

***CITY OF OLEAN, NEW YORK***

***FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION***

***FOR THE  
FISCAL YEAR ENDED MAY 31, 2018  
WITH INDEPENDENT AUDITOR'S REPORT***

**CITY OF OLEAN, NEW YORK**

**MAY 31, 2018**

**TABLE OF CONTENTS**

|   | <b><u>Page</u></b> |
|---|--------------------|
| <b>Independent Auditors' Report</b> .....   | 1-2                |
| <b>Management's Discussion and Analysis</b> .....   | 3-9                |
| <b>Government-wide Financial Statements</b>   |                    |
| Statements of Net Position.....   | 10                 |
| Statements of Activities.....   | 11                 |
| <b>Financial Statements</b>   |                    |
| Combined Balance Sheets - All Governmental Funds.....   | 12                 |
| Combined Statements of Revenues, Expenditures and Changes in<br>Fund Equity - All Governmental Funds.....                     | 13                 |
| Statement of Revenue and Expenditures<br>Budget and Actual – General Fund.....  | 14                 |
| Statement of Revenue and Expenditures<br>Budget and Actual – Special Revenue Funds.....                                       | 15                 |
| Statement of Revenue and Expenditures<br>Budget and Actual-Debt Service Fund.....   | 16                 |
| Statements of Net Position – Fiduciary Fund.....  | 17                 |
| Reconciliation of Governmental Balance Sheet to the Statement of Net Assets.....  | 18                 |
| Reconciliation of Governmental Funds Revenues, Expenditures and Changes in<br>Fund Equity to the Statement of Activities..... | 19                 |
| <b>Notes to the Financial Statements</b> .....  | 20-40              |
| <b>Supplementary Information</b>  |                    |
| <b>General Fund</b>   |                    |
| Comparative Balance Sheets – General Fund.....  | 41                 |
| Comparative Statements of Revenues, Expenditures<br>And Changes In Fund Equity – General Fund.....                            | 42                 |
| <b>Special Revenue Funds</b>  |                    |
| Combining Balance Sheet – All Special Revenue Funds.....  | 43                 |
| Combining Statement of Revenues, Expenditures<br>And Changes In Fund Equity – All Special Revenue Funds.....                  | 44                 |
| Comparative Balance Sheets – Special Revenue Funds.....   | 45                 |
| Comparative Statements of Revenue, Expenditures<br>And Changes In Fund Equity – Special Revenue Funds.....                    | 46                 |

**CITY OF OLEAN, NEW YORK**

**MAY 31, 2018**

**TABLE OF CONTENTS**

**Supplementary Information (continued)**

**Water Fund**

|   |    |
|---|----|
| Comparative Balance Sheets – Water Fund.....  | 47 |
| Comparative Statements of Revenue, Expenditures<br>And Changes In Fund Equity – Water Fund..... | 48 |
| Statement of Revenue and Expenditures<br>– Budget and Actual – Water Fund.....                  | 49 |

**Sewer Fund**

|   |    |
|---|----|
| Comparative Balance Sheets – Sewer Fund.....  | 50 |
| Comparative Statement of Revenues, Expenditures<br>And Changes In Fund Equity – Sewer Fund..... | 51 |
| Statement of Revenue and Expenditures<br>– Budget and Actual – Sewer Fund.....                  | 52 |

**Revolving Loan Fund**

|  |    |
|--|----|
| Comparative Balance Sheets – Revolving Loan Fund.....  | 53 |
| Comparative Statements of Revenue, Expenditures<br>And Changes In Fund Equity – Revolving Loan Fund..... | 54 |

**Housing Rehabilitation Fund**

|  |    |
|--|----|
| Comparative Balance Sheets – Housing Rehabilitation Fund.....  | 55 |
| Comparative Statements of Revenue, Expenditures<br>And Changes in Fund Equity – Housing Rehabilitation Fund..... | 56 |

**First Time Homebuyers Fund**

|  |    |
|--|----|
| Comparative Balance Sheets – First Time Homebuyers Fund.....   | 57 |
| Comparative Statement of Revenue, Expenditures And<br>Changes in Fund Equity – First Time Homebuyers Fund..... | 58 |

**Capital Projects Fund**

|  |    |
|--|----|
| Comparative Balance Sheets – Capital Projects Fund.....  | 59 |
| Comparative Statements of Revenue, Expenditures<br>And Changes in Fund Equity – Capital Projects Fund..... | 60 |
| Balance Sheet – Capital Projects Fund – By Project.....  | 61 |
| Schedule of Expenditures – Capital Projects Fund – By Project.....   | 62 |

**Debt Service Fund**

|  |    |
|--|----|
| Comparative Balance Sheets – Debt Service Fund.....  | 63 |
| Comparative Statements of Revenue, Expenditures<br>And Changes in Fund Equity – Debt Service Fund..... | 64 |

**CITY OF OLEAN, NEW YORK**

**MAY 31, 2018**

**TABLE OF CONTENTS**

**Supplementary Information (continued)**

**Agency Fund**

|   |    |
|---|----|
| Comparative Balance Sheets – Agency Fund.....                               | 65 |
| Schedule of Cash Receipts, Disbursements and Balances<br>– Agency Fund..... | 66 |

**Other Schedules**

|  |    |
|--|----|
| Schedule of Changes in the City's Net<br>OPEB Liability and Related Ratios.....  | 67 |
| Schedule of City Contributions - OPEB.....   | 68 |
| Schedule of City's Proportionate Share of the Net Pension<br>Liability – New York State and Local' Employees' Retirement<br>System (NYSERS) and New York State and Local Police and<br>Fire Retirement System (NYSPFRS)..... | 69 |
| Schedule of the City's Contributions – New York State and Local Employees' Retirement<br>System (NYSERS) and New York State and Local Police and<br>Fire Retirement System (NYSPFRS).....                                    | 70 |

**Federal Awards**

|   |    |
|---|----|
| Schedule of Expenditures of Federal Awards..... | 71 |
|---|----|

**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"**

72-73

**Schedule of Findings and Questioned Costs.....**

74-76

**Schedule of Prior Year Findings and Questioned Costs.....**

77

**State Transportation Assistance**

|  |    |
|--|----|
| Schedule of State Transportation Assistance Expended ..... | 78 |
|--|----|

|   |    |
|---|----|
| Notes to Schedule of State Transportation Assistance Expended ..... | 79 |
|---|----|

**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"**

80-81

**Schedule of Findings and Questioned Costs - State Transportation Assistance Expended .....**

82-85

**Management Letter .....**

86-89

**CITY OF OLEAN, NEW YORK**

**MAY 31, 2018**

**TABLE OF CONTENTS**

**Supplementary Information (continued)**

**Statistical Information**

|  |    |
|--|----|
| General Governmental Expenditures by Function                        |    |
| – Last Ten Fiscal Years.....   | 90 |
| General Governmental Revenues by Source – Last Ten Fiscal Years..... | 91 |
| Fund Balance History – General Fund – Last Ten Fiscal Years.....     | 92 |
| Assessed and Equalized Full Value of Taxable Property                |    |
| – Last Ten Fiscal Years.....   | 93 |
| Ratio of General Bonded Debt to Assessed Value and Net               |    |
| Bonded Debt per Capita – Last Ten Fiscal Years.....                  | 94 |
| Ratio of General Obligation Debt Service to Total General            |    |
| Expenditures – Last Ten Fiscal Years.....                            | 95 |
| Principal Taxpayers.....   | 96 |



## **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 and each major fund of the *City of Olean, New York* as of and for the year ended May 31, 2018, and the related notes to the financial statements which collectively comprise the *City of Olean, New York's* basic financial statements as listed in the accompanying table of contents. We have also audited the fiduciary funds of the *City of Olean, New York*, as of May 31, 2018 as displayed in the City's basic financial statements.

### **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, each major fund and the aggregate remaining fund information of the *City of Olean, New York* as of May 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As discussed in Note 8 to the financial statements, the City implemented Government Accounting Standards Board Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the current fiscal year which resulted in a prior period adjustment. Our opinion is not modified with respect to this matter.

## Report on Summarized Comparative Information

We have previously audited the [City of Olean, New York's](#) May 31, 2017 financial statements, and our report dated December 8, 2017, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund and aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2017, 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 (pages 3 through 9), budgetary comparison information (pages 40 through 41), schedule of changes in the City's net OPEB liability and related ratios (page 66), schedule of City contributions – OPEB (page 67), the schedule of the City's contributions for defined benefit pension plans (page 68), and schedule of the City's share of the net pension asset/liability (page 69), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming 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 supplementary information 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 February 8, 2019, 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  
February 8, 2019**

**CITY OF OLEAN, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2018**

**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, 2018. 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, 2018:

- Overall net assets of the City increased from operations during the current year in the amount of \$1,837,000, as compared to an increase of \$4,532,000 during the prior fiscal year.
- Total net assets of the City as of May 31, 2018 amounted to approximately \$49,854,000.
- The City's total revenue decreased approximately 9% from \$29,149,000 during the fiscal year ended May 31, 2017 to \$26,551,000 during the fiscal year ended May 31, 2018. 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 from \$24,617,000 during fiscal year ended May 31, 2017 to \$24,714,000 during the fiscal year ended May 31, 2018. This increase was primarily related to increases in general government support and culture and recreation offset by decreases in home and community and economic development.
- The City incurred capital costs in the amount of approximately \$9,180,000 primarily related to work performed on the waste water treatment plant and the recreation center.
- The general fund reported an overall fund balance of approximately \$2,401,000 as of May 31, 2018.

**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, 2018**

**Page 4**

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

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

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

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

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

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

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

The City has two kinds of funds:

**1. Governmental Funds**

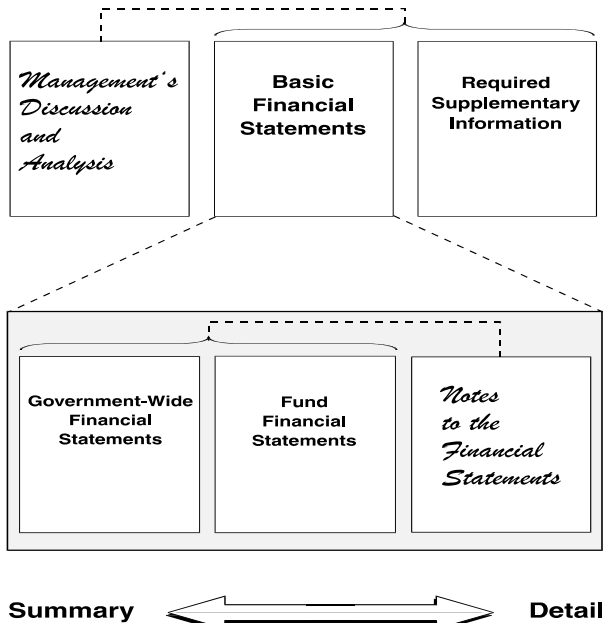
Most of the City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending.

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

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

|  | Government-wide  | Fund Financial Statements   |   |
|--|--|---|---|
|  |  | Governmental Funds  | Fiduciary Funds   |
| Scope                                  | Entire government (except fiduciary funds)   | The activities of the government that are not proprietary or fiduciary, such as special education and building maintenance  | Instances in which the government administers resources on behalf of someone else.  |
| Required financial statements          | Statement of Net Assets<br>Statement of Activities                                     | Balance Sheet<br>Statement of Revenue, Expenditures, and Changes in Fund Balances   | Statement of Fiduciary Net Assets<br>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 \$1,837,000 or 4%. The components of net position include: invested in capital assets, net of related debt of \$45,805,000; restricted net position of \$1,933,000; and unrestricted net position of \$2,116,000 as of May 31, 2018.

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

**Changes in Net Assets**

The City's total government-wide revenue was \$26,551,000. Approximately 27%, 17%, and 47% of total revenue is derived from the property taxes, non-property taxes and program revenue, respectively. The remaining 9% comes from state sources, use of money and property, sales of property and compensation for loss and other revenue sources.

The total cost of all programs and services of the City was \$24,714,000 for the fiscal year ended May 31, 2018. The City's expenses cover a range of services, with 11%, 26%, 15%, 19%, and 22% 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 27% of the City's total revenue for governmental activities. Total property taxes increased approximately \$38,000 or 1% during the current fiscal year.
- One of the City's most significant general revenue is non-property taxes, which represents \$4,511,000 or 17% of total governmental revenue. Total non-property taxes decreased approximately \$1,000 or 0% as a result of an overall decrease in sales and use tax revenues.
- The City's program revenue totaled approximately \$12,441,000. Program revenue consists of charges for services in the amount of \$9,216,000, which is primarily related to revenue received in the special revenue funds of approximately \$7,574,000. 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 \$901,000, 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 \$2,324,000, which consists of grants related to the City's capital project funds. These projects include federal and state grants for the 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, 2018**

**Page 6**

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

Revenue (continued)

Total charges for services decreased approximately 0% during the current fiscal year as a result of decreases in usage. Total operating grants increased 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 55% during the current year, which was primarily related to a decrease in grants related to North Union Street Rehabilitation 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 \$24,714,000.

- The City's general governmental support was approximately \$2,742,000 or 11% of expenditures. These expenditures consist primarily of the City's main support service departments such as central garage, buildings department, clerk's office, public works department, outside professional fees and related fees and the City's general liability insurances. Total general governmental support expenses increased approximately 23% in primarily due to increases in the central garage, professional fees and depreciation.
- The City's public safety costs were approximately \$6,276,000 or 26% of total expenditures. These expenditures consist primarily of costs attributable to the fire and police departments. Total costs for public safety increased 1% during the current year related to increase in police department salaries and depreciation and was offset by a decrease in fire department salaries.

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

Expenses (continued)

- Transportation costs of the City were approximately \$3,615,000 or 15% of total expenditures. These expenditures encompass the street maintenance department including maintenance and snow removal, the airport department and street lighting expenditures. Total transportation costs increased approximately 2% during the current year related transportation costs and depreciation and was offset by decreases in the tree program and street lighting.
- The City's culture and recreation costs were approximately \$982,000 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 3% which was primarily related to an increase in adult education classes and depreciation.
- Home and community services costs were approximately \$4,759,000 or 19% of total expenditures. These expenditures are related to costs of the water and sewer funds and costs related to homebuyer and other community development projects. Total home and community services expenditures decreased approximately 3% which was related to a decrease in salaries and street materials.
- Employee benefit costs were approximately \$5,529,000 or 22% 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 decreased approximately 7% during the current fiscal year primarily as a result decreases in retirement costs related to changes in the GASB 68 study.
- During the current fiscal year, the City had debt service costs of \$696,000. 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, 2018**

**Page 7**

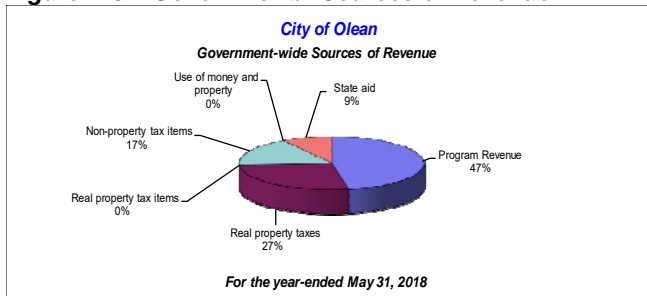
**Figure A-3 – Condensed Statement of Net Assets**

| <b>City of Olean, New York</b><br><b>Condensed Statement of Net Position</b><br><b>As of May 31, 2018</b><br><b>(in thousands of dollars)</b> |            |            |        |
|---|------------|------------|--------|
|   | 2018       | 2017       | Change |
| <b>Assets</b>   |            |            |        |
| Current and other assets  | \$ 15,115  | \$ 17,387  | -13%   |
| Capital Assets  | 92,167     | 86,479     | 7%     |
| Total assets  | 107,282    | 103,866    | -6%    |
| <b>Deferred Outflows of Resources</b>   |            |            |        |
| Deferred outflows related to pensions and OPEB  | 4,355      | 3,379      | 29%    |
| Deferred outflows of resources and assets   | \$ 111,637 | \$ 107,245 | 4%     |
| <b>Liabilities</b>  |            |            |        |
| Other liabilities   | \$ 7,661   | \$ 27,460  | -72%   |
| Long-term debt outstanding  | 44,442     | 24,974     | 78%    |
| Total liabilities   | 52,103     | 52,434     | -1%    |
| <b>Deferred Inflows of Resources</b>  |            |            |        |
| Taxes collected for subsequent year   | 5,457      | 5,246      | 4%     |
| Deferred inflows related to pensions  | 4,223      | 776        | 444%   |
| Deferred inflows of resources and liabilities   | 61,783     | 58,456     | 6%     |
| <b>Net Position</b>   |            |            |        |
| Net investment in capital assets  | 45,805     | 44,158     | 4%     |
| Restricted  | 1,933      | 1,909      | 1%     |
| Unrestricted  | 2,116      | 2,722      | -22%   |
| Total net position  | 49,854     | 48,789     | 2%     |
| Total liabilities and net position  | \$ 111,637 | \$ 107,245 | 4%     |

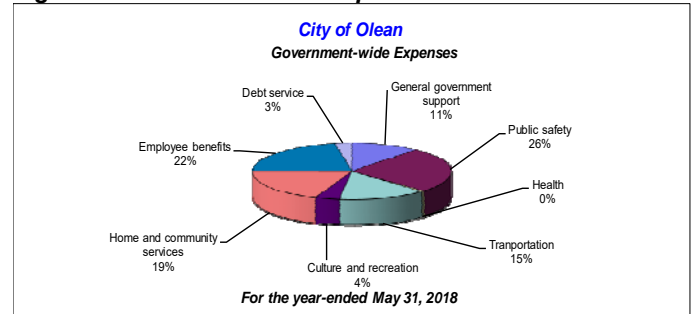
**Figure A-4 – Condensed Statement of Activities**

| <b>City of Olean, New York</b><br><b>Condensed Statement of Activities</b><br><b>For the Year Ended May 31, 2018</b><br><b>(in thousands of dollars)</b> |                 |                 |        |
|--|-----------------|-----------------|--------|
|  | 2018            | 2017            | Change |
| <b>Revenue</b>   |                 |                 |        |
| Program Revenue  |                 |                 |        |
| Charges for services   | \$ 9,216        | \$ 9,219        | 0%     |
| Operating grants   | 901             | 722             | 25%    |
| Capital grants & contributions   | 2,324           | 5,193           | -55%   |
| General Revenue  |                 |                 |        |
| Real property taxes  | 7,085           | 7,047           | 1%     |
| Special assessment tax - real property   | 13              | 15              | -16%   |
| Real property tax items  | 86              | 59              | 45%    |
| Non-property tax items   | 4,511           | 4,512           | 0%     |
| Use of money and property  | 5               | 62              | -93%   |
| Miscellaneous local sources  | 65              | -               | n/a    |
| State aid  | 2,345           | 2,320           | 1%     |
| Total revenue  | 26,551          | 29,149          | -9%    |
| <b>Expenses</b>  |                 |                 |        |
| General government support   | 2,742           | 2,236           | 23%    |
| Public safety  | 6,276           | 6,212           | 1%     |
| Health   | 115             | 126             | -9%    |
| Transportation   | 3,615           | 3,545           | 2%     |
| Economic development   | -               | 15              | 0%     |
| Culture and recreation   | 982             | 950             | 3%     |
| Home and community services  | 4,759           | 4,908           | -3%    |
| Employee benefits  | 5,529           | 5,942           | -7%    |
| Debt service   | 696             | 683             | 2%     |
| Total expenses   | 24,714          | 24,617          | 0%     |
| <b>Change in net position</b>  | <b>\$ 1,837</b> | <b>\$ 4,532</b> |        |

**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 \$447,000 during the year ended May 31, 2018.
- The City's general fund unassigned fund balance equated to approximately \$2,331,000 as of May 31, 2018.
- The City had an assigned fund balance as of May 31, 2018, which approximated \$70,000.
- The total assets for the City's general fund were \$9,135,000 which decreased approximately \$576,000 during the current year, primarily related to a decrease in due from other funds as of May 31, 2018. The City's general fund liabilities and deferred inflows as of May 31, 2018 were \$6,734,000 which decreased approximately \$128,000 during the current fiscal year, primarily related to a decrease in accrued liabilities.

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

General Fund (continued)

- The City's total revenue and other sources in the general fund increased approximately \$192,000 during the current year as a result of an increase in real property tax and federal Section 5311 aid. Total expenditures and other uses in the general fund decreased approximately \$5,000 or 0% which was primarily related to decreases in public safety and transportation. That decrease was offset by an increase in operating transfers out to the debt service and capital funds.

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 \$7,771,000 which increased \$65,000 primarily related to increases in departmental income in the water fund and intergovernmental charges. Total expenditures and other uses were \$7,690,000 which increased \$405,000. This increase primarily related to increases in operating transfers out to the debt service fund.

Debt Service Fund

- The City's current fiscal year revenue and other sources were \$3,513,000 which increased approximately \$424,000. Expenditures during the current year amounted to \$3,463,000 which increased approximately \$375,000.

Capital Projects Fund

- During the current year, the City incurred total costs in the capital projects fund in the amount of \$9,498,000. Such costs were primarily related to costs associated with the Waste Water Treatment Plant (\$3,146,000), Recreation Center (\$3,056,000) and North Union Street Rehabilitation (\$1,034,000). No other project exceeded \$1 million in expenditures during the year ending May 31, 2018.

**VI. General Fund Budgetary Highlight**

As shown in figure A-7, over the course of the year, the City makes certain budget transfers. After such transfers, the revised budget presents actual expenditures being approximately \$208,000 above the revised budget. The most significant variances was in the areas of general government support and transfers to other funds which were above budget by approximately \$288,000 and \$142,000, respectively. Culture and recreation was approximately \$193,000 below budget. On the other hand, resources available for appropriations were approximately \$122,000 above the final budgeted amount. Significant variances of revenue items consisted of federal aid which was approximately \$305,000 above that budgeted. That was offset by non-property tax items which was approximately \$99,000 below the revised budget.

**VII. Capital Asset and Debt Administration**

Capital Assets

As of May 31, 2018, the City had a net investment of \$92,167,000 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, 2018, totaled approximately \$9,180,000 and consisted primarily of costs associated with Waste Water Treatment Plant, Recreation Center, North Union Street, 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, 2018, the City had approximately \$44,442,000 in serial bonds, capital leases, EFC notes, bond anticipation notes, compensated absences, retirement incentives, environmental liability and other long-term debt outstanding. Also contributing to the increase was the implementation of GASB 75 related to other post-employment benefits.

**CITY OF OLEAN, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2018**

**Page 9**

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

| <b>City of Olean, New York</b><br><b>Budget vs Actual - General Fund</b><br><b>For the Year Ended May 31, 2018</b><br><b>(in thousands of dollars)</b> |                       |                  |                   |  |
|--|-----------------------|------------------|-------------------|--|
| <b>Revenue</b>   | <b>Revised Budget</b> | <b>Actual</b>    | <b>Difference</b> |  |
| Real property taxes  | \$ 7,085              | \$ 7,085         | \$ -              |  |
| Special assessment tax - real property   | 16                    | 13               | (3)               |  |
| Real property tax items  | 83                    | 87               | 4                 |  |
| Non-property tax items   | 4,610                 | 4,460            | (150)             |  |
| Departmental income  | 1,226                 | 1,194            | (32)              |  |
| Intergovernmental charges  | 226                   | 131              | (95)              |  |
| Use of money and property  | 6                     | 7                | 1                 |  |
| Licenses and permits   | 54                    | 44               | (10)              |  |
| Fines and forfeitures  | 46                    | 52               | 6                 |  |
| Sales of property and comp for loss  | 12                    | -                | (12)              |  |
| BAN premium  | 50                    | -                | (50)              |  |
| State aid  | 2,904                 | 2,941            | 37                |  |
| Federal aid  | -                     | 305              | 305               |  |
| <b>Total revenue</b>   | <b>\$ 16,318</b>      | <b>\$ 16,319</b> | <b>\$ 1</b>       |  |
| <b>Expenses</b>  |                       |                  |                   |  |
| General government support   | \$ 2,052              | \$ 2,340         | \$ (288)          |  |
| Public safety  | 5,354                 | 5,423            | (69)              |  |
| Health   | 42                    | 44               | (2)               |  |
| Transportation   | 2,237                 | 2,239            | (2)               |  |
| Economic development   | 2                     | 2                | -                 |  |
| Culture and recreation   | 1,057                 | 864              | 193               |  |
| Home and community services  | 199                   | 173              | 26                |  |
| Employee benefits  | 4,288                 | 4,152            | 136               |  |
| Other financing uses   |                       |                  |                   |  |
| Transfer to other funds  | 1,449                 | 1,600            | (151)             |  |
| <b>Total expenses</b>  | <b>\$ 16,680</b>      | <b>\$ 16,837</b> | <b>\$ (157)</b>   |  |

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

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

- NYS has imposed a 2.00% property tax cap on all municipalities as it relates to the 2018-19 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 2018-19 fiscal year the Council adopted a budget with 2.00% tax increase.
- 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 was able to provide \$1 million towards the project via Restore NY funding administered by Empire State Development.

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

- 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. All grant funds have been received for this project.
- The City is near completion on the construction of a new \$22 million wastewater treatment plant and expects completion during the 18-19 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 in early 2019. 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.
- In September 2017, Governor Cuomo announced the City of Olean as the winner of \$10 million for the Western NY Region under the Downtown Revitalization Initiative (DRI). The DRI Local Planning Committee reviewed projects requesting funding and made recommendations to the state. In July 2018, the Governor announced 12 transformational projects that will receive DRI funding and leverage private and public funds. The projects will highlight historic properties, improve streetscapes and invite new economic growth.
- The City expects to break ground in 2019 on the \$1.25 million Downtown Farmers' Market Project and it has committed \$230,000 in funding on this place making project. The City was awarded \$220,000 from Empire State Development, \$200,000 from Cattaraugus County and \$600,000 from Senator Young secured funds towards implementation and construction.

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

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

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

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

**Page 10**

| <b>Assets</b>   | <b>2018</b>    | <b>2017</b>    |
|---|----------------|----------------|
| Cash on hand  | \$ 1,565       | \$ 1,565       |
| Cash on deposit   |                |                |
| Regular accounts  | 9,898,201      | 13,045,523     |
| Receivables   |                |                |
| Refuse and garbage  | 1,869          | 1,869          |
| Special assessment  | 1,882          | 1,882          |
| Accounts receivable   | 1,787,227      | 1,539,899      |
| Due from other funds  | 8,586          | 494,048        |
| State, Federal and other governments                          | 1,566,374      | 1,447,840      |
| Revolving loans receivable                                    | 379,556        | 342,889        |
| First Time Homebuyers loans receivable                        | 79,747         | 131,762        |
| Rehabilitation loans receivable                               | 229            | 229            |
| Cash to be used for capital assets                            | 1,389,556      | 379,857        |
| Capital assets, net   | 92,167,271     | 86,478,588     |
| Total assets  | 107,282,063    | 103,865,951    |
| <b>Deferred Outflows of Resources</b>                         |                |                |
| Deferred outflows related to pensions                         | 4,225,590      | 3,378,912      |
| Deferred outflows related to OPEB                             | 129,670        | -              |
| Total assets and deferred outflows of resources               | \$ 111,637,323 | \$ 107,244,863 |
| <b>Liabilities</b>  |                |                |
| Payables  |                |                |
| Accounts payable  | \$ 1,057,134   | \$ 750,004     |
| Accrued liabilities   | 483,095        | 998,796        |
| Due to employee retirement system                             | 272,666        | 293,333        |
| Other liabilities   | 25,096         | 61,986         |
| Unearned revenue  | 459,532        | 474,880        |
| Bond anticipation notes and short term notes payable          | 5,363,405      | 24,881,346     |
| Long-term liabilities   |                |                |
| Portion due or payable within one year                        |                |                |
| NYS EFC notes payable   | 335,000        | 325,000        |
| Serial bonds payable  | 1,999,900      | 1,295,000      |
| Capital leases  | 151,219        | 210,717        |
| Environmental liability                                       | 125,000        | 125,000        |
| Retirement incentive  | -              | 5,000          |
| Compensated absences  | 35,000         | 35,000         |
| Portion due or payable after one year                         |                |                |
| NYS EFC notes payable   | 3,215,000      | 3,550,000      |
| Serial bonds payable  | 35,083,040     | 14,285,000     |
| Capital leases  | 621,804        | 773,023        |
| Retirement incentive  | -              | 2,000          |
| Compensated absences  | 224,845        | 182,943        |
| Net pension liability - NYS Employee's Retirement System      | 549,318        | 1,552,496      |
| Net pension liability - NYS Police and Fire Retirement System | 1,229,433      | 2,610,506      |
| Other-post employment benefits                                | 872,362        | 21,855         |
| Total liabilities   | 52,102,849     | 52,433,885     |
| <b>Deferred Inflows of Resources</b>                          |                |                |
| Deferred inflows related to pensions                          | 4,223,186      | 775,623        |
| Taxes collected for subsequent year                           | 5,457,251      | 5,246,016      |
| Total liabilities and deferred inflows of resources           | 61,783,286     | 58,455,524     |
| <b>Net Position</b>   |                |                |
| Net investment in capital assets                              | 45,804,476     | 44,157,735     |
| Restricted for  |                |                |
| Debt service  | 496,819        | 446,383        |
| Capital   | 1,436,466      | 1,462,314      |
| Unrestricted:   |                |                |
| Designated  | 443,014        | 710,042        |
| Undesignated  | 1,673,262      | 2,012,865      |
| Total net position  | 49,854,037     | 48,789,339     |
| Total liabilities and net position                            | \$ 111,637,323 | \$ 107,244,863 |

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

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

**Page 11**

|   | Program Revenues |                      |                  |                                | 2018  | 2017  |
|---|------------------|----------------------|------------------|--------------------------------|---|---|
|   | Expenses         | Charges for Services | Operating Grants | Capital Grants & Contributions | Net (Expense) Revenue and Changes in Net Position | Net (Expense) Revenue and Changes in Net Position |
| <b>Functions/Programs</b>               |                  |                      |                  |                                |   |   |
| General government support              | \$ 2,742,358     | \$ 252,724           | \$ -             | \$ 111,218                     | \$ (2,378,416)                                    | \$ (1,836,215)                                    |
| Public safety                           | 6,275,557        | 114,822              | 115,559          | 2,453                          | (6,042,723)                                       | (5,989,491)                                       |
| Health                                  | 115,284          | 712,580              | -                | -                              | 597,296   | 560,398   |
| Transportation                          | 3,614,355        | 351,973              | 785,893          | 481,335                        | (1,995,154)                                       | (1,243,039)                                       |
| Economic development                    | 224              | 15,448               | -                | -                              | 15,224  | (345)   |
| Culture and recreation                  | 982,296          | 200,378              | -                | 1,788                          | (780,130)   | (695,873)   |
| Home and community services             | 4,758,978        | 5,814,867            | -                | 1,726,793                      | 2,782,682   | 4,577,870   |
| Employee benefits                       | 5,529,189        | 1,752,844            | -                | -                              | (3,776,345)                                       | (4,173,187)                                       |
| Debt service - interest & issuance fees | 695,876          | -                    | -                | -                              | (695,876)   | (682,793)   |
| Total functions and programs            | \$ 24,714,117    | \$ 9,215,636         | \$ 901,452       | \$ 2,323,587                   | (12,273,442)                                      | (9,482,675)                                       |
| <b>General Revenues</b>                 |                  |                      |                  |                                |   |   |
| Real property taxes                     |                  |                      |                  |                                | 7,084,585   | 7,047,178   |
| Special assessment tax - real property  |                  |                      |                  |                                | 13,011  | 14,427  |
| Real property tax items                 |                  |                      |                  |                                | 86,539  | 58,821  |
| Non-property tax items                  |                  |                      |                  |                                | 4,510,854   | 4,512,374   |
| BAN premium                             |                  |                      |                  |                                | -   | 58,405  |
| Use of money and property               |                  |                      |                  |                                | 5,503   | 3,284   |
| Miscellaneous local sources             |                  |                      |                  |                                | 65,199  | -   |
| State aid                               |                  |                      |                  |                                | 2,345,018   | 2,319,883   |
| Total general revenues                  |                  |                      |                  |                                | 14,110,709  | 14,014,372  |
| <b>Change in net position</b>           |                  |                      |                  |                                | 1,837,267   | 4,531,697   |
| Net position - beginning of year        |                  |                      |                  |                                | 48,789,339  | 44,257,642  |
| Prior period adjustment                 |                  |                      |                  |                                | (772,569)   | -   |
| <b>Net position - end of year</b>       |                  |                      |                  |                                | \$ 49,854,037                                     | \$ 48,789,339                                     |

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

**Page 12**

|   | Major Funds         |                     |                     |                     |                             | Non-Major<br>Funds          | 2018                 | 2017                 |
|---|---------------------|---------------------|---------------------|---------------------|-----------------------------|-----------------------------|----------------------|----------------------|
|   | General             | Water               | Sewer               | Debt<br>Service     | Capital<br>Project<br>Funds | Special<br>Revenue<br>Funds | (Memo only)<br>Total | (Memo only)<br>Total |
| <b>Assets</b>   |                     |                     |                     |                     |                             |                             |                      |                      |
| Cash on hand  | \$ 1,525            | \$ 40               | \$ -                | \$ -                | \$ -                        | \$ -                        | \$ 1,565             | \$ 1,565             |
| Cash on deposit   |                     |                     |                     |                     |                             |                             |                      |                      |
| Regular accounts  | 7,826,090           | 342,510             | 1,598,064           | 613,778             | 753,722                     | 153,593                     | 11,287,757           | 13,425,380           |
| Receivables   |                     |                     |                     |                     |                             |                             |                      |                      |
| Refuse and garbage  | 1,869               | -                   | -                   | -                   | -                           | -                           | 1,869                | 1,869                |
| Special assessment  | 1,882               | -                   | -                   | -                   | -                           | -                           | 1,882                | 1,882                |
| Accounts receivable   | 298,391             | 731,393             | 757,443             | -                   | -                           | -                           | 1,787,227            | 1,539,899            |
| Due from other funds  | 28,517              | 125,993             | 338,072             | 548,614             | 713,286                     | 1,000                       | 1,755,482            | 7,178,943            |
| Advances to other funds   | 223,124             | -                   | -                   | -                   | -                           | -                           | 223,124              | 280,830              |
| State, Federal and other governments  | 754,014             | 229,570             | 229,570             | -                   | 353,220                     | -                           | 1,566,374            | 1,447,840            |
| Revolving loans receivable  | -                   | -                   | -                   | -                   | -                           | 379,556                     | 379,556              | 342,889              |
| First Time Homebuyers loans receivable                                      | -                   | -                   | -                   | -                   | -                           | 79,747                      | 79,747               | 131,762              |
| Rehabilitation loans receivable   | -                   | -                   | -                   | -                   | -                           | 229                         | 229                  | 229                  |
| <b>Total assets</b>   | <b>\$ 9,135,412</b> | <b>\$ 1,429,506</b> | <b>\$ 2,923,149</b> | <b>\$ 1,162,392</b> | <b>\$ 1,820,228</b>         | <b>\$ 614,125</b>           | <b>\$ 17,084,812</b> | <b>\$ 24,353,088</b> |
| <b>Liabilities</b>  |                     |                     |                     |                     |                             |                             |                      |                      |
| Accounts payable  | \$ 375,159          | \$ 38,044           | \$ 51,438           | \$ -                | \$ 589,944                  | \$ 2,549                    | \$ 1,057,134         | \$ 750,004           |
| Accrued liabilities   | 242,309             | 16,483              | 17,245              | -                   | 40,566                      | -                           | 316,603              | 811,236              |
| Due to other funds  | 406,356             | 286,634             | 309,881             | 665,573             | 77,452                      | 1,000                       | 1,746,896            | 6,684,895            |
| Advances from other funds   | -                   | 149,718             | 73,406              | -                   | -                           | -                           | 223,124              | 280,830              |
| Due to employee retirement systems  | 231,000             | 20,833              | 20,833              | -                   | -                           | -                           | 272,666              | 293,333              |
| Other liabilities   | 21,904              | 3,192               | -                   | -                   | -                           | -                           | 25,096               | 61,986               |
| Unearned revenue  | -                   | -                   | -                   | -                   | -                           | 459,532                     | 459,532              | 474,880              |
| Bond anticipation notes - construction                                      | -                   | -                   | -                   | -                   | 5,363,405                   | -                           | 5,363,405            | 24,881,346           |
| <b>Total liabilities</b>  | <b>1,276,728</b>    | <b>514,904</b>      | <b>472,803</b>      | <b>665,573</b>      | <b>6,071,367</b>            | <b>463,081</b>              | <b>9,464,456</b>     | <b>34,238,510</b>    |
| <b>Deferred Inflows of Resources</b>  |                     |                     |                     |                     |                             |                             |                      |                      |
| Taxes collected for subsequent year   | 5,457,251           | -                   | -                   | -                   | -                           | -                           | 5,457,251            | 5,246,016            |
| <b>Fund Equity</b>  |                     |                     |                     |                     |                             |                             |                      |                      |
| Restricted  | -                   | -                   | -                   | 496,819             | 1,436,466                   | -                           | 1,933,285            | 1,908,697            |
| Assigned  | 70,395              | 914,602             | 2,450,346           | -                   | -                           | 151,044                     | 3,586,387            | 3,797,121            |
| Unassigned (deficit)  | 2,331,038           | -                   | -                   | -                   | (5,687,605)                 | -                           | (3,356,567)          | (20,837,256)         |
| <b>Total fund equity (deficit)</b>  | <b>2,401,433</b>    | <b>914,602</b>      | <b>2,450,346</b>    | <b>496,819</b>      | <b>(4,251,139)</b>          | <b>151,044</b>              | <b>2,163,105</b>     | <b>(15,131,438)</b>  |
| <b>Total liabilities, deferred inflows<br/>of resources and fund equity</b> | <b>\$ 9,135,412</b> | <b>\$ 1,429,506</b> | <b>\$ 2,923,149</b> | <b>\$ 1,162,392</b> | <b>\$ 1,820,228</b>         | <b>\$ 614,125</b>           | <b>\$ 17,084,812</b> | <b>\$ 24,353,088</b> |

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

**CITY OF OLEAN, NEW YORK****COMBINED STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND EQUITY-  
ALL GOVERNMENTAL FUNDS  
FOR THE FISCAL YEARS ENDED MAY 31,****Page 13**

| Revenue  | Major Funds         |                    |                     |                    |                             | Non-Major<br>Funds          | 2018<br>(Memo only)<br>Total | 2017<br>(Memo only)<br>Total |
|--|---------------------|--------------------|---------------------|--------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
|  | General             | Water              | Sewer               | Debt<br>Service    | Capital<br>Project<br>Funds | Special<br>Revenue<br>Funds |                              |                              |
| Real property taxes  | \$ 7,084,585        | \$ -               | \$ -                | \$ -               | \$ -                        | \$ -                        | \$ 7,084,585                 | \$ 7,047,178                 |
| Special assessment tax - real property   | 13,011              | -                  | -                   | -                  | -                           | -                           | 13,011                       | 14,427                       |
| Real property tax items  | 86,539              | -                  | -                   | -                  | -                           | -                           | 86,539                       | 58,821                       |
| Non-property tax items   | 4,510,854           | -                  | -                   | -                  | -                           | -                           | 4,510,854                    | 4,512,374                    |
| Departmental income  | 1,254,022           | 3,650,258          | 3,589,798           | -                  | -                           | 157,991                     | 8,652,069                    | 8,647,522                    |
| Intergovernmental charges  | 130,502             | -                  | 329,564             | -                  | -                           | -                           | 460,066                      | 441,242                      |
| Use of money and property  | 6,761               | -                  | -                   | 385                | 259                         | 365                         | 7,770                        | 7,740                        |
| Licenses and permits   | 44,324              | -                  | -                   | -                  | -                           | -                           | 44,324                       | 64,557                       |
| Fines and forfeitures  | 52,438              | -                  | -                   | -                  | -                           | -                           | 52,438                       | 48,740                       |
| Sale of property & compensation for loss   | 207                 | 4,264              | -                   | -                  | -                           | -                           | 4,471                        | 12,726                       |
| Miscellaneous local sources  | -                   | -                  | -                   | 65,199             | 533,479                     | -                           | 598,678                      | 248,647                      |
| State aid  | 2,941,057           | -                  | -                   | -                  | 1,766,147                   | -                           | 4,707,204                    | 5,757,335                    |
| Federal aid  | 305,413             | -                  | -                   | -                  | 23,962                      | -                           | 329,375                      | 2,228,886                    |
| <b>Total revenue</b>   | <b>16,429,713</b>   | <b>3,654,522</b>   | <b>3,919,362</b>    | <b>65,584</b>      | <b>2,323,847</b>            | <b>158,356</b>              | <b>26,551,384</b>            | <b>29,090,195</b>            |
| <b>Expenditures</b>  |                     |                    |                     |                    |                             |                             |                              |                              |
| General government support   | 2,339,602           | 78,208             | 60,459              | -                  | 413,394                     | -                           | 2,891,663                    | 2,910,102                    |
| Public safety  | 5,422,834           | -                  | -                   | -                  | 9,119                       | -                           | 5,431,953                    | 5,842,432                    |
| Health   | 104,041             | -                  | -                   | -                  | -                           | -                           | 104,041                      | 115,039                      |
| Transportation   | 2,238,533           | -                  | -                   | -                  | 1,789,107                   | -                           | 4,027,640                    | 6,708,618                    |
| Economic development   | 1,900               | -                  | -                   | -                  | -                           | -                           | 1,900                        | 15,000                       |
| Culture and recreation   | 864,379             | -                  | -                   | -                  | 367,918                     | -                           | 1,232,297                    | 959,487                      |
| Home and community services  | 172,705             | 1,712,907          | 2,059,663           | -                  | 6,418,429                   | 124,537                     | 10,488,241                   | 16,327,140                   |
| Employee benefits  | 4,151,625           | 595,285            | 582,475             | -                  | -                           | -                           | 5,329,385                    | 5,192,394                    |
| Debt service:  |                     |                    |                     |                    |                             |                             |                              |                              |
| Principal  | -                   | -                  | -                   | 2,747,080          | -                           | -                           | 2,747,080                    | 2,451,305                    |
| Interest   | -                   | -                  | -                   | 715,481            | -                           | -                           | 715,481                      | 636,653                      |
| <b>Total expenditures</b>  | <b>15,295,619</b>   | <b>2,386,400</b>   | <b>2,702,597</b>    | <b>3,462,561</b>   | <b>8,997,967</b>            | <b>124,537</b>              | <b>32,969,681</b>            | <b>41,158,170</b>            |
| <b>Excess (deficiency) of revenue over expenditures</b>  | <b>1,134,094</b>    | <b>1,268,122</b>   | <b>1,216,765</b>    | <b>(3,396,977)</b> | <b>(6,674,120)</b>          | <b>33,819</b>               | <b>(6,418,297)</b>           | <b>(12,067,975)</b>          |
| <b>Other financing sources (uses)</b>  |                     |                    |                     |                    |                             |                             |                              |                              |
| BANS redeemed from appropriations  | -                   | -                  | -                   | -                  | 304,000                     | -                           | 304,000                      | 601,000                      |
| BAN Premium  | -                   | -                  | -                   | -                  | -                           | -                           | -                            | 58,405                       |
| Proceeds from serial bonds   | -                   | -                  | -                   | -                  | 23,408,840                  | -                           | 23,408,840                   | -                            |
| Operating transfers in   | 9,866               | 34,139             | 5,000               | 3,447,413          | 1,071,263                   | -                           | 4,567,681                    | 3,498,318                    |
| Operating transfers out  | (1,591,225)         | (1,205,867)        | (1,270,145)         | -                  | (500,444)                   | -                           | (4,567,681)                  | (3,498,318)                  |
| <b>Total other financing sources (uses)</b>  | <b>(1,581,359)</b>  | <b>(1,171,728)</b> | <b>(1,265,145)</b>  | <b>3,447,413</b>   | <b>24,283,659</b>           | <b>-</b>                    | <b>23,712,840</b>            | <b>659,405</b>               |
| <b>Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses</b> | <b>(447,265)</b>    | <b>96,394</b>      | <b>(48,380)</b>     | <b>50,436</b>      | <b>17,609,539</b>           | <b>33,819</b>               | <b>17,294,543</b>            | <b>(11,408,570)</b>          |
| <b>Fund equity (deficit), beginning of year</b>  | <b>2,848,698</b>    | <b>818,208</b>     | <b>2,498,726</b>    | <b>446,383</b>     | <b>(21,860,678)</b>         | <b>117,225</b>              | <b>(15,131,438)</b>          | <b>(3,722,868)</b>           |
| <b>Fund equity (deficit), end of year</b>  | <b>\$ 2,401,433</b> | <b>\$ 914,602</b>  | <b>\$ 2,450,346</b> | <b>\$ 496,819</b>  | <b>\$ (4,251,139)</b>       | <b>\$ 151,044</b>           | <b>\$ 2,163,105</b>          | <b>\$ (15,131,438)</b>       |

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

**CITY OF OLEAN, NEW YORK**  
**STATEMENT OF REVENUE AND EXPENDITURES**  
**BUDGET AND ACTUAL – GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2018**

**Page 14**

|  | <b>Adopted<br/>Budget</b> | <b>Amended<br/>Budget</b> | <b>Actual</b>       | <b>Encumbrances</b> | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
|--|---------------------------|---------------------------|---------------------|---------------------|---|
| <b><u>Revenue</u></b>  |                           |                           |                     |                     |   |
| Real property taxes  | \$ 7,084,585              | \$ 7,084,585              | \$ 7,084,585        | \$ -                | \$ -  |
| Special assessment tax - real property   | 15,708                    | 15,708                    | 13,011              | -                   | (2,697)   |
| Real property tax items  | 83,000                    | 83,000                    | 86,539              | -                   | 3,539   |
| Non-property tax items   | 4,610,000                 | 4,610,000                 | 4,510,854           | -                   | (99,146)  |
| Departmental income  | 1,225,500                 | 1,225,500                 | 1,254,022           | -                   | 28,522  |
| Intergovernmental charges  | 226,456                   | 226,456                   | 130,502             | -                   | (95,954)  |
| Use of money and property  | 6,000                     | 6,000                     | 6,761               | -                   | 761   |
| Licenses and permits   | 53,900                    | 53,900                    | 44,324              | -                   | (9,576)   |
| Fines and forfeitures  | 46,000                    | 46,000                    | 52,438              | -                   | 6,438   |
| Sales of property and compensation for loss  | 12,000                    | 12,000                    | 207                 | -                   | (11,793)  |
| State aid  | 2,904,226                 | 2,904,226                 | 2,941,057           | -                   | 36,831  |
| Federal aid  | -                         | -                         | 305,413             | -                   | 305,413   |
| <b>Total revenue</b>   | <b>16,267,375</b>         | <b>16,267,375</b>         | <b>16,429,713</b>   | <b>-</b>            | <b>162,338</b>                                  |
| <b><u>Expenditures</u></b>   |                           |                           |                     |                     |   |
| General government support   | 2,557,625                 | 2,051,539                 | 2,339,602           | 8,310               | (296,373)                                       |
| Public safety  | 5,325,006                 | 5,354,031                 | 5,422,834           | 4,024               | (72,827)  |
| Health   | 41,990                    | 41,990                    | 104,041             | -                   | (62,051)  |
| Transportation   | 2,223,020                 | 2,237,241                 | 2,238,533           | -                   | (1,292)   |
| Economic development   | 2,000                     | 2,000                     | 1,900               | -                   | 100   |
| Culture and recreation   | 985,204                   | 1,057,104                 | 864,379             | 58,061              | 134,664   |
| Home and community services  | 173,979                   | 199,043                   | 172,705             | -                   | 26,338  |
| Employee benefits  | 4,288,420                 | 4,288,420                 | 4,151,625           | -                   | 136,795   |
| <b>Total expenditures</b>  | <b>15,597,244</b>         | <b>15,231,368</b>         | <b>15,295,619</b>   | <b>70,395</b>       | <b>(134,646)</b>                                |
| <b>Excess (deficiency) of revenue over expenditures</b>  | <b>670,131</b>            | <b>1,036,007</b>          | <b>1,134,094</b>    | <b>(70,395)</b>     | <b>27,692</b>                                   |
| <b><u>Other financing sources (uses)</u></b>   |                           |                           |                     |                     |   |
| BAN premium  | 50,000                    | 50,000                    | -                   | -                   | (50,000)  |
| Operating transfers in   | -                         | -                         | 9,866               | -                   | 9,866   |
| Operating transfers out  | (870,131)                 | (1,448,969)               | (1,591,225)         | -                   | (142,256)                                       |
| <b>Total other financing sources (uses)</b>  | <b>(820,131)</b>          | <b>(1,398,969)</b>        | <b>(1,581,359)</b>  | <b>-</b>            | <b>(182,390)</b>                                |
| <b>Excess (deficiency) of revenue and other financing<br/>sources over expenditures and other financing uses</b> | <b>\$ (150,000)</b>       | <b>\$ (362,962)</b>       | <b>\$ (447,265)</b> | <b>\$ (70,395)</b>  | <b>\$ (154,698)</b>                             |

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

**CITY OF OLEAN, NEW YORK**  
**STATEMENT OF REVENUE AND EXPENDITURES**  
**BUDGET AND ACTUAL – SPECIAL REVENUE FUND**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2018**

**Page 15**

|  | <u>(Water Fund and Sewer Fund Only)</u> |                     |                    |                     | Variance          |
|--|---|---------------------|--------------------|---------------------|-------------------|
|  | Adopted                                 | Amended             | Actual             | Encumbrances        | Favorable         |
|  | Budget                                  | Budget              |                    |                     | (Unfavorable)     |
| <b>Revenue</b>   |   |                     |                    |                     |                   |
| Departmental income  | \$ 7,309,294                            | \$ 7,309,294        | \$ 7,240,056       | \$ -                | \$ (69,238)       |
| Intergovernmental charges  | 367,500                                 | 367,500             | 329,564            | -                   | (37,936)          |
| Sales of property and compensation for loss                                      | -                                       | -                   | 4,264              | -                   | 4,264             |
| <b>Total revenue</b>   | <b>7,676,794</b>                        | <b>7,676,794</b>    | <b>7,573,884</b>   | <b>-</b>            | <b>(102,910)</b>  |
| <b>Expenditures</b>  |   |                     |                    |                     |                   |
| General government support   | 282,000                                 | 282,000             | 138,667            | -                   | 143,333           |
| Home and community services  | 4,210,200                               | 4,297,614           | 3,772,570          | 152,508             | 372,536           |
| Employee benefits  | 1,213,850                               | 1,213,850           | 1,177,760          | -                   | 36,090            |
| <b>Total expenditures</b>  | <b>5,706,050</b>                        | <b>5,793,464</b>    | <b>5,088,997</b>   | <b>152,508</b>      | <b>551,959</b>    |
| <b>Excess of revenue over expenditures</b>                                       | <b>1,970,744</b>                        | <b>1,883,330</b>    | <b>2,484,887</b>   | <b>(152,508)</b>    | <b>449,049</b>    |
| <b>Other financing sources (uses)</b>  |   |                     |                    |                     |                   |
| Operating transfers in   | -                                       | 5,000               | 39,139             |                     | 34,139            |
| Operating transfers out  | (2,230,410)                             | (2,230,410)         | (2,476,012)        | -                   | (245,602)         |
| <b>Total other financing sources (uses)</b>                                      | <b>(2,230,410)</b>                      | <b>(2,225,410)</b>  | <b>(2,436,873)</b> | <b>-</b>            | <b>(211,463)</b>  |
| <b>Excess (deficiency) of revenue over expenditures and other financing uses</b> | <b>\$ (259,666)</b>                     | <b>\$ (342,080)</b> | <b>\$ 48,014</b>   | <b>\$ (152,508)</b> | <b>\$ 237,586</b> |

**CITY OF OLEAN, NEW YORK**  
**STATEMENT OF REVENUE AND EXPENDITURES**  
**BUDGET AND ACTUAL – DEBT SERVICE FUND**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2018**

**Page 16**

|   | Adopted<br>Budget | Actual      | Encumbrances | Variance<br>Favorable<br>(Unfavorable) |
|---|-------------------|-------------|--------------|--|
| <b>Revenue</b>  |                   |             |              |  |
| Use of money and property   | \$ -              | \$ 385      | \$ -         | \$ 385                                 |
| Miscellaneous local sources   | -                 | 65,199      | -            | 65,199                                 |
| <b>Total revenue</b>  | -                 | 65,584      | -            | 65,584                                 |
| <b>Expenditures</b>   |                   |             |              |  |
| Debt service:   |                   |             |              |  |
| Principal   | 3,098,706         | 2,747,080   | -            | 351,626                                |
| Interest  | 312,214           | 715,481     | -            | (403,267)                              |
| <b>Total expenditures</b>   | 3,410,920         | 3,462,561   | -            | (51,641)                               |
| <b>Excess (deficiency) of<br/>revenue over expenditures</b>                             | (3,410,920)       | (3,396,977) | -            | 13,943                                 |
| <b>Other financing sources (uses)</b>   |                   |             |              |  |
| Operating transfers in  | 3,410,920         | 3,447,413   | -            | 36,493                                 |
| <b>Total other financing sources (uses)</b>   | 3,410,920         | 3,447,413   | -            | 36,493                                 |
| <b>Excess (deficiency) of revenue and other<br/>financing sources over expenditures</b> | \$ -              | \$ 50,436   | \$ -         | \$ 50,436                              |

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

**Page 17**

|   | 2018       | 2017       |
|---|------------|------------|
| <b>Assets</b>                                 |            |            |
| Cash on deposit                               |            |            |
| Regular accounts                              | \$ 129,115 | \$ 112,137 |
| Restricted accounts                           | 204,218    | 651,309    |
|   |            |            |
| Total assets                                  | \$ 333,333 | \$ 763,446 |
|   |            |            |
| <b>Liabilities</b>                            |            |            |
| Due to governmental activities - general fund | \$ 8,586   | \$ 494,048 |
| Other liabilities                             | 324,747    | 269,398    |
|   |            |            |
| Total liabilities                             | \$ 333,333 | \$ 763,446 |

**CITY OF OLEAN, NEW YORK**  
**RECONCILIATION OF GOVERNMENTAL BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**AS OF MAY 31, 2018**

---

|  |                     |
|--|---------------------|
| <b>Total fund balance - governmental funds</b> | <b>\$ 2,163,105</b> |
|--|---------------------|

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       | \$ 139,320,373      |            |
| Accumulated depreciation | <u>(47,153,102)</u> |            |
|                          |                     | 92,167,271 |

|   |           |
|---|-----------|
| Interest on long-term assets is not accrued in governmental funds, but rather is recognized as an expenditure when due. | (291,492) |
|---|-----------|

|   |       |
|---|-------|
| Deferred inflows and 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. | 2,404 |
|---|-------|

|   |         |
|---|---------|
| Deferred inflows and outflows of resources related to actuarial OPEB differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds OPEB expense is based on required contributions. | 129,670 |
|---|---------|

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 | (3,550,000)      |              |
| Serial Bonds payable                          | (37,082,940)     |              |
| Net pension liability                         | (1,778,751)      |              |
| Capital leases                                | (773,023)        |              |
| Other post-employment benefits                | (872,362)        |              |
| Compensated absences                          | <u>(259,845)</u> | (44,316,921) |

|  |                             |
|--|-----------------------------|
| <b>Total net position - governmental liabilities</b> | <b>\$ <u>49,854,037</u></b> |
|--|-----------------------------|

|  | Total<br>Governmental<br>Funds | Long-term<br>Assets,<br>Liabilities | Reclassifications<br>and<br>Eliminations | Statement of<br>Net Position<br>Totals |
|--|--------------------------------|-------------------------------------|--|--|
| <b>Assets</b>  |                                |                                     |  |  |
| Cash on hand   | \$ 1,565                       | \$ -                                | \$ -                                     | \$ 1,565                               |
| Cash on deposit  |                                |                                     |  |  |
| Regular accounts   | 11,287,757                     | -                                   | -  | 11,287,757                             |
| Receivables  |                                |                                     |  |  |
| Refuse and garbage   | 1,869                          | -                                   | -  | 1,869                                  |
| Special assessment   | 1,882                          | -                                   | -  | 1,882                                  |
| Accounts receivable  | 1,787,227                      | -                                   | -  | 1,787,227                              |
| Due from other funds   | 1,755,482                      | -                                   | (1,746,896)                              | 8,586                                  |
| Advances to other funds  | 223,124                        | -                                   | (223,124)                                | -                                      |
| State, Federal and other governments   | 1,566,374                      | -                                   | -  | 1,566,374                              |
| Revolving loans receivable   | 379,556                        | -                                   | -  | 379,556                                |
| First Time Homebuyers loans receivable   | 79,747                         | -                                   | -  | 79,747                                 |
| Rehabilitation loans receivable  | 229                            | -                                   | -  | 229                                    |
| Capital Assets, net  | -                              | 92,167,271                          | -  | 92,167,271                             |
| Total assets   | 17,084,812                     | 92,167,271                          | (1,970,020)                              | 107,282,063                            |
| <b>Deferred Outflows of Resources</b>  |                                |                                     |  |  |
| Deferred outflows related to pensions  | -                              | 4,225,590                           | -  | 4,225,590                              |
| Deferred outflows related to OPEB  | -                              | 129,670                             | -  | 129,670                                |
| Total assets and deferred outflows of resources                                  | \$ 17,084,812                  | \$ 96,522,531                       | \$ (1,970,020)                           | \$ 111,637,323                         |
| <b>Liabilities</b>   |                                |                                     |  |  |
| Accounts payable   | \$ 1,057,134                   | \$ -                                | \$ -                                     | \$ 1,057,134                           |
| Accrued liabilities  | 316,603                        | 291,492                             | (125,000)                                | 483,095                                |
| Due to other funds   | 1,746,896                      | -                                   | (1,746,896)                              | -                                      |
| Advances from other funds  | 223,124                        | -                                   | (223,124)                                | -                                      |
| Due to employee retirement system  | 272,666                        | -                                   | -  | 272,666                                |
| Other liabilities  | 25,096                         | -                                   | -  | 25,096                                 |
| Unearned revenue   | 459,532                        | -                                   | -  | 459,532                                |
| Net pension liability  | -                              | 1,778,751                           | -  | 1,778,751                              |
| Bond anticipation notes payable  | 5,363,405                      | -                                   | -  | 5,363,405                              |
| NYS EFC note   | -                              | 3,550,000                           | -  | 3,550,000                              |
| Serial bonds payable   | -                              | 37,082,940                          | -  | 37,082,940                             |
| Capital leases   | -                              | 773,023                             | -  | 773,023                                |
| Environmental liability  | -                              | -                                   | 125,000                                  | 125,000                                |
| Other post-employment benefits   | -                              | 872,362                             | -  | 872,362                                |
| Compensated absences   | -                              | 259,845                             | -  | 259,845                                |
| Total liabilities  | 9,464,456                      | 44,608,413                          | (1,970,020)                              | 52,102,849                             |
| <b>Deferred inflows of resources</b>   |                                |                                     |  |  |
| Deferred inflows related to pensions   | -                              | 4,223,186                           | -  | 4,223,186                              |
| Taxes collected for subsequent year  | 5,457,251                      | -                                   | -  | 5,457,251                              |
| Total liabilities and deferred inflows of resources                              | 14,921,707                     | 48,831,599                          | (1,970,020)                              | 61,783,286                             |
| <b>Fund equity/net position</b>  | 2,163,105                      | 47,690,932                          | -  | 49,854,037                             |
| Total liabilities, deferred inflows of resources<br>and fund equity/net position | \$ 17,084,812                  | \$ 96,522,531                       | \$ (1,970,020)                           | \$ 111,637,323                         |

## **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, 2018**

**Total net change in fund balances - governmental funds** **\$ 17,294,543**

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

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

|                      |                    |           |
|----------------------|--------------------|-----------|
| Capital outlays      | \$ 9,180,129       |           |
| Depreciation expense | <u>(3,491,446)</u> |           |
|                      |                    | 5,688,683 |

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. 2,745,617

Proceeds from long-term debt (including capital leases) are recorded as revenue in  
governmental funds. However in the statement of activities, proceeds from  
long-term debt is not recorded as revenue but rather the amount is recorded  
as a liability in the statement of net assets. Proceeds from long-term  
debt during the current year consisted of the following: (23,408,840)

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. (304,000)

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. 21,068

City's proportionate share of actuarial calculated pension expense and  
net amortization of deferred amounts are recorded in the statement of  
activities, whereas in the governmental funds pension expense is based  
on City's required contribution to pension plans. (216,634)

City's proportionate share of actuarial calculated OPEB expense and  
net amortization of deferred amounts are recorded in the statement of  
activities, whereas in the governmental funds OPEB expense is based  
on City's required contribution to OPEB plans. 51,732

In the statement of activities, certain operating expenses - compensated  
absences and retirement incentives 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. (34,902)

**Change in net position of governmental activities** **\$ 1,837,267**

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

|   | Total<br>Governmental<br>Funds | Capital<br>Related<br>Items | Long-term<br>Debt<br>Transactions | Reclassifications<br>and<br>Eliminations | Statement of<br>Activities<br>Total |
|---|--------------------------------|-----------------------------|-----------------------------------|--|-------------------------------------|
| <b>Revenues</b>   |                                |                             |                                   |  |                                     |
| Real property taxes                                     | \$ 7,084,585                   | \$ -                        | \$ -                              | \$ -                                     | \$ 7,084,585                        |
| Special assessment tax - real property                  | 13,011                         | -                           | -                                 | -  | 13,011                              |
| Real property tax items                                 | 86,539                         | -                           | -                                 | -  | 86,539                              |
| Non-property tax items                                  | 4,510,854                      | -                           | -                                 | -  | 4,510,854                           |
| Departmental income                                     | 8,652,069                      | -                           | -                                 | (8,652,069)                              | -                                   |
| Intergovernmental charges                               | 460,066                        | -                           | -                                 | (460,066)                                | -                                   |
| Use of money and property                               | 7,770                          | -                           | -                                 | (2,267)                                  | 5,503                               |
| Licenses and permits                                    | 44,324                         | -                           | -                                 | (44,324)                                 | -                                   |
| Fines and forfeitures                                   | 52,438                         | -                           | -                                 | (52,438)                                 | -                                   |
| Sales of property and compensation for loss             | 4,471                          | -                           | -                                 | (4,471)                                  | -                                   |
| Miscellaneous local sources                             | 598,678                        | -                           | -                                 | (533,479)                                | 65,199                              |
| State aid   | 4,707,204                      | -                           | -                                 | (2,362,186)                              | 2,345,018                           |
| Federal aid   | 329,375                        | -                           | -                                 | (329,375)                                | -                                   |
| Total revenues  | 26,551,384                     | -                           | -                                 | (12,440,675)                             | 14,110,709                          |
| <b>Expenditures/Expenses</b>                            |                                |                             |                                   |  |                                     |
| General government support                              | 2,891,663                      | (149,305)                   | -                                 | (363,942)                                | 2,378,416                           |
| Public safety   | 5,431,953                      | 843,604                     | -                                 | (232,834)                                | 6,042,723                           |
| Health  | 104,041                        | 11,243                      | -                                 | (712,580)                                | (597,296)                           |
| Transportation  | 4,027,640                      | (413,285)                   | -                                 | (1,619,201)                              | 1,995,154                           |
| Economic development                                    | 1,900                          | (1,676)                     | -                                 | (15,448)                                 | (15,224)                            |
| Culture and recreation                                  | 1,232,297                      | (250,001)                   | -                                 | (202,166)                                | 780,130                             |
| Home and community services                             | 10,488,241                     | (5,729,263)                 | -                                 | (7,541,660)                              | (2,782,682)                         |
| Employee benefits                                       | 5,329,385                      | -                           | 199,804                           | (1,752,844)                              | 3,776,345                           |
| Debt service:   |                                |                             |                                   |  |                                     |
| Principal   | 2,747,080                      | -                           | (2,745,617)                       | -  | 1,463                               |
| Interest  | 715,481                        | -                           | (21,068)                          | -  | 694,413                             |
| Total expenditures/expenses                             | 32,969,681                     | (5,688,683)                 | (2,566,881)                       | (12,440,675)                             | 12,273,442                          |
| <b>Excess (deficiency) of revenue over expenditures</b> | (6,418,297)                    | 5,688,683                   | 2,566,881                         | -  | 1,837,267                           |
| <b>Other sources and (uses)</b>                         |                                |                             |                                   |  |                                     |
| BANs redeemed from appropriations                       | 304,000                        | -                           | (304,000)                         | -  | -                                   |
| Proceeds from serial bonds - refunding                  | 23,408,840                     | -                           | (23,408,840)                      | -  | -                                   |
| Operating transfers in                                  | 4,567,681                      | -                           | -                                 | (4,567,681)                              | -                                   |
| Operating transfers out                                 | (4,567,681)                    | -                           | -                                 | 4,567,681                                | -                                   |
| Total other sources (uses)                              | 23,712,840                     | -                           | (23,712,840)                      | -  | -                                   |
| <b>Net change for the year</b>                          | \$ 17,294,543                  | \$ 5,688,683                | \$ (21,145,959)                   | \$ -                                     | \$ 1,837,267                        |

**CITY OF OLEAN, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MAY 31, 2018**

**Page 20**

**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:

Olean 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, 2018**

**Page 21**

**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, 2018**

**Page 22**

**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 May 31, 2018.

**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, 2018.

**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. As of May 31, 2018, the general, water and sewer funds had \$70,395, \$147,593 and \$4,915, respectively, recorded as encumbrances.

**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 water and sewer funds, \$150,000 and \$70,111, respectively, of fund equity has been designated as the amount estimated to be applied towards the budget for the fiscal year ending May 31, 2019.

**E. Unassigned**

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

**CITY OF OLEAN, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MAY 31, 2018**

**Page 23**

**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, 2018**

**Page 24**

**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, 2017<br>Fund Equity | Revenues and<br>Other Sources | Expenditures<br>and Other Uses | May 31, 2018<br>Fund Equity |
|---|-----------------------------|-------------------------------|--------------------------------|-----------------------------|
| Total for funds included in Budget Comparison | \$ 3,316,934                | \$ 7,613,023                  | \$ 7,565,009                   | \$ 3,364,948                |
| Funds not included in budget comparison:      |                             |                               |                                |                             |
| Revolving Loan Fund                           | 86,447                      | 124,912                       | 99,317                         | 112,042                     |
| First Time Homebuyers Fund                    | 22,390                      | 33,444                        | 25,220                         | 30,614                      |
| Housing Rehabilitation Fund                   | 8,388                       | -                             | -                              | 8,388                       |
| Total Special Revenue Funds                   | <u>\$ 3,434,159</u>         | <u>\$ 7,771,379</u>           | <u>\$ 7,689,546</u>            | <u>\$ 3,515,992</u>         |

**H. Revenue Recognition**

**1. Sales and Use Taxes**

The State of New York allocates a portion of its sales and use tax collection to all the municipalities within the State. The portion allocated to the City of Olean for 2017-2018 was \$4,126,919 as compared to \$4,154,858 for the prior fiscal year, a decrease of \$27,939. The City's General Fund Balance Sheet, as of May 31, 2018, reflects a receivable balance from Federal and State governments of \$754,014, of which, \$494,086 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<br>Threshold | Depreciation<br>Method | Estimated<br>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, 2018**

**Page 25**

**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, 2018 amounting to \$259,845 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 increases 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 three 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 related OPEB reporting in the government-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience. The third item is the City contributions to the OPEB and 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 two items that qualify for reporting in this category. The first arises only under a modified accrual basis of accounting and is reported as revenue not available - taxes 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, 2018**

**Page 26**

**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, 2018, 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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MAY 31, 2018**

**Page 27**

**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, 2018 per the bank were approximately \$11,621,000. These deposits are categorized as follows:

| Category 1 | Category 2   | Category 3 | Carrying Value |
|------------|--------------|------------|----------------|
| \$ 255,000 | \$11,366,000 | \$ -       | \$11,621,000   |

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

**A. Assets (continued)**

**2. Capital Assets**

| Governmental activities:                 | Beginning Balance 5/31/17 | Additions, Transfers and Prior Period Adjustment | Ending Balance 5/31/18 |
|--|---------------------------|--|------------------------|
| Capital assets that are not depreciated: |                           |  |                        |
| Land                                     | \$ 384,187                | \$ -   | \$ 384,187             |
| Construction in Progress                 | 41,045,786                | (12,951,676)                                     | 28,094,110             |
| Capital assets that are depreciated:     |                           |  |                        |
| Buildings and Improvements               | 67,015,342                | 21,237,837                                       | 88,253,179             |
| Furniture and Equipment                  | 14,338,639                | 600,269  | 14,938,908             |
| Vehicles                                 | 7,356,290                 | 293,699  | 7,649,989              |
| Total historical Cost                    | 130,140,244               | \$ 9,180,129                                     | 139,320,373            |
| Less:                                    |                           |  |                        |
| Accumulated depreciation:                | 43,661,656                | \$ 3,491,446                                     | 47,153,102             |
| Total net book Value                     | \$ 86,478,588             |  | \$ 92,167,271          |

**Depreciation expense:**

|                              |                     |
|------------------------------|---------------------|
| General governmental support | \$ 520,990          |
| Public safety                | 895,904             |
| Health                       | 11,243              |
| Transportation               | 731,822             |
| Economic development         | -                   |
| Culture and recreation       | 158,117             |
| Home and community services  | 1,173,370           |
|                              | <u>\$ 3,491,446</u> |

**CITY OF OLEAN, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MAY 31, 2018**

**Page 28**

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

**A. Assets (continued)**

**3. Receivables**

Receivables at May 31, 2018 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            | \$ 259,928          |
| General Fund              | Due from Federal & State - NYS sales tax    | 494,086             |
| General Fund              | Other receivables                           | 302,142             |
| Special Revenue:          |   |                     |
| Water Fund                | Accounts receivable - water rents and meter | 731,393             |
| Water Fund                | Due from other government                   | 229,570             |
| Sewer Fund                | Accounts receivable - sewer rents           | 757,443             |
| Sewer Fund                | Due from other government                   | 229,570             |
| Community Development:    |   |                     |
| Revolving Loan            | Loan receivable                             | 379,556             |
| 1 <sup>st</sup> Time Home | Loan receivable                             | 79,747              |
| Housing Rehab             | Loan receivable                             | 229                 |
| Capital Projects          | Due from Federal & State - various projects | 353,220             |
|                           |   | <u>\$ 3,816,884</u> |

**B. Liabilities**

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

Deferred Inflows of resources and unearned revenue at May 31, 2018 recorded in governmental fund were as follows:

|                           | General Fund        | Special Revenue Fund |
|---------------------------|---------------------|----------------------|
| <u>Deferred inflows</u>   |                     |                      |
| Real property taxes       | \$ 5,425,369        | \$ -                 |
| Bartlett Donation         | 30,000              | -                    |
| Special assessment taxes  | 1,882               | -                    |
|                           | <u>\$ 5,457,251</u> | <u>\$ -</u>          |
| <u>Unearned revenue</u>   |                     |                      |
| Revolving loans           | -                   | \$ 379,556           |
| Housing Rehab             | -                   | 229                  |
| 1 <sup>st</sup> Time Home | -                   | 79,747               |
|                           | <u>\$ -</u>         | <u>\$ 459,532</u>    |

Deferred inflows of resources related to real property taxes reflect collections during May 2018 for real property taxes levied on May 1 for the 2018-2019 fiscal year. Deferred inflows from special assessment taxes consist of levies on property owners to be collected after May 31, 2018. Installments on special assessments are due over a period of 5 to 10 years. Revenue from revolving loans is collected over a period of 5 to 20 years.

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

**B. Liabilities (continued)**

**2. Pension Plans**

**a. Plan Descriptions and Benefits Provided**

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

**b. Contributions**

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

**CITY OF OLEAN, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MAY 31, 2018**

**Page 29**

**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, | 2018 | \$ 592,035 | \$ 1,069,888 |
|         | 2017 | 598,107    | 1,100,545    |
|         | 2016 | 752,381    | 969,106      |

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, 2018.

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, 2018, 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, 2018 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, 2018 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  | \$ 195,924                     | \$ 506,022   | \$ 1,574,858                  | \$ 2,004,040 |
| Changes of assumptions  | 364,243                        | 931,518      | -                             | -            |
| Net difference between projected and actual earnings on pension plan investments                                | 797,841                        | 995,082      | 161,904                       | 326,688      |
| Changes in proportion and differences between the City's contributions and proportionate share of contributions | 32,407                         | 129,887      | 125,914                       | 29,782       |
| City's contributions subsequent to the measurement date   | 94,666                         | 178,000      | -                             | -            |
| Total   | \$ 1,485,081                   | \$ 2,740,509 | \$ 1,862,676                  | \$ 2,360,510 |

**CITY OF OLEAN, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MAY 31, 2018**

**Page 30**

**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)**

| Measurement date   | ERS<br>3/31/18 | PFRS<br>3/31/18 |
|--|----------------|-----------------|
| Net pension liability                                    | \$ 549,318     | \$ 1,229,433    |
| City's portion of the Plan's total net pension liability | .0170202%      | .1216349%       |

For the year ended May 31, 2018, the City's recognized pension expense of \$631,683 for ERS and \$1,226,209 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, 2019. 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: |            |            |
| 2019        | \$ 179,844 | \$ 481,524 |
| 2020        | 65,402     | 275,422    |
| 2021        | (427,434)  | (249,598)  |
| 2022        | (195,407)  | (171,577)  |
| 2023        | -          | 44,228     |
| 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         | 3/31/18                          | 3/31/18                          |
| Actuarial valuation date | 4/1/17                           | 4/1/17                           |
| Interest rate            | 7%                               | 7%                               |
| Salary scale             | 3.8% average<br>4/1/10 – 3/31/15 | 3.8% average<br>4/1/10 – 3/31/15 |
|                          | System's<br>Experience           | System's<br>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:

**CITY OF OLEAN, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MAY 31, 2018**

**Page 31**

**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<br>3/31/18 | Expected Rate of Return<br>3/31/18 | PFRS<br>3/31/18 | Expected Rate of Return<br>3/31/18 |
|------------------------------|----------------|------------------------------------|-----------------|------------------------------------|
| Asset Type:                  |                |                                    |                 |                                    |
| Domestic Equity              | 36%            | 4.55%                              | 36%             | 4.55%                              |
| International Equity         | 14%            | 6.35%                              | 14%             | 6.35%                              |
| Private Equity               | 10%            | 7.50%                              | 10%             | 7.50%                              |
| Real Estate                  | 10%            | 5.55%                              | 10%             | 5.55%                              |
| Absolute return strategies   | 2%             | 3.75%                              | 2%              | 3.75%                              |
| Opportunistic                |                | 5.68%                              |                 | 5.68%                              |
| polio                        | 3%             |                                    | 3%              |                                    |
| Real assets                  | 3%             | 5.29%                              | 3%              | 5.29%                              |
| 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%<br>Decrease<br>(6%) | Current<br>Assumption<br>(7%) | 1%<br>Increase<br>(8%) |
|---|------------------------|-------------------------------|------------------------|
| ERS   |                        |                               |                        |
| Employer's proportionate share of the net pension (asset)/liability | \$ 4,156,288           | \$ 549,318                    | \$ (2,502,035)         |
| PFRS  |                        |                               |                        |
| Employer's proportionate share of the net pension (asset)/liability | \$ 6,022,095           | \$ 1,229,433                  | \$ (2,790,486)         |

**h. Pension Plan Fiduciary Net Position**

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

| Measurement date  | ERS<br>3/31/18 | PFRS<br>3/31/18 |
|---|----------------|-----------------|
| Employers' total pension liability                                  | \$ 183,400,590 | \$ 32,914,423   |
| Plan Net Position   | \$ 180,173,145 | \$ 31,903,666   |
| Employers' net pension liability                                    | \$ 3,224,445   | \$ 1,010,757    |
| Ratio of plan net position to be Employers' total pension liability | 98.24%         | 96.93%          |

**CITY OF OLEAN, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MAY 31, 2018**

**Page 32**

**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, 2018 represent the projected employer contribution for the period of April 1, 2018 through May 31, 2018 based on paid ERS and PFRS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2018 for ERS and PFRS amounted to \$94,666 and \$178,000, respectively.

**3. Other Post-Employment Benefits**

**a. General Information about the OPEB Plan**

**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.

**Benefits Provided**

Benefits are only provided to previously retired managers. The City will contribute most (85% or 100%) of the medical premium amounts for individual and family (dependent) coverage for all eligible retirees, with the exception of one individual, for whom the City contributes 50%.

**Employees Covered by Benefit Terms**

At May 31, 2018, the following employees were covered by the benefit terms:

|                                      |          |
|--------------------------------------|----------|
| Retirees employees or beneficiaries  |          |
| Currently receiving benefit payments | 6        |
| Active employees                     | -        |
|                                      | <u>6</u> |

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

**B. Liabilities (continued)**

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

**b. Total OPEB Liability**

The City's total OPEB liability of \$872,362 was measured as of June 1, 2017 for the fiscal year ending May 31, 2018.

**Actuarial Assumptions and Other Inputs**

The total OPEB liability was valued at June 1, 2017 and actuarially rolled forward to May 31, 2018. The actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

*Inflation* – 3.00%

*Salary Increase* – 3.00%

*Discount Rate* – 3.27%

*Healthcare Cost Trend Rates* – 8% healthcare cost trend rate for 2018, decreasing to 5% for 2025 and later.

*Retirees' Share of Benefit-Related Costs* – Benefits are only provided to previously retired managers. Varies based on contract. Generally the City pays 85%-100% of the medical premium amounts for individual and family (dependent) coverage for all eligible retirees, with the exception of one individual, for whom the City contributes 50%.

The discount rate was based on S&P Municipal Bond 20 year High Grade Bond index rate.

Mortality rates were based on the RPH-2014 Total Dataset Mortality Table.

The actuarial assumptions for the June 1, 2017 valuation were based on the actuarial experience study for the period June 1, 2016 – June 1, 2017.

**c. Changes in the Total OPEB Liability**

|  |    |                 |
|--|----|-----------------|
| Service Cost                                       | \$ | -               |
| Interest   |    | 27,268          |
| Differences between expected and actual experience |    | 50,670          |
| Changes in assumptions                             |    | -               |
| Benefit payments                                   |    | <u>(78,942)</u> |
| Net changes  |    | (1,004)         |
| Net OPEB liability – beginning of year             |    | 21,855          |
| Prior period adjustment                            |    | <u>851,511</u>  |
| Net OPEB liability – end of year                   | \$ | <u>872,362</u>  |

**CITY OF OLEAN, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MAY 31, 2018**

**Page 33**

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

**B. Liabilities (continued)**

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

**c. Changes in the Total OPEB Liability (continued)**

Sensitivity of the Total OPEB Liability to changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% point lower (2.27%) or 1% point higher (4.27%) than the current discount rate:

|                      | 1%<br>Decrease<br>(2.27%) | Discount<br>Rate<br>(3.27%) | 1%<br>Increase<br>(4.27%) |
|----------------------|---------------------------|-----------------------------|---------------------------|
| Total OPEB liability | \$ 900,278                | \$ 872,362                  | \$ 844,446                |

Sensitivity of the Total OPEB Liability to changes in the Healthcare Trend Costs

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare trend costs that are 1% point lower (7%-4%) or 1% point higher (9%-6%) than the current discount rate:

|                      | 1%<br>Decrease<br>(4%-7%) | Discount<br>Rate<br>(5%-8%) | 1%<br>Increase<br>(6%-9%) |
|----------------------|---------------------------|-----------------------------|---------------------------|
| Total OPEB liability | \$ 822,637                | \$ 872,362                  | \$ 926,448                |

**d. OPEB Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to OPEB**

For the year ended May 31, 2018, the City recognized OPEB expense of \$27,268. At May 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between Expected and actual experience | \$ 50,670                            | \$ -                                |
| Changes of assumptions or other inputs             | -                                    | -                                   |
| Benefits paid subsequent to measurement period     | 79,000                               | -                                   |
| Total  | \$ 129,670                           | \$ -                                |

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

**B. Liabilities (continued)**

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

**d. OPEB Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to OPEB (continued)**

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

| Year Ending<br>May 31 | Total     |
|-----------------------|-----------|
| 2019                  | \$ 79,000 |
| 2020                  | -         |
| 2021                  | -         |
| 2022                  | -         |
| 2023                  | -         |
| Thereafter            | -         |
| Total                 | \$ 79,000 |

**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.

**CITY OF OLEAN, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MAY 31, 2018**

**Page 34**

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

**B. Liabilities (continued)**

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

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

In June, 2016, the *City of Olean, New York* issued bond anticipation note 2016 in the amount of \$8,299,000. The note matured on June 15, 2017 and carried a 2.0% interest rate. The proceeds from this short-term issuance were utilized to refinance the bond anticipation note 2015.

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 refinance the bond anticipation note 2016.

The City's bond anticipation notes outstanding as of May 31, 2018 are as follows:

| Description                    | Amount              | Interest Rate |
|--------------------------------|---------------------|---------------|
| <b>Short Term Note Payable</b> |                     |               |
| EFC Waste Water Treatment      | \$ 1,228,405        | 0.00%         |
| <b>Bond Anticipation Notes</b> |                     |               |
| William O Smith Rec Center     | 4,135,000           | 2.25%         |
| <b>Totals</b>                  | <b>\$ 5,363,405</b> |               |

**b. Revenue Anticipation Notes**

Liabilities for Revenue Anticipation Notes Payable (RANs) are generally accounted for as a current liability of the fund that will actually receive the proceeds from issuance of the notes. RANs are short-term municipal debt obligations used to resolve cash flow deficits. They are secured by anticipated collections of fines, license fees, interest income, assessments, user fees, grant funds or other non-tax revenues. The note may not extend more than one year beyond the original date of issue. There were no revenue anticipation notes issued during the fiscal years ended May 31, 2018 and 2017.

**c. Short-Term Debt Interest**

Interest expense on short term indebtedness totaled \$152,055 for the year ended May 31, 2018. \$134,803 and \$17,252 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, 2018 the total outstanding indebtedness of the City aggregated \$35,300,640 (including bond anticipation notes and revenue anticipation notes). Of this amount, \$12,066,515 is subject to the constitutional debt limit and represented approximately 34.18% 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.

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.

In November, 2017, the *City of Olean, New York* issued EFC serial bonds 2017 in the amount of \$3,250,000. The bond matures on February 1, 2047 and carries a 0.9-3.9% interest rate. The proceeds from this issuance were utilized to refund a portion of the EFC short term note payable.

In November, 2017, the *City of Olean, New York* issued EFC serial bonds 2017 in the amount of \$15,174,840. The bond matures on February 1, 2047 and is an interest free bond. The proceeds from this issuance were utilized to refund a portion of the EFC short term note payable.

**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 energy upgrades, a low emissivity ceiling, energy efficient motor replacement, a pump, VFD, and control upgrades to be used throughout various buildings.

**CITY OF OLEAN, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MAY 31, 2018**

**Page 35**

**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 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, 2018 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 \$67,023. The Sewer Fund paid principal and interest for the year ended May 31, 2018.

**e. Summary Long-Term Debt**

The following is a summary of bonds outstanding as of May 31, 2018:

|                                     | <u>Issued</u> | <u>Original Amount</u> | <u>Interest Rate</u> | <u>Final Maturity</u> | <u>Outstanding May 31, 2018</u> |
|-------------------------------------|---------------|------------------------|----------------------|-----------------------|---------------------------------|
| General Fund                        |               |                        |                      |                       |                                 |
| Public Improvement Bond             | 08/10         | 870,000                | Various              | 08/20                 | \$ 74,379                       |
| Deficit Financing Bond              | 08/10         | 1,444,070              | Various              | 08/20                 | 123,530                         |
| Public Improvement Bond             | 08/12         | 9,250,000              | Various              | 08/33                 | 7,305,000                       |
| Public Improvement Bond             | 06/17         | 4,984,000              | Various              | 06/34                 | 4,984,000                       |
| Special Revenue Funds               |               |                        |                      |                       |                                 |
| Water Filtration Plant-Ref.         | 10/12         | 2,060,000              | Various              | 10/32                 | 1,650,000                       |
| Water Filtration Plant              | 07/03         | 1,809,453              | Various              | 07/23                 | 640,000                         |
| Water Reservoir                     | 07/03         | 4,665,163              | Various              | 07/24                 | 1,900,000                       |
| Water Filtration Plant              | 05/13         | 5,868,000              | Various              | 08/38                 | 4,415,000                       |
| 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                 | 27,811                          |
| Sewer Fund –Various                 | 08/09         | 580,000                | Various              | 08/19                 | 75,000                          |
| Sewer Fund – Catch Basin            | 08/10         | 585,000                | Various              | 08/20                 | 200,000                         |
| Sewer Fund – Deficit Financing Bond | 08/10         | 227,990                | Various              | 08/20                 | 19,280                          |
| Sewer Fund – Public Imp             | 08/12         | 1,731,059              | Various              | 08/33                 | 1,280,000                       |
| Sewer Fund - SRF                    | 09/17         | 3,250,000              | Various              | 08/47                 | 3,145,000                       |
| Sewer Fund - SRF                    | 09/17         | 15,174,840             | 0%                   | 02/47                 | 14,668,940                      |
| Total                               |               |                        |                      |                       | <u>\$ 40,632,940</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 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 \$49,378. The General Fund paid principal and interest for the year ended May 31, 2018.

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 \$31,533 during the fiscal year ended May 31, 2018.

**CITY OF OLEAN, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MAY 31, 2018**

**Page 36**

**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, 2018:

|                                   | Payable at<br>June 1, 2017 | Additions     | Reductions   | Balance at<br>May 31, 2018 |
|-----------------------------------|----------------------------|---------------|--------------|----------------------------|
| Bonds                             | \$ 11,010,000              | \$ 23,408,840 | \$ 1,750,900 | \$ 32,667,940              |
| EFC Grid Note/Bond                | 1,735,000                  | -             | 85,000       | 1,650,000                  |
| EFC Grid Bond                     | 2,140,000                  | -             | 240,000      | 1,900,000                  |
| RD Bond                           | 4,570,000                  | -             | 155,000      | 4,415,000                  |
| Subtotal                          | 19,455,000                 | 23,408,840    | 2,230,900    | 40,632,940                 |
| Environmental Liability           | 125,000                    | -             | -            | 125,000                    |
| Retirement Incentive              | 7,000                      | -             | 7,000        | -                          |
| Compensated Absences              | 217,943                    | 41,902        | -            | 259,845                    |
| Net pension liabilities           | 4,163,002                  | -             | 2,384,251    | 1,778,751                  |
| Other Post-Employment<br>Benefits | 21,855                     | 850,507       | -            | 872,362                    |
| Capital Leases                    | 983,740                    | -             | 210,717      | 773,023                    |
|                                   | 5,518,540                  | 892,409       | 2,601,968    | 3,808,981                  |
|                                   | \$ 24,973,540              | \$ 24,301,249 | \$ 4,832,868 | \$ 44,441,921              |

**g. Long-Term Debt Interest**

Interest expense on long term indebtedness totaled \$563,426 for the year ended May 31, 2018, all of which was recorded in the debt service fund and consisted of \$532,557 of interest on bonds and notes and \$30,869 on leases.

**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, 2018:

| Year Ending<br>May 31 | Total        | Principal     | Interest     |
|-----------------------|--------------|---------------|--------------|
| 2019                  | \$ 2,909,391 | \$ 2,334,900  | \$ 574,491   |
| 2020                  | 2,864,490    | 2,330,900     | 533,590      |
| 2021                  | 2,757,513    | 2,263,740     | 493,773      |
| 2022                  | 2,609,178    | 2,150,900     | 458,278      |
| 2023                  | 2,545,793    | 2,120,900     | 424,893      |
| 2024-2028             | 11,555,601   | 9,859,500     | 1,696,101    |
| 2029-2033             | 9,957,175    | 9,094,500     | 862,675      |
| 2034-2038             | 4,800,083    | 4,479,500     | 320,583      |
| 2039-2043             | 3,530,230    | 3,434,500     | 95,730       |
| 2044-2047             | 2,590,736    | 2,563,600     | 27,136       |
| Total                 | \$46,120,190 | \$ 40,632,940 | \$ 5,487,250 |

**h. Maturity (continued)**

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

| Year Ending<br>May 31 | Total      | Principal  | Interest  |
|-----------------------|------------|------------|-----------|
| 2019                  | \$ 176,033 | \$ 151,219 | \$ 24,814 |
| 2020                  | 176,032    | 158,017    | 18,015    |
| 2021                  | 126,653    | 115,842    | 10,811    |
| 2022                  | 95,119     | 91,018     | 4,101     |
| 2023                  | 97,501     | 97,501     | -         |
| 2024                  | 159,426    | 159,426    | -         |
| Total                 | \$ 830,764 | \$ 773,023 | \$ 57,741 |

**CITY OF OLEAN, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MAY 31, 2018**

**Page 37**

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

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

Interfund receivables and payables at May 31, 2018 and interfund transactions during the fiscal year ended May 31, 2018 were as follows:

|  | Due From<br>Other Funds | Due to Other<br>Funds | Long-Term<br>Advances<br>Receivable | Long-Term<br>Advances<br>Payable | Interfund<br>Revenue | Interfund<br>Expenditures |
|--|-------------------------|-----------------------|-------------------------------------|----------------------------------|----------------------|---------------------------|
| General Fund                               | \$ 28,517               | \$ 406,356            | \$ 223,124                          | \$ -                             | \$ 9,866             | \$ 1,591,225              |
| Capital Projects Fund                      | 713,286                 | 77,452                | -                                   | -                                | 1,071,263            | 500,444                   |
| Agency Fund                                | -                       | 8,586                 | -                                   | -                                | -                    | -                         |
| Debt Service Fund                          | 548,614                 | 665,573               | -                                   | -                                | 3,447,413            | -                         |
| Sewer Fund                                 | 338,072                 | 309,881               | -                                   | 73,406                           | 5,000                | 1,270,145                 |
| Water Fund                                 | 125,993                 | 286,634               | -                                   | 149,718                          | 34,139               | 1,205,867                 |
| First Time Homebuyer<br>Housing Rehab Fund | -<br>1,000              | 1,000<br>-            | -                                   | -                                | -                    | -                         |
| Totals                                     | <u>\$ 1,755,482</u>     | <u>\$ 1,755,482</u>   | <u>\$ 223,124</u>                   | <u>\$ 223,124</u>                | <u>\$ 4,567,681</u>  | <u>\$ 4,567,681</u>       |

During the current year, the General, Water, and Sewer funds transferred \$906,414, \$1,085,191, and \$1,175,958, respectively to the Debt Service Fund to pay for the City's long-term debt obligations.

The General, Water and Sewer funds also transferred \$674,945, \$120,676 and \$94,187, respectively to the City's Capital Projects fund for costs associated with vehicle replacement, north union street project, sidewalk replacement and the closing of older projects.

The Capital Projects fund transferred \$34,139 and \$5,000 to the Water and Sewer funds, respectively, related to the closing of older projects and \$9,866 to the general fund to pay for tree removal costs. Lastly, the City's capital projects transferred \$279,850 from the capital projects to the debt service fund related to closing of older projects that were originally financed through the issuance of bonds. In addition, \$171,589 certain projects were closed out by transferring funds from projects with left over funds to capital projects with deficits.

**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, 2018**

**Page 38**

**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 will expire on May 31, 2022.

**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, 2018, for the estimated costs associated with this Order. It is not known at this time whether other remediation costs will be necessary.

In 2001, the Department of Environmental Conservation (DEC) issued an Order of Consent regarding violations of the City's State Pollutant Discharge Elimination System (SPDES). The Order was subsequently amended in 2003, 2005 and 2014. The 2014 Order on Consent includes a schedule of compliance which sets forth dates for various plans of action concerning the wastewater treatment plant improvements, SPDES permit compliance, collection system improvements and inflow and infiltration elimination and reporting.

A master plan was developed in 2005 to address the items outlined in the initial Order, which was later revised by the City and a third-party engineering firm in 2014 and 2016 and contains two volumes. The first volume contains one element, Treatment Plant Improvements, of which the City is in the final phases of completion. The second volume contains elements two through six consisting of the following action items:

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

**F. Environmental (continued)**

Element 2 – Inceptor Improvements  
Element 3 – Pump Station Improvements  
Element 4 – Sanitary Sewer Asset Management  
Element 5 – Storm Sewer Asset Management Program  
Element 6 – Sewer Use Ordinance Enforcement

Each element contains numerous components, some of which have been completed or partially completed, while others are scheduled to be completed in future years through year 2042. Estimated costs to be incurred for the components outlined in Element 2 total approximately \$6.2 million, plus costs to be determined at a later date for long-term inceptor rehabilitation projects scheduled to be completed in 2037 and 2042. Costs to be incurred in Element 2 are capital in nature and the City anticipates issuing future debt or receiving grants to finance such projects.

The City anticipates budgeting \$250,000 annually through 2044 for costs associated with Element 4 related to on-going investigation and maintenance and incurred costs in the current year in the amount of approximately \$233,000.

Cost estimates for those components not completed in Elements 3, 5 and 6 have not been determined.

It is not possible at this time to estimate the costs to be incurred by the City or the timing of events of Elements 2 through 6 and therefore these costs have not been recognized in the Statement of Net Assets or Statement of Activities.

**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 \$988,000 was paid during prior fiscal years. The remaining \$7,000 was recognized during the current fiscal year ended May 31, 2018.

**CITY OF OLEAN, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MAY 31, 2018**

Page 39

**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<br>during the year<br>ended<br>May 31, 2018 |
|---------------|-----------|--|
| Corporation A | 2011-2026 | \$ 5,404   |
| Corporation B | 2011-2026 | 2,664  |
| Corporation C | 2012-2027 | 4,435  |
| Corporation D | 2013-2028 | 56,704   |
| Corporation E | 2015-2030 | 2,637  |
| Corporation F | 2016-2031 | 1,457  |
| Corporation G | 2016-2031 | 2,550  |
| Corporation H | 2008-2018 | 5,195  |
|               |           | <u>\$ 81,046</u>                                       |

**NOTE 6 – FUND BALANCE**

**1. Classification**

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

| Category/Fund         | Description                         | May 31, 2018        |
|-----------------------|-------------------------------------|---------------------|
| <b>Restricted:</b>    |                                     |                     |
| Debt Service          | Reserve for debt service            | <u>\$ 496,819</u>   |
| Capital               | Reserve for Capital                 | <u>\$ 1,436,466</u> |
| <b>Assigned:</b>      |                                     |                     |
| General               | Reserve for encumbrances            | <u>\$ 70,395</u>    |
| Water                 | Reserve for encumbrances            | \$ 147,593          |
|                       | Appropriated for next year's budget | 150,000             |
|                       | Special Revenue Fund Balance        | 617,009             |
|                       |                                     | <u>\$ 914,602</u>   |
| Sewer                 | Reserve for encumbrances            | \$ 4,915            |
|                       | Appropriated for next year's budget | 70,111              |
|                       | Special Revenue Fund Balance        | 2,275,320           |
|                       |                                     | <u>\$ 2,450,346</u> |
| First Time Homebuyers | Special Revenue Fund Balance        | <u>\$ 30,614</u>    |
| Housing Rehab         | Special Revenue Fund Balance        | <u>\$ 8,388</u>     |
| Revolving Loan        | Special Revenue Fund Balance        | <u>\$ 112,042</u>   |

**NOTE 6 – FUND BALANCE (CONTINUED)**

**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, 2018        |
|-----------------------------|---------------------|
| Waste Water Treatment Plant | \$ 1,299,789        |
| Recreation Center           | 3,699,049           |
| Subtotal                    | <u>\$ 4,998,838</u> |

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, 2018      |
|------------------------------|-------------------|
| Alarm                        | \$ 4,390          |
| Bradner Stadium Project      | 41,451            |
| North Union Rehabilitation * | 631,143           |
| Homer Street Playground      | 500               |
| Ladder Truck                 | 11,283            |
| Subtotal                     | <u>\$ 688,767</u> |

This amount does not include the contingent liability or the proceeds from the issuance of serial bonds as discussed in Note 7 and Note 9.

**NOTE 7 – NORTH UNION STREET PROJECT**

During September 2017, a contractor filed a notice of petition in New York State Court seeking payment alleged to be owed in connection with the North Union Street reconstruction project. In March, 2018 the State of New York Supreme Court ordered the City to pay \$1,033,571, including interest, to the contractor of which \$586,849 was paid in April 2018 from the City's general (\$431,986), water (\$90,676) and sewer funds (\$64,187), with the remaining \$446,722 paid in June 2018 from proceeds from a general obligation bond described in Note 8.

On January 16, 2019, the contractor filed a summons and complaint in New York State Supreme Court seeking payment in the amount of approximately \$287,000 plus interest alleged to be owed by the City in connection with the North Union Street reconstruction project. The City is disputing this claim and intends to vigorously defend its position.

**CITY OF OLEAN, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MAY 31, 2018**

**Page 40**

**NOTE 8 – CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT**

For the fiscal year ended May 31, 2018 the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this statement requires the City to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. GASB Statement No. 75 replaced GASB Statement 45, which also required the City to calculate and report a net other postemployment benefit obligation. However, under GASB 45 the City could amortize the OPEB liability over a period of years, whereas GASB 75 requires cities to report the entire OPEB liability on the statement of net position. At May 31, 2018, the City recorded a prior period adjustment in the amount of \$851,511 as a reduction in the City's net position as a result of this change in accounting principle.

For the fiscal year ended May 31, 2018, the City recorded a prior period adjustment in the amount of \$78,942 as an addition to the City's net position. This prior period adjustment was made to reflect the benefits paid subsequent to the measurement date as a deferred outflow of resources.

**NOTE 9 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through February 8, 2019, which is the date the financial statements were available to be issued.

In June, 2018, the **City of Olean, New York** issued bond anticipation note 2018 in the amount of \$6,024,215. The note will mature on June 13, 2019 and carries a 2.75% interest rate. The proceeds from this short-term issuance were utilized to refinance the bond anticipation note 2017 and fund the walkable Olean and bike and pedestrian trail projects.

In June 2018, the **City of Olean, New York** issued general obligation serial bonds 2018 in the amount of \$500,000. The note will mature on June 1, 2023 and carries a 2.75% interest rate. Proceeds from these bonds were utilized to pay a portion of the settlement to a contractor for the North Union Street reconstruction project.

## **SUPPLEMENTARY INFORMATION**

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE BALANCE SHEETS**  
**GENERAL FUND**  
**AS OF MAY 31, 2018 AND 2017**

**Page 41**

|   | <b>May 31<br/>2018</b> | <b>May 31<br/>2017</b> |
|---|------------------------|------------------------|
| <b>Assets</b>   |                        |                        |
| Cash on hand  | \$ 1,525               | \$ 1,525               |
| Cash on deposit   |                        |                        |
| Regular accounts  | 7,826,090              | 7,484,906              |
| Receivables   |                        |                        |
| Refuse and garbage  | 1,869                  | 1,869                  |
| Special assessment  | 1,882                  | 1,882                  |
| Accounts receivable   | 298,391                | 245,891                |
| Due from other funds  | 28,517                 | 833,090                |
| Advances to other funds   | 223,124                | 280,830                |
| State and federal   | 754,014                | 860,535                |
| <b>Total assets</b>   | <b>\$ 9,135,412</b>    | <b>\$ 9,710,528</b>    |
| <b>Liabilities, Deferred Inflows of Resources and Fund Equity</b> |                        |                        |
| <b>Liabilities</b>  |                        |                        |
| Accounts payable  | \$ 375,159             | \$ 318,561             |
| Accrued liabilities   | 242,309                | 590,587                |
| Due to other funds  | 406,356                | 435,020                |
| Due to employee retirement system                                 | 231,000                | 251,667                |
| Other liabilities   | 21,904                 | 19,979                 |
| <b>Total liabilities</b>  | <b>1,276,728</b>       | <b>1,615,814</b>       |
| <b>Deferred Inflows of Resources</b>                              |                        |                        |
| Taxes collected for subsequent year                               | 5,457,251              | 5,246,016              |
| <b>Fund Equity</b>  |                        |                        |
| Assigned  | 70,395                 | 362,962                |
| Unassigned  | 2,331,038              | 2,485,736              |
| <b>Total fund equity</b>  | <b>2,401,433</b>       | <b>2,848,698</b>       |
|   | <b>\$ 9,135,412</b>    | <b>\$ 9,710,528</b>    |

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES**  
**AND CHANGES IN FUND EQUITY**  
**GENERAL FUND**  
**FOR THE FISCAL YEARS ENDED MAY 31, 2018 AND 2017**

**Page 42**

|  | <b>May 31<br/>2018</b> | <b>May 31<br/>2017</b> |
|--|------------------------|------------------------|
| <b>Revenue</b>   |                        |                        |
| Real property taxes  | \$ 7,084,585           | \$ 7,047,178           |
| Special assessment tax - real property   | 13,011                 | 14,427                 |
| Real property tax items  | 86,539                 | 58,821                 |
| Non-property tax items   | 4,510,854              | 4,512,374              |
| Departmental income  | 1,254,022              | 1,271,247              |
| Intergovernmental charges  | 130,502                | 127,426                |
| Use of money and property  | 6,761                  | 3,723                  |
| Licenses and permits   | 44,324                 | 64,557                 |
| Fines and forfeitures  | 52,438                 | 48,740                 |
| Sales of property and compensation for loss  | 207                    | 5,995                  |
| State aid  | 2,941,057              | 2,798,491              |
| Federal aid  | 305,413                | 243,269                |
| <b>Total revenue</b>   | <b>16,429,713</b>      | <b>16,196,248</b>      |
| <b>Expenditures</b>  |                        |                        |
| General government support   | 2,339,602              | 2,271,585              |
| Public safety  | 5,422,834              | 5,728,122              |
| Health   | 104,041                | 115,039                |
| Transportation   | 2,238,533              | 2,415,722              |
| Economic development   | 1,900                  | 15,000                 |
| Culture and recreation   | 864,379                | 949,581                |
| Home and community services  | 172,705                | 175,470                |
| Employee benefits  | 4,151,625              | 4,046,044              |
| <b>Total expenditures</b>  | <b>15,295,619</b>      | <b>15,716,563</b>      |
| <b>Excess of revenue over expenditures</b>   | <b>1,134,094</b>       | <b>479,685</b>         |
| <b>Other financing sources (uses)</b>  |                        |                        |
| BAN premium  | -                      | 50,974                 |
| Operating transfers in   | 9,866                  | -                      |
| Operating transfers out  | (1,591,225)            | (1,175,557)            |
| <b>Total other financing sources (uses)</b>  | <b>(1,581,359)</b>     | <b>(1,124,583)</b>     |
| <b>Excess (deficiency) of revenue and other financing sources<br/>over expenditures and other financing uses</b> | <b>(447,265)</b>       | <b>(644,898)</b>       |
| <b>Fund equity, beginning of year</b>  | <b>2,848,698</b>       | <b>3,493,596</b>       |
| <b>Fund equity, end of year</b>  | <b>\$ 2,401,433</b>    | <b>\$ 2,848,698</b>    |

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

**CITY OF OLEAN, NEW YORK**  
**COMBINING BALANCE SHEET -**  
**ALL SPECIAL REVENUE FUNDS**  
**AS OF MAY 31, 2018**

**Page 43**

|   | Water               | Sewer               | Community Development     |                                   |                                  | (Memo only)<br>Total |
|---|---------------------|---------------------|---------------------------|-----------------------------------|----------------------------------|----------------------|
|   |                     |                     | Revolving<br>Loan<br>Fund | Housing<br>Rehabilitation<br>Fund | First Time<br>Homebuyers<br>Fund |                      |
| <b>Assets</b>                               |                     |                     |                           |                                   |                                  |                      |
| Cash on hand                                | \$ 40               | \$ -                | \$ -                      | \$ -                              | \$ -                             | \$ 40                |
| Cash on deposit                             |                     |                     |                           |                                   |                                  |                      |
| Regular accounts                            | 342,510             | 1,598,064           | 114,591                   | 7,388                             | 31,614                           | 2,094,167            |
| Receivables                                 |                     |                     |                           |                                   |                                  |                      |
| Accounts receivable                         | 731,393             | 757,443             | -                         | -                                 | -                                | 1,488,836            |
| State and Federal receivable                | 229,570             | 229,570             | -                         | -                                 | -                                | 459,140              |
| Due from other funds                        | 125,993             | 338,072             | -                         | 1,000                             | -                                | 465,065              |
| Revolving loans receivable                  | -                   | -                   | 379,556                   | -                                 | -                                | 379,556              |
| First Time Homebuyers loans receivable      | -                   | -                   | -                         | -                                 | 79,747                           | 79,747               |
| Rehabilitation loans receivable             | -                   | -                   | -                         | 229                               | -                                | 229                  |
| <b>Total assets</b>                         | <b>\$ 1,429,506</b> | <b>\$ 2,923,149</b> | <b>\$ 494,147</b>         | <b>\$ 8,617</b>                   | <b>\$ 111,361</b>                | <b>\$ 4,966,780</b>  |
| <b>Liabilities</b>                          |                     |                     |                           |                                   |                                  |                      |
| Accounts payable                            | \$ 38,044           | \$ 51,438           | \$ 2,549                  | \$ -                              | \$ -                             | \$ 92,031            |
| Accrued liabilities                         | 16,483              | 17,245              | -                         | -                                 | -                                | 33,728               |
| Due to other funds                          | 286,634             | 309,881             | -                         | -                                 | 1,000                            | 597,515              |
| Advances from other funds                   | 149,718             | 73,406              | -                         | -                                 | -                                | 223,124              |
| Other liabilities/due to retirement systems | 24,025              | 20,833              | -                         | -                                 | -                                | 44,858               |
| Unearned revenue                            | -                   | -                   | 379,556                   | 229                               | 79,747                           | 459,532              |
| <b>Total liabilities</b>                    | <b>514,904</b>      | <b>472,803</b>      | <b>382,105</b>            | <b>229</b>                        | <b>80,747</b>                    | <b>1,450,788</b>     |
| <b>Fund Equity</b>                          |                     |                     |                           |                                   |                                  |                      |
| Assigned                                    | 914,602             | 2,450,346           | 112,042                   | 8,388                             | 30,614                           | 3,515,992            |
| <b>Total fund equity</b>                    | <b>914,602</b>      | <b>2,450,346</b>    | <b>112,042</b>            | <b>8,388</b>                      | <b>30,614</b>                    | <b>3,515,992</b>     |
| <b>Total liabilities and fund equity</b>    | <b>\$ 1,429,506</b> | <b>\$ 2,923,149</b> | <b>\$ 494,147</b>         | <b>\$ 8,617</b>                   | <b>\$ 111,361</b>                | <b>\$ 4,966,780</b>  |

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

**CITY OF OLEAN, NEW YORK****COMBINING STATEMENTS OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND EQUITY – ALL SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEARS ENDED MAY 31, 2018 AND 2017****Page 44**

|  | Water              | Sewer               | Community Development     |                                   |                                  | (Memo only)<br>Total |
|--|--------------------|---------------------|---------------------------|-----------------------------------|----------------------------------|----------------------|
|  |                    |                     | Revolving<br>Loan<br>Fund | Housing<br>Rehabilitation<br>Fund | First Time<br>Homebuyers<br>Fund |                      |
| <b>Revenue</b>   |                    |                     |                           |                                   |                                  |                      |
| Departmental income  | \$ 3,650,258       | \$ 3,589,798        | \$ 124,549                | \$ -                              | \$ 33,442                        | \$ 7,398,047         |
| Intergovernmental charges  | -                  | 329,564             | -                         | -                                 | -                                | 329,564              |
| Use of money and property  | -                  | -                   | 363                       | -                                 | 2                                | 365                  |
| Sales of property & compensation for loss  | 4,264              | -                   | -                         | -                                 | -                                | 4,264                |
| <b>Total revenue</b>   | <b>3,654,522</b>   | <b>3,919,362</b>    | <b>124,912</b>            | <b>-</b>                          | <b>33,444</b>                    | <b>7,732,240</b>     |
| <b>Expenditures</b>  |                    |                     |                           |                                   |                                  |                      |
| General government support   | 78,208             | 60,459              | -                         | -                                 | -                                | 138,667              |
| Home and community services  | 1,712,907          | 2,059,663           | 99,317                    | -                                 | 25,220                           | 3,897,107            |
| Employee benefits  | 595,285            | 582,475             | -                         | -                                 | -                                | 1,177,760            |
| <b>Total expenditures</b>  | <b>2,386,400</b>   | <b>2,702,597</b>    | <b>99,317</b>             | <b>-</b>                          | <b>25,220</b>                    | <b>5,213,534</b>     |
| <b>Excess (deficiency) of revenue<br/>over expenditures</b>                          | <b>1,268,122</b>   | <b>1,216,765</b>    | <b>25,595</b>             | <b>-</b>                          | <b>8,224</b>                     | <b>2,518,706</b>     |
| <b>Other financing uses</b>  |                    |                     |                           |                                   |                                  |                      |
| Operating transfers in   | 34,139             | 5,000               | -                         | -                                 | -                                | 39,139               |
| Operating transfers out  | (1,205,867)        | (1,270,145)         | -                         | -                                 | -                                | (2,476,012)          |
| <b>Total financing uses</b>  | <b>(1,171,728)</b> | <b>(1,265,145)</b>  | <b>-</b>                  | <b>-</b>                          | <b>-</b>                         | <b>(2,436,873)</b>   |
| <b>Excess (deficiency) of revenue over<br/>expenditures and other financing uses</b> | <b>96,394</b>      | <b>(48,380)</b>     | <b>25,595</b>             | <b>-</b>                          | <b>8,224</b>                     | <b>81,833</b>        |
| <b>Fund equity, beginning of year</b>  | <b>818,208</b>     | <b>2,498,726</b>    | <b>86,447</b>             | <b>8,388</b>                      | <b>22,390</b>                    | <b>3,434,159</b>     |
| <b>Fund equity, end of year</b>  | <b>\$ 914,602</b>  | <b>\$ 2,450,346</b> | <b>\$ 112,042</b>         | <b>\$ 8,388</b>                   | <b>\$ 30,614</b>                 | <b>\$ 3,515,992</b>  |

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

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE BALANCE SHEETS**  
**SPECIAL REVENUE FUNDS**  
**AS OF MAY 31, 2018 AND 2017**

**Page 45**

|   | <b>May 31<br/>2018</b> | <b>May 31<br/>2017</b> |
|---|------------------------|------------------------|
| <b>Assets</b>                               |                        |                        |
| Cash on hand                                | \$ 40                  | \$ 40                  |
| Cash on deposit                             |                        |                        |
| Regular accounts                            | 2,094,167              | 2,324,644              |
| Accounts receivable                         | 1,488,836              | 1,346,707              |
| State and Federal receivable                | 459,140                | 342,932                |
| Due from other funds                        | 465,065                | 588,441                |
| Revolving loans receivable                  | 379,556                | 342,889                |
| First time homebuyers loans receivable      | 79,747                 | 131,762                |
| Rehabilitation loans receivable             | 229                    | 229                    |
| <b>Total assets</b>                         | <b>\$ 4,966,780</b>    | <b>\$ 5,077,644</b>    |
| <b>Liabilities</b>                          |                        |                        |
| Accounts payable                            | \$ 92,031              | \$ 230,138             |
| Accrued liabilities                         | 33,728                 | 144,074                |
| Due to other funds                          | 597,515                | 429,890                |
| Advances from other funds                   | 223,124                | 280,830                |
| Other liabilities/due to retirement systems | 44,858                 | 83,673                 |
| Unearned revenue                            | 459,532                | 474,880                |
| <b>Total liabilities</b>                    | <b>1,450,788</b>       | <b>1,643,485</b>       |
| <b>Fund Equity</b>                          |                        |                        |
| Assigned                                    | 3,515,992              | 3,434,159              |
| <b>Total fund equity</b>                    | <b>3,515,992</b>       | <b>3,434,159</b>       |
| <b>Total liabilities and fund equity</b>    | <b>\$ 4,966,780</b>    | <b>\$ 5,077,644</b>    |

**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, 2018 AND 2017****Page 46**

|   | <b>May 31<br/>2018</b> | <b>May 31<br/>2017</b> |
|---|------------------------|------------------------|
| <b>Revenue</b>  |                        |                        |
| Departmental income   | \$ 7,398,047           | \$ 7,376,275           |
| Intergovernmental charges   | 329,564                | 313,816                |
| Use of money and property   | 365                    | 2,603                  |
| Sales of property and compensation for loss   | 4,264                  | 6,731                  |
| <b>Total revenue</b>  | <b>7,732,240</b>       | <b>7,699,425</b>       |
| <b>Expenditures</b>   |                        |                        |
| General government support  | 138,667                | 133,914                |
| Home and community services   | 3,897,107              | 3,968,705              |
| Employee benefits   | 1,177,760              | 1,146,350              |
| <b>Total expenditures</b>   | <b>5,213,534</b>       | <b>5,248,969</b>       |
| <b>Excess of revenue over expenditures</b>  | <b>2,518,706</b>       | <b>2,450,456</b>       |
| <b>Other financing sources (uses)</b>   |                        |                        |
| Operating transfers in  | 39,139                 |                        |
| BAN premium   | -                      | 7,431                  |
| Operating transfers out   | (2,476,012)            | (2,035,227)            |
| <b>Total other financing uses</b>   | <b>(2,436,873)</b>     | <b>(2,027,796)</b>     |
| <b>Excess of revenue and other financing<br/>sources over expenditures and other financing uses</b> | <b>81,833</b>          | <b>422,660</b>         |
| <b>Fund equity, beginning of year</b>   | <b>3,434,159</b>       | <b>3,011,499</b>       |
| <b>Fund equity, end of year</b>   | <b>\$ 3,515,992</b>    | <b>\$ 3,434,159</b>    |

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE BALANCE SHEETS**  
**WATER FUND**  
**AS OF MAY 31, 2018 AND 2017**

**Page 47**

|   | <b>May 31<br/>2018</b> | <b>May 31<br/>2017</b> |
|---|------------------------|------------------------|
| <b>Assets</b>                               |                        |                        |
| Cash on hand                                | \$ 40                  | \$ 40                  |
| Cash on deposit                             |                        |                        |
| Regular accounts                            | 342,510                | 428,105                |
| Accounts receivable                         | 731,393                | 643,440                |
| State and Federal receivable                | 229,570                | 171,466                |
| Due from other funds                        | 125,993                | 157,101                |
| <b>Total assets</b>                         | <b>\$ 1,429,506</b>    | <b>\$ 1,400,152</b>    |
| <b>Liabilities</b>                          |                        |                        |
| Accounts payable                            | \$ 38,044              | \$ 71,871              |
| Accrued liabilities                         | 16,483                 | 79,785                 |
| Due to other funds                          | 286,634                | 285,620                |
| Advances from other funds                   | 149,718                | 123,132                |
| Other liabilities/due to retirement systems | 24,025                 | 21,536                 |
| <b>Total liabilities</b>                    | <b>514,904</b>         | <b>581,944</b>         |
| <b>Fund Equity</b>                          |                        |                        |
| Assigned                                    | 914,602                | 818,208                |
| <b>Total fund equity</b>                    | <b>914,602</b>         | <b>818,208</b>         |
| <b>Total liabilities and fund equity</b>    | <b>\$ 1,429,506</b>    | <b>\$ 1,400,152</b>    |

**CITY OF OLEAN, NEW YORK****COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND EQUITY – WATER FUND  
FOR THE FISCAL YEARS ENDED MAY 31, 2018 AND 2017****Page 48**

|   | <b>May 31<br/>2018</b> | <b>May 31<br/>2017</b> |
|---|------------------------|------------------------|
| <b>Revenue</b>  |                        |                        |
| Departmental income   | \$ 3,650,258           | \$ 3,710,884           |
| Sales of property and compensation for loss   | 4,264                  | 6,731                  |
| <b>Total revenue</b>  | <b>3,654,522</b>       | <b>3,717,615</b>       |
| <b>Expenditures</b>   |                        |                        |
| General government support  | 78,208                 | 82,591                 |
| Home and community services   | 1,712,907              | 1,895,911              |
| Employee benefits   | 595,285                | 602,725                |
| <b>Total expenditures</b>   | <b>2,386,400</b>       | <b>2,581,227</b>       |
| <b>Excess of revenue over expenditures</b>  | <b>1,268,122</b>       | <b>1,136,388</b>       |
| <b>Other financing sources (uses)</b>   |                        |                        |
| Operating transfers in  | 34,139                 | -                      |
| Operating transfers out   | (1,205,867)            | (1,107,846)            |
| <b>Total other financing sources (uses)</b>   | <b>(1,171,728)</b>     | <b>(1,107,846)</b>     |
| <b>Excess of revenue and other financing sources<br/>over expenditures and other financing uses</b> | <b>96,394</b>          | <b>28,542</b>          |
| <b>Fund equity, beginning of year</b>   | <b>818,208</b>         | <b>789,666</b>         |
| <b>Fund equity, end of year</b>   | <b>\$ 914,602</b>      | <b>\$ 818,208</b>      |

**CITY OF OLEAN, NEW YORK**  
**STATEMENT OF REVENUE AND EXPENDITURES**  
**BUDGET AND ACTUAL – WATER FUND**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2018**

**Page 49**

|  | Original<br>Budget | Amended<br>Budget   | Actual             | Encumbrances        | Variance<br>Favorable<br>(Unfavorable) |
|--|--------------------|---------------------|--------------------|---------------------|--|
| <b>Revenue</b>   |                    |                     |                    |                     |  |
| Departmental income  | \$ 3,852,500       | \$ 3,852,500        | \$ 3,650,258       | \$ -                | \$ (202,242)                           |
| Sales of property and compensation for loss  | -                  | -                   | 4,264              | -                   | 4,264                                  |
| <b>Total revenue</b>   | <u>3,852,500</u>   | <u>3,852,500</u>    | <u>3,654,522</u>   | <u>-</u>            | <u>(197,978)</u>                       |
| <b>Expenditures</b>  |                    |                     |                    |                     |  |
| General government support   | 141,000            | 141,000             | 78,208             | -                   | 62,792                                 |
| Home and community services  | 2,066,050          | 2,153,464           | 1,712,907          | 147,593             | 292,964                                |
| Employee benefits  | 647,200            | 647,200             | 595,285            | -                   | 51,915                                 |
| <b>Total expenditures</b>  | <u>2,854,250</u>   | <u>2,941,664</u>    | <u>2,386,400</u>   | <u>147,593</u>      | <u>407,671</u>                         |
| <b>Excess (deficiency) of revenue<br/>over expenditures</b>                          | <u>998,250</u>     | <u>910,836</u>      | <u>1,268,122</u>   | <u>(147,593)</u>    | <u>209,693</u>                         |
| <b>Other financing sources (uses)</b>  |                    |                     |                    |                     |  |
| Operating transfers in   | -                  | -                   | 34,139             | -                   | 34,139                                 |
| Operating transfers out  | (1,085,190)        | (1,085,190)         | (1,205,867)        | -                   | (120,677)                              |
| <b>Total other financing sources (uses)</b>  | <u>(1,085,190)</u> | <u>(1,085,190)</u>  | <u>(1,171,728)</u> | <u>-</u>            | <u>(86,538)</u>                        |
| <b>Excess (deficiency) of revenue over<br/>expenditures and other financing uses</b> | <u>\$ (86,940)</u> | <u>\$ (174,354)</u> | <u>\$ 96,394</u>   | <u>\$ (147,593)</u> | <u>\$ 123,155</u>                      |

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE BALANCE SHEETS**  
**SEWER FUND**  
**AS OF MAY 31, 2018 AND 2017**

**Page 50**

|  | <b>May 31<br/>2018</b> | <b>May 31<br/>2017</b> |
|--|------------------------|------------------------|
| <b>Assets</b>                              |                        |                        |
| Cash                                       | \$ 1,598,064           | \$ 1,777,117           |
| Accounts receivable                        | 757,443                | 703,247                |
| Advances from other funds                  | 229,570                | 171,466                |
| Due from other funds                       | 338,072                | 431,340                |
| <b>Total assets</b>                        | <b>\$ 2,923,149</b>    | <b>\$ 3,083,170</b>    |
| <b>Liabilities</b>                         |                        |                        |
| Accounts payable                           | \$ 51,438              | \$ 156,050             |
| Accrued liabilities                        | 17,245                 | 64,289                 |
| Advances from other funds                  | 73,406                 | 157,698                |
| Due to other funds                         | 309,881                | 144,270                |
| Other liabilities/due to other governments | 20,833                 | 62,137                 |
| <b>Total liabilities</b>                   | <b>472,803</b>         | <b>584,444</b>         |
| <b>Fund Equity</b>                         |                        |                        |
| Assigned                                   | 2,450,346              | 2,498,726              |
| <b>Total fund equity</b>                   | <b>2,450,346</b>       | <b>2,498,726</b>       |
| <b>Total liabilities and fund equity</b>   | <b>\$ 2,923,149</b>    | <b>\$ 3,083,170</b>    |

**CITY OF OLEAN, NEW YORK****COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND EQUITY – SEWER FUND  
FOR THE FISCAL YEARS ENDED MAY 31, 2018 AND 2017****Page 51**

|  | <b>May 31<br/>2018</b> | <b>May 31<br/>2017</b> |
|--|------------------------|------------------------|
| <b>Revenue</b>   |                        |                        |
| Departmental income  | \$ 3,589,798           | \$ 3,557,692           |
| Intergovernmental charges  | 329,564                | 313,816                |
| <b>Total revenue</b>   | <b>3,919,362</b>       | <b>3,871,508</b>       |
| <b>Expenditures</b>  |                        |                        |
| General government support   | 60,459                 | 51,323                 |
| Home and community services  | 2,059,663              | 1,740,904              |
| Employee benefits  | 582,475                | 543,625                |
| <b>Total expenditures</b>  | <b>2,702,597</b>       | <b>2,335,852</b>       |
| <b>Excess of revenue over expenditures</b>   | <b>1,216,765</b>       | <b>1,535,656</b>       |
| <b>Other financing sources (uses)</b>  |                        |                        |
| Operating transfers in   | 5,000                  | -                      |
| BAN premium  | -                      | 7,431                  |
| Operating transfers out  | (1,270,145)            | (927,381)              |
| <b>Total other financing uses</b>  | <b>(1,265,145)</b>     | <b>(919,950)</b>       |
| <b>Excess (deficiency) of revenue and other financing<br/>sources over expenditures and other financing uses</b> | <b>(48,380)</b>        | <b>615,706</b>         |
| <b>Fund equity, beginning of year</b>  | <b>2,498,726</b>       | <b>1,883,020</b>       |
| <b>Fund equity, end of year</b>  | <b>\$ 2,450,346</b>    | <b>\$ 2,498,726</b>    |

**CITY OF OLEAN, NEW YORK**  
**STATEMENT OF REVENUE AND EXPENDITURES**  
**BUDGET AND ACTUAL – SEWER FUND**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2018**

**Page 52**

|  | Original<br>Budget  | Amended<br>Budget   | Actual             | Encumbrances      | Variance<br>Favorable<br>(Unfavorable) |
|--|---------------------|---------------------|--------------------|-------------------|--|
| <b>Revenue</b>   |                     |                     |                    |                   |  |
| Departmental income  | \$ 3,456,794        | \$ 3,456,794        | \$ 3,589,798       | \$ -              | \$ 133,004                             |
| Intergovernmental charges  | 367,500             | 367,500             | 329,564            | -                 | (37,936)                               |
| <b>Total revenue</b>   | <b>3,824,294</b>    | <b>3,824,294</b>    | <b>3,919,362</b>   | <b>-</b>          | <b>95,068</b>                          |
| <b>Expenditures</b>  |                     |                     |                    |                   |  |
| General government support   | 141,000             | 141,000             | 60,459             | -                 | 80,541                                 |
| Home and community services  | 2,144,150           | 2,144,150           | 2,059,663          | 4,915             | 79,572                                 |
| Employee benefits  | 566,650             | 566,650             | 582,475            | -                 | (15,825)                               |
| <b>Total expenditures</b>  | <b>2,851,800</b>    | <b>2,851,800</b>    | <b>2,702,597</b>   | <b>4,915</b>      | <b>144,288</b>                         |
| <b>Excess (deficiency) of revenue<br/>over expenditures</b>                          | <b>972,494</b>      | <b>972,494</b>      | <b>1,216,765</b>   | <b>(4,915)</b>    | <b>239,356</b>                         |
| <b>Other financing sources (uses)</b>  |                     |                     |                    |                   |  |
| Operating transfers in   | -                   | 5,000               | 5,000              | -                 | -                                      |
| Operating transfers out  | (1,145,220)         | (1,145,220)         | (1,270,145)        | -                 | (124,925)                              |
| <b>Total other financing uses</b>  | <b>(1,145,220)</b>  | <b>(1,140,220)</b>  | <b>(1,265,145)</b> | <b>-</b>          | <b>(124,925)</b>                       |
| <b>Excess (deficiency) of revenue over<br/>expenditures and other financing uses</b> | <b>\$ (172,726)</b> | <b>\$ (167,726)</b> | <b>\$ (48,380)</b> | <b>\$ (4,915)</b> | <b>\$ 114,431</b>                      |

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE BALANCE SHEETS**  
**REVOLVING LOAN FUND**  
**AS OF MAY 31, 2018 AND 2017**

**Page 53**

|  | <b>May 31<br/>2018</b> | <b>May 31<br/>2017</b> |
|--|------------------------|------------------------|
| <b>Assets</b>                            |                        |                        |
| Cash on deposit - Regular accounts       | \$ 114,591             | \$ 88,664              |
| Rehabilitation loans receivable          | 379,556                | 342,889                |
| <b>Total assets</b>                      | <b>\$ 494,147</b>      | <b>\$ 431,553</b>      |
| <b>Liabilities</b>                       |                        |                        |
| Unearned revenue                         | \$ 379,556             | \$ 342,889             |
| Accounts Payable                         | 2,549                  | 2,217                  |
| <b>Total liabilities</b>                 | <b>382,105</b>         | <b>345,106</b>         |
| <b>Fund Equity</b>                       |                        |                        |
| Assigned                                 | 112,042                | 86,447                 |
| <b>Total fund equity</b>                 | <b>112,042</b>         | <b>86,447</b>          |
| <b>Total liabilities and fund equity</b> | <b>\$ 494,147</b>      | <b>\$ 431,553</b>      |

**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, 2018 AND 2017****Page 54**

|  | <b>May 31<br/>2018</b> | <b>May 31<br/>2017</b> |
|--|------------------------|------------------------|
| <b>Revenue</b>   |                        |                        |
| Departmental income  | \$ 124,549             | \$ 90,788              |
| Use of money and property  | 363                    | 2,599                  |
| <b>Total revenue</b>   | <b>124,912</b>         | <b>93,387</b>          |
| <b>Expenditures</b>  |                        |                        |
| Home and community services  | 99,317                 | 306,320                |
| <b>Total expenditures</b>  | <b>99,317</b>          | <b>306,320</b>         |
| <b>Excess (deficiency) of revenue over<br/>expenditures and other uses</b> | <b>25,595</b>          | <b>(212,933)</b>       |
| <b>Fund equity, beginning of year</b>                                      | <b>86,447</b>          | <b>299,380</b>         |
| <b>Fund equity, end of year</b>  | <b>\$ 112,042</b>      | <b>\$ 86,447</b>       |

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE BALANCE SHEETS**  
**HOUSING REHABILITATION FUND**  
**AS OF MAY 31, 2018 AND 2017**

**Page 55**

|  | May 31<br>2018  | May 31<br>2017  |
|--|-----------------|-----------------|
| <b>Assets</b>                            |                 |                 |
| Cash on deposit - regular accounts       | \$ 7,388        | \$ 8,388        |
| Due from other funds                     | 1,000           | -               |
| Rehabilitation loans receivable          | 229             | 229             |
| <b>Total assets</b>                      | <b>\$ 8,617</b> | <b>\$ 8,617</b> |
| <b>Liabilities</b>                       |                 |                 |
| Unearned revenue                         | \$ 229          | \$ 229          |
| <b>Total liabilities</b>                 | <b>229</b>      | <b>229</b>      |
| <b>Fund Equity</b>                       |                 |                 |
| Assigned                                 | 8,388           | 8,388           |
| <b>Total fund equity</b>                 | <b>8,388</b>    | <b>8,388</b>    |
| <b>Total liabilities and fund equity</b> | <b>\$ 8,617</b> | <b>\$ 8,617</b> |

**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, 2018 AND 2017****Page 56**

|  | <b>May 31<br/>2018</b> | <b>May 31<br/>2017</b> |
|--|------------------------|------------------------|
| <b>Revenue</b>                             |                        |                        |
| Departmental income                        | \$ -                   | \$ -                   |
| Use of money and property                  | -                      | -                      |
| <b>Total revenue</b>                       | -                      | -                      |
| <b>Expenditures</b>                        |                        |                        |
| Home and community services                | -                      | -                      |
| <b>Total expenditures</b>                  | -                      | -                      |
| <b>Excess of revenue over expenditures</b> | -                      | -                      |
| <b>Fund equity, beginning of year</b>      | 8,388                  | 8,388                  |
| <b>Fund equity, end of year</b>            | \$ 8,388               | \$ 8,388               |

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE BALANCE SHEETS**  
**FIRST TIME HOMEBUYERS FUND**  
**AS OF MAY 31, 2018 AND 2017**

**Page 57**

|  | <b>May 31<br/>2018</b> | <b>May 31<br/>2017</b> |
|--|------------------------|------------------------|
| <b>Assets</b>                            |                        |                        |
| Cash on deposit - regular accounts       | \$ 31,614              | \$ 22,370              |
| First time homebuyers loans receivable   | 79,747                 | 131,782                |
| <b>Total assets</b>                      | <b>\$ 111,361</b>      | <b>\$ 154,152</b>      |
| <b>Liabilities</b>                       |                        |                        |
| Unearned revenue                         | \$ 79,747              | \$ 131,762             |
| Due to other funds                       | 1,000                  | -                      |
| <b>Total liabilities</b>                 | <b>80,747</b>          | <b>131,762</b>         |
| <b>Fund Equity</b>                       |                        |                        |
| Assigned                                 | 30,614                 | 22,390                 |
| <b>Total fund equity</b>                 | <b>30,614</b>          | <b>22,390</b>          |
| <b>Total liabilities and fund equity</b> | <b>\$ 111,361</b>      | <b>\$ 154,152</b>      |

**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, 2018 AND 2017****Page 58**

|  | <b>May 31<br/>2018</b> | <b>May 31<br/>2017</b> |
|--|------------------------|------------------------|
| <b>Revenue</b>   |                        |                        |
| Departmental income  | \$ 33,442              | \$ 16,911              |
| Use of money and property  | 2                      | 4                      |
| <b>Total revenue</b>   | <b>33,444</b>          | <b>16,915</b>          |
| <b>Expenditures</b>  |                        |                        |
| Home and community services  | 25,220                 | 25,570                 |
| <b>Total expenditures</b>  | <b>25,220</b>          | <b>25,570</b>          |
| <b>Excess of revenue over expenditures</b>                                 | <b>8,224</b>           | <b>(8,655)</b>         |
| <b>Excess (deficiency) of revenue<br/>over expenditures and other uses</b> | <b>8,224</b>           | <b>(8,655)</b>         |
| <b>Fund equity, beginning of year</b>                                      | <b>22,390</b>          | <b>31,045</b>          |
| <b>Fund equity, end of year</b>  | <b>\$ 30,614</b>       | <b>\$ 22,390</b>       |

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE BALANCE SHEETS**  
**CAPITAL PROJECTS FUND**  
**AS OF MAY 31, 2018 AND 2017**

**Page 59**

|  | <b>May 31<br/>2018</b> | <b>May 31<br/>2017</b> |
|--|------------------------|------------------------|
| <b>Assets</b>                                |                        |                        |
| Cash on deposit - regular accounts           | \$ 753,722             | \$ 751,549             |
| Due from Federal and State                   | 353,220                | 244,373                |
| Due from other funds                         | 713,286                | 2,908,637              |
| <b>Total assets</b>                          | <b>\$ 1,820,228</b>    | <b>\$ 3,904,559</b>    |
| <b>Liabilities</b>                           |                        |                        |
| Accounts payable                             | \$ 589,944             | \$ 201,305             |
| Accrued liabilities/due to other governments | 40,566                 | 51,655                 |
| Due to other funds                           | 77,452                 | 630,931                |
| Bond anticipation notes payable              | 5,363,405              | 24,881,346             |
| <b>Total liabilities</b>                     | <b>6,071,367</b>       | <b>25,765,237</b>      |
| <b>Fund Equity</b>                           |                        |                        |
| Restricted                                   | 1,436,466              | 1,462,314              |
| Unassigned (deficit)                         | (5,687,605)            | (23,322,992)           |
| <b>Total fund equity (deficit)</b>           | <b>(4,251,139)</b>     | <b>(21,860,678)</b>    |
| <b>Total liabilities and fund equity</b>     | <b>\$ 1,820,228</b>    | <b>\$ 3,904,559</b>    |

**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, 2018 AND 2017****Page 60**

|  | <b>May 31<br/>2018</b> | <b>May 31<br/>2017</b> |
|--|------------------------|------------------------|
| <b>Revenue</b>   |                        |                        |
| Use of money and property  | \$ 259                 | \$ 298                 |
| Miscellaneous local sources  | 533,479                | 248,647                |
| Federal aid  | 23,962                 | 1,985,617              |
| State aid  | 1,766,147              | 2,958,844              |
| <b>Total revenue</b>   | <b>2,323,847</b>       | <b>5,193,406</b>       |
| <b>Expenditures</b>  |                        |                        |
| General government support   | 413,394                | 504,603                |
| Public safety  | 9,119                  | 114,310                |
| Transportation   | 1,789,107              | 4,292,896              |
| Culture and recreation   | 367,918                | 9,906                  |
| Home and community services  | 6,418,429              | 12,182,965             |
| <b>Total expenditures</b>  | <b>8,997,967</b>       | <b>17,104,680</b>      |
| <b>Deficiency of revenue over expenditures</b>   | <b>(6,674,120)</b>     | <b>(11,911,274)</b>    |
| <b>Other financing sources (uses)</b>  |                        |                        |
| Bond anticipation notes redeemed from appropriations   | 304,000                | 601,000                |
| Proceeds from issuance of serial bonds - construction  | 23,408,840             | -                      |
| Operating transfers in   | 1,071,263              | 410,362                |
| Operating transfers out  | (500,444)              | (287,534)              |
| <b>Total other financing sources</b>   | <b>24,283,659</b>      | <b>723,828</b>         |
| <b>Excess (deficiency) of revenue and other financing<br/>sources over expenditures and other financing uses</b> | <b>17,609,539</b>      | <b>(11,187,446)</b>    |
| <b>Fund equity (deficit), beginning of year</b>  | <b>(21,860,678)</b>    | <b>(10,673,232)</b>    |
| <b>Fund equity (deficit), end of year</b>  | <b>\$ (4,251,139)</b>  | <b>\$ (21,860,678)</b> |

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

**CITY OF OLEAN, NEW YORK**

**BALANCE SHEET – CAPITAL PROJECTS FUND – BY PROJECT**

**AS OF MAY 31, 2018**

**Page 61**

| Project<br>Number | Description                             | Cash              | Due from<br>Federal<br>& State | Due from/(to)<br>Other<br>Funds | Total<br>Assets     | Accounts<br>Payable<br>& Accrued<br>Expenses | BAN's/<br>Notes<br>Payable | Fund<br>Equity<br>(Deficit) | Total<br>Liabilities<br>& Fund<br>Equity |
|-------------------|---|-------------------|--------------------------------|---------------------------------|---------------------|--|----------------------------|-----------------------------|--|
| 101               | Alarm                                   | \$ (5,425)        | \$ -                           | \$ 1,035                        | \$ (4,390)          | \$ -   | \$ -                       | \$ (4,390)                  | \$ (4,390)                               |
| 102               | Vehicle replacement                     | 258,010           | -                              | -                               | 258,010             | -  | -                          | 258,010                     | 258,010                                  |
| 103               | Police Equipment Replacement            | 20,770            | -                              | -                               | 20,770              | -  | -                          | 20,770                      | 20,770                                   |
| 118               | Ambulance reserve                       | 133,047           | -                              | 2,102                           | 135,149             | -  | -                          | 135,149                     | 135,149                                  |
| 119               | OATS Bus Reserve                        | 116,138           | -                              | 8,394                           | 124,532             | -  | -                          | 124,532                     | 124,532                                  |
| 123               | Catch basin disconnect project          | 208,038           | -                              | -                               | 208,038             | -  | -                          | 208,038                     | 208,038                                  |
| 132               | Parking lot maintenance program         | 15,347            | -                              | -                               | 15,347              | -  | -                          | 15,347                      | 15,347                                   |
| 146               | Airport Master Plan                     | 17,108            | -                              | -                               | 17,108              | 11,150                                       | -                          | 5,958                       | 17,108                                   |
| 150               | Sidewalk Improvement Reserve            | 24,649            | -                              | -                               | 24,649              | -  | -                          | 24,649                      | 24,649                                   |
| 159               | Rec Center Compressor Reserve           | 10,624            | -                              | -                               | 10,624              | -  | -                          | 10,624                      | 10,624                                   |
| 161               | Other Miscellaneous Reserves            | 575               | -                              | -                               | 575                 | -  | -                          | 575                         | 575                                      |
| 162               | Brownfield Opportunity Areas Program    | (3,220)           | 3,220                          | -                               | -                   | -  | -                          | -                           | -  |
| 163               | Waste Water Treatment Plant Master Plan | (42,544)          | -                              | -                               | (42,544)            | 28,840                                       | 1,228,405                  | (1,299,789)                 | (42,544)                                 |
| 165               | Bradner Stadium Project                 | (171,520)         | 150,000                        | (19,931)                        | (41,451)            | -  | -                          | (41,451)                    | (41,451)                                 |
| 167               | North Union Street Rehabilitation       | (184,421)         | -                              | -                               | (184,421)           | 446,722                                      | -                          | (631,143)                   | (184,421)                                |
| 168               | Homer Street Playground                 | (500)             | -                              | -                               | (500)               | -  | -                          | (500)                       | (500)                                    |
| 169               | Olean Creek Pedestrian Crossing         | 75,689            | -                              | -                               | 75,689              | 38,621                                       | -                          | 37,068                      | 75,689                                   |
| 170               | Property Reevaluation                   | 25,000            | -                              | -                               | 25,000              | -  | -                          | 25,000                      | 25,000                                   |
| 171               | York St./Prospect Ave.                  | 8,690             | -                              | 284,106                         | 292,796             | -  | -                          | 292,796                     | 292,796                                  |
| 172               | Ladder Truck                            | -                 | -                              | (11,283)                        | (11,283)            | -  | -                          | (11,283)                    | (11,283)                                 |
| 173               | Ice Resurfacer                          | -                 | -                              | 9,153                           | 9,153               | -  | -                          | 9,153                       | 9,153                                    |
| 175               | Recreation Center                       | 35,955            | 200,000                        | 305,173                         | 541,128             | 105,177                                      | 4,135,000                  | (3,699,049)                 | 541,128                                  |
| 176               | Allegany River Development              | 36,085            | -                              | -                               | 36,085              | -  | -                          | 36,085                      | 36,085                                   |
| 177               | Demolition of Unsafe Buildings          | 63,071            | -                              | -                               | 63,071              | -  | -                          | 63,071                      | 63,071                                   |
| 178               | Third Street Project                    | -                 | -                              | (5,215)                         | (5,215)             | -  | -                          | (5,215)                     | (5,215)                                  |
| 179               | Bradner Stadium Roof                    | -                 | -                              | (651)                           | (651)               | -  | -                          | (651)                       | (651)                                    |
| 180               | IT Upgrade                              | -                 | -                              | 62,951                          | 62,951              | -  | -                          | 62,951                      | 62,951                                   |
| 181               | Zombie Grant                            | 73,242            | -                              | -                               | 73,242              | -  | -                          | 73,242                      | 73,242                                   |
| 182               | John J. Ash Building                    | 4,680             | -                              | -                               | 4,680               | -  | -                          | 4,680                       | 4,680                                    |
| 185               | Tree Pruning and Removal                | 9,584             | -                              | -                               | 9,584               | -  | -                          | 9,584                       | 9,584                                    |
| 187               | Playground Reserve                      | 25,050            | -                              | -                               | 25,050              | -  | -                          | 25,050                      | 25,050                                   |
| <b>Totals</b>     |   | <b>\$ 753,722</b> | <b>\$ 353,220</b>              | <b>\$ 635,834</b>               | <b>\$ 1,742,776</b> | <b>\$ 630,510</b>                            | <b>\$ 5,363,405</b>        | <b>\$ (4,251,139)</b>       | <b>\$ 1,742,776</b>                      |

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

**CITY OF OLEAN, NEW YORK**  
**SCHEDULE OF EXPENDITURES -**  
**CAPITAL PROJECTS FUND – BY PROJECT**  
**FOR THE FISCAL YEARS ENDED MAY 31, 2018 AND 2017**

**Page 62**

| <i><b>Project</b></i>                   | <b>May 31<br/>2018</b> | <b>May 31<br/>2017</b> |
|---|------------------------|------------------------|
| CHIPS                                   | \$ 669,838             | \$ 444,558             |
| Landfill                                | 57,292                 | -                      |
| City Alarm                              | 11,095                 | 1,320                  |
| Vehicle Replacement                     | 285,111                | 326,607                |
| Fire Arson Equipment                    | 11,471                 | -                      |
| Dispatch Project                        | 2,212                  | -                      |
| Police Equipment Replacement Reserve    | 43,102                 | 3,123                  |
| Ambulance Reserve                       | -                      | 114,310                |
| OATS Bus Reserve                        | -                      | 5,620                  |
| Water Filtration Plant                  | 34,139                 | -                      |
| Catch Basin Disconnect                  | 141,935                | -                      |
| Parking Lot Maintenance Reserve         | 27,985                 | -                      |
| Parking Lots Repaving                   | 51,629                 | -                      |
| Telephone System                        | 4,000                  | -                      |
| Airport Master Plan                     | 50,000                 | 609,881                |
| Sidewalk Improvement Reserve            | 4,832                  | 4,258                  |
| Waste Water Plant Belt Press Reserve    | 5,000                  | -                      |
| Traffic Signal Upgrade                  | 17,000                 | -                      |
| Rec Center Compressor Reserve           | 6,476                  | 9,906                  |
| Waste Water Treatment Plant Master Plan | 3,145,714              | 11,168,200             |
| Bradner Stadium Project                 | 24,157                 | 7,420                  |
| North Union Street Rehabilitation       | 1,033,571              | 2,488,377              |
| Homer Street Playground                 | 500                    | -                      |
| Olean Creek Pedestrian Crossing         | 94,991                 | 49,535                 |
| York St./Prospect Ave.                  | 18,752                 | 180,937                |
| Ladder Truck                            | 7,034                  | -                      |
| Ice Resurfacer                          | 847                    | 83,339                 |
| Recreation Center                       | 3,055,549              | 843,500                |
| Allegany River Development              | 42,642                 | 26,288                 |
| Demolition of Unsafe Buildings          | 52,691                 | -                      |
| Third Street Project                    | 145,351                | 734,864                |
| Bradner Stadium Project                 | 629                    | 88,022                 |
| IT Upgrade                              | 1,415                  | 201,634                |
| Zombie Grant                            | 26,243                 | 515                    |
| John J Ash Building - Floor Replacement | 32,400                 | -                      |
| Oak Hill Park Steps                     | 161,442                | -                      |
| Little League Fields                    | 200,000                | -                      |
| Tree Pruning and Removal                | 31,366                 | -                      |
|   | <u>\$ 9,498,411</u>    | <u>\$ 17,392,214</u>   |

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

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE BALANCE SHEETS**  
**DEBT SERVICE FUND**  
**AS OF MAY 31, 2018 AND 2017**

**Page 63**

|  | <b>May 31<br/>2018</b> | <b>May 31<br/>2017</b> |
|--|------------------------|------------------------|
| <b>Assets</b>                            |                        |                        |
| Cash on deposit                          |                        |                        |
| Restricted regular accounts              | \$ 613,778             | \$ 2,864,281           |
| Due from other funds                     | 548,614                | 2,796,076              |
| <b>Total assets</b>                      | <b>\$ 1,162,392</b>    | <b>\$ 5,660,357</b>    |
| <b>Liabilities</b>                       |                        |                        |
| Accrued liabilities                      | \$ -                   | \$ 24,920              |
| Due to other funds                       | 665,573                | 5,189,054              |
| <b>Total liabilities</b>                 | <b>665,573</b>         | <b>5,213,974</b>       |
| <b>Fund Equity</b>                       |                        |                        |
| Restricted                               | 496,819                | 446,383                |
| <b>Total fund equity</b>                 | <b>496,819</b>         | <b>446,383</b>         |
| <b>Total liabilities and fund equity</b> | <b>\$ 1,162,392</b>    | <b>\$ 5,660,357</b>    |

**CITY OF OLEAN, NEW YORK****COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND EQUITY – DEBT SERVICE FUND  
FOR THE FISCAL YEARS ENDED MAY 31, 2018 AND 2017****Page 64**

|  | <b>May 31<br/>2018</b> | <b>May 31<br/>2017</b> |
|--|------------------------|------------------------|
| <b>Revenue</b>   |                        |                        |
| Use of money and property  | \$ 385                 | \$ 1,116               |
| Premiums on obligations  | 65,199                 | -                      |
| <b>Total revenue</b>   | <b>65,584</b>          | <b>1,116</b>           |
| <b>Expenditures</b>  |                        |                        |
| Debt service:  |                        |                        |
| Principal  | 2,747,080              | 2,451,305              |
| Interest   | 715,481                | 636,653                |
| <b>Total expenditures</b>  | <b>3,462,561</b>       | <b>3,087,958</b>       |
| <b>Deficiency of revenue over expenditures</b>   | <b>(3,396,977)</b>     | <b>(3,086,842)</b>     |
| <b>Other financing sources</b>   |                        |                        |
| Operating transfers in   | 3,447,413              | 3,087,956              |
| <b>Total other financing sources</b>   | <b>3,447,413</b>       | <b>3,087,956</b>       |
| <b>Excess (deficiency) of revenue and other financing<br/>sources over expenditures and other financing uses</b> | <b>50,436</b>          | <b>1,114</b>           |
| <b>Fund equity, beginning of year</b>  | <b>446,383</b>         | <b>445,269</b>         |
| <b>Fund equity, end of year</b>  | <b>\$ 496,819</b>      | <b>\$ 446,383</b>      |

**CITY OF OLEAN, NEW YORK**  
**COMPARATIVE BALANCE SHEETS**  
**AGENCY FUND**  
**AS OF MAY 31, 2018 AND 2017**

**Page 65**

|                          | <b>May 31<br/>2018</b> | <b>May 31<br/>2017</b> |
|--------------------------|------------------------|------------------------|
| <b>Assets</b>            |                        |                        |
| Cash on deposit          |                        |                        |
| Regular accounts         | \$ 129,115             | \$ 112,137             |
| Restricted accounts      | 204,218                | 651,309                |
| <b>Total assets</b>      | <b>\$ 333,333</b>      | <b>\$ 763,446</b>      |
| <b>Liabilities</b>       |                        |                        |
| Due to other funds       | \$ 8,586               | \$ 494,048             |
| Other liabilities        | 324,747                | 269,398                |
| <b>Total liabilities</b> | <b>\$ 333,333</b>      | <b>\$ 763,446</b>      |

**CITY OF OLEAN, NEW YORK**  
**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS**  
**AND BALANCES – AGENCY FUND**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2018**

**Page 66**

|                                 | Balance<br>June 1, 2017 | Receipts             | Disbursements        | Balance<br>May 31, 2018 |
|---------------------------------|-------------------------|----------------------|----------------------|-------------------------|
| Hospitalization                 | \$ 1,659                | \$ 534,616           | \$ 520,532           | \$ 15,743               |
| Charity - United Way            | 76                      | 236                  | 213                  | 99                      |
| Guarantee & Bid Bonds           | 500                     | -                    | -                    | 500                     |
| R Patti Concrete                | -                       | 4,000                | -                    | 4,000                   |
| Tree Cut Tree Service Inc.      | -                       | 2,500                | -                    | 2,500                   |
| Guarantee & Bid Bonds           | 750                     | -                    | -                    | 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                  | 8,252                   | 500                  | -                    | 8,752                   |
| Mayor's Cup Golf Tournament     | 1,671                   | 810                  | 500                  | 1,981                   |
| Bike Auction                    | 408                     | -                    | -                    | 408                     |
| Neighborhood Preservation       | 400                     | -                    | -                    | 400                     |
| Miscellaneous Recreation        | 14,196                  | 8,653                | 7,704                | 15,145                  |
| Clerk Sales                     | 1,354                   | -                    | -                    | 1,354                   |
| Bartlett House Donations        | 22,527                  | 3,000                | 429                  | 25,098                  |
| Bartlett House Donations        | 11,601                  | -                    | -                    | 11,601                  |
| Police Drugs Donations          | 13,099                  | 7,435                | 6,763                | 13,771                  |
| Police Federal Drug Proceeds    | 4,193                   | -                    | 4,193                | -                       |
| Youth Programs Donations        | 57                      | -                    | -                    | 57                      |
| Youth Court Donations           | 6,403                   | -                    | 318                  | 6,085                   |
| Tree Program                    | 2,654                   | -                    | 2,038                | 616                     |
| Interest & Service Charges      | 173                     | 30                   | -                    | 203                     |
| Personnel                       | 797                     | 466                  | 224                  | 1,039                   |
| Fire Equipment Donations        | 19,495                  | 1,500                | 3,853                | 17,142                  |
| Flexible Spending Account       | (8,586)                 | -                    | -                    | (8,586)                 |
| Medical Savings Account         | 161,609                 | 150,535              | 147,514              | 164,630                 |
| Payroll Account                 | 3,225                   | 10,781,363           | 10,746,189           | 38,399                  |
| Special Account                 | 1,013                   | 15,138               | 14,963               | 1,188                   |
| <b>Totals</b>                   | <b>\$ 269,398</b>       | <b>\$ 11,510,782</b> | <b>\$ 11,455,433</b> | <b>\$ 324,747</b>       |

**CITY OF OLEAN, NEW YORK**  
**SCHEDULE OF CHANGES IN THE CITY'S**  
**NET OPEB LIABILITY AND RELATED RATIOS**  
**FOR THE YEAR ENDED MAY 31, 2018**

**Page 67**

|   |                   |
|---|-------------------|
| As of the measurement date of June 1,                                     | 2017              |
| <b>Total OPEB Liability</b>   |                   |
| Service cost  | \$ -              |
| Interest  | 27,268            |
| Differences between expected and actual experience                        | 50,670            |
| Changes in assumptions  | -                 |
| Benefit payments  | (78,942)          |
| Net change in total OPEB liability  | (1,004)           |
| Total OPEB liability - beginning  | 21,855            |
| Prior period adjustment   | 851,511           |
| Total OPEB liability - ending   | <u>\$ 872,362</u> |
| <b>Plan fiduciary net position</b>  |                   |
| Contributions - employer  | \$ 78,942         |
| Net investment income   | -                 |
| Benefit payments  | (78,942)          |
| Net change in plan fiduciary net position                                 | -                 |
| Plan fiduciary net position - beginning                                   | -                 |
| Plan fiduciary net position - ending                                      | <u>\$ -</u>       |
| District's net OPEB liability   | <u>\$ 872,362</u> |
| Plan fiduciary net position as a percentage of total OPEB liability       | <u>0.00%</u>      |
| Covered-employee payroll  | <u>\$ -</u>       |
| District's net OPEB liability as a percentage of covered-employee payroll | <u>N/A</u>        |
| Notes to Schedule:  |                   |
| Benefit Changes: None   |                   |
| Changes in assumptions: None  |                   |

**CITY OF OLEAN, NEW YORK**  
**SCHEDULE OF CITY CONTRIBUTIONS - OPEB**  
**FOR THE YEAR ENDED MAY 31, 2018**

**Page 68**

|  |           |
|--|-----------|
| For the year ended June 30,  | 2018      |
| Actuarially determined contributions                                 | \$ 78,942 |
| Contributions in relation to the actuarially determined contribution | (78,942)  |
| Contribution deficiency (excess)                                     | \$ -      |
| Covered-employee payroll   | \$ -      |
| Contributions as a percentage of District's covered-employee payroll | N/A       |

Notes to Schedule

Valuation date: 6/1/2017

Methods and assumptions used to determine contribution rates:

|                             |   |
|-----------------------------|---|
| Actuarial cost method       | Entry Age Normal Level % of Salary Method   |
| Discount Rate               | 3.27% as of May 31, 2018  |
| Inflation                   | 3.00% per year  |
| Healthcare cost trend rates | 2018 - 8%. Rates expected to decrease 0.5% each year thereafter with an ultimate rate of 5% after 2025.   |
| Salary increases            | 3.00% per year  |
| Mortality                   | RP-2014 Total Dataset Mortality Table fully generational using Scale MP-2016  |
| Retiree Cost Sharing        | For previously retired managers the City contributes most (85% or 100%) of the medical premium amounts for individual and family (dependent) coverage for all eligible retirees, with the exception of one individual, for whom the City contributes 50%. |
| Participants                | 6 Retirees  |
| Benefit Changes:            | None  |
| Changes in assumptions:     | None  |

**CITY OF OLEAN, NEW YORK****SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY – NYSLERS & NYSLPFRS  
FOR THE YEARS ENDED MAY 31, 2013 THOUGH MAY 31, 2018****Page 69*****New York State Employees' Retirement System - Net Pension Liability***

| As of the measurement date of March 31,  | 2018         | 2017         | 2016         | 2015         | 2014         | 2013 |
|--|--------------|--------------|--------------|--------------|--------------|------|
| City's proportion of the net pension liability   | 0.0170202%   | 0.0165225%   | 0.0173084%   | 0.0163295%   | n/a          | n/a  |
| City's proportionate share of the net pension liability  | \$ 549,318   | \$ 1,552,496 | \$ 2,778,045 | \$ 551,651   | \$ 737,908   | n/a  |
| City's covered-employee payroll  | \$ 4,222,688 | \$ 4,109,534 | \$ 4,188,273 | \$ 4,111,507 | \$ 4,109,268 | n/a  |
| City's proportionate share of the net pension liability<br>as a percentage of its covered employee payroll | 13.01%       | 37.78%       | 66.33%       | 13.42%       | 17.96%       | n/a  |
| Plan fiduciary net position as a percentage of the<br>total pension liability                              | 98.24%       | 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,  | 2018         | 2017         | 2016         | 2015         | 2014         | 2013 |
|--|--------------|--------------|--------------|--------------|--------------|------|
| City's proportion of the net pension liability   | 0.1216349%   | 0.1259500%   | 0.1201234%   | 0.1198443%   | n/a          | n/a  |
| City's proportionate share of the net pension liability  | \$ 1,229,433 | \$ 2,610,506 | \$ 3,556,599 | \$ 329,883   | \$ 498,923   | n/a  |
| City's covered-employee payroll  | \$ 4,602,358 | \$ 4,758,588 | \$ 4,394,298 | \$ 4,684,185 | \$ 4,427,011 | n/a  |
| City's proportionate share of the net pension liability<br>as a percentage of its covered employee payroll | 26.71%       | 54.86%       | 80.94%       | 7.04%        | 11.27%       | n/a  |
| Plan fiduciary net position as a percentage of the<br>total pension liability                              | 98.24%       | 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**  
**FOR THE YEARS ENDED MAY 31, 2013 THOUGH MAY 31, 2018**

**Page 70**

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

| For the year ended March 31,   | 2018         | 2017         | 2016         | 2015         | 2014         | 2013         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contributions                                 | \$ 592,035   | \$ 598,107   | \$ 752,381   | \$ 750,021   | \$ 768,156   | \$ 736,645   |
| Contributions in relation to the contractually required contribution | (592,035)    | (598,107)    | (752,381)    | (750,021)    | (768,156)    | (736,645)    |
| Contribution deficiency (excess)                                     | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| District's covered-employee payroll                                  | \$ 4,222,688 | \$ 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 | 14.02%       | 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,   | 2018         | 2017         | 2016         | 2015         | 2014         | 2013         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contributions                                 | \$ 1,069,888 | \$ 1,100,545 | \$ 969,106   | \$ 1,285,072 | \$ 1,162,942 | \$ 1,104,795 |
| Contributions in relation to the contractually required contribution | (1,069,888)  | (1,100,545)  | (969,106)    | (1,285,072)  | (1,162,942)  | (1,104,795)  |
| Contribution deficiency (excess)                                     | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| District's covered-employee payroll                                  | \$ 4,602,358 | \$ 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 | 23.25%       | 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, 2018**

Page 71

| Federal Program Title                                      | Federal CFDA Number | Agency or Pass-through Number                  | Program or Award Amount | Receivable 5/31/2017 | Total Received | Revenue    | Expenditures | Receivable 5/31/2018 |
|--|---------------------|--|-------------------------|----------------------|----------------|------------|--------------|----------------------|
| <b><u>United States Department of Transportation</u></b>   |                     |  |                         |                      |                |            |              |                      |
| Airport Improvement Program - Perimeter Fence Replacement* | 20.106              | FAA AIP 3-36-0091-18-13<br>NYS DOT PIN 5904.48 | \$ 69,390               | \$ -                 | \$ 5,561       | \$ 5,561   | \$ 5,561     | \$ -                 |
| Airport Improvement Program - Perimeter Fence Replacement* | 20.106              | FAA AIP 3-36-0091-23-2017<br>PIN 5904.53       | 268,658                 | -                    | 7,415          | 7,415      | 7,415        | -                    |
| Airport Improvement Program - Perimeter Fence Replacement* | 20.106              | FAA AIP 3-36-0091-22-2016<br>PIN 5904.52       | 336,238                 | -                    | 6,490          | 6,490      | 6,490        | -                    |
| Operating Assistance - Section 5311                        | 20.509              | NYS DOT 5794.23.401                            | 305,413                 | -                    | 305,413        | 305,413    | 305,413      | -                    |
| Equipment Assistance - Section 5311                        | 20.205              | NYS DOT 5794.09.301                            | 4,496                   | -                    | 4,496          | 4,496      | 4,496        | -                    |
| Subtotal U.S. Department of Transportation                 |                     |  | 984,195                 | -                    | 329,375        | 329,375    | 329,375      | -                    |
| Total  |                     |  | \$ 984,195              | \$ -                 | \$ 329,375     | \$ 329,375 | \$ 329,375   | \$ -                 |

**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.

Note: Total Federal Awards did not exceed \$750,000 and therefore, a single audit was not required during the 2017-18 fiscal year in accordance with Uniform Guidance

**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 May 31, 2018, 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 February 8, 2019.

**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's* 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.2018-001, II.A.2018-002 and II.A.2018-003 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.

## 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  
February 8, 2019**

**CITY OF OLEAN, NEW YORK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED MAY 31, 2018**

**Page 74**

**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.2018-001, II.A.2018-002 and II.A.2018-003 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. A single audit in accordance with Uniform Guidance was not required during the fiscal year ended May 31, 2018, as the City's expenditures of Federal Awards were below \$750,000.

**II. FINANCIAL STATEMENTS AUDIT - FINDINGS**

**A. Internal Control over Financial Reporting**

**Year Ended May 31, 2018**

**2018-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements**

*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.

**2018-002 Reconciliation of General Ledger and Capital Projects**

*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.

**2018-003 Capital Projects - Internal Controls**

*Condition and Criteria:* As disclosed in the prior year audit report, 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 advised us they dispute the claim. A notice of petition was filed on 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.

**CITY OF OLEAN, NEW YORK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED MAY 31, 2018**

**Page 76**

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

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

**2018-003 Capital Projects - Internal Controls (continued)**

*Cause and 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. A policy on disclosure of litigation was drafted to address the auditor's recommendations. This policy was reviewed by the members of the Common Council and a newly created Audit and Compliance Committee. In December 2018, a resolution was passed by the Common Council adopting the policy.

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. The City intends to develop a policy on budgets during 2019. Once drafted, the Audit and Compliance Committee intends to review the policy, prior to its acceptance by the Common Council.

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. The City intends to develop a policy on change orders during 2019. Once drafted, the Audit and Compliance Committee intends to review the policy, prior to its acceptance by 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. The City intends to develop a policy on project financing during 2019. Once drafted, the Audit and Compliance Committee intends to review the policy, prior to its acceptance by the Common Council.

**B. Compliance and Other Matters**

**Year Ended May 31, 2018**

There are no findings related to compliance being reported upon during the fiscal year ended May 31, 2018.

**I. FINANCIAL STATEMENTS AUDIT - FINDINGS**

**A. Internal Control over Financial Reporting**

**Year Ended May 31, 2017**

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

*Summary of Prior Year Finding:* Adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the City to properly reflect the financial statements in accordance with generally accepted accounting principles. In addition, a draft of the financial statements was prepared by the auditors and reviewed and accepted by the City. AU-C Section 265 entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency.

*Current Status:* Similar finding related to internal control over financial reporting is being reported upon during the year ended May 31, 2018, as identified as finding 2018-001.

**2017-002 Reconciliation of General Ledger and Capital Projects**

*Summary of Prior Year Finding:* During our prior 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.

*Current Status:* Similar finding related to internal control over financial reporting is being reported upon during the year ended May 31, 2018, as identified as finding 2018-002.

**2017-003 Capital Projects - Internal Controls**

*Summary of Prior Year Finding:* As disclosed in the prior year audit report, 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 advised us they dispute the claim. A notice of petition was filed on 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.

*Current Status:* Similar finding related to internal control over financial reporting is being reported upon during the year ended May 31, 2018, as identified as finding 2018-003.

**CITY OF OLEAN, NEW YORK**  
**SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED**  
**YEAR ENDED MAY 31, 2018**

**Page 78**

| <b><u>PROGRAM TITLE</u></b>                               | <b><u>NYSDOT<br/>CONTRACT<br/>NUMBER</u></b> | <b><u>EXPENDITURES</u></b> |
|---|--|----------------------------|
| Airport Improvement Program                               | PIN 5904.48, 5904.52, 5904.53                | \$ 19,466                  |
| Operating Assistance - Section 5311                       | PIN 5794.23.401                              | 305,413                    |
| Equipment Assistance - Section 5311                       | PIN 5794.09.301                              | 4,496                      |
| Consolidated Highway Improvement<br>Program (CHIPS)       | N/A  | <u>669,838</u>             |
| <b>TOTAL STATE TRANSPORTATION<br/>ASSISTANCE EXPENDED</b> |  | <b><u>\$ 999,213</u></b>   |

**Note 1 - Basis of Presentation**

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

**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, 2018.



**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, 2018. 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, 2018.

**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.2018-001, I.2018-002 and I.2018-003 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, 2018, and have issued our report thereon dated February 8, 2019. 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.

## **Other Matters**

We noted other matters that we have reported to management of *City of Olean, New York* in a separate letter dated December 13, 2018.

## **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  
February 8, 2019**

**CITY OF OLEAN, NEW YORK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**STATE TRANSPORTATION ASSISTANCE EXPENDED**  
**YEAR ENDED MAY 31, 2018**

**Page 82**

**Summary of Audit Results:**

Internal control over state transportation assistance expended:

- |   |   |
|---|---|
| • Material weaknesses identified  | Findings I.2018-001, I.2018-002 and I.2018-003. |
| • 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, 2018**

**Page 83**

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

**2018-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements**

**Year Ended May 31, 2018**

*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.

**2018-002 Reconciliation of General Ledger**

**Year Ended May 31, 2018**

*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.

**CITY OF OLEAN, NEW YORK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**STATE TRANSPORTATION ASSISTANCE EXPENDED**  
**YEAR ENDED MAY 31, 2018**

**Page 84**

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

**2018-003 Capital Projects - Internal Controls**

**Year Ended May 31, 2018**

*Condition and Criteria:* As disclosed in the prior report, 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 advised us they dispute the claim. A notice of petition was filed on 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. A policy on disclosure of litigation was drafted to address the auditor's recommendations. This policy was reviewed by the members of the Common Council and a newly created Audit and Compliance Committee. In December 2018, a resolution was passed by the Common Council adopting the policy.

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. The City intends to develop a policy on budgets during 2019. Once drafted, the Audit and Compliance Committee intends to review the policy, prior to its acceptance by the Common Council.

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. The City intends to develop a policy on change orders during 2019. Once drafted, the Audit and Compliance Committee intends to review the policy, prior to its acceptance by 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. The City intends to develop a policy on project financing during 2019. Once drafted, the Audit and Compliance Committee intends to review the policy, prior to its acceptance by the Common Council.

**CITY OF OLEAN, NEW YORK**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**STATE TRANSPORTATION ASSISTANCE EXPENDED**  
**YEAR ENDED MAY 31, 2018**

**Page 85**

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

**Year Ended May 31, 2017**

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

*Summary of Prior Year Finding:* Adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the City to properly reflect the financial statements in accordance with generally accepted accounting principles. In addition, a draft of the financial statements was prepared by the auditors and reviewed and accepted by the City. AU-C Section 265 entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency.

*Current Status:* Similar finding related to internal control over financial reporting is being reported upon during the year ended May 31, 2018, as identified as finding 2018-001.

**2017-002 Reconciliation of General Ledger and Capital Projects**

*Summary of Prior Year Finding:* During our prior 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.

*Current Status:* Similar finding related to internal control over financial reporting is being reported upon during the year ended May 31, 2018, as identified as finding 2018-002.

**2017-003 Capital Projects - Internal Controls**

*Summary of Prior Year Finding:* As disclosed in the prior report, 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 advised us they dispute the claim. A notice of petition was filed on 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.

*Current Status:* Similar finding related to internal control over financial reporting is being reported upon during the year ended May 31, 2018, as identified as finding 2018-003.



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

**Ladies and Gentlemen:**

We have completed our 2017-18 audit of the City's financial statements and have issued our reports thereon dated February 8, 2019. 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, 2018, 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  
February 8, 2019**

**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 Payroll**

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, 2018. 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 City 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.

**CITY OF OLEAN, NEW YORK**  
**SUMMARY OF ADDITIONAL COMMENTS**  
**YEAR ENDED MAY 31, 2018**

**Page 89**

**Delinquent Water and Sewer Fees**

In December of each year the City completes an analysis of delinquent water and sewer accounts and submits them to Cattaraugus County to be applied to the parcels tax bill. The County then reimburses the City for amounts turned over the following March. In the current year the total of the water and sewer delinquent accounts turned over was \$459,000 which will be received in March of 2019. The amounts being turned over has increased significantly over the last few years. We recommend an individual independent of the process review the accounts being turned over to verify the amount is accurate.

## STATISTICAL SECTION

**General Governmental Expenditures by Function**

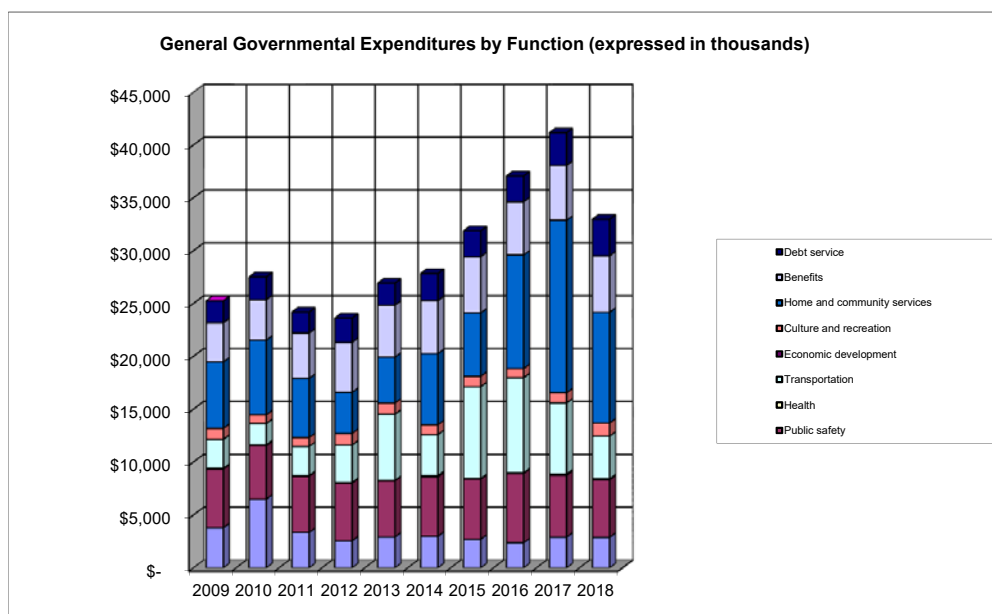
Governmental Funds(excludes bond refunding)

**Last Ten Fiscal Years**

(amounts expressed in thousands)

| <u>Function</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>      | <u>2018</u>      |
|-----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| General government support  | \$ 3,799         | \$ 6,504         | \$ 3,359         | \$ 2,564         | \$ 2,923         | \$ 2,980         | \$ 2,717         | \$ 2,377         | \$ 2,910         | \$ 2,892         |
| Public safety               | 5,534            | 5,036            | 5,303            | 5,447            | 5,310            | 5,618            | 5,678            | 6,551            | 5,843            | 5,432            |
| Health                      | 74               | 86               | 59               | 55               | 33               | 122              | 53               | 55               | 115              | 104              |
| Transportation              | 2,731            | 2,002            | 2,752            | 3,540            | 6,252            | 3,879            | 8,682            | 8,994            | 6,709            | 4,028            |
| Economic development        | 15               | 15               | -                | -                | 15               | -                | -                | 15               | 15               | 2                |
| Culture and recreation      | 1,027            | 817              | 845              | 1,106            | 1,043            | 915              | 982              | 860              | 960              | 1,232            |
| Home and community services | 6,285            | 7,065            | 5,601            | 3,884            | 4,354            | 6,743            | 6,004            | 10,746           | 16,326           | 10,488           |
| Benefits                    | 3,715            | 3,828            | 4,282            | 4,724            | 4,906            | 5,006            | 5,309            | 5,025            | 5,192            | 5,329            |
| Debt service                | 2,065            | 2,151            | 1,984            | 2,289            | 2,093            | 2,567            | 2,459            | 2,442            | 3,088            | 3,463            |
| <b>Total</b>                | <b>\$ 25,245</b> | <b>\$ 27,504</b> | <b>\$ 24,185</b> | <b>\$ 23,609</b> | <b>\$ 26,929</b> | <b>\$ 27,830</b> | <b>\$ 31,884</b> | <b>\$ 37,065</b> | <b>\$ 41,158</b> | <b>\$ 32,970</b> |

Source: City of Olean Annual Report (2009-2018)



**City of Olean**

**General Governmental Revenues by Source**

Governmental Funds(excludes bond refunding)

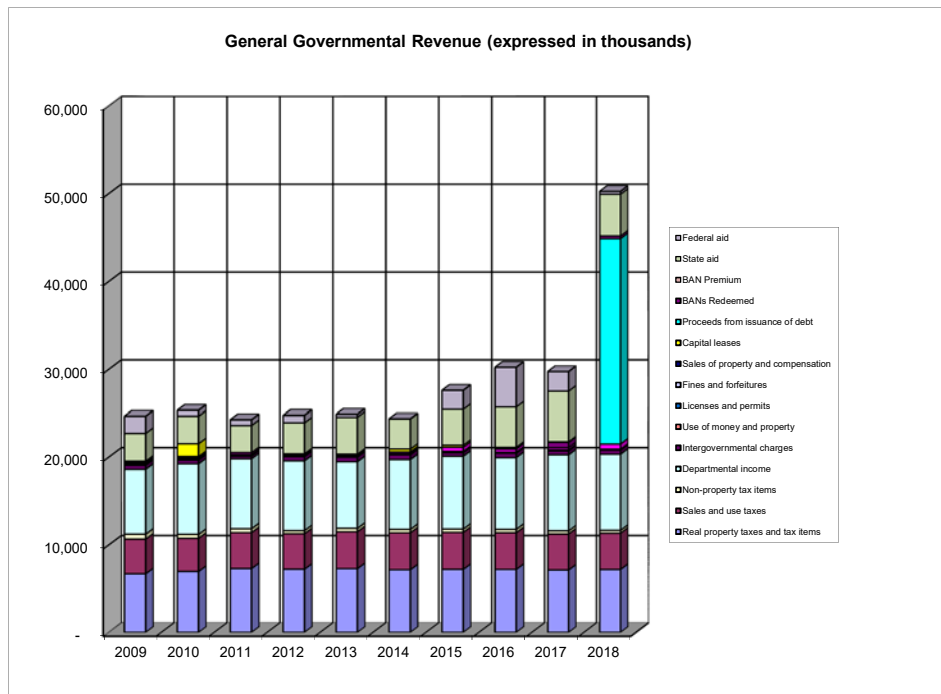
**Last Ten Fiscal Years**

(amounts expressed in thousands)

**Page 91**

| <u>Source</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>      | <u>2018</u>      |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Real property taxes and tax items  | \$ 6,679         | \$ 6,953         | \$ 7,284         | \$ 7,211         | \$ 7,278         | \$ 7,150         | \$ 7,192         | \$ 7,187         | \$ 7,120         | \$ 7,184         |
| Sales and use taxes                | 3,995            | 3,822            | 4,142            | 4,087            | 4,249            | 4,255            | 4,264            | 4,226            | 4,155            | 4,178            |
| Non-property tax items             | 572              | 450              | 455              | 364              | 401              | 398              | 380              | 396              | 357              | 333              |
| Departmental income                | 7,374            | 8,023            | 7,946            | 7,919            | 7,558            | 7,933            | 8,276            | 8,148            | 8,647            | 8,652            |
| Intergovernmental charges          | 457              | 416              | 286              | 481              | 523              | 538              | 413              | 498              | 441              | 460              |
| Use of money and property          | 127              | 44               | 36               | 29               | 19               | 10               | 7                | 6                | 8                | 8                |
| Licenses and permits               | 78               | 38               | 62               | 47               | 47               | 41               | 41               | 54               | 64               | 44               |
| Fines and forfeitures              | 96               | 131              | 90               | 94               | 82               | 73               | 63               | 44               | 49               | 53               |
| Sales of property and compensation | 92               | 83               | 13               | 5                | 14               | 13               | 26               | 19               | 13               | 4                |
| Miscellaneous local sources        | 77               | 126              | 221              | 155              | 182              | 200              | 476              | 346              | 250              | 599              |
| Capital leases                     | -                | 1,458            | -                | -                | -                | 324              | 236              | 150              | -                | -                |
| Proceeds from Issuance of Debt     | -                | -                | -                | -                | -                | -                | -                | -                | -                | 23,409           |
| BANs Redeemed                      | -                | -                | -                | -                | -                | -                | -                | -                | 601              | 304              |
| BAN Premium                        | -                | -                | -                | -                | -                | -                | -                | 60               | 58               | -                |
| State aid                          | 3,170            | 3,130            | 3,082            | 3,528            | 4,204            | 3,424            | 4,077            | 4,578            | 5,757            | 4,707            |
| Federal aid                        | 1,955            | 667              | 658              | 856              | 339              | 21               | 2,159            | 4,524            | 2,229            | 329              |
|                                    | <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> | <u>\$ 50,264</u> |

Source: City of Olean Annual Report (2009-2018)



**Fund Balance History**

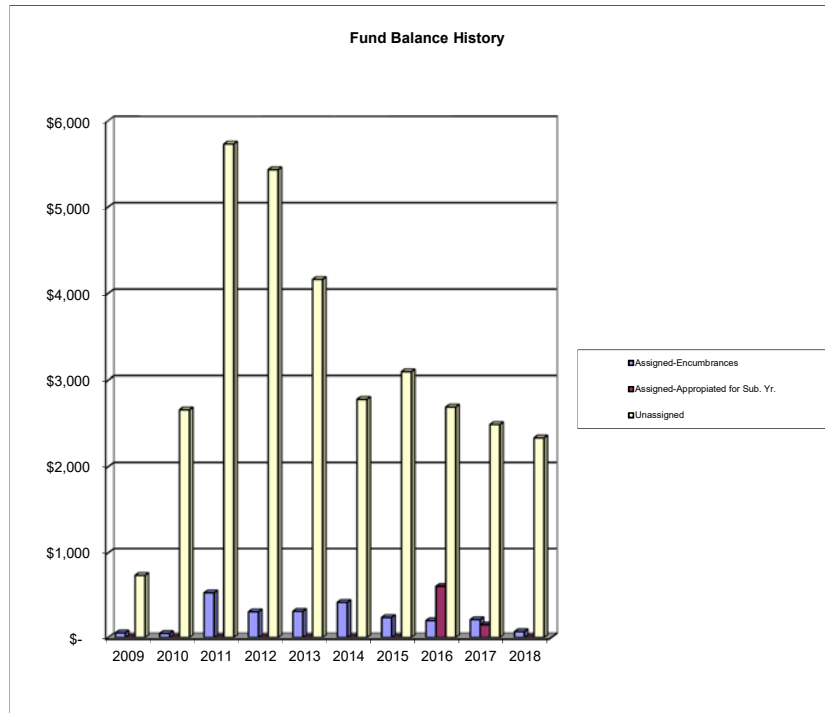
General Fund

**Last Ten Fiscal Years**

(amounts expressed in thousands)

**Source**

|                                    | <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>     | <u>2018</u>     |
|------------------------------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Assigned-Encumbrances              | \$ 55         | \$ 49           | \$ 525          | \$ 307          | \$ 312          | \$ 411          | \$ 239          | \$ 202          | \$ 213          | \$ 70           |
| Assigned-Appropriated for Sub. Yr. | -             | -               | -               | -               | -               | -               | -               | 602             | 150             | -               |
| Unassigned                         | 732           | 2,658           | 5,728           | 5,437           | 4,164           | 2,780           | 3,095           | 2,690           | 2,486           | 2,331           |
| <b>Total</b>                       | <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> | <u>\$ 2,401</u> |



Source: City of Olean Annual Report (2009-2018)

## Assessed and Equalized Full Value of Taxable Property

## Last Ten Fiscal Years

(amounts expressed in thousands)

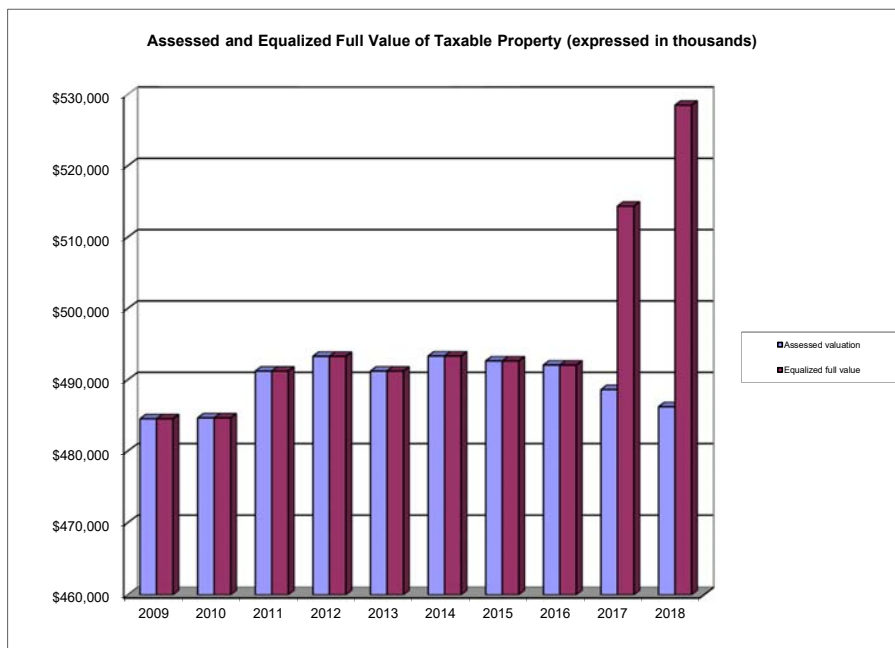
Page 93

| Source   | 2009      | 2010      | 2011      | 2012      | 2013      | 2014      | 2015      | 2016      | 2017      | 2018      |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Assessed valuation                               | \$484,520 | \$484,646 | \$491,202 | \$493,281 | \$491,211 | \$493,323 | \$492,635 | \$492,053 | \$488,611 | \$486,214 |
| Equalized full value                             | 484,520   | 484,646   | 491,202   | 493,281   | 491,211   | 493,323   | 492,635   | 492,053   | 514,327   | 528,494   |
| Ratio: Assessed value to<br>equalized full value | 100.00%   | 100.00%   | 100.00%   | 100.00%   | 100.00%   | 100.00%   | 100.00%   | 100.00%   | 95.00%    | 92.00%    |

## 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 (2009-2018)



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

Last Ten Fiscal Years

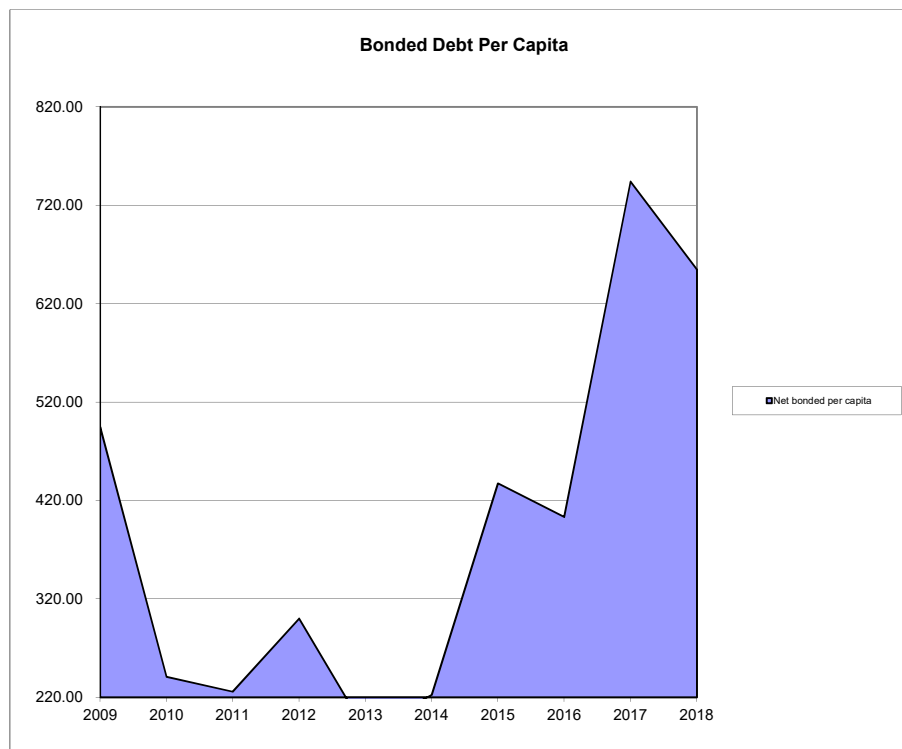
Page 94

| Source  | 2009         | 2010         | 2011         | 2012         | 2013         | 2014         | 2015          | 2016          | 2017          | 2018          |
|---|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|
| Net bonded per capita                         | 494.82       | 240.76       | 225.57       | 300.03       | 186.62       | 222.25       | 437.31        | 403.13        | 744.19        | 655.07        |
| Population                                    | 15,347       | 15,347       | 14,452       | 14,452       | 14,452       | 14,452       | 14,452        | 14,452        | 14,452        | 14,452        |
| Assessed value (000)                          | 484,520      | 484,646      | 491,202      | 49,328       | 49,121       | 49,332       | 49,264        | 49,205        | 51,433        | 52,849        |
| Gross bonded debt (000)                       | 32,786       | 30,584       | 29,052       | 27,433       | 26,106       | 24,405       | 28,532        | 32,244        | 46,699        | 44,768        |
| Less: self-supporting debt (000)              | 25,192       | 26,889       | 25,792       | 23,097       | 23,409       | 21,193       | 22,212        | 26,418        | 35,944        | 35,301        |
| Net bonded debt (000)                         | 7,594        | 3,695        | 3,260        | 4,336        | 2,697        | 3,212        | 6,320         | 5,826         | 10,755        | 9,467         |
| Ratio of net bonded debt to<br>assessed value | <u>1.57%</u> | <u>0.76%</u> | <u>0.66%</u> | <u>8.79%</u> | <u>5.49%</u> | <u>6.51%</u> | <u>12.83%</u> | <u>11.84%</u> | <u>20.91%</u> | <u>17.91%</u> |

Notes:

Self-supporting debt includes sewer and water related debt

Sources: Population (2009-2010) were obtained from the 2000 census  
Population (2011-2018) 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 2009-2018



Ratio of General Obligation Debt Service to  
Total General Expenditures

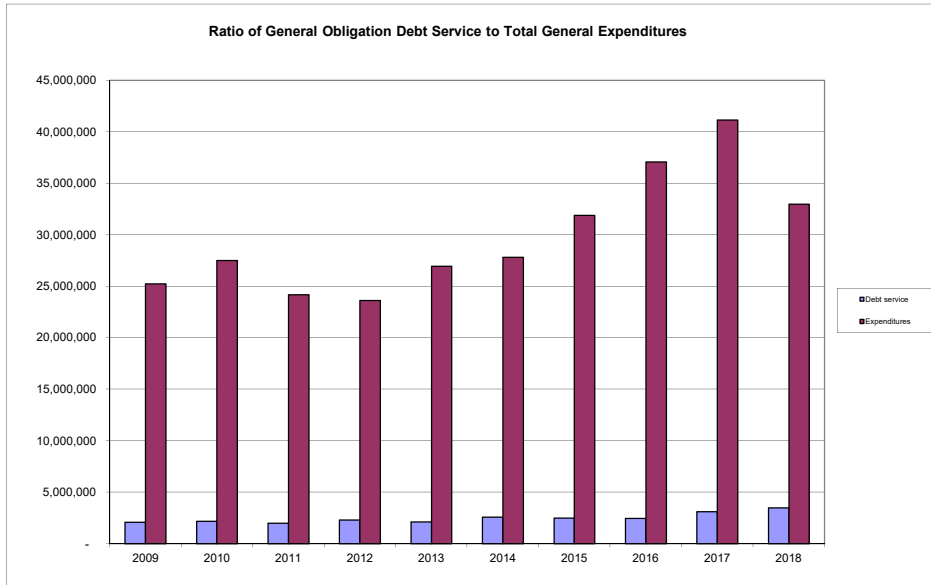
Last Ten Fiscal Years

Page 95

| Source   | 2009       | 2010       | 2011       | 2012       | 2013       | 2014       | 2015       | 2016       | 2017       | 2018       |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Debt service   | 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  | 3,463,000  |
| Expenditures   | 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 | 32,970,000 |
| Ratio of general debt service to total<br>general expenditures | 8.18%      | 7.82%      | 8.20%      | 9.70%      | 7.77%      | 9.22%      | 7.71%      | 6.59%      | 7.50%      | 10.50%     |

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, 2018**

**Page 96**

| <b><u>Taxpayer</u></b>     | <b><u>Type of Business</u></b> | <b><u>Estimated Equalized Full Value</u></b> | <b><u>Percentage of Equalized Full Value</u></b> |
|----------------------------|--------------------------------|--|--|
| Park Centre Development    | Real Estate                    | \$ 16,445,000                                | 3.20%  |
| National Grid              | Public Utility                 | 15,188,636                                   | 2.95%  |
| NYS Electric & Gas         | Public Utility                 | 13,579,631                                   | 2.64%  |
| Indeck-Olean LP            | Public Utility                 | 11,521,739                                   | 2.24%  |
| Zraj Olean, LLC            | Retail                         | 6,746,739                                    | 1.31%  |
| Dresser-Rand Industries    | Manufacturing                  | 6,528,696                                    | 1.27%  |
| 2501 West State St Co. LLC | Grocery/Retail                 | 6,521,739                                    | 1.27%  |
| Cutco Cutlery Corporation  | Manufacturing                  | 5,488,696                                    | 1.07%  |
| Troy CMBS Property (Kmart) | Retail                         | 4,648,696                                    | 0.90%  |
| Olean Medical Properties   | Health Care                    | 4,592,391                                    | 0.89%  |
| Total                      |                                | <u>\$ 91,261,963</u>                         | <u>17.74%</u>                                    |

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.

