

CITY OF OLEAN, NEW YORK

***FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION***

***FOR THE
FISCAL YEAR ENDED MAY 31, 2017
WITH INDEPENDENT AUDITOR'S REPORT***

CITY OF OLEAN, NEW YORK

MAY 31, 2017

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *City of Olean, New York* as of and for the year ended May 31, 2017, 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*, 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 and the aggregate remaining fund information of the *City of Olean, New York* as of May 31, 2017, and the respective changes in financial position, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the *City of Olean, New York's* May 31, 2016 financial statements, and our report dated November 10, 2016, expressed unmodified 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, 2016, 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, 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 9 and 66 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the *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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* 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 City's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017, 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
December 8, 2017**

CITY OF OLEAN, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MAY 31, 2017

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, 2017. 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, 2017:

- Overall net assets of the City increased from operations during the current year in the amount of \$4,532,000, as compared to an increase of \$5,566,000 during the prior fiscal year.
- Total net assets of the City as of May 31, 2017 amounted to approximately \$48,789,000.
- The City's total revenue decreased approximately 3% from \$30,085,000 during the fiscal year ended May 31, 2016 to \$29,149,000 during the fiscal year ended May 31, 2017. This decrease was primarily the result of decreases in capital grants and contributions related to the North Union Street Project and waste water treatment plant.
- The City's total expenses increased approximately 0% from \$24,519,000 during fiscal year ended May 31, 2016 to \$24,617,000 during the fiscal year ended May 31, 2017. This increase was primarily related to increases in home and community services related to the maintenance of the water and sewer systems.
- The City incurred capital costs in the amount of approximately \$17,974,000 primarily related to work performed on the North Union Rehabilitation, waste water treatment plant, recreation center, third street project, Airport Master Plan and other miscellaneous capital projects.
- The general fund reported an overall fund balance of approximately \$2,849,000 as of May 31, 2017.

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, 2017

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

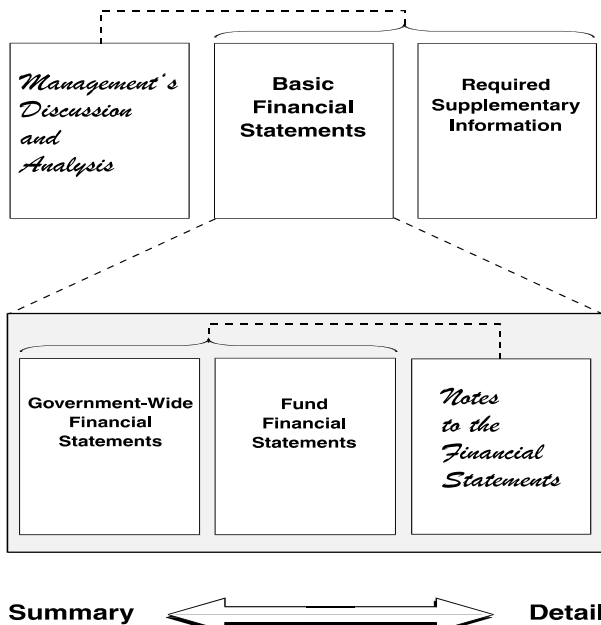
Most of the City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending.

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

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



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 position increased from operations \$4,532,000 or 10%. The components of net position include: invested in capital assets, net of related debt of \$44,158,000; restricted net position of \$1,909,000; and unrestricted net position of \$2,722,000 as of May 31, 2017.

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

Changes in Net Assets

The City's total government-wide revenue was \$29,149,000. Approximately 24%, 16%, and 52% 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 \$24,617,000 for the fiscal year ended May 31, 2017. The City's expenses cover a range of services, with 9%, 25%, 14%, 20%, and 24% related to general government support, public safety, transportation, home and community 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 \$41,000 or 1% during the current fiscal year.
- One of the City's most significant general revenue is non-property taxes, which represents \$4,512,000 or 16% of total governmental revenue. Total non-property taxes decreased approximately \$111,000 or 2% as a result of an overall decrease in sales and use tax revenues.
- The City's program revenue totaled approximately \$15,134,000. Program revenue consists of charges for services in the amount of \$9,219,000, which is primarily related to revenue received in the special revenue funds of approximately \$7,742,000. 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 \$722,000, 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 \$5,193,000, 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, Waste water treatment plant, 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, 2017

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

Revenue (continued)

Total charges for services increased approximately 5% during the current fiscal year as a result of increases in rates in the sewer fund. Total operating grants decreased approximately 25% during the current fiscal year, primarily as a result of an increase in NYS Mass Transit funding received. Lastly, capital grants and contributions decreased approximately 15% during the current year, which was primarily related to a decrease in grants 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 \$24,617,000.

- The City's general governmental support was approximately \$2,236,000 or 9% 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 6% in primarily due to a decreases in buildings and central garage expenses.
- The City's public safety costs were approximately \$6,212,000 or 25% of total expenditures. These expenditures consist primarily of costs attributable to the fire and police departments. Total costs for public safety decreased 1% during the current year related to decreases 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 \$3,545,000 or 14% of total expenditures. These expenditures encompass the street maintenance department including maintenance and snow removal, the airport department and street lighting expenditures. Total transportation costs decreased approximately 8% during the current year related to resurfacing and street maintenance costs.
- The City's culture and recreation costs were approximately \$950,000 or 4% of total expenditures. These expenditures consist primarily of costs of maintaining the City's parks, playgrounds and recreational facilities and programs. Total expenses for culture and recreation increased approximately 10% which was primarily related to an increase in other equipment purchases.
- Home and community services costs were approximately \$4,908,000 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 2% which was related to an increase in updates to the waste water treatment plant.
- Employee benefit costs were approximately \$5,942,000 or 24% 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 6% during the current fiscal year primarily as a result increases health care costs, retirement costs and changes in the GASB 68 study.
- During the current fiscal year, the City had debt service costs of \$683,000. 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, 2017

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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
Assets			
Current and other assets	\$ 17,387	\$ 16,063	8%
Capital Assets	86,479	71,593	21%
Total assets	103,866	87,656	29%
Deferred Outflows of Resources			
Deferred outflows related to pensions	3,379	6,425	-47%
Deferred outflows of resources and assets	\$ 107,245	\$ 94,081	14%
Liabilities			
Other liabilities	\$ 2,579	\$ 3,843	-33%
Long-term debt outstanding	49,855	40,143	24%
Total liabilities	52,434	43,986	19%
Deferred Inflows of Resources			
Taxes collected for subsequent year	5,246	4,941	6%
Deferred inflows related to pensions	776	896	-13%
Deferred inflows of resources and liabilities	58,456	49,823	17%
Net Position			
Net investment in capital assets	44,158	39,466	12%
Restricted	1,909	2,429	-21%
Unrestricted	2,722	2,363	15%
Total net position	48,789	44,258	10%
Total liabilities and net position	\$ 107,245	\$ 94,081	14%

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)			
	2017	2016	Change
Revenue			
Program Revenue			
Charges for services	\$ 9,219	\$ 8,777	5%
Operating grants	722	961	-25%
Capital grants & contributions	5,193	6,143	-15%
General Revenue			
Real property taxes	7,047	7,088	-1%
Special assessment tax - real property	15	16	-2%
Real property tax items	59	82	-29%
Non-property tax items	4,512	4,623	-2%
Use of money and property and BAN premium	62	62	-1%
State aid	2,320	2,333	-1%
Total revenue	29,149	30,085	-3%
Expenses			
General government support	2,236	2,375	-6%
Public safety	6,212	6,246	-1%
Health	126	61	106%
Transportation	3,545	3,870	-8%
Economic development	15	15	0%
Culture and recreation	950	866	10%
Home and community services	4,908	4,814	2%
Employee benefits	5,942	5,590	6%
Debt service	683	682	0%
Total expenses	24,617	24,519	0%
Change in net position	\$ 4,532	\$ 5,566	

Figure A-5 – Governmental Sources of Revenue

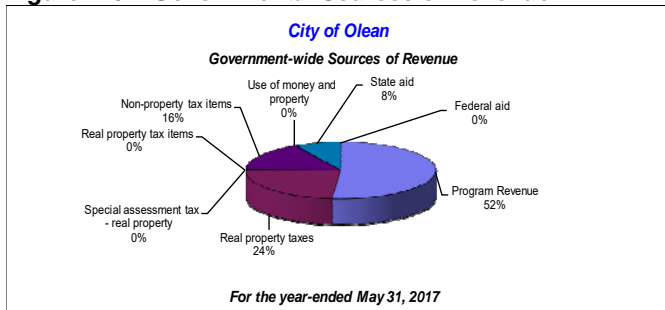
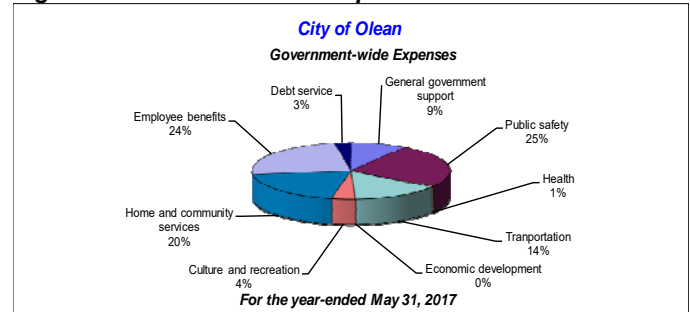


Figure A-6 – Governmental Expenses



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 expenditures and other uses exceeded its revenues and other sources by approximately \$645,000 during the year ended May 31, 2017.
- The City's general fund unassigned fund balance equated to approximately \$2,486,000 as of May 31, 2017.
- The City had an assigned fund balance as of May 31, 2017, which approximated \$363,000.
- The total assets for the City's general fund were \$9,711,000 which increased approximately \$86,000 during the current year, primarily related to an increase in due from other funds as of May 31, 2017. The City's general fund liabilities and deferred inflows as of May 31, 2017 were \$6,862,000 which increased approximately \$731,000 during the current fiscal year, primarily related to an increase in deferred inflows from real estate taxes.

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

General Fund (continued)

- The City's total revenue and other sources in the general fund decreased approximately \$479,000 or 3% during the current year as a result of a decrease in sales tax, federal Section 5311 aid and departmental income. Total expenditures and other uses in the general fund increased approximately \$325,000 or 2% which was primarily related to increases in public safety, general governmental support, culture and recreation and employee benefits which were partially offset by a decrease in 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 \$7,707,000 which increased \$492,000 primarily related to increases in departmental income in the sewer fund. Total expenditures and other uses were \$7,284,000 which increased \$420,000. This increase primarily related to current year increases in the water street materials and employee benefits.

Debt Service Fund

- The City's current fiscal year revenue and other sources were \$3,089,000 which increased approximately \$408,000. Expenditures during the current year amounted to \$3,088,000 which increased approximately \$645,000.

Capital Projects Fund

- During the current year, the City incurred total costs in the capital projects fund in the amount of \$17,392,000. Such costs were primarily related to costs associated with the Waste Water Treatment Plant (\$11,168,000) and North Union Street Rehabilitation (\$2,488,000). No other project exceeded \$1 million in expenditures during the year ending May 31, 2017.

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 \$398,000 below the revised budget. The most significant variances were in the areas of general government support and culture and recreation which were below budget by approximately \$300,000 and \$141,000, respectively. Transfers to other funds was approximately \$201,000 above budget. On the other hand, resources available for appropriations were approximately \$239,000 below the final budgeted amount. Significant variances of revenue items consisted of non-property tax and intergovernmental charges that were approximately \$257,000 and \$110,000, respectively, below that budgeted.

VII. Capital Asset and Debt Administration

Capital Assets

As of May 31, 2017, the City had a net investment of \$86,479,000 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, 2017, totaled approximately \$17,974,000 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, 2017, the City had approximately \$49,855,000 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, 2017

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Figure A-7 – General Fund Budget vs Actual

<i>City of Olean, New York</i> <i>Budget vs Actual - General Fund</i> <i>For the Year Ended May 31, 2016</i> <i>(in thousands of dollars)</i>			
Revenue	Revised Budget	Actual	Difference
Real property taxes	\$ 7,047	\$ 7,047	\$ -
Special assessment tax - real property	16	14	(2)
Real property tax items	124	59	(65)
Non-property tax items	4,770	4,513	(257)
Departmental income	1,273	1,271	(2)
Intergovernmental charges	237	127	(110)
Use of money and property	8	4	(4)
Licenses and permits	47	65	18
Fines and forfeitures	60	49	(11)
Sales of property and comp for loss	-	6	6
BAN premium	-	51	51
State aid	2,904	2,798	(106)
Federal aid	-	243	243
Total revenue	\$ 16,486	\$ 16,247	\$ (239)
Expenses			
General government support	\$ 2,571	\$ 2,271	\$ 300
Public safety	5,774	5,728	46
Health	67	115	(48)
Transportation	2,436	2,416	20
Economic development	15	15	-
Culture and recreation	1,091	950	141
Home and community services	240	175	65
Employee benefits	4,121	4,046	75
Other financing uses			
Transfer to other funds	975	1,176	(201)
Total expenses	\$ 17,290	\$ 16,892	\$ 398

VIII. Factors bearing on the City's Future

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

- NYS has imposed a 1.15% property tax cap on all municipalities as it relates to the 2017-18 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 2017-18 fiscal year the Council adopted a budget with 1.15% tax increase.
- New York State has announced that it intends to continue AIM funding in 2017-18 at the same levels realized in the 2016-17 fiscal year.
- The Connection Olean Call Center closed in May of 2017, leaving an unconfirmed number of persons without employment.

VIII. Factors bearing on the City's Future

- The City of Olean completed its North Union Rehabilitation Project during the current year. A \$6.5 million TIGER grant, \$800,000 Empire State Development grant, and \$854,000 Green Innovation EFC grant, along with local funds, was used to improve the sewer system and other infrastructure on this important street. As a result of this project, there is a revitalization on North Union Street resulting in several new retail and other businesses.
- The construction of the Olean Gateway Project is underway, which will include a new hotel, along with retail/restaurant complex. This project is expected to create new jobs and increase sales tax revenue in the years to come.
- The City is near completion on the construction of a new \$20 million wastewater treatment plant and expects completion during the 17-18 fiscal year.
- During the current year, the City began a \$4.2 million renovation and upgrade project to the William O. Smith Recreation Center which is expected to be completed mid 2018. The City was the recipient of the following grant awards related to the project, New York State Office of Parks, Recreation & Historic Preservation \$500,000, Empire State Development \$420,000 and New York State Legislative grant \$200,000.

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,

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Assets	2017	2016
Cash on hand	\$ 1,565	\$ 1,565
Cash on deposit		
Regular accounts	10,396,125	10,819,661
Receivables		
Refuse and garbage	1,869	1,869
Special assessment	1,882	1,882
Accounts receivable	1,539,899	1,392,060
Due from other funds	494,048	9,826
State and federal	1,447,840	3,071,697
Revolving loans receivable	342,889	263,036
First Time Homebuyers loans receivable	131,762	121,664
Rehabilitation loans receivable	229	229
Cash to be used for capital assets	3,029,255	379,857
Capital assets, net	86,478,588	71,592,392
Total assets	103,865,951	87,655,738
Deferred Outflows of Resources		
Deferred outflows related to pensions	3,378,912	6,425,500
Total assets and deferred outflows of resources	\$ 107,244,863	\$ 94,081,238
Liabilities		
Payables		
Accounts payable	\$ 750,004	\$ 2,199,168
Accrued liabilities	998,796	920,159
Due to other funds	-	2,716
Due to employee retirement system	293,333	294,857
Other liabilities	61,986	40,825
Unearned revenue	474,880	384,929
Long-term liabilities		
Portion due or payable within one year		
Bond anticipation notes and short term notes payable	24,881,346	11,143,893
NYS EFC notes payable	325,000	320,000
Serial bonds payable	1,295,000	1,325,000
Capital leases	210,717	205,305
Environmental liability	125,000	125,000
Retirement incentive	5,000	4,000
Compensated absences	35,000	35,000
Portion due or payable after one year		
NYS EFC notes payable	3,550,000	3,875,000
Serial bonds payable	14,285,000	15,580,000
Capital leases	773,023	983,740
Retirement incentive	2,000	8,000
Compensated absences	182,943	179,719
Net pension liability - NYS Employee's Retirement System	1,552,496	2,778,045
Net pension liability - NYS Police and Fire Retirement System	2,610,506	3,556,599
Other-post employment benefits	21,855	24,075
Total liabilities	52,433,885	43,986,030
Deferred Inflows of Resources		
Deferred inflows related to pensions	775,623	896,479
Taxes collected for subsequent year	5,246,016	4,941,087
Total liabilities and deferred inflows of resources	58,455,524	49,823,596
Net Position		
Net investment in capital assets	44,157,735	39,465,856
Restricted for		
Debt service	446,383	445,269
Capital	1,462,314	1,983,704
Unrestricted:		
Designated	710,042	878,956
Undesignated	2,012,865	1,483,857
Total net position	48,789,339	44,257,642
Total liabilities and net position	\$ 107,244,863	\$ 94,081,238

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,

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	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
Functions/Programs						
General government support	\$ 2,236,559	\$ 247,114	\$ -	\$ 153,230	\$ (1,836,215)	\$ (2,067,809)
Public safety	6,211,740	111,615	75,922	34,712	(5,989,491)	(5,649,258)
Health	125,939	686,337	-	-	560,398	565,141
Transportation	3,545,071	367,117	631,311	1,303,604	(1,243,039)	159,736
Economic development	15,000	14,655	-	-	(345)	(1,330)
Culture and recreation	949,633	237,098	14,644	2,018	(695,873)	(610,691)
Home and community services	4,907,680	5,786,006	-	3,699,544	4,577,870	3,598,111
Employee benefits	5,942,488	1,769,301	-	-	(4,173,187)	(3,950,159)
Debt service - interest & issuance fees	682,793	-	-	-	(682,793)	(681,563)
Total functions and programs	\$ 24,616,903	\$ 9,219,243	\$ 721,877	\$ 5,193,108	(9,482,675)	(8,637,822)
General Revenues						
Real property taxes					7,047,178	7,088,452
Special assessment tax - real property					14,427	15,698
Real property tax items					58,821	82,420
Non-property tax items					4,512,374	4,622,467
BAN premium					58,405	59,598
Use of money and property					3,284	2,413
State aid					2,319,883	2,333,273
Total general revenues					14,014,372	14,204,321
Change in net position					4,531,697	5,566,499
Net position - beginning of year					44,257,642	38,863,892
Prior period adjustment					-	(172,749)
Net position - end of year					\$ 48,789,339	\$ 44,257,642

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

Page 12

	Major Funds					Non-Major Funds	2017 (Memo only)	2016 (Memo only)
	General	Water	Sewer	Debt Service	Capital Project Funds	Special Revenue Funds	Total	Total
Assets								
Cash on hand	\$ 1,525	\$ 40	\$ -	\$ -	\$ -	\$ -	\$ 1,565	\$ 1,565
Cash on deposit								
Regular accounts	7,484,906	428,105	1,777,117	2,864,281	751,549	119,422	13,425,380	11,199,518
Receivables								
Refuse and garbage	1,869	-	-	-	-	-	1,869	1,869
Special assessment	1,882	-	-	-	-	-	1,882	1,882
Accounts receivable	245,891	643,440	650,548	-	-	20	1,539,899	1,392,060
Due from other funds	833,090	157,101	484,039	2,796,076	2,908,637	-	7,178,943	1,069,995
Advances to other funds	280,830	-	-	-	-	-	280,830	377,749
State and federal	860,535	171,466	171,466	-	244,373	-	1,447,840	3,071,697
Revolving loans receivable	-	-	-	-	-	342,889	342,889	263,036
First Time Homebuyers loans receivable	-	-	-	-	-	131,762	131,762	121,664
Rehabilitation loans receivable	-	-	-	-	-	229	229	229
Total assets	\$ 9,710,528	\$ 1,400,152	\$ 3,083,170	\$ 5,660,357	\$ 3,904,559	\$ 594,322	\$ 24,353,088	\$ 17,501,264
Liabilities								
Accounts payable	\$ 318,561	\$ 71,871	\$ 156,050	\$ -	\$ 201,305	\$ 2,217	\$ 750,004	\$ 2,199,168
Accrued liabilities	590,587	79,785	64,289	24,920	51,655	-	811,236	778,739
Due to other funds	435,020	285,620	144,270	5,189,054	630,931	-	6,684,895	1,062,885
Advances from other funds	-	123,132	157,698	-	-	-	280,830	377,749
Due to employee retirement systems	251,667	20,833	20,833	-	-	-	293,333	294,857
Other liabilities	19,979	703	41,304	-	-	-	61,986	40,825
Unearned revenue	-	-	-	-	-	474,880	474,880	384,929
Bond anticipation notes - construction	-	-	-	-	24,881,346	-	24,881,346	11,143,893
Total liabilities	1,615,814	581,944	584,444	5,213,974	25,765,237	477,097	34,238,510	16,283,045
Deferred Inflows of Resources								
Taxes collected for subsequent year	5,246,016	-	-	-	-	-	5,246,016	4,941,087
Fund Equity								
Restricted	-	-	-	446,383	1,462,314	-	1,908,697	2,428,973
Assigned	362,962	818,208	2,498,726	-	-	117,225	3,797,121	3,815,450
Unassigned (deficit)	2,485,736	-	-	-	(23,322,992)	-	(20,837,256)	(9,967,291)
Total fund equity (deficit)	2,848,698	818,208	2,498,726	446,383	(21,860,678)	117,225	(15,131,438)	(3,722,868)
Total liabilities, deferred inflows of resources and fund equity	\$ 9,710,528	\$ 1,400,152	\$ 3,083,170	\$ 5,660,357	\$ 3,904,559	\$ 594,322	\$ 24,353,088	\$ 17,501,264

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	2017	2016
	General	Water	Sewer	Debt Service	Capital Project Funds	Special Revenue Funds	(Memo only) Total	(Memo only) Total
Real property taxes	\$ 7,047,178	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,047,178	\$ 7,088,452
Special assessment tax - real property	14,427	-	-	-	-	-	14,427	15,698
Real property tax items	58,821	-	-	-	-	-	58,821	82,420
Non-property tax items	4,512,374	-	-	-	-	-	4,512,374	4,622,467
Departmental income	1,271,247	3,710,884	3,557,692	-	-	107,699	8,647,522	8,147,522
Intergovernmental charges	127,426	-	313,816	-	-	-	441,242	498,468
Use of money and property	3,723	-	-	1,116	298	2,603	7,740	5,645
Licenses and permits	64,557	-	-	-	-	-	64,557	54,137
Fines and forfeitures	48,740	-	-	-	-	-	48,740	43,792
Sale of property & compensation for loss	5,995	6,731	-	-	-	-	12,726	19,271
Miscellaneous local sources	-	-	-	-	248,647	-	248,647	345,734
State aid	2,798,491	-	-	-	2,958,844	-	5,757,335	4,578,019
Federal aid	243,269	-	-	-	1,985,617	-	2,228,886	4,524,151
Total revenue	16,196,248	3,717,615	3,871,508	1,116	5,193,406	110,302	29,090,195	30,025,776
Expenditures								
General government support	2,271,585	82,591	51,323	-	504,603	-	2,910,102	2,376,695
Public safety	5,728,122	-	-	-	114,310	-	5,842,432	6,551,058
Health	115,039	-	-	-	-	-	115,039	55,017
Transportation	2,415,722	-	-	-	4,292,896	-	6,708,618	8,993,350
Economic development	15,000	-	-	-	-	-	15,000	15,000
Culture and recreation	949,581	-	-	-	9,906	-	959,487	859,972
Home and community services	175,470	1,895,911	1,740,904	-	12,182,965	331,890	16,327,140	10,745,773
Employee benefits	4,046,044	602,725	543,625	-	-	-	5,192,394	5,024,967
Debt service:								
Principal	-	-	-	2,451,305	-	-	2,451,305	1,786,542
Interest	-	-	-	636,653	-	-	636,653	656,143
Total expenditures	15,716,563	2,581,227	2,335,852	3,087,958	17,104,680	331,890	41,158,170	37,064,517
Excess (deficiency) of revenue over expenditures	479,685	1,136,388	1,535,656	(3,086,842)	(11,911,274)	(221,588)	(12,067,975)	(7,038,741)
Other financing sources (uses)								
Proceeds from capital lease	-	-	-	-	-	-	-	149,810
BANS redeemed from appropriations	-	-	-	-	601,000	-	601,000	-
BAN Premium	50,974	-	7,431	-	-	-	58,405	59,598
Operating transfers in	-	-	-	3,087,956	410,362	-	3,498,318	2,966,055
Operating transfers out	(1,175,557)	(1,107,846)	(927,381)	-	(287,534)	-	(3,498,318)	(2,966,055)
Total other financing sources (uses)	(1,124,583)	(1,107,846)	(919,950)	3,087,956	723,828	-	659,405	209,408
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	(644,898)	28,542	615,706	1,114	(11,187,446)	(221,588)	(11,408,570)	(6,829,333)
Fund equity (deficit), beginning of year	3,493,596	789,666	1,883,020	445,269	(10,673,232)	338,813	(3,722,868)	3,106,465
Fund equity (deficit), end of year	\$ 2,848,698	\$ 818,208	\$ 2,498,726	\$ 446,383	\$ (21,860,678)	\$ 117,225	\$ (15,131,438)	\$ (3,722,868)

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, 2017

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	Original Budget	Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
Revenue					
Real property taxes	\$ 7,047,178	\$ 7,047,178	\$ 7,047,178	\$ -	\$ -
Special assessment tax - real property	15,708	15,708	14,427	-	(1,281)
Real property tax items	124,000	124,000	58,821	-	(65,179)
Non-property tax items	4,770,000	4,770,000	4,512,374	-	(257,626)
Departmental income	1,273,000	1,273,000	1,271,247	-	(1,753)
Intergovernmental charges	236,456	236,456	127,426	-	(109,030)
Use of money and property	8,000	8,000	3,723	-	(4,277)
Licenses and permits	47,400	47,400	64,557	-	17,157
Fines and forfeitures	60,000	60,000	48,740	-	(11,260)
Sales of property and compensation for loss	-	-	5,995	-	5,995
State aid	2,904,226	2,904,226	2,798,491	-	(105,735)
Federal aid	-	-	243,269	-	243,269
Total revenue	16,485,968	16,485,968	16,196,248	-	(289,720)
Expenditures					
General government support	2,790,656	2,570,556	2,271,585	37,950	261,021
Public safety	5,847,638	5,773,987	5,728,122	29,025	16,840
Health	66,890	66,890	115,039	-	(48,149)
Transportation	2,322,980	2,435,980	2,415,722	24,087	(3,829)
Economic development	15,000	15,000	15,000	-	-
Culture and recreation	1,122,531	1,090,871	949,581	71,900	69,390
Home and community services	206,179	240,179	175,470	50,000	14,709
Employee benefits	4,121,620	4,121,620	4,046,044	-	75,576
Total expenditures	16,493,494	16,315,083	15,716,563	212,962	385,558
Excess (deficiency) of revenue over expenditures	(7,526)	170,885	479,685	(212,962)	95,838
Other financing sources (uses)					
BAN premium	-	-	50,974	-	50,974
Operating transfers out	(594,474)	(974,836)	(1,175,557)	-	(200,721)
Total other financing sources (uses)	(594,474)	(974,836)	(1,124,583)	-	(149,747)
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	\$ (602,000)	\$ (803,951)	\$ (644,898)	\$ (212,962)	\$ (53,909)

CITY OF OLEAN, NEW YORK
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL – SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2017

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	<u>(Water Fund and Sewer Fund Only)</u>				Variance
	Original Budget	Amended Budget	Actual	Encumbrances	Favorable (Unfavorable)
Revenue					
Departmental income	\$ 7,240,661	\$ 7,240,661	\$ 7,268,576	\$ -	\$ 27,915
Intergovernmental charges	270,000	270,000	313,816	-	43,816
Sales of property and compensation for loss	-	-	6,731	-	6,731
Total revenue	7,510,661	7,510,661	7,589,123	-	78,462
Expenditures					
General government support	278,000	263,000	133,914	-	129,086
Home and community services	4,213,050	4,273,055	3,636,815	87,414	548,826
Employee benefits	1,158,454	1,158,454	1,146,350	-	12,104
Total expenditures	5,649,504	5,694,509	4,917,079	87,414	690,016
Excess of revenue over expenditures	1,861,157	1,816,152	2,672,044	(87,414)	768,478
Other financing sources (uses)					
Proceeds from issuance of bonds	-	-	7,431	-	7,431
Operating transfers out	(1,861,157)	(1,891,157)	(2,035,227)	-	(144,070)
Total other financing sources (uses)	(1,861,157)	(1,891,157)	(2,027,796)	-	(136,639)
Excess (deficiency) of revenue over expenditures and other financing uses	\$ -	\$ (75,005)	\$ 644,248	\$ (87,414)	\$ 631,839

CITY OF OLEAN, NEW YORK
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL – DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2017

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	Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
Revenue				
Use of money and property	\$ -	\$ 1,116	\$ -	\$ 1,116
Total revenue	-	1,116	-	1,116
Expenditures				
Debt service:				
Principal	2,322,174	2,451,305	-	(129,131)
Interest	478,458	636,653	-	(158,195)
Total expenditures	2,800,632	3,087,958	-	(287,326)
Excess (deficiency) of revenue over expenditures	(2,800,632)	(3,086,842)	-	(286,210)
Other financing sources (uses)				
Operating transfers in	2,800,632	3,087,956	-	287,324
Total other financing sources (uses)	2,800,632	3,087,956	-	287,324
Excess of revenue and other financing sources over expenditures	\$ -	\$ 1,114	\$ -	\$ 1,114

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

Page 17

	2017	2016
Assets		
Cash on deposit		
Regular accounts	\$ 112,137	\$ 116,275
Restricted accounts	651,309	154,870
Due from governmental activities - general fund	-	2,716
	<hr/>	<hr/>
Total assets	\$ 763,446	\$ 273,861
	<hr/>	<hr/>
Liabilities		
Due to governmental activities - general fund	\$ 494,048	\$ 9,826
Other liabilities	269,398	264,035
	<hr/>	<hr/>
Total liabilities	\$ 763,446	\$ 273,861
	<hr/>	<hr/>

CITY OF OLEAN, NEW YORK
RECONCILIATION OF GOVERNMENTAL BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AS OF MAY 31, 2017

Total fund balance - governmental funds \$ (15,131,438)

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

Cost of the assets	\$ 130,140,244	
Accumulated depreciation	<u>(43,661,656)</u>	
		86,478,588

Interest on long-term assets is not accrued in governmental funds, but rather is recognized as an expenditure when due. (312,560)

Deferred inflows/outflows of resources related to actuarial pension differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds pension expense is based on required contributions. 2,603,289

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

NYS Environmental Facilities Corporation Bond	(3,875,000)	
Serial Bonds payable	(15,580,000)	
Net pension liability	(4,163,002)	
Capital leases	(983,740)	
Other post-employment benefits	(21,855)	
Retirement incentive	(7,000)	
Compensated absences	<u>(217,943)</u>	(24,848,540)

Total net position - governmental liabilities \$ 48,789,339

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
Assets				
Cash on hand	\$ 1,565	\$ -	\$ -	\$ 1,565
Cash on deposit				
Regular accounts	13,425,380	-	-	13,425,380
Receivables				
Refuse and garbage	1,869	-	-	1,869
Special assessment	1,882	-	-	1,882
Accounts receivable	1,539,899	-	-	1,539,899
Due from other funds	7,178,943	-	(6,684,895)	494,048
Advances to other funds	280,830	-	(280,830)	-
State, Federal and other governments	1,447,840	-	-	1,447,840
Revolving loans receivable	342,889	-	-	342,889
First Time Homebuyers loans receivable	131,762	-	-	131,762
Rehabilitation loans receivable	229	-	-	229
Capital Assets, net	-	86,478,588	-	86,478,588
Total assets	24,353,088	86,478,588	(6,965,725)	103,865,951
Deferred Outflows of Resources				
Deferred outflows related to pensions	-	3,378,912	-	3,378,912
Total assets and deferred outflows of resources	\$ 24,353,088	\$ 89,857,500	\$ (6,965,725)	\$ 107,244,863
Liabilities				
Accounts payable	\$ 750,004	\$ -	\$ -	\$ 750,004
Accrued liabilities	811,236	312,560	(125,000)	998,796
Due to other funds	6,684,895	-	(6,684,895)	-
Advances from other funds	280,830	-	(280,830)	-
Due to employee retirement system	293,333	-	-	293,333
Other liabilities	61,986	-	-	61,986
Unearned revenue	474,880	-	-	474,880
Net pension liability	-	4,163,002	-	4,163,002
Bond anticipation notes payable	24,881,346	-	-	24,881,346
NYS EFC note	-	3,875,000	-	3,875,000
Serial bonds payable	-	15,580,000	-	15,580,000
Capital leases	-	983,740	-	983,740
Environmental liability	-	-	125,000	125,000
Other post-employment benefits	-	21,855	-	21,855
Retirement incentive	-	7,000	-	7,000
Compensated absences	-	217,943	-	217,943
Total liabilities	34,238,510	25,161,100	(6,965,725)	52,433,885
Deferred inflows of resources				
Deferred inflows related to pensions	-	775,623	-	775,623
Taxes collected for subsequent year	5,246,016	-	-	5,246,016
Total liabilities and deferred inflows of resources	39,484,526	25,936,723	(6,965,725)	58,455,524
Fund equity/net position	(15,131,438)	63,920,777	-	48,789,339
Total liabilities, deferred inflows of resources and fund equity/net position	\$ 24,353,088	\$ 89,857,500	\$ (6,965,725)	\$ 107,244,863

CITY OF OLEAN, NEW YORK

**RECONCILIATION OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES
AND CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2017**

Total net change in fund balances - governmental funds \$ (11,408,570)

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

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

Capital outlays	\$ 17,973,932	
Depreciation expense	<u>(3,087,736)</u>	
		14,886,196

Repayment of bond and other long term debt principal is an expenditure in the
government funds, but the repayment reduces long-term liabilities in the statement of
net position. 2,451,305

Bond anticipation notes redeemed from appropriations is recorded as
revenue and other sources in the governmental funds, whereas the repayment
reduces short-term liabilities in the statement of net position. (601,000)

Interest on long-term debt in the statement of activities differs from the
amount reported in the governmental funds because interest is recognized
as an expenditure in the funds when it is due, and thus required the use
of current financial resources. In the statement of activities, however, interest
expense is recognized as the interest accrues, regardless of when it is due. (46,140)

In the statement of activities, certain operating expenses - compensated
absences (vacation and sick days) and other post employment benefits are
measured by the amounts earned during the year. In the governmental funds,
however, expenditures for these items are measured by the amount
of financial resources used. (750,094)

Change in net position of governmental activities \$ 4,531,697

	Total Governmental Funds	Capital Related Items	Long-term Debt Transactions	Reclassifications and Eliminations	Statement of Activities Total
Revenues					
Real property taxes	\$ 7,047,178	\$ -	\$ -	\$ -	\$ 7,047,178
Special assessment tax - real property	14,427	-	-	-	14,427
Real property tax items	58,821	-	-	-	58,821
Non-property tax items	4,512,374	-	-	-	4,512,374
Departmental income	8,647,522	-	-	(8,647,522)	-
Intergovernmental charges	441,242	-	-	(441,242)	-
Use of money and property	7,740	-	-	(4,456)	3,284
Licenses and permits	64,557	-	-	(64,557)	-
Fines and forfeitures	48,740	-	-	(48,740)	-
Sales of property and compensation for loss	12,726	-	-	(12,726)	-
Miscellaneous local sources	248,647	-	-	(248,647)	-
State aid	5,757,335	-	-	(3,437,452)	2,319,883
Federal aid	2,228,886	-	-	(2,228,886)	-
Total revenues	29,090,195	-	-	(15,134,228)	13,955,967
Expenditures/Expenses					
General government support	2,910,102	(673,543)	-	(400,344)	1,836,215
Public safety	5,842,432	369,308	-	(222,249)	5,989,491
Health	115,039	10,900	-	(686,337)	(560,398)
Transportation	6,708,618	(3,163,547)	-	(2,302,032)	1,243,039
Economic development	15,000	-	-	(14,655)	345
Culture and recreation	959,487	(9,854)	-	(253,760)	695,873
Home and community services	16,327,140	(11,419,460)	-	(9,485,550)	(4,577,870)
Employee benefits	5,192,394	-	750,094	(1,769,301)	4,173,187
Debt service:					
Principal	2,451,305	-	(2,451,305)	-	-
Interest	636,653	-	46,140	-	682,793
Total expenditures/expenses	41,158,170	(14,886,196)	(1,655,071)	(15,134,228)	9,482,675
Excess (deficiency) of revenue over expenditures	(12,067,975)	14,886,196	1,655,071	-	4,473,292
Other sources and (uses)					
BANs redeemed from appropriations	601,000	-	(601,000)	-	-
BAN premium	58,405	-	-	-	58,405
Operating transfers in	3,498,318	-	-	(3,498,318)	-
Operating transfers out	(3,498,318)	-	-	3,498,318	-
Total other sources (uses)	659,405	-	(601,000)	-	58,405
Net change for the year	\$ (11,408,570)	\$ 14,886,196	\$ 1,054,071	\$ -	\$ 4,531,697

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2017

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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, 2017

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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 Cattaraugus County for enforcement. The City receives the full amount of such taxes, plus the additional 2% penalty, within the year of levy.

E. Cash and Cash Equivalents

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

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2017

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Equity - Reservations and Designations

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

1. Governmental Funds

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

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

A. Nonspendable

Fund balance associated with assets that are inherently nonspendable in the current period because of their form or because they must be maintained intact, including inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). The City did not have any nonspendable fund balance as of June 30, 2017.

B. Restricted

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

1. Reserve For Debt Service

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

C. Committed

Fund balance amounts that can be used only for specific purposes determined by a formal action of the City's Common Council, which is the City's highest level of decision-making authority. The City did not have any committed fund balance as of May 31, 2017.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Equity - Reservations and Designations (continued)

1. Governmental Funds (continued)

D. Assigned

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

1. Encumbrance Reserve

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

2. Special Revenue Fund Balance

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

3. Appropriated Fund Balance

In the general, water, sewer fund, \$150,000, \$86,940, and \$172,726 of fund equity, respectively, has been designated as the amount estimated to be applied towards the budget for the fiscal year ending May 31, 2018.

E. Unassigned

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Equity - Reservations and Designations (continued)

2. Government-wide financial statements

A. Net Investment in Capital Assets

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

B. Restricted

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

C. Unrestricted

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

3. Order of Fund Balance Spending Policy

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgetary Data

1. Budget Policies

The budget policies are as follows:

- a. The City's administration prepares a proposed budget for approval by the Common Council for the General, Water, Sewer and Debt Service Funds. The Common Council adopts the budget on or before April 15.
- b. The governing board must approve all modifications of the budget. However, the City Auditor is authorized to transfer certain budgeted amounts within departments.
- c. Appropriations established by adoption of the budget constitute a limitation on expenditures and encumbrances, which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Common Council approves them because of a need which exists which was not determined at the time the budget was adopted.

2. Budget Basis of Accounting

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

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

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

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

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2017

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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, 2016 Fund Equity	Revenues and Other Sources	Expenditures and Other Uses	May 31, 2017 Fund Equity
Total for funds included in Budget Comparison	\$ 2,672,686	\$ 7,596,554	\$ 6,952,306	\$ 3,316,934
Funds not included in budget comparison:				
Revolving Loan Fund	299,380	93,387	306,320	86,447
First Time Homebuyers Fund	31,045	16,915	25,570	22,390
Housing Rehabilitation Fund	8,388	-	-	8,388
Total Special Revenue Funds	\$ 3,011,499	\$ 7,706,856	\$ 7,284,196	\$ 3,434,159

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 2016-2017 was \$4,154,858 as compared to \$4,226,198 for the prior fiscal year, a decrease of \$71,340. The City's General Fund Balance Sheet, as of May 31, 2017, reflects a receivable balance from Federal and State governments of \$860,535, of which, \$552,177 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, 2017

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Compensated Absences

Sick leave and Comp Time Pay - certain of the City's employee groups have negotiated benefits payable based on accumulated unused sick and comp days. Generally the employee must have accumulated minimum years of service with the City and must be eligible for retirement under the provisions of either the employee retirement systems. The City has recorded an estimated liability in the government-wide financial statements as of May 31, 2017 amounting to \$217,943 to recognize the cost of the benefits for those employees eligible to receive such benefits. Payment of these benefits is dependent on many factors; therefore, the timing of future payments is not readily determinable. The City believes sufficient resources and budgetary appropriations will be available as the benefits become payable in future years. The liability for compensated absences is calculated at rates in effect as of the balance sheet date and is recorded in the governmental-wide financial statements.

L. Retirement Incentives

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

M. Estimates

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

N. Reclassification

Certain prior year amounts have been reclassified to conform with the current year presentation.

O. Interfund Activity

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Total Columns on the Financial Statements

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

Q. Deferred Inflows and Outflows of Resources

The City reports increased and decreases in net assets that relate to future periods as deferred inflows and outflows of resources in a separate section of its government-wide and governmental fund financial statements.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category. The first item is related to pensions reported in the government-wide Statement of Net Position. This represents the effect of the net change in the City's proportion of the collective net pension asset or liability and difference during the measurement period between the City's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is the City contributions to the pension systems (ERS and PFRS Systems) subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualify for reporting in this category and is related to pensions reported in the government-wide Statement of Net Position. 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.

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2017

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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, 2017, 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, schools and cities.

CITY OF OLEAN, NEW YORK
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FOR THE YEAR ENDED MAY 31, 2017

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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, 2017 per the bank were approximately \$14,189,000. These deposits are categorized as follows:

Category 1	Category 2	Category 3	Carrying Value
\$ 255,000	\$ 13,934,000	\$ -	\$14,189,000

NOTE 3 - DETAIL NOTES ON ALL FUNDS
(CONTINUED)

A. Assets (continued)

2. Capital Assets

Governmental activities:	Beginning Balance 5/31/16	Additions, Transfers and Prior Period Adjustment	Ending Balance 5/31/17
Capital assets that are not depreciated:			
Land	\$ 384,187	\$ -	\$ 384,187
Construction in Progress	24,801,987	16,243,799	41,045,786
Capital assets that are depreciated:			
Buildings and Improvements	66,795,305	220,037	67,015,342
Furniture and Equipment	13,308,285	1,030,354	14,338,639
Vehicles	6,876,548	479,742	7,356,290
Total historical Cost	112,166,312	\$ 17,973,932	130,140,244
Less:			
Accumulated depreciation:	40,573,920	\$ 3,087,736	43,661,656
Total net book Value	\$ 71,592,392		\$ 86,478,588

Depreciation expense:

General governmental support	\$ 464,847
Public safety	812,455
Health	10,900
Transportation	684,791
Economic development	-
Culture and recreation	139,258
Home and community services	975,485
	<u>\$ 3,087,736</u>

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2017

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

A. Assets (continued)

3. Receivables

Receivables at May 31, 2017 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	\$ 308,358
General Fund	Due from Federal & State	
	- NYS sales tax	552,177
General Fund	Other receivables	249,642
Special Revenue:		
Water Fund	Accounts receivable	
	- water rents and meter	643,440
Water Fund	Due from Federal & State	171,466
Sewer Fund	Accounts receivable	
	- sewer rents	650,548
Sewer Fund	Due from Federal & State	171,466
Community Development:		
Revolving Loan	Loan receivable	342,889
1 st Time Home	Loan receivable	131,762
Housing Rehab	Loan receivable	229
Capital Projects	Due from Federal & State	
	- various projects	244,373
		<u>\$ 3,466,350</u>

B. Liabilities

1. Deferred Inflows of Resources and Unearned Revenue

Deferred Inflows of resources and unearned revenue at May 31, 2017 recorded in governmental fund were as follows:

	General Fund	Special Revenue Fund
<u>Deferred inflows</u>		
Real property taxes	\$ 5,244,134	\$ -
Payment in-lieu of taxes	-	-
Special assessment taxes	1,882	-
	<u>\$ 5,246,016</u>	<u>\$ -</u>
<u>Unearned revenue</u>		
Revolving loans	-	\$ 342,889
Housing Rehab	-	229
1 st Time Home	-	131,762
	<u>\$ -</u>	<u>\$ 474,880</u>

Deferred inflows of resources related to real property taxes reflect collections during May 2017 for real property taxes levied on May 1 for the 2017-2018 fiscal year. Deferred inflows from special assessment taxes consist of levies on property owners to be collected after May 31, 2017. 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 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.

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2017

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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,	2017	\$ 598,107	\$ 1,100,545
	2016	752,381	969,106
	2015	750,021	1,285,072

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, 2017.

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, 2017, the City reported the following liability for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of March 31, 2017 for ERS and PFRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The City's proportion of the net pension 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, 2017 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	\$ 38,904	\$ 342,453	\$ 235,755	\$ 451,038
Changes of assumptions	530,389	1,286,087	-	-
Net difference between projected and actual earnings on pension plan investments	310,096	389,875	-	-
Changes in proportion and differences between the City's contributions and proportionate share of contributions	15,760	172,014	88,830	-
City's contributions subsequent to the measurement date	104,167	189,167	-	-
Total	\$ 999,316	\$ 2,379,596	\$ 324,585	\$ 451,038

CITY OF OLEAN, NEW YORK
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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 3/31/17	PFRS 3/31/17
Net pension liability	\$ 1,552,496	\$ 2,610,506
City's portion of the Plan's total net pension liability	.0165225%	.1259500%

For the year ended May 31, 2017, the City's recognized pension expense of \$867,191 for ERS and \$1,584,027 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, 2018. 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:

	ERS	PFRS
Year ended:		
2018	\$ 375,909	\$ 755,310
2019	271,742	566,143
2020	252,830	537,044
2021	(225,750)	(5,416)
2022	-	75,477
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	3/31/17	3/31/17
Actuarial valuation date	4/1/16	4/1/16
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		
Inflation rate	2.5%	2.5%

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 3/31/17	Expected Rate of Return	PFRS 3/31/17	Expected Rate of Return
Asset Type:				
Domestic Equity	36%	4.55%	36%	4.55%
International Equity	14%	6.35%	14%	6.35%
Private Equity	10%	7.75%	10%	7.75%
Real Estate	10%	5.80%	10%	5.80%
Absolute return strategies	2%	4.00%	2%	4.00%
Opportunistic polio	3%	5.89%	3%	5.89%
Reaal assets	3%	5.54%	3%	5.54%
Domestic fixed income securities	-%	-%	-%	-%
Global fixed income securities	-%	-%	-%	-%
Bonds and Mortgages	17%	1.31%	17%	1.31%
Cash	1%	(.25%)	1%	(.25%)
Inflation-indexed bond funds	4%	1.50%	4%	1.50%
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.

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

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 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:

	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
ERS			
Employer's proportionate share of the net pension liability	\$ 4,958,363	\$ 1,552,496	\$ 1,327,159
PFRS			
Employer's proportionate share of the net pension liability	\$ 7,400,633	\$ 2,610,506	\$ 1,407,238

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 3/31/17	PFRS 3/31/17
Employers' total pension liability	\$ 177,400,586	\$ 31,670,483
Plan Net Position	\$ 168,004,363	\$ 29,597,830
Employers' net pension liability	\$ 9,396,223	\$ 2,072,653
Ratio of plan net position to be Employers' total pension liability	94.7%	93.5%

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2017

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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 May 31, 2017 represent the projected employer contribution for the period of April 1, 2017 through May 31, 2017 based on paid ERS and PFRS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2017 for ERS and PFRS amounted to \$104,167 and \$189,167, 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, 2017 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 2017, 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	(67,303)
Increase in net OPEB obligation/(asset)	(2,220)
Net OPEB obligation/(asset) – beginning of year	24,075
Net OPEB obligation-end of year	<u>\$ 21,855</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017, 2016 and 2015 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/17	\$ 65,083	103.4%	\$ 21,855
6/30/16	\$ 65,083	93.5%	\$ 24,075
6/30/15	\$ 65,083	80.0%	\$ 19,817

Funding Status and Funding Progress

As of May 31, 2017, the actuarial accrued liability for benefits was \$514,979, all of which was unfunded. The covered payroll (annual payroll of active employees covered under the plan) was approximately \$0 and the ratio of unfunded actuarial liability to the covered payroll was 0% as the actuarial accrued liability was related to retirees of the City.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

3. Other Post-Employment Benefits (continued)

Funding Status and Funding Progress (continued)

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

Actuarial Methods and Assumptions

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

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

Mortality – Life expectancies were based on the 2000 GAR Mortality Table.

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

Health insurance premiums – 2013 health insurance premiums are used as the basis for calculation of the present value of total benefits to be paid.

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

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

4. Short-Term Debt

a. Bond Anticipation Notes

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

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

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

In 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 \$18,524,840. As of May 31, 2017, advances on the note totaled \$16,582,346. The note matures on February 12, 2018 and carries a 0.0% interest rate.

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 refinance the bond anticipation note 2014.

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2017

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

4. Short-Term Debt (continued)

a. Bond Anticipation Notes and Short Term Notes Payable (continued)

The City's bond anticipation notes outstanding as of May 31, 2017 are as follows:

Description	Amount	Interest Rate
Short Term Note Payable		
EFC Waste Water Treatment	\$ 16,582,346	0.00%
Bond Anticipation Notes		
Fire Truck & Apparatus	1,025,000	2.00%
Ice Resurfacer	126,661	2.00%
York St./Prospect Ave.	3,047,339	2.00%
North Third	945,000	2.00%
Park Division Roof	120,000	2.00%
William O Smith Rec Center	2,735,000	2.00%
Phone Upgrade	300,000	2.00%
Totals	\$ 24,881,346	

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, 2017 and 2016.

c. Short-Term Debt Interest

Interest expense on short term indebtedness totaled \$93,478 for the year ended May 31, 2017. \$75,393 and \$18,085 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, 2017 the total outstanding indebtedness of the City aggregated \$35,291,648 (including bond anticipation notes and revenue anticipation notes). Of this amount, \$9,892,800 is subject to the constitutional debt limit and represented approximately 28.03% of its statutory debt limit.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

5. Long-Term Debt (continued)

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 2016-17 fiscal year.

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, 2017 of \$14,268, \$73,242, 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, 2017.

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

5. Long-Term Debt (continued)

d. Installment Purchase Debt – Capital Leases (continued)

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/Spreaders. 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, 2017.

e. Summary Long-Term Debt

The following is a summary of bonds outstanding as of May 31, 2017:

	<u>Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Outstanding May 31, 2017</u>
General Fund					
Public Improvement Bond	08/10	870,000	Various	08/20	\$ 194,295
Deficit Financing Bond	08/10	1,444,070	Various	08/20	322,690
Public Improvement Bond	08/12	9,250,000	Various	08/33	7,715,000
Special Revenue Funds					
Water Filtration Plant-Ref.	10/12	2,060,000	Various	10/32	1,735,000
Water Filtration Plant	07/03	1,809,453	Various	07/23	735,000
Water Reservoir	07/03	4,665,163	Various	07/24	2,140,000
Water Filtration Plant	05/13	5,868,000	Various	08/38	4,570,000
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	72,650
Sewer Fund –Various	08/09	580,000	Various	08/19	175,000
Sewer Fund – Catch Basin	08/10	585,000	Various	08/20	265,000
Sewer Fund – Deficit Financing Bond	08/10	227,990	Various	08/20	50,365
Sewer Fund – Public Imp	08/12	1,731,059	Various	08/33	1,355,000
Total					<u>\$ 19,455,000</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

5. Long-Term Debt (continued)

d. Installment Purchase Debt – Capital Leases (continued)

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/Spreaders. Principal and interest were paid through the general fund and amounted to \$30,116 and \$1,418, respectively, during the fiscal year ended May 31, 2017.

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2017

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

5. Long-Term Debt (continued)

f. Changes

The following is a summary of changes in long-term liabilities for the period ended May 31, 2017:

	Payable at June 1, 2016	Additions	Reductions	Balance at May 31, 2017
Bonds	\$ 12,180,000	\$ -	\$ 1,170,000	\$ 11,010,000
EFC Grid Note/Bond	1,820,000	-	85,000	1,735,000
EFC Grid Bond	2,375,000	-	235,000	2,140,000
RD Bond	4,725,000	-	155,000	4,570,000
Subtotal	21,100,000	-	1,645,000	19,455,000
Environmental Liability	125,000	-	-	125,000
Retirement Incentive	12,000	-	5,000	7,000
Compensated Absences	214,719	3,224	-	217,943
Net pension liability	6,334,644	-	2,171,642	4,163,002
Other Post-Employment Benefits	24,075	-	2,220	21,855
Capital Leases	1,189,045	-	205,305	983,740
	7,899,483	-	2,384,167	5,518,540
	\$ 28,999,483	\$ 3,224	\$ 4,029,167	\$ 24,973,540

g. Long-Term Debt Interest

Interest expense on long term indebtedness totaled \$636,653 for the year ended May 31, 2017, 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, 2017:

Year Ending May 31	Total	Principal	Interest
2018	\$ 2,078,383	\$ 1,620,000	\$ 458,383
2019	1,776,552	1,355,000	421,552
2020	1,733,841	1,345,000	388,841
2021	1,637,317	1,280,000	357,317
2022	1,485,247	1,155,000	330,247
2023-2027	6,573,455	5,250,000	1,323,455
2028-2032	5,572,112	4,830,000	742,112
2033-2037	2,287,577	2,060,000	227,577
2038-2039	582,585	560,000	22,585
Total	\$23,727,069	\$ 19,455,000	\$ 4,272,069

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
2018	\$ 243,055	\$ 210,717	\$ 32,338
2019	176,032	151,218	24,814
2020	176,032	158,017	18,015
2021	126,653	115,842	10,811
2022	95,119	91,018	4,101
2023-2024	256,928	256,928	-
Total	\$ 1,073,819	\$ 983,740	\$ 90,079

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2017

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

C. Interfund Receivables, Payables and Transactions

Interfund receivables and payables at May 31, 2017 and interfund transactions during the fiscal year ended May 31, 2017 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	\$ 833,090	\$ 435,020	\$ 280,830	\$ -	\$ -	\$ 1,175,557
Capital Projects Fund	2,908,637	630,931	-	-	410,362	287,534
Agency Fund	-	494,048	-	-	-	-
Debt Service Fund	2,796,076	5,189,054	-	-	3,087,956	-
Sewer Fund	484,039	144,270	-	157,698	-	927,381
Water Fund	157,101	285,620	-	123,132	-	1,107,846
Housing Rehab Fund	-	-	-	-	-	-
Totals	<u>\$ 7,178,943</u>	<u>\$ 7,178,943</u>	<u>\$ 280,830</u>	<u>\$ 280,830</u>	<u>\$ 3,498,318</u>	<u>\$ 3,498,318</u>

During the current year, the General, Water, and Sewer funds transferred \$795,195, \$1,092,846, and \$912,381, respectively to the Debt Service Fund to pay for the City's long-term debt obligations.

The General, Water and Sewer funds also transferred \$380,362, \$15,000 and \$15,000, respectively to the City's Capital Projects fund for cost associated with the vehicle replacement, demolition of unsafe buildings and John J Ash Building floor replacement.

Lastly, the City's capital projects transferred \$287,534 from the capital projects to the debt service fund related to BAN activity and lease payments.

D. 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 asset.

NOTE 4 – COMMITMENTS AND CONTINGENCIES

A. Risk Financing and Related Insurance

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.

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2017

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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 expire on May 31, 2020, the Olean Professional Fire Fighters Association's contract will expire on May 31, 2021 the Civil Service Employees Association Unit's contract expired on May 31, 2017.

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, 2017, 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.

NOTE 4 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

F. Environmental (continued)

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.

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 \$7,000 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
2018	\$ 5,000
2019	2,000
Total	<u>\$ 7,000</u>

NOTE 5 – TAX ABATEMENTS

The Cattaraugus County Industrial Development Agency entered into a property tax abatement program (Payment in Lieu of Taxes – PILOT) with various corporations in the City of Olean's tax jurisdiction for the purpose of economic development. The agreements with Corporation A through G abate taxes on the new improvements of the property for a period of fifteen years, while the Corporation H agreement is for a ten year term. The terms and amounts of tax abated in the current year are as follow:

Corporation	Term	Tax abated during the year ended May 31, 2017
Corporation A	2011-2026	\$ 5,348
Corporation B	2011-2026	2,636
Corporation C	2012-2027	4,389
Corporation D	2013-2028	56,117
Corporation E	2015-2030	2,610
Corporation F	2016-2031	1,442
Corporation G	2016-2031	2,524
Corporation H	2008-2018	4,995
		<u>\$ 80,061</u>

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2017

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NOTE 6 – FUND BALANCE

1. Classification

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

Category/Fund	Description	May 31, 2017
Restricted:		
Debt Service	Reserve for debt service	\$ 446,383
Capital	Reserve for Capital	\$ 1,462,314
Assigned:		
General	Reserve for encumbrances	\$ 212,962
	Appropriated for next year's budget	150,000
		<u>\$ 362,962</u>
Water	Reserve for encumbrances	\$ 87,414
	Appropriated for next year's budget	86,940
	Special Revenue Fund Balance	643,854
		<u>\$ 818,208</u>
Sewer	Appropriated for next year's budget	\$ 172,726
	Special Revenue Fund Balance	2,326,000
		<u>\$ 2,498,726</u>
First Time Homebuyers	Special Revenue Fund Balance	\$ 22,390
Housing Rehab	Special Revenue Fund Balance	\$ 8,388
Revolving Loan	Special Revenue Fund Balance	\$ 86,447

2. Accumulated Deficits

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, 2017
Brownfield Opportunity Areas Program	\$ 42,149
Waste Water Treatment Plant	16,578,915
Bradner Stadium Project	29,110
Franchot Playground	5,531
Homer Street Playground	6,580
York St./Prospect Ave. Improvement	2,735,791
Ladder Truck	1,029,249
Ice Resurfacer	116,661
Homer Street Project	5,219
Recreation Center	843,500
Third Street Project	734,864
Bradner Stadium Roof	88,022
IT Upgrade	201,634
Subtotal	<u>\$ 22,417,225</u>

NOTE 6 – FUND BALANCE (CONTINUED)

3. Accumulated Deficits (continued)

The *City of Olean, New York* had certain projects that when closed out will have deficit fund balances. Management is developing plans to alleviate these deficits in future years. These plans may include transfers from the general fund, from completed capital projects with excess funds, etc.

Capital Project	May 31, 2017
Bartlett House Renovations	\$ 11,752
Sidewalk Improvement Reserve	21,051
Fire Hall Relocation	3,478
North Union Rehabilitation *	784,421
East State Street and East End Sewer	74,078
Courtroom Repairs	8,403
Narrow Band Radio Upgrade	2,584
Subtotal	<u>\$ 905,767</u>

* This amount does not include the contingent liability in the amount of \$1,278,000 as discussed in Note 7. In addition, the City was awarded an \$800,000 Empire State Development (ESD) grant related to the North Union Street Project of which \$200,000 was received in October 2015. The City has applied for reimbursement of the remaining \$600,000, however, the time to request funds has expired under the grant. The City is in the process of filing an Amendment with ESD to extend the reimbursement period. The \$600,000 has not been recognized as revenue through May 31, 2017 and therefore is not reflective in the amount above.

NOTE 7 – SUBSEQUENT EVENTS

Subsequent events were evaluated through December 8, 2017, which is the date the financial statements were available to be issued.

In June, 2017, the *City of Olean, New York* issued bond anticipation note 2017 in the amount of \$4,135,000. The note matures on June 14, 2018 and carries a 2.25% interest rate. The proceeds from this short-term issuance were utilized to refund a portion of the 2016 bond anticipation note. In June, 2017, the *City of Olean, New York* issued public improvement serial bonds 2017 in the amount of \$4,984,000. The bond matures on June 15, 2034 and carries a 2.0-3.0% interest rate. The proceeds from this issuance were utilized to refund a portion of the 2016 bond anticipation note.

On September 20, 2017, a contractor filed a notice of petition in New York State Supreme Court seeking payment in the amount of approximately \$1,278,000 plus interest alleged to be owed by the City in connection with the North Union Street reconstruction project. The monies allegedly owed are in the process of being reviewed by the engineering firm retained by the City to administer and inspect the project. The parties have agreed to pursue mediation as a means to resolve the claim.

SUPPLEMENTARY INFORMATION

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
GENERAL FUND
AS OF MAY 31, 2017 AND 2016

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	May 31 2017	May 31 2016
<u>Assets</u>		
Cash on hand	\$ 1,525	\$ 1,525
Cash on deposit		
Regular accounts	7,484,906	7,849,158
Receivables		
Refuse and garbage	1,869	1,869
Special assessment	1,882	1,882
Accounts receivable	245,891	232,113
Due from other funds	833,090	137,333
Advances to other funds	280,830	377,749
State and federal	860,535	1,022,977
Total assets	\$ 9,710,528	\$ 9,624,606
<u>Liabilities, Deferred Inflows of Resources and Fund Equity</u>		
Liabilities		
Accounts payable	\$ 318,561	\$ 234,892
Accrued liabilities	590,587	597,430
Due to other funds	435,020	93,261
Due to employee retirement system	251,667	247,367
Other liabilities	19,979	16,973
Total liabilities	1,615,814	1,189,923
Deferred Inflows of Resources		
Taxes collected for subsequent year	5,246,016	4,941,087
Fund Equity		
Assigned	362,962	803,951
Unassigned	2,485,736	2,689,645
Total fund equity	2,848,698	3,493,596
	\$ 9,710,528	\$ 9,624,606

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY
GENERAL FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2017 AND 2016

Page 41

	May 31 2017	May 31 2016
Revenue		
Real property taxes	\$ 7,047,178	\$ 7,088,452
Special assessment tax - real property	14,427	15,698
Real property tax items	58,821	82,420
Non-property tax items	4,512,374	4,622,467
Departmental income	1,271,247	1,332,228
Intergovernmental charges	127,426	132,296
Use of money and property	3,723	2,909
Licenses and permits	64,557	54,137
Fines and forfeitures	48,740	43,792
Sales of property and compensation for loss	5,995	9,778
State aid	2,798,491	2,706,373
Federal aid	243,269	587,553
Total revenue	16,196,248	16,678,103
Expenditures		
General government support	2,271,585	2,132,303
Public safety	5,728,122	5,601,779
Health	115,039	55,017
Transportation	2,415,722	2,924,775
Economic development	15,000	15,000
Culture and recreation	949,581	859,972
Home and community services	175,470	191,838
Employee benefits	4,046,044	3,922,553
Total expenditures	15,716,563	15,703,237
Excess of revenue over expenditures	479,685	974,866
Other financing sources (uses)		
BAN premium	50,974	48,068
Operating transfers out	(1,175,557)	(863,637)
Total other financing sources (uses)	(1,124,583)	(815,569)
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	(644,898)	159,297
Fund equity, beginning of year	3,493,596	3,334,299
Fund equity, end of year	\$ 2,848,698	\$ 3,493,596

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, 2017

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	Water	Sewer	Community Development			(Memo only) Total
			Revolving Loan Fund	Housing Rehabilitation Fund	First Time Homebuyers Fund	
Assets						
Cash on hand	\$ 40	\$ -	\$ -	\$ -	\$ -	\$ 40
Cash on deposit						
Regular accounts	428,105	1,777,117	88,664	8,388	22,370	2,324,644
Receivables						
Accounts receivable	711,530	703,247	-	-	20	1,414,797
State and Federal receivable	171,466	171,466	-	-	-	342,932
Due from other funds	89,011	431,340	-	-	-	520,351
Revolving loans receivable	-	-	342,889	-	-	342,889
First Time Homebuyers loans receivable	-	-	-	-	131,762	131,762
Rehabilitation loans receivable	-	-	-	229	-	229
Total assets	\$ 1,400,152	\$ 3,083,170	\$ 431,553	\$ 8,617	\$ 154,152	\$ 5,077,644
Liabilities						
Accounts payable	\$ 71,871	\$ 156,050	\$ 2,217	\$ -	\$ -	\$ 230,138
Accrued liabilities	79,785	64,289	-	-	-	144,074
Due to other funds	285,620	144,270	-	-	-	429,890
Advances from other funds	123,132	157,698	-	-	-	280,830
Other liabilities/due to retirement systems	21,536	62,137	-	-	-	83,673
Unearned revenue	-	-	342,889	229	131,762	474,880
Total liabilities	581,944	584,444	345,106	229	131,762	1,643,485
Fund Equity						
Assigned	818,208	2,498,726	86,447	8,388	22,390	3,434,159
Total fund equity	818,208	2,498,726	86,447	8,388	22,390	3,434,159
Total liabilities and fund equity	\$ 1,400,152	\$ 3,083,170	\$ 431,553	\$ 8,617	\$ 154,152	\$ 5,077,644

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, 2017 AND 2016**

Page 43

	Water	Sewer	Community Development			(Memo only) Total
			Revolving Loan Fund	Housing Rehabilitation Fund	First Time Homebuyers Fund	
Revenue						
Departmental income	\$ 3,710,884	\$ 3,557,692	\$ 90,788	\$ -	\$ 16,911	\$ 7,376,275
Intergovernmental charges	-	313,816	-	-	-	313,816
Use of money and property	-	-	2,599	-	4	2,603
Sales of property & compensation for loss	6,731	-	-	-	-	6,731
State aid	-	-	-	-	-	-
Total revenue	3,717,615	3,871,508	93,387	-	16,915	7,699,425
Expenditures						
General government support	82,591	51,323	-	-	-	133,914
Home and community services	1,895,911	1,740,904	306,320	-	25,570	3,968,705
Employee benefits	602,725	543,625	-	-	-	1,146,350
Total expenditures	2,581,227	2,335,852	306,320	-	25,570	5,248,969
Excess (deficiency) of revenue over expenditures	1,136,388	1,535,656	(212,933)	-	(8,655)	2,450,456
Other financing uses						
Proceeds from issuance of bonds - deficit financing	-	7,431	-	-	-	7,431
Operating transfers out	(1,107,846)	(927,381)	-	-	-	(2,035,227)
Total financing uses	(1,107,846)	(919,950)	-	-	-	(2,027,796)
Excess (deficiency) of revenue over expenditures and other financing uses	28,542	615,706	(212,933)	-	(8,655)	422,660
Fund equity, beginning of year	789,666	1,883,020	299,380	8,388	31,045	3,011,499
Fund equity, end of year	\$ 818,208	\$ 2,498,726	\$ 86,447	\$ 8,388	\$ 22,390	\$ 3,434,159

See accompanying independent auditor's report on supplementary information.

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
SPECIAL REVENUE FUNDS
AS OF MAY 31, 2017 AND 2016

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	May 31 2017	May 31 2016
Assets		
Cash on hand	\$ 40	\$ 40
Cash on deposit		
Regular accounts	2,324,644	2,376,485
Accounts receivable	1,414,797	1,198,247
State and Federal receivable	342,932	-
Due from other funds	520,351	374,300
Revolving loans receivable	342,889	263,036
First time homebuyers loans receivable	131,762	121,664
Rehabilitation loans receivable	229	229
Total assets	\$ 5,077,644	\$ 4,334,001
Liabilities		
Accounts payable	\$ 230,138	\$ 96,315
Accrued liabilities	144,074	129,654
Due to other funds	429,890	262,513
Advances from other funds	280,830	377,749
Other liabilities/due to retirement systems	83,673	71,342
Unearned revenue	474,880	384,929
Total liabilities	1,643,485	1,322,502
Fund Equity		
Assigned	3,434,159	3,011,499
Total fund equity	3,434,159	3,011,499
Total liabilities and fund equity	\$ 5,077,644	\$ 4,334,001

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, 2017 AND 2016****Page 45**

	May 31 2017	May 31 2016
Revenue		
Departmental income	\$ 7,376,275	\$ 6,815,294
Intergovernmental charges	313,816	366,172
Use of money and property	2,603	2,080
Sales of property and compensation for loss	6,731	9,493
State aid	-	10,637
Total revenue	7,699,425	7,203,676
Expenditures		
General government support	133,914	133,846
Home and community services	3,968,705	3,762,935
Employee benefits	1,146,350	1,102,414
Total expenditures	5,248,969	4,999,195
Excess of revenue over expenditures	2,450,456	2,204,481
Other financing sources (uses)		
BAN premium	7,431	11,530
Operating transfers out	(2,035,227)	(1,864,898)
Total other financing uses	(2,027,796)	(1,853,368)
Excess of revenue and other financing sources over expenditures and other financing uses	422,660	351,113
Fund equity, beginning of year	3,011,499	2,660,386
Fund equity, end of year	\$ 3,434,159	\$ 3,011,499

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
WATER FUND
AS OF MAY 31, 2017 AND 2016

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	May 31 2017	May 31 2016
Assets		
Cash on hand	\$ 40	\$ 40
Cash on deposit		
Regular accounts	428,105	916,059
Accounts receivable	643,440	570,509
State and Federal receivable	171,466	38,300
Due from other funds	157,101	59,105
Total assets	\$ 1,400,152	\$ 1,584,013
Liabilities		
Accounts payable	\$ 71,871	\$ 41,965
Accrued liabilities	79,785	71,273
Due to other funds	285,620	262,513
Advances from other funds	123,132	371,401
Other liabilities/due to retirement systems	21,536	47,195
Total liabilities	581,944	794,347
Fund Equity		
Assigned	818,208	789,666
Total fund equity	818,208	789,666
Total liabilities and fund equity	\$ 1,400,152	\$ 1,584,013

CITY OF OLEAN, NEW YORK**COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES
AND CHANGES IN FUND EQUITY – WATER FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2017 AND 2016****Page 47**

	May 31 2017	May 31 2016
Revenue		
Departmental income	\$ 3,710,884	\$ 3,732,088
Sales of property and compensation for loss	6,731	9,493
Total revenue	3,717,615	3,741,581
Expenditures		
General government support	82,591	72,953
Home and community services	1,895,911	1,832,375
Employee benefits	602,725	588,347
Total expenditures	2,581,227	2,493,675
Excess of revenue over expenditures	1,136,388	1,247,906
Other financing sources (uses)		
Operating transfers out	(1,107,846)	(1,087,616)
Total other financing sources (uses)	(1,107,846)	(1,087,616)
Excess of revenue and other financing sources over expenditures and other financing uses	28,542	160,290
Fund equity, beginning of year	789,666	629,376
Fund equity, end of year	\$ 818,208	\$ 789,666

CITY OF OLEAN, NEW YORK
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL – WATER FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2017

Page 48

	Original Budget	Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
Revenue					
Departmental income	\$ 3,958,000	\$ 3,958,000	\$ 3,710,884	\$ -	\$ (247,116)
Sales of property and compensation for loss	-	-	6,731	-	6,731
Total revenue	3,958,000	3,958,000	3,717,615	-	(240,385)
Expenditures					
General government support	139,000	139,000	82,591	-	56,409
Home and community services	2,119,150	2,164,378	1,895,911	87,414	181,053
Employee benefits	606,804	606,804	602,725	-	4,079
Total expenditures	2,864,954	2,910,182	2,581,227	87,414	241,541
Excess (deficiency) of revenue over expenditures	1,093,046	1,047,818	1,136,388	(87,414)	1,156
Other financing sources (uses)					
Operating transfers out	(1,093,046)	(1,108,046)	(1,107,846)	-	200
Total other financing sources (uses)	(1,093,046)	(1,108,046)	(1,107,846)	-	200
Excess (deficiency) of revenue over expenditures and other financing uses	\$ -	\$ (60,228)	\$ 28,542	\$ (87,414)	\$ 1,356

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
SEWER FUND
AS OF MAY 31, 2017 AND 2016

Page 49

	May 31 2017	May 31 2016
Assets		
Cash	\$ 1,777,117	\$ 1,119,416
Accounts receivable	703,247	589,438
Advances from other funds	171,466	-
Due from other funds	431,340	315,195
Total assets	\$ 3,083,170	\$ 2,024,049
Liabilities		
Accounts payable	\$ 156,050	\$ 52,133
Accrued liabilities	64,289	58,381
Advances from other funds	157,698	6,348
Due to other funds	144,270	-
Other liabilities/due to other governments	62,137	24,167
Total liabilities	584,444	141,029
Fund Equity		
Assigned	2,498,726	1,883,020
Total fund equity	2,498,726	1,883,020
Total liabilities and fund equity	\$ 3,083,170	\$ 2,024,049

CITY OF OLEAN, NEW YORK**COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES
AND CHANGES IN FUND EQUITY – SEWER FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2017 AND 2016****Page 50**

	May 31 2017	May 31 2016
Revenue		
Departmental income	\$ 3,557,692	\$ 3,035,130
Intergovernmental charges	313,816	366,172
State aid	-	2,520
Total revenue	3,871,508	3,403,822
Expenditures		
General government support	51,323	60,893
Home and community services	1,740,904	1,735,808
Employee benefits	543,625	514,067
Total expenditures	2,335,852	2,310,768
Excess of revenue over expenditures	1,535,656	1,093,054
Other financing sources (uses)		
BAN premium	7,431	11,530
Operating transfers out	(927,381)	(777,282)
Total other financing uses	(919,950)	(765,752)
Excess of revenue and other financing sources over expenditures and other financing uses	615,706	327,302
Fund equity, beginning of year	1,883,020	1,555,718
Fund equity, end of year	\$ 2,498,726	\$ 1,883,020

CITY OF OLEAN, NEW YORK
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL – SEWER FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2017

Page 51

	Original Budget	Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
Revenue					
Departmental income	\$ 3,282,661	\$ 3,282,661	\$ 3,557,692	\$ -	\$ 275,031
Intergovernmental charges	270,000	270,000	313,816	-	43,816
Total revenue	3,552,661	3,552,661	3,871,508	-	318,847
Expenditures					
General government support	139,000	124,000	51,323	-	72,677
Home and community services	2,093,900	2,108,677	1,740,904	-	367,773
Employee benefits	551,650	551,650	543,625	-	8,025
Total expenditures	2,784,550	2,784,327	2,335,852	-	448,475
Excess (deficiency) of revenue over expenditures	768,111	768,334	1,535,656	-	767,322
Other financing sources (uses)					
BAN premium	-	-	7,431	-	7,431
Operating transfers out	(768,111)	(783,111)	(927,381)	-	(144,270)
Total other financing uses	(768,111)	(783,111)	(919,950)	-	(136,839)
Excess (deficiency) of revenue over expenditures and other financing uses	\$ -	\$ (14,777)	\$ 615,706	\$ -	\$ 630,483

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
REVOLVING LOAN FUND
AS OF MAY 31, 2017 AND 2016

Page 52

	May 31 2017	May 31 2016
Assets		
Cash on deposit - Regular accounts	\$ 88,664	\$ 301,597
Rehabilitation loans receivable	342,889	263,036
Total assets	\$ 431,553	\$ 564,633
Liabilities		
Unearned revenue	\$ 342,889	\$ 263,036
Accounts Payable	2,217	2,217
Total liabilities	345,106	265,253
Fund Equity		
Assigned	86,447	299,380
Total fund equity	86,447	299,380
Total liabilities and fund equity	\$ 431,553	\$ 564,633

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, 2017 AND 2016****Page 53**

	May 31 2017	May 31 2016
Revenue		
Departmental income	\$ 90,788	\$ 22,822
Use of money and property	2,599	2,071
State aid	-	8,117
Total revenue	93,387	33,010
Expenditures		
Home and community services	306,320	157,295
Total expenditures	306,320	157,295
Excess (deficiency) of revenue over expenditures and other uses	(212,933)	(124,285)
Fund equity, beginning of year	299,380	423,665
Fund equity, end of year	\$ 86,447	\$ 299,380

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
HOUSING REHABILITATION FUND
AS OF MAY 31, 2017 AND 2016

Page 54

	May 31 2017	May 31 2016
Assets		
Cash on deposit - regular accounts	\$ 8,388	\$ 8,388
Rehabilitation loans receivable	229	229
Total assets	\$ 8,617	\$ 8,617
Liabilities		
Unearned revenue	\$ 229	\$ 229
Total liabilities	229	229
Fund Equity		
Assigned	8,388	8,388
Total fund equity	8,388	8,388
Total liabilities and fund equity	\$ 8,617	\$ 8,617

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, 2017 AND 2016****Page 55**

	May 31 2017	May 31 2016
Revenue		
Departmental income	\$ -	\$ 6,089
Use of money and property	-	1
Total revenue	-	6,090
Expenditures		
Home and community services	-	-
Total expenditures	-	-
Excess of revenue over expenditures	-	6,090
Excess (deficiency) of revenue over expenditures and other uses	-	6,090
Fund equity, beginning of year	8,388	2,298
Fund equity, end of year	\$ 8,388	\$ 8,388

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
FIRST TIME HOMEBUYERS FUND
AS OF MAY 31, 2017 AND 2016

Page 56

	May 31 2017	May 31 2016
Assets		
Cash on deposit - regular accounts	\$ 22,370	\$ 31,025
First time homebuyers loans receivable	131,782	121,664
Total assets	\$ 154,152	\$ 152,689
Liabilities		
Unearned revenue	\$ 131,762	\$ 121,664
Other liabilities	-	(20)
Total liabilities	131,762	121,644
Fund Equity		
Assigned	22,390	31,045
Total fund equity	22,390	31,045
Total liabilities and fund equity	\$ 154,152	\$ 152,689

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, 2017 AND 2016****Page 57**

	May 31 2017	May 31 2016
Revenue		
Departmental income	\$ 16,911	\$ 19,165
Use of money and property	4	8
Total revenue	16,915	19,173
Expenditures		
Home and community services	25,570	37,457
Total expenditures	25,570	37,457
Excess of revenue over expenditures	(8,655)	(18,284)
Excess (deficiency) of revenue over expenditures and other uses	(8,655)	(18,284)
Fund equity, beginning of year	31,045	49,329
Fund equity, end of year	\$ 22,390	\$ 31,045

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
CAPITAL PROJECTS FUND
AS OF MAY 31, 2017 AND 2016

Page 58

	May 31 2017	May 31 2016
Assets		
Cash on deposit - regular accounts	\$ 751,549	\$ (157,042)
Due from Federal and State	244,373	2,010,420
Due from other funds	2,908,637	556,830
Total assets	\$ 3,904,559	\$ 2,410,208
Liabilities		
Accounts payable	\$ 201,305	\$ 1,867,961
Accrued liabilities/due to other governments	51,655	51,655
Due to other funds	630,931	19,931
Bond anticipation notes payable	24,881,346	11,143,893
Total liabilities	25,765,237	13,083,440
Fund Equity		
Restricted	1,462,314	1,983,704
Unassigned (deficit)	(23,322,992)	(12,656,936)
Total fund equity (deficit)	(21,860,678)	(10,673,232)
Total liabilities and fund equity	\$ 3,904,559	\$ 2,410,208

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, 2017 AND 2016****Page 59**

	May 31 2017	May 31 2016
Revenue		
Use of money and property	\$ 298	\$ 194
Miscellaneous local sources	248,647	345,734
Federal aid	1,985,617	3,936,598
State aid	2,958,844	1,861,009
Total revenue	5,193,406	6,143,535
Expenditures		
General government support	504,603	110,546
Public safety	114,310	949,279
Transportation	4,292,896	6,068,575
Culture and recreation	9,906	-
Home and community services	12,182,965	6,791,000
Total expenditures	17,104,680	13,919,400
Deficiency of revenue over expenditures	(11,911,274)	(7,775,865)
Other financing sources (uses)		
Bond anticipation notes redeemed from appropriations	601,000	-
Proceeds from capital leases	-	149,810
Operating transfers in	410,362	285,850
Operating transfers out	(287,534)	(237,520)
Total other financing sources	723,828	198,140
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	(11,187,446)	(7,577,725)
Fund equity (deficit), beginning of year	(10,673,232)	(3,095,507)
Fund equity (deficit), end of year	\$ (21,860,678)	\$ (10,673,232)

CITY OF OLEAN, NEW YORK

BALANCE SHEET – CAPITAL PROJECTS FUND – BY PROJECT

AS OF MAY 31, 2017

Page 60

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	635	-	1,035	1,670	-	-	1,670	1,670
102	Vehicle replacement	335,714	-	-	335,714	-	-	335,714	335,714
103	Police Equipment Replacement	19,212	-	-	19,212	-	-	19,212	19,212
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	70,554	-	2,102	72,656	-	-	72,656	72,656
119	OATS Bus Reserve	101,281	-	-	101,281	-	-	101,281	101,281
120	Water filtration plant	34,139	-	-	34,139	-	-	34,139	34,139
123	Catch basin disconnect project	349,714	-	-	349,714	-	-	349,714	349,714
132	Parking lot maintenance program	38,128	-	-	38,128	-	-	38,128	38,128
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	(5,156)	19,775	-	14,619	5,793	-	8,826	14,619
149	Bartlett House Renovations	(11,752)	-	-	(11,752)	-	-	(11,752)	(11,752)
150	Sidewalk Improvement Reserve	(21,051)	-	-	(21,051)	-	-	(21,051)	(21,051)
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	17,100	-	-	17,100	-	-	17,100	17,100
161	Other Miscellenous Reserves	575	-	-	575	-	-	575	575
162	Brownfield Opportunity Areas Program	(45,369)	3,220	-	(42,149)	-	-	(42,149)	(42,149)
163	Waste Water Treatment Plant Master Plan	78,431	-	(75,000)	3,431	-	16,582,346	(16,578,915)	3,431
165	Bradner Stadium Project	(159,179)	150,000	(19,931)	(29,110)	-	-	(29,110)	(29,110)
166	Franchot Playground	(5,531)	-	-	(5,531)	-	-	(5,531)	(5,531)
167	North Union Street Rehabilitation	(500,799)	71,378	(355,000)	(784,421)	-	-	(784,421)	(784,421)
168	Homer Street Playground	(6,580)	-	-	(6,580)	-	-	(6,580)	(6,580)
169	Olean Creek Pedestrian Crossing	70,858	-	-	70,858	14,862	-	55,996	70,858
170	Property Reevaluation	25,000	-	-	25,000	-	-	25,000	25,000
171	York St./Prospect Ave.	8,690	-	340,225	348,915	37,367	3,047,339	(2,735,791)	348,915
172	Ladder Truck	-	-	7,621	7,621	11,870	1,025,000	(1,029,249)	7,621
173	Ice Resurfacers	-	-	12,418	12,418	2,418	126,661	(116,661)	12,418
174	Homer Street Project	(5,219)	-	-	(5,219)	-	-	(5,219)	(5,219)
175	Recreation Center	-	-	2,052,712	2,052,712	161,212	2,735,000	(843,500)	2,052,712
176	Allegany River Development	53,452	-	-	53,452	-	-	53,452	53,452
177	Demolition of Unsafe Buildings	115,762	-	-	115,762	-	-	115,762	115,762
178	Third Street Project	-	-	210,136	210,136	-	945,000	(734,864)	210,136
179	Bradner Stadium Roof	-	-	31,978	31,978	-	120,000	(88,022)	31,978
180	IT Upgrade	(851)	-	118,655	117,804	19,438	300,000	(201,634)	117,804
181	Zombie Grant	49,485	-	-	49,485	-	-	49,485	49,485
182	John J. Ash Building	35,000	-	-	35,000	-	-	35,000	35,000
Totals		\$ 751,549	\$ 244,373	\$ 2,277,706	\$ 3,273,628	\$ 252,960	\$ 24,881,346	\$ (21,860,678)	\$ 3,273,628

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, 2017 AND 2016

Page 61

<i>Project</i>	May 31 2017	May 31 2016
CHIPS	\$ 444,558	\$ 567,605
City Alarm	1,320	26,092
Vehicle Replacement	326,607	79,843
Equipment Purchased Through Capital Leases	-	149,810
Police Equipment Replacement Reserve	3,123	25,760
Ambulance Reserve	114,310	-
OATS Bus Reserve	5,620	-
Parking Lot Maintenance Reserve	-	823
Two Mile Sewer	-	237,520
Airport Master Plan	609,881	417,325
Safe Routes to Schools	-	-
Sidewalk Improvement Reserve	4,258	4,943
Rec Center Compressor Reserve	9,906	-
Brownfield Opportunity Areas Program	-	16,147
Waste Water Treatment Plant Master Plan	11,168,200	6,536,966
Bradner Stadium Project	7,420	160,531
North Union Street Rehabilitation	2,488,377	4,508,092
Homer Street Playground	-	62,705
Olean Creek Pedestrian Crossing	49,535	14,651
York St./Prospect Ave.	180,937	394,134
Ladder Truck	-	949,279
Ice Resurfacers	83,339	-
Homer Street Project	-	4,694
Recreation Center	843,500	-
Allegany River Development	26,288	-
Third Street Project	734,864	-
Bradner Stadium Project	88,022	-
IT Upgrade	201,634	-
John J. Ash Building Floor Replacement	515	-
	\$ 17,392,214	\$ 14,156,920

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
DEBT SERVICE FUND
AS OF MAY 31, 2017 AND 2016

Page 62

	May 31 2017	May 31 2016
Assets		
Cash on deposit		
Restricted regular accounts	\$ 2,864,281	\$ 1,130,917
Due from other funds	2,796,076	1,532
Total assets	\$ 5,660,357	\$ 1,132,449
Liabilities		
Accrued liabilities	\$ 24,920	\$ -
Due to other funds	5,189,054	687,180
Total liabilities	5,213,974	687,180
Fund Equity		
Restricted	446,383	445,269
Total fund equity	446,383	445,269
Total liabilities and fund equity	\$ 5,660,357	\$ 1,132,449

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, 2017 AND 2016****Page 63**

	May 31 2017	May 31 2016
Revenue		
Use of money and property	\$ 1,116	\$ 462
Total revenue	<u>1,116</u>	<u>462</u>
Expenditures		
Debt service:		
Principal	2,451,305	1,786,542
Interest	636,653	656,143
Total expenditures	<u>3,087,958</u>	<u>2,442,685</u>
Deficiency of revenue over expenditures	<u>(3,086,842)</u>	<u>(2,442,223)</u>
Other financing sources		
Operating transfers in	3,087,956	2,680,205
Total other financing sources	<u>3,087,956</u>	<u>2,680,205</u>
Excess of revenue and other financing sources over expenditures and other financing uses	1,114	237,982
Fund equity, beginning of year	<u>445,269</u>	<u>207,287</u>
Fund equity, end of year	<u>\$ 446,383</u>	<u>\$ 445,269</u>

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
AGENCY FUND
AS OF MAY 31, 2017 AND 2016

Page 64

	May 31 2017	May 31 2016
Assets		
Cash on deposit		
Regular accounts	\$ 112,137	\$ 116,275
Restricted accounts	651,309	154,870
Due from other funds	-	2,716
Total assets	\$ 763,446	\$ 273,861
Liabilities		
Due to other funds	\$ 494,048	\$ 9,826
Other liabilities	269,398	264,035
Total liabilities	\$ 763,446	\$ 273,861

CITY OF OLEAN, NEW YORK
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND BALANCES – AGENCY FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2017

Page 65

	Balance June 1, 2016	Receipts	Disbursements	Balance May 31, 2017
Hospitalization	\$ 3,426	\$ 659,215	\$ 660,982	\$ 1,659
Charity - United Way	87	202	213	76
Guarantee & Bid Bonds	500	-	-	500
Guarantee & Bid Bonds	3,751	-	3,001	750
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	7,447	2,119	1,314	8,252
Mayor's Cup Golf Tournament	1,395	526	250	1,671
Bike Auction	-	408	-	408
Neighborhood Preservation	400	-	-	400
Miscellaneous Recreation	16,476	7,875	10,155	14,196
Clerk Sales	1,276	78	-	1,354
Bartlett House Donations	20,286	3,250	1,009	22,527
Bartlett House Donations	11,601	-	-	11,601
Police Drugs Donations	9,334	3,765	-	13,099
Police Federal Drug Proceeds	14,554	75	10,436	4,193
Youth Programs Donations	57	-	-	57
Youth Court Donations	6,543	-	140	6,403
Tree Program	3,706	1,035	2,087	2,654
Interest & Service Charges	642	31	500	173
Personnel	658	527	388	797
321 N. Union Street Escrow	3,000	-	3,000	-
Fire Equipment Donations	9,264	15,000	4,769	19,495
Flexible Spending Account	(8,586)	-	-	(8,586)
Medical Savings Account	156,245	134,784	129,420	161,609
Payroll Account	(1,035)	11,412,972	11,408,712	3,225
Special Account	1,136	16,202	16,325	1,013
Totals	\$ 264,035	\$ 12,258,064	\$ 12,252,701	\$ 269,398

CITY OF OLEAN, NEW YORK
SCHEDULE OF FUNDING PROGRESS
AS OF MAY 31, 2017

Page 66

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 67

New York State Employees' Retirement System - Net Pension Liability

As of the measurement date of March 31,	2017	2016	2015	2014	2013
City's proportion of the net pension liability	0.0165225%	0.0173084%	0.0163295%	n/a	n/a
City's proportionate share of the net pension liability	\$ 1,552,496	\$ 2,778,045	\$ 551,651	\$ 737,908	n/a
City's covered-employee payroll	\$ 4,109,534	\$ 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	37.78%	66.33%	13.42%	17.96%	n/a
Plan fiduciary net position as a percentage of the total pension liability	94.70%	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,	2017	2016	2015	2014	2013
City's proportion of the net pension liability	0.1259500%	0.1201234%	0.1198443%	n/a	n/a
City's proportionate share of the net pension liability	\$ 2,610,506	\$ 3,556,599	\$ 329,883	\$ 498,923	n/a
City's covered-employee payroll	\$ 4,758,588	\$ 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	54.86%	80.94%	7.04%	11.27%	n/a
Plan fiduciary net position as a percentage of the total pension liability	93.50%	90.20%	99.00%	n/a	n/a

n/a - information is not available

CITY OF OLEAN, NEW YORK
SCHEDULE OF CITY'S CONTRIBUTIONS
– NYSLERS & NYSLPFRS

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New York State Employees' Retirement System

For the year ended March 31,	2017	2016	2015	2014	2013
Contractually required contributions	\$ 598,107	\$ 752,381	\$ 750,021	\$ 768,156	\$ 736,645
Contributions in relation to the contractually required contribution	(598,107)	(752,381)	(750,021)	(768,156)	(736,645)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,109,534	\$ 4,188,273	\$ 4,111,507	\$ 4,109,268	\$ 3,942,955
Contributions as a percentage of District's covered-employee payroll	14.55%	17.96%	18.24%	18.69%	18.68%

New York State Police and Fire's Retirement System

For the year ended March 31,	2017	2016	2015	2014	2013
Contractually required contributions	\$ 1,100,545	\$ 969,106	\$ 1,285,072	\$ 1,162,942	\$ 1,104,795
Contributions in relation to the contractually required contribution	(1,100,545)	(969,106)	(1,285,072)	(1,162,942)	(1,104,795)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,758,588	\$ 4,394,298	\$ 4,684,185	\$ 4,427,011	\$ 4,460,319
Contributions as a percentage of District's covered-employee payroll	23.13%	22.05%	27.43%	26.27%	24.77%

CITY OF OLEAN, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2017

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Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Receivable 5/31/2016	Total Received	Revenue	Expenditures	Receivable 5/31/2017
<u>United States Department of Transportation</u>								
Airport Improvement Program - Perimeter Fence Replacement*	20.106	FAA AIP 3-36-0091-18-13 NYS DOT PIN 5904.48	\$ 69,390	\$ -	\$ 39,073	\$ 42,256	\$ 42,256	\$ 3,183
Airport Improvement Program - Obstruction Removal*	20.106	FAA AIP 3-36-0091-20-15 PIN 5904.50	294,352	-	27,379	27,379	27,379	-
Airport Improvement Program - Snow Removal Equipment*	20.106	FAA AIP 3-36-0091-21-2016 PIN 5904.51	149,454	-	149,454	149,454	149,454	-
Airport Improvement Program - Perimeter Fence Replacement*	20.106	FAA AIP 3-36-0091-22-2016 PIN 5904.52	336,238	-	313,156	329,748	329,748	16,592
Operating Assistance - Section 5311	20.509	NYSDOT 5794.23.401	243,269	-	243,269	243,269	243,269	-
Highway Planning and Construction	20.205	NYSDOT/D034764 PIN 5760.83	6,617,000	1,414,928	2,851,708	1,436,780	1,436,780	-
Subtotal U.S. Department of Transportation			7,709,703	1,414,928	3,624,039	2,228,886	2,228,886	19,775
Total			\$ 7,709,703	\$ 1,414,928	\$ 3,624,039	\$ 2,228,886	\$ 2,228,886	\$ 19,775

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.

Note 2 - Indirect Cost Rate

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance in the current year.

See accompanying independent auditor's report on supplementary information.



**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, 2017, 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 December 8, 2017.

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 three 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.2017-001, II.A.2017-002 and II.A.2017-003 to be material weaknesses.

Compliance and Other Matters

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

City of Olean's Response to Findings

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

Other Matters

We noted other matters involving internal control over financial reporting that we have reported to management of *City of Olean, New York* in a separate letter dated December 8, 2017.

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
December 8, 2017**



**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, 2017. *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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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, 2017.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal award program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items III.B.2017-001, III.B.2017-002 and III.B.2017-003 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 December 8, 2017.

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
December 8, 2017

CITY OF OLEAN, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MAY 31, 2017

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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 three deficiencies noted during the audit of the financial statements as described in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Items II.A.2017-001, II.A.2017-002 and II.A.2017-003 are reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of the **City of Olean, New York** were disclosed during the audit as reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
4. There were three deficiencies disclosed during the audit of the major federal assistance programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance With Uniform Guidance. Items III.B.2017-001, III.B.2017-002 and III.B.2017-003 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 2 CFR Section 200.516(a) 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	\$ 1,436,780
Total tested			\$ 1,436,780
Total Federal Awards			\$ 2,209,111
Percentage of total programs tested			65.0%

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, 2017

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II. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. Internal Control over Financial Reporting

2017-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements
Year Ended May 31, 2017

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.

Auditor's 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, 2016

Similar finding was reported upon during the year ended May 31, 2016 which was identified as finding 2016-001.

2017-002 Reconciliation of General Ledger and Capital Projects
Year Ended May 31, 2017

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.

Auditor's 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, 2016

Similar finding was reported upon during the year ended May 31, 2016 which was identified as finding 2016-002.

CITY OF OLEAN, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MAY 31, 2017

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II. FINANCIAL STATEMENTS AUDIT – FINDINGS (CONTINUED)

A. Internal Control over Financial Reporting

2017-003 Capital Projects - Internal Controls

Year Ended May 31, 2017

Condition and Criteria: On December 6, 2017, it was brought to our attention that in March or April 2017 management of the City of Olean was presented with a claim for payment in the amount of approximately \$993,000 from a contractor related to the North Union Street project. A copy of the claim was signed by the City's outside engineering firm indicating their approval. Management has advised us they dispute the claim. We were recently provided a notice of petition dated September 20, 2017, whereby the contractor has requested the NYS Supreme Court to compel the City to make payment of the disputed invoice, along with an additional \$285,000 of unbilled work, plus interest.

Effect: Upon our inquiry, it is our understanding that not all members charged with governance, the Common Council, were aware of this matter and therefore components of an internal control system, information and communication, was lacking.

Auditor's Recommendations:

Pending or Threatening Litigation – We recommend that the City establish a policy concerning pending or threatened litigation. Formal written procedures should be developed to inform and/or update City management and all Common Council members upon notification of any litigation, notice of petition, or claims that is formally served on the City. A policy should also be established on communication when any City employee or Common Council member becomes aware of pending or threatened litigation exceeding a certain dollar level.

Budgets – A written policy should be established and communicated on preparing a budget versus actual report for all capital projects exceeding a certain dollar level. Any discrepancies should be explained in writing so that necessary corrective action, if any, can be considered. These analyses should be provided to City management and the Common Council on a monthly basis.

Change Orders – A written policy should be established on the approval of capital project change orders that exceed a certain dollar threshold. This policy should consider having a designated member of the Common Council be responsible for reviewing and approving change orders prior to additional work being authorized. A policy should be also developed whereby a listing of capital project change orders are provided to the Common Council on a monthly basis.

Project financing – A written policy should be established on developing a schedule that outlines how the capital projects will be financed for those exceeding a certain dollar level. This schedule should be maintained throughout all phases of the project whereby all sources of financing received and owed are tracked. This schedule should be provided to City management and the Common Council on a monthly basis.

City's Response:

Pending or Threatened Litigation - The City concurs with the auditor's recommendations on pending and threatened litigation and will establish written policies and procedures to address confidential reporting of pending and threatened litigation to the Common Council when legally practical.

Budgets - The City concurs with the auditor's recommendations that a written policy should be established and communicated in preparing budgeted versus actual reporting for capital project budgets in excess of a yet to be determined monetary threshold.

Change Orders - The City concurs with the auditor's recommendations that a written policy should be established for the approval of certain capital project change orders that exceed a yet to be determined monetary threshold and that the policy should require the department head to obtain approval from the Mayor with the advice and consent of the Common Council.

Project Financing - The City concurs with the auditor's recommendations that a written policy should be established outlining the method of financing and a proposed payment schedule for certain capital projects that exceed a yet to be determined monetary threshold.

Year ended May 31, 2016

This finding was not reported upon during the year ended May 31, 2016.

CITY OF OLEAN, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MAY 31, 2017

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II. FINANCIAL STATEMENTS AUDIT – FINDINGS (CONTINUED)

B. Compliance

Year ended May 31, 2017

There are no compliance findings being reported upon for the fiscal year ended May 31, 2017.

Year ended May 31, 2016

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

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

A. Compliance

Year ended May 31, 2017

No compliance findings are being reported upon during the fiscal year ended May 31, 2017.

Year ended May 31, 2016

No compliance findings were reported upon for the fiscal year ended May 31, 2016.

B. Internal Control over Compliance

Year ended May 31, 2017

All Federal Awards

2017-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements

Same finding as that reported as II.A.2017-001 reported on page 74.

2017-002 Reconciliation of General Ledger

Same finding as that reported as II.A.2017-002 reported on page 74.

2017-003 Capital Projects - Internal Controls

Year ended May 31, 2016

Similar findings on internal controls over compliance as 2017-001 and 2017-002 were reported for the year ended May 31, 2016 as 2016-001 and 2016-002, respectively.

CITY OF OLEAN, NEW YORK
SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
YEAR ENDED MAY 31, 2017

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<u>PROGRAM TITLE</u>	<u>NYSDOT CONTRACT NUMBER</u>	<u>EXPENDITURES</u>
Airport Improvement Program	PIN 5904.45. 5904.44	\$ 529,062
Highway Planning and Construction	PIN 5760.83	1,436,780
Operating Assistance - Section 5311	PIN 5794.23.401	243,269
Consolidated Highway Improvement Program (CHIPS)	N/A	<u>444,558</u>
TOTAL STATE TRANSPORTATION ASSISTANCE EXPENDED		<u>\$ 2,653,669</u>

Note 1 - Basis of Presentation

The accompanying Schedule of State Transportation Assistance Expended includes Federal and State grant activity of the City of Olean, New York and is presented on the modified accrual basis of accounting. The information in the Schedule is presented in accordance with Draft Part 43 NYCRR. Therefore some amounts in the Schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

GENERAL

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

BASIS OF ACCOUNTING

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

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

INDIRECT COSTS

There are no indirect costs associated with these programs.

MATCHING COSTS

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

AMOUNTS PAID TO SUBRECIPIENTS

There were no amounts paid to subrecipients during the fiscal year ended May 31, 2017.



**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, 2017. 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, 2017.

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 three 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.2017-001, I.2017-002 and I.2017-003 to be material weaknesses.

Schedule of State Transportation Assistance Expended

We have audited the financial statements of the *City of Olean, New York* as of and for the year ended May 31, 2017, and have issued our report thereon dated December 8, 2017. 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 December 8, 2017.

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
December 8, 2017**

CITY OF OLEAN, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATE TRANSPORTATION ASSISTANCE EXPENDED
YEAR ENDED MAY 31, 2017

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Summary of Audit Results:

Internal control over state transportation assistance expended:

- | | |
|---|---|
| • Material weaknesses identified | Findings I.2017-001, I.2017-002 and I.2017-003. |
| • Deficiencies identified that are not considered to be material weakness | None reported |

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

Unmodified

Identification of State Transportation Assistance Programs Tested:

Name

Consolidated Highway Improvement Program (CHIPS)
Highway Planning and Construction

Compliance Findings and Questioned Costs:

No matters were reported.

CITY OF OLEAN, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATE TRANSPORTATION ASSISTANCE EXPENDED
YEAR ENDED MAY 31, 2017

Page 83

I. Internal Control Over State Transportation Assistance Expended

2017-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements

Year Ended May 31, 2017

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, 2016

Similar finding was reported upon during the year ended May 31, 2016.

2017-002 Reconciliation of General Ledger

Year Ended May 31, 2017

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, 2016

Similar finding was reported upon during the year ended May 31, 2016.

CITY OF OLEAN, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATE TRANSPORTATION ASSISTANCE EXPENDED
YEAR ENDED MAY 31, 2017

Page 84

I. Internal Control Over State Transportation Assistance Expended

2017-003 Capital Projects - Internal Controls

Year Ended May 31, 2017

Condition and Criteria: On December 6, 2017, it was brought to our attention that in March or April 2017 management of the City of Olean was presented with a claim for payment in the amount of approximately \$993,000 from a contractor related to the North Union Street project. A copy of the claim was signed by the City's outside engineering firm indicating their approval. Management has advised us they dispute the claim. We were recently provided a notice of petition dated September 20, 2017, whereby the contractor has requested the NYS Supreme Court to compel the City to make payment of the disputed invoice, along with an additional \$285,000 of unbilled work, plus interest.

Effect: Upon our inquiry, it is our understanding that not all members charged with governance, the Common Council, were aware of this matter and therefore components of an internal control system, information and communication, was lacking.

Auditor's Recommendations:

Pending or Threatening Litigation – We recommend that the City establish a policy concerning pending or threatened litigation. Formal written procedures should be developed to inform and/or update City management and all Common Council members upon notification of any litigation, notice of petition, or claims that is formally served on the City. A policy should also be established on communication when any City employee or Common Council member becomes aware of pending or threatened litigation exceeding a certain dollar level.

Budgets – A written policy should be established and communicated on preparing a budget versus actual report for all capital projects exceeding a certain dollar level. Any discrepancies should be explained in writing so that necessary corrective action, if any, can be considered. These analyses should be provided to City management and the Common Council on a monthly basis.

Change Orders – A written policy should be established on the approval of capital project change orders that exceed a certain dollar threshold. This policy should consider having a designated member of the Common Council be responsible for reviewing and approving change orders prior to additional work being authorized. A policy should be also developed whereby a listing of capital project change orders are provided to the Common Council on a monthly basis.

Project financing – A written policy should be established on developing a schedule that outlines how the capital projects will be financed for those exceeding a certain dollar level. This schedule should be maintained throughout all phases of the project whereby all sources of financing received and owed are tracked. This schedule should be provided to City management and the Common Council on a monthly basis.

City's Response:

Pending or Threatened Litigation - The City concurs with the auditor's recommendations on pending and threatened litigation and will establish written policies and procedures to address confidential reporting of pending and threatened litigation to the Common Council when legally practical.

Budgets - The City concurs with the auditor's recommendations that a written policy should be established and communicated in preparing budgeted versus actual reporting for capital project budgets in excess of a yet to be determined monetary threshold.

Change Orders - The City concurs with the auditor's recommendations that a written policy should be established for the approval of certain capital project change orders that exceed a yet to be determined monetary threshold and that the policy should require the department head to obtain approval from the Mayor with the advice and consent of the Common Council.

Project Financing - The City concurs with the auditor's recommendations that a written policy should be established outlining the method of financing and a proposed payment schedule for certain capital projects that exceed a yet to be determined monetary threshold.

Year ended May 31, 2016

This finding was not reported upon during the year ended May 31, 2016.



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

Ladies and Gentlemen:

We have completed our 2016-17 audit of the City's financial statements and have issued our reports thereon dated December 8, 2017. 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, 2017, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation. As noted within the body of such reports, the City generally was in compliance with laws and regulations and maintains a reasonable system of accounting internal controls.

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

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

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
December 8, 2017**

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.

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.

Capital Project Fund

The City's capital project fund had multiple projects with accumulated deficits of as of May 31, 2017. Some of the deficits are due to the timing of when long-term financing is issued or projects awaiting grant funding, while other accumulated deficits will require a transfer from the general fund to cover the local share of a grant project or to eliminate the capital project deficit. We recommend that the City evaluate each project and determine whether a transfer from the general fund is required. In addition, the District should review each project and determine whether they are complete and can be closed out. Remaining funds from closed out projects should be either transferred to the debt service fund (projects that were debt financed), the general fund, or to another capital project.

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

General Governmental Expenditures by Function

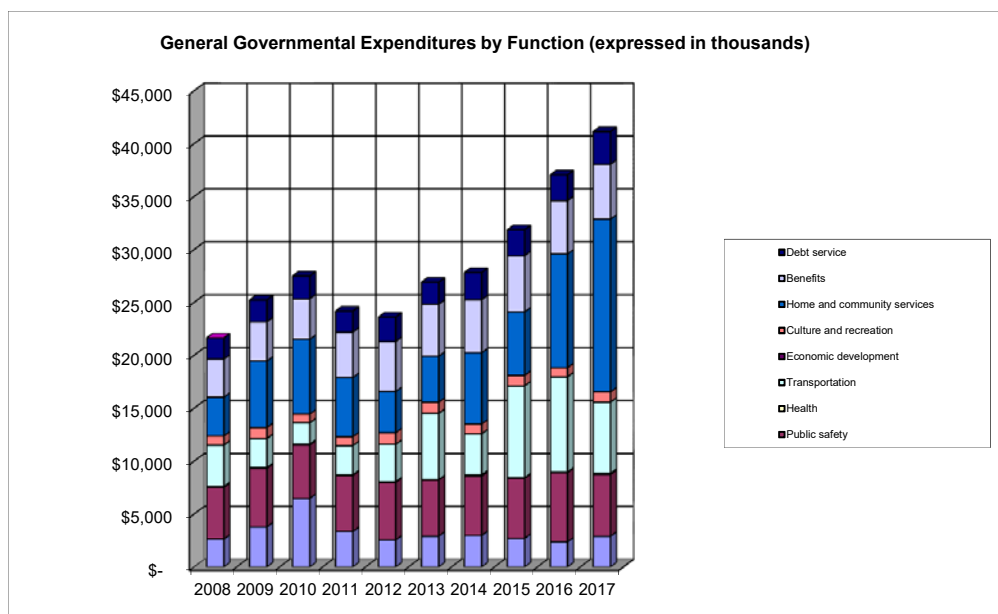
Governmental Funds(excludes bond refunding)

Last Ten Fiscal Years

(amounts expressed in thousands)

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government support	\$ 2,648	\$ 3,799	\$ 6,504	\$ 3,359	\$ 2,564	\$ 2,923	\$ 2,980	\$ 2,717	\$ 2,377	\$ 2,910
Public safety	4,890	5,534	5,036	5,303	5,447	5,310	5,618	5,678	6,551	5,843
Health	85	74	86	59	55	33	122	53	55	115
Transportation	3,902	2,731	2,002	2,752	3,540	6,252	3,879	8,682	8,994	6,709
Economic development	15	15	15	-	-	15	-	-	15	15
Culture and recreation	857	1,027	817	845	1,106	1,043	915	982	860	960
Home and community services	3,661	6,285	7,065	5,601	3,884	4,354	6,743	6,004	10,746	16,326
Benefits	3,592	3,715	3,828	4,282	4,724	4,906	5,006	5,309	5,025	5,192
Debt service	1,997	2,065	2,151	1,984	2,289	2,093	2,567	2,459	2,442	3,088
Total	\$ 21,647	\$ 25,245	\$ 27,504	\$ 24,185	\$ 23,609	\$ 26,929	\$ 27,830	\$ 31,884	\$ 37,065	\$ 41,158

Source: City of Olean Annual Report (2008-2017)



City of Olean

General Governmental Revenues by Source

Governmental Funds(excludes bond refunding)

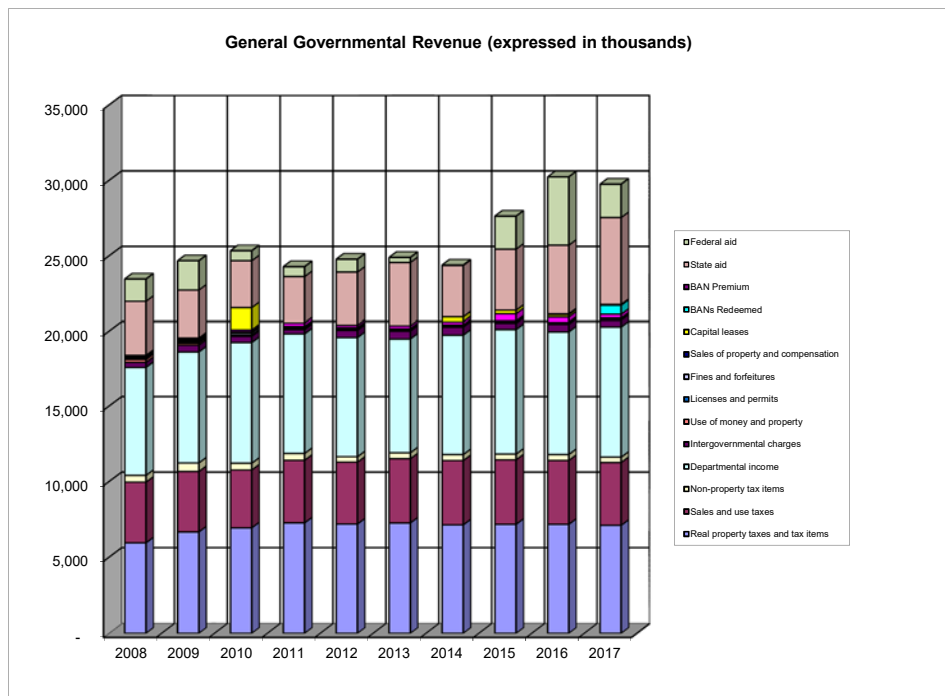
Last Ten Fiscal Years

(amounts expressed in thousands)

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<u>Source</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>	<u>2017</u>
Real property taxes and tax items	\$ 5,954	\$ 6,679	\$ 6,953	\$ 7,284	\$ 7,211	\$ 7,278	\$ 7,150	\$ 7,192	\$ 7,187	\$ 7,120
Sales and use taxes	4,009	3,995	3,822	4,142	4,087	4,249	4,255	4,264	4,226	4,155
Non-property tax items	452	572	450	455	364	401	398	380	396	357
Departmental income	7,169	7,374	8,023	7,946	7,919	7,558	7,933	8,276	8,148	8,647
Intergovernmental charges	339	457	416	286	481	523	538	413	498	441
Use of money and property	189	127	44	36	29	19	10	7	6	8
Licenses and permits	52	78	38	62	47	47	41	41	54	64
Fines and forfeitures	108	96	131	90	94	82	73	63	44	49
Sales of property and compensation	33	92	83	13	5	14	13	26	19	13
Miscellaneous local sources	89	77	126	221	155	182	200	476	346	250
Capital leases	-	-	1,458	-	-	-	324	236	150	-
BANs Redeemed	-	-	-	-	-	-	-	-	-	601
BAN Premium	-	-	-	-	-	-	-	-	60	58
State aid	3,575	3,170	3,130	3,082	3,528	4,204	3,424	4,077	4,578	5,757
Federal aid	1,481	1,955	667	658	856	339	21	2,159	4,524	2,229
	<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>	<u>\$ 29,749</u>

Source: City of Olean Annual Report (2008-2017)



Fund Balance History

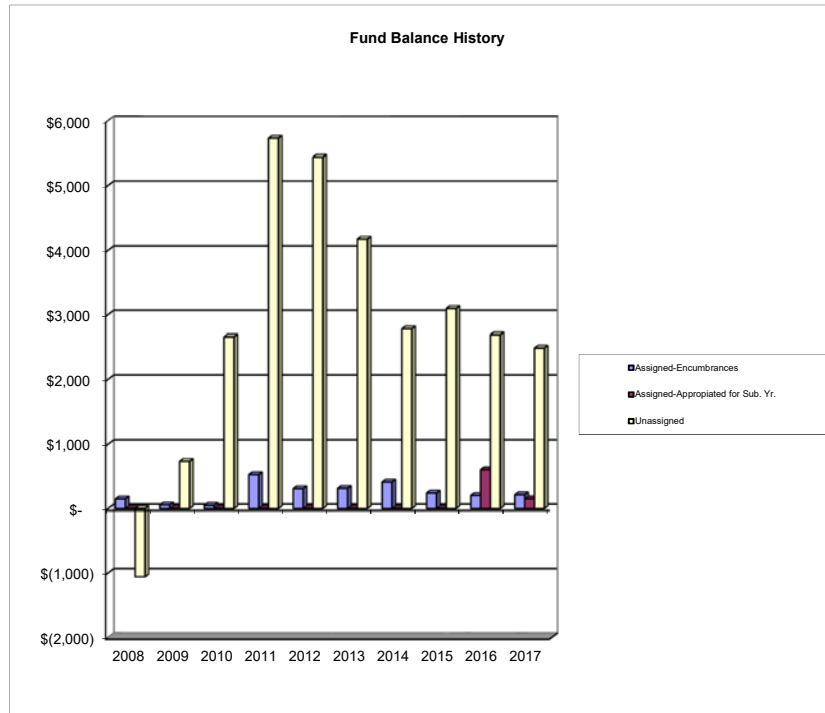
General Fund

Last Ten Fiscal Years

(amounts expressed in thousands)

Source

	<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>	<u>2017</u>
Assigned-Encumbrances	\$ 148	\$ 55	\$ 49	\$ 525	\$ 307	\$ 312	\$ 411	\$ 239	\$ 202	\$ 213
Assigned-Appropriated for Sub. Yr.	-	-	-	-	-	-	-	-	602	150
Unassigned	(1,058)	732	2,658	5,728	5,437	4,164	2,780	3,095	2,690	2,486
Total	<u>\$ (910)</u>	<u>\$ 787</u>	<u>\$ 2,707</u>	<u>\$ 6,253</u>	<u>\$ 5,744</u>	<u>\$ 4,476</u>	<u>\$ 3,191</u>	<u>\$ 3,334</u>	<u>\$ 3,494</u>	<u>\$ 2,849</u>



Source: City of Olean Annual Report (2008-2017)

Assessed and Equalized Full Value of Taxable Property

Last Ten Fiscal Years

(amounts expressed in thousands)

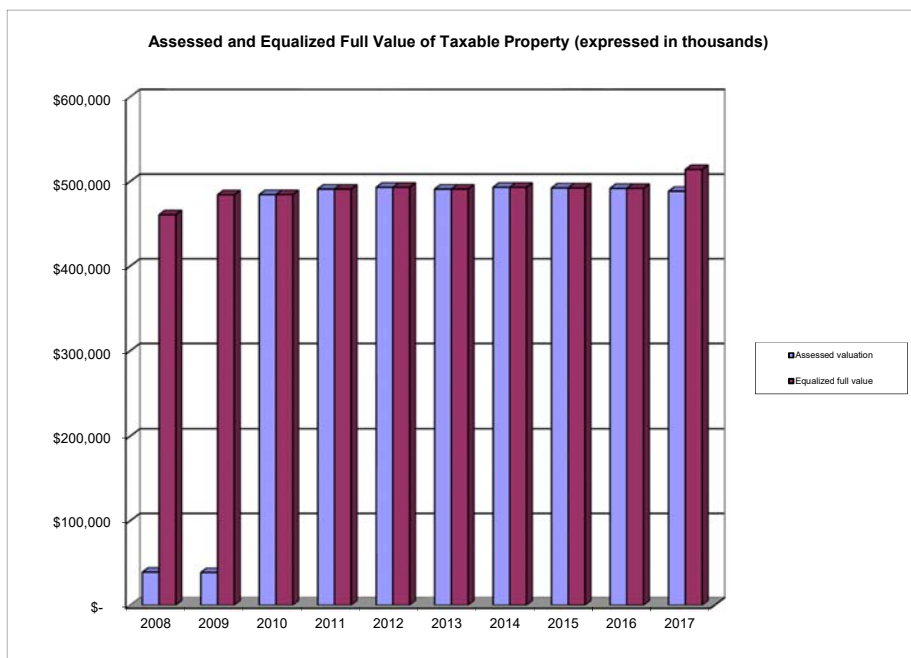
Source

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assessed valuation	\$ 39,178	\$ 38,725	\$ 484,646	\$ 491,202	\$ 493,281	\$ 491,211	\$ 493,323	\$ 492,635	\$ 492,053	\$ 488,611
Equalized full value	460,918	484,520	484,646	491,202	493,281	491,211	493,323	492,635	492,053	514,327
Ratio: Assessed value to equalized full value	8.50%	7.99%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	95.00%

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 (2008-2017)



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

Last Ten Fiscal Years

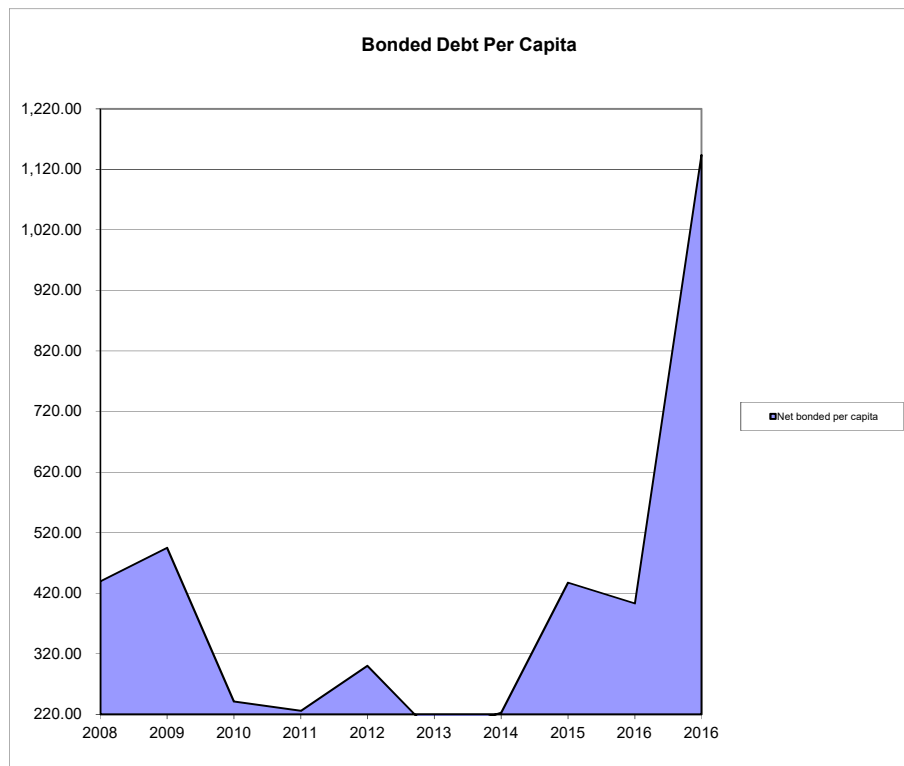
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<u>Source</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2016</u>
Net bonded per capita	439.70	494.82	240.76	225.57	300.03	186.62	222.25	437.31	403.13	1,143.86
Population	15,347	15,347	15,347	14,452	14,452	14,452	14,452	14,452	14,452	14,452
Assessed value (000)	39,178	38,725	484,646	49,120	49,328	49,121	49,332	49,264	49,205	51,433
Gross bonded debt (000)	26,110	32,786	30,584	29,052	27,433	26,106	24,405	28,532	32,244	46,699
Less: self-supporting debt (000)	19,362	25,192	26,889	25,792	23,097	23,409	21,193	22,212	26,418	30,168
Net bonded debt (000)	6,748	7,594	3,695	3,260	4,336	2,697	3,212	6,320	5,826	16,531
Ratio of net bonded debt to assessed value	<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>	<u>32.14%</u>

Notes:

Self-supporting debt includes sewer and water related debt

Sources: Population (2008-2010) were obtained from the 2000 census
Population (2011-2017) 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 2008-2017



**Ratio of General Obligation Debt Service to
Total General Expenditures**

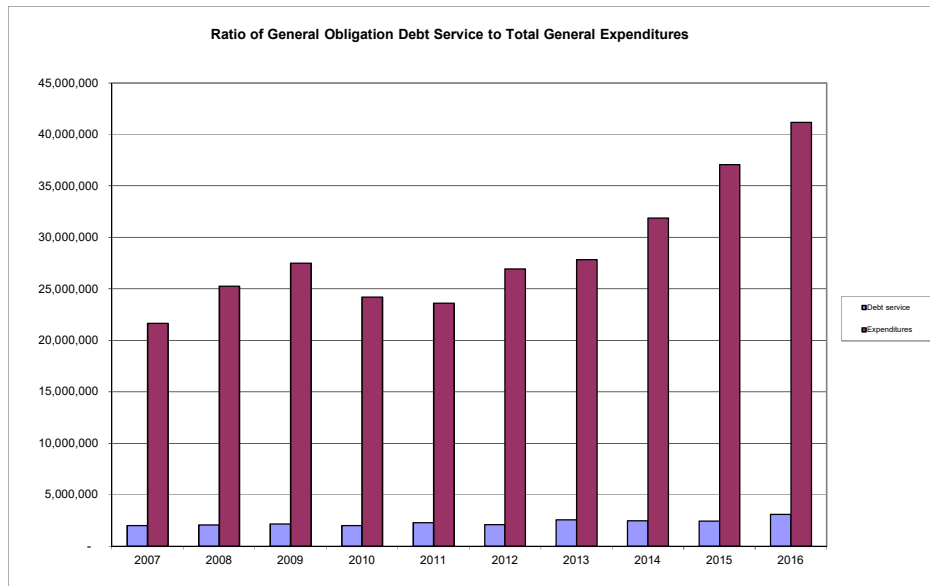
Last Ten Fiscal Years

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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>
Debt service	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	3,088,000
Expenditures	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	41,158,000
Ratio of general debt service to total general expenditures	9.23%	8.18%	7.82%	8.20%	9.70%	7.77%	9.22%	7.71%	6.59%	7.50%

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, 2017

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<u>Taxpayer</u>	<u>Type of Business</u>	<u>Estimated Equalized Full Value</u>	<u>Percentage of Equalized Full Value</u>
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%
Total		\$ 89,645,653	17.43%

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.

