pension expense of \$987,884 for ERS and \$1,344,668 for PFRS.

City contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending May 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, including contributions subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended:	ERS	PFRS
2017	\$ 637,069	\$ 927,834
2018	521,369	748,677
2019	521,369	748,677
2020	501,090	720,924
2021	-	202,012
Thereafter	-	-

**d. Actuarial Assumptions**

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

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

**B. Liabilities (continued)**

**2. Pension Plans (continued)**

**d. Actuarial Assumptions (continued)**

Significant actuarial assumptions used in the valuations were as follows:

	ERS	PFRS
Measurement date	3/31/16	3/31/16
Actuarial valuation date	4/1/15	4/1/15
Interest rate	7%	7%
Salary scale	3.8% average 4/1/10 - 3/31/15	3.8% average 4/1/10 - 3/31/15
	System's Experience	System's Experience
Decrement tables	2.5%	2.5%
Inflation rate		

For ERS and PFRS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014.

For ERS and PFRS, the actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

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

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

**B. Liabilities (continued)**

**2. Pension Plans (continued)**

**e. Actuarial Assumptions (continued)**

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement date	ERS 3/31/16	PFRS 3/31/16
Asset Type:		
Domestic Equity	38%	38%
International Equity	13%	13%
Private Equity	10%	10%
Real Estate	8%	8%
Other investments	9%	9%
Domestic fixed income securities	-%	-%
Global fixed income securities	-%	-%
Bonds and Mortgages	18%	18%
Cash	2%	2%
Inflation-indexed bond funds	2%	2%
Total:	100%	100%

**f. Discount Rate**

The discount rate used to calculate the total pension liability was 7% for ERS and PFRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7% for ERS and PFRS, as well as what the City's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6% for ERS and PFRS) or 1-percentage point higher (8% for ERS and PFRS) than the current rate:

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

**B. Liabilities (continued)**

**2. Pension Plans (continued)**

**g. Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption (continued)**

	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
ERS			
Employer's proportionate share of the net pension asset (liability)	\$ (6,264,289)	\$ (2,778,045)	\$ 167,683
	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
PFRS			
Employer's proportionate share of the net pension asset (liability)	\$ (7,944,039)	\$ (3,556,559)	\$ 121,026

**h. Pension Plan Fiduciary Net Position**

The components of the current-year net pension asset/(liability) of the employers as of the respective valuation dates, were as follows:

Valuation date	ERS 3/31/16	PFRS 3/31/16
Employers' total pension liability	\$ 172,303,544	\$ 30,347,727
Plan Net Position	\$ 156,253,265	\$ 27,386,940
Employers' net pension asset/(liability)	\$ (16,050,279)	\$ (2,960,787)
Ratio of plan net position to be Employers' total pension asset/(liability)	90.7%	90.2%

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

**B. Liabilities (continued)**

**2. Pension Plans (continued)**

**i. Payables to the Pension Plan Fiduciary**

For ERS and PFRS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS and PFRS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2016 for ERS and PFRS amounted to \$115,700 and \$179,157, respectively.

**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, 2016 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 (continued)**

**Annual OPEB Cost and Net OPEB Obligation (continued)**

The following table summarizes the City's annual OPEB cost for 2016, 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	(60,825)
Increase in net OPEB obligation/(asset)	4,258
Net OPEB obligation/(asset) - beginning of year	19,817
Net OPEB obligation-end of year	\$ 24,075

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016, 2015 and 2014 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/16	\$ 65,083	93.5%	\$ 24,075
6/30/15	\$ 65,083	80.0%	\$ 19,817
6/30/14	\$ 65,083	69.1%	\$ 6,753

**Funding Status and Funding Progress**

As of May 31, 2016, 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.

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**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 prorating 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 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, 2016, advances on the note totaled \$6,443,893. The note matures on February 12, 2018 and carries a 0.0% interest rate.

In June, 2015, the *City of Olean, New York* issued bond anticipation note 2015 in the amount of \$4,700,000. The note matures on June 16, 2016 and carries a 2.0% interest rate. The proceeds from this short-term issuance were utilized to refinance the bond anticipation note 2014.

**CITY OF OLEAN, NEW YORK  
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**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, 2016 are as follows:

Description	Amount	Interest Rate
EFC Waste Water Treatment	\$ 6,443,893	0.00%
Fire Truck & Apparatus	1,080,000	1.50%
Ice Resurfacers	220,000	1.50%
York St./Prospect Ave.	3,400,000	1.50%
<b>Totals</b>	<b>\$ 11,143,893</b>	

**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, 2016 and 2015.

**c. Short-Term Debt Interest**

Interest expense on short term indebtedness totaled \$70,304 for the year ended May 31, 2016. \$56,703 and \$13,601 was transferred from the general fund and sewer funds, respectively, to the debt service to pay interest expense on bond anticipation notes.

**5. Long-Term Debt**

**a. Debt Limit**

At May 31, 2016 the total outstanding indebtedness of the City aggregated \$33,432,938 (including bond anticipation notes and revenue anticipation notes). Of this amount, \$9,926,100 is subject to the constitutional debt limit and represented approximately 29.69% 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 2015-16 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, 2016 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. The Sewer Fund paid principal and interest for the year ended May 31, 2016.

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. During the current fiscal year, principal and interest paid on this capital lease totaled approximately \$49,379. The General Fund paid principal and interest for the year ended May 31, 2016.

During the 2015-16 fiscal year, the *City of Olean, New York* entered into a 5-year capital lease with First Niagara Bank which totaled \$149,810. Equipment included in the lease agreement consisted of an International Model Plow/Spreader. Principal and interest commence during the 2016-17 fiscal year and will be paid through the general fund.

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**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, 2016:

	Issued	Original Amount	Interest Rate	Final Maturity	Outstanding May 31, 2016
<b>General Fund</b>					
Public Improvement Bond	08/10	870,000	Various	08/20	\$ 314,211
Deficit Financing Bond	08/10	1,444,070	Various	08/20	521,851
Public Improvement Bond	08/12	9,250,000	Various	08/33	8,115,000
<b>Special Revenue Funds</b>					
Water Filtration Plant-Ref.	10/12	2,060,000	Various	10/32	1,820,000
Water Filtration Plant	07/03	1,809,453	Various	07/23	830,000
Water Reservoir	07/03	4,665,163	Various	07/24	2,375,000
Water Filtration Plant	05/13	5,868,000	Various	08/38	4,725,000
Water Fund – Various	08/09	325,000	Various	08/19	45,000
Water Fund – Odor Control	08/09	339,190	4.70%	08/16	125,000
Water Fund – Deficit Financing Bond	08/10	327,940	Various	08/20	117,489
Sewer Fund –Various	08/09	580,000	Various	08/19	275,000
Sewer Fund – Catch Basin	08/10	585,000	Various	08/20	325,000
Sewer Fund – Deficit Financing Bond	08/10	227,990	Various	08/20	81,449
Sewer Fund – Public Imp	08/12	1,731,059	Various	08/33	1,430,000
<b>Total</b>					<u>\$ 21,100,000</u>

**f. Changes**

The following is a summary of changes in long-term liabilities for the period ended May 31, 2016:

	Payable at June 1, 2015	Additions	Reductions	Balance at May 31, 2016
<b>Bonds</b>	\$ 13,335,000	\$ -	\$ 1,155,000	\$ 12,180,000
EFC Grid Note/Bond	1,900,000	-	80,000	1,820,000
EFC Grid Bond	2,605,000	-	230,000	2,375,000
RD Bond	4,875,000	-	150,000	4,725,000
<b>Subtotal</b>	<u>22,715,000</u>	<u>-</u>	<u>1,615,000</u>	<u>21,100,000</u>
Environmental Liability	732,000	-	507,000	125,000
Retirement Incentive	15,000	-	3,000	12,000
Compensated Absences	284,095	-	69,376	214,719
Net pension liability	-	6,334,644	-	6,334,644
Other Post-Employment Benefits	19,817	4,258	-	24,075
Capital Leases	1,210,777	149,810	171,542	1,189,045
	<u>2,261,689</u>	<u>6,488,712</u>	<u>750,918</u>	<u>7,899,483</u>
	<u>\$ 24,976,689</u>	<u>\$ 6,488,712</u>	<u>\$ 2,365,918</u>	<u>\$ 28,999,483</u>

**CITY OF OLEAN, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MAY 31, 2016**

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**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 \$656,143 for the year ended May 31, 2016, all of which 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, 2016:

Year Ending May 31	Total	Principal	Interest
2017	\$ 2,138,776	\$ 1,645,000	\$ 493,776
2018	2,097,424	1,620,000	477,424
2019	1,795,123	1,355,000	440,123
2020	1,751,859	1,345,000	406,859
2021	1,654,636	1,280,000	374,636
2022-2026	7,033,328	5,530,000	1,503,328
2027-2031	5,598,777	4,690,000	908,777
2032-2036	3,112,517	2,810,000	302,517
2037-2039	874,472	825,000	49,472
<b>Total</b>	<b>\$26,056,912</b>	<b>\$ 21,100,000</b>	<b>\$ 4,956,912</b>

**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
2017	\$ 243,056	\$ 205,305	\$ 37,751
2018	243,057	210,719	32,338
2019	176,032	151,218	24,814
2020	176,032	158,017	18,015
2021	126,653	115,842	10,811
2022-2024	347,944	347,944	-
<b>Total</b>	<b>\$ 1,312,774</b>	<b>\$ 1,189,045</b>	<b>\$ 123,729</b>

**C. Deferred Compensation Plan**

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

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

**CITY OF OLEAN, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MAY 31, 2016**

**Page 37**

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

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

Interfund receivables and payables at May 31, 2016 and interfund transactions during the fiscal year ended May 31, 2016 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	\$ 137,333	\$ 93,261	\$ 377,749	\$ -	\$ -	\$ 863,637
Capital Projects Fund	556,830	19,931	-	-	285,850	237,520
Agency Fund	2,716	9,826	-	-	-	-
Debt Service Fund	1,532	687,180	-	-	2,680,205	-
Sewer Fund	315,195	-	-	6,348	-	777,282
Water Fund	59,105	262,513	-	371,401	-	1,087,616
Housing Rehab Fund	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 1,072,711</b>	<b>\$ 1,072,711</b>	<b>\$ 377,749</b>	<b>\$ 377,749</b>	<b>\$ 2,966,055</b>	<b>\$ 2,966,055</b>

During the current year, the General, Water, and Sewer funds transferred \$577,787, \$1,087,616, and \$777,282, respectively to the Debt Service Fund to pay for the City's long-term debt obligations.

The General fund also transferred \$285,850 to the City's Capital Projects fund for cost associated with the vehicle replacement and Allegany River project.

Lastly, the City closed out certain capital projects and transferred the remaining balances in the amount of \$237,520 from the closed out projects to the debt service fund.

**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, the Civil Service Employees Association Unit's contract will expire on May 31, 2016 and the Olean Professional Fire Fighters Association's contract will expire on May 31, 2017.



**CITY OF OLEAN, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MAY 31, 2016**

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**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, 2016, 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.

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 in the amount of \$893,000, with the remaining \$607,000 being reduced during the year ended May 31, 2016, with costs associated with the waste water treatment plant.

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

**G. Retirement Incentives**

In a December 2006, the *City of Olean, New York* offered retirement incentives to certain employees. Employees whom participated in the incentive were eligible to receive continuation of health coverage for five years or a cash alternative. Total accumulated costs associated with the incentive approximated \$995,000, of which \$983,000 was paid during prior fiscal years. The remaining \$12,000 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
2017	\$ 4,000
2018	3,000
2019	3,000
2020	2,000
Total	<u>\$ 12,000</u>

**CITY OF OLEAN, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MAY 31, 2016**

**Page 39**

**NOTE 5 – FUND BALANCE**

**1. Classification**

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

Category/Fund	Description	May 31, 2016
<b>Restricted:</b>		
Debt Service	Reserve for debt service	\$ 445,269
Capital	Reserve for Capital	\$ 1,883,704
<b>Assigned:</b>		
General	Reserve for encumbrances	\$ 201,951
	Appropriated for next year's budget	602,000
		\$ 803,951
Water	Reserve for encumbrances	\$ 60,228
	Special Revenue Fund Balance	729,438
		\$ 789,666
Sewer	Reserve for encumbrances	\$ 14,777
	Special Revenue Fund Balance	1,868,243
		\$ 1,883,020
First Time Homebuyers	Special Revenue Fund Balance	\$ 31,045
Housing Rehab	Special Revenue Fund Balance	\$ 8,388
Revolving Loan	Special Revenue Fund Balance	\$ 299,380

**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, 2016
Police Equipment Replacement	\$ 555
Bartlett House Renovations	11,752
Sidewalk Improvement Reserve	47,683
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	\$ 148,533

**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, 2016
Brownfield Opportunity Areas Program	\$ 61,324
Waste Water Treatment Plant	7,532,471
Bradner Stadium Project	21,689
Franchot Playground	5,531
North Union Rehabilitation	756,953
Homer Street Playground	6,580
York St./Prospect Ave. Improvement	2,907,726
Ladder Truck	1,084,249
Ice Resurfacers	126,661
Homer Street Project	5,219
Subtotal	\$ 12,508,403

**NOTE 6 – PRIOR PERIOD ADJUSTMENTS**

For the fiscal year ended May, 2016, the City implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27*. The implementation of Statement No. 68 resulted in the reporting of an asset, deferred outflow of resources, liability and deferred inflow of resources related to the City's participation in the New York State Employees' Retirement System and Police and Fire Retirement System. The City's net position has been restated as follow

Net position beginning of year, as previously stated	\$ 38,863,892
GASB Statement No. 68 implementation	
Beginning System liability – Employees' Retirement System	(477,345)
Beginning System liability – Police and Fire's Retirement System	( 12,071)
Beginning deferred outflow of resources for contributions subsequent to the measurement date	
Employees' Retirement System	126,667
Police and Fire's Retirement System	190,000
Total prior period adjustments	(172,749)
Net position beginning of year, as restated	\$ 38,691,143

**CITY OF OLEAN, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MAY 31, 2016**

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**NOTE 6 – PRIOR PERIOD ADJUSTMENTS (CONTINUED)**

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 10, 2016, which is the date the financial statements were available to be issued.

In June, 2016, the *City of Olean, New York* issued bond anticipation note 2016 in the amount of \$8,299,000. The note matures on June 15, 2017 and carries a 2.0% interest rate. The proceeds from this short-term issuance were utilized to refund the 2015 bond anticipation note and finance North 3<sup>rd</sup> Street Improvements, Park Division roof replacement, William O Smith Recreation Center, and Phone System Upgrades.

## SUPPLEMENTARY INFORMATION

**CITY OF OLEAN, NEW YORK  
COMPARATIVE BALANCE SHEETS  
GENERAL FUND  
AS OF MAY 31, 2016 AND 2015**

**Page 41**

	<b>May 31 2016</b>	<b>May 31 2015</b>
<b><u>Assets</u></b>		
Cash on hand	\$ 1,525	\$ 1,308
Cash on deposit		
Regular accounts	7,849,158	7,363,391
Receivables		
Refuse and garbage	1,869	1,869
Special assessment	1,882	1,882
Accounts receivable	232,113	202,808
Due from other funds	137,333	429,537
Advances to other funds	377,749	624,696
State and federal	1,022,977	738,499
<b>Total assets</b>	<b>\$ 9,624,606</b>	<b>\$ 9,363,990</b>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Equity</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 234,892	\$ 260,093
Accrued liabilities	597,430	725,597
Due to other funds	93,261	623,962
Due to employee retirement system	247,367	265,000
Other liabilities	16,973	20,096
<b>Total liabilities</b>	<b>1,189,923</b>	<b>1,894,748</b>
<b>Deferred Inflows of Resources</b>		
Taxes collected for subsequent year	4,941,087	4,134,943
<b>Fund Equity</b>		
Assigned	803,951	239,337
Unassigned	2,689,645	3,094,962
<b>Total fund equity</b>	<b>3,493,596</b>	<b>3,334,299</b>
	<b>\$ 9,624,606</b>	<b>\$ 9,363,990</b>

**See accompanying independent auditor's report on supplementary information.**

**CITY OF OLEAN, NEW YORK  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND EQUITY  
GENERAL FUND  
FOR THE FISCAL YEARS ENDED MAY 31, 2016 AND 2015**

**Page 42**

	May 31 2016	May 31 2015
<b>Revenue</b>		
Real property taxes	\$ 7,088,452	\$ 7,096,697
Special assessment tax - real property	15,698	12,364
Real property tax items	82,420	83,518
Non-property tax items	4,622,467	4,644,424
Departmental income	1,332,228	1,148,871
Intergovernmental charges	132,296	152,342
Use of money and property	2,909	3,396
Licenses and permits	54,137	40,639
Fines and forfeitures	43,792	62,751
Sales of property and compensation for loss	9,778	12,030
State aid	2,706,373	3,015,343
Federal aid	587,553	-
<b>Total revenue</b>	<b>16,678,103</b>	<b>16,272,375</b>
<b>Expenditures</b>		
General government support	2,132,303	2,226,074
Public safety	5,601,779	5,420,845
Health	55,017	53,127
Transportation	2,924,775	2,384,022
Economic development	15,000	-
Culture and recreation	859,972	915,560
Home and community services	191,838	166,530
Employee benefits	3,922,553	4,235,785
Debt service:		
Principal	-	22,656
Interest	-	109
<b>Total expenditures</b>	<b>15,703,237</b>	<b>15,424,708</b>
<b>Excess of revenue over expenditures</b>	<b>974,866</b>	<b>847,667</b>
<b>Other financing sources (uses)</b>		
BAN premium	48,068	-
Operating transfers out	(863,637)	(771,562)
<b>Total other financing sources (uses)</b>	<b>(815,569)</b>	<b>(771,562)</b>
<b>Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses</b>	<b>159,297</b>	<b>76,105</b>
<b>Fund equity, beginning of year</b>	<b>3,334,299</b>	<b>3,258,194</b>
<b>Fund equity, end of year</b>	<b>\$ 3,493,596</b>	<b>\$ 3,334,299</b>

**See accompanying independent auditor's report on supplementary information.**

**CITY OF OLEAN, NEW YORK  
COMBINING BALANCE SHEET -  
ALL SPECIAL REVENUE FUNDS  
AS OF MAY 31, 2016**

**Page 43**

	Water	Sewer	Community Development			(Memo only) Total
			Revolving Loan Fund	Housing Rehabilitation Fund	First Time Homebuyers Fund	
<b>Assets</b>						
Cash on hand	\$ 40	\$ -	\$ -	\$ -	\$ -	\$ 40
Cash on deposit						
Regular accounts	916,059	1,119,416	301,597	8,388	31,025	2,376,485
Receivables						
Accounts receivable	608,809	589,438	-	-	-	1,198,247
Due from other funds	59,105	315,195	-	-	-	374,300
Revolving loans receivable	-	-	263,036	-	-	263,036
First Time Homebuyers loans receivable	-	-	-	-	121,664	121,664
Rehabilitation loans receivable	-	-	-	229	-	229
<b>Total assets</b>	<b>\$ 1,584,013</b>	<b>\$ 2,024,049</b>	<b>\$ 564,633</b>	<b>\$ 8,617</b>	<b>\$ 152,689</b>	<b>\$ 4,334,001</b>
<b>Liabilities</b>						
Accounts payable	\$ 41,965	\$ 52,133	\$ 2,217	\$ -	\$ -	\$ 96,315
Accrued liabilities	71,273	58,381	-	-	-	129,654
Due to other funds	262,513	-	-	-	-	262,513
Advances from other funds	371,401	6,348	-	-	-	377,749
Other liabilities/due to retirement systems	47,195	24,167	-	-	(20)	71,342
Unearned revenue	-	-	263,036	229	121,664	384,929
<b>Total liabilities</b>	<b>794,347</b>	<b>141,029</b>	<b>265,253</b>	<b>229</b>	<b>121,644</b>	<b>1,322,502</b>
<b>Fund Equity</b>						
Assigned	789,666	1,883,020	299,380	8,388	31,045	3,011,499
<b>Total fund equity</b>	<b>789,666</b>	<b>1,883,020</b>	<b>299,380</b>	<b>8,388</b>	<b>31,045</b>	<b>3,011,499</b>
<b>Total liabilities and fund equity</b>	<b>\$ 1,584,013</b>	<b>\$ 2,024,049</b>	<b>\$ 564,633</b>	<b>\$ 8,617</b>	<b>\$ 152,689</b>	<b>\$ 4,334,001</b>

**See accompanying independent auditor's report on supplementary information.**

**CITY OF OLEAN, NEW YORK  
COMBINING STATEMENTS OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND EQUITY – ALL SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEARS ENDED MAY 31, 2016 AND 2015**

**Page 44**

	Water	Sewer	Community Development			(Memo only) Total
			Revolving Loan Fund	Housing Rehabilitation Fund	First Time Homebuyers Fund	
<b>Revenue</b>						
Departmental income	\$ 3,732,088	\$ 3,035,130	\$ 22,822	\$ 6,089	\$ 19,165	\$ 6,815,294
Intergovernmental charges	-	366,172	-	-	-	366,172
Use of money and property	-	-	2,071	1	8	2,080
Sales of property & compensation for loss	9,493	-	-	-	-	9,493
State aid	-	2,520	8,117	-	-	10,637
<b>Total revenue</b>	<b>3,741,581</b>	<b>3,403,822</b>	<b>33,010</b>	<b>6,090</b>	<b>19,173</b>	<b>7,203,676</b>
<b>Expenditures</b>						
General government support	72,953	60,893	-	-	-	133,846
Home and community services	1,832,375	1,735,808	157,295	-	37,457	3,762,935
Employee benefits	588,347	514,067	-	-	-	1,102,414
<b>Total expenditures</b>	<b>2,493,675</b>	<b>2,310,768</b>	<b>157,295</b>	<b>-</b>	<b>37,457</b>	<b>4,999,195</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>1,247,906</b>	<b>1,093,054</b>	<b>(124,285)</b>	<b>6,090</b>	<b>(18,284)</b>	<b>2,204,481</b>
<b>Other financing uses</b>						
Proceeds from issuance of bonds - deficit financing	-	11,530	-	-	-	11,530
Operating transfers out	(1,087,616)	(777,282)	-	-	-	(1,864,898)
<b>Total financing uses</b>	<b>(1,087,616)</b>	<b>(765,752)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,853,368)</b>
<b>Excess (deficiency) of revenue over expenditures and other financing uses</b>	<b>160,290</b>	<b>327,302</b>	<b>(124,285)</b>	<b>6,090</b>	<b>(18,284)</b>	<b>351,113</b>
<b>Fund equity, beginning of year</b>	<b>629,376</b>	<b>1,555,718</b>	<b>423,665</b>	<b>2,298</b>	<b>49,329</b>	<b>2,660,386</b>
<b>Fund equity, end of year</b>	<b>\$ 789,666</b>	<b>\$ 1,883,020</b>	<b>\$ 299,380</b>	<b>\$ 8,388</b>	<b>\$ 31,045</b>	<b>\$ 3,011,499</b>

**See accompanying independent auditor's report on supplementary information.**



**CITY OF OLEAN, NEW YORK  
COMPARATIVE BALANCE SHEETS  
SPECIAL REVENUE FUNDS  
AS OF MAY 31, 2016 AND 2015**

**Page 45**

	May 31 2016	May 31 2015
<b>Assets</b>		
Cash on hand	\$ 40	\$ 40
Cash on deposit		
Regular accounts	2,376,485	1,712,011
Accounts receivable	1,198,247	1,739,532
Advances to other funds	-	20,416
Due from other funds	374,300	755,116
Revolving loans receivable	263,036	131,432
First time homebuyers loans receivable	121,664	101,585
Rehabilitation loans receivable	229	6,313
<b>Total assets</b>	<b>\$ 4,334,001</b>	<b>\$ 4,466,445</b>
<b>Liabilities</b>		
Accounts payable	\$ 96,315	\$ 127,744
Accrued liabilities	129,654	110,551
Due to other funds	262,513	573,811
Advances from other funds	377,749	645,112
Other liabilities/due to retirement systems	71,342	109,511
Unearned revenue	384,929	239,330
<b>Total liabilities</b>	<b>1,322,502</b>	<b>1,806,059</b>
<b>Fund Equity</b>		
Assigned	3,011,499	2,660,386
<b>Total fund equity</b>	<b>3,011,499</b>	<b>2,660,386</b>
<b>Total liabilities and fund equity</b>	<b>\$ 4,334,001</b>	<b>\$ 4,466,445</b>

**See accompanying independent auditor's report on supplementary information.**

**CITY OF OLEAN, NEW YORK  
COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND EQUITY – SPECIAL REVENUE FUNDS  
AND FOR THE FISCAL YEARS ENDED MAY 31, 2016 AND 2015**

**Page 46**

	May 31 2016	May 31 2015
<b>Revenue</b>		
Departmental income	\$ 6,815,294	\$ 7,127,503
Intergovernmental charges	366,172	260,415
Use of money and property	2,080	621
Sales of property and compensation for loss	9,493	14,166
State aid	10,637	92,520
<b>Total revenue</b>	<b>7,203,676</b>	<b>7,495,225</b>
<b>Expenditures</b>		
General government support	133,846	127,066
Home and community services	3,762,935	3,884,048
Employee benefits	1,102,414	1,073,046
<b>Total expenditures</b>	<b>4,999,195</b>	<b>5,084,160</b>
<b>Excess of revenue over expenditures</b>	<b>2,204,481</b>	<b>2,411,065</b>
<b>Other financing sources (uses)</b>		
BAN Premium	11,530	-
Operating transfers out	(1,864,898)	(1,850,105)
<b>Total other financing uses</b>	<b>(1,853,368)</b>	<b>(1,850,105)</b>
<b>Excess of revenue and other financing sources over expenditures and other financing uses</b>	<b>351,113</b>	<b>560,960</b>
<b>Fund equity, beginning of year</b>	<b>2,660,386</b>	<b>2,166,450</b>
<b>Prior period adjustment</b>	<b>-</b>	<b>(67,024)</b>
<b>Fund equity, end of year</b>	<b>\$ 3,011,499</b>	<b>\$ 2,660,386</b>

**See accompanying independent auditor's report on supplementary information.**

**CITY OF OLEAN, NEW YORK  
COMPARATIVE BALANCE SHEETS  
WATER FUND  
AS OF MAY 31, 2016 AND 2015**

**Page 47**

	May 31 2016	May 31 2015
<b>Assets</b>		
Cash on hand	\$ 40	\$ 40
Cash on deposit		
Regular accounts	916,059	753,936
Accounts receivable	608,809	913,100
Due from other funds	59,105	96,559
<b>Total assets</b>	<b>\$ 1,584,013</b>	<b>\$ 1,763,635</b>
<b>Liabilities</b>		
Accounts payable	\$ 41,965	\$ 39,105
Accrued liabilities	71,273	59,961
Due to other funds	262,513	571,262
Advances from other funds	371,401	438,728
Other liabilities/due to retirement systems	47,195	25,203
<b>Total liabilities</b>	<b>794,347</b>	<b>1,134,259</b>
<b>Fund Equity</b>		
Assigned	789,666	629,376
<b>Total fund equity</b>	<b>789,666</b>	<b>629,376</b>
<b>Total liabilities and fund equity</b>	<b>\$ 1,584,013</b>	<b>\$ 1,763,635</b>

**See accompanying independent auditor's report on supplementary information.**

**CITY OF OLEAN, NEW YORK  
COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND EQUITY – WATER FUND  
FOR THE FISCAL YEARS ENDED MAY 31, 2016 AND 2015**

**Page 48**

	May 31 2016	May 31 2015
<b>Revenue</b>		
Departmental income	\$ 3,732,088	\$ 3,894,547
Sales of property and compensation for loss	9,493	14,166
<b>Total revenue</b>	<b>3,741,581</b>	<b>3,908,713</b>
<b>Expenditures</b>		
General government support	72,953	66,814
Home and community services	1,832,375	1,930,247
Employee benefits	588,347	553,250
<b>Total expenditures</b>	<b>2,493,675</b>	<b>2,550,311</b>
<b>Excess of revenue over expenditures</b>	<b>1,247,906</b>	<b>1,358,402</b>
<b>Other financing sources (uses)</b>		
Operating transfers out	(1,087,616)	(1,096,821)
<b>Total other financing sources (uses)</b>	<b>(1,087,616)</b>	<b>(1,096,821)</b>
<b>Excess of revenue and other financing sources over expenditures and other financing uses</b>	<b>160,290</b>	<b>261,581</b>
<b>Fund equity, beginning of year</b>	<b>629,376</b>	<b>839,834</b>
<b>Prior period adjustment</b>	<b>-</b>	<b>(472,039)</b>
<b>Fund equity, end of year</b>	<b>\$ 789,666</b>	<b>\$ 629,376</b>

**See accompanying independent auditor's report on supplementary information.**

**CITY OF OLEAN, NEW YORK  
STATEMENT OF REVENUE AND EXPENDITURES  
BUDGET AND ACTUAL – WATER FUND  
FOR THE FISCAL YEAR ENDED MAY 31, 2016**

**Page 49**

	Original Budget	Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>Revenue</b>					
Departmental income	\$ 3,785,716	\$ 3,785,716	\$ 3,732,088	\$ -	\$ (53,628)
Sales of property and compensation for loss	-	-	9,493	-	9,493
<b>Total revenue</b>	<b>3,785,716</b>	<b>3,785,716</b>	<b>3,741,581</b>	<b>-</b>	<b>(44,135)</b>
<b>Expenditures</b>					
General government support	137,000	132,000	72,953	-	59,047
Home and community services	1,981,900	2,066,649	1,832,375	60,228	174,046
Employee benefits	579,200	579,200	588,347	-	(9,147)
<b>Total expenditures</b>	<b>2,698,100</b>	<b>2,777,849</b>	<b>2,493,675</b>	<b>60,228</b>	<b>223,946</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>1,087,616</b>	<b>1,007,867</b>	<b>1,247,906</b>	<b>(60,228)</b>	<b>179,811</b>
<b>Other financing sources (uses)</b>					
Operating transfers out	(1,087,616)	(1,087,616)	(1,087,616)	-	-
<b>Total other financing sources (uses)</b>	<b>(1,087,616)</b>	<b>(1,087,616)</b>	<b>(1,087,616)</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenue over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ (79,749)</b>	<b>\$ 160,290</b>	<b>\$ (60,228)</b>	<b>\$ 179,811</b>

**See accompanying independent auditor's report on supplementary information.**

**CITY OF OLEAN, NEW YORK  
COMPARATIVE BALANCE SHEETS  
SEWER FUND  
AS OF MAY 31, 2016 AND 2015**

**Page 50**

	<b>May 31 2016</b>	<b>May 31 2015</b>
<b>Assets</b>		
Cash	\$ 1,119,416	\$ 478,323
Accounts receivable	589,438	826,432
Advances from other funds	-	20,416
Due from other funds	315,195	658,557
<b>Total assets</b>	<b>\$ 2,024,049</b>	<b>\$ 1,983,728</b>
<b>Liabilities</b>		
Accounts payable	\$ 52,133	\$ 86,756
Accrued liabilities	58,381	50,590
Advances from other funds	6,348	206,384
Due to other funds	-	2,549
Other liabilities/due to other governments	24,167	81,731
<b>Total liabilities</b>	<b>141,029</b>	<b>428,010</b>
<b>Fund Equity</b>		
Assigned	1,883,020	1,555,718
<b>Total fund equity</b>	<b>1,883,020</b>	<b>1,555,718</b>
<b>Total liabilities and fund equity</b>	<b>\$ 2,024,049</b>	<b>\$ 1,983,728</b>

*See accompanying independent auditor's report on supplementary information.*

**CITY OF OLEAN, NEW YORK  
COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND EQUITY – SEWER FUND  
FOR THE FISCAL YEARS ENDED MAY 31, 2016 AND 2015**

**Page 51**

	<b>May 31 2016</b>	<b>May 31 2015</b>
<b>Revenue</b>		
Departmental income	\$ 3,035,130	\$ 3,186,673
Intergovernmental charges	366,172	260,415
State aid	2,520	2,520
<b>Total revenue</b>	<b>3,403,822</b>	<b>3,449,608</b>
<b>Expenditures</b>		
General government support	60,893	60,252
Home and community services	1,735,808	1,749,977
Employee benefits	514,067	519,796
<b>Total expenditures</b>	<b>2,310,768</b>	<b>2,330,025</b>
<b>Excess of revenue over expenditures</b>	<b>1,093,054</b>	<b>1,119,583</b>
<b>Other financing sources (uses)</b>		
Operating transfers out	(777,282)	(753,284)
<b>Total other financing uses</b>	<b>(765,752)</b>	<b>(753,284)</b>
<b>Excess of revenue and other financing     sources over expenditures and other financing uses</b>	<b>327,302</b>	<b>366,299</b>
<b>Fund equity, beginning of year</b>	<b>1,555,718</b>	<b>784,404</b>
<b>Prior period adjustment</b>	<b>-</b>	<b>405,015</b>
<b>Fund equity, end of year</b>	<b>\$ 1,883,020</b>	<b>\$ 1,555,718</b>

**See accompanying independent auditor's report on supplementary information.**

**CITY OF OLEAN, NEW YORK  
STATEMENT OF REVENUE AND EXPENDITURES  
BUDGET AND ACTUAL – SEWER FUND  
FOR THE FISCAL YEAR ENDED MAY 31, 2016**

**Page 52**

	Original Budget	Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>Revenue</b>					
Departmental income	\$ 3,202,407	\$ 3,202,407	\$ 3,035,130	\$ -	\$ (167,277)
Intergovernmental charges	300,000	300,000	366,172	-	66,172
State aid	-	-	2,520	-	2,520
<b>Total revenue</b>	<b>3,502,407</b>	<b>3,502,407</b>	<b>3,403,822</b>	<b>-</b>	<b>(98,585)</b>
<b>Expenditures</b>					
General government support	137,000	112,000	60,893	-	51,107
Home and community services	2,023,800	2,048,800	1,735,808	14,777	298,215
Employee benefits	564,325	564,325	514,067	-	50,258
<b>Total expenditures</b>	<b>2,725,125</b>	<b>2,725,125</b>	<b>2,310,768</b>	<b>14,777</b>	<b>399,580</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>777,282</b>	<b>777,282</b>	<b>1,093,054</b>	<b>(14,777)</b>	<b>300,995</b>
<b>Other financing sources (uses)</b>					
Operating transfers out	(777,282)	(777,282)	(777,282)	-	-
<b>Total other financing uses</b>	<b>(777,282)</b>	<b>(777,282)</b>	<b>(765,752)</b>	<b>-</b>	<b>11,530</b>
<b>Excess (deficiency) of revenue over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 327,302</b>	<b>\$ (14,777)</b>	<b>\$ 312,525</b>

**See accompanying independent auditor's report on supplementary information.**



**CITY OF OLEAN, NEW YORK  
COMPARATIVE BALANCE SHEETS  
REVOLVING LOAN FUND  
AS OF MAY 31, 2016 AND 2015**

**Page 53**

	May 31 2016	May 31 2015
<b>Assets</b>		
Cash on deposit - Regular accounts	\$ 301,597	\$ 428,145
Rehabilitation loans receivable	263,036	131,432
<b>Total assets</b>	<b>\$ 564,633</b>	<b>\$ 559,577</b>
<b>Liabilities</b>		
Unearned revenue	\$ 263,036	\$ 131,432
Accounts Payable	2,217	1,883
Due to other agency	-	2,597
<b>Total liabilities</b>	<b>265,253</b>	<b>135,912</b>
<b>Fund Equity</b>		
Assigned	299,380	423,665
<b>Total fund equity</b>	<b>299,380</b>	<b>423,665</b>
<b>Total liabilities and fund equity</b>	<b>\$ 564,633</b>	<b>\$ 559,577</b>

**See accompanying independent auditor's report on supplementary information.**

**CITY OF OLEAN, NEW YORK  
COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND EQUITY – REVOLVING LOAN FUND  
FOR THE FISCAL YEARS ENDED MAY 31, 2016 AND 2015**

**Page 54**

	May 31 2016	May 31 2015
<b>Revenue</b>		
Departmental income	\$ 22,822	\$ 22,700
Use of money and property	2,071	605
State aid	8,117	90,000
<b>Total revenue</b>	<b>33,010</b>	<b>113,305</b>
<b>Expenditures</b>		
Home and community services	157,295	153,508
<b>Total expenditures</b>	<b>157,295</b>	<b>153,508</b>
<b>Excess (deficiency) of revenue over     expenditures and other uses</b>	<b>(124,285)</b>	<b>(40,203)</b>
<b>Fund equity, beginning of year</b>	<b>423,665</b>	<b>463,868</b>
<b>Fund equity, end of year</b>	<b>\$ 299,380</b>	<b>\$ 423,665</b>

**See accompanying independent auditor's report on supplementary information.**

**CITY OF OLEAN, NEW YORK  
COMPARATIVE BALANCE SHEETS  
HOUSING REHABILITATION FUND  
AS OF MAY 31, 2016 AND 2015**

**Page 55**

	May 31 2016	May 31 2015
<b>Assets</b>		
Cash on deposit- regular accounts	\$ 8,388	\$ 2,298
Rehabilitation loans receivable	229	6,313
<b>Total assets</b>	<b>\$ 8,617</b>	<b>\$ 8,611</b>
<b>Liabilities</b>		
Unearned revenue	\$ 229	\$ 6,313
<b>Total liabilities</b>	<b>229</b>	<b>6,313</b>
<b>Fund Equity</b>		
Assigned	8,388	2,298
<b>Total fund equity</b>	<b>8,388</b>	<b>2,298</b>
<b>Total liabilities and fund equity</b>	<b>\$ 8,617</b>	<b>\$ 8,611</b>

**See accompanying independent auditor's report on supplementary information.**

**CITY OF OLEAN, NEW YORK  
COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND EQUITY – HOUSING REHABILITATION FUND  
FOR THE FISCAL YEARS ENDED MAY 31, 2016 AND 2015**

**Page 56**

	May 31 2016	May 31 2015
<b>Revenue</b>		
Departmental income	\$ 6,089	\$ 475
Use of money and property	1	1
<b>Total revenue</b>	<u>6,090</u>	<u>476</u>
<b>Expenditures</b>		
Home and community services	-	4,850
<b>Total expenditures</b>	<u>-</u>	<u>4,850</u>
<b>Excess of revenue over expenditures</b>	<u>6,090</u>	<u>(4,374)</u>
<b>Excess (deficiency) of revenue over expenditures and other uses</b>	6,090	(4,374)
<b>Fund equity, beginning of year</b>	<u>2,298</u>	<u>6,672</u>
<b>Fund equity, end of year</b>	<u>\$ 8,388</u>	<u>\$ 2,298</u>

**See accompanying independent auditor's report on supplementary information.**

**CITY OF OLEAN, NEW YORK  
COMPARATIVE BALANCE SHEETS  
FIRST TIME HOMEBUYERS FUND  
AS OF MAY 31, 2016 AND 2015**

**Page 57**

	<b>May 31 2016</b>	<b>May 31 2015</b>
<b>Assets</b>		
Cash on deposit - regular accounts	\$ 31,025	\$ 49,309
First time homebuyers loans receivable	121,664	101,585
<b>Total assets</b>	<b>\$ 152,689</b>	<b>\$ 150,894</b>
<b>Liabilities</b>		
Unearned revenue	\$ 121,664	\$ 101,585
Other liabilities	(20)	(20)
<b>Total liabilities</b>	<b>121,644</b>	<b>101,565</b>
<b>Fund Equity</b>		
Assigned	31,045	49,329
<b>Total fund equity</b>	<b>31,045</b>	<b>49,329</b>
<b>Total liabilities and fund equity</b>	<b>\$ 152,689</b>	<b>\$ 150,894</b>

**See accompanying independent auditor's report on supplementary information.**

**CITY OF OLEAN, NEW YORK  
COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND EQUITY – FIRST TIME HOMEBUYERS FUND  
FOR THE FISCAL YEARS ENDED MAY 31, 2016 AND 2015**

**Page 58**

	May 31 2016	May 31 2015
<b>Revenue</b>		
Departmental income	\$ 19,165	\$ 23,108
Use of money and property	8	15
<b>Total revenue</b>	<b>19,173</b>	<b>23,123</b>
<b>Expenditures</b>		
Home and community services	37,457	45,466
<b>Total expenditures</b>	<b>37,457</b>	<b>45,466</b>
<b>Excess of revenue over expenditures</b>	<b>(18,284)</b>	<b>(22,343)</b>
<b>Excess (deficiency) of revenue     over expenditures and other uses</b>	<b>(18,284)</b>	<b>(22,343)</b>
<b>Fund equity, beginning of year</b>	<b>49,329</b>	<b>71,672</b>
<b>Fund equity, end of year</b>	<b>\$ 31,045</b>	<b>\$ 49,329</b>

**See accompanying independent auditor's report on supplementary information.**

**CITY OF OLEAN, NEW YORK  
COMPARATIVE BALANCE SHEETS  
CAPITAL PROJECTS FUND  
AS OF MAY 31, 2016 AND 2015**

**Page 59**

	<b>May 31 2016</b>	<b>May 31 2015</b>
<b>Assets</b>		
Cash on deposit - regular accounts	\$ (157,042)	\$ 348,599
Due from Federal and State	2,010,420	1,241,393
Due from other funds	556,830	2,119,582
<b>Total assets</b>	<b>\$ 2,410,208</b>	<b>\$ 3,709,574</b>
<b>Liabilities</b>		
Accounts payable	\$ 1,867,961	\$ 835,992
Accrued liabilities/due to other governments	51,655	151,655
Due to other funds	19,931	210
Bond anticipation notes payable	11,143,893	5,817,224
<b>Total liabilities</b>	<b>13,083,440</b>	<b>6,805,081</b>
<b>Fund Equity</b>		
Restricted	1,983,704	1,806,351
Unassigned (deficit)	(12,656,936)	(4,901,858)
<b>Total fund equity (deficit)</b>	<b>(10,673,232)</b>	<b>(3,095,507)</b>
<b>Total liabilities and fund equity</b>	<b>\$ 2,410,208</b>	<b>\$ 3,709,574</b>

**See accompanying independent auditor's report on supplementary information.**

**CITY OF OLEAN, NEW YORK  
COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND EQUITY – CAPITAL PROJECTS FUND  
FOR THE FISCAL YEARS ENDED MAY 31, 2016 AND 2015**

**Page 60**

	May 31 2016	May 31 2015
<b>Revenue</b>		
Use of money and property	\$ 194	\$ 770
Miscellaneous local sources	345,734	475,617
Federal aid	3,936,598	2,159,331
State aid	1,861,009	969,121
<b>Total revenue</b>	<b>6,143,535</b>	<b>3,604,839</b>
<b>Expenditures</b>		
General government support	110,546	363,551
Public safety	949,279	257,466
Transportation	6,068,575	6,298,529
Culture and recreation	-	66,347
Home and community services	6,791,000	1,953,059
<b>Total expenditures</b>	<b>13,919,400</b>	<b>8,938,952</b>
<b>Deficiency of revenue over expenditures</b>	<b>(7,775,865)</b>	<b>(5,334,113)</b>
<b>Other financing sources (uses)</b>		
Proceeds from capital leases	149,810	236,117
Operating transfers in	285,850	185,130
Operating transfers out	(237,520)	-
<b>Total other financing sources</b>	<b>198,140</b>	<b>421,247</b>
<b>Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses</b>	<b>(7,577,725)</b>	<b>(4,912,866)</b>
<b>Fund equity (deficit), beginning of year</b>	<b>(3,095,507)</b>	<b>1,817,359</b>
<b>Fund equity (deficit), end of year</b>	<b>\$ (10,673,232)</b>	<b>\$ (3,095,507)</b>

**See accompanying independent auditor's report on supplementary information.**



**CITY OF OLEAN, NEW YORK  
BALANCE SHEET – CAPITAL PROJECTS FUND – BY PROJECT  
AS OF MAY 31, 2016**

Page 61

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	\$ 49,245	\$ -	\$ (49,245)	\$ -	\$ -	\$ -	\$ -	\$ -
87	Landfill - Olean Airport	57,292	-	-	57,292	-	-	57,292	57,292
101	Alarm	4,715	-	1,035	5,750	2,760	-	2,990	5,750
102	Vehicle replacement	332,351	-	-	332,351	-	-	332,351	332,351
103	Police Equipment Replacement	21,761	-	-	21,761	22,316	-	(555)	21,761
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	126,010	-	2,102	128,112	-	-	128,112	128,112
119	OATS Bus Reserve	106,901	-	-	106,901	-	-	106,901	106,901
120	Water filtration plant	34,139	-	-	34,139	-	-	34,139	34,139
123	Catch basin disconnect project	349,416	-	-	349,416	-	-	349,416	349,416
132	Parking lot maintenance program	31,568	-	-	31,568	-	-	31,568	31,568
133	Parking lots repaving & rehab	51,629	-	-	51,629	-	-	51,629	51,629
137	Telephone System	4,000	-	-	4,000	-	-	4,000	4,000
146	Airport Master Plan	64,581	1,595	-	66,176	29,935	-	36,241	66,176
149	Bartlett House Renovations	(11,752)	-	-	(11,752)	-	-	(11,752)	(11,752)
150	Sidewalk Improvement Reserve	(47,683)	-	-	(47,683)	-	-	(47,683)	(47,683)
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	635,804	-	(25,000)	610,804	-	-	610,804	610,804
161	Other Miscellaneous Reserves	575	-	-	575	-	-	575	575
162	Brownfield Opportunity Areas Program	(64,544)	3,220	-	(61,324)	-	-	(61,324)	(61,324)
163	Waste Water Treatment Plant Master Plan	359,597	-	-	359,597	1,448,175	6,443,893	(7,532,471)	359,597
165	Bradner Stadium Project	(139,135)	150,000	(19,931)	(9,066)	12,623	-	(21,689)	(9,066)
166	Franchot Playground	(5,531)	-	-	(5,531)	-	-	(5,531)	(5,531)
167	North Union Street Rehabilitation	(2,260,406)	1,855,605	-	(404,801)	352,152	-	(756,953)	(404,801)
168	Homer Street Playground	(6,580)	-	-	(6,580)	-	-	(6,580)	(6,580)
169	Olean Creek Pedestrian Crossing	78,337	-	-	78,337	-	-	78,337	78,337
170	Property Reevaluation	25,000	-	-	25,000	-	-	25,000	25,000
171	York St./Prospect Ave.	5,291	-	524,560	529,851	37,367	3,400,000	(2,907,516)	529,851
172	Ladder Truck	-	-	7,621	7,621	11,870	1,080,000	(1,084,249)	7,621
173	Ice Resurfacer	-	-	95,757	95,757	2,418	220,000	(126,661)	95,757
174	Homer Street Project	(5,219)	-	-	(5,219)	-	-	(5,219)	(5,219)
176	Allegany River Development	71,450	-	-	71,450	-	-	71,450	71,450
<b>Totals</b>		<b>\$ (157,042)</b>	<b>\$ 2,010,420</b>	<b>\$ 536,899</b>	<b>\$ 2,390,277</b>	<b>\$ 1,919,616</b>	<b>\$ 11,143,893</b>	<b>\$ (10,673,232)</b>	<b>\$ 2,390,277</b>

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, 2016 AND 2015**

**Page 62**

<i>Project</i>	<b>May 31 2016</b>	<b>May 31 2015</b>
CHIPS	\$ 567,605	\$ 372,452
City Alarm	26,092	-
Vehicle Replacement	79,843	195,902
Equipment Purchased Through Capital Leases	149,810	236,117
Dispatch Project	-	2,352
Police Equipment Replacement Reserve	25,760	50,317
Water Filtration Plant	-	16,568
Parking Lot Maintenance Reserve	823	-
Two Mile Sewer	237,520	-
Airport Master Plan	417,325	1,108,434
Sidewalk Improvement Reserve	4,943	100,764
Rec Center Compressor Reserve	-	66,347
Narrow Band Radio Upgrade	-	18,646
Downtown Facilities Upgrade	-	35,998
Brownfield Opportunity Areas Program	16,147	63,543
Waste Water Treatment Plant Master Plan	6,536,966	953,713
Bradner Stadium Project	160,531	749,627
North Union Street Rehabilitation	4,508,092	2,064,679
Ambulance Reserve	-	103,850
Homer Street Playground	62,705	3,875
Olean Creek Pedestrian Crossing	14,651	19,642
York St./Prospect Ave.	394,134	2,513,970
Ladder Truck	949,279	134,970
Ice Resurfacers	-	126,661
Homer Street Project	4,694	525
	<b>\$ 14,156,920</b>	<b>\$ 8,938,952</b>

*See accompanying independent auditor's report on supplementary information.*

**CITY OF OLEAN, NEW YORK  
COMPARATIVE BALANCE SHEETS  
DEBT SERVICE FUND  
AS OF MAY 31, 2016 AND 2015**

**Page 63**

	<b>May 31 2016</b>	<b>May 31 2015</b>
<b>Assets</b>		
Cash on deposit		
Restricted regular accounts	\$ 1,130,917	\$ 2,306,429
Due from other funds	1,532	1,532
<b>Total assets</b>	<b>\$ 1,132,449</b>	<b>\$ 2,307,961</b>
<b>Liabilities</b>		
Due to other funds	\$ 687,180	\$ 2,100,674
<b>Total liabilities</b>	<b>687,180</b>	<b>2,100,674</b>
<b>Fund Equity</b>		
Restricted	445,269	207,287
<b>Total fund equity</b>	<b>445,269</b>	<b>207,287</b>
<b>Total liabilities and fund equity</b>	<b>\$ 1,132,449</b>	<b>\$ 2,307,961</b>

**See accompanying independent auditor's report on supplementary information.**

**CITY OF OLEAN, NEW YORK  
COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND EQUITY – DEBT SERVICE FUND  
FOR THE FISCAL YEARS ENDED MAY 31, 2016 AND 2015**

**Page 64**

	May 31 2016	May 31 2015
<b>Revenue</b>		
Use of money and property	\$ 462	\$ 1,922
<b>Total revenue</b>	<u>462</u>	<u>1,922</u>
<b>Expenditures</b>		
Debt service:		
Principal	1,786,542	1,808,939
Interest	656,143	627,598
<b>Total expenditures</b>	<u>2,442,685</u>	<u>2,436,537</u>
Deficiency of revenue over expenditures	<u>(2,442,223)</u>	<u>(2,434,615)</u>
<b>Other financing sources</b>		
Operating transfers in	2,680,205	2,436,537
<b>Total other financing sources</b>	<u>2,680,205</u>	<u>2,436,537</u>
Excess of revenue and other financing sources over expenditures and other financing uses	237,982	1,922
Fund equity, beginning of year	<u>207,287</u>	<u>205,365</u>
Fund equity, end of year	<u>\$ 445,269</u>	<u>\$ 207,287</u>

**See accompanying independent auditor's report on supplementary information.**

**CITY OF OLEAN, NEW YORK  
COMPARATIVE BALANCE SHEETS  
AGENCY FUND  
AS OF MAY 31, 2016 AND 2015**

**Page 65**

	May 31 2016	May 31 2015
<b>Assets</b>		
Cash on deposit		
Regular accounts	\$ 116,275	\$ 125,119
Restricted accounts	154,870	147,138
Due from other funds	2,716	2,716
<b>Total assets</b>	<b>\$ 273,861</b>	<b>\$ 274,973</b>
<b>Liabilities</b>		
Due to other funds	\$ 9,826	\$ 9,826
Other liabilities	264,035	265,147
<b>Total liabilities</b>	<b>\$ 273,861</b>	<b>\$ 274,973</b>

**See accompanying independent auditor's report on supplementary information.**

**CITY OF OLEAN, NEW YORK  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND BALANCES – AGENCY FUND  
FOR THE FISCAL YEAR ENDED MAY 31, 2016**

**Page 66**

	Balance June 1, 2015	Receipts	Disbursements	Balance May 31, 2016
Hospitalization	\$ 2,048	\$ 758,314	\$ 756,936	\$ 3,426
Charity - United Way	87	206	206	87
Guarantee & Bid Bonds	500	-	-	500
Tree Cut Tree Service Inc.	3,755	-	3,755	-
Guarantee & Bid Bonds	-	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	1,979	1,806	7,447
Mayor's Cup Golf Tournament	1,575	320	500	1,395
Neighborhood Preservation	400	-	-	400
Miscellaneous Recreation	17,936	7,850	9,310	16,476
Clerk Sales	1,583	258	565	1,276
Bartlett House Donations	15,757	5,775	1,246	20,286
Bartlett House Donations	11,601	-	-	11,601
Police Drugs Donations	9,037	1,136	839	9,334
Police Federal Drug Proceeds	26,948	4	12,398	14,554
Youth Programs Donations	57	-	-	57
Youth Court Donations	6,923	-	380	6,543
Tree Program	7,248	655	4,197	3,706
Interest & Service Charges	746	28	132	642
Personnel	196	1,400	938	658
321 N. Union Street Escrow	-	3,000	-	3,000
Fire Equipment Donations	9,264	-	-	9,264
Flexible Spending Account	(8,273)	-	313	(8,586)
Medical Savings Account	145,002	120,693	109,450	156,245
Payroll Account	2,406	10,560,177	10,563,618	(1,035)
Special Account	1,205	16,049	16,118	1,136
<b>Totals</b>	<b>\$ 265,147</b>	<b>\$ 11,481,595</b>	<b>\$ 11,482,707</b>	<b>\$ 264,035</b>

*See accompanying independent auditor's report on supplementary information.*

**CITY OF OLEAN, NEW YORK  
SCHEDULE OF FUNDING PROGRESS  
AS OF MAY 31, 2016**

**Page 67**

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

**See accompanying independent auditor's report on supplementary information.**

**CITY OF OLEAN, NEW YORK**  
**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE**  
**NET PENSION LIABILITY – NYSLERS & NYSLPFRS**

Page 68

***New York State Employees' Retirement System - Net Pension Liability***

As of the measurement date of March 31,	2016	2015	2014	2013
City's proportion of the net pension liability	0.0173084%	0.0163295%	n/a	n/a
City's proportionate share of the net pension liability	\$ 2,778,045	\$ 551,651	\$ 737,908	n/a
City's covered-employee payroll	\$ 4,188,273	\$ 4,111,507	\$ 4,109,268	n/a
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	66.33%	13.42%	17.96%	n/a
Plan fiduciary net position as a percentage of the total pension liability	90.70%	97.90%	n/a	n/a

***New York State Police and Fire's Retirement System - Net Pension Liability***

As of the measurement date of March 31,	2016	2015	2014	2013
City's proportion of the net pension liability	0.1201234%	0.1198443%	n/a	n/a
City's proportionate share of the net pension liability	\$ 3,556,599	\$ 329,883	\$ 498,923	n/a
City's covered-employee payroll	\$ 4,394,298	\$ 4,684,185	\$ 4,427,011	n/a
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	80.94%	7.04%	11.27%	n/a
Plan fiduciary net position as a percentage of the total pension liability	90.20%	99.00%	n/a	n/a

n/a - information is not available

**See accompanying independent auditor's report on supplementary information.**



**CITY OF OLEAN, NEW YORK**  
**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE**  
**NET PENSION LIABILITY – NYSLERS & NYSLPFRS**

Page 69

***New York State Employees' Retirement System***

For the year ended March 31,	2016	2015	2014	2013
Contractually required contributions	\$ 752,381	\$ 750,021	\$ 768,156	\$ 736,645
Contributions in relation to the contractually required contribution	(752,381)	(750,021)	(768,156)	(736,645)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$4,188,273	\$4,111,507	\$4,109,268	\$3,942,955
Contributions as a percentage of District's covered-employee payroll	17.96%	18.24%	18.69%	18.68%

***New York State Police and Fire's Retirement System***

For the year ended March 31,	2016	2015	2014	2013
Contractually required contributions	\$ 969,106	\$ 1,285,072	\$ 1,162,942	\$ 1,104,795
Contributions in relation to the contractually required contribution	(969,106)	(1,285,072)	(1,162,942)	(1,104,795)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$4,394,298	\$4,684,185	\$4,427,011	\$4,460,319
Contributions as a percentage of District's covered-employee payroll	22.05%	27.43%	26.27%	24.77%

**See accompanying independent auditor's report on supplementary information.**

**CITY OF OLEAN, NEW YORK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED MAY 31, 2016**

**Page 70**

<b>Federal Program Title</b>	<b>Federal CFDA Number</b>	<b>Agency or Pass-through Number</b>	<b>Program or Award Amount</b>	<b>Receivable 05/31/15</b>	<b>Total Received</b>	<b>Revenue</b>	<b>Expenditures</b>	<b>Receivable 05/31/16</b>
<b><u>United States Department of Transportation</u></b>								
Airport Improvement Program - Obstruction Removal*	20.106	FAA AIP 3-36-0091-19-14 NYS DOT PIN 5904.45	\$ 51,300	\$ 17,222	\$ 36,302	\$ 19,080	\$ 19,080	\$ -
Airport Improvement Program - Obstruction Removal*	20.106	FAA AIP 3-36-0091-20-15 PIN 5904.45	675,900	-	287,467	287,467	287,467	-
Airport Improvement Program - T-Hanger Taxilane*	20.106	FAA AIP 3-36-0091-17-13 PIN 5904.44	633,600	31,519	31,519	-	-	-
Operating Assistance - Section 5311	20.509	NYSDOT 5794.23.401	290,828	-	290,828	290,828	290,828	-
Capital Assistance - Section 5311	20.509	NYSDOT 5796.12.301	296,725	-	296,725	296,725	296,725	-
Highway Planning and Construction	20.205	NYSDOT/D034764 PIN 5760.83	6,617,000	1,184,243	4,814,294	3,630,051	3,630,051	-
Subtotal U.S. Department of Transportation			8,565,353	1,232,984	5,757,135	4,524,151	4,524,151	-
Total			\$ 8,565,353	\$ 1,232,984	\$ 5,757,135	\$ 4,524,151	\$ 4,524,151	\$ -

**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 Uniform Guidance, *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.

**See accompanying independent auditor's report on supplementary information.**



**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**  
Certified Public Accountants • Business Advisors

**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 June 30, 2016, 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 10, 2016.

**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 two 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.2016-001 and II.A.2016-002 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 10, 2016.

#### **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 10, 2016



**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**  
Certified Public Accountants • Business Advisors

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *UNIFORM GUIDANCE***

**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 *Uniform Guidance 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, 2016. *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 Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about *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, 2016.

**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 Uniform Guidance, 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 two 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.2016-001 and III.A.2016-002 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 10, 2016.

#### **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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Buffamante Whipple Buttafaro PC*

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

Olean, New York  
November 10, 2016

**CITY OF OLEAN, NEW YORK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED MAY 31, 2016**

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**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 two 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.2016-001 and II.A.2016-002 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 two 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 Uniform Guidance. Items III.B.2016-001 and III.B.2016-002 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 Uniform Guidance are reported in this schedule.
7. Major programs tested:

Name	Type	CFDA #	Federal Expenditures
U.S. Department of Transportation Highway Planning and Construction	(Type A)	20.205	\$ 3,630,051
Total tested			\$ 3,630,051
Total Federal Awards			\$ 4,524,151
Percentage of total programs tested			80.2%

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The *City of Olean, New York* was not determined to be a low-risk auditee.

**CITY OF OLEAN, NEW YORK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED MAY 31, 2016**

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**II. FINANCIAL STATEMENTS AUDIT - FINDINGS**

**A. Internal Control over Financial Reporting**

**2016-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements**

**Year Ended May 31, 2016**

*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, 2015**

Similar finding was reported upon during the year ended May 31, 2015 which was identified as finding 2015-002.

**2016-002 Reconciliation of General Ledger and Capital Projects**

**Year Ended May 31, 2016**

*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, 2015**

Similar finding was reported upon during the year ended May 31, 2015 which was identified as finding 2015-002.



**CITY OF OLEAN, NEW YORK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED MAY 31, 2016**

**Page 77**

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

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

**2015-001 Bank Reconciliations**

**Year Ended May 31, 2016**

This finding is not being reported upon in the current year.

**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.

*Current Status:* During the current year, the City performed reconciliations of its bank accounts to the general ledger. These reconciliations are then reviewed by an independent contractor.

**CITY OF OLEAN, NEW YORK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED MAY 31, 2016**

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

**B. Compliance**

**Year ended May 31, 2016**

There are no compliance findings being reported upon for the fiscal year ended May 31, 2016.

**Year ended May 31, 2015**

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

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

**A. Compliance**

**Year ended May 31, 2016**

No compliance findings are being reported upon during the fiscal year ended May 31, 2016.

**Year ended May 31, 2015**

No compliance findings were reported upon for the fiscal year ended May 31, 2015.

**B. Internal Control over Compliance**

**Year ended May 31, 2016**

**All Federal Awards**

**2016-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements**

Same finding as that reported as II.A.2016-001 above.

**2016-002 Reconciliation of General Ledger**

Same finding as that reported as II.A.2016-002 above.

**Year ended May 31, 2015**

Similar findings on internal controls over compliance as 2016-001 and 2016-002 were reported for the year ended May 31, 2015 as 2015-005 and 2015-006, respectively.

**2015-004 Bank Reconciliations**

*Current Status:* As noted above, during the current year, the City performed reconciliations of its bank accounts to the general ledger. These reconciliations are then reviewed by an independent contractor.

**CITY OF OLEAN, NEW YORK  
SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED  
YEAR ENDED MAY 31, 2016**

**Page 79**

<u>PROGRAM TITLE</u>	<u>NYS DOT CONTRACT NUMBER</u>	<u>EXPENDITURES</u>
Airport Improvement Program	PIN 5904.45. 5904.44	\$ 306,547
Highway Planning and Construction	PIN 5760.83	3,630,051
Operating Assistance - Section 5311	PIN 5794.23.401	290,828
Capital Assistance -- Section 5311	PIN 5796.12.301	296,725
Consolidated Highway Improvement Program (CHIPS)	N/A	<u>567,605</u>
 <b>TOTAL STATE TRANSPORTATION ASSISTANCE EXPENDED</b>		 <b>\$ <u>5,091,756</u></b>

**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.

**CITY OF OLEAN, NEW YORK**  
**NOTES TO SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED**  
**YEAR ENDED MAY 31, 2016**

**Page 80**

**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, 2016.



**BUFFAMANTE WHIPPLE BUTTAPARO, P.C.**  
Certified Public Accountants • Business Advisors

**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, 2016. 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, 2016.

**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 two 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.2016-001 and I.2016-002 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, 2016, and have issued our report thereon dated November 10, 2016. 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 10, 2016.

#### **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 10, 2016**

**CITY OF OLEAN, NEW YORK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
STATE TRANSPORTATION ASSISTANCE EXPENDED  
YEAR ENDED MAY 31, 2016**

**Page 83**

**Summary of Audit Results:**

Internal control over state transportation assistance expended:

- |   |                                     |
|---|-------------------------------------|
| • Material weaknesses identified  | Findings I.2016-001 and I.2016-002. |
| • 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

**Compliance Findings and Questioned Costs:**

No matters were reported.

**CITY OF OLEAN, NEW YORK  
SUMMARY OF SCHEDULE OF AUDIT FINDINGS  
STATE TRANSPORTATION ASSISTANCE EXPENDED  
YEAR ENDED MAY 31, 2016**

**Page 84**

**I. Internal Control Over State Transportation Assistance Expended**

**2016-001     Adjusting Journal Entries and Required Disclosures to the Financial Statements**

**Year Ended May 31, 2016**

*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, 2015**

Similar finding was reported upon during the year ended May 31, 2015.

**2016-002     Reconciliation of General Ledger**

**Year Ended May 31, 2016**

*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, 2015**

Similar finding was reported upon during the year ended May 31, 2015



**CITY OF OLEAN, NEW YORK  
SUMMARY OF SCHEDULE OF AUDIT FINDINGS  
STATE TRANSPORTATION ASSISTANCE EXPENDED  
YEAR ENDED MAY 31, 2016**

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

**2015-001 Bank Reconciliations**

**Year Ended May 31, 2016**

This finding is not being reported upon in the current year.

**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.

*Current Status:* During the current year, the City performed reconciliations of its bank accounts to the general ledger. These reconciliations are then reviewed by an independent contractor.



**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**  
Certified Public Accountants • Business Advisors

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

**Ladies and Gentlemen:**

We have completed our 2015-16 audit of the City's financial statements and have issued our reports thereon dated November 10, 2016. 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 Uniform Guidance.

In planning and performing our audit of the financial statements of the *City of Olean, New York* for the fiscal year ended May 31, 2016, 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 Buttararo PC*

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

**Olean, New York  
November 10, 2016**

**CITY OF OLEAN, NEW YORK  
SUMMARY OF ADDITIONAL COMMENTS  
YEAR ENDED MAY 31, 2016**

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**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 \$60,000 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.

**CITY OF OLEAN, NEW YORK  
SUMMARY OF ADDITIONAL COMMENTS  
YEAR ENDED MAY 31, 2016**

**Page 88**

**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.

**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, 2016. The projects with accumulated deficits were Police Equipment Replacement, Bartlett House Renovations, Sidewalk Improvement Reserve, 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.

**CITY OF OLEAN, NEW YORK  
SUMMARY OF ADDITIONAL COMMENTS  
YEAR ENDED MAY 31, 2016**

**Page 89**

**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.

**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.

**Uniform Guidance**

The Federal Office of Management and Budget (OMB) has issued new regulations titled the Uniform Guidance which takes effect for recipients of Federal grants for awards received after December 26, 2014. The new regulations attempt to combine and codify the requirements of eight circulars previously maintained by OMB and to streamline the Federal grant administrative, cost accounting, and audit policies in the Federal register. The new regulations do not affect grants awarded prior to that date, but rather, will affect future reporting of Federal grants for the City. The Uniform Guidance has a focus on improving overall performance and outcome of grants and to reduce administrative burdens for grant applicants and recipients, while reducing the risk of waste, fraud and abuse. Included in the new guidance is subpart D, Post-Federal Award Requirements, which outlines guidelines that pertain once a Federal grant is obtained. Some of the items outlined in this area are: internal controls, procurement standards, subrecipient monitoring, grant closeout, etc. We recommend individuals involved with the oversight of Federal grants at the City familiarize themselves with the new Uniform Guidance, which may include continuing education, webinars and further training.

**GASB 75- Accounting and Financial Reporting for Postemployment Benefits other than Pension Plans**

In June 2015, the Government Accounting Standards Board issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions Plans – an amendment of GASB Statement No. 45. Statement No. 75 which will be effective for the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). The new accounting standard will require the City to report its actuarial accrued liability related to OPEB in the statement of net position within the government-wide financial statements. Although the majority of information is currently presented within the City's financial statement disclosures, the OPEB liability within the statement of net position is only a portion of total actuarial accrued liability, as the current accounting standard for OPEB, GASB 45, allows governmental entities to amortize the liability over a period of up to thirty years. We recommend that the City begin to educate its users of the financial statements, as to the impact of this change in future years.

**STATISTICAL SECTION**

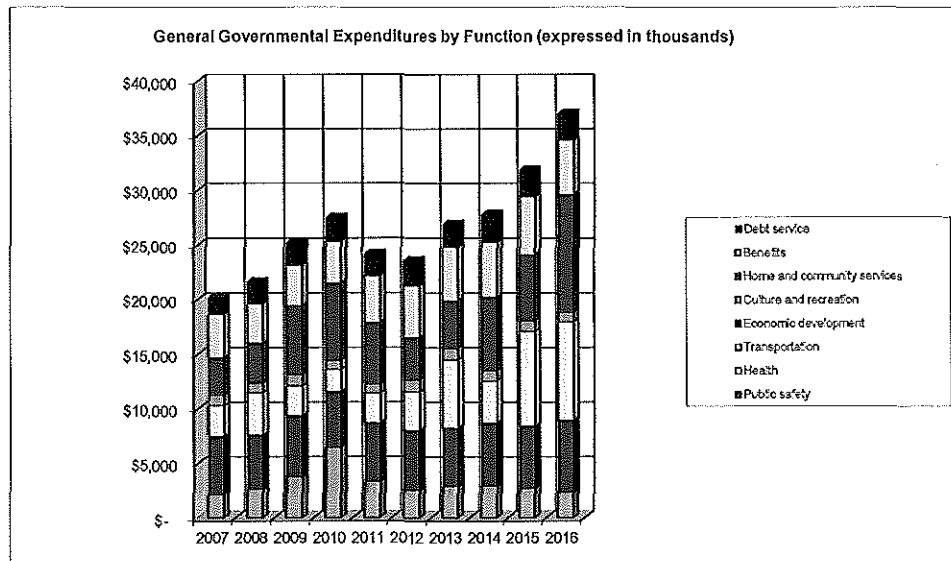
**City of Olean**  
**General Governmental Expenditures by Function**  
 Governmental Funds(excludes bond refunding)

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

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<u>Function</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>	<u>2016</u>
General government support	\$ 2,173	\$ 2,648	\$ 3,799	\$ 6,504	\$ 3,359	\$ 2,564	\$ 2,923	\$ 2,980	\$ 2,717	\$ 2,377
Public safety	5,244	4,890	5,534	5,036	5,303	5,447	5,310	5,618	5,678	6,551
Health	84	85	74	86	59	55	33	122	53	55
Transportation	2,810	3,902	2,731	2,002	2,752	3,540	6,252	3,879	8,682	8,994
Economic development	15	15	15	15	-	-	15	-	-	15
Culture and recreation	981	857	1,027	817	845	1,106	1,043	915	982	860
Home and community services	3,411	3,661	6,285	7,085	5,601	3,884	4,354	6,743	6,004	10,746
Benefits	3,991	3,592	3,715	3,828	4,282	4,724	4,906	5,006	5,309	5,025
Debt service	1,512	1,997	2,065	2,151	1,984	2,289	2,093	2,567	2,459	2,442
<b>Total</b>	<b>\$ 20,221</b>	<b>\$ 21,647</b>	<b>\$ 25,245</b>	<b>\$ 27,504</b>	<b>\$ 24,185</b>	<b>\$ 23,609</b>	<b>\$ 26,929</b>	<b>\$ 27,830</b>	<b>\$ 31,884</b>	<b>\$ 37,085</b>

Source: City of Olean Annual Report (2007-2016)



**City of Olean**

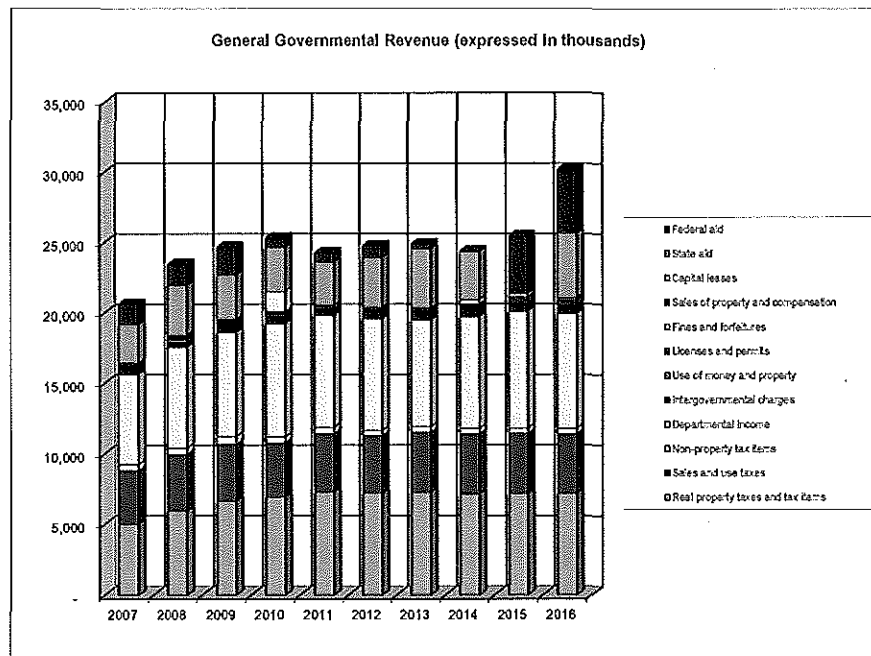
**General Governmental Revenues by Source**  
Governmental Funds(excludes bond refunding)

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

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Source	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real property taxes and tax items	\$ 5,013	\$ 5,954	\$ 6,679	\$ 6,953	\$ 7,284	\$ 7,211	\$ 7,278	\$ 7,150	\$ 7,192	\$ 7,187
Sales and use taxes	3,784	4,009	3,995	3,822	4,142	4,087	4,249	4,255	4,264	4,228
Non-property tax items	454	452	572	450	455	364	401	398	380	396
Departmental income	6,409	7,169	7,374	8,023	7,946	7,919	7,558	7,933	8,276	8,148
Intergovernmental charges	327	339	457	416	286	481	523	538	413	498
Use of money and property	70	189	127	44	36	29	19	10	7	6
Licenses and permits	54	52	78	38	62	47	47	41	41	54
Fines and forfeitures	110	108	96	131	90	94	82	73	63	44
Sales of property and compensation	37	33	92	83	13	5	14	13	26	19
Miscellaneous local sources	175	89	77	126	221	155	182	200	476	346
Capital leases	-	-	-	1,458	-	-	-	324	236	150
BAN Premium	-	-	-	-	-	-	-	-	-	60
State aid	2,774	3,575	3,170	3,130	3,082	3,528	4,204	3,424	4,077	4,578
Federal aid	1,426	1,481	1,955	667	658	856	339	21	2,159	4,524
	<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>	<u>\$30,236</u>

Source: City of Olean Annual Report (2007-2016)



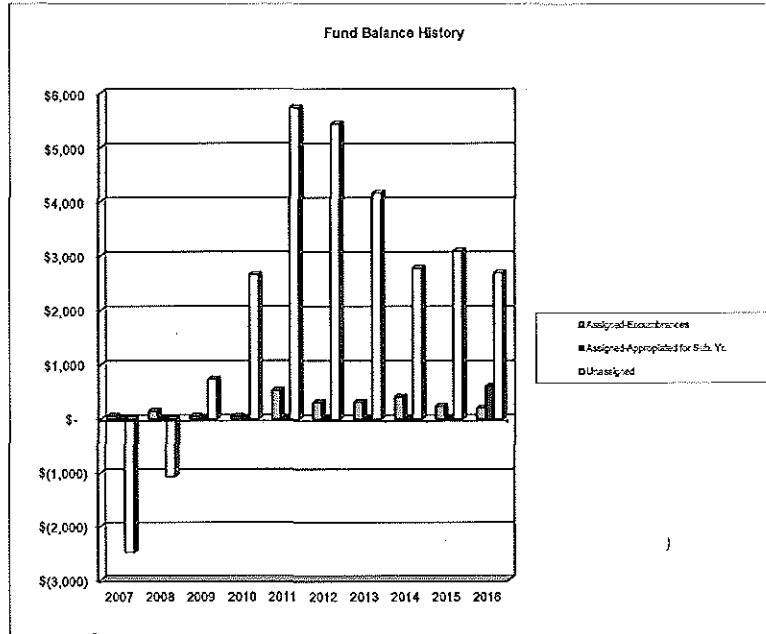


**City of Olean**  
**Fund Balance History**  
 General Fund

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

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<u>Source</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>	<u>2016</u>
Assigned-Encumbrances	\$ 59	\$ 148	\$ 55	\$ 49	\$ 525	\$ 307	\$ 312	\$ 411	\$ 239	\$ 202
Assigned-Appropriated for Sub. Yr.	-	-	-	-	-	-	-	-	-	602
Unassigned	(2,480)	(1,058)	732	2,658	5,728	5,437	4,164	2,780	3,095	2,690
<b>Total</b>	<b>\$ (2,421)</b>	<b>\$ (910)</b>	<b>\$ 787</b>	<b>\$ 2,707</b>	<b>\$ 6,253</b>	<b>\$ 5,744</b>	<b>\$ 4,476</b>	<b>\$ 3,191</b>	<b>\$ 3,334</b>	<b>\$ 3,494</b>



**City of Olean**  
**Assessed and Equalized Full Value of Taxable Property**

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

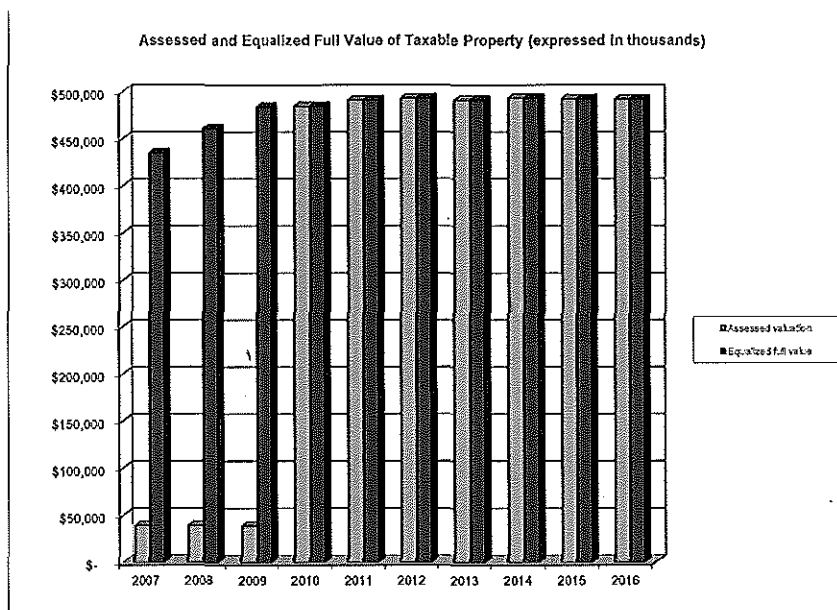
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<u>Source</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Assessed valuation	\$ 39,141	\$39,178	\$38,725	\$484,646	\$491,202	\$493,281	\$491,211	#####	\$492,635	\$ 492,053
Equalized full value	434,900	460,918	484,063	484,520	491,202	493,281	491,211	493,323	492,635	492,053
Ratio: Assessed value to equalized full value	<u>9.00%</u>	<u>8.50%</u>	<u>8.00%</u>	<u>7.99%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

**Notes:**

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

Source: City of Olean Annual Report (2007-2016)



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

**Last Ten Fiscal Years**

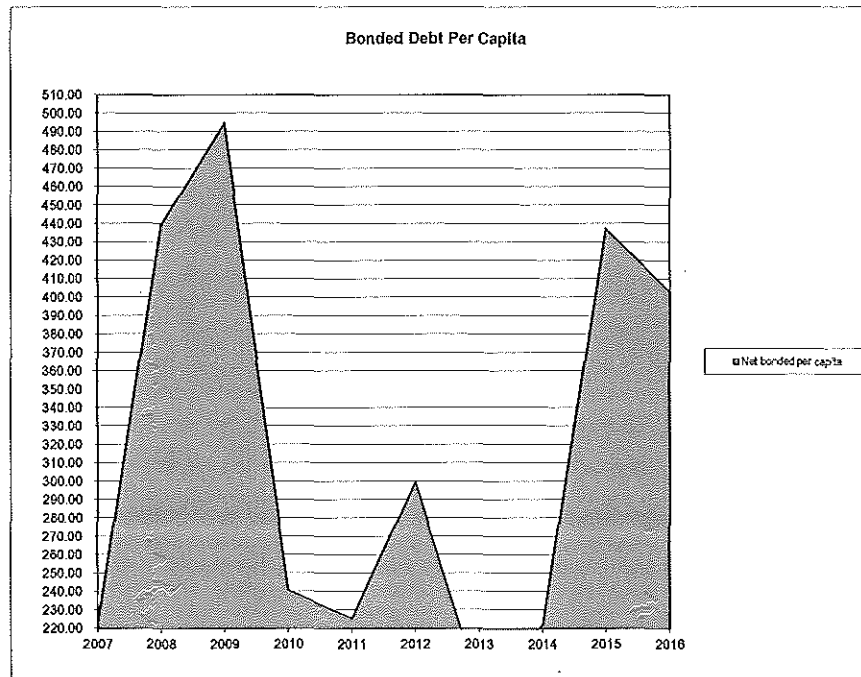
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<u>Source</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Net bonded per capita	223.95	439.70	494.82	240.76	225.57	300.03	186.62	222.25	437.31	403.13
Population	15,347	15,347	15,347	15,347	14,452	14,452	14,452	14,452	14,452	14,452
Assessed value (000)	39,141	39,178	38,725	484,646	49,120	49,328	49,121	49,332	49,264	49,205
Gross bonded debt (000)	23,022	26,110	32,786	30,584	29,052	27,433	26,106	24,405	28,532	32,244
Less: self-supporting debt (000)	19,585	19,362	25,192	26,889	25,792	23,097	23,409	21,193	22,212	26,418
Net bonded debt (000)	3,437	6,748	7,594	3,695	3,260	4,336	2,697	3,212	6,320	5,826
Ratio of net bonded debt to assessed value	<u>8.78%</u>	<u>17.22%</u>	<u>19.61%</u>	<u>0.76%</u>	<u>6.64%</u>	<u>8.79%</u>	<u>5.49%</u>	<u>6.51%</u>	<u>12.83%</u>	<u>11.84%</u>

**Notes:**

Self-supporting debt includes water debt

Sources: Population (2007-2010) were obtained from the 2000 census  
Population (2011-2016) 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 2007-2016



City of Olean  
Ratio of General Obligation Debt Service to  
Total General Expenditures

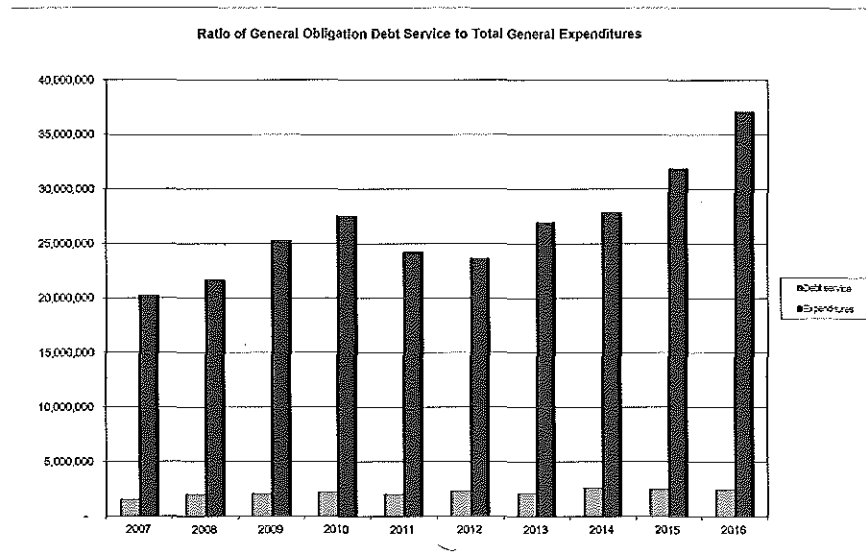
Last Ten Fiscal Years

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Source	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt service	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	2,442,000
Expenditures	20,221,000	21,647,000	25,245,000	27,504,000	24,185,000	23,609,000	26,929,000	27,830,000	31,884,000	37,065,000
Ratio of general debt service to total general expenditures	7.48%	9.23%	8.18%	7.82%	8.20%	9.70%	7.77%	9.22%	7.71%	6.59%

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, 2016**

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<u><b>Taxpayer</b></u>	<u><b>Type of Business</b></u>	<u><b>Estimated Equalized Full Value</b></u>	<u><b>Percentage of Equalized Full Value</b></u>
Park Centre Development	Real Estate	\$ 15,900,421	3.09%
National Grid	Public Utility	14,335,206	2.79%
NYS Electric & Gas	Public Utility	13,151,247	2.56%
Indeck-Olean LP	Public Utility	11,157,895	2.17%
Dresser-Rand Industries	Manufacturing	7,907,832	1.54%
Zraj Olean, LLC	Retail	6,533,684	1.27%
2501 West State St Co. LLC	Grocery/Retail	6,315,789	1.23%
Cutco Cutlery Corporation	Manufacturing	5,315,368	1.03%
Troy CMBS Property (Kmart)	Retail	4,526,316	0.88%
Olean Medical Properties	Health Care	4,501,895	0.88%
<b>Total</b>		<b>\$ 89,645,653</b>	<b>17.43%</b>

**Note:**

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

